This document comprises a prospectus (the "Prospectus") relating to BCRE-Brack Capital Real Estate Investments N.V. (the "Company" or "BCRE") and has been approved by and filed with the Netherlands Authority for the Financial Markets (the Stichting Autoriteit Financiële Markten ("AFM")). The Company has requested that the AFM provide the competent authority in the United Kingdom of Great Britain and Northern Ireland ("United Kingdom" or "UK"), the Financial Conduct Authority ("FCA") and the European Securities and Markets Authority, with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Dutch Financial Supervision Act (***Wet op het financieel toezicht***, the "Dutch Financial Supervision Act") and related regulations which implement Directive 2003/71/EC (the "Prospectus Directive") in Dutch law.

Application will be made to the FCA and to the London Stock Exchange plc (the "London Stock Exchange") for all the issued and to be issued ordinary shares of €0.01 each in the capital of the Company (the "Shares") to be admitted to the standard listing segment of the Official List of the UK Listing Authority (the "Official List") and to trading on the London Stock Exchange's main market for listed securities (together, "Admission"). No application has been, or is currently intended to be, made for the Shares to be admitted to listing or dealt with on any other stock exchange. It is expected that Admission will become effective, and that dealings in the Shares will commence on the London Stock Exchange, on 28 May 2014.

This Prospectus has been prepared solely in respect of the Admission and no Shares or other securities are being offered for subscription or sale pursuant to this Prospectus. This Prospectus is being made publicly available for information purposes only and does not require any action to be taken by Shareholders. This Prospectus does not constitute an offer or invitation to any person to subscribe for or purchase any securities in the Company.

Although the whole text of this Prospectus should be read, the attention of persons receiving this Prospectus is drawn, in particular, to the section headed "Risk Factors" set out on pages 14 to 35 of this Prospectus.

BCRE
BRACK CAPITAL REAL ESTATE

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

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

Admission to the standard listing segment of the Official List and to trading on the main market of the London Stock Exchange of 160,689,583 Shares

Peel Hunt LLP

Financial Adviser and Broker

Peel Hunt LLP ("Peel Hunt"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and no-one else in connection with Admission and will not regard any other person as its client or be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to Admission or any transaction or arrangement referred to in this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Shares in any jurisdiction. The Shares will not be generally made available or marketed to the public in the UK or any other jurisdiction in connection with the Admission. The distribution of this Prospectus and the sale of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any jurisdictions.

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act "), or under any securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any other federal or state securities commission in the United States or any other United States regulatory authority, nor have any such authorities passed upon or endorsed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Application will be made for the Shares to be admitted to the standard listing segment of the Official List. A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

The date of this Prospectus is 21 May 2014.

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

SECTION A – INTRODUCTION AND WARNINGS

Element	*Disclosure requirement*	*Disclosure*
A.1	Introduction and warnings	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. The Company does not consent to the use of this Prospectus for the subsequent resale or final placement of securities by financial intermediaries.

SECTION B – ISSUER

Element	*Disclosure requirement*	*Disclosure*
B.1	Legal and commercial name	The issuer's legal and commercial name is BCRE-Brack Capital Real Estate Investments N.V. The Company also uses BCRE as its commercial name.
B.2	Domicile/Legal form/Legislation/Country of incorporation	The Company was incorporated in the Netherlands on 13 December 2004 by a notarial deed of incorporation as a private company with limited liability under the laws of the Netherlands, with the legal and commercial name BCRE-Brack Capital Real Estate Investments B.V. and with registered number 34217263. By a resolution passed on 15 May 2014, it was resolved to change the form of the Company to a public company with limited liability under the laws of the Netherlands under the name BCRE-Brack Capital Real Estate Investments N.V.
B.3	Nature/Current operations/Principal activities	The Group is an international real estate development and investment group, headquartered and registered in the Netherlands. Through its subsidiary and associated undertakings, the Group is interested in, develops and operates

		an international portfolio of real estate assets, predominantly located in the USA, Germany, Russia, India and, recently, the UK. The current portfolio of properties in which the Group is interested comprises income-producing residential and commercial properties with a total built area of 960,000m² (831,000m² in December 2013). In addition, the Group has an interest in development projects currently under construction with a total combined lettable and saleable area of approximately 223,000m² (221,000m² in December 2013). The Group holds an interest in approximately 350,000m² of land available for sale as plotted development (same as in December 2013), and approximately 180,000m² of lettable and saleable area available for development (same as in December 2013), where development has not yet started. In addition, the Group has as interest in approximately 300 hectares of land available for future development (same as in December 2013). The Group has established local management team platforms with significant local market expertise in the US, Germany, Russia and India and is presently developing a UK platform. The Group's platforms have exclusive access to over 400 staff, around 40 in the US, 120 in Germany, 230 in Russia and 16 in India. Most of the senior management of each of its platforms have between 7 and 30 years real estate experience in the relevant market and most of them have been with the Group for over 5 years. These teams are supported by head office functions provided by around 6 staff in the Netherlands and 13 in Cyprus. The Group's net assets as at 31 December 2013 were €233.9 million with a turnover of €54.9 million for the financial year ended 31 December 2013. The Company's bond series currently in issue are rated A3 by Midroog.
B.4a	Known trends	The Group is dependent upon the overall condition of the real estate markets in the countries in which the Group operates, including, in particular, real estate prices, sale prices and rental levels in the relevant markets. The Group's local knowledge of its key markets enables it to analyse the opportunities in those markets. *USA* In the US, the Group currently focuses mainly on residential conversions and hotel developments in Manhattan. While many US submarkets have not recovered since the economic downturn, New York City has shown greater recovery than other markets. New York City has enjoyed strong demand from the corporate, group and leisure sectors, and has the highest average daily rate, occupancy and RevPAR levels within the US. In response to the strong performance of the New York City lodging and residential market, the Group has effected a significant number of disposals and unit sales since 2012 to take advantage of the market, and is currently working on a number of opportunities to invest in development and refurbishment projects in the hotel and residential markets in Manhattan. The Group's US operations also extend into other sectors, such as lending to smaller residential real estate developers in the

wider New York area (mostly Brooklyn) and multifamily residential properties outside New York, in Cincinnati.

Germany

In Germany, the Group focuses its attention primarily on commercial (mainly retail) and multifamily residential income-producing properties and mixed use developments. The German real estate market has shown a marked increase in the number of real estate transactions since 2012 and, in the commercial real estate sector, there is currently high demand for quality income-generating assets and a shortage of supply. The residential sector has also seen a moderate upward trend in real estate prices. This, coupled with strong economic performance and low interest rates, has left the Group's German portfolio relatively unaffected by the global economic slowdown. The Group plans to continue to grow its German portfolio, having recently completed the acquisition of a portfolio of assets in Bremen, Bremerhaven, Emmerich, Göttingen, Essen, Leipzig ("Tethys portfolio") and a property in Castrop-Rauxel, and continues to progress the Grafental development in Düsseldorf.

Russia

In Russia, the Group's portfolio is primarily focused on commercial developments, mainly in the retail and wholesale sectors. Retailer demand has remained relatively strong in Russia. In the Moscow region warehouse market, despite the continued upward trend in the volume of new warehouses being constructed, there is still a shortage. In response to these trends, the Group is continuing to focus on retail and wholesale developments, with two large projects currently being developed.

India

The Group's portfolio in India is primarily located on the outskirts of large cities. Indian real estate investment activity has been adversely affected by the slowdown in economic growth, inflationary pressures, currency depreciation and high interest rates in India. These factors have also affected the development and sales pace of one of the major developments of the Group. The Group is currently focusing on the development of its residential project in the north of India.

UK

In response to increased demand for office space in major cities outside London, the Group has recently re-entered the UK market with the acquisition of an office building for redevelopment in Manchester. The Group will continue to monitor these upward trends, targeting primarily commercial income producing real estate in regions where it believes there is real value.

B.5	Group description	The Company is the holding company of the Group. The significant subsidiaries of the Company are BCP, BCRE USA, BCRE Russia and BCRE UK.

B.6	Notifiable interests, voting rights and controlling interests	As at the date of this Prospectus, the Company's significant Shareholders are BCI, WP Holdings, Medinol Limited and Belsorg SA. The same Shareholders will, on Admission, be interested in 3% or more of the Company's issued share capital (being an interest notifiable under Dutch law), save for Belsorg SA which, on Admission, will be interested in less than 3% of the Company's issued share capital. In addition, GEMS Real Estate Investment Management Ltd. (which as at the date of this Prospectus is interested in less than 3% of the Company's issued share capital) will, on Admission, be interested in more than 3% of the Company's issued share capital. Save for these significant Shareholders, in so far as is known to the Directors, there is no other person interested in 3% or more of the issued share capital of the Company or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. None of the Company's significant Shareholders have or will have, immediately following Admission, different voting rights attached to the Shares they hold in the Company. Given BCI's interest in the issued share capital of the Company following Admission, BCI, BCH and Shimon Weintraub have entered into a Controlling Shareholder Agreement which will have effect from Admission. The Controlling Shareholder Agreement contains certain undertakings given by BCI, BCH and Shimon Weintraub for the benefit of the Company and the Group.
B.7	Key Financial Information	**Consolidated income statements**

	Year ended 31 December		
	2013	**2012**	**2011**
	Euros in thousands (except net earnings per share data)		
Operating income	140,071	122,009	55,415
Financial expenses, net	(28,424)	(23,563)	(3,551)
Income before tax	111,647	98,446	51,864
Net Income	108,368	105,292	53,599
Income for the year attributable to:			
Equity holders of the Company	31,265	39,942	21,016
Non-controlling interests	77,103	65,350	32,583

Consolidated balance sheets

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
ASSETS			
Total non-current assets	1,290,138	977,189	900,964
Total current assets	205,141	163,039	80,627
Assets classified as held for sale	15,608	66,483	-
Total assets	1,510,887	1,206,711	981,591
EQUITY:			
Share capital and premium	68,726	65,766	58,960
Convertible shareholders' capital notes	59,585	63,567	60,959
Reserves	(37,183)	(8,770)	(8,411)
Retained earnings	142,732	111,467	71,525
Non-Controlling Interest	408,189	333,400	245,446
Total Equity	642,049	565,430	428,479
LIABILITIES:			
Total non-current liabilities	728,214	487,318	494,463
Total current liabilities	140,624	153,963	58,649
Total liabilities	868,838	641,281	553,112
Total equity and liabilities	1,510,887	1,206,711	981,591

Consolidated cash flow statements

	2013	2012	2011
	c'000	c'000	c'000
Net cash flows (used in) from operating activities …..	9,519	30,048	(2,889)
Net cash flows (used in) from investing activities ……	(129,280)	(46,417)	(327,255)
Net cash flows (used in) from financing activities …….	127,619	60,738	337,122
Net increase in cash and cash equivalents	7,860	44,369	6,978
Effect of exchange rate movements on cash and cash equivalent	339	84	355
Cash and cash equivalents at start of period	68,724	24,271	16,938
Cash and cash equivalents at end of period	76,923	68,724	24,271

B.8	Key *pro forma* financial information	Not applicable. There is no pro forma financial information included in this Prospectus.
B.9	Profit forecast	Not applicable. The Company has not made any profit forecasts.
B.10	Description of the nature of any qualifications in the audit report on the	Not applicable. There are no qualifications in the audit report on the historical financial.

	historical financial information	
B.11	Working capital insufficiency	Not applicable. The Company believes that the working capital available to the Group is sufficient for its present requirements, which is for at least the next 12 months from the date of this Prospectus.

SECTION C – SECURITIES

Element	*Disclosure requirement*	*Disclosure*
C.1	Type and class of security	The Shares to be admitted to trading are ordinary shares and have a nominal value of €0.01 each in the share capital of the Company. The Shares will all be of the same class but will be held through uncertificated depositary interests.
C.2	Currency of securities issued	Euros.
C.3	Number of securities issued	On the date of this Prospectus, the Company has 144,591,700 Existing Shares. On the date of Admission, following the Capital Raising, the Company will have an Enlarged Share Capital of 160,689,583 issued and fully paid up Shares.
C.4	Description of the rights attaching to the securities	Each of the Shares entitles its holder to equal ranking rights to dividends and other distributions. Each holder of Shares shall be entitled to attend the General Meeting, to address such meeting and, to the extent applicable, to exercise his voting rights. Each Share entitles the holder to one vote at General Meetings. The voting rights attached to the Shares held by the Company are suspended as long as they are held in treasury. Dutch law and the Articles give Shareholders pre-emptive rights to subscribe on a pro rata basis for any issue of new Shares or upon a grant of rights to subscribe for Shares. Such pre-emptive rights do not apply, however, in respect of (i) Shares issued for a non-cash contribution and (ii) Shares issued to the employees of the Company. Provided that such restriction or exclusion relates to an issue of Shares for which the Board is authorised, the pre-emptive right may be restricted or excluded by a resolution of the Board as follows: (a) for a maximum of 10% of all issued Shares, the Board is free to restrict or exclude pre-emptive rights; and (b) for the Shares exceeding the percentage referred to under (a), the Board may only exclude or restrict the pre-emptive rights if, at the same time, the Company issues transferable subscription rights for the Shares to each Shareholder pro rata to the aggregate nominal amount of his Shares. The authority to restrict or exclude the pre-emptive right may be extended, either by an amendment to the Articles, or by a resolution at a General Meeting, for a subsequent period of up to

		five years in each case. If less than one half of the issued capital is represented at the General Meeting, a majority of at least two-thirds of the votes cast shall be required for a resolution to restrict or exclude the pre-emptive right and to delegate this authority. If the Articles designate the Board as the competent body to limit or exclude pre-emptive rights, this designation may be revoked by an amendment of the Articles. If the Board is designated by the General Meeting, this designation cannot be revoked, unless determined otherwise at the time of designation.
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares.
C.6	Admission	Applications will be made to the FCA and to the London Stock Exchange for the Shares, as represented by Depositary Interests, to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities under the symbol "BCRE" and ISIN Code NL0010763611. It is expected that Admission will become effective and that dealings in the Shares will commence at 8.00 a.m. (London time) on 28 May 2014.
C.7	Dividend policy	Subject to compliance with Dutch law and depending on the extent of a receipt of a distribution from BCP, the Company intends to target making an annual distribution to its Shareholders (either in the form of a cash dividend or in any other form available under Dutch law) of around 2.5% of the Company's end-of-year NAV commencing in 2014, assuming no change to the issued share capital of the Company. However, this is a target only and is not to be regarded as a dividend forecast. There can be no assurance that the Company will generate sufficient earnings to allow it to make distributions and, if it does, the Board may elect to reinvest the entire profit instead of making distributions.

SECTION D – RISKS

Element	*Disclosure requirement*	*Disclosure*
D.1	Key information on the key risks specific to the issuer or its industry	The key risk factors relating to the Company and its industry include the following: The Group is exposed to a number of specific real estate factors, including changes in laws and governmental regulations and fluctuations in the property markets generally and in local markets where the Group operates. If any of these factors were to materialise and be adverse, they could have a material adverse effect on the Group's business, financial condition and prospects. Liquidity of real estate assets differs substantially between markets, asset classes and between development and investment and during the development stage. Many of the Group's assets are less liquid due to their location (mainly in emerging markets), type (requiring intensive management and/or deterring institutional investors) and their state of development (particularly in relation to uncompleted developments). Such illiquidity may affect the Group's ability to dispose of or liquidate some projects in a timely fashion and at satisfactory prices in response to changes in the

economic environment, the local real estate market or other factors.

The Group may be subject to various risks relating to the imposition of sanctions by various regimes regarding the situation in Ukraine and Crimea. There is a risk that individuals or entities with whom the Company engages, are, or at any time in the future may become, subject to sanctions. As a result, the Group may, knowingly or unknowingly, be or become in breach of those sanctions. Furthermore, it is possible that further sanctions may be announced which may result in foreign lenders and investors freezing their activities in Russia and/or may affect the clearance of US Dollars and/or Euros through Russian banks and the repatriation of foreign currency out of Russia, which could have a material adverse effect on the Group's business, its financial condition and the results of its operations.

The Group's portfolio suffers from a relatively high exposure level to three large developments, a retail and wholesale market project in Kazan, a residential and office project in Düsseldorf and a shopping centre in Lyubertsy, Moscow Oblast. Any kind of deterioration in any of these projects or local markets, as well as the Group's failure to achieve its business objectives in any of them, will have a material negative effect on the Group's value, business and prospects.

The Group's income producing portfolio suffers from exposures to two asset classes in Germany, multifamily and retail, which together constitute the majority of the Group's income producing property portfolio. A deterioration in either of these asset classes will cause a material negative effect on the Group's value, business and prospects. Additionally, the Group's US portfolio has a relatively large exposure to three Manhattan lodging developments. A downturn in that asset class may cause a material negative effect on the Group's portfolio value and its ability to meet its business objectives.

The Group's portfolio of commercial income-producing properties is dependent on the presence of certain major tenants, including two in Germany and one in Kazan. A failure by any of these tenants to perform its lease obligations, or a termination of such tenant's lease or the bankruptcy or economic decline of such tenant may cause significant adverse effects to the rental income, free cash flow and values of the respective properties and to the financial situation of the Group.

Changes in interest rates may increase the Group's cost of borrowing, impacting on its profitability and having an adverse effect on the Group's free cash flow, property valuation and the Group's ability to make distributions to Shareholders.

The Group is reliant on its key management teams in the countries where it operates. The departure of any member of its key skilled management teams in any of its key platforms could cause increased risk, substantial delays and cost overruns in existing projects, disruption to the management structure and relationships, an increase in costs associated with staff replacement, lost business relationships or reputational damage, which could have a material adverse effect on the Group's business, financial condition and result of operations.

		A number of the Group's real estate assets are held through joint venture arrangements with third parties, meaning that ownership and control of such real estate assets is shared with such third parties. If any material differences or disputes arise between the Group and its joint venture partners, this could prevent the Group from achieving its business objectives. The Group's reporting currency is Euro but a number of the Group's subsidiaries and affiliates operate in non-Euro currencies. Any fluctuations between such currencies and the Euro may have a negative impact on the financial position of the Group and results of operations.
D.3	Key information on the key risks specific to the securities	The key risk factors relating to the Shares include the following: The Company's largest Shareholder, BCI, has substantial control over the Company. Under Dutch law, BCI will be able to increase its interests in the Company without incurring an obligation to make a mandatory offer for the remaining Shares. The pre-emptive rights of the Shareholders may be restricted or excluded by the Board or by Shareholder vote. There are no guarantees that the Company will make distributions or the level of any such distributions. The Company's ability to make distributions depends on its continued receipt of distributions and other income from its subsidiaries. The Shares are expected to be admitted to a Standard Listing on the Official List and as a consequence additional ongoing requirements and protections applicable to a Premium Listing under the Listing Rules will not apply to the Company. There is not currently a trading market for the Shares and there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. The trading price of the Shares may fluctuate in response to various factors, many of which are outside the Group's control.

SECTION E – OFFER

Element	*Disclosure requirement*	*Disclosure*
E.1	Net proceeds and costs of the issue	Not applicable. No Shares or other securities are being offered for subscription or sale pursuant to this Prospectus.
E.2	Reason for offer and use of proceeds	Not applicable. No Shares or other securities are being offered for subscription or sale pursuant to this Prospectus.
E.3	Terms and conditions of the offer	No public offer is being made pursuant to this Prospectus. The Company shall at Admission enter into a Subscription Agreement with certain investors for the issue of an aggregate of 16,097,883 New Shares at the Issue Price, raising €26,052,010 million. On Admission, the New Shares will represent 10.02% of the Enlarged Share Capital and will rank *pari passu* with the Existing Shares in all respects including, without limitation, in

		relation to any dividends and other distributions declared, paid or made following Admission.
E.4	Material interests	Not applicable. No Shares or other securities are being offered for subscription or sale pursuant to this Prospectus.
E.5	Name of person selling securities/lock up agreements	No Shares or other securities are being offered for subscription or sale pursuant to this Prospectus. On Admission, WP Holdings shall enter into a Share Sale Agreement with certain investors, pursuant to which WP Holdings will sell 10,206,973 Shares to such investors at the Issue Price. Following the Share Sale, WP Holdings will reduce its shareholding to around 4.92% of the Enlarged Share Capital. The Company and each of BCI, BCH and Shimon Weintraub have entered into a Controlling Shareholders Agreement, pursuant to which BCI has undertaken not to sell or transfer any Shares held by it for a period of six months from Admission (other than, subject to prior notification to Peel Hunt, the grant of security over Shares by BCI and/or its associates). BCH and Shimon Weintraub have further undertaken that for a period of six months from Admission, they shall not sell or permit to be sold any direct or indirect (respectively) interests held by them in BCI such that BCH and/or Shimon Weintraub shall cease to control (directly or indirectly) 30% or more of the Shares.
E.6	Dilution	Not applicable. No Shares or other securities are being offered for subscription or sale pursuant to this Prospectus.
E.7	Expenses charged to the investor	Not applicable. No expenses are charged to investors.

RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Prospectus including, in particular, the risk factors described below. If any of the following risks or any additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, were to occur this could have a material adverse effect on the Group's operating results, business prospects and/or financial condition. If this occurs the trading price of the Shares may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances. If investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities.

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in the section of this Prospectus headed "Summary'' are those risks that the Group believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary'' but also, among other things, the risks and uncertainties described below.

The risks referred to below are the risks which are considered to be material but are not the only risks relating to the Group and the Shares. There may be additional material risks that the Group does not currently consider to be material or of which the Group is not currently aware. Prospective investors should read this Prospectus as a whole and not rely solely on the information set out in this section.

1 Risks relating to the Group's business

1.1 *Income from and the value of real estate assets held by the Group may be adversely affected by a number of specific real estate factors*

The Group faces a number of general risks related to the real estate industry. The Group is exposed to all of the risks inherent in the business of acquiring, developing, owning, managing and using real estate. Revenue earned from, and the value of, properties held by the Group may be adversely affected by a number of factors, including: (a) changes in laws and governmental regulations in relation to real estate, including construction and development regulations and including those governing permitted and zoning usage, taxes and government charges; (b) cyclical fluctuations in the property market generally and in the national and local markets where the Group's properties are located; (c) economic and/or political changes in the countries in which the Group invests; and (d) the Group's ability to obtain adequate maintenance or insurance services on commercial terms. If any of these risks were to materialise, they could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The success of an investment in the Shares is largely dependent on real estate prices, sale prices and rental levels in the countries in which the Group operates remaining stable or rising at corresponding levels. This may not be the case. There is also uncertainty regarding the ability of the Group to sell or let the existing and newly developed properties at profitable prices or at all. The Group's financial performance depends, amongst other things, on the economic situation in the markets in which it operates. There is uncertainty, and there will always be uncertainty, regarding whether real estate markets in these countries will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialise.

1.2 *The Group's portfolio has concentrated exposure to three large development projects, including a major development in Kazan*

The Group's portfolio suffers from a relatively high exposure level to three large developments, a retail and wholesale market project in Kazan, a residential and office project in Düsseldorf and a shopping centre in Lyubertsy, Moscow Oblast. For further information relating to the developments in Düsseldorf, Kazan and Lyubertsy, please refer to sections 2.2 and 3.2 of Part II (*Detailed Overview of the Group's Portfolio and Projects*). Developments in general are high risk ventures with continuous construction, financing, operational, leasing and selling challenges, multiple exposures to changes, including to zoning, design, regulation and budget, and prolonged exposure to market and economic conditions. A deterioration in any of these projects or local markets, as well as the Group's failure to achieve its business objectives in any of them, might have a material negative effect on the Group's value, business and prospects. Additionally, and as a result of the size of these projects, any change in their respective business plans which may require the Group to inject more capital, may have a significant negative effect on the Group's liquidity.

The development in Kazan in particular is exposed to additional risks resulting from the size, nature and location of this project, including:

(a) risks relating to operating in Russia, including political instability and regulatory changes which could adversely affect the Group's ability to further develop the project in Kazan and could impair its profitability (as further described in sections 6.1 and 6.7 of this part "Risk Factors");

(b) concentrated exposure of the Group's rental income to a single tenant who sublets the wholesale and market stalls to individual tenants. A termination of such tenant's lease or a failure of the tenant to perform its obligations under the lease may cause significant adverse effect to the rental income, free cash flow and value of the property and to the financial situation of the Group;

(c) risks relating to currency exchange risks between the Group's reporting currency (the Euro), the currency of the lease agreement (USD) and the local currency of the income of the tenant and/or the subtenants (RUB). Weakening of the USD against the Euro may have a negative impact on the Group's results of operations. In addition, a weakening of the RUB against the USD may have a negative impact on the ability of the tenant and/or subtenants to pay rent thus creating an additional, indirect, exposure to changes in the local exchange rates.

1.3 *The Group's portfolio has concentrated exposure to certain asset classes in Germany and the US*

The Group's income producing portfolio also suffers from exposures to two asset classes in Germany, multifamily and retail, which together constitute the majority of the Group's income producing property portfolio. A deterioration in any of these asset classes will cause a material negative effect on the Group's value, business and prospects. Additionally, the Group's US portfolio has a relatively large exposure to three Manhattan lodging developments. A downturn in that asset class due to a decline in demand to New York or US lodging, oversupply of rooms, a decline in Manhattan hotel values or otherwise, may cause a material negative effect on the Group's portfolio value and its ability to meet its business objectives.

1.4 *The Group's portfolio is dependent on the presence of certain major tenants, including two in Germany, and its ability to replace them*

The Group's portfolio of commercial income-producing properties is leased to a significant number of tenants. However, there are certain tenants in the portfolio which contribute a relatively high proportion of the Group's rental income. In addition to the master tenant in Kazan (whose 5-year lease will expire in 2018), the Group is dependent on Kaufland (which accounted for 14% of BCP's income, as of 31 December 2013 and whose 9 to 14 year leases will expire in 2023 and 2028 respectively) and OBI (which accounted for 16% of BCP's income, as of 31 December 2013, and whose leases are expected to expire in 2026) in Germany, and on CitizenM in Manhattan (whose lease will expire in 2039). Kaufland, in particular, is considered an ''anchor'' tenant, whose stores in retail centres play an important part in generating customer traffic in those centres and in making them a desirable location for other tenants, whilst OBI is typically the sole tenant in the relevant properties.

A failure by any of these tenants to perform its lease obligations, or a termination of such tenant's lease or the bankruptcy or economic decline of such tenant may cause significant adverse effect to the rental income, free cash flow and values of the respective properties and to the financial situation of the Group. In the event of termination of such tenants' leases, the Group may be unable to find new tenants quickly or at all or at rents equal to those under the expiring leases or on equally or more favourable terms. While properties remain vacant they may incur empty rates liabilities. Any such event may also cause the property's respective lenders to declare a default on the loan and require the Group to lose the property or require the injection of additional equity by the Group, thus significantly hindering the Group's chances of achieving its business objectives. In the event of any of the above, there could be a material adverse effect on the Group's business, results of operations, financial condition and future prospects.

In relation to Kaufland and OBI, in particular, any such event may have a material adverse effect on the economic performance of the relevant retail centres and the Group as a whole, the effect of which the Group may not be able to offset due to difficulties in finding a suitable replacement tenant. In many cases, such major tenant's space would require special adjustments to suit its specific requirements and usually the cost of making these adjustments is born by the property owner. There can be no assurance that if the relevant stores were to close or the tenants were to fail to renew their leases, the Group would be able to replace such tenants in a timely manner on the same or similar terms or that it could do so without incurring material additional costs and adverse economic effects. In case of a subsequent replacement, the specific demands of the new tenants may be different and require additional expense by the owner, potentially adding cost and time to the project development and adversely affecting its profitability. The expiration or termination of a major lease at an entertainment and commercial centre may also cause the property's respective lenders to declare a default on the loan and may make the refinancing of such a centre difficult. Furthermore, the deterioration of the Group's relationships with any of its major tenants may negatively impact on the Group's ability to secure major tenants for its future projects.

1.5 *The Group's revenues from retail properties and multifamily residential properties are exposed to the risk of changes in retail economic conditions, fluctuations in the value, occupancy levels, regulation and other factors*

The Group derives a significant portion of its revenues from retail properties in Germany and in Russia, and from multifamily residential properties in Germany and in the US. Returns from investments in the Group's properties depend largely upon the amount of rental income generated from the properties and the expenses incurred in the operations, including the management and maintenance of the properties as well as changes in the market value of the properties.

Rental income and/or the market value of the Group's retail and multifamily residential properties may be adversely affected by a number of factors, including the overall conditions in the national and local economies in which the Group operates, such as growth or contraction in gross domestic product, employment trends, consumer sentiment and the level of inflation and interest rates; the level of demand for and supply of retail or multifamily properties as an investment class or of rental space; changes in laws and governmental regulations (including in relation to retail tenancy or renting to residential dwellers); and external factors including major world events such as war or acts of God such as floods and earthquakes.

In addition, returns from retail properties may be adversely affected by the perception of prospective tenants and shoppers of the attractiveness, location, tenant mix, convenience and safety of the retail properties, including footfall; the convenience and quality of competing retail properties and other retail options, as well as trends in the retail industry (in particular the actual and perceived future influence of online shopping on traditional retail formats); the financial condition of the Group's tenants and, in particular, its anchor tenants.

Further, in relation to residential properties in particular, renting a residential unit is a substitute product to buying a unit, and highly depends upon the relative attractiveness of the two products. The propensity to buy or to rent depends upon several factors, including supply of rental and for-sale properties in the respective markets, employment trends, perceived job security, mortgage interest rates, levels of income and the perceived ease of selling an owned unit. Any change in the above factors may cause a change in consumer preferences towards buying and reduce the demand for rental space. Such change would adversely affect the occupancy, rental rates, cash flow and value of the Group's multifamily properties and will negatively affect the Group's financial situation and its ability to meet its business objectives.

1.6 *The Group loan repayment schedule is exposed to interest rate risk*

To the extent that the Group incurs floating rate indebtedness, changes in interest rates may increase its cost of borrowing, impacting on its profitability and having an adverse effect on the Group's free cash flow, property valuation and the Group's ability to make distributions to Shareholders. Currently the Group undertakes various hedging arrangements including interest rates swaps and caps, but it does not fully hedge against interest rate fluctuations. In the case of interest rate swap arrangements, a reduction of the relevant market interest rates would cause the market value of the swap contract to become negative, with a corresponding negative effect of the Group's net value.

1.7 *The Group may not be able to meet its investment objectives*

There can be no assurance that the investment objectives of the Group will be met. The results of the Group's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of real estate assets, availability of finance to achieve leverage and development objectives, the performance of the key personnel in managing and developing the Group's real estate assets, the property development and other operational risks disclosed in this Prospectus and general political and economic conditions in the countries of operations. In particular, if property values and prices in the countries in which the Group invests significantly fall, the value of the Group's existing project portfolio as well as the potential returns from property development and/or investment, and therefore available to Shareholders, may be less than those targeted by the Group. If any of such risks were to materialise, the business of the Group, its financial condition or its results would be materially and adversely affected.

1.8 *The departure of key personnel or the failure to attract and retain skilled personnel could adversely affect the Group's business*

The Group's business model requires the full time employment and/or availability to the Group of multiple key skilled professionals in each of the Group's countries of operation, to develop and manage a large property portfolio typically characterised by a relatively high degree of structuring, development, and construction difficulty. Many of the key professionals currently employed by, and/or made available to, the Group have worked with the Group for many years – in the case of Germany, Russia and India, since the establishment of the respective country platforms, and in the case of the US, for the past decade - and possess highly essential and in many cases key information about the relevant markets of operation, about the Group's project portfolio and its local relationships with partners, lenders, authorities, contractors, subcontractors and other service providers. In addition, in Germany most of the staff are provided by a company that is not a member of the Group. The departure of any of its key skilled professionals in any of its key platforms (or the lack of availability of such staff to the Group in Germany) could cause increased risk, substantial delays and cost overruns in existing projects, disruption to the management structure and relationships, an increase in costs associated with staff replacement, lost business relationships or reputational damage, which could have a material adverse effect on the Group's business, financial condition and result of operations.

1.9 *The Group's involvement in joint ventures, over which the Group may not have full control, could prevent the Group from achieving its objectives*

A number of the Group's real estate assets are held through shareholders' agreements and/or joint venture arrangements with principal third parties (including the hotel assets in Manhattan, the developments in Kazan and in Lyubertsy, the property in Dmitrov and the Indian portfolio), meaning that ownership and control of such real estate assets is shared with such third parties. As a result, many decisions (including major decisions such as those relating to sales of assets, distributions, equity calls, financings, refinancings or changes to budget or business plan) may require the consent, cooperation or approval of the Group's joint venture partners or third party shareholders. For further details in relation to the joint venture agreements, please refer to sections 9.38 to 9.43 of Part VIII (*Additional Information*).

In many cases, the Group's joint venture partners may have economic or business interests or objectives that are inconsistent with the objectives of the Group. This may be for example because the partners have different liquidity needs or leverage objectives or different views on the direction of the market. As a result, material differences and disputes could arise between the Group and its joint venture partners which, in conjunction with the rights granted under the joint venture agreements, would necessitate an action being taken which may be viewed by the Group as suboptimal, such as an early disposition, failure to refinance or distribute dividends, or inability to invest in capital improvements. On certain times, and in particular in times of stress or crisis, a joint venture partner may refrain from injecting into the joint venture its share of funds required for the optimal performance of the business. In such cases, the Group may be faced with two suboptimal alternatives – either not perform the required investment or alternatively, fund the partner's share in the capital call. Further, the Group's joint venture partners may become insolvent, potentially leaving the Group liable for its partner's share of any liabilities relating to the relevant joint venture. Any of the aforementioned situations could have a material adverse effect on the Group's business, its financial condition and the results of its operations.

1.10 *A significant portion of the Group's operating expenses are fixed, which may impede the Group from reacting quickly to changes in its revenue*

A significant portion of the Group's management and personnel costs are fixed and not linked to the performance of its properties, and certain of the Group's other operating expenses, including real estate and municipal taxes, insurance, heating, cleaning, security, information technology, telecommunications and similar expenses, are also to a large extent fixed. As such, the Group's operating results are vulnerable to short-term changes in its revenues. The Group's inability to react quickly to changes in its revenue by reducing the Group's operating expenses could have a material adverse effect on the Group's profitability and therefore its ability to make distributions to Shareholders in the future and/or reduce the cash available for investment in the existing portfolio or expansion of the portfolio.

1.11 *The Group is exposed to changes in foreign currency exchange rates*

The Group's reporting currency is Euro but a number of the Group's subsidiaries and affiliates operate in jurisdictions outside the Eurozone. In many of the Group's properties and developments, particularly in the US, Russia and India, the entire cash flow of the project is denominated in non-Euro currencies, including purchase of plot or property, all the investment, development and operating costs, financing and revenues. The exchange rates between these currencies and the Euro may fluctuate significantly. Weakening of one or more of these non-Euro currencies against the Euro, and in particular the USD, may have a negative impact on the financial position of the Group and results of operations.

The Group seeks to reduce these risks by matching, in each project, the currency denomination of its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals). Where such matching is not possible, the exposure of the Group to changes in currency exchange rates is even higher, and may adversely affect further the Group's profits and cash flows. In some cases, the Group may succeed in matching the currency in lease agreements to the currencies of the loans (for example, both would be in USD in a Russia retail project), but the income of the tenant would still be in local currency (RUB in that example). In such cases, a weakening of the local currency, while legally not affecting the tenant's obligation to pay in USD, would reduce his profitability and weaken his ability to pay rent, thus creating for the Group an additional, indirect, exposure to changes in the local exchange rates.

Further, a relatively large currency exposure exists in the first series of corporate bonds issued by the Company (with a balance of €95.5 million, as at 31 December 2013) and, separately, the two series of corporate bonds issued by BCP (with a total balance of €121 million, as at 31 December 2013). All of these bonds are denominated in NIS and interest payable on them is linked to the CPI. However, neither the Company nor BCP has any matching assets valued in NIS, and as a result, both companies are exposed to fluctuations in the Euro / NIS rate of exchange and the rate of CPI change in Israel. Strengthening of the NIS against the Euro and / or accelerated CPI inflation in Israel may have a negative effect on the Group's results and financial situation. For further details on the bonds issued by the Company and BCP, please refer to sections 9.8 to 9.11 of Part VIII *(Additional Information)*.

1.12 *The Group has recently entered three new lines of business*

From the Group's experience, engaging in a new line of business (either a new asset class or in a new geography) inherently entails a higher level of risk. The Group initiated in the past 12 months three such lines of business: construction lending in New York City, non-Manhattan multifamily letting in the US and the acquisition of office or office developments in the UK. While the Group monitors these investments carefully and pays attention to risk control, there is a possibility that an important aspect of any or all of the new activities has been overlooked, or that a certain risk element has been understated, resulting in reduced profitability and inability to reach the desired business objectives. In relation to the Group's construction lending activities in particular, the borrowers are typically smaller residential real estate developers who may not have sufficient financial substance and / or access to alternative sources of finance. Whilst all loans advanced by the Group are secured by securities over the relevant properties and often by personal guarantees and/or equity pledges, there can be no assurance that, if any of such borrowers were to default, the Group would be able to recover the full amount of the loan.

1.13 *Reputational risk*

The Group may be subject to reputational risk from adverse publicity associated with particular properties, tenants or joint venture partners. Such negative publicity may have a material adverse effect on many of the business elements essential for the Group's performance and results, including ability to secure leases, confidence of potential customers, buyers and tenants, ability to obtain financing, the confidence of counterparties such as lenders, joint venture partners and service providers.

1.14 *Litigation*

There can be no guarantee that the actions of the Group will not result in litigation since the property real estate industry, as with all industries, is subject to legal claims, both with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Group's financial position or results or operations.

1.15 *Competent authorities may deem the Company or any other member of the Group operating in the EU to be, or the Company or any other member of the Group operating in the EU may in the future become, an alternative investment fund within the meaning of the AIFMD*

The AIFMD entered into force on 21 July 2011. Its objective is to create a framework for the direct regulation and supervision of alternative investment fund managers at an EU level. The Company believes that neither it nor any other member of the Group operating in the EU qualifies as an alternative investment fund with a defined investment policy which is regulated under the AIFMD, because, among other things, they are business undertakings. However, there exists uncertainty regarding the scope of the AIFMD and competent authorities may take a different view. If this position is not accepted by the competent supervisory authorities in the EU, the Company and any other member of the Group operating in the EU could be exposed to material fines, judicial penalties for non-compliance or other sanctions imposed by such competent authorities. In the Netherlands, these sanctions include an administrative fine (*bestuurlijke boete*) and a judicial penalty for non-compliance (*last onder dwangsom*) and publication thereof. Any such sanctions could have a material adverse effect on the business, financial condition and results of operations of the Group. In addition, an investor who was marketed to in breach of the AIFMD regulations may avoid or cancel its contractual obligations under, and can seek rescission of, the resulting contract.

Further, if the Company or any other member of the Group operating in the EU in the future changes its strategy, organisation, business policy or activities, the Company or any other member of the Group, as the case may be, may have to implement additional measures to comply with the requirements applicable to alternative investment funds. In the event that any such company operating in the EU becomes an alternative investment fund within the meaning the AIFMD, either at the order of a competent authority or through choice at its free will, this could materially affect their regulatory position and could subject them to a licence requirement and requirements relating to, among other things, liquidity management, remuneration, transparency, valuation and leverage. In addition, the Company or any other member of the Group operating in the EU could be required to appoint a depositary. Such requirements are likely to result in material additional operating costs for the relevant entity. There may also be restrictions on the marketing of the Shares, which in turn may have an adverse effect on liquidity and market price of the Shares. Furthermore, qualification as an alternative investment fund may significantly limit the ability of the Company or any other member of the Group operating in the EU to raise additional capital from investors in some or all EU jurisdictions in the future, which may limit the capacity of the relevant entity to fund its development, operations or obligations. Such requirements could have a material adverse effect on the Company's business, financial condition and results of operations or the ability of the Company or any other member of the Group operating in the EU to distribute or return capital to its shareholders. This may also create additional compliance costs, some of which may be passed on to investors. Failure to obtain a licence or authorisation may result in the Company or any other member of the Group operating in the EU having to cease its operations.

2 Risks relating to the real estate sector

2.1 *Investments in property are relatively illiquid*

Investments in property are relatively illiquid and investors may be reluctant to purchase or sell property in the current market. The resulting lack of liquidity in commercial real estate may inhibit the Group's ability to strategically adjust the identity and mix of its property portfolio. Additionally, relatively low liquidity is translated to a limited ability of the Group to dispose of assets when it needs to do so – such as in case of need of cash or when it identifies the market is softening.

Liquidity of real estate markets differentiates substantially between markets, asset classes and development stage. Many of the Group's assets are less liquid due to their location (mainly in emerging markets), type (requiring intensive management and/or deterring institutional investors) and development stage (particularly in relation to uncompleted developments). Such illiquidity may affect the Group's ability to dispose of or liquidate part of its projects in a timely fashion and at satisfactory prices in response to changes in the economic environment, the real estate market or other conditions.

In times of crisis or downturn, liquidity reduces further particularly in such markets and properties, and should the Group be required to sell properties during a crisis, the sale prices achieved may be significantly below book values due to the need to sell into an illiquid market. This could have an adverse effect on the Group's financial condition and results, with a consequential adverse effect on the market value of the Shares or on the Group's ability to make distributions to its Shareholders.

2.2 *The Group may be adversely impacted by a downturn in the real estate markets and general economic conditions*

The value of the Group's property portfolio as well as the successful growth of the Group's assets and its ability to acquire appropriate properties all depend to a significant extent on the state of the property market and the general economic conditions in the countries in which the Group chooses to invest. The performance of the Group will be adversely affected by a downturn in the respective property markets in terms of capital valuations, and/or sale prices and / or rental exit yields achieved.

Rental levels, residential sale prices and the market value for properties are generally affected by overall conditions in the economy and economic factors such as growth and absolute levels of gross domestic product, the level of unemployment and employment trends, interest rates and changes thereof, inflation or deflation, consumer sentiment, investor sentiment, the availability and cost of credit, overall customer demand, the liquidity of financial markets, the impact of fiscal and monetary policies aimed at stabilising economic conditions, changes in government legislation (including changes in regulatory or tax regimes) and the level and volatility of public equity and debt markets. In addition, downturn in general economic conditions in one or more of the countries in which the Group chooses to invest may reduce demand for the Group's development projects which could lead the Group to making a loss on such projects or needing to find an alternative use for the development site.

A deterioration in economic conditions could also significantly affect the activity level and financial strength of the Group's tenants. Such economic conditions or a decline in demand for the Group's properties could have a material adverse effect on the Group's asset values, business, results of operations, financial condition (including liquidity and leverage) or prospects, which could also be affected as a result of a decline in the value of real estate assets either due to a reduction in investment demand or a fall in rental values, occupancy, collection, cost structure and / or sale prices.

Current global economic conditions still entail a relatively elevated level of risk – including a potential crisis in the EU due to debt levels and unemployment, the high US debt level, Chinese borrowing and housing markets, the imposition of sanctions regarding the situation in Ukraine and the Crimea, and emerging markets vulnerability. A materialisation of any of those risks would have a negative effect on the economic conditions and on the Group's business, value, liquidity and overall prospects.

2.3 *Property valuation is inherently subjective and uncertain*

Valuations of property and property-related assets are inherently subjective due to the individual nature of each property and the many assumptions and parameters used to derive the value. As a result, valuations are subject to uncertainty and, in determining market value, valuers are required to make certain assumptions and such assumptions may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked (such as in the case of the Group's development in Kazan). There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield, projected sale prices, development cost, operating income, financing and annual rental income will prove to be attainable. The results of valuations based on other assumptions and models might produce different results. The real estate valuations presented in this Prospectus were made as at specific dates, and no assurance can be given that such valuations accurately reflect the market value of the Group's real estate in the future.

2.4 *Any adverse change in competitive dynamics in the relevant retail, apartment, lodging, office or other property markets could affect the Group's ability to let vacant space and/or to acquire sites and properties*

The Group operates in highly competitive markets for investment opportunities. Competition in the real estate markets in the countries in which the Group invests may reduce investment opportunities and affect sale prices and occupancy and rental rates of the Group's properties. Additionally, some competitors and potential competitors may have advantages over the Group, including greater name recognition, longer operating histories, pre-existing relationships with current or potential tenants, lenders and authorities, greater flexibility as to movement of clients between properties, greater financial, marketing and other resources and better access to capital and / or debt, which would allow them to respond more quickly to new or changing opportunities.

The Group competes for tenants for its properties with real estate investment funds, developers, owners and operators of commercial, residential and other real estate businesses in the regions where the Group's properties are located. If competitors offer property at rental rates or sale prices below the rates and prices charged to the Group's tenants or below market rates, the Group may lose existing tenants and be unable to attract new tenants. If, as a result of competition or lack of demand, the Group is required to reduce sale prices in its residential projects, lower daily rates in its hotels and / or reduce rental rates or sale prices, or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options to retain existing or to attract new tenants, the values of the Group's assets as well as Group's cash flow and operating results could be adversely affected.

In addition, the Group faces and will continue to face competition from other property developers for sites and properties that the Group has identified for the development of projects. Strong competition from other developers not only affects the availability of suitable sites but also the cost at which they may be acquired. Competition is exceptionally fierce in locations which are the focus of large amounts of capital, such as New York. In such locations, the Group may find it difficult to source deals that meet its investment criteria for prolonged time periods. A consequential negative result of such a scenario would be that the Group's portfolio allocation is negatively affected by the inability to source deals in high competition locations.

2.5 *The Group may incur significant costs complying with laws and regulations*

The Group currently operates in several highly regulated markets, including the hotel market in Manhattan, the multifamily market in Germany and others. A variety of laws and regulations of local, regional, national and EU authorities, including planning, zoning, environmental, health and safety, tax and other laws and regulations must be complied with by the Group. If the Group fails to comply with these laws and regulations, it may have to pay penalties or private damage awards. In addition, changes in existing laws or regulations, or their interpretation or enforcement, could require the Group to incur additional costs in complying with those laws, alter its investment strategy, operations or accounting and reporting systems, leading to additional costs or loss of revenue, which could materially adversely affect the Group's business, results of operations and financial condition.

2.6 *The Group's insurance policies may not be adequate or comprehensive*

The Group insures against key risks to its business including the risk of damage to, or the destruction of, any of its properties. Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. However, the Group may not be able to obtain insurance that covers losses resulting from external risks, such as acts of terrorism or flooding. In addition, coverage the Group can obtain may be limited as may the Group's ability to obtain coverage at reasonable rates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer and there are caps on the insured amounts, and to the extent that losses are suffered, there could be a shortfall between the amount of loss and the insured amount. No assurance can be given that the Group's current insurance coverage will be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage will always be available at acceptable commercial rates. Additionally, insurance companies may choose to contest the claim and delay payment, potentially leading to litigation, the results of which are uncertain. Such a process may lead to the Group taking the position it is best to settle and compromise, leading in turn to the Group not getting full compensation for the loss due to the insured event.

2.7 *Liability following the disposal of assets*

The Group regularly disposes of assets. Asset dispositions typically require the seller to provide representations and warranties and to pay damages to the extent that any such representations or warranties turn out to be inaccurate. The Group may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation.

2.8 *The Group is exposed to the risk of environmental contamination of its properties and the cost of any remediation may adversely affect its business, financial condition and results of operations*

The owner of a real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, in or under such property. Environmental laws often impose such liability without regard to whether the owner knew of, or was responsible for the presence of these substances. The owner's liability as to any property may not be limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The risk of environmental contamination and liability increase in large land plots and development sites, where it is more challenging to examine the entire site fully and therefore owners use statistical examination. The Company is interested in several such sites – in particular Düsseldorf, Kazan, Ludhiana and Mumbai. Additionally, in such large plots the cost of treating any environmental hazard could potentially be much higher.

The presence of such substances on, in or under any of, the properties in which the Group is interested, or the failure to remediate property contamination resulting from such substances, could adversely affect the Group's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Group's return from such investments. In addition, the presence of hazardous or toxic substances on, in or under a property may prevent or restrict development or redevelopment of such property and this could have an adverse effect on the returns generated from such property. The costs of cleaning up a contaminated property, of defending against a claim, or complying with environmental laws could be significant and could cause the Group to make a loss on a project. Future laws and regulations may impose material environmental liabilities on the Group or the property owning company, or the current environmental condition of the properties in which the Group is interested may be affected by the condition of the properties in the vicinity or by third parties unrelated to the Group. Any of such costs or liabilities could have a material adverse effect on the Group's business, financial condition or results of operations.

Additionally, any future sale of the property will be generally subject to indemnities to be provided by the Group or the property owning company to the purchaser against such environmental liabilities. Accordingly, the Group may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any such environmental issue may significantly increase the cost of a development and/or cause delays, which could have a material adverse effect on the profitability of that development and the results of operations of the Group.

A clean environmental report is generally a condition for purchase and forms part of the due diligence process. Such a report often forms part of the representations and warranties given by a seller as part of the purchase agreement. Also, some countries require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property in which the Group is interested turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a project on such property, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant. When a property is purchased by a company in which the Group is interested and the purchase agreement includes representations and warrants by the seller and various indemnification provisions against negative environmental findings, there is still the risk that obtaining the compensation or indemnification by the seller would be a lengthy and uncertain process which may result in a delay or compromise by a company in which the Group is interested, who would still end up bearing at least part of the damage.

3 Risks relating to property development

3.1 *Risk related to execution of real estate development projects*

The real estate development projects executed by the Group require significant capital outlays for the land acquisition, the obtaining of various permits and investment preparation as well as during the construction stages. Due to extensive financing requirements, such ventures are typically associated with considerable risks. In the stage until the completion of the construction, these risks include in particular the failure to obtain or renew the permits at various stages of a development project and concessions necessary to use the relevant land in accordance with its intended purpose, delays in the completion of the construction process, costs exceeding the budgeted costs, the insolvency of contractors or subcontractors, employment disputes affecting contractors or subcontractors, shortage of construction equipment or materials, accidents or unforeseen technical obstacles, failure to obtain permits needed to bring the building or buildings into use or other required permits, or changes in the regulations relating to land use or title disputes). If any of the risks were to materialise, the execution of the real estate development projects may be delayed, project execution costs may increase or profits may be lost, the funds invested in the acquisition of the land for the project may be effectively frozen or lost, and in some cases, the investment might prove impossible to complete. Each of the abovementioned events may have a material adverse effect on the operations, financial standing or results of the Group.

In particular, an important element in the success of the Group's development projects is the Group's ability to supervise the construction process and to complete its projects ahead of its budgeted completion date. This factor is of particular importance in retail projects in cities which do not have shopping and entertainment centres of the type constructed by the Group. In addition, in some of its developments, under the Group's development contracts with local municipalities and in the case of leasehold property (such as Kazan), the Group may have deadlines to start construction within a certain period and/or completion deadlines. If construction of a project does not proceed in accordance with the Group's schedule, the Group may be in breach of those deadlines and as a result, it may be exposed to negative consequences that in some cases may lead to the termination of the development or lease agreement. The failure to complete a particular project on schedule or on budget may have a material adverse effect on the Group's business, prospects, results of operations or financial condition.

Further, the developments in which the Group invests are and will be financed by a mixture of equity, deposits on pre-sales and third party financing (typically, but not exclusively, bank financing). The release of third party financing is typically staged and conditional on milestones in the development being reached. In the event that the development does not proceed as expected as a result of any of the execution risks referred to above, the lender may refuse to provide further financing or require the immediate payment of financing already drawn. In addition, should cost overruns be incurred, banking covenants may be breached and a default could occur. If the Group is unable to arrange alternative financing, it may not be possible to complete the development. This may result in the loss of the equity invested by the Group and other irrecoverable costs associated with that development.

3.2 *The Group may be subject to increases in development related expenses*

The profitability of development activities largely depends on the cost to complete the project according to the plan and within budget. The cost of completion of a development project could increase without a corresponding increase in income. Factors which could increase total development cost include:

(a) unforeseen increases in the costs of developing properties, including land works, construction, utilities, design, supervision, financing, taxes, and other budget items;

(b) the development period could be prolonged beyond the anticipated timeline for a number of different reasons, within or outside the control of the Group, resulting in increased cost (particularly financing and general conditions);

(c) defects and findings affecting the developments that need to be rectified such as soil contamination and archaeological findings;

(d) failure to perform by subcontractors or a contractor going out of business;

(e) a shortage of suitably qualified and experienced building contractors or subcontractors in the local market, resulting in higher construction costs and / or delays in completion;

(f) disputes with building contractors or other third parties; and

(g) increases in insurance premiums resulting from external events.

Such increases in cost could have a material adverse effect on the Group's financial position and its ability to make distributions to its Shareholders. Cost additions and over runs may require additional equity to be contributed by the Group, beyond what was anticipated in the business plan, and may adversely affect the Group's liquidity and financial position.

Additionally, in relation to the developments in which the Group is interested which are being performed in a joint venture, the Group may, in its capacity as developer of the project, sign a completion guarantee or any other type of guarantee without a back to back guarantee from the joint venture partners. In such case, the Group may be liable to finance from its own sources the entire cost overrun, even though it only holds part of the asset. Alternatively, the Group may guarantee part of the development cost on behalf of the entire joint venture. Such guarantee could be on cost overruns, on the entire interest cost and / or on other elements of the budget. In such case, the Group may be liable to finance from its own sources a disproportionate amount of the additional cost.

3.3 *The revenue side in the business plan of developments is difficult to project long term, and estimation thereof exposes the Group to significant fluctuations to the projected profitability of a development project*

The projection of the revenue side of the business plan of a development project involves the estimate of the rental rates or the sale prices of the completed spaces well ahead of the completion of the business plan, many times five years ahead or longer. The projected profitability of the development is highly dependent on the projection of the revenues and a decline in actual revenues achieved compared to the business plan may have a significant adverse effect on the profitability of the development, including shifting the project's results from profit to loss. Since rental and sale prices are very volatile, and highly depend on the state of the relevant real estate market when leasing or sales are being carried out, and since real estate markets are cyclical by nature, there could be a situation where the actual levels of rents or sale prices are significantly lower than the projections. Such situation may result in a considerable negative variation from the project's business plan, and may result in a significant loss to the Group.

3.4 *The Group may overpay for acquiring land for development*

Part of the business of the Group is acquiring land plots designated for developments. The process of estimating the price that the Group would agree to pay for a land plot includes estimating the projected development cost, revenues, financing, and development timeline for the project. The effect of under estimating the cost or the timeline and / or overestimating the revenues from the development could lead the Group to overpay for the land, subsequently leading to reduced profitability or to a loss on the project.

3.5 *Zoning restrictions and local opposition can delay or preclude construction*

Sites that meet the Group's criteria must be zoned for the activity designated in the business plan (such as retail, residential or any other relevant designation). In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, the Group will apply for the required zoning classifications. This procedure may be protracted, particularly in countries where the bureaucracy is cumbersome and inefficient, and the Group cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable the development to be carried out in time, or at all. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. In addition, arbitrary changes to applicable zoning may jeopardise projects which have already commenced. Therefore, if the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group's costs will increase, which will have an adverse effect on the Group's business.

Building permits have in the past contained, and may in the future contain, conditions that the Group must satisfy in order to develop the designated project. Such conditions may require the Group to contribute to local infrastructure or alter a planned development to include additional public facilities, landscaping or planted areas. If the Group is obliged to maintain certain areas of the project site as ''green areas'' this may reduce lettable areas, which in turn may result in significantly lower rental revenues and/or higher development costs than those anticipated by the Group.

3.6 *The Group depends on contractors and subcontractors to construct its properties*

The Group relies on subcontractors for all of its construction and development activities. If the Group cannot enter into subcontracting arrangements on terms acceptable to it or at all, the Group will incur additional costs which will have an adverse effect on its business. The competition for the services of quality contractors and subcontractors may cause delays in construction, thus exposing the Group to a loss of its competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would have a detrimental effect on the Group and its subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget. The Group sometimes requires its contractors or subcontractors to provide bank guarantees in its favour to financially secure their performance (wholly or partially). In the event the subcontractor fails to perform, the bank guarantees provide for a monetary payment to the Group. The guarantees do not, however, oblige the subcontractors to complete the project and may not adequately cover the Group's costs of completing the project or the Group's lost profits during the period while alternative means of completing the project are sought. Claims against guarantees can be legally challenged by the contractor and payment against such guarantees may be delayed or even withheld. Depending on the delayed or withheld amounts, such a delay may have an adverse effect on the project's cash flow and performance.

3.7 *Accidents at work affecting individuals hired by the contractors may delay construction*

The Group is exposed to the risk of accidents at work affecting individuals hired by the contractors. Even though the Group, as a rule, is not directly liable for accidents at work befalling the employees of construction contractors at the Group's construction sites, such accidents may nevertheless cause contractors to be affected with work disruptions, which may in turn delay the execution of the project and generate additional costs. This could have a material adverse effect on the operations, financial standing or results of the Group. Accidents may also cause local authorities to issue a stop order to the construction site while the accident is being investigated, thus delaying the timely completion of the development.

3.8 *The Group may be held liable for design or construction defects of third party contractors*

The Group relies on the quality and timely performance of construction activities by third party contractors for the completion of its development projects. The non-performance or the incorrect performance of the duties assumed by the contractors may result in claims against the Group by local government and zoning authorities or by third parties for personal injury and design or construction defects. Although contractors sometimes provide performance bonds which help to mitigate the impact of their non-performance, disputes with contractors can still lead to delays in the completion of a development project and/or cost overruns. These claims may not be covered by the professional liability insurance of the contractors or of the architects and consultants nor by any bond or guarantee, and may give rise to significant liabilities. This may result in the Group, which is directly liable to customers, not being able to fully recover the costs which it will incur in the non-completion of or delay in the completion of a development project, which may have an adverse effect on the business, financial condition or results of the Group.

3.9 *The Group may be affected by shortages in raw materials and employees*

The building industry may from time to time experience fluctuating prices and shortages in the supply of raw materials as well as shortages of labour and other materials. The inability to obtain sufficient amounts of raw materials and to retain efficient employees on terms acceptable to the Group may result in delays in the construction of the project and increase the budget of the project and, consequently, may have a material adverse effect on the results of the Group's operations.

4 Risks associated with the Group's investment property business

4.1 *Failure to complete commercial premises and residential units on time or damage to such properties may expose the Group to liabilities*

The Group's operations include the letting of business premises for commercial purposes and letting of residential units to occupiers. If the premises intended for this purpose are not completed on time, are different from those stipulated in the lease agreements, or are damaged, the Group may be exposed to the risk that the tenants withdraw from their lease agreements, start disputes or commence litigation, and may be forced to make payments to third parties in result of such disputes or litigation (including in connection with the termination of lease agreements or the settlement of the payments due thereunder). Any of the events described above, if they materialise, may have a material adverse effect on the operations, financial standing or results of the Group.

4.2 *Maintenance of the real properties*

The attractiveness of real properties to let depends not only on its location but also on its condition. In order to maintain the attractiveness and profitability of real properties in the long run, the property must be maintained in a good condition, and in some cases, requires improvements in order to meet the changing demands of the market. As years go by, and as market standards change, the maintenance or upgrade of such properties will require significant costs, which, as a rule, are financed by the owner of the real property in question, not by the tenants. If the actual costs of maintenance or upgrade of such properties exceed the costs anticipated by the Group, or if any hidden defects are discovered during such maintenance or upgrade works, that are not covered by insurance or construction performance guarantees, or if the Group is unable to increase the rental fee rates in light of the provisions of law then in effect or the provisions of the applicable lease agreements or because of commercial pressures, the Group will have to incur additional costs which are not covered by increased income. All such factors may have a material adverse effect on the operations, financial standing or results of the Group.

4.3 *The Group may be subject to increases in operating and other expenses*

The Group's operating and other expenses could increase without a corresponding increase in turnover. Factors which could increase operating and other expenses include:

(a) increases in the rate of inflation and currency fluctuation;

(b) increases in real estate, municipal, commercial, corporate and turnover taxes and other statutory charges;

(c) changes in laws, regulations or government policies (including those relating to health, safety and environmental compliance) that increase the costs of compliance with such laws, regulations or policies;

(d) increases in insurance premiums; and

(e) increases in manpower costs due to changes in employment environment or regulation.

4.4 *The Group may take on additional costs and liabilities associated with existing lease obligations*

A major part of the Group's business is acquiring existing commercial properties that have existing tenants. Sometimes, the Group may purchase the property with the aim of redeveloping, refurbishing, or completely demolishing and developing from grounds up. In so doing, the Group may acquire lease liabilities and obligations in connection with such acquisitions. As a consequence, the Group's earnings may be adversely affected to the extent that the Group is obliged to give continued occupation to tenants with lease payments below the then market rate – in general, and in particular for a business plan that includes refurbishing or redeveloping the property. In addition, the Group may incur costs in obtaining vacant possession of a site where there are existing tenants who have protected occupation rights, and the Group is required to pay compensation to evict such tenants. The Group may also be obliged to relocate existing tenants, which could delay the development of the site and add to the cost of development.

4.5 *The Group is dependent on attracting third parties to enter into lease agreements*

The Group is dependent on its ability to attract third parties to enter into new leases on favourable terms. The Group may find it more difficult to attract third parties to enter into leases during periods of economic downturn, and particularly in retail properties, when general consumer activity is decreasing, or if there is competition for tenants from competing properties. Furthermore, the tenants or operators of units comprising part of a development may be unable to obtain the necessary governmental permits or licences which are necessary for the operation of their respective businesses. Where such operations are delayed or not permitted due to lack of necessary permits, a negative impact on the attractiveness of the project and on revenues may result.

5 Risks related to the hotel portfolio of the Group

5.1 *The Group's revenues from hotel properties are exposed to the risk of changes in economic conditions, lodging demand, fluctuations in the value, occupancy levels and daily room rate*

The hotel portfolio in which the Group is interested is subject to certain risks common to the hotel industry. The Group currently manages two hotel development properties in Manhattan, one operating hotel in Manhattan and one operating hotel in Hamburg. The Group's operations and the results of its operations are subject to a number of factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control, including:

(a) a downturn in international market conditions or the national, regional and/or local political, economic and market conditions in the US and Germany, which may diminish the demand for leisure and business travel and meeting/conference space, in addition to fluctuations in currency, which adversely affect tourism;

(b) the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;

(c) increased competition and periodic local oversupply of guest accommodation, including a significant competition risk from internet websites such as Airbnb which offer staying in private residences as alternatives to hotel rooms;

(d) increases in operating expenses as a result of inflation, increased personnel costs and healthcare related costs, increased taxes and insurance costs, as well as unanticipated costs as a result of acts of nature and their consequences and other factors; and

(e) changes in governmental laws and regulations (including those relating to employment, the preparation and sale of food and beverages, smoking, health and alcohol licensing laws and environmental concerns, fiscal policies and zoning ordinances and the related costs of compliance).

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels in the Group's hotels, or otherwise cause a reduction in the Group's rental streams generated from its hotel properties. Such factors (or a combination of them) may also adversely affect the value of the Group's hotels and in either such case would have a material adverse effect on the Group's business, financial condition and results of operations.

6 Risks related to the geographic markets in which the Group operates

6.1 *The Group is subject to various risks related to its operations in Russia and India and potentially other developing markets it may choose to operate in, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system*

Operating in developing economies may be subject to various risks, which may include instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes in the terms and conditions of permits, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. These risks could be harmful to the Group and are very difficult to quantify or predict. The Group will be affected by the rules and regulations regarding foreign ownership of real and personal property. Such rules may be inconsistent or change quickly and dramatically and thus may have an adverse impact on ownership and may result in a loss of its property or assets without legal recourse. Domestic and international laws and regulations, whether existing today or in the future, could adversely affect the Group's ability to market and sell the properties developed by it and could impair its profitability.

In addition, some countries, including India, regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or a significant fluctuation in their currency or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies, interest rates and securities markets of certain emerging countries.

Furthermore, parts of the Russian and Indian economic system continue to suffer from corruption. Legal rights may be difficult to enforce in the face of organised crime or corruption. Prospective counterparties to the Group may seek to structure transactions in an irregular fashion, and to evade fiscal or legal requirements. They may also deliberately conceal information from the Group and its advisers or provide inaccurate or misleading information.

6.2 *Title deficiencies and legal disputes*

While the Group makes every effort to conduct thorough and reliable due diligence investigations, the Group may not in all cases have clear title to land on which properties are located as a result of various issues related to, among other things, the process of registration of title at the real estate registries in the countries of the Group's operations (particularly in Russia and India), the land expropriations carried out in the past in some countries (particularly Russia), the purchase of property from public authorities and untested law-enforcement procedures. The Group is subject to the risk that it may not acquire or be granted title to such land, and/or that the relevant entity within the Group structure could be determined to be in violation of applicable law. Any such outcome could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

6.3 *German legal requirements may impose additional obligations on the Group*

BCP and its subsidiary undertakings are party to lease agreements and other arrangements which are governed by German law. German law requires contractual provisions to be drawn up in a way which satisfies certain legal requirements as to the legal form and notarisation of them for that obligation to be enforceable. While there remains certain uncertainties on the interpretation of "written form" protection clauses, if any member of the Group fails to comply with such formal requirements, or if any of the leases are considered to form part of a series of general terms and conditions, certain tenants that would otherwise be bound by a long lease term could have a right to terminate the lease early or argue that provisions imposed upon them are invalid. If a counterparty to one of the BCP's main leases manages to successfully argue such a claim, this could have an adverse effect on the rents received by the Group.

6.4 *Certain properties in which the Group is interested in Germany are hereditary building rights and to create encumbrances and disposal of those properties requires the permission of the related land owner*

Hereditary building rights (*Erbbaurecht*) grant an ownership right in a building together with the long term right to use, but not to own, the related land. Certain properties of the Group have hereditary building rights. The creation of an encumbrance over and/or the disposal of most of those hereditary building rights require the permission of the related land owners, subject to the related hereditary building right agreement (*Erbbaurechtsvereinbarung*). While this is not uncommon in Germany, such requirement could adversely affect the Group's ability to freely encumber and/or dispose of the building the subject of such hereditary building rights.

6.5 *Certain properties in which the Group is interested in Germany are subject to pre-emption rights and the disposal of those properties could be adversely affected by such pre-emption rights*

In Germany, it is not uncommon for properties to be subject to pre-emption rights, which means in the event that the owner of such a property concludes a sale and purchase agreement in relation to such property with a third party, the beneficiary of a pre-emption right over such property may buy the property to the conditions agreed between the owner and the third party if the pre-emption right is exercised. While there are generally no legal restrictions on negotiations between the property owner and the third party and the beneficiary of a pre-emption right generally has to accept the terms as agreed between the owner and the third party, this could affect potential purchasers' desire to enter into negotiations and therefore possibly affect the sale ability or sale price of such a property. Certain properties in which the Group is interested in Germany are subject to pre-emption rights (which are registered in the land register) and the pre-emption rights could adversely affect the ability to dispose of such properties on the most favourable terms and prices.

6.6 *Certain properties in which the Group is interested in Germany are subject to public easements and additional protection*

Some of the properties in which the Group is interested in Germany are subject to public easements benefiting other properties. Furthermore, certain properties are categorised as listed buildings and therefore their alteration or conversion will be subject to approval.

6.7 *The Group may be subject to various risks relating to the imposition of sanctions by various regimes regarding the situation in Ukraine and Crimea*

Following the political upheaval in February 2014 leading to the appointment of a new interim government and separatist movements in the eastern and southern regions of Ukraine, the political situation has become extremely unstable in the region. The current crisis culminated in a referendum in Crimea on the reunification of Crimea with Russia on 16 March 2014, in which Crimea voted to join Russia. Russia has already taken steps to incorporate Crimea into the Russian Federation. The Ukraine, the European Union, the United States, Canada and a number of other jurisdictions have made statements declaring the referendum illegitimate and started to impose sanctions on Russia against certain individuals and legal entities. Such sanctions currently include the imposition of visa bans and the blocking of property and interests in property. In return, the Russian Ministry of Foreign Affairs has announced the imposition of visa bans on certain named Canadian and United States individuals. Further such sanctions may be announced. There is a risk that individuals or entities with whom the Company engages in business, or individuals or entities associated with them, are, or at any time in the future may become, subject to sanctions. As a result, the Group may, knowingly or unknowingly, be or become in breach of those sanctions. Furthermore, it is possible that further sanctions may be announced which may result in foreign lenders and investors freezing their activities in Russia and/or may affect the clearance of US Dollars and/or Euros through Russian banks and the repatriation of foreign currency out of Russia, which in turn may materially affect the ability of the Group to: (a) service any Russian debt; (b) attain and/or service financing for further development in Russia; and/or (c) repatriate hard currency and/or transfer profits out of Russia. Any of the aforementioned sanctions could have a material adverse effect on the Group's business, its financial condition and the results of its operations. In addition, the imposition of such sanctions may result in a further escalation of the political situation and a deterioration of the economic conditions in Russia. Such deterioration could be sharp and quick with further negative consequences on general macroeconomic conditions and the willingness of international tenants to operate in Russia and/or to enter into leases, particularly USD denominated leases.

7 Risks relating to the Group's borrowings

7.1 *The Group's borrowings could have a significant impact on the Group's business, financial condition and/or results of operations.*

The Group's existing bank borrowings could have a significant impact on the Group's business, financial condition and/or results of operations by:

(a) increasing the Group's vulnerability to downturns in the real estate market and the economy generally;

(b) exposing the Group, or increasing its exposure, to interest rate risk;

(c) requiring the Group to dedicate a substantial portion of cash flow to debt service thereby reducing the resources available for other purposes such as investment or distribution;

(d) limiting, through financial and restrictive covenants, the Company's ability to make distributions to Shareholders or make loans within the Group, invest in properties or financial instruments, sell assets, borrow additional funds, issue equity or engage in transactions with affiliates;

(e) subjecting the Group's assets to security interests or creating liens or guarantees thereby restricting the Group's freedom to deal with such assets as its sees fit; and

(f) placing the Group at a competitive disadvantage to less highly-leveraged competitors.

Were the Group to incur additional borrowings, the risks stated above would also apply to these borrowings.

7.2 *Non-payment of loan interest or principal expose the Group to material adverse effects*

To the extent circumstances prevent the Group or asset owning company in which the Group is interested from making interest or principal payments as they become due, creditors may enforce rights over properties that secure their indebtedness. The illiquid nature of real estate investments limits the ability of the developer or owner to convert its assets into cash in order to repay indebtedness, or may require a substantial price discount to ensure a quick sale. If any of the above risks were to materialise, the Group's asset value, financial condition and results of operations would be materially and adversely affected.

7.3 *The Group may not be able to refinance its borrowings in the longer term*

The Group together with companies in which the Group is interested has a substantial amount of outstanding secured and unsecured indebtedness. The ability of the Group to operate its business largely depends on being able to raise funds. There can be no assurance that the Group will be able to find lenders who are willing to lend on similar terms to those which apply to existing financing arrangements, or at all, or that existing financing arrangements will be able to be refinanced on similar terms, or at all, upon maturity. An increase in loan to value ratio, for example, as a result of declines in property values, would be one factor which could restrict the Group's ability to arrange such financing or refinancing in the longer term. An increase in the cost, or lack of availability of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or reasons specific to the Group, such as the extent to which it is leveraged and decline in property values), could impact both the ability to progress capital investment opportunities necessary to deliver required rates of return to meet shareholder expectations and the day to day financing (or refinancing) requirements of the Group in the longer term. If the Group is not able to refinance borrowings as they mature in the longer term and/or the terms of such refinancing are less favourable than the existing terms of borrowing, this may have a material adverse effect on the business, financial condition, results of operations, future prospects of the Group, and the Company's ability to make distributions to Shareholders. Inability to refinance existing debt on maturity on similar terms, or at all, may also force the Group to sell a property or properties it would otherwise prefer to keep. Such forced sale may also result in the sale price being less than the book value of the property, with negative effects on the Group and its equity value.

7.4 *The Group's leverage may change due to policy or to circumstances beyond its control*

The Group operates at a certain level of leverage which it assess to be suitable to its needs. An increase in the leverage could cause the risk level of the Group's business to increase. Leverage could increase due to a change in Group policy, due to actions taken by the Group or due to circumstances beyond its control, such as a dive in property values. An increase in leverage may increase the risk of the Group, the risk perception of the Shares by investors, the value of the Shares and reduce the Group's ratings and / or its ability to raise equity and debt, refinance existing debt, and obtain financing for new business.

7.5 *Failure to comply with covenants governing indebtedness could result in an event of default which may have a material adverse effect*

The use of borrowings requires the Group and will require the Group and any asset owning company in which the Group is interested in the future to service interest payments, make principal repayments and comply with other requirements of its facility agreements. A longer term and sustained decline in the market value and/or the rental value of properties in which the Group has an interest, and/or a Group, borrower or tenant default may result in a breach of the loan to value ratio and/or interest cover ratio and/or debt service cover ratio and/or other covenants specified in the loan agreements signed by the Group or the relevant land owning company, thereby causing an event of default. In such a case, assets may need to be disposed of at less than market value or the lenders could enforce their security and take possession of the underlying properties. This may have a material adverse effect on the business, financial condition, results of operations, and future prospects of the Group. Any cross-default provisions in the Group's loan agreements or corporate bonds could magnify the effect of an individual default if such a provision were exercised by the relevant lenders. In many cases, the terms of the Group's financing agreements permit the borrower to remedy any breach by setting aside additional capital. In the event that there is any such breach and the Group is required to cure a possible breach by injecting additional capital, it could have a material adverse effect on the business, financial condition, results of operations, and future prospects of the Group.

8 Risks relating to the Shares

8.1 *The Company's largest Shareholder, BCI, has substantial control over the Company*

The Company's largest Shareholder, BCI, has substantial control over the Company. Approximately 46.67% of the Shares will be held by BCI on Admission. Accordingly, BCI will have a significant influence in relation to matters submitted to a vote of the Company, including matters such as capital increases, amendments to the Articles and the appointment and dismissal of members of the Board. This may result in the value of the Shares being materially adversely affected. The interests of BCI may differ from those of the other Shareholders. The Company has entered into a Controlling Shareholders Agreement with BCI, BCH and Shimon Weintraub, further details of which are set out in section 9.3 of Part VIII (*Additional Information*).

8.2 *The pre-emptive rights of the Shareholders may be restricted or excluded by the Board.*

The Shareholders will generally have pre-emptive rights to subscribe for a pro-rata amount of any Shares issued by the Company for cash consideration. These rights may be restricted or even excluded by a resolution of the Board, provided that such restriction or exclusion relates to an issue of Shares for which the Board is authorised (for further details see section 3.14 "Issue of Shares and granting of rights to subscribe for Shares" and section 3.19 "Pre-emptive rights" of Part VIII (*Additional Information*) of this Prospectus. Shareholders who are not able to exercise their pre-emptive rights and otherwise participate in an offering of Shares will see a dilution of their shareholdings, both in respect of ownership and voting rights.

8.3 *Directors are appointed by the General Meeting from a binding nomination drawn up by the Board and dismissed by a qualified majority*

Pursuant to the Articles, the Directors shall be appointed by the General Meeting from a binding nomination drawn up by the Board. The General Meeting shall be free to make the appointment if the Board has not made a nomination within three months after the vacancy has occurred. The General Meeting can only deprive a nomination of its binding character by a resolution adopted with a majority of at least two thirds of the votes cast, representing more than half of the issued share capital. A Director may only be suspended or dismissed by the General Meeting by a resolution adopted with a similar majority. An Executive Director may also be suspended by the Board. As a consequence of the binding nomination right of the Board and the required qualified majority for a resolution of the General Meeting to suspend or dismiss a Director, the influence of the General Meeting on the composition of the Board is limited. The Board may not adopt resolutions which favour the specific interests of minority shareholders. In addition, the provisions in the Articles may have the effect of making a takeover of the Company more difficult and less attractive and this could have a material adverse effect on the price performance of the Shares.

8.4 *The Company's ability to continue to make distributions to Shareholders will depend on the availability of funds and distributable reserves*

The Company intends to make distributions to Shareholders (either in the form of dividends or in any other form available under Dutch law), but it has no obligation to do so and there can be no assurances that the Company will be able to make distributions in the future. Each year, the Board may determine which part of the profits shall be reserved. The part of the profit remaining after reservation shall be put at the disposal of the General Meeting. In deciding whether to propose a distribution, the Board will take into consideration the Group's earnings, availability of sufficient distributable reserves (according to the Company's statement of financial position, on a stand-alone basis), financial condition, level and rate of borrowings, contractual, legal and regulatory restrictions and such other factors as the Board from time to time deems relevant. If greater amounts of funds than are currently anticipated are required for the purpose of the Company's business, then less cash may be available to fund future distributions. Moreover, the Company may only make distributions to Shareholders insofar as its equity exceeds the aggregate of the paid-in and called-up part of the capital and the reserves which must be maintained pursuant to Dutch law and the Articles. In addition, because the Company conducts its business through its Subsidiaries, its ability to make distributions to Shareholders depends on the earnings and cash flow of its Subsidiaries and their making of distributions to the Company and advancing of funds to it.

8.5 *The Company may issue Shares in the future which could have a dilutive effect on Shareholders and an adverse effect on the share price of the Shares*

In addition to the Capital Raising described in this Prospectus, it is possible that the Company may decide to offer additional Shares in the future. An additional offering of Shares by the Company, or the possibility of such issue or exercise, particularly if at a discount to the prevailing net asset value of a Share, may cause the market price of the Shares to decline and may make it more difficult for Shareholders to sell Shares at a desirable time or price. In addition, the proportionate ownership and voting interest in the Company of Shareholders who do not subscribe for Shares in respect of any such future issue will be reduced. For instance, certain Shareholders may not be able to subscribe for Shares offered as a result of applicable securities laws in their jurisdictions. Shareholders who are not able to participate in an offering of Shares will see a dilution of their shareholdings, both in respect of ownership and voting rights.

8.6 *The Shares are expected to be admitted to a Standard Listing on the Official List and as a consequence additional ongoing requirements and protections applicable to a Premium Listing under the Listing Rules will not apply to the Company*

Application will be made for the Shares to be admitted to a *Standard Listing* on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE100, FTSE250 etc). This may mean that certain institutional investors are unable to invest in the Shares.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section entitled “Consequences of a Standard Listing” on page 40 of this Prospectus.

8.7 *The FCA may cancel the Company’s listing if the percentage of Shares in public hands falls below 25%*

Companies with a Standard Listing must have at least 25% of the shares of any listed class in public hands at all times in one or more EEA States and the FCA must be notified as soon as possible if these holdings fall below that level, which may result in the shares of a company being delisted if the FCA considers there to be insufficient liquidity. The FCA may modify this requirement to accept a percentage lower than 25% if it considers that there is sufficient liquidity and the market will operate properly with such lower percentage. The FCA has agreed to do so in this case notwithstanding that the percentage of Shares in public hands in one or more EEA states will be below 25% on Admission. However, there can be no assurance the FCA will continue to do so if the percentage of Shares held by persons in the EEA or the aggregate shares in public hands and broad number of shareholders (inside and outside the EEA) were to fall. In such case, the FCA may allow a reasonable time to restore the percentage and/or may seek to cancel the Company’s listing if there is no prospect of such percentage (or such lower percentage as the FCA may permit) being restored within a reasonable time.

8.8 *Active trading in Shares may not develop*

Investors should be aware that the value of the Shares may go down as well as up and that they may not be able to realise their investment. Although the Company has applied for admission of the Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities, and it is expected that these applications will be approved, the Company can give no assurance that the trading market for the Shares will be active or, if developed, will be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and/or trading price of the Shares could be adversely affected.

8.9 *The price of the Shares may be volatile*

The price at which the Shares are quoted and the price which investors may realise for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some related to the quoted real estate sector or quoted companies generally and which are outside the Company’s control. These factors could include the performance of the Company, large purchases or sales of the Shares, legislative changes affecting the real estate sector, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares.

The results of the Company may fluctuate significantly as a result of a variety of factors, many of which may be outside the Company's control. Period to period comparisons of the Company's results may not be meaningful and investors should not rely on them as indications of the Group's future performance. The Group's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Shares.

8.10 *The sale of a substantial number of the Shares, or the perception that such sales could occur, could adversely affect the price of the Shares*

The price of the Shares could decline as a result of the sale of substantial number of Shares in the market, or could be held back by the perception that such sales could occur. Such perception also might make it difficult for the Company to issue equity securities in the future at a time and at a price that it deems appropriate.

8.11 *If the Company is dissolved, distributions to Shareholders will be subordinated to the claims of creditors*

On a return of capital on a dissolution of the Company, holders of Shares will be entitled to be paid out of the assets of the Company only after the claims of all creditors of the Company have been settled. Further, the Company's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors.

8.12 *The future market price may not reflect the net asset value of the Group*

There is no guarantee that the market price of the Shares will fully reflect the underlying value of the assets owned by the Group. As well as being affected by the underlying value of such assets, the market price of the Shares will be influenced, amongst other factors, by the supply and demand for the Shares in the market. Accordingly, the market price of the Shares may vary considerably from the underlying value of the Group's assets.

8.13 *The controlling shareholder will be able to increase its interest in the Company without incurring an obligation to make a mandatory offer*

Any offer for Shares will be subject to both the UK City Code and the Dutch Financial Supervision Act. Whilst the UK City Code will apply in respect of consideration and procedural matters, the Dutch Financial Supervision Act will apply in relation to employee information and company law matters, including the percentage of voting rights which trigger an obligation to make a mandatory offer for the remaining Shares, any derogation from the obligation to launch an offer and the actions that the Board may take which may result in the frustration of an offer for the Company. In particular, under the Dutch Financial Supervision Act, the obligation to make a mandatory offer for all the shares in a company arises when a shareholder acquires a 30% of the voting rights of the company. Accordingly, as BCI will already hold in excess of 30% of the voting rights of the Company on Admission, for so long as it continues to do so, it will be able to increase its interest in Shares without incurring any obligation under the Dutch Financial Supervision Act to make a mandatory offer.

9 Risks relating to the Depositary Interests

9.1 *DI Holders do not have the rights attaching to the underlying Shares and must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit*

In order for the Shares to trade in CREST, the Company has created a DI programme under which each Share is represented by a Depositary Interest. DI Holders do not have the rights which Dutch law confers on Shareholders, such as voting rights. In respect of the Shares underlying the DIs those rights vest in the Depositary (or its custodian). Consequently, if the DI Holders wish to exercise any of those rights they must rely on the Depositary (or its custodian) to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the Deed Poll which creates the DIs, the Depositary (or its custodian) must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant DI Holders all rights and entitlements which it receives or is entitled to in respect of the underlying Shares and which are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised. Under the Articles, the DI Holders have been granted the rights which Dutch law confers on Shareholders, to the extent legally possible.

10 Risks relating to taxation of the Group and regulation

10.1 *Changes in taxation may adversely affect the Group's business*

Any change in the Group's tax status or in taxation legislation in any country where the Group has operations or interests in assets could affect the value of the assets in which the Group is interested or affect the Group's ability to achieve its investments objectives or provide favourable returns to Shareholders. Any such change could also adversely affect the net amount of any dividends payable to Shareholders.

The Company is principally resident in the Netherlands for Dutch tax purposes, unless another country validly claims the tax residency of the Company. In order to maintain its non-United Kingdom tax residence status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-United Kingdom tax residence of the Company. While the Company is organised in the Netherlands and a majority of the Directors are resident outside the United Kingdom continued attention must be paid to ensure that major decisions by the Company are not made in the United Kingdom, to avoid a risk that the Company may lose its non-United Kingdom resident status. Possible management errors could potentially lead to the Company being considered a United Kingdom tax resident which would negatively affect its financial and operating results and returns to Shareholders.

In order for the Group to maintain its tax efficiency, continued attention must be paid to ensure that all relevant conditions are satisfied in all the jurisdictions in which the Group operates to avail itself of the benefits of, for example, double tax treaties, EC Directives and local country requirements.

10.2 *Risks associated with the tax structuring of investments*

The Company and its Subsidiaries currently structure their respective property investments in each relevant country in a manner which, based on professional advice, seeks to optimise their respective tax position in those countries. The structures adopted are based on relevant laws and regulations in each country and the interpretation of those laws and regulations (including tax treaties and EC Directives).

To the extent that the laws and regulations or interpretations of those laws and regulations change, or to the extent that the professional advice obtained is incorrect, the structures adopted may not be tax efficient and consequential tax charges could be significant and higher than reflected in the Group's net value and financial information and may have a material adverse effect on the financial condition and results of operations of the Group.

10.3 *Risks associated with the tax structuring for disposing of investments*

Typically the real properties in which the Group is interested are held through property holding companies established in various jurisdictions. In many occasions, it is the intention of the Group, wherever possible, to dispose of the property holding companies rather than the real estate itself. If the Group were to dispose of the direct real estate interests held by those companies, rather than the companies themselves, the tax basis cost for the calculation of the capital gains generated on disposal of the real estate may well be lower than the price paid by the Group for the property holding company, therefore increasing the capital gains tax liability for the Group on disposal. There may be situations where, in order to dispose of a property, the Group is required to sell the underlying real estate rather than the holding company, thereby increasing its capital gains tax exposure. The aforementioned facts may trigger higher transfer taxes than are expected and could have a material adverse effect on the business, financial condition or results of the Group.

IMPORTANT INFORMATION

1 Notice to prospective investors

Prospective investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Peel Hunt. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 5:23 of the Dutch Financial Supervision Act, the delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt by the FSMA or the regulatory regime established thereunder or any other applicable regulatory regime, Peel Hunt does not accept any responsibility for the contents of this Prospectus and, accordingly, disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of such document or any such statement.

Prior to making any decision as to whether to invest in Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

2 Responsibility statement

The Company accepts responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the Company further declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

3 Interpretation

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part XI (*Definitions*).

References to the singular in this Prospectus shall include the plural and *vice versa*, where the text requires. Any references to time in this Prospectus are to London times unless otherwise stated.

Consolidated financial information and International Financial Reporting Standards

The financial information of the Group contained in this Prospectus is presented on a consolidated basis. The consolidated financial information of the Group for the three years ended 31 December 2013, 2012 and 2011 contained in this Prospectus has been prepared in accordance with IFRS as adopted by the European Union (EU).

Presentation of financial information

The Company's financial year runs from 1 January to 31 December. The financial information included in Part X (*Financial Information*) was prepared for the purpose of this Prospectus in accordance with IFRS as adopted by the European Union (EU) and has been reported on by the Reporting Accountant in accordance with the International Standards on Auditing. Prospective investors should consult their own professional advisers to gain an understanding of the financial information included in Part X (*Financial Information*).

Information in relation to the Existing Shares

Information supplied in relation to the Shares in issue at the date of this Prospectus takes into account the Share Split, unless otherwise indicated.

Information in relation to BCP

Shares in BCP are listed on the TASE and BCP provides updated information in accordance with the rules of that market. The information included in this Prospectus in relation to BCP and its Subsidiaries has been extracted from BCP's latest prospectus and the latest annual information update published by BCP in accordance with the rules of the TASE as at 31 December 2013 (the "**2013 Barnea**").

Presentation of key operating metrics

The Group measures its operating performance according to a number of key operating metrics, such as Net Asset Value (or "NAV"). Other companies operating in the real estate sector may use these terms, phrases and operating metrics differently when describing their own operating performance, as a result of which these terms, phrases and unaudited operating metrics may not be directly comparable.

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information, has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to the "Euro" or "€" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the treaty establishing the European Community, as amended. The Company prepares its financial information in Euros. All references to "US dollars", "USD" or "US$" are to the lawful currency of the United States. All references to "Russian roubles" or "RUB" are to the lawful currency of Russia. All references to "Israeli new shekels" or "NIS" are to the lawful currency of Israel. All references to "Indian rupees" or "INR" are to the lawful currency of India.

Joint Ventures

All references to "joint ventures" in the Financial Information for the year ended 31 December 2013 contained in Part X are to a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture and, for these purposes, "joint control" is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. All other references in this Prospectus to "joint ventures" are to a type of undertaking in which the Group has a participating interest, whether or not such undertaking is considered to be jointly controlled.

Information in relation to ratings

The ratings contained in this Prospectus have been assigned by Midroog (in respect of BCRE's bonds) and Maalot (in respect of BCP and BCP's bonds). The Company's bond series currently in issue are rated A3 by Midroog. Midroog is a credit rating agency accredited by Israel and a subsidiary of Moody's Investors Service Inc. ("**Moody's**"). Midroog has its own policies and rating procedures, however, its methodologies are based on those of Moody's. According to Midroog's rating scale, companies or obligations rated "A" are considered by Midroog to be in the upper-end of the middle rating and involve low credit risk. Numerical modifier 3 in the "A" category indicates that the bonds are in the lower end of the "A" rating category.

BCP and BCP's bonds are currently rated ilA+/Stable and ilA+, respectively, by Maalot. Maalot is a credit rating agency accredited by Israel and a subsidiary of Standard & Poor's ("**S&P**"). Maalot has its own policies and rating procedures, however, its methodologies are based on those of S&P. According to Maalot's rating scale, companies rated "ilA" are considered by Maalot to be more susceptible to the adverse effects of changes in circumstances and economic conditions than higher–rated obligors, yet they are considered to have a moderately strong capacity to meet their financial commitments, relative to other Israeli obligors. The addition of a plus (+) or minus (-) sign to the rating is used to indicate the relative strength within the rating category.

Valuations

The valuations detailed in each of the valuation reports appended to this Prospectus have been carried out by independent, external and RICS-registered valuers.

No material change to the valuations of the investment properties set out in the valuation reports in Part XII (Valuers' Reports) has occurred since the date of valuations

4 Market, economic and industry data

Where third party information has been used in this Prospectus, the source of such information has been identified. Sources of third party information in this Prospectus are publicly available documents produced also by Jones Lang LaSalle, Cushman & Wakefield, Lambert Smith Hampton, Douglas Elliman Real Estate and Deloitte. The Company has also used market data provided by third parties for the Company specific assets valuations. The third parties are Colliers, Cushman & Wakefield and LW Hospitality Advisors. The Company confirms that all such data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

5 Information regarding forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "targets", "plans", "projects", "anticipates", "prepares", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, prospects, growth, strategies, property developments (and amount of development space), targeted dividends and the sector in which it operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial position, and the development of the markets and the sector in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial position and the development of the markets and the sector in which the Group operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, sector trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in the sections of this Prospectus entitled "Summary", "Risk Factors", Part I (*Information on the Group*) and Part VI (*Operating and Financial Review*).

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as of their respective dates, reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. Subject to its legal and regulatory obligations (including under the Listing Rules, the Disclosure and

Transparency Rules, the Dutch Financial Supervision Act and the DCC), the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus.

These forward-looking statements apply only as of the date of this Prospectus.

6 No incorporation of website information

The contents of the Company's website at www.brack-capital.com do not form part of this Prospectus. Prospective investors should base their decision to invest on the contents of this Prospectus alone.

CONSEQUENCES OF A STANDARD LISTING

Application will be made for the Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings.

1 Continuing obligations

Listing Rule 14.3 sets out the continuing obligations applicable to companies with a Standard Listing.

The Listing Rules require that such companies' listed securities must be admitted to trading on a regulated market at all times. Such companies must have at least 25% of the shares of any listed class in public hands at all times in one or more EEA States and the FCA must be notified as soon as possible if these holdings fall below that level. The FCA may modify this requirement to accept a percentage lower than 25% if it considers that there is sufficient liquidity and the market will operate properly with such lower percentage. The FCA has agreed to do so in this case notwithstanding that the percentage of Shares in public hands in one or more EEA states will be below 25% on Admission.

The continuing obligations under Chapter 14 also include requirements as to:

(a) forwarding of circulars and other documentation to the National Storage Mechanism, and related notification to a RIS;

(b) the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;

(c) the form and content of temporary and definitive documents of title;

(d) the appointment of a registrar;

(e) notifying an RIS in relation to changes to equity and debt capital; and

(f) compliance with the applicable requirements of the Disclosure and Transparency Rules.

In addition, pursuant to the Listing Rules (Listing Regime Enhancements) Instrument 2014 (FCA 2014/33) published by the FCA on 2 May 2014, the scope of Listing Principles 2 (requiring listed companies to establish and maintain adequate procedures, systems and controls to enable them to comply with their obligations) and 6 (requiring listed companies to deal with the FCA in an open and co-operative manner) has been extended to apply to all listed companies, including those with a Standard Listing (such Listing Principles being referred to as Standard Listing Principles).

2 Level of regulatory protection

A company with a Standard Listing will not be required to comply with the remaining Listing Principles or Listing Rules that apply to a company with a Premium Listing. In particular, the Company will, following Admission, not be required to comply with, *inter alia*, the provisions of Chapters 6 and 8 to 13 of the Listing Rules and certain provisions of Chapter 7, which set out more onerous requirements for issuers with a Premium Listing of equity securities. As a consequence, the Shareholders will not receive the full protections of the Listing Rules associated with a Premium Listing.

In addition to the Standard Listing Principles (the application of which, as mentioned above, has been extended to companies with a Standard Listing), the Company intends to also comply with the Premium Listing Principles set out in Chapter 7 of the Listing Rules notwithstanding that these only apply to companies which obtain a Premium Listing on the Official List. The Company is not, however, formally subject to the Premium Listing Principles and will not be required to comply with them by the UK Listing Authority.

In addition, while the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

(a) Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company does not have, and does not intend to appoint, such a sponsor in connection with Admission;

(b) Chapter 9 of the Listing Rules relating to continuing obligations. Chapter 9 includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10% of market value, notifications, and the content requirements of certain financial information.

Further, the Company is not required to comply with the Model Code. However, the Company has adopted a share dealing code that is compliant with the Dutch Financial Supervision Act and broadly consistent with the provisions of the Model Code, and will continue to follow such dealing code following Admission.

(c) Chapter 10 of the Listing Rules relating to significant transactions which require Shareholder consent for certain acquisitions. As a Dutch company, the Company is required to obtain Shareholders' approval with respect to any material change of the identity or the character of the Company or its enterprise (including, but not limited to, those changes set out in section 3.56(a) of Part VIII (*Additional Information*) and the application for bankruptcy of the Company);

(d) Chapter 11 of the Listing Rules regarding related party transactions. Nevertheless, related party transactions with BCI, BCH, Shimon Weintraub and their respective associates are required to be on arm's length terms under the terms of the Controlling Shareholders Agreement;

(e) Chapter 12 of the Listing Rules regarding purchases by the Company of its Shares; and

(f) Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply.

EXPECTED TIMETABLE

Publication of this Prospectus	21 May 2014
Admission expected to become effective and dealings in Shares expected to commence	28 May 2014
Expected date for CREST accounts to be credited (where applicable) in respect of Depositary Interests	28 May 2014

All references to times in this Prospectus are to London time unless otherwise stated. Dates are indicative and may be subject to change.

ISSUE STATISTICS

Issue Price	€1.61835
Total number of Shares in issue at the date of this Prospectus	144,591,700
Total number of Shares to be issued pursuant to the Capital Raising	16,097,883
Estimated gross proceeds of the Capital Raising	€26,052,010
Total number of Shares to be in issue at Admission	160,689,583
Market capitalisation of the Company at the Issue Price	€260,052,011

DEALING CODES

ISIN	NL0010763611
Sedol	BMHTT06
Ticker	BCRE

DIRECTORS AND ADVISERS

Directors	Harin Thaker (*Chairman and Non-executive Director*) Jan van der Meer (*Non-executive Director*) Michiel Olland (*Executive Director*) Daniel Aalsvel (*Non-executive Director*)
Financial Adviser and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Reporting Accountant	Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global 3 Aminadav St. Tel-Aviv 6706703 Israel
Statutory Auditor	JPA Van Noort Gassler & Co B.V. Nieuwe Parklaan 73 2597 LB The Hague the Netherlands
Legal advisers to the Company as to English Law	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Legal advisers to the Company as to Dutch Law	Loyens & Loeff N.V. P.O. Box 71170 1008 BD AMSTERDAM Fred. Roeskestraat 100, 1076 ED Amsterdam The Netherlands
Advisor to the Company	Be'ery Capital Ltd. Investment Bankers 89 Medinat Hayehudim St. Herzliya 46140 Israel
Legal advisers to the Financial Adviser and Broker	Jones Day LLP 21 Tudor St London EC4Y 0DJ
Independent Valuers	Butler Burgher Group, LLC 200 West Monroe Street + STE. 610 Chicago IL 60606 Cushman & Wakefield (India) Pvt Ltd 14th Floor, Block C, Building No. 8, DLF Cyber City Gurgaon Haryana India

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New York 10018

NAI apollo valuation & research GmbH
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Germany

Depositary

Capita IRG Trustees Limited
The Registry
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PART I
INFORMATION ON THE GROUP

1 Introduction

The Group is an international real estate development and investment group, headquartered in the Netherlands. Through the Company's subsidiary and associated undertakings, the Group is interested in, develops and operates an international portfolio of real estate assets, predominantly located in the USA, Germany, Russia, India and, recently, the UK.

The current portfolio of properties in which the Group is interested comprises income-producing residential and commercial properties with a total built area of 960,000m² (831,000m² in December 2013). In addition, the Group is interested in development projects currently under construction with a total combined lettable and saleable area of approximately 223,000m² (221,000m² in December 2013). The Group is also interested in approximately 350,000m² of land available for sale as plotted development (same as in December 2013), and approximately 180,000m² of lettable and saleable area available for development (same as in December 2013), where development has not yet started. In addition, the Group has as interest in approximately 300 hectares of land available for future development (same as in December 2013).

While the majority of the assets in which the Group is interested are jointly owned with third parties, the Group seeks to retain day-to-day management and operating control of its projects using its highly experienced local management teams.

The Group has established local management team platforms with significant local market expertise in the US, Germany, Russia and India and is presently developing a UK platform. The Group's established platforms have exclusive access to over 400 staff, around 40 in the US, 120 in Germany, 230 in Russia and 16 in India. Most of the senior management of each of its platforms have between seven and thirty years' of real estate experience in the relevant market and most of them have been with the Group for over five years. These teams are supported by head office functions provided by 6 staff in the Netherlands and 13 in Cyprus.

The Group's net assets as at 31 December 2013 were €233.9 million. The Group had revenues of €54.9 million in the financial year ended 31 December 2013. The Company's bond series currently in issue are rated A3 by Midroog.

The Group's German platform is BCP. The Group has a 34.8% interest in BCP and acts on behalf of another subsidiary of BCI (the controlling shareholder in the Company), in respect of an additional 6.65% interest. Accordingly, the Company holds effective management control of BCP, whose financial results are consolidated with the Company's. BCP is listed on the TASE with net assets of €242 million as at 31 December 2013 and revenues of €49.9 million in the financial year ended 31 December 2013.

2 History

The Company was established in December 2004 to carry out the real estate activities of the Brack Capital Group, a group of companies formed in 1992 primarily by Shimon Weintraub and Ronen Peled to invest, initially, in capital markets activities. In 1994, the focus of Brack Capital Group expanded to the real estate, energy and private equity sectors (worldwide). Brack Capital Group, which is currently controlled by Shimon Weintraub, has almost 20 years of history in the real estate sector, having invested in properties with other investors which have a combined property value in excess of US$10 billion primarily in the USA and in Europe and an aggregate gross area of over 4 million m² of office, retail, hotels and residential space.

The Group can trace its real estate history back to the mid 1990's when Brack Capital Group started investing in rental properties in the Manhattan commercial property market and later (in the late 1990's to early 2000's) in residential conversions and condominium development projects through a series of one-off acquisitions and developments, typically with co-investors.

Brack Capital Group extended its activity outside New York in the late 1990's with investments in Hungary and the UK. In 2002, a consortium led by a member of Brack Capital Group (also comprising

Apollo, Merrill Lynch, Lehman Brothers and others) made a successful bid for 82.7% of the issued share capital of Haslemere (a Dutch company listed on Euronext in Amsterdam, with secondary listings in London and Frankfurt and a listing on the Marché Libre in Paris, and with a UK real estate portfolio of 130 properties worth approximately €2.4 billion), valuing the whole company at €1.46 billion. Following completion of the acquisition in 2002, Haslemere remained publicly traded with remaining minority holders, and Brack Capital Group managed the execution of the business plan on behalf of the consortium, until the end of 2004, when Haslemere was sold to GE Capital Real Estate.

Since the sale of Haslemere and the incorporation of the Company in 2004, all real estate activities of Brack Capital Group outside of Israel have been carried out by the Group. Between 2004 and 2006, the Group's real estate platforms in Germany, Russia and India were established.

Since its inception, the Group has developed strong relationships with a number of international partners, with whom the Group has owned jointly a number of its properties and developments particularly in Manhattan and Russia. In March 2007 the Group established a US$109 million fund primarily for Israeli pension fund and insurance company investors called the BCRE India Fund. The BCRE India Fund was established to invest in India and China but after initial investment in India turned in March 2009 to invest in Manhattan. In addition, the Group established in April 2011 the Co-Investment Club, a co-investment pool of high net worth individuals and family offices, to which the Group granted certain co-investment rights in appropriate developments and properties. The Co-investment Club has co-invested with the Group in transactions in Germany, Russia and the US since 2011. While the obligations on the Company to offer transactions to the members of the Co-investment Club expired in April 2014, the Group intends to continue to offer co-investment opportunities to members of the Co-investment Club and others where appropriate. The Group generally receives management fees and performance fees from its co-investors, the amounts of which vary depending on the jurisdiction of the investment.

For the purposes of funding its own equity investment in its projects, the Company has effected a number of private placings, raising approximately €100 million in aggregate. In April 2007, WP Holdings, an indirect subsidiary of Warburg Pincus Real Estate I L.P., invested approximately €41 million in exchange for a 25% shareholding in the Company. Furthermore, in May and July 2011, around 30 private investors (mainly private companies and individuals) invested a total of approximately €59 million in the Company (€12 million of which was used to buy part of the Company's shares held by WP Holdings). In November 2012, WP Holdings, using funds contributed by its shareholder WP I Sarl (which funds were the result of the sale of WP I Sarl's interest in a development joint venture in Russia) made an additional investment in the Company, which jointly with other investors totalled approximately €13.5 million in the Company.

3 Capital Raising and Share Sale

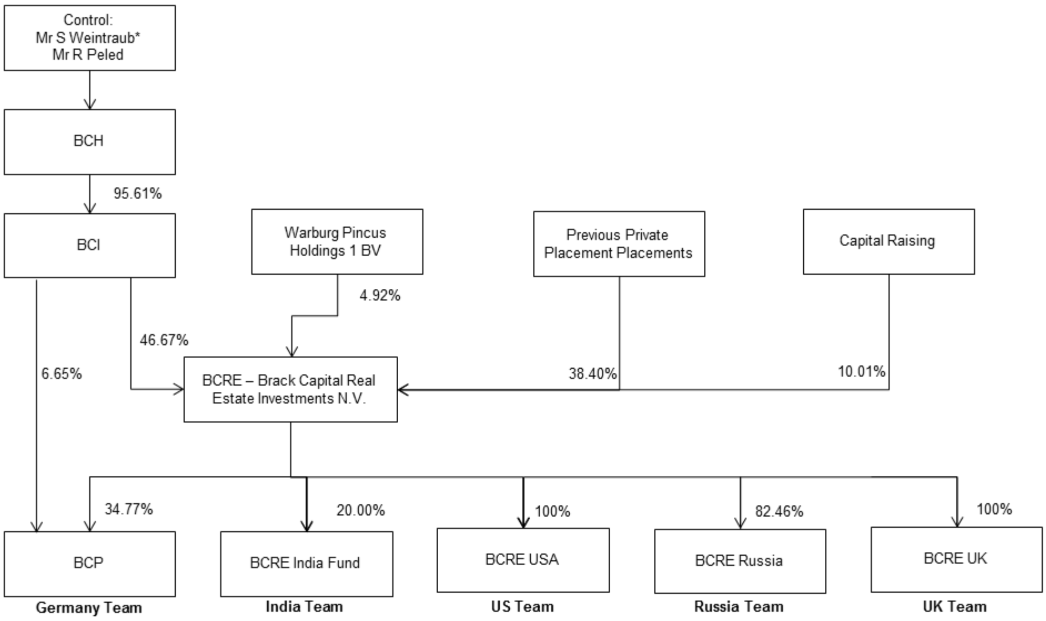
On Admission, WP Holdings intends to reduce its shareholding to around 4.92% of the Enlarged Share Capital through the sale of 10,206,973 Ordinary Shares held by it at the Issue Price to new and existing shareholders of the Company.

The Company also intends to issue a further 16,097,883 New Shares at the Issue Price to certain new and existing investors. The proceeds of €26,052,010 generated from the Capital Raising will be used in a targeted manner by the Company primarily for future working capital purposes and to help fund the Company's new projects. The New Shares will be issued following Admission and when issued will rank pari passu with Ordinary Shares in all respects.

For further details on the Capital Raising and the Share Sale, please refer to Part VII (*Capital Raising and Share Sale*).

4 Group structure

The Group's simplified basic corporate structure immediately following Admission and the Capital Raising is shown in the chart below.



* Interests in BCH held indirectly

5 Platforms and portfolio overview

The Group operates through its key geographical platforms in the USA, Germany, Russia and India, and is presently building a UK platform. The Group currently is interested in 8,920 income-producing residential units (7,040 in December 2013) and in 36 income-producing commercial properties (35 as at 31 December 2013) across the US, Germany and Russia. Such properties have a total built area (both commercial and residential) of approximately 960,000m² (831,000m² as at 31 December 2013). As at 31 December 2013, the aggregate value of these properties in which the Group is interested in differing percentages was US$1.34 billion.

The Group also has an interest, as at the date of this Prospectus, in 9 residential and commercial projects (8 as at 31 December 2013) in various stages of development and refurbishment across the US, Germany, Russia and UK, with a total lettable or saleable area of such properties expected to be approximately 408,000m² (approximately 405,000m² as at 31 December 2013). The Group is also interested in approximately 350,000m² of land plots available for sale and in approximately 300 hectares of land plots available for future development. As at 31 December 2013, the combined value of these properties in which the Group is interested in differing percentages was US$1.11 billion.

The Group operates through highly experienced and on the ground management teams. For each property, the relevant local team performs the entire project cycle of activities; from market research and deal sourcing, negotiating and financing, to asset and property management. The Group is also active in running the development process and closely supervises the construction phase of its developments.

The CFO of the Company leads the key financial activities of the Group. The global operations of the Group and the management of key activities, such as financial operations and corporate secretarial work, are directed from the Amsterdam-based headquarters of the Company and carried out in Cyprus, where the Group also has an office. Other back office-related activities, such as financial reporting, budgeting and cash flow management, are performed through the Company's office in Cyprus.

5.1 USA

Overview

Historically, the USA has been the Group's principal investment market and, over the past two decades, the Group's New York team has accumulated extensive experience and expertise in Manhattan, having led the development of several residential buildings and hotels, as well as a number of large-scale conversion and renovation projects.

The Company currently operates in the USA through its subsidiary, BCRE USA. From 2009 until 2011, BCRE USA's investments were made through the BCRE India Fund, a fund which originally invested in India but subsequently shifted (in 2009) its focus to Manhattan. Since 2011, the Co-Investment Club has also co-invested with the Group in its US projects.

Portfolio and lending activities

Currently, BCRE USA mainly focuses on residential conversions and hotel developments in Manhattan, but the Group has also started focusing on other income-producing activities which seek to leverage off its extensive residential development expertise, including lending to smaller residential real estate developers in the wider New York area (mostly Brooklyn) and acquiring and owning multifamily residential properties outside New York using the Group's experience of multifamily in New York and in other parts of the world.

(a) Hotel developments

In the last 18 months, the Group has completed the disposal of a hotel, the James New York, and a rental building, the Greystone, in Manhattan in which the Group was interested, as well as the disposal of the remaining units in a retail and condominium complex in Manhattan known as 15 Union Square West, and the remaining units in a condominium complex known as the Wellington project. These projects were sold for an aggregate price of US$458 million (100% assets value), i.e. US$85 million for James New York, US$139 million for Greystone, US$9 million for the Wellington and US$225 million for 15 Union Square West. The Group is also in the process of completing the sale of the garage and retail space owned by it in Hotel Indigo in Manhattan, as well as the sale of the last few units in Axis, a residential development in Miami in which it retains only a small minority interest. The Group is currently working on a number of opportunities to invest in development and refurbishment projects in the hotel and residential markets in Manhattan.

Following these disposals, the Group is currently carrying out two major hotel developments in Manhattan which it is carrying out jointly with other partners and which are scheduled to complete between 2015 and 2016. As at 31 December 2013, the total value of the three hotels (two developments and one operating) exceeded US$151 million.

For further details on the US hotel portfolio, see section 1 of Part II (*Detailed overview of the Group's portfolio and projects*).

(b) Multifamily residential properties

BCRE USA has recently commenced investing in the multifamily real estate market in the US, using the Group's extensive experience of this asset class in Manhattan and in other parts of the world. In January 2014, BCRE USA acquired (together with the Co-investment Club) a residential property of around 292 units in Cincinnati, Ohio, for US$19 million and is currently looking for other opportunities in areas outside New York, offering similar value added potential. The Group will refurbish and manage the property and intends to significantly increase its US multifamily portfolio over the next few years, among other things, to obtain the benefits of scale.

For further details, see section 1.1 of Part II (*Detailed overview of the Group's portfolio and projects*).

(c) Real estate lending

In addition BCRE USA, together with the members of the Co-investment Club, has started to provide loans to selected smaller residential real estate development projects in the wider New York area (mostly Brooklyn), leveraging the Group's many years of development experience in Manhattan. As at 31 December 2013, BCRE USA and the Co-Investment Club had committed to a total of US$21.1 million of loans, out of which US$9 million had been drawn down. All loans are senior loans and are secured by securities over the relevant properties and by personal guarantees and/or equity pledges.

Operations

BCRE USA's head office is based in New York City, with a new regional office in Cincinnati. BCRE USA has approximately 40 employees.

5.2 Germany

Background

The Group started investing in income producing properties in Germany in 2005, having identified the German real estate market as an attractive market for investment. In June 2006, BCP was established as the holding company of the German platform, with the primary aim of acquiring and operating income producing residential and commercial properties and four properties were transferred to it from Brack German Properties B.V.. BCP was listed on the TASE in December 2010 and is a member of the Tel Aviv 100, the 100 largest companies in the TASE. BCP's net assets as at 31 December 2013 were €242 million with revenue of €49.9 million. BCP and BCP's bonds are currently rated ilA+/Stable and ilA+, respectively, by Maalot.

Portfolio

BCP's German portfolio comprises: (a) a portfolio of income producing commercial (mainly retail) properties owned by BCP (either wholly or in conjunction with members of the Co-investment Club or other third parties); (b) a portfolio of income producing residential properties owned by BCP (either wholly or in conjunction with members of the Co-investment Club or other third parties); and (c) a large mixed use development site (residential and commercial) in the centre of Düsseldorf, which is owned jointly by BCP, Brack Capital First, a wholly owned subsidiary of the Company, members of the management and a third party investor.

(a) Income producing

The income producing properties in which BCP is interested in consist of two main types:

(i) multifamily residential properties spread across several medium-sized and large cities in the Federal State of North Rhine Westphalia and in certain cities in North Germany, Hannover and Leipzig. BCP is currently interested in a total of 8,610 housing units (7,040 as at 31 December 2013) with a total leasable area of approximately 480,000 sq.m (390,000 sq. m. as at 31 December 2013). As at 31 December 2013, the annual average occupancy rate of these properties was approximately 95%.

(ii) commercial properties comprising mainly shopping centres and DIY stores spread across medium-sized and large cities in western Germany. BCP currently is interested in 32 commercial properties with a total lettable area of approximately 380,000m² (31 and 365,000, respectively, as at 31 December 2013). The occupancy rate of these properties is approximately 97%, with a significant part of this portfolio benefiting from leases with major retail tenants OBI and Kaufland.

For further details on the income producing properties of the German portfolio, see section 2.1 of Part II (*Detailed overview of the Group's portfolio and projects*).

(b) Development property

In addition to its income producing properties, the German portfolio includes a major development site of approximately 240,000m² (215,000m² net) in a central area in the city of Düsseldorf, known as Grafental. For further details on the Grafental project, see section 2.2 of Part II (*Detailed overview of the Group's portfolio and projects*).

Operations

The German platform's operational headquarters are located in Düsseldorf, with regional offices in Leipzig and Frankfurt.

The German platform's managerial headquarters are located in Budapest, where the CFO, Vice President of Operations, Financial Controller and Group Accountant and a number of additional accounts and administration managers are located.

In addition, BCP's Board meetings and shareholder assemblies are held in BCP's registered headquarters in Amsterdam.

Around 120 staff are currently engaged in the German platform, almost all of which are employed by RT Facility Management UG & Co., KG[1]. Almost all of the remaining staff are employed by BCP or its subsidiaries.

5.3 Russia

Background

In 2006, the Company established BCRE Russia (a Cyprus incorporated subsidiary) as its Russian platform, with the aim of focusing primarily on the development of commercial properties. Since 2007, BCRE Russia has led investments in six development projects with co-investors, three of which have been with Apollo, now known as AREA (the development of a shopping centre in Dimitrov, located in the Moscow Oblast district 65 kilometres north of Moscow; a logistics centre in Lobnia, located in the Moscow Oblast district 27 kilometres north of Moscow; and a mixed use building in Baza, located in Moscow, which has since been sold).

BCRE Russia is also developing a shopping centre development in Lyubertsy located in the south east of Moscow which was originally established as part of a joint venture with WP I Sarl, the sole shareholder of WP Holdings. BCRE Russia and the Co-investment Club and a local partner, Newgen Media (Cyprus) Ltd., purchased WP I Sarl's interest in the Lyubertsy development in November 2012. WP I Sarl used a portion of the proceeds from the joint venture interest sale to make an additional investment into WP Holdings, enabling WP Holdings to increase its ownership in the Company to 12.53%.

In addition, BCRE Russia and Newgen Media (Cyprus) Ltd have an interest in a site of approximately 200 hectares in Kazan, the state capital of Tatarstan and eighth most populous city in Russia. Part of this site is being developed initially as a wholesale and retail centre. Currently, BCRE Russia and its partner are also negotiating the purchase of an additional 214 hectare site in Kazan.

BCRE Russia has also just completed building a residential villa complex in Uspenka which is located approximately 20 km west of Moscow, and which is being sold on a unit by unit basis.

Portfolio

BCRE Russia's portfolio is primarily focused on large retail commercial developments and is concentrated in the Moscow region and in Kazan. Each asset is jointly owned and the entire portfolio is managed locally by BCRE Russia's management team and currently comprises of:

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[1] A German company in which Mr. Ofir Rahamim (a Co-CEO of BCP) holds shares and which provides services exclusively to BCP by agreement on a cost plus basis.

(a) operational income producing commercial freehold and leasehold properties in Dmitrov (13,500m²), Lobnia (39,500m²) and Kazan (pavilion number 2) (26,380m² of leasable area at ground floor level and 40,000m² of leasable area including the upper floors);

(b) 26,600m² of retail/wholesale space currently under construction at a shopping centre in Lyubertsy and 52,760m² of leasable area at ground floor level in Kazan (in respect of pavilion numbers 1 and 3 (80,000m² of leasable area including the upper floors); and

(c) a luxury complex of 21 residential villas currently offered for sale in Uspenka.

For further details on the Russian portfolio, see section 3.1 of Part II (*Detailed overview of the Group's portfolio and projects*).

Operations

BCRE Russia's head office is based in Moscow, where its legal, financial development and marketing teams are also located. BCRE Russia also has a regional office in Kazan. More than 230 employees are currently engaged in the Russian platform, most of which are employed either by BCRE Russia's subsidiaries or by its parent undertakings within the Group.

5.4 India

Background

In 2005, the Company established BCRE India in respect of its Indian operations. Since 2007, BCRE India through the BCRE India Fund has led investments in three projects with a local partner. In 2009, the BCRE India Fund diverted its outstanding underdrawn amounts to investment opportunities in Manhattan. BCRE India currently concentrates on the development of residential projects in addition to its investment in a hospitality project. The Group is presently focusing on managing its existing Indian portfolio.

Portfolio

The Indian portfolio comprises of developments in the outskirts of large cities, including one large residential development in Ludhiana (where the first phase is under advance development and is partially sold) and several land plots acquired for development on the outskirts of Mumbai, off the Mumbai-Pune Expressway. Additionally, a subsidiary of the BCRE India Fund granted a convertible loan to the owner of the hospitality component of a project located on the outskirts of New Delhi.

For further details on the Indian portfolio, see section 4 of Part II (*Detailed overview of the Group's portfolio and projects*).

Operations

BCRE India's operations are based in New Delhi and include 16 employees, all employed by members of the Group.

5.5 UK

The Group has entered the UK with its first acquisition of a 26,000ft² office property in Manchester for refurbishment. For further details on this property, see section 5 of Part II (*Detailed overview of the Group's portfolio and projects*).

The Group intends to target commercial income producing real estate primarily in the regions of the UK where it believes there is real value. The Group has set up an office in London and is currently in the process of establishing a UK management team. The CEO of the Company is based in the UK.

5.6 Other

The Group has a residual interest in "Marconi", a commercial development in Rome.

6 Key strengths

Combination of local market presence and international transactional expertise

The Group combines local knowledge of, and contacts within, its key markets with international experience of research, due diligence, structuring, financing, developing and delivering large scale real estate projects to international standards. The Company considers this combination uncommon.

Focus on known markets and sectors

The Group has been active in its key markets for many years – in Manhattan since 1994 (initially, as Brack Capital Group), in Germany since 2005, in Russia since 2006 and in India since 2005. The Group focuses its attention mostly on specific sectors in these markets which it knows and understands – in Germany commercial (mainly retail) and multifamily residential income producing, in Russia development for commercial (mainly retail) and in the US on Manhattan conversion, renovation and development (recently mainly in the residential and hospitality sectors). The Company believes this enables the Group to understand its markets and to analyse the real risks and opportunities of each project in the context of those markets.

Substantial "on the ground" platforms

The Company believes that real estate is a local business and believes the foundation of its strength is real, local experience and expertise. The Group's local teams in each market are managed by dedicated, specialised, experienced and incentivised professionals with a local knowledge and an understanding of the business they are carrying out. Their capabilities and expertise are full service and include sourcing off-market deals, in-house research and analysis, underwriting budgets, timetables, sales and leases, raising finance from local and international lenders, maintaining close working relationships with local authorities, detailed, hands on, property management, development capabilities, experience of refurbishment works and improvements and lease negotiations. The Company believes this depth of knowledge, experience and contacts gives the Group a competitive advantage over other international investors in its key markets and the Company believes this enables the Group to identify and deliver transactions other international investors are often unable or unwilling to source or deliver.

Experienced management team

Most of the senior executives of the Group's platforms have between 7 and 30 years' experience in real estate transactions in their local market and most of them have been with the Group for over 5 years. In addition, in most of the Group's platforms the Group has experienced management below these senior executives who also have been with the Group for a number of years. The Group believes the depth of its management expertise in its key markets gives it a competitive advantage over its competitors.

Significant large scale development expertise

The Group has significant expertise of delivering large scale development projects and is able to use and transfer that experience to develop large scale projects in each of its key markets. Since its establishment, the Group has developed projects with a significant lettable area, including the Group's three major developments currently underway in Kazan, Lyubertsy and Düsseldorf.

Strong transaction structuring skills

The Group is experienced in structuring transactions so as to seek to mitigate risk. It occasionally seeks to do this as early as practicable in the transaction through co-investing with international investors or its Co-investment Club, seeking pre-lets or other contractual protections wherever practicable prior to development, adopting phased development when possible in large developments and only commencing a phase when the previous phase is significantly underwritten by sales or leases. The Group adopts an analytical approach to identify the risks in its projects in accordance with international standards before acquiring a property and continues throughout the project to seek to find ways to reduce risk and realise value as early as possible through sales or refinancing.

Access to co-investors

The Group is able to leverage its operational platform by co-investing with international investors and its Co-investment Club. This often enables it to share the risk and in many cases earn management fees and potential promote fees in addition to its equity interest in the project. The Group's relationship with its co-investors enables it to react quickly and flexibly to investment opportunities.

Good access to debt financing

The Company believes that the Group's deep connections with local and international banks enable it to secure finance for its projects either internationally or locally on favourable terms. For instance, the Group has been able to achieve financing and refinancing for its projects in Russia in the past with local banks at a time when bank lending has been difficult or almost impossible to obtain from the international financial markets. The Company believes that the depth of its relationships with both international and local banks enables it to source debt financing even when availability is relatively limited.

7 Objective and strategy

The Group's objective is to identify and execute opportunities in local markets by leveraging off its global investment, development and management experience and to generate exceptional returns by employing expert local management teams.

The following are key components of the Group's strategy:

(a) an analytical approach to investment decisions based on multi-layered risk management throughout the life cycle of a project, taking into consideration the special financial attributes of the project, including the length of the project, liquidity and transaction costs. The Group's financial approach to portfolio allocation is focussed on the continuous monitoring and adjustment of its portfolio, ensuring diversification by country, asset class, currency, specification and development to income-producing properties;

(b) maintaining independently managed local teams in each of its key markets;

(c) focusing investment primarily on the Group's key markets;

(d) benefiting from organic return growth at project level;

(e) accessing quality deal flow in each local market through the strength and depth of its local platforms and their connections;

(f) retaining staff with a substantial aggregate knowledge base and diversified experiences who have remained with the Group over a long period of time;

(g) taking a global view on investment based on detailed knowledge of the drivers in its key markets which allows for diverse risk analysis and efficient funds allocation;

(h) developing and retaining in-house research and finance capabilities including experience with M&A transactions and structured finance;

(i) developing and retaining in-house development capabilities such as design coordination, procurement and property management; and

(j) developing and retaining in-house construction, management, supervision, procurement and estimation capabilities by employing internal construction and engineering experts, and maintaining financial flexibility through reasonable leverage and debt duration and maturity.

8 Co-investments

Since its inception, the Group has proved its ability to attract co-investors to its projects, whether it be international real estate fund managers, institutional investors such as the Israeli pension funds and insurance companies that invested in the BCRE India Fund, or members of its Co-investment Club.

Co-investment Club

Pursuant to a framework agreement entered into between the Company and a number of co-investors in April 2011, the Company agreed to offer its co-investors the right to participate in any new real estate deal sourced by the Group, subject to certain limitations. A number of Shareholders are currently members of the Co-Investment Club. At present, members of the Co-investment Club have interests in a number of German properties (the OBI-Titan portfolio, the Matrix Portfolio and the properties in Rostock, Kassel, Leipzig and Leipzig Am Zoo), Russian properties (Lobnia, Lyubertsy and Kazan) and US properties (Orchard, Cobblestone). All these properties are jointly held with the Group and other third parties. Members of the Co-Investment Club also participate in the Group's real estate lending activities in New York.

While the obligations on the Company to offer transactions to the members of the Co-investment Club expired in April 2014, the Group intends to continue to offer co-investment opportunities to members of the Co-investment Club and others where appropriate.

Joint ventures

Where the Board has considered it beneficial for its Shareholders to do so, the Group has entered into a joint venture with local and/or international partners, outside the Co-investment Club. At present, the Group is party to joint venture agreements with the following main local partners:

(a) Newgen Media (Cyprus) Ltd., in relation to the Group's development in Kazan and in Lyubertsy. Newgen Media (Cyprus) Ltd. (a Cypriot company owned by Mr. Khaldey) and BCRE Russia jointly control the company that holds the Kazan project;

(b) IHG, in relation to the Hotel Indigo in Manhattan. IHG is one of the world's largest hotel companies by number of rooms, with a global experience across a range of segments from luxury to mid-scale. IHG, BCRE India Fund and members of the Co-investment Club jointly control the company that holds the Hotel Indigo;

(c) Citizen M, in relation to two Citizen M hotels in Manhattan. Citizen M is a new brand of boutique hotels based in the Netherlands which is co-owned by KRC Capital (an independent private equity firm with a unique focus on the lifestyle segment) and Stichting Pensioenfonds ABP (a Dutch pension fund). Citizen M and BCRE India Fund jointly control the companies that hold the two Citizen M hotels; and

(d) Apollo (now AREA), in relation to certain investments in Russia. In 2006, Apollo entered into a joint venture agreement with BCRE Russia to invest in Russia as a co-partner. Following this agreement, the parties invested together in three projects – Dmitrov (a land plot for the development of a shopping centre), Lobnia (a land plot for the development of a warehouse and logistics centre, part of which has since been sold by Apollo to BCRE and to the Co-investment Club) and Baza (sold jointly by BCRE and Apollo in September 2012 to a third party).

Management of jointly-owned properties

The Group seeks significant day-to-day management control over its projects. In the case of the BCRE India Fund, BCRE has a 20% equity interest in the fund, receiving a management fee and a performance fee on all of the investments made by BCRE India Fund. In the case of the Co-investment Club, the Group acts as asset manager and receives a management fee and a performance fee on each of the investments made by members of the Co-investment Club, the amounts of which vary from jurisdiction to jurisdiction. With regard to the joint ventures outside of the Co-investment Club, the Group receives a management fee and performance fee in respect of the property owned jointly with AREA, a development fee in respect of the properties owned jointly with Citizen M, and a development fee in respect of the property owned jointly with IHG.

9 Relationship with key shareholders

General

The controlling shareholder in the Company is BCI, an Israeli incorporated company, controlled indirectly by Shimon Weintraub and Ronen Peled. Following Admission, BCI will hold approximately 46.67% of the share capital of the Company. Further details of BCI's interests in Shares are contained in section 5 of Part VIII (*Additional Information*).

Controlling Shareholders Agreement

The Company and each of BCI, BCH and Shimon Weintraub have entered into a Controlling Shareholders Agreement, pursuant to which they have each undertaken to the Company to not pursue any real estate opportunities (subject to certain exceptions) without first referring them to the Company for consideration. BCI has further undertaken not to sell or transfer any Shares held by it for a period of six months from Admission (other than, subject to prior notification to Peel Hunt, the grant of security over Shares by BCI and/or its associates). BCH and Shimon Weintraub have further undertaken that for a period of six months from Admission, they shall not sell or permit to be sold any direct or indirect (respectively) interests held by them in BCI such that BCH and/or Shimon Weintraub shall cease to control (directly or indirectly) 30% or more of the Shares. Further details of the Controlling Shareholders Agreement are contained in section 9.3 of Part VIII (*Additional Information*).

BCH Services Agreements

The Group is supported by BCH through the provision of certain consulting services, including rating, investor relations and other financial services ("**BCH Consulting Services**"). The BCH Consulting Services will continue to be provided after Admission to the Group on arm's length terms pursuant to the BCH Services Agreements, which are already in place between BCH and members of the Group. An additional services agreement is proposed to be entered into after Admission between BCH and BCP in respect of BCP and its subsidiaries. Further details of the BCH Services Agreements are contained in section 9.6 of Part VIII (*Additional Information*).

BJA Services Agreements

The Group is supported by BJA (an entity controlled by Shimon Weintraub) through the provision of services relating to fund raisings, investors' connections and real estate initiation and development consultation ("**BJA Consulting Services**") for a total annual fee of $280,000 (plus annual interest at 12 month LIBOR). The BJA Consulting Services will continue to be provided after Admission to the Group on arm's length terms pursuant to the BJA Services Agreements, further details of which are contained in section 9.7 of Part VIII (*Additional Information*).

Put Option

Pursuant to the shareholders' agreement in relation to BCH, a number of BCH's shareholders have the right, for a period of two years following Admission, to sell to BCH all or part of their shares in BCH and to use the proceeds of such sale to acquire Shares from BCH and/or its subsidiaries (including BCI). The price at which Shares are to be purchased by a BCH investor following the sale of its shares in BCH is equal to: (a) the value attributable to such shares on Admission (prior to the Capital Raising), for the first six months following Admission; or (b) the share market price, for the remaining 18 months following Admission. If all the shareholders of BCH who hold this option chose to exercise it, it is estimated that BCI's Shares would be reduced by between 10% and 12%, assuming that BCI will not purchase new Shares or pay for the BCH shareholders to buy Shares in the market.

Takeover considerations

For so long as BCI continues to hold at least 30% of the voting rights of the Company, BCI will be able to acquire Shares and increase its interest in Shares without incurring any obligation under the Dutch Financial Supervision Act to make a mandatory offer for the remaining Shares.

10 Competition

The markets in which the Group operates are highly competitive for investment opportunities. The Group competes for tenants for its properties with real estate investment funds, developers, owners and operators of commercial, residential and other real estate businesses in the regions where the Group's properties are located. In addition, the Group faces competition from other property developers for sites and properties that the Group has identified for the development of projects. Competition is exceptionally fierce in locations which are the focus of large amounts of capital, such as New York.

11 Dividend policy

Company

Historically, the Company has made distributions to Shareholders in the form of partial repayment of capital notes (€5 million in June 2008 and a further €5.088 million in December 2013).

Each year, the Board may determine which part of the profits shall be reserved. The part of the profit remaining after reservation shall be put at the disposal of the General Meeting. In deciding whether to propose a dividend, the Board will take into consideration the Company's earnings, availability of distributable reserves, financial condition, level and rate of borrowings, contractual, legal and regulatory restrictions and such other factors as the Board from time to time considers relevant. Distributions may be made only to the extent that the Company's equity after the distribution does not fall below the sum of its paid-in and called-up share capital plus the reserves which must be maintained pursuant to Dutch law and the Articles.

As an alternative to distributions by way of cash dividends, but subject to the same restrictions described above, the General Meeting may at the recommendation of the Board resolve that a distribution in respect of its Shares shall not be paid in whole or in part in cash but in Shares or in any other form.

On the date of this Prospectus there are no contractual and regulatory restrictions on distributions by the Group, save for certain restrictions under the terms of the bonds issued by each of the Company and BCP, as further described in sections 9.9, 9.10 and 9.11 of Part VIII (*Additional Information*).

Subject to compliance with Dutch law and receipt of a distribution from BCP, the Company intends to target making an annual distribution to its Shareholders (either in the form of a cash dividend or in any other form available under Dutch law) of around 2.5% of the Company's end-of-year NAV commencing in 2014, assuming no change to the issued share capital of the Company. However, this is a target only and is not to be regarded as a dividend forecast or as an indication of the Company's expected or actual results or distributions. There can be no assurance that the Company will generate sufficient earnings to allow it to make distributions and if it does, the Board may elect to reinvest the entire profit instead of making distributions[2].

BCP

BCP is subject to the same Dutch law restrictions relating to distributions as described above in respect of the Company. Historically, BCP has not made any distributions to its shareholders in the form of capital distributions or otherwise. Since 2012, BCP's stated intention has been to distribute to its shareholders an annual distribution equal to 3% of the equity (excluding minority rights), as stated in BCP's audited consolidated financial statements for the relevant year, plus 50% of the cash flow surplus (if any) received by BCP from the Grafental residential development, provided that such

[2] Accordingly prospective investors should not place any reliance on these targets in deciding whether to invest in the Shares. In addition, as noted previously prior to making any investment decision, prospective investors should carefully consider the risk factors described in the Risk Factors set out on pages 14 to 35 of the Prospectus.

distribution does not have a significant negative impact on the cash flows of BCP or its business plans or investments plans, as approved by the BCP's board of directors from time to time.

Such intention remains subject to compliance with Dutch law and a resolution by BCP's shareholders and/or board of directors (as appropriate). In addition, distributions by BCP are subject to certain restrictions under the terms of the bonds issued by BCP, as further described in sections 9.10 and 9.11 of Part VIII (*Additional Information*).

12 Insurance

The Group has customary property and third-party liability insurance policies in relation to its portfolio, covering a wide range of risks to the properties and providing cover for loss of rent in certain circumstances, and intends to put in place similar arrangements in relation to any properties that are acquired in the future.

The Group will continue to hold directors' and officers' insurance policies covering claims made against them in relation to the ongoing activities of the Company and will obtain, effective from Admission, directors' and officers' insurance policies to cover claims made against them in respect of this Prospectus. The coverage amounts in each case are considered to be suitable for companies of a similar size and conducting similar activities.

13 Applicable laws

The Company is a Dutch incorporated company. Whilst, following Admission, the Company will be subject to the Listing Rules and certain other UK requirements applicable to companies with a Standard Listing on the Official List, the Company will also be subject to certain Dutch law requirements. Further details of the requirements applicable to the Company following Admission are set out in Part IX (*Summary of Applicable Securities Law*).

14 CREST

The Articles permit the holding of Shares under the CREST system. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. CREST is a voluntary system and Shareholders who wish to receive and retain Shares will be able to do so. The Group has applied for the Shares to be admitted to CREST and it is expected that the Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission.

However, to enable investors to settle the securities of non-UK registered companies through CREST, a depositary or custodian in the United Kingdom must hold the relevant securities and issue uncertificated DIs representing the underlying securities which are held in trust for the holder of the DIs. With effect from Admission it will be possible for CREST members to hold and transfer DIs in respect of such Shares within CREST pursuant to a depositary interest arrangement established between the Company and the Depositary. From a practical perspective, DIs can be credited to the same member account as all of the other CREST investments of a particular investor and held and transferred in the same way as the securities of any other company participating in CREST. Accordingly, settlement of transactions in Shares following Admission may take place within the CREST system if any Shareholder so wishes.

DI Holders do not have the rights which Dutch law confers on Shareholders, such as voting rights. In respect of the Shares underlying the DIs those rights vest in the Depositary (or its custodian). Consequently, if the DI Holders wish to exercise any of those rights they must rely on the Depositary (or its custodian) to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the Deed Poll which creates the DIs, the Depositary (or its custodian) must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant DI Holders all rights and entitlements which it receives or is entitled to in respect of the underlying Shares and which are capable of being passed on or exercised.

Under the Articles, the DI Holders have been granted the rights which Dutch law confers on Shareholders, to the extent legally possible. An amendment of the Articles pursuant to which these rights are adversely affected requires a majority of at least two thirds of the votes cast, representing at least half of the issued share capital.

15 Taxation

Further information on taxation with regard to the Shares and the effect of the Company's Dutch domicile is set out in section 4 of Part VIII (*Additional Information*).

16 Admission to a Standard Listing on the Official List

Application will be made for the Shares to be admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities under the symbol "BCRE" and ISIN Code "NL0010763611". It is anticipated that Admission will be effective on 28 May 2014.

17 Risk factors

Prior to investing in the Shares, prospective investors should consider, together with the other information contained in this Prospectus, the factors and risks attaching to an investment in the Company including, in particular, the factors set out in the section entitled ''Risk Factors'' on pages 14 to 35 of this Prospectus.

18 Further information

The attention of prospective investors is also drawn to the remaining of this Prospectus, which contains further information on the Group.

PART II
DETAILED OVERVIEW OF THE GROUP'S PORTFOLIO AND PROJECTS

1 US Platform

1.1 The following is an overview of the properties in which BCRE USA or the BCRE India Fund is interested:

Name	City	BCRE Ownership (%)*	Partners	Net lettable area (100% net ft²)	Development / Operating (occupancy rate as at 31 December 2013)	No. of units/ rooms	Type	Property value (US$ '000)
218 W. 50th Street (Citizen M Times Square)	New York, NY	7.0	CitizenM	84,600	Operating	230	CitizenM Hotel Development	81,000
185 – 191 Bowery (Citizen M)	New York, NY	22.7	CitizenM	99,700	Development	300	CitizenM Hotel Development	63,000
Orchard (Indigo Hotel)	New York, NY	15.1	IHG & Co-investment Club	145,000	Development	295	Boutique Hotel Development	88,000
Orchard – Garage and Retail	New York, NY	29.7	Co-investment Club	30,226	Development	N/A	Garage and Retail	21,000
Cincinnati	Cincinnati, OH	53.2	Co-investment Club	252,608	Operating (97%)	292	Multi Family Complex	19,200

* Includes the Company's interest through its interest of 20% in the BCRE India Fund

1.2 The following is a summary of the material properties in which BCRE USA is interested:

Citizen M in Times Square

The Group holds a 7% interest (via the BCRE India Fund which holds a 35% interest) in the leasehold owner of a development site for the Citizen M Hotel being developed in Times Square, on 218 W. 50th Street, in the heart of Midtown, New York City. The remaining 65% of the leasehold rights are held indirectly by Citizen M. The Group has completed the development of this 84,600ft² (gross), 22-storey ground-up boutique hotel. The development features 230 rooms, a uniquely designed living room-like lobby, pantry area, fitness centre, bars and a rooftop lounge. The construction phase started in September 2011 and was completed in March 2014. The leasehold owner of the property has entered into a 25 year sublease agreement with an affiliate of Citizen M, who will operate the hotel. The project is financed mostly by equity, save for a US$6 million loan which is currently in place in respect of the property from Signature Bank. The term of the loan is one year from September 2013 with a one year extension. The maturity date is 16 September 2014 and interest is payable at 3.75%.

When stabilised, the project is expected to generate a NOI for the owner of the hotel of US$7-8 million annually out of which the Group will be entitled to receive 7% of the NOI generated by the hotel.

Orchard (Hotel Indigo and adjacent garage and retail space)

In conjunction with IHG, BCRE USA is developing a new 295-room Hotel Indigo, on 180 Orchard Street in Manhattan, and a 30,226ft² garage and retail space, adjacent to the hotel. The project is expected to complete in 2015 and the hotel will be managed by IHG. When stabilised, the hotel is expected to produce a NOI for the owner of the hotel (100%) of approximately US$14-15 million out of which the Group will be entitled to receive 15% of that rental income (directly and indirectly through the BCRE India Fund).

The BCRE India Fund owns 17.1% and the Group directly owns 11.7% of the hotel. In addition, the BCRE India Fund owns 33.6% and the Group directly owns 23% of the garage and retail development. The balance of the hotel is held by IHG and members of the Co-investment Club. The beneficial owner of the retail and garage units in the condominimum to be constructed on the property is separate from the entity that holds bare legal title to the retail and garage units. The beneficial owner of the retail and garage units is also in the process of completing the forward sale of the garage and retail units in the condominium to be constructed on the property.

A US$80,500,000 loan facility is currently in place in respect of the property for an initial term of approximately three years (following which, the loan may be extended by up to two further periods of one year each). Commencing on 1 June 2013 and adjusting on each payment date, the interest rate is recalculated to equal the sum of (a) the interest rate markup and (b) the LIBOR rate as of two London business days prior to such date. The loan is due to mature on 1 June 2016.

2 German Platform

2.1 The following is an overview of the properties in which BCP is interested:

Name	City	Ownership (%)		Partners	Gross lettable area (gross m²)	Development / Operating (occupancy rate as at 31 December 2013, if specified in the 2013 Barnea)	No. of units/ rooms	Type
		BCP	BCRE					
Arcadia Hotel	Hamburg	100	34.8	N/A	4,999	Operating	100	Hotel
Celle	Celle	100	34.8	N/A	26,694	Operating	N/A	Commercial
Hamm	Hamm	100	34.8	N/A	12,676	Operating	306	Residential
Rostock	Rostock	56.14	19.2	Co-Investment Club	61,213	Operating 83%	N/A	Commercial
Velbert	Velbert	100	34.8	N/A	48,041	Operating 98%	718	Residential
Wuppertal	Wuppertal	94.0	33.0	Third Party	24,515	Operating	334	Residential
LEG Roßstrasse	Düsseldorf	100	34.8	N/A	4,491	Operating	N/A	Office
LEG Vagedestrasse	Düsseldorf	100	34.8	N/A	3,985	Operating	N/A	Office
OBI Kassel	Hesse	51.0	17.8	Co-Investment Club	12,079	Operating	N/A	Commercial
Tethys	North Germany (Bremen, Bremerhaven, Emmerich, Göttingen, Essen, Leipzig)	100	34.8	N/A	91,200	Operating	1,570	Residential
Castrop-Rauxel	Widumer	100	34.8	N/A	12,928	Operating	N/A	Commercial
Panther Portfolio								
Chemnitz	Chemnitz	60	20.9	Third Party	6,643	Operating	N/A	Office

Name	City	Ownership (%) BCP	Ownership (%) BCRE	Partners	Gross lettable area (gross m²)	Development / Operating (occupancy rate as at 31 December 2013, if specified in the 2013 Barnea)	No. of units/ rooms	Type
Bad Kreuznach	Bad Kreuznach	100	34.8	N/A	3,602	Operating	N/A	Office
Hanover	Hanover				27,593		566	Residential
LEG Oberhausen	Oberhausen				37,423		474	Residential
LEG Schanzenstrasse	Düsseldorf				3,905		N/A	Office
LEG Duisburg	Duisberg				16,946		307	Residential
LEG Gelsenkirchen	Gelsenkirchen				18,376		301	Residential
Ludwigsfelde	Ludwigsfelde				8,687		N/A	Commercial and office
Neubrandenburg	Neubrandenburg				2,590		N/A	Commercial
Remscheid	Remscheid				5,050		N/A	Commercial
Falcon Portfolio								
Dortmund	Dortmund	100	34.8	N/A	52,121	Operating	1,003	Residential
Duisberg	Duisberg							
Essen	Essen							
Grafental								
Grafental	Düsseldorf	83.00	35.2[3]	Third parties and BCP's CEOs	214,900 (Net buildable area)	Development	N/A	Residential and office
Leipzig Portfolio								
Leipzig	Leipzig	51.0	17.8	Co-Investment Club	135,725 (including 1,555 as commercial area)	Operating 93.6%	2,600 (including 24 as commercial area and 2 as office area for self-use)	Mainly residential / partly commercial

[3] Comprises the indirect interest held through BCP and an additional 6.3% interest held directly by Brack Capital First, a wholly owned subsidiary of the Company.

Name	City	Ownership (%)		Partners	Gross lettable area (gross m²)	Development / Operating (occupancy rate as at 31 December 2013, if specified in the 2013 Barnea)	No. of units/ rooms	Type
		BCP	BCRE					
Leipzig am Zoo					14,660	Operating	435	
OBI-Mars Portfolio								
Cologne	Cologne	100.0	34.8	N/A	8,951	Operating	N/A	Commercial
Düsseldorf	Düsseldorf				9,391			
Matrix Portfolio								
Aschersleben	Aschersleben	52.3	16.8	Co-Investment Club	147,160	Operating 97%		Commercial
Augsburg	Augsburg							
Bad Aibling	Bad Aibling							
Biberach an der Riß	Biberach an der Riß							
Borken	Borken							
Erlangen	Erlangen							
Geislingen an der Steige	Geislingen an der Steige							
Glauchau	Glauchau							
Ludwigsburg	Ludvigsburg							
Ludwigsfelde	Ludwigsfelde							
Lutherstadt Wittenburg	Lutherstadt Wittendburg							
Neckarsulm	Neckarsulm							
Vilshofen	Vilshofen						N/A	
OBI-Titan Portfolio								
Bad Segeberg	Bad Segeberg	52.3	18.2	Co-Investment Club	7,028	Operating	N/A	Commercial
Dreieich	Dreieich				11,771			
Dresden	Dresden				6,364			
Emden	Emden				8,208			
Hannover	Hannover				13,371			
Leverkusen	Leverkusen				9,053			

2.2 The following is a summary of the material properties in which BCP is interested:

Residential

Leipzig Portfolio

Overview

BCP has a 51% interest in a portfolio of 96 buildings in Leipzig, Germany which consist of 2,600 residential units which it acquired in July 2011 for €76,768,000 (including transaction costs). The remaining 49% interest is held by members of the Co-investment Club. The total area of the development portfolio covers approximately 135,725m² (comprising of 2,574 residential units of 134,170m² in total, 24 commercial units in total of 1,555 m², plus 2 units for self-use) with an average unit having an average area of around 52m² and the portfolio has around 2,514 tenants as of December 2013. A loan facility of €60,000,000 has been entered into by the property owning company in respect of this portfolio, which is due to mature in June 2016. The property was valued at €93,170,000 as at 31 December 2013.

Selected financial and operating information as at 31 December 2013:

- Number of units: 2,600
- Net lettable area: 135,725m²
- Average occupancy rate: 93.6%
- Net operating income: €5,838,000

Velbert

Overview

BCP holds the entire interest in a 718-unit residential property in Velbert, in North Rhine, Westphalia, 20 kilometres north east of Düsseldorf.

The property comprises of 718 residential units and 2 commercial units with a gross lettable area of 48,041m². It was bought for €23,055,000 (including transaction costs) in 2010. The property owning company has a loan of around €19.8 million and which is due to mature in June 2017. The property was valued at €36,476,000 as at 31 December 2013.

Selected financial and operating information as at 31 December 2013:

- Number of units: 718
- Net leasable area: 48,041m²
- Occupancy rate: 98%
- Net operating income: €2,403,000

Commercial

Matrix Portfolio

Overview

BCP's subsidiary together with the members of the Co-investment Club own through a Luxembourg company 13 properties with approximately 147,160m² of leaseable retail commercial real estate centres across Bavaria, Baden-Württemberg, North Rhine Westphalia and Berlin. The assets are owned as to 52.3% by BCP and the balance by members of the Co-investment Club and a third party. The assets were purchased in June 2011 and were valued at €184,799,000 as at 31 December 2013. On acquisition, a loan facility was entered into in respect of these properties for an amount of €105 million, which is due to mature in June 2016. In February 2014, BCP refinanced the loan with a new €125 million loan and which is due to mature in December 2018.

The anchor tenant in the properties is Kaufland which leases around 47.86% of the lettable area of these properties pursuant 9 to 14 year leases expiring in 2023 and 2028 respectively.

Kaufland is one of Germany's leading discount food retailers. In 2013, Kaufland represented approximately 14% of BCP's income.

Selected financial and operating information as at 31 December 2013:

- Number of assets: 13
- Net leasable area: 147,160m²
- Occupancy rate: 96.9%
- Net operating income: €11,817,000

Rostock

Overview

In June 2013, BCP acquired 56.14% of a commercial portfolio with a gross leasable area of 61,213m² for €69.8 million (including transaction costs) in Rostock, in Mecklenburg-Vorpommern in northern Germany. The remaining 43.86% is owned by members of the Co-investment Club. In June 2013, a loan facility agreement was entered into in respect of the properties in the sum of approximately €51.5 million, which is due to mature in September 2018. The portfolio was valued at €83,514,000 as at 31 December 2013.

Selected financial and operating information as at 31 December 2013:

- Number of assets: 1
- Net leasable area: 61,213m²
- Occupancy rate: 83%
- Net operating income: €3,963,000

<u>Development projects</u>

Düsseldorf (Grafental)

BCP holds an 83% interest in approximately 37 acres of land known as "Grafental" in a central location in the city of Düsseldorf. An additional 6.3% interest is held in the project directly by Brack Capital First, a wholly owned subsidiary of the Company. The remaining interest in the project is held by third parties and by BCP's CEOs (who jointly hold 1.105%). The land was purchased in June 2008, following which BCP has worked to improve the land. The shareholders have invested material sums in planning, purchasing adjacent land, constructing access roads and moving railways. BCP is currently developing a large-scale residential and office project, which will cover a total of approximately 240,000m² on the site.

Of this project, 116,000m² is designated for the construction of 850 residential units. The development is planned to take place in several stages, with the aim of achieving a high level of advance sales. Stage A of the project, which consists of 202 residential units, is in the final stages of construction and is expected to be completed during April-June 2014. Stage B of the project will include 284 residential units of high-density construction and 20 private homes (totalling 45,600m²). There will be three sub-stages of Stage B (“B1”, “B2” and “B3”). Construction of B1 and B2 is expected to begin during the second quarter of 2014. The marketing of B1 began in September 2013. In July 2013, BCP entered into a contingent sale agreement with a German pension fund for the sale of B2 for a total consideration of €30 million. B2 will be comprised of 79 residential units in two buildings with a net area of 7,803m² and a commercial space of 713 m² with 101 parking spaces. In respect of B3, BCP filed a request in February 2014 for construction permits. Approval is expected to be granted for B3 by the end of 2014.

A further 124,000m² of the project is designated for the construction of office spaces consisting of 24 buildings. BCP is currently considering seeking the re-designation of this land for residential use. However, no significant steps have been taken for such designation change, including the zoning and construction proceedings required under German law before the city council may approve the municipal plan.

In November 2011, BCP entered into a loan agreement for the development of Stage A in the amount of €20 million. BCP has met the early sale targets which were set by the bank as a condition to further financing. However, the income received from advance sales has been used to finance the construction of Stage A, meaning that this loan was not utilised.

On 13 November 2013, an agreement with a German bank was signed for a €101.4 million loan. Of this amount:

(a) €15 million is for the refinancing of a €25 million loan (the €10 million balance of the loan was repaid from the free cash flow of Stage A during the final quarter of 2013 and the first quarter of 2014);

(b) €15 million is for the renewal of the guarantees relating to the financing of the construction of Stage A. Of this amount, €10.8 million was spent for the benefit of the city of Dusseldorf to meet various undertakings granted under the public infrastructure development agreement as of the signing date of the report; and

(c) €71.4 million is for a construction loan for the financing of the construction of Stages B1 and B3.

3 Russia

3.1 The following is an overview of the properties in which the Group is interested in Russia:

Name	City	BCRE Ownership (%)	Principal Partners	Net lettable area (net m²)	Development / Operating (occupancy rate as at 31 December 2013 (%))	No. of units /rooms	Type	Property value (US$ ‘000)
Kazan – Wholesale Market	Kazan	25.10	Newgen Media (Cyprus) Ltd & Co-investment Club and members of the management	26,380	One pavilion currently operating (100%) / two pavilions under development/two future pavilions	1,303 units currently operational	Retail and Wholesales	695,000
Lyubertsy – Shopping Centre	Lyubertsy	54.60	Newgen Media (Cyprus) Ltd & Co-investment Club	26,600	Development	N/A	Shopping Center	117,900
Dmitrov – Shopping Centre	Dmitrov	42.00	AREA	13,500	Operating (99%)	N/A	Retail	60,800

Lobnia – Class A Logistics Centre	Lobnia	51.70	Filuet & Co-investment Club	39,000	Operating (97%)	N/A	Warehouse	54,400
Uspenka – Villa Developme nt	Uspenka	58.70	Third parties	9,500	Development complete and villas being sold	21	Residential Villas Complex for sale	28,640*

* This is the value ascribed to the current asset in the Financial Information pursuant to Note 8 under a(2) (based on the Euro / US$ conversion rate as at December 2013).

3.2 The following is a summary of the material properties comprised within the Group's Russian portfolio:

Operating

Kazan

Overview

In 2012, the Group acquired a 22.3% interest in a land plot of approximately 196.58 hectares in the city of Kazan designated for wholesale and retail (including agricultural retail) use. Kazan is one of the major economic business centres in Russia, the capital of Tatarstan and the eighth most populous city in Russia. Kazan has a favourable location approximately 750 kilometres east of Moscow along the Western Europe – Western China road corridor currently under construction. Currently, the Group holds a 25.1% interest in the project and the remaining 74.9% interest is held by members of the Co-investment Club and indirectly by Newgen Media (Cyprus) Ltd., a company owned by Mr. Alexander Khaldey, a Russian real estate investor and by members of the Group's Russian management team.

The first pavilion was completed at the beginning of 2013 and the second pavilion was completed in late 2013. The first pavilion was burnt down by a fire due to an electrical fault in mid-2013 and accordingly, at the date of this Prospectus, only the second pavilion is operational. The first pavilion is being rebuilt, using the proceeds of the Group's insurance claim received in February 2014 and is expected to be completed in late 2014. The third pavilion is currently under construction and is expected to open in the summer of 2014. The construction loan facility of an amount of US$44 million in respect of pavilions 1 and 2 was refinanced by a new loan of US$94 million, which is due to mature in March 2023. The last tranche of this loan was drawn down in November 2013. In December 2013, a loan facility agreement of an amount of approximately US$31 million for the construction of pavilion 3 was signed, which is due to mature in September 2018. As of 31 December 2013, the aggregate amounts drawn down under the loans is US$101.7 million.

A five year lease agreement was signed on 29 August 2013 between Technopolis "New Toura" LLC (OOO) as the landlord and Azint Capital LLC (OOO) as the tenant in respect of the one operational pavilion. Under the lease agreement the tenant agreed to lease pavilion 2 entirely. The permitted uses are foods and non-foods retail, and offices. The rent increases from US$730 per unit per month to US$1,780 per unit per month after a year with an annual indexation rate of 9%. The tenant then licenses individual units to individual traders.

Selected financial and operating information in respect of pavilion 2 as at 31 December 2013:

- Number of units (pavilion no.2): 1,303
- Net leasable area: 26,380m²
- Occupancy rate: 100%
- Net operating income (100%): US$3.5 million*

* Applies only to pavilion no. 2, which has been operating for approximately three months.

Project

Lyubertsy

In October 2007, the Group acquired a 50% interest in the leasehold (later to be converted to freehold) in a 17,429m² land plot in Lyubertsy, one of the largest and most densely populated cities in the Moscow region. The remaining 50% interest was held by WP I Sarl, the sole shareholder of WP Holdings. In 2012, WP I Sarl sold its interest to the Group, Newgen Media (Cyprus) Ltd. and members of the Co-investment Club. The property is to be developed into an upmarket shopping and entertainment centre which will provide approximately 26,600m² of usable retail space over 4 floors and benefit from 650 indoor and outdoor parking places. Construction of the project commenced in June 2013 and is scheduled for completion in the second quarter of 2015. As of the date of the Prospectus, preliminary lease agreements in respect of 4 units have already been signed. When completed and stabilised, the property is expected to produce an annualised net operating income (100%) of US$22-24 million.

Two loan facilities have been entered into with the same bank in respect of this property for an aggregate amount of US$95 million, of which US$20m had been drawn down as at 31 December 2013. Both loan facilities are due to mature in May 2023 and the last drawdown date is set for 20 February 2016. The loan facilities are secured by way of a pledge over the land and a limited guarantee granted by the Company for an amount up to approximately US$15,682,020 and expire 6 months after completion (subject to certain conditions).

4 India

4.1 The following is an overview of the Indian properties in which the Group is interested:

Name	**City**	**Company ownershi p*** (%)	**Partners**	**Land**	**Development / Operating**	**No. of units/rooms**	**Property value (INR '000)**
Imperial Golf Estate	Ludhiana	12.2	BCRE India Fund Silverglades and ILFS	280 acres	Development	Approximately 350,000m² of plotted development and 10,000m² currently under construction	3,156,000
Mumbai**	Off Mumbai-Pune Expressway	30.00	BCRE India Fund Silverglades	417 acres	Development	N/A	779,000

* BCRE India Fund, in which BCRE has a 20% interest, holds 61% (profit rights and not voting rights) in the Imperial Golf Estate, Ludhiana.

** This represents an interest in Emerald Buildcon Private Limited which has an interest in development rights[4] in approximately 417 acres of land. 25% of Emerald Buildcon Private Limited is held by the BCRE India Fund (in which BCRE has 20% interest) and 25% by a member of the Group.

4.2 Additionally, a subsidiary of the BCRE India Fund granted a convertible loan to the owner of the hospitality component of a project located on the outskirts of New Delhi. Repayment has been requested. The amount due to BCRE is US$1.3 million.

[4] Such an arrangement is customary for foreign investments in real estate development projects in India where ownership of land cannot be acquired owing to local regulations.

4.3 The following is a summary of the material property comprised within the Group's Indian portfolio:

Ludhiana

The BCRE India Fund holds a 61% (profit rights and not voting rights) interest in Emerald Lands (India) Private Limited ("**ELPL**") which holds an interest in the development rights of the Imperial Golf Estate, a 280-acre golf resort and premium residential township located on the outskirts of Ludhiana in Punjab, a major city in the north of India. The remaining 39% interest in ELPL is held by Silverglades and ILFS. Silverglades is a local partner in the project and ILFS is a prominent financial institution in India. ILFS acquired a 28% stake through transactions which took place in 2010 and 2011. The project will include an 18-hole championship golf course designed by Jack Nicklaus, a club house and a golf academy. On the residential side, the project will include approximately 350,000m² of plotted development and 10,000m² is currently under construction, ranging from plots to luxury villas and suites. The plots offered range between 210m² and 1,670m² each. Suites and villas range between 148m² and 770m². The project is currently under a phased construction and sale, is expected to complete in 2017 and, as of 31 December 2013, 260 units have been sold. As of March 2014, the total outstanding amount of the existing loan facility stands at approximately US$11.5 million which is to be fully re-paid by April 2015 through quarterly repayments. The facility was entered into on 9 June 2011.

5 UK

Name	City	Ownership (%)	Partners	Gross lettable area (gross m²)	Development / Operating	No. of units /rooms	Type	Property value (£ '000)
Fountain Court	Manchester	100	N/A	2,479	Development	N/A	Office	2,250

5.1 The following is a summary of the property comprised within the Group's UK portfolio:

In January 2014, BCRE UK completed on the purchase of "Fountain Court", a vacant prime city centre office property located in Manchester's traditional central business district, for £2.4 million, including an acquisition cost of around £0.15 million, with 100% of the investment being made by the Group. The property has a grade II listed façade and includes approximately 26,000ft² of net leasable area and 10 car parking spaces at a very low cost per ft² (approximately £92 per ft²) with considerable upside potential. Its floor plates (excluding the basement) range between 2,200 and 4,100ft.

The Company intends to substantially let the property within two years of completion of the building works, on attractive rental terms compared to similar or equivalent space. The refurbishment is planned to start by the end of 2014 and end in 2015. Once fully let, the total gross rental income from the property is projected to be approximately £0.4 – 0.5 million per annum. No bank financing is currently in place in relation to this project.

PART III
MARKET OVERVIEW

1 USA

The information contained in this section in relation to the New York City lodging market has been extracted from a LW Hospitality Advisors draft valuation report on 218 W. 50th Street (Citizen M) with a valuation date 31 December 2013.

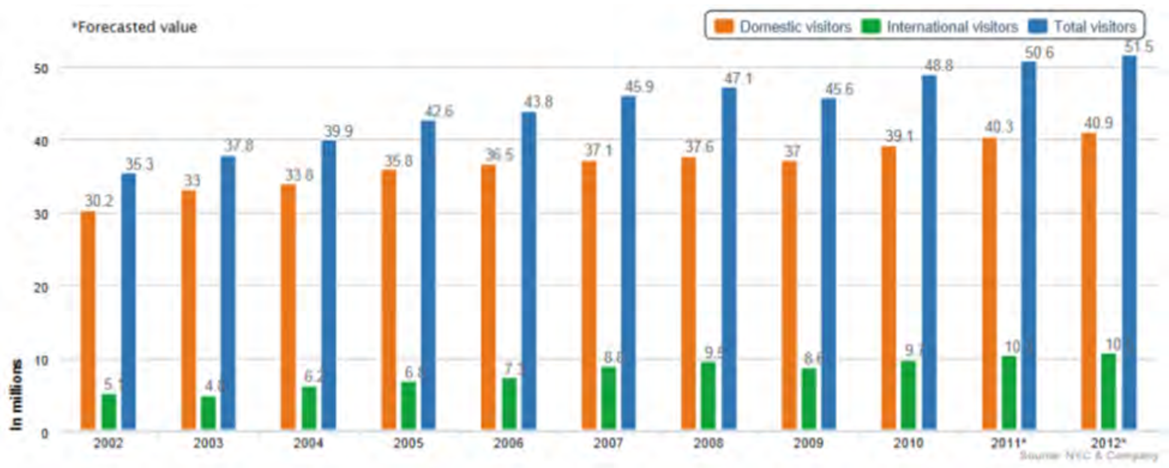
1.1 New York City Lodging – Historical Trends and Future Projections

Overview

While the US hotel market has been distressed since the economic downturn, New York City has shown greater recovery than other markets. According to the New York State Department of Labor, for the twelve-month period ending August 2013, New York City's private sector employment increased by 84,700, or 2.5% to approximately 3,407,000 employed people, with approximately 15,000 jobs being created in the leisure and hospitality sector.

New York City has enjoyed strong demand from the corporate, group and leisure sectors, and has the highest average daily rate, occupancy and RevPAR levels within the United States. New York City is expected to maintain its competitive advantages over other cities in the US and remain number one in the US in terms of RevPAR and demand. New York City is home to one of the largest tourism and hotel industries in the world and is the fifth-largest hotel market in the United States. The city as a whole has in excess of 100,000 hotel rooms, and Manhattan alone has approximately 82,500 existing hotel rooms and is continuing to grow rapidly with multiple properties under development. Hotels continue to be developed in New York City as demand from domestic and international markets continues to grow.

Though the pace has slowed down since 2011, market demand continued to grow in 2012 at a rate of 4.6% as a result of the growing neighbourhoods and office markets, as well as the continued economic growth in the United States and international tourism. International travel has grown at a record pace despite economic uncertainty in Europe and slower-than-expected growth in China. Tourism in Manhattan has reached record high levels in recent years and is expected to continue growing. The city has set a goal of receiving 55 million tourists by 2015. The below chart displays tourism stats in New York City from 2002 through 2012:



With increased visitation and activity in Manhattan, the hotel market is anticipated to achieve strong occupancy and average daily rate growth in the foreseeable future. The average daily rate experienced a healthy increase in 2012, compared with 2011. Consistent with nation-wide trends, the New York City hotel market strengthened as demand grew, supply softened, and regional and local economies continued to recover.

The following table presents trends in occupancy and average daily rate for the overall Manhattan lodging market from 2006 to 2012:

Manhattan Hotel Trends			
Year	**Occupancy**	**ADR**	**RevPAR**
2006	85.5%	$271.08	$231.80
2007	86.5%	$304.52	$263.38
2008	85.9%	$310.65	$266.98
2009	81.6%	$240.50	$196.18
2010	85.4%	$256.65	$219.11
2011	85.3%	$275.53	$234.90
2012	87.9%	$284.14	$249.62
Source: PKF Trends			

The following table presents occupancy, average daily rate, and RevPAR during Q3 2013 and year-to-date through September 2013:

All Manhattan

	Occupancy				ADR				RevPAR				December YTD		
	Oct	Nov	Dec	4Q	Oct	Nov	Dec	4Q	Oct	Nov	Dec	4Q	Occ.	ADR	RevPAR
2011 Market Average	89.4%	85.7%	84.6%	86.6%	$320.16	$310.57	$314.55	$315.22	$286.34	$266.21	$266.09	$272.95	83.5%	$270.56	$225.87
2012 Market Average	90.7%	87.1%	88.4%	88.8%	$329.43	$321.37	$329.22	$326.78	$298.88	$279.92	$291.18	$290.10	86.0%	$277.68	$238.77
	% Change from 2011				% Change from 2011				% Change from 2011				% Change from 2011		
Market Average	1.4%	1.6%	4.6%	2.5%	2.9%	3.5%	4.7%	3.7%	4.4%	5.1%	9.4%	6.3%	3.0%	2.6%	5.7%

Source: PwC Manhattan Lodging Index Fourth Quarter 2012

According to Pricewaterhouse Cooper's Manhattan Lodging Index of Q3 in 2013, the average daily rate ended Q3 of 2013 at US$283.12; a 4.4% increase from the same quarter of the previous year. New York City occupancy in Q3 of 2013 finished at 89.5% which was relatively flat when compared with Q3 of 2012. RevPAR for the Manhattan market was US$253.38, which rose 4.8% from US$241.78 in Q3 of 2012. Year-to-date figures as of September 2013 showed a 4.2% increase in the average daily rate to US$270.84 and a 1.3% increase in occupancy to 86.1% from the same time period of the previous year for an aggregated RevPAR increase of 5.5% to US$233.16. It is anticipated that New York City's lodging market and growth in demand will continue to increase steadily.

The following table presents trends in occupancy, average daily rate, and RevPAR during Q3 2013 and year-to-date through September 2013, broken down by neighbourhood:

By Neighborhood

	Occupancy				ADR				RevPAR				Sep YTD		
	Jul	Aug	Sep	3Q	Jul	Aug	Sep	3Q	Jul	Aug	Sep	3Q	Occ.	ADR	RevPAR
Upper Manhattan – 2012	83.9%	86.7%	85.6%	85.4%	$292.71	$282.36	$406.83	$326.48	$245.56	$244.87	$348.34	$278.84	79.9%	$317.74	$253.75
Upper Manhattan – 2013	86.7%	87.6%	87.5%	87.3%	$306.46	$299.56	$426.46	$343.37	$265.72	$262.36	$373.12	$299.61	83.2%	$335.47	$279.07
Midtown West – 2012	91.0%	91.8%	89.7%	90.8%	$242.43	$243.59	$315.37	$266.31	$220.58	$223.61	$282.89	$241.92	86.6%	$254.70	$220.63
Midtown West – 2013	90.4%	92.4%	90.5%	91.1%	$249.96	$253.78	$331.78	$277.78	$225.95	$234.40	$300.34	$253.06	87.5%	$266.25	$233.09
Midtown East – 2012	88.1%	89.8%	87.6%	88.5%	$250.92	$252.80	$368.94	$289.65	$220.96	$227.07	$323.13	$256.34	83.5%	$278.55	$232.57
Midtown East – 2013	85.7%	88.8%	87.5%	87.3%	$263.16	$261.72	$389.37	$303.98	$225.53	$232.30	$340.89	$265.48	83.5%	$287.22	$239.69
Midtown South – 2012	89.0%	91.0%	88.4%	89.5%	$207.34	$212.11	$274.58	$230.63	$184.58	$193.10	$242.71	$206.41	86.4%	$218.07	$188.44
Midtown South – 2013	90.5%	92.1%	90.6%	91.1%	$214.92	$220.39	$289.36	$240.93	$194.45	$203.08	$262.02	$219.39	88.7%	$229.18	$203.28
Lower Manhattan – 2012	85.9%	86.7%	85.8%	86.1%	$261.84	$261.78	$349.30	$290.26	$224.89	$226.88	$299.75	$249.99	83.5%	$281.70	$235.09
Lower Manhattan - 2013	85.4%	88.6%	87.9%	87.3%	$270.71	$269.50	$360.45	$299.99	$231.11	$238.82	$316.91	$261.88	84.6%	$290.98	$246.05
	% Change from 2012				% Change from 2012				% Change from 2012				% Change from 2012		
Upper Manhattan	3.4%	1.0%	2.2%	2.2%	4.7%	6.1%	4.8%	5.2%	8.2%	7.1%	7.1%	7.4%	4.2%	5.6%	10.0%
Midtown West	-0.6%	0.6%	0.9%	0.3%	3.1%	4.2%	5.2%	4.3%	2.4%	4.8%	6.2%	4.6%	1.1%	4.5%	5.6%
Midtown East	-2.7%	-1.2%	0.0%	-1.3%	4.9%	3.5%	5.5%	4.9%	2.1%	2.3%	5.5%	3.6%	0.0%	3.1%	3.1%
Midtown South	1.6%	1.2%	2.4%	1.7%	3.7%	3.9%	5.4%	4.5%	5.3%	5.2%	8.0%	6.3%	2.6%	5.1%	7.9%
Lower Manhattan	-0.6%	2.2%	2.5%	1.4%	3.4%	2.9%	3.2%	3.4%	2.8%	5.3%	5.7%	4.8%	1.3%	3.3%	4.7%

Source: PwC Manhattan Lodging Index Q3 2013

Metrics provided by PKF Consulting USA show growth in occupancy and the average daily rate for Manhattan's lodging market. The Midtown West hotel properties, specifically located between 42nd Street and 59th Street, experienced the largest occupancy growth of 3.5% through October 2013, compared to the same time period in 2012, while the Midtown East hotel properties located between 42nd Street and 59th Street experienced the least growth with a slight 0.9% decline in occupancy. Despite the differences in occupancy growth rates, the average daily rate in the Midtown Manhattan market experienced approximately 3.2% to 3.4% growth through October 2013, compared to the same time period in 2012.

Hotels above 59th Street experienced relatively flat growth in market occupancy, but the highest rate of growth was approximately 9.4% and resulted in a RevPAR increase of 9.9 percent year-to-date through October 2013. The RevPAR growth in the downtown market was the second highest submarket growth in Manhattan.

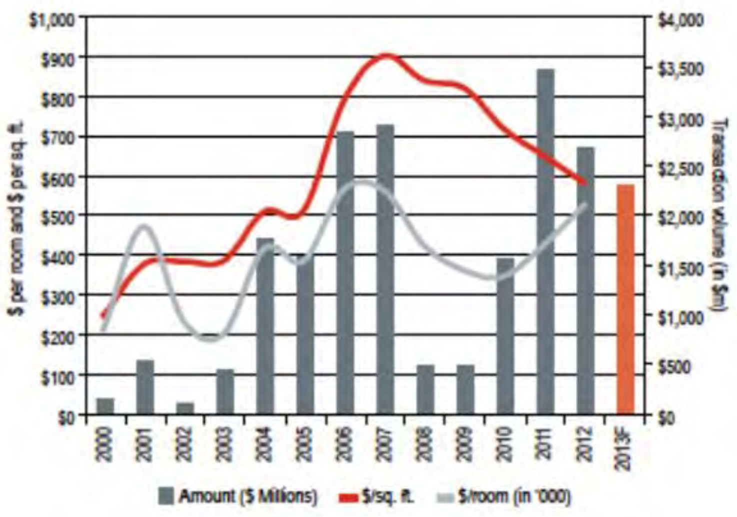
Overall, Manhattan's lodging market experienced substantial gains in RevPAR, predominantly due to substantial increases in the average daily rate. The market's RevPAR increased by 5.7% in the first ten months of 2013, resulting from a 1.5% increase in the average daily rate when compared to the same time period in 2012.

Given the strong performance of the New York City lodging market, the new supply that will potentially be entering the market is expected to be readily absorbed. The New York market is one of the strongest in the United States. Occupancy has been continuously strong, and the average daily rate has been recovering following the recession, thus driving notable gains in RevPAR. The industry has witnessed a steady increase in occupancy while average rate has been slower to recover. However, market average daily rate is expected to increase in the upcoming years. As these economic indicators continue to gain momentum and consumer confidence returns to the market, hotel metrics are expected to increase through at least 2016.

New York City Forecast Summary - All Hotels						
Year	Occupancy	Δ Occupancy	ADR	Δ ADR	RevPAR	Δ RevPAR
2008	81.6%	-1.8%	$275.83	2.6%	$224.99	0.8%
2009	76.9%	-5.7%	$216.14	-21.6%	$166.31	-26.1%
2010	80.8%	5.0%	$231.50	7.1%	$186.96	12.4%
2011	81.1%	0.4%	$244.38	5.6%	$198.21	6.0%
2012	83.6%	3.1%	$251.36	2.9%	$210.24	6.1%
2013F	82.9%	-0.9%	$269.70	7.3%	$223.45	6.3%
2014F	83.4%	0.6%	$286.28	6.2%	$238.62	6.8%
2015F	84.7%	1.7%	$304.06	6.2%	$257.65	8.0%
2016F	85.3%	0.7%	$320.10	5.3%	$273.02	6.0%
2017F	84.8%	-0.6%	$332.48	3.9%	$281.90	3.3%
Source: PKF Hospitality Research & Smith Travel Research						

New York City Hotel Sales Activity

The chart below illustrates the amount of transactions that have occurred over the past decade:



Source: Jones Lang LaSalle Hotel Intelligence New York 2013

New York City New Hotel Supply

There have been proposed new hotel developments, including new buildings, repurposed landmarks and iconic facilities and the renovation of a number of properties throughout New York City. According to NYC & Company, there are over 100 properties that have opened since the beginning of 2013 or are under development through 2016. With an average of 94,000 rooms in active inventory in October 2013, the city was anticipated to reach 99,000 by the end of 2013 and exceed the 110,000 mark by the end of 2016. Approximately one quarter of the new projects are slated for the boroughs.

During 2014, the Manhattan market is expected to continue to see supply growth. According to Jones Lang LaSalle, Manhattan alone is expected to experience an increase in supply of about 6,000 rooms in 2014 respectively, predominantly located in downtown and Midtown South Manhattan.

2 Germany

The information contained in this section principally relates to the second half of 2013 and has been extracted from a DIWG draft valuation report on the Bad Kreuznach property with a valuation date 31 December 2013 and a NAI apollo valuation & research GmbH valuation report dated 17 March 2014 with a valuation date 31 December 2013.

2.1 German economy

Overview

The German economy is currently enjoying moderate growth. The external economic environment is continuing to have a dampening effect; the adjustment processes for tackling the financial crisis in the Eurozone are continuing, and the speed of development in the emerging economies has considerably weakened. In contrast, domestic drivers of growth in Germany have continued to stabilise. The continued increase in employment levels is propping up consumer spending and is, in turn, consolidating economic growth. Overall, however, the pace of economic growth in Germany is expected to remain moderate in the second half of 2013.

Slow development on the German sales markets is currently causing German export trends to move sideward. German exports grew in August by 1.0% in current prices (seasonally adjusted) and thereby offset the decrease in exports in the preceding month. Imports of goods rose in the same month by 0.4% (seasonally adjusted), with development in this sector pointing on the whole marginally upwards. This is also a picture of the domestic economy, which is slightly improving. Despite foreign demand having been weaker in the recent past, industrial orders from abroad are up slightly. That said, manufacturers scaled back their export expectations somewhat in September. This means that on the whole, the outlook for the German export sector remains cautious.

The moderate improvement in the goods-producing sector is continuing, with Germany having emerged well from a period of weakness in the winter semester. Production in August 2013 rose by 1.4%, more than compensating for the decline seen in the preceding month. The positive growth in August is mainly based on increased industrial production (+2.1%), especially in the area of capital goods (+4.4%) and this time also in motor vehicles (+13.6%). In contrast, construction work fell in August by 1.9%. However, the upward trend in the construction sector continued, being able to build on strong growth in the preceding months.

Output in the goods-producing sector is likely to increase at a moderate pace over the next few months, as indicated by the slight upwards trend in industrial orders. The number of new orders is currently above the average figure for Q2, despite the fact that July’s drop was followed by a further slight decrease in August (-0.3%). This was attributable not least to the number of large orders, which was below average. Positive stimuli in August came primarily from domestic activity (+2.2%), with manufacturers of capital goods having recorded an increase in ordering activity (+4.7%). The level and positive development of the main sentiment indicators like the IFO Business Climate and the Markit / BME’s Purchasing Managers’ Index are also a sign of a continued increase in industrial production.

The ongoing rise in employment levels is paving the way for solid growth in consumer spending. Retail turnover (excluding cars) increased slightly in August, climbing by 0.5%. The overall trend is, however, pointing slightly downwards. Contrasting with this, new passenger vehicle registrations seem to have stabilised at a low level. Consumer sentiment continued to brighten, with the propensity to purchase in particular extremely high at present.

The labour market is proving stable and continues to be in good shape. There was no halt to the growth in employment figures in August, with the number of persons in work rising by 13,000 (seasonally adjusted). This was mainly due to a continued increase in the number of jobs subject to social security contributions; the number of self-employed continued to fall. Unemployment figures rose in September by 25,000 (seasonally adjusted). This was mainly due to the phasing out of government instruments to support the labour market. The number of under-employed, which are not included in this figure, remained unchanged as compared with the preceding month. Overall, demand for labour in September developed steadily. The number of reported vacancies and the vacancies index of the Federal Employment Agency rose slightly, whilst the results of the Ifo Employment Barometer worsened somewhat. In line with general economic development, it is likely that the positive employment trends will continue.

Source: Federal Ministry of Economics and Technology

Gross domestic product, price adjusted, interlinked change on the previous year (in %)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
+0.0	–0.4	+1.2	+0.7	+3.7	+3.3	+1.1	–5.1	+4.2	+3.0	+0.7

Economic activity

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Nominal GDP, €bn[2]	2,195.70	2,224.40	2,313.90	2,428.50	2,473.80	2,374.50	2,496.20	2,592.60	2,645.00
GDP growth, % annual change	1.2	0.7	3.7	3.3	1.1	-5.1	4.2	3.0	0.7
GDP per capita, €[2]	26,614	26,974	28,093	29,521	30,124	29,002	30,532	31,703	32,289
Population, mn[2]	82.50	82.44	82.31	82.22	82.00	81.80	81.75	81.84	n.s.
Unemployment rate and forecast	10.5	11.7	10.8	9.0	7.8	8.1	7.7	6.6	6.7

f= BMI forecast: 1 Pan Unemployment rate Germany; 2 Eurostat/BMI; 3 Bundesbank/BMI

German Real Estate Market

The German economy remained stable in Q3 of 2013. After a significant decrease of the economy in 2012, an upswing was noticeable again since the beginning of 2013. A general uncertainty as a result of the European debt crisis and a decreasing demand for German exports impaired the willingness for investments. The employment market continues to be tough and a decrease in the unemployment figures is not expected in the mid-term.

The German property market has impressively confirmed its position as one of the most secure and stable investment markets in the world with a volume of investment of around €19.1 billion until Q3 2013. The investment volume for commercial properties was 28% higher than in the same period during the previous year.

The investment strategy of investors is still concentrated on low-risk investments, as a result of which, a demand overhang for core and core-plus properties is evident. The initial yields for property investments are at low levels compared with the long-term average and decreased again for some asset classes in Q3 of 2013.

The Investment Market

The German property investment market was until Q3 of 2013 unaffected by the crisis within the European Union. With a volume of investment of around €19.1 billion, the previous year's result was surpassed by nearly 28%. The demand concentrated on core and core-plus properties, whereas outside the core segment demand further decreased. Exceptions to this were limited to property developments where a user already exists, and properties which show a certain minimum quality and where demand is generated by the price. The investment market concentrated with a share of around 75% on individual transactions until Q3 of 2013, whereas only around 25% was accounted for by portfolios. This aspect also indicates that investors have been concentrating on high-quality, secure and easily calculated properties. This tendency is also reflected in the development of the yields. Whereas for core properties the yields are stable to slightly falling, they show an increasing trend for products which do not fulfil core requirements. Top yields for office buildings at the top seven locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) moved in Q3 of 2013 in a range between 4.4% (in Munich) and 5.0% (in Cologne). The aggregated top yield in "1 A locations" (i.e. Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) lies between 4.1% for commercial buildings (retail and offices) and 6.6% for storage and logistics properties. Compared with the previous quarter, the yields further decreased for all asset classes.

Approximately 59% of the volume of transactions was accounted for by the top seven German locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart). The highest volume of transactions was registered in Munich with around €2.53 billion, followed by Berlin with €2.33 billion and Frankfurt with €2.29 billion. In Cologne, investments of around €490 million were made. Whereas Düsseldorf increased strongly in favour of investors with a growth rate of 164%, the volume of transactions in Stuttgart was 23% below the level of Q3 of 2012.

As in previous years, office properties were predominant, accounting for 43% of the deals in the investment market. Retail properties also played an important part with a market share of 29%. The other asset classes (hotels, land, special properties and mixed-use properties) amounted, in aggregate, to a share of 18% and logistics and industrial properties accounted for around 10% of the volume of investments. The most active group of buyers until Q3 of 2013 were asset/fund managers, special funds, banks, insurance companies and pension funds. More than 35% of transactions were made by foreign investors.

The Office Market

In the office letting markets of the top seven locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) stable performances were displayed until Q3 of 2013, when compared with the previous year. Altogether, the take-up of space decreased by 0.2%, when compared with 2012. Both prime rents and average rents remained stable or slightly increased for most of the locations. The vacancy rate slightly decreased again compared with the previous quarter.

The accumulated take-up of space in all locations was 0.2% below the comparative value of Q3 of 2012. Whereas individual locations show different rates of development, all locations (with the exception of Munich (-17%), Berlin (-15%) and Frankfurt (-5%)) showed a significant increase in take-up; especially Düsseldorf, Stuttgart and Cologne, with increases of 31%, 27% and 17% respectively. The highest take-up was registered in Munich with 440,000m², followed by Berlin with 336,000m².

Office vacancy rates decreased further in Q3 of 2013 in some of the top locations, most heavily in Stuttgart with a decrease of 6%. Overall, the volume of available office space at the top seven locations amounted to 7.5 million m². With a volume of 1.7 million m², Frankfurt has the highest volume of vacancy in absolute terms. This corresponds to a vacancy rate of 12.7%. In Stuttgart, the smallest area of office space was vacant at around 408,000m², the vacancy rate lying at 5.2%.

Rents remained stable or showed an increasing trend in most of the top seven locations. While prime rent was unchanged for most of the locations compared with the last quarter of 2013, Munich and Frankfurt recorded a noticeable increase of 1.6% and 0.8% respectively. The highest top rent is achieved in Frankfurt at €36.80 per m² per month. The average rent decreased in Berlin and Hamburg while there was an increasing trend in all other locations.

The volume of completions of new office space increased until Q3 of 2013 in the top seven locations by a total of 28.7% to around 658,900m², whereas the locations developed very differently. Frankfurt and Cologne saw a rise in the volume of completions of 256% and 144% respectively, while in Munich and Düsseldorf, a decrease of 15% and 3% respectively was registered.

If the projected increase of 0.7% in Germany’s GDP is achieved, a take-up of office space in the range of the three million mark in the top seven locations is expected for 2013. This corresponds with the average take-up of the previous five years.

The Retail Market

The letting take-up in the German retail markets did not quite reach the high levels of 2012 with a volume of take-up of 387,000m² until the end of Q3 of 2013. Compared with the previous year, take-up decreased by 10% whereby around 32% of the take-up was registered in the top ten German locations.

Demand was concentrated particularly on 1 A locations and exceeded the supply of suitable shop units. In particular, there was strong demand for shop units up to 250m², which accounted for around 52% of lettings. Decreased demand was registered for large-area shop units of 2,000m² or more, which was attributable to a lack of availability in that size group. The textile industry provided the largest demand group with a share of 42% of lettings, followed by the food/gastronomy sector with 20%.

Due to strong demand and limited supply in the number of suitable shop units, the top rents in the 1 A locations of the top ten cities rose further, just as in towns with a population of more than 50,000. In comparison, the rise in rents turned out to be lower in “1 B locations” (i.e. Bochum, Bonn, Dortmund, Dresden, Duisburg, Essen, Hanover, Leipzig, Mannheim, Nuremburg and Wiesbaden). Because of the ever larger space requirements of the retail trade, which could only be met to a limited extent in the 1 A locations because of town planning restrictions, the 1 B locations are expected to profit in the medium term from a rise in demand.

Retail properties dominated the investment market with a share of 29% of the take-up until Q3 of 2013; nearly on the same level as the previous year. The preferred forms of investments were shopping centres, in which around €2.2 billion was invested. Investments in 1 A retail properties accounted for around €2.1 billion. Speciality markets and retail parks accounted for €1.5 billion until Q3 of 2013.

The most active buyer group until Q3 of 2013 were private investors and asset/fund managers, with shares of 16% and 15% of the take-up respectively. Around 23% of the volume of retail investment fell to foreign buyers. The largest seller groups were developers and asset/fund managers.

The trend to declining yields at the top seven cities, which was evident in 2012, was partly continued in Q3 of 2013. Yields of 4.11% were noted in commercial buildings in the 1 A locations, while shopping centres achieved rather higher yields of 4.75%. The peak in the retail investment field was marked by retail parks, with top yields of 5.75% and speciality markets with yields of up to 6.25%.

2.2 German Residential Market

Sales increase

Trading in German residential property portfolios or residential complexes registered strong growth in 2013, reaching a transaction volume of €15 billion. Compared to the previous year (2012: €11.3 billion) this represents an increase of 32.7% and involved the sale of 318 portfolios (2012: 241) with more than 30 residential units a piece, amounting to a total of 231,000 residential units (2012: 211,000). Overall, 27 of the registered transactions had a volume of more than €100 million per transaction, amounting to around €10.3 billion (68.5%) in total.

Major cities in Saxony gain in importance

As in previous years, demand was focused on properties in economically strong major cities and conurbations. Berlin maintained its leading position with a share of 22.0% (-2.7 percentage compared to the previous year) of the assignable portfolio transactions. In a comparison of the federal states, most of the purchases took place in North Rhine Westphalia with a share of 22.6% (-0.1 percentage). One striking development was the growing level of activity in Saxony. Compared to 2012, this state increased its share of transactions by 5.8 percentage points to 11.3%. In particular, investors increasingly see Dresden and Leipzig as viable alternatives.

Further potential for 2014

Interest in German residential portfolios is expected to remain high in 2014. However, compared to the previous year, the market is expected to be less dominated by mega transactions. Although there are some isolated cases of large portfolios being offered for sale, the emphasis is expected to be on medium-sized deals that will largely arise from partial sales. On this basis, it is expected that a reduction in the 2014 investment volume will occur to around €11 billion in total. This would be in line with the 2012 result (€11.3 billion).

It is likely that listed property companies will again play a central role in the large-volume market segment, while private investors will dominate the segment for smaller portfolios. In addition, international investors are again expected to be more active on the market. In geographical terms, the established conurbations will remain in high demand. At the same time, a growing acceptance of secondary locations is also evident, as was already indicated in 2013 by investments in Leipzig and Dresden.

3 Russia

3.1 Overview of the Russian Market

The information contained in this section 3.1 has been extracted from a Cushman & Wakefield draft valuation report on Kazan with a valuation date 31 December 2013 and does not take into account the recent developments in Russia and the Crimea, in relation to which please refer to the risk factor described in section 6.7 on page 29.

Macro-economic overview

In Q3 of 2013, the Russian economy entered a phase of stagnation. GDP growth was lower than expected at less than 2% and the IMF reviewed its outlook for the growth in the Russian economy down to 1.8%. Russian government officials recognised that 2013 was the slowest year for growth in recent times.

The Russian economy is supported primarily by the consumer market, which is fuelled by the increase in pensions and salaries in the public sector. Turnover in the retail trade is growing at about 4% per annum, which is much faster than the economy in general. Footfall in shopping centres is similar to 2012. Rental rates remain solid and year on year growth across all sectors is expected at 6%, which is similar to inflation levels.

Outlook

In 2013, the warehouse sector was expected to outperform the office sector because of the demand for modern logistics from fast growing sectors such as e-commerce and modern retailing. Retail real estate was expected to be the bright spot with new retailers and new ideas coming to the market.

In 2014, the situation is likely to change. While in Q1 Russia is likely to benefit from the “Olympics effect” i.e. a growing interest in Russia from other countries and businesses, Q2 will probably bring a decrease in the level of employment and a slow-down in the consumer sector. The office real estate sector is expected to remain the most stable sector in 2014.

Investments

The total volume of commercial real estate investments in Q3 of 2013 was at the same level as during the same period in 2012 and amounted to US$1.13 billion. Moscow is the primary location for inward-investment according to the volume of investments in the commercial real estate industry and remains the major investment centre in Russia. In 2013, the capital of Russia attracted more than 80-90% of total investments in the commercial real estate sector. The second most popular place for inward investment is St. Petersburg with nearly US$50 million of dollars being invested in Q3 of 2013.

The total investment volume of quality real estate in Russia for 2013 was expected to reach the volume of US$7.9 billion. In 2014, insignificant stagnation is expected and the total volume of investments is forecast to be at around US$7.5 billion.

Capitalisation Rates

As at the date of the report, the yields for prime real estate projects in Moscow were 8.5% for offices, 9.0% for retail and 11.0% for warehouse and industrial projects.

Retail

In general, the volume of new construction of retail space in Russia in 2013 can be described as high, as it was in 2012. New retail complexes have been constructed and delivered throughout 2013 in 22 Russian cities. There was a reduction in the construction of new quality retail premises in Moscow for the period 2012 – 2013, which is due to be redressed in 2014 by a number of large-scale projects. As at the date of the report, footfall at Moscow shopping centres was at a high level and consumer expectations were stable. Due to a shortage in supply of Russian shopping malls, retailers actively sought prospective developments in a number of Russian regions. During 2013, rental levels remained stable, as was the position in 2012.

Consumers

According to Rosstat, the real incomes of the Russian population grew by 2.1%, when compared with August 2012. Moreover, real incomes increased by 4.1% between January and August 2013 when compared to the same period in 2012. The average monthly salary was RUB 29,020 in August 2013 and increased by 12.8% when compared with the previous year.

Retailers

As at 2013, retailer demand had remained relatively strong in Russia, with a limited number of new market entrants but with existing retailers looking to expand and experiment with new format types. Vacancy rates in prime shopping centres in the Moscow region were at low levels, with occupiers looking to the high street as shopping centre space cannot meet with demand. Brands already present in Russia have been actively looking to expand into the regions.

Retail space

In Q3 of 2013, the visiting rate of the retail centres was at higher levels when compared with the previous year. However, the amount of people who made a purchase compared with the total number of visitors decreased by 30.8%. As at the date of the report, the level of vacant spaces in the quality retail centres was at the lowest level.

Commercial rates in shopping malls

As at the date of the report, retail gallery rental rates in Moscow ranged between US$500 and US$4,000 (per m² per year before VAT and other expenses) depending on the size of the retail unit and the type of retailer. Throughout Q1 to Q3 of 2013, and the whole of 2012, rental rates were stable across all sub-sectors.

Moscow's prime retail indicator is US$3,800 per m² per annum, as a base rate. However, a rising number of rate increases was observed in 2013 and near future growth may be higher than 5%. In other cities, rental rates in shopping malls are typically 30% to 60% below the rates found in Moscow.

Additionally, among other payments, there are annual operational expenses (US$150-250 per m² for units smaller than 500m²), marketing expenses (US$10-25 per m²) and others, depending on the project.

Kazan market overview

Overview

Kazan is the capital of Tatarstan, one of Russia's most economically developed regions. Historically Kazan has been one of the major scientific, educational, and industrial centres of Russia. Tatarstan's economy depends mostly on oil, which accounts for approximately 40% of all tax proceeds. Kazan is one of the main logistic centres in Russia with high development potential. According to the Federal

Statistics Agency of Tatarstan, in the beginning of 2013 the population of Kazan reached 1,176,187 people, with the total population of Tatarstan being 3,822,038 people.

Tatarstan Republic is among the regions with the highest income level in Privolzhsky Federal District. According to the Statistic Agency of Tatarstan, average monthly income in January-September 2013 in Tatarstan Republic reached RUB 24,941 per capita. For constituent comparison with other federal subjects we use data of the Federal Statistic Agency of RF dated 2012.

Retail market

Booming development in 2003- 2007 provided the city with 360 m² of quality retail space per 1,000 inhabitants. Some experts consider Kazan's retail market as being close to saturation but the city is not yet in the leading position among cities with more than 1 million population. The share of non-quality retail premises in the general supply is still high. Such developments require reconstruction to compete with modern projects. In the past two years (2012-2013) no significant shopping malls were developed. Projects which are under construction and planned were relatively small (less than 20,000m² gross lettable area).

As at the date of the report, there were 35 retail and entertainment centres with a gross lettable area of 608,000m² operating in the city. The dynamics of market development during the last years was influenced by two factors: the consequences of the financial crisis and the proximity of the retail market to saturation. This mainly resulted in the slowdown of new construction, revision of existing project concepts and a search for new formats. Although the total area of quality retail centres is large, they do not suffer from a lack of tenants – the vacancy rate in them is stable and is close to zero. Community and neighbourhood shopping centres are largely of lower quality and vacancy rates in them are higher with unstable rental rate growth.

In the coming years no significant growth of retail supply is expected in the city. Market development will be mainly characterised by the appearance and development of new retail formats and the change of developers' focus from regional and super-regional malls to district-specific retail centres with gross lettable areas of less than 20,000m².

Requirements of end-users for quality retail premises is expected to grow, which will stimulate further market development. Modernization of retail centres will be a critical aim for developers not only because of competition level growth, but also because of the appearance of some new federal and international brands with strict requirements for premises.

With the growth of Kazan, citizens' income level and expectations towards quality of retail premises, the share of old-fashioned retail formats will continue decreasing. More critical for buyers will become transport accessibility and proximity of retail centres to customers. As a result, quality shopping centres, located in residential districts, close to main highways will enjoy the highest levels of demand.

3.2 Russia Warehouse and Industrial Summary

The information contained in this section 3.2 has been extracted from a Cushman & Wakefield draft valuation report on Lobnia with a valuation date 31 December 2013, and does not take into account the recent developments in Russia and the Crimea, in relation to which please refer to risk 6.7 on page 29.

Supply

Moscow Region

In 2013, supply increased to 850,000m², which was 16% higher than in 2012. In Q4 of 2013, around 196,000m² was built, however, in 2013, only 70% of planned warehouse developments were actually constructed. There was a lack of ready-to-move storage space on the market. The vacancy rate in Class A warehouses over the past year remained unchanged at 1.5%. In 2014, developers announced plans to build more than 1.8 million m² of warehouse space. However, according to our estimations, only 1.2 million m² of the proposed developments will go ahead. The majority of the development will be located to the north and north-west of the Moscow region.

Russia (except Moscow region)

In 2013, regions outside of Moscow saw the construction of more than 310,000m² of new high quality warehouse space, which is 5% less than was constructed in 2012. More than 110,000m² (40%) was built in the Leningrad region and St. Petersburg. More than 75,000m² (25%) was built in the Krasnodar. New warehouse space was also constructed in Novosibirsk, Samara, Saratov and Sverdlovsk regions.

According to preliminary estimates, the volume of new construction in 2014 will increase by 150%. The majority of new construction will occur in St. Petersburg, which will build more than 30% of the total regional supply.

Demand

Moscow Region

Since 2009, the volume of transactions in the market has been growing. In 2013, the volume of transactions amounted to more than 1.3 million m², which is a new market record. In 2013, the share of acquired property increased and amounted to 37% of total absorption. About 30% of the total absorption was provided by retail companies. Average deal size in the sector decreased by 15% to an amount of 17,000m². The proportion of manufacturing companies has greatly increased from 14% in 2012 to 25% in 2013. The increase resulted from high-growth in the size of transactions, despite the number of transactions decreasing. In the distribution and logistics sector, there was a 50% reduction in the number of transactions, whilst the size of such transactions increased by 20 – 30%. In general, the average size of a transaction in 2013 increased by almost 40% from 13,000 to 18,000m².

Russia (except Moscow region)

In 2013, around 410,000m² was the subject of absorption, 62% more than in 2012. This is the highest rate of absorption since 2008. However, unlike the Moscow region, there is no steady growth in the volume of transactions. Moreover, since the beginning of 2012 until mid-2013 there was a decrease in the volume of absorption. The increase in absorption observed in 2013 resulted from retail and logistics companies. In the retail sector, market share has increased from 29% to 59%, the number of transactions by 63% and average transaction size by 70%. In 2013, the proportion of transactions relating to the purchase of warehouse space was 34%. Most space was either leased or purchased in St. Petersburg (39%), Novosibirsk (28%) and Rostov-on-Don (11%).

Rents

Moscow Region

In 2013, average rents remained unchanged and were US$135 per m² per year, excluding VAT, operating expenses and utility costs. At the same time, we noted rent increases depending on the distance from Moscow. Highway traffic is an important factor.

Russia (except Moscow region)

In St. Petersburg and Yekaterinburg, rents rose to Moscow levels and reached US$130 – 135 per m² per year. In general, during 2013, rental growth in respect of quality warehouse facilities was observed in Nizhny Novgorod, Rostov-on-Don, Krasnodar, Novosibirsk and Ufa. In these cities, rents at year-end were close to around US$120 – 125 per m² per year.

Trends

Demand for quality warehouse space in the warehousing sector has been consistently high. In general, this sector constitutes the most stable commercial real estate market we have seen for several years. Retail companies traditionally form the basis of the demand within this sector in Russia. The locations of new developments are also expanding. The increase in the volume of new development is partly due to the entry of new players at both the federal and local level, and partly due to the recommencement of previously suspended warehouse projects.

In 2014 in Moscow and the Moscow region, the increase in construction and speculative construction is expected to continue. According to forecasts, rents will not change. The volume of absorption will remain at 2013 levels and there will be an upward trend in vacancy rates.

In Russia, except for Moscow and the Moscow region, it is expected that construction and supply will not keep up with demand and that the vacancy rate will continue to fall, which may cause delays with respect to demand. In some regions, rent increase are expected to slow down.

4 India

The information contained in this section has been extracted from the following Cushman & Wakefield 2013 publications: (i) "Decoding realty: Changing dynamics of Indian real estate" (October 2013); (ii) "New Residential Launches Decline By 12 percent in 2013" (11 December 2013); and (iii) "Overall PE investments up in the real estate sector for 2013 (24 February 2014).

4.1 Indian Economic Overview

Indian economic growth touched a decadal low of 5% in 2012-13, mainly due to domestic factors including local structural and policy woes. The economic growth is experiencing a downward trend due to persistent rise in inflation, falling value of the rupee to dollar, rising debt levels, high cost of capital and increased volatility in the capital markets. In 2013, the Indian government and the Indian central bank instituted various measures and policies to attract foreign investment, reduce deficits and bring a check on inflation and currency fluctuation. Full effects of these measures are yet to be seen on GDP growth.

Real Estate Trends

In 2013 both buyers and developers were seen taking a cautious approach not only towards residential real estate but across all asset classes of real estate. Property developers across cities, reeling under the pressure of delays in regulatory approvals, sluggish off-takes and rising construction costs, focused on launching smaller units with low ticket size.

Residential Space

New launches in the residential sector declined during 2013, as developers have been looking at disposing of existing stocks to generate cash flow. The high end category residential units have seen an improvement in 2013 even while the largest quantum of launches in residential units was in the mid-end category, there was decline in the total launches of residential units in the mid end category over previous year.

Demand and Supply Gap

The gap between sales and new inventory addition widened during 2013. Due to the liquidity crunch and piling inventory, developers shifted their focus from new launches to the execution of existing projects.

Investment Market

The real estate investment market also remained subdued as economic growth slowed further. Investments by public listed companies and foreign direct investment investors, which peaked in 2012 also recorded a downward trend in 2013. Though investors are convinced about the overall potential of the Indian real estate market, most investors are now conducting comprehensive due diligence to gauge the viability of the projects.

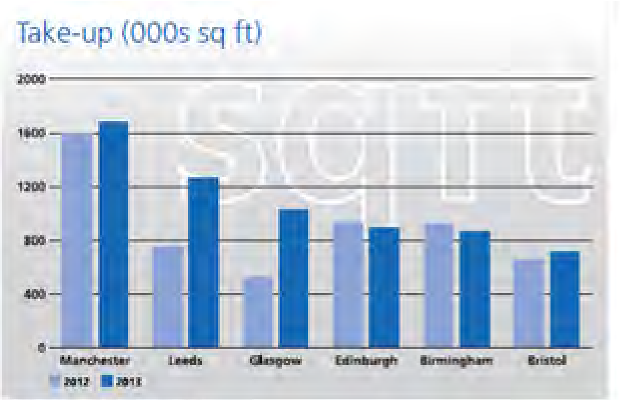
5 United Kingdom

The information contained in this section 5 has been extracted from a Lambert Smith Hampton market report issued in 2014 in relation to 2013 and relates to the UK office market.

Demand

On an aggregate basis, take-up in the Big Six (Manchester, Glasgow, Leeds, Edinburgh, Birmingham and Bristol) markets increased by 24% in 2013. This came as improvements in the economy and business confidence fed through to the markets, manifesting themselves in greater occupier market activity. Manchester led the way in terms of total take-up; the end year figure of 1.7 million ft² was 6% up on 2012 and in line with the 10 year market average of 1.7 million ft². In relative terms, though, Leeds and Glasgow were actually the best performers.

Two markets – Edinburgh and Birmingham – saw a small drop in total take-up. However, in Edinburgh activity was above the 10 year average and in Birmingham city centre take-up actually increased by 30% in 2013. In Bristol city centre only 88 deals were done in 2013, the lowest since the late 1990s. We expect this to improve in 2014, though.



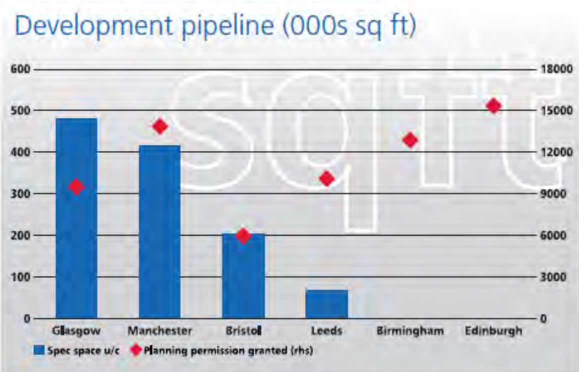
Source: Lambert Smith Hampton

Supply

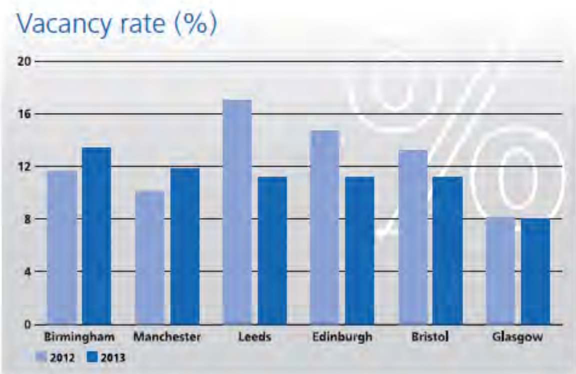
Availability levels have fallen in four of the Big Six markets in 2013. The greatest drop was in Leeds, where availability fell by over 1 million ft² as a result of robust demand, a lack of new space coming to the market and over 200,000 ft² of stock lost through residential conversion.

In Manchester, the increase in availability was the result of a big increase in available grade C space in South Manchester – more than 400,000 ft² came on to the market in 2013. Town centre availability actually dropped in 2013. In Birmingham there has been a big increase in grade C space, and grade A availability in the city centre almost halved over the course of 2013.

Glasgow has the most speculative space underway of all the Big Six markets, with three schemes – 1 West Regent Street, 110 Queen Street and St Vincent Plaza – totalling 480,000 ft² currently on site. Indeed, outside the South East, Glasgow was the only office market to see three major speculative developments start in 2013. We expect speculative development to increase in all of the Big Six centres in 2014, as occupier demand improves, grade A availability falls and debt is easier to obtain.



Source: Lambert Smith Hampton, PMA

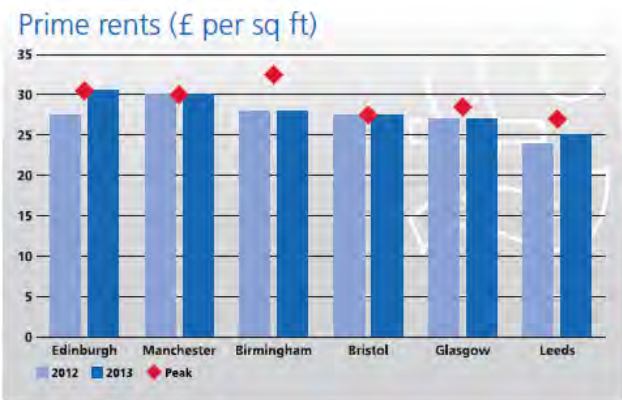


Source: Lambert Smith Hampton

Rents

None of the Big Six centres saw a drop in prime rents in 2013 and two saw prime rents increase. In this respect, Edinburgh was the best performer as rents rose by 11% from £27.50 per ft² to £30.50 per ft². This was on the back of lettings at Atria and the Charlotte Square Connection. In Leeds, prime rents increased by £1 to £25 per ft².

With the continued improvement in market conditions, we expect further upwards pressure to be exerted on rental levels. In some markets this will be manifested in a further hardening of incentive levels, which are now starting to reduce. In others though, we expect to see growth in prime rents: in Leeds, for example, where there are a number of large pre-let requirements in the market, rents could reach £27 per ft² in 2014.



Source: Lambert Smith Hampton

PART IV
DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1 The Board and Senior Managers

Board structure

The Company has a one-tier board of directors, consisting of an Executive Director and three Non-executive Directors. The Articles provide that the number of Directors shall be determined by the General Meeting, and shall consist of at least one and no more than four Executive Directors and at least two and no more than six Non-executive Directors. The Board presently consists of one executive director, one non-executive director who is considered independent, one non-independent Chairman and one non-independent non-executive director. None of the Directors has been nominated by BCI.

The Board comprises individuals with many years of experience and expertise in various aspects of the Group's business. It is well supported in decision making by a team of senior executives with many years of relevant experience, qualifications, skills and track record of performance over the years and in a number of jurisdictions. In addition to its Directors and Senior Managers (details of whom are set out below), the Group also has exclusive access to over 400 professionals worldwide. Most of the senior managers in respect of each of its platforms have between seven and 30 years of real estate experience in the relevant market and have been with the Group for over five years.

Directors

The Directors of the Company as at the date of this Prospectus are:

Harin Thaker (59) – Chairman, Non-executive Director (Non-independent) and member of the Audit, Remuneration, Nomination and Investment Advisory Committees

Harin Thaker has been with the Group since April 2013 and is currently the Chairman of the Company. He was initially appointed as Executive Director and has been re-appointed as Non-executive Director with effect from 15 May 2014. Harin has also been serving as the Chief Executive of Aeriance Investments S. A. since 2013 and as a non-executive director of Secure Property Development & Investment since 2012. Prior these appointments, Harin was Head of International Real Estate Finance at PBB Deutsche Pfandbriefbank, a specialised lender in real estate finance and public sector finance from 2008 until 2012. Harin also served as a General Manager at Hypo Real Estate Bank International, before becoming a member of its management board in 2007 (prior to its merger with Hypo Real Estate Bank in 2009). Between 2005 and 2008, he was Chief Executive – EMEA at Hypo Real Estate Bank International. In 1992, Harin joined Hypo Property holdings, a principal finance activity of the bank. Harin Thaker holds an MBA from London Guildhall University.

Jan van der Meer (75) – Non-executive Director (Non-independent) and member of the Remuneration Committee

Jan H van der Meer was initially appointed as an Executive Director in September 2007 and has been reappointed as a Non-executive Director of the Company with effect from 15 May 2014. In addition, Jan van der Meer is the current chairman of BCP. Previously, between 1998 and 2008, Jan was Chairman of the supervisory board of Woonstad Rotterdam, a housing corporation with 50,000 apartments, and Chairman of the supervisory board of Kuiper Compagnons, an office for urban development, architecture and landscaping. Between 1998 and 2002, Jan van der Meer was a member of the supervisory board at Rodamco UK and was CEO of the Rodamco Continental Europe division from 1991 to 1998, which had a number of investments across Western Europe. Prior to this, Jan was also the CEO of area West / South of Hollandsche Beton Maatschappij and has worked with Ballast Nedam Group. Jan van der Meer holds an engineering degree in general building construction from Technical University Delft, Netherlands. Jan van der Meer is a Dutch citizen and resident.

Michiel Olland (55) – Executive Director and member of the Audit and Nomination Committees

Michiel Olland has been an Executive Director of the Company since 15 May 2014. Michiel is also the principal of MO Real Estate B.V., an investment, capital and finance services firm. Between 2006 and 2011, Michiel was a Managing Director International at SNS Property Finance, formerly known as Bouwfonds Property Finance, an ABN Amro subsidiary. Previously, Michiel was Executive Vice President and Fund manager Real Estate Europe and Asia/Pacific at Dutch pension fund ABP and was also Chief Financial Officer at KFN, ABP's Dutch office fund. Between 1992 and 2001, Michiel was a real estate banker at ING Group. Michiel has been a founding member and chairman of the board of INREV, the European association for Investors in Non-listed Real Estate Vehicles. Michiel's experience includes real estate fund management, finance and investment, capital markets, private equity, risk analysis and governance. Michiel has completed the general management program from INSEAD (CEDEP) (France) and holds a Master in Law degree from the University of Utrecht, Netherlands.

Daniel Aalsvel (42) – Non-executive Director (Independent) and member of the Audit, Remuneration and Nomination Committees

Daniel Aalsvel has been a Non-executive Director of the Company since 15 May 2014. Daniel is associated with Coast Capital Partners ("**CCP**"), a real estate investment and development company, and is currently leading CCP's office in the Czech Republic. Daniel is currently also part of the investment committee of Florida Opportunity Fund, a Czech regulated real estate fund investing in Florida through CCP. Previously, between 1995 and 2006, Daniel was overseeing several partnerships and multiple portfolios in the United Kingdom. Daniel has several years of experience in the real estate industry including in fund raisings, investments, asset management and team management. Daniel holds an LLB from London Guildhall University.

Senior Managers

The Senior Managers who are relevant to establishing that the Group has the appropriate expertise and experience to manage its business (other than the Directors) and their functions within the Group are as follows:

Ariel Podrojski (45) – CEO and a member of the Investment Advisory Committee

Ariel Podrojski has been with the Group for close to a decade (since 2004) and is currently the CEO of the Company. His key experience includes investments, financing, development and asset management and has over 18 years of professional experience predominantly in the real estate sector. Within the Group, he has been in charge, among others, for establishing the Group's operations in India and the UK, setting up and running the BCRE India Fund, which is mainly comprised of institutional investors and invested in the US and India. Prior to joining the Group, Ariel worked with Doughty Hanson & Co European Real Estate Fund where he headed the Central and Eastern European operations. Before this, Ariel worked as a lawyer where he specialised in corporate law focusing on capital markets and large-scale property transactions. Ariel received a M.Sc. in Property Investment from City University, London and a LLB from the University of London.

Nansia Koutsou (33) – CFO and a member of the Investment Advisory Committee

Nansia Koutsou has been working with the Group since 2007 and is currently the CFO of the Company. Her key experience includes financial reporting, budgeting, control, corporate finance, audit and international accounting and has over nine years of professional experience. At the Company, Nansia is responsible for the preparation of the Group's financial reports, budgets and cash flows, leading the secretarial and legal work of the Amsterdam and Cyprus offices and facilitating payments. She is also responsible for supervising the financial operations of the Company's regional activities. Previously, Nansia worked as a Senior Associate with PricewaterhouseCoopers in Cyprus in the International Business Unit. Nansia currently holds a BA in Economic Analysis from the University of Cyprus and a Master of Science in Accounting from Fairleigh Dickinson University in the USA. Nansia has also been a member of NJ CPA (in the USA) since 2006, a member of AICPA (in the USA) since 2007 and a member of SELK (Institute of Certified Accountants of Cyprus) since 2012.

Eyal Gutman (52) – Member of the Investment Advisory Committee

Eyal Gutman is a member of the Investment Advisory Committee of the Company. Eyal has been with the Brack Capital Group for over 13 years and also worked on the acquisition of Haslemere in 2002 on behalf of the consortium. His key areas of expertise include finance, economics and real estate. During the 1990s, Eyal was a consultant to a number of real estate companies and was a regular visitor to several universities and colleges as a lecturer in the area of finance, economics and real estate. Eyal holds a B.Sc. in Economics and Management from Technion, Israel Institute of Technology, a M.Sc. in Economics from Technion and a PhD from Technion and Haifa University.

Issac Hera (43) – CEO, US Operations

Issac Hera has been with the Group since 2000 and is responsible for the Group's operations in the USA. In his 14 years with the Group, he has participated in transactions with an aggregate value of US$4 billion and has been key to the overall business and its operations in the USA. In his real estate career of over 15 years, Issac has been involved in a wide variety of real estate acquisitions, sales, development, private debt financing, and asset and property management of a portfolio of over 7 million ft² in the US across all asset classes. Issac Hera is a CPA and holds a BA in Law from Tel Aviv University in Israel.

Gal Tennboum (40) – Co-CEO, Germany Operations

Gal has been with Brack Capital Group since 2003 and is currently the Co-CEO of BCP. He was involved in setting up BCP and is currently involved with the operation of the business with the aim of successfully implementing the long-term strategy and business plan of BCP. Gal has significant experience in real estate transactions worth over €1 billion, and a good understanding of the banking system in Germany, having performed asset purchase financing transactions and the refinancing of existing assets. Gal, along with his other team members, was instrumental in the listing of BCP on the Israeli stock exchange and its transformation into a public company, raising capital and debt (public and private). Gal holds a BA in Economics and a MBA from Tel Aviv University, Israel.

Ofir Rahamim (44) – Co-CEO, Germany Operations

Ofir joined BCRE in 2004 and is currently the Co-CEO of BCP. Ofir was involved in setting up BCP and is currently involved with the day-to-day management of BCP. Ofir has significant knowledge and experience having supervised a number of asset purchases and the financing and refinancing of properties worth over €1 billion. Ofir also supervises the legal, accounting, tax and other regulatory-related business management activities in Germany. Ofir, along with his other team members, was also instrumental in the listing of BCP on the Israeli stock exchange and its transformation into a public company, raising capital and debt (public and private). Ofir holds a BA in Law and Economics from the University of Haifa and a MBA from Technion in Haifa, Israel.

Yosef Levin (65) – CEO, Russia Operations

Yosef Levin has been with the Group since 2006 and is currently heading the Russian operations for the Group. He has over 37 years of real estate experience including over 17 years of experience in Russia. Yosef, together with his Russian team, is currently involved with the Group's Russian portfolio which comprises of income producing properties across the retail and warehouse sectors and large development projects. Prior to joining the Group, Yosef held several senior positions at the Africa Israel Group, including latterly the Head of the Income-producing Properties Division and Chief Engineer. In 1998, Yosef established Africa Israel's development and investment operations in Russia and was responsible for the development of a large and versatile Russian property portfolio across various real estate sectors – more than one million m² over a 10-year period. Prior to this, Yosef has also held various positions in other companies such as Solel Boneh and Even Ziv. Yosef is a qualified civil engineer from the Technion in Haifa, Israel.

Lior Shmuel (39) – CEO, India Operations

Lior Shmuel joined the Group in 2008 with over 13 years of professional experience and is currently the CEO of BCRE India. At BCRE India, Lior is involved with the development of projects in India. Besides this, he is also involved with financial planning, reporting, taxation and the budgeting aspects of the business. Prior to joining the Group, Lior worked with Gmul Investment Company Ltd, an Israel-based listed firm dealing with investments in real estate and other asset classes with interests in the United States and Eastern Europe. Previously, Lior also worked with Deloitte & Touche LLP for four years. Lior holds a BA in Business Management from the College of Management (Rishon Lezion), a LLM from Bar Ilan University and is a CPA.

Other officers

In addition to the Directors and the Senior Managers, other members of the management of the Group and their respective functions within the Group are as follows:

Andreas Syggeris (31) – Financial Controller

Andreas Syggeris is the Financial Controller of the Company and has been with the Group since 2007. He has over 9 years' experience in financial accounting and control activities. Andreas is responsible for accounting, liaising with banks, reporting, consolidating of financial statements, office administration, payroll and other financial operations. Previously, Andreas was working for S. Anastasiou Chartered Accountants and was in charge of VAT, payroll, budgeting, the consolidation of financial statements, and the overall supervision of the Group's employees. Andreas has undertaken marketing and business administration studies at IEK Delta Thessaloniki, Greece.

Rotem Nir (37) – Company Secretary

Rotem Nir joined the Group in 2013 and currently holds the position of Company Secretary of BCRE. With over 10 years of professional experience, her key skills include the preparation of legal agreements, corporate policies, reviewing contracts and legal opinions, and secretarial work. Rotem is responsible for reviewing and/or drafting of contracts and legal agreements, ensuring the proper functioning and convention of board meetings and general meetings, and the preparation of resolutions and minutes. In addition, she is also responsible for providing legal support and advice to the Company and its Subsidiaries in matters such as corporate governance and monitoring changes in legislation which may impact on the Company's operations. Previously, Rotem worked as an Associate at Brada-Abeln LLP, at Baker & McKenzie Amsterdam N.V. (in the International Private Equity Team) and at Allen & Overy Amsterdam. Rotem currently holds a BA in Law from Natanya Academic College, Israel and a LLM in International Business Law (including European Union law) from Vrije University, Amsterdam.

Prof. Pradeep Dubey (63) – Member of the Investment Advisory Committee

Prof. Pradeep Dubey is a member of Investment Advisory Committee at the Company. Prof. Dubey is a leading professor and coordinator at the Center for Game Theory at Stony Brook University, USA, and specialises in Game Theory and Mathematical Economics. He is also a visiting professor at Yale University, USA. Prof. Pradeep Dubey is a fellow of the Econometric Society and a member of the Council of the Game Theory Society. Previously, through short academic visits, Prof. Dubey has been associated with the University Catholique de Louvain, Belgium, the Institute for Advanced Studies, Vienna, the Santa Fe Institute, USA and many other reputable institutions. Prof. Dubey holds a B.Sc. in physics from the University of Delhi and a Ph.D. in applied mathematics from Cornell University.

Shai Shamir (39) – Managing Director, US Operations

Shai Shamir is a Managing Director at BCRE USA. He joined the Group in 2003 and has since been involved in business development, acquisitions, structured finance, construction and asset management activities in relation to the US operations. Prior to his work at BCRE USA, Shai was an entrepreneur, owning and managing several small businesses servicing local communities in South America and Israel. Shai is a frequent speaker at industry panels and a guest lecturer at Columbia University. Shai Shamir currently holds a Master of Science degree in real estate development from Columbia University and a B.A. in economics from Tel Aviv University, Israel.

Eyal Shay (35) – CFO, US Operations

Eyal Shay is the Chief financial Officer at BCRE USA. With over seven years of experience, Eyal is responsible for the financial and fiscal management of BCRE's operations in the US. At BCRE USA, Eyal looks after financial aspects of the business including accounting practices, budgeting, financial analysis, acquisitions and ventures, and monitoring of financial performance. Prior to joining BCRE, Eyal worked at Ernst & Young and GKH law firm and has been involved in a wide variety of transactions with an aggregate deal value of billions. He has advised major Israeli concerns in connection with their accounting compliance and reporting issues, mergers and acquisitions, and corporate law issues. Eyal Shay holds a LL.B in Law and BA in Accounting, both from the Hebrew University of Jerusalem and he is a licensed CPA and attorney.

Ulrich Tappe (58) – Development Manager, Germany Operations

Ulrich Tappe joined BCP in 2011 and is responsible for managing BCP's development projects and the construction management and development team. Ulrich has extensive experience of over 30 years in managing income generating properties and development projects within the commercial and residential sectors. Between 2004 and 2009, Ulrich served as CEO of LEG NRW GmbH and was responsible for the development of residential real estate. Ulrich also has many years of experience and expertise in managing projects, marketing and sales activities, budget control, urban planning, architectural design and obtaining necessary approvals. Ulrich holds a Bachelor of Education degree from the University of Bielefeld, Germany.

Micky Saidov (45) – CFO, Russia Operations

Micky Saidov has been with the Group since 2006 and is currently the CFO for its Russian operations. Micky has over 15 years of experience in managing real estate developments across Central and Eastern Europe. Prior to joining the Group, Micky worked as a Manager (audit) at Ernst & Young Israel. After that, Micky worked with Africa Israel Investments Ltd between 1997 and 2004, where he was responsible for all of Africa Israel's investments in Russia, the Czech Republic, the UK and the Netherlands. During the mid-2000s, Micky managed the activities of BSR Europe in Hungary, the Czech Republic and Poland, as Regional Manager for Central and Eastern Europe region. Micky holds a BA in economics from Tel-Aviv University and is a qualified CPA in Israel.

Natalia Kuprikova (31) – Legal Counsel, Russia Operations

Natalia Kuprikova joined the Group in 2010 and is currently the Legal Counsel for its Russian operations. With seven years of professional experience, her skills include due diligence, negotiation, litigation and real estate transactions. At BCRE Russia, Natalia is responsible for carrying out due diligence in respect of new projects and potential land plots, structuring deals, drafting agreements, contract negotiation, corporate governance, preparing and/or reviewing legal opinions and representing the company in legal matters. Prior to joining the Group, Natalia worked for YIT (a Finnish developer) where she provided full legal support to the company, including, *inter alia*, carrying out due diligence for new projects and land plots, structuring deals, analysing taxation and other key activities. Natalia currently holds a Masters of Civil Law degree from Moscow State Law Academy.

Ravi Khanna (59) – Head of Development, India Operations

Ravi Khanna has been with BCRE India since 2005 and is currently the Head of Development for our local operations in the country. Ravi has more than 25 years of experience in the area of real estate development with expertise in construction and asset management across various asset classes. Prior to this, Ravi worked in the electronic components sector. He is a member of FICCI (an industry trade body in India) and RICS. Ravi holds a BA (Hons) degree in Physics from St. Stephen's College, University of Delhi, a B.E. (Electrical and Computer Engineering) degree and a M.S. (Solid State Physics) degree from the University of Wisconsin, Madison, USA.

Ilina Dubey (33) – VP Business Development, India Operations

Ilina Dubey joined the Group in 2004 as a Project Coordinator in the New York office and was instrumental in setting-up the Group's Indian operations. Ilina was one of the founding members of BCRE India's team and developed the strategic plan for its entry into the Indian real estate market. She has over 8 years of professional experience and currently holds the position of Vice President Business Development. Ilina is a key member of the asset management team in India and is responsible for the monitoring of existing investments and sourcing of new opportunities. Ilina holds a BA degree in Economics from Lady Shri Ram College, Delhi University and a MBA from Harvard Business School.

Diversity policy

Under Dutch law, the Company must pursue a policy of having at least 30% of the seats on the Board held by men and at least 30% held by women. If the Company does not comply with the gender diversity rules, it will be required to explain in its annual report: (a) why the seats are not allocated in a well-balanced manner; (b) how it has attempted to achieve a well-balanced allocation; and (c) how the Company aims to achieve a well-balanced allocation in the future. This rule is temporary and will cease to have effect on 1 January 2016. When selecting the candidates for the recently vacated seats on the Board, female candidates with the desired profile have not been found. However, when filling future vacancies, the Board will continue to strive to identify female candidates and nominate them for appointment by the General Meeting as long as this rule applies.

2 Corporate governance and internal controls

(a) Corporate governance

Application of UK Corporate Governance Code and Dutch Corporate Governance Code to the Company

As a company with a Standard Listing, the Company will not be required to comply with the requirements of the UK Corporate Governance Code following Admission. However, the Board acknowledges the importance of good corporate governance and has put in place a framework which enables the Company to voluntarily comply with some of the aspects of the UK Corporate Governance Code which the Board considers appropriate taking into account the size of the Company and nature of its business. This will not however amount to compliance with all aspects of the UK Corporate Governance Code. Details of the aspects of the Corporate Governance Code from which the Company departs are set out below in this section 2 of this Part IV (*Directors, Senior Management and Corporate Governance*).

Following Admission, the Company will also be subject to the Dutch Corporate Governance Code which applies, among others, to all companies whose registered offices are in the Netherlands and whose shares have been admitted to listing on a stock exchange or to trading on a regulated market, whether in the Netherlands or elsewhere. The Dutch Corporate Governance Code contains principles and best practice provisions for executive board members, non-executive board members, shareholders and general meetings of shareholders and audit and financial reporting and uses a “comply or explain” approach. In particular, companies subject to the Dutch Corporate Governance Code are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code that relate to executive board members or non-executive board members and, if they do not apply, to explain the reasons why.

The UK Corporate Governance Code and the Dutch Corporate Governance Code are mainly based upon the same or at least comparable principles of good corporate governance. However, as the Company has decided to voluntarily apply the UK Corporate Governance Code, it shall not comply with the Dutch Corporate Governance Code.

Board Composition under the UK Corporate Governance Code

The UK Corporate Governance Code recommends that the board of directors of a listed company should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision making. The Corporate Governance Code also recommends that the chairman should, on appointment, be independent. The Company currently has four Directors, three of whom are non-executives. One of the Directors is regarded by the Company as being independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgement. Harin Thaker is not technically independent given that he has been appointed as a Director of the Company since October 2013, has been a director of BCRE UK Limited since April 2013 (in relation to which he has been granted co-investment rights) and is a member of the Investment Advisory Committee. Harin Thaker also has co-investment rights in the

Group's lending business. However, the Board considers that his extensive experience of European real estate makes him appropriate to be Chairman notwithstanding his other involvement in the Group's business.This and the number of independent non-executive directors does not comply with the recommendation of the UK Corporate Governance Code that the Chairman be independent and that smaller companies have at least two independent non-executive directors. In due course the Company will consider appointing another independent non-executive director.

The independence of non-executive Directors is based on criteria suggested in the UK Corporate Governance Code. The UK Corporate Governance Code recommends that the Board should appoint one of its independent non-executive Directors as Senior Independent Director. At present, the Company does not intend to appoint any Director to fulfil this role (given the size of the Board) but may decide to do so in the future.

Pursuant to the Articles, a Board member shall be appointed or re-appointed for a period ending on the first day following the annual General Meeting held in the year after his appointment, unless the resolution provides for a longer or shorter term. This is consistent with the UK Corporate Governance Code which recommends that all directors should be subject to re-election by shareholders at intervals of no more than three years after the first annual general meeting after their appointment.

Committees under the UK Corporate Governance Code

Under the UK Corporate Governance Code, the Board is required to establish the following committees:

(a) a nomination committee, which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors.

(b) a remuneration committee, of at least two independent non-executive directors. The aim of the remuneration committee is to ensure that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

(c) an audit committee, of at least two independent non-executive directors. The aim of the audit committee is to ensure that formal and transparent arrangements are established for considering how the corporate reporting and risk management and internal control principles should be applied and for maintaining an appropriate relationship with the company's auditors. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

In accordance with the UK Corporate Governance Code, the Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities and written terms of reference. The Board has also established an Investment Advisory Committee. A further description of the committees established by the Board is set out below. However, given that the Company only has one independent Non-executive Director, the Board has appointed appropriate directors to these Committees, notwithstanding that they may be executive or non-independent non-executive Directors. This is not in compliance with the UK Corporate Governance Code.

Nomination Committee

A Nomination Committee has been established and comprises Harin Thaker, Michiel Olland and Daniel Aalsvel. The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. The Nomination Committee also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes. The Nomination Committee also gives consideration to succession planning and keeps under review the leadership needs of the Company.

Remuneration Committee

A Remuneration Committee has been established and comprises Harin Thaker, Daniel Aalsvel and Jan van der Meer. The Remuneration Committee advises the Board on an overall remuneration policy. The Remuneration Committee also proposes individual remuneration of the Chief Executive Officer, Chief Financial Officer, the chairman of the Board, the Executive Director, the Company secretary, and such other members of the executive management of the Company to whom the Board has extended the remit of the Remuneration Committee. The remuneration of all Directors (including Non-executive Directors and members of the Remuneration Committee) shall be determined by the Board within the limits set in the Articles and within the scope of the remuneration policy of the Board adopted by the annual General Meeting, provided that no director or manager shall be involved in any decisions as to his or her own remuneration.

Audit Committee

An Audit Committee has been established and comprises Harin Thaker, Michiel Olland and Daniel Aalsvel. The Audit Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives information from the external auditors and makes recommendations to the Board as regards the appointment, re-appointment and removal of the external auditors.

Investment Advisory Committee

An Investment Advisory Committee has been established to consider and provide advice only to the Board in respect of the new acquisitions, asset management, financing and disposal of the Group's assets or, in relation to the German platform, the acquisition and disposal of shares in BCP. The committee will be responsible for providing an independent evaluation on market movements, assessing their impact on the Group's portfolio over the medium to long term and make recommendations to the Board concerning potential investments and/or the management of risks associated with the Group's investments. The Investment Advisory Committee comprises Harin Thaker, Ariel Podrojski, Nansia Koutsou, Pradeep Dubey and Eyal Gutman. With the exception of Harin Thaker (please refer to sections 7.8 and 7.9 of Part VIII (*Additional Information*)), the aggregate annual remuneration to be received by the members of the Investment Advisory Committee is €410,000 (or its equivalent in any other currency, such currency to be determined at the Board's discretion).

(b) Internal controls and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its adequacy and effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement. In order to discharge that responsibility in a manner that ensures compliance with laws and regulations and promote effective and efficient operations, the Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Audit Committee reviews the adequacy and effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks.

Internal control procedures

The Group's internal control procedures include Board approval for significant projects. All major expenditures require either senior management or Board approval at the appropriate stages of each transaction. A system of regular reporting covering both technical progress of projects and the state of the Group's financial affairs provides appropriate information to management to facilitate control. The Board reviews, identifies, evaluates and manages the significant risks that face the Group.

Share dealing code

The Company has adopted, conditional on Admission, a share dealing code in relation to the Shares which is compliant with the Dutch Financial Supervision Act and is broadly consistent with the provisions of the Model Code. The code will apply to the Directors and other relevant employees of the Group.

PART V
SELECTED FINANCIAL INFORMATION ON THE GROUP

The table below is a summary of financial information for the Company for the periods indicated. The information has been extracted, without material adjustment from (and should be read in conjunction with) the audited financial information included in Part X (*Financial Information*) which has been prepared in accordance with IFRS. The information below is a summary only and investors are advised to read the whole of this Prospectus and not to rely on the information summarised in this Part V (*Selected Financial Information on the Group*).

Consolidated income statements

	Year ended 31 December		
	2013	**2012**	**2011**
	Euros in thousands (except net earnings per share data)		
Gross rental income	50,080	40,484	28,614
Service charge, management and other income	4,839	3,639	4,318
Property operating expenses	(15,633)	(9,983)	(8,284)
Gross profit	39,286	34,140	24,648
Revaluation of investment property, net	61,203	6,150	13,265
Gains from bargain purchase and loss from realization of investments, net	6,099	6,201	26,618
Share in profit of entities accounted for using equity method, net	48,918	98,117	(5,814)
Administrative expenses	(10,984)	(13,035)	(9,628)
Administrative expenses relating to inventory under development, sales and marketing in Germany	(707)	(2,374)	-
Other income (expenses), net	(1,341)	(4,322)	7,055
Share based payments expenses	(2,403)	(2,868)	(729)
Operating income	140,071	122,009	55,415
Exchange rate differences	(10,032)	(2,970)	(3,139)
Financial income	10,569	5,782	17,635
Financial expenses	(28,961)	(26,375)	(18,047)
Financial expenses, net	(28,424)	(23,563)	(3,551)
Income before tax	111,647	98,446	51,864
Tax benefit (tax expenses)	(3,279)	6,846	1,735
Net Income	108,368	105,292	53,599
Income for the year attributable to:			
Equity holders of the Company	31,265	39,942	21,016
Non-controlling interests	77,103	65,350	32,583
	108,368	105,292	53,599

Earnings per share attributed to equity holders of the parent			
Basic	21.62	28.12	15.43
Dilutes	17.31	23.91	14.86

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Net income	108,368	105,292	53,599
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(13,969)	(1,810)	2,621
Group's share of net other comprehensive income (loss) of companies accounted for using equity method	(20,198)	(2,350)	4,859
Total comprehensive income for the year	74,201	101,132	61,079
Total comprehensive income attributable to:			
Equity holders of the Company	9,637	39,376	25,949
Non-controlling interests	64,564	61,756	35,130
	74,201	101,132	61,079

Consolidated balance sheets

	31 December		
	2013	2012	2011
	Euros in thousands		
ASSETS			
Non-current assets:			
Investment property	945,915	657,515	586,794
Investments and loans to associates and joint ventures	256,303	222,260	199,118
Property, plant and equipment, net	635	5,214	5,950
Inventory of land	48,937	61,822	60,917
Other investments and loans	28,838	25,709	36,775
Restricted deposits	-	-	10,038
Deferred tax assets	9,510	4,669	1,372
Total non-current assets	1,290,138	977,189	900,964
Current assets:			
Inventory of apartments under construction	92,306	48,800	17,430
Trade and other receivables	17,264	17,268	26,799
Restricted bank accounts	3,875	3,814	1,270
Current maturities of long term loans	10,274	21,560	7,936
Marketable securities and other short-term investments	4,499	2,873	2,921
Cash and cash equivalents	76,923	68,724	24,271
Total current assets	205,141	163,039	80,627
Assets classified as held for sale	15,608	66,483	-
Total assets	1,510,887	1,206,711	981,591

	31 December		
	2013	2012	2011
	Euros in thousands		
EQUITY:			
Share capital and premium	68,726	65,766	58,960
Convertible shareholders' capital notes	59,585	63,567	60,959
Reserves	(37,183)	(8,770)	(8,411)
Retained earnings	142,732	111,467	71,525
	233,860	232,030	183,033
Non-controlling interests	408,189	333,400	245,446
Total equity	642,049	565,430	428,479
LIABILITIES:			
Non-current liabilities:			
Derivative instruments	2,651	2,899	2,398
Interest-bearing loans and borrowings	697,807	458,573	468,372
Other long-term liabilities	3,158	3,297	3,304
Deferred tax liabilities	24,598	22,549	20,389
Total non-current liabilities	728,214	487,318	494,463
Current liabilities:			
Tax provision	1,752	1,424	1,521
Trade and other payables	36,463	26,145	21,906
Interest-bearing loans and borrowings	57,843	117,840	33,261
Advances from buyers	43,542	7,210	-
Derivatives instruments	1,024	1,344	1,961
Total current liabilities	140,624	153,963	58,649
Total liabilities	868,838	641,281	553,112
Total equity and liabilities	1,510,887	1,206,711	981,591

Cash flow statement

	2013 c'000	2012 c'000	2011 c'000
Net cash flows (used in) from operating activities	9,519	30,048	(2,889)
Net cash flows (used in) from investing activities	(129,280)	(46,417)	(327,255)
Net cash flows (used in) from financing activities	127,619	60,738	337,122
Net increase in cash and cash equivalents	7,860	44,369	6,978
Effect of exchange rate movements on cash and cash equivalent	339	84	355
Cash and cash equivalents at start of period	68,724	24,271	16,938
Cash and cash equivalents at end of period	76,923	68,724	24,271

PART VI
OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the Financial Information included in Part X (*Financial Information*) and other information contained elsewhere in this Prospectus. The review contains forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition, liquidity and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of various factors including, but not limited to, those described below and elsewhere in the documents, particularly in the section headed ''Risk Factors'' set out on pages 14 to 35 of this Prospectus.

1 Overview

BCRE is an internationally active real estate investment, development and management group. The Group is part of Brack Capital Group established in 1992. The Group's investment and management philosophy is based on the combination of local expertise and high professional standards.

The Group has a local presence in the USA, Russia, Germany, India and the UK. In each of its activities, the Group has a local office, with dedicated professionals, including management, engineers, legal, financials, accounting, etc. The Group is currently interested in more than 8,900 income-producing residential units (7,040 as at December 2013) and 36 income-producing commercial assets (35 as at December 2013) in different classes in the commercial sectors across the US, Germany and Russia. In addition, the Group is currently interested in 9 residential and commercial developments (8 as at 31 December 2013) in various stages of development across the US, Germany, the UK and Russia. The Group has also approximately 350,000m² of land available for sale and approximately 300 hectares of land under development.

Germany

In Germany, the Group, through BCP, its subsidiary undertaking, focuses on income-producing assets, both residential and commercial in various locations across Germany and a major development project in Düsseldorf. The Group has been active in Germany since 2005 and it has built a strong income-producing portfolio, comprised of approximately 480,000m² of residential leasable area in more than 8,600 units (390,000m² in more than 7,000 units as at December 2013) in 11 different cities and 380,000m² of commercial space in 32 assets (31 and 365,000 as at December 2013).

The Group is developing one large development project in a central location in Düsseldorf. The project is comprised of 240,000m² of gross building rights (214,900m² net), for residential units and commercial spaces. The Group has sold approximately 95% of the first phase of the residential development on the site (approximately 200 units over 30,000m²), and pre-sold more than a third of the second residential phase in the project.

BCP was listed on the TASE in 2010 and is a member of the Tel Aviv 100, the 100 largest companies (in terms of value traded) of the TASE.

USA

In the USA, the Group has been active since 1994, mainly in New York City. The Group's management has acquired deep real estate knowledge over the years, working on most real estate segments, investment types and classes. Over the past ten years the Group has mainly focused on development projects in Manhattan. The current portfolio in which the Group is interested is comprised of two hotel developments in different stages of constructions, one operating hotel and a commercial asset (garage and retail) on the Lower East Side.

The Group has created in the US a management team dedicated for the multifamily segment, leveraging its experience in New York to other US locations. In 2014, the Group purchased, jointly with the Co-investment Club, its first multifamily complex outside New York, in Cincinnati, Ohio. Another line of business the Group has recently entered into is construction lending in New York

City, having advanced (in conjunction with members of the Co-investment Club) approximately US$9 million of loans, with a total commitment of approximately US$21.1 million.

Russia

The Group has been active in Russia since 2006. The main focus of the activity in Russia is real estate development assets, most of them in Moscow region, and one in Kazan. The Group's portfolio in the Moscow region is currently comprised of four assets, two of them are post-development income-producing assets (a shopping centre and a logistics centre), one is a shopping centre under construction and another project is a residential villa complex.

The Group is currently working on a large development project in Kazan. The project is a development of a wholesale and retail market, comprised of five development phases. Out of the five phases, one is leased and operational and two are currently under construction.

India

The Group's investments in India have been made through BCRE India Fund which was established in 2007, following the deregulation of the local foreign direct investment norms, and in which the Group has a 20% interest. The BCRE India Fund and its investments are treated as associates and equity accounted. The Group has built a strong local team with an in-depth knowledge of the market and invested in three projects to date, two developments of residential complexes and one investment in a hospitality project.

The Ludhiana project is a 280-acre, golf-centric project. The project has been conceptualised as a low-density, high-end residential township. Construction of the complex is underway and approximately 25% of the total units in the project have been sold. The Mumbai project is a residential development planned off the Mumbai-Pune highway.

Additionally, a subsidiary of the BCRE India Fund granted a convertible loan to the owner of the hospitality component of a project located on the outskirts of New Delhi. In February 2013 and in April 2013, the subsidiary of the BCRE India Fund requested the repayment of the convertible loan. The amount due to BCRE is US$1.3 million. The repayment of the due amount is currently under discussion.

UK

In 2002, a consortium led by Brack Capital Group acquired 82.7% of the shares in the publicly traded Haslemere, owning more than 130 assets across the UK, with a total company value of €1.46 billion. Brack Capital Group sold its interest in Haslemere in 2004. In 2013 the Group entered into a transaction in the UK, by buying an office building in Manchester. The asset is intended to go through a renovation plan, after which it will be leased.

2 Principal factors affecting the Group's results of operations

Gross rental income

The Group recognises revenues mainly from renting of properties for commercial use and residential use mainly in Germany.

During the years 2013, 2012 and 2011, the Group recognised income from commercial use in the amount of €30.6 million, €24 million and €16.4 million, respectively and from residential use in the amount of €18.8 million, €15.4 million and €10.5 million, respectively.

Property sales

The Group has made the following material sales in the past three years:

(i) Sales completed in 2011

India

Ludhiana – in 2010 the BCRE India Fund (20% of which is held by the Group) and its local partner signed an agreement to sell 28% of the Ludhiana project in India. The sale was made for a total consideration of US$14.6 million. The sale was executed in two tranches: (a) investment of approximately US$5.5 million into the joint venture company for 13.5% of the share capital, in January 2010; and (b) purchasing shares entitling the holder to 14.5% of the project from the existing shareholders (money-out) in January 2011 for approximately US$9.1 million, out of which, approximately US$6.6 million was distributed to the BCRE India Fund and the balance (approximately US$2.5 million) to the local partner. The investments currently held by the BCRE India Fund are presented in the Financial Information as investments in associates.

(ii) Sales completed in 2012

Russia

Baza – in September 2012, BCRE Russia sold Baza, an income-producing B class logistics centre in Moscow, for a total sale price of US$7.5 million (€5.7 million). The logistics centre was purchased as an income producing asset with office conversion potential. The rights were not converted due to local market conditions. The price is being paid in instalments and is expected to be fully paid by July 2014. There was no material effect on the Company's results, in 2012, due to this sale. This investment is presented in the Financial Information as an investment in associates.

(iii) Sales completed in 2013

USA

Greystone – a multifamily project on the Upper West side in Manhattan was sold in December 2013 for US$139 million. The 363-unit asset was purchased by the Group, underwent renovations and was leased by the Group from construction completion until the date of sale. The Greystone project was held through an associate of the Group and the effect of the sale on the consolidated profit and loss statements for the year ended 31 December 2013 amounted to €6 million (out of which the Company's share was €2.9 million), which was recorded as a loss from the realisation of investments. This investment is presented in the Financial Information as an investment in associates.

Grand Street (The James) – a ground-up hotel development project built by the Group in Soho, Manhattan. The 114-key hotel development construction was completed in 2010 and was sold in 2013 for US$85 million. The project was held through an associate of the Company and the effect of the sale on the profit and loss statements for the year ended 31 December 2013 amounted to €0.5 million, which was recorded as a loss from the realisation of investments. This investment is presented in the Financial Information as an investment in associates.

15 USW – a conversion, renovation and construction high-end project developed by the company in Manhattan. The last inventory units were sold in 2013. The 15 USW project was held through an associate of the Company. In the year ended 31 December 2013, the Group recorded a loss of €1 million. This investment is presented in the Financial Information as an investment in associates.

Italy

Marconi – in December 2013, the Group sold 80% of a plot of land in Rome with planning permission to build a commercial building. The project is being held through an associate of the Company and the effect of the sale on the profit and loss statements for the year ended 31 December 2013, which amounted to €4.8 million, was recorded as share in loss of entities accounted for using equity method, net. This investment is presented in the Financial Information as an investment in associates.

Property Acquisitions

The Group has made the following material acquisitions in the past three years:

(i) Acquisitions completed in 2011

USA

Orchard Hotel – In May 2011, BCRE USA together with BCRE India Fund and the Co-investment Club acquired a halted development property for approximately US$46 million. The property is located on the Lower East Side of Manhattan and the site is primed for a hotel and commercial (garage and retail) development, which is currently underway. BCRE, the BCRE India Fund and the Co-investment Club indirectly hold an initial percentage interest of 51% in the company owning the property for the hotel and a subsidiary of IHG has an initial interest in the remaining 49%. BCRE, the BCRE India Fund and the Co-investment Club indirectly hold the beneficial interest in the retail and garage units. In August 2013, a contract was signed for the sale of the retail and garage units in the condominium to be constructed on the property for a purchase price equal to €16 million (US$21 million). As a result, the Company recorded a loss from the revaluation of investment property in the amount of approximately €2.3 million.

Germany

OBI-Titan – In March 2011, BCP completed the purchase of a 51% interest in six commercial centres (five of them in western Germany, and the sixth in Dresden), with a total leasable area of 55,795m² and approximately 1,634 parking places, for a total (100%) consideration of approximately €65 million plus transaction costs in the amount of €5.8 million. A further 1.3% interest in the portfolio was subsequently purchased by BCP from a member of the Co-investment Club, increasing BCP's interest in the portfolio to 52.3% in aggregate. These properties are fully leased to OBI, a leading retail chain in Germany, for a period of fifteen years. The remaining 47.7% interest in this portfolio is held by members of the Co-Investment Club.

OBI-Mars Portfolio – On 15 April 2011, BCP completed the purchase of two commercial centres with a total leasable area of 18,342m², in consideration for a sum of approximately €18.7 million (including transaction costs).

Matrix Portfolio – On 15 June 2011, BCP signed a contract to acquire a 51% interest in 13 companies holding 13 commercial properties throughout Germany with a total leasable area of 147,160m² In 12 of these properties, half of the rental area is leased to an anchor lessee, Kaufland, for lease terms of 12 to 17 years. The total purchase price (100%) was €120 million (plus transaction costs in the amount of €7 million), subject to working capital adjustments. A further 1.3% interest in the portfolio was subsequently purchased by BCP from a member of the Co-investment Club, increasing BCP's interest in the portfolio to 52.3% in aggregate. The remaining 47.7% interest in the portfolio is held by members of the Co-investment Club.

Leipzig – On 29 July 2011, BCP completed the purchase of a 51% interest in a property comprising 2,600 residential units with a total leasable area of 135,725m² in Leipzig, Germany from a German municipal corporation, for a total consideration (100%) of approximately €76.8 million (including transaction costs). The remaining 49% interest in the property is held by members of the Co-investment Club.

(ii) Acquisitions completed in 2012

Germany

Wuppertal – On 29 June 2012, BCP completed the purchase of an 80% interest (in addition to the 20% already held by BCP) in a company that owns a number of municipality residential buildings for rental consisting of 334 residential units with a rental area of 24,515m² located in the city of Wuppertal, Germany. The consideration for the acquisition of the additional 80% interest was approximately €14.2 million. BCP's interest in the property is 94.9% with the remaining interest held by a third party.

Kassel – On 31 December 2012, BCP completed the purchase of a 51% interest in a commercial centre with a total leasable area of 12,079m², in consideration for a sum of approximately €12.7

million (including transaction cost). The remaining 49% interest in the property is held by members of the Co-investment Club.

Russia

Kazan Retail Market – In June 2012, an investment contract was signed for the leasing rights of a 196.58 hectare development site. The Group paid approximately US$5 million for the assignment of a lease agreement of part of the land. The current development plan for five pavilions, of which, to date, one is fully leased and operational, and another one is fully leased and due to be opened in the summer of 2014. The construction of the remaining three pavilions is expected to follow the current construction activities. This investment is presented in the Financial Information as an investment in associates. The Group's investment in the project amounted to €190.6 million (including loans in the amount of € 11 million) and €141.1 million (including loans in the amount of € 14.8 million) as of 31 December 2013 and 2012, respectively. The Company's share in the project is approximately 25%. After deducting the non-controlling interest, the Company's share in the project amounted to € 110.9 million and € 81.9 million as of 31 December 2013 and 2012, respectively based on a value by an external valuer. The project was revalued by an external valuer. As a result, a revaluation gain was recorded in the profit or loss statement as a share in profit of associates in the amount of €56 million and €125 million, for the years ended 31 December 2013 and 31 December 2012, respectively.

On 20 November 2012 the Company's subsidiary BCRE Russia signed a sale and purchase agreement with WP I Sarl to acquire its 50% interest in Altramino Trading Limited, the company holding the Lyubertsy project, for the amount of US$10.36 million (€8.4 million). Simultaneously, BCRE Russia signed agreements with various members of the Co-investment Club according to which such co-investors acquired from BCRE Russia a 34.7% of interest in Altramino Trading Limited for a total consideration of US$8 million (€6 million). The Company's share in the project is 54.6%.

(iii) Acquisitions completed in 2013

Germany

Celle – On 24 April 2013, BCP completed the purchase of an income-generating asset with a total leasable area of 26,694m² in Celle, Germany, in consideration for approximately €29.02 million (including transaction costs).

Leipzig Am Zoo – On 13 May 2013, BCP completed the purchase of a 51% interest in a German partnership, which directly holds a residential building consisting of 435 residential units in Leipzig, Germany, with total leasable area of 14,660m², for a total consideration (100%) of €12.5 million (including transaction costs). The remaining 49% interest is held by members of the Co-investment Club.

Rostock – On 20 June 2013, BCP completed the purchase of a 56.14% interest in a shopping centre with a total leasable area of 61,213m², for a total purchase price (100%) of €67.9 million (including transaction costs). The remaining 43.86% interest is held by members of the Co-investment Club.

Hamm – On 14 August 2013, BCP entered into an agreement for the acquisition of 306 residential units in Hamm with a total leasable area of 12,676m², in North Rhine Westphalia, Germany, for a total consideration of €15.1 million (including related transaction costs).

Falcon – On 31 July 2013, BCP completed the purchase of 1,003 residential units in North Rhine Westphalia, Germany with a total leasable area of 52,121m², for a total consideration of €33.9 million (including related transaction costs).

Russia

In November 2013, a subsidiary of the Company signed a sale and purchase agreement with AREA to acquire its holdings (50%) in the Lobnia project holding company, BCRE Russia Developments

(CY) Limited, for an amount of US$4.6 million (€3.4 million). Simultaneously, the subsidiary signed agreements with various co-investors, according to which, such co-investors acquired from Stepfield Limited 29.71% of its interest in BCRE Russia Developments (CY) Limited for a total consideration of US$2.7 million (€2 million). Consequently, the Company's financial information includes the consolidation of the operating results of BCRE Russia Developments (CY) Limited, which was previously accounted for as an associate using the equity method with effect from the acquisition date. As a result, the Company recorded a gain on revaluation of the investment property in the amount of approximately €2.8 million. The Company's share in the transaction is 51.7%.

Lending activities

In April 2013, the Group established BCRE Lending LLC, a subsidiary specialising in providing short-term senior construction debt, bearing annual interest at a rate of between 10-12% and collateralised primarily by small residential development assets in New York. As at 31 December 2013, the Group, together with other members of the Co-investment Club, had committed to a total of €15.3 million (US$21.1 million) of loans, out of which €6.6 million (US$9 million) had been drawn down. All loans are senior loans and are secured by securities over the properties and by personal guarantees and / or equity pledges. The Company's share in the transaction is 41.9% but the investments are fully consolidated. These investments are presented in the Financial Information as "other short term loans and current maturities of long term loans".

Valuation gains on investment property and investment property under construction

In accordance with IAS 40 the Group has revalued its ''investment properties'' and investment property under construction at each period end throughout the three years ended 31 December 2013, and recognised the changes in fair value through its statement of income as ''Valuation gains on investment property, net''.

In 2013, 2012 and 2011 the Group recognised €61.2 million, €6.1 million and €13.2 million of revaluation gains, respectively mainly from the German and the Russian consolidated assets. The revaluation in 2013 arose from the revaluation of Rostock and several other German properties and the Lyubertsy and Lobnia properties in Russia.

Property operating expenses and other expenses

Cost of maintenance of leased property – this section mainly includes costs not financed by the tenants (non-recoverable costs), which include, *inter alia*, non-recoverable maintenance and current repair of property expenses, property expenses for vacant areas, as well as changes in doubtful debt allowances mainly in Germany. In 2013, the cost of maintenance of properties amounted to approximately €15.6 million. In 2012, the cost of maintenance of properties amounted to approximately €9.9 million in comparison with approximately €8.3 million in 2011. The increase in 2013 arose from the increased portfolio in 2013 and the first full year effect of the properties acquired in 2012.

Share in profit of entities accounted for using the equity method, net

The Group's investments with associates operating in Russia, USA, India and Germany include investments in joint ventures and in associates accounted using the equity method.

During 2013, 2012 and 2011, the Group recorded a share in profit from associates in the amount of €49 million, €98 million and a loss of €6 million respectively. The profit realised in 2013 mainly stems from the change in ownership of Lobnia and revaluation of Kazan. In 2012, the profit mainly stems from the revaluation of the Kazan project.

Financing income/expenses and exchange rate differences

The Group's financing income consists of interest received from bank deposits and from associates. The Group's financing expenses consist mainly of interest on loans from banks, debentures, revaluation of loans and derivatives and foreign exchange losses.

3 Principal accounting policies

Consolidated financial statements

The Group has early adopted IFRS 10, Consolidated Financial Statements, commencing the year 2012. Control is regarded as being held when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with other holders of voting rights in the investee;

(b) rights arising out of other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Although the Group directly holds 34.8% of the voting rights of BCP, the Company considers that it has *de facto* control of BCP due to the size of its voting rights in BCP, including voting rights held by companies controlled by Shimon Weintraub, the Company's controlling shareholder. The proportion of its voting rights relative to the voting rights held by the other shareholders of BCP has enabled the Company to exercise a majority of the voting power that participates in the shareholders meetings and appoints a majority of the directors and indirectly, the senior management of BCP. For further details on BCP's financial statements and its treatment in the Financial Information, please refer to note 5 of the Financial Information at Part X (*Financial Information*).

Revenues

Revenues are recognised in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any discounts.

The specific criteria for revenue recognition for the following types of revenues are:

Rental income is recognised on a straight-line basis over the lease term. Fixed increases in rent over the term of the contract are recognised as income on a straight-line basis over the lease period.

Revenues from the sale of residential apartments:

Revenues from the sale of residential apartments are recognised when the principal risks and rewards of ownership have passed to the buyer. Revenues are recognized when significant uncertainties regarding the collection of the consideration no longer exist, the related costs are known and there is no continuing managerial involvement with residential apartment delivered. These criteria are usually met when construction has effectively been completed, the residential apartment has been delivered to the buyer and the buyer has paid the entire consideration for the apartment.

Functional currency

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Group is the Euro.

When a Group entity's functional currency differs from the Company's functional currency, that entity represents a foreign operation whose financial statements are translated so that they can be included in the Financial Information as follows:

(a) assets and liabilities at the end of each reporting period (including comparative data) are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each period presented in the statement of income (including comparative data) are translated at average exchange rates for the presented periods;

(c) share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence;

(d) retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions (such as dividend) during the period are translated as described in (b) and (c) above; and

(e) all resulting translation differences are recognised as a separate component of other comprehensive income (loss) in equity "foreign currency translation reserve".

Investment properties and investment properties under construction

Investment property and investment properties under construction are measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise. Investment property is not systematically depreciated.

The fair value model is also applied to property under construction for future use as investment property when fair value can be reliably measured.

Fair value is determined generally by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Investment properties under development also require an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the assets' life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Interest in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

For more details of this, please refer to note 6 to the Financial Information contained in Part X (*Financial Information*).

Business combinations and goodwill

The Company also accounts for activities and assets as a business even when they are not conducted as such as long as the seller is capable of operating them as a business.

Business combinations are accounted for by applying the acquisition method. Under this method, the identifiable assets and liabilities of the acquired business are recognised at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets transferred, liabilities incurred and equity interests issued by the acquirer on the date of acquisition.

In respect of business combinations, non-controlling interests are measured at fair value on the acquisition date or at the proportionate share of the non-controlling interests in the acquiree's net identifiable assets.

For business combinations direct acquisition costs relating to the business combination are recognised as an expense in profit or loss and are not part of the acquisition cost.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed as measured on the acquisition date. If the resulting amount is negative, the acquisition is considered a bargain purchase and the acquirer recognizes the resulting gain in profit or loss on the acquisition date.

Comparison of net book value of the Group's properties at 31 December 2013 with valuations included in Part XII

The valuations of the investment properties as set out in the valuation reports of Part XII have been used in calculating the value of the relevant properties in the Financial Information (after taking account of the Group's interest in the relevant properties and the valuations for properties purchased after the balance sheet date), save as set out in the table below.

Property Name	State / Country	% Ownership BCRE Level, including BCRE India Fund	Effective % of BCRE in Asset	Asset Value December 2013 ('000)	Balance Sheet Value ('000)
Investment Property					
Germany (1)	Germany	Various	Various	€790,887	€820,751

(1) The Group intends, as is customary in the German market, wherever practicable, to sell the asset company's shares rather than the asset itself. Accordingly, the Group measures the fair value of the assets assuming a share deal value, taking into consideration relative transaction costs that can be achieved in such a transaction, mainly reflecting saved real estate transfer

tax, and taking into account the deferred taxes relative to the asset and their potential effect on the value by selling the asset in this way. See also Note 4 to the Financial Information.

Income statement

The table below sets out the Group's results from operations in the three years ended 31 December 2013, 31 December 2012 and 31 December 2011.

	Year ended 31 December		
	2013	**2012**	2011
	Euros in thousands (except for share and per share data)		
Gross rental income	50,080	40,484	28,614
Service charge, management and other income	4,839	3,639	4,318
Property operating expenses and others	(15,633)	(9,983)	(8,284)
Gross profit	39,286	34,140	24,648
Revaluation of investment property, net	61,203	6,150	13,265
Changes in fair value of other investments, Gains from bargain purchase and loss from realization of investments , net	6,099	6,201	26,618
Share in profit (loss) of entities accounted for using equity method, net	48,918	98,117	(5,814)
Administrative expenses	(10,984)	(13,035)	(9,628)
Administrative expenses relating to inventory under development, sales and marketing in Germany	(707)	(2,374)	-
Other income (expenses), net	(1,341)	(4,322)	7,055
Share based payment compensation	(2,403)	(2,868)	(729)
Operating income	140,071	122,009	55,415
Exchange rate differences, net.	(10,032)	(2,970)	(3,139)
Financial income	10,569	5,782	17,635
Financial expenses	(28,961)	(26,375)	(18,047)
Financial expenses, net	(28,424)	(23,563)	(3,551)
Income before tax	111,647	98,446	51,864
Tax benefit (tax expenses)	(3,279)	6,846	1,735
Net Income	108,368	105,292	53,599
Income for the year attributable to:			
Equity holders of the Company	31,265	39,942	21,016
Non-controlling interests	77,103	65,350	32,583
	108,368	105,292	53,599
Earnings per share attributed to ordinary equity holders of the parent			

	Year ended 31 December		
	2013	**2012**	2011
	Euros in thousands (except for share and per share data)		
Basic	21.62	28.12	15.43
Diluted	17.31	23.91	14.86

	2013	2012	2011
Net income	108,368	105,292	53,599
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(13,969)	(1,810)	2,621
Group's share of net other comprehensive income (loss) of companies accounted for using equity method	(20,198)	(2,350)	4,859
Total comprehensive income for the year	74,201	101,132	61,079
Total comprehensive income attributable to:			
Equity holders of the Company	9,637	39,376	25,949
Non-controlling interests	64,564	61,756	35,130
	74,201	101,132	61,079

Comparison of the income statement for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

Gross rental income

The Group's income from leasing properties in 2013 amounted to approximately €50 million in comparison with approximately €40.5 million and €28.6 million in 2012 and 2011, respectively. The increase in income from rent in 2013 mainly derived from the expanded activity of the Group resulting from purchasing Rostock, Celle, Leipzig Zoo, Hamm and the residential portfolio in North Rhine Westphalia. The increase in income from rent in 2012 mainly derived from the expanded activity of the Group resulting from, amongst other things, purchasing Wuppertal and Kassel.

During the years 2013, 2012 and 2011 the Group recognised income from commercial use in the amount of €30.6 million, €24 million and €16.4 million respectively, and from residential use in the amount of €18.8 million, €15.4 million and €10.5 million respectively.

	Income producing commercial real estate	**Income producing residential real estate**	**Land held for appreciation**	**Residential development**	**Other**	**Total**
Year ended 31 December 2013						
Gross rental income	30,594	18,797	689	-	-	50,080
Service charge, management and other income	-	-	-	1,399	3,440	4,839

Year ended 31 December 2012						
Gross rental income	24,000	15,410	1,074	-	-	40,484
Service charge, management and other income	-	-	-	-	3,639	3,639
Year ended 31 December 2011						
Gross rental income	16,427	10,546	1,641	-	-	28,614
Service charge, management and other income	-	-	-	-	4,318	4,318

During 2013, the Group realised rental income from assets located in Germany in the amount of €49.5 million and from assets located in Russia in the amount of €0.5 million. During 2012 and 2011, the Group realised income from assets located in Germany only.

	Germany	Russia	USA	Others	Total
Year ended 31 December 2013					
Gross rental income	49,540	540	-	-	50,080
Service charge, management and other income	-	2,752	1,129	958	4,839
Year ended 31 December 2012					
Gross rental income	40,484	-	-	-	40,484
Service charge, management and other income	-	-	2,751	888	3,639
Year ended 31 December 2011					
Gross rental income	28,614	-	-	-	28,614
Service charge, management and other income	-	-	2,799	1,519	4,318

For additional information please see Note 32 to the Financial Information for the year ended 31 December 2013 contained in Part X.

Property operating expenses

This section mainly includes costs not financed by the tenants (non-recoverable costs), which include, *inter alia*, maintenance and current repair of property expenses, property management expenses for vacant areas, as well as changes in doubtful debt allowance mainly in Germany. In 2013, the cost of maintenance of rental properties amounted to approximately €15.6 million in comparison with approximately €9.9 million and €8.3 million in 2012 and 2011, respectively. The increase in the properties' operating expenses in 2013 resulted from the purchase of Rostock, Celle, Leipzig Zoo, Hamm and the residential portfolio in North Rhine Westphalia as well as the full year costs for the properties acquired during 2012 and expenses relating to Uspenka and Lobnia that were consolidated for the first time.

Share in profit of entities accounted for using equity method, net

During the years 2013, 2012 and 2011, the Group realised shares in profit from associates in the amount of €49 million, €98 million and a loss of €6 million respectively. The profit in 2013 mainly results from the revaluation of the Russian assets and, in 2012, from the revaluation of the Kazan project.

Gain from bargain purchase

As a result of a difference between the cost of properties and the fair value of properties on the purchase date of the residential portfolio in Wuppertal, during 2012, upon business combination, the Group realised a gain of €5 million as a gain from bargain purchase. During 2011, as a result of the purchase of the Matrix portfolio upon business combination, the Group recorded a gain from bargain purchase in the amount of €26.7 million.

Revaluation of investment property

For a discussion of this section, please refer to the passage on India set out at section 1 of this Part VI (*Operating and Financial Review*).

Administrative and general expenses

The administrative expenses of the Group consist of two principal elements: (a) general and administrative expenses; and (b) selling and marketing expenses.

The Group's selling and marketing expenses consist primarily of advertising and marketing costs.

The Group's general and administrative expenses consist of salaries, share base payments and related expenses, together with professional service, travelling and office expenses.

The Group's selling and marketing expenses consist primarily of advertising and marketing costs.

The Group's professional service expenses relate to the fees incurred from audit fees, legal fees, consultancy fees and other professional services.

In 2013, administrative and general expenses amounted to an amount of approximately €11 million compared to approximately €13 million and €10 million in 2012 and 2011, respectively, on a fully consolidated basis. The reduction in the administrative expenses in 2013 derives mainly from one-off expenses in 2012 that did not repeat in 2013, together with a slight reduction in administrative expenses.

Net financial expenses and exchange rate differences

In 2013, the net financing expenses amounted to approximately €28.4 million compared to approximately €23.6 million in 2012 and €3.5 million in 2011. The increase in financing costs stems from an extension of bank loans, an issuance of new corporate bonds, foreign exchange losses and an increase in the Group's loans as a result of the purchase of new properties, mainly Wuppertal, Kassel, Rostock, Leipzip am Zoo, Lyubertsy.

4 Comparison of the balance sheets for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
ASSETS			

	31 December		
	2013	2012	2011
	Euros in thousands		
Non-current assets:			
Investment property	945,915	657,515	586,794
Investments and loans to associates and joint ventures	256,303	222,260	199,118
Property, plant and equipment, net	635	5,214	5,950
Inventory of land	48,937	61,822	60,917
Other investments and loans	28,838	25,709	36,775
Restricted deposits	-	-	10,038
Deferred tax assets	9,510	4,669	1,372
Total non-current assets	1,290,138	977,189	900,964
Current assets:			
Inventory of apartments under construction	92,306	48,800	17,430
Trade and other receivables	17,264	17,268	26,799
Restricted bank accounts	3,875	3,814	1,270
Current maturities of long term loans	10,274	21,560	7,936
Marketable securities and other short-term investments	4,499	2,873	2,921
Cash and cash equivalents	76,923	68,724	24,271
Total current assets	205,141	163,039	80,627
Assets classified as held for sale	15,608	66,483	-
Total assets	1,510,887	1,206,711	981,591

	31 December		
	2013	2012	2011
	Euros in thousands		
EQUITY:			
Share capital and premium	68,726	65,766	58,960
Convertible shareholders' capital notes	59,585	63,567	60,959
Reserves	(37,183)	(8,770)	(8,411)
Undistributable retained earnings	142,732	111,467	71,525
	233,860	232,030	183,033
Non-controlling interests	408,189	333,400	245,446
Total equity	642,049	565,430	428,479
LIABILITIES:			
Non-current liabilities:			
Derivative instruments	2,651	2,899	2,398
Interest-bearing loans and borrowings	697,807	458,573	468,372
Other long-term liabilities	3,158	3,297	3,304
Deferred tax liabilities	24,598	22,549	20,389

	31 December		
	2013	2012	2011
	Euros in thousands		
Total non-current liabilities	728,214	487,318	494,463
Current liabilities:			
Tax provision	1,752	1,424	1,521
Trade and other payables	36,463	26,145	21,906
Interest-bearing loans and borrowings	57,843	117,840	33,261
Advances from buyers	43,542	7,210	-
Derivative instruments	1,024	1,344	1,961
Total current liabilities	140,624	153,963	58,649
Total liabilities	868,838	641,281	553,112
Total equity and liabilities	1,510,887	1,206,711	981,591

Balance sheet

The total assets as at 31 December 2013 amounted to a sum of approximately €1,511 million, in comparison with a sum of approximately €1,207 million as at 31 December 2012 and approximately €982 million as at 31 December 2011. The increase in 2013 stems mainly from (i) purchasing the Rostock, Celle, Leipzig am Zoo and Hamm commercial assets and the residential portfolio in North Rhine Westphalia, (ii) the consolidation of the investment in the Lobnia property, (iii) additional investment in Lyubertsy and (iv) the revaluation due to increase in value of the German consolidated assets (mainly Celle, Leipzig, Roshtock, Dortmund, Hamm and Leipzig zoo), and the Russian assets (mainly Lyubertsy (fully consolidated) and Kazan (held as an invesment in an associate). The increase in 2012 mainly derives from the consolidation and purchase of the Group's assets in Wuppertal and Kassel, the purchase and revaluation of the Kazan project and the development of the Grafental project.

A breakdown of the total assets by sector and location is set out in Note 32 to the Financial Information contained in Part X (*Financial Information*).

Investment Property

The Company's total investment property as of 31 December 2013 amounted to a sum of approximately €946 million in comparison with a sum of approximately €658 million as of 31 December 2012 and approximately €587 million as of 31 December 2011. The increase in 2013 stems mainly from purchasing the Rostock, Celle, Leipzig Zoo and Hamm commercial assets and the residential portfolio in North Rhine Westphalia and also as a result of purchasing an additional 20.3% interest in Lobnia (the asset was consolidated for the first time during 2013). The increase in 2012 stems mainly from the Wuppertal and Kassel.

Investments in associates and joint ventures

The Company's total investment in associates and joint ventures as at 31 December 2013 amounted to a sum of approximately €256 million in comparison with a sum of approximately €222 million as at 31 December 2012 and a sum of approximately €199 million as at 31 December 2011. The increase in 2013 stems mainly from the increase in the value of the Kazan project, offset by the classification of the Lobnia project to investment property. The increase in 2012 stems mainly from the purchase of Kazan and its revaluation during the period offset by the reclassification of investments in US projects (Grand Street, 15 USW and Greystone) to assets held for sale.

Non-current liabilities

The Company's total non-current liabilities as of 31 December 2013 amounted to a sum of approximately €728 million in comparison with a sum of approximately €487 million on 31 December 2012 and a sum of approximately €494 million on 31 December 2011. The change in 2013 stems mainly from issuing bonds by the Company and BCP (series B) and from receiving loans from banks for the purpose of financing the transactions that were carried out during that period in Germany, Lyubertsy, and the consolidation of the Lobnia project. The change in 2012 stems mainly from classifying non-recourse loans of €75.9 million as current maturity according to the original amortisation schedule of a loan and taking loans of €21.8 million for financing the Wuppertal and Kassel transactions, supplementing the consideration on the purchase of land in Düsseldorf and expanding the bond series in return for a net amount of €42.6 million. Please see Note 17 of the Financial Information contained in Part X (*Financial Information*).

Current liabilities

As at 31 December 2013, the Company's total current liabilities were in the amount of approximately €141 million, which can be compared with a sum of approximately €154 million as at 31 December 2012 and a sum of approximately €59 million as at 31 December 2011. The decrease in 2013 stems mainly from the refinancing of loans in respect of the Panther Portfolio and, on the other hand, an increase in the number of advances from buyers in respect of Grafental. The increase in the amount of current liabilities in 2012 stems mainly from the reclassification of loans in respect of the Panther Portfolio, which were refinanced in 2013.

Equity

The total equity attributed to the Company's shareholders as at 31 December 2013 amounted to a sum of approximately €234 million in comparison with a sum of approximately €232 million as at 31 December 2012 and a sum of approximately €183 million as at 31 December 2011. The increase in 2013 mainly derives from the activity's profit of €31 million and issuance of Shares and capital notes for €4.1 million offset by a repayment of capital notes in the amount of €5 million and negative reserves in the amount of €28 million. The increase in 2012 mainly derives from the activity's profit of €40 million and the issuance of Shares and capital notes for an amount of €9.4 million offset by negative reserves in the amount of €0.4 million.

Reserves

The negative reserves principally derive from three sources:

Foreign currency translation reserve – in 2013, the negative foreign currency translation reserve amounted to €21.6 million and is due to the fact that the Company's functional currency is the Euro, whilst it invests through its subsidiaries with different functional currencies; the loss is mainly due to the strength of the Euro against the US Dollar. During 2012 and 2011, the foreign currency translation reserve amounted to a negative reserve of €0.6 million and a positive reserve of €4.9 million, respectively.

Share-based payment reserve – the negative result in respect of the share-based payment reserve is principally due to options being granted to employees throughout the year. In 2013, the share-based payment reserve amounted to a total of €1.1 million, whilst during 2012 and 2011, the share-based payment reserve amounted to a positive reserve of €1.7 million and a positive reserve of €0.2 million, respectively.

Reserves from transactions with non-controlling interests – in 2013, this reserve amounted to a total of €5.6 million. During 2013, shares in BCP were transferred to certain investors following a settlement between such investors and the Company, which replaced the anti-dilution protection previously in place. As a result, the Company recorded a loss in the amount of €5.6 million. During 2012 and 2011, this reserve resulted in negative reserves of €1.5 million and €1.6 million, respectively.

Convertible capital notes

As at 31 December 2013, the balance of the convertible capital notes (which the Company issued to its Shareholders) amounted to a total of €59,584,860. The capital notes are denominated in Euros and are repayable in April 2016. The Company can force conversion at maturity (at a fixed conversion rate) to the Company's share premium account. The capital notes are subordinated to all of the liabilities of the Company (see also Note 15 of the Financial Information contained in Part X (*Financial Information*)). The Company is entitled to and has served the notice requiring the noteholders to convert these notes into share premium prior to Admission. The effect of this on the balance sheet is shown in the pro forma table in section 7 of this Part VI (*Operating and Financial Review*).

Cash flow

The following table sets out the consolidated cash flow statements of the Group for the three years ended 31 December 2013, 2012 and 2011 reported under IFRS as follows:

Consolidated cash flow statements

	Year ended 31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Cash flows from operating activities:			
Profit for the period	108,368	105,292	53,599
Adjustments for:			
Depreciation of property, plant and equipment	110	590	478
Gain from bargain purchase and other income, net	(4,758)	(1,879)	(40,455)
Revaluation of investment property, net	(61,203)	(6,150)	(13,265)
Share in loss (profit) of entities accounted for using equity method	(48,918)	(98,117)	5,814
Deferred taxes	(3,163)	(6,233)	(5,296)
Tax provision	385	-	133
Share based payment compensation	2,403	2,868	729
Financial expenses, net	28,424	23,563	3,551
Operating profit before changes in working capital and provisions	21,648	19,934	15,880
Increase in advances from buyers	36,333	7,210	-
Changes in inventories of apartments under construction	(32,230)	(8,505)	(1,871)
Decrease (increase) in trade and other receivables	(5,503)	4,040	(4,331)
Increase (decrease) in trade and other payables	(10,729)	7,369	(4,470)
	(12,129)	10,114	(10,672)
Cash flow provided by operating activities before transaction costs	9,519	30,048	5,208
Transaction costs	-	-	(8,097)
Cash flows provided by (used in) operating activities	9,519	30,048	(2,889)
Cash flows from investing activities:			
Payment of liability for purchase of investment property	(1,981)	(5,200)	-
Acquisition of newly consolidated subsidiaries, net (a)	(101,934)	(30,251)	(114,197)
Investment and loans to associates and jointly controlled entities, net	365	(6,822)	(7,373)

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Increase in investments, net	9,679	4,687	(14,256)
Acquisition and additions to property, plant and equipment	(47)	(224)	(453)
Acquisition of investment property	(49,774)	-	(93,979)
Additions to investment property	(35,459)	(13,044)	(6,400)
Acquisition of initial activities (b)	-	-	(73,056)
Placement of restricted deposits, prepaid transaction costs and placement of long-term deposits in banks, net.	5,736	5,748	(9,356)
Proceeds from realisation of investments	41,222	-	2,225
Purchase of rights from non-controlling interests of subsidiaries	(1,172)		
Loans to related parties, net	4,085	(1,311)	(10,410)
Cash flows used in investing activities	(129,280)	(46,417)	(327,255)

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Cash flows from financing activities:			
Share capital issuance, net	2,960	6,806	30,884
Convertible notes issued to shareholders	1,133	2,608	16,231
Repayment of capital note	(2,874)	-	-
Receipt of loans	208,112	63,027	252,140
Issuance of debentures, net	54,608	41,422	38,978
Self purchase of debentures	-	-	(1,666)
Repayment of long-term loans and debentures	(124,098)	(41,189)	(27,001)
Net financial expenses paid and foreign exchange currency differences	(22,983)	(21,819)	(18,347)
Receipts from non-controlling interests, net	9,934	14,569	53,074
Loans from minority and JV partners	4,457	-	-
Distribution to non-controlling interests	(3,712)	(4,299)	(1,287)
Cap transaction costs	-	-	(3,189)
Swap transaction costs	84	(387)	(2,695)
Cash flows provided by financing activities	127,619	60,738	337,122
Increase in cash and cash equivalents	7,860	44,369	6,978
Net foreign exchange differences	339	84	355
Cash and cash equivalents at the beginning of the year	68,724	24,271	16,938
Cash and cash equivalents at the end of the year	76,923	68,724	24,271

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
(a) Acquisition of newly consolidated subsidiaries:			
Assets and liabilities of subsidiaries on the purchase date:			

Working capital (excluding cash and cash equivalents), net	(4,847)	(943)	5,158
Investment property	(145,372)	(70,247)	(175,332)
Inventory of apartments under construction	-	(23,777)	-
Investments in associates	9,646	35,770	-
Gain from negative goodwill upon purchase	-	6,388	31,780
Interest bearing loans and borrowings	34,215	9,286	3,260
Non-controlling interest	4,424	13,272	17,012
Income from purchase price adjustment	-	-	3,925
	(101,934)	(30,251)	(114,197)

(b) Acquisition of initial activities:

Assets and liabilities at date of acquisition:

Investment properties	-	-	(76,768)
Negative goodwill	-	-	3,712
		-	(73,056)

A review of the cash flows for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011

Operating activities

In 2013, the Group has cash flows from operating activity amounting to €9.5 million compared to cash flow invested in operating activity amounting to €30.05 million in 2012 and used in the amount of €2.89 million in 2011. The decrease in cash flows from operating activity in 2013 compared to 2012 stems from an increase in the Group's activity. On the other hand, there was an increase in receivables and a decrease in payables. The increase in cash flows from operating activity in 2012 compared to 2011 resulting from full income production of assets (OBI, Matrix and Leipzig) purchased in 2011 and an increase in payables and a decrease in receivables.

Investing activities

In 2013, the Group on the one hand invested approximately €129.3 million, which was mainly used for purchasing assets in the Leipzig am Zoo, Rostock, Celle and Hamm transactions, the residential portfolio in North Rhine Westphalia, the construction of the Lyubertsy project and for the improvement and renovation of the Company's assets, and on the other hand, the Group realised some of its investments in the US (mainly Greystone, Union and Grand). In 2012, the Group invested approximately €46.4 million, which were mainly used to purchase the residential portfolio in Wuppertal, a commercial property in western Germany, supplementing the purchase consideration of the land in Düsseldorf (according to the payment dates set forth in the purchase agreement in 2008 as updated in the following years) and renovate the Group's properties. In 2011, the Group invested a sum of approximately €327 million, most of which was used to purchase new properties mainly in Germany, such as OBI, Matrix and Leipzig.

Financing activities

In 2013, the Group had positive cash flows from its financing activities for the sum of approximately €127.6 million, consisting primarily of receiving long term loans and issuing bonds, on the one hand, and repayment of principal and interest of the Group's loans on the other. In 2012, the Group had cash flows from financing activity at the sum of approximately €60.7 million, consisting primarily of receiving long term loans and bond issuance offset by and repayment of principal and interest of the Group's loans. In the corresponding period in the previous year the Group's total cash that were provided by financing activity amounted to €337.1 million mainly from receiving long term loans for financing the purchase of new properties and bond issuance.

Funding and treasury policies

The Group holds the majority of its cash and cash equivalents in Euro or in US Dollars. In order to ensure that these holdings are sufficient to meet Company and Group requirements, regular meetings are held to review cash flow forecasts and to take steps and develop strategies to ensure appropriate cash resources are available for future planned activities. To ensure the Group has sufficient liquidity reserves the Company may, from time to time, raise additional debt, issued new shares or refinance existing portfolio projects, in addition to the receipt of funds arising from existing portfolio projects.

5 Liquidity and capital resources

Debt/equity ratio and capital reserves	**31 December**		
Financial year / period ended	**2013**	**2012**	**2011**
	c'000	c'000	c'000
Interest bearing loans and borrowings	€755,650	€576,413	€501,633
Restricted bank deposits	-	-	€10,038
Cash and short-term deposits	€76,923	€68,724	€24,271
Net debt	€678,727	€507,689	€467,324
Total equity	€642,049	€565,430	€428,479
Gross gearing ratio	54.06%	50.48%	53.93%
Net gearing ratio	51.39%	47.31%	52.17%

5.1 *Equity financings*

There have been three equity raisings of €113.5 million in aggregate carried out in April 2007, May 2011 to July 2011 and January 2013. On Admission, there will be a further equity raising of €26,052,010 pursuant to the Capital Raising. For further details on the Capital Raising, please refer to Part VII (*Capital Raising and Share Sale*).

5.2 *Corporate bonds*

The Company has issued two series of corporate bonds:

(a) The first bond series (Bond A) was issued in November 2006 to Israeli investors, denominated in NIS (with a nominal value of NIS 446 million) (€97 million) and linked to the CPI, bearing interest at a rate of 6.504% per annum. These bonds are repayable in seven annual instalments falling on 19 December each year from 2012 to 2018 (inclusive). These bonds are unsecured. As at 31 December 2013, the total outstanding balance of the bonds was NIS 373 million (€77.9 million). Further details on the terms of Bond A are set out in section 9.8 of Part VIII (*Additional Information*).

(b) The second issue of bonds (Bond B) is for a nominal value of US$25 million (€18.1 million). These bonds were issued in November 2013 to certain lenders, including a company owned by Ronen Peled, and are denominated in USD, bearing interest at a rate of 7% per annum. The loan amount is repayable in seven annual payments of unequal amounts on each 31 December from 2015 to 2021 (inclusive). The first four repayments constitute 6.25% of the loan amount and each of the last three payments will be 25% of the loan amount. The bond is secured by BCP shares. Further details on the terms of Bond B are set out in section 9.9 of Part VIII (*Additional Information*).

In addition, BCP has issued two series of corporate bonds with a total balance of approximately €121.3 million as at 31 December 2013:

(a) Series A – total face value of NIS 421 million (€88 million) as at 31 December 2013. These bonds were issued on 28 February 2011 to Israeli investors, are denominated in NIS (with a nominal value of initially NIS 200 million, subsequently increased by NIS 40 million in June 2012 and by a further 160 million in November 2012) and linked to the CPI, bearing interest at a contractual rate of 4.8% per annum (with respect to the first increase of series A by NIS 40 million, the effective interest rate was 6.37%, and with respect to the second interest of series A by NIS 160 million, the effective interest rate was 5.4%). The bonds are repayable in seven annual instalments from July 2014 to July 2020 (inclusive). Further details on the terms of BCP's series A bonds are set out in section 9.10 of Part VIII (*Additional Information*). See also Note 17a(4),(5) and (6) to the Financial Information.

(b) Series B – total face value of NIS 167.6 million (€35 million) as at 31 December 2013. These bonds were issued on 21 May 2013 to Israeli investors, are denominated in NIS (with a nominal value of initially NIS 175 million, subsequently increased by a further NIS 72 million in February 2014) and linked to the CPI, bearing interest at rates of 3.29% per annum payable every six months. The bonds are repayable in 12 annual instalments in December of each year from 2013 to 2024 (inclusive). The first seven repayments constitute 4% of the loan amount each and the last five instalments constitute 14.4% of the loan amount each. Further details on the terms of BCP's series B bonds are set out in section 9.11 of Part VIII (*Additional Information*).

5.3 *Bank financing*

In addition the Group seeks externally sourced bank financing for each individual project. The Company's debt financing for each project is usually subject to considerations of total Group financial leverage (net debt to total balance sheet, consolidated). As at 31 December 2013, the Group's total financial leverage was 51%. The Group's target is to keep the total financial leverage at between 45% and 55%. For further details on the Group's existing financing arrangements in relation to its principal investments that are in progress, please refer to Part II (*Detailed overview of the Group's portfolio and projects*) and Note 17 to the Financial Information contained in Part X (*Financial Information*).

Project financing is usually secured over the assets of the relevant project, without any recourse to the Company or other members of the Group outside the relevant project, save for the liens and guarantees outlined in Note 30(a) to the Financial Information contained in Part X (*Financial Information*).

In those countries where the Group has its key operations, it generally establishes long-term financing relationships with leading local banks. The Group generally seeks to refinance its projects as soon as they have created value through development, planning or preletting/forward sales to seek to return all or a significant part of its equity as soon as possible within the development process.

In relation to the Group's variable rate debt obligations, currently the Group undertakes various hedging arrangements, but it does not fully hedge against interest rate fluctuations. The Group's current hedging arrangements relate primarily to variable rate investment loans (which typically have a minimum five-year term) and certain development loans (with a minimum three-year term), and consist of interest rate swaps for the duration of the loan and/or cap instruments which cap the interest rate at a certain rate (often higher than the applicable rate) for the duration of the loan. At a corporate level, the Group seeks to hedge financial risks through its portfolio allocation and diversification. In addition, the Group seeks to reduce these risks by seeking to match, in each project, the currency denomination of its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals). For further details on the Group's hedging, please refer to Note 28 to the Financial Information contained in Part X (*Financial Information*).

The Company's bond series currently in issue (the terms of which are further described in sections 9.8 and 9.9 of Part VIII (*Additional Information*)) are rated A3 by Midroog.

6 Contractual commitments

The table below summarises the maturity profile of the Group's financial liabilities (excluding finance leases), based on contractual undiscounted payments:

	Year ended 31 December 2013						
	Less than a year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
	Euros in thousands						
Interest-bearing loans and borrowings	76,086	69,638	297,924	93,579	204,467	130,450	872,144
Financial liabilities and other long-term liabilities	215	215	215	215	215	6,143	7,218
Trade and other payables	29,824	-	-	-	-	-	29,824
	106,125	69,853	298,139	93,794	204,682	136,593	909,186

The table below summarises the Group's finance leases as at 31 December of the relevant year:

	2013		**2012**	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	Euros in thousands			
Within one year	215	29	203	31
After one year but not	862	114	813	111
More than five years	6,141	3,043	5,994	3,116
Total minimum lease payments	7,218	3,186	7,010	3,258
Less amounts representing finance charges	(4,032)	-	(3,752)	-
Present value of minimum lease payments	3,186	3,186	3,258	3,258

7 Capitalisation and indebtedness

The table below sets out the capitalisation and indebtedness of the Group as at 31 December 2013 and adjustments showing the effect of the Capital Raising.

	Actual (€ in '000)	Capital Raising / Conversion of Capital Notes	As adjusted for the Capital Raising/Conversion of Capital Notes (€ in '000)
Guaranteed			
Secured*	43,319		43,319
Unguaranteed / unsecured	15,548		15,548
Total current debt	58,867		58,867
Guaranteed			0
Secured	638,292		638,292
Unguaranteed / unsecured	62,166		62,166
Total non-current debt (excluding current portion of long-term debt)	700,458		700,458
Issued share capital	144	1,463	1,607
Share premium reserve	68,582	84,174	152,756
Capital Notes	59,585	(59,585)	0
Other reserves	(37,183)		(37,183)
Shareholders' equity attributable to shareholders	233,860	26,052	259,912
Non-controlling interest	408,189		408,189
Shareholders' equity	642,049		642,049
Total capitalisation			0
Cash	76,923	26,052	102,975
Liquidity	76,923		76,923
Current financial receivable	4,499		4,499
Current bank debt	36,484		36,484
Current portion of non-current debt	21,359		21,359

Other financial debt	1,024	1,024
Current debt	58,867	58,867
Net current financial indebtedness	(18,056)	(18,056)
Non-current bank loans	486,767	486,767
	211,040	211,040
Other financial debt	2,651	2,651
Non-current financial indebtedness	700,458	700,458
Net financial indebtedness	682,402	682,402

* Some of the secured debt is also guaranteed debt. Please see Note 30 to the Financial Information set out in Part X (*Financial Information*).

There are no other material changes in the capitalisation and indebtedness of the Group up to the date of this Prospectus, save for the changes resulting from the events which have occurred in the period between 31 December 2013 and the latest practicable date prior to the date of this Prospectus, as described in Note 33 to the Financial Information set out in Part X (*Financial Information*) as described in paragraphs a) to k). Such changes are as follows: (a) total non-current debt would increase by €114,813,000 (all of which is secured); and (b) cash would increase by €58,915,000. This would result in increasing the net current financial indebtedness figure to €76,971,000 and the non-current financial indebtedness figure to €815,271,000.

See section 6 of this Part VI (*Operating and Financial Review*) for information about the contingent obligations of the Group.

8 Property, Plant and Equipment

The Group has no material tangible fixed assets as at the date of this Prospectus.

9 Working capital

The Company is of the opinion that the working capital is sufficient for the Group's present requirements,that is for at least the next twelve months following the date of this Prospectus.

10 Significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2013, the date to which the last consolidated audited accounts of the Group were prepared.

PART VII
CAPITAL RAISING AND SHARE SALE

1 Capital Raising

The Company shall enter into a Subscription Agreement with certain investors on Admission, for the issue of an aggregate of 16,097,883 New Shares at the Issue Price, raising €26,052,010.

Immediately following Admission, the New Shares will represent 10.02% of the Enlarged Share Capital and will rank *pari passu* with the Existing Shares in all respects including, without limitation, in relation to any dividends and other distributions declared, paid or made following Admission.

Application will be made to the FCA for the Shares to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings in the Shares will commence on 28 May 2014.

The proceeds of €26,052,010 to be generated from the Capital Raising will be used in a targeted manner by the Company primarily for future working capital purposes and to help fund the Company's projects.

2 Share Sale

On Admission, WP Holdings shall enter into a Share Sale Agreement with certain investors for the sale of 10,206,973 Shares to such investors at the Issue Price. Following the Share Sale, WP Holdings will hold around 4.92% of the Enlarged Share Capital.

3 Shareholders' Agreement

On Admission, the Shareholders' Agreements referred to in section 9.2 of Part VIII (*Additional Information*) shall cease to be of any force or effect save in respect of certain contingent liabilities referred to in that section.

PART VIII
ADDITIONAL INFORMATION

1 The Company

The Company is a public company with limited liability (*naamloze vennootschap*), incorporated under Dutch law. The Company was incorporated by a notarial deed executed on 13 December 2004 under the name BCRE-Brack Capital Real Estate Investments B.V, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). By a resolution passed on 15 May 2014, it was resolved to change the form of the Company to a public company under the laws of the Netherlands under the name BCRE-Brack Capital Real Estate Investments N.V. The Company also uses BCRE as its commercial name.

The Company is registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands under number 34217263. Its corporate seat is in Amsterdam, the Netherlands. Its business address is Weteringschans 95 A, 1017 RZ Amsterdam, the Netherlands. The Company's telephone number is + 31 (0)20 51 410 00.

2 Subsidiaries and investments

2.1 The Company has the following principal Subsidiaries:

Name	Country of registration or incorporation	Principal activity	Percentage interest held by the Company
Brack Capital Cyprus Management Limited	Cyprus	Management Company	100.00
Brack Capital First B.V.	Netherlands	Holding Company	100.00
BCRE Manchester 1 B.V.	Netherlands	Project Company	100.00
Brack Capital USA B.V.	Netherlands	Holding Company	100.00
BCRE Russian Properties Ltd	Cyprus	Holding Company	82.46
Stepfield Trading Limited	Cyprus	Holding Company	82.46
Dalefield Limited	Cyprus	Management Company	82.46
Percare Limited	Cyprus	Finance Company	82.46
Sontera Ltd	Cyprus	Holding Company	55.50
Brack Capital (Cyprus) 3 Limited	Cyprus	Share Company	50.95
Belridge Limited	Cyprus	Holding Company	57.72
Maracelli Holdings Limited	Cyprus	Share Company	57.72
Altramino Trading Limited	Cyprus	Holding Company	53.86
Fasteam Trading Limited	Cyprus	Finance Company	53.86
Havenpitch Holdings Limited	Cyprus	Share Company	53.86
Southpart Trading Limited	Cyprus	Holding Company	68.44
BCRE Russia Developments (CY) Limited	Cyprus	Holding Company	50.95
Selectium Holdings Limited	Cyprus	Share Company	93.04
Drohten Enterprises Limited	Cyprus	Finance Company	79.10
Levehurst Limited	Cyprus	Holding Company	71.33
Linkstake Limited	Cyprus	Finance Company	71.33
Aquilia Ltd	Cyprus	Share Company	99.00
Reinstock Limited	Cyprus	Holding Company	90.04
Crownleague Limited	Cyprus	Holding Company	100.00
Bricstale Limited	Cyprus	Finance Company	100.00
BCRE Bal 1-2 Holding Ltd	Cyprus	Holding Company	96.17
Thunderace Limited	Cyprus	Holding Company	100.00
Kangley Limited	Cyprus	Finance Company	100.00
Grafiko Limited	Cyprus	Finance Company	100.00
Sevenheaven Holdings Limited	Cyprus	Finance Company	100.00
Sundirect Limited	Cyprus	Finance Company	100.00
Brack Capital Logistics & Infrastructure (Cyprus) Private Limited	Cyprus	Holding Company	100.00

Brack Capital Real Estate (India-China) Management Ltd	Cyprus	Management Company	100.00
Brack Capital Real Estate (India-China) GP Limited	Cyprus	Management Company	92.00
Solarstream Limited	Cyprus	Holding Company	100.00
Brack Capital (Cyprus) 2 Limited	Cyprus	Holding Company	60.00
BCRE UK Limited	UK	Management Company	100.00
CJSC “Uspenka 21”	Russia	Real Estate Company	57.72
LLC “Brack Capital Developments (Russia)”	Russia	Real Estate Company	82.46
LLC “Stroitelnaya gruppa Gorod-M”	Russia	Real Estate Company	82.46
CJSC “Torgmash”	Russia	Real Estate Company	51.54
LLC Investmanagementstroy	Russia	Real Estate Company	53.86
LLC “Mosobkomplex”	Russia	Real Estate Company	50.95
BCM USA LLC	USA	Real Estate Company	100.00
BCRE Orchard Second LLC	USA	Real Estate Company	3.42
BCRE Bowery Holdings LLC	USA	Real Estate Company	3.09
BCRE India Private Ltd	India	Real Estate Company	100.00
B.C.R.E. Izaki B.V.	Netherlands	Holding Company	50.00
Brack German Properties B.V.	Netherlands	Holding Company	31.37
Brack Capital (Pulheim) B.V.	Netherlands	Project Company	6.27
Brack Capital (Hamm) B.V	Netherlands	Project Company	6.27
Brack Capital (Offenbach) B.V.	Netherlands	Project Company	6.27
Brack Capital (Berlin) B.V.	Netherlands	Project Company	6.27
Brack Capital (Darmstadt) B.V.	Netherlands	Project Company	6.27
Brack Capital (Dusseldorf-Rossstrasse) B.V	Netherlands	Project Company	31.37
Brack Capital (Dusseldorf-Schanzenstrasse) B.V	Netherlands	Project Company	31.37
Brack Capital (Remscheid) B.V.	Netherlands	Project Company	31.37
Brack Capital (Neubrandenburg) B.V.	Netherlands	Project Company	31.37
Brack Capital (Hamburg) B.V.	Netherlands	Project Company	31.37
Brack Capital (Chemnitz) B.V.	Netherlands	Project Company	18.82
Brack Capital (Ludwigsfelde) B.V.	Netherlands	Project Company	31.37
Brack Capital (Bad Kreuznach) B.V.	Netherlands	Project Company	31.37
Brack Capital Germany (Netherlands) XIX B.V.	Netherlands	Project Company	31.37
Brack Capital Germany (Netherlands) XXVI B.V.	Netherlands	Holding Company	32.34
Brack Capital Germany (Netherlands) XXVII B.V.	Netherlands	Project Company	32.34
Brack Capital Germany (Netherlands) XXX B.V.	Netherlands	Project Company	31.37
Brack Capital Germany (Netherlands) XXI B.V.	Netherlands	Project Company	31.37
Brack Capital Alfa B.V.	Netherlands	Project Company	16.00
Brack Capital Delta B.V.	Netherlands	Project Company	16.00
Brack Capital Epsilon B.V.	Netherlands	Project Company	31.37
BCP Leipzig B.V.	Netherlands	Holding Company	16.00
BCRE Leipzig Wohnen West B.V.	Netherlands	Project Company	16.00
BCRE Leipzig Wohnen Ost B.V.	Netherlands	Project Company	16.00
BCRE Leipzig Wohnen Nord B.V.	Netherlands	Project Company	16.00
Brack Capital (Gelsenkirchen) B.V.	Netherlands	Holding Company	31.37
Brack Capital Eta B.V.	Netherlands	Holding Company	31.37

BCRE Kassel I B.V.	Netherlands	Holding Company	31.37
Brack Capital Theta B.V.	Netherlands	Holding Company	31.37
BCRE Dortmund Wohnen B.V.	Netherlands	Project Company	31.37
BCRE Duisburg Wohnen B.V.	Netherlands	Project Company	31.37
BCRE Essen Wohnen B.V.	Netherlands	Project Company	31.37
Brack Capital Germany (Netherlands) XXXVI B.V	Netherlands	Project Company	31.37
Grafental GmbH & Co KG	Germany	Project Company	31.37
Brack Capital Wuppertal GmbH	Germany	Holding Company	31.37
Investpartner GmbH	Germany	Project Company	29.49
Brack Capital (Kassel) GmbH & Co. Immobilien KG	Germany	Project Company	29.77
Graniak Leipzig Real Estate GmbH & Co. KG	Germany	Project Company	29.77
Brack Capital Kaufland S.à.r.l.	Luxembourg	Project Company	16.00
TPL Aschersleben S.à.r.l.	Luxembourg	Project Company	14.72
TPL Augsburg S.à.r.l.	Luxembourg	Project Company	14.72
TPL Bad Aibling S.à.r.l.	Luxembourg	Project Company	14.72
TPL Biberach S.à.r.l.	Luxembourg	Project Company	14.72
TPL Borken S.à.r.l.	Luxembourg	Project Company	14.72
TPL Erlangen S.à.r.l.	Luxembourg	Project Company	14.72
TPL Geislingen S.à.r.l.	Luxembourg	Project Company	14.72
TPL Glauchau S.à.r.l.	Luxembourg	Project Company	14.72
TPL Ludwigsburg S.à.r.l.	Luxembourg	Project Company	14.72
TPL Ludwigsfelde S.à.r.l.	Luxembourg	Project Company	14.72
TPL Neckarsulm S.à.r.l.	Luxembourg	Project Company	14.72
TPL Vilshofen S.à.r.l.	Luxembourg	Project Company	14.72
TPL Wittenberge S.à.r.l.	Luxembourg	Project Company	14.72
Hanse Holdings S.à.r.l.	Luxembourg	Project Company	29.77
Admiralty Holdings Limited	Gibraltar	Project Company	29.77

2.2 Other holding interests of the Company

In addition to its holdings in Subsidiaries, the Company holds material interests in the following companies:

Name	Country of registration or incorporation	Principal activity	Percentage interest held by the Company
Brelimate Holdings Limited	Cyprus	Share Company	41.23
Compitier Consulting Ltd	Cyprus	Holding Company	27.51
Fantesco Ltd	Cyprus	Holding Company	24.76
Fiekrano Ltd	Cyprus	Share Company	24.76
Dezoware Ltd	Cyprus	Finance Company	24.76
Covelia Ltd	Cyprus	Share Company	27.51
Coralone Limited	Cyprus	Holding Company	41.23
Rumorland Trading Limited	Cyprus	Finance Company	41.23
Aliacom Ltd	Cyprus	Holding Company	27.75
Brack Capital Real Estate (India China) Fund L.P.	Cyprus	Holding Company	31.23*
Baldaina Holdings Limited	Cyprus	Finance Company	20.00
Imperiasco Fund LLP	Cyprus	Holding Company	20.00
Excludo Fund LLP	Cyprus	Finance Company	20.00
Specusol Fund LLP	Cyprus	Holding Company	20.00
Mesorno Fund LLP	Cyprus	Finance Company	20.00
Tristane Fund LLP	Cyprus	Holding Company	20.00
Ramelde Fund LLP	Cyprus	Finance Company	20.00
Trevante Fund LLP	Cyprus	Holding Company	20.00
Ramern Fund LLP	Cyprus	Finance Company	20.00
Crownworld Limited	Cyprus	Holding Company	20.00
Sunglaze Limited	Cyprus	Holding Company	34.49

LLC "Management Company" Technopolis "New Tura"	Russia	Real Estate Company	24.76
LLC "NT Management"	Russia	Real Estate Company	27.51
LLC "Povolzhsky center of trading and services"	Russia	Real Estate Company	27.51
LLC "New Toura-Agro"	Russia	Real Estate Company	27.51
LLC "D-Torg"	Russia	Real Estate Company	41.23
BCRE Atlas Corp.	USA	Real Estate Company	93.04
BCRE West End Avenue Second LLC	USA	Real Estate Company	99.00
BCRE Orchard Member LLC	USA	Real Estate Company	100.00
BCRE 50th Street Member LLC	USA	Real Estate Company	6.99
Emerald Lands (India) Private Ltd	India	Real Estate Company	7.20
Emerald Buildcon Private Ltd	India	Real Estate Company	30.00

* The Company holds, in aggregate, 20% of the following three entities:

Brack Capital Real Estate (India China) Fund L.P.
Brack Capital Real Estate I.N.C.H. Fund L.P.
BCRE – Brack Capital Real Estate (India-China) Fund L.P.

3 Share capital and summary of key provisions of the Articles

3.1 Set out below is an overview of the Company's share capital, certain significant provisions of Dutch corporate law as well as a brief summary of certain provisions of the Articles.

3.2 This summary does not purport to give a complete overview and should be read in conjunction with the Articles, together with relevant provisions of applicable law, and does not constitute legal advice regarding these matters and should not be considered as such.

3.3 The current articles of association of the Company will be replaced with the Articles prior to Admission. All information provided in this section and elsewhere in this Prospectus is based on the Articles as if they were in force at the date of this Prospectus.

Authorised and issued share capital

3.4 The authorised share capital of the Company equals €7,000,000 and is divided into seven hundred million Shares with a nominal value of €0.01 each.

3.5 The following tables set forth information about the issued share capital of the Company at the date of this Prospectus and at the date of Admission.

	As of the date of this Prospectus		**As of the date of Admission**
Existing Shares	144,591,700	Enlarged Share Capital	160,689,583
Options	4,086,800	Options[1]	4,086,800
Warrants	3,345,674	Warrants	3,345,674
Total	152,024,174	Total	168,122,057

[1] On 16 February 2012, the Board approved the allocation of options exercisable into 40,868 Shares in the Company (or 4,086,800 Shares, following the Share Split) then representing 3% of the Company's share capital to a Senior Manager.

3.6 Currently, neither the Company nor any of its Subsidiaries hold any of the Shares. All Shares that are outstanding as of the date of this Prospectus are fully paid up.

History of share capital

3.7 A summary of the history of the Company's share capital is provided in the table below:

	31 December 2013		31 December 2012		31 December 2011	
Ordinary shares of €0.1 each	Authorised	Issued and outstanding	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	2,500,000	1,445,917	2,500,000	1,420,256	2,500,000	1,362,276

3.8 An overview of the main changes in the issued share capital of the Company during the period covered by the historical financial information included in this Prospectus is set out in the table below, as further explained in the following paragraphs:

	Number of shares	Euros in thousands
At 1 January 2011	240	24,000
Conversion and split	999,760	76,000
Issued during 2011	362,276	36,228
At 31 December 2011	1,362,276	136,228
Issued during 2012	57,980	5,798
At 31 December 2012	1,420,256	142,026
Issued during 2013	25,661	2,566
At 31 December 2013	1,445,917	144,592

(a) On 5 April 2011 the Company converted and subdivided its issued shares from 240 shares with a nominal value of €100 each into 1,000,000 shares with a nominal value of €0.10 each. The increase of the issued share capital as a result of the conversion and subdivision in the amount of €76,000 was charged against the Company's share premium account.

(b) Between April 2011 and October 2011, the Company signed investment agreements with a number of investors for the issue of 362,276 shares with a nominal value €0.10 each, constituting 23.6% of the Company's issued share capital, in return for €31.6 million in aggregate. In addition, the Company issued to the investors convertible capital notes for a total amount of €16.2 million (see also paragraph (f) below). The total receipts from the private placement in 2011 amounted to €47.1 million (net of the issuance expenses equal to approximately €0.7 million).

(c) In November 2012, the Company signed investment agreements with three investors, including WP Holdings, for the issue of 57,980 shares with a nominal value €0.10 each, constituting 4.08% of the Company's issued share capital, in return for €6.7 million. In addition, the Company issued to the investors capital notes in the amount of €2.6 million.

(d) Between January and April 2013, the Company signed investment agreements with a number of investors for the issue of 25,661 shares with a nominal value €0.10 each, constituting 1.77% of the Company's issued share capital, in return for €4.1 million (including €1.1 million in capital notes).

(e) On 31 December 2013, the Company distributed to its shareholders as repayment of the convertible capital notes an amount of €5,088,441 in aggregate.

(f) As at 31 December 2013 (after the distribution referred to in (e) above), the balance of the convertible capital notes issued by the Company amounted to €59,584,860 (the "**Capital**

Notes"). The Capital Notes are denominated in Euros and have terms until April 2016. The Company has a right to convert the Capital Notes upon maturity by way of a share premium contribution at a fixed conversion rate. The Company has the right to pre-pay the whole or part of their notes at any time. The Capital Notes are subordinated to all the liabilities of the Company. The Company has exercised the right to convert the Capital Notes into share premium with effect from prior to Admission.

3.9 Immediately prior to the adoption of the Articles, the entire issued and outstanding share capital of the Company equaled €144,591.70 divided into 1,445,917 Shares, with a nominal value of €0.10 each. Pursuant to a transitional provision in the Articles, the nominal value of each share in the capital of the Company was increased from €0.10 to €1. As a result of this increase in the nominal value of the shares, the entire issued and outstanding share capital of the Company equalled €1,445,917, divided into 1,445,917 Shares, with a nominal value of €1 each. With effect from the adoption of the Articles, each issued and outstanding share has been split into 100 Shares resulting in a total of 144,591,700 Shares in issue, with a nominal value of €0.01 each (the "**Share Split**").

Form and trading of Shares and Depositary Interests

3.10 All Shares are in registered form (*aandelen op naam*). It is proposed that with effect from Admission, Depositary Interests will be delivered, held and settled in CREST.

3.11 The Depositary Interests do not qualify as depositary receipts of shares issued with the cooperation of the Company. Consequently, DI Holders do not have the rights conferred by Dutch law on holders of depositary receipts for shares issued with the cooperation of the Company, and they should therefore solely rely on the rights conferred on them by the Deed Poll pursuant to which the Depositary Interests are created, and by the Articles. Pursuant to the Deed Poll, the Depositary (or its custodian) must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant DI Holders all rights and entitlements which it receives or is entitled to in respect of the underlying Shares and which are capable of being passed on or exercised. See for more information Part VIII (*Additional Information*), section 12 "CREST, Depositary Interests and the Deed Poll".

3.12 No share certificates (*aandeelbewijzen*) are issued. The Board is responsible for keeping a shareholders' register. The register of Depositary Interests is kept by the Depositary.

Corporate objects

3.13 Pursuant to article 3 of the Articles, the Company's corporate objects are:

(a) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

(b) to finance businesses and companies;

(c) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(d) to render advice and services to other members of the Group and to third parties;

(e) to grant guarantees, to bind the Company and to pledge its assets for obligations of other members of the Group and third parties;

(f) to acquire, alienate, manage and exploit registered property and items of property in general;

(g) to trade in currencies, securities and items of property in general;

(h) to develop and trade in patents, trademarks, licenses, know-how and other industrial property rights; and

(i) to perform any and all activities of an industrial, financial or commercial nature, and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Issue of Shares and granting of rights to subscribe for Shares

3.14 The Articles delegate the authority to issue Shares or grant rights to subscribe for Shares to the Board. This authority of the Board shall: (a) during the period that commences on 28 May 2014 and that ends on the day of the annual General Meeting held in 2015, relate to 28,918,340 Shares (being 20% of the total number of Shares immediately following the adoption of the Articles) and (b) during the period that commences on 28 November 2014 and that ends on the day of the annual General Meeting held in 2015, relate to 18,796,921 Shares (being 13% of the total number of Shares immediately following the adoption of the Articles) in addition to the number of Shares set out under subsection (a) of this paragraph. The New Shares are issued under the authority as mentioned under (a).

3.15 Such authority may be extended, either by an amendment to the Articles, or by a resolution of the General Meeting, for a subsequent period of up to five years in each case.

3.16 If the Articles designate the Board as the competent body to issue Shares, or grant rights to subscribe for Shares, this designation may be revoked by an amendment of the Articles. If the Board is designated by the General Meeting, this designation cannot be revoked, unless determined otherwise at the time of designation.

3.17 Following termination of the Board's authority to issue Shares and/or to limit or exclude pre-emptive rights in relation to an issuance of Shares, the General Meeting shall be authorised to do so at the proposal of the Board.

3.18 These provisions shall not be applicable to the issue of Shares to persons exercising a previously granted right to subscribe for Shares.

Pre-emptive rights

3.19 Dutch law and the Articles give shareholders pre-emptive rights to subscribe on a pro rata basis for any issue of new Shares or upon a grant of rights to subscribe for Shares. Such pre-emptive rights do not apply, however, in respect of (a) Shares issued for a non-cash contribution and (b) Shares issued to the employees of the Company.

3.20 Provided that such restriction or exclusion relates to an issue of Shares for which the Board is authorised (see above), the pre-emptive right may be restricted or excluded by a resolution of the Board as follows:

(a) for a maximum of 10% of all issued Shares, the Board is free to restrict or exclude pre-emptive rights; and

(b) for the Shares exceeding the percentage referred to under (a), the Board may only exclude or restrict the pre-emptive rights if, at the same time, the Company issues transferable subscription rights for the Shares to each Shareholder *pro rata* to the aggregate nominal amount of his Shares.

3.21 The authority to restrict or exclude the pre-emptive rights may be extended, either by an amendment to the Articles, or by a resolution of the General Meeting, for a subsequent period of up to five years in each case.

3.22 If less than one half of the issued capital is represented at the General Meeting, a majority of at least two-thirds of the votes cast shall be required for a resolution to restrict or exclude the pre-emptive right and to delegate this authority.

3.23 If the Articles designate the Board as the competent body to limit or exclude pre-emptive rights, this designation may be revoked by an amendment of the Articles. If the Board is designated by the General Meeting, this designation cannot be revoked, unless determined otherwise at the time of designation.

Acquisition of Shares in the Company's capital

3.24 The Company may not subscribe for its own Shares on issue. The Company may acquire its own fully paid Shares at any time for no consideration. Furthermore, subject to certain provisions of Dutch law and the Articles, the Company may acquire fully paid Shares in its own capital if (a) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles (such excess, the Distributable Equity), and (b) the Company and its Subsidiaries would thereafter not hold Shares or hold a pledge over the Company's Shares with an aggregate nominal value exceeding 50% of the Company's issued share capital.

3.25 Other than those Shares acquired for no consideration, Shares may only be acquired if the General Meeting has authorised the Board thereto. This authorisation shall remain valid for a maximum of eighteen months. In the authorisation, the General Meeting must specify the number of shares or depositary receipts therefore which may be acquired, the manner in which they may be acquired and the limits within which the price must be set.

3.26 No authorisation from the General Meeting is required for the acquisition of fully paid Shares for the purpose of transferring these shares to employees of the Company or any other member of the Group under a scheme applicable to such employees (share option plan), provided that such Shares are listed on a stock exchange. Any Shares the Company holds in its own capital may not be voted or counted for voting quorum purposes.

Reduction of Share capital

3.27 The General Meeting may, but only at the proposal of the Board, resolve to reduce the Company's issued and outstanding Share capital by a cancellation of Shares, or by a reduction of the nominal amount of Shares by amendment of the Articles, provided that the issued capital or the paid-up part thereof will not fall below the amount prescribed by section 2:67 of the DCC, which is €45,000 at the date of this Prospectus. A resolution of the General Meeting to reduce the issued share capital may only relate to Shares held by the Company itself or for which it holds the Depositary Interests. The decision to reduce the Company's share capital requires a majority of at least two-thirds of the votes cast, if less than one half of the issued capital is represented at the General Meeting.

Dividends and other distributions

3.28 The Company may only make distributions to its shareholders insofar as its equity exceeds the Distributable Equity.

3.29 The Board may determine which part of the profits shall be reserved. The part of the profit remaining after reservation may be distributed as a dividend on the Shares.

3.30 As an alternative to distributions by way of cash dividends, but subject to the same restrictions, the General Meeting may at the proposal of the Board resolve that a distribution on Shares shall not be paid in whole or in part in cash but in Shares or in any other form.

3.31 Under the Articles, the Company may only make a distribution of profits to its shareholders after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. With due observance of applicable law, the Board may declare an interim dividend on the Shares.

3.32 The General Meeting may, at the proposal of the Board, resolve that a distribution shall not be paid in whole or in part in cash, but in Shares or in any other form.

3.33 Each of the Shares entitles its holder to equal ranking rights to dividends and other distributions.

3.34 Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable, will lapse and any such amounts will be considered to have been forfeited to the Company.

3.35 Dividends are generally subject to withholding tax in the Netherlands. See section 4.6 of Part VIII (*Additional Information*).

General Meeting and voting rights

3.36 An annual General Meeting shall be held once every year within six months from the end of the preceding financial year. Other General Meetings are held as often as the Board deems such to be necessary and are convened by the Board. DI Holders together representing at least 10% of the Company's issued capital have the right to request the Board to convene a General Meeting, clearly stating the items to be dealt with.

If BCI makes such request while holding at least 10% of the Shares or Depositary Interests and within four weeks from the date of the request, the Board has not proceeded to convene a General Meeting, in such way that the General Meeting can be held within eight weeks after the receipt of the request, BCI may convene a General Meeting itself.

3.37 The General Meetings shall be held at Amsterdam, Haarlemmermeer (including Schiphol Airport), Rotterdam, Utrecht, Eindhoven or The Hague.

3.38 Each holder of Shares and each DI Holder shall be entitled to attend the General Meeting, to address such meeting and, to the extent applicable, to exercise his voting rights. The Board must be notified in writing of a person's intention to attend the meeting. Such notice must be received by the Board no later than on the date specified in the notice of the meeting. The Board may determine that the voting rights may be exercised by means of electronic communication.

3.39 Shareholders may only attend the General Meeting and participate in the voting in respect of Shares which are registered in their name on the record date as specified in the notice of the meeting. The record date will be on the 28th day prior to the date of the meeting. The preceding sentences apply correspondingly to the DI Holders.

3.40 The notice of the meeting shall be effected no later than on the 42th day prior to the date of the meeting and shall state the items to be dealt with, the items to be discussed and which items are to be voted on, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holder, the address of the website of the Company and, if applicable, the procedure for participating at the meeting and exercising one's right to vote by electronic means of communication.

3.41 Shareholders and DI Holders individually or jointly representing at least 3% of the issued share capital have the right to request the Board to place items on the agenda of the General Meeting. Such item shall be included in the notice or shall be notified in the same way as the other subjects for discussion, if the Company has received the request (including the reasons for such request) not later than 60 days before the day of the meeting.

3.42 Each Share entitles the holder to one vote at the General Meetings. Shareholders may vote by proxy. The voting rights attached to any of the Shares held by the Company are suspended as long as they are held in treasury.

3.43 Except where the law requires a qualified majority, all resolutions shall be adopted by absolute majority of the votes cast.

Appointment of Directors

3.44 Pursuant to the Articles, the Directors shall be appointed by the General Meeting from a nomination drawn up by the Board. Pursuant to Dutch law and the Articles, Executive Directors may not take part in the decision-making process regarding the nomination of Directors.

If and for as long as BCI holds at least 25% of the Shares or Depositary Interests, it is entitled to draw up the nomination of one Director.

3.45 Upon appointment, the General Meeting may determine whether the Director shall be appointed as an Executive Director or as a Non-executive Director.

3.46 A nomination made in time by the Board (or BCI, as applicable) shall be binding. The General Meeting shall be free to make the appointment if the nomination has not been made within three months after the vacancy has arisen. Furthermore, the General Meeting can deprive a nomination of its binding character at any time by a resolution adopted with a majority of at least two-thirds of the votes cast, representing more than half of the issued share capital.

3.47 In the following cases, but only if BCI holds at least 25% of the Shares or Depositary Interests, the binding nomination system as described above does not apply and the General Meeting is free to make the appointment of a Director:

(a) the General Meeting in which the appointment at hand is made was convened by or at the request of BCI; or

(b) the proposal to appoint the Director at hand was placed on the agenda at the request of BCI.

Suspension and dismissal of Directors

3.48 The Articles stipulate that a Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Board member requires a simple majority in the following cases:

(a) the General Meeting in which the resolution is adopted was convened by or at the request of BCI;

(b) the proposal to suspend or dismiss the Board member was placed on the agenda of the General Meeting at the request of BCI.

In all other cases a resolution to suspend or dismiss a Board member requires a majority of at least two thirds of the votes cast, representing more than half of the issued share capital.

3.49 An Executive Director may also be suspended by the Board. The Executive Directors shall not participate in the discussion and decision-making process of the Board on suspensions and dismissals. A suspension by the Board may be discontinued at any time by the General Meeting. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.

Board powers and function

3.50 The Board is entrusted with the management of the Company. Under Dutch law, the Board is collectively responsible for the general affairs of the Company. Pursuant to the Articles, the Board may divide its duties among its members. Tasks that have not been specifically allocated fall within the power of the Board as a whole. The distinction between Executive Directors and Non-executive Directors implies at least that the Executive Directors shall in particular be entrusted with the day-to-day management of the Company and the enterprise connected with it and that the Non-executive Directors shall have the duty of supervising the Directors performing their duties. This last duty cannot be deprived from the Non-executive Directors by means of an allocation of duties. In addition, both Executive Directors and Non-executive Directors must perform such duties as are assigned to them pursuant to the Articles and, as applicable, the Company’s board regulations. Each Director has a duty towards the Company to properly perform the duties assigned to him or her. Furthermore, each Director has a duty to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees and other stakeholders.

3.51 Pursuant to Dutch law and the Articles, an Executive Director may not be allocated the tasks of: (a) serving as chairperson of the Board; (b) fixing the remuneration of the Directors; or (c) nominating Directors for appointment. Nor may an Executive Director participate in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of Executive Directors.

3.52 The Non-executive Directors appoint a chairperson of the Board from among the Non-executive Directors.

3.53 The Company may be represented by the Board. In addition, each Director shall also be authorised to represent the Company.

3.54 The business address of the members of the Board and Senior Managers is Weteringschans 95 A, 1017 RZ Amsterdam, the Netherlands. For information on, *inter alia*, holding of securities by Directors and Senior Managers, and the Directors' letters of appointment reference is made to sections 6 and 7 of Part VIII (*Additional Information*).

Board meetings and decision making

3.55 All resolutions of the Board shall be adopted by more than half of the votes cast. When adopting board resolutions, each Director may cast one vote.

The Board has established rules regarding its decision-making process and working methods. According to these rules, in case of a tied vote, the matter at hand shall be resolved as follows:

(a) if the Chairperson is in the Netherlands at the time of the meeting, the Chairperson shall have a casting vote;

(b) in all other circumstances, the majority of the votes cast by the members who are in the Netherlands at the time of the meeting, shall be decisive. Pursuant to the Articles, resolutions of the Board may at all times be adopted in writing, provided that the proposal concerned is submitted to all Directors then in office and none of them objects to this manner of adopting resolutions.

3.56 The Articles stipulate that the Board shall require the prior approval of the General Meeting for:

(a) resolutions with respect to a material change of the identity or the character of the Company or its enterprise, including but not limited to: (i) a transfer of the enterprise or virtually the entire enterprise to a third party; (ii) the entry into or termination of a long-term cooperation of the Company or a Subsidiary with another legal person or partnership or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of a far-reaching significance for the Company; and (iii) the acquisition or divestment by the Company or a Subsidiary of a participating interest in the capital of a company having a value of at least one-third of the amount of its assets according to the Company's balance sheet and explanatory notes or according to its consolidated balance sheet and explanatory notes in the most recently adopted annual accounts of the Company; and

(b) the application for bankruptcy of the Company.

3.57 A Director shall not participate in deliberations and the decision-making process in the event of a direct or indirect personal conflict of interest between that Director and the Company and the enterprise connected with it. If there is such a personal conflict of interest in respect of all Directors, the preceding sentence does not apply and the Board shall maintain its authority.

Amendment of the Articles

3.58 The General Meeting may resolve to amend the Articles at the proposal of the Board. A resolution of the General Meeting to amend the Articles is adopted by absolute majority of the votes cast.

3.59 The General Meeting may furthermore resolve to change the corporate form of the Company. A change of the corporate form shall furthermore require a resolution to amend the Articles at the proposal of the Board. However, a resolution to an amendment that adversely affects the rights of the DI Holders under the Articles requires a majority of at least two thirds of the votes cast, representing more than half of the issued capital.

Directors' insurance and indemnification

3.60 Under Dutch law, indemnification provisions may be included in the Articles. The Articles provide that: the Company, to the fullest extent permitted by law from time to time, indemnifies every member of the Board, as well as every former member of the Board against: (a) substantiated costs with respect to conducting a defence (including lawyers' fees), at law or otherwise, against third party claims or claims of the Company, including claims for reimbursement of damages, payment of fines, or (judicially imposed) penalty payments; and (b) financial consequences of court rulings and resolutions of governmental authorities and amounts due relating to settlements that actually and in reasonableness have been paid by that (former) Board member to third parties, due to an act or omission in the performance of his duties as a Board member or any other function he performs or has performed at the request of the Company.

3.61 In the event and to the extent that a court or an arbiter has established by final and conclusive decision that the act or the omission could be characterised as wilful misconduct (*opzet*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*), a Board member cannot claim indemnification and any advance payments of the Company need to be repaid immediately (with accrued interest). Moreover, a Board member cannot claim indemnification in the event and to the extent that the indemnified claim is covered by insurance and the insurer has paid for the indemnified claim. The Board may also indemnify other people (than (former) Board members) who directly or indirectly provide services to the Company, but may do so only on terms similar to those of the directors.

Dissolution and liquidation

3.62 The General Meeting may resolve to dissolve the Company at the proposal of the Board. A resolution of the General Meeting to amend the Articles is adopted by absolute majority of the votes cast.

3.63 In the event of dissolution, the business of the Company will be liquidated in accordance with Dutch law and the Articles, and the members of the Board (unless otherwise determined by the General Meeting) will become liquidators. During liquidation, the provisions of the Articles will remain in force to the extent possible.

3.64 The balance remaining after settlement of debts shall be transferred to the Shareholders in proportion to the aggregate nominal value of the shares held by each of them.

4 Taxation

Dutch Taxation

4.1 This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Shares. It does not purport to describe every aspect of taxation that may be relevant to a particular Holder of Shares (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Shares in his particular circumstances.

4.2 Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Company is organised, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organisational structure or to the manner in which the Company conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

4.3 This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The tax law upon which this summary is based, is subject to changes, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

4.4 Where in this Dutch taxation section reference is made to a “Holder of Shares”, that concept includes, without limitation:

(a) an owner of one or more Shares who in addition to the title to such Shares, has an economic interest in such Shares;

(b) a person who, or an entity that, holds the entire economic interest in one or more Shares;

(c) a person who, or an entity that, holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Shares, within the meaning of (a) or (b) above;

(d) a DI Holder (and, in this respect, reference to "Shares" shall be construed as reference to DIs); or

(e) a person who is deemed to hold an interest in Shares, as referred to under (a) to (c), pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

4.5 Taxes on income and capital gains

Resident Holders of Shares

General

The summary set out in this section 4.5 "Taxes on income and capital gains – Resident Holders of Shares" applies only to a Holder of Shares who is a "Dutch Individual" or a "Dutch Corporate Entity".

For the purposes of this section, a Holder of Shares is a "Dutch Individual" if he satisfies all of the following tests:

(a) he is an individual;

(b) he is resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or he has elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

(c) his Shares and any benefits derived or deemed to be derived therefrom have no connection with his past, present or future employment, if any; and

(d) his Shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in the Company, such interest forms part of a substantial interest, or a deemed substantial interest, in the Company if any one or more of the following circumstances is present:

(1) Such person – either alone or, in the case of an individual, together with his partner (partner), if any, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) – owns or is deemed to own, directly or indirectly, either a number of shares representing 5% or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing 5% or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or profit-participating certificates (*winstbewijzen*) relating to 5% or more of the Company's annual profit or to 5% or more of the Company's liquidation proceeds.

(2) Such person's shares, profit-participating certificates or rights to acquire shares in the Company are held by him or deemed to be held by him following the application of a non-recognition provision.

(3) Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under (1) and (2) above) in the Company.

A person who is entitled to the benefits from shares or profit-participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit-participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit-participating certificate, as the case may be.

If a Holder of Shares is an individual and if he satisfies test (b), but does not satisfy test (c) and/or test (d), his Dutch income tax position is not discussed in this Prospectus. If a Holder of Shares is an individual who does not satisfy test (b), please refer to the section 4.5 “Taxes on income and capital gains – Non-resident Holders of Shares”.

For the purposes of this section, a Holder of Shares is a “Dutch Corporate Entity” if it satisfies all of the following tests:

(i) it is a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax in respect of benefits derived from its Shares;

(ii) it is resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;

(iii) it is not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and

(iv) it is not an investment institution (*beleggingsinstelling*) as defined in article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If a Holder of Shares is not an individual and does not satisfy any one or more of these tests, with the exception of test (ii), its Dutch corporation tax position is not discussed in this Prospectus. If a Holder of Shares is not an individual and does not satisfy test (ii), please refer to section 4.5 “Taxes on income and capital gains – Non-resident Holders of Shares”.

Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise

Any benefits derived or deemed to be derived by a Dutch Individual from Shares, including any capital gain realised on the disposal of such Shares, that are attributable to an enterprise from which such Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities

Any benefits derived or deemed to be derived by a Dutch Individual from Shares, including any gain realised on the disposal of such Shares that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), are generally subject to Dutch income tax at progressive rates.

A Dutch Individual may, *inter alia*, derive, or be deemed to derive, benefits from Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

(a) if his investment activities go beyond the activities of a regular active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or

(b) if any benefits to be derived from his Shares, whether held directly or indirectly, are intended, in whole or in part, as remuneration for activities performed by him or by a person who is a connected person to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Other Dutch Individuals

If a Holder of Shares is a Dutch Individual whose situation has not been discussed before in this section 4.5 “Taxes on income and capital gains – Resident Holders of Shares”, benefits from his Shares are taxed annually as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4% per annum of his “yield basis” (*rendementsgrondslag*), generally to be determined at the beginning of the year, to the extent that such yield basis exceeds the “exempt net asset amount” (*heffingvrij vermogen*) for the relevant year. The benefit is taxed at the rate of 30% and the value of his Shares forms part of his yield basis. Actual benefits derived from his Shares, including any gain realised on the disposal of such Shares, are not as such subject to Dutch income tax.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by, and yield basis for benefits from savings and investments of, a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dutch Corporate Entities

Any benefits derived or deemed to be derived by a Dutch Corporate Entity from Shares, including any gain realised on the disposal thereof, are generally subject to Dutch corporation tax, except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Non-resident Holders of Shares

The summary set out in this section 4.5 "Taxes on income and capital gains – Non-resident Holders of Shares" applies only to a Holder of Shares who is a Non-resident Holder of Shares.

For the purposes of this section, a Holder of Shares is a "Non-resident Holder of Shares" if it satisfies all of the following tests:

(a) it is neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if he is an individual, he has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

(b) its Shares and any benefits derived or deemed to be derived from such Shares have no connection with its past, present or future employment, management activities and functions or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);

(c) its Shares do not form part of a substantial interest or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise; and

(d) if it is not an individual, no part of the benefits derived from its Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

See the section 4.5 "Taxes on income and capital gains – Resident Holders of Shares" for a description of the circumstances under which Shares form part of a substantial interest or a deemed substantial interest in the Company.

If a Holder of Shares satisfies test (a), but does not satisfy any one or more of tests (b), (c), and (d), its Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Prospectus.

A Non-resident Holder of Shares will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived from its Shares, including any capital gain realised on the disposal thereof, except if

(a) it derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if he is an individual, or other than as a holder of securities, if it is not an individual and such enterprise is managed in the Netherlands, or such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its Shares are attributable to such enterprise or, if it is a Non-Resident Holder of Shares which is not an individual which is resident for tax purposes in Aruba, Curacao or St. Maarten and which derives profits from an enterprise carried on, in whole or in part, through a permanent establishment or a permanent representative in Bonaire, St. Eustatius or Saba and its Shares are attributable to such enterprise; or

(b) he is an individual and he derives benefits from Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

See the section 4.5 “Taxes on income and capital gains – Resident Holders of Shares” for a description of the circumstances under which the benefits derived from Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

4.6 Dividend withholding tax

General

The Company is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by the Company.

The concept ‘’dividends distributed by the Company’’ as used in this section “Dutch Tax” includes, but is not limited to, the following:

(a) distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;

(b) liquidation proceeds and proceeds of repurchase or redemption of Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;

(c) the par value of Shares issued by the Company to a Holder of Shares or an increase of the par value of Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and

(d) partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), (a) unless the general meeting of the Company’s shareholders has resolved in advance to make such repayment and (b) the par value of the Shares concerned has been reduced by an equal amount by way of an amendment to the Articles.

Dutch Individuals and Dutch Corporate Entities

A Dutch Individual (other than an individual who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes) or a Dutch Corporate Entity, can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund in the form of a negative assessment of Dutch income tax or Dutch corporation tax, as applicable, insofar as such dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, as applicable.

Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by the Company. A Holder of Shares who receives proceeds therefrom shall not be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in Shares or similar instruments, comparable to its interest in Shares prior to the time the composite transaction was first initiated.

An individual who is not resident or deemed to be resident in the Netherlands, but who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes, may be eligible for relief from Dutch dividend withholding tax on the same conditions as an individual who is a Non-resident Holder of Shares, as discussed below.

See the section 4.6 “Dividend withholding tax – General” for a description of the concept “dividends distributed by the Company”.

See the section 4.5 “Taxes on income and capital gains – Resident Holders of Shares” for a description of the terms Dutch Individual and Dutch Corporate Entity.

Non-resident Holders of Shares

Relief

If a Non-resident Holder of Shares is resident in the non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by the Company. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*).

In addition, a Non-resident Holder of Shares that is not an individual is entitled to an exemption from dividend withholding tax, provided that all of the following tests are satisfied:

(a) it is, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and it is not transparent for tax purposes according to the tax law of such state;

(b) any one or more of the following threshold conditions are satisfied:

  (i) at the time the dividend is distributed by the Company, it holds shares representing at least 5% of the Company’s nominal paid up capital; or

  (ii) it has held shares representing at least 5% of the Company’s nominal paid up capital for a continuous full period of more than one year at any time during the four years preceding the time the dividend is distributed by the Company; or

  (iii) it is connected with the Company within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*); or

  (iv) an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*) holds at the time the dividend is distributed by the Company, Shares representing at least 5% of the Company’s nominal paid up capital;

(c) it is not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area, under the terms of a double taxation treaty concluded with a third State; and

(d) it does not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between the Netherlands and the country of residence of the Non-resident Holder of Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by the Company.

If a Non-resident Holder of Shares is resident in a Member State of the European Union with which the Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under (b)(i) above is also satisfied if such holder owns 5% of the voting rights in the Company.

Credit

If a Non-resident Holder of Shares is subject to Dutch income tax or Dutch corporation tax in respect of any benefits derived or deemed to be derived from its Shares, including any capital gain realised on the disposal thereof, it can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund pursuant to a negative tax assessment if and to the extent the dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, respectively.

See the section 4.6 "Dividend withholding tax – Dutch Individuals and Dutch Corporate Entities" for a description of the term beneficial owner.

See the section 4.6 "Dividend withholding tax – General" for a description of the concept "dividends distributed by the Company".

See the section 4.5 "Taxes on income and capital gains – Non-resident Holders of Shares" for a description of the term Non-resident Holder of Shares.

See the section 4.5 "Taxes on income and capital gains – Non-resident Holders of Shares" for a description of the circumstances under which a Non-resident Holder of Shares is subject to Dutch income tax or Dutch corporation tax.

4.7 Gift and inheritance taxes

If a Holder of Shares disposes of Shares by way of gift, in form or in substance, or if a Holder of Shares who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

(a) the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or

(b) the donor made a gift of Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of Shares made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

4.8 Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the Holder of Shares in respect of or in connection with (i) the subscription, issue, placement, allotment of Shares, (ii) the enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Shares or the performance by the Company of its obligations under such documents, or (iii) the transfer of Shares.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current UK law and published HM Revenue & Customs practice, both of which are subject to change, possibly with retroactive effect. This summary only covers the principal UK tax consequences for the absolute beneficial owners of Shares who are resident, (and, in the case of individuals, domiciled) in the UK for tax purposes and who are not resident in any other jurisdiction and do not have a permanent establishment or fixed base in any other jurisdiction with which the holding of Shares is connected (UK holders). In addition, this summary: (a) only addresses the tax consequences for UK holders who hold the Shares as capital assets and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example, dealers; (b) does not address the tax consequences for UK holders that are banks, financial institutions, insurance companies, collective investment schemes, trusts or persons connected with the Company; (c) assumes that the UK holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 10%, or more of the Shares or voting power, rights to profit or capital of the Company.

THE FOLLOWING IS INTENDED ONLY AS A GENERAL GUIDE AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR UK HOLDER. POTENTIAL INVESTORS SHOULD SATISFY THEMSELVES AS TO THE OVERALL TAX CONSEQUENCES OF ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES IN THEIR OWN PARTICULAR CIRCUMSTANCES, BY CONSULTING THEIR OWN PROFESSIONAL TAX ADVISORS.

4.9 Taxation of dividends

Dividend payments in respect of the Shares should not be subject to UK withholding tax.

Dividends received by individual UK holders will be subject to UK income tax. This is charged on the gross amount of any dividend paid before the deduction of any Dutch withholding taxes (the gross dividend), and as increased for any UK tax credit available as described below. An individual UK holder who receives a dividend from the Company will generally be entitled to a non-repayable tax credit equal to one-ninth of the amount of the gross dividend. This is the equivalent to 10%, of the aggregate of the gross dividend and the tax credit.

An individual UK holder who is subject to income tax at a rate not exceeding the basic rate will be liable to tax on the aggregate of the gross dividend and the UK tax credit at the rate of 10%. In these cases, the tax credit will satisfy the income tax liability of such a holder in full.

An individual UK holder who is subject to income tax at the higher rate will be liable to income tax on the aggregate of the gross dividend and the UK tax credit at the rate of 32.5% (2013/14).

An individual UK holder who is subject to income tax at the additional rate will be liable to income tax on the aggregate of the gross dividend and the UK tax credit at the rate of 37.5% (2013/14).

Where the tax credit exceeds the holder's tax liability the holder cannot claim repayment of the UK tax credit from HM Revenue & Customs.

An individual UK holder subject to income tax will also generally be entitled to 15% credit (see section 4.6 of this Part VIII (*Additional Information*)) in respect of Dutch withholding tax deducted at source from the dividend payment.

For individuals subject to tax at the basic rate, the 10% UK tax credit described above should mean that such UK holder has no further UK income tax to pay in relation to the dividend, the 15% Dutch tax credit will generally not be utilised and will not be refundable.

However for individuals subject to tax at the higher and additional rates, a credit for the Dutch withholding may be claimed.

Where a UK holder is within the charge to UK corporation tax, it will be subject to corporation tax on the actual amount of any dividend received, subject to any applicable credit for Dutch withholding tax, unless the dividend falls within an exempt class in accordance with the dividend exemption rules in Part 9A Corporation Tax Act 2009. Under the dividend exemption rules, it is likely that most dividends paid on the Shares to UK holders within the charge to UK corporation tax should fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Where a dividend paid by the Company is treated as exempt, corporate UK holders within the charge to UK corporation tax will not be entitled to claim relief by way of credit in the UK in respect of any tax paid by the corporate UK holder under the laws of the Netherlands, either directly or by deduction, in respect of that dividend.

4.10 Provision of information

Persons in the United Kingdom paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or the person entitled to the "foreign dividend" and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

4.11 Taxation of disposals

A disposal of Shares by a UK holder may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for UK tax purposes.

A UK holder who is an individual and who is temporarily non-resident in the UK may still be liable to UK taxation on their return to the UK on a chargeable gain realised on the disposal or part disposal of Shares during the period when they are non-resident. An individual will be considered temporarily non-resident for these purposes if they are non-resident for a period of less than five years.

For corporate shareholders only, indexation allowance on the relevant proportion of the original allowable cost should be taken into account for the purposes of calculating a chargeable gain (but not an allowable loss) arising on a disposal or part disposal of its Shares.

4.12 Stamp duty and stamp duty reserve tax

No UK stamp duty or SDRT should be payable on the subscription for new Shares. No SDRT should be payable in respect of any agreement to transfer the new Shares or the Existing Shares provided that the Company maintains its shares register outside the UK and will not have its Shares paired with UK shares.

No UK stamp duty liability should arise in respect of a transfer of Shares made by non-paper means (i.e. electronic transfers where the transfer is not effected by way of executing a written instrument).

In respect of paper-based transfers of Shares, assuming that any document effecting a transfer of the Shares, (including an equitable interest in the Shares), is not executed in the UK and does not relate to things or matters to be done in the UK, no UK stamp duty should be payable on such document.

Where the Shares are represented by DIs no charge to UK stamp duty or SDRT should arise on agreements to transfer the Shares or rights thereof into the DIs or on subsequent transfers of the DIs provided that the Company will not have its central management and control in the UK.

5 Major shareholders

5.1 At the date of this Prospectus and on Admission, the Company is aware of the following persons who is or will be interested, directly or indirectly in 3% or more of the issued share capital of the Company:

	Before Admission		**Immediately after Admission**	
Name	**Number of Shares**	**Percentage of issued share capital/voting rights**	**Number of Shares**	**Percentage of issued share capital/voting rights**
BCI – Brack Capital Investments Ltd	75,000,000	51.87%	75,000,000	46.67%
WP Holdings I B.V.	18,114,100	12.53%	7,907,125	4.92%
Medinol Ltd.	9,904,000	6.85%	10,798,120	6.72%

Belsorg SA	4,748,400	3.28%	4,748,400	2.96%
GEMS Real Estate Investment Management Ltd.	2,761,200	1.91%	5,850,766	3.64%

5.2 Save as disclosed above, the Company is not aware of any person who will, immediately following Admission, be interested, directly or indirectly, in 3% or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company. All shareholders have the same voting rights.

5.3 Neither the Company nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

6 Directors and Senior Managers

6.1 Details of the names and functions of the Directors and Senior Managers are set out in Part IV (*Directors, Senior Management and Corporate Governance*).

6.2 The executive and non-executive directors of public limited liability companies incorporated under the laws of The Netherlands with an official listing on a government-recognised stock exchange within the EU (such as the London Stock Exchange) should, pursuant to the Dutch Financial Supervision Act, inform the AFM of a change in the number of shares (including depositary interests and option rights) and the number of voting rights which they have in the listed company and in issuing institutions (as defined in section 16 of the Dutch Disclosure Act) affiliated with the listed company (see also Part IX (*Summary of Applicable Securities Law*)).

6.3 The Directors and Senior Managers and the persons connected with them have no interests (beneficial or otherwise) in the share capital of the Company as at the date of this Prospectus and on Admission, other than as set out in section 6.4 below.

6.4 Save for the Options and Warrants set out below, no other options or warrants relating to Shares have been granted to any of the Directors or Senior Managers of the Company.

Senior Managers

	Options or Warrants	**Date of grant**	**Number of Shares subject to the Option/Warrant**	**Exercise price**	**Exercise period / Vesting** period**
Eyal Gutman	Options	12.12.2012	4,086,800	€1.2861	12.12.2012 – 12.12.2017 Vested
Ariel Podrojski *	Warrants	20.05.2014	2,862,155	50% at €1.4565 50% at €1.7801	50% to vest on the date of grant. Remaining 50% to vest one year after the date of grant. Warrants to be exercised within seven years from the vesting date.
Nansia Koutsou	Warrants	20.05.2014	483,519	€1.6183	1/3 to vest on the date of grant. 1/3 to vest after one year from the date of grant.

				1/3 to vest after two years from the date of grant. Options to be exercised within seven years from the vesting date.

* Warrants granted to a company beneficially owned by the family of Ariel Podrojski.

** "Vested" means that the Option or Warrant (as the case may be) has become exercisable.

6.5 Eyal Gutman holding the Options referred to in the table above may not transfer, assign, pledge or attach the Options and Shares issued upon exercise of the Options until 12 December 2014.

6.6 No Director has a related financial product referenced to the Shares.

6.7 Save for Mr Harin Thaker (who holds co-investment interests in the Group's lending business), no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

6.8 The Directors and Senior Managers currently hold, and have during the three years preceding the date of this Prospectus held, the following directorships and/or partnerships:

	Current directorships/partnerships:	*Past directorships/partnerships held during the past 3 years:*
Harin Thaker	SPDI Secure Property Development & Investment	-
	Aeriance Investment S.A.	
Jan van der Meer	Beheer en Beleggingsmaatschappij Blei Zwartsluis B.V.	-
Daniel Aalsvel	Liliova Property, s.r.o.	-
	GD Investments, s.r.o.	
	Jilska Property, s.r.o.	
	Jilska Property II., s.r.o.	
	Avuka, s.r.o.	
Michiel Olland	MO Real Estate B.V.	SNS REAAL NV
		Procom Desarollo Comercial de Zaragoza, S.A.
Ariel Podrojski	-	-
Nansia Koutsou	BC China Gold Sands Mining Ltd	Landcast Ltd
	BCE Green Sands Ltd	Clarenville Ltd
	BCE – Albania Leases Holdings Ltd	Relmore Ltd
	BCE-Global Leases Holdings Ltd	Belleoram Ltd
	BCE-Nigeria Leases Holdings Ltd	
	BCE-USA Leases Oil & Gas Holdings Ltd	

	BCE-USA Oil Sand Leases Holdings Ltd Brack Capital Energy Technologies Ltd Jurtier Ltd Brack Capital Advisors Ltd Deepvale Ltd Herodium Ld B Joel Advisors Ltd Comform Global Services Ltd Izoula Consultants Ltd HIS Health International Services Ltd GM Global Marketing Ltd	
Eyal Gutman	BCH – Brack Capital Holdings Ltd. BCI – Brack Capital Investments Ltd.	-
Issac Hera	-	-
Yosef Levin	-	-
Gal Tennboum	-	-
Ofir Rahamim	-	-
Lior Shmuel	-	-

6.9 Save as set out in section 6.10 and 6.11 below, as at the date of this Prospectus, none of the Directors and Senior Managers:

(a) has any convictions in relation to fraudulent offences for the previous five years;

(b) has been bankrupt;

(c) was a director of a company or a partner of a partnership which suffered any bankruptcy, receivership or liquidation in the previous five years; or

(d) has been subject to any official public incriminations and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or conduct of the affairs of any company.

6.10 Deutsche Pfandbriefbank AG, the legal successor of Hypo Real Estate Bank International AG, a company of which Mr Thaker was a board member from 1 February 2007 to 27 November 2008, is a 100% subsidiary of Hypo Real Estate Holding AG. was rescued by the German government in 2009. Board members of the holding company and its subsidiary have been under investigation since then.

6.11 Procom Residencial Torrelodones S.A.U. and Procom Desarrollo Comercial De Arganda S.A., real estate companies of which Mr Olland was a director from 13 May 2008 to 22 December 2008, filed for insolvency in October 2010 and January 2010 respectively.

6.12 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors; nor are there any loans or guarantees provided by any of the Directors for the benefit of any member of the Group.

6.13 No Director or Senior Manager has any potential conflict of interest between his duties to the Group and his private interests or other duties, other than in respect of:

(a) the provision of services by RT Facility Management UG & Co., KG, a German company in which Mr. Ofir Rahamim (a Senior Manager and Co-CEO of BCP) holds shares and which employs almost all of the staff currently engaged in the German platform; and

(b) the directorships held by Mr. Eyal Gutman in BCH and BCI.

In relation to Mr Harin Thaker (who holds co-investment interests in the Group's lending business) and the Senior Managers (who have co-invested in developments and properties of the Group, as mentioned in section 8.4 below), no potential conflict of interest is considered to exist between the duties of their respective duties to the Group and their private interests.

7 Directors' letters of appointment and remuneration

Executive Director – term of employment

7.1 Michiel Olland, the executive director of the Company, has entered into a service agreement for an initial period ending the first day following the annual General Meeting to be held in 2015, after which, the agreement is renewable. Termination by either party is possible: (a) in the case of the director, by resigning his directorship (which may be with immediate effect, unless any extension is agreed by the Board); (b) by either party giving to the other 3 months' notice in writing; (c) with immediate effect by the General Meeting passing a resolution to remove the director from office, in accordance with the Articles and in compliance with Dutch law and the UK Corporate Governance Code, as amended from time to time; and (d) with immediate effect in the event of the director committing a material breach of his obligations under the agreement.

Executive Director – severance payments

7.2 The Executive Director is not eligible for severance payments under the terms of his service agreement with the Company.

Non-executive Directors – terms of employment

7.3 Harin Thaker, Jan van der Meer, and Daniel Aalsvel, the Non-executive Directors of the Company, have entered into letters of appointment with effect from 15 May 2014 for an initial period ending the first day following the annual General Meeting to be held in 2015, after which their agreements are renewable. Termination by either party is possible: (a) in the case of a director, by resigning his directorship (which may be with immediate effect, unless any extension is agreed by the Board); (b) by either party giving to the other 3 months' notice in writing; (c) with immediate effect by the General Meeting passing a resolution to remove the director from office, in accordance with the Articles and in compliance with Dutch law and the UK Corporate Governance Code, as amended from time to time; and (d) with immediate effect in the event of the director committing a material breach of his obligations under the agreement.

Non-executive Directors – severance payments

7.4 The Non-executive Directors are not eligible for severance payments under the terms of their letters of appointment with the Company.

Remuneration

7.5 In accordance with Dutch law and the Articles, the Company has a policy with respect to the remuneration of the Board. Executive Directors may not take part in the decision-making process in respect of the remuneration of Executive Directors. The Board has established a Remuneration Committee of one independent Non-executive Director and one non-independent Non-Executive Director. The aim of the Remuneration Committee is to ensure that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

Executive Director – remuneration

7.6 The remuneration package for the Executive Director is fixed with a basic annual salary of €40,000 (less any tax and / or social security contributions) payable monthly in arrears.

Non-executive Directors – remuneration

7.7 The remuneration packages for the Non-executive Directors are fixed, save for Harin Thaker, who, in his capacity as a member of the Investment Advisory Committee, has been granted a share option (as described in section 7.9 below) in addition to his fixed remuneration and co-investment rights in the United States.

7.8 Each of Harin Thaker, Jan van der Meer and Daniel Aalsvel will receive a basic annual salary of €30,000 (less any tax and / or social security contributions) payable monthly in arrears. In addition, Harin Thaker, in his capacity as a member of the Investment Advisory Committee, will also receive an additional annual salary of €150,000 (or its equivalent in any other currency, such currency to be determined at the Board's discretion).

Variable income

7.9 Harin Thaker, the Chairman of the Board, has an option to purchase 2.5% of the equity of any deal in which BCRE UK invests in accordance with the following terms: (a) term: 36 months from the closing of each deal; (b) exercise price: 2.5% of the equity invested by BCRE UK and the Co-investment Club, adjusted for distributions and additional investments; and (c) type: regular or cashless as determined by Mr Thaker at the time of the exercise.

Remuneration of Directors and Senior Managers in the financial year ended 31 December 2013

7.10 The total remuneration of Mr van der Meer (being, together with Mr Thaker the only Directors in office during 2013) for the year ended 31 December 2013 was €22,400. Mr Thaker did not receive any remuneration for the year ended 31 December 2013. The total remuneration of the Senior Managers for the year ended 31 December 2013 was approximately €2,116,000. In addition, during the year ended 31 December 2013, the Senior Managers were granted options in the aggregate amount of €1,271,000 under the option schemes described in section 8.5 of this Part VIII (*Additional Information*).

8 Options, Warrantes and employee co-investments and stock options

8.1 The Company is a party to an option plan (the "Option Plan") pursuant to which Options may be granted from time to time to employees of BCH, BCI and S.I.B. Capital Future Market Ltd (a fully owned subsidiary of BCI) (the "Employer Company"). Options will be granted without consideration to eligible employees and may be exercised to acquire Shares against payment of the exercise price. The Option Plan also provides for a cashless exercise, at the option of the employee. The exercise period is five years from the date of allocation of the options. Options are issued to Mr. Ronen Perlmutter, CPA who shall hold these in trust for the benefit of the relevant employee. During a period of at least 24 months from the date of granting of the Options, the rights attaching to the Options and Shares issued upon exercise of the Options may not be transferred, assigned, pledged or attached and the trustee shall not release the Options, or Shares issued upon exercise thereof, to the employee. Options will lapse if the employee is dismissed under circumstances in which he/she is not entitled to receive severance payment as stated in the Severance Pay Law, 5723 – 1963 of Israel. The holders of Options are protected against dilution in the case of a bonus payment, rights offering or distribution of a cash dividend or any other distribution in cash by the Company.

8.2 Immediately prior to Admission, an entity beneficially owned by the family of Ariel Podrojski will be granted 2,862,155 Warrants under a warrant agreement entered into between the Company and the relevant entity, exercisable (subject to the Warrants having vested) from the date of grant within seven years, to 2,862,155 Shares. 50% of these Warrants can be exercised against an exercise price of €1.4565 ("A Warrants"). The remaining 50% of the Warrants can be exercised against an exercise price of €1.7801 ("B Warrants"). The warrant agreement also provides for a cashless exercise, at the option of the holder of the Warrants. 50% of the A Warrants and 50% of the B Warrants shall immediately vest and 50% of the A Warrants and 50% of the B Warrants shall vest 1 year after the date of grant of the warrants. The holder of the Warrants is protected against dilution in the case of a bonus payment, rights offering or distribution of a cash dividend or any other distribution in cash by the Company.

8.3 Immediately prior to Admission, Nansia Koutsou will be granted 483,519 Warrants pursuant to a warrant agreement entered into with the Company, exercisable (subject to the Warrants having vested) from the date of grant within seven years, to 483,519 Shares. These Warrants can be exercised against an exercise price of €1.6183. 1/3rd of these Warrants shall vest immediately, 1/3rd shall vest 1 year after the date of grant of the Warrants and the remaining 1/3rd of the Warrants shall vest 2 years after the date of grant of the Warrants. The warrant agreement also provides for a cashless exercise, at the option of the holder of the Warrants. The holder of the Warrants is protected against dilution in the case of a bonus payment, rights offering or distribution of a cash dividend or any other distribution in cash by the Company.

8.4 Certain Senior Managers have co-invested in developments and properties of the Group. Loans have been granted by the Company and its Subsidiaries to Senior Managers in the aggregate amount of approximately €9.3 million. Such loans are secured by part of the Senior Managers' co-investment interests and options held by them in the German, US and Russian portfolios.

8.5 In addition, the employees of the Group (including certain Senior Managers, but not the Directors) have been granted the following options:

BCP

	Date of grant	Number and percentage (1) of shares subject to the option	Exercise price (2) (3)	Exercise period	Vesting Period(4)
ESOP 1	4 February 2010	23,347 (0.33%)	€3.91	3 February 2015	Vested
	4 February 2010	9,329 (0.13%)	€4.45	3 February 2015	Vested
	4 February 2010	18,658 (0.26%)	€11.35	3 February 2015	Vested
	4 February 2010	9,329 (0.13%)	€20.1	3 February 2015	Vested
	31 August 2010	8,706 (0.12%)	€10.29	3 February 2015	Vested
Total ESOP 1		69,369 (0.97%)			
ESOP 2	3 November 2009	101, 608 (1.42%)	€21.39	30 June 2015	Vested
	6 July 2010	152, 670 (2.13%)	€21.39	5 July 2015	Vested
Total ESOP 2		254,278 (3.55%)			
ESOP 3	25 November 2013	94,420 (1.32%)	NIS 139.64	17 October 2018	1/3 every year from 17 July 2016
	25 November 2013	92,796 (1.30%)	NIS 204.8	17 October 2018	1/3 every year from 17 July 2016
	25 November 2013	32,000 (0.45%)	€0.01	17 October 2018	1/3 every year from 17 July 2016
	1 January 2014	97,858 (1.37%)	NIS 139.64	17 October 2018	1/3 every year from 17 July 2016

	1 January 2014	120,844 (1.69%)	NIS 204.8	17 October 2018	1/3 every year from 17 July 2016
	1 January 2014	3,607 (0.05%)	€0.01	17 October 2018	1/3 every year from 17 July 2016
Total ESOP 3		441,525 (6.17%)			

(1) On a fully diluted basis.

(2) The exercise price is adjusted in case of capital distribution, dividend distribution, bonus shares and/or rights offering.

(3) The exercise price of some of the options is adjusted by cumulative yearly interest between 8% - 12%.

(4) "Vested" means that the option has become exercisable.

BCRE Russian Properties Ltd

	Date of grant	**Number and percentage[1] of shares subject to the option**	**Exercise price [2] [3]**	**Exercise period**	**Vesting Period[4]**
	29 June 2009	557,770 (15.56%)	€11.7	29 June 2019	Vested
	29 June 2009	17,924 (0.50%)	€24	29 June 2019	Vested
	29 June 2009	8,964 (0.25%)	€37	29 June 2019	Vested
Total		584,658 (16.31%)			

(1) On a fully diluted basis.

(2) The exercise price of some of the options is adjusted by cumulative yearly interest between 8%-12%.

(3) The exercise price is adjusted in case of capital distribution, dividend distribution, bonus shares and/or rights offering. The exercise price is calculated on "interest-on-interest" basis.

(4) "Vested" means that the option has become exercisable.

BCRE USA

	Date of grant	**Number and percentage[1] of shares subject to the option**	**Exercise price[2]**	**Exercise period**	**Vesting Period[3]**
	2 July 2013	283,642 (8.15%)	US$13.78	1 July 2016	55% vested on the date of grant 10%, 15% and 20% to vest every year thereafter
	2 July 2013	196,636 (5.65%)	US$27.11	1 July 2016	55% vested on the date of grant 10%, 15% and 20% to vest every year thereafter
Total		480,278 (13.80%)			

[(1)] On a fully diluted basis.

[(2)] The exercise price is adjusted in case of capital distribution or infusion, dividend distribution, repayment or infusion of shareholder's loans and bonus shares and / or rights offering.

[(3)] "Vested" means that the option has become exercisable.

For further details in respect of share option schemes, please refer to Note 16 of the Financial Information contained in Part X (*Financial Information*).

9 Material contracts

9.1 The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by a member of the Group:

(a) in the two years immediately preceding the date of this Prospectus and which are, or may be, material; or

(b) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

9.2 WP Shareholders' Agreement and New Investors Shareholders' Agreement

As at the date of this Prospectus, the relationship between the Company and its existing Shareholders is governed by the terms of the WP Shareholders' Agreement (in relation to WP Holdings and BCI) and the New Investors Shareholders' Agreement (in relation to all existing Shareholders), both of which shall terminate with immediate effect upon Admission save for any claims arising in respect of any of the Company's warranties as a result of any fraud, wilful misconduct or wilful concealment that is known by or reasonably to be known by any of the persons listed in the New Investors Shareholders' Agreement.

9.3 Controlling Shareholders Agreement

The Company and each of BCI, BCH and Shimon Weintraub have entered into a Controlling Shareholders Agreement dated the same date as this Prospectus. Under the agreement, each of BCI, BCH and Shimon Weintraub has agreed that all arrangements between such person and its respective associates on the one hand and each member of the Group, on the other hand, will be on arm's length terms and on a normal commercial basis. Each of BCI, BCH and Shimon Weintraub has further undertaken that, in the event that he/it or any of his/its associates encounters a real estate investment opportunity (other than investments in: (a) real estate located in Israel; (b) the shares of BCP (or any other company within the Group) purchased in the market; (c) shares in public companies up to a 5% passive minority interest purchased in the market; (d) real estate held by any of BCI, BCH and Shimon Weintraub; and (e) in the case of Shimon Weintraub, personal residences), he/it will notify the Company of the opportunity and he/it will not pursue such opportunity without first referring it to the Company for consideration. If the Company decides not to pursue such an opportunity in relation to such a property, BCI, BCH or Shimon Weintraub (as the case may be) shall be entitled to pursue that opportunity himself/itself on the same or no better terms. BCI has further agreed that it shall not, and shall procure, insofar as it is reasonably able, that its associates shall not, sell or transfer any Shares held by them respectively in BCI for a period of six months from Admission (unless such person has obtained the prior written consent of the Company). However, provided such associates have given prior written notice to Peel Hunt, they shall be permitted to, *inter alia*, grant security over the Shares. In addition, BCI has undertaken, with effect from Admission, not to sell or transfer any Shares held by it for a period of six months from Admission (other than, subject to prior notification to Peel Hunt, the grant of security over Shares by BCI and/or its associates). BCH and Shimon Weintraub have further undertaken that for a period of six months from Admission, they shall not sell or permit to be sold any direct or indirect (respectively) interests held by them in BCI such that BCH and/or Shimon Weintraub shall cease to control (directly or indirectly) 30% or more of the Shares.

9.4 PH Agreement

Under the PH Agreement between the Company and Peel Hunt, Peel Hunt was appointed to act as financial adviser and broker to the Company in connection with its application for Admission. The Company gave Peel Hunt certain customary warranties and undertakings.

9.5 Co-Investment Framework Agreement

On 7 April 2011, the Company entered into a Co-Investment Framework Agreement with various co-investors. The agreement offered co-investors the right to co-invest with the Company in any new real estate deal of the Group. The right to co-invest was on a deal-by-deal basis, subject to laws or regulation preventing the Company from offering the right to participate in a particular real estate deal. In each potential real estate deal, the Company was to propose to all the co-investors and some third parties, together, at least 33% of the Group's position in such real estate deal. The right to co-invest terminated in April 2014.

9.6 BCH Services Agreements

The Group is supported by BCH through the provision of services by its employees paid for on a cost basis and the provision of rating, investor relations and other financial services for a fixed amount totalling US$1,100,000 per annum ("**BCH Consulting Services**"). The BCH Consulting Services will continue to be provided after Admission to the Group on arm's length terms pursuant to seven Services Agreements, six of which are already in place between BCH and each of BCRE, BCRE USA, Brack Capital Cyprus Management Limited, Dalefield Limited, BCM USA LLC and Brack Capital Real Estate (India-China) Management Limited. An additional services agreement is proposed to be entered into after Admission between BCH and BCP in respect of BCP and its subsidiaries.

9.7 BJA Services Agreements

The Group is supported by BJA through the provision of services relating to fund raisings, investors' connections and real estate initiation and development consultation (the "**BJA Consulting Services**"). The BJA Consulting Services will continue to be provided after Admission on arm's length terms pursuant to the BJA Services Agreements which are already in place.

9.8 BCRE – Bond A Trust Agreement

The BCRE – Bond A Trust Agreement was entered into on 3 October 2006 (and subsequently amended on 19 December 2006, 30 August 2007, 19 December 2007 and 31 December 2007 between the Company and Aurora Fidelity Trust Company Ltd. (as the "Trustee") in respect of the issuance by the Company of registered Series A Notes (the "Series A Notes") in an aggregate amount of NIS 446,000,000. The unpaid principal of the Series A Notes carries an annual interest rate of 6.504%. The principal of the Series A Notes is payable in seven (7) equal annual instalments, on 19 December of each of the years 2012 until 2018 (inclusive).

The Company may not issue additional notes if such issue shall immediately adversely affect the rating allocated to the Series A Notes by the relevant rating company (either Maalot or Midroog or any other accredited Israeli rating company), causing the rating to immediately fall below the basic rating level, in consequence of such issue. Should there be a decline in the basic rate (the rating provided on the determining date by a rating agency, which is not lower than A rating) (the "Basic Rate") of at least 30 days without the Basic Rate being reinstated (the "Rating Decline Date") the following shall apply: (a) if the Basic Rate declines to a rate of BBB+, then, as of the Rating Decline Date, the outstanding principal of the Series A Notes, shall bear an additional annual interest of 1% per annum (the "Additional Interest"); (b) if the Basic Rate declines to a rate of BBB, then, as of the Rating Decline Date, the outstanding principal of the Series A Notes, shall bear an additional annual interest (in addition to the Annual Interest and to the Additional Interest) of 0.5% per annum (the "Second Additional Interest").

The Series A Notes are immediately repayable upon the occurrence of certain events specified in the Trust Agreement, including if the Company fails to pay any interest and/or principal owed in respect of the Series A Notes within 30 days from the due date; if a permanent liquidator or a permanent receiver is appointed in respect of any substantial assets of the Company ("substantial assets" being defined as assets with an aggregate book value of more than 25% of the Company's equity); if the Company enters into insolvency proceedings; if the Company is in material breach of its undertakings and fails to remedy such breach; if another series of recourse notes of the Company is called for immediate repayment; and/or if Shimon Weintraub directly or indirectly transfers control of the Company without the prior written consent of the Trustee.

9.9 BCRE – Bond B Loan Agreement

The BCRE – Bond B Loan Agreement (the "Loan Agreement") was entered into in November 2013 between the Company, Brack Capital First, and certain lenders, including a company controlled by Ronen Peled, pursuant to which the Company borrowed from the lenders US$25 million (the "Loan"). To secure the repayment of the Loan, Brack Capital First granted the lenders a first pledge over 864,537 shares in BCP (US$50 million) (the "**Pledged Shares**"). The Loan carries an annual interest rate of 7% (payable quarterly) and is repayable in seven unequal annual payments on 31 December of each of the years 2015 through 2021 (inclusive), such that each of the first four payments shall constitute 6.25% of the Loan Principal and each of the last three payments (meaning the fifth, sixth and seventh payment) will be 25% of the Loan principal.

Pursuant to the Loan Agreement, the Company has given certain undertakings, including that it shall not make any distribution to its shareholders if as a result the Company's equity is reduced below US$200 million or if the net financial debt to CAP ratio of the Company (solo) exceeds 37.5%.

The Company has further undertaken that its solo equity (excluding minority rights) will not be less than US$140 million and BCP's solo equity (excluding minority rights) will not be less than €135 million. The ratio between the net solo financial debt to the total solo capital and debt (CAP) of the Company will not exceed 36.5%. The net solo financial debt to CAP ratio of BCP shall not exceed 45%. In the event that the Company deviates from such targets, the Company will be required to deposit cash in an amount equal to a certain percentage of the unpaid balance of the Loan. In addition, the Company has undertaken that the ratio of the value of the Pledged Shares to net debt shall be 200% (failing which the Company shall either release part of the Pledged Shares or deposit additional BCP shares, as necessary in order to comply with the target ratio). The Loan Agreement also includes adjustment provisions in the event that the BCP shares cease to be traded.

The Loan will be immediately repayable upon the occurrence of certain events specified in the Loan Agreement, including if the Company fails to pay any interest and/or principal owed within 14 days from the due date; if a permanent liquidator is appointed in respect of the Company or BCP or Brack Capital First; if a permanent receiver is appointed in respect of any substantial assets of the Company ("substantial assets" being defined as assets with an aggregate value (as shown in the Company's latest consolidated financial information) of more than 25% of the Company's equity); if the Company, BCP or Brack Capital First enters into insolvency proceedings; if the Company ceases dealing in its principal operations; if a merger occurs without the lenders' prior approval; if the Series A Notes or any substantial debt of the Company is called for immediate repayment; if a change of control of the Company and/or BCP and/or Brack Capital First occurs without the prior approval of the majority of the lenders.

9.10 BCP – Bond A Trust Agreement

The BCP – Bond A Trust Agreement was entered into on 24 February 2011 between BCP and Reznik Paz Nevo Trusts Ltd., as trustee for the Series A bondholders of BCP. To secure the repayment of the bonds, BCP granted the trustee a first pledge over 1,007,994 shares in Brack German Properties B.V. ("**BGP**"). Pursuant to the BCP – Bond A Trust Agreement, BCP has agreed that for as long as the Series A bonds remain in issue, BCP's equity (excluding minority rights) will be at least €80 million and that BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding minority rights) will be reduced below €80 million. In addition, BCP has undertaken to comply with certain financial covenants, including that the ratio of BCP equity (excluding minority rights) as appearing in BCP's individual financial statements to its financial obligations, as appearing in BCP's individual financial statements (less cash, cash equivalents and short-term investments) at the end of each quarter will not be less than 187.5%, and that the net financial debt to equity and debt (CAP) ratio will not exceed

90%. In the event that: (a) BCP's equity (excluding minority rights) is reduced to below €80 million; and/or (b) the ratio of BCP's equity (excluding minority rights) as appearing in BCP's individual financial statements to its financial obligations, as appearing in BCP's individual financial statements (less cash, cash equivalents and short-term investments) at the end of quarter is less than 187.5%, the outstanding principal of the notes will bear, in each case, an additional annual interest of 0.5% per annum for one covenant breach and 1% per annum for breach of both covenants.

In the event that (a) BCP made a distribution of dividends and/or capital to its shareholders or purchased its shares and as a result of such distributions or purchase, the equity of BCP (excluding minority rights) is reduced to below €80 million; (b) the net financial debt to equity and debt (CAP) ratio has exceeded 90%; (c) BCP's equity (excluding minority rights) is less than €70 million; (d) the ratio of BCP's equity (excluding minority rights) as appearing in BCP's individual financial statements to its financial obligations, as appearing in BCP's individual financial statements (less cash, cash equivalents and short-term investments) at the end of quarter is less than 175%; and/or (d) the ratio of the value of the BGP pledged shares to the outstanding principal, linkage and interest of the notes is less than 160%, and this default is not cured within an agreed term, the bondholders will have the right to call for an immediate repayment of any unpaid balance on the bonds. With regards to covenants (a), (c) and (d) listed above, the bond holders may chose not to do so, and then the loan will bear an additional interest of 0.5% per annum for each covenant breach (yet no more than 1% per annum additional interest).

In addition, BCP has undertaken that the ratio of the value of the BGP pledged shares to the outstanding principal, linkage and interest of the notes shall not exceed 175% (failing which the Company shall either release part of the pledged shares or deposit additional BGP shares, as necessary in order to comply with the target ratio).

BCP granted the bondholders the right to demand immediate repayment of the loan upon the occurrence of additional certain events specified in the Trust Agreement, including, *inter alia*, if a permanent receiver is appointed in respect of any substantial assets of the Company; if BCP enters into insolvency proceedings; if BCP ceases dealing in its principal operations; if a merger occurs without the bondholders' prior approval; if any substantial debt of BCP is called for immediate repayment; if a change of control of BCP occurs without the prior approval of the majority of the bondholders.

9.11 BCP – Bond B Trust Agreement

The BCP Bond B Trust Agreement was entered into on 9 May 2013 between BCP and Reznik Paz Nevo Trusts Ltd., as trustee for the Series B bondholders of BCP. To secure the repayment of the bonds, BCP granted the trustee a first pledge over 616,919 shares in BGP pursuant to the BCP – Bond B Trust Agreement, and agreed that the ratio of the value of the pledged shares to the outstanding principal, linkage and interest of the notes shall not reduce below 175% (failing which BCP shall either release part of the pledged shares or deposit additional BGP shares, as necessary in order to comply with the target ratio).

BCP granted the bond holders the right to immediately repay the loan upon the occurrence of certain events specified in the Loan Agreement, including, *inter alia*: (a) BCP's equity (excluding minority rights) is less than €150 million for two consecutive quarters; (b) the net financial debt to equity and debt (CAP) ratio exceeded 75% for two consecutive quarters; (c) the ratio of the value of the BGP pledged shares to the outstanding principal, linkage and interest of the notes is either less than 160% for two consecutive quarters (and this default is not cured within an agreed term) or less than 120% (with no cure term); (d) BCP made a distribution of dividends and/or capital to its shareholders or purchased its shares, and as a result of such distribution or purchase, the equity of BCP (excluding minority rights) is reduced below €160 million and/or the net financial debt to equity and debt (CAP) ratio exceeded 70%; I BCP fails to pay any interest and/or principal owed within 14 days from the due date; (f) a permanent liquidator is appointed in respect of BCP; (g) a permanent receiver is appointed in respect of any substantial assets of BCP; (h) BCP enters into insolvency proceedings; (i) BCP ceases dealing in its principal operations; (j) a merger occurs without the lenders' prior approval; (k) if any substantial debt of BCP is called for immediate repayment; (l) if a change of control of BCP occurs without the prior approval of the majority of the lenders.

Russia (Kazan)

9.12 Preliminary Lease Agreement No. 3

Preliminary Lease Agreement No. 3 was entered into on 15 October 2013 between LLC "Management Company" Technopolis "New Tura" and "Azint Capital" LLC (OOO). Pursuant to the agreement, the parties agreed to enter into a lease agreement, at a later date, in respect of pavilion no. 3 of the Kazan development.

9.13 Lease Agreement No.2 – DDA

Lease Agreement No. 2 – DDA was entered into on 29 August 2013 between LLC "Management Company" Technopolis "New Tura" and "Azint Capital" LLC (OOO) and registered on 16 September 2013. Pursuant to the agreement, the parties agreed the terms of a lease in respect of pavilion no. 2 of the Kazan development.

9.14 Lease Agreement No. ZEM-1-742A*

Lease Agreement No. ZEM-1-742A* was entered into on 29 March 2012 between the executive committee of Zelenodolsky municipal district, Republic of Tatarstan and LLC "Management Company" Technopolis "New Tura". Pursuant to the agreement, the parties agreed the terms of a lease in respect of a plot of land within the Kazan development with a total area of approximately 751,854m².

9.15 Lease Agreement No. ZEM-1-790A

Lease Agreement No. ZEM-1-790A was entered into on 22 June 2012 between the executive committee of Zelenodolsky municipal district, Republic of Tatarstan and LLC "Management Company" Technopolis "New Tura". Pursuant to the agreement, the parties agreed the terms of a lease in respect of a plot of land within the Kazan development with a total area of approximately 1,109,239m².

9.16 Lease Agreement No. ZEM-1-793A

Lease Agreement No. ZEM-1-793A was entered into on 22 June 2012 between the executive committee of Zelenodolsky municipal district, Republic of Tatarstan and LLC "Management Company" Technopolis "New Tura". Pursuant to the agreement, the parties agreed the terms of a lease in respect of a plot of land within the Kazan development with a total area of approximately 104,722m².

9.17 Non-Revolving Credit Line Agreement No.2071

Non-Revolving Credit Line Agreement No. 2071 was entered into on 12 April 2013 between a financing bank and LLC "Management Company" Technopolis "New Tura" in connection with a refinancing of the borrower.

9.18 Non-Revolving Credit Line Agreement No.2282

Non-Revolving Credit Line Agreement No. 2282 was entered into on 13 December 2013 between a financing bank and LLC "Management Company" Technopolis "New Tura" in connection with the construction financing of pavilion no. 3 of the Kazan development.

9.19 General Contractor Agreement No. 70/13

General Contractor Agreement No. 70/13 was entered into on 20 September 2013 between LLC "Management Company" Technopolis "New Tura", LLC "Stroitelnaya gruppa Gorod-M" and LLC "Apeks-Tatarstan" in connection with the provision of certain works in respect of the construction of the investment facility at pavilion no. 3 of the Kazan development.

9.20 Delivery Contract "Technopolis Novaya Tura" No. SA-400-MVK-RU13

Delivery Contract "Technopolis Novaya Tura" No. SA-400-MVK-RU13 was entered into on 17 October 2013 between LLC "Management Company" Technopolis "New Tura" and LLC Lindab Buildings in connection with the supply of certain goods.

Russia (Lyubertsy)

9.21 Investment Contract No.78/2-5

Investment Contract No.78/2-5 was entered into on 30 June 2007 between LLC "Investmanagementstroy", the administration of Luberetskiy municipal district of Moscow region and the administration of Luberetsy City of Luberetskiy municipal district of Moscow region in connection with the payment of RUB12 million to the local administration for the provision of certain services and in connection with the construction of a shopping and leisure centre, underpass and pedestrian footpath.

9.22 General Contractor Agreement for the Construction of Shopping and Leisure Center

The General Contractor Agreement for the Construction of a Shopping and Leisure Centre was entered into on 21 December 2012 between LLC "Investmanagementstroy", LLC "Stroitelnaya gruppa Gorod-M" and LLC "TechnoStroyProject" in connection with the construction of the shopping and leisure centre and provision of related services.

9.23 Non-Revolving Credit Line Agreement №00040213/60013200

Non-Revolving Credit Line Agreement No. 00040213/60013200 was entered into on 21 May 2013 between OSJC "Sberbank of Russia" and LLC "Investmanagementstroy" in connection with a refinancing by the borrower.

9.24 Non-Revolving Credit Line Agreement №00040113/60013200

Non-Revolving Credit Line Agreement No. 00040113/60013200 was entered into on 21 May 2013 between OSJC "Sberbank of Russia" and LLC "Investmanagementstroy" in connection with a refinancing by the borrower

USA (180 Orchard)

9.25 Hotel Management Agreement

A Hotel Management Agreement was entered into on 17 May 2011 between 180 Orchard Owner LLC and IHG Management (Maryland) LLC (as amended by a certain Amendment to Management Agreement dated 10 May 2013) for an initial term of 20 years from the date the hotel opens for business, subject to two, ten year extension options in favour of IHG Management (Maryland) LLC, in connection with the provision of certain hotel management services.

9.26 Construction Loan Agreements

A Building Loan Agreement and a Project Loan Agreement were entered into on 10 May 2013 between 180 Orchard Owner LLC, as borrower and financing entities, as lender and administrative agent, in connection with a loan facility in the aggregate principal amount of US$80,500,000 for an initial period of approximately three years and subject to two, one year extension options. The loan agreements contain standard events of default provisions, which include a failure to complete construction by 10 May 2015.

9.27 Limited Liability Company Operating Agreement of BCRE IHG 180 Orchard Holdings LLC

The Limited Liability Company Operating Agreement of BCRE IHG 180 Orchard Holdings LLC was entered into on 17 May 2011 between BCRE Orchard Member LLC and IHG Orchard Street Member LLC, which agreement sets forth the rights and obligations of the members in connection with the development and ownership of 180 Orchard Street, New York, New York. Under the agreement, BCRE Orchard Member LLC is the administrative member and has an initial percentage interest of 51%; IHG Orchard Street Member LLC has an initial percentage interest of 49% and approval rights over certain major decisions enumerated in the agreement. Prior to final completion of the project, each member is obligated to fund their pro rata share of the capital required under the agreed budget of approximately US$133 million and certain cost overruns. There are specific cost overruns that are the sole responsibility of BCRE Orchard Member LLC. After final completion of the project, each member is obligated to fund their pro rata share of any costs or expenses in the operating budget and certain other costs. Orchard Retail Owner LLC is the beneficial owner of the retail and garage units in the condominium to be constructed on the property and BCRE IHG 180 Orchard Holdings LLC holds bare legal title to the retail and garage units on behalf of Orchard Retail Owner LLC. The agreement states that BCRE Orchard Member LLC or an affiliate is entitled to (a) a development fee and (b) a loan guarantee fee for the provision of the completion guarantee to the lender.

9.28 Purchase and Sale Agreement

The Purchase and Sale Agreement was entered into on 22 August 2013 between Orchard Retail Owner LLC, as seller, and 180 Orchard Retail LLC, as purchaser, in connection with the sale and purchase of the retail unit and the garage unit in the condominium to be constructed on the property for a purchase price of US$21,000,000.

USA (Bowery)

9.29 Limited Liability Company Agreement of OSIB BCRE Bowery Street Holdings LLC

The Limited Liability Company Agreement of OSIB BCRE Bowery Street Holdings LLC was entered into on 14 July 2010 between BCRE Bowery Member LLC and OSIB Bowery Street Propco Inc. The agreement sets forth the rights and obligations of the members in connection with the development and ownership of the hotel at 185-191 Bowery Street, New York, New York. Under the agreement, BCRE Bowery Street Holdings LLC has an initial percentage interest of 35% and OSIB Bowery Street Propco Inc. has an initial percentage interest of 65% in the company. BCRE Bowery Member LLC is the administrative member and OSIB Bowery Street Propco Inc. has approval rights over certain major decisions enumerated in the agreement. For so long as OSIB Bowery Street Propco Inc. has a percentage interest of 60% or greater, OSIB Bowery Street Propco Inc. is entitled to several limited decisions as set forth in the agreement without the consent of BCRE Bowery Member LLC. If, at any time, OSIB Bowery Street Propco Inc. has a percentage interest of less than 60%, such decisions require the approval of a majority of the members of the executive committee (including an appointee of BCRE Bowery Member LLC). Prior to the completion of the hotel, each member is obligated to fund its pro rata share of the costs to construct the project and operate the company as provided in the agreed budget. After the completion of the hotel, each member is obligated to fund its pro rata share of any company costs. In terms of fees, BCRE Bowery Member LLC (or an affiliate thereof) is entitled to a development management fee, a project management fee, an acquisition fee and an administrative member fee; OSIB Bowery Street Propco Inc. is entitled to an advisory fee and a professional advisory fee; and OSIB Operations Holding B.V. is entitled to a technical services fee.

9.30 Lease Agreement

The Lease Agreement was made on 14 July 2010 between OSIB BCRE Bowery Street Holdings LLC and OSIB Bowery Street Operator LLC in connection with the lease of the property and improvements (excluding the restaurant space) located at 185-191 Bowery Street, New York, New York. The lease is for a term of 25 years.

9.31 Tarudhan Put Option

In 2008, the subsidiary of BCRE India Fund granted $3.50 million as a loan to the company owning the hospitality component of Tarudhan (located on the outskirts of New Delhi) for a period of 5 years at an interest rate of 13% per annum (compounded on an annual basis to the extent outstanding). Out of the total loan, BCRE's share was $0.70 million. Against the loan the subsidiary of BCRE India Fund was issued a convertible instrument with a Put Option (exerciseable within 5 years) requiring the Indian promoters of Tarudhan to repurchase the loan together with accrued interest. In February 2013 and in April 2013, the subsidiary of the BCRE India Fund exercised its Put Option (within 5 years) and requested the promoter for the repayment of the loan amount together with accrued interest. Following the exercise of the Put Option, the Indian company in which the investment has been made wrote to the Reserve Bank of India seeking consent so as to enforce the Put Option. The Reserve Bank of India, by way of a letter issued to the Indian company clarified that the Put Option would require prior approval of the Indian government including the Reserve Bank of India before any disposal of the investment by the subsidiary of the BCRE India Fund. Subsequently, in December, 2013, the law was amended to specifically permit put options granted in favour of foreign investors (including those granted prior to the new law), subject to certain conditions. The repayment of the convertible loan is currently under discussion with the Indian promoter of Tarudhan.

BCP Agreements

9.32 Controlling Shareholder Undertakings

Pursuant to certain investment agreements entered into between BCP, Shimon Weintraub, Brack Capital First and a number of investors in December 2009, it was agreed that, subject to certain limitations, BCP (including its subsidiaries) will be the exclusive mechanism through which the Company and/or Brack Capital First will perform, directly or indirectly, real-estate activities in Germany which are identical or similar to the current and future activities of BCP in Germany. In addition, Shimon Weintraub, has undertaken to BCP that for so long as he is a controlling shareholder and/or officer of BCP, he will not pursue opportunities in the sphere of activity of BCP without first introducing them to BCP.

9.33 Stage A General Contractor Agreement

In May 2012, BCP, together with BAM Deutschland (a subsidiary of BAM Dutch construction company) entered into a main contractor turnkey agreement for the performance of all construction work (underground parking, skeleton, finishing and environmental development) of Stage A to a value of approximately €41 million. Payment is made on a monthly basis in accordance with the pace of the construction's progress and the scope of construction performed in the relevant month. The contractor will provide BCP with a performance guarantee in the amount of 5% of the scope of the contract to secure the contractor's commitments in accordance with the said agreement. The performance guarantee will be replaced with a quality guarantee upon the completion of construction of an amount equivalent to 5% of the total agreement for the warranty period. A fine for delayed completion of construction is payable at a rate of 0.1% of the agreement amount per day beyond 14 days of delay, but no more than 5% cumulatively.

9.34 Stage B1 General Contractor Agreement

In December 2013, BCP, together with Nesseler Grünzig Bau GmbH entered into a main contractor turnkey agreement to perform all of the construction work (underground parking lot, skeleton, completion and environmental development) of Stage B1 to a value of approximately €26.5 million. Payment is made monthly in accordance with the pace of the advancement of the construction and the scope of the work performed in the relevant month. The contractor provided BCP with a performance guarantee in the sum of 5% of the contract scope to ensure the undertakings of the contractor in accordance with the said agreement. The performance guarantee shall be replaced with a quality guarantee upon the completion of construction of an amount equivalent to 5% of the total of the agreement for the liability periods. A fine for delayed completion is payable at a rate of 0.1% of the sum of the contract per day above a 14-day delay, but no more than 5% cumulatively.

9.35 Stage B2 General Contractor Agreement

In December 2013, BCP, together with Schmeing GmbH entered into a main contractor turnkey agreement for the performance of all the construction works (underground parking lot, skeleton, completion and environmental development) of Stage B2 to a value of approximately €17 million. Payment is made monthly in accordance with the pace of the advancement of construction and the scope of the work performed in the relevant month. The contractor provided BCP with a performance guarantee in the sum of 5% of the scope of the contract to ensure the contractor's undertakings pursuant to the said agreement. The performance guarantee shall be replaced with a quality guarantee upon the completion of the construction of an amount equivalent to 5% of the total of the agreement for the liability periods. A fine for delayed completion is payable at a rate of 0.1% of the sum of the contract per day above a 14-day delay, but no more than 5% cumulatively.

9.36 Deed Poll

Please refer to section 12.2 of this Part VIII (*Additional Information*).

9.37 Depositary Agreement

Please refer to section 12.3 of this Part VIII (*Additional Information*).

Joint Venture Agreements

9.38 Joint Venture Agreements in relation to the Orchard

(a) Pursuant to the joint venture agreement in relation to BCRE IHG 180 Orchard Holdings LLC (the joint venture vehicle through which the Group and members of the Co-Investment Club indirectly hold interests in the Orchard (Hotel Indigo and adjacent garage and retail space) jointly with IHG), IHG's approval is required in respect of certain material decisions, including the approval of the construction budget and the annual operating budget, entering into certain material agreements, commencing or settling major litigation, transferring or rezoning the property, entering into related party transactions, incurring debt or guarantee obligations, changing the name or distribution policy of the joint venture vehicle, filing for bankruptcy or dissolution of the joint venture vehicle or engaging in any merger, consolidation or reorganisation transaction, acquiring further assets, engaging in business other than developing, owning and managing the property and changing the percentage interest of any of the members or admitting new ones.

(b) Pursuant to the joint venture agreements in relation to BCRE 180 Orchard First LLC and BCRE 180 Orchard Brack LLC (the joint venture vehicles through which the Group jointly with members of the Co-Investment Club holds interests in BCRE IHG 180 Orchard Holdings LLC), the consent of the members of the Co-Investment Club holding interests in the relevant joint venture vehicles is required for certain "material actions", including related party transactions with BCRE, engaging in activities beyond the scope of the vehicle's approved business, materially amending the vehicle's organisational documents, granting any financial remuneration or benefit to a joint venture partner or its affiliates beyond those set out in the business plan or the corporate documents of the joint venture vehicle (which expressly permit reimbursing certain expenses and paying the management fee and the promote), raising new debt or equity from third parties, asset level financing, calling additional capital and any bankruptcy filing.

9.39 Joint Venture Agreement in relation to the two Citizen M Hotels

Pursuant to the joint venture agreements in relation to OSIB-BCRE 50th Street Holdings LLC and OSIB-BCRE Bowery Street Holdings LLC (the joint venture vehicles through which the two Citizen M properties on 218 W. 50th Street and 185-191 Bowery, respectively, are held), Citizen M has substantially the same rights as the rights of IHG set out in section 9.38(a) above.

9.40 Joint Venture Agreements in relation to the multifamily complex in Cincinnati

Pursuant to the joint venture agreements in relation to BCRE Cobblestone Grove Second LLC and BCRE Cobblestone Grove Third LLC (the two joint venture vehicles through which the multifamily complex in Cincinnati is held), the members of the Co-Investment Club holding interests in such vehicles have substantially the same rights as those set out in section 9.38(b) above.

9.41 Joint Venture Agreement in relation to the Group's lending business in the New York area

Pursuant to the joint venture agreement in relation to BCRE Lending Holdings LLC (the vehicle through which the Group carries out its lending activities in the wider New York area), the members of the Co-Investment Club holding interests in the joint venture vehicle have substantially the same rights as those set out in section 9.38(b) above.

9.42 Joint Venture Agreement with Apollo (now AREA) in relation to Dmitrov

Pursuant to the joint venture agreement with AREA in relation to BCRE Russia Developments (CY) Limited, certain material decisions require the prior written consent of each of the shareholders, including entering into or amending an agreement with a local partner, adoption of and amendments to, or material deviations from, the business plan, any related party transaction with a shareholder or any of its affiliates, any sale, transfer or financing relating to the property, any new acquisitions of properties by the joint venture vehicle or its subsidiaries, any material transaction (including incurring debt or guarantee obligations) outside the ordinary course of business, the granting of any security by the joint venture vehicle or any of its subsidiaries, any bankruptcy filing or any reorganisation or insolvency proceedings in respect of the joint venture vehicle or its subsidiaries, any issue of new shares or alteration of rights attaching to shares of the joint venture vehicle or its subsidiaries, and other material decisions in relation to the joint venture company or its subsidiaries.

9.43 Joint Venture Agreement with Newgen Media (Cyprus) Limited in relation to Kazan.

Pursuant to the joint venture agreement with Newgen Media (Cyprus) Limited in relation to Sontera Limited (the company holding the interests in Kazan), all decisions require the approval of both shareholders.

10 Related party transactions

Save as disclosed in Note 31 to the Financial Information set out in Part X (*Financial Information*) and the transactions described below, no related party transactions involving the Group were entered into between 1 January 2014 and the date of this Prospectus.

On 17 February 2014, Brack Capital First provided a loan for the amount of NIS 5 million to BCH to be repaid by 16 February 2016 and secured by 24,630 shares in BCP. In addition, Brack Capital First has the option to request instead of a repayment of the loan and interest to acquire 24,630 pledged shares in BCP.

On 17 February 2014, Brack Capital First provided a loan for the amount of NIS 1 million to BCH to be repaid by February 2016. In addition, Brack Capital First has the option to request instead of a repayment of the loan and interest to acquire 4,926 pledged shares in BCP.

On 1 January 2012, BCH entered into an amendment and restatement of the BCH Services Agreements with BCRE, BCRE USA, Brack Capital Cyprus Management Limited, Dalefield Limited and Brack Capital Real Estate (India-China) Management Limited. Further details of the BCH Services Agreements are contained in section 9.6 of Part VIII (*Additional Information*).

On 1 December 2012, BJA entered into an amendment and restatement of the BJA Services Agreements with Dalefield Limited, Brack Capital Real Estate (India-China) Management Limited, BCM USA LLC and Brack Capital First. Further details of the BJA Services Agreements are contained in section 9.7 of Part VIII (*Additional Information*).

Loans have been granted by the Company and its Subsidiaries to Senior Managers in the aggregate amount of approximately €9.3 million. Such loans are secured by part of the Senior Managers' co-investment interests and options held by them in the German, US and Russian portfolios.

All the members of the Investment Advisory Committee, in their capacities as members/nominated members of the Investment Advisory Committee, will be providing services to the Investment Advisory Committee pursuant to service agreements with entities which are beneficially owned by them (or by members of their family).

11 Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

12 CREST, Depositary Interests and the Deed Poll

CREST and Depositary Interests

12.1 Introduction

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Shares within CREST pursuant to a DI arrangement established by the Company. The Shares are in registered form. They are only available in the form of an entry in the shareholders' register of the

Company. No share certificates (*aandeelbewijzen*) are issued. The Board is responsible for keeping a shareholders' register.

The Shares are in dematerialised registered form (*aandelen op naam*). However, it is proposed that, with effect from Admission, DIs in respect of Shares may be delivered, held and settled in CREST. Pursuant to a method approved by Euroclear, under which transactions in foreign securities may be settled through CREST, the Depositary will issue DIs representing entitlements to the Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. The Depositary will hold the Shares on trust for the holder of DIs and this trust relationship is documented in a deed poll executed by the Depositary (''Deed Poll'').

The DIs will be created pursuant to, and issued on the terms of, the Deed Poll. Prospective holders of DIs should note that under the Deed Poll they will have no rights in respect of the underlying Shares or the DIs representing them against Euroclear or its subsidiaries. Shares will be transferred to the Depositary or its nominated custodian and the Depositary has agreed to pass on to the holders of DIs any cash or other benefits received by it (or its custodian) as holder of Shares.

The DIs will have the same ISIN Code as the underlying Shares and will not require a separate application for Admission. Participation in CREST is voluntary and Shareholders who wish to hold their Shares in registered form may do so. They will not, however, be able to settle (entitlements on) their Shares through CREST and will have their holding recorded on the Company's share register in the Netherlands.

Application has been made by the Registrars for the DIs relating to the Shares to be admitted to CREST on Admission.

12.2 Depositary Interests – Terms of the Deed Poll

As mentioned above, the DIs will be created pursuant to and issued on the terms of the Deed Poll. The Deed Poll is executed by the Depositary in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that under the Deed Poll they will have no rights against Euroclear or its subsidiaries in respect of the underlying Shares or the DIs representing them.

Shares will be issued or transferred to the Depositary (or its custodian) and the Depositary has agreed to issue DIs to participating members.

Each DI will be treated by the Depositary as one Share for the purposes of determining, for example, eligibility for any dividends. The Depositary has agreed to pass on to holders of DIs any stock or cash benefits received by it (or the custodian) as holder of Shares on trust for such DI Holder.

In summary, the Deed Poll contains, *inter alia*, provisions to the following effect:

The Depositary will hold (itself or through a custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary (or its custodian) pertaining to the DIs for the benefit of the DI Holders. The Depositary will re-allocate securities or distributions allocated to the Depositary (or the custodian) pro rata to the Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.

Each DI Holder warrants, *inter alia*, that the securities in the Company transferred or issued to the Depositary (or the custodian) for the account of such DI Holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles or any contractual obligation, or applicable law or regulations binding or affecting such holder.

The Depositary (and any custodian) must pass on to DI Holders, or exercise on their behalf, all rights and entitlements received by the Depositary (or the custodian) in respect of the underlying securities. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a DI Holder to take up rights in the Company's securities requiring further payment, the DI Holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

The Depositary will be entitled to cancel DIs and treat the DI Holder as having requested a withdrawal of the underlying securities in certain circumstances including where a DI Holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, the Depositary's liability to a DI Holder will be limited to the lesser of:

(a) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and

(b) that proportion of £10 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the DI Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £10 million.

The Depositary is entitled to charge DI Holders fees and expenses for the provision of its services under the Deed Poll.

The DI Holders are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.

Each DI Holder is liable to indemnify the Depositary and any custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or its custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the custodian or agent if such custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such custodian or agent.

The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds there from, in order to discharge the indemnification obligations of DI Holders.

Pursuant to the terms of the Deed Poll, the Depositary shall have the right to resign by giving at least 30 calendar days' notice to the DI Holders. However, no resignation shall take effect until the appointment by the Depositary of a successor Depositary, which pursuant to the provisions of the Depositary Agreement shall require the approval of the Company (such approval not to be unreasonably withheld or delayed) unless such successor Depositary is a member of the same group.

The Depositary may terminate the Deed Poll by giving 30 days' notice. However, pursuant to the terms of the Depositary Agreement, the Depositary shall agree that the Deed Poll shall only terminate in the event that the Depositary Agreement is terminated (which provides for a longer termination period in certain circumstances) or where unless termination is necessary as a result of any change in any statute, law, regulation or other rule applicable to the arrangements contemplated by the Deed Poll. During such notice period DI Holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI Holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to DI Holders in respect of their DIs.

Notwithstanding the amendment provisions in the Deed Poll, which allows the Depositary to amend the Deed Poll in certain circumstances, the Depositary shall agree pursuant to the terms of the Depositary Agreement that it shall not amend or supplement the Deed Poll without the prior written consent of the Company (which consent shall not be unreasonably withheld or delayed) provided that the Depositary shall be entitled to amend the Deed Poll without seeking the consent of the Company if that amendment is necessary or reasonably desirable as a result of any change in any statute, law, regulation or other rule applicable to the arrangements contemplated by the Deed Poll or the Depositary Agreement.

The Depositary (or its custodian) may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Shares to the DI Holders. DI Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary (or its custodian) to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the DI Holders are to comply with the Company's instructions with respect thereto.

DI Holders do not have the rights which Dutch law and the Articles confer on Shareholders, such as voting rights. In respect of the shares underlying the DIs those rights vest in the Depositary (or its custodian). Consequently, if the DI Holders want to exercise any of those rights they must rely on the Depositary (or its custodian) to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

12.3 Depositary Interests – Terms of the Depositary Agreement

Under the Depositary Agreement, the Company has appointed the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll (a summary of the terms of which are set out in section 12.2 of this Part VIII (*Additional Information*)), DIs and to provide certain other services in connection with such DIs.

The Depositary assumes certain specific obligations including, for example, to arrange for the DIs to be admitted to CREST as participating securities and to provide copies of and access to the register of DIs to the Company.

The Company is to pay certain fees and charges including, inter alia, an annual fee per DI Holder and certain CREST related fees. The Depositary is also entitled to recover reasonable out-of-pocket fees and expenses. The Depositary is entitled to increase its fees on an annual basis in line with the UK retail prices index. The Depositary may also increase its fees as a result of a change in regulatory requirements or for any other reason, but if the parties cannot agree such increase the agreement may be terminated on three months' notice.

The Depositary agrees to indemnify the Company against each loss, liability, cost and expense reasonably incurred (including reasonable legal fees) which the Company suffers or incurs as a result of any claim made against the Company by any DI Holder which arises out of any breach of the terms of the Deed Poll save where such loss, liability, cost or expense arises as a result of the fraud, negligence or wilful default of the Company. The aggregate liability of the Depositary arising out of or in connection with the Depositary Agreement (howsoever arising) shall be limited to the lesser of: (a) £500,000; and (b) an amount equal to five times the total annual fee payable to the Depositary under the Depositary Agreement.

The Company agrees to indemnify the Depositary against each loss, liability, cost and expense reasonably incurred (including reasonable legal fees) which the Depositary suffers or incurs as a result of any claim made against the Depositary by any holder of Depositary Interests, which arises out of the performance by the Depositary of the obligations, duties and responsibilities under the Depositary Agreement and the Deed Poll save in respect of any loss, liability, cost and expense (including legal fees) resulting from the negligence, wilful default or fraud of the Depositary.

The Depositary Agreement has an initial one year term, after which it will automatically renew for successive periods of 12 months. Either party may terminate the agreement upon the occurrence of an Event of Default (as defined in the agreement) in relation to the other party or if the other party commits an irremediable material breach of the agreement or (in the case of the Depositary) the Deed Poll or a material breach of the agreement or (in the case of the Depositary) the Deed Poll which is not remedied within 30 days. In addition, the Company may terminate the agreement by giving not less than 45 days' written notice (provided such notice shall not expire before the end of the initial two year period or the relevant 12 month period, as the case may be) and the Depositary may terminate the agreement by giving 45 days' notice to the Company.

13 Employees

13.1 The following table shows the approximate number of employees of the Group for each of the following period ends:

31 December 2011	31 December 2012	30 December 2013
341	350	425

Region	31 December 2011	31 December 2012	31 December 2013
USA	50	43	39
Germany*	100	100	120
Russia	162	177	230
India	15	15	16
UK	-	-	1
Netherlands	6	5	6
Cyprus	8	10	13
Total	**341**	**350**	**425**

* These figures include the Group's exclusive access to employees of RT Facility Management UG & Co., KG owned by the Co-CEO of BCP.

13.2 The arrangements for involving the employees in the share capital of the Company are set out in section 8 of this Part VIII (*Additional Information*).

14 Pension schemes

14.1 The Company and the Cyprus office provide pension benefits to their employees which take the form of defined contribution schemes. The contribution is between 6-7% on the gross salaries of the employees. The US office provides pension benefits to its employees amounting to between 3-6% of their gross salaries with a maximum pre-tax annual contribution in the maximum amount of US$17,500. The US office offers a 401k retirement savings contribution plan to its employees. Employees can elect to contribute a portion of their salary to their 401k plan and the amount of the contribution is then deducted from the employee's pay check on a "pre-tax" basis. By law, an employee's contribution is limited to a maximum annual contribution of US$17,500. In addition to the aforementioned employee contributions, the Company contributes funds towards the employees 401k in accordance with two different plans: (1) for employees of BCM USA LLC, the Company contributes 3% of the employee's salary, plus a contribution that matches the amount that the employee contributes, up to an additional 6% of the employee's salary; and (ii) for employees of BCS USA LLC, the Company contributes only a matching contribution of the amount that the employee contributes, up to 4% of the employee's salary.

14.2 The Cyprus management company offers a provident fund plan to its employees. Employees can elect to contribute a portion of their salary to the provident fund and the amount of the contribution is then deducted from the employee's pay check on a "pre-tax" basis. The employer's contribution is 6% of the employee's gross salary. In addition, employees have the right to contribute up to an additional 12% depending on the employee's tax status (limitations as per the tax and social security %). If the employee leaves the company within 5 years, then the contributions which were paid by the company will be distributed equally amongst the rest of the employees. The Company does not have any responsibility to compensate the employees for any loss of income.

14.3 For the avoidance of doubt, no member of the Group shall bear any liability for any shortfall in the amounts owing under any pension scheme described in 13.1 above and no financial provision shall be made in respect of such shortfall.

15 Consents

15.1 Each of the Independent Valuers, whose reports (or extracts from reports) are included in this Prospectus at the request of the Company, has given and not withdrawn its written consent to the inclusion in this Prospectus of its Valuer's Report in Part XII (*Valuers' Reports*) and extracts of report prepared by them containing the market information contained in Part III (*Market Overview*) in the form and context in which they are included. Each of the Independent Valuers has no material interest in the Company.

15.2 Kost Forer Gabbay & Kasierer of 3 Aminadav Street, Tel-Aviv 6706703, Israel, whose report is included in this Prospectus at the request of the Company, has given and not withdrawn its written consent to the inclusion in this Prospectus of its accountant's report set out in Part X (*Financial Information*) in the form and context in which it is included. The engagement partner in Kost Forer Gabbay & Kasierer who is responsible for the issuance of the reporting accountant's report is a certified public accountant who has a licence to practice in Israel issued by the Auditors' Council of the Israel Ministry of Justice.

16 Statutory Auditor

16.1 The Annual Report 2013, the Annual Report 2012 and the Annual Report 2011 have been audited by JPA Van Noort Gassler & Co B.V. of Nieuwe Parklaan 73, 2597 LB The Hague, the Netherlands. The responsible partner of JPA Van Noort Gassler & Co B.V. is a member of the *Nederlandse Beroepsorganisatie van Accountants*.

17 Documents for inspection

17.1 Copies of the Articles, the Financial Information, the Annual Report 2013, the Annual Report 2012 and the Annual Report 2011 and the Valuers' Reports in Part XII (*Valuers' Reports*) may be obtained free of charge for the life of this Prospectus by sending a request in writing to the Company at its business address: Weteringschans 95 A, 1017 RZ Amsterdam, the Netherlands and are also available at www.brack-capital.com for the life of this Prospectus.

17.2 This Prospectus will be available on the Company's website at www.brack-capital.com.

PART IX
SUMMARY OF APPLICABLE SECURITIES LAW

1 Disclosure rules

1.1 *Home member state for purposes of the EU Transparency Directive*

The Netherlands is the home member state of the Company for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended). As a result, the Company will be subject to financial and other reporting obligations under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*), which both implement the EU Transparency Directive in the Netherlands.

Because the Shares will be admitted to trading on a regulated market operating in the United Kingdom, the Company will also be subject to certain disclosure obligations pursuant to the Disclosure and Transparency Rules, including Chapters 1 (Introduction), 2 (Disclosure and control of inside information by issuers) and 7 (Corporate governance).

1.2 *Disclosure of information*

The Company is required to publish its annual accounts within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year. Following the implementation of the EU Transparency Directive Amending Directive (2013/50/EU) in the Netherlands, the Company shall be required to publish its half-yearly figures within three months after the end of the first six months of each financial year. In addition, the Company is obliged to publish interim management statements (*inter alia* containing an overview of important transactions and their financial consequences) in the period starting ten weeks after and six weeks before the first and second half of each financial year. This may change depending on how the Netherlands will transpose the EU Transparency Directive Amending Directive (2013/50/EU).

The Company must also make public certain inside information by means of a press release and on its website. Pursuant to the Dutch Financial Supervision Act, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not been made public and publication of which could significantly affect the trading price of the securities inside information.

1.3 *Financial Reporting Supervision Act*

On the basis of the Financial Reporting Supervision Act, the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the Financial Reporting Supervision Act, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards and (ii) recommend to the Company the making available of further explanations. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*, the “Enterprise Chamber”) orders the Company to (i) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber’s instructions.

1.4 *Shareholder disclosure and reporting obligations*

Pursuant to the Dutch Financial Supervision Act, upon the Company becoming a listed company, each shareholder who holds a substantial holding in the Company should forthwith notify the AFM of such substantial holding. Substantial holding means the holding of at least 3% of the shares or the ability to vote on at least 3% of the total voting rights. Any person who, directly or indirectly, acquires or disposes of an interest in the share capital or voting rights must without delay give notice to the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person, directly or indirectly, reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

In addition, if, as a result of such change, a person's direct or indirect interest in the share capital or voting rights passively reaches, exceeds or falls below the abovementioned thresholds, the person in question must give notice to the AFM no later than the fourth trading day after the AFM has published the change in the share capital and/or voting rights in the public register.

For the purpose of calculating the percentage of capital interest or voting rights, amongst others, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person, (ii) shares or depositary receipts for shares or voting rights held (or acquired or disposed of) by such person's controlled undertakings or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney), (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment, (iv) shares or depositary receipts for shares or voting rights which such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right held by such person (including, but not limited to, on the basis of convertible bonds), and (v) certain cash settled instruments, whereby the increase in value of the financial instruments is dependent on the increase in value of the (underlying) shares or related dividends.

For the same purpose of calculating the percentage of capital interest or voting rights, the following instruments qualify as 'shares': (i) financial instruments of which the value depends on the increase in value of the shares or dividend rights and which will be settled other than in those shares, (ii) options pursuant to which the option holder can be obliged to purchase shares or depositary receipts, and (iii) negotiable instrument's which provide for an economic position similar to the economic position of a holder of shares or depositary receipts.

The notification should indicate whether the interest is held directly or indirectly, and whether the interest is an actual or a potential interest.

A person is deemed to hold the interest in the share capital or voting rights that is held by its controlled undertakings as defined in the Dutch Financial Supervision Act. The controlled undertaking does not have a duty to notify the AFM because the interest is attributed to the undertaking in control, which as a result has to notify the interest as an indirect interest. Any person, including an individual, may qualify as an undertaking in control for the purposes of the Dutch Financial Supervision Act. A person who has a 3% or larger interest in the share capital or voting rights and who ceases to be a controlled undertaking for purposes of the Dutch Financial Supervision Act must without delay notify the AFM. As of that moment, all notification obligations under the Dutch Financial Supervision Act will become applicable to the former controlled undertaking.

A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the Dutch Financial Supervision Act, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts for shares, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for shares, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for shares. Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property.

In addition to the above described notification obligations pertaining to capital interest or voting rights, notification must be made of any net short position of 0.2% in the issued share capital of the Company, and of every subsequent 0.1% above this threshold. Notifications starting at 0.5% and every subsequent 0.1% above this threshold will be made public via the short selling register of the AFM.

Furthermore, gross short positions shall be notified in the event that a threshold is reached, exceeded or fallen below. The same subsequent disclosure thresholds as for holders of capital interests and/or voting rights apply.

Under the Dutch Financial Supervision Act, the Company is required to notify the AFM without delay of any changes in its share capital if its share capital has changed by 1% or more compared to the previous disclosure in respect of its share capital. The Company is also required to notify the AFM without delay of any changes in the voting rights, insofar as it has not already been notified at the same time as a related change in its share capital. Changes in its share capital and voting rights of less than 1% must also be notified; these changes can be notified at any time but at the latest within eight days after the end of each calendar quarter. The AFM will publish such notifications in a public register.

In addition, annually within four weeks after the end of the calendar year, every holder of 3% or more of the shares or voting rights whose interest has changed in the period after his most recent notification to the AFM, which change relates to the composition of the notification as a result of certain acts (e.g., the exchange of shares (an actual interest) for depositary receipts for shares (which is a potential interest) or the exercise of a right to acquire shares (pursuant to which the potential interest becomes an actual interest) must notify the AFM of such changes.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes all notifications received by it. The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

1.5 *Non-compliance with disclosure obligations*

Non-compliance with the disclosure obligations set out in the paragraph above is an economic offence and may lead to criminal charges. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed may be instituted by the Company and/or one or more shareholders who alone or together with others represent(s) at least 3% of the Company's issued and outstanding share capital. The measures that the civil court may impose include:

(a) an order requiring the person violating the disclosure obligations under the Dutch Financial Supervision Act to make appropriate disclosure;

(b) suspension of voting rights in respect of such person's shares for a period of up to three years as determined by the court;

(c) voiding a resolution adopted by a General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding; and

(d) an order to the person violating the disclosure obligations under the Dutch Financial Supervision Act to refrain, during a period of up to five years as determined by the court, from acquiring the shares and/or voting rights in the shares.

2 Takeover regulations

2.1 *European Union takeover regulations*

The Takeover Directive has been implemented in the Netherlands by the Dutch Financial Supervision Act and Takeover Decree and in the UK by the Takeovers Directive (Interim Implementation) Regulations 2006 and The Companies Act 2006 (Commencement No. 2, Consequential Amendments, Transitional Provisions and Savings) Order 2007).

The relevant conflict of laws provisions of the Takeover Directive do explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the member state in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in another member state, the authority competent to supervise the bid for all the remaining shares in the company shall be that of the member state of the market on which the shares are admitted to trading, i.e., in the present case the competent financial authority in the United Kingdom, the Panel.

In respect of governing law, matters relating to the consideration offered in the case of a bid for all the remaining shares in the company, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. However, in matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confer control and any derogation from the obligation to launch a bid for all the remaining shares in the company, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office, i.e., in the present case the competent financial authority in the Netherlands, the AFM.

2.2 *Mandatory takeover offers*

Pursuant to the Dutch Financial Supervision Act, a shareholder who acquires 30% of the voting rights of the Company has the obligation to launch a public offer for all the shares. The legislation also applies to persons acting in concert who jointly acquire 30% of the voting rights. An exemption exists if such shareholder or group of shareholders reduces its holding below 30% within 30 days of the acquisition of controlling influence provided that (i) the reduction of its holding was not effected by a transfer of shares or depositary receipts to an exempted party and (ii) during this period such shareholder or group of shareholders did not exercise its voting rights.

Concert parties under the Dutch Financial Supervision Act include natural persons, legal persons and enterprises with whom a person is working together, pursuant to an agreement, for the purpose of acquiring a controlling influence in a listed public limited liability or, if there is cooperation with the target company, the obstruction of a public offer in respect of that company by a third party.

As BCI will already hold in excess of 30% of the voting rights of the Company on Admission, for so long as it continues to do so, it will be able to increase its interest in Shares without incurring any obligation under the Dutch Financial Supervision Act to make a mandatory offer.

2.3 *Squeeze out procedures*

Pursuant to Article 2:92a of the Dutch Civil Code, a shareholder who for his own account contributes at least 95% of the Company’s issued capital may institute proceedings before the Enterprise Chamber against the other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary upon advice of one or three experts. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he shall also publish the same in a newspaper with a national circulation.

Pursuant to Article 2:359c of the Dutch Civil Code, the offeror under a public offer is also entitled to start a squeeze out procedure, within three months after the public offer, if following the public offer he holds at least 95% of the shares and represents at least 95% of the total voting rights attached to the shares. In the event of a mandatory offer, the mandatory offer price is in principle deemed to be a reasonable price, which has to be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable if at least 90% of the shares have been acquired.

Pursuant to Article 2:359d of the Dutch Civil Code, if the offeror has acquired at least 95% of the shares held by him, representing at least 95% of the total voting rights, each remaining minority Shareholder is entitled to demand a squeeze out. This procedure must be initiated with the Enterprise Chamber within three months after the end of the period for tendering shares in the public offer. With regard to the price per share to be paid by the majority shareholder, the same procedure as for squeeze out proceedings initiated by the offeror, as set out in the previous paragraph, applies.

3 Insider trading and market abuse

3.1 *Insider trading*

(a) Dutch rules

The rules on preventing market abuse set out in the Dutch Financial Supervision Act are applicable to the Company, the members of the Board, other insiders and persons performing or conducting transactions in the securities of the Company. Certain important market abuse rules set out in the Dutch Financial Supervision Act that are relevant for investors are described hereunder.

The Company is required to make inside information public. Pursuant to the Dutch Financial Supervision Act, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not yet been made public and publication of which could significantly affect the trading price of the securities. The Company must also provide the AFM with this inside information at the time of publication. Furthermore, the Company must without delay publish the inside information on its website and keep it available on the Company's website for at least one year.

It is prohibited for any person to make use of inside information within or from the Netherlands or a non-EU member state by conducting or effecting a transaction in the shares. In addition, it is prohibited for any person to pass on inside information relating to the Company or the trade in its securities to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction in securities of the Company. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for or the price of the securities.

Insiders within the meaning of the Dutch Financial Supervision Act are obliged to notify the AFM, ultimately on the fifth trading day after the transaction date, when they carry out or cause to be carried out, for their own account, a transaction in the shares or in securities the value of which is at least in part determined by the value of the shares. Insiders within the meaning of the Dutch Financial Supervision Act in this respect are: (i) executive board members and non-executive board members, (ii) other persons who have a managerial position and in that capacity are authorised to make decisions which have consequences for future development and business prospects and who, on a regular basis, can have access to inside information relating, directly or indirectly, to the Company, and (iii) certain persons closely associated with the persons mentioned under (i) and (ii) designated by the Dutch Market Abuse Decree (*Besluit marktmisbruik Wft*).

This notification obligation does not apply to transactions based on a discretionary management agreement as described in Article 8 of the Dutch Market Abuse Decree. Under certain circumstances, the notification may be delayed until the date on which the value of the transactions amounts to €5,000 or more in the calendar year in question.

If a member of the Company's board has notified a transaction to the AFM under the Dutch Financial Supervision Act as described above under "Shareholder disclosure and reporting obligations", such notification is sufficient for purposes of the Dutch Financial Supervision Act as described in this paragraph.

(b) UK rules

Part V of the Criminal Justice Act 1993 (the **CJA**) deals with insider dealing and makes it a criminal offence for an individual who has information as an insider to deal in shares that are price-affected shares in relation to the information. It is also an offence for an individual to (a) encourage another person to deal in shares that are (whether or not the other person knows it) price-affected shares in relation to the information; or (b) disclose the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another person.

Inside information, for the purposes of the CJA, is information which (a) relates to particular shares or other securities or to a particular issuer or issuers, and not to shares or other securities or issuers generally; (b) is specific or precise; (c) has not been made public; and (d) if it were made public would be likely to have a significant effect on the price of any shares.

Information is held "as an insider" only if the information is, and the person in question knows it is, inside information and it was acquired, knowingly, from an inside source. Information is obtained from an inside source if (a) the person in question has it through being a director, shareholder or employee of the Company or through having access to it by virtue of his employment office or profession; or (b) the direct or indirect source of his information is a person who is a director, shareholder or employee of the Company.

The shares of the Company (or any other shares) will be "price-affected shares" if the inside information would, if made public, be likely to have a significant effect on the value of the shares. "Dealing" in this sense includes acquiring or disposing of shares or other securities (whether as principal or agent) or procuring, directly or indirectly, an acquisition or disposal of shares or other securities by any other person. It also includes agreeing to acquire or dispose of shares.

The scope of the insider dealing provisions extends to catch all off-market deals involving a professional intermediary. In addition, a person who has inside information about a company will be an insider in relation to any other company whose securities or business prospects are affected by the information. Offences under Part V of the Criminal Justice Act 1993 carry criminal sanctions which include unlimited fines and/or imprisonment of up to seven years.

It should be noted however that the offence of insider dealing under the CJA is limited in its territorial scope since an individual cannot be guilty of the offence unless: (a) he was within the UK at the time of the alleged dealing; (b) the market is a UK regulated market; or (c) the professional intermediary was within the UK at the time he is alleged to have committed the offence. Moreover, an individual cannot be guilty of encouraging or disclosing offences unless (a) he was within the UK at the time when he is alleged to have disclosed the information or encouraged the dealing; or (b) the recipient of the information or encouragement was within the UK when he received that information or encouragement.

3.2 *Market Abuse*

(a) Dutch rules

Non-compliance with the Dutch market abuse rules set out in this Chapter could constitute an economic offense and/or a crime (*misdrijf*) and could lead to the imposement of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

The AFM keeps a public register of all notifications made pursuant to the Dutch Financial Supervision Act.

Pursuant to the market abuse rules set out in the Dutch Financial Supervision Act, the Company has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by board members and the Company's employees. Further, the Company has drawn up a list of persons working for the Company who could have access to inside information on a regular basis and the Company has informed the persons concerned of the rules against insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

(b) UK rules

FSMA creates a civil offence of market abuse, which is behaviour (that is action or inaction) by a person (acting alone or jointly/in concert), which occurs in relation to a qualifying investment which is (a) admitted to trading on a prescribed market; or (b) the subject of a request for admission on a prescribed market; and (c) constitutes one or more of the types of behaviour set out below.

Behaviour will constitute market abuse if it satisfies one or more of the following conditions: (a) it involves insider dealing; (b) it involves the disclosure of inside information, otherwise than in the course of a person's employment or duties; (c) it involves the misuse of information; (d) it involves transactions which give or are likely to give a false or misleading impression of supply, demand and/or price within the market; I it involves transactions which employ fictitious devices or any other form of deception; (f) it is likely to disseminate information which gives a false or misleading impression of the market; (g) it is likely to give a false or misleading impression; or (h) it is likely to distort the market. In addition, a person's behaviour must fall below the standard reasonably expected by a regular user of the market.

As well as the primary offence, it is also an offence under FSMA to require or encourage someone else to engage in behaviour which, if engaged in by the person requiring or encouraging, would have amounted to market abuse. There is a further criminal offence under FSMA, dealing with misleading statements or engagement in market manipulation.

The FCA has published guidance on what constitutes market abuse and what is not considered to be market abuse. In particular, certain provisions of the Code of Market Conduct (marked with a "C") are to be regarded as "safe harbours", and conduct that falls within one of these provisions is not market abuse. Conduct that complies with other rules published by the FCA, such as the Listing Rules, is unlikely to be considered market abuse.

4 Civil law – rights of DI Holders

Under Dutch law, holders of depositary receipts of shares (*certificaten van aandelen*) issued with the cooperation of the company that issued the shares have certain rights, such as the right to attend meetings of shareholders of the company that issued the shares and a statutory right of pledge on the shares underlying their depositary receipts. The DIs do not qualify as depositary receipts of shares issued with the cooperation of the Company. Consequently, holders of DIs do not have the rights conferred by Dutch law on holders of depositary receipts for shares issued with the cooperation of the Company and they should therefore solely rely on the rights conferred on them by the Articles and by the Deed Poll pursuant to which the DIs are created. This also means that the holders of DIs do not have a statutory right of pledge.

PART X
FINANCIAL INFORMATION

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Building a better working world

The Directors
BCRE - Brack Capital Real Estate Investments B.V.
Weteringschans 95A, 1017 RZ,
Amsterdam, The Netherlands

21 May, 2014

Dear Sirs

BCRE - Brack Capital Real Estate Investments B.V.

We report on the financial information of BCRE - Brack Capital Real Estate Investments B.V. (the "Company") which comprises the consolidated statements of financial position as at 31 December 2013, 2012 and 2011 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three years ended 31 December 2013, 2012 and 2011 (the "Financial Information"). The Financial Information has been prepared for inclusion in the prospectus dated 21 May, 2014 of the Company on the basis of the accounting policies set out in Note 2 to the Financial Information. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 of 29 April 2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility under applicable law to investors purchasing ordinary shares of the Company in reliance on this Report, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the prospectus dated 21 May, 2014, a true and fair view of the financial position of the Company as at the dates stated and of its financial performance, cash flows, and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of the PD Regulation we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

Kost Forer Gabbay & Kasierer
Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2013	2012	2011
		Euros in thousands		
ASSETS				
Non-current assets:				
Investment property	4	945,915	657,515	586,794
Investments and loans to associates and joint ventures	6	256,303	222,260	199,118
Property, plant and equipment, net	9	635	5,214	5,950
Inventory of land	8	48,937	61,822	60,917
Other investments and loans	10a	28,838	25,709	36,775
Restricted deposits	10c	-	-	10,038
Deferred tax assets	11	9,510	4,669	1,372
Total non-current assets		1,290,138	977,189	900,964
Current assets:				
Inventory of apartments under construction	8	92,306	48,800	17,430
Trade and other receivables	13	17,264	17,268	26,799
Other short term loans and current maturities of long term loans	10b	10,274	21,560	7,936
Restricted bank accounts	10c	3,875	3,814	1,270
Marketable securities and other short-term investments	12	4,499	2,873	2,921
Cash and cash equivalents	14	76,923	68,724	24,271
Total current assets		205,141	163,039	80,627
Assets classified as held for sale	4,6	15,608	66,483	-
Total assets		1,510,887	1,206,711	981,591

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2013	2012	2011
		Euros in thousands		
EQUITY:				
Share capital and premium	15	68,726	65,766	58,960
Convertible shareholders' capital notes	15	59,585	63,567	60,959
Reserves		(37,183)	(8,770)	(8,411)
Retained earnings		142,732	111,467	71,525
		233,860	232,030	183,033
Non-controlling interests		408,189	333,400	245,446
Total equity		642,049	565,430	428,479
LIABILITIES:				
Non-current liabilities:				
Derivative instruments	18	2,651	2,899	2,398
Interest-bearing loans and borrowings	17	697,807	458,573	468,372
Other long-term liabilities	19	3,158	3,297	3,304
Deferred tax liabilities	11	24,598	22,549	20,389
Total non-current liabilities		728,214	487,318	494,463
Current liabilities:				
Tax provision		1,752	1,424	1,521
Trade and other payables	20	36,463	26,145	21,906
Interest-bearing loans and borrowings	17	57,843	117,840	33,261
Advances from buyers	8c	43,542	7,210	-
Derivative instruments	18	1,024	1,344	1,961
Total current liabilities		140,624	153,963	58,649
Total liabilities		868,838	641,281	553,112
Total equity and liabilities		1,510,887	1,206,711	981,591

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	2013	2012	2011
		Year ended 31 December		
		Euros in thousands (except for share and per share data)		
Gross rental income		50,080	40,484	28,614
Service charge, management and other income	21	4,839	3,639	4,318
Property operating and other expenses	22	(15,633)	(9,983)	(8,284)
Gross profit		39,286	34,140	24,648
Revaluation of investment property, net		61,203	6,150	13,265
Gains from bargain purchase and loss from realization of investments , net	23	6,099	6,201	26,618
Administrative expenses	24	(10,984)	(13,035)	(9,628)
Administrative expenses relating to inventory under development, sales and marketing in Germany		(707)	(2,374)	-
Other income (expenses), net	27	(1,341)	(4,322)	7,055
Share based payment compensation	16	(2,403)	(2,868)	(729)
Share in profit (loss) of entities accounted for using equity method, net	6	48,918	98,117	(5,814)
Operating income		140,071	122,009	55,415
Financial income	25	10,569	5,782	17,635
Financial expenses	26	(28,961)	(26,375)	(18,047)
Exchange rate differences, net		(10,032)	(2,970)	(3,139)
Financial expenses, net		(28,424)	(23,563)	(3,551)
Income before tax		111,647	98,446	51,864
Tax benefit (tax expenses)	11	(3,279)	6,846	1,735
Net income		108,368	105,292	53,599
Income for the year attributable to:				
Equity holders of the Company		31,265	39,942	21,016
Non-controlling interests		77,103	65,350	32,583
		108,368	105,292	53,599
Earnings per share attributed to equity holders of the parent	29			
Basic		21.62	28.12	15.43
Diluted		17.31	23.91	14.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013	2012	2011
		Euros in thousands		
Net income		108,368	105,292	53,599
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations, net		(13,969)	(1,810)	2,621
Group's share of other comprehensive income (loss) of entities accounted for using equity method		(20,198)	(2,350)	4,859
Total comprehensive income for the year		74,201	101,132	61,079
Total comprehensive income attributable to:				
Equity holders of the Company		9,637	39,376	25,949
Non-controlling interests		64,564	61,756	35,130
		74,201	101,132	61,079

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium	Convertible shareholders' capital notes	Foreign currency translation reserve	Share-based payment reserve	Reserves from transactions with non-controlling interest	Retained earnings	Total equity	Non-controlling interests	Total equity
	Euros in thousands								
Balance as at 1 January, 2011	28,076	44,728	(7,830)	809	(4,907)	50,509	111,385	137,577	248,962
Net income	-	-	-	-	-	21,016	21,016	32,583	53,599
Other comprehensive income	-	-	4,933	-	-	-	4,933	2,547	7,480
Total comprehensive income	-	-	4,933	-	-	21,016	25,949	35,130	61,079
Share based payments	-	-	-	181	-	-	181	548	729
Issuance of shares and capital notes (1)	30,884	16,231	-	-	-	-	47,115	-	47,115
Transactions with non-controlling interests, net (2)	-	-	-	-	(1,597)	-	(1,597)	1,597	-
Receipts from non-controlling interests	-	-	-	-	-	-	-	71,881	71,881
Distribution to non-controlling interests	-	-	-	-	-	-	-	(1,287)	(1,287)
Balance as at 31 December, 2011	58,960	60,959	(2,897)	990	(6,504)	71,525	183,033	245,446	428,479
Net income	-	-	-	-	-	39,942	39,942	65,350	105,292
Other comprehensive loss	-	-	(566)	-	-	-	(566)	(3,594)	(4,160)
Total comprehensive income (loss)	-	-	(566)	-	-	39,942	39,376	61,756	101,132
Issuance of shares and capital notes (1)	6,806	2,608	-	-	-	-	9,414	-	9,414
Share based payments	-	-	-	1,675	-	-	1,675	1,193	2,868
Transactions with non-controlling interests, net (2)	-	-	-	-	(1,468)	-	(1,468)	1,468	-
Newly consolidated subsidiaries	-	-	-	-	-	-	-	12,959	12,959
Receipts from non-controlling interests, net	-	-	-	-	-	-	-	10,578	10,578
Balance as at 31 December, 2012	65,766	63,567	(3,463)	2,665	(7,972)	111,467	232,030	333,400	565,430
Net income	-	-	-	-	-	31,265	31,265	77,103	108,368
Other comprehensive loss	-	-	(21,628)	-	-	-	(21,628)	(12,539)	(34,167)
Total comprehensive income (loss)	-	-	(21,628)	-	-	31,265	9,637	64,564	74,201
Issuance of shares and capital notes (1)	2,960	1,106	-	-	-	-	4,066	-	4,066
Partial repayment of capital notes	-	(5,088)	-	-	-	-	(5,088)	-	(5,088)
Share based payments	-	-	-	(1,148)	-	-	(1,148)	3,551	2,403
Transactions with non-controlling interests, net (2)	-	-	-	-	(5,637)		(5,637)	(5,603)	(11,240)
Newly consolidated subsidiaries	-	-	-	-	-	-	-	6,055	6,055
Receipts from non-controlling interests, net	-	-	-	-	-	-	-	9,934	9,934
Distribution to non-controlling interests								(3,712)	(3,712)
Balance as at 31 December, 2013	68,726	59,585	(25,091)	1,517	(13,609)	142,732	233,860	408,189	642,049

(1) See Note 15b 2,3 and 4.

(2) See also note 15d.

(3) The accompanying notes are an integral part of the consolidated financial information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Cash flows from operating activities:			
Net Income	108,368	105,292	53,599
Adjustments for:			
Depreciation	110	590	478
Gain from bargain purchase and other income, net	(4,758)	(1,879)	(40,455)
Revaluation of investment property, net	(61,203)	(6,150)	(13,265)
Share in loss (profit) of entities accounted for using equity method	(48,918)	(98,117)	5,814
Deferred taxes	(3,163)	(6,233)	5,296
Tax provision	385	-	133
Share based payment compensation	2,403	2,868	729
Financial expenses, net	28,424	23,563	3,551
Operating profit before changes in working capital and provisions	21,648	19,934	15,880
Increase in advances from buyers	36,333	7,210	-
Changes in inventories of apartments under construction	(32,230)	(8,505)	(1,871)
Decrease (increase) in trade and other receivables	(5,503)	4,040	(4,331)
Increase (decrease) in trade and other payables	(10,729)	7,369	(4,470)
	(12,129)	10,114	(10,672)
Cash flows provided by operating activities before transaction costs	9,519	30,048	5,208
Transaction costs	-	-	(8,097)
Cash flows provided by (used in) operating activities	9,519	30,048	(2,889)
Cash flows from investing activities:			
Payment of liability for purchase of investment property	(1,981)	(5,200)	-
Acquisition of newly consolidated subsidiaries, net (a)	(101,934)	(30,251)	(114,197)
Investment and loans to associates and jointly controlled entities, net	365	(6,822)	(7,373)
Increase in investments, net	9,679	4,687	(14,256)
Acquisition and additions to property, plant and equipment	(47)	(224)	(453)
Acquisitions of investment property	(49,774)	-	(93,979)
Additions to investment property	(35,459)	(13,044)	(6,400)
Acquisition of initially consolidated activities (b)	-	-	(73,056)
Placement of restricted deposits, prepaid transaction costs and placement of long-term deposits in banks, net	5,736	5,748	(9,356)
Proceeds from realization of investments and interest received	41,222	-	2,225
Purchase of rights from non-controlling interests of subsidiaries	(1,172)	-	-
Loans to related parties, net	4,085	(1,311)	(10,410)
Cash flows used in investing activities	(129,280)	(46,417)	(327,255)

*) Restated. Refer to Note 2 dd.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Cash flows from financing activities:			
Share capital issuance, net	2,960	6,806	30,884
Convertible notes issued to shareholders	1,133	2,608	16,231
Repayment of capital note	(2,874)	-	-
Receipt of loans, net	208,112	63,027	252,140
Issuance of debentures, net	54,608	41,422	38,978
Repurchase of debentures	-	-	(1,666)
Repayment of long-term loans and debentures	(124,098)	(41,189)	(27,001)
financial expenses paid and foreign exchange currency differences	(22,983)	(21,819)	(18,347)
Receipts from non-controlling interests, net	9,934	14,569	53,074
Loans from associates	4,457	-	-
Distribution to non-controlling interests	(3,712)	(4,299)	(1,287)
Cap transaction costs	-	-	(3,189)
Swap transaction costs	84	(387)	(2,695)
Cash flows provided by financing activities	127,619	60,738	337,122
Increase in cash and cash equivalents	7,860	44,369	6,978
Foreign exchange differences, net	339	84	355
Cash and cash equivalents at the beginning of the year	68,724	24,271	16,938
Cash and cash equivalents at the end of the year	76,923	68,724	24,271

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2013	2012	2011
		Euros in thousands		
(a)	Acquisition of newly consolidated subsidiaries:			
	Assets and liabilities of subsidiaries on the purchase date:			
	Working capital (excluding cash and cash equivalents), net	(4,847)	(943)	5,158
	Investment property	(145,372)	(70,247)	(175,332)
	Inventory of apartments under construction	-	(23,777)	-
	Investments in associates	9,646	35,770	-
	Gain from bargain purchase	-	6,388	31,780
	Interest bearing loans and borrowings	34,215	9,286	3,260
	Non-controlling interests	4,424	13,272	17,012
	Income from purchase price adjustment	-	-	3,925
		(101,934)	(30,251)	(114,197)
(b)	Acquisition of initial activities:			
	Assets and liabilities at date of acquisition:			
	Investment properties	-	-	(76,768)
	Gain from bargain purchase	-	-	3,712
		-	-	(73,056)

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

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 1:- GENERAL

a. The Company is a company domiciled in the Netherlands. The address of the Company's registered office is Weteringschans 95A, 1017 RZ, Amsterdam.

The consolidated financial information of the Company as for the three years ended 31 December, 2013, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities which are accounted for using the equity method. The Group is an international real-estate development and investment group.

b. This financial information is not the statutory financial information of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS as adopted by the EU).

b. Measurement basis:

The Company's consolidated financial information have been prepared on a cost basis, except for the following: Financial instruments (including derivative instruments) measured at fair value through profit or loss; investment property measured at fair value; and, investments accounted for at the equity method.

The Company has elected to present the Statement of Profit or Loss using the function of expense method.

c. Consistent accounting policies:

The following accounting policies have been applied consistently in the consolidated financial information for all periods presented, except for (d) below.

d. Adoption of new Standards and Interpretations:

The accounting policies adopted are consistent with those of the previous years, except for the following new and amended IFRS effective as of 1 January 2013:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS.

IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 did not materially impacted the fair value measurements of the Group.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

e. Significant accounting judgments, and assumptions:

1. Estimates and assumptions:

The preparation of the Group consolidated financial information requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly.

The key assumptions made in the financial information concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Investment property:

  Investment property (which also includes investment property under development that can be reliably measured) is presented at fair value at the reporting date. Changes in its fair value are recognized in profit or loss. Fair value is determined generally by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued property.

  In determining the fair value of investment property, valuation specialists and the Groups management are required to use certain assumptions in order to estimate the future cash flows from the properties regarding the required yield rates on the Group's properties, the future rental rates, occupancy rates, lease renewals, the probability of leasing vacant spaces, property operating expenses, the financial strength of tenants and the implications of any investments for future development.

- Inventories of real estate properties under construction and inventory of land:

  The net realizable value is assessed based on management's

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

evaluation including forecasts and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies, further details are given in Note 11.

2. Judgments:

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial information:

- Recognizing revenue on a gross or net basis:

  In cases where the Group acts as agent without bearing any of the risks and rewards derived from the transaction, revenue is presented on a net basis. In contrast, if the Group acts as the principal and bears the risks and rewards derived from the transaction, revenue is presented on a gross basis.

- Acquisition of subsidiaries that are not business combinations:

  According to IFRS 3, at the time of acquisition of subsidiaries and activities, the Company considers whether the acquisition represents a business combination pursuant to IFRS 3. The following criteria which indicate acquisition of a business are considered: the number of assets acquired, the extent to which ancillary services to operate the property are provided and the complexity of the management of the property. See also y.

f. Consolidated financial information:

The Group has early adopted IFRS 10, *Consolidated Financial Statements*, commencing the year 2012. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Specifically, the Company controls an investee if and only if the Company has:

1. Power over the investee
2. Exposure, or rights, to variable returns from its involvement with the investee, and,
3. The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee.

Although the Group directly holds 34.8% of the voting rights of BCP, the Company has determined that it has de facto control in BCP due to the size of its voting rights, including voting rights held by companies controlled by the Company's controlling shareholder which companies are considered de facto agents of the Company. The size of its holding in voting rights relative to the size or dispersion of the holdings of the other shareholders of BCP has enabled the Company to exercise a majority of the voting power that participates in the shareholders meetings and appoints a majority of the directors and indirectly, the senior management of BCP.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

1. Derecognises the assets and liabilities of the subsidiary (including the carrying amount of any non-controlling interests
2. Recognises the fair value of the consideration received
3. Recognises the fair value of any investment retained
4. Recognises any surplus or deficit in profit or loss
5. Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

g. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency is separately determined for each Group entity and

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

is used to measure its financial position and operating results. The functional currency of the Company is the Euro. In addition, the financial information are presented in Euro. All values are rounded to the nearest thousand (€ 000), except when otherwise indicated.

When a Group entity's functional currency differs from the Company's functional currency, that entity represents a foreign operation whose financial information are translated so that they can be included in the consolidated financial information as follows:

a) Assets and liabilities at the end of each reporting period are translated at the closing rate at the end of the reporting period.

b) Income and expenses for each period presented in the Statement of Profit or Loss are translated at average exchange rates for the presented periods.

c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence.

d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in b) and c) above.

e) All resulting translation differences are recognized as a separate component of other comprehensive income (loss).

Upon the partial disposal of a subsidiary which disposal results in the loss of control of the subsidiary, the cumulative gain (loss) recognized in other comprehensive income is transferred to profit or loss whereas upon the partial disposal of a subsidiary that is a foreign operation which disposal results in the retention of control, the relative portion of the cumulative amount is reattributed to non-controlling interests.

Intergroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or carried to equity in hedging

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

transactions, are recognized in profit or loss.

h. Interest in a joint venture and associate:

The Group has early adopted IFRS 11 *Joint Arrangements* and IAS 28R (Revised 2011), *Investments in Associates and Joint Ventures*, commencing the year 2012

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial information of the associate or joint venture is prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

i. Derivative financial instruments designated as hedges:

The Group enters into contracts for derivative financial instruments such as interest rate swaps and CAP transactions to hedge risks associated with interest rate fluctuations. Such derivative financial instruments are measured at fair value.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

j. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of these specific assets:

Investment in associate or joint ventures:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

k. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities,

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

l. Borrowing costs in respect of qualifying assets:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, comprising of inventories that require a substantial period of time to bring them to a saleable condition.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.

The amount of borrowing costs capitalized in the reported period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

m. Inventories of buildings and apartments for sale:

Cost of inventories of buildings and apartments for sale comprises identifiable direct costs of land such as taxes, fees and duties and construction costs. The Company also capitalizes borrowing costs as part of the cost of inventories of buildings and apartments for sale from the period in which the Company commenced development of the land.

Inventories of buildings and apartments for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

n. The operating cycle:

The Company's normal operating cycle is one year, with respect to construction work the operating cycle can last between two and three years. Accordingly, the current assets and current liabilities include items that are held and are expected to be realized by the end of the Company's normal operating cycle. If the operating cycle exceeds one year, the assets and liabilities attributed to this activity are classified in the balance sheet as current assets and liabilities based on the operating cycle.

o. Investment property:

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise. Investment property is not systematically depreciated.

The fair value model is also applied to property under construction for future use as investment property when fair value can be reliably measured.

Fair value is determined generally by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Investment property under development also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal.

p. Property plant and equipment:

Equipment is stated at cost less accumulated depreciation and provisions for impairment. Depreciation is calculated on a straight-line basis, over the estimated useful life of the equipment.

q. Financial instruments:

1. Financial assets

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

a) Financial assets at fair value through profit or loss:

The Group has financial assets at fair value through profit or loss comprising financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

b) Loans and receivables:

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost using the effective interest method

2. Impairment of financial assets:

The Group assesses, at the end of each reporting period, whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

There is objective evidence of impairment of debt instruments, loans and receivables carried at amortized cost as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows.

In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

3. Financial liabilities:

a) Financial liabilities measured at amortized cost:

Interest-bearing loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, Interest-bearing loans and borrowings are measured based on their terms at amortized cost using the effective interest method .

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

recognition.

4. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

r. Trade and other receivables:

Trade receivables are recognized and carried at original amounts less an allowance for any uncollectible amounts. An allowance for doubtful debts is recorded when collection of the amount is no longer probable.

s. Cash and short-term deposits:

Cash and short-term deposits in the balance sheet comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

t. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Following are the types of provisions included in the financial information:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

u. Revenue recognition:

The specific criteria for revenue recognition for the following types of revenues are:

Revenues from the sale of residential apartments:

Revenues from the sale of residential apartments are recognized when the

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

principal risks and rewards of ownership have passed to the buyer. Revenues are recognized when significant uncertainties regarding the collection of the consideration no longer exist, the related costs are known and there is no continuing managerial involvement with the residential apartment delivered. These criteria are usually met when construction has effectively been completed, the residential apartment has been delivered to the buyer and the buyer has paid the entire consideration for the apartment.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Rental income from operating lease:

Rental income is recognized on a straight-line basis over the lease term. Fixed increases in rent over the term of the contract are recognized as income on a straight-line basis over the lease period. The aggregate cost of lease incentives granted is recognized as a reduction of rental income on a straight-line basis over the lease term.

Interest income:

Interest income on financial assets is recognized as it accrues using the effective interest method.

Reporting revenues using gross basis or net basis:

In cases where the Group acts as an agent without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to the risks and rewards associated with the transaction, its revenues are presented on a gross basis.

v. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

1. Finance leases:

   Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The Group as lessor:

2. Operating leases:

   Lease agreements where the Group does not transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Rental income is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

asset and recognized as an expense over the lease term on the same basis as the rental income.

w. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. Under this method, the identifiable assets and liabilities of the acquired business are recognized at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets transferred, liabilities incurred and equity interests issued by the acquirer on the date of acquisition.

In respect of business combinations, non-controlling interests are measured at fair value on the acquisition date or at the proportionate share of the non-controlling interests in the acquiree’s net identifiable assets.

For business combinations direct acquisition costs relating to the business combination are recognized as an expense in profit or loss.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed as measured on the acquisition date. If the resulting amount is negative, the acquisition is considered a bargain purchase and the acquirer recognizes the resulting gain in profit or loss on the acquisition date.

Acquisitions of subsidiaries that are not business combinations:

Upon the acquisition of subsidiaries and activities that do not constitute a business, the consideration paid is allocated among the subsidiary’s identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes, and the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date.

x. Taxes on income:

Taxes on income in the statement of Profit or Loss comprise current and deferred taxes. Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

reporting date in the countries where the Group operates and generates taxable income.

2. Deferred taxes:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is recognised or the liability is settled.

In cases where the Company holds single asset entities and the manner in which the temporary difference will reverse by selling the shares of the single asset company rather than the asset itself, the Company does not recognize deferred taxes for temporary differences relative to the asset. Nonetheless, the Company measures the fair value of the single asset company shares taking into consideration the aforesaid tax effects.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Share based payment transactions:

The Group employees/other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard option pricing model.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the Group modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

z. New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations, did not apply to the ended 31 December 2013, and have not been applied in preparing this consolidated financial information:

IFRS 9 Financial Instruments (Issued on 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures issued on 16 December 2011; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 issued on 19 November 2013) – not endorsed by EU until the date of approval of these financial information.

Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities- effective for financial years beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (issued on 31 October 2012) – effective for financial years beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Amendment to IAS 36 Impairment of Assets – effective for financial years beginning on or after 1 January 2014. This amendment is not expected to have a material effect on the Group.

IFRIC Interpretation 21 Levies – effective for financial years beginning on or after 1 January 2014 – not endorsed by EU until the date of approval of this financial information. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This Interpretation is not expected to have a material effect on the Group.

NOTE 3:- BUSINESS COMBINATION

Business combinations 2012

On 30 April, 2012, BCP, signed a conditional agreement with the other shareholder of an associate company (hereinafter – “the Partner”) for the purchase of the entire holdings of the partner (80%) in the associate company which holds residential buildings for rental consisting of 334 residential units located in the city of Wuppertal, Germany for approximately €13 million . The acquisition of the Partner was completed on 29 June, 2012 (hereinafter – “the acquisition date”).The above mentioned acquisition was accounted for as a business combination in accordance with IFRS 3 “Business Combination”. BCP financed the acquisition by a bank loan in the amount of €13 million bearing annual variable interest of Euribor plus 1.85%, to be repaid in June 2017. Due to mismatch in measurement between the real estate asset and the bank loan, BCP designated the bank loan to be measured at fair value through profit or loss.

The fair value of the identified assets and liabilities of the acquired company as of the acquisition date is as follows:

	Fair value recognized upon acquisition
	Euros in thousands
Cash and cash equivalents	190
Working capital, net and other assets	(354)
Investment property	19,668
	19,504
Other non-current liabilities	(22)
Identified assets, net	19,482
Non-controlling interests	(313)
Gain from bargain purchase upon acquisition	(4,969)
Consideration paid	14,200

The total acquisition cost amounted to a sum of € 14,200 thousand, in cash. Transaction costs incurred were recorded immediately in the Statement of Profit or Loss.

Commencing from the acquisition date, this transaction, contributed € 5,630 thousand (including a gain from bargain purchase, net) to the consolidated net income for the year ended 31 December, 2012. Had the business combination incurred on 1 January, 2012, the consolidated net income for the year ended 31 December, 2012 would have increased by €363 thousand and the consolidated rental revenue turnover would have summed to € 21,314 thousand.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 3:- BUSINESS COMBINATION (Cont.)

As a result of the acquisition, a gain from bargain purchase and other income was recorded in the Statement of Profit or Loss in the amount of € 4,969 thousand (the Company's share is € 1,734 thousands).

BCP selected to measure non-controlling interests in the acquired company according to the relative portion of non-controlling interests in the fair value of the net identified assets and liabilities of the acquired company.

Business combinations 2011

a. On 15 June, 2011, BCP, signed a contract to acquire 13 asset companies where each holds commercial properties throughout Germany and in 12 properties half of the rental area is leased to an anchor lessee for lease terms of 12 to 17 years. The above mentioned acquisition was accounted for as a business combination in accordance with IFRS 3 "Business Combination". The cost of the acquisition was set at € 120 million subject to working capital adjustments ("the transaction").

   On 23 June, 2011, BCP's Board and audit committee approved an agreement ("the agreement") with various investors which some of them are also shareholders of the Company ("the investors"), such that BCP's share in the acquired companies amounts to 51% and the investors' share amounts to 49%. The investors paid € 14.9 million for their respective share in the acquired companies. BCP is entitled to promote, based on certain mechanism defined in the investment agreement and to management fees based on market terms, see also note 30(b)(2).

   The investors paid their part in the investment by granting shareholders loans to the acquired companies. According to the terms of the loan, the investors may demand the refund of their money at the end of 10 years from the loan's receipt and the acquired companies have the right to convert the loan at any time into a fixed number of shares. As a result, the shareholders loans amounting to € 14.9 million were classified as a part of the non-controlling interests in the Company consolidated financial information.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 3:- BUSINESS COMBINATION (Cont.)

The fair value of the identifiable assets and liabilities of the acquired companies as of the acquisition date is as follows:

	Fair value recognized upon acquisition
	Euros in thousands
Cash and cash equivalents	1,878
Current assets	1,100
Investment property	175,332
Current liabilities	(6,258)
Non-current liabilities	(3,260)
Identifiable assets , net	168,792
Gain from bargain purchase	(26,517)
Non controlling interests	(17,012)
Consideration paid in cash **)	125,263

**) Out of the acquisition cost, an amount of approximately € 3.9 million was returned to BCP from a working capital trust deposit that was made upon acquisition, after the closing date. This amount was recognized as a gain during the year ended 31 December, 2011.

The total cost of the business combination was approximately € 131 million including BCP obligation under the loan agreement to invest approximately € 7.7 million in renovating the acquired properties, and other transaction costs amounting to € 5.3 million which were immediately charged to Statement of Profit or Loss.

As a result of the acquisition, during 2011 BCP recorded a bargain gain and other income in the amount of approximately € 32.5 million which was recorded in the Statement of Profit or Loss (the Company's share is € 12 million).

b. Following \ negotiations conducted in 2011, BCP, through three subsidiaries, entered into an agreement to acquire 2,600 residential apartments in Germany which was accounted for as a business combination in accordance with IFRS 3 "Business Combination" ("the acquired company"). The consideration paid was set at approximately € 73.1 million ("the transaction"). Transaction costs amounted to approximately € 3.7 million was immediately charged to Statement of Profit or Loss.

On 1 August, 2011, BCP's Board and audit committee approved an agreement ("the agreement") with various investors which some of them are also shareholders of the Company ("the investors") such that BCP's share in the

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 3:- BUSINESS COMBINATION (Cont.)

acquired companies amounts to 51% and the investors' share amounts to 49%. The investors paid € 14.9 million for their respective share in the acquired companies. BCP is entitled to promote, based on certain mechanism defined in the investment agreement and to management fees based on market terms, see also note 30(b)(2).

The investors paid their part in the investment by granting shareholders loans to the acquired company. According to the terms of the loans, the investors may demand the refund of their money at the end of 10 years from the loan's receipt and the acquired company has the right to convert the loans at any time into a fixed number of shares. As a result, the shareholders loans amounting to € 9.5 million were classified as a part of the non-controlling interests in the Company's consolidated financial information.

The fair value of the net identifiable assets and liabilities of the acquired companies as of the acquisition date is as follows:

	Fair value recognized upon acquisition
	Euros in thousands
Investment property	76,768
Gain from bargain purchase	(3,712)
Consideration paid	73,056

The total cost of the business combination was approximately € 76.8 million (including transaction costs in the amount of € 3.7 million). In addition, under the loan agreement, BCP committed to invest approximately € 1.6 million in renovating the acquired properties and to invest in each year additional € 1.1 million in renovating these properties.

As a result of the acquisition, during 2011 BCP recorded a bargain gain in the amount of approximately € 3.7 million which was recorded in the Statement of Profit or Loss (the Company's share is € 1.4 million).

From the acquisition date, these two transactions have contributed € 37,936 thousand (including a gain from bargain purchase, net) to the consolidated net income, for the year ended 31 December, 2011. If the business combinations had taken place at the beginning of 2011, the consolidated net income for the year ended 31 December, 2011 would have been approximately to € 57,919 thousand (including a gain from bargain purchase and other income of € approximately 32,489 thousand) and the consolidated rental revenue turnover would have been approximately € 43,491 thousand.

NOTE 4:- INVESTMENT PROPERTY

a. Movement:

	December 31,		
	2013	2012	2011
	Euros in thousands		
Balance at the beginning of the year	657,515	586,794	285,179
Initial consolidation of newly consolidated subsidiaries and acquisitions of investment property (1),(2),(4), (5), (6)	195,147	70,247	346,079
Additions	36,636	12,937	6,400
Disposals	-	-	(2,225)
Transfer to inventory	-	-	(63,519)
Transfer to assets held for sale (3)	-	(18,613)	-
Fair value adjustments, net *)	63,532	6,150	13,265
Foreign exchange difference	(6,915)	-	1,615
Balance at the end of the year	945,915	657,515	586,794
Location:			
Germany	820,751	619,574	568,181
Russia	125,164	37,941	-
USA	-	-	18,613
	945,915	657,515	586,794

*) In 2013 – not including revaluation loss of investment property in the amount of € 2.3 million which relates to investment property that was classified as asset held for sale in 2012.

(1) In November 2013 the Company subsidiary, Stepfield Trading Limited ("Stepfield"), signed a Sale and Purchase Agreement with AREA (the "partner") to acquire the partners' holdings (50%) in the Lobnia project holding company, BCRE Russia Developments (CY) Limited ("BCRE Russia Developments"), for the amount of € 3.4 million ($ 4.6 million). Simultaneously, Stepfield signed agreements with various co-investors according to which co-investors acquired from Stepfield 29.71% of interest in BCRE Russia Developments in total consideration of € 2 million ($ 2.7 million). Consequently, the Company commences consolidating the financial statements of BCRE Russia Developments, which was previously accounted for using equity method.

(2) On 20 November, 2012 the Company subsidiary BCRE Russia Properties Limited ("BRP") signed a Sale and Purchase Agreement with WP I Investments S.A.R.L (the "partner") to acquire the partners' holdings (50%) in the Lyubertsy project holding company, Altramino Trading Limited ("Altramino"), for the amount of € 7.5 million ($ 10.3 million). Simultaneously,

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 4:- INVESTMENT PROPERTY (Cont.)

BRP signed agreements with various co-investors according to which co-investors acquired from BRP 34.7% of interest in Altramino in total consideration of € 6 million ($ 8 million).

(3) In August 2013, Orchard Retail Owner LLC, a subsidiary of the Company, signed a contract for the sale of a retail and garage property for the consideration of $ 21 million (€ 16 million). The closing of the transaction will occur adjacent to (i) the substantial completion of the Retail and Garage units, including receipt of a temporary certificate of occupancy and (ii) conversion of the Project to a condominium comprised of a Hotel, Retail and Garage units. The closing can happen no earlier than 30 June, 2014 and not later than 22 August, 2015, as may be extended. The asset was classified as held for sale in the Company financial position as of 31 December, 2012. As a result of the transaction, the Company recorded loss from revaluation of investment property in the amount of approximately € 2.3 million.

(4) During 2013, BCP purchased through subsidiaries, several assets located in Germany, comprising income-generating properties, for a consideration of € 158.5 million (including transaction costs in the amount of € 8.2 million). All transactions were completed during 2013, and were not considered as business combination, as defined in IFRS 3 "Business Combination". In order to finance the acquisition of the asset, BCP entered a loan agreement – see also note 17a (15).

(5) On 18 July, 2012, BCP entered into an exclusivity agreement, pursuant to which, the seller granted BCP an exclusivity until the end of October 2012 (the agreement) to purchase 94.9% of the shares of an asset company holding a commercial asset in Germany in a total rentable area of 12,100 sqm. which is leased to a single tenant for 12 years at an asset value (100%) of approximately € 12.9 million. On 15 November, 2012, the purchase agreement was signed and on 31 December, 2012, the transaction was completed and the purchased shares were transferred to a subsidiary of BCP in return for a consideration payment to the seller. The total cost of the transaction amounted to approximately € 12.7 million including transaction costs. In order to finance the acquisition, BCP received a bank loan in the amount of € 9.5 million in non-recourse terms, see also note 17.

(6) During 2011, BCP purchased 8 commercial centers in Germany for a total consideration of € 83.7 million plus transaction costs which totalled approximately € 4.6 million. 6 of the assets were purchased with other investors which hold 49% of the shares of the single asset companies. According to the agreement with the other investors, BCP is entitled to promote, based on certain mechanism defined in the agreement (see note 30(b)(2)) and to management fees based on market terms. In order to finance the acquisition BCP entered into a non-recourse loan agreements, see also note 17.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 4:- INVESTMENT PROPERTY (Cont.)

b. The investment properties in Germany comprised of income-generating residential real estate with lease agreements shorter than one year. As of 31 December, 2013, the Company residential lease agreements represent annual revenues of approximately € 22,485 thousand. In addition, the Company owns, through its subsidiary, income generating commercial real estate leased to third parties. The future minimum income from existing tenants in the income generating commercial real estate is as follows:

	December 31,		
	2013	2012	2011
	Euros in thousands		
First year	36,888	23,803	22,779
Second year to the fifth year	86,585	80,685	75,961
Sixth year and onwards	147,346	105,012	101,736
	270,819	209,500	200,476

c. Securities:

All the properties in Germany, with the total carrying amount of € 821 million, and all Properties in Russia, with the total carrying amount of € 125 million, are subject to registered debentures to secure bank loans (see also Note 17).

d. Reconciliation of fair value:

	Investment properties				
	Germany			Russia	
	Residential properties	Commercial properties	Land for development	Commercial properties under construction	Commercial properties
	Euros in thousands				
Balance as of 31 December, 2012	216,542	354,602	48,430	37,941	-
Revaluation	13,658	15,413	78	31,518	2,865
Additions and acquisitions	69,981	101,796	251	23,102	36,653
Foreign exchange difference	-	-	-	(6,915)	-
Balance as of 31 December, 2013	300,181	471,811	48,759	85,646	39,518

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

Description of valuation techniques used and key inputs to valuation on investment properties as of 31 December, 2013:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Germany			
Residential properties	DCF	Representative monthly rental fees per sq. m. (in Euros)	5.38
		Long-term vacancy rent (%)	2.03
		Discount rate (%)	6.15
		Cap rate (%)	5.7
Commercial properties	DCF	Representative monthly rental fees per sq. m. (in Euros)	8.15
		Cap rate (%)	6.9
		Discount rate (%)	6.93
Land for development	Residual method	Representative monthly rental fees per commercial sq. m. (in Euros)	14.5
		Projected construction costs per sq. m. (in Euros)	1,300
		Discount rate (%)	9.5
Russia			
Commercial properties under construction	Residual method	Estimated rental value per sqm per month (in Euros)	48.31
		Rent growth p.a.(%)	3
		Long-term vacancy rent (%)	0.60
		Discount rate (%)	15
		Cap Rate (%)	10
Commercial properties	DCF	Estimated rental value per sqm per month (in Euros)	8.5
		Rent growth p.a.(%)	2.31
		Discount rate (%)	12.8
		Cap Rate (%)	11

e. Considering BCP intention to realize the real estate properties in Germany by way of “share deal” as is customary in the market in which it operates, the calculation of value takes into account the manner of expected realization and the required adjustments to the value, including the tax effect on the price as customary in the market in which it operates.

NOTE 5:- MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	Year ended 31 December 2013	2012	2011
		Euros in thousands		
Brack Capital Properties N.V. (BCP)	Netherlands	65.2%	65.1%	63.06%

	Year ended 31 December 2013	2012	2011
	Euros in thousands		
Accumulated balances of material non-controlling interest:	249,280	206,192	178,944
Profit/(loss) allocated to material non-controlling interest:	33,529	19,641	26,742

The Company has consolidated the financial information of BCP due to de facto control as defined in IFRS 10 (see also note 2(f)). As of 31 December, 2013, 2012 and 2011 the Group holds 34.8%, 34.9% and 36.94%, respectively, of BCP share capital and voting rights.
During February 2014 Brack Capital Zeta BV (a subsidiary of the controlling shareholder) agreed, irrevocably, to exercise its voting rights (6.73%) in the shareholders' meetings of BCP in accordance with the direct instructions of BCRE until July 2015.

The summarized financial information of BCP is provided below. This information is based on amounts before inter-company eliminations.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 5:- MATERIAL PARTLY-OWNED SUBSIDIARY (Cont.)

Summarized statement of Profit or Loss:

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Gross rental income	49,540	40,476	28,996
Property operating expenses, net	(4,976)	(2,448)	(1,863)
Administrative expenses	(11,698)	(11,537)	(6,422)
Revaluation of Investments property, net	29,148	6,124	5,341
Gain from bargain purchase	-	4,041	26,517
Other income	-	-	9,050
Finance costs, net	(22,043)	(15,781)	(14,983)
Share in profit (loss) of associates	(1,675)	262	(8,427)
Profit before tax	38,296	21,137	38,209
Income tax	3,772	3,361	964
Profit for the year	42,068	24,498	39,173
Total comprehensive income	42,068	24,498	39,173
Attributable to non-controlling interests	33,529	19,641	26,742
Dividends paid to non-controlling interests	3,712	4,299	1,287

Summarized statement of Financial Position:

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Inventory of apartments under construction	71,920	25,801	15,858
Other current assets	10,301	10,961	5,902
Cash and cash equivalents	33,960	57,498	18,629
Investment property	820,751	619,575	568,181
Inventory of land	48,937	61,822	55,460
Other non-current assets	19,616	9,957	17,031
Other current liabilities	57,617	17,882	17,256
Interest-bearing loans and borrowing	588,751	459,918	395,906
Other long term liabilities	18,702	18,881	11,534
Total equity	340,415	288,933	256,365
Attributable to:			
Equity holders of parent	91,135	82,741	77,421
Non-controlling interests	249,280	206,192	178,944

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 5:- MATERIAL PARTLY-OWNED SUBSIDIARIES (Cont.)

Summarized cash flow information:

	31 December		
	2013	2012	2011
	Euros in thousands		
Operating	35,605	22,947	11,252
Investing	(167,662)	(39,260)	(287,959)
Financing	108,248	55,183	279,402
Net increase (decrease) in cash and cash equivalents	(23,808)	38,870	2,695

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 6:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES

a. The Group has the following investments in associates and joint ventures:

Investment in associates and joint ventures located in	Share in profit (loss) of associates, and joint ventures Year ended 31 December			Investment in associates, and joint ventures 31 December		
	2013	2012	2011	2013	2012	2011
	Euros in thousands					
Russia (6),(7),(8),(9),(10),b	58,508	122,781	(3,569)	196,924	154,242	54,567
U.S.A. (2),(3),(4),(5),(10)	(1,949)	(22,795)	7,223	34,499	41,128	111,589
Izaki (11)	(5,154)	(2,282)	967	5,248	10,843	15,376
Cyprus (1)	(570)	560	(2,440)	10,501	11,598	12,014
India (1)	(242)	(147)	(504)	4,126	4,177	4,253
Germany	(1,675)	-	(7,491)	5,005	272	1,319
	48,918	98,117	(5,814)	256,303	222,260	199,118

(1) Investment of 20% in BCRE India Fund (Group share – 20%) which invests in real estate in India and USA ("the fund"). During 2011, 2012 and 2013, the Company had invested additional amounts of € 1.9 million ($ 2.5 million), € 0.2 million ($ 0.3 million) and €0.2 million ($ 0.3 million), respectively, mainly for investing in new projects located in USA (see also Note 30b (1)). The BCRE India Fund measures its investments in associate companies at fair value through profit or loss. The Company (through a wholly own subsidiary) and its shareholders are members of the board of the general partner in the BCRE India Fund. All investment decisions are being made through majority of the BCRE India Fund investors.

One project located in India, is also being held (25%) directly through a subsidiary of the Company.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 6:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

(2) During 2012, the Company classified its investment in Greystone Owner LLC, an associate of the Group, as held for sale due to negotiations for asset sale. On 18 September, 2013, Greystone Owner LLC entered into a purchase and sale agreement, to sell its property in the amount of € 107.3 million ($ 139.5 million). The sale was completed on 20 December, 2013. As a result of the transaction, the Company recorded loss from realization of investment in the amount of approximately $ 8.5 million, as a part of loss from realization of investments. The Company's share of this loss excluding non-controlling interests amounted to € 2.9 million.

(3) In February 2013, an associate company of the Group sold its holdings in the Grand Street project (The James) a ground-up hotel development project, built by the Group, in Soho, Manhattan, US. The 114-key hotel development construction was completed in 2010 and was sold for $ 85 million (€ 65 million). As a result of the transaction, the Company recorded a loss in the amount of $ 0.5 million. The Company had classified the investment in the associates to asset held for sale in the financial information of 2012, as a result of the intention to realize the investment.

(4) On 10 December, 2013 the Company subsidiary, Mastorio US Corp, acquired 82.53% in BCRE Bowery Investors LLC, which holds, indirectly, through an associate, a land for development in Bowery, NY. The purchase represents an indirect share in the project of 14.9%.

(5) In September 2013, an associate company of the Group sold the last inventory unit in the 15 USW – a conversion, renovation and construction high-end project developed by the company in Manhattan.

(6) On September 2012, the Company joint venture (which was accounted based on equity method) entered into a sale and purchase agreement of a warehouse with the total area of 7,300 sqm. located in Moscow. The total price of the deal is $ 7.5 million (€ 5.7 million). The price is paid by installments and expected to be received by July 2014. There was no material effect on the Company results in 2012 due to this sale.

(7) Regarding the Purchase of the Lyubertsy project holding company, Altramino Trading Limited, see also note 4a (2).

(8) Regarding the purchase of the Lobnia project holding company, BCRE Russian Developments (CY) Limited, see note 4a (1).

(9) Total two phases of the Dmitrov retail complex located in Russia with a total gross area of approximately 17,339 sqm. The property has a benefit of a ground parking for 350 car parking spaces. With respect to loan provided in 2012, see note 17a(16).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 6:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

(10) On 18 May, 2011, a subsidiary of the Company together with the BCRE India Fund (see also (1) above) and additional investors, entered into a joint venture with a third party to develop a hotel (with ancillary garage and retail) in Manhattan, NY. The total consideration in the amount of € 35.6 million ($ 46.35 million) was paid to the seller for the land, constructed portion of the ancillary garage and retail and the related development rights (the Company part € 17.8 million). The subsidiary is entitled to promote, based on certain mechanism defined in the investment agreement (see note 30b2) and to management fees based on market terms. Regarding the sale of the Garage and retail, see note 4a3.

(11) On 10 December, 2013 Brack Marconi (Netherlands) B.V, a subsidiary of jointly controlled entity of the Company, sold 80% of the Marconi project in Rome, Italy for a total consideration of € 4.8 million. As a result, loss from the sale in the amount of € 4.8 million was recorded as share in profit (loss) of companies accounted for using equity method.

b. Interest in a joint venture:

The Company has a 49.57% interest in Siletia Fund LLP (hereinafter – "Joint venture"), a jointly controlled entity which holds together with its partners a project company in Kazan, Republic of Tatarstan, Russia. The Company interest in the Joint venture is accounted for using the equity method; following is a description of the project:

During the first half of 2012, the Joint venture has been chosen to develop and operate a large, modern, multi-phase wholesale market complex in Kazan (contain 5 pavilions), designated by the Republic of Tatrastan and the City of Kazan to replace several markets that are being closed and evacuated within the city. A 49 year leasehold for a total of approximately 200 hectares, with right to buy the freehold was secured. The total consideration paid by the Joint venture is approximately € 19.8 million ($ 25 million). The Group's investment in the project amounted to €190.6 million (including loans in the amount of € 11 million) and €141.1 million (including loans in the amount of € 14.8 million) as of 31 December 2013 and 2012, respectively. After deducting the non-controlling interest, the Company's share is project amounts to € 110.9 million and € 81.9 million as of 31 December 2013 and 2012, respectively. The Company's share in the project is approximately 25%. The construction of – pavilion 1 and pavilion 2 was completed in December 2012 and August 2013, respectively.

In May 2013, Pavilion 1 was destroyed by a fire. The complex was insured by Transneft Insurance Company ("Insurer"). During December 2013 the LLC Management Company Technopolis New Toura ("The project company") and the insurance company have agreed on a compensation for losses, caused by the fire, of € 17 million ($ 22 million). The agreed insurance proceeds were received in February 2014. The project company has recorded a gain during 2013 in the statement of Profit or Loss for the amount received from the Insurer.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 6:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

The project company is planning to reconstruct the Pavilion 1 during 2014. The construction of the Pavilion 3 started in 2013 and the construction is expected to be completed in July 2014. In 2013 the project company signed the preliminary lease agreement for Pavilion 3.

The total rental income for the first three pavilions (out of 5 planned pavilions) is expected to amount to € 13.8 million ($ 18 million) in the first year and from the second year and so on to € 23 million ($ 30 million) with yearly indexation of 9%. In addition an entrance fee agreement was signed according to which the tenants will pay an amount of € 7.6 million ($ 13.03 million) per phase as one time entrance fee.

The land plot and the constructed pavilions are being revaluated based on external valuation received by the Company. The fair value was determined based on estimated future revenues expected from the completed project, using yields in line with relevant significant risk to the construction process, including construction risk and rental risk, which are higher than current yields for similar investment property already completed. The expected remaining costs to completion are deducted from such estimated future revenues. In computing the fair value, the valuators used a discount rate of 17.5%-29% (in 2012 – 17.5%-28%) and a capitalization rate on reversion of 15% (2012 – 15%). As a result, a revaluation gain was recorded in the statements of profit or loss as a part of share in profit of associates in the amount of € 56 million and € 125 million, for the years ended 31 December 2013 and 2012, respectively (after deduction of non-controlling interests € 32.8 million and € 73 million for the year ended 31 December, 2013 and 2012 respectively).

In August 2012, a construction loan was signed for the first two stages out of a total of 5 stages. The construction loan, in the amount of € 33.8 million, of Pavillion 1 and 2 was refinanced by a new loan of € 72.3 million ($ 94 million) in three tranches. The last tranche was received in November 2013. In December 2013, a facility loan agreement of € 23.8 million ($ 31 million) for the construction of Pavillion 3 was signed. As of 31 December, 2013 the total drawdowns amount were € 78.2 million ($ 101.7 million). Security for the borrowings: retail-warehouse complex Pavilion 2, property rights Pavillion 3 and lease rights for the land plot. The Company had secured the Borrower's obligation under the Facility Agreement (for construction of Pav3) to pay interests, commissions, forfeit, accrued on the investment phase of Pavilion 3 development. The Guarantee shall not exceed the amount of $ 4.1 million (€ 3 million).

During 2013, the Company received from the joint venture, on account of repayment of loans previously granted, total amount of approximately € 7.6 million.

In May 2013, the Company entered into agreement with its partners according to which the Company received option to purchase additional 5% of interest in joint venture in total consideration of € 1.2 million ($ 1.65 million). The exercise price is

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 6:- INVESTMENTS AND LOANS TO ASSOCIATES AND JOINT VENTURES (Cont.)

€ 4.5 million ($ 5.85 million). In December 2013, the Company exercised its option, and as a result, recorded gain from bargain purchase in the amount of approximately € 14 million.

Summarized financial information of the joint venture, based on its IFRS financial information, and reconciliation with the carrying amount of the investment in consolidated financial information are set out below:

	Year ended 31 December 2013	Year ended 31 December 2012
	Euros in thousands	
Current assets, including cash and cash equivalents and prepayments	21,815	6,293
Non-current assets	511,734	392,752
Current liabilities, including tax payable	9,997	7,045
Non-current liabilities, including deferred tax liabilities and long-term borrowing	149,065	97,245
Equity	374,487	294,754
Proportion of the Groups ownership	110,950	81,901

Summarized statement of profit or loss of the Joint Venture:

	Year ended 31 December 2013	Year ended 31 December 2012
	Euros in thousands	
Gross rental income and service charge	6,318	469
Operating expenses	(2,386)	(838)
Revaluation of investment property	140,034	348,050
Administrative expenses, including depreciation	(979)	(32)
Finance (expenses), net	(9,828)	685
Other income	18,464	(10)
Profit before tax	151,623	348,324
Income tax expense	(24,067)	(53,835)
Profit for the year	127,556	294,489
Company share of profit for the year	32,821	73,246

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 7:- FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December, 2013:

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Euros in thousands			
Assets measured at fair value:					
Investment property	31 December, 2013	945,915	-	-	945,915
Embedded derivatives and other derive derivatives	31 December, 2013	379	333	46	-
Marketable securities	31 December, 2013	4,499	4,499	-	-
Loans to associates	31 December, 2013	53,481			53,481
Other investments and loans	31 December, 2013	38,733	-	-	38,733
Liabilities measured at fair value:					
Derivatives	31 December, 2013	3,675	1,081	2,594	-
Loans from associates	31 December, 2013	23,640	-	-	23,640
Interest – bearing loans and borrowings	31 December, 2013	477,359	-	-	477,359
Liabilities for which fair values are disclosed	31 December, 2013	236,067	136,118	-	99,949

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

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 8:- INVENTORY OF LAND AND INVENTORY OF APARTMENTS UNDER CONSTRUCTION

a. Current assets:

	31 December		
	2013	2012	2011
	Euros in thousands		
Cost of land (2)	40,361	25,458	15,088
Construction costs and tax (1) (2) (3)	51,945	23,342	2,342
	92,306	48,800	17,430

(1) Include accumulated capitalized borrowing costs of approximately € 335 thousand as at 31 December, 2013 (€ 258 thousand and € 148 thousands as at 31 December, 2012 and 2011, respectively).

(2) During 2012, the Company purchased additional 50% in a subsidiary, which was previously accounted for using the equity method. The acquired company holds an inventory of constructed apartments in the amount of € 20,387 thousands as of December 31, 2013.

(3) During 2012, the Group had recorded an impairment loss in the amount of € 778 thousand.

b. Non-current assets:

	31 December		
	2013	2012	2011
	Euros in thousands		
Cost of land	40,177	54,902	54,359
Construction costs and tax	8,760	6,920	6,558
	48,937	61,822	60,917

c. Inventory of apartments under construction and inventory of land mainly includes a project in Düsseldorf, Germany, to build approximately 1,000 residential units. In 2012, BCP commenced the construction of stage A of the project to build 202 residential units. In the fourth quarter of 2013, BCP commenced the construction of a part of the second stage of the project consisting of 197 residential units and 713 sqm for commercial use. As a result of the above, the Company classified € 17,935 thousand from inventory of real estate to inventory of apartments under construction.

With respect of Stage A of the Dusseldorf project of BCP, and as at 31 December 2013, BCP had signed 187 sale agreements with proceeds estimated at € 74.9 million. Total advances as of this date amounted to approximately € 44 million.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 8:- INVENTORY OF LAND AND INVENTORY OF APARTMENTS UNDER CONSTRUCTION (Cont.)

The cost of inventory expected to be realized to profit or loss due to Stage A amounts to € 66 million (out of which an amount of € 52.2 million was invested as of 31 December, 2013).

With respect to part of Stage B, of the Dusseldorf project, on 24 July, 2013, BCP entered into an agreement with a German pension fund for forward sale of Stage B2 in the project consisting of 79 residential units in two buildings, and commercial spaces of 713 sqm. and 101 parking spaces for a total consideration of € 30 million. BCP is expecting to start the construction of stage B2 during the second quarter of 2014.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 9:- PROPERTY, PLANT AND EQUIPMENT, NET

	2013	2012	2011
	Euros in thousands		
Cost			
Balance at the beginning of the year	7,792	8,046	6,914
De- consolidation (1)	(7,039)	-	-
Additions	47	254	453
Foreign exchange differences	-	(508)	562
Balance at the end of the year	800	7,792	7,929
Accumulated depreciation			
Balance at the beginning of the year	2,578	2,036	1,435
De- consolidation (1)	(2,523)	-	-
Depreciation	110	600	478
Foreign exchange differences	-	(58)	66
Balance at the end of the year	165	2,578	1,979
	635	5,214	5,950

(1) During 2013, an asset was sold to an associate company. The sale did not have a material effect on the Group's results.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 10:- OTHER INVESTMENTS AND LOANS

a. Composition of long term investments and loans:

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Embedded derivatives	379	95	590
Employees (1)	13,697	10,341	6,573
Loans to companies investing in real estate projects (2) (3) (4)	5,003	6,214	25,801
Other investments and loans	5,718	5,255	3,791
Related parties (5)	4,041	3,804	-
	28,838	25,709	36,755

(1) Represents recourse loans to employees also secured by their portion in the Group investments, part of the loans have a non-recourse mechanism that allows the loans to be classified as a non-recourse loan with the pledged assets being the only security, upon an LTV ration of 67% or below, based on market value, or the NAV of the pledged assets. The loans bear an annual interest rate of 3.5% and are repayable within 5-7 years.

(2) Loans granted by the Group to third parties which intend to finance real estate projects. The loans bear an annual interest rate of 8%-20%.

(3) On September 2011, the Company subsidiary purchased from a US bank (“the bank”) for consideration of € 3.5 million ($ 5 million), with discount to the market value, a loan granted previously to a company owning US real estate property. As a result of this transaction, the Group had recorded a gain from early repayment of the loan in the amount of € 11.6 million, for the year ended 31 December, 2011. As a result of the US project sale during 2013 and the repayment of the loan, the Group had recorded during the year ended 31 December, 2013 an additional gain in the amount of € 5.6 million which was recorded as part of finance income.

(4) In addition, during 2011, the Company granted loans in the total amount of € 6.5 million for the finance of an equity purchased by third party in two US real estate properties. The loans bear 20% interest rate to be repaid out of the US projects profits no later than 1 September, 2016 and are secured by the purchased equity. During the years 2011, 2012, and 2013 the Company received amounts of approximately, € 2.3 million, € 3 million and € 0.5 million, respectively due to repayment of the above mentioned loans. An amount to be paid of € 3.6 million is presented as current maturities of long term loans.

(5) Loans provided to shareholders, see also Note 31.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 10:- OTHER INVESTMENTS AND LOANS (Cont.)

b. Composition of short term loans and current maturities of long term loans:

	31 December		
	2013	2012	2011
	Euros in thousands		
Loans to companies investing in real estate projects (1)(2)	10,274	17,095	3,093
Co-investors	-	4,465	4,843
	10,274	21,560	7,936

(1) In April 2013, the Group established, BCRE Lending LLC, a subsidiary that will specialize in providing short-term senior construction debt bearing annual interest rate of between 10%-12% collateralized primarily by small residential development assets in the New York Metropolitan Area. As of 31 December 2013, the Group together with other co-investors had committed to a total of € 15.3 million ($ 21.1 million) of loans, out of which € 6.6 million ($ 9 million) had been drawn down. All loans are senior loans and are secured by personal guarantees and/or equity pledges.

(2) See also a(3) above.

c. Restricted bank accounts and deposits:

(1) During 2011 BCP subsidiary in Germany has committed to invest approximately € 10 million in renovation of acquired properties. BCP deposited the amount in restricted deposits to secure its obligation. A total of approximately € 7.7 million bearing interest of Euribor minus 0.2%, € 1.6 million bears interest of 0.8% and € 0.7 million bear annual interest of 0.7% - 1.13%. The deposits are presented as long term assets.

(2) Short term restricted bank accounts bears an annual interest rate of between 0%-0.45%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 11:- TAXES ON INCOME

a. The main expected tax implications on the Company's revenues are detailed below:

Netherlands	- Tax rate: 25%
U.S. taxation – Federal tax	- Tax rate: 35% (calculated on a gradated basis), state and city taxes also apply.
Cyprus taxation	- Tax rate: 12.5%
German taxation (1)	- Tax rate: 15.825% (not including trade tax if applicable)
Russian taxation	- Tax rate: 20% (15.5% in certain instances)
Luxemburg taxation	- Tax rate 28.8%

(1) Earnings from the sale of apartments are subject to local business tax in Germany. The corporate tax and local business tax rate amounts to 31.225%.

b. Taxes on income included in the statements of profit or Loss:

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Current income tax	(102)	(377)	(39)
Deferred income tax	(3,163)	7,223	(1,724)
Previous years taxes	(14)	-	28
Total Income tax benefits (tax expenses)	(3,279)	6,846	(1,735)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 11:- TAXES ON INCOME (Cont.)

c. Reconciliation between the tax expense in the statements of profit or Loss and the profit before tax, multiplied by the current tax rate, can be explained as follows:

	Year ended 31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Profit before income tax	111,647	98,446	51,864
Statutory tax rate (25%)	27,912	24,611	12,966
Increase (decrease) in respect of:			
Company's share in losses (earnings) of associates	(3,798)	(9,521)	581
Effect of different tax rates in foreign subsidiaries	(14,900)	(19,111)	(1,671)
Losses for which deferred tax assets were not recorded	1,029	3,686	(576)
Income not subject to tax due to share deal	(5,028)	(4,455)	(6,890)
Gain from bargain purchases	(1,394)	(1,597)	(6,684)
Effect of non-deductible expenses	67	-	179
Previous year's tax and others	(609)	(459)	360
Income tax expenses	3,279	(6,846)	(1,735)

d. Deferred taxes:

Composition:

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Deferred tax liabilities:			
Measurement of loans at fair value	(1,988)	(1,963)	(1,859)
Measurement of investment property and inventory of land at fair value upon business combination	(28,937)	(24,126)	(22,509)
Deferred tax assets:			
Measurement of derivatives at fair value	594	653	613
Carry forward tax losses	15,243	7,556	4,738
Deferred tax liabilities, net	(15,088)	(17,880)	(19,017)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 11:- TAXES ON INCOME (Cont.)

Fair value adjustments of investment properties create a temporary difference between the carrying amount of the assets and their tax base. Since, in some cases, the Group intends to sell the companies holding the assets rather than selling the underlying assets, deferred taxes were not recorded in respect of the above temporary differences. As such, the Group measured the fair value of the shares of the single asset company which takes into consideration the taxes applied upon realization of the shares.

The deferred taxes are reflected in the balance sheet as follows:

	31 December		
	2013	2012	2011
	Euros in thousands		
Non-current assets	9,510	4,669	1,372
Long-term liabilities	(24,598)	(22,549)	(20,389)
	(15,088)	(17,880)	(19,017)

Losses carried forward

The Company has tax losses of € 22 million that are available for a period of 9 years from the year they were generated for offsetting against future taxable profits of the Company.
Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits, there are no other tax planning opportunities or other evidence of recoverability in the near future.
Other Dutch and Cypriot entities have loss carried forward, which deferred taxes were not recorded for, since there aren't evidence of recoverability in the near future.

As of 31 December, 2013 BCP subsidiaries have business losses and capital losses carried forward for tax purposes amounting approximately € 51 million. In respect of these carried forward losses, deferred tax assets have been recognized in the financial information as of 31 December 2013, 2012 and 2011 in the amount of approximately € 9.3 million, € 6.9 million and € 4.3 million, respectively.

As of 31 December, 2013, the Russian operation companies have business losses and capital losses carried forward for tax purposes amounting approximately € 27 million. In respect of these carried forward losses, deferred tax assets have been recognized in the financial information as of 31 December 2013, 2012 and 2011 in the amount of approximately € 5.4 million, € 5.34 and € 4.9, respectively. As of 31 December, 2013, there are additional € 5 million tax losses, for which no deferred taxes were recorded.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 12:- MARKETABLE SECURITIES AND OTHER SHORT-TERM INVESTMENTS

	31 December		
	2013	2012	2011
	Euros in thousands		
Other short term investments	629	421	508
Debentures (1)	1,777	2,448	2,398
Other marketable securities	2,093	4	15
	4,499	2,873	2,921

(1) See also Note 31.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 13:- TRADE AND OTHER RECEIVABLES

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Government authorities	5,948	1,337	1,273
Trade receivables (1)	5,698	5,485	15,625
Prepaid expenses	1,160	886	1,176
Related parties (2)	986	3,690	6,975
Others	3,472	5,870	1,750
	17,264	17,268	26,799

(1) Trade receivables are presented in deduction of provision for bad debt in the amount of € 2,524 thousands, (in 2012: € 2,687 thousands, in 2011: € 2,719 thousands).

(2) See Note 31

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 14:- CASH AND CASH EQUIVALENTS

a. Composition:

	31 December		
	2013	2012	2011
	Euros in thousands		
Bank balances (1)	67,968	51,803	16,188
Deposits (2)	8,955	16,921	8,083
Cash and cash equivalents	76,923	68,724	24,271

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 14:- CASH AND CASH EQUIVALENTS (Cont.)

b. By currency:

	31 December		
	2013	**2012**	**2011**
	Euros in thousands		
In NIS	3,784	777	582
In Euro, or linked to Euro	30,732	58,187	19,050
In U.S. dollar, or linked to U.S. dollar	39,300	9,356	4,120
Other	3,107	404	519
	76,923	68,724	24,271

c. terms:

(1) Cash in banks earn interest at floating rates based on daily bank deposit rates.

(2) Short- term deposits bear average yearly interest of 0.15%- 1.7%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 15:- EQUITY

a. Composition of share capital:

	31 December, 2013		31 December, 2012		31 December, 2011	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of 0.1 Euro par value each	2,500,000	1,445,917	2,500,000	1,420,256	2,500,000	1,362,276

b. Ordinary shares issued and fully paid:

	Number of shares	In Euros
At 1 January 2011	240	24,000
Conversion and split	999,760	76,000
Issued during 2011	362,276	36,228
At 31 December 2011	1,362,276	136,228
Issued during 2012	57,980	5,798
At 31 December 2012	1,420,256	142,026
Issued during 2013	25,661	2,566
At 31 December 2013	1,445,917	144,592

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 15:- EQUITY (Cont.)

1. On 5 April, 2011 the Company has split its issued shares from 240 shares with a nominal value of € 100 into 1,000,000 shares with a nominal value of € 0.10 each.

The increase of the issued capital as a result of the conversion and split in the amount of € 76,000 was charged against the share premium.

2. During 2011, the Company signed investment agreements for the issue of 362,276 shares of € 0.10 par value each to a number of private investors, which constituted 23.6% of the Company's issued share capital, in return for € 31.6 million. In addition the Company issued to the investors convertible capital notes for the total amount of € 16.2 million (see also section c below). According to the agreement a liquidation mechanism can be triggered by the investors, requiring a disposal of the Company's investments should an IPO have not occurred by 30 June 2015, or should senior management of the Group will be replaced without the consent of the investors. The receipts from the disposals shall be made pro-rata and simultaneously to all shareholders. Upon an IPO of the Company's shares the liquidation mechanism is automatically cancelled.

   The total receipts from said private placement (including capital notes issued to the investors) amount to € 47.1 million (net of the issuance expenses in the amount of approximately € 0.7 million).

3. During November, 2012 the Company signed an investment agreement with 3 investors for investing of € 9.3 million (including € 2.6 million in convertible capital notes) in the Company constituting 4.08% of the Company issued share capital out of this amount. The investments reflecting a pre-money value of € 220 million.

4. During the first quarter of 2013, the Company has signed an investment agreement with some investors for investing the amount of € 4.1 million in the Company (including €1.1 million in convertible capital notes) constituting 1.77% of the Company issued share capital. The investment reflecting a pre-money value of € 220 million.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 15:- EQUITY (Cont.)

c. As of 31 December, 2013 the balance of the convertible capital notes, the Company issued to its shareholders, amounted to € 59,585 thousand. The capital notes are denominated in € and are repayable until April 2016. The Company can force conversion at maturity (fixed conversion rate) to the Company's share premium account. The shareholders have the right to force the conversion at any time. The capital notes are subordinated to all the liabilities of the Company. In case of an IPO the capital notes are automatically converted into share premium. The Company had exercised the right to convert the capital notes with effect from May 2014.

On 31 December 2013, the Company distributed to its shareholders as repayment of the convertible capital notes, an amount of € 5,088 thousands in aggregate.

d. Dividend policy:

Subject to compliance with Dutch law and depending on the extent of a receipt of a distribution from BCP, the Company intends to make an annual distribution to its shareholders (either in the form of a cash dividend or in any other form available under Dutch law) of around 2.5% of the Company's end-of-year NAV commencing in 2014, assuming no change to the issued share capital of the Company. However, there can be no assurance that the Company will generate sufficient earnings to allow it to make distributions and if it does, the Board may elect to reinvest the entire profit instead of making distributions.

e. Nature and purpose of reserves:

Non-controlling interests holders transaction reserve:

a) During 2011, the Company purchased part of the non-controlling share in BCP. In addition, 375,166 options were exercised to shares of BCP according to employees' option plan. As a result, the Company had recorded a reduction in equity in the amount of € 972 thousand.

b) On 11 July, 2012, BCP had issued to institutional investors 276,315 ordinary shares of € 0.01 par value each, which represent approximately 4.53% of the issued and outstanding share capital and voting rights at a price per share of NIS 152 and in return for a total consideration of NIS 42 million (approximately € 8.5 million). As a result, the Company recorded a loss in the amount of €5 million, in non-controlling interest holders' reserve.

c) A group of investors and BCP entered into a certain Share Purchase Agreement dated as of 11 February, 2010 (the "SPA") pursuant to which the investors made an investment in BCP, all in accordance with the terms and conditions of the SPA. The SPA included, inter aila, provisions regarding the investors' rights to First ESOP anti-dilution protection provisions and the Second ESOP anti-dilution protection provisions (and provisions of IPO ratchet protection mechanism).

During 2013, the shares were transferred to the investors following a settlement between BCP investors and BCRE which replaced the anti-dilution protection. As a result, the Company recorded a loss in the amount of € 5.6 million.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 16:- SHARE BASE PAYMENTS

1. Warrants 1 – On 4 February, 2010, BCP allocated option warrants, exercisable from the date of allocation in five years, to 313,171 BCP shares, to the Group employees. The exercise prices of such warrants are € 0 - € 20.1 per share (the exercise prices of some of the warrants is adjusted by cumulative yearly interest between 8%-12%). In addition, on 26 August, 2010, BCP Board approved the allocation of option warrants to eight employees, exercisable to 158,593 BCP's shares, at an exercise price of between € 3.91 and US$ 15.63 plus 8% annual interest.

   As of 31 December, 2013 the remaining un-exercised warrant are 146,465 exercisable into BCP shares. The warrants are immediately vested.

2. Warrants 2 – On 29 June, 2009 BCRE Russian Properties Limited (hereinafter – "BRP"), a subsidiary of the Company, granted warrants to the employees of the Group exercisable into 584,658 BRP shares. The exercise prices of the warrants are € 11.7- € 37 per share (the exercise prices of some of the warrants are adjusted by cumulative yearly interest of between 8%-12%). The warrants are immediately vested and and can be exercised to shares in 5 years from the grant date. On 29 November 2012, the BRP board of directors approved the extension of the exercise period from 5 years to 10 years since the grant date. The change in the terms of the warrants didn't have material effect on the Group's results.

3. Warrants 3 – On 30 November, 2009, BCP granted its Joint CEO, 101,608 warrants (representing 1.59% of the BCP share capital assuming full dilution), exercisable from grant date and until five years and seven months as follows: 50,804 exercisable into BCP's shares, starting from 31 months from the date of allocation and 50,804 exercisable into BCP's shares starting from 43 months from the date of allocation. The warrants exercise price is € 17.5 thousand plus 7.5% compounded annual interest. On July 15, 2010, BCP granted warrants exercisable into 188,701 , shares of BCP (representing about 3.5% of the BCP share capital assuming full dilution), to BCP second Joint CEO and to additional employees, who are employed by BCP subsidiaries, at an exercise price of approximately € 17.97 per share plus 7.5% compounded annual interest. One half of the warrants are exercisable starting from 24 months after the allocation date and other half are exercisable starting 36 months after the allocation date. As of 31 December 2013, the remaining unexercised warrants are 203,216 exercisable into BCP shares. The warrants are fully vested.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 16:- SHARE BASE PAYMENTS (Cont.)

4. During 2012, BCP allocated warrants exercisable into 87,093 shares of BCP (representing approximately 1.43% of the Company share capital on fully diluted basis) to BCP VP of operations, CEO of a subsidiary of BCP and BCP CFO. The exercise price is €17.22 plus an annual cumulative interest at a rate of 7.5% per year. The terms of the warrants are 5 years since the grant date. On October 2013, BCP remuneration committee decided to convert the exercise price to nominal and set the price of € 21.39 with no additional cumulative interest. As of 31 December 2013, the remaining unexercised warrants are 91,705 exercisable into BCP shares. The warrants are fully vested.

5. Warrants 4 – on February 2012, the Company board of directors approved the issuance of fully vested warrants exercisable into Company shares representing 3% of the Company's share capital to an investment committee member. The exercise price of the warrants is €132.13 per share. The fair value of the option is approximately € 1,517 thousands.

6. Warrants 5 – During 2013, BCP's audit committee members and the board of directors approved the issuance of 441,524 warrants exercisable into 441,524 of BCP's shares which will be allocated to BCP's officers, including joint CEOs and the CEO of a subsidiary who serves also as a director in BCP. On 29 October, 2013, the general meeting of BCP shareholders approved the aforesaid resolutions. The fair value of the warrants is approximately € 5,883 thousand.

7. Warrants 6 – On 2 July 2013 the managing board of Brack Capital USA B.V (BCRE USA), a subsidiary of the Company, granted to employees of the Group 480,278 warrants exercisable into 13.8% of BCRE USA's share capital, at exercise price of \$13.78 - \$27.11 per share. 55% out of the warrant granted are vested upon grand, 10%, 15% and 20% of the warrants granted each year thereafter. The fair value of the warrant granted is approximately € 1,258 thousands.

8. Expense recognized in the financial information:

   The expense recognized in the financial information for services received from Group employees is presented in the following table:

	31 December		
	2013	2012	2011
	Euros in thousands		
Equity-settled share-based payment plan	2,403	2,868	729

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 16:- SHARE BASE PAYMENTS (Cont.)

9. Movement during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movement in, share options during the year:

	2013 Number	2013 WAEP	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding an 1 January	1,179,342	59.07	1,200,231	17.93	1,317,700	17.37
Granted during the year	921,802	26.94	127,953	76.28	-	-
Forfeited during the year	-	-	-	-	(34,837)	17.97
Exercised during the year	(112,438)	6.68	(148,842)	4.32	(82,632)	4.49
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	1,988,706	52.03	1,179,342	59.07	1,200,231	17.93
Exercisable at 31 December	1,547,182	42.67	1,028,381	48.35	973,790	15.73

The following tables list the inputs to the models used for the six plans for the year ended 31 December 2013:

	Warrants 1	Warrants 2	Warrants 3
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	32%-36%	28%-29%	35%
Risk-free interest rate (%)	0.4%-4.12%	0.18%-2.53%	0.47%-3.23%
Early Exercise Factor- EEF (%)	150%-300%	150%-250%	150%
Weighted average share price (€)	€ 7.83	€ 39.46	€ 25.22
Model used	Binomial	Binomial	Binomial

	Warrants 4	Warrants 5	Warrants 6
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	23%-30%	21%-26%	26%
Risk-free interest rate (%)	0.21%-1.48%	0.02%-2.78%	0.14%-0.64%
Early Exercise Factor- EEF (%)	250%	75%-150%	150%-250%
Weighted average share price (€)	€ 505.66 per 1% of Company's equity	€ 40.09	€ 13.81
Model used	Binomial	Binomial	Binomial

The expected life of the warrants is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the warrant is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 17:- INTEREST-BEARING LOANS AND BORROWINGS

a. Below is information about the contractual terms of the Group's interest-bearing loans and borrowings.

	31 December,		
	2013	2012	2011
	Euros in thousands		
Euro			
Bank loans (1)(8)(9) (10)(11)(12)(13) 15)	467,397	377,625	355,800
U.S. dollar			
Bank loans and others (14)(16)	63,477	20,178	4,020
RUB			
Bank loan	7,547	8,135	-
NIS			
Debentures (2) (3) (4) (5) (6)(7)	217,229	170,475	141,813
Total current interest-bearing loans and borrowings	755,650	576,413	501,633
Less – current maturities	57,843	117,840	33,261
Total non-current interest-bearing loans and borrowings	697,807	458,573	468,372

(1) Due to designation of loans as fair value through profit and loss to avoid accounting miss-match, € 437,249 thousand out of the balance of the loans as of 31 December, 2013 are presented at fair value (€ 353,667 thousands and € 340,373 thousand as at 31 December, 2012 and 2011, respectively).

(2) The debentures, in the amount of € 77.9 million (373 million NIS), € 88.5 million (483 million NIS) and € 101.7 million (505 million NIS) as of 31 December 2013, 2012 and 2011 respectively, of which € 15.5 million (74 million NIS), € 14.5 million (73 million NIS) and € 14.5 million (72 million NIS) are presented as current maturities, respectively, were issued by the Company and are linked to the Israeli CPI and bear annual interest of 6.504% to be repaid in 7 annual installments, commencing December 2012. On 3 February, 2010, the debentures interest rate increased to 7.504%, as a result of the debentures change in rating. During 2012, as a result of an increase in the rating of the debentures, the interest rate was decreased to 6.504%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 17:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(3) In November 2013, the Company had issued an additional series of debentures (series B) for a nominal value of $ 25 million (€ 18.1 million). The debentures were issued to private investors and are denominated in USD, bearing interest rate of 7% per annum. The debentures amount is repayable in seven annual payments of unequal amounts on each 31 December from 2015 to 2021 (inclusive). The first four repayments constitute 6.25% of the debentures amount and each of the last three payments will be 25% of the debenture amount. The debentures are secured by $ 50 million of BCP shares. With respect to debenture covenants see note 30a(8).

(4) On 28 February, 2011, BCP filed a prospectus for the issue of NIS 200,000 thousand debentures (Series A) of NIS 1 par value each to the Israeli public. The total consideration received amounted to NIS 194,050 thousand (€ 38.7 million). Issuance costs amounted to NIS 7.4 million (€ 1.58 million). The debentures bear annual interest of 4.8% linked to the Israeli Consumer Price Index and will be paid every six months. The debentures are redeemable in 7 equal annual principal payments on July 14 of each of the years 2014 through 2020 (inclusive). Regarding covenants BCP has undertaken to meet, see also note 30a(4)

(5) On 11 June, 2012, BCP board of directors approved a private issuance of NIS 40 million of debentures (Series A) NIS 1 par value each listed for trade, by expansion of debenture series (Series A) of BCP. The net proceeds of the issuance amounted to NIS 39.6 million (€ 8.1 million). The debentures bear annual interest rate of 4.8% linked to the CPI and payable every six months (effective interest rate of approximately 6.37%)

(6) On 4 November, 2012, BCP board of directors approved a private issuance of NIS 160 million of debentures (Series A) NIS 1,000 par value each, listed for trade, by expansion of debenture series (Series A) of BCP. The net proceeds of the issuance amounted to NIS 169.6 million (€ 34.5 million). The effective interest rate was approximately 5.4%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 17:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(7) On May 21, 2013 BCP issued to the public in Israel new series (series B) of non-convertible debentures in a total amount of NIS 175,000,000 par value. The debentures bear annual interest of 3.29% (payable in semiannual payments in June and December effective December 2013) and are linked to the Israeli Consumer Price Index as of April 2013. The debentures (series B) will be payable (principal) in unequal annual 12 installments on 31 December in each of the years 2013 through 2024 (inclusive) such that each payment of the first 7 payments will constitute 4% of the principal of the total par value of the debentures (series B) and each payment of the last 5 payments will constitute 14.4% of the principal of the total par value of the debentures (series B). With respect to covenant BCP has undertaken to meet, see note 30a(6). Regarding the expansion of the series after the financial information date see note 33.

(8) In November 2011, subsidiaries of BCP in Germany (the Dusseldorf project companies) signed a loan agreement with a bank (“the bank”) in order to obtain a non-recourse financing in the amount of € 87.5 million to finance the first stage of a development project as follows:

a) Non-recourse loan in amount of € 25 million for repayment of existing loan in amount of € 20 million and future payments for the land. The loan bears a variable interest (Euribor) plus 1.75% margin and will be paid in one payment (Bullet) in November 2014;

b) Providing guarantee of € 15 million, € 13.5 million of which in favor of Dusseldorf municipality for securing the subsidiaries liability under the development agreement of the project. The additional guarantee balance is in favor of the performing contractors;

c) € 47.5 million to finance the construction of the first stage of the project. The loan bears variable interest of Euribor plus a margin of 1.75%, to be repaid quarterly. The loan principal is to be paid in one payment in November 2014 or upon completion of the construction and occupancy of the first stage, whichever the earlier.

(9) During 2011, subsidiaries of BCP in Germany financed certain real estate transactions by non-recourse loans from banks in a total amount of approximately € 235 million, bearing variable interest of Euribor plus a margin of 1.5-1.64% per annum, to be repaid in equal quarterly installments until April- June 30, 2016. Most of the interests are hedged by CAP transactions for fixing the interest rate ceiling at an annual rate of 2.82-4.5% and for the remaining loan amounts a SWAP transaction was entered for base interest of 2.479% - 2.807%. The CAP and SWAP transactions are not treated as hedging transaction for accounting purposes. Due to accounting mismatch, BCP has designated the loan at fair value through profit or loss (see 1 above).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 17:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

(10) On 30 April, 2012, a subsidiary of BCP holding a residential property in the city of Velbert, Germany, entered into a loan agreement with a bank for refinancing in the amount of € 20.7 million. The loan is non- recourse and bears variable interest (Euribor) plus a margin of 1.5% that includes the CAP with an interest ceiling of 4.5% structured in the loan, for payment in equal quarterly installments until 30 April, 2017. The interest cap transaction is not treated as hedging transaction for accounting purposes. Due to accounting mismatch, BCP has designated the loan at fair value through profit and loss.

(11) On 31 January, 2013, nine subsidiaries of BCP holding both residential and commercial property in Germany, entered into a loan agreement with a bank for refinancing a loan that was payable in 2013, for the year ended 31 December, 2012 in the amount of € 71 million. The loan is non-recourse and bears fixed interest of 2.47% for payment in equal monthly installments until 30 January 2018. The loan will be repaid within four equal payments of 2% a year and final balloon payment in January 2018. Due to accounting mismatch, BCP has designated the loan at fair value through profit and loss due to accounting mismatch.

(12) Regarding a loan that was received with connection to the purchase of the properties in Wuppertal, see Note 3.

(13) On 31 December, 2012, BCP purchased a commercial center in Germany (see also Note 4). The consideration paid was financed by a non-recourse loan of approximately € 9.5 million from a German bank, bearing variable interest of Euribor + a margin of 1.9%. If the Euribor rate shall exceed 3.5% during the term of the loan, BCP must enter into interest CAP agreement to fix the rate up to 4.5%. The loan is payable in equal quarterly installments until 31 December, 2017.

(14) On 21 May, 2103 a subsidiary entered into two loan agreements with a bank in Russia for the financing of a shopping mall construction. Facility amounts and interest rates are $ 11.8 million, $ 83.1 million and 15%, 9.2%, respectively. Maturity date is on 20 May, 2023. The last drawdown date is set for 20 February, 2016. The loan is secured by way of a pledge over the land and a limited guarantee granted by the Group for an amount up to approximately $15.7 million and expires upon completion (see also note 30a(6)). As of 31 December 2013, € 21.9 million had been drawn down.

(15) In order to finance the 2013 acquisitions of the assets, BCP entered into non-recourse loan agreements with German banks in the amount of € 105.9 million. The loans bear annual interest rates of Euribor plus a margin of 1.7%-1.88% or a fixed interest rate of 2.66%-2.67%. The loans granted for a period of 5 years and are to be repaid on monthly or quarterly payments of an annual rate of 2%-2.55%, until the final repayment date in

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 17:- INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

which the unsettled principal balance will be paid. Except for one loan, in the amount of € 10.25 million, all loans were designated at fair value through profit and loss due to accounting mismatch.

(16) In May 2012 the Company signed a facility agreement with Russian Bank for the total amount of € 35.8 million ($ 44.6 million). The validity term of the facility agreement is 10 years with the interest rate 3M Libor + 7%. The main security means of the agreement are mortgage of the property and the land plots. As of 31 December, 2013 the balance of the loan is € 29.8 million ($ 41 million). The project is being held through a joint venture accounted based on equity method.

b. The maturity dates of long-term loans:

	31 December 2013
	Euros in thousands
First year – current liabilities	43,381
Second year	42,854
Third year	289,001
Fourth year	76,999
Fifth year and after	298,414
	755,650

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 18:- DERIVATIVE INSTRUMENTS

	31 December,		
	2013	2012	2011
	Euros in thousands		
Interest rate derivative measured at fair value *)	3,675	4,243	4,359

*) Amounts of € 1,024 thousand, € 1,344 thousand and € 1,961 thousand were recognized as current liabilities as of December 2013, 2012 and 2011, respectively.

Each of the German subsidiaries own investment properties and related loans entered into interest rate swaps agreements. In these agreements each subsidiary hedged its exposure to changes in future variable interest cash flows by linking it to a fixed interest cash flow. The hedge transaction is not designated as cash flow hedges for accounting purpose and therefore changes in fair value are recorded in profit or loss.

As of 31 December, 2013 the fixed interest rates range between 3.5% and 4.5%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 19:- OTHER LONG-TERM LIABILITIES

	31 December,		
	2013	2012	2011
	Euros in thousands		
Additional payment to the seller of a Property in Germany (1)	-	-	5,200
Financial lease liability (2)	3,186	3,258	3,259
Less – current maturities	(28)	(31)	(5,230)
Tenants' deposits	-	70	75
	3,158	3,297	3,304

(1) The additional payment to the seller of a Property in Germany was due at the time of approval of the extended zoning plans, and was fully repaid during 2012.

(2) The financial lease liability refers to investment property asset (see also Note 30c).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 20:- TRADE AND OTHER PAYABLES

	31 December,		
	2013	**2012**	**2011**
	Euros in thousands		
Trade payables	5,623	14,552	6,977
Real estate tax and other tax payable	1,207	898	46
Payable for repayment of capital note (1)	2,294	-	-
Tenant deposits	3,536	1,591	1,037
Accrued expenses	5,757	5,691	5,701
Advances received from customers	3,103	1,835	-
Other payables (2)	3,470	397	2,945
Amounts payable to partners and minority upon investment realization (3)	9,660	-	-
Related parties (4)	1,813	1,181	-
Current maturity of liability for additional payment for acquisition of investment property (5)	-	-	5,200
	36,463	26,145	21,906

(1) See Note 15c.
(2) Including payable on account of exercise of option in the amount of € 2.3 million. See also Note 6(b).
(3) See also Note 6, regarding realization of investments in the US. The amounts bear an annual interest rate of 1% and are payable by December 2014.
(4) See Note 31.
(5) See Note 19.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 21:- SERVICE CHARGE, MANAGEMENT AND OTHER INCOME

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Proceeds from selling of apartments	1,399	-	-
Service charge from tenants	21	370	207
Management and advisory fee	3,419	3,269	4,111
	4,839	3,639	4,318

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 22:- PROPERTY OPERATING EXPENSES AND OTHERS

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Property management and salary expenses	5,962	4,449	4,568
Property taxes and fees	570	514	307
Maintenance, repairs and renewals	3,495	780	641
Letting expenses	1,702	1,035	557
Impairment of inventory for development	-	778	-
Cost of sale of apartments	930	-	-
Other expenses	2,974	2,427	2,211
	15,633	9,983	8,284

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 23:- GAIN FROM BARGAIN PURCHASE AND LOSS FROM REALIZATION OF INVESTMENTS, NET

	Year ended 31 December,		
	2013	2012	2011
	Euros in thousands		
Gain from bargain purchase (1)	13,762	6,388	26,735
Loss from realization of investments (2)	(7,541)	-	-
Other	(122)	(187)	(117)
	6,099	6,201	26,618

(1) See Note 3

(1) Regarding gain from bargain purchase in 2013, See Note 6b.

(2) See Note 6a(2),(3),(5)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 24:- ADMINISTRATIVE EXPENSES

	Year ended 31 December,		
	2013	2012	2011
	Euros in thousands		
Wages, salaries	4,582	4,368	3,301
Legal expenses and other professional services*)	3,688	3,154	3,580
Office rent and maintenance	923	1,082	790
Other administrative expenses	1,791	4,431	1,957
	10,984	13,035	9,628
*) Includes payments to related parties	833	1,132	1,153

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 25:- FINANCIAL INCOME

	Year ended 31 December,		
	2013	2012	2011
	Euros in thousands		
Marketable securities	402	176	319
Gain from loan purchased (1)	5,647	-	11,598
Interest income on loans, receivables and deposits	4,520	5,606	5,718
	10,569	5,782	17,635

(1) See also note 10(a)(3)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 26:- FINANCIAL EXPENSES

	Year ended 31 December,		
	2013	2012	2011
	Euros in thousands		
Finance expenses on interest bearing loans, net	27,454	25,467	17,876
Bank charges and others	1,507	908	171
	28,961	26,375	18,047

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 27:- OTHER INCOME (EXPENSES), NET

	Year ended 31 December,		
	2013	2012	2011
	Euros in thousands		
Adjustments relating to acquisition of properties	-	-	5,972
Change in liabilities relating to the Dusseldorf property, net	-	-	3,217
Others	(1,341)	(4,322)	(2,134)
	(1,341)	(4,322)	7,055

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS

Classification of financial assets and financial liabilities:

	31 December,		
	2013	2012	2011
	Euros in thousands		
Loans and receivables at amortized cost:			
Cash and cash equivalents	76,923	68,724	24,271
Current maturities of long term loans	10,274	21,560	7,936
Trade and other receivables (1)	16,104	16,477	26,213
Marketable securities and other short-term investments	4,499	2,873	2,921
Restricted deposits	3,875	3,814	11,308
Other investments and loans	28,838	25,709	36,775
	140,513	139,157	109,424
Financial assets and liabilities at fair value through profit or loss:			
Interest-bearing loans and borrowings	(437,249)	(353,221)	(340,373)
Derivative financial instruments (fair value):			
Derivatives	(3,675)	(4,243)	(4,359)
Other financial liabilities at amortized cost:			
Interest-bearing loans and borrowings	(318,401)	(223,192)	(161,260)
Trade and other payables (2)	(29,824)	(24,554)	(20,869)
Other long term liabilities	(3,158)	(3,297)	(3,304)
	(351,383)	(251,043)	(185,433)

(1) With the exception of prepaid expenses.
(2) With the exception of tenants' deposits and advances from buyers.

The Group activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Also the group designates part of the bank loans to be measured at fair value through profit and loss in order to decrease the effect of changes in asset fair value which was financed by those loans. The Group principal instruments, other than derivatives, comprise bank loans, debentures cash deposits and loans granted.

The main purpose of these financial instruments is to raise finance for the Group operations. The Group management reviews and agrees on policies for managing each of the risks.

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. Customers that fail to meet the Group benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group is exposed to credit risk with regard to its trade receivables, cash and cash equivalents, deposits and other financial assets (including loans granted).

The Group companies regularly monitor the credit status of their customers and debtors and record appropriate provisions for the possibility of losses that may be incurred from the provision of credit, in respect of specific debts of which collection is doubtful. As a result, the Group exposure to bad debts is insignificant.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is presented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the availability to close out market positions.
The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

The table below summarizes the maturity profile of the Group financial liabilities at 31 December 2013, 2012 and 2011, based on contractual undiscounted payments:

	Year ended 31 December, 2013						
	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	Euros in thousands						
Interest-bearing loans and borrowings	76,086	69,638	297,924	93,579	204,467	130,450	872,144
Financial liabilities and other long-term liabilities	215	215	215	215	215	6,143	7,218
Trade and other payables	29,824	-	-	-	-	-	29,824
	106,125	69,853	298,139	93,794	204,682	136,593	909,186

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

	Year ended 31 December, 2012						
	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	Euros in thousands						
Interest-bearing loans and borrowings	118,607	74,854	62,264	249,774	73,528	62,993	642,020
Financial liabilities and other long-term liabilities	203	203	203	203	203	5,955	6,970
Trade and other payables	24,554	-	-	-	-	-	24,554
	143,364	75,057	62,467	249,977	73,731	68,948	673,544

	Year ended 31 December, 2011						
	Less than a year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	Euros in thousands						
Interest-bearing loans and borrowings	43,607	114,816	62,313	70,814	239,890	71,012	602,452
Financial liabilities and other long-term liabilities	2,164	1,636	836	331	126	6,198	11,291
Trade and other payables	20,869	-	-	-	-	-	20,869
	66,640	116,452	63,149	71,145	240,016	77,210	634,612

Interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable rate interest because of changes in interest rates.
The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements or CAP agreements.
As a result, most of the Company's loans, except for the loan for refinancing the land in Düsseldorf are fully hedged. The interest swap contract conditions are suited to the base loans. In some of the loans, the Company has signed interest CAP agreements, in order to reduce exposure to interest rate changes. As of the report date, approximately 91% of the Company's loans and debentures are hedged.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Hedging and derivative instruments

(1) Cash flow derivative:

As of 31 December, 2013, the Group has an interest rate swap agreement (IRS) in the sum of € 50,065 thousand according to which the Group pays a fixed interest rate of 2.479% and receives variable interest at a rate equal to Euribor for one month.

As of December 31, 2013, the Group has CAP options on loan principals in the amount of approximately € 118,328 thousand to fix a Euribor interest rate between 2.82%-3.5%.

In addition, as of December 31, 2013, the Group has CAP option to fix loan agreements amounting to € 65,875 thousand such that the total interest will not exceed the range of 5%-6%.

The hedge transaction is not designated as cash flow hedges for accounting purpose and therefore changes in fair value are recorded in the statement of profit or loss.

(2) Currency exchange transactions:

As of 31 December, 2013, the Group has various agreements for a future sale of Euro against future purchases of U.S dollar. The transaction payment dates are in 2016.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and NIS. The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Euro.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the Group foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Currency exposure

a. Linkage basis as of 31 December 2013:

	U.S. dollar	Euro	NIS	Other	Total
	In thousands				
Other investments and loans	18,863	9,975	-	-	28,838
Restricted deposits	-	3,875	-		3,875
Marketable securities and other short term investments	429	200	3,870	-	4,499
Trade and other receivables	5,117	6,726	-	4,261	16,104
Current maturities of long-term loans	10,274	-	-	-	10,274
Cash and cash equivalents	39,300	30,732	3,785	3,106	76,923
Total assets	73,983	51,508	7,655	7,367	140,513
Liabilities					
Derivatives	-	3,675	-	-	3,675
Interest-bearing loans and borrowings (1)	81,638	467,397	199,068	7,547	755,650
Other long-term liabilities	-	3,158	-	-	3,158
Trade and other payables	14,534	15,290	-	-	29,824
Total liabilities	96,172	489,520	199,068	7,547	792,307

Linkage basis as of 31 December 2012:

	U.S. dollar	Euro	NIS	Other	Total
	In thousands				
Other investments and loans	16,330	9,379	-	-	25,709
Restricted deposits	-	3,814	-	-	3,814
Marketable securities and other short term investments	246	175	2,452	-	2,873
Trade and other receivables	9,865	6,612	-	-	16,477
Current maturities of long-term loans	20,868	692	-	-	21,560
Cash and cash equivalents	9,356	58,187	777	404	68,724
Total assets	56,665	78,859	3,229	404	139,157
Liabilities					
Derivatives	-	4,243	-	-	4,243
Interest-bearing loans and borrowings (1)	20,228	377,625	170,475	8,085	576,413
Other long-term liabilities	-	3,297	-	-	3,297
Trade and other payables	16,340	8,214	-	-	24,554
Total liabilities	36,568	393,379	170,475	8,085	608,507

(1) Including current maturities.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Linkage basis as of 31 December 2011:

	U.S. dollar	Euro	NIS	Other	Total
			In thousands		
Other investments and loans	27,202	9,573	-	-	36,775
Restricted deposits	-	11,308	-	-	11,308
Marketable securities and other short term investments	293	215	2,413	-	2,921
Trade and other receivables	20,576	5,637	-	-	26,213
Current maturities of long-term loans	7,936	-	-	-	7,936
Cash and cash equivalents	4,120	19,050	582	519	24,271
Total assets	60,127	45,783	2,995	519	109,424
Liabilities					
Derivatives	-	4,439	-	-	4,439
Interest-bearing loans and borrowings (1)	4,020	355,800	141,813	-	501,633
Other long-term liabilities	-	3,304	-	-	3,304
Trade and other payables	3,599	16,113	-	1,157	20,869
Total liabilities	7,619	379,656	141,813	1,157	530,245

(1) Including current maturities.

b. The following table demonstrates the sensitivity to a reasonably possible change in the relevant variable, with all other variables held constant, of the Group profit before tax:

	Sensitivity to change in Euro/NIS	
	Effect on profit and loss	
	+5%	-5%
	Euros in thousands	
2013	(9,760)	9,760
2012	(8,362)	8,362
2011	(6,940)	6,940

	Sensitivity to change in Euribor	
	Effect on profit and loss	
	+2%	-2%
	Euros in thousands	
2013	14,245	(16,231)
2012	10,455	3,329
2011	16,596	(8,209)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Fair value

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts are reasonable approximations of fair values:

	Carrying amount			Fair value		
	31 December			31 December		
	2013	2012	2011	2013	2012	2011
	Euros in thousands					
Financial liabilities:						
Debentures	219,184	172,339	142,719	236,067	175,593	116,424

The carrying amount of cash and cash equivalents, short-term investments, trade receivables, other accounts receivable, trade payables and other accounts payable and loans and derivatives at fair value approximate their fair value.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project.

- Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

NOTE 28:- FINANCIAL INSTRUMENTS (Cont.)

Description of unobservable material data that are used in valuation as of December 31, 2013:

	Valuation technique	Unobservable material data	Range (weighted average)	Sensitivity of fair value to change in data
Financial liabilities:				
Loans	DCF	Discount interest	Euribor for 3 months plus 2.38%-2.9%	2% increase/decrease in discount rate will result in increase/decrease in fair value up to € 8.5 million
Interest swap transactions	DCF	Payment curve	Euribor curve for the transaction period	% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 3 million

Capital management

For the purpose of the Group capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group capital management is to maximize the shareholder value.

In order to achieve this overall objective, the Group capital management, amongst other things, aims to ensure that it meets financial covenants attached to its loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants might, in some cases, permit the lender to seek for immediate repayment of the defaulting loan. There have been no breaches in the financial covenants of any loans and borrowing in the reported period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 29:- EARNING PER SHARE (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Net income attributable to ordinary equity holders of the parent for basic earnings	31,265	39,942	21,016
Adjustment due to share of diluted earnings of investees	(6,104)	(5,790)	(779)
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	25,161	34,152	20,237

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Weighted average number of ordinary shares for basic EPS	1,445,916	1,420,256	1,362,276
Effect of dilution:			
Warrants	7,480	7,814	-
Weighted average number of ordinary shares adjusted for the effect of dilution *)	1,453,396	1,428,070	1,362,276

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of this financial information.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 30:- COMMITMENTS AND CONTINGENCIES

a. Liens and guarantees:

The investment properties are subject to registered debentures to secure bank loans. Each asset is owned by a separate subsidiary. The lien on the assets is the only guaranty that was submitted to secure the bank loans (except if otherwise written), except for the following:

1. As collateral for non-recourse loans from banking corporations, liens have been registered on investment properties owned by SPVs of BCP and also on bank accounts into which rental fees are received (see also note 10c), rights in respect of insurance policies, a lien on the shares of the company holding the asset etc.. In respect of some of the properties, a cross-guarantee secures credit facilities taken for acquisition of the properties.

   Some of the loan agreements contain “negative lien” provisions, whereby the borrowers are prohibited from creating additional liens on the encumbered assets and revenues, without receiving the prior explicit consent of the lender.

2. As part of the loan agreement signed in November 2013 with a German bank for the purpose of obtaining € 101.4 million for financing Stage B of the project in Dusseldorf, BCP extended a guarantee of € 12.3 million, out of which an autonomous guarantee of € 10.8 million is in favor of the local authority to secure the liabilities of the project companies according to the development agreement with the local authority. The guarantee balance of € 1.5 million will be used for issuing guarantees to performing contractors. The annual interest of the guarantee is 1.25% and is calculated only in respect of the amount actually extended as guarantee.

3. The German credit facility agreements contain several financial covenants that must be complied with. One of these is the Loan to Value covenant (“LTV”) ratio, which ranges between 68% and 85% in relation to BCP facilities with the respective bank. All of BCP facilities are non-recourse and there is no cross default among the facilities.

   In addition, BCP must meet the Interest Cover Ratio (ICR) and the Debt Service Cover Ratio (DSCR) covenant. The ICR must be higher than a range of between 100% - 160%, and the DSCR between 100%-135%. BCP steady cash flow meets the Interest Cover Ratio and Debt Service Cover Ratio covenants.
   As of 31 December 2013 2012 and 2011, the Group companies meet all the covenants.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 30:- COMMITMENTS AND CONTINGENCIES (Cont.)

4. BCP has undertaken that so long as the debentures (Series A) are still outstanding:

   (a) BCP equity attributable to BCP shareholders shall not fall below € 80 million.

   (b) BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding non-controlling interests) will reduce below € 80 million.

   (c) The ratio between the equity attributed to BCP shareholders at the end of each quarter to the net financial debt (financial liabilities less cash, cash equivalents and short-term investments) according to the financial information attributed to BCP ("Stand alone") shall not fall below 187.5%.

   (d) The ratio between BCP total net financial liabilities less cash, cash equivalents and short-term investments, and BCP total equity (including non-controlling rights) shall not exceed 90%.

   (e) The ratio of the value of BGP subsidiary pledged shares to the outstanding principal, linkage and interest of the notes shall not exceed 175%.

   As of 31 December 2013 2012 and 2011, BCP meet all the covenants.

5. BCP has undertaken that so long as the debentures (Series B) are still outstanding:

   a) BCP equity attributable to BCP shareholders shall not fall below € 150 million for two consecutive quarters.

   b) BCP will not make any distribution of dividends and/or capital to its shareholders or purchase its shares if, as a result of such distributions or purchase, the equity of BCP (excluding non-controlling interests) will reduce below € 160 million and/or the net financial liabilities.

   c) The ratio between the equity attributed to BCP shareholders at the end of each quarter to the net financial debt (financial liabilities less cash, cash equivalents and short-term investments) according to the financial information attributed to BCP ("Stand alone") shall not fall below 75% for two consecutive quarters.

   d) The ratio of the value of the pledged shares to the outstanding principal, linkage and interest of the notes is either less than 160% for

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 30:- COMMITMENTS AND CONTINGENCIES (Cont.)

two consecutive quarters or less than 120%.

As of 31 December 2013 2012 and 2011, BCP meet all the covenants.

6. A guaranty was provided by the Company and its partner with regards to a construction loan in the amount of €15.6 million ($21.4 million) for the development of a property in the USA. The partners provided the following guaranties, joint and severally:

   1) Principal Payment Guaranty, as follows:
      a) 25% until property receives a temporary certificate of occupancy (“TCO”);
      b) Then reducing to 20% until a Debt Yield of 11% is achieved;
      c) Then reducing to 15% until a Debt Yield of 12.5% is achieved; and
      d) Then reducing to 10%.
   2) Completion Guaranty.
   3) Carry Guaranty for the Property (real estate taxes, insurance, utilities, condo charges) until receipt of a TCO.
   4) Debt Service Guaranty throughout the Loan term covering interest payments (not principal).

7. Guarantees were provided by the Company and its partner with regards to a construction loan for the development of a property in Russia, in the aggregate amount of € 11.4 million ($ 15.7 million). The Company and its partner guarantees securing the obligations of the borrower under the Facility agreements to pay interests, commissions and penalties, accrued on the investment phase of the Project till the date of getting the commission permit.

8. The Company had undertaken, with respect to Series B debentures, the following covenants: (1) The Company shall not make any distribution if as a result of such distribution the Company equity is reduced below $200 million or if the net financial debt to CAP ratio of the Company (solo) exceeds 37.5%. (2) The Company equity (excluding non-controlling interests), as included in the Company consolidated audited or reviewed financial information, will not be less than $140 million. (3) BCP equity (excluding non-controlling interests), as included in the BCP consolidated audited or reviewed financial information, will not be less than €135 million. (4) The ratio between the net financial debt to the total capital and debt (CAP) of the Company will not exceed 36.5%. (5) The net financial debt to CAP ratio of BCP shall not exceed 45%.

As of 31 December 2013, 2012 and 2011, the Company meets all the above mentioned covenants.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 30:- COMMITMENTS AND CONTINGENCIES (Cont.)

b. Commitments:

1. During 2007, the Company has committed to invest in India through investment the BCRE India Fund (the "Fund") an amount of $ 21.8 million which reflects 20% of the total Fund commitments. BCRE has a 20% equity interest in the Fund, receiving a management fee and a performance fee on all of its investments made by the Fund. In 2009, following an amendment to the terms and conditions of the Fund, it was decided that the Fund will cease making new investments in India (but would continue supporting existing investments) and will direct new investment activity to the U.S.A. As of December 31, 2013, 2012 and 2011, the Company has invested in the Fund €14.3 million ($19.6 million), €14.6 million ($19.2 million) and € 14.6 million ($18.9 million), respectively. The Fund does not intend to make new investments and plans to use these amounts to make follow-on investments (as required) and to cover the Fund's related expenses.

2. When shareholders of the Company and other investors are joining the Group in real estate investments, the relevant subsidiary of the Company, which manages the investment, is entitled to a promote of 20%-30% of the investors share in the profit of the investment, after the full return of their investment plus an annual yield of 8%-15% on their investment. The IRR threshold and the promote, mechanism are dependent upon the location of the investment.

c. Finance lease:

	2013		2012	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	Euros in thousands			
Within one year	215	29	203	31
After one year but not	862	114	813	111
More than five years	6,141	3,043	5,994	3,116
Total minimum lease payments	7,218	3,186	7,010	3,258
Less amounts representing finance charges	(4,032)	-	(3,752)	-
Present value of minimum lease payments	3,186	3,186	3,258	3,258

d. Legal claims

Lawsuits have been filed against subsidiaries of BCP totaling some € 471 thousand. Based on the opinion of BCP management, relying *inter alia* on the legal opinions of its legal counsel, the provisions contained in the financial information are sufficient to cover the possible exposure, if any, as a result of these lawsuits.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 31:- RELATED PARTIES

a. Transactions with entities with significant influence over the Group:

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Interest expenses to related parties	10	-	-
Management fees expenses to related parties (1)(2)	1,032	976	857

(1) The Group is supported by BCH through the provision of services via its employees which are paid for on cost basis and the provision of rating, investor relations and other financial services for a fixed amount totaling $ 1.1 million (€ 0.8 million).

(2) The Group is receiving advisory services from B Joel Advisors Ltd, a company owned by a related party, which are paid on a monthly basis.

b. Transactions with entities accounted for using the equity method:

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Interest income from related parties (1)	1,237	1,344	2,489
Interest expenses to related parties (2)	(524)	(258)	-

(1) See section e (1).
(2) See section e (2).

c. Balances with entities with significant influence over the Group:

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 31:- RELATED PARTIES (Cont.)

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Loans granted to related parties (1)	3,889	7,498	6,359
Loans granted by related parties (2)	(2,179)	-	-

1) The loans granted to BCH bear annual interest rate of 3% and repayable on July 2015.
2) Loan granted by Melody Trust, a company owned by a related party, bears 7% interest rate. See also Note 17(3).
3) With respect to loans granted to BCH after the balance sheet date, see Note 33i.

d. Balances with entities accounted for using the equity method:

	Year ended 31 December		
	2013	2012	2011
	Euros in thousands		
Loans granted to related parties (1)	53,481	63,961	103,438
Loans granted by related parties (2) (3)	(23,640)	(7,179)	-

(1) The Group provided various loans to entities accounted for using the equity method on the following terms:

(a) Loans in the total amount of € 20.3 million bear no interest and are repayable on demand.

(b) Loan in the amount of € 11 million, which granted during 2012, bears interest at the rate of 8% per annum and is repayable within 5 years from the date granted.

(c) Loan in the amount of € 1 million bears interest at the rate of 12% per annum and is repayable within 5 years from the date granted.

(d) Loans in the total amount of € 17 million, which granted to projects in USA, bear interest at the rate of 1.5% per annum. The Company at its option may convert the loan prior to the maturity date for a 78.07% - 79.11% equity interest in the borrower on a fully diluted basis. The loans were repaid during 2013 as a result of investments' realization.

I Loan in the amount of € 9.3 million, which granted to project in USA, bears interest at the rate of 1.5% and is repayable in 2016. The Company at its option may convert the loan prior to the maturity date for a 74.31% equity interest in the borrower on a fully diluted basis.

(2) During 2013, the Company received loans from Greystone Owner LLC and BCRE 15 USW Holdings LLC (associates of the Company) in the total amount of € 16 million. The

loans bear 1% annual interest rate and are to be repaid in 2014. After the financial information date, the loans were partially repaid.

(3) The loan received from Coralone Limited, the entity accounted for using the equity method, in the amount of € 8 million bears annual interest rate of 12% and repayable in 2016.

e. Balances with other related parties:

	Year ended 31 December		
	2013	**2012**	**2011**
	Euros in thousands		
Loans granted to related parties *)	9,334	5,108	4,322

*) Loans granted to key management personnel of the Company bears no interest and is repayable on demand.

f. Compensation of key management personnel of the Group and employees of the Company:

	31 December,		
	2013	**2012**	2011
	Euros in thousands		
Share–based payments transactions (1)	1,271	2,017	711
Salaries (2)(3)	2,116	1,272	915
Directors fees (4)	38	56	76

(1) See also note 16.

(2) After the financial statements date, personnel employees received a supplementary remuneration in a total amount of around € 460 thousand.

(3) The Chairman of the Board, has an option to purchase 2.5% of the equity of any deal in which BCRE UK invests in accordance with the following terms: (a) term: 36 months from the closing of each deal; (b) exercise price: 2.5% of the equity invested by BCRE UK and the Co-investment Club, adjusted for distributions and additional investments; and (c) type: regular or cashless as determined by the chairman at the time of the exercise. In addition the Chairman of the Board is entities for an additional annual salary of €150,000 in his capacity as a member of the Investment Advisory Committee (beside his salary as a non-executive director).

(4) Relates to the Company's directors' remuneration.

(5) In May 2014, it was resolved that the Company's CEO, through an entity beneficially owned by his family, will be granted 2,862,155 Warrants under a warrant agreement entered into between the Company and the CEO, exercisable (subject to the Warrants having vested) from the date of grant within seven years, to 2,862,155 Shares. 50% of these Warrants can be exercised at an exercise price of €1.4565 ("A Warrants"). The remaining 50% of the Warrants can be exercised at an exercise price of €1.7801 ("B Warrants"). 50% of the A Warrants and 50% of the B Warrants shall immediately vest

and 50% of the A Warrants and 50% of the B Warrants shall vest 1 year after the date of grant of the warrants.

In addition, it was resolved that the Company's CFO will be granted 483,519 Warrants pursuant to a warrant agreement entered into with the Company, exercisable (subject to the Warrants having vested) from the date of grant within seven years, to 483,519 Shares. These Warrants can be exercised at an exercise price of €1.6183. 1/3 of these Warrants shall vest immediately, 1/3 shall vest 1 year after the date of grant of the Warrants and the remaining 1/3 of the Warrants shall vest 2 years after the date of grant of the Warrants.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 32: SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has five reportable segments, as follows:

- Income producing commercial real estate;
- Income producing residential real estate
- Land held for appreciation
- Residential development
- Other segments

No operating segments have been aggregated to form the above reportable operating segments. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial information. Also, the Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 32: SEGMENT INFORMATION (Cont.)

Year ended 31 December 2013	Income producing commercial real estate	Income producing residential real estate	Land held for appreciation	Residential development	Other	Total
Gross rental income	30,594	18,797	689	-	-	50,080
Service charge, management and other income	-	-	-	1,399	3,440	4,839
Property operating expenses and others	(4,467)	(2,719)	(57)	(3,392)	(4,998)	(15,633)
Gross profit	26,127	16,078	632	(1,993)	(1,558)	39,286
Revaluation of investment property, gains from bargain purchase and loss from realization of investments, net	32,040	6,710	31,597	-	2,602	72,949
Share in profit (loss) of entities accounted for using equity method, net	55,238	-	(5,110)	-	(1,210)	48,918
Administrative and other expenses, net						(18,935)
Finance expenses						(34,071)
Income before tax						111,647
Year ended 31 December 2012						
Gross rental income	24,000	15,410	1,074	-	-	40,484
Service charge, management and other income	-	-	-	-	3,639	3,639
Property operating expenses and others	(1,086)	(1,856)	(93)	(3,152)	(3,796)	(9,989)
Gross profit	22,914	13,554	981	(3,152)	(157)	34,140
Revaluation of investment property, gains from bargain purchase and loss from realization of investments, net	46	12,730	(425)	-	-	12,351
Share in profit (loss) of entities accounted for using equity method, net	124,735	(16,175)	(1,918)	-	(8,525)	98,117
Administrative and other expenses, net						(25,630)
Finance expenses						(23,563)
Income before tax						98,446
Year ended 31 December 2011						
Gross rental income	16,427	10,546	1,641	-	-	28,614
Service charge, management and other income	-	-	-	-	4,318	4,318
Property operating expenses and others	(1,371)	(828)	(221)	-	(5,864)	(8,284)
Gross profit	15,056	9,718	1,420	-	(1,546)	24,648
Revaluation of investment property, gains from bargain purchase and loss from realization of investments, net	28,735	1,623	10,002	-	11,481	51,481
Share in profit (loss) of	22	566	(68)	(2,588)	(3,746)	(5,814)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

entities accounted for using equity method, net	
Administrative and other expenses, net	(7,286)
Finance expenses	(15,149)
Income before tax	51,864

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 32: SEGMENT INFORMATION (Cont.)

As of 31 December 2013	Income producing commercial real estate	Income producing residential real estate	Land held for appreciation	Residential development	Other	Total
Segment assets	711,347	300,187	173,154	141,243	33,138	1,359,069
Unallocated assets						151,818
Segment liabilities	305,942	173,830	25,428	67,589	14,917	587,706
Unallocated liabilities						281,132

As of 31 December 2012	Income producing commercial real estate	Income producing residential real estate	Land held for appreciation	Residential development	Other	Total
Segment assets	508,612	259,057	135,700	110,622	42,889	1,056,880
Unallocated assets						149,831
Segment liabilities	228,345	132,777	6,198	34,684	15,333	417,337
Unallocated liabilities						223,944

As of 31 December 2011	Income producing commercial real estate	Income producing residential real estate	Land held for appreciation	Residential development	Other	Total
Segment assets	373,899	245,109	120,261	82,295	42,695	864,259
Unallocated assets						117,332
Segment liabilities	227,756	120,316	4,152	15,498	-	367,722
Unallocated liabilities						185,390

As of 31 December 2013	Germany	Russia	USA	Others	Total
Segment non-current assets	874,739	319,838	32,357	24,210	1,251,144

As of 31 December 2012	Germany	Russia	USA	Others	Total
Segment non-current assets	681,622	192,243	38,304	29,427	941,596

Year ended 31 December 2013	Germany	Russia	USA	Others	Total
Revenues	49,540	3,292	1,129	958	54,919

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 32: SEGMENT INFORMATION (Cont.)

Year ended 31 December 2012	Germany	Russia	USA	Others	Total
Revenues	40,484	-	2,751	888	44,123

Year ended 31 December 2011	Germany	Russia	USA	Others	Total
Revenues	28,614	-	2,799	1,519	32,932
Year ended 31 December 2013					
Capital investments	172,028	91,998	-	-	264,026
Year ended 31 December 2012					
Capital investments	45,252	58,205	-	-	103,457
Year ended 31 December 2011					
Capital investments	344,399	-	12,410	1,986	358,794

In the sub-segment of commercial real estate, BCP has two main tenants (in a number of real estate assets throughout Germany): the “Do It Yourself” Network (DIY) and one of the leading and main supermarket chains in Germany (hereinafter: the “Main Tenants”). The revenues from rental fees by these Main Tenants during 2013 constituted about 17% and 13% of the total consolidated revenues of BCP and about 13% and 9% (respectively) of the BCP share in revenues.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 33: SUBSEQUENT EVENTS

a. On 10 January, 2014, a subsidiary of the Company purchased the Cobblestone Grove Apartments, a 292 unit class B multifamily property located in a suburb of Cincinnati Ohio, for $19.05 million (€13.9 million). The Subsidiary financed approximately 68% of the acquisition cost with a bank loan in the amount of $12.8 million. The loan is a 10 year, interest only loan with a fixed interest rate of

4.9%. The Company had provided a guaranty in favor of the bank as following: (1) Standard “bad-boy” carve-outs, (2) Standard Environmental Indemnity (3) the company must maintain $12.8 Million (€ 9.3 million) of Net Worth and $1.28 Million (€ 0.9 million) of liquid assets.

b. On 31 January, 2014, two subsidiaries of BCP entered into a loan agreement with a German bank in a total amount of € 30 million, against which a lien was placed on two income generating real estate properties in Germany. The new loan will be used to repay existing loans of € 20 million, against which a lien was placed on one of the assets. The bank financing includes the following principal conditions: a non-recourse loan of € 30 million which its final repayment date is 31 December, 2018. The loan bears Euribor interest rate for three months plus a margin of 2.35%. Interest payments are payable quarterly. The loan will be paid quarterly at an annual rate of 2.7% until the final repayment date in which the unsettled principal balance is paid. Pursuant to the financial covenants set forth in the loan agreement, the LTV ratio over the life of the loan will not exceed the range of 67% - 75% and the DSCR ratio will be greater than 120%.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 33: SUBSEQUENT EVENTS (Cont.)

c. On 27 January, 2014, BCP's Board of Directors approved a private placement of 72,000,000 debentures (Series B) of NIS 1 par value, listed for trade, to 10 institutional investors by expanding the existing debenture series of BCP (currently listed on TASE). The debentures bear annual interest of 3.29% (subject to adjustments in the event of a change in the rating of debentures (Series B) (the effective interest was 3.595%). For additional information regarding the terms of the debentures (Series B) see note 17a(7).

d. On 4 February, 2014, 13 subsidiaries of BCP entered into a loan agreement with a German bank in a total amount € 125 million, against which a lien was placed on 13 income generating real estate properties in Germany spanning over a total area of 158 thousand sqm. ("the agreement" and "the new loan"). The new loan will be used to repay existing loan from another bank in the amount of € 100 million, against which a lien was placed on the same assets. The bank financing includes the following principal conditions: a non-recourse loan of € 125 million which its final repayment date is 30 December, 2018. The loan bears Euribor interest rate for three months plus a margin of 2.3%. Interest payments are payable quarterly. The loan will be paid quarterly at an annual rate of 3% until the final repayment date in which the unsettled principal balance is paid. Pursuant to the financial covenants set forth in the loan agreement, the LTV ratio will not exceed 77% and the DSCR ratio will be greater than 130%.

e. On 30 April, 2014, 5 subsidiaries of BCP, purchased the entire rights of the sellers in 1,567 residential units spanning over a total area of 91.2 thousand sqm. in 5 different cities in northern Germany. BCP paid for the purchased assets € 54.43 million (excluding related transaction costs). BCP obtained financing in non-recourse terms from a German bank totaling € 42.3 million, bearing variable interest of Euribor plus a margin of 1.7% per annum, to be repaid in equal quarterly installments until April 30, 2019.

f. On 30 April, 2014, a subsidiary of BCP, purchased a shopping center in the center of a city located in northern Germany. BCP paid for the purchased assets € 13.5 million (excluding related transaction costs). BCP obtained financing in non-recourse terms from a German bank totaling € 13 million, bearing variable interest of Euribor plus a margin of 1.8% per annum, to be repaid in equal quarterly installments until April 30, 2019.

g. On 2 January, 2014 BCRE Manchester 1 B.V purchased for £2.4 million (including acquisition cost of £0.15 million) the Fountain Court, a prime city center vacant office building in Manchester CBD. The property has a grade II listed façade and has approximately 26,000 sqft. of gross leasable area and 10 parking places. The refurbishment is planned to start during second half of 2014.

h. On 28 March, 2014, the Company gave notice to its shareholders of its intention to exercise its Borrower Equity Claim as defined under the loan agreement between the Company and its shareholders, and to convert the capital notes to share premium (See also note 15c).

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 33: SUBSEQUENT EVENTS (Cont.)

i. On 17 February 2014, a subsidiary of the Company provided a loan for the amount of NIS 5 million to BCH with an interest rate of 4.5% and a repayment date of 16 February 2016, secured by 24,630 shares of BCP. In addition, the subsidiary has the option, instead of a repayment of the loan and the interest, to acquire 24,630 pledged shares of BCP.

   On 17 February 2014, the subsidiary provided an additional loan for the amount of NIS 1 million to BCH with an interest rate of 4.5% and a repayment date of 16 February 2016 secured by 4,926 shares of BCP. In addition, the subsidiary has the option to request instead of a repayment of the loan and interest to acquire 4,926 pledged shares of BCP.

j. The recent instability and uncertainty involving Russia and Ukraine may significantly affect the Russia economy and resulting in increase of country risk. Currently Russia credit rating had been decreased and as a result Russia central bank had raised its benchmark interest rate. In addition, the Russian Ruble had devaluated by approximately 9.4% against the Euro since the beginning of 2014, which is pushing the expectation of inflation rate to exceed 7%. Based on unclear market situation and considering the available information, the Company's management is of the opinion that no change is currently required to its fair value estimations.

k. On 20 May 2014 it was resolved to issue 16,097,883 new shares for the total consideration of approximately €26 million representing 10.02% of the total Company shares post issue.

PART XI
DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"Admission"	the admission of the Shares in issue to the standard listing segment of the Official List and to trading on the London Stock Exchange becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the Admission and Disclosure Standards issued by the London Stock Exchange from time to time
"AFM"	the Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*), being the Dutch competent supervisory authority
"AIFMD"	Alternative Investment Fund Managers Directive
"Annual Report 2011"	the statutory consolidated financial statements of the Company for the financial years ended 31 December 2011
"Annual Report 2012"	the statutory consolidated financial statements of the Company for the financial years ended 31 December 2012
"Annual Report 2013"	the statutory consolidated financial statements of the Company for the financial years ended 31 December 2013
"Articles"	the new articles of association of the Company, a summary of which is set out in section 3 of Part VIII (*Additional Information)*
"Brack Capital Group"	BCH and its Subsidiaries
"Brack Capital First"	means Brack Capital First B.V., the wholly owned subsidiary of the Company through which the Company holds its interest in BCP
"BCH"	BCH – Brack Capital Holdings Ltd
"BCH Services Agreements"	the agreements entered into between BCH and each of BCRE, BCRE USA, Brack Capital Cyprus Management Limited, Dalefield Limited, Brack Capital Real Estate (India-China) Management Limited, further details of which are set out in section 9.6 of Part VIII (*Additional Information*)
"BCI"	BCI – Brack Capital Investments Ltd
"BCP"	Brack Capital Properties N.V.
"BCRE India"	BCRE India B.V.
"BCRE India Fund"	Brack Capital Real Estate (India-China) Fund L.P.
"BCRE Russia"	BCRE Russian Properties Limited
"BCRE UK"	BCRE UK Properties B.V.
"BCRE USA"	Brack Capital USA B.V.

"BJA"	B Joel Advisors Limited (a company controlled by Shimon Weintraub)
"BJA Services Agreement"	the agreements entered into between BJA and each of Dalefield Limited, Brack Capital Real Estate (India-China) Management Limited, BCM USA LLC and Brack Capital First, further details of which are contained in section 9.7 of Part VIII (*Additional Information*)
"Capital Raising"	the subscription for the New Shares on Admission pursuant to the Subscription Agreement
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"Co-investment Club"	the co-investment pool established by the Group in 2011, as further described in section 8 of Part I (*Information on the Group*)
"Company" or "BCRE"	BCRE-Brack Capital Real Estate Investments N.V.
"Controlling Shareholder Agreement"	the agreement dated the same date as this Prospectus entered into between the Company, BCI, BCH and Shimon Weintraub, further details of which are set out in section 9.3 of Part VIII (*Additional Information*)
"CPA"	Certified Public Accountant
"CPI"	the Israeli Consumer Prices Index
"CREST"	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
"CREST Regulations"	the (English) Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755)
"DCC"	Dutch Civil Code
"DCF"	discounted cash flow, calculated as the present value of an investment based on the current value of all expected future cash flows
"Deed Poll"	the deed poll made by the Depositary dealing with the creation and issue of DIs in respect of the Company
"Depositary"	means Capita IRG Trustees Limited
"Depositary Agreement"	the Depositary agreement dated 15 May 2014 and entered into between BCRE – Brack Capital Real Estate Investments B.V. and the Depositary
"Depositary Interest" or "DI"	a dematerialised depositary interest which represents an entitlement to Shares that can be settled electronically through and held in CREST, as issued by the Depositary which holds the underlying securities on trust, further details of which are set out in section 12 of Part VIII (*Additional Information*)
"DI Holders"	holders of Depositary Interests

“Directors” or “Board”	the directors of the Company from time to time and whose names are set out in section 1 of Part IV (*Directors, Senior Management and Corporate Governance*)
“Disclosure and Transparency Rules”	means the disclosure rules and transparency rules made by the FCA under Part VI of FSMA
“Distributable Equity”	the part of the Company’s equity which exceeds the aggregate of the paid-in and called-up part of the capital and the reserves that must be maintained pursuant to Dutch law and the Articles
“Dutch Corporate Governance Code”	the Dutch Corporate Governance Code published on 9 December 2003 (as amended)
“Dutch Financial Supervision Act”	Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
“EC Directives”	directives issued by the European Commission from time to time
“EEA”	the European Economic Area, and an ‘‘EEA State’’ is a contracting party to the agreement on the EEA signed at Oporto on 2 May 1992, which as at the date of this Prospectus, comprises: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the UK
“Enlarged Share Capital”	the issued share capital of the Company on Admission, comprising the Existing Shares and the New Shares
“Euro” or “€” or “euro”	Euro, the legal currency of the Eurozone
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST (with registered number 06179984 and registered office 33 Cannon Street, London, EC4M 5SB)
“Eurozone”	the collective name given to those members of the European Union that have adopted the euro as their lawful currency in accordance with the legislation of the European Community relating to the Economic and Monetary Union, being: Austria, Belgium, Cyprus, Estonia, Finland, France (except Pacific territories using CFP franc), Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain
“Executive Director”	the executive member of the Board
“Existing Shares”	the 144,591,700 Shares in issue at the date of this Prospectus
“f^2”	square feet
“FCA”	Financial Conduct Authority of the United Kingdom
“Financial Information”	the consolidated financial information of the Group set out in Part X (*Financial Information*)

“FSMA”	(United Kingdom) the Financial Services and Markets Act 2000 (as amended)
“FTSE”	FTSE International Limited
“GDP”	gross domestic product
“General Meeting”	the meeting of Shareholders of the Company entitled to vote, or the corporate body of the Company consisting of persons entitled to votes on the Shares (as applicable)
“Group”	the Company, its Subsidiaries and other affiliates which are controlled by the Company (as meant in section 2.24b of the Dutch Civil Code)
“Haslemere”	Haslemere N.V.
“IAS 40”	International Accounting Standard 40
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, International Accounting Standards issued by the International Accounting Standards Committee and the interpretations issued by the Standing Interpretations Committee each as endorsed by the European Commission for application within the EU
“IHG”	InterContinental Hotels Group
“IMF”	International Monetary Fund
“Independent Valuers”	the valuers whose names are set out on pages 43 and 44 of this Prospectus
“INR”	Indian rupees, the legal currency of India
“International Standards on Auditing”	the international standards on auditing as issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board
“ISIN Code”	International Securities Identification Number
“Issue Price”	€1.61835
“LIBOR”	London interbank offer rate
“Listing Rules”	the listing rules of the UK Listing Authority made under Part VI of FSMA as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“m²”	square metres
“Maalot”	Standard & Poor’s Maalot, an Israeli subsidiary of McGraw-Hill Financial, Inc.

“Matrix Portfolio”	the properties listed under the heading “Matrix Portfolio” in the table contained in section 2.1 of Part II (*Detailed Overview of the Group’s Portfolio and Projects*)
“Member State”	a member state of the EU
“Midroog”	Midroog Limited, an Israeli subsidiary of Moody’s Investor Service Inc.
“Model Code”	the Model Code on directors’ dealings in securities set out in Annex 1 R of Chapter 9 of the Listing Rules
“NAV”	net asset value
“New Investors Shareholders’ Agreement”	the subscription and shareholders’ agreement dated 7 April 2011 entered into between certain new investors, WP Holdings, BCH, BCI, the Company and the manager (as defined therein)
“New Shares”	the 16,097,883 new Shares to be issued by the Company and subscribed for by certain investors pursuant to the Subscription Agreement, conditional on Admission
“New York” or **“NY”**	New York City
“NIS” or “Israeli NIS”	Israeli new shekel, the legal currency of the State of Israel
“NOI”	net operating income
“Non-executive Directors”	the non-executive members of the Board
“OBI-Mars Portfolio”	the properties listed under the heading “OBI-Mars Portfolio” in the table contained in section 2.1 of Part II (*Detailed Overview of the Group’s Portfolio and Projects*)
“OBI-Titan Portfolio”	the properties listed under the heading “OBI-Titan Portfolio” in the table contained in section 2.1 of Part II (*Detailed Overview of the Group’s Portfolio and Projects*)
“Official List”	the official list of the UK Listing Authority
“Options”	the options on Shares granted pursuant to the option arrangements described in section 8.1 of Part VIII (*Additional Information*)
“Panel”	the UK Panel on Takeovers and Mergers
“Panther Portfolio”	the properties listed under the heading “Panther Portfolio” in the table contained in section 2.1 of Part II (*Detailed Overview of the Group’s Portfolio and Projects*)
“Peel Hunt”	Peel Hunt LLP
“PH Agreement”	the agreement entered into between the Company and Peel Hunt, further details of which are set out in section 9.4 of Part VIII (*Additional Information*)
“Premium Listing”	a premium listing under Chapter 6 of the Listing Rules
“Premium Listing Principles”	the Listing Principles (other than the Standard Listing Principles) set out in Chapter 7 of the Listing Rules, as amended pursuant

	to the Listing Rules (Listing Regime Enhancements) Instrument 2014 (FCA 2014/33) published by the FCA on 2 May 2014
"Prospectus"	this Prospectus
"RevPAR"	revenue per available room
"RICS"	means the Royal Institute of Chartered Surveyors
"RIS"	a Regulatory Information Service that is approved by the FCA as meeting the Primary Information Provider criteria and that is on the list of Regulatory Information Services maintained by the FCA
"RUB"	Russian roubles, the legal currency of the Russian Federation
"SDRT"	stamp duty reserve tax
"Senior Managers"	the senior managers of the Group, other than the Directors, whose names appear in section 1 of Part IV (*Directors, Senior Management and Corporate Governance)*
"Shareholders"	holders of Shares in the Company
"Shareholders' Agreements"	means the WP Shareholders' Agreement and the New Investors Shareholders' Agreement
"Shares"	the shares or ordinary shares in the capital of the Company, each with a nominal value of €0.01
"Share Option Scheme"	the share option scheme of the Company, as described in section 8.1 of Part VIII (*Additional Information*)
"Share Sale"	the sale of 10,206,973 Shares by WP Holdings to certain investors at the Issue Price pursuant to the terms of the Share Sale Agreement
"Share Sale Agreement"	the agreement to be entered into at Admission between WP Holdings and certain investors relating to the Share Sale, further details of which are set out in section 2 of Part VII (*Capital Raising and Share Sale*)
"Share Split"	the share split of the Shares pursuant to the Articles as described in section 3.9 of Part VIII (*Additional Information*)
"Standard Listing"	a standard listing under Chapter 14 of the Listing Rules
"Standard Listing Principles"	Listing Principles 2 and 6 set out in Chapter 7 of the Listing Rules, the scope of which has been extended to apply to companies with a Standard Listing pursuant to the Listing Rules (Listing Regime Enhancements) Instrument 2014 (FCA 2014/33) published by the FCA on 2 May 2014
"Subscription Agreement"	the agreements to be entered into at Admission between the Company and certain investors relating to the Capital Raising, further details of which are set out in section 1 of Part VII (*Capital Raising and Share Sale*)
"Subsidiary"	as defined in section 2:24a of the Dutch Civil Code and ''Subsidiaries'' shall be defined accordingly

"Takeover Decree"	the Public Takeover Bids Decree (*Besluit openbare biedingen Wft*)
"Takeover Directive"	Directive 2004/25/EC of 21 April 2004 concerning the regulation of public takeover bids
"TASE"	the Tel Aviv Stock Exchange
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK City Code"	the UK City Code on Takeovers and Mergers
"UK Corporate Governance Code"	the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council (as amended)
"UK Listing Authority" or "UKLA"	the FCA acting in its capacity as the competent authority for the ''UKLA'' purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United States", "USA" or "US"	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"USD"	US dollars, the legal currency of the United States
"Warrants"	the warrants issued pursuant to the warrant arrangements described in sections 8.2 and and 8.3 of Part VIII (*Additional Information*)
"WP Holdings"	WP Holdings I B.V.
"WP I Sarl"	WP I Investments Sarl
"WP Shareholders' Agreement"	the subscription and shareholders' agreement dated 23 April 2007 entered into between WP Holdings, BCH, BCI, the Company and the managers (as defined therein), as amended on 7 April 2011

All references to the Shares shall be deemed, where the context so permits, to be or include references to the Depositary Interests.

All references to the Depositary shall be deemed, where the context so permits, to be or include references to the Custodian.

PART XII
VALUERS' REPORTS

LEITNER GROUP, INC.
REAL ESTATE APPRAISERS & CONSULTANTS

May 7, 2014

Peel Hunt
BCRE Brack Capital Real Estate Investments BV
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Re: Appraisal File No. 16567
180 Orchard Street
New York, NY

Dear Sirs,

Valuation of 180 Orchard Street, Commercial and Garage Property

Introduction

In accordance with our engagement letter with BCRE Brack Capital Real Estate Investments BV (the "Company"), we, Leitner Group, have considered the property referred to in the attached schedule (the "Schedule"), in order to advise you of our opinion of the Market Value (as defined below) as at the valuation date, of the fee simple interest (as appropriate) of BCRE Brack Capital Real Estate Investments BV's interest in this property (the "Property") (the "Valuation"). The effective date of the valuation is December 31, 2013.

Purpose of Valuation

We understand that this valuation report and the schedule (together the "Valuation Report") are required for inclusion in a prospectus (the "Prospectus") that is being prepared in connection with the admission of shares in the Company to the standard listing segment of the Official List and trading on the main market of the London Stock Exchange (the "Admission"). Investors and regulators will rely on the Valuation Report in making their decision to invest in shares in the Company and in approving the shares for listing. We hereby give our consent for inclusion of the Valuation Report in the Prospectus.

The Valuation Report has been prepared for BCRE Brack Capital Real Estate Investments BV and Peel Hunt.

We can confirm that we have prepared our Valuation as independent external valuers. Our analyses, opinions and conclusions were developed, and the report was prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and Title XI (with

amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Basis of Valuation and Assumptions

We set out below the basis and assumptions we have used in preparing our Valuation followed by a summary of value of the fee simple interest in the Property described in the Schedule and Attached to this Valuation Report is Appendix A comprising a schedule of the Property.

We confirm that the value of the Property has been assessed on the basis of Market Value in accordance with the appropriate sections of the Uniform Standard of Professional Appraisal Practice (USPAP), and Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This is an internationally accepted method of valuation.

Market Value is defined as:

"The most probable cash sale price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under condition whereby:

Buyer and seller are typically motivated (i.e., motivated by self- interest);
Both parties are well informed or well advised, and acting in what they consider their own best interests;
A reasonable time is allowed for exposure in the open market;
Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

We can confirm that Market Value is entirely consistent with the normal valuation basis followed in each Country. The Properties are held as investments and developments and we have therefore used the appropriate property investment and development valuation methodology to calculate the Market Values.

The Market Value contained in this Valuation Report reflects a 100% ownership of the Property.

Valuation Approach

We have adopted an income approach direct capitalization technique. The direct capitalization is a method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. We also applied a Sales Comparison Approach to value. In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

Valuation

On the basis outlined in this Valuation Report, we are of the opinion that the Market Value as at December 31, 2013 of the fee simple interest subject to and with the benefit of various occupational leases, as summarized in the attached Schedule is:

Value "As Is" - $21,000,000

(Twenty-One Million Dollars)

There are no negative values to the Valuation Report.

Realization Costs

Our Valuation is exclusive of VAT and no allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal of any Property

Assumptions and Sources of Information

An assumption is stated to be a "supposition taken to be true" ("assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the Property, and the contents of reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed.

The assumptions we have made for the purposes of our valuations are referred to below.

Inspections

We have inspected the property on December 31, 2013 and we have met with representatives of the Vendor at each property.

Information

We have made an assumption that the information which BCRE Brack Capital Real Estate Investments BV and its professional advisers have supplied to us in respect of the Property is both full and correct. It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

Title

We have researched deed transactions for the property and have considered the available information in the valuation of the properties. Where legal due diligence reports have not been provided we have relied on other relevant information from the data room and have assumed where necessary that title is good and marketable and that the properties are free from encumbrances and charges.

Floor Areas

We have not measured the Properties and we have relied on the areas which have been supplied to us.

Plant and Machinery

Landlords' fixtures such as elevators, escalators, air-conditioning and other normal service installations have been treated as an integral part of each Property and are included within our valuations. Plant and machinery, tenant's fixtures and specialist trade fittings have been excluded from our valuations.

No specialist tests have been carried out on any of these service systems and for the purposes of our valuations we have assumed that all are in good working order and in compliance with any relevant statute bye-law or regulation.

Environmental Investigations and Ground Conditions

We were not instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the Properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the Properties. We were not instructed to carry out structural surveys of the Properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. Properties have been valued on the basis of the Company's advice that, save where we have been specifically advised to the contrary, no deleterious materials have been used in the construction of any of the subject buildings.

Planning

We have not seen planning consents or any planning reports and have assumed that the properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We have assumed that all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations.

Tenancies

We have assumed the property is completed as planned and will be leased to an arm's length tenant at a suitable market rate.

Special Assumptions

General Assumption

Information, estimates and opinions furnished to us and contained in the report were obtained from sources considered reliable. To this end, details regarding the development including buildable area, gross building area, net sellable/rentable area, unit counts, etc. were furnished by BCRE Brack Capital Real Estate Investments BV and/or their agents. While we have attempted to verify information when possible, no responsibility for the accuracy of such items furnished can be assumed. Any opinions of value stated herein are based on the assumption that project has the appropriate governmental approvals, licenses, and is ultimately completed as proposed.

Dates of Performance

As reported in the throughout, we have assumed various dates of performance, pertaining to the completion of the respective phases including completion and occupancy. While we have relied on our market analysis to forecast sales/leasing and marketing periods, these are nevertheless dependent on the achievement of certain milestones. Thus, our opinions of value expressed herein are explicitly dependent on the dates of performance identified in the report. Any deviation from such could result in significantly divergent value opinions.

Responsibility

This Valuation and the Schedule are provided to the addressees as set out on the first page of this certificate for the specific purpose to which they refer. This Valuation Report forms part of the Prospectus and may be referred to in supplementary prospectuses. The addressees of the Valuation Report may rely on it, as may investors in the company's shares and regulators determining whether to list shares of the Company.

Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear. For the avoidance of doubt, such approval is required whether or not Leitner Group is referred to by name and whether or not the contents of our Valuation Report are combined with other reports.

Nothing in this paragraph shall prevent the addressees of this Valuation Report from quoting from, referring to or disclosing this Valuation Report in communications with its professional advisers duly bound by obligations of confidentiality or as may be required by law, regulation, or upon designation by any other competent authority or judicial authority.

Disclosure of this Valuation Report by the addressees of this Valuation Report is not prohibited if required (i) in connection with any actual or threatened legal, judicial or regulatory proceedings (for the avoidance of doubt, this shall include disclosure by any addressee in connection with any form of due diligence defense) or for the purpose of resolving any actual or threatened dispute or (ii) in communications to insurers in connection with an actual or threatened dispute or claim, or (iii) in connection with the addressees' due diligence enquiries of the contents of the Prospectus.

Thank you for the opportunity to serve you.

Sincerely,

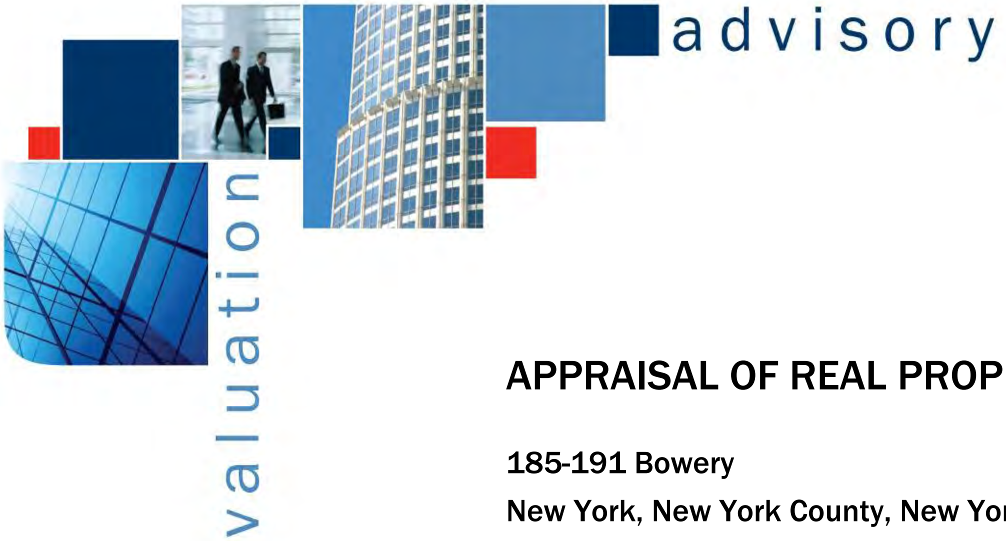
Joel Leitner, MAI, CRE, FRICS
Principal
State Certified General Appraiser #46-3011

RIDER

We hereby confirm that as at the date of this Valuation Report, (i) we have not become aware of any material change since 10 February 2014 in any matter relating to the subject property which in our opinion would have a material effect on the Market Value as at today's date, May 7, 2014 and (ii) in relation to market conditions and movements in the property markets in which the subject property covered by our Valuation Report is located, we do not consider that any movement in respect of such property constitutes material change since 10 February 2014.

APPENDIX A: PROPERTY SCHEDULE

Country	Property	Address	Description	Gross Leasable Area	Ownership Interest	Effective Ownership	NOI
United States	180 Orchard Street	180 Orchard Street, New York, NY 10002	The subject consists of the partially completed commercial and garage portions of a hotel development with a total area of 30,226 square feet. The commercial space will have 8,518 square feet of grade leasable area along with a 2,000 square foot mezzanine. The garage, which will be mainly below grade, will have a total of 19,708 square feet and a capacity for 100 vehicles.	30,226	fee simple interest	100%	$1,428,132.70



APPRAISAL OF REAL PROPERTY

185-191 Bowery
New York, New York County, New York 10002

IN AN APPRAISAL REPORT
Date of Value: December 19, 2013
Date of Inspection: December 19, 2013
Date of Report: May 8, 2014

Prepared For:
BCRE - Brack Capital Real Estate Investments B.V.
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt LLP
Moor House, 120 London Wall
London EC2Y 5ET

Prepared By:
Cushman & Wakefield, Inc.
Valuation & Advisory
1290 Avenue of the Americas, 9th Floor
New York, New York 10104
C&W File ID: 14-12002-9000033
CONFIDENTIAL

CUSHMAN & WAKEFIELD®
VALUATION & ADVISORY

CUSHMAN & WAKEFIELD, INC.
1290 AVENUE OF THE AMERICAS, 9TH FLOOR
NEW YORK, NEW YORK 10104

May 8, 2014

Mr. Shai Shamir
BCRE - Brack Capital Real Estate Investments BV
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt LLP
Moor House, 120 London Wall
London EC2Y 5ET

Re: Appraisal of Real Property
In an Appraisal Report

Land Value - Proposed CitizenM Hotel
185-191 Bowery
New York, New York County, New York 10002

C&W File ID: 14-12002-9000033

Dear Mr. Shamir:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above-captioned property in an appraisal report dated April 8, 2014. The effective date of value is December 19, 2013. We confirm that we have prepared this valuation report as an independent, external valuer.

This appraisal report has been prepared in compliance with the *Uniform Standards of Professional Appraisal Practice (*USPAP*)*. In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements. Lastly, this appraisal report has also been prepared in accordance with the Global Practice Statements and Guidance Notes contained in the RICS Valuation Standards (7*^ edition, as amended) published by the Royal institution of Chartered Surveyors.

We understand that this valuation report and any schedule thereto (together the “Valuation Report”) are required for inclusion in a prospectus (the “Prospectus”) that is being prepared in connection with the admission of shares in the Company to the standard listing segment of the Official List of the United Kingdom Listing Authority and trading on the main market of the London Stock Exchange (the “Admission”). Investors will consider the Valuation Report as a factor in making their decision to invest in shares of the Company and may rely on the Valuation

Report for this purpose. Moreover, regulators when seeking to determine whether to list the shares of the Company may rely on the Valuation Report. We hereby give our consent for the inclusion of the Valuation Report in the Prospectus and will accept responsibility for it in accordance with the European Union Directive 2003/71/EC and Dutch law. Save as aforesaid, other than those parties to whom the Valuation Report is addressed, any third party seeking to rely on the Valuation Report shall only be entitled to do so as a factor in determining whether or not to: (i) as a regulator, list the shares; (ii) as an investor, acquire shares in the Company following Admission. This report is not intended for any other use.

Subject to our accepting responsibility for the Valuation Report in the Prospectus, the Client and the issuer of such term sheet, offering circular, private placement memorandum, registration statement, or prospectus shall take full responsibility for any summary or quote from the report or partial inclusion and any reference to the report shall be accompanied by the following statement:

“An appraisal is only an estimate of value, as of the date stated, in the appraisal, and is subject to the Assumptions and Limiting Conditions, as well as any Extraordinary Assumptions and Hypothetical Conditions, stated in the report. Changes since that date in external and market factors or in the property itself can significantly affect the conditions. As an opinion, it is not a measure of realizable value and may not reflect the amount which would be received if the property were sold. Reference should be made to the entire appraisal report because relying solely on excerpts or portions of a report do not necessarily convey all of the limitations, conditions, assumptions, or qualifications of the report that influence the opinion of value.”

Furthermore, our valuation report may be disclosed in any relevant litigation or regulatory enquiry or investigation or action arising out of the Prospectus and/or Admission.

The subject property is currently vacant. Ownership has proposed the development of a 300-room hotel. The property is expected to offer a rooftop restaurant/lounge, a fitness center, and a typical complement of back-of-the-house facilities. The property is anticipated to offer high end furnishings and decor. However, the guestrooms are anticipated to be similar to pod style guestrooms. As such, the property is expected to offer and average rate below the upper upscale and luxury segment but above midscale tiered products in the market.

MARKET VALUE AS IS

Based on the agreed to Scope of Work, and as a result of our analysis, we have developed an opinion that the Market Value of the fee simple estate of the above-referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, on December 19, 2013, was:

SIXTY THREE MILLION DOLLARS

$63,000,000 or $792 per square foot of zoning floor area

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, December 19, 2013.

Notwithstanding the above paragraph, we hereby confirm that as at the date of this Valuation Report:

- We have not become aware of any material change since December 19, 2013 in any matter relating to the subject property covered by our valuation report which in our opinion would have a material effect on the market value as of the date of the prospectus; or
- In relation to market conditions and movements in the property market in which the subject property covered by our valuation report is located, we do not consider that any movement in respect of the properties constitutes material change since December 19, 2013.

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

This appraisal employs the extraordinary assumption that the proposed improvements will be completed in a timely manner, in a workman like fashion, and using the appropriate materials as described later in this report. We also assume an adequate pre-opening marketing campaign. This report does not address unforeseeable events that could alter the proposed development and/or the market conditions reflected in the analyses.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This appraisal does not employ any hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD, INC.

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Summary of Salient Facts and Conclusions

The following is an executive summary of the information that we present in more detail in the report.

Basic Information			
Common Property Name:	Land Value - Proposed CitizenM Hotel	**Report Type:**	Appraisal Report
Address:	185-191 Bowery	**Interest Appraised:**	Fee simple
City:	New York	**Date of Value:**	12/19/13
State:	New York	**Date of Inspection:**	12/19/13
Zip Code:	10002	**Date of Report:**	5/8/14
County:	New York		
Property Ownership Entity:	OSIB-BCRE Bowery Street Holdings, LLC		
CW File Reference:	14-12002-9000033		

Site Information			
Land Area Gross SF:	11,051	**Site Utility:**	Excellent
Land Area Acres:	0.25	**Site Topography:**	Level at street grade
Is there Excess Land?	No	**Site Shape:**	Rectangular
Excess Land Area SF:	0	**Frontage:**	Excellent
Excess Land Area Acres:	0.00	**Access:**	Excellent
Total Land Area SF:	11,051	**Visibility:**	Excellent
Total Land Area Acres:	0.25	**Location Rating:**	Excellent
Flood Zone:	X	**Number of Parking Spaces:**	0
Flood Map Number:	3604970184F	**Parking Ratio (per room):**	0.00:1
Flood Map Date:	9/5/07	**Parking Type:**	None

Municipal Information			
Assessor's Parcel Identification:	Block: 425, Lots: 2-5	**Municipality Governing Zoning:**	New York City
Assessing Authority:	New York City	**Current Zoning:**	C6-1
Current Tax Year:	2013/2014	**Is current use permitted:**	Yes
Taxable Assessment:	$1,412,460	**Current Use Conformance:**	Conforming use
Current Tax Liability:	$145,808		
Are taxes current?	Taxes are current		
Is a grievance underway?	Not to our knowledge		

Highest & Best Use
As Vacant:
Development of an appropriately sized lodging or residential facility.

Valuation Indices	Market Value As Is
Sales Comparison Approach	
Indicated Value (Low-End):	$60,000,000
Per Room:	$750
Indicated Value (High-End):	$64,000,000
Per Room:	$800
Percent Adjustment Method	$63,000,000
Per Room	$792
Final Value Conclusion	
Concluded Value:	$63,000,000
Per Room	$792
Exposure Time	
Exposure Time (months):	12 Months

Introduction

SCOPE OF WORK

This appraisal, presented in an appraisal report, is intended to comply with the reporting requirements set forth under the USPAP for an appraisal report. In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements. Lastly, this appraisal report has also been prepared in accordance with the Global Practice Statements and Guidance Notes contained in the RICS Valuation Standards (7*^ edition, as amended) published by the Royal institution of Chartered Surveyors.

The scope of this appraisal required collecting primary and secondary data relative to the subject property. The depth of the analysis is intended to be appropriate in relation to the significance of the appraisal issues as presented herein. The data have been analyzed and confirmed with sources believed to be reliable, in the normal course of business, leading to the value conclusions set forth in this report.

This appraisal was prepared without limitation of scope and involved thorough collection, checking and analysis of economic data, sales data, competitive market data and other information required in the appraisal process. The appraisal will consider the three standard approaches to value: Income Capitalization, Sales Comparison, and Cost. Because vacant parcels are normally bought and sold on the basis of comparability between other vacant sites, the greatest weight is given to the value indicated by the Sales Comparison Approach. We find that most investors employ a similar procedure in formulating their purchase decisions, and thus the Sales Comparison Approach most closely reflects the rational of typical buyers.

In this analysis, we relied on the Sales Comparison Approach to value the vacant site.

IDENTIFICATION OF PROPERTY

Location:	185-191 Bowery New York, New York County, New York 10002
Assessor's Parcel Numbers:	Block: 425, Lots: 2-5
Legal Description:	The legal description is contained in our work file.

PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership:	OSIB-BCRE Bowery Street Holdings, LLC
Sale History:	To the best of our knowledge, the property has not transferred within the past three years.
Current Disposition:	To the best of our knowledge, the property is not under contract for sale nor is it being marketed for sale.

DATES OF INSPECTION AND VALUATION

Date of Valuation:	December 19, 2013
Date of Inspection:	December 19, 2013
Property inspection was performed by:	Keenan M. O'Leary

INTENDED USE AND USERS OF THE APPRAISAL

Intended Use: This appraisal is intended to provide an opinion of the Market Value of the fee simple interest in the property for internal review and analysis by the Client. In addition, this report or a reference to this report and the provider of this report may be referred to and included, and subject to the terms and conditions of the Letter of Engagement, in whole or in part, summarized or quoted, provided any such reference, partial inclusion, summary, or quote, for informational purposes only and without reliance, is not inaccurate or misleading, in any term sheet, offering circular, private placement memorandum, registration statement, or prospectus relating to the financing or mortgage loan of the securities related thereto.

Intended User: The appraisal will be prepared for BCRE - Brack Capital Real Estate Investments B.V. and Peel Hunt LLP and is intended only for the use specified below. We understand that this valuation report is required for inclusion in the prospectus (the "Prospectus") that is being prepared in connection with the admission of shares in the Company to the standard listing segment of the Official List of the United Kingdom Listing Authority and trading on the main market of the London Stock Exchange (the "Admission"). Investors will consider the Valuation Report as a factor in making their decision to invest in shares of the Company and may rely on the Valuation Report for this purpose. Moreover, regulators when seeking to determine whether to list the shares of the Company may rely on the Valuation Report. We hereby give our consent for the inclusion of the Valuation Report in the Prospectus and will accept responsibility for it in accordance with the European Union Directive 2003/71/EC and Dutch law.

New York City Regional Analysis

New York City consists of five counties at the mouth of the Hudson River in the southeast area of New York State. The borough of Manhattan, also referred to as New York County, forms the political, financial and cultural core of the city. It is the economic growth engine of the Greater New York Region. The city's other boroughs are Brooklyn, Queens, Staten Island, and the Bronx, otherwise known as Kings, Queens, Richmond, and Bronx counties, respectively. The area's vast mass transit infrastructure connects the five boroughs as well as the surrounding suburban areas, forming the Greater New York Region. This region covers 21 counties in the southeastern section of New York State, southwestern corner of Connecticut, and Central and Northern New Jersey.

DEMOGRAPHIC TRENDS

According to Moody's Analytics, the current population of New York City is estimated at over 8.3 million. Rapid population growth is and always will be a challenge for New York City, as the densely populated metro area has little room for growth. New York City exceeds national averages in household income at both the top and bottom of the spectrum. As a result, the city's middle income brackets are relatively small. The high cost of living in New York City pushes out many of those who are not poor enough to qualify for subsidized rents or wealthy enough to afford market-rate housing.

ECONOMIC TRENDS

New York City is heavily weighted in office-using employment sectors, which comprise 31.5 percent of jobs compared to 24.4 percent for the nation. This helps to explain the high wages and job growth found in the metro area. Furthermore, the city's abundance of service jobs has shielded it from the gradual decay in manufacturing employment across the nation.

Employment growth in New York City remains steady, and has now outpaced the nation's job growth in each of the past six years. Notable growth has occurred since 2011, with each year bringing job gains surpassing 2.0 percent. Since the city's job market bottomed out in November 2009, New York City has added 290,000 jobs, representing a 7.9 percent increase and full recovery of jobs lost during the recession.

According to the New York State Department of Labor, total employment in the city grew by 2.2 percent during the 12-month period ending in August 2013, adding 84,400 jobs. Once again, this surpassed the state and national growth rates of 1.4 percent and 1.7 percent, respectively. Moreover, private sector employment grew by 2.5 percent over that time period.

The professional and business services sector continues to be a major growth engine for the city, adding over 15,000 jobs in the past year for 2.4 percent annual growth. Within this sector, jobs related to both computer systems design and advertising have been growing quickly. Other sources of employment growth over the past year have been concentrated in trade/transportation/utilities (17,000 jobs gained; mostly in the retail trade subsector), and education and health services, which gained 32,100 jobs representing growth of 4.2 percent.

CONCLUSION

New York City has fared well in the past few years and recovery from the recession is firmly in place. The city has experienced moderate economic growth and employment gains that have outpaced the nation's. Though growth slowed temporarily in the first half of 2013, modest growth has returned and acceleration is likely in the near future.

Local Area Analysis

The subject property is located along Bowery, between Delancey and Rivington, in the Borough of Manhattan, which is in the City of New York. Predominate uses in the area are low-rise commercial and residential buildings. Immediately surrounding the subject property are low-rise buildings (with retail/restaurant uses on the first floor, and apartments above) located on Bowery and Delancey. The Lower East Side stretches east from Bowery to the East River Park. It is bordered on the north by Houston Street and the south by Canal Street and East Broadway. The neighborhood is situated north of the South Street Seaport - Wall Street area (south of the Brooklyn Bridge) and east of SoHo and Chinatown/Little Italy.

The Lower East Side is home to over 1,000 businesses, primarily small, family-owned and operated retail establishments. Its important economic corridors are Clinton, Orchard, Grand and Delancey Streets. These streets hold a network of businesses known for their ethnic food, apparel and home design, along with small retail shops with devoted clientele. The Lower East Side was known as an exclusive destination for Sunday shopping. During last ten years, many new boutique stores and restaurants have opened in the Lower East Side and its commercial identity continues to evolve.

A recent trend is that Chinatown is crossing over both Bowery and Delancey, north to Houston Street. The expansion of the Chinatown economy is already evidenced by many ethnic storefronts within the neighborhoods. The new stores are in properties that were generally vacant and in need of renovation. These new merchants renovate the properties, generally with retail along the ground floor and then either rent or occupy apartments on the upper floors. This trend will likely continue, and the makeup of the ethnic populations in the LES could be quite different in the years to come.

In addition to the dynamic changes in population throughout the LES, there is a new wave of construction activity in the area that is bringing in new life and new business. The Hotel on Rivington was one of the first such projects in the LES to significantly enhance the blossoming cultural resurgence of the area. Developers of the Hotel on Rivington made use of the vacant buildings and excess available air-rights to construct an impressive hotel structure, which not only provided a new downtown destination, but also brought general tourism to the LES, further helping the area emerge as a trendy neighborhood for restaurants, shops and culture.

Property Analysis

SITE DESCRIPTION

Location:	185-191 Bowery New York, New York County, New York 10002 The subject property is located along Bowery, between Delancey and Rivington, in the Borough of Manhattan, which is in the City of New York.
Shape:	Rectangular
Topography:	Level at street grade
Total Land Area:	±0.25 acres / ±11,051 square feet
Frontage:	The subject property has excellent frontage.
Access:	The subject property has excellent access.
Visibility:	The subject property has excellent visibility.
Soil Conditions:	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support the proposed structure. We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities:	All utilities are available to the subject site.
Site Improvements:	The site improvements will include curbing and signage, typical of an urban facility.
Land Use Restrictions:	An authoritative report of title was not provided or reviewed.
Flood Zone:	The subject property is located in flood zone X.
FEMA Map & Date:	3604970184F, dated September 5, 2007
Flood Zone Description:	This zone is determined to be located outside the 100- and 500-year flood plains.
Wetlands:	We were not given a Wetlands survey to review.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site.
Overall Site Utility:	The subject site is functional for its proposed use.
Location Rating:	Excellent

IMPROVEMENTS DESCRIPTION

The subject property is currently vacant. Ownership has proposed the development of a 300-room hotel.

ZONING

The property is zoned C6-1 by the New York City. Note that the New York City zoning also allows for additional 1.2 floor area ratio (FAR) if a public plaza is included in the development. A zoning analysis provided by ownership indicates that the total allowable FAR for the subject site is 79,565 square feet.

REAL PROPERTY TAXES AND ASSESSMENTS

The subject property is located in the taxing jurisdiction of New York City. The assessor's parcel identification numbers are Block: 425, Lots: 2-5. The subject lots are currently classified as Class 4 properties. The current assessments for the subject properties are as follows:

Property Assessment Information	
Assessor's Parcel Number:	Block: 425, Lots: 2-5
Assessing Authority:	New York City
Current Tax Year:	2013/2014
Assessment Ratio (% of market Value):	45%
Are taxes current?	Taxes are current
Is there a grievance underway?	Not to our knowledge
The subject's assessment and taxes are:	At market levels

	Tax Year 2012/2013 July 1, 2012 - June 30, 2013		Tax Year 2013/2014 July 1, 2013 - June 30, 2014	
Block: 425, Lot: 2	**Actual AV**	**Transitional AV**	**Actual AV**	**Transitional AV**
Land:	$202,500	$202,500	$611,550	$284,310
Building:	$232,650	$217,578	$0	$0
Subtotal:	$435,150	$420,078	$611,550	$284,310
Block: 425, Lot: 3	**Actual AV**	**Transitional AV**	**Actual AV**	**Transitional AV**
Land:	$258,750	$258,750	$624,600	$331,920
Building:	$164,700	$177,210	$0	$0
Subtotal:	$423,450	$435,960	$624,600	$331,920
Block: 425, Lot: 4	**Actual AV**	**Transitional AV**	**Actual AV**	**Transitional AV**
Land:	$356,400	$356,400	$795,150	$444,150
Building:	$422,100	$422,100	$0	$0
Subtotal:	$778,500	$778,500	$795,150	$444,150
Block: 425, Lot: 5	**Actual AV**	**Transitional AV**	**Actual AV**	**Transitional AV**
Land:	$247,500	$247,500	$770,400	$352,080
Building:	$97,650	$97,650	$0	$0
Subtotal:	$345,150	$345,150	$770,400	$352,080
Total:	**$1,982,250**	**$1,979,688**	**$2,801,700**	**$1,412,460**
Tax Rate:		**10.288**		**10.323**
Tax Liability:		**$203,670**		**$145,808**

Source: City of New York Real Estate Department of Finance

Highest and Best Use

HIGHEST AND BEST USE CRITERIA

The Dictionary of Real Estate Appraisal, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

> The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

To determine the highest and best use we typically evaluate the subject site under two scenarios: as if vacant and as presently improved. In both cases, the property's highest and best use must meet the four criteria described previously.

HIGHEST AND BEST USE OF THE SITE AS IF VACANT

We have considered the legal issues related to zoning and legal restrictions. We have analyzed the physical characteristics of the site to determine what legal uses would be possible and have considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as if vacant is for the development of an appropriately sized lodging or residential facility.

Valuation Process

METHODOLOGY

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. The approach used depends on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal. We discuss each below and conclude with a summary of their applicability to the subject property.

COST APPROACH

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. Given that the site is currently vacant, we have not utilized the Cost Approach.

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of developing an opinion of market value in which a subject property is compared with comparable properties that have been recently sold. Preferably, all properties are in the same geographic area and/or of the same property type. One premise of the Sales Comparison Approach is that the market will establish a price for the subject property in the same manner that the prices of comparable, competitive properties are established.

The sales prices of the properties deemed most comparable to the subject property tend to set the range in which the value of the subject property will fall. Given that the site is currently vacant, we have utilized the Sales Comparison Approach.

INCOME CAPITALIZATION APPROACH

This approach first determines the income-producing capacity of a property by estimating market rent from activity at competing properties for the space. Deductions are then made for expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization. Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method, periodic cash flows and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments. Given that the site is currently vacant, we have not utilized the Income Capitalization Approach.

RECONCILIATION

Our experience with numerous buyers and sellers indicates that the procedures used in developing our opinion of market value by the Sales Comparison Approach are comparable to those employed by the investors who constitute the marketplace. For this reason, the Sales Comparison Approach produces the most supportable value opinion, and it is given the greatest weight in the valuation process.

Sales Comparison Approach

Using the Sales Comparison Approach, we developed an opinion of value by comparing the subject property to similar, recently sold properties in the surrounding or competing area. This approach relies on the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings in the competitive area;
- Select and analyze properties that are similar to the subject property, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per unit or effective gross income multiplier;
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the subject property; and
- Interpret the adjusted sales data and draw a logical value conclusion.

In this method, we analyzed prices buyers have recently paid for similar sites in the market, as well as examined current offerings. In making comparisons, we adjusted the sale prices for differences between this site and the comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made. We present on the following pages a summary of pertinent details of sites recently sold that we compared to the subject site.

We used the Sales Comparison Approach to develop an opinion of land value. In this method, we analyzed prices buyers have recently paid for similar sites in the market, as well as examined current offerings. In making comparisons, we adjusted the sale prices for differences between the subject site and the comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made. We present on the following pages a summary of pertinent details of sites recently sold that we compared to the subject site, based on its zoning floor area yield.

In the valuation of the subject site's fee simple interest, the Sales Comparison Approach has been used to establish prices being paid for comparably zoned land. The most widely used and market oriented unit of comparison for properties with characteristics similar to those of the subject is the sale price per square foot of zoning floor area (ZFA). All transactions used in this analysis are analyzed on this basis.

The major elements of comparison used to value the subject site include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property. The chart on the following page details the land transactions that we have utilized in our analysis.

SUMMARY OF LAND SALES

PROPERTY INFORMATION							TRANSACTION INFORMATION					
No.	Location	Size (sf)	Size (Acres)	Max FAR	Potential Building Area	Zoning	Grantor	Grantee	Sale Date	Sale Price	$/ZFA	COMMENTS
S	Subject Property	11,051	0.25	7.20	79,565	C6-1						
1	360 Tenth Avenue New York, NY	25,773	0.59	10.00	296,235	C6-4 within the Special Hudson Yards District	Sherwood 30 Land Group LLC	360 Tenth Avenue LLC c/o McCourt Partners, LLC	Sep-13	$167,295,000	$564.74	This is the sale of a development site located on the entire easterly blockfront of Tenth Avenue between West 30th and West 31st Streets. The site is part of a larger zoning lot that encompasses an adjacent parcel (Lot 60). The zoning lot development agreement, which was established in June 2012, allows for a total of 38,502 square feet of zoning floor area from the adjacent parcel to be massed on the site. In addition, an owner of the subject site may exercise its right to acquire 437,171 square feet of zoning floor area from the Hudson Yards District Improvement Fund (DIF) Bonus program. The development rights from the DIF are priced at $122.78 per square foot as stipulated by the New York City Planning Commission. The right to purchase these development rights is part of the zoning statute and is as-of-right for this site in the Hudson Yards Special Purpose District. The total amount of zoning floor area available to the site through the DIF is exclusive of 25,000 square feet that has been reserved by the owner of Lot 60. This exclusion was stipulated in the zoning lot development agreement established in June 2012. We have reflected the base zoning floor, exclusive of the development rights available through the DIF, in the analysis of this sale.
2	151-161 Maiden Lane New York, NY	11,404	0.26	15.00	171,060	C5-3 with the Lower Manhattan Special Purpose District	Maiden Lane Development LLC	FPG Maiden Lane, LLC	Aug-13	$64,000,000	$374.14	This is the sale of a development site located on the northwest corner of Maiden Lane and Front Street. The site, which consists of two adjacent tax parcels, contains a total of 11,404 square feet and is located in the Lower Manhattan Special Purpose District. The site is currently used as surface parking. The development plans of the developer are unknown at the present time, but will likely included a mixed-use residential building. The site is bonusable through a variety of bonus features for the creation of a plaza, subway improvements, and transfers from the South Street Seaport. We have reflected the base zoning floor area in our analysis.
3	239 10th Avenue, New York, NY	5,520	0.13	5.00	41,100	C6-3, within Subarea C of the Special West Chelsea District	Leemilt's Petroleum, Inc.	VHS 239, LLC	Jul-13	$29,415,000	$715.69	The site is located at the northwest corner of 10th Avenue and West 24th Street. The site is rectangular in shape and has 78.92 feet of frontage along 10th Avenue and 70 feet along West 24th Street. There is an existing gas station on the site that will be demolished prior to development. The proposed purchaser is also in negotiations to purchase an additional 13,500 square feet of zoning floor area in the form of HLTC and inclusionary housing TDRs. The HLTC TDRs are to be purchased at a price per ZFA of $520 per square foot and the inclusionary housing TDRs are to be purchased at a price per ZFA of $350 per square foot.
4	101 Murray Street, New York, NY	31,028	0.71	10.00	310,280	C6-4	St. John's University	Henry V Murray Senior LLC	Jul-13	$223,000,000	$718.71	The site is located on the northeast corner of West and Murray Streets in Tribeca. The site is irregular in shape and has 176.10 feet of frontage on West Street and 225 feet along Murray Street. There is an existing building on the site, that will be demolished prior to development. With the inclusion of the plaza bonus, the maximum zoning floor area would be 372,336 square feet and the price per square foot is $598.92.
5	347 Bowery, New York, NY	4,590	0.11	6.00	27,540	C6-1	347 Bowery, LLC	347 Bowery Owner, LLC	Jun-13	$19,200,000	$697.17	The property is a corner site located at the northeast corner of Bowery and East 3rd Street. The site contains 4,590 square feet of land area. The developer plans to build a 13-story mixed-use condominium development that will contain six luxury residential units, 3,806 square feet of ground floor retail space, and 4,590 square feet of 2nd floor commercial space. The residential units will be located on Floors 3-13. We utilized the 6.0 FAR in our analysis. The site is currently improved with 8,808 square feet of building area. We estimated demolition costs at $25 per square foot or $200,000 rounded. The charted sale price includes the estimated demolition costs. The site contains a maximum zoning floor area of 27,540 square feet (based on the maximum FAR of 6.0 for commercial uses). The maximum residential FAR is 3.44.
STATISTICS												
Low		4,590	0.11	5.00	27,540				Jun-13	$19,200,000	$374.14	
High		31,028	0.71	15.00	310,280				Sep-13	$223,000,000	$718.71	
Average		15,663	0.36	9.20	94,024				Aug-13	$100,582,000	$614.09	

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VALUATION & ADVISORY

LAND SALE ADJUSTMENT GRID

		Economic Adjustments (Cumulative)					Property Characteristic Adjustments (Additive)						
No.	Price/ZFA & Date	Property Rights Conveyed	Conditions of Sale	Financing	Market[1] Conditions	PSF Land Subtotal	Location	Size	Zoning	Utility[2]	Configuration	Other	Adj. Price/ZFA
1	**$564.74**	Fee Simple	Arm's-Length	None	Inferior	**$586.11**	Inferior	Larger	Similar	Superior	Similar	Similar	**$674.02**
	9/13	0.0%	0.0%	0.0%	3.8%	3.8%	5.0%	20.0%	0.0%	-10.0%	0.0%	0.0%	15.0%
2	**$374.14**	Fee Simple	Arm's-Length	None	Inferior	**$390.38**	Inferior	Larger	Similar	Inferior	Similar	Similar	**$624.61**
	8/13	0.0%	0.0%	0.0%	4.3%	4.3%	25.0%	10.0%	0.0%	25.0%	0.0%	0.0%	60.0%
3	**$715.69**	Fee Simple	Arm's-Length	None	Inferior	**$755.40**	Inferior	Smaller	Similar	Inferior	Similar	Similar	**$793.17**
	7/13	0.0%	0.0%	0.0%	5.5%	5.5%	5.0%	-5.0%	0.0%	5.0%	0.0%	0.0%	5.0%
4	**$718.71**	Fee Simple	Arm's-Length	None	Inferior	**$762.07**	Superior	Larger	Similar	Similar	Similar	Similar	**$800.17**
	7/13	0.0%	0.0%	0.0%	6.0%	6.0%	-20.0%	25.0%	0.0%	0.0%	0.0%	0.0%	5.0%
5	**$697.17**	Fee Simple	Arm's-Length	None	Inferior	**$747.20**	Similar	Smaller	Similar	Inferior	Similar	Similar	**$747.20**
	6/13	0.0%	0.0%	0.0%	7.2%	7.2%	0.0%	-10.0%	0.0%	10.0%	0.0%	0.0%	0.0%
STATISTICS													
	$374.14	**- Low**										**Low -**	**$624.61**
	$718.71	**- High**										**High -**	**$800.17**
	$614.09	**- Average**										**Average -**	**$727.83**

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(1) Market Conditions Adjustment Footnote

Refer to discussion of adjustments
Date of Value (for adjustment calculations): 12/19/13

(2) Utility Footnote

Utility includes access, frontage and visibility.

Variable Growth Rate Assumptions

Starting Growth Rate:	0.0%
Inflection Point 1 (IP1):	**1/1/2010**
Change After IP1:	0.0%

CONCLUSION

After a thorough analysis, the comparable land sales reflect adjusted unit values ranging from a low of $374.14 per square foot of zoning floor area to $718.71 per square foot of zoning floor area, with an average of $614.09 per square foot of zoning floor area. We have placed greatest reliance on Land Sales 3, 4, and 5 due to their locational characteristic and conclude that the indicated land value by the Sales Comparison Approach is between $750 and $800 per square foot of zoning floor area. Note that the subject is located in a growing market with few developable sites that can accommodate a development of this size. Overall, we conclude to a market value as is of $63,000,000 based upon the Sales Comparison Approach.

AS IS VALUE CONCLUSION	Price PSF	Price PSF
Indicated Value	$750	$800
Zoning Floor Area (ZFA)	x 79,565	x 79,565
Indicated Value	$59,673,564	$63,651,802
Rounded to nearest $1,000,000	$60,000,000	$64,000,000
$/SF of ZFA Basis	$754.10	$804
LAND VALUE CONCLUSION	$60,000,000	$64,000,000
$/SF of ZFA Basis	$754.10	$804

Compiled by Cushman & Wakefield, Inc.

Reconciliation and Final Value Opinion

VALUATION METHODOLOGY REVIEW AND RECONCILIATION

In our valuation of the subject property, we relied primarily on the Sales Comparison Approach to value. The Sales Comparison Approach is considered to provide the most reasonable value and utilized the Income Capitalization Approach to test the reasonableness of our concluded value. It is our experience that knowledgeable purchasers of vacant sites such as the subject rely upon this method in determining the value of a vacant site, such as the subject.

The approaches indicated the following:

Final Value Reconciliation		
Date of Value	As Is Value December 19, 2013	Per SF of ZFA
Sales Comparison Approach		
(Low-End of Range)	$60,000,000	$750
(High-End of Range)	$64,000,000	$800
Percent Adjustment Method	$63,000,000	$792
Conclusion	$63,000,000	$792
Final Value Conclusion	**$63,000,000**	**$792**

Compiled by Cushman & Wakefield, Inc.

We have given most weight to the Sales Comparison Approach because this method mirrors the methodology used by purchasers of this property type.

MARKET VALUE AS IS

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the Market Value of the fee simple estate of the vacant site, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, "As-Is" on December 19, 2013, was:

SIXTY THREE MILLION DOLLARS

$63,000,000 or $792 per room

EXPOSURE TIME AND MARKETING TIME

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately 12 months. This assumes an active and professional marketing plan would have been employed by the current owner.

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within 12 months.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

This appraisal employs the extraordinary assumption that the proposed improvements will be completed in a timely manner, in a workman like fashion, and using the appropriate materials as described later in this report. We also assume an adequate pre-opening marketing campaign. This report does not address unforeseeable events that could alter the proposed development and/or the market conditions reflected in the analyses.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This appraisal does not employ any hypothetical conditions.

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- The sole and exclusive remedy for any and all losses or damages relating to the appraisal shall be limited to $1,500,000 total. In the event that the Client, or any other party entitled to do so, makes a claim against C&W or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the appraisal, the maximum damages recoverable from C&W or any of its affiliates or their respective officers or employees shall be to $1,500,000 total and under no circumstances shall any claim for consequential damages be made. Notwithstanding any contrary provision contained in this letter of engagement, nothing in this letter shall exclude or limit the liability of C&W to any third party in respect of any liability arising under the European Union Directive 2003/71/EC or Dutch law.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.
- The estimated operating results presented in this report are based on an evaluation of the overall economy, and neither take into account nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of rooms, food, beverages, and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.
- Appraising hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.
- This report assumes that the subject will maintain an affiliation with CitizenM or a similar chain. If the subject does not maintain a similar affiliation, it could have a negative impact on the subject's market value.
- Our financial analyses are based on estimates and assumptions which were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Keenan M. O'Leary did make a personal inspection of the property that is the subject of this report. Eric B. Lewis, MAI, FRICS did not make a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this report.
- We have not provided services regarding the subject property within the prior three years.
- As of the date of this report, I (Keenan M. O'Leary) have completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.
- As of the date of this report, Eric B. Lewis, MAI, FRICS has completed the continuing education program of the Appraisal Institute.

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Glossary of Terms and Definitions

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, Chicago, IL, as well as other sources.

AS IS MARKET VALUE

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

EXPOSURE TIME

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

FEE SIMPLE ESTATE

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

HYPOTHETICAL CONDITIONS

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

INTENDED USE

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

MARKET VALUE

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

MARKETING TIME

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

[1] "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

APPRAISAL REPORT

PROPOSED CITIZENM
TIMES SQUARE
218-222 West 50th Street
New York, New York 10019

Prepared For

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS BV

AND

PEEL HUNT LLP

BCRE-Brack Capital Real Estate Investments BV
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt LLP
Moor House, 120 London Wall
London EC2Y 5ET

LWHA Job No.: 14-NY-045A
Date of Value: December 31, 2013
Date of Inspection: December 10, 2013

LWHA
LW HOSPITALITY ADVISORS

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May 7, 2014

BCRE-Brack Capital Real Estate Investments BV
Weteringschans 95A
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Netherlands

Peel Hunt LLP
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London EC2Y 5ET

Attention: Shai Shamir

Re: Appraisal of the CitizenM Times Square
218-222 West 50th Street
New York, New York 10019

LWHA Job No.: 14-NY-045A

Gentlemen:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above-captioned property in an appraisal report dated February 12, 2014. The effective date of value is December 31, 2013.

The report was prepared for BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP. The intended use of the appraisal is for inclusion in the prospectus (the "Prospectus") that has been prepared in connection with the admission of shares in BCRE–Brack Capital Real Estate Investments B.V. (the "Company") to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange (the "Admission"). Investors will rely on the Prospectus in making their decision to invest in the shares of the Company and regulators will rely on it when deciding whether to list the shares. We hereby give our consent for the inclusion of our appraisal in the Prospectus. The Client agrees that there are no other intended users or intended uses of the appraisal.

The subject property is situated at 218-222 West 50th Street in Manhattan, New York. The site consists of 6,024± SF, or 0.1383± acre. The former parking garage on the site was demolished in May 2011, and the site currently consists of the under construction hotel structure. As such, we have performed an economic residual analysis to determine our as-is valuation.

According to property ownership, the site is split between two distinct zoning districts: (1) 3,036 SF is situated in the C6-5, Midtown Theater Subdistrict Core, which allows for 10.0 FAR, thereby resulting in a total FAR of 30,360 SF of development rights, and (2) 2,988 SF is situated in the C6-7 Midtown Theater Submarket, which allows for 14.0 FAR, thereby resulting in a total FAR of 41,832 SF of development rights. According to the Client, the maximum permitted FAR is 72,168 SF. Inclusive of all front and back of the house spaces, basement and mechanical deductions, the Client estimates a gross building area of 77,701 SF.

The site is improved with a soon-to-be-complete 20-story hotel tower affiliated with the citizenM hotel brand. The citizenM hotel chain was developed in Europe to offer affordable luxury with good value and no hidden costs. The subject property is anticipated to be the first citizenM hotel in America, featuring 230 keys with amenities and facilities inclusive of the signature canteenM lobby bar, rooftop bar lounge, business center and fitness center. The proposed hotel is estimated to be completed by March 1, 2014.

The subject site is subject to a 99-year ground lease dated March 26, 2010 between Friar's 50th Street Garage, Inc., who operates as the landlord, and OSIB-BCRE 50th Street Holdings LLC. OSIB-BCRE 50th Street Holdings LLC represents a joint venture between BCRE 50th Street Member LLC and OSIB 50th Street Propco Inc., which owns and operates hotels under the CitizenM Concept. The joint venture is responsible for ground lease payments to the landlord as well as building construction, any structural-related improvements, and all real estate and insurance related expenses. A 25-year hotel sub-lease between OSIB-BCRE 50th Street Holdings LLC and OSIB 50th Street Operator LLC (tenant) relies all operations on the tenant upon opening of the subject hotel. Without any financial contributions from OSIB 50th Street Operator LLC, the entity will be subject to a total rent that is the greater of 7.5 percent of total development costs or 35 percent of gross revenues. It is noteworthy to recognize that the joint venture and operating tenant are related entities involved with the ownership and operation of hotels under the CitizenM Concept. Given the relationship of the lessee and the sub-lessee, it is assumed that the 99-year leasehold position could be sold free and clear of management.

For the purpose of this assignment and as per the Client's request, we have acknowledged the leases and operating structures that are currently in place, however we have not valued the subject property subject to such leases. We utilized a typical operating format inclusive of real estate expenses, insurance expenses and a typical management fee of 3.0 percent of total revenues. As such, the values concluded herein are indicative of typical market operations and not subject to the leases in place.

This appraisal report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements. Furthermore, this report has been prepared in accordance with the relevant sections contained within the RICS Valuation – Professional Standards, March 2012 edition ("Red Book") and the incorporated Practice Statements and Guidance Notes.

We confirm that we have prepared this appraisal report as an independent, external valuer.

There are no additional disclosures.

AS IS MARKET VALUE OF LEASEHOLD INTEREST

As a result of our analysis, we are of the opinion that the market value of the leasehold interest of the subject hotel property, in its as is condition, subject to the work already completed and considering the costs to complete and open the subject property, as well as assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of December 31, 2013, is:

EIGHTY TWO MILLION DOLLARS
$82,000,000 or $357,000 per room

PROSPECTIVE MARKET VALUE OF LEASEHOLD INTEREST UPON COMPLETION

As a result of our analysis, we have developed an opinion that the Prospective Market Value Upon Completion of the leasehold interest of the subject hotel property, subject to the assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of March 1, 2014, will be:

NINETY ONE MILLION DOLLARS
$91,000,000 or $396,000 per room

AS IS MARKET VALUE OF THE HYPOTHETICAL FEE SIMPLE INTEREST

As a result of our analysis, we are of the opinion that the market value of the hypothetical fee simple interest of the subject hotel property, in its as is condition, subject to the work already completed and considering the costs to complete and open the subject property, as well as assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of December 31, 2013, is:

NINETY FIVE MILLION DOLLARS
$99,000,000 or $430,000 per room

PROSPECTIVE MARKET VALUE OF THE HYPOTHETICAL FEE SIMPLE INTEREST UPON COMPLETION

Furthermore, based on the agreed to Scope of Work, and as a result of our analysis, we have developed an opinion that the Prospective Market Value Upon Completion of the hypothetical fee simple estate of the subject hotel property, subject to the assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of March 1, 2014, will be:

ONE HUNDRED FOUR MILLION DOLLARS
$108,000,000 or $470,000 per room

The opinion(s) of value include the land, the improvements and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will remain open and operational. The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 6 to 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, December 10, 2013.

Since the date of our appraisal report, we have not performed any due diligence or research on the subject property or its market, but as of the date of this appraisal report, we have not become aware of any material change since December 31, 2013 in any matter relating to the property covered by our appraisal report which in our opinion would have a material effect on the market value as of December 31, 2013. We also confirm that as of the date of this appraisal report, in relation to market conditions and movements in the property markets in which the property covered by our appraisal report is located, we do not consider that any movement in respect of the property constitutes material change since December 31, 2013.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions.

EXTRAORDINARY ASSUMPTIONS

Extraordinary Assumptions are assumptions which if found to be false could alter the resulting opinion or conclusion.

This appraisal assumes that the subject property will be affiliated with the citizenM hotel brand or similar boutique hotel concept, and feature 230 keys upon completion of the construction. The hotel is anticipated to commence operations beginning March 1, 2014.

This appraisal assumes that the construction as well as the level of fit and finish of the subject property will be commensurate with an upscale product as described and furnished to the appraisers.

This appraisal assumes that an adequate and appropriate pre-opening advertising and marketing campaign will be completed prior to the opening of the proposed hotel to assume successful operation.

This appraisal assumes that the proposed development plans are accurate and correct. Property ownership has indicated that the developable FAR as of right is 72,168 SF and the gross building area is expected to be 77,701 SF including all deductions, basement and bonuses. Additionally, this appraisal also assumes that all construction costs provided by property ownership are accurate and sufficient for successful hotel development. According to property ownership, approximately $50 million is assumed to have been spent to date by the end of 2013, with $5,495,412 remaining to be spent prior to the projected opening date of March 1, 2014.

This appraisal assumes that the canteenM lobby bar and rooftop bar lounge will be operated by the hotel.

This appraisal acknowledges the 99-year ground lease and 25-year hotel sub-lease in place, but the values concluded herein, per the client, are assumed to be fee simple and thus not subject to the hotel sub-lease and the hotel operating agreement, given the relationship of the lessee and the sub-lessee, who are related entities involved with the ownership and operation of hotels under the CitizenM Concept. We have requested, but not received, any license and/or management agreement, and therefore assumed that the subject would be unencumbered by management.

If the subject does not operate in a similar manner as mentioned above, it could have an impact on our concluded opinion(s) of value. In the case that any extraordinary assumptions do not come to fruition, we reserve the right to amend our value(s) herein.

HYPOTHETICAL CONDITIONS

Hypothetical Conditions are assumptions made contrary to fact, but which are assumed for the purpose of discussion, analysis, or formulation of opinions.

This appraisal employs the hypothetical condition that the subject property is not subject to the in-place ground lease and can be sold fee simple.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

LW HOSPITALITY ADVISORS

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EXECUTIVE SUMMARY

Name	Proposed citizenM Times Square
Address	218-222 West 50th Street New York, New York 10019
Property Type	Select Service Hotel
Property Identification	Block: 1021 Lot: 50
Site Area	6,024± Square Feet or 0.138± Acre
Zoning	C6-5 Midtown Theater Subdistrict Core C6-7 Midtown Theater Submarket Zone
Flood Plain	Flood Zone X, FEMA Map Panel No. 25025C0077G, 9/25/2009
Date Expected to Open	March 1, 2014
Number of Keys	230 Keys
Gross Building Area (GBA)	77,701± Square Feet
Food & Beverage	canteenM Lobby Bar Rooftop citizenM Bar Lounge
Interest Appraised	Fee Simple Interest
Highest and Best Use (As If Vacant)	Hotel Development
Highest and Best Use (As If Improved)	Hotel Development
Exposure Time	6 to 12 Months
Marketing Time	6 to 12 Months
Date of Report	December 31, 2013
Date of Inspection	December 10, 2013
Inspected By	Evan Weiss, MRICS & Ellen Sooyon Park
Date of As Is Value	December 31, 2013
Date of Value at Completion	March 1, 2014

Market Value – Leasehold Interest

Year One NOI – Projected	$5,100,574
Stabilized NOI – Projected	$7,504,750
Discount Rate (As Is)	10.00%
Discount Rate (Completed)	10.00%
Terminal Rate	8.00%
Income Capitalization Approach	
As Is – Via Economic Residual	$82,000,000, or $357,000 per key
Upon Completion	$90,700,000, or $394,000 per key

Hypothetical Market Value – As if Fee Simple

Year One NOI – Projected	$5,900,574
Stabilized NOI – Projected	$8,304,750
Discount Rate (As Is)	9.50%
Discount Rate (Completed)	9.50%
Terminal Rate	7.50%
Going-In Capitalization Rate *Based on Stabilized Year Deflated to Year One	7.28%
Cost Approach	
As Complete	$95,900,000, or $417,000 per key
Sales Comparison Approach	$96,800,000 - $118,300,000
As Complete	$421,000 - $514,000 per key
Income Capitalization Approach	
As Is – Via Economic Residual	$99,000,000, or $430,000 per key
Upon Completion	$107,500,000, or $468,000 per key

Final Market Values

Final Value Estimate – As Is	
Leasehold	**$82,000,000, or $357,000 per key**
Hypothetical as if Fee Simple	**$99,000,000, or $430,000 per key**
Final Value Estimate – As Complete	
Leasehold	**$91,000,000, or $396,000 per key**
Hypothetical as if Fee Simple	**$108,000,000, or $470,000 per key**

Common Property Name	Proposed citizenM Times Square
Location	218-222 West 50th Street, New York, New York 10019
Assessor's Parcel Number	Block: 1021 Lot: 50
Property Description	The subject property consists of a 6,024± SF site located at 218-222 West 50th Street between Broadway and Eighth Avenues in Midtown Manhattan, New York. The site consisted of a former parking garage, which was demolished in May 2011, and now comprised of a primarily complete hotel structure, though still under construction. The site is proposed to be improved with a 20-story hotel tower affiliated with the citizenM hotel brand or similar boutique hotel concept. The hotel will feature 230 keys with amenities and facilities inclusive of the signature canteenM lobby bar, rooftop bar lounge, business center and fitness center. The proposed hotel is estimated to be completed and open by March 1, 2014.
Report Type	Appraisal Report
Intended Use	The intended use of the appraisal is for inclusion in the prospectus (the "Prospectus") that has been prepared in connection with the admission of shares in BCRE–Brack Capital Real Estate Investments B.V. (the "Company") to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange (the "Admission"). Investors will rely on the Prospectus in making their decision to invest in the shares of the Company and regulators will rely on it when deciding whether to list the shares. We hereby give our consent for the inclusion of our appraisal in the Prospectus. The Client agrees that there are no other intended users or intended uses of the appraisal.
Client	BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP
Intended User(s)	The report was prepared for BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP. Furthermore, it is understood that investors will rely on the Prospectus in making their decision to invest in the shares of the Company and regulators will rely on it when deciding whether to list the shares. We also accept that our appraisal report may be disclosed in any litigation or regulatory enquiry or investigation or action in connection with the Prospectus or the Admission. No additional Intended Users are identified or intended by the appraiser(s).

Definitions:

Market Value

As defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by a lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

Leasehold Interest

The interest held by the lessee (the renter or tenant) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Scope of Work

In preparing this appraisal, LWHA:

- Inspected the interior and exterior of the subject, including site improvements, public areas, a representative sample of guestrooms, and back of house areas;
- Interviewed hotel management and representatives of its ownership;
- Reviewed industry statistics and the operating statistics of similar hotels;
- Inspected competitive properties, researched occupancies, average rates, and segmentation, and performed fair share projections for the subject. Data was obtained through interviews with on-site management and LWHA's internal database;
- Prepared detailed projections of occupancy, average daily rate, and operating expenses;
- Researched and analyzed recent comparable sales and offerings to determine capitalization and discount rates as well as indications of value per room;
- Considered the subject's replacement cost, accrued depreciation, and the relevancy to the subject valuation;
- Reconciled Sales Comparison and Income Capitalization Approach techniques to develop an opinion of value.

This is an Appraisal Report as defined by the Uniform Standard of Professional Appraisal Practice under Standards Rule 2-2(A). This format provides a detailed and complete description of the appraisal process, subject data and valuation.

Property Ownership

Leasehold Interest: OSIB – BCRE 50th Street Holdings LLC

Leased Fee: 218 West 50th Street Garage Corp. (Friar's 50th Street Garage Inc.)

Acquisition History

Title to the property is currently vested under Friar's 50th Street Garage Inc. The property is under a lease agreement with OSIB – BCRE 50th Street Holdings LLC as of March 26, 2010.

We are not aware of any sales of any interest(s) on the subject property within the last three years. To the best of our knowledge, no interest in the subject is currently being marketed for sale.

Dates of Valuation	As Is: December 31, 2013 As Complete: March 1, 2014
Date of Inspection	December 10, 2013
Property Inspection Performed By:	Evan Weiss, MRICS & Ellen Sooyon Park
Operational Assumptions	For the purposes of this report, we assumed that the subject will be operated as a citizenM-branded or similar boutique hotel. We further assumed that the subject will be operated by competent and experienced management familiar with the operation of boutique hotels in the United States, and more specifically, the Manhattan market in New York.
Property Rights Appraised	The leasehold interest has been appraised. Additionally, we appraised the hypothetical fee simple interest, including the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will open on or around March 1, 2014, and remain operational throughout the projection period.
Marketing and Exposure Period	We estimate the marketing time for the subject property to be approximately 6 to 12 months, based upon the PwC Real Estate Investor Survey as well as our interviews with knowledgeable owners and brokers. According to the most recent PwC Real Estate Investor Survey – Third Quarter 2013, the average marketing time for luxury/upper-upscale hotels was 7.4 months, 9.0 months for full service hotels, 7.7 months for limited service hotels and 6.9 months for select hotels. The exposure period, or retrospective time to expose the property prior to sale, is estimated to be 6 to 12 months.

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. LW Hospitality Advisors LLC (LWHA) is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. LWHA, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. LWHA professionals are not engineers and are not competent to judge matters of an engineering nature. LWHA has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of LWHA by ownership or management; LWHA inspected less than 100% of the entire interior and exterior portions of the improvements; and LWHA was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, LWHA reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. LWHA has no knowledge of the existence of such materials on or in the property. LWHA, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to LWHA. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, LWHA has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, LWHA reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify LWHA of any questions or errors.
6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, LWHA will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. LWHA assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. LWHA is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. LWHA does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of LWHA
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of LWHA to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
16. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
17. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to LWHA unless otherwise stated within the body of this report. If LWHA has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. LWHA assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
18. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor LWHA assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
19. LWHA assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
20. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
22. The *Americans with Disabilities Act* (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, LWHA has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since LWHA has no specific information relating to this issue, nor is LWHA qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
23. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation

between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.

24. Unless otherwise stated in this appraisal report, the report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with the Admission, loan underwriting or securitization efforts. Appraiser is not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

INCOME CAPITALIZATION APPROACH

The income capitalization approach is a method used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalization process. The two most common methods of converting net income into value are the direct capitalization technique, where an overall rate is extracted directly from pertinent market sales, and the discounted cash flow technique, wherein anticipated future income streams and a reversionary value are discounted to a present value estimate.

In valuing the proposed subject property, we believe that potential investors looking to acquire a property such as the subject would place greater emphasis on the second technique which takes into consideration expected streams of income and residual proceeds from a hypothetical sale at the end of the holding period.

FINANCIAL ANALYSIS

Based on our review of the subject's prospective operating performance, as well as our analysis of comparable hotel income and expense statements and industry norms, we have derived base levels of income and expense. The units of comparison include percentage of departmental and/or total revenue, amount per available room, and amount per occupied room. These units of comparison are the basis for calculating the fixed and variable component relationships for each line item.

After reviewing U.S. hotel industry averages, and the performance of comparable hotels, we have developed a 10-year projection of income and expense, with the first year beginning July 1, 2013. Considering the current state of the competitive hotel market, we believe that the subject will achieve stabilization by July 1, 2015.

The projection of income and expense is intended to reflect the appraiser's opinion of how a typical buyer would project the subject property's operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted upward or downward. We have attempted to incorporate these considerations into this analysis.

INCOME AND EXPENSE PROJECTIONS

- *Room Revenues* were calculated by estimating annual occupancy and average daily rate per occupied room for the subject property for each year of our analysis period. *Room Expenses* are market–supported and typical.

- *Food and Beverage Revenues and Expenses* are attributable to the food and beverage operations at the subject property, including the signature canteenM lobby bar and rooftop bar lounge. All food and beverage operations are assumed to be operated by the hotel upon opening.

- *Telecommunication Revenues and Expenses* are derived from local and long-distance calls and the utilization of other telecommunications services except for high-speed Internet access, which is anticipated to be complimentary throughout the hotel. Revenues are based on market-oriented assumptions on a POR basis.

- *Other Operated Departments Revenues and Expenses* are attributable to the operation of the miscellaneous departments, including vending machines, guest laundry, commissions, cancellation fees and attrition. Revenues are based on market-oriented assumptions on a POR basis and expenses are estimated to market on a ratio basis.

- *Undistributed Operating Expenses*, *Management Fees* and *Fixed Expenses* are all typical for the market and based on our experience, market comparables and research.

- *Ground Rent* was calculated based on the ground lease signed on March 26, 2010 between the landlord, Friar's 50th Street Garage, Inc. and the lessee, OSIB-BCRE 50th Street Holdings LLC.

TEN-YEAR PROJECTION OF INCOME AND EXPENSE
HYPOTHETICAL AS IF FEE SIMPLE, AS COMPLETE 3/1/2014

The following 10-year projection of income and expense reflects the subject property's anticipated performance on a calendar basis beginning March 1, 2014. Stabilization is anticipated to occur in Year 3 of the projection. The statements are expressed in inflated dollars for each fiscal year.

CitizenM Times Square
10 Year Summary

Projection Year	1	2	3	4	5	6	7	8	9	10	11
Fiscal Year Ending February 28:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Days in Year	365	365	365	365	365	365	365	365	365	365	365
Number of Rooms	230	230	230	230	230	230	230	230	230	230	230
Rooms Available	83,950	83,950	84,180	83,950	83,950	83,950	84,180	83,950	83,950	83,950	84,180
Occupied Rooms	65,481	68,839	72,395	72,197	72,197	72,197	72,395	72,197	72,197	72,197	72,395
Occupancy	78.00%	82.00%	86.00%	86.00%	86.00%	86.00%	86.00%	86.00%	86.00%	86.00%	86.00%
Average Rate	271.65	293.38	322.72	332.40	342.38	352.65	363.23	374.12	385.35	396.91	408.81
RevPAR	211.89	240.57	277.54	285.87	294.44	303.28	312.37	321.75	331.40	341.34	351.58

	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %
REVENUE																						
Rooms	17,788	92.6%	20,196	93.2%	23,363	93.8%	23,999	93.8%	24,719	93.8%	25,460	93.8%	26,296	93.8%	27,011	93.8%	27,821	93.8%	28,656	93.8%	29,596	93.8%
Food	1,246	6.5%	1,296	6.0%	1,349	5.4%	1,389	5.4%	1,431	5.4%	1,474	5.4%	1,518	5.4%	1,563	5.4%	1,610	5.4%	1,659	5.4%	1,708	5.4%
Telecommunications	34	0.2%	36	0.2%	39	0.2%	40	0.2%	42	0.2%	43	0.2%	44	0.2%	45	0.2%	47	0.2%	48	0.2%	50	0.2%
Other Operated Departments	135	0.7%	143	0.7%	151	0.6%	155	0.6%	160	0.6%	165	0.6%	170	0.6%	175	0.6%	180	0.6%	185	0.6%	192	0.6%
Total Revenue	**19,203**	**100.0%**	**21,672**	**100.0%**	**24,902**	**100.0%**	**25,583**	**100.0%**	**26,351**	**100.0%**	**27,141**	**100.0%**	**28,028**	**100.0%**	**28,794**	**100.0%**	**29,658**	**100.0%**	**30,548**	**100.0%**	**31,546**	**100.0%**
DEPARTMENTAL EXPENSES																						
Rooms	5,138	28.9%	5,455	27.0%	5,803	24.8%	5,961	24.8%	6,139	24.8%	6,324	24.8%	6,531	24.8%	6,709	24.8%	6,910	24.8%	7,117	24.8%	7,351	24.8%
Food & Beverage	821	65.8%	850	65.5%	881	65.3%	906	65.3%	934	65.3%	962	65.3%	992	65.3%	1,020	65.3%	1,051	65.3%	1,082	65.3%	1,116	65.3%
Telecommunications	61	180.2%	64	176.2%	68	172.6%	70	172.6%	72	172.6%	74	172.6%	76	172.6%	78	172.6%	81	172.6%	83	172.6%	86	172.6%
Other Operated Depts & Rentals	68	50.0%	71	49.4%	74	48.8%	76	48.8%	78	48.8%	80	48.8%	83	48.8%	85	48.8%	88	48.8%	90	48.8%	93	48.8%
Total Departmental Expenses	6,088	31.7%	6,440	29.7%	6,825	27.4%	7,012	27.4%	7,223	27.4%	7,439	27.4%	7,682	27.4%	7,892	27.4%	8,129	27.4%	8,373	27.4%	8,646	27.4%
Total Departmental Profit	**13,116**	**68.3%**	**15,232**	**70.3%**	**18,077**	**72.6%**	**18,571**	**72.6%**	**19,128**	**72.6%**	**19,702**	**72.6%**	**20,346**	**72.6%**	**20,902**	**72.6%**	**21,529**	**72.6%**	**22,175**	**72.6%**	**22,899**	**72.6%**
UNDISTRIBUTED OPERATING EXPENSES																						
Administrative & General	1,896	9.9%	1,999	9.2%	2,126	8.5%	2,184	8.5%	2,250	8.5%	2,317	8.5%	2,393	8.5%	2,458	8.5%	2,532	8.5%	2,608	8.5%	2,693	8.5%
Marketing	1,137	5.9%	1,204	5.6%	1,288	5.2%	1,323	5.2%	1,363	5.2%	1,404	5.2%	1,450	5.2%	1,489	5.2%	1,534	5.2%	1,580	5.2%	1,632	5.2%
Utility Costs	902	4.7%	937	4.3%	980	3.9%	1,007	3.9%	1,037	3.9%	1,068	3.9%	1,103	3.9%	1,133	3.9%	1,167	3.9%	1,202	3.9%	1,241	3.9%
Property Operations & Maintenance	947	4.9%	1,008	4.7%	1,084	4.4%	1,114	4.4%	1,147	4.4%	1,181	4.4%	1,220	4.4%	1,253	4.4%	1,291	4.4%	1,330	4.4%	1,373	4.4%
Total Undistributed Operating Expenses	4,881	25.4%	5,148	23.8%	5,478	22.0%	5,628	22.0%	5,796	22.0%	5,970	22.0%	6,166	22.0%	6,334	22.0%	6,524	22.0%	6,720	22.0%	6,940	22.0%
GROSS OPERATING PROFIT	**8,235**	**42.9%**	**10,084**	**46.5%**	**12,599**	**50.6%**	**12,943**	**50.6%**	**13,332**	**50.6%**	**13,732**	**50.6%**	**14,180**	**50.6%**	**14,568**	**50.6%**	**15,005**	**50.6%**	**15,455**	**50.6%**	**15,960**	**50.6%**
Management Fees	576	3.0%	650	3.0%	747	3.0%	767	3.0%	791	3.0%	814	3.0%	841	3.0%	864	3.0%	890	3.0%	916	3.0%	946	3.0%
INCOME BEFORE FIXED CHARGES	**7,659**	**39.9%**	**9,433**	**43.5%**	**11,852**	**47.6%**	**12,176**	**47.6%**	**12,541**	**47.6%**	**12,917**	**47.6%**	**13,339**	**47.6%**	**13,704**	**47.6%**	**14,115**	**47.6%**	**14,539**	**47.6%**	**15,013**	**47.6%**
Selected Fixed Charges																						
Property Taxes	1,155	6.0%	1,932	8.9%	2,317	9.3%	2,387	9.3%	2,458	9.3%	2,532	9.3%	2,608	9.3%	2,686	9.3%	2,767	9.3%	2,850	9.3%	2,935	9.3%
Insurance	220	1.1%	226	1.0%	234	0.9%	240	0.9%	247	0.9%	255	0.9%	263	0.9%	270	0.9%	278	0.9%	287	0.9%	296	0.9%
Reserve For Capital Replacement	384	2.0%	650	3.0%	996	4.0%	1,023	4.0%	1,054	4.0%	1,086	4.0%	1,121	4.0%	1,152	4.0%	1,186	4.0%	1,222	4.0%	1,262	4.0%
AMOUNT AVAILABLE FOR DEBT SERVICE & OTHER FIXED CHARGES*	**5,901**	**30.7%**	**6,625**	**30.6%**	**8,305**	**33.3%**	**8,526**	**33.3%**	**8,782**	**33.3%**	**9,045**	**33.3%**	**9,347**	**33.3%**	**9,596**	**33.3%**	**9,884**	**33.3%**	**10,180**	**33.3%**	**10,520**	**33.3%**

TEN-YEAR PROJECTION OF INCOME AND EXPENSE
LEASEHOLD INTEREST, AS COMPLETE 3/1/2014

The following 10-year projection of income and expense reflects the subject property's anticipated performance on a calendar basis beginning March 1, 2014. Stabilization is anticipated to occur in Year 3 of the projection. The statements are expressed in inflated dollars for each fiscal year.

CitizenM Times Square
10 Year Summary

Projection Year	1		2		3		4		5		6		7		8		9		10		11	
Fiscal Year Ending February 28:	2015		2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
Days in Year	365		365		365		365		365		365		365		365		365		365		365	
Number of Rooms	230		230		230		230		230		230		230		230		230		230		230	
Rooms Available	83,950		83,950		84,180		83,950		83,950		83,950		84,180		83,950		83,950		83,950		84,180	
Occupied Rooms	65,481		68,839		72,395		72,197		72,197		72,197		72,395		72,197		72,197		72,197		72,395	
Occupancy	78.00%		82.00%		86.00%		86.00%		86.00%		86.00%		86.00%		86.00%		86.00%		86.00%		86.00%	
Average Rate	271.65		293.38		322.72		332.40		342.38		352.65		363.23		374.12		385.35		396.91		408.81	
RevPAR	211.89		240.57		277.54		285.87		294.44		303.28		312.37		321.75		331.40		341.34		351.58	
	$ (000's)	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**	**$ (000's)**	**Gross %**
REVENUE																						
Rooms	17,788	92.6%	20,196	93.2%	23,363	93.8%	23,999	93.8%	24,719	93.8%	25,460	93.8%	26,296	93.8%	27,011	93.8%	27,821	93.8%	28,656	93.8%	29,596	93.8%
Food	1,246	6.5%	1,296	6.0%	1,349	5.4%	1,389	5.4%	1,431	5.4%	1,474	5.4%	1,518	5.4%	1,563	5.4%	1,610	5.4%	1,659	5.4%	1,708	5.4%
Telecommunications	34	0.2%	36	0.2%	39	0.2%	40	0.2%	42	0.2%	43	0.2%	44	0.2%	45	0.2%	47	0.2%	48	0.2%	50	0.2%
Other Operated Departments	135	0.7%	143	0.7%	151	0.6%	155	0.6%	160	0.6%	165	0.6%	170	0.6%	175	0.6%	180	0.6%	185	0.6%	192	0.6%
Total Revenue	**19,203**	**100.0%**	**21,672**	**100.0%**	**24,902**	**100.0%**	**25,583**	**100.0%**	**26,351**	**100.0%**	**27,141**	**100.0%**	**28,028**	**100.0%**	**28,794**	**100.0%**	**29,658**	**100.0%**	**30,548**	**100.0%**	**31,546**	**100.0%**
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Food & Beverage	821	65.8%	850	65.5%	881	65.3%	906	65.3%	934	65.3%	962	65.3%	992	65.3%	1,020	65.3%	1,051	65.3%	1,082	65.3%	1,116	65.3%
Telecommunications	61	180.2%	64	176.2%	68	172.6%	70	172.6%	72	172.6%	74	172.6%	76	172.6%	78	172.6%	81	172.6%	83	172.6%	86	172.6%
Other Operated Depts & Rentals	68	50.0%	71	49.4%	74	48.8%	76	48.8%	78	48.8%	80	48.8%	83	48.8%	85	48.8%	88	48.8%	90	48.8%	93	48.8%
Total Departmental Expenses	6,088	31.7%	6,440	29.7%	6,825	27.4%	7,012	27.4%	7,223	27.4%	7,439	27.4%	7,682	27.4%	7,892	27.4%	8,129	27.4%	8,373	27.4%	8,646	27.4%
Total Departmental Profit	**13,116**	**68.3%**	**15,232**	**70.3%**	**18,077**	**72.6%**	**18,571**	**72.6%**	**19,128**	**72.6%**	**19,702**	**72.6%**	**20,346**	**72.6%**	**20,902**	**72.6%**	**21,529**	**72.6%**	**22,175**	**72.6%**	**22,899**	**72.6%**
UNDISTRIBUTED OPERATING EXPENSES																						
Administrative & General	1,896	9.9%	1,999	9.2%	2,126	8.5%	2,184	8.5%	2,250	8.5%	2,317	8.5%	2,393	8.5%	2,458	8.5%	2,532	8.5%	2,608	8.5%	2,693	8.5%
Marketing	1,137	5.9%	1,204	5.6%	1,288	5.2%	1,323	5.2%	1,363	5.2%	1,404	5.2%	1,450	5.2%	1,489	5.2%	1,534	5.2%	1,580	5.2%	1,632	5.2%
Utility Costs	902	4.7%	937	4.3%	980	3.9%	1,007	3.9%	1,037	3.9%	1,068	3.9%	1,103	3.9%	1,133	3.9%	1,167	3.9%	1,202	3.9%	1,241	3.9%
Property Operations & Maintenance	947	4.9%	1,008	4.7%	1,084	4.4%	1,114	4.4%	1,147	4.4%	1,181	4.4%	1,220	4.4%	1,253	4.4%	1,291	4.4%	1,330	4.4%	1,373	4.4%
Total Undistributed Operating Expenses	4,881	25.4%	5,148	23.8%	5,478	22.0%	5,628	22.0%	5,796	22.0%	5,970	22.0%	6,166	22.0%	6,334	22.0%	6,524	22.0%	6,720	22.0%	6,940	22.0%
GROSS OPERATING PROFIT	**8,235**	**42.9%**	**10,084**	**46.5%**	**12,599**	**50.6%**	**12,943**	**50.6%**	**13,332**	**50.6%**	**13,732**	**50.6%**	**14,180**	**50.6%**	**14,568**	**50.6%**	**15,005**	**50.6%**	**15,455**	**50.6%**	**15,960**	**50.6%**
Management Fees	576	3.0%	650	3.0%	747	3.0%	767	3.0%	791	3.0%	814	3.0%	841	3.0%	864	3.0%	890	3.0%	916	3.0%	946	3.0%
INCOME BEFORE FIXED CHARGES	**7,659**	**39.9%**	**9,433**	**43.5%**	**11,852**	**47.6%**	**12,176**	**47.6%**	**12,541**	**47.6%**	**12,917**	**47.6%**	**13,339**	**47.6%**	**13,704**	**47.6%**	**14,115**	**47.6%**	**14,539**	**47.6%**	**15,013**	**47.6%**
Selected Fixed Charges																						
Property Taxes	1,155	6.0%	1,932	8.9%	2,317	9.3%	2,387	9.3%	2,458	9.3%	2,532	9.3%	2,608	9.3%	2,686	9.3%	2,767	9.3%	2,850	9.3%	2,935	9.3%
Insurance	220	1.1%	226	1.0%	234	0.9%	240	0.9%	247	0.9%	255	0.9%	263	0.9%	270	0.9%	278	0.9%	287	0.9%	296	0.9%
Reserve For Capital Replacement	384	2.0%	650	3.0%	996	4.0%	1,023	4.0%	1,054	4.0%	1,086	4.0%	1,121	4.0%	1,152	4.0%	1,186	4.0%	1,222	4.0%	1,262	4.0%
Ground Rent	800	4.2%	800	3.7%	800	3.2%	880	3.4%	880	3.3%	880	3.2%	880	3.1%	880	3.1%	968	3.3%	968	3.2%	968	3.1%
AMOUNT AVAILABLE FOR DEBT SERVICE & OTHER FIXED CHARGES*	**5,101**	**26.6%**	**5,825**	**26.9%**	**7,505**	**30.1%**	**7,646**	**29.9%**	**7,902**	**30.0%**	**8,165**	**30.1%**	**8,467**	**30.2%**	**8,716**	**30.3%**	**8,916**	**30.1%**	**9,212**	**30.2%**	**9,552**	**30.3%**

DISCOUNTED CASH FLOW ANALYSIS

HYPOTHETICAL AS IS MARKET VALUE AS IF FEE SIMPLE

Our analysis of applicable terminal capitalization and discount rates for the subject property specifically considered the building type and condition, the current local hotel market conditions, estimated future trends in the local and national market for transient accommodations, and current investor considerations and required returns on investment for similar investments in full-service hotels where the fee simple interest is being conveyed.

We believe a discount rate of 9.5 percent as complete to be reasonable and market-based, given the subject's favorable location, brand, good quality of product and amenities offered, excellent condition, performance of the market and the overall anticipated growth of the Midtown West/Times Square market. We utilized a terminal capitalization rate of 7.5 percent, which reflects our position of a good quality asset in a top-tier market in Manhattan. Manhattan typically commands lower returns, given the consistency of the market.

CitizenM Times Square
DCF Analysis

Assumptions	
Discount Rate	9.5%
Residual Cap Rate	7.5%
Cost of Sale	2.0%
Hold Period (Years)	10
Reversion Year +	1

Reversion Calculation (10Y)	
Year 11 CF:	10,520,208
Gross Reversion:	140,269,444
Cost of Sale:	(2,805,389)
Net Reversion:	137,464,056
Stabilized Year:	3

Returns (10Y)	
PV of Cash:	52,065,190
PV of Reversion:	55,468,697
Avg Annual Cash on Cash	8.02%
CF % of Yield:	48.42%
Reversion % of Yield:	51.58%

Analysis Year	Year	Fiscal Year End	Net Cash Flow	Net Reversion	Adjustments	Undiscounted CF	Discount Factor	Discounted CF	% of Yield	Annual Cash on Cash
0	2014	2/28/2014			-	-	1.000000	-	0.00%	NA
1	2015	2/28/2015	5,900,574	-	-	5,900,574	0.913242	5,388,652	5.01%	5.49%
2	2016	2/28/2016	6,625,012	-	-	6,625,012	0.834011	5,525,333	5.14%	6.16%
3	2017	2/28/2017	8,304,750	-	-	8,304,750	0.761654	6,325,345	5.88%	7.72%
4	2018	2/28/2018	8,525,921	-	-	8,525,921	0.695574	5,930,411	5.51%	7.93%
5	2019	2/28/2019	8,781,698	-	-	8,781,698	0.635228	5,578,378	5.19%	8.17%
6	2020	2/28/2020	9,045,149	-	-	9,045,149	0.580117	5,247,241	4.88%	8.41%
7	2021	2/28/2021	9,347,069	-	-	9,347,069	0.529787	4,951,954	4.61%	8.69%
8	2022	2/28/2022	9,595,999	-	-	9,595,999	0.483824	4,642,771	4.32%	8.92%
9	2023	2/28/2023	9,883,879	-	-	9,883,879	0.441848	4,367,172	4.06%	9.19%
10	2024	2/28/2024	10,180,395	137,464,056	-	147,644,451	0.403514	59,576,630	55.40%	137.30%
		Reversion NOI:	10,520,208		Total:	223,654,501		**107,534,000**	100.00%	
								467,539	Per Room	

Value, Overall Rate, Value per Room

Discount Rate	Exit Cap Rate: 7.00%	7.25%	7.50%	7.75%	8.00%
9.00%	115,537,198 5.11% 502,336	113,391,892 5.20% 493,008	111,389,605 5.30% 484,303	109,516,499 5.39% 476,159	107,760,461 5.48% 468,524
9.25%	113,493,507 5.20% 493,450	111,396,789 5.30% 484,334	109,439,853 5.39% 475,825	107,609,170 5.48% 467,866	105,892,906 5.57% 460,404
9.50%	111,495,936 5.29% 484,765	109,446,600 5.39% 475,855	107,533,887 5.49% 467,539	105,744,574 5.58% 459,759	104,067,093 5.67% 452,466
9.75%	109,543,302 5.39% 476,275	107,540,172 5.49% 467,566	105,670,584 5.58% 459,437	103,921,615 5.68% 451,833	102,281,956 5.77% 444,704
10.00%	107,634,450 5.48% 467,976	105,676,383 5.58% 459,463	103,848,854 5.68% 451,517	102,139,230 5.78% 444,084	100,536,458 5.87% 437,115

ECONOMIC RESIDUAL, HYPOTHETICAL AS IS 12/31/2013

According to property ownership, approximately $50 million is assumed to have been spent to date by the end of 2013.

Summary of Construction (osts	
Item	**Cost**
General Contractor	
Hard Costs	$36,074,050
Demo and Pre-Construction GC	$750,496
Soft Costs	$2,005,920
Owner	
Project Management Team	$1,400,000
FF&E	$1,509,435
OS&E	$426,771
Pre-Opening Budget	$1,833,062
IT Hardware & Software	$1,357,537
Other Soft Costs	$1,468,691
RE Taxes and Insurance	$1,628,348
CitizenM Expenses	$900,000
CitizenM Fee	$803,877
Developers Fees	$803,877
Acquisition Fee	$2,000,000
Contingency + G&A	$427,015
Ground Lease Reserve	$2,056,333
Royalty Fees Philips Concrete	$50,000
Total Construction Cost Budget	**$55,495,412**
Costs Spent Up to Date (YE 2013)	**$50,000,000**
Remaining Costs	**$5,495,412**
Source: Brack Capital Real Estate	

SYNOPSIS OF ECONOMIC RESIDUAL AS IS VALUE OF PROPOSED CITIZENM HOTEL	
Proposed citizenM Hotel Value Upon Completion - 3/1/2014	**$107,534,000**
Total Project Costs Remaining*	$5,495,412
Entrepreneurial Profit @ 15%	$824,312
Total Costs	**$6,319,724**
Total Value Upon Completion - 12/31/2013 Less Project Costs	**$101,214,276**
Holding Costs	$0
Total Value Upon Completion - 12/31/2013 Less All Project Costs	**$101,214,276**
Total Present Value - As Is - 12/31/2013 Less All Project Costs (9.5% discount factor)	$98,943,722
As Is - Economic Residual Value as of 12/31/2013	**$98,943,722**
As Is - Economic Residual Value as of 12/31/2013 (rounded)	**$99,000,000**
As Is - Economic Residual Value Per Room (rounded)	**$430,000**
**All Holding Costs are assumed to be included in Total Remaining Project Costs*	
Compiled by LW Hospitality Advisors	

AS IS MARKET VALUE OF LEASEHOLD INTEREST

CitizenM Times Square
DCF Analysis

Assumptions	
Discount Rate	10.0%
Residual Cap Rate	8.0%
Cost of Sale	2.0%
Hold Period (Years)	10
Reversion Year +	1

Reversion Calculation (10Y)	
Year 11 CF:	9,552,208
Gross Reversion:	119,402,604
Cost of Sale:	(2,388,052)
Net Reversion:	117,014,552
Stabilized Year:	3

Returns (10Y)	
PV of Cash:	45,570,991
PV of Reversion:	45,114,175
Avg Annual Cash on Cash	8.54%
CF % of Yield:	50.25%
Reversion % of Yield:	49.75%

Analysis Year	Year	Fiscal Year End	Net Cash Flow	Net Reversion	Adjustments	Undisc ounted CF	Discount Factor	Discounted CF	% of Yield	Annual Cash on Cash
0	2014	2/28/2014			-	-	1.000000	-	0.00%	NA
1	2015	2/28/2015	5,100,574	-	-	5,100,574	0.909091	4,636,886	5.11%	5.62%
2	2016	2/28/2016	5,825,012	-	-	5,825,012	0.826446	4,814,060	5.31%	6.42%
3	2017	2/28/2017	7,504,750	-	-	7,504,750	0.751315	5,638,429	6.22%	8.28%
4	2018	2/28/2018	7,645,921	-	-	7,645,921	0.683013	5,222,267	5.76%	8.43%
5	2019	2/28/2019	7,901,698	-	-	7,901,698	0.620921	4,906,333	5.41%	8.71%
6	2020	2/28/2020	8,165,149	-	-	8,165,149	0.564474	4,609,014	5.08%	9.00%
7	2021	2/28/2021	8,467,069	-	-	8,467,069	0.513158	4,344,945	4.79%	9.34%
8	2022	2/28/2022	8,715,999	-	-	8,715,999	0.466507	4,066,078	4.48%	9.61%
9	2023	2/28/2023	8,915,879	-	-	8,915,879	0.424098	3,781,203	4.17%	9.83%
10	2024	2/28/2024	9,212,395	117,014,552	-	126,226,947	0.385543	48,665,952	53.66%	139.19%
		Reversion NOI:	9,552,208		Total:	194,468,997		**90,685,000**	100.00%	
								394,283	Per Room	

Value, Overall Rate, Value per Room

Discount Rate	Exit Cap Rate: 7.50%	7.75%	8.00%	8.25%	8.50%
9.50%	97,031,003	95,406,330	93,883,200	92,452,381	91,105,728
	5.26%	5.35%	5.43%	5.52%	5.60%
	421,874	414,810	408,188	401,967	396,112
9.75%	95,343,042	93,755,001	92,266,213	90,867,654	89,551,364
	5.35%	5.44%	5.53%	5.61%	5.70%
	414,535	407,630	401,157	395,077	389,354
10.00%	93,692,778	92,140,462	90,685,166	89,318,070	88,031,391
	5.44%	5.54%	5.62%	5.71%	5.79%
	407,360	400,611	394,283	388,339	382,745
10.25%	92,079,249	90,561,776	89,139,146	87,802,735	86,544,937
	5.54%	5.63%	5.72%	5.81%	5.89%
	400,345	393,747	387,562	381,751	376,282
10.50%	90,501,521	89,018,033	87,627,263	86,320,781	85,091,152
	5.64%	5.73%	5.82%	5.91%	5.99%
	393,485	387,035	380,988	375,308	369,962

ECONOMIC RESIDUAL, LEASEHOLD INTEREST 12/31/2013

SYNOPSIS OF ECONOMIC RESIDUAL AS IS VALUE OF PROPOSED CITIZENM HOTEL	
Proposed citizenM Hotel Value Upon Completion - 3/1/2014	**$90,685,000**
Total Project Costs Remaining*	$5,495,412
Entrepreneurial Profit @ 15%	$824,312
Total Costs	**$6,319,724**
Total Value Upon Completion - 12/31/2013 Less Project Costs	**$84,365,276**
Holding Costs (Ground Rent)	$200,000
Total Value Upon Completion - 12/31/2013 Less All Project Costs	**$84,165,276**
Total Present Value - As Is - 12/31/2013 Less All Project Costs (10.0% discount fac tor)	$82,183,528
As Is - Economic Residual Value as of 12/31/2013	**$82,183,528**
As Is - Economic Residual Value as of 12/31/2013 (rounded)	**$82,000,000**
As Is - Economic Residual Value Per Room (rounded)	**$357,000**
Compiled by LW Hospitality Advisors	

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value. The single year's income is typically designed to reflect a subject property's stabilized level of operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization rate.

The following table illustrates overall capitalization rates for the subject property that have been derived based on our opinion of value via the discounted cash flow method. Note that the stabilized year's net income has been deflated to first projection year dollars at the underlying 3.0 percent inflation rate.

Hypothetical Fee Simple Interest

Note the implied overall capitalization rates below have been derived from the As Complete value conclusion of the hypothetical fee simple scenario:

Implied Overall Capitalization Rates		
	NOI	Capitalization Rate
Year One	5,900,574	5.49%
Stabilized Year	8,304,750	7.72%
Stabilzed Year Deflated to Year One	7,828,023	7.28%

In the hypothetical fee simple scenario, the stabilized and stabilized deflated implied rates appear to be market-oriented and typical for stabilized hotel operations' rates of return in Manhattan for a hotel such as the subject.

Leasehold Interest

Note the implied overall capitalization rates below have been derived from the As Complete value conclusion of the leasehold interest scenario:

Implied Overall Capitalization Rates		
	NOI	Capitalization Rate
Year One	5,100,574	5.62%
Stabilized Year	7,504,750	8.28%
Stabilzed Year Deflated to Year One	7,073,946	7.80%

The stabilized and stabilized deflated implied rates appear to be market-oriented and typical for stabilized hotel operations' rates of return in Manhattan for a leasehold position in the hotel.

CONCLUSION VIA INCOME CAPITALIZATION APPROACH

Applying a 9.5 percent discount rate and 7.5 percent terminal capitalization rate to the subject's projected income stream, the indicated value of the hypothetical fee simple interest in the subject property upon completion, subject to the assumptions, limiting conditions, certification and definitions, as of March 1, 2014, will be **$107,500,000**, or approximately **$468,000 per key.**

Applying a 10.0 percent discount rate and 8.0 percent terminal capitalization rate to the subject's projected income stream, the indicated value of the leasehold interest in the subject property upon completion, subject to the assumptions, limiting conditions, certification and definitions, as of March 1, 2014, will be **$90,700,000**, or approximately **$394,000 per key.**

SALES COMPARISON APPROACH

The sales comparison approach is used to estimate the value of real estate by comparing recent sales of similar properties in the surrounding or competing area to the subject property. Inherent in this approach is the principle of substitution.

The Sales Comparison Approach to value emphasizes the physical elements of the subject in conjunction with income. For hotels, price per room is the most common unit of comparison. We have identified and researched hotel sale transactions in Manhattan. The table below summarizes relevant transactions that were reportedly single asset, arms-length, fee simple transactions:

COMPARABLE NEW YORK CITY HOTEL SALES

No.	Property Name	Date	Rooms	Sale Price	Price Per Room	Cap. Rate
1	Park Lane Hotel	Nov-13	605	$660,000,000	$1,090,909	NA
2	The Mave Hotel	Oct-13	72	$28,500,000	$395,833	6.9%
3	Viceroy New York*	Sep-13	240	$148,500,000	$618,750	NA
4	Langham Place Fifth Avenue	Sep-13	214	$229,000,000	$1,070,093	NA
5	Holiday Inn West 26th Street*	Jun-13	226	$113,000,000	$500,000	NA
6	James Hotel	May-13	114	$85,000,000	$745,614	5.5%
7	Hyatt Union Square	Apr-13	178	$105,000,000	$589,888	NA
8	Alex Hotel*	Jan-13	203	$115,000,000	$566,502	NA
9	Flatotel*	Jan-13	289	$180,000,000	$622,837	NA
10	Beekman Tower Hotel*	Dec-12	170	$85,000,000	$500,000	NA
11	Dream Downtown	Dec-12	315	$220,000,000	$698,413	NA
12	Grand Union Hotel	Nov-12	95	$28,600,000	$301,053	NA
13	Desmond TuTu Center	Oct-12	60	$16,000,000	$266,667	NA
14	Hilton Garden Inn Midtown East*	Oct-12	205	$74,000,000	$360,976	NA
15	Setai Fifth Avenue	Oct-12	214	$229,000,000	$1,070,093	NA
16	Essex House Hotel	Sep-12	509	$362,300,000	$711,788	6.3%
17	The Plaza Hotel	Aug-12	282	$364,375,000	$1,292,110	NA
18	The Manhattan Hotel at Times Square	Sep-12	665	$275,000,000	$413,534	NA
19	Hotel Lola	May-12	276	$116,000,000	$420,290	NA
20	Courtyard New York Manhattan/Upper East Side	May-12	226	$82,000,000	$362,832	7.5%
21	Avalon Hotel - East 32nd Street	Feb-12	100	$48,300,000	$483,000	NA
22	Cassa Hotel	Feb-12	165	$130,000,000	$787,879	4.7%
23	Hyatt Place Midtown South - West 36th St	Jan-12	185	$76,500,000	$413,514	NA
24	Novotel Hotel New York*	Jan-12	480	$210,000,000	$437,500	NA
25	Park Central Hotel	Jan-12	934	$396,200,000	$424,197	NA
26	Hampton Inn Empire State Building	Dec-11	146	$69,500,000	$476,027	NA
27	Holiday Inn at 30-32 West 31st Street	Dec-11	122	$52,200,000	$427,869	NA
28	Cooper Square Hotel	Sep-11	145	$90,500,000	$624,138	2.8%
29	Affinia Portfolio (49% interest in 6 properties)*	Aug-11	1,730	$910,000,000	$526,012	9.3%
30	Yotel NY	Jun-11	669	$315,000,000	$470,852	NA
31	Algonquin Hotel	Jun-11	174	$85,500,000	$491,379	NA
32	Paramount Hotel	Jun-11	597	$275,000,000	$460,637	NA
33	Sheraton Four Points Times Square	Jun-11	244	$112,000,000	$459,016	NA
34	New York Palace Hotel*	Jun-11	899	$400,000,000	$444,939	NA
35	Hotel Chelsea	May-11	226	$82,500,000	$365,044	NA
36	Radisson Hotel Lexington Avenue	May-11	712	$335,000,000	$470,506	6.7%
37	Hampton Inn Seaport - Financial District*	Apr-11	81	$28,500,000	$351,852	NA
38	Holiday Inn Express Water Street*	Apr-11	112	$39,407,407	$351,852	NA
39	Morgans Hotel*	Apr-11	114	$56,544,000	$496,000	NA
40	Royalton Hotel*	Apr-11	168	$83,328,000	$496,000	NA
41	Holiday Inn Express Midtown	Feb-11	124	$56,250,000	$453,629	NA
42	The New York Helmsley Hotel	Jan-11	773	$313,500,000	$405,563	NA
43	Doubletree Metropolitan Hotel	Jan-11	755	$335,000,000	$443,709	NA
44	Doubletree Guest Suites Times Square*	Jan-11	460	$286,000,000	$621,739	7.0%
45	Milford Plaza Hotel	Oct-10	1,300	$200,000,000	$153,846	NA
46	Fashion 26, a Wyndham Hotel	Oct-10	280	$119,901,290	$428,219	NA
47	Hotel Roger Williams	Oct-10	193	$90,000,000	$466,321	NA
48	W Union Square Hotel	Sep-10	270	$185,250,000	$686,111	3.0%
49	Hilton Garden Inn Chelsea	Sep-10	169	$68,400,000	$404,734	7.0%
50	Buckingham Hotel	Jun-10	100	$60,000,000	$600,000	NA
51	Holiday Inn Wall Street - 51 Nassau Street	Apr-10	113	$34,700,000	$307,080	NA
52	Hampton Inn Times Square - W. 39th*	Feb-10	184	$55,000,000	$283,505	8.3%
53	Holiday Inn Express Times Square - W. 39th*	Feb-10	210	$55,000,000	$283,505	8.3%
54	Candlewood Suites Times Square - W. 39th*	Feb-10	188	$55,000,000	$283,505	8.3%

Footnotes*

Sale #	
3	This property represents a leasehold interest
5	$8.4 million PIP outstanding, effectively yielding sale price of $121.4 million, or $537,168 per key
8	This hotel is anticipated to convert into a timesshare
9	This property will be converted into high-end residential condominiums
10	This hotel will be converted into extended-stay corporate housing suites
14	This represents a contract, not a closed sale. Hotel expected to open 4Q13
24	Reported purchase price of $92 million, though buyers will reportedly be spending ±118 million in extensive renovations
29	Portfolio sale of 6 Affinia NYC hotels; currently 1,638 keys, growing through renovations to 1,733; cap rate based on pro forma 2010
34	This sale represents the trade of a complex leasehold estate
37,38	These properties sold as a portfolio to Hersha Hospitality Trust from McSam Hotels for a total of $69,100,000; per key pricing is allocated
39,40	Morgans and Royalton Hotels sold as a portfolio to Felcor for $140,000,0000
44	This sale represents Sunstone purchasing the remaining 62% of the property not already owned and inludes, cash, debt, etc.
52,53,54	Three-property portfolio purchased at a $284,000 per key basis on a $165,000,000 purchase price. Partnership shares in HT issued as part of sale

Source: LW Hospitality Advisors

The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales. These sales were chosen based upon similar segmentation, markets and branding. All sales were considered an arm's-length transaction and required no adjustments for financing terms or conditions of sale.

- In June 2013, Carey Watermark Investors Inc. acquired the 226-room *Holiday Inn Manhattan 6th Avenue* for a reported $113,000,000, or approximately $500,000 per key. The total investment in the property for the non-traded REIT is approximately $121,400,000, or approximately $537,000 per key, which includes $8.4 million of planned capital improvements and acquisition-related costs. The acquisition was financed with $80 million in debt. The 24-story hotel is located at 125 West 26th Street and was built in 2008.

- In March 2013, Chesapeake Lodging Trust LLC purchased the *Hyatt Place Midtown South Hotel*. The property, which originally went into contract for sale in January 2012, was purchased from Sam Chang of McSam Hotel Group for $76,200,000, or $411,892 per room. Located at 52-56 West 36th Street, the site was originally acquired for development by McSam Hotel Group in 2006 for a reported price of $15,200,000. The hotel was then built in 2012 and features 185 rooms contained in a 25-story building with approximately 250 square feet of meeting space. Additional amenities offered at the hotel include complimentary "Grab n Go" breakfast, 42" flat panel TVs in all guestrooms, as well as a 24-hour fitness and business center.

- The 288-room *Flatotel* was purchased in a joint-venture by Chetrit Group and Clipper Equity in a troubled transaction after foreclosure on the property in January 2012. Previous owner, Aleixco Group, filed for bankruptcy in May of 2012. The confirmed purchase price by Chetrit Group and Clipper Equity of the property was $180,000,000, or $625,000 per room. Located at 135 West 52nd Street, hotel was built in 1991 and reportedly was last renovated in 2007. Purchased in January 2013, the building was purchased with intent for conversion, and will be renovated for residential condominiums. Prior to closing, the Flatotel would have been considered a primary competitor of the subject.

- In September 2012, the 665-key *Manhattan Hotel at Times Square*, located on 7th Avenue and West 52nd Street, was sold for $275,000,000, or approximately $413,500 per key. The property was sold by Starwood to a joint venture of Rockpoint Group, Highgate Holdings, and Whitehall Real Estate Funds. Note, this property features a large parking component as well.

For this analysis, it should be noted that we have spoken with prominent brokers, capital markets professionals, principals, funds and investors to assist in shaping our opinion, directions and conclusions. They provided guidance along with an outlook and perspective on current market trends, transactions and performance.

CONCLUSION VIA SALES COMPARISON APPROACH

Based on the array of data presented and considering the subject properties construction, size, and location of the subject property, as well as the Income Capitalization Approach conclusion of $107,500,000, or $468,000 per key, LWHA projects that the as complete value of the **hypothetical fee simple interest** in the subject property via the Sales Comparison Approach ranges from approximately **$421,000 - $514,000 per key**, for a total consideration ranging from **$96,800,000 - $118,300,000.**

COST APPROACH

The cost approach in valuation is based upon the principle of substitution, which holds that an informed investor will pay no more for a property than the cost to build a substitute property of equivalent utility. The cost approach, therefore, estimates the cost of reproducing or replacing the subject property including improvements and land, less an allowance for depreciation based on the physical conditions, functionality, and economic environment of the building. This approach is particularly applicable to special-use properties in the absence of an investor market, but is less relevant to investment-grade commercial real estate. The cost approach however is well suited to new properties.

Cost Approach Schedule			
Building Type:	Concrete/Steel	Height Per Floor:	10.0'
Age:	0 Yrs	Number of Buildings:	1
Quality/Condition:	Good	Gross Building Area:	77,701 Sq.Ft.
Exterior Wall:	Aluminium/Glass	Number of Rooms:	230
Number of Floors:	20		
Direct & Indirect Building Costs			53,559,206
Entrepreneurial Profit	25% of Building Costs		13,389,802
Replacement Cost New			66,949,008
Accrued Depreciation			
Incurable Physical Deterioration	0% of Replacement Costs less Curable Physical Deterioration		-
Functional Obsolescence			-
External Obsolescence			-
Total Accrued Depreciation	0% of Replacement Costs		-
Depreciated Replacement Costs			66,949,008
Land Value			27,000,000
Business Value			-
Depreciated Cost of FF&E			1,932,000
Cost Approach Value			95,881,008
Total Capital Expenditures			-
Stabilization Discount			-
Excess Land Value			-
"As Is" Value Indication			**95,881,008**
		Rounded:	**95,900,000**
Value Per Room			**416,957**

The Cost Approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately. Moreover, the cost approach generally does not play a significant role, particularly in urban markets like Manhattan, given the significant increase in income as a property ramps up to stabilization. The difference in value via the income capitalization approach and cost approach is generally more pronounced in major urban 24/7 markets such as Manhattan, given strong and growing revenue/NOI, an abundance of capital investors, lower return requirements and high desirability of property ownership.

CONCLUSION VIA COST APPROACH

The preceding pages presented relevant data regarding comparable land sales and presented our analysis of the subject's estimated construction cost and accrued depreciation. Based on the preceding analysis, the as complete value of the **hypothetical fee simple interest** in the subject property via the Cost Approach is **$95,900,000,** or approximately **$417,000 per key**.

RECONCILIATION AND FINAL VALUE CONCLUSION

The subject site is subject to a 99-year ground lease dated March 26, 2010 between Friar's 50th Street Garage, Inc., who operates as the landlord, and OSIB-BCRE 50th Street Holdings LLC. OSIB-BCRE 50th Street Holdings LLC represents a joint venture between BCRE 50th Street Member LLC and OSIB 50th Street Propco Inc., which owns and operates hotels under the CitizenM Concept. The joint venture is responsible for ground lease payments to the landlord as well as building construction, any structural-related improvements, and all real estate and insurance related expenses. A 25-year hotel sub-lease between OSIB-BCRE 50th Street Holdings LLC and OSIB 50th Street Operator LLC (tenant) relies all operations on the tenant upon opening of the subject hotel. Without any financial contributions from OSIB 50th Street Operator LLC, the entity will be subject to a total rent that is the greater of 7.5 percent of total development costs or 35 percent of gross revenues. It is noteworthy to recognize that the joint venture and operating tenant are related entities involved with the ownership and operation of hotels under the CitizenM Concept. Given the relationship of the lessee and the sub-lessee, it is assumed that the 99-year leasehold position could be sold free and clear of management.

For the purpose of this assignment and as per the Client's request, we have acknowledged the leases and operating structures that are currently in place, however we have not valued the subject property subject to such leases. We utilized a typical operating format inclusive of real estate expenses, insurance expenses and a typical management fee of 3.0 percent of total revenues. As such, the values concluded herein are indicative of typical market operations and not subject to the leases in place.

We have considered the Income Capitalization, Sales Comparison and Cost Approaches to value. The results are as follows:

Leasehold Interest

Income Capitalization Approach	
As Is	$82,000,000, or $357,000 per key
Upon Completion	$90,700,000, or $394,000 per key

Hypothetical Fee Simple Interest

Income Capitalization Approach	
As Is	$99,000,000, or $430,000 per key
Upon Completion	$107,500,000, or $468,000 per key
Sales Comparison Approach	$96,800,000 - $118,300,000, or
As Complete	$421,000 - $514,000 per key
Cost Approach	
As Complete	$95,900,000, or $417,000 per key

In our valuation of the subject property, we have relied primarily on the Income Capitalization Approach to value utilizing a discounted cash flow method. The Sales Comparison Approach was applied and is considered to provide reasonable support to the conclusion of the Income Capitalization Approach.

Careful consideration has been given to the strengths and weaknesses of the three approaches to value. In recognition of the purpose of this appraisal, we have given primary weight to the value indicated by the Income Capitalization Approach and have utilized the Sales Comparison and Cost Approaches as a check for reasonableness.

AS IS MARKET VALUE OF LEASEHOLD INTEREST

As a result of our analysis, we are of the opinion that the market value of the leasehold interest of the subject hotel property, in its as is condition, subject to the work already completed and considering the costs to complete and open the subject property, as well as assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of December 31, 2013, is:

EIGHTY TWO MILLION DOLLARS
$82,000,000 or $357,000 per room

PROSPECTIVE MARKET VALUE OF LEASEHOLD INTEREST UPON COMPLETION

As a result of our analysis, we have developed an opinion that the Prospective Market Value Upon Completion of the leasehold interest of the subject hotel property, subject to the assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of March 1, 2014, will be:

NINETY ONE MILLION DOLLARS
$91,000,000 or $396,000 per room

AS IS MARKET VALUE OF THE HYPOTHETICAL FEE SIMPLE INTEREST

As a result of our analysis, we are of the opinion that the market value of the hypothetical fee simple interest of the subject hotel property, in its as is condition, subject to the work already completed and considering the costs to complete and open the subject property, as well as assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of December 31, 2013, is:

NINETY FIVE MILLION DOLLARS
$99,000,000 or $430,000 per room

PROSPECTIVE MARKET VALUE OF THE HYPOTHETICAL FEE SIMPLE INTEREST UPON COMPLETION

Furthermore, based on the agreed to Scope of Work, and as a result of our analysis, we have developed an opinion that the Prospective Market Value Upon Completion of the hypothetical fee simple estate of the subject hotel property, subject to the assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of March 1, 2014, will be:

ONE HUNDRED FOUR MILLION DOLLARS
$108,000,000 or $470,000 per room

MARKETING PERIOD

The preceding opinion of market value is based upon a forecast marketing period of approximately 6 to 12 months, which we believe (through conversations with area hotel/motel investment brokers) to be reasonably representative for the properties such as the subject at this time.

PERSONAL PROPERTY ALLOCATION

Included in the above estimate of market value is the contributing value of the personal property at the subject property, or the furnishings, fixtures and equipment (FF&E). FF&E is generally considered to be part of the hotel property and is typically sold with the building. It is therefore considered to be a part of the property's total value. FF&E includes the hotel's guest room and public area furnishings, kitchen equipment, service/maintenance equipment and other machinery.

Based on our review of the subject, we have concluded that the value of the FF&E as new is approximately $8,400 per unit, or a total replacement cost of $1,932,000. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at a much faster rate than straight-line and depreciate to some degree immediately upon being placed into service. Accordingly, we conclude that the contributory value of the subject's FF&E would be 100 percent of cost as the subject is new construction. Therefore, the contributory value of the FF&E is estimated to be $1,932,000.

BUSINESS VALUE (GOING CONCERN)

Hotels are undisputedly a combination of business and real estate; the day-to-day operation of a hotel represents a business over and above the real estate value. Numerous theories have been developed in an attempt to isolate the business component of a hotel. When hotels were routinely leased to hotel operators, separating the income and value attributable to each component was a simple matter. However, during the 1970s, the hotel property lease was replaced with the hotel management contract.

It is widely accepted today that managing agents are hired by hotel owners to operate a property in return for a management fee. The fee is paid to the operator as an operating expense, and what remains is net income available to pay debt service and generate a return on the owner's equity. Purchasers of hotels as real estate investments are able to passively own the property by employing a managing agent, as was the case with the property lease in earlier years.

The real and personal property components of the subject property have already been valued in this appraisal and any business component has been accounted for through the deduction of market rate management and franchise fees. By making these deductions, we believe that there is no business value included in our conclusion of market value.

CERTIFICATION OF THE APPRAISAL

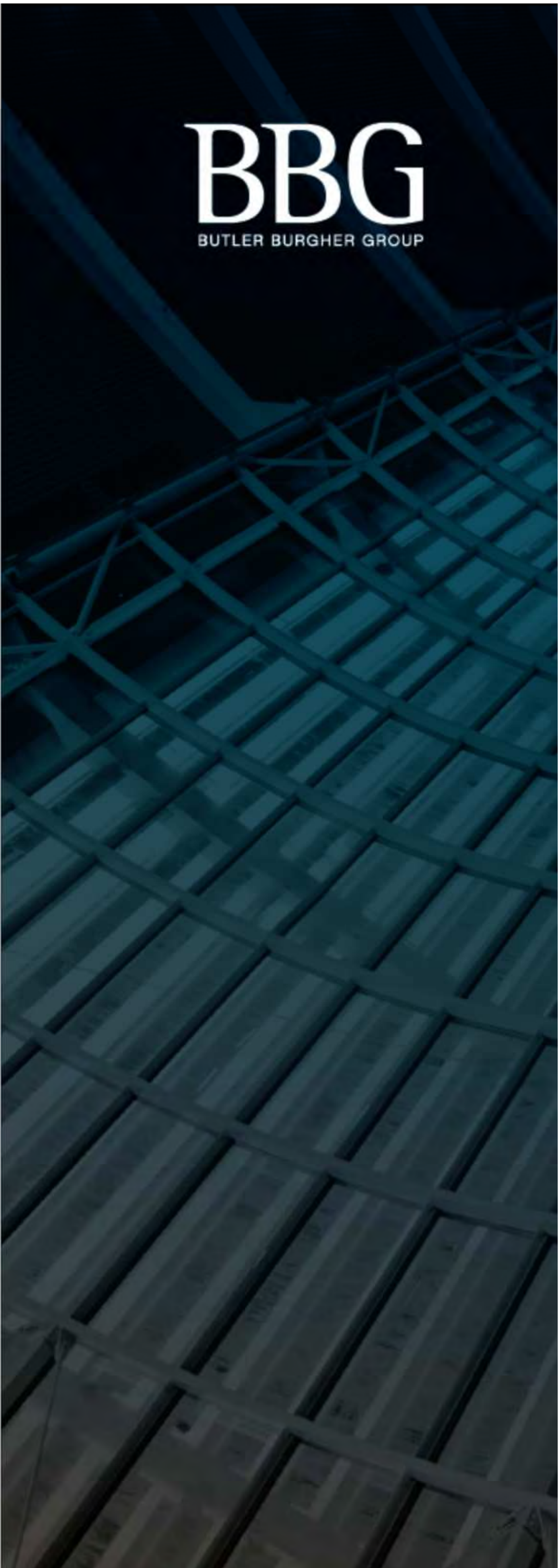
We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
3. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
4. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
5. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
6. We have performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
7. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
8. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
9. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. The proportion of the total fees payable by the client during the preceding year relative to the total fee income of the firm during the preceding year is minimal.
10. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
11. Evan Weiss, MRICS and Ellen Sooyon Park have made a personal inspection of the property that is the subject of this report.
12. No one other than the undersigned has provided significant real property appraisal assistance to the persons signing this certification.
13. As of the date of this report, Daniel H. Lesser, MAI, FRICS, CRE, CHA, has completed the Standards and Ethics Education Requirements for the Code of Professional Ethics of the Appraisal Institute.
14. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
15. As of the date of this report, Daniel H. Lesser, MAI, FRICS, CRE, CHA, has completed the continuing education program for Designated Members of the Appraisal Institute.

Daniel H. Lesser MAI, FRICS, CRE, CHA
President & CEO
New York State-Certified General Appraiser
License No. 4600009029

Evan Weiss, MRICS
Executive Managing Director, Principal
New York State-Certified General Appraiser
License No. 46000049985

Ellen Sooyon Park
Vice President



REPORT AND REGULATED PURPOSE VALUATION FOR

COBBLESTONE GROVE
ONE WESTWOOD DRIVE
FAIRFIELD, BUTLER COUNTY, OH 45014

PREPARED FOR

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS B.V.
WETERINGSCHANS 95A
AMSTERDAM, 1017 RZ
NETHERLANDS

PEEL HUNT
MOOR HOUSE, 120 LONDON WALL
LONDON EC2Y 5ET

DATE OF VALUATION: NOVEMBER 26, 2013
DATE OF REPORT: FEBRUARY 21, 2014

BY

BUTLER BURGHER GROUP, LLC
200 WEST MONROE STREET, SUITE 610
CHICAGO, IL 60606
877.221.7060

BUTLER BURGHER GROUP

May 7, 2014

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS B.V.
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt
Moor House, 120 London Wall
London EC2Y 5ET

Re: BBG File No. 01140612
Cobblestone Grove
One Westwood Drive
Fairfield, OH 45014

Dear Sirs:

We have pleasure in reporting to you as follows:

Instructions

- We have been instructed to prepare this valuation report in order to advise you of our opinion of the Market Value of the freehold or leasehold interests (as appropriate) in the above referenced property. For the avoidance of doubt we have valued a 100% share of the legal interest identified in each Property (the “Valuations” and each a “Valuation”).

- The effective date of the valuation is 26th November 2013.

- The property was last inspected on the 26th of November 2013 as a new inspection was not completed for this assignment per the request of the client. We assume the subject is in the same condition as of the date of the last inspection and there has been no material change since then.

We understand that this valuation report and the Schedule (together, the "Valuation Report") are required for inclusion in a prospectus (the "Prospectus") that has been prepared in connection with the admission of shares in BCRE - Brack Capital Real Estate Investments B.V. ("Company") to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange ("Admission"). We hereby give our consent for such inclusion. The Valuation Report will be incorporated into the Prospectus and we accept responsibility for the Valuation Report.

The Valuation has been prepared by an appropriate valuer who conforms to the requirements as set out in the Red Book, We confirm that we have prepared the Valuation Report as independent external valuers. We confirm the Valuation is a "Regulated Purpose Valuation" as defined in the Red Book.

BASIS OF VALUATION, AND DEFINED TERMS

We confirm that, as instructed, the Valuation of each Property has been assessed on the basis of Market Value in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). Market Value is defined in the Red Book, as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market Value is an internationally accepted basis of valuation, entirely consistent with the normal valuation basis followed in each country where the Properties are located. The Properties are held either as, properties held as investments, or properties held for development, and we have therefore used the appropriate property investment and development valuation methodology to calculate each Market Value.

In this Valuation Report:

For the avoidance of doubt we have valued a 100% share of the legal interest identified in each Property; and

Headings are for ease of reference only and shall not affect its interpretation

ASSUMPTIONS AND SOURCES OF INFORMATION

An assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the Properties, and the contents of reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions we have made for the purposes of our Valuations are referred to below.

We have made an assumption that the information which the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

TENURE AND TENANCIES

Unless disclosed to us to the contrary and recorded in the Schedule, our Valuations are on the basis that:

a. the Property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;

b. in respect of each leasehold Property, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;

c. leases to which the Property is subject are on typical local market terms, and contain no unusual or onerous provisions or covenants which would affect value;

d. in respect of leases subject to impending or outstanding rent reviews and lease renewals, we have assumed that all notices have been served validly and within appropriate time limits;

e. the Property exclude mineral rights, if any; and

f. vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

ENVIRONMENTAL INVESTIGATIONS AND GROUND CONDITIONS

We were not instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the Properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the Properties.

We were not instructed to carry out structural surveys of the Properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. Each Property has been valued on the basis of the Company's advice that, save where we have been specifically advised to the contrary, no deleterious materials have been used in the construction of any of the buildings at the Properties.

TOWN PLANNING

We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority.

Unless disclosed to us to the contrary and referred to in the Schedule, our valuation is on the basis that:

a. each Property is not affected by proposals for road widening or Compulsory Purchase;

b. each Property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations;

c. there are no outstanding obligations or liabilities arising out of the provisions of the

d. Defective Premises Act 1972 or the Disability Discrimination Act 1995;

e. there are no unutilized building rights.

STRUCTURE

Unless stated in the Schedule, our Valuations are on the basis that there are no latent defects, wants of repair or other matters which would materially affect our Valuations.

We have inspected the subject property on November 26, 2013 our valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of high alumina cement, calcium chloride, asbestos or other deleterious materials. Unless disclosed to us to the contrary and referred to in the Schedule, our valuations are on the basis that no hazardous or suspect materials and techniques have been used in the construction of the Properties.

SITE AND CONTAMINATION

We have not investigated ground conditions/stability and, unless advised to the contrary, our valuations are on the basis that all buildings have been constructed having appropriate regard to existing ground conditions. In respect of the Properties with development potential, our valuations are on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water). Accordingly, unless disclosed to us to the contrary our Valuation has been prepared on the basis that there are no such matters that would materially affect our Valuations.

INSPECTIONS

We completed an interior and exterior inspection of the subject property on November 26, 2013.

The property was last inspected on the 26th of November 2013 as a new inspection was not completed for this assignment per the request of the client. We assume the subject is in the same condition as of the date of the last inspection and there has been no material change since then.

FLOOR AREAS

In accordance with normal market practice in the United States where the properties are located, we have not measured the Properties and, for the purpose of our Valuations, we have relied on floor areas provided to us from various sources provided, which we rely upon as being an accurate and correct estimation of the Gross Leasable Area (GLA) of each Property.

GENERAL PRINCIPLES

In respect of tenants' covenants, while we have taken into account information of which we are aware, we have not received a formal report on the financial status of the tenants. We have not been supplied with any information to indicate that there are material arrears or that the occupiers are unable to meet their commitments under the leases. Our Valuations are on the basis that this is correct.

The Valuation of the Property was been undertaken by Butler Burgher Group.

Our opinion of value is derived from the analysis of recent market transactions, together with our market knowledge derived from the Firm's agency coverage. A valuation is a prediction of price, not a guarantee, and different valuers can properly arrive at a different opinion of value. The definition of Market Value requires a valuer to arrive at the top of a range. Historically it has generally been considered that valuers can be within a range of possible values.

We have made subjective judgments during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same as would be made by a purchaser. The purpose of the Valuations does not alter the approach to the Valuations.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our Valuations as being valid on any other date you should consult us first. Should you contemplate a sale, we strongly recommend that the Property is given proper exposure to the market. We recommend that you keep the valuation of each Property under frequent review.

SPECIAL ASSUMPTIONS, RESERVATIONS AND DEPARTURES

We can confirm that our Valuations are not made on the basis of any special assumptions or any departures from the Practice Statements contained in the Red Book. Subject to the general limitations of our inspections and sources of information set out above, our Valuations are not subject to any specific reservations in relation to restricted information or property inspection.

DISCLOSURE

The members of The Royal Institution of Chartered Surveyors have not previously been the signatory to the Valuations provided to the Company for the same purposes as this Valuation Report. Butler Burgher Group, LLC has not previously carried out these Valuations for the same purpose as this Report on behalf of the Company. Butler Burgher did complete an appraisal of the subject property in November 2013 for financing purposes.

Butler Burgher Group, LLC, from time to time, provides other professional or agency services to the Company and has done so for a period of more than 5 years. In relation to the preceding financial year of Butler Burgher Group, LLC, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5 per cent.

This Valuation Report has been prepared for inclusion in the Prospectus. We hereby consent to inclusion of this Valuation Report in the Prospectus.

VALUATION APPROACH

In arriving at our opinion of Market Value, we have employed one or more valuation methodologies according to our assessment of that most appropriate. The valuation methodologies include, Income Capitalization, Cost Approach and Direct Comparison. Our choice of methodology may be influenced by factors including, most likely purchaser, type of property, local valuation convention, income stabilization, availability of market comparisons etc.

VALUATION

We are of the opinion that the aggregate of the Market Values as at 26th November 2013 of the freehold and long leasehold interests in the Property, is:

$19,200,000

There are no negative values to report.

REALIZATION COSTS

Our Valuations are exclusive of VAT and no allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal of any Property. Our Valuations are, however, net of purchaser's acquisition costs which vary between countries.

MATERIAL CHANGE

We hereby confirm that as at the date of this Valuation Report:

We have not become aware of any material change since 26th November 2013 in any matter relating to any specific Property covered by our Valuation Report which in our opinion would have a material effect on the Market Values as at today's date, or

In relation to market conditions and movements in the property markets in which the Properties covered by our Valuation Report are located, we do not consider that any movement in respect of the Properties constitutes material change since 26th November 2013.

CONFIDENTIALITY, DISCLOSURE AND PUBLICATION

No reliance may be placed upon the contents on the Valuation Report by any party for any purpose other than in connection with the admission.

You must not modify, alter (including altering the context in which the report is displayed) or reproduce the contents of this valuation report (or any part) without first obtaining our written approval. Any person who contravenes this provision shall be responsible for all of the consequences of the same, including indemnifying Butler Burgher Group, LLC against all consequences of the contravention. Butler Burgher Group, LLC accepts no liability for any use of the Report that is in contravention of this section.

The Valuation Report are provided to the Addressees as set out on the first page of the Valuation Report for the specific purpose to which they refer. The Valuation Report forms part of the Prospectus and may be referred to in supplementary offer documents. The Addressees of the Valuation Report may rely on it, as may investors in the Company's shares and any regulator when determining whether to list the shares of the Company. No reliance may be placed upon the contents on the Valuation Report by any party for any purpose other than in connection with the Transaction.

Notwithstanding the above, the Company may disclose and use tine content of the requested Valuation Report in connection with any legal proceedings or regulatory investigations or action brought against it in connection with the Prospectus or listing or as the basis of any due diligence or other defence.

Neither the whole nor any part of the Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

For the avoidance of doubt, such approval is required whether or not Butler Burgher Group, LLC are referred to by name and whether or not the contents of the Valuation Report are combined with other reports.

Our firm appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Respectfully submitted,
Butler Burgher Group, LLC

Chad Bosley, MAI, MRICS
Ohio Certified General Appraiser #2013003376
Expires 10/23/14
Director
872-221-7059
cbosley@bbgres.com

Michael S. D'Alessandro
Ohio Certified General Appraiser #2013003377
Expires 10/23/2014
Managing Director
872-221-7060
mdalessandro@bbgres.com

BUTLER BURGHER GROUP

SUMMARY OF SALIENT FACTS

Property	Cobblestone Grove An Existing 292-Unit Apartment Complex One Westwood Drive Fairfield, Butler County, OH 45014
Date of Inspection	November 26, 2013
Date of Valuation	November 26, 2013
Date of Report	February 12, 2014
Interest Appraised	Leased Fee,

Physical Data

Land Area	752,891 SF or 17.284 Acres
Flood Plain	X, Panel Nos. 39017C0317E, dated December 17, 2010
Utilities	All available
Year of Construction	1987
No. Units	292
Gross Building Area (GBA) Apartments	280,676 SF
Net Rentable Area (NRA) Apartments	252,608 SF
Average Unit Size	865 SF
Density	16.9 Units/Acre
Type of Construction	Eleven two- or three-story wood frame construction apartment buildings with brick and vinyl exterior with pitched asphalt shingled roofs and one single story clubhouse/leasing office with vinyl exterior and pitched asphalt shingled roof. The property also features 48 detached garage parking spaces, 88 carport spaces and 449 surface parking spaces.
Project Amenities	…include clubhouse, fitness center, 26 laundry rooms, sand volleyball court, tanning bed, tennis court, swimming pool
Unit Amenities	…include standard appliances, balconies, ceiling fans, laundry connections, dishwasher, patios, walk-in closet, wood burning fireplaces in some units
Zoning Classification	R3 PUD

CHICAGO

P + 872.221.7061
F + 312.384.1209

200 WEST MONROE STREET
+ STE. 610
CHICAGO, IL 60606

BBGRES.COM

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February 5, 2014

BCRE- BRACK CAPITAL REAL ESTATE INVESTMENTS B.V.
c/o Brack Capital Real Estate
Shachar Melman
885 Third Avenue, 24th Floor
New York, NY 10022
212-308-7200
Shachar@bcreusa.com

RE: Cobblestone Grove
One Westwood Drive
Fairfield, OH 45014

Dear Mr. Melman:

We are pleased to submit this proposal and our Terms and Conditions for the appraisal of the referenced real estate.

PROPOSAL SPECIFICATIONS

Purpose/Valuation Premise: Form opinions of the following:

- Market Value "as is" assuring a 6 to 12 month marketing period

Property Rights Appraised: Leased Fee Interest

Intended Use: Asset Valuation

Intended User: BCRE- BRACK CAPITAL REAL ESTATE INVESTMENT'S B.V.
Weteringshans 95A
Amsterdam, 1017 RZ
Netherlands

Peel Hunt
Moor House, 120 London Wall
London EC2Y 5ET

Scope of Work: All Approaches to Value

Report 1- Full Scope Report -Uniform Standards of Professional Appraisal Practice (USPAP),Financial Institution Reform, Recovery, and Enforcement Act (FIRREA) and Code of Professional Ethics and the Standards of Professional Appraisal Practice of the

Appraisal Institute.

Report 2 - Appraisal Standards: The Valuation of each Property has been assessed on the basis of Market Value in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book").

Fee:	$500
Report Type:	Appraisal Report
Retainer:	None
Expenses:	Fee quoted includes all expenses
Payment Terms:	Full payment is due and payable upon delivery of the final report or within 30 days of your receipt of our draft report, whichever is sooner. If a draft report is requested, the fee is considered earned upon delivery of our draft report
Report Copies:	1 Draft PDF, 1 Final PDF and 3 Final Hard Copies
Delivery Date:	Delivery of the appraisal conclusions and/or report(s) will be completed according to the following Delivery Schedule. *Draft Report*: 2 weeks from date of engagement and receipt of critical information. *Final Report*: 3 days after receipt of comments
Acceptance Date:	Date of Execution

We understand that the valuation report is required for inclusion in a prospectus (the "Prospectus") that is being prepared in connection with the admission of shares in the Company to the standard listing segment of the Official List and trading on the main market of the London Stock Exchange (the "Admission"). Investors will rely on the Valuation Report in making their decision to invest in shares of the Company following Admission. We hereby give our consent for inclusion of the valuation report in the Prospectus.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely:

Butler Burgher Group, LLC
Michael D'Alessandro
Managing Director
Phone 872.221.7060
Fax: 312.384.1209
E-mail: mdalessandro@bbgres.com

AGREED AND ACCEPTED

Signature	Date
Shai Shemir Name	Title
212-308-7200 Phone Number	Fax Number
E-Mail Address	

If Site/Data Contact are different from entity engaging, please provide contact information as follows:

Name	E-mail Address
Phone Number	Fax Number

EXHIBIT A
General Assumptions/Limiting Conditions

This appraisal report will be prepared with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Butler Burgher Group, LLC assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.
13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

EXHIBIT A
General Assumptions/Limiting Conditions

14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.

15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.

17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

20. Butler Burgher Group, LLC representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.

21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.

22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

EXHIBIT A
General Assumptions/Limiting Conditions

24. Except as expressly set forth herein- with respect to the "Prospectus" and the "Admission", neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with e various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. Except as expressly set forth herein- with respect to the "Prospectus" and the "Admission", this appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.
32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client

has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based.

34. If provided, the estimated insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

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Please provide copies of the items listed below, as they are required to complete the assigned appraisal. In order to meet the timing of the appraisal as outlined in the executed contract.

1. Competitive rent survey
2. Current title report and title holder name
3. Legal description
4. Survey and/or plat map
5. Site plan for the existing development
6. Building specifications, including gross building area and square footage for all buildings and units
7. Last two, full year tax bills
8. Details on any sale or pending sale, contract, or listing of the property within the past three years
9. Ground lease, if applicable
10. Retail Leases if applicable
11. Three-year and YTD property income and expenses and the most current trailing 12 month operating data available
12. 2014 income and expense budget or buyer pro forma
13. Total parking spaces including garage or covered spaces
14. Details regarding any recent renovations or planned renovations in the next 12 months
15. Detailed occupancy report for the past three years and current YTD
16. Detailed current rent roll indicating any vacant units
17. Details regarding any concessions currently being offered or provided for all leases pending or signed over the prior 12 months
18. Details regarding the historical and future replacement schedule (i.e., carpets, appliances, cabinetry, laundry facilities, HVAC, etc.)
19. Details regarding capital expenditures made within the last 12 months, or scheduled for the next 12 months
20. Any previous market/demand studies or appraisals
21. Any other information that might be helpful in valuing this property

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BUTLER BURGHER GROUP

Michael D'Alessandro
Managing Director
200 West Monroe Street, Suite 610
Chicago, IL 60606
mdalessandro@bbgres.com

PROFILE

Mr. D'Alessandro is the Managing Director of Butler Burgher Group's (BBG) Chicago office. He is responsible for management, client liaison, business development, appraisal production, and training. Mr. D'Alessandro is a multi-family appraisal specialist with experience in affordable housing (LIHTC, Senior, Section 8 and Public Housing), CBD high-rise or mixed use developments and conventional multi-family properties.

Mr. D'Alessandro has more than 20 years of investment real estate experience as an appraiser, apartment acquisition specialist, and investment real estate broker. Prior to BBG, Mr. D'Alessandro spent 10 years at CBRE leading the firm's largest multi-family appraisal practice and was consistently a top producer in Valuation and Advisory Services.

PROFESSIIONAL AFFILIATIONS & LICENSES

- <u>General Certified Appraiser:</u>
    - Illinois Certified General Appraiser #553-001685
    - Indiana Certified General Appraiser #CG40700565
    - Wisconsin Certified General Appraiser #1787-10

- Illinois Real Estate Broker #075106145
- HUD Map Certification
- Chicago Apartment Association
- Indiana Apartment Association
- Associate Member of the Appraisal Institue

EDUCATION

- Illinois State University, B.S., Accounting

REPRESENTATIVE ASSIGNMENTS

- McClurg Court, Mixed Use High Rise, 1,058 Units, Ground Leased, Chicago, IL
- Regents Park, Mixed Use High-Rise, 1026 units, Chicago, IL
- One Superior Place, Mixed Use High-Rise, 880 units, Ground Leased, Chicago, IL
- Century Realty Trust Portfolio Sale, 14 properties throughout Indiana
- Gibralter Portfolio Sale, 9 properties throughout Indiana
- Roosevelt Collection, Mixed Use, Condo, Apartment and Retail Development
- Alta at K Station, Mixed Use, 848 units, Chicago, IL

CLIENTS REPRESENTED

- Greystone Servicing Corporation
- Centerline Capital Group
- Beech Street Capital
- Walker and Dunlop
- Alliant Capital
- M&T Realty Corporation
- Berkadia Commercial Mortgage
- Holiday Fenoglio Fowler
- PNC
- Oak Grove Capital
- JP Morgan Chase Bank
- Harris Bank
- Wells Fargo
- Arbor Commercial Mortgage
- Berkeley Point
- Deuschte Bank
- Cantor Commercial Real Estate
- C III Capital Partners
- Cohen Financial
- Crescent Heights
- Fannie Mae
- Freddie Mac
- Pillar Multifamily
- Guggenheim Partners
- John Hancock
- New York Life Investment Management
- Kensington Realty Advisors
- Key Bank
- Leaders Bank
- Newcastle Limited
- Prudential Financial
- Red Capital Group
- Redwood Commercial Mortgage
- Steadfast Companies
- New York Life Investment Management
- Amerisphere
- Antheus Capital

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Chad M. Bosley, MAI, MRICS
Director
200 West Monroe Street, Suite 610
Chicago, IL 60606
Work: 312.384.1299
Fax: 312.384.1209
Cell: 773.405.8738
cbosley@bbgres.com

PROFILE

Chad M. Bosley, MAI, MRICS, is an industrial specialist with Butler Burgher Group (BBG). He has over ten years of professional experience in the real estate business. Mr. Bosley is based in Chicago, Illinois.

During this time, Mr. Bosley has experience in the following industrial property types: air cargo (on & off airport), cement/gravel plants, cold/refrigerated storage, distribution, flex (low to high office finish), food/meat processing/bottling plants, intermodal, lumberyard/paper mills, manufacturing (light & heavy), research & development, truck terminals and warehouse facilities. Mr. Bosley directs a group of appraisers who focus solely on industrial properties in the Midwest. Additionally, he has significant experience in the office and retail sectors.

He is a licensed as a certified general real estate appraiser in Illinois, Indiana and Wisconsin. Additionally, Mr. Bosley is a designated member (MAI) of the Appraisal Institute and a member of the Royal Institute of Chartered Surveyors (MRICS).

Prior to joining BBG, he was a Senior Vice President with CBRE, Inc. directing a group of appraisers who focused solely on industrial properties in the Midwest.

PROFESSIIONAL AFFILIATIONS & LICENSES

- Appraisal Institute, Designated Member (MAI)
- Member Royal Institute of Chartered Surveyors (MRICS)
- General Certified Appraiser:
  - Illinois Certified General Appraiser #553-001669
  - Indiana Certified General Appraiser #CG40700807
  - Wisconsin Certified General Appraiser #1824-10

EDUCATION

- University of Northern Iowa, Bachelor of Arts; Finance & Real Estate

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REPRESENTATIVE ASSIGNMENTS

- CalPERS/CenterPoint Industrial Portfolio – Chicago & Milwaukee MSA
- Chrysler Automotive Manufacturing/Warehouse Facilities – IL & IN
- Cobalt Industrial Portfolio
- Duke Industrial Portfolio – Chicago, Indianapolis & St. Louis MSA
- Industrial Income Trust Industrial Portfolio – Chicago MSA
- Inland Bradley Industrial Portfolio – Chicago, Indianapolis & Milwaukee MSA
- ML Realty Industrial Portfolio – Chicago & Milwaukee MSA
- ProLogis Fund II, NAIF & USLF Industrial Portfolios – Chicago MSA
- RREEF Industrial Portfolio – Chicago MSA

CLIENTS REPRESENTED

- Altus Group
- Associated Bank
- Bank of America
- Berkadia Commercial Mortgage, LLC
- Bridge Development Group
- Cabot Properties
- CalPERS
- CBRE Capital Markets
- CBRE Global Investors
- CIBC
- Cohen Financial
- Cole Real Estate
- Cobalt Capital Partners
- CW Capital Asset Management
- DCT Industrial
- Dividend Capital
- Deutsche Bank
- Exeter Property Group
- GE Capital
- Gladstone Companies
- Gullo International
- H.S.A. Commercial Real Estate
- Highstreet Equity
- Hillwood Investment Properties
- Industrial Developments International (IDI)
- Industrial Income Trust
- International Airport Centers
- LaSalle Investment Management
- LNR Partners
- JP Morgan Chase Bank
- John Hancock
- KTR Capital Partners
- Manulife Financial
- McShane Companies
- Morgan Stanley
- Mountainseed Appraisal Management
- NATIXIS
- New York Life Investment Management
- Opus North Corporation
- Principal Realty Investors
- ProLogis
- RREFF
- TIAA CREFF
- UBS
- Venture One Real Estate
- Wells Fargo
- WP Carey & Co.

APPRAISAL REPORT

HOTEL COMPONENT OF PROPOSED
HOTEL INDIGO DOWNTOWN SITE
180 Orchard Street
New York, NY 10002

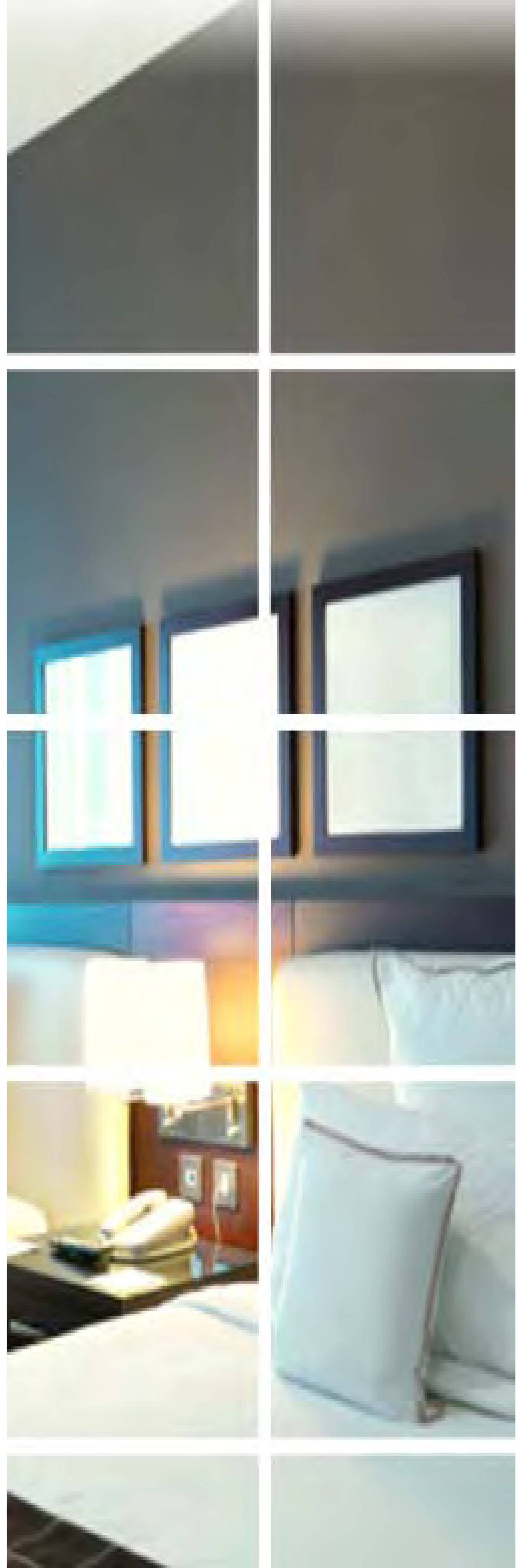
Prepared for the attention of
Shai Shamir on behalf of:

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS BV
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

PEEL HUNT LLP
Moor House, 120 London Wall
London EC2Y 5ET

LWHA Job No.:	14-NY-045B
Date of Value:	June 30, 2013
Inspection Date:	June 24, 2013

LWHA
LW HOSPITALITY ADVISORS



LW Hospitality Advisors
570 Seventh Avenue, Suite 805
New York, NY 10018
(212) 300-6684
www.lwhospitalityadvisors.com

May 7, 2014

Prepared for the attention of Shai Shamir on behalf of:

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENTS BV
Weteringschans 95A
Amsterdam, 1017 RZ
Netherlands

PEEL HUNT LLP
Moor House, 120 London Wall
London EC2Y 5ET

Re: Appraisal of the Hotel Component of Proposed Hotel Indigo Downtown Site
180 Orchard Street
New York, NY 10002

LWHA Job No.: 14-NY-045B

Gentlemen:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above-captioned property in an appraisal report dated May 7, 2014. The effective date of value is June 30, 2013.

The purpose of this appraisal is to estimate the current As Is market value of the fee simple interest of the land, including the foundation and partially-completed structure in place, of the hotel portion of the subject property, via the Economic Residual Approach, as of the date of value.

This report is for the use and benefit of the client, BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP. The intended use is for inclusion in the prospectus (the "Prospectus") that has been prepared in connection with the admission of shares in BCRE – Brack Capital Real Estate Investments B.V. to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange. Investors will rely on the Prospectus in making their decision to invest in the shares of the company and regulators will rely on it when deciding whether to list the shares. We hereby give our consent for the inclusion of our appraisal in the prospectus. The client agrees there is no other intended use or intended user of our work. The client has tasked us with determining the residual value to the hotel portion of the subject site only.

Currently, the asset consists of two sublevels a partially completed structure. It is our understanding that the sublevels will be used for a 98-space parking garage, as well as back-of-house space for the hotel, and the level at grade will be predominantly comprised of two street-level lobby vestibules, one for the Orchard Street hotel entrance, and one for the Ludlow Street main hotel entrance; a guest elevator bank; and ±8,000 square feet of double-height retail space. The main lobby is anticipated to be situated on the 12th level, where there will also be various seating areas, a breakfast buffet, grab and go "market" concept, and food & beverage offerings affiliated with the concept on the 13th floor. There will be a bar and terrace, as well as a small outdoor swimming pool, on the entire 13th level of the property. The hotel is expected to feature 296 guestrooms, a fitness center, business center, and one meeting room. Further, because of the recent re-zoning of the neighborhood, whereby new buildings cannot exceed 80 feet, the views from the higher levels of the proposed subject property will essentially be protected.

This appraisal report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements. Furthermore, this report has been prepared in accordance with the relevant sections contained within the RICS Valuation – Professional Standards, March 2012 edition ("Red Book") and the incorporated Practice Statements and Guidance Notes.

We confirm that we have prepared this appraisal report as an independent external valuer.

AS IS MARKET VALUE, LAND AND STRUCTURE IN PLACE

As a result of our analysis, we are of the opinion that the market value of proposed hotel portion of the subject property, in its as is condition, with a foundation and partially completed structure in place, and considering the work completed, financing in place, rights and permits, and subject to the assumptions, limiting conditions, certification and definitions, as of June 30, 2013, will be:

EIGHTY-EIGHT MILLION DOLLARS
$88,000,000 or $607 per FAR

The opinion(s) of value include the land, the improvements, and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will be, and shall remain, open and operational. The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work

did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.
We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 6 to 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, June 24, 2013. Notwithstanding the above paragraph, we hereby confirm that as of the date of this appraisal report:

- We have not become aware of any material change since 30 June 2013 in any matter relating to the property covered by our appraisal report which in our opinion would have a material effect on the market value as at today's date; or:
- In relation to market conditions and movements in the property markets in which the property covered by our appraisal report is located, we do not consider that any movement in respect of the property constitutes material change since 30 June 2013.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions.

EXTRAORDINARY ASSUMPTIONS

Extraordinary Assumptions are assumptions which if found to be false could alter the resulting opinion or conclusion.

This appraisal assumes that the subject property will be developed as a Hotel Indigo-branded full service hotel, managed by IHG Management (Maryland) LLC, and will feature: 296 keys, a meeting room, a fitness studio, a grab & go food/beverage concept, and a restaurant and bar concept that will include a large terrace and an outdoor pool.

Per information provided by the developer, we have assumed an F&B structure whereby the 13th floor operation will be operated by a third party, which will pay the hotel a rent equal to 20% of total revenues, in addition to 50% of profit. As a substantial portion of the square footage of the bar is expected to be situated outdoors with no coverage, we have accounted for decreased business throughout half of each year. Considering the climate in New York, we assume the outdoor portion of the bar would essentially be unusable between mid-October and mid-March, a total of 6 months. We have projected revenues based on 4,275 square feet indoors, and a 5,000 square foot terrace.

As this analysis considers the land and structure in place attributable to the proposed hotel portion only, revenues and expenses associated with the parking garage and retail have not been considered. The owner/developer assisted the appraisers with the bifurcation of construction costs. Accordingly, the following assumptions have been made:

- The acquisition cost, totaling $46,350,000, includes the allocation of the cost of the structure in place, which they have estimated to be $10,236,646. Although this structure mostly consists of spaces that will be occupied by the parking garage and the retail, which are not part of this analysis, the majority of work completed would have been necessary to build the hotel only. Therefore, we have deducted estimated costs specifically associated with additional work completed in order to create a second sub-level. We estimated these costs to equal half of the total costs associated with: reshoring, underpinning, excavation, foundation walls, and waterproofing. We have estimated the non-hotel portion of the structure in place to equal $1.64 million, thereby resulting in an estimated cost of the hotel only portion of the structure in place to be $8.59 million
    - We have deducted the estimated $1.64 million from the Acquisition Cost, and thereby from the Total Projection Budget
- Planned Gross Building Area of the hotel only will equal 152,620 square feet

    - Planned Gross Building Area of the entire property will equal 182,404 square feet
- Planned Developed FAR of the hotel only will equal 144,905 square feet
    - Planned Developed FAR of the entire property will equal 154,411 square feet
- Total Allowable FAR of the hotel only portion equals 145,007 square feet
    - Total Allowable FAR of the entire property equals 154,520 square feet

This appraisal assumes all construction costs and timelines provided by the developers are accurate and sufficient for successful construction and completion of the proposed subject hotel. Applying our knowledge of hotel construction in Manhattan, we have assumed the hotel will be open and operating as of April 1, 2015. The appraisal assumes that prior to commencing operations, an adequate and appropriate pre-opening sales & marketing plan will be implemented.

This appraisal assumes the subject hotel will be encumbered by the existing management agreement with IHG. Per the terms in the Pre-Condition and Post-Condition Side Letters, early termination of the agreement, at any point, would warrant a penalty payable to the management, equal to two times the sum of the base and incentive management fees of the prior year. We have considered this termination clause in our selection of capitalization rates.

For this analysis, we have assumed that the client's conclusions of developable FAR, as well as the bifurcation of developable FAR pertaining to the hotel portion only, are valid and correct. For our residual analysis, we have assumed that the described high level of fixtures and finish will be built. We requested but were not provided with pro forma operating statements and thus have estimated revenues, operations, and expenses to the best of our abilities.

Hypothetical Conditions

Hypothetical Conditions are assumptions made contrary to fact, but which are assumed for the purpose of discussion, analysis, or formulation of opinions.

This appraisal assumes the hotel is a separate asset, independent of the retail spaces on the ground floor, as well as the bi-level parking ramp below grade. For the land only value derived via comparison approach, the appraisal assumes the cement 2-stories below and 2-stories above grade, and the partially completed structure, are not in existence.

The appraisal employs general hypothetical conditions throughout, as the structure is not yet fully built, nor open.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

LW Hospitality Advisors

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EXECUTIVE SUMMARY

Name	Proposed Hotel Indigo Downtown
Address	180 Orchard Street, New York NY 10002
Property Type	Full Service Hotel
Property Identification	Block 412, Lot 05
Site Area	0.36± acres; 15,611 square feet
Zoning	C4-4A
Flood Plain	Zone X, FEMA Map: 3604970201F, 9/05/2007
Year Built	Currently under construction
Expected Opening	March 31, 2015
Rooms	296
Planned Gross Building Area (GBA)	Total: 182,404 SF Hotel: 152,620 SF
Planned FAR	Total: 154,411 SF Hotel: 144,905 SF
Total Allowable FAR	Total: 154,520 SF Hotel: 145,007 SF
Food & Beverage	13th Floor Bar & Terrace; 12th Floor Lobby grab & go market, breakfast buffet, and possible additional food and beverage offerings affiliated with the 13th Floor operation.
Meeting Space	One meeting room with terrace
Interest Appraised	Fee Simple Interest of the land, including the foundation and partially-completed structure in place, financing and development rights, associated with the hotel portion of the proposed subject property.
Highest and Best Use (As If Vacant)	Commercial Development
Highest and Best Use (As If Improved)	Continued Development of Existing Partially-Completed Structure
Exposure Time	6 to 12 Months
Marketing Time	6 to 12 months

Date of Report	May 7, 2014
Date of Inspection	June 24, 2013
Inspected By	Evan Weiss, MRICS, and Michelle LaRocca
Date of As Is Value	June 30, 2013
Year One / Completed NOI	$9,069,395
Stabilized NOI – Projected	$15,839,012
Discount Rate (Upon Completion)	10.25%
Terminal Rate (Upon Completion)	8.00%
Going-In Capitalization Rate *Based on Stabilized Year Deflated to Year One	8.32%
Economic Residual Approach, As Is Hotel Component Only, Land and Structure In Place	$87,900,000, or $606 per FAR
Land Comparison Approach, As Is Land Only	$48,000,000 - $58,000,000 $331 - $400 per FAR
Final Value Estimate **As Is Value** *Hotel Component Only of Proposed Subject Property Land and Structure In Place*	**$88,000,000, or $607 per FAR**

Common Property Name:	Proposed Hotel Indigo Downtown
Location:	180 Orchard Street, New York NY 10002
Assessor's Parcel Number:	Block 412, Lot 05

Property Description

The proposed Hotel Indigo Lower East Side is located at 180 Orchard Street, on a through-block with frontage on both Orchard Street and Ludlow Street, which is situated between Stanton Street and Houston Street, on the Lower East Side of Manhattan. The main entrance on Ludlow Street will lead to a street-level lobby/vestibule, which will flow towards a bank of four passenger elevators, as well as a passageway to the Orchard Street side of the property. The Orchard Street entrance will feature a service entry, as well as a guest entry, which will direct guests through an attractive, bright brick alley into a street-level lobby/vestibule, which leads to the elevator bank. The Orchard Street side of the property will also feature approximately 8,000 SF of double-height retail space, the exact configuration of which has yet to be determined. These outlets will feature direct entry to the street. The property will also feature two-levels of parking below grade, accessible via Ludlow Street, and back of house space below grade as well. The 2nd floor will be the first level of guestrooms, and also features a ±950 SF fitness studio, which connects to a ±1,000 SF terrace. The main lobby will be a "sky lobby" on the 12th floor of the hotel, which will feature high ceilings, various seating areas, and a food and beverage concept inclusive of a breakfast buffet and a grab and go market. There will be public restrooms, mechanicals, and a kitchen on this level as well.

From the ground level through the 12th floor, the building is configured in an L-shape. The remaining floor plates, from 13 through 24, are contained solely in the tower portion of the structure. This layout allows for a large open-air terrace to be constructed on the 13th floor, situated atop the portion of the building that does not rise beyond this level. This terrace will be part of a large-scale bar concept which will occupy the entire 13th floor of the hotel. This level will also feature a long, narrow splash pool featuring city views through a plexi-glass edge.

Overall, the hotel is expected to offer 296 guestrooms, on 24 floors, with 98 parking spaces in the below grade ramp, a bar and terrace complete with a small pool area, food and beverage offerings on the lobby level, a fitness center, a small meeting room, and approximately 8,000 SF of retail space on the street level. Further, because of the re-zoning of the neighborhood, whereby new buildings cannot exceed 80 feet, the views from the higher levels of the proposed subject property are essentially protected.

Client

BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP

Intended Use

This appraisal is intended to be used in connection with the Admission.

Report Type

Appraisal Report

Intended User(s)

This report is for the use and benefit of, and may be relied upon by, the client, BCRE-Brack Capital Real Estate Investments BV and Peel Hunt LLP. Furthermore, it is understood that investors will rely on the Prospectus in making their decision to invest in the shares of the Company and regulators will rely on it when deciding whether to list the shares. We also accept that our appraisal report may be disclosed in any litigation or regulatory enquiry or investigation or action in connection with the Prospectus or the Admission. Save as aforesaid, the client agrees there are no other intended users of our work.

Definitions:

Market Value

As defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,

1. Buyer and seller are typically motivated;

2. Both parties are well informed or well advised, and acting in what they consider their own best interest;

3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Scope of Work

In preparing this appraisal, LWHA:

- Inspected the interior and exterior of the subject, including site improvements, public areas, a representative sample of guestrooms, and back of house areas;
- Interviewed hotel management and representatives of its ownership;
- Reviewed industry statistics and the operating statistics of similar hotels;
- Inspected competitive properties, researched occupancies, average rates, and segmentation, and performed fair share projections for the subject. Data was obtained through interviews with on-site management and LWHA's internal database;
- Prepared detailed projections of occupancy, average daily rate, and operating expenses;
- Researched and analyzed recent comparable sales and offerings to determine capitalization and discount rates as well as indications of value per room;
- Considered the subject's replacement cost, accrued depreciation, and the relevancy to the subject valuation;
- Reconciled Sales Comparison and Income Capitalization Approach techniques to develop an opinion of value.

This is an Appraisal report as defined by the Uniform Standard of Professional Appraisal Practice under Standards Rule 2.

Property Ownership

180 Orchard Owner LLC, a Joint Venture of BCRE-Brack Real Estate Capital Investments B.V. & InterContinental Hotels Group

Sale History

BCRE-Brack Real Estate Capital Investments B.V. & InterContinental Hotels Group acquired the property, including the existing partially-completed structure, from previous owner Morris Platt, for a reported $46.35 million. Reportedly, Morris Platt assembled air rights for ±10 years in order to increase the developable square footage of the site. Construction began in 2005, and stalled in 2008 due to financing issues. BCRE & IHG purchased the property in May 2011.

To the best of our knowledge, there have been no other transfers of this property within the past five years. In addition, we are not aware of any current marketing of the subject property.

Due to the strength of the market today, versus the time of sale, in addition to the considerable amount of work that has been completed by the current owner/developer since the sale, we believe the spread between our concluded value and the reported sale price is reasonable.

Dates of Valuation As Is: June 30, 2013

Date of Inspection June 24, 2013

Property Inspection Performed By: Evan Weiss, MRICS, and Michelle LaRocca

Operational Assumptions For the purposes of this report, we assumed that the subject will be operated by competent and experienced management familiar with the operation of hotels in the United States, and more specifically, the Manhattan market. Per the management agreement provided by the client, we consider this asset to be encumbered, per the termination clause stating that early termination would warrant a penalty equal to two times the sum of the prior year's base and incentive management fees.

Property Rights Appraised Fee Simple estate, including the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will remain open and operational.

Marketing and Exposure Period We estimate the marketing time for the subject property to be approximately 6 to 12 months, based upon the PwC Real Estate Investor Survey as well as our interviews with knowledgeable owners and brokers. According to the most recent PwC Real Estate Investor Survey – First Quarter 2013, the average marketing time for luxury hotels was 8.0 months, 9.1 months for full service hotels, 7.7 months for limited service hotels and 6.9 months for select hotels. The exposure period, or retrospective time to expose the property prior to sale, is estimated to be 6 to 12 Months.

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. LW Hospitality Advisors LLC (LWHA) is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. LWHA, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. LWHA professionals are not engineers and are not competent to judge matters of an engineering nature. LWHA has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of LWHA by ownership or management; LWHA inspected less than 100% of the entire interior and exterior portions of the improvements; and LWHA was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, LWHA reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. LWHA has no knowledge of the existence of such materials on or in the property. LWHA, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to LWHA. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, LWHA has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, LWHA reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify LWHA of any questions or errors.
6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, LWHA will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. LWHA assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. LWHA is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. LWHA does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of LWHA
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of LWHA to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
16. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
17. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to LWHA unless otherwise stated within the body of this report. If LWHA has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. LWHA assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
18. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client’s designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor LWHA assumes responsibility for any situation arising out of the Client’s failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
19. LWHA assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
20. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
22. The *Americans with Disabilities Act* (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, LWHA has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since LWHA has no specific information relating to this issue, nor is LWHA qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
23. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation

between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.

24. Unless otherwise stated in this appraisal report, the report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with the Admission, loan underwriting or securitization efforts. Appraiser is not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

INCOME CAPITALIZATION APPROACH

The income capitalization approach is a method used to convert the anticipated economic benefits of property ownership into a value estimate through a capitalization process. The two most common methods of converting net income into value are the direct capitalization technique, where an overall rate is extracted directly from pertinent market sales, and the discounted cash flow technique, wherein anticipated future income streams and a reversionary value are discounted to a present value estimate.

In valuing the proposed subject property, we believe that potential investors looking to acquire a property such as the subject would place greater emphasis on the second technique which takes into consideration expected streams of income and residual proceeds from a hypothetical sale at the end of the holding period.

FINANCIAL ANALYSIS

Based on our review of the subject's prospective operating performance, as well as our analysis of comparable hotel income and expense statements and industry norms, we have derived base levels of income and expense. The units of comparison include percentage of departmental and/or total revenue, amount per available room, and amount per occupied room. These units of comparison are the basis for calculating the fixed and variable component relationships for each line item.

After reviewing U.S. hotel industry averages and the performance of comparable hotels, and by applying our industry experience and expertise, we have developed a 10-year projection of income and expense, with the first year beginning March 1, 2015. Considering the current state of the competitive hotel market, we believe that the subject property will achieve stabilization in Year 3 of the projections, beginning March 31, 2017.

The projection of income and expense is intended to reflect the appraiser's opinion of how a typical buyer would project the subject property's operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted upward or downward. We have attempted to incorporate these considerations into this analysis.

INCOME AND EXPENSE PROJECTIONS

- *Room Revenues* were calculated by estimating annual occupancy and average daily rate per occupied room for the subject property for each year of our analysis period. *Room Expenses* are market–supported and typical.

- *Food and Beverage Revenues and Expenses* are attributable to the food and beverage operations at the subject property, including the 12th floor restaurant and 13th floor rooftop bar and lounge. All food and beverage operations are assumed to be operated by the hotel upon opening.

- *Other Operated Departments Revenues and Expenses* are attributable to the operation of the miscellaneous departments, including telecommunications, mini-bar sales, vending machines, guest laundry, commissions, cancellation fees and attrition. Revenues are based on market-oriented assumptions on a POR basis and expenses are estimated to market on a ratio basis.

- *Undistributed Operating Expenses*, *Management Fees* and *Fixed Expenses* are all typical for the market and based on our experience, market comparables and research.

TEN-YEAR PROJECTION OF INCOME AND EXPENSE

The following 10-year projection of income and expense reflects the subject property's anticipated performance on a calendar basis beginning June 30, 2013. Stabilization is anticipated to occur in Year 3 of the projection. The statements are expressed in inflated dollars for each fiscal year.

Proposed Hotel Indigo Downtown
10 Year Summary

Projection Year	1	2	3	4	5	6	7	8	9	10	11
Fiscal Year Ending February 29:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Days in Year	366	365	365	365	365	365	365	365	365	365	365
Number of Rooms	296	296	296	296	296	296	296	296	296	296	296
Rooms Available	108,336	108,336	108,040	108,040	108,040	108,336	108,040	108,040	108,040	108,336	108,040
Occupied Rooms	80,169	86,669	90,754	90,754	90,754	91,002	90,754	90,754	90,754	91,002	90,754
Occupancy	74.00%	80.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%	84.00%
Average Rate	313.52	350.80	395.11	406.96	419.17	431.75	444.70	458.04	471.78	485.93	500.51
RevPAR	232.01	280.64	331.89	341.85	352.10	362.67	373.55	384.75	396.30	408.19	420.43

	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %	$ (000's)	Gross %
REVENUE																						
Rooms	25,135	88.6%	30,403	89.8%	35,858	90.8%	36,933	90.8%	38,041	90.8%	39,290	90.8%	40,358	90.8%	41,569	90.8%	42,816	90.8%	44,221	90.8%	45,423	90.8%
Other Operated Departments	496	1.7%	532	1.6%	560	1.4%	577	1.4%	595	1.4%	614	1.4%	631	1.4%	650	1.4%	669	1.4%	691	1.4%	710	1.4%
Rentals & Other Income	2,753	9.7%	2,911	8.6%	3,067	7.8%	3,160	7.8%	3,254	7.8%	3,353	7.8%	3,452	7.8%	3,556	7.8%	3,663	7.8%	3,774	7.8%	3,886	7.8%
Total Revenue	**28,384**	**100.0%**	**33,846**	**100.0%**	**39,485**	**100.0%**	**40,670**	**100.0%**	**41,890**	**100.0%**	**43,257**	**100.0%**	**44,441**	**100.0%**	**45,774**	**100.0%**	**47,148**	**100.0%**	**48,686**	**100.0%**	**50,019**	**100.0%**
DEPARTMENTAL EXPENSES																						
Rooms	7,593	30.2%	8,199	27.0%	8,682	24.2%	8,942	24.2%	9,210	24.2%	9,513	24.2%	9,771	24.2%	10,064	24.2%	10,366	24.2%	10,706	24.2%	10,997	24.2%
Other Operated Depts & Rentals	113	3.5%	119	3.5%	124	3.4%	127	3.4%	131	3.4%	136	3.4%	139	3.4%	143	3.4%	148	3.4%	153	3.4%	157	3.4%
Total Departmental Expenses	7,706	27.2%	8,318	24.6%	8,805	22.3%	9,069	22.3%	9,341	22.3%	9,648	22.3%	9,910	22.3%	10,208	22.3%	10,514	22.3%	10,859	22.3%	11,154	22.3%
Total Departmental Profit	**20,678**	**72.8%**	**25,528**	**75.4%**	**30,680**	**77.7%**	**31,601**	**77.7%**	**32,549**	**77.7%**	**33,609**	**77.7%**	**34,531**	**77.7%**	**35,567**	**77.7%**	**36,634**	**77.7%**	**37,827**	**77.7%**	**38,865**	**77.7%**
UNDISTRIBUTED OPERATING EXPENSES																						
Administrative & General	2,752	9.7%	2,946	8.7%	3,140	8.0%	3,235	8.0%	3,332	8.0%	3,441	8.0%	3,534	8.0%	3,641	8.0%	3,750	8.0%	3,873	8.0%	3,978	8.0%
Marketing	1,829	6.4%	1,973	5.8%	2,117	5.4%	2,181	5.4%	2,246	5.4%	2,320	5.4%	2,383	5.4%	2,454	5.4%	2,528	5.4%	2,611	5.4%	2,682	5.4%
Utility Costs	1,296	4.6%	1,356	4.0%	1,414	3.6%	1,457	3.6%	1,501	3.6%	1,550	3.6%	1,592	3.6%	1,640	3.6%	1,689	3.6%	1,744	3.6%	1,792	3.6%
Property Operations & Maintenance	1,424	5.0%	1,547	4.6%	1,672	4.2%	1,722	4.2%	1,774	4.2%	1,832	4.2%	1,882	4.2%	1,938	4.2%	1,997	4.2%	2,062	4.2%	2,118	4.2%
Total Undistributed Operating Expenses	7,302	25.7%	7,823	23.1%	8,344	21.1%	8,594	21.1%	8,852	21.1%	9,142	21.1%	9,391	21.1%	9,673	21.1%	9,963	21.1%	10,290	21.1%	10,570	21.1%
GROSS OPERATING PROFIT	**13,376**	**47.1%**	**17,706**	**52.3%**	**22,336**	**56.6%**	**23,006**	**56.6%**	**23,696**	**56.6%**	**24,467**	**56.6%**	**25,140**	**56.6%**	**25,894**	**56.6%**	**26,671**	**56.6%**	**27,538**	**56.6%**	**28,295**	**56.6%**
Management Fees	710	2.5%	846	2.5%	987	2.5%	1,017	2.5%	1,047	2.5%	1,081	2.5%	1,111	2.5%	1,144	2.5%	1,179	2.5%	1,217	2.5%	1,250	2.5%
INCOME BEFORE FIXED CHARGES	**12,666**	**44.6%**	**16,859**	**49.8%**	**21,349**	**54.1%**	**21,990**	**54.1%**	**22,649**	**54.1%**	**23,385**	**54.1%**	**24,029**	**54.1%**	**24,749**	**54.1%**	**25,492**	**54.1%**	**26,320**	**54.1%**	**27,044**	**54.1%**
Selected Fixed Charges																						
Property Taxes	2,486	8.8%	3,064	9.1%	3,388	8.6%	3,490	8.6%	3,594	8.6%	3,702	8.6%	3,813	8.6%	3,928	8.6%	4,045	8.6%	4,167	8.6%	4,292	8.6%
Insurance	259	0.9%	267	0.8%	274	0.7%	283	0.7%	291	0.7%	301	0.7%	309	0.7%	318	0.7%	328	0.7%	338	0.7%	348	0.7%
Reserve For Capital Replacement	852	3.0%	1,015	3.0%	1,185	3.0%	1,220	3.0%	1,257	3.0%	1,298	3.0%	1,333	3.0%	1,373	3.0%	1,414	3.0%	1,461	3.0%	1,501	3.0%
Incentive Management Fee	-	0.0%	26	0.1%	663	1.7%	812	2.0%	965	2.3%	1,138	2.6%	1,284	2.9%	1,452	3.2%	1,624	3.4%	1,819	3.7%	1,984	4.0%
AMOUNT AVAILABLE FOR DEBT SERVICE & OTHER FIXED CHARGES*	**9,069**	**32.0%**	**12,486**	**36.9%**	**15,839**	**40.1%**	**16,186**	**39.8%**	**16,542**	**39.5%**	**16,947**	**39.2%**	**17,289**	**38.9%**	**17,679**	**38.6%**	**18,081**	**38.3%**	**18,536**	**38.1%**	**18,921**	**37.8%**

DISCOUNTED CASH FLOW ANALYSIS

Our analysis of applicable terminal capitalization and discount rates for the subject property specifically considered the building type and condition, the current local hotel market conditions, estimated future trends in the local and national market for transient accommodations, and current investor considerations and required returns on investment for similar investments in full-service hotels where the fee simple interest is being conveyed.

In the surveys, discount rates for full-service hotels ranged from 8.5% to 12.0% with an average of 10.88%. Based on the subject's location in the heart of the Lower East Side, its expected quality of product, amenities, branding, and positioning, and considering the risk involved with completing a new development, particularly in this area, where there is a notable amount of stalled construction projects, we believe a discount rate of 10.25% is appropriate. In the surveys, residual capitalization rates for full-service hotels ranged from 6.0% to 12.0%, with an average of 8.68%. We utilized a terminal capitalization rate of 8.0%.

Proposed Hotel Indigo Downtown
DCF Analysis

Assumptions	
Discount Rate	10.25%
Residual Cap Rate	8.0%
Cost of Sale	2.0%
Hold Period (Years	10
Reversion Year +	1

Reversion Calculation (10Y)	
Year 11 CF:	18,920,610
Gross Reversion:	236,507,625
Cost of Sale:	(4,730,152)
Net Reversion:	231,777,472
Stabilized Year:	3

Returns (10Y)	
PV of Cash:	92,195,171
PV of Reversion:	87,354,492
Avg Annual Cash on Cash	8.84%
CF % of Yield:	51.35%
Reversion % of Yield:	48.65%

Analysis Year	Year	Fiscal Year End	Net Cash Flow	Net Reversion	Adjustments	Undiscounted CF	Discount Factor	Discounted CF	% of Yield	Annual Cash on Cash Return
0	2015	2/28/2015			-	-	1.000000	-	0.00%	NA
1	2016	2/29/2016	9,069,395	-	-	9,069,395	0.907029	8,226,209	4.58%	5.05%
2	2017	2/28/2017	12,486,360	-	-	12,486,360	0.822702	10,272,560	5.72%	6.95%
3	2018	2/28/2018	15,839,012	-	-	15,839,012	0.746215	11,819,315	6.58%	8.82%
4	2019	2/28/2019	16,185,557	-	-	16,185,557	0.676839	10,955,022	6.10%	9.01%
5	2020	2/28/2020	16,542,499	-	-	16,542,499	0.613913	10,155,660	5.66%	9.21%
6	2021	2/28/2021	16,946,910	-	-	16,946,910	0.556837	9,436,673	5.26%	9.44%
7	2022	2/28/2022	17,288,829	-	-	17,288,829	0.505068	8,732,033	4.86%	9.63%
8	2023	2/28/2023	17,678,869	-	-	17,678,869	0.458112	8,098,893	4.51%	9.85%
9	2024	2/28/2024	18,080,610	-	-	18,080,610	0.415521	7,512,867	4.18%	10.07%
10	2025	2/28/2025	18,535,777	231,777,472	-	250,313,249	0.376889	94,340,431	52.54%	139.41%
		Reversion NOI:	18,920,610		Total:	390,431,290		**179,550,000**	100.00%	
								606,588	Per Room	

Value, Overall Rate, Value per Room

Discount Rate	Exit Cap Rate 7.50%	7.75%	8.00%	8.25%	8.50%
9.75%	191,916,157 4.73% 648,365	188,770,633 4.80% 637,739	185,821,704 4.88% 627,776	183,051,499 4.95% 618,417	180,444,247 5.03% 609,609
10.00%	188,608,040 4.81% 637,189	185,533,279 4.89% 626,802	182,650,690 4.97% 617,063	179,942,804 5.04% 607,915	177,394,205 5.11% 599,305
10.25%	185,373,295 4.89% 626,261	182,367,549 4.97% 616,107	179,549,663 5.05% 606,587	176,902,557 5.13% 597,644	174,411,163 5.20% 589,227
10.50%	182,210,060 4.98% 615,575	179,271,629 5.06% 605,647	176,516,850 5.14% 596,341	173,929,028 5.21% 587,598	171,493,430 5.29% 579,370
10.75%	179,116,524 5.06% 605,123	176,243,753 5.15% 595,418	173,550,531 5.23% 586,319	171,020,535 5.30% 577,772	168,639,361 5.38% 569,728

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value. The single year's income is typically designed to reflect a subject property's stabilized level of operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization rate.

The following table illustrates overall capitalization rates for the subject property that have been derived based on our opinion of value via the discounted cash flow method. Note that the stabilized year's net income has been deflated to first projection year dollars at the underlying 3.0% inflation rate.

Implied Overall Capitalization Rates		
	NOI	Capitalization Rate
Year One / Completed Year	9,069,395	5.05%
Stabilized Year	15,839,012	8.82%
Stabilzed Year Deflated to Year One	14,929,788	8.32%

The Year One implied capitalization rate appears on the lower range as the subject will be ramping up during its first several years of operations. The stabilized and stabilized-deflated implied capitalization rates appear to be market-oriented and typical for stabilized hotel operations' rates of return in this locale.

CONCLUSION VIA INCOME CAPITALIZATION APPROACH

Applying a 8.0 percent terminal capitalization rate and 10.25 percent discount rate to the projected income stream of the hotel portion of the subject property, the indicated value of the subject property, upon completion as of March 31, 2015 is **$179,600,000**, or approximately **$607,000 per key.**

SALES COMPARISON APPROACH

Analysis of Comparable Sales

The Sales Comparison Approach is difficult to apply in the case of complex hotel properties because of the numerous differences between the subject and comparable sales. Especially in today's economic climate, where investor sentiment continues to increase, hotel values are continuously inflating. As credit markets continue to thaw, the lending environment continues to become less stringent. The table below summarizes select transactions that were reportedly single asset, arms-length sales in New York City.

COMPARABLE NEW YORK CITY HOTEL SALES

No.	Property Name	Date	Rooms	Sale Price	Price Per Room	Cap. Rate
1	Holiday Inn West 26th Street*	Jun-13	226	$113,000,000	$500,000	NA
2	James Hotel	May-13	114	$85,000,000	$745,614	5.5%
3	Hyatt Union Square	Apr-13	178	$105,000,000	$589,888	NA
4	Alex Hotel*	Jan-13	203	$115,000,000	$566,502	NA
5	Flatotel*	Jan-13	289	$180,000,000	$622,837	NA
6	Beekman Tower Hotel*	Dec-12	170	$85,000,000	$500,000	NA
7	Dream Downtown	Dec-12	315	$220,000,000	$698,413	NA
8	Grand Union Hotel	Nov-12	95	$28,600,000	$301,053	NA
9	Desmond TuTu Center	Oct-12	60	$16,000,000	$266,667	NA
10	Hilton Garden Inn Midtown East*	Oct-12	205	$74,000,000	$360,976	NA
11	Setai Fifth Avenue	Oct-12	214	$229,000,000	$1,070,093	NA
12	Essex House Hotel	Sep-12	509	$362,300,000	$711,788	6.3%
13	The Plaza Hotel	Aug-12	282	$364,375,000	$1,292,110	NA
14	The Manhattan Hotel at Times Square	Sep-12	665	$275,000,000	$413,534	NA
15	Hotel Lola	May-12	276	$116,000,000	$420,290	NA
16	Courtyard New York Manhattan/Upper East Side	May-12	226	$82,000,000	$362,832	7.5%
17	Avalon Hotel - East 32nd Street	Feb-12	100	$48,300,000	$483,000	NA
18	Cassa Hotel	Feb-12	165	$130,000,000	$787,879	4.7%
19	Hyatt Place Midtown South - West 36th St	Jan-12	185	$76,500,000	$413,514	NA
20	Novotel Hotel New York*	Jan-12	480	$210,000,000	$437,500	NA
21	Park Central Hotel	Jan-12	934	$396,200,000	$424,197	NA
22	Hampton Inn Empire State Building	Dec-11	146	$69,500,000	$476,027	NA
23	Holiday Inn at 30-32 West 31st Street	Dec-11	122	$52,200,000	$427,869	NA
24	Cooper Square Hotel	Sep-11	145	$90,000,000	$620,690	2.8%
25	Affinia Portfolio (49% interest in 6 properties)*	Aug-11	1730	$910,000,000	$526,012	9.3%
26	Yotel NY	Jun-11	669	$315,000,000	$470,852	NA
27	Algonquin Hotel	Jun-11	174	$85,500,000	$491,379	NA
28	Paramount Hotel	Jun-11	597	$275,000,000	$460,637	NA
29	Sheraton Four Points Times Square	Jun-11	244	$112,000,000	$459,016	NA
30	New York Palace Hotel*	Jun-11	899	$400,000,000	$444,939	NA
31	Hotel Chelsea	May-11	226	$82,500,000	$365,044	NA
32	Radisson Hotel Lexington Avenue	May-11	712	$335,000,000	$470,506	6.7%
33	Hampton Inn Seaport - Financial District*	Apr-11	81	$28,500,000	$351,852	NA
34	Holiday Inn Express Water Street*	Apr-11	112	$39,407,407	$351,852	NA
35	Morgans Hotel*	Apr-11	114	$56,544,000	$496,000	NA
36	Royalton Hotel*	Apr-11	168	$83,328,000	$496,000	NA
37	Holiday Inn Express Midtown	Feb-11	124	$56,250,000	$453,629	NA
38	The New York Helmsley Hotel	Jan-11	773	$313,500,000	$405,563	NA
39	Doubletree Metropolitan Hotel	Jan-11	755	$335,000,000	$443,709	NA
40	Doubletree Guest Suites Times Square*	Jan-11	460	$286,000,000	$621,739	7.0%
41	Milford Plaza Hotel	Oct-10	1300	$200,000,000	$153,846	NA
42	Fashion 26, a Wyndham Hotel	Oct-10	280	$119,901,290	$428,219	NA
43	Hotel Roger Williams	Oct-10	193	$90,000,000	$466,321	NA
44	W Union Square Hotel	Sep-10	270	$185,250,000	$686,111	3.0%
45	Hilton Garden Inn Chelsea	Sep-10	169	$68,400,000	$404,734	7.0%
46	Buckingham Hotel	Jun-10	100	$60,000,000	$600,000	NA
47	Holiday Inn Wall Street - 51 Nassau Street	Apr-10	113	$34,700,000	$307,080	NA
48	Hampton Inn Times Square - W. 39th*	Feb-10	184	$55,000,000	$283,505	8.3%
49	Holiday Inn Express Times Square - W. 39th*	Feb-10	210	$55,000,000	$283,505	8.3%
50	Candlewood Suites Times Square - W. 39th*	Feb-10	188	$55,000,000	$283,505	8.3%

Footnotes*

Sale #	
1	$8.4 million PIP outstanding, effectively yielding sale price of $121.4 million, or $537,168 per key
4	This hotel is anticipated to convert into a timesshare
5	This property will be converted into high-end residential condominiums
6	This hotel will be converted into extended-stay corporate housing suites
10	This represents a contract, not a closed sale. Hotel expected to open 4Q13
20	Reported purchase price of $92 million, though buyers will reportedly be spending ±118 million in extensive renovations
25	Portfolio sale of 6 Affinia NYC hotels; currently 1,638 keys, growing through renovations to 1,733; cap rate based on pro forma 2010
30	This sale represents the trade of a complex leasehold estate
33,34	These properties sold as a portfolio to Hersha Hospitality Trust from McSam Hotels for a total of $69,100,000; per key pricing is allocated
35,36	Morgans and Royalton Hotels sold as a portfolio to Felcor for $140,000,0000
40	This sale represents Sunstone purchasing the remaining 62% of the property not already owned and inludes, cash, debt, etc.
48,49,50	Three-property portfolio purchased at a $284,000 per key basis on a $165,000,000 purchase price. Partnership shares in HT issued as part of sale

Source: LW Hospitality Advisors

AS IS VALUATION

Economic Residual Analysis

In conducting this analysis and preparing this report, we have completed an economic residual As Is valuation as of June 30, 2013. To arrive at this conclusion, we considered our estimated As-Complete value obtained via the discounted cash flow method.

As this analysis considers the hotel portion only, revenues, expenses, and costs associated with the parking garage and retail have not been considered. The owner/developer assisted the appraisers with the bifurcation of construction costs.

After speaking with the owner/developer and their architect, as well as the City of New York, we have assumed the below figures to represent the planned GBA and FAR, as of the date of this report, in addition to the total allowable FAR for the property. Using the total allowable FAR for the entire property, we were able to estimate the total allowable FAR for the hotel portion only. We derived this figure by calculating the ratio of the planned FAR for the hotel-only to the planned FAR for the entire property, and by applying that ratio to the total allowable FAR, thereby resulting in the estimated total allowable FAR of the hotel only.

Property GBA / FAR			
Portion	Total Planned GBA	Total Planned FAR	**Total Allowable FAR***
Hotel Only	152,620	144,905	**145,007**
Entire Property	182,404	154,411	**154,520**

*Hotel Only portion of Total Allowable FAR estimated using the ratio of Planned Hotel Only FAR to Total Planned FAR

As Is Value of Land & Structure in Place
As of June 30, 2013

The total acquisition cost, totaling $46,350,000, included the cost of the structure in place, $10,236,646. Although this structure mostly consists of spaces that will be occupied by the parking garage and the retail, which are not part of this analysis, the majority of work completed would have been necessary to build the hotel only. Therefore, we have deducted estimated costs specifically associated with additional work completed in order to create a second sub-level. We estimated these costs to equal half of the total costs associated with: reshoring, underpinning, excavation, foundation walls, and waterproofing. We have estimated the non-hotel portion of the structure in place to equal $1.64 million, thereby resulting in an estimated cost of the hotel only portion of the structure in place to be $8.59 million. Accordingly, we have deducted the estimated $1.64 million from the Acquisition Cost, and thereby from the Total Projection Budget that was initially sent by the owner/developer. The below table details the estimated construction budget for the hotel only:

Construction Budget - Hotel Only	
Item	**Value**
Acquisition Cost	$44,706,807
Broker (2.2%)	$1,000,000
Hard Costs	$54,335,516
Soft Costs	$5,296,130
Closing Cost	$750,215
FF&E and OS&E	$4,740,584
Interest Reserve (12Q)	$4,528,125
Other Financing Costs	$5,228,815
Project Contingency	$1,335,813
Developer Guarantor Fee	$1,000,000
Developer's Fee	$2,202,392
Total Cost	**$125,124,397**
Compiled by LW Hospitality Advisors LLC	

The below table details our estimate of the total future cost to complete, which we have derived by deducting the aforementioned $1.64 million from the Acquisition Cost, as it does not apply to the hotel-only. In addition, we have deducted all costs which have reportedly been paid (according to the owner/developer), yielding the total Cost to Complete:

Cost to Complete	
Total Budgeted Project Cost	**$125,124,397**
Total Spend to Date	
Acquisition Cost	$44,706,807
Broker Fees	$1,000,000
Hard Costs	$5,357,610
Soft Costs	$3,014,639
Closing Costs	$750,215
FF&E and OS&E	$94,654
Other Financing Costs	$5,228,815
Developer's Fee	$2,202,392
Total Spend to Date	**$62,355,132**
Total Cost to Complete	**$62,769,265**
Compiled by LW Hospitality Advisors LLC	

We have applied the estimated cost to complete, the estimated total allowable FAR of the hotel only, and considered 20% entrepreneurial profit, in the economic residual approach to As-Is value, as detailed below:

SYNOPSIS OF ECONOMIC RESIDUAL AS IS VALUE OF SUBJECT PROPERTY - HOTEL ONLY	
Value Upon Completion - 3/31/2015	**$ 179,550,000**
Total Project Costs Remaining	$62,769,265
Entrepreneurial Profit @ 20%	$12,553,853
Total Costs	$75,323,118
Value Upon Completion, Less Project Costs (Rounded)	**$104,227,000**
Total Value Upon Completion - 3/31/2015 Less Project Costs	**$104,227,000**
Holding Costs*	$0
Total Value Upon Completion - 3/31/2015 Less All Costs	**$104,227,000**
As Is - Economic Residual Value (rounded) - 6/30/2013**	**$87,900,000**
As Is - Economic Residual Value - per allowable FAR (rounded) - 6/30/2013	**$606**
*Included in Total Project Costs	
**Deflated by 10.25% discount rate for a 1.75 year period	
Compiled by LW Hospitality Advisors LLC	

Conclusion via Economic Residual Approach – As Is

Through performing an economic residual analysis, the indicated as-is value of the land, structure in place, and development rights of the hotel-only portion of the subject property, as of June 30, 2013 will be **$87,900,000, or $606 per FAR**

We believe the aforementioned values are reasonable considering the reported acquisition price paid by the current owners, in 2Q-2011. Due to the strength of the market today, versus the time of sale, in addition to the considerable amount of work that has been completed by the current owner/developer since the sale, we believe the spread between our determined value and the reported sale price is reasonable.

LAND COMPARISON

Land Comparison

The below charts represents plots of land that have either been sold recently, or are currently for sale, in the subject area market. After utilizing various resources, such as appraisers, developers, and brokers familiar with this area of Manhattan, as well as property sale sites such as Real Capital Analytics, we selected several plots of land that are comparable to the subject site. The transactions have been analyzed based upon their price per buildable square foot or permissible floor area based upon existing zoning regulations. The price per square foot has then been adjusted for such factors as market conditions, location, demolition costs, and other factors, to arrive at a value for the subject site.

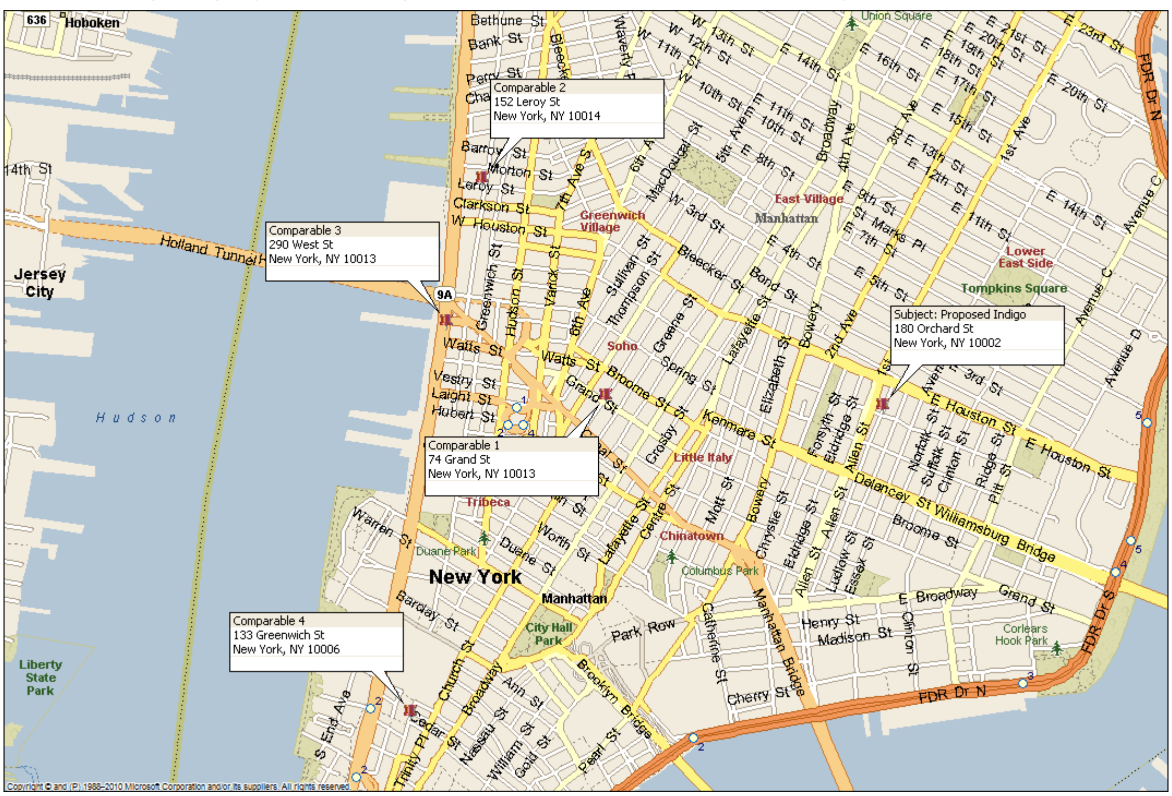
Set forth below are the relevant details of our research into comparable land sales:

Summary of Comparable Land Sales

No.	Location	Transaction Type	Transaction Date	Proposed Use	Sale/Contract Price	Adjusted Price	Zoning	Size (SF)	Size (FAR)	Price Per SF	Buildable SF (FAR)
1	74 Grand Street (At Wooster Street)	Sale	Feb-13	Residential (Condominiums)	4,950,000	4,950,000	M1-5B	2,500	12,500	1,980	396.00
2	152-154 Leroy Street (Between Washington and West Streets)	Sale	Jan-13	Hotel	10,250,000	10,250,000	M1-5	5,596	27,980	1,832	366.33
3	290 West Street (at Desbrosses Street)	Sale	May-12	Residential (Condominiums)	15,461,600	15,461,600	M1-5	7,225	39,600	2,140.01	390.44
4	133 Greenwich Street (at Thames Street)	Sale	Apr-12	Hotel	27,900,000	27,900,000	C5-5	6,109	91,635	4,567.03	304.47
	Subject Property: 180 Orchard Street (Between Houston and Stanton Streets)*	Sale	Jan-11	Hotel	46,350,000	46,350,000	C4-4A	15,611	154,520	2,969.06	299.96

Compiled by LW Hospitality Advisors

The below map displays the comparable sales, relative to the subject location:



Summary of Land Value

The four sale site sales mentioned above represent the most comparable recent transactions with which to provide an indication of market value of the subject today. We have assumed that an investor interested in the subject property would purchase the property based upon its development opportunities and future income potential. We have therefore taken into consideration various elements, such as property rights, financing, conditions of sale, market conditions, as well as locational and physical characteristics.

Of the aforementioned elements of sale, we heavily weighed zoning restrictions, location of the property, and market conditions at the time of sale.

The below table details the applied considerations:

Land Sales Adjustment Grid					Subject
Comparable Number	1	2	3	4	
Transaction Type	Sale	Sale	Sale	Sale	Sale
Transaction Date	Feb-13	Jan-13	May-12	Apr-12	Jan-11
Proposed Use	Residential (Condominiums)	Hotel	Residential (Condominiums)	Hotel	Hotel
Sale/Contract Price	4,950,000	10,250,000	15,461,600	27,900,000	46,350,000
Adjusted Price	4,950,000	10,250,000	15,461,600	27,900,000	46,350,000
Zoning	M1-5B	M1-5	M1-5	C5-5	C4-4A
Size (SF)	2,500	5,596	7,225	6,109	15,611
Size (FAR)	12,500	27,980	39,600	91,635	154,520
Price ($/FAR)	396	366	390	304	300
Adjustments					
Property Rights Conveyed	0%	0%	0%	0%	10%
Financing Terms	0%	0%	0%	0%	0%
Conditions of Sale	0%	0%	0%	0%	0%
Market Conditions	0%	0%	0%	5%	10%
Subtotal (Sale Adjustments)	396	366	390	320	363
Size	-10%	-5%	-5%	-5%	0%
Shape	0%	0%	0%	0%	0%
Frontage	0%	5%	0%	5%	0%
Location	5%	5%	5%	0%	0%
Zoning	5%	5%	5%	-5%	0%
Total Site Adjustments	0%	10%	5%	-5%	0%
Subject Value Indication	**$396**	**$403**	**$410**	**$304**	**$363**
Compiled by LW Hospitality Advisors					

Land Comparison Conclusion

The subject is located in a prime area of the Lower East Side of Manhattan, and benefits from zoning allowances which are no longer permitted in the neighborhood, due to re-zoning that went into effect several years ago. Based on the above range of estimated FARs of $304-$410, we have estimated the value of land and development rights only, excluding the structure in place, of the hotel component of the subject property, as indicated in the below table:

Concluded Land Value				
$/FAR		Subject FAR		Total
$340 - $390	x	145,007	=	$49,300,000 - $56,600,000
			Rounded:	$49,000,000 - $57,000,000
Compiled by LW Hospitality Advisors				

RECONCILIATION AND FINAL VALUE CONCLUSION

We have considered the Sales Comparison and the Income Capitalization Approaches to value. The results are as follows:

Economic Residual Approach	
As Is,	
Land and Structure In Place	$87,900,000, or $606 per FAR
Land Comparison Approach	
As Is, Land Only	$48,000,000 - $58,000,000 $331 - $400 per FAR

In our valuation of the subject property, we have relied primarily on the Income Capitalization Approach to value utilizing a discounted cash flow method. The Sales Comparison Approach was applied and is considered to provide reasonable support to the conclusion of the Income Capitalization Approach.

In our Economic Residual Approach to value, the subject property was first valued upon completion by analyzing the local market for transient accommodations and developing a projection of income and expense that reflects the current and future anticipated income and expense trends over a ten-year holding period. The net income was then capitalized and discounted to the date of value by an appropriate internal rate of return through a discounted cash flow analysis. From that value upon completion, the remaining project costs were deducted, as well as 20% entrepreneurial profit. The remaining value upon completion was then deflated utilizing a 10.25% discount rate to the date of value, 6/30/2013.

The Sales Comparison Approach reflects an opinion of value as indicated by the actual sales of hotels. In this approach, we searched the regional and national market for transactions of similar property types. Several sales of NYC hotels were examined, and this approach was useful in providing value parameters to bracket the value concluded to by the Income Capitalization Approach.

The cost approach estimates market value by computing the cost of replacing the property and subtracting any depreciation resulting from physical deterioration, functional obsolescence, and external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements for a total value estimate. The cost approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately. Moreover, our experience with hotel investors shows that this group of buyers and sellers relies upon the methods of the income approach (as well as a review of sales data) when making decisions; the cost approach generally does not play a significant role. Considering such factors, we do not consider the cost approach to be appropriate for the valuation of the subject property.

Careful consideration has been given to the strengths and weaknesses of the three approaches to value discussed above. In recognition of the purpose of this appraisal, we have given primary weight to the value indicated by the Income Capitalization Approach and have utilized the Sales Comparison Approach as a check for reasonableness.

AS IS MARKET VALUE, LAND AND STRUCTURE IN PLACE

As a result of our analysis, we are of the opinion that the market value of proposed hotel portion of the subject property, in its as is condition, with a foundation and partially completed structure in place, and considering the work completed, financing in place, rights and permits, and subject to the assumptions, limiting conditions, certification and definitions, as of June 30, 2013, will be:

EIGHTY-EIGHT MILLION DOLLARS
$88,000,000 or $607 per FAR

The opinion(s) of value include the land, the existing structure in place, and development rights of the hotel component of the proposed subject property only. The appraisers assume that the hotel will open and operate. The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 6 to 12 Months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, June 24, 2013.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

MARKETING PERIOD

The preceding opinion of market value is based upon a forecast marketing period of approximately 6 to 12 months, which we believe (through conversations with area hotel/motel investment brokers) to be reasonably representative for the properties such as the subject at this time.

PERSONAL PROPERTY ALLOCATION

Included in the above estimate of market value is the contributing value of the personal property at the subject property, or the furnishings, fixtures and equipment (FF&E). FF&E is generally considered to be part of the hotel property and is typically sold with the building. It is therefore considered to be a part of the property's total value. FF&E includes the hotel's guest room and public area furnishings, kitchen equipment, service/maintenance equipment and other machinery. Based on our review of the subject, and the cost budget provided by the owner/developer, we have concluded that the value of the FF&E as new is approximately $16,000 per unit, for a total replacement cost of $4,736,000. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at a much faster rate than straight-line and depreciate to some degree immediately upon being placed into service. However, the hotel is an under construction property which will consist of brand new FF&E upon completion. Accordingly, we conclude that the contributory value of the subject's FF&E would be 100 percent of cost, as the subject will be all new upon completion. Therefore, the contributory value of the FF&E is estimated to be $4,736,000 upon completion.

BUSINESS VALUE (GOING CONCERN)

Hotels are undisputedly a combination of business and real estate; the day-to-day operation of a hotel represents a business over and above the real estate value. Numerous theories have been developed in an attempt to isolate the business component of a hotel. When hotels were routinely leased to hotel operators, separating the income and value attributable to each component was a simple matter. However, during the 1970s, the hotel property lease was replaced with the hotel management contract.

It is widely accepted today that managing agents are hired by hotel owners to operate a property in return for a management fee. The fee is paid to the operator as an operating expense, and what remains is net income available to pay debt service and generate a return on the owner's equity. Purchasers of hotels as real estate investments are able to passively own the property by employing a managing agent, as was the case with the property lease in earlier years.

The real and personal property components of the subject property have already been valued in this appraisal and any business component has been accounted for through the deduction of market rate management and franchise fees. By making these deductions, we believe that there is no business value included in our conclusion of market value.

CERTIFICATION OF THE APPRAISAL

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
3. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
4. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
5. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
6. We have performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
7. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
8. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
9. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. The proportion of the total fees payable by the client during the preceding year relative to the total fee income of the firm during the preceding year are minimal.
10. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
11. Evan Weiss, MRICS and Michelle LaRocca have made a personal inspection of the property that is the subject of this report.
12. No one other than the undersigned has provided significant real property appraisal assistance to the persons signing this certification.
13. As of the date of this report, Daniel H. Lesser, MAI, FRICS, CRE, CHA, has completed the Standards and Ethics Education Requirements for the Code of Professional Ethics of the Appraisal Institute.
14. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
15. As of the date of this report, Daniel H. Lesser, MAI, FRICS, CRE, CHA, has completed the continuing education program for Designated Members of the Appraisal Institute.

Evan Weiss, MRICS
Executive Managing Director, Principal
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REPORT AND VALUATION FOR

BCRE-BRACK CAPITAL REAL ESTATE INVESTMENT B.V

WETERINGSCHANS 95 A (1017 RZ) AMSTERDAM, THE NETHERLANDS

PEEL HUNT LLP, MOOR HOUSE, 120 LONDON WALL, LONDON EC2Y 5ET

BCRE PROPERTIES PORTFOLIO

DATE OF VALUATION: 31 DECECBER 2013

30 APRIL 2014

CUSHMAN & WAKEFIELD

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VALUATION REPORT

To: BCRE-Brack Capital Real Estate Investment B.V
Weteringschans 95 A (1017 RZ) Amsterdam, the Netherlands

Peel Hunt LLP
Moor House, 120 London Wall
London EC2Y 5ET

BCRE Properties Portfolio valuation

Report Date: 30 April 2014

Valuation Date: 31 December 2013

1 INSTRUCTIONS

APPOINTMENT

In accordance with your request, as confirmed by the Consultancy Services Agreement #14-MOSC- 900047 concluded between Cushman & Wakefield OOO ("C&W") and BCRE-Brack Capital Real Estate Investments B.V. and Peel Hunt LLP ("Company") we have considered each Property as set out in the Appendix and made all necessary enquiries to provide you with our opinion of Market Value of the freehold interest in the buildings and the long leasehold/ freehold interest in the land plots beneath the buildings.

The effective date of each valuation is 31st of December 2013.

We understand that this valuation report and the Schedule (together, the "Valuation Report") are required for inclusion in a prospectus (the "Prospectus") that has been prepared in connection with with the admission of shares in the Company to the standard listing segment of the Official List and trading on the main market of the London Stock Exchange (the "Admission"). Investors will rely on the Valuation Report in making their decision to invest in shares of the Company. We hereby give our consent for inclusion of the Valuation Report in the Prospectus.

Other than those parties to whom the Valuation Report is addressed, any third party seeking to rely on the Valuation Report shall only be entitled to do so for the purpose of determining whether or not to acquire shares in the Company following Admission.

2 BASES OF VALUATION

Each valuation and report has been prepared in accordance with the RICS Valuation – Professional Standards (the "Red Book") by a valuer acting as an External Valuer, as defined within the Red Book. We confirm that the valuer conforms to the stipulated requirements.

In accordance with the Red Book, we make the following disclosures:

We valued all of the properties subject of this report in the past on behalf of the Company for accounting purposes.

We confirm that we were not active in the introduction and brokering of the properties to be valued and in this respect have no other benefit in connection with the properties to be valued or from the preparation of the expertise apart from the agreed fee.

The valuations were conducted in accordance with the following bases:

- RIGS Valuation Standards 7'" edition, no)

- international Valuation Application 2 (revised 2007) published by the International Valuation Standards Committee

The valuations contained herein are compliant with the International Valuation Standards are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (GESR) recommendations for the consistent implementation of the European Commission Regulation (EC) no 809/2004 implementing the Prospectus Directive.

BASES

A Basis of Value is defined by the Red Book as:

'A statement of the fundamental measurement assumptions of a valuation.'

Each property has been valued on the bases of Market Value:

DEFINITION

Market Value

VS 3.2 defines Market Value as:

'The estimated amount for which an asset or a liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

3 TENURE AND TENANCIES

We have had access to the public title deeds or lease documentation in respect of the Properties but these do not always reveal all aspects relating to title. Each valuation has been based entirely on the information which the Company has supplied to us as to tenure, tenancies and statutory notices. We understand each property is either held by the Company, its subsidiaries, or jointly with third parties.

We have valued a 100% share of the tenure stated in each Property, unless otherwise specifically stated, as if each Property was held entirely by the Company as at the valuation date. We have not made any adjustment to value, which may be appropriate when considering fractural ownership for each individual Property.

Unless disclosed to us to the contrary and recorded in the Property descriptions, each valuation is on the basis that:

a) the Property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;
b) where the interest held in the property is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
c) leases to which the Property may be subject are on standard market terms, and contain no unusual or onerous provisions or covenants which would affect value;
d) all notices have been served validly and within appropriate time limits;
e) the Property excludes any mineral rights; and
f) vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

Unless otherwise stated our valuation is for a full share interest in the Property and assumes that a good and marketable title exists. This should be taken into account in consideration of individual Properties. Where specific outstanding costs have been identified to us as being required to arrive at ownership of a full share interest in the requisite Property or in order to obtain the necessary permits, these costs have been taken into account in the valuation in full.

The land plot corresponding to Technopolis New Toura is held long-term (49 years) leasehold. Long-term (49-years) lease is the most common type of ownership of land in Russia, which equals freehold. Land plots corresponding to Dmitrovskiy Shopping Centre is held freehold. Land plots corresponding to the development of Interspar Shopping Centre are held leasehold for the development period term (5 years).

All buildings on these land plots are held freehold according to the corresponding ownership certificates.

4 NET ANNUAL RENT

We were provided by the Company with net annual rent as at the date of valuation for each existing Property for lease.

Net annual rent is defined as:

"the current income or income estimated by the valuer:

(i) ignoring special receipts or deductions arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortization), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

5. TOWN PLANNING

We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority, or from the Company. Each valuation is on the basis that the Property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations. Except where stated otherwise, each valuation is on the basis that each Property is not affected by proposals for road widening, Compulsory Purchase, planning inquiry, or archaeological investigation.

Valuation of the Property "held for future development" assumes that all required planning permission consents will be received within a normally acceptable timescale and that there are no such issues which would materially delay the issuance of the required consent, or have a material effect on value or marketability.

Although, where appropriate, we have considered the Company's business plan to develop each Property, each valuation reflects our opinion of an appropriate development that could reasonably be expected to form the basis of a bid for a Property by a third party. I.e. the Highest and Best Use as defined by the International Valuation Standards has been considered for each Property.

The Highest and Best Use is defined in Paragraph 3.4 of IVS 1 as: "The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued".

6. STRUCTURE

We have neither carried out a structural survey of each Property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure or services at any Property. Each valuation takes into account any information supplied to us and any defects noted during our inspection, but otherwise are on the basis that there are no latent defects, wants of repair or other matters which would materially affect each valuation.

We have not inspected those parts of each Property which are covered, unexposed or inaccessible and each valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, each valuation is on the basis that no hazardous or suspect materials or techniques have been used in the construction of any Property.

7. SITE AND CONTAMINATION

We have not investigated ground conditions/stability and each valuation is on the basis that any buildings have been constructed, having appropriate regard to existing ground conditions. Where the Property has development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

8. PLANT AND MACHINERY

Where the interest held in the Property is freehold, usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued. Where the interest held in the property is long leasehold, these items have been treated as belonging to the landlord upon reversion of the lease.

Process-related plant/machinery and tenants' fixtures/trade fittings have been excluded from each valuation.

No specialist tests have been carried out on any of these service systems and for the purposes of our valuations we have assumed that all are in good working order and in compliance with any relevant statute bye-law or regulation.

9 SOURCES OF INFORMATION

In addition to information established by us, we have relied on the information obtained from you and other advisors.

10 ASSUMPTIONS, SPECIAL ASSUMPTIONS, DEPARTURES AND RESERVATIONS

We confirm that each valuation is not made on the basis of any Special Assumptions or any Departures from the Practice Statements contained in the Red Book. Subject to the general limitations of our inspections and sources of information set out above, each valuation is not subject to any specific Reservations in relation to restricted information or Property inspection.

We have made no Special Assumptions.

We have made no Departures from the Red Book.

11 INSPECTIONS

We have valued each Property in the past for accounts purposes and have inspected them at various intervals internally by C&W employees:

- Oleg Takoev MRICS, Director, Valuation & Advisory, C&W
- Denis Tsygankov, Junior Consultant, Valuation & Advisory, C&W

The properties were inspected internally and externally from ground level.

The property was not measured and we have assumed that the measurements, areas and dimensions that the Client has provided to us are accurate and have been calculated by the appropriately qualified professionals in accordance with all the necessary requirements and the local standards of measurements. We have also relied upon the detailed information that the Client provided to us with regard to the internal measurements and dimensions and assume these are also accurate. Any variation or inaccuracies in the information provided to us would affect the opinion as to value reported herein.

12 GENERAL COMMENT

Our opinion of value is based on an analysis of recent market transactions and asking prices, supported by market knowledge and market sentiment derived from our agency experience. Our valuation is supported by this market evidence.

Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

We recommend that you keep the valuation of this property under frequent review.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

CURRENCY

The properties have been valued in United States Dollars. As at the date of valuation exchange rates were 1 USD = 32.7292 RUR, 1 EURO = 44.9699 RUR according to the Central Bank of Russian Federation. We have not reflected any local realization taxes.

13 MATERIAL CHANGE

We hereby confirm that as at the date of this Valuation Report:

In relation to market conditions and movements in the property markets in which the Properties covered by our Valuation Report are located, we do not consider that any movement in respect of the Properties constitutes material change since 31 December 2013.

14 DISCLOSURE

The members of The Royal Institution of Chartered Surveyors who are named below in Section 17 have not previously been the signatories to the Valuations provided to the Company for the same purposes as this Valuation Report. Cushman & Wakefield has not previously carried out these Valuations for the same purpose as this Report on behalf of the Company.

Cushman & Wakefield, from time to time, provides other professional or agency services to the Company and has done so for a period of over a year. In relation to the preceding financial year of Cushman & Wakefield, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5 per cent.

This Valuation Report has been prepared for inclusion in the Prospectus. We hereby consent to inclusion of this Valuation Report in the Prospectus.

15 VALUATION APPROACH

In arriving at our opinion on Market Value, we have employed DCF methodology. The choice is influenced by factors including, most likely purchaser, type of property, availability of market comparisons, market practice and etc.

16 VALUATION

Subject to the foregoing, and based on values current as at 31st of December 2013, we are of opinion that Market Value of each 100% share of each freehold and leasehold interest in each Property, as set out in the Schedule, is the total sum of (excluding VAT)

$928,100,000

(Nine Hundred and Twenty Eight Million One Hundred Thousand US Dollars)

Including:

Warehouse Lobnya	$54,400,000
Dmitrovskiy Shopping Centre	$60,800,000
Interspar Shopping Centre under construction	$117,900,000
Retail project Technopolis “New Toura” in the course of development	$695,000,000
Total	$928,100,000

The Total valuation sum stated above represents the aggregate of the current values attributable to the individual Properties and should not be regarded as a valuation of the Portfolio as a whole in the context of a sale as a single lot.

The Market Value figures in this Valuation Report are consistent with the valuation outcomes in our previous valuation reports prepared for the Company for the purposes of the accounts for the financial year ended 31 December 2013.

17 CONFIDENTIALITY, DISCLOSURE AND PUBLICATION

You must not modify, alter (including altering the context in which the report is displayed) or reproduce the contents of this valuation report (or any part) without first obtaining our written approval. Any person who contravenes this provision shall be responsible for all of the consequences of the same, including indemnifying Cushman and Wakefield against all consequences of the contravention. Cushman & Wakefield accepts no liability for any use of the Report that is in contravention of this section.

Neither the whole nor any part of the Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear. Cushman & Wakefield grant permission for this document to be published in the Company's listing prospectus and to be shown to potential investors therein.

For the avoidance of doubt, such approval is required whether or not Cushman and Wakefield are referred to by name and whether or not the contents of the Valuation Report are combined with other reports.

Nothing in this paragraph shall prevent the Addressees of this Valuation Report from quoting from, referring to or disclosing this Valuation Report (without any reliance) in communications with its professional advisers duly bound by obligations of confidentiality or as may be required by law, regulation, or upon designation by the relevant listing authority or any other competent authority or judicial authority. Disclosure of this Valuation Report by the Addressees of this Valuation Report is not prohibited if required (i) in connection with any actual or threatened legal, judicial or regulatory proceedings (for the avoidance of doubt, this shall include disclosure by any Addressee in connection with any form of due diligence defense) or for the purpose of resolving any actual or threatened dispute or (ii) in communications to insurers in connection with an actual or threatened dispute or claim, or (iii) in connection with the Addressees' due diligence enquiries of the contents of the Prospectus.

18 PRINCIPAL TERMS & CONDITIONS OF APPOINTMENT

Our Principal terms & Conditions of Appointment area annexed hereto. To the extent there is any inconsistency between the terms of this letter and these terms (including the standard valuation principles annexed) the terms of this letter will prevail.

Signed for and on behalf of Cushman & Wakefield OOO

Oleg Takoev MRICS
Associate
Valuation & Advisory
RICS Registered Valuer
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Email: Oleg.Takoev@eur.cushwake.com

Konstantin Lebedev MRICS, CCIM, ASA, ROO
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SCHEDULE OF VALUES

Property name	Warehouse in Lobnya	Dmitrovskiy Shopping Centre	Interspar Shopping Centre	Technopolis "New Toura"	Technopolis "New Toura"	Technopolis "New Toura"	Technopolis "New Toura"	Technopolis "New Toura"
				Building 1	Building 2	Building 3	Building 4	Building 5
City	Lobnya, Moscow Region	Dmitrov, Moscow Region	Lyubertsy, Moscow Region	Kazan	Kazan	Kazan	Kazan	Kazan
Property address	4, Krasnopolyansky proezd, Lobnya, Moscow region	7 Professionalnaya Street, Dmitrov, Dmitrovsky District, Moscow Region, Russia	Oktyabrskiy prospect 112, Lyubertsy, Moscow Region, Russia	Oktyabrskoe Village, Zelenodolsky Municipal District, Tatarstan Republic	Oktyabrskoe Village, Zelenodolsky Municipal District, Tatarstan Republic	Oktyabrskoe Village, Zelenodolsky Municipal District, Tatarstan Republic	Oktyabrskoe Village, Zelenodolsky Municipal District, Tatarstan Republic	Oktyabrskoe Village, Zelenodolsky Municipal District, Tatarstan Republic
Property Description	The Subject Property is presented by a warehouse complex with a total area of 39,738.7 sq. m located at the land plot with a total area of 70,026 sq. m. The Subject Property belongs to high-quality warehouses notably has all the necessary technical equipments.	The Property comprises an operating 2-storey shopping center. The Property is fully operational and features efficient floor plates, modern engineering systems, construction and fit-out materials. Major tenants: Spar, Korablic, L'etual, Mvideo, Centro	The property comprises several adjacent land plots intended for the development of SC INTERSPAR. As at the date of valuation construction permit received; construction ongoing; foundation works completed.	The property comprises a land plot with a total area of 196.5815 hectares in the course of retail development "New Toura"; the concept of the development represents technopolis with functions of a regional commercial hub including wholesale, retail and supporting logistics and manufacturing. Currently three pavilions of phase I and phase II of the project are in the course of operation and development: • Phase I – pavilion #1 was completed in construction in Q1 2013. On 13th May fire occurred in the building; 6 sections out of 8 were burned down; fire causes are under investigation. Building was insured. Reconstruction is planned to start in April 2014 and due to completion in 4-5 months period. Pavilion #2 is planned to complete by August 2013; • Phase II – pavilions 3-5. Construction started in the second half of 2013 The intended development will comprise 5 pavilions which will be used to house thousands of retail wholesale and market stalls.				
Type	Warehouse	Retail	Retail	Retail	Retail	Retail	Retail	Retail
Date of inspection	20/02/2014	11/12/2013	20/12/2013	16/12/2013	16/12/2013	16/12/2013	16/12/2013	16/12/2013
Location category (central business district / prime rent / base rent)	Other areas	Other areas	Other areas	Other areas	Other areas	Other areas	Other areas	Other areas
Status of project (held as investment/ in the course of (re)development)	Held as investment	Held as investment	In course of development	In course of development	Held as investment	In course of development	In course of development	In course of development
Tenure of building (Leasehold/ Ownership)	freehold	freehold	n/a	freehold	freehold	n/a	n/a	n/a
Tenure of land	freehold/ leasehold	freehold	short-term leasehold	long-term leasehold	long-term leasehold	long-term leasehold	long-term leasehold	long-term leasehold
Expiration of Leasehold	n/a	n/a	Apr-18	Jun-61	Jun-61	Jun-61	Jun-61	Jun-61
GBA/Estimated GBA	39,738.50	17,338.90	58,249.30	27,828.9	39,988.90	39,988.90	39,988.90	39,988.90
GLA/Estimated GLA	39,004.70	13,472.28	26,686.40	1,303 retail units of 20 sqm each + 620 sq m of restaurant space (26,380 sqm)	1,303 retail units of 20 sqm each + 620 sq m of restaurant space (26,380 sqm)	1,303 retail units of 20 sqm each + 620 sq m of restaurant space (26,380 sqm)	1,303 retail units of 20 sqm each + 620 sq m of restaurant space (26,380 sqm)	1,303 retail units of 20 sqm each + 620 sq m of restaurant space (26,380 sqm)
Weighted average rental rate, $/sq m, excl VAT	triple net $138 for warehouse premises, $255 for offices, and 110 for mezzanine premises	$493.00	$798.00	$730 from the date of opening to $1,778 by the end of year 1, per unit per month	$730 from the date of opening to $1,778 by the end of year 1, per unit per month	$730 from the date of opening to $1,778 by the end of year 1, per unit per month	$730 from the date of opening to $1,778 by the end of year 1, per unit per month	$730 from the date of opening to $1,778 by the end of year 1, per unit per month
Weighted average opex receivable rate, $/sq m, excl VAT	n/a	$73.00	$109.00	n/a	n/a	n/a	n/a	n/a
Weighted average opex payable rate, $/sq m, excl VAT	n/a	$22.00	$150.00	n/a	n/a	n/a	n/a	n/a
Vacancy rate	0.00%	0.28%	0.00%	n/a	0.00%	n/a	n/a	n/a
NOI 2014	$5,225,204	$6,200,000	n/a	n/a	$24,670,000	n/a	n/a	n/a
ERV (as if fully let) 2013 / projected ERV (as if fully let) 2013	$5,419,035	$8,021,600	$21,298,075	$23,820,645	$23,820,645	$23,820,645	$23,820,645	$23,820,645
Start of construction works (for properties in course of (re)development)	n/a	n/a	2011	01-Apr-14	n/a	01-Jul-13	01-Jul-14	01-Apr-15
Estimated completion date (for properties in course of (re)development)	n/a	n/a	31-Mar-15	30-Sep-14	n/a	30-Jun-14	31-Mar-15	30-Sep-15
Total outstanding development costs (for properties in course of (re)development), excl VAT	n/a	n/a	$52,810,870	21,186,441	n/a	$16,949,153	$33,898,305	$33,898,305
Total development budget (for properties in course of (re)development), excl VAT	n/a	n/a	$103,907,793	21,186,441	n/a	$33,898,305	$33,898,305	$33,898,305
Level of pre-lettings (for properties in course of (re)development)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Completion date (for properties held as investments)	2009	2009-2011	n/a	n/a	Aug-13	n/a	n/a	n/a
Assumed exit date	30/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
Discount rate	12.80%	15.00%	15.00%	24.00%	17.50%	23.00%	28.00%	29.00%
Projected exit capitalisation rate	11.00%	10.00%	10.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Market Value (on a 100% basis), as at December 31, 2013	$54,400,000	$60,800,000	$117,900,000	$128,800,000	$198,500,000	$173,200,000	$109,700,000	$84,800,000

APPENDICES

APPENDIX I PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

1. PRELIMINARY

1.1. These terms and conditions (the "**Terms of Business**") shall apply to all valuation services (excluding agency services and other forms of professional services, to which separate terms will apply) provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("**C&W**", "**we**" or "**us**") to the client to whom a real estate valuation agreement (the "**Agreement**") is sent ("**you**"). They shall apply separately to each service subsequently provided to you.

1.2. The Terms of Business are to be read in conjunction with the relevant Agreement and general valuation principles ("**Valuation Principles**") attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Valuation Principles and these Terms of Business, the provisions in the relevant Agreement shall prevail. These Terms of Business and the relevant Agreement may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Terms of Business frequently and new versions will be sent to you and agreed with you.

2. PERFORMANCE OF THE SERVICES

2.1. We undertake to use all reasonable skill and care in providing the services and advice described in the relevant Agreement, based on the instructions given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing and agreed between the parties.

2.2. We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

3. BASIS OF FEES

3.1. The basis of our fees for our Services is set out in the relevant Agreement.

3.2. You shall pay all applicable VAT in addition to any fees and disbursements at the applicable rate.

3.3. You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly invoices. Payment is due within 10 working days of the invoice date.

3.4. Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5. If you do not dispute with us an invoice or any part thereof within 15 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6. If we are required by you to undertake any additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7. Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.

3.8. If you subsequently request our invoice to be re-addressed to a party other than that originally agreed, we reserve the right to make an administration charge of $170. Payment will still be due within 10 working days of the original invoice date.

3.9. In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you draft valuation figures, such fees shall be subject to 50% of the fee originally agreed between us and if we have sent you a draft valuation report, such fees shall be subject to 75% of the fee originally agreed between us.

3.10. We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost.

3.11. Where we are instructed to provide Services to one of your subsidiaries or associated / related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associated / related or other entity does not meet its liabilities in relation to payment for the Services provided by us.

4. INTEREST

You shall pay interest on the amount of any invoice for fees or other disbursements that remains unpaid for 10 working days after the date of the invoice in amount of 0,1 per cent for each day but no more than 10 per cent in total.

5. DISBURSEMENTS

You shall pay all disbursements incurred by us in the provision of the Services. Disbursements include, but are not limited to: travel and subsistence expenses at their actual cost.

6. INFORMATION RECEIVED FROM THE CLIENT

Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you acknowledge that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. CONFLICTS OF INTEREST AND ANTI CORRUPTION

7.1. We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

7.2. You acknowledge that we may earn commissions, referral fees and may charge handling fees connected to the services that we perform and agree that we shall be entitled to retain them without specific disclosure to you. We will not accept any commissions or referral fees in circumstances where we are of the reasonable belief that they would compromise the independence of any advice that we provide to you.

7.3. We confirm that we will not, and will procure that our employees will not, knowingly engage in any activity which would constitute a breach of Russian anti-corruption legislation as well as the UK Bribery Act 2010 and that we have in place a compliance programme designed to ensure compliance with the terms of the UK Bribery Act 2010.

8. MANAGEMENT OF THE PROPERTY

We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility.

9. TERMINATION BY NOTICE

9.1. Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

9.2. In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any abort fee) plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

10. PROFESSIONAL LIABILITY

10.1. We shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:

(i) any direct loss of profit;

(ii) any indirect, special or consequential loss whatsoever howsoever caused including without limitation (a) indirect loss of profit; (b) loss of business; (c) loss of goodwill; (d) loss of use of money; (e) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

10.2. You acknowledge and agree that the exclusions contained in this clause 10 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.

10.3. Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

10.4. Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

10.5. Our total aggregate liability (including that of our members and employees) pursuant to the relevant Assignment under the Agreement shall be limited to an aggregate sum not exceeding 30,000,000 US Dollars. Nothing in these Terms of Business excludes or limits our liability: (i) for death or personal injury caused by our negligence; (ii) for any matter which it would be illegal for us to exclude or attempt to exclude our liability and (iii) for fraud or fraudulent misrepresentation.

10.6. We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

10.7. To cover any liability that might be incurred by us, we confirm that we will maintain compulsory professional indemnity insurance.

10.8. Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:

	FIRST EXTENDED PARTY	SECOND & SUBSEQUENT EXTENDED PARTIES
For the first USD1m of reported value	0.075%	0.025% per party
Thereafter	0.035%	0.015% per party

These fees are exclusive of VAT and expenses (including the cost of readdressing the report) and are subject to a minimum fee of $1,250. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

10.9. Where we consent in writing to reliance on our report by another party or other parties, we do so on the condition that (i) the other party or parties agree in writing to be bound by the Agreement and these Terms of Business as if it / they had been a party to the original Agreement between us, with such written agreement being provided to us, (ii) such other party pay the fees demanded as set out in clause 10.9 above (unless agreed otherwise in writing) and (iii) where you act on behalf of a syndicate or in relation to a securitisation, you agree that you are not entitled to pursue any greater claim on behalf of any other party than you would have been entitled to pursue on your own behalf had there been no syndication or securitisation.

10.10. Where you provide a copy of and / or permit another party or parties to rely upon our valuation report without obtaining our express written consent and fail to provide us with the written consent of any other party or parties who have received our report to be bound by the Agreement and Terms of Business (in accordance with clause 10.10 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

10.11. Notwithstanding clause 10.11, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a prospectus, offering (either directly or indirectly), or a circular to shareholders, you agree to indemnify us for any liability whatsoever that we may have to any parties that have not agreed with us in writing to be bound by these Terms of Business which exceeds our aggregate cap on liability (referred to at clause 10.6) arising from their use and / or reliance on the valuation report.

11. QUALITY OF SERVICE AND COMPLAINTS

11.1. All our valuation reports are signed by a Member of C&W whose responsibility it is to ensure that all relevant quality control procedures have been complied with. In particular, for valuations of properties with an individual value of $34m or over, the valuer is required to present and explain his methodology to another member of the Valuation & Advisory Team unconnected with the instruction and who is a Member of C&W.

11.2. If you wish to complain about the level or our service to you, in accordance with the requirements of the Royal Institution of Chartered Surveyors, we have a standard complaints procedure, a copy of which is available on request.

12. DATA PROTECTION

12.1. We (and any of our relevant international partnerships, group companies and affiliated organisations) are data controllers of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

12.2. To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

12.3. We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

13. MONEY LAUNDERING REGULATIONS

In order to comply with all applicable money laundering legislation and regulation, we may be required to verify certain of your details and may ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with any such legal and regulatory requirements.

14. ELECTRONIC COMMUNICATIONS

We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

15. CONFIDENTIALITY

15.1. We owe you a duty of confidentiality. You agree that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we act or have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

15.2. Subject to clause 15.1, we both agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, we both shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

15.3. We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

15.4. We will not approve any mention of our advice unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our advice is subject. Our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

16. INTELLECTUAL PROPERTY

All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely. You are granted an irrevocable, non-exclusive licence to use or copy such information contained in the Report being the intellectual rights for any purpose connected with the valuation results usage according to the Assignment under the Agreement. The fees for the transfer of such rights is included into the fees under the corresponding Assignment and make 0,1% of the total fees.

17. ASSIGNMENT

Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

18. GENERAL

18.1. If any provision of these Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of these Terms of Business and the remainder of such provision shall continue in full force and effect.

18.2. Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.

18.3. No term of the relevant Agreement or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

18.4. The Agreement shall be governed by and be construed in accordance with legislation of the Russian Federation. Any dispute arising out or in connection with the services shall be submitted to the exclusive jurisdiction of the Arbitration Court of Moscow.

Where the Client is a legal entity established under the laws other than Russian any dispute, controversy or claim which may arise out of or in connection with the present contract (agreement), or the execution, breach, termination or invalidity thereof, shall be settled by the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation in accordance with its Rules.

18.5. References to partners of LLC "Cushman & Wakefield OOO" are used to refer to a Member of LLC "Cushman & Wakefield OOO" or an employee or consultant with equivalent standing and qualifications. A list of the members of LLC "Cushman & Wakefield OOO" and of the non-members who are designated as "partners" is open to inspection at our registered office, 6th floor, Gasheka str., bld.6, Moscow, Russia, 125047.

APPENDIX II GENERAL VALUATION PRINCIPLES

1. PRELIMINARY

1.1. These general valuation principles (the "Valuation Principles") shall apply to all valuation instructions, other than agency services and other forms of professional services (to which separate terms will apply), provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("C&W", "we" or "us") to the client to whom a real estate valuation agreement (the "Agreement") is sent ("you"). They shall apply separately to each service subsequently provided to you.

1.2. The Valuation Principles are to be read in conjunction with the relevant Agreement and the Terms of Business attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Terms of Business and these Valuation Principles, the provisions in the relevant Agreement shall prevail. These Valuation Principles may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Valuation Principles frequently and new versions will be sent to you and agreed with you.

2. VALUATION BASES

2.1. Unless we have said otherwise within the Agreement, the date of valuation will be the date of our inspection.

2.2. Unless we have said otherwise in the relevant Agreement, the valuation will be prepared in accordance with the RICS Valuation Professional Standards current at the date of the Agreement (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

2.3. Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book in part not contradictory to standards for valuation adopted in Russia. The basis of valuation that we will adopt for each property is specified in the relevant Agreement. Unless the definitions below contradict with the mandatory standards for valuation in Russia the definitions are as follows:

(i) Market Value

Market Value is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

(ii) Market Rent

Market Rent is "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

(iii) Existing Use Value

Existing Use Value is "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost".

(iv) Fair Value

Fair Value is "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction." In the context of International Accounting Standard (IAS) 17, the fair value of the leased asset of interest will normally be its market value (see (i) above).

(v) Existing Use Value for Social Housing

Existing Use Value for Social Housing is "the estimated amount for which a property should exchange, on the date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently, and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

a) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;

b) properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and

c) any subsequent sale would be subject to all of the above special assumptions."

(vi) Projected Market Value of Residential Property

Projected Market Value of Residential Property is "the estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, between a willing buyer and a willing seller, in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

2.4. When assessing either Existing Use Value, Fair Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

2.5. In the case of specialised properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost ("DRC") as a method of estimating Value. The valuation using this method of a property in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier. If the valuation is being undertaken for inclusion in accounts prepared under International Financial Reporting Standards, our report will contain a statement that because of the specialised nature of the property, the value is estimated using a DRC method and is not based on the evidence of sales of similar assets in the market. If we consider that the value of the asset would be materially lower if the business ceased, the report will contain a statement to this effect.

3. GENERAL VALUATION ASSUMPTIONS

3.1. Unless otherwise agreed, we will provide the Services in relation to any property on the following assumptions:

(i) the property and any existing buildings are free from any defect whatsoever;

(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;

(iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;

(iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;

(v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;

(vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);

(vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

(viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;

(ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;

(x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;

(xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;

(xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;

(xiii) vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies; and

(xiv) any mineral rights are excluded from the property.

4. VALUATION ASSUMPTIONS FOR PROPERTY VALUED HAVING REGARD TO TRADING POTENTIAL

4.1. Unless we have agreed otherwise, for trading related property (such as hotels, marinas and self storage properties where the property is trading and is expected to continue, we will value on the basis and assumption of a fully equipped operational entity, having regard to trading potential.

4.2. Where we are instructed to value a property having regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of fair maintainable turnover and fair maintainable operating profit likely to be achieved by a reasonably efficient operator.

4.3. Unless we have said otherwise in the relevant Agreement:

(i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, furnishings, equipment, stock and goodwill required to continue trading;

(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;

(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iv) we will exclude any consumable items, stock in trade and working capital; and

(v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

5. STRUCTURE

5.1. We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

5.2. If we give the age of a building in our report, this will be an estimate and for guidance only.

6. MEASUREMENTS

6.1. Where we are required to measure a property we will generally do so in accordance with the latest edition of the RICS Code of Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a 3% tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be exceeded.

6.2. We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied. They will not be physically checked on site.

6.3. The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

7. PLANNING AND STATUTORY REGULATIONS

7.1. Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

7.2. We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

8. VALUATION EXCLUSIONS

8.1. We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.

8.2. We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).

8.3. Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

8.4. Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

8.5. Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

8.6. For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.

8.7. We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

8.8. Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

8.9. We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

8.10. Unless we have said otherwise in the Agreement, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.

8.11. The components of our valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculation. They should not be taken as a forecast or prediction of a future outcome. You should not rely on any component of the valuation calculation for any other purpose.

8.12. We will value in US Dollars. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.

8.13. Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

8.14. In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a building surveyor or other person with sufficient current experience of replacement costs. The property will not be inspected by a building surveyor or qualified building cost estimator and the guide will be based on costs obtained from generic building cost tables. You should not rely on it as the basis for insurance cover.

9. REGULATED PURPOSE VALUATIONS AND MONITORING

9.1. In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" in the Red Book), we are required to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

9.2. Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

9.3. For all Regulated Purpose Valuations we are required by the Red Book to state all of the following in our report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;

(ii) the extent and duration of the relationship between you and us;

(iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:

- less than 5%; or
- if more than 5%, an indication of the proportion within a range of 5 percentage points;

(iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.

9.4. The valuation may be subject to monitoring under the RICS's conduct and disciplinary regulations.

APPENDIX III LICENSES AND INSURANCE

Oleg Takoev

on

20 June 2013

WAS ELECTED A **PROFESSIONAL MEMBER** OF
THE ROYAL INSTITUTION OF CHARTERED SURVEYORS

6405573

MEMBERSHIP NUMBER

PRESIDENT OF RICS

RICS

This Diploma

certifies that

Konstantin Lebedev

on the *20th* day of *June 2008*

was elected a Professional Member of

**THE ROYAL INSTITUTION
OF CHARTERED SURVEYORS**

President

Register No. *1238172*

This Diploma is held from year to year subject to the provisions of the Bye-Laws of the Institution.

AIG

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Факс: +7 (495) 935 8952
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ЭКЗЕМПЛЯР AIG

ПОЛИС (ДОГОВОР)
по страхованию гражданской ответственности, ответственности изготовителей и продавцов товара, исполнителей работ (услуг)
General and Product Liability
INSURANCE POLICY (CONTRACT)

Закрытое акционерное общество «АИГ страховая компания», именуемое в дальнейшем Страховщик, и ООО «Кушман энд Вэйкфилд», именуемое в дальнейшем Страхователь, т акже именуемые в дальнейшем Стороны, заключили настоящий Договор страхования, далее Договор, на нижеследующих условиях / AIG Insurance Company, CJSC, hereinafter referred to as the Insurer, and "Cushman and Wakefield" OOO, hereinafter referred to as the Insured, also hereinafter referred to as the Parties hereby concluded insurance contract, hereinafter the Contract, on the terms and conditions hereinafter provided:

ПРЕДМЕТ ДОГОВОРА:
SUBJECT OF THE CONTRACT:
Страхователь обязуется в указанный срок оплатить страховую премию и соблюдать условия настоящего договора, а Страховщик обязуется при наступлении страхового случая выплатить страховое возмещение в соответствии с условиями договора /In return for the payment of the premium, and subject to all the terms of this policy, the Insurer agrees to provide the Insured with the insurance as stated in this policy.

ПОЛИС №: POLICY No.	**0331N12898**
СТРАХОВАТЕЛЬ: THE INSURED	**ООО «Кушман энд Вэйкфилд»** / "Cushman and Wakefield OOO" **Россия, 125047, Москва, ул. Гашека, 6, этаж 6** / 6, Gasheka str., 6 floor, Moscow, 125047, Russia КПП/KPP: **774501001** **ИНН**/INN (Tax id): **7705637585**
ОПИСАНИЕ ДЕЯТЕЛЬНОСТИ: BUSINESS DESCRIPTION:	**Услуги по коммерческой недвижимости** / Commercial Real Estate Services
ОБЪЕКТ СТРАХОВАНИЯ: OBJECT OF INSURANCE:	**Имущественные интересы Страхователя, связанные с обязательствами, возникающими у него вследствие причинения вреда Третьим лицам, в связи с застрахованной деятельностью и эксплуатацией офисного помещения** / Legal Interest of the Insured concerning Third Party Liability arising out of or in connection with insurance activity and maintenance and operation of office premises. **Имущественные интересы Страхователя, связанные с его обязанностью в порядке, установленном гражданским законодательством, возместить ущерб, нанесенный третьим лицам, вследствие недостатков изготовленного и реализованного им товара, выполненной работы или оказанной услуги** / Legal Interest of the Insureds concerning Third Party Liability arising out of or in connection with the obligations of the Insureds arising from damage to Third Parties caused by defects of the goods and services produced and sold by the Insureds.
ПЕРИОД СТРАХОВАНИЯ: PERIOD OF INSURANCE	**Страхование, предусмотренное настоящим Договором, вступает в силу с 01 мая 2013 года и действует по 30 апреля 2014 года, оба дня включительно** / The insurance coverage is valid from May 01, 2013 and till April 30, 2014, both days inclusive.
ЛИМИТЫ ОТВЕТСТВЕННОСТИ: LIMITS OF LIABILITY	**Лимит по каждому страховому случаю в отношении страхования гражданской ответственности** / Any One Occurrence in respect of General Liability — **RUR 48,177,900.00** **Лимит по каждому страховому случаю в отношении ответственности изготовителей и продавцов товара** / Any One Occurrence in respect of Product Liability — **RUR 48,177,900.00**

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AIG

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Факс: +7 (495) 935 895
www.aig.ru

УСЛОВИЯ СТРАХОВАНИЯ:
POLICY WORDING:

Страхование осуществляется в соответствии с / The insuranc coverage is provided in accordance with:

«Правила страхования гражданской ответственности» Закрыто акционерное общество «АИГ страховая компания» от 22 октябр 2012 /"AIG Insurance Company, CJSC" "Commercial General Liabilit Insurance Rules" as of October 22, 2012.

- **Оговорка об исключении военных действий и терроризма** / War & Terrorism Exclusion Endorsement.
- **Оговорка об исключении воздействия асбеста** / Absolute Asbesto Exclusion Endorsement.
- **Оговорка об исключении воздействия диоксида кремния** / Silica Exclusion Endorsement.
- **Оговорка о санкциях** / Sanctions Endorsement

Настоящим подтверждается, что по согласованию сторон пунк 3.6.20 «Правил страхования гражданской ответственности» не применяется в отношении помещений, которые Страхователь взя в аренду./ It's her eby ag reed an d und erstood t hat according to mutua agreement of the Parties the paragraph 3.6.20 of the "Commercial Genera Liability Coverage Form" is not applicable in respect of premises rented tc the Insured.

Настоящим подтверждается, что по согласованию сторон предусматривается возмещение расходов, вызванных или связанных с удовле творением т ребований о возмещении вреда, возникшего вследствие повреждения коммуникаций: кабелей, каналов, водопроводов, газопроводов и других путепроводов. / It's hereby agreed and understood that according to mutual agreement of the Parties the Contract provides cover in case of the damage to transmission and communication means: cables, channels, water pipes, gas mains and other overpasses unless otherwise specifically provided in the contract;

«Правила страхования гражданской ответственности изготовителей и продавцов товара, исполнителей работ (услуг) Закрытое акционерное общество «АИГ страховая компания» от 01 июня 2010 / "AIG Insurance Company, CJSC" "Product Liability of Manufacturers and Sellers of the Goods, Executors of the Services and Works Insurance Rules" as of June 01, 2010.

Положения настоящего Договора имеют приоритет по отношению к положениям «Правил»/ The provisions of the present Contract have priority over provisions of the "Rules".
К отношениям, не урегулированным настоящим Договором, применяются положения «Правил» / The provisions of the "Rules" will solely apply to the outstanding aspects, which are not settled by the present Contract.

Страховщик обязуется не допускать и обеспечить, чтобы его работники, субподрядчики и агенты не допускали нарушений каких-либо законов любой страны о борьбе с коррупцией, мошенничеством, взяточничеством, коммерческими подкупами и схожих с ними, включая, во избежание сомнений, Закон США о коррупции за рубежом (US Foreign Corrupt Practices Act) и Закон Великобритании о взятках 2010 года (UK Bribery Act 2010); и время от времени, по разумной просьбе ООО «Кушман энд Вэйкфилд» подтверждать, что Страховщик, его работники, субподрядчики и агенты соблюдают указанное выше обязательство, а также предоставлять любую информацию, разумно запрошенную ООО «Кушман энд Вэйкфилд», в подтверждение выполнения указанного выше обязательства. / The Insurer is obliged to prevent and to ensure that its employees, subcontractors and agents are not allowed to breach any law of any country against corruption, fraud, bribery, commercial bribery and similar to them, including, for the avoidance of doubt, the Law of the United States on Corruption abroad (US Foreign Corrupt Practices Act) and the UK Bribery Act 2010 (UK Bribery Act 2010), and from time to time, upon reasonable request of "Cushman & Wakefield OOO" to confirm that the

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AIG

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insurer, its employees, subcontractors and agents comply with the above mentioned commitment, as well as to provide any information reasonably requested by the Company "Cushman & Wakefield OOO" in support of the aforementioned obligations

ТЕРРИТОРИЯ: TERRITORY	**Российская Федерация** / Russian Federation
ЮРИСДИКЦИЯ: JURISDICTION	**Российская Федерация** / Russian Federation
БЕЗУСЛОВНАЯ ФРАНШИЗА: DEDUCTIBLE	**RUR 120,445.00 – по каждому страховому случаю**/ each and every occurrence
СТРАХОВАЯ ПРЕМИЯ: PREMIUM:	**RUR 74,435.00 включая** / including: - **RUR 37,217.50 – в отношении страхования гражданской ответственности** / in respect of General Liability Insurance - **RUR 37,217.50 – в отношении страхования ответственности производителя товаров и услуг** / in respect of Product and Completed Operations Liability Insurance
ПРАВО ТРЕБОВАНИЯ: RIGHT FOR CLAIM:	**Право требования возмещения ущерба истекает через 3 года с момента возникновения ущерба** / The right to lodge a claim against "AIG Insurance Company, CJSC" expires within three years after the loss. **Действие срока для подачи требования** / The validity period for claim: - **приостанавливается действием непреодолимой силы** / is suspended by Force Majeure; - **прерывается подачей требования** / is interrupted by submission of claim.

При неуплате (неполной оплате) страховой премии в течение 14 дней с даты выставления счета Договор считается несостоявшимся, права и обязанности Сторон по нему не возникают, страховое возмещение по Договору не подлежит выплате ни по каким событиям, даже если они соответствуют определению страхового случая / If the premium is not paid (or paid incompletely) within 14 days from the date of invoice, then the Contract is considered to be aborted, the rights and obligations of the Parties under the Contract do not arise, insurance indemnity under the Contract is not subject to be paid under any cases, whether they are referred to as insurance cases or not.

В случае распространения действия настоящего Договора (Полиса) Сторонами на их отношения, возникшие до даты его заключения (подписания), события, обладающие признаками страхового случая и имевшие место с даты начала периода страхования (действия страхового покрытия), указанной в настоящем Договоре (Полисе), до даты подписания настоящего Договора (Полиса), о которых Страхователю, и(или) Выгодоприобретателю, и(или) Застрахованному лицу, и(или) их единоличному исполнительному органу, и(или) их членам органов управления, и(или) их акционерам (участникам), и(или) их работникам (представителям) было известно (должно было быть известно), не являются страховыми случаями; страховые выплаты по таким событиям не осуществляются. / If current Contract (Policy) provides insurance coverage for a period of time prior to the date of its signing, any event (loss) taking place in abovementioned period even the one matching characteristics of occurrence insured under the Contract (Policy) won't be covered by the latter (insurance indemnity won't be paid) in case Insurant, and\or Insured, and\or Beneficiary, and\or its general director (manager), and\or any director, and\or any member of governing body and\or management, and\or any shareholder (member), and\or employee (representatives) have known (or should have known) about it before signing current Contract (Policy).

При обнаружении убытка или обстоятельств, которые могут привести к возникновению убытка, Закрытое акционерное общество «АИГ страховая компания» должно быть извещено немедленно, но не позднее 5 (пяти) дней с момента обнаружения / AIG Insurance Company, CJSC must be advised of any loss immediately, but not later than 5 (five) days since the loss (or any circumstances leading to a loss) have been discovered.

Текст Договора составлен на русском языке. Перевод на английский язык приведен исключительно для справки. / The language of this Contract shall be the Russian language. The translation into English is included for reference only.

«Правила страхования гражданской ответственности», «Правила страхования гражданской ответственности изготовителей и продавцов товара, исполнителей работ (услуг)», «Оговорка об исключении военных действий и терроризма» «Оговорка об исключении воздействия асбеста», «Оговорка об исключении воздействия диоксида кремния», «Оговорка о санкциях» Закрытое

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Закрытое акционерное общество «АИГ страховая компания» (ЗАО «АИГ»)
ИНН 7710541631, ОГРН 1047796329250
125009, Москва, ул. Тверская 16, стр.1
Тел.: +7 (495) 935 8950
Факс: +7 (495) 935 8952
www.aig.ru

акционерное общество «АИГ страховая компания» приложены к настоящему Договору и Страхователем получены / "Commercial General Liability Coverage Form", "Product Liability of Manufacturers and Sellers of the Goods, Executors of the Services and Works Insurance Rules" , "War & Terrorism Exclusion Endorsement", "Asbestos Exclusion Endorsement" and "Silica Exclusion Endorsement", "Sanctions Endorsement" of AIG Insurance Company, CJSC are attached to this Contract and received by the Insured.

Данный договор заключен в Москве «19» июля 2013 года / This policy has been concluded in Moscow on «19» of July 2013.

С условиями страхования ознакомлен / Accepted by:

М.П.

От имени и по поручению Страхователя
INSURED'S Authorized Representative
ООО «Кушман энд Вэйкфилд» / "Cushman and Wakefield OOO "

М.П.

От имени и по поручению Закрытое акционерное общество «АИГ страховая компания» /AIG Insurance Company, CJSC Authorized Representative

Менеджер отдела по работе с международными программами Сафонов К.М., действующий на основании Доверенности № 18-13 от 20 ноября 2012/
Multinational Account Service Manager Safonov K.M., acting on the basis of Power of Attorney № 18-13 as of November 20, 2012

Лицензия С № 3947 77 от 25 декабря 2012 года
Выдана Федеральной Службой Страхового Надзора

<u>БАНКОВСКИЕ РЕКВИЗИТЫ:</u>
ИНН: 7710541631
Расчетный счет № 40701810900701284053
Банк: ЗАО КБ «Ситибанк», Москва
БИК 044525202
Корреспондентский счет № 30101810300000000202

VALUATION REPORT

BCRE Brack Capital Real Estate Investment B.V.

As at 30.04.2014

Date: 12.05.2014

BCRE Brack Capital Real Estate Investment B.V.
Weteringschans 95A
NL – 1017 RZ Amsterdam
The Netherlands

Dear Sirs

Introduction

In accordance with the instructions received from BCRE Brack Capital Real Estate Investment B.V. (the **Company**), we, DIWG|STIWA Valuation GmbH, have performed valuations of 16 commercial assets (together the "**Property**") as listed in the attached schedule ("**Schedule**"), for the purposes set out in paragraph 1.3 of this report, in order to advise you as to our opinion of the Market Value for the Property. The valuation date for the Property is 30th June 2013 respectively 31st December 2013 and 30th April 2014 (details can be seen in the attached schedule).

We have reviewed our valuation as at 30th June 2013 respectively 31st December 2013 and 30th April 2014 and confirm that there has been no material change to the valuation of the Property from that date to the date of this report.

Executive Summary

As at 30.04.2014

Property address	The Portfolio comprises a total of 16 properties located across Germany. The exact addresses of the properties in Germany are listed in bullet 1.6 Site visits.
Description	Years of construction : between 1863 to 2009 Years of refurbishment: between 1998 to 2007
Site area	518,559 m²
Lettable area	192,819 m²
Vacancy Rate	8.62 %
Tenure	Freehold (except Leipzig: part-ownership)
Current Rental Income	17,381,000 € p.a.
Estimated Rental Income	18,344,255 € p.a.
Market Value	227,327,000 €
Gross Multiplier	13.08

Table of Contents

1 Valuation Assignments

1.1 Valuer

DIWG|STIWA Valuation GmbH
Berliner Allee 51-53
D - 40212 Dusseldorf

1.2 Subject of Valuation

A portfolio of 16 assets as listed in the Schedule, held within several SPV's.

1.3 Purpose for Valuation

This report including its schedule (together the "Valuation Report") are required for inclusion in a prospectus (the "Prospectus") that is being prepared in connection with the admission of the issued shares of the Company to the standard listing segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange (the "Admission"). Investors will rely on the Valuation Report in making their decision to invest in the shares of the Company and regulators will rely on the Valuation Report when deciding whether to list the shares. We hereby give our consent for inclusion of the Valuation Report in the Prospectus.

1.4 Date of Valuation

30.06.2013 respectively 31.12.2013, 30.04.2014

1.5 Project Timeline

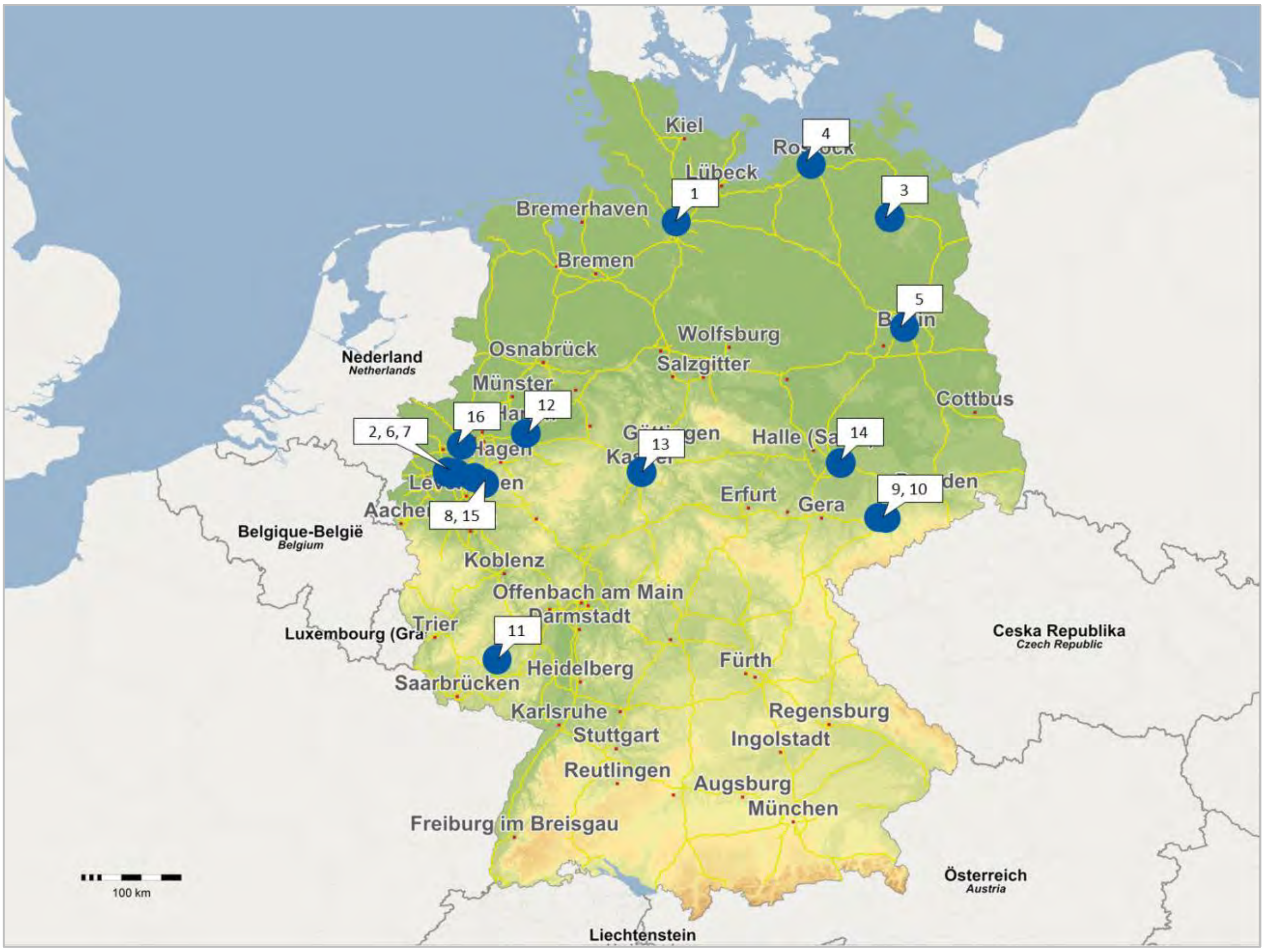
Order confirmation:	June 2013, December 2013/January 2014, May 2014
Delivery of draft reports:	July 2013, February 2014, May 2014
Delivery of final reports:	19.08.2013, 20.09.2013, 17.03.2014, 12.05.2014

1.6 Site Visit

We have valued each Property in the past for accounting purposes and have inspected them at various intervals internally. The site inspections were carried out by Mr Andreas Borutta MRICS, Mr. Thorsten Baum, Mr. René Walther and Mr Oliver Kreiser on the dates listed below. Internal access to all parts of the properties was not possible in every case but we consider that, combined with information provided by the Client, the inspections were sufficient for the purposes of the valuation.

For our valuation we assumed that there has not been any impact on the fabric of the properties since the site visit dated below, nor on the quality of the rental income nor indeed any significant market variation from the aforementioned date.

Portfolio



No.	Property	ZIP	Address	Last site-visit conducted
1	Hamburg	20097	Spaldingstr. 70	11.01.2012
2	Düsseldorf	40549	Schanzenstr. 131	26.06.2012
3	Neubrandenburg	17033	Treptower Str. 9	12.03.2012
4	Bentwisch	18182	Hansestr. 37	27.06.2013
5	Ludwigsfelde	14974	Potsdamer Str. 55	04.07.2012
6	Düsseldorf	40476	Rossstr. 120	29.01.2013
7	Düsseldorf	40479	Vagedesstr. 1	26.06.2012
8	Remscheid	42859	Bismarckstr. 87-89	26.06.2012
9	Chemnitz	09111	Jägerstr. 5-7	13.03.2012
10	Chemnitz	09126	Zschopauer Str. 190	13.03.2012
11	Bad Kreuznach	55543	Alzeyer Str. 27	02.05.2012
12	Hamm	59077	Allensteiner Str. etc.	15.01.2014
13	Kassel	34125	Hafenstr. 56	15.01.2014
14	Leipzig	04105	Nordstr. 35-39	15.01.2014
15	Wuppertal	42329	Ehrenhainerstr. etc	26.07.2012
16	Castrop-Rauxel	44575	Widumer Tor 1	09.05.2014

1.7 Project Team

Andreas Borutta (MRICS)

Andreas Borutta is Managing Partner of DIWG|STIWA valuation GmbH. From 1992 to 2004 he had management positions with several German based property development companies. From 1981 to 1991 he was responsible for real estate financing with a German bank. He has a professional background of 30 years of real estate experience and holds the titles in Business Management and Master of Science Real Estate (ebs). Andreas Borutta is Member of The Royal Institution of Chartered Surveyors (RICS) and RICS-registered Valuer.

Oliver Kreiser (Consultant)

Oliver Kreiser is an employee of DIWG|STIWA valuation GmbH. After his study of Real Estate Economy at the University of Cooperative Education in Leipzig in 2009 he started working in 2010 as Real Estate Valuer for DIWG|STIWA valuation.

René Walther (Consultant)

René Walther is an employee of DIWG|STIWA Valuation GmbH. After finishing his study of Real Estate Economy at the University of Cooperative Education in Leipzig in 2009 he started working as real estate agent especially for office spaces and distribution properties for a well-known real estate agency in Leipzig. He joined DIWG|STIWA in 2012.

Thorsten Baum (Consultant)

Thorsten Baum is an employee of DIWG|STIWA valuation GmbH. He is specialized on real estate market research. After his study of geography at Ruhr-University Bochum he worked for different real estate development companies in the market research. He joined DIWG|STIWA valuation in 2011.

1.8 Status of Valuer and Conflict of Interest

We confirm that we have undertaken the valuations acting as an External Valuer, as defined in the Royal Institution of Chartered Surveyors (“RICS”) Valuation - Professional Standards 2012 (also known as the Red Book) and as an independent expert, qualified for the purpose of the valuation.

In accordance with the Red Book, we make the following disclosures:

We valued all of the properties subject of this report in the past on behalf of the Company´s subsidiary Brack Capital Properties N.V. (“BCP”) for accounting purposes.

We confirm that we were not active in the introduction and brokering of the properties to be valued and in this respect have no other benefit in connection with the properties to be valued or from the preparation of the expertise apart from the agreed fee.

The responsible person for the preparation and drafting of the report is Mr. Andreas Borutta MRICS.

2 Bases of Valuation

The valuation has been completed in accordance with the Global Practice Statements and Guidance Notes contained in the RICS Valuation Standards (7th edition, as amended) published by the Royal Institution of Chartered Surveyors (the 'Red Book').

We confirm that we have sufficient knowledge of the local property markets in which the properties are located and that we have the skills and understanding to undertake the valuations in a competent manner.

2.1 Market Value

The calculation of value has been carried out on the basis of the definition of Market Value. The Market Value is defined by the Royal Institution of Chartered Surveyors (RICS) in the RICS Valuation Standards as;

'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion'.

The Market Value reflects the definition, and the conceptual framework, settled by the International Valuation Standards Committee and is identical to the Market Value according to § 194 of the Building Regulations Act (German initials BauGB).

2.2 Legal Basis

The valuation is conducted in accordance with the following bases:

- RICS Valuation Standards (7th edition, as amended)
- International Valuation Application 2 (revised 2007), published by the International Valuation Standards Committee

The valuations herein are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive.

2.3 Data provided by the Client

The updated documents and information, relevant for our valuations, were made available to us by the Company and BCP:

- Actual tenancy schedules
- Actual information regarding current negotiations for new leases/new attachments for existing leases/etc.

We also used the following documents, we received during former valuations:

- Copies of Land register
- Copies of Cadastral maps
- Overview planned capital expenditures

We have made an assumption that the information which the Company and BCP and their professional advisers have supplied to us in respect of the Properties is both full and correct.

3 Valuation Due Diligence

We have conducted a property due diligence exercise sufficient for the purpose of this valuation and in accordance with the terms of our instruction. Specific issues relating to the individual properties are identified on the property summaries contained within Appendix D.

3.1 Sources of Information

We have relied upon information provided to us by the Company and BCP and third party professional advisers to the same. A detailed schedule of the documents provided to us is listed in bullet 2.3. Unless specifically instructed to do so, we have not verified these documents and have relied upon them in our valuations. We have made an Assumption that the information contained in these documents is accurate and that the documents are complete. Whilst we have made every effort to identify obvious errors and logical inconsistencies, we accept no liability for any inaccuracies or commissions.

3.2 Title and Lease Information

We did receive some leases for the properties. We have not reviewed all of the title documents to the properties. Any interpretation by us of the titles or other associated legal documents should not be relied upon without verification by your lawyers. Therefore, unless we are advised to the contrary, we have made an Assumption that each property has a good and marketable title and that there are no encumbrances, restrictions, regulations, easements, pending litigation or other outgoings of an onerous nature that would have a negative impact upon the value of the properties.

3.3 Tenant Information

We have not made formal investigations into the financial status of the existing or prospective tenants. However, our valuations reflect a potential purchaser's opinion of the financial strengths of the individual tenants and our knowledge of their status in the context of the retail market in general and the property market in particular.

Unless we have been advised to the contrary, we have made an Assumption that the tenants are all in a position to meet their financial and legal obligations under the terms of the leases and that, at the date of valuation, there are no material arrears of rent, legal disputes or undisclosed breaches of covenant.

3.4 Compliance with Town Planning and other Statutory Regulations

Where necessary, we have made verbal enquiries of the public bodies in order to obtain information relating to the compliance of the properties with town planning, building, fire, health and safety and other legal requirements or restrictions. Where we have relied on verbal information from a public body, we are unable to accept liability for the accuracy of this information and recommend that you obtain separate written confirmation of the same.

However, unless we have been advised to the contrary, we have made an Assumption that the legal requirements have been properly fulfilled and that the properties have the necessary consents, permits and authorizations for their continued use and that all necessary public charges and financial liabilities have been discharged in full.

3.5 Building Condition, Insurance, Services, Defects and Hazardous Materials

We have not carried out structural surveys of the properties, nor have we tested the building services (lighting, heating etc.) or technical installations. Our valuations reflect the apparent condition of the properties, noted during the course of our inspections, and defects or items of disrepair are reflected in our valuations where appropriate.

However, we are unable to confirm that the properties are free from building damage or defects (visible or otherwise) or that they have been constructed (or altered) without the use of deleterious materials or techniques (including, but not limited to, high alumina cement concrete, permanent wood wool shuttering, calcium chloride or asbestos). Unless advised to the contrary, we have made the Assumption that the properties are free from such damage, defects or hazardous materials.

We have not reviewed the terms of the building insurance policies for the properties and have made an Assumption that each property has been adequately insured against all potential costs arising from any damage or destruction by the insured risks.

3.6 Floor Areas

We have not undertaken any measured surveys of the properties and we have made an Assumption that the floor areas provided to us have been calculated in accordance with local market practice.

3.7 Environmental Contamination

We have not carried out any investigations to establish the adequacy of the ground conditions and services for the purposes of providing support for the existing buildings, or any proposed buildings at each location, nor have we carried out environmental, archaeological, or geotechnical surveys.

Unless we have been advised to the contrary, we have made an Assumption that each site has sufficient load bearing capacity for the existing buildings or for any proposed development and is not liable to flooding, erosion, earthquake or other forms of environmental instability.

We have not been provided with any information regarding the presence of contamination in the sites or the use of the properties for any contaminative, or potentially contaminative, purposes. As instructed, we have not undertaken any investigation into the past or present uses of either the properties or any adjoining properties or land, in order to establish whether contamination may exist, and therefore have made an Assumption that they are not contaminated.

If we suspect the presence of soil contamination, we may be unable to report the Market Value without a detailed environmental survey and an estimate of the likely costs and timing for works of remediation.

Where there is high voltage electricity supply equipment within, or close to, any of the properties, we have not made any adjustment to our valuations to reflect potential future changes to the public perception of the health risks posed by such apparatus.

3.8 Finance, Taxation and Costs of Sale

We have made an Assumption that the properties are free and clear of all mortgages or other charges that may be secured against them. No allowances have been made for any costs associated with the sale of any of the properties or for any tax liabilities (including VAT) that may arise following a disposal. However, in accordance with local market practice, we have made an allowance for a purchaser’s normal costs of acquisition.

4 Applied Methodology

Generally, there are three different approaches to valuing a property: the sales comparison method, the cost approach and the income approach.

The Sales Comparison Method

The sales comparison method is an appropriate approach to value investment property, but it heavily depends on the availability of sales comparables. A transaction can be regarded as comparable, if the sold property is similar to the valuation property regarding size, condition, rent level and location. Further, the transaction must have taken place according to the requirements stated in the RICS definition of the Market Value (arm's length transaction with knowledgeable and prudent parties without compulsion) and there must be a temporary proximity between transaction and valuation, as markets are in constant movement. However, it should be noted that, owing to the opaque nature of the German property market, it is often very difficult to obtain comparables that fit all of these requirements.

The Cost Approach

This methodology determines a property's value based on the costs associated with its construction. It is usually used mainly for self-occupied real estate where there is no actual cash flow. The valued properties can be regarded as investment properties, which is why the application of the income approach is regarded as more appropriate for the estimation of their market value.

The Income Approach

The income approach is usually used to estimate the value of investment property, as it is based on the current and future cash flows. This methodology involves making detailed estimations regarding future cash flow developments in order to see the direction and market position in which a property is headed. As this approach seems to be best suited for the valued properties, we have applied a cash flow-focused approach, supported by the sales comparison method.

For the calculation of the value of each property we used one of these listed methods according to the assumed use of the property in future.

An explanation of particular valuation terminology that is used in our valuation is described below.

4.1 Multiplier

Reference is made in the Report to the German "cold multiplier". This is the common traditional market approach in Germany that an investor will use to assess an investment and it is calculated as follows:

$$\frac{\text{Market Value}}{\text{Estimated income}}$$

Where the capital value is assumed net of acquisition costs and the current contracted net income is the total income receivable on the property, net of any VAT but gross of any landlord's non-recoverable costs (such as routine maintenance and management costs).

4.2 Net Initial Yield

The Net Initial Yield is defined as the percentage of the Net Rental Income minus non-recoverable expenses divided by the Gross Capital Value (Gross Asset Value).

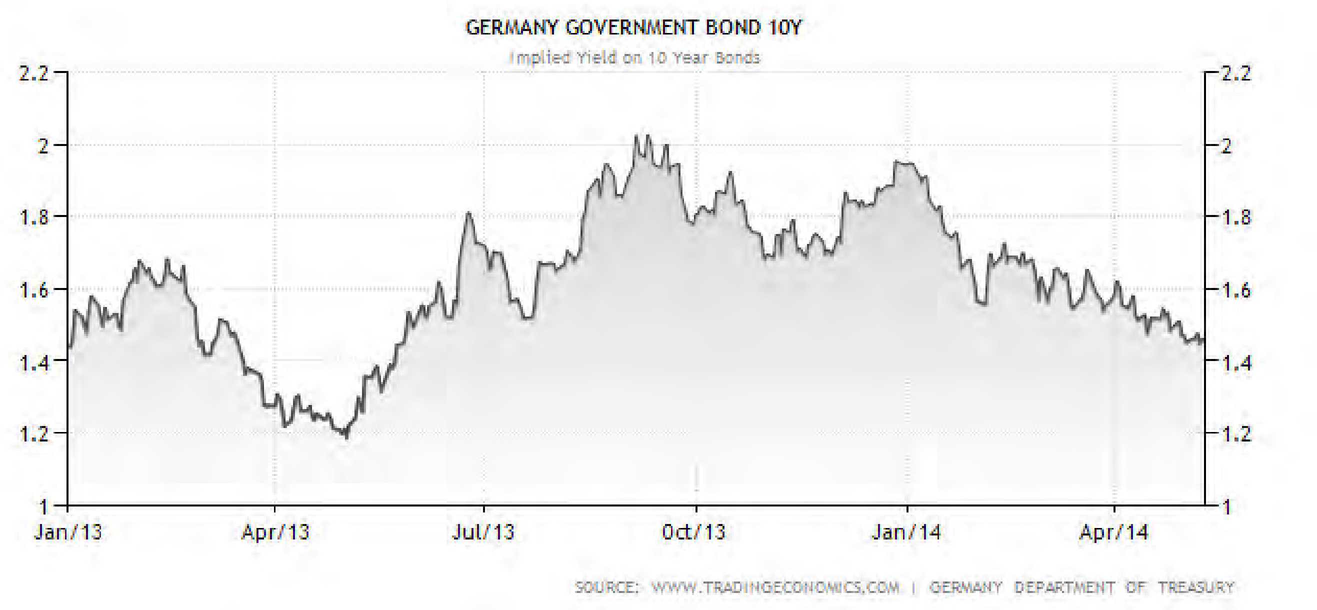
4.3 Gross Reversionary Yield

The Gross Reversionary Yield is defined as the percentage of the Estimated Rental Value (ERV) divided by the Net Capital Value (Market Value).

4.4 Discount Rate

The discount rate reflects all risks and opportunities that are associated with a property and which were not accounted for in the cash flow. It is used to discount the annual operating profits to the date of valuation.

This discount rate is for each individual property and comprises a yield for an alternative risk-free investment and a property-specific risk premium. The yield for a risk-free investment is based on the rate of return for a German Government Bond. The development of this Bond is displayed in the figure 'Germany Government Bond 10 Year Yield´, shown below for the last 16 month.



At the date of valuation, the rate of return for ten year German Government Bonds stood at 1.46 %.

The risk premium which was added to arrive at an appropriate discount rate is based on socio-demographic data such as unemployment rates, population development forecasts or purchasing power as well as an assessment of each individual property's micro location and property quality. In addition, all other risks that have not been accounted for so far (such as legal risks or hidden building defects) were taken into account individually for each property.

4.5 Capitalization Rate

The capitalization rate (cap rate) is used to forecast future cash flows into perpetuity based on the cash flow development assumed in the ten year planning period (as it is assumed that properties are kept in stock after the assessed 10 year period). The individual cap rate is based on each property's discount rate in year 10, which accounts for all potential risks related to a property.

4.6 Market Value

The market value is derived by summing the discounted cash flows as well as the discounted terminal value and deducting ancillary purchase costs (as the RICS definition of 'Market Value' assumes an asset to be traded at the date of valuation).

5 Valuation Assumptions

5.1 Inflation

An annual rent adaptation of 1.7 % is assumed which is based on the German 10-year-average inflation rate. For the control management costs, an increase of 1.7 % is also assumed annually.
A diagram is in the appendix.

5.2 Operating Costs

Although the charging of operating costs can be assessed as normal in the market, certain operating costs always remain with the landlord. Considering the market factors a valuation of 0 € to 150,000 € is carried out for the non-rechargeable costs. The different costs are reflecting also the different types of property, such as commercial or multi-family portfolio.
The assumed amounts partly are included in the non-rechargeable costs.

5.3 Management Costs

The administration costs include, among other things, the lease administration, the property accounting, the controlling and the invoicing of additional costs, as well as maintenance planning and implementation. The calculation is done considering the basic principles of proper management. A percentage value for administration costs is usual in the market. Considering the market factors an average amount of 2,500 € to 108,000 € per annum is carried out for the administration. In this cost rate the size of the property and the number of tenant uses have been taken into consideration. The different costs are reflecting also the different types of property, such as commercial or multi-family portfolio.
The assumed amounts partly are included in the non-rechargeable costs.

5.4 Maintenance

Maintenance costs are costs which must be expended during the effective life for the preservation of the appropriate use of the building as provided for in the lease, in order to properly eliminate damage arising from wear and tear, ageing and weathering. Maintenance costs within the framework of proper facility management are also selected in accordance with values based on experience.

Use	Maintenance
Office	3.00 – 8.00 €/m²/year
Retail	4.00 – 8.00 €/m²/year
Warehouse	2.00 – 4.00 €/m²/year
Residential	4.00 – 9.00 €/m²/year
Hotel	6.00 €/m²/year
Storage	2.00 – 8.00 €/m²/year

The assumed amounts partly are included in the non-rechargeable costs.

5.5 State of Repair

In general the properties are in a good to average condition taking their age into consideration.

5.6 Collection Loss

Collection loss is the risk of a reduction in income as a result of uncollectible arrears of rent. It also serves to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent due deposit payments must also be taken into account under this heading.

The amount of the collection loss depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. The collection loss is calculated as percentage of the annual Effective Gross Income (EGI). The different costs are reflecting also the different types of property, such as commercial or multi-family portfolio. The assumed amounts partly are included in the non-rechargeable costs.

5.7 Vacancy Costs

Vacancy costs are the costs which are incurred by the owner as a consequence of un-let tenant units and the lack of a possibility to invoice charge-on costs associated therewith to the tenants. At present around 11 % of commercial units (lettable space) and around 3 % of the residential units (lettable space) are un-let. Based on stable letting activities combined with a current market environment we have assumed that these vacant spaces can be let within a period of 3 to 36 months (commercial units) resp. 3 to 18 months (residential units), depending on the property. Some of the tenant areas will be un-let on behalf of change of tenants etc. The different costs are reflecting also the different types of property, such as commercial or multi-family portfolio.

The assumed amounts partly are included in the non-rechargeable costs.

5.8 Transaction Costs

The Market Value as defined in the Red Book is the ‘estimated amount for which a property should exchange on the date of valuation […]’. Due to this required sale, we assumed ancillary purchase costs at the date of valuation.

This cost category includes legal fees for sale, tax and land register fees as well as the broker’s commission.

In the past, the German government set the tax on acquisition of real estate at 3.50% of the net sale proceeds. Since September 2006, the federal states are entitled to set the tax rate independently. To date the taxes are:

Federal State	Tax
Bavaria, Saxony	3.50 %
Hamburg, Lower Saxony, Bremen,	4.50 %
Schleswig Holstein, North Rhine-Westphalia, Hesse, Rhineland Palatinate, Baden-Wurttemberg, Berlin, Brandenburg, Mecklenburg Western Pommerania, Saxony-Anhalt, Thuringia, Lower Saxony, Bremen	5.00 %
Saarland	5.50 %
Berlin	6.00 %
Schleswig Holstein	6.50 %

The broker’s commission was differentiated according to each individual property’s value, with assumed commissions ranging from 1.00% to 3.00% of the estimated Net Capital Value (Market Value). The costs for the ground register and the notaries are calculated for each property based on the assumed market value. Together the ground transfer tax, the costs for notaries and ground register and the broker´s fee are the assumed transaction costs. Details can be seen in the individual property templates.

6 Valuation Results

6.1 Market Value

We are of the opinion that the aggregate of the individual Market Values of the properties listed in the Schedule subject to the definitions, comments and assumptions detailed in this report, was

227,327,000 €

(In words: Two hundred twenty-seven million, three hundred twenty-seven thousand €)

Gross Multiplier	13.08

The Market Value reflects 13.08 times of the Current Rental Income.

This valuation is of the land and buildings and without taking into account fixtures and fittings.

6.2 No material change

We have reviewed our valuation as at 30th June 2013 respectively 31st December 2013, 30th April 2014 and confirm that there has been no material change to the valuation of the Property from that date to the date of this report.

7 Responsibility, Reliance and Publication

7.1 Responsibility

We are responsible for this report and accept responsibility for the information contained in this report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this report is in accordance with the facts and contains no omissions likely to affect its import.

7.2 Reliance

This report is for the use only of the parties to whom it is addressed for the specific purposes set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above. No reliance may be placed upon the contents of this report by any party for any purpose other than in connection with paragraph 1.3 of this report.

7.3 Publication

Neither the whole nor any part of this report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this report, or any part thereof, is disclosed orally or otherwise to a third party, written consent of DIWG|STIWA of the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, we hereby consent to the inclusion of our name and this report in the Prospectus.

Terms included within this report prevail over any standard terms in the case of any inconsistency.

12.05.2014

Andreas Borutta MRICS

Oliver Kreiser

8 General Conditions of Business (AGB) for Consulting Services of DIWG|STIWA valuation GmbH

Our business is the valuation, preparation of expert opinions and real estate consultancy. If a contract is concluded with DIWG|STIWA valuation GmbH the following rules apply. These principles form the foundation on which our valuations and reports are based. Any deviation there from requires a separate agreement between the Client and DIWG|STIWA valuation GmbH.

1 Scope of application

a) The General Conditions of Business apply for all consulting, market research, valuation and other services which DIWG|STIWA valuation GmbH (referred to in the following as "DIWG|STIWA") performs for the Client.
b) Other General Conditions of Business apply only if and when this has been explicitly agreed in writing.
c) The results of the work of the Consultant are not intended for third parties; and such persons cannot derive any claim from them against DIWG|STIWA unless this has been explicitly agreed, for example when the order was given.

2 Conflict of interest

As soon as the data and documentation concerning the property to be valued are available to the Consultant the latter will check whether any conflict of interest exists. Should the Consultant have knowledge of any such conflict or should this result during the course of the valuation the Client will be informed thereof without delay.

3 Applicable law / place of jurisdiction

For the order, its execution and any claims arising there under the law of the Federal Republic of Germany applies.
In commercial business transactions the place of jurisdiction is Munich.

4 Services / object of the contract

a) DIWG|STIWA is responsible for the service agreed in each case under a service agreement but beyond this not for its successful outcome. The order will be carried out to the best of DIWG|STIWA's knowledge and belief with the care of a prudent businessman. If DIWG|STIWA has to produce the results of its work in writing then only the written result is the deciding factor. Verbal declarations and information from DIWG|STIWA outside the order received are always non-binding and not a component part of the order.
b) Services by DIWG|STIWA are considered to have been performed if the agreed analyses, the conclusions derived from them and possibly recommendations elaborated and explained to the Client, or a written presentation if this has been agreed, have been handed over to the Client.
c) The services do not include any legal or tax advice.
d) DIWG|STIWA will possibly give a recommendation as part of the results of its work as to whether further investigation of certain points (such as for example contamination) appear evident or necessary.
e) DIWG|STIWA is entitled to use specialist persons or third parties in order to fulfil its contractual obligations.
f) The preparation of the work results is done on the basis of the valuation of the data and information concerning the property to be valued which have been provided by the Client. Data and information going beyond this need only be provided by the Consultant if this has been explicitly agreed when the order was issued.
g) The Consultant will check the facts given to him by the Client, particularly figures, for evident discrepancies and defects only. For the rest, the Consultant will base his work on such information assuming that it is correct and complete.
h) The Consultant will only produce further data at a site inspection in passing (possibly of an inspection of the property if agreed) on the basis of its own experience, and, if required by the Client and instructed separately, by questioning further experts who must then be named precisely, who have special knowledge of the region or the type of building represented by the property to be valued.
i) The results of the work contain an overview of the relevant data in summary form. This contains the basic data and information about the property to be valued and the market and location of the property to be valued and the data supporting the valuation. In addition the results of the work contain an overall summary and a qualified explanation of the data, assumptions and comparable rents. The valuation model on which the work results are based, is supported by the information concerning the market value, the present rent receipts and market rents (described as basic net rent), the administration costs (non-recoverable costs), income risks and maintenance costs (the remainder described as net operating income), refurbishments, improvements to the rental property, rent commissions and investment expense (the remainder described as net cash flow). If the assumptions on which the conclusions and recommendations are based should change after the order has been carried out, then DIWG|STIWA is not bound to point out such changes or their effects to the Client.
j) If the Consultant provides additional services required by the Client and if the parties to the contract cannot agree on remuneration for these additional services then the remuneration will be increased according to the additional expenditure of time and costs by DIWG|STIWA in line with what is customary for the market and the area.
k) Changes and additions to the order must be in writing to be valid.
l) Verbal subsidiary agreements are not made.

5 Handing over of results of work

All results of work are categorically not intended for third parties. Handing them on to third parties requires in each case the consent in writing of DIWG|STIWA. A consent for handing on to third parties will be at the sole discretion of DIWG|STIWA and will only be issued by DIWG|STIWA (unless a claim exists thereto) if the parties have made a ruling according to which the liability of DIWG|STIWA for the results of the work is limited also to the third party according to the rulings of these General Conditions of Business and in accordance with which DIWG|STIWA will receive separate remuneration for this. Notwithstanding any provision of these general conditions or terms of our valuation letter, the Company may disclose and use the content of this report in connection with any legal proceedings or regulatory investigations or action brought against it in connection with the Prospectus or listing or as the bais of any due diligence or other defence.

6 Time allowed for sending the written presentation

An agreed time allowed for the sending of the written presentation of the results of the work will be extended in the case of force majeure or delayed provision of information by the Client or the agents named by him by an appropriate period, so long as DIWG|STIWA is not responsible for this situation. If a reason for delay exists DIWG|STIWA will inform the Client straightaway and will state the expected period of delay.

7 Duty of the Client to render assistance

The Client is bound to support DIWG|STIWA in the carrying out of the order and to fulfil the required obligations to assist.

In particular the Client must provide all necessary information and documentation at the right time. This applies also to documentation and knowledge which only become known or arise during the work. DIWG|STIWA will check the facts given to him by the Client, particularly figures, for evident discrepancies and defects only. For the rest, DIWG|STIWA will assume such information to be correct and complete.
At the request of DIWG|STIWA the Client will confirm the correctness and completeness of the documentation provided by him in writing as well as his information and verbal declarations.

If the Client fails to fulfil a duty to assist for which he is responsible then he must bear the consequences arising there from such as additional expense or delay and compensate DIWG|STIWA for the loss or damage arising there from.

8 Warranty

a) If it is possible to rectify any defect before a third party has acted in reliance upon such defect, the Client has initially only a claim for rectification of the defect ("making good") so far as the rectification is possible at reasonable expense for DIWG|STIWA in that period. If the defect cannot be made good in such period or if the making good fails, the Client retains the right to withdraw from the contract or reduce the amount of the remuneration. The Client shall, however, not be entitled to claim lost profits from DIWG|STIWA unless such claims are based on gross negligence or willful actions or omissions by DIWG|STIWA.
b) If the Client is a businessman, evident defects, and in addition non-evident defects, must be indicated in writing at once as soon as they appear or should come to the attention of the Client upon close examination of the documents
c) If the Client does not indicate the defect in due time then a claim to rectification of defects shall be excluded.
d) Evident inaccuracies such as for example typing errors, arithmetical mistakes and formal defects can be corrected by DIWG|STIWA at any time provided that no person has acted in reliance on such defects. Inaccuracies which are likely to put recommendations and conclusions in doubt, entitle DIWG|STIWA to take them back even from third parties provided that no person has acted in reliance upon them.

9 Liability

a) DIWG|STIWA is liable to the Client for loss or damage arising from derelictions of duty only to the extent that it or its legal representative or agents are guilty of intent or gross negligence or the breach of major duties.
b) By a single case of damage is understood the sum of the claims for damages of all those entitled to claim which arise out of a single service which is distinct in time or its object.
c) The liability of DIWG|STIWA is limited to € 10 million with for typical damage caused by negligence, unless it is a case of damage caused by gross negligence, or the damage arises as a result of the breach of major duties. If in the opinion of the Client, the foreseeable contractual or statutory risk significantly exceeds €10 million, DIWG|STIWA is prepared, at the request of the Client, to offer the Client to take out higher insurance cover so long as insurance cover can be obtained from an insurer approved in the European Union and the Client takes on the additional insurance premiums.
d) If the order is issued by a businessman in the course of his commercial trade, a legal person under public law or by a public law special fund, the limitations of liability under letter c) above to € 10 million apply to typical damage caused by gross negligence also..
e) The limitation of liability does not apply for damage to life, body and health.

10 Preclusive period for claims for damages

Claims for damages can only be brought within a period of two years after the person entitled to claim has obtained knowledge of the damage and the event justifying the claim.

11 Copyright protection

a) The Client undertakes an obligation to DIWG|STIWA that valuations, reports, plans, designs, drawings, lists and calculations prepared by the Consultant in the course of the contract are used only for the contractually agreed purposes and will not be published without the explicit consent of DIWG|STIWA in each individual case. Where the results of the work can be copyrighted DIWG|STIWA retains the ownership of the copyright. The Client obtains in such cases only the restricted, irrevocable, exclusive and non-transferable right of use of the results of the work of the Consultant. Further rights, particularly for the reproduction of the results of the work above and beyond the quantity necessary for the contractual use or for the alteration thereof are not granted.
b) DIWG|STIWA's responsibility extends solely to the Client.

12 Surrender / keeping of documents

After fulfilment of the claims under the contract DIWG|STIWA will if requested hand over all documents to the Client which it has obtained from him or a third party in order to fulfil the contract. This does not apply to correspondence between the parties or for documents which are already in possession of the Client either as originals or copies. DIWG|STIWA is entitled to make and keep copies of the documents. DIWG|STIWA can also make copies of the documents to be handed over to keep in its files for purposes of evidence.

DIWG|STIWA will keep documents in connection with the completion of the order which have been given to it and have been prepared by it, and also the correspondence between the parties, for a period of three years after the ending of the contract.

13 Confidentiality

DIWG|STIWA will maintain secrecy with regard to all business and company secrets which are identifiable as such and marked as confidential information by the Client which become known to him in connection with the contract. Exceptions to this are urgent legal provisions which oblige the Consultant to give information to local authorities. DIWG|STIWA will only hand over results of work containing such facts to third parties with the consent of the Client.

14 Remuneration / set-off

Remuneration is due and payable immediately. DIWG|STIWA will send an invoice to the Client. This is payable without deductions. If there are several clients they are all jointly and severally responsible for payment.

The setting-off against claims by DIWG|STIWA is not permissible unless these are counter claims which are not in dispute or have been confirmed by a court of law.

15 Mediation

t is the wish of both parties that any difficulties arising in connection with this contract be settled amicably by way of negotiation. Therefore, the parties hereby undertake to make a serious effort to settle any differences of opinion amicably in business mediation proceedings so as to avoid that any such dispute be made pending before an ordinary court of law. Business mediation proceedings will commence upon a written request filed by either party with RICS Deutschland Ltd., Junghofstraße 26, 60311 Frankfurt am Main. This provision will not affect any right of either party to institute any summary judicial proceedings, for example by filing for an attachment order or for an interim injunction.

16 Final provisions

Should a provision of these conditions prove to be legally invalid the remaining part thereof retains its full validity.

Effective: 01.04.2014

No.	Property	ZIP	Address	Owner	Type of Use	Property description
1	Hamburg	20097	Spaldingstr. 70	Brack Capital (Hamburg) B.V.	Hotel	The property is a mid-size hotel in a secondary location of the city of Hamburg, near to the city centre. It is let to an international hotel company with a “triple-net-- lease” with a remaining lease term of 16.76 years. The property has 98 rooms and 2 apartments. The amenities are including: a conference room for 100 people, a restaurant, a fitness room, sauna and solarium. There is also a underground car park (18 spaces) with limited accessibility and 15 parking spaces. The property condition is average. Some repairs will be necessary within the next months.
2	Düsseldorf	40549	Schanzenstr. 131	Brack Capital (Dusseldorf-Schanzenstrasse) B.V.	Office	The property to be valued consists of a building complex with five stories. The building is located at Schanzenstrasse and is fully used as office building. The property has a flat roof and a cellar. Parking places are in the court yard of the building and in the underground garage.
3	Neubrandenburg	17033	Treptower Str. 9	Brack Capital (Neubrandenburg) B.V.	Mixed use	The property to be valued consists of a building complex at the corner Treptower Strasse and Duemperstrasse. The building is a four storey construction on Treptower Strasse and a two storey appendix (1st and 2nd floor) on Duemperstrasse. The ground floor is used as retail area, the 1. to the 2. floor are used as office and surgery areas as well as a restaurant. In the third floor are flats. Overall the property is in a good condition.
4	Bentwisch	18182	Hansestr. 37	Hanse Holding S.a.r.l.	Shopping centre	The property to be valued in Bentwisch is a small shopping centre. The building is constructed with finish parts in massive construction. The flat roof of the buildings consists of metal. The façade of the building is out of concrete and is painted. The windows are double glazed with metal frames. The shopping centre is fitted out with several entrances at ground level with automatic sliding doors. The roof of the entrance areas are barrel roofs. There is a large-scaled parking area with approx. 2,500 parking spaces. The drive ways of the parking are asphalted and the parking slots are paved. Inside the building there is a passage with tiled flooring and a steel frame roof construction. The ceilings within the retail and gastronomy areas are partly suspended. The plot where the shopping centre is located has an area of approx. 179,036 sqm including additional development land of approx. 9,000 sqm and according to the committee of experts Bad Doberan, the ground value for this commercial area is 20 €/sqm. Thus the additional development land has a value of approx. 180,000 €. Furthermore there is a compensation area on the other site of Bentwisch which belongs to the property, with an area of approx. 174,985 sqm.
5	Ludwigsfelde	14974	Potsdamer Str. 55	Brack Capital (Ludwigsfelde) B.V.	Mixed use	The property is a mixed use property in Ludwigsfelde, consisting of retail areas, office/surgery areas and residential flats. The property is located more or less in the city centre of Ludwigsfelde. The Property consists of a building complex at the corner Potsdamer Strasse and Karl-Liebknecht-Strasse. The buildings on Potsdamer Strasse are five storey constructions and one bulding attached at the back to Erich-Weinert-Strasse,has just one storey. The ground floor is used as retail areas, the first to the third floor are used as office and surgery areas. At the 4th floor are flats. There is a underground parking garage below the appendix building.
6	Düsseldorf	40476	Rossstr. 120	Brack Capital (Dusseldorf-Rossstrasse) B.V.	Office	The property to be valued is a six-storey construction with reinforced concrete MIP skeleton frames. The building is in filled with clinker brickwork and has a flat roof. It was fully used as an office building. Currently the property is vacant. There is a underground parking garage and some parking places behind the building. Climatization and heating are in the top floor. In 2013 the property was refurbished from the first basement up to the fifth floor.
7	Düsseldorf	40479	Vagedesstr. 1	Brack Capital (Dusseldorf-Rossstrasse) B.V.	Office	The office building is currently vacant. A re-development of the property is planned, therefore Capital Expenditures with an amount of 2,000,000 € are calculated. The Property consists of two building-complexes. The first building is an eight storey construction and the second one a seven storey construction. The main staircase of the building is listed as protection of ancient monuments. The property has a flat roof and a cellar with an archive and the heating system. There is an underground parking garage below the appendix building and some parking places in the little court yard. There are balconies in the court yard, each floor has one little balcony.
8	Remscheid	42859	Bismarckstr. 87-89	Brack Capital (Remscheid) B.V.	Mixed use	The property to be valued consists of a building complex at the corner of Bismarckstrasse and Industriestrasse. At the edge it is a small two storey building with offices on the first floor and a discotheque at the basement with entrance at the ground floor. The main part of the building is a one storey retail building with parking spaces on top. The building has a flat roof with parking spaces on it. The ground floor is used as retail area, the first floor is used as office area. The facade has to be refurbished, because of water damage and scribbling.
9	Chemnitz	09111	Jägerstr. 5-7	Brack Capital (Chemnitz) B.V.	Office	The Property to be valued consists of a building at Jaegerstrasse. The building is a six storey construction. The ground floor is used as gastronomy and conference areas, the first to the 5. floor are used as office areas. There is a two storey underground parking garage below the building. Overall the property is in an average condition.
10	Chemnitz	09126	Zschopauer Str. 190	Brack Capital (Chemnitz) B.V.	Office	Property consists of a building complex at Zschopauer Strasse. One building is a three storey construction with an attic storey (old building). The second building is a three storey construction, with open parking spaces on the ground floor in the backyard. Both buildings are connected in the first and second floor. There are sufficient parking spaces on the plot.

No.	Property	ZIP	Address	Owner	Type of Use	Property description
11	Bad Kreuznach	55543	Alzeyer Str. 27	Brack Capital (Bad Kreuznach) B.V.	Office	The property to be valued consist of one building, which was refurbished in 2007. The building is a three storey construction and a built out attic floor. There is also a basement and a passenger elevator. The property is used as office area. There are also 73 parking spaces and five garages on the plot.
12	Hamm	59077	Allensteiner Str. etc.	Wallace Properties II GmbH & Co. KG, Frankfurt am Main	Portfolio of Residential buildings	The portfolio consists of two apartment complexes and an individual commercial building (Wilhelm Straße). The buildings on Königsberger / Allensteiner Straße include 2 rows of 4-storey residential complexes. In Königsberger Strasse there are 6 buildings in a line and in Allensteiner Straße there are two buildings in a line. The buildings were constructed in 1973 with a total of 92 residential units. Each apartment has at least one balcony. The outer shell of the buildings have been thoroughly modernized. Plastic windows (construction year 1988) were installed, a thermal insulation system was applied on the facade and balconies were coated. Apparently the roof has previously been fundamentally renovated. Judging by the year of construction of the windows, refurbishment is assumed to have been conducted at the end of the 1980s / beginning 1990s. The apartments are still in a condition typical for the year of construction. The buildings are in an average to good condition corresponding to their age. The structures are solid with brick walls and ceilings of reinforced concrete. The complex includes 53 single garages. The buildings in Nordenstiftstrasse, Merschstrasse and Rheinberger Platz have been built in the period 1981-82 with a total of 207 residential units and 2 commercial units. The buildings are mainly four storeys. Two buildings have 5 storeys and 3 buildings have 6 storeys. The buildings are lined up in several complexes. These are solid constructions with a cavity brick facade, which is ventilated. All apartments have balconies. The buildings are in an average to good condition corresponding to their age. The seals of the gravel-covered flat roofs are, apart from house No. 6, from the year of the construction. The buildings Wilhelmstrasse are partly renovated. The facade on the street side, the windows in parts and the roof were renovated a long time ago. The facade to the rear of the building is unrendered or the plaster is already flaking. In the vacant space and the second staircase of the building there is significant moisture damage. A proportion of the windows consists of a steel frame with single glazing (typical industrial windows from the construction year). Parts of the flat roof construction are more like a temporary solution (no insulation exists, etc.). Due to the damages the overall condition is assessed as poor.
13	Kassel	34125	Hafenstr. 56	Objekt Kassel Investitionsgesellschaft mbH & Co. KG	Retail building	The property to be valued is a DIY-store with an attached old building. The DIY store is a on storey massive construction except the social rooms of the DIY store, which are two storey. The floor is concrete. The roof is a flat roof and is fitted out with skylights. The entrance area consists of automatic sliding doors. The façade of the DIY store is concrete. On the backside of the building there is a large-scaled open area. The façade of the old building is brick work. The space in this old building part is in bad condition and currently unlettable. This building is a three storey construction with a gabled row. Sufficient parking spaces are available on the site. The driveways are asphalted and the parking spaces are paved.
14	Leipzig	04105	Nordstr. 35-39	Graniak Leipzig Real Estate GmbH & Co. KG	Residential building	The building was constructed as a building made from prefabricated slabs in 1968. There are 1- and 2 room apartments with small bathrooms and kitchen areas. Almost all apartments have parquet flooring. The 2-room apartments have balconies. In 1995 the first part of renovation was conducted. Within this renovation, three elevators were renewed. In the flats the lines for hot, cold water and sewage have been replaced. The facade, which was refurbished within the second part of the renovation, is fitted out with a thermal insulation system. The windows have been replaced in 1999-2001 during the second part of the refurbishment. The windows are plastic framed with insulation glazing. The roof has been also renewed between 1999-2001 and the ceiling of the attic was insulated. The ceiling of the basement is insulated, too. There are three entrances and one disable-friendly access. The outdoor areas are partly paved and partly greened. The paved areas are used as parking areas. The building can be classified as renouctures are solid with brick walls and ceilings of rein
15	Wuppertal	42329	Ehrenhainstr. etc.	InvestPartner GmbH	Portfolio of Residential buildings	The property consists of a collection of 14 multi-family residential apartment buildings and an underground parking garage. The apartment buildings vary in height from four to eight stories with 334 apartment units in total. The year of construction is about 1970. All buildings have been renovated since construction and are in overall good physical condition. The total size of the site is 37,547 sqm. The total lettable area is 24,515 m² of which 24,439 sqm is let to tenants and 76 sqm is at present un-let. The buildings are divided into 334 residential units.
16	Castrop-Rauxel	44575	Widumer Tor 1	Brack Capital Germany (Netherlands) XXIV B.V.	Shopping centre	The property with its sustained mall is subdivides into the ground floor and two upper floors. All of the retail units a located around the glazed atrium, which run trough the whole length of the building and fits out the property with a good natural lighting. The building is a massive construction. The facade is partly brick and partly concrete with a curtain wall. The flooring of the mall is tiled. The property is fitted out with several flat roofs. Additional to the mall there is a two-storey parking deck with approx. 525 parking spaces.
Total all properties						

Construction/ Renovation	Tenure	Gross Leasable Area (GLA) (sqm rounded)	Key Tenants	Term of Key Existing Lease(s) as at Date of Valuation	Valuation as at	Annual Rent in € as at Date of Valuation	Market Value in € as at Date of Valuation	
1976 / 1998	Freehold	4,999	Novum Hotel Belmondo GmbH	13.76 years	30.06.2013	702,000 €		9,099,000 €
2003	Freehold	3,905	BAM LEG Management GmbH	0.75 years 3.51 years / 1.08 years	30.06.2013	575,033 €		8,607,000 €
1995	Freehold	2,609	Sparda Bank Berlin eG Petra Redlin (pharmacy) Elfi Martens (hairdesser) Landesrundfunkzentrale Mecklenburg-Vorpommern Deutsche Angestellten Krankenkasse	5.17 years 4.92 years 1.08 years 4.51 years 2.59 years	30.06.2013	396,078 €		5,956,000 €
1995	Freehold	61,221	Praktiker Kaufland Sconto SB Markt Toys 'R' us Hammer Baumarkt	0.08 yeras 15.01 years 1.84 years 1.59 years 6.74 years	30.06.2013	6,809,485 €		79,888,000 €
1994	Freehold	8,698	Sparkasse Takko KIK Markgrafen Getränke Ernsting's family	5.92 years 1.13 years 2.34 years 1.16 years 3.00 years	31.12.2013	963,009 €		14,463,000 €
1957/58 / 1991 / 2013	Freehold	4,493	Land Nordrhein-Westfalen RZ der Finanzverw. NRW Kinder Kinder (kindergarten)	8.01 years 3.84 years 14.26 years	31.12.2013	482,386 €		7,867,000 €
1957/58 / 1995 / 2014	Freehold	3,985	currently vacant	n/a	31.12.2013	960 €		5,014,000 €
1987	Freehold	5,050	Kaufpark Vertriebs GmbH Wilfried Kaiser Videothek Med-Lab Med. Dienstleistungs GmbH Remscheider Lohnsteuerhilfe	7.01 years open ended lease 1.00 year 2.00 years	31.12.2013	382,966 €		5,547,000 €
1994	Freehold	2,693	DGB Rechtsschutz GmbH ver.di IG Metall Chemnitz GEW Sachsen	0.58 years 4.00 years 4.58 years 0.58 years	31.12.2013	189,760 €		2,544,000 €
1863 / 1992-94	Freehold	4,395	currently vacant	n/a	31.12.2013	0 €		2,221,000 €

Construction/ Renovation	Tenure	Gross Leasable Area (GLA) (sqm rounded)	Key Tenants	Term of Key Existing Lease(s) as at Date of Valuation	Valuation as at	Annual Rent in € as at Date of Valuation	Market Value in € as at Date of Valuation	
1938 / 2007	Freehold	3,602	LBM Rheinland-Pfalz	13.76 years	31.12.2013	358,150 €		5,211,000 €
1973 - 1982	Freehold	22,603	several residential tenants, no main tenant	open ended leases	31.12.2013	1,224,043 €		15,508,000 €
2009	Freehold	12,429	OBI Kassel AG	10.71 years	31.12.2013	1,046,200 €		12,980,000 €
1968 / 1995 / 1999-2001	Part-ownership	14,690	several residential tenants, no main tenant	open ended leases	31.12.2013	1,121,546 €		15,502,000 €
1971/72	Freehold	24,519	several residential tenants, no main tenant	open ended leases	31.12.2013	1,512,843 €		20,897,000 €
1990	Freehold	12,928	Kaufland C&A	15.01 years 6.13 years	30.04.2014	1,616,543 €		16,023,000 €
		192,819				17,381,000 €	227,327,000 €	

13.08

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Frankfurt, 07 May 2014

Valuation of the Mars&Titan, Matrix - Portfolios, Valuation of the Hohenzollernwerke development site, Valuation of the Celle property

1 Introduction

In accordance with our engagement letter (the "**Engagement Letter**") with BCRE Brack Capital Real Estate Investments B.V. and Peel Hunt LLP (the "**Company**"), we, Jones Lang LaSalle GmbH, have considered the real estate assets (the "**Properties**") referred to in the attached property schedule (the "**Schedule**") in order to advise you of our opinion of the Market Value, as at 31 December 2013, of the freehold or leasehold interests (as appropriate) in each of the Properties. The Market Value of the development site in Dusseldorf, Hohenzollernallee, has been determined as at 30 June 2013.

Jones Lang LaSalle GmbH
International Real Estate Consultants
Sitz: Frankfurt am Main HRB NR. 13139
Zertifiziert nach ISO 9001
CEO: Dr. Frank Pörschke

2 Compliance with Appraisal and Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Valuation Standards ("**VS**") contained within the Royal Institution of Chartered Surveyors ("**RICS**") Valuation Standards - Global, January 2014 Edition (the "**Red Book**"). This is an internationally accepted basis of valuation.

3 Status of Valuer and Conflicts of Interest

We confirm that we have undertaken the valuations acting as independent External Valuers, as defined in the RICS Red Book, qualified for the purpose of the valuation. As you are aware, we have already regularly valued a part of the portfolio owned by BCP Brack Capital Properties N.V. for the accounting purposes of the Company.

4 Purpose of the Valuation Report

Based on the provided information, we understand that this valuation report (the "**Valuation Report**") is required firstly, to confirm the Market Value of the Properties as at 31 December 2013 or respectively 30 June 2013 for the development site in Dusseldorf, Hohenzollernallee, for the Board of the Company and secondly, For inclusion in a prospectus (the "**Prospectus**") that has been prepared in connection with the admission of shares in BCRE to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the Main Market of the London Stock Exchange (the"**Admission**"). We understand that the Prospectus will be subject to European Union Directive 2003/71/EC (the "**Prospectus Directive**") and Dutch law and that we will assume responsibility for our Valuation Report as included in the Prospectus.

We hereby give our consent for the inclusion of our Valuation Report in the Prospectus and understand that investors will rely on the Valuation Report in making their decision to invest in the shares of BCRE and regulators will rely on it when deciding to list the shares.

5 Analysis of the Portfolio

Property Categories*

The subject portfolios comprise in total 22 properties and one development site at date of valuation. The portfolio can be categorized into the following main use types:

Matrix-Portfolio: 13 retail parks and self-service department stores

Mars&Titan Portfolio: 8 DIY-stores

Celle: 1 retail park and

Dusseldorf: 1 development site in Dusseldorf

* Rounded figures

Anchor Tenants*

Anchor tenant of the Matrix-Portfolio is Kaufland with some € 4,867,000 p.a. rental income (€ 13,782,600 in total). The Mars&Titan portfolio is anchored by the single tenant OBI, accounting for some € 6,636,000 p.a. rental income. The Celle property is anchored by OBI with some € 1,375,700 p.a. rental income (€ 2,643,940). The Dusseldorf property is a development site.

* Rounded figures

Remaining Terms of Lease Agreements*

Matrix-Portfolio: 7.0 years

Mars&Titan Portfolio: 11.6 years

Celle: 4.46 years

Dusseldorf: n.a.

* Remaining terms of lease agreements relate to the rental income

Vacancy Rate (as at the valuation date, based on lettable areas)

Matrix-Portfolio: 4.37%

Mars&Titan Portfolio: 0%

Celle: 0%

Dusseldorf: n.a.

6 Inspection of the Properties

We have valued each property in the past for accounting purposes and have inspected them internally:

Matrix-Portfolio: February 2011

Mars&Titan Portfolio: January & February 2011

Celle: January 2014

Dusseldorf: October 2013

7 Basis of Valuation and Contractually Secured Annual Rent

7.1 Market Value

The value of each of the Properties has been assessed in accordance with the relevant parts of the Red Book. Under these provisions, the Market Value represents:

> *"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

In undertaking our valuations on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards. The RICS is of the opinion that the application of the Market Value definition provides the same result as the Open Market Value, a basis of value supported by previous editions of the Red Book.

7.2 Contractually Secured Annual Rent incl. Rental Guarantee

The contractually secured net annual rent (initial monthly income x12) for each of the Properties is referred to in the Schedule. Annual Rent is defined for the purposes of this transaction as:

> *"The current income generated by the properties"*

(i) ignoring any special receipts or deductions arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

The Schedule also includes the respective Market Rent of each of the Properties. The Market Rent is assessed in accordance with PS 3.3, which has been approved by the International Valuation Standards Council. Under these provisions, the Market Rent represents:

> *"The estimated amount for which a property, or space within a property, should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

In accordance with the above, where the Properties or parts thereof are vacant at the date of valuation, the rental value reflects the rent that we consider obtainable on an open market letting as at the date of valuation.

In relation to indexed rents, we have relied on the information provided to us by the Company.

7.3 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon a disposal of the Properties.

However, we have made deductions to reflect appropriate purchasers' acquisition costs suitable for each individual property.

8 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a "*supposition taken to be true*" ("**assumption**").

"It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true."

In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we let the Company or the Company's advisers confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our valuations would require to be reviewed. The assumptions we have made for the purposes of our valuations are referred to below:

9.1 Title

We have made the assumption that the Properties have good and marketable freehold or leasehold title in each case and that the Properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the Properties are free from mortgages, charges or other encumbrances.

9.2 Condition of Structure and Services, Deleterious Materials, Plant and Machinery and Goodwill

We have not been provided with copies of condition surveys for the Properties. Unless otherwise informed by the Company or its advisers, we have made the assumption that the Properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the Properties. For the purposes of this valuation, unless otherwise informed by the Company or its advisers, we have made the assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the Properties are free from any defect. Unless otherwise informed by the Company or its advisers, we have made the assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed thereon. We have also made the assumption that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the Company or its advisers, we have made the assumption that all services to the Properties are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the Properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Furthermore, no account has been taken in our valuations of any goodwill that may arise from the present occupation of the Properties.

It is a condition of Jones Lang LaSalle GmbH or any related Company or any qualified employee providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to or gives warranties as to the condition of the structure, foundations, soil and services.

9.3 Environmental Matters

No environmental reports for the subject properties have been made available to us. However, we have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the Properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the Property.

If these assumptions were to prove false, then the value would decrease by an unspecified amount.

9.4 Areas

We have not measured the Properties, but have applied floor areas provided by the Company or its advisers. We have assumed that these areas have been measured and calculated in accordance with the current market practice in the relevant country in which the Properties are located.

9.5 Statutory Requirements and Planning

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications exist and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the Properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

9.6 Leasing

We do not normally verify leases or documents of title. Where these have been provided to us, we are not liable for the accurate interpretation of the content, if the items have not been verified by your lawyers.

We have made the assumption that copies of all relevant documents have been made available to us and that they are complete, correct and up to date.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our valuation reflects the type of tenants currently letting the properties or responsible for meeting lease commitments or likely to let vacant spaces, and the market's general perception of their creditworthiness.

We have also made an assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

9.7 Information

We have made the assumption that the information the Company and its professional advisers have supplied to us in respect to the Properties is complete, correct and up to date.

This means that we have also made the assumption that the Company and its advisers have provided us with all details regarding matters likely to affect value, such as prospective lettings, rent reviews, outstanding legal requirements and planning decisions, and that the information supplied is up to date.

9.8 Valuation Approach

In arriving at our opinion of Market Value, we have employed one or more valuation methodologies according to our assessment of that most appropriate. The valuation methodologies include, Discounted Cash Flow and Residual Valuation (development site Hohenzollernwerke in Dusseldorf). Our choice of methodology may be influenced by factors including, most likely purchaser, type of property, local valuation convention, income stabilisation, availability of market comparisons etc.

9.9 Material Change

We hereby confirm that as at the date of this Valuation Report:

- We have not become aware of any material change since 31 December 2013 (or 30 June 2013 in respect of the development site in Dusseldorf, Hohenzollernallee) in any matter relating to any specific property covered by our Valuation Report which in our opinion would have a material effect on the Market Values as at today's date; or
- In relation to market conditions and movements in the property markets in which the Properties covered by our Valuation Report are located, we do not consider that any movement in respect of the properties constitutes material change since 31 December 2013 (or 30 June 2013 in respect of the development site in Dusseldorf, Hohenzollernallee).

10 General Principles

In respect of the tenants' covenants, while we have taken into account information of which we are aware, we have not received a formal report on the financial status of the tenants. We have not been supplied with any information to indicate that there are material arrears or that the occupiers are unable to meet their commitments under the leases. Our valuations are on basis that this is correct.

The valuation of each property has been undertaken by Jones Lang LaSalle and overseen by Andrew M. Groom, MRICS.

Our opinion of value is derived from the analysis of recent transactions, together with our market knowledge derived from the Firm's agency coverage. A valuation is a prediction of price, not a guarantee, and different valuers can properly arrive at a different opinion of value. The definition of Market Value requires a valuer to arrive at the top of the range. Historically it has generally been considered that the results of a calculation of a valuer can be within a range of possible values.

We have made subjective judgements during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same as would be made by a purchaser. The purpose of the valuations does not alter the approach to the valuations.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuations as being valid on any other date you should consult us first. Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market. We recommend that you keep the valuation of each property under frequent review.

11 Confidentiality and Disclosure

The contents of this Valuation Report and Schedule may be used only for the purpose of this Valuation and for inclusion in the Prospectus. Any other use and in particular disclosure to a third party, or any publication or disclosure to a third party, either in full or in excerpts (apart from the Prospectus) are prohibited without the prior written consent of Jones Lang LaSalle.

In the event of consent to disclosure to a third party (other than the Prospectus), the Company agrees to notify the respective third parties in writing in regard of the limitation of liability towards the Company and to underline that Jones Lang LaSalle generally assumes no liability towards third parties for the contents of this Valuation Report and Schedule and that third parties may make no claims whatsoever against Jones Lang LaSalle on the basis of the work and services provided.

However, notwithstanding any contrary provision, nothing in this Valuation Report shall exclude or limit our liability to any third party in respect of any liability arising under the Prospectus Directive or Dutch law.

Furthermore, our Valuation Report may be disclosed in any relevant litigation or regulatory enquiry or investigation or action arising out of the Prospectus and / or Admission.

12 Valuation Results – Mars&Titan, Matrix - Portfolios, development site Hohenzollernwerke in Dusseldorf, Celle property

We are of the opinion that the aggregate of the Market Values as at the effective date of valuation, 31 December 2013 or respectively 30 June 2013 for the development site in Dusseldorf, Hohenzollernallee, of the freehold or leasehold interests in the subject Properties described in the Schedule, subject to the assumptions and comments in this Valuation Report, is as follows:

€ 342,180,000

(in words: THREE HUNDRED FORTY-TWO MILLION, ONE HUNDRED EIGHTY THOUSAND EUROS)

The above figure is rounded and derived through the deduction of the land transfer tax, legal costs and agent's fees normally incurred by the purchaser. It represents the figure a seller would receive in the event of a potential sale; no allowance has been made for any expenses of realisation or for taxation, which may arise in the event of a disposal.

Yours faithfully,

Jones Lang LaSalle GmbH

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation and Transaction Advisory
Jones Lang LaSalle GmbH

ppa. Frank Rambow MRICS
National Director
Valuation and Transaction Advisory
Jones Lang LaSalle GmbH

ppa.

ppa. Georg Charlier
Principal Consultant
Valuation and Transaction Advisory
Jones Lang LaSalle GmbH

Appendix I - Property Schedule

Country	Portfolio	Property	Address	Description	Tenure	Gross Lettable Area [m²]	Vacancy Rate
Germany	Celle	Celle	Telefunkenstraße 49	Multi let retail park, constructed in 2003	Freehold	23,694	0.0%
Germany	Matrix	Aschersleben	Hoymer Chaussee 108	Retail Park, constructed in 1993	Freehold	14,522	8.8%
Germany	Matrix	Augsburg	Gögginger Straße 119	Retail Park, constructed in 1969, refurbished in 1995	Freehold	13,770	19.4%
Germany	Matrix	Bad Aibling	Grassingerstraße 16	Retail Park, constructed in 2000	Freehold	7,053	0.0%
Germany	Matrix	Biberach	Obere Stegwiesen 10	Retail Park, constructed in 1994	Freehold	10,769	0.0%
Germany	Matrix	Borken	Heidenerstraße 32	Retail Park, constructed in 2003	Freehold	9,524	0.8%
Germany	Matrix	Geislingen	Gartenstraße 30	Retail Park, constructed in 2002	Freehold	9,390	0.7%
Germany	Matrix	Glauchau	Waldenburger Straße F175	Retail Park, constructed in 1992	Freehold	12,767	0.1%
Germany	Matrix	Ludwigsburg	Friedrichstraße 124	Retail Park, constructed in 1997	Freehold	14,144	0.0%
Germany	Matrix	Ludwigsfelde	Potsdamer Straße 51	Retail Park, constructed in 1997	Freehold	12,632	0.0%
Germany	Matrix	Neckarsulm	Hohenloher Straße 2	Retail Park, constructed in 1974, refurbished in 2001	Freehold	10,270	12.3%
Germany	Matrix	Vilshofen	Hösamer Feld 7	Retail Park, constructed in 1999, refurbished in 2007	Freehold	10,230	0.8%
Germany	Matrix	Wittenberge	Wahrenberger Straße 69	Retail Park, constructed in 1996	Freehold	8,691	0.0%
Germany	Mars & Titan	Düsseldorf	Königsberger Straße 87	DIY store, constructed in 1995	Freehold	9,391	0.0%
Germany	Mars & Titan	Cologne	Frankfurter Straße 194 - 196	DIY store, constructed in 1988	Freehold	8,915	0.0%
Germany	Mars & Titan	Bad Segeberg	Segeberger Straße 101	DIY store, constructed in 2008	Freehold	7,029	0.0%
Germany	Mars & Titan	Dreieich	Frankfurter Straße 127	DIY store, constructed in 2008	Freehold	12,227	0.0%
Germany	Mars & Titan	Emden	Thüringer Straße 7	DIY store, constructed in 2011	Freehold	8,208	0.0%
Germany	Mars & Titan	Laatzen	Lüneburger Str. 24	DIY store, constructed in 1995	Freehold	13,548	0.0%
Germany	Mars & Titan	Leverkusen	Robert-Blum-Straße 47	DIY store, constructed in 2008	Freehold	9,608	0.0%
Germany	Mars & Titan	Ottendorf-Okrilla	Grünberger Straße 1	DIY store, constructed in 1993	Freehold	6,362	0.0%
Total value as at 31.12.2013 [€]							**280,080,000**

Country	Portfolio	Property	Address	Description	Tenure	Gross Lettable Area [m²]	Vacancy Rate
Germany	Development Site Dusseldorf	Hohenzollernwerke / Development Site Dusseldorf	Hohenzollernallee	Development site in Dusseldorf	Freehold	site area: 57,477 m²	n.a.
Total value as at 30.06.2013 [€]							**49,400,000**

Country	Portfolio	Property	Address	Description	Tenure	Gross Lettable Area [m²]	Vacancy Rate
Germany	Matrix	Erlangen	Westliche Stadtmauerstraße 27	Retail Park, constructed in 1975, refurbished in 2004	Freehold / Leasehold	13,398	7.2%
Total value as at 31.12.2013 [€]							**12,700,000**

General Principles Adopted in the Preparation of Valuations and Reports

These are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

1 Guidelines

a) RICS Appraisal and Valuation Manual

All work is carried out in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

b) International Valuation Standards (IVS)

The standards of the International Valuation Standards Council (IVSC) are in accordance with the definition and interpretation of the Market Value as defined by the RICS and consistent with the concept of Fair Value as defined in the International Financial Reporting Standards.

c) Directive for Derivation of Market Value (German Immobilienwertermittlungsverordnung, "ImmoWertV")

Appraisals of German Market Value ("Verkehrswert") are prepared on the basis of the current version of the ImmoWertV. They are conducted by RICS-approved personnel.

d) Directive for Derivation of Mortgage Lending Value (German Beleihungswertermittlungsverordnung, "BelWertV")

Appraisals of German Mortgage Lending Value ("Beleihungswert") are prepared on the basis of the current version of the BelWertV. They are conducted by personnel approved by the HypZert GmbH.

2 Valuation Basis

Our reports state the purpose of the valuation and the basis adopted. The following definitions are usually the basis of our valuation:

a) Market Value (MV, RICS)

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

b) Market Rent (RICS)

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

c) Depreciated replacement cost (DRC, RICS)

The current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

d) Fair Value (RICS)

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (IVS 2013). This does not apply to valuations for financial reporting – see IVS 300.

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. (IFRS 13)

e) German Market Value ("Verkehrswert" according to § 194 BauGB)

The Market Value (Verkehrswert) is determined by the price which could be achieved at the date of valuation in an arm's length transaction reflecting the legal and physical situation, location and other character of the property or other subject of valuation, without consideration of unusual or personal interest.

f) Mortgage Lending Value ("Beleihungswert" according to § 16 PfandBG)

The mortgage lending value (Beleihungswert) must not exceed the value resulting from a prudent assessment of the future marketability of a property by taking into account the long-term sustainable aspects of the property, the normal regional market condition as well as the current and possible alternative uses. Speculative elements must not be taken into consideration. The mortgage lending value must not exceed a market value calculated in a transparent manner and in accordance with a recognized valuation method.

g) **Plant & Machinery**

An opinion of the price at which an interest in the Plant & Machinery utilized in a business would have been transferred at the date of valuation assuming:

fa) that the Plant & Machinery will continue in its present use in the business;
fb) adequate potential profitability of the business, or continuing viability of the undertaking, both having due regard to the value of the total assets employed and the nature of the operation;
fc) that the transfer is part of an arm's length sale of the business wherein both parties acted knowledgeably, prudently and without compulsion.

h) **Financial Statements**

Valuations for Financial Statements shall be in accordance with the IVSC International Valuation Application 1 (IVA 1).

i) **Lending**

Valuations for lending purposes shall be in accordance with IVSC International Valuation Application 2 (IVA 2).

3 Source of Information

We have relied upon the information provided to us by yourselves as to details of tenure, tenancies, planning consents, site area, accommodation, documents of title, cadastral plans, restrictions on title, and other relevant matters, as summarised in our report. We do not accept any liability for either the accuracy or the completeness of this information. We are neither obliged to confirm the completeness and correctness of the information provided nor to examine any original documentation for the same purpose.

4 Documentation

a) We do not normally read leases or documents of title and, where these have been provided to us, we recommend that reliance should not be placed on our interpretation thereof without verification by your lawyers.

b) We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have an effect on the value of the interest under consideration, nor material litigation pending.

5 Tenants

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

6 Town Planning and Other Statutory Regulations

a) Unless informed to the contrary, our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations.

b) Information on Town Planning is often obtained verbally from the Local Planning Authority and, if reassurance is required, we recommend that legally binding written confirmation of the same is obtained.

7 Other Defects and Damages

a) We normally assume that:

aa) the building and its technical facilities are free of damages and other defects.

bb) the building was constructed or altered without using deleterious materials or techniques (including, by way of example, high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos).

cc) the ground conditions are suitable and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters.

dd) the land is not contaminated.

b) Unless expressly instructed, we do not carry out a structural survey, nor do we test the services. Whilst any readily apparent defects or items of disrepair, which we note during the course of our inspection, will be reflected in our valuations, we are not able to give any assurance that any property is free from defect. We recommend the necessary surveys to be taken out in order to confirm our assumptions in this respect.

c) Unless expressly instructed we do not carry out technical surveys to ascertain whether those defects and damages exist, or have occurred in the past. We are therefore not able to give any assurance that any property is free from damages or other defects. Any readily apparent defects or items of disrepair, which we note during the course of our inspection, will be reflected in our valuation.

d) Provided that we are informed about:

- other defects and damages of the building and its technical facilities
- the application of any such materials, as listed in lit. ab) above
- unsuitable ground conditions as set out in lit. ac) above
- any contamination of land as listed in lit. ad) above

by the client or any other party involved, such information will be reflected in our valuation, only if we are provided with reliable estimates of costs for their replacement or compensation.

8 Value Added Tax (VAT)

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

9 Outstanding Debts

In the case of buildings where works are in hand or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.

Standard Terms of Business
for Advisory Services

1 Scope

a) These Standard Terms of Business are applicable for contracts regarding general advisory, valuation and/or market research services between Jones Lang LaSalle GmbH (hereinafter also referred to as "Jones Lang LaSalle" or the "Advisor") and the client (hereinafter also referred to as the "Client").

b) The results of the work of the Advisor on the basis of this Agreement are intended exclusively for the Client and may only be used for the purpose specified in the Agreement. The disclosure of the results of this work to third parties is generally prohibited.

2 Limitation and Execution of Contract

a) Jones Lang LaSalle shall provide the agreed services, but shall not guarantee a particular economic result. Jones Lang LaSalle's services will be deemed as complete once the agreed analyses and the corresponding conclusions and, where applicable, recommendations have been produced and presented to the Client or, in the event of an agreed expert-report or an agreed other written statement, these have been handed over to the Client. Jones Lang LaSalle's services shall not include any legal or tax-related advice. The written report on the agreed services shall be deemed applicable. Verbal statements and information provided by Jones Lang LaSalle staff outside the terms of the agreed contract should be deemed non-binding, unless confirmed in writing.

b) Jones Lang LaSalle will fulfil the contract to the best of their knowledge and skill with due care and diligence, and in the case of a valuation, in accordance with the principles of the Royal Institution of Chartered Surveyors (RICS), an extract of which has been supplied to the Client.

c) Jones Lang LaSalle has the right to instruct specialist third parties (i.e. vicarious agents, or "Erfüllungsgehilfen") to fulfil its contractual obligations.

d) Jones Lang LaSalle will only verify the information, especially numbers, provided by the Client for obvious inconsistencies and faults. In all other cases, Jones Lang LaSalle will assume the information provided by the Client is correct and complete. Furthermore, Jones Lang LaSalle accepts no responsibility for the accuracy or completeness of the documents and information provided by the client, whether it is in verbal, written or electronic format.

e) The Client does not have the right to demand that the contract be carried out by a specific employee of Jones Lang LaSalle.

f) Jones Lang LaSalle is under no obligation to inform the Client about any alterations or their implications resulting from a change in the conditions underlying the conclusions and recommendations of the contract specified above after the execution of the contract.

g) All changes and extensions to the contract must be made in writing. The same holds true for the waiver of this written contract agreement. Jones Lang LaSalle shall perform additional services required by the Client that are not specified in the original contract only on the basis of a separate agreement with a separate remuneration and liability. Should Jones Lang LaSalle render these services without both parties being able to agree to an appropriate remuneration for such additional services, the Advisor's fee will increase according to the additional time and money required by the Advisor. Otherwise, the provisions and conditions of this Agreement remain applicable.

3 Deadline for Delivering Services

Any agreed deadline for delivering services shall be reasonably extended in case of *force majeure* or any reason for which the Advisor is not responsible but which may temporarily impair them from carrying out their work. Jones Lang LaSalle shall notify the Client without undue delay of any impediment to the performance of these services and the expected duration of the delay.

4 Information and Documentation supplied by the Client

a) The Client is obliged to assist Jones Lang LaSalle in the execution of the agreed contract as required, especially by supplying the necessary information and documentation properly, fully and on time. This also applies to documentation and information, which only become known or available during the course of the instruction of Jones Lang LaSalle. Should the Client fail to meet any of the aforementioned obligations to support Jones Lang LaSalle, Jones Lang LaSalle, notwithstanding their claims for compensation for additional expenses and damages, reserves the right to extraordinarily terminate the contract without notice.

b) Upon Jones Lang LaSalle's request, the Client shall confirm in writing the accuracy and completeness of all written documentation and information supplied as well as all verbal statements, if such a confirmation is possible through a necessary factual review without incurring additional costs or effort.

5 Guarantee

a) The Client has the right to demand that any deficiencies be corrected by Jones Lang LaSalle, to the extent that this is possible and reasonable for Jones Lang LaSalle. Should Jones Lang LaSalle not be able to or fail to correct the deficiency, the Client reserves the right to cancel the contract or reduce the fees. If the contract has been awarded by a merchant within the scope of its commercial activities, by a public-law legal entity or by a public-law fund, the Client can only cancel the contract if Jones Lang LaSalle's work is of no further interest to the Client, because of the failure of Jones Lang LaSalle to correct the deficiency. All further damage claims are governed by section 6 below.

b) The Client is required to report any obvious shortcomings in writing within two weeks of the completion of services. Should the Client be a merchant, patent defects shall be notified without undue delay and latent defects shall be notified without undue delay and in writing upon discovery. In any case, claims because of defects must be notified no later than six months after completion of services. If the Client fails to report errors in due time, any claim for correction of these deficiencies and all other claims because of the defect is excluded.

c) Obvious errors, such as typing and arithmetical errors and deficiencies of form may be corrected by Jones Lang LaSalle at any time also with effect against third parties. Errors which are apt to question the results contained in Jones Lang LaSalle's written report entitle Jones Lang LaSalle to withdraw such statements also with effect against any third party. In such cases Jones Lang LaSalle will first give the Client an opportunity to comment.

6 Liability and Disclosure of Information to Third Parties

a) Jones Lang LaSalle only assumes unlimited liability – irrespective of the legal reason – for damage resulting from wilful misconduct or grossly negligent conduct caused by a legal representative, employee or vicarious agent ("Erfüllungsgehilfe") of Jones Lang LaSalle. Otherwise, Jones Lang LaSalle's liability for damage caused by Jones Lang LaSalle, its legal representatives, employees and vicarious agents – irrespective of the legal reason – shall be limited to a maximum total amount of € 7.5 million (in words: seven point five million euros), unless agreed otherwise by the Advisor and the Client.

b) Any liability for lost profits shall be excluded.

c) The aforementioned maximum liability amount shall also apply if the damage is based on various or several similar professional errors or an error that has resulted in different types of damage and/or if there is more than one claimant.

d) If compensatory damage claims against Jones Lang LaSalle are excluded or limited, this shall also apply with regard to the personal liability of Jones Lang LaSalle's legal representatives and employees.

e) The aforementioned exclusions and limitations of liability shall not apply to damages arising from injury to life, limb or health.

f) The contractual remuneration has been determined on the basis of the performance and obligations specified in this Agreement. Jones Lang LaSalle's responsibilities under this Agreement and its performance shall be towards the Client exclusively. The results of the work executed by Jones Lang LaSalle shall remain confidential and are intended exclusively for the Client and only for the purposes specified in this Agreement. Any other use and, in particular, disclosure to third parties or other publications (disclosure to third parties) – including extracts – without Jones Lang LaSalle's prior written consent shall be prohibited. In the event of consent to disclosure to a third party, the Client agrees to notify the respective third parties in writing and to underline that Jones Lang LaSalle generally assumes no liability towards third parties for the work and services provided and that third parties may make no claims whatsoever against Jones Lang LaSalle on the basis of the work and services provided. The Client also agrees to indemnify Jones Lang LaSalle against any third party claims and associated costs asserted by third parties against Jones Lang LaSalle as a result of unauthorised disclosure or publication of the results of the work and services provided. "Third parties" in this context shall also include the Client's Affiliates.

g) Jones Lang LaSalle may assume liability towards third parties for its valuation only if the relevant third party has accepted the limitation of liability set forth in section 6 and has accounted for the respective additional remuneration for the joint and several liability.

h) Should Jones Lang LaSalle have assumed liability as against third parties for its valuation pursuant to section 6f) and 6g), this shall be done only on the basis of the following minimum fee rates per contract volume:

Market value resp. Fair Value	First party	Second and subsequent parties
For the first ten million euros	0.05%	0.02% per party
For the following ninety million euros	0.025%	0.01% per party
Thereafter	0.0125%	0.005% per party

The percentage rates set forth above shall be applied to the determined market value respectively fair value of the real estate, which is defined in § 2 of Jones Lang LaSalle's "General Principles for Preparing Valuations and Reports". The above-mentioned rates do not include value added tax and shall be no less than € 500 per designated additional party.

7 Restriction on Use and Copyright Protection

a) The Client guarantees that the valuations, reports, plans, drafts, sketches, tables and calculations prepared by Jones Lang LaSalle as part of the contract shall be used only for the contractually agreed purposes and may not be published in individual cases without Jones Lang LaSalle's express consent.

b) Should the work produced qualify for copyright protection, Jones Lang LaSalle shall remain the author. In such cases, the Client shall be granted a limited, irrevocable, exclusive and non-transferable licence to use the work produced.

8 Return of Documents

After settlement of all conditions agreed in the advisory, valuation or market research contract, Jones Lang LaSalle, on request of the Client, shall return all documents obtained from the Client in order to carry out the instruction. This does not apply to correspondence between the contractual parties and for copies made of the valuations, reports, plans, drafts, sketches, tables and calculations prepared as part of the contract as well as other documents, which Jones Lang LaSalle is legally bound to store or entitled to. The Advisor also has the right to make copies of these released documents for its files.

9 Confidentiality

Jones Lang LaSalle will treat all business and operational secrets of which it becomes aware in the context of the contract and that are recognisable as such and all information indicated to be confidential as confidential, as long as this information is not required by law or public authority. The Advisor will only divulge reports, valuations and other results containing such information to third parties with the consent of the Client, unless required by law or public authority.

10 Payment Conditions

a) The agreed remuneration will be payable immediately upon issue of invoice without any deductions.

b) If there is more than one client, they shall be jointly and severally liable.

c) A set-off of claims of the Advisor for fees and payment of costs is only possible with an uncontested and legally recognised claim.

11 Miscellaneous

a) Rights under the contractual relationship with the Advisor may be only assigned subject to its prior consent.

b) The laws of the Federal Republic of Germany shall apply to the execution of all contracts relating to general advisory, valuation and/or market research services and all claims resulting thereof.

c) If the contract has been awarded by a registered trader (“*Vollkaufmann*”), public-law legal entity or public-law fund, the place of jurisdiction is Frankfurt am Main.

d) Should any individual clause of these Standard Terms of Business be deemed void, this will not affect the validity of any other parts of these Standard Terms of Business. The invalid provisions shall be replaced by that which lawfully most closely reflects the desired purpose.

e) All amounts mentioned above are in euros and shall be subject to the legally valid Value Added Tax at the time of the work was executed, unless explicitly excluded.

f) A copy of the internal complaints handling procedure can be made available on request.

VALUATION REPORT ‘BCRE IPO’ by **NAI apollo valuation & research GmbH**

In the form of a condensed valuation report (‘Prospectus Valuation Report’) from the determination of Market Value carried out by NAI apollo valuation & research GmbH in accordance with the International Financial Reporting Standards (IFRS), the International Valuation Standards (‘IVS’) and the Valuation Standards of the Royal Institution of Chartered Surveyors (‘Red Book’), in connection with the prospectus by Brack Capital Real Estate Investments B.V., of the portfolio located in eleven German cities (Leipzig, Velbert, Oberhausen, Hanover, Gelsenkirchen, Duisburg, Bremen, Bremerhaven, Göttingen, Essen, Emmerich, Dortmund), comprising 427,858 sq m of residential space and 12,065 sq m of commercial space.

Date of Valuation:	31 December 2013 and 1 May 2014
Date of Valuation Report:	13 May 2014
Company:	Anat Bensaid Peled for and on behalf of: BCRE - Brack Capital Real Estate Investments B.V Weteringschans 95A 1017 RZ Amsterdam The Netherlands Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Issuer:	NAI apollo valuation & research GmbH Eschersheimer Landstraße 49 60322 Frankfurt am Main Germany

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NAI apollo group

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SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this valuation statement, we are of the opinion that the aggregate of the individual Market Values (net) of the freehold interest in the properties of the BCRE IPO Portfolio, rounded on an asset-to-asset basis, as at 31 December 2013 resp. 13 May 2014, is:

€ 300,913,000

(Euro Three Hundred Million Nine Hundred and Thirteen Thousand)

The aggregate of the individual Market Values presented here does not take into account the marketing period and the marketing costs of the individual properties and does not reflect any discount or premium on the sale of the whole portfolio. The following table shows aggregated key property data for the portfolio:

Total lettable area	427,858	sq m
Market Value per sq m lettable area	703	EUR
Current annual rental income	23,568,248	EUR
Current annual rent (total) per sq m (total) / month	4.59	EUR
Estimated Rental Value p.a.	26,984,575	EUR
Multiplier (based on current rent)	12.8	times

Further information on the assumptions of the BCRE IPO portfolio underlying the valuation are presented in section 4 'Applied Valuation Methodology' of this report.

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VALUATION REPORT 'BCRE IPO' by **NAI apollo valuation & research GmbH**

1. INSTRUCTION DETAILS

1.1. Valuation Instruction

NAI apollo valuation & research GmbH ('NAI apollo') was instructed by Brack Capital Real Estate Investment B.V. (the 'Company'), by means of a letter of instruction dated 7 April 2014, to carry out a determination of the Fair Value of the BCRE IPO portfolio in a valuation report as independent valuation expert for financial accounting purposes. Furthermore NAI apollo was requested to prepare this report for the Company's Q4/2013 IFRS financial statement and /or shelf prospectus expected to be published in 2014.

1.2. Publication

NAI apollo understands that this condensed valuation report will be relied on for the Company's financial statements and will be included in the Prospectus that will be published in 2014 in connection with the admission of shares in the Company to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange ("Admission"). It is acknowledged that investors will rely on the Prospectus in making their decision to invest in the shares of the Company and regulators will rely on it when deciding whether to list the shares. We accept responsibility for our Prospectus Valuation Report as included in the Prospectus. NAI apollo gives consent to the Company to publish this report as part of the financial statements and I or the shelf prospectus.

Notwithstanding any other provision contained within this Prospectus Valuation Report, this Prospectus Valuation Report may also be relied upon by the Company and may be disclosed in any litigation or regulatory enquiry or investigation or action in connection with the Prospectus or the Admission.

Apart from that, neither the whole nor any part of our report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear, which approval shall not be unreasonably withheld.

1.3. Valuer

NAI apollo valuation & research GmbH
Eschersheimer Landstr. 49
60322 Frankfurt am Main
Germany

Tel.: +49 (0)69 97 05 05 613
Fax: +49 (0)69 97 05 05 666

NAI apollo group

1.4. Project Team

Stefan Mergen

Since September 2010, Stefan Mergen is Managing Partner of NAI apollo valuation & research GmbH. Prior to that he was the Head of Jones Lang LaSalle's 'Residential Valuation & Transaction Advisory' team in Frankfurt / Main. Here, he set up and headed a team of 14 valuation professionals in Berlin and Frankfurt. Before joining Jones Lang LaSalle, he worked as valuer for a nationwide real estate consulting company, focusing mainly on the valuation of residential portfolios. Stefan Mergen holds a Bachelor of Arts and possesses more than 12 years of consulting experience on the German real estate market.

Falk Schollenberger MRICS

Since September 2010, Falk Schollenberger is Managing Partner of NAI apollo valuation & research GmbH. Prior to that he was National Director in Jones Lang LaSalle's 'Corporate Finance' team in Frankfurt / Main, where he was responsible for M&A, Equity Raising and transaction advisory for national and international investors. Before, he headed the 'Residential Valuation & Transaction Advisory' team together with Stefan Mergen. Falk Schollenberger is a Certified Political Economist, Master of Science (Real Estate) and Manager in Real Estate and an RICS Registered Valuer. He possesses more than 15 years of consulting experience on the German real estate market.

Nico Schultz MRICS

Since September 2010, Nico Schultz is Director - Valuation at NAI apollo valuation & research GmbH. Prior to that he was Principal Consultant in Jones Lang LaSalle's 'Residential Valuation & Transaction Advisory' team in Frankfurt / Main. Before joining Jones Lang LaSalle, he worked in the 'Research and Consulting' department of a nationwide real estate consulting company. Prior to that, he gained professional experience as valuer and property manager in a medium-sized company. Nico Schultz holds an MBA and is an RICS Registered Valuer. He possesses more than 12 years of consulting experience on the German real estate market.

Dr. Konrad Kanzler

Since October 2010, Dr. Konrad Kanzler is Head of Research at NAI apollo valuation & research GmbH. Prior to that he set up and headed the 'Residential Research' team in Jones Lang LaSalle's 'Residential Valuation & Transaction Advisory' department in Frankfurt / Main. Prior to that, he worked as an analyst for a nationwide real estate consulting company after successfully completing several research projects as research associate at the University of Osnabrück.

Konrad Kanzler is a certified economic geographer (degree of Doctorate) and possesses more than 10 years of consulting experience on the German real estate market.

1.5. Subject of Valuation

The subject portfolio consists of mainly residentially used economic units in Leipzig, Velbert, Oberhausen, Hanover, Gelsenkirchen, Duisburg, Bremen, Bremerhaven, Göttingen, Essen, Emmerich and Dortmund.

1.6. Dates of Valuation

31 December 2013 resp. 1 May 2014

1.7. Project Timeline

Order confirmation received...7 March 2014/1 May 2014
Database received.. 5 January 2014/5 May 2014
Delivery of Final Valuation Report.. 11 February 2014 /13 May 2014
Delivery of this Prospectus Valuation Report..13 May 2014

1.8. Concept of Value

The assessment of Fair Value has been carried out by NAI apollo in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Valuation Standards (IVS) and the Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book). The properties have been valued to ‘Market Value’ in accordance with the RICS Valuation Standards Ninth Edition, published by the RICS, London, which is defined as:

> ‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’

In most cases, the above definition concurs with that of the ‘Fair Value’ in accordance with IAS 40 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

> ‘Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s-length transaction.’

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation(s) competently.

1.9. Currency and Rounding

All prices and values in this report are displayed in Euro (€). Every amount in total relating to rents and areas within this report is rounded without decimal place.

1.10. Basic Data

The information on which the valuation was based was provided to NAI apollo by the Company, or by third parties acting on the Company’s instructions, in the form of electronic documents and by means of extensive correspondence. The figures in this report are based on the rent roll provided by the Company. In the course of the valuation, the relevant documents were examined and verified for plausibility on a random sampling basis.

1.11. Legal, Environmental and Technical Due Diligence

NAI apollo did not receive a legal due diligence report. However NAI apollo was provided with land register excerpts, excerpts from the public easement register and excerpts from the contaminated land register for parts of the portfolio. Regarding the information provided by the Company, NAI apollo did not consider the mentioned encumbrances as value-affecting.

Based on information received from the Company, we have assumed that the subject properties are not subject to any form of contamination and that no uses or activities with potential to cause contamination have been or are being carried out on or in them. Based on the information provided, we have also assumed that no environmental investigations or soil surveys that have discovered contamination or potential contamination in or on the subject properties (including the buildings) have been carried out. For the purposes of this valuation, we have assumed that no potential contamination exists. Should it be discovered, subsequent to our valuation, that contamination exists on any of the subject properties and/or on adjoining or nearby properties or that uses capable of causing contamination have been carried out in any of the subject properties, this could have a detrimental effect on the value of the subject property concerned.

1.12. Scope of Work

In the assessment of the Market Value of the subject portfolio, inter alia, the following procedures were carried out:

- Analysis and interpretation of the property information provided by the Company, for example tenancy and property schedules and other data materials relevant to the valuation
- Analysis of each single property
- Site Inspection
- Analysis of market, location and rental situation for each property
- Determination of Market Value for each property

- Compilation of a fact-file for each property, including a DCF calculation, a brief description of the reference property, situation and site maps, site information and tenure, a schedule of rental and investment evidence and photographs, as part of a comprehensive valuation report in English.

1.13. Declaration of Independence

We hereby confirm, to the best of our knowledge and belief that NAI apollo has carried out the determination of Market Value in its capacity as an external independent valuer, under instructions received from the Company. We further confirm that NAI apollo is not aware of any actual or potential conflict of interest that might have influenced its status as an independent valuer. This declaration also includes all other companies and departments which are part of the NAI apollo group, including the Investment and Agency Departments. The total fees, including the fee for this assignment, earned by NAI apollo from the Company (or other companies forming part of the group of companies) is less than 5.0% of total German revenues.

1.14. Statement of Indemnity

Nothing in this letter shall exclude or limit the liability of NAI apollo to any third party in respect of any liability arising under European Union Directive 2003/71/EC (the "Prospectus Directive") or Dutch law.

1.15. Material Change

We hereby confirm that as at the date of this Prospectus Valuation Report: (i) we have not become aware of any material change since 31 December 2013 resp. 13 May 2014 in any matter relating to the subject property which in our opinion would have a material effect on the Fair Value as at today's date; and (ii) in relation to market conditions and movements in the property markets in which the subject property covered by our Prospectus Valuation Report is located, we do not consider that any movement in respect of such property constitutes material change since 31 December 2013 resp. 13 May 2014.

1.16. Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

2. GERMAN RESIDENTIAL MARKET

2.1. In General

Transactio Volume increase of 33% to 15 billion €

Trading in German residential property portfolios or residential complexes registered strong growth again in 2013, reaching a transaction volume of 15.0 billion €. Compared to the previous year (2012: 11.3 billion €) this represents an increase of 32.7% and involved the sale of 318 portfolios (2012: 241) with more than 30 residential units apiece, amounting to a total of 231,000 residential units (2012: 211,000).

The largest transaction of the year was the acquisition of 91% of the shares in GSW AG by Deutsche Wohnen AG for around 3.3 billion €. Next came the sale of GBW AG by BayernLB to a consortium of 27 investors under the lead management of Patrizia AG for approx. 2.5 billion €. In third place was the purchase

of a Blackstone portfolio by Deutsche Wohnen AG for 369 million €. The sale of a portfolio of Corestate Capital AG to several institutional investors from Germany for 250 million € was in fourth place.
Overall, 27 of the registered transactions had a volume of more than 100 million € apiece, amounting to around 10.3 billion € in total. This corresponds to a share of 68.5%.

Major cities in Saxony gain in importance

As in previous years demand was focused on properties in economically strong major cities and conurbations. Berlin maintained its leading position with a share of 22.0% (-2.7 percentage points compared to the previous year) of the assignable portfolio transactions. In a comparison of the federal states, most of the purchases took place in North Rhine Westphalia with a share of 22.6% (0.1 percentage points). One striking development was the growing level of activity in Saxony. Compared to 2012, this state increased its share of transactions by 5.8 percentage points to 11.3%. In particular, investors increasingly see Dresden and Leipzig as viable alternatives.

Listed property companies with highest transaction volume

An analysis according to investor types reveals that listed property companies accounted for almost half of last year’s transaction volume (14.4% of the purchases), driven by the GSW AG acquisition by Deutsche Wohnen AG. Next were insurance companies and pension funds with 19.1% of the volume (4.0% of purchases), largely due to the GBW AG deal.
After registering a decline in the previous year, private investors improved their standing again with a 3.8% share of the volume or 23.4% of the number of transactions (+2.0 and +7.9% respectively).

More than 80% are German buyers

With regard to the origin of investors, German investors have now dominated the market for the past five years. Domestic buyers accounted for 81.8% of the transaction volume, which is a 9.4 percentage point increase from the previous year. The reduced activity by international investors is partly due to the rise in property prices. For example, the average purchase price for existing stock increased by 18.7% compared to 2012 to reach more than 950 Euro/sqm. Project developments on average yield 3,020 €/sqm, which is 10.6% more than in the previous year. Competition has intensified on the other hand due to the lack of alternative investment opportunities and attractive financing conditions, with international investors proving to be the more frequent losers compared to domestic investors.

Further potential for 2014

Interest in German residential portfolios will remain high in 2014. However, compared to the previous year the market will be less dominated by mega transactions. Although there are some isolated cases of large portfolios being offered for sale, such as a sub-portfolio of the Berlinovo property company comprising around 16,000 units or the DGAG-Portfolio with around 18,000 units, the emphasis will be on medium-sized deals that will largely arise from partial sales.

On this basis, the NAI apollo group expects to see a reduction in the 2014 investment volume to around 11 billion € in total. This would be in line with the 2012 result (11.3 billion €).

It is likely that listed property companies will again play a central role in the large-volume market segment, while private investors will dominate the segment for smaller portfolios. In addition, international investors are again expected to be more active on the market. In geographical terms, the established conurbations will remain in high demand. At the same time a growing acceptance of secondary locations is also evident, as was already indicated in 2013 by investments in Leipzig and Dresden.

2.2. Residential market of Leipzig

Population and Households

The urban commune of Leipzig is situated in the federal state of Saxony. According to the updated results of the census 2011, 520,838 people live here (2012). They distribute over 299,835 households. Hence, households in the City of Leipzig have an average size of 1.7 persons (Saxony: 1.9 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (+2.5%) has significantly outperformed the German development (GER: +0.1%), showing a positive trend (Saxony: -0.8%). The development in the number of households during the same period (+0.6%) shows a similar tendency (Saxony: -0.6% / GER: +0.4%).

Regarding future population developments in the City of Leipzig, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-1.2%) until the year 2030 (base year: 2010; Saxony: -13.2% / GER: -2.9%). In the same period, the development of household numbers is projected with +1.2% (Saxony: -10.1% / GER: +2.9%).

Economy

The economy in the City of Leipzig is characterized by the Tertiary sector. 83.8% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (Saxony: 68.6%). The remaining workforce in the City of Leipzig is distributed over the Secondary sector with 16.1% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 84.8 and has changed only marginally by +0.4 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Leipzig is significantly below the German figure (Saxony: 82.8 / -0.5 points compared to the previous year).

On the labour market the City of Leipzig, with an unemployment rate (relating to the economically active population) of 11.1% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (Saxony: 9.7%). Since March 13 it has, however, decreased by -0.7%-points.

Residential Market

The residential market in the City of Leipzig consists of 56,311 residential buildings (census 2011: 59,498) and 316,643 apartments (census 2011: 324,069), respectively (2011). In a one year comparison (2010 -

2011) the stock of apartments increased by +0.2% (stock of residential buildings: +0.7%). The respective stocks (apartments / residential buildings) in Saxony developed with 0.0% and +0.3%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Leipzig consists of 5.6 apartments (Saxony: 2.9 / GER: 2.2). Each inhabitant has an average living space of 39.3 sq m (Saxony: 38.7 sq m / GER: 42.1 sq m).

The building completion volume in Leipzig (2012) amounted to 1,066 residential units (Saxony: 5,240 / GER: 200,466). Compared to the previous year this constitutes an increase of 16.6% (Saxony: -2.4% / GER: +9.5%). Compared to the five-year average of approx. 1,000 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 848 apartments in 2012 (Saxony: 5,720 / GER: 241,090). In contrast to the building completion volume, the number of building permissions is below the five-year average of approx. 1,230 units per year.

The vacancy rate in multi-family buildings in Leipzig currently (2012) amounts to 8.3%. Thus, it is above the German average, but has decreased compared with 2009 (-1.7%-points) (Saxony: 7.2 [-0.6%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Leipzig is at 12.1% (Saxony: 9.9% / GER: 4.4%).

Rents

On the letting market for flats in Leipzig the average asking price in the year 2013 amounts to 5.65 €/sq m/month. This constitutes an increase of 5.6% compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 6.60 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 6.25 €/sq m/month can be observed for large units (>84 sq m). The average size of all units on offer in 2013 amounts to 66.80 sq m.

2.3. Residential market of Hanover

Population and Households

Hanover is situated in the region Hannover in the federal state of Lower Saxony. According to the updated results of the census 2011, 514,137 people live here (2012). They distribute over 290,593 households. Hence, households in Hanover have an average size of 1.8 persons (region of Hanover: 1.9 / Lower Saxony: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (+0.9%) has outperformed the German development (GER: +0.1%), showing a positive trend (region of Hanover: +0.5% / Lower Saxony: -0.2%). The development in the number of households during the same period (+1.3%) shows a similar tendency (region of Hanover: +1.0% / GER: +0.4%).

Regarding future population developments in the region of Hanover, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-2.3%) until the year 2030 (base year: 2010; Lower Saxony: -2.4% / GER: -2.9%). In the same period, the development of household numbers is projected with +2.6% (Lower Saxony: +3.8% / GER: +2.9%).

Economy

The economy in the region of Hanover is characterized by the Tertiary sector. 78.9% of all employees (subject to social insurance contribution) are employed in this sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (Lower Saxony: 67.8%). The remaining workforce in the region of Hanover is distributed over the Secondary sector with 20.9% as well as the Primary sector with 0.2%.

The GfK purchasing power index per inhabitant (2014) in the City of Hanover stands at 103.6 and has changed only marginally by +0.3 points since the previous year. Compared to the German average (100), the purchasing power in the City of Hanover is above the German figure (region of Hanover: 104.9 / +0.1 points compared to the previous year) / Lower Saxony: 98.3 / +0.4 points compared to the previous year).

On the labour market the region of Hanover, with an unemployment rate (relating to the economically active population) of 8.4% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (Lower Saxony: 6.8%). Since March 13 it has, however, decreased by -0.1%-points.

Residential Market

The residential market in Hanover consists of 65,821 residential buildings and 290,505 apartments, respectively (2011) (region of Hanover: 212,776 residential buildings and 578,993 apartments). The stock of apartments increased by +0.1% (stock of residential buildings: +0.3%) in a one year comparison (2010 - 2011). The respective stocks (apartments / residential buildings) in the region of Hanover developed with +0.2% and +0.5%, in Lower Saxony with +0.5% and +0.6%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Hanover consists of 4.4 apartments (region of Hanover 2.7 / Lower Saxony: 1.8 / GER: 2.2). Each inhabitant has an average living space of 40.7 sq m (region of Hanover: 42.3 sq m / Lower Saxony: 45.4 sq m / GER: 42.1 sq m).

The building completion volume in Hanover (2012) amounted to 1,012 residential units (region of Hanover: 2,488 / Lower Saxony: 20,594 / GER: 200,466). Compared to the previous year this constitutes an increase of +183.5% (region of Hanover: +75.7% / Lower Saxony: +14.3% / GER: +9.5%). Compared to the five-year average of approx. 510 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 1,142 apartments in 2012 (region of Hanover: 2,710 / Lower Saxony: 26,697 / GER: 241,090). In line with the building completion volume, the number of building permissions is above the five-year average of approx. 570 units per year.

The vacancy rate in multi-family buildings in the region of Hanover currently (2012) amounts to 2.3%. Thus, it is not only below the German average, but has even decreased compared with 2009 (-0.3%-points) (Lower Saxony: 3.6 [0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in the region of Hanover is at 3.2% (Lower Saxony: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Hanover the average asking price in the year 2013 amounts to 7.50 €/sq m/month. This constitutes an increase of +5.6% compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 9.90 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 8.50 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 72.95 sq m.

2.4. Residential market of Velbert

Population and Households

Velbert is situated in the district of Mettmann in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 80,902 people live here (2012). They distribute over 40,585 households. Hence, households in Velbert have an average size of 2.0 persons (district of Mettmann: 2.0 / North Rhine-Westphalia: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-1.3%) has opposed the German development (GER: +0.1%), showing a negative trend (district of Mettmann: -0.4% / North Rhine-Westphalia: -0.2%). The development in the number of households during the same period (+0.5%) shows an opposed tendency (Mettmann: +1.5% / GER: +0.4%).

Regarding future population developments in the district of Mettmann, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-5.5%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with -0.1% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the district of Mettmann is characterized by the Tertiary sector. 66.5% of all employees (subject to social insurance contribution) are employed in this sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the district of Mettmann is distributed over the Secondary sector with 33.4% as well as the Primary sector with 0.2%.

The GfK purchasing power index per inhabitant (2014) in the City of Velbert stands at 101.0 and has changed only marginally by -0.8 points since the previous year. Compared to the German average (100), the purchasing power in the City of Velbert roughly corresponds to the German figure (district of Mettmann: 114.1 / -0.2 points compared to the previous year) / North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).

On the labour market the district of Mettmann, with an unemployment rate (relating to the economically active population) of 7.1% (March 14) is in a comparable position as the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has, however, decreased by -0.2%-points.

Residential Market

The residential market in Velbert consists of 15,033 residential buildings and 43,298 apartments, respectively (2011) (district of Mettmann: 93,980 residential buildings and 245,836 apartments). The stock of apartments increased by +0.1% (stock of residential buildings: +0.3%) in a one year comparison (2010 - 2011). The respective stocks (apartments / residential buildings) in the district of Mettmann developed with +0.3% and +0.4%, in North Rhine-Westphalia with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Velbert consists of 2.9 apartments (district of Mettmann 2.6 / North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 40.0 sq m (district of Mettmann: 41.4 sq m / North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).

The building completion volume in Velbert (2012) amounted to 72 residential units (district of Mettmann: 552 / North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes a decrease of -55.0% (district of Mettmann: -32.8% / North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 110 units per year, this, too, means a decrease.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 108 apartments in 2012 (district of Mettmann: 703 / North Rhine-Westphalia: 39,989 / GER: 241,090). In line with the building completion volume, the number of building permissions is below the five-year average of approx. 140 units per year.

The vacancy rate in multi-family buildings in the district of Mettmann currently (2012) amounts to 2.4%. Thus, it is below the German average, but has increased compared with 2009 (+0.1%-points) (North Rhine-Westphalia: 3.3 [0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in the district of Mettmann is at 2.9% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Velbert the average asking price in the year 2013 amounts to 5.95 €/sq m/month. This constitutes an increase of +0.8% compared to the previous year.

Segmented according to apartment size, the highest rental offer prices of 6.40 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 72.20 sq m.

2.5. Residential market of Duisburg

Population and Households

The urban commune of Duisburg is situated in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 486,816 people live here (2012). They distribute over 244,545 households. Hence, households in the City of Duisburg have an average size of 2.0 persons (North Rhine-Westphalia: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.8%) has opposed the German development (GER: +0.1%), showing a negative trend (North Rhine-

Westphalia: -0.2%). The development in the number of households during the same period (-0.3%) shows a similar tendency (North Rhine-Westphalia: +0.3% / GER: +0.4%).
Regarding future population developments in the City of Duisburg, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-9.2%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with -4.0% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the City of Duisburg is characterized by the Tertiary sector. 69.9% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the City of Duisburg is distributed over the Secondary sector with 30.1% as well as the Primary sector with 0.1%.
The GfK purchasing power index per inhabitant (2014) stands at 86.3 and has changed only marginally by -0.7 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Duisburg is significantly below the German figure (North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).
On the labour market the City of Duisburg, with an unemployment rate (relating to the economically active population) of 13.8% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has further increased by +0.5%-points.

Residential Market

The residential market in the City of Duisburg consists of 79,644 residential buildings (census 2011: 80,922) and 259,677 apartments (census 2011: 258,061), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments increased by +0.1% (stock of residential buildings: +0.2%). The respective stocks (apartments / residential buildings) in North Rhine-Westphalia developed with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Duisburg consists of 3.3 apartments (North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 37.5 sq m (North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).
The building completion volume in Duisburg (2012) amounted to 569 residential units (North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes an increase of +16.1% (North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 450 units per year, this, too, means an increase.
Building permissions, which give an indication for the construction activity in subsequent years, were issued for 447 apartments in 2012 (North Rhine-Westphalia: 39,989 / GER: 241,090). In contrast to the building completion volume, the number of building permissions is below the five-year average of approx. 510 units per year.
The vacancy rate in multi-family buildings in Duisburg currently (2012) amounts to 5.4%. Thus, it is above the German average, but has decreased compared with 2009 (-0.1%-points) (North Rhine-Westphalia: 3.3 [-

0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Duisburg is at 5.3% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Duisburg the average asking price in the year 2013 amounts to 5.35 €/sq m/month. This constitutes no change compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 7.55 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 6.00 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 67.85 sq m.

2.6. Residential market of Oberhausen

Population and Households

The urban commune of Oberhausen is situated in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 210,005 people live here (2012). They distribute over 101,410 households. Hence, households in the City of Oberhausen have an average size of 2.1 persons (North Rhine-Westphalia: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.7%) has opposed the German development (GER: +0.1%), showing a negative trend (North Rhine-Westphalia: -0.2%). The development in the number of households during the same period (-1.3%) shows a similar tendency (North Rhine-Westphalia: +0.3% / GER: +0.4%).

Regarding future population developments in the City of Oberhausen, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-6.0%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with -0.8% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the City of Oberhausen is characterized by the Tertiary sector. 70.2% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the City of Oberhausen is distributed over the Secondary sector with 29.8% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 90.0 and has changed only marginally by -0.7 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Oberhausen is significantly below the German figure (North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).

On the labour market the City of Oberhausen, with an unemployment rate (relating to the economically active population) of 12.4% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has, however, decreased by -0.1%-points.

Residential Market

The residential market in the City of Oberhausen consists of 36,373 residential buildings (census 2011: 38,213) and 106,933 apartments (census 2011: 110,337), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments increased by +0.1% (stock of residential buildings: +0.2%). The respective stocks (apartments / residential buildings) in North Rhine-Westphalia developed with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Oberhausen consists of 2.9 apartments (North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 36.8 sq m (North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).

The building completion volume in Oberhausen (2012) amounted to 449 residential units (North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes an increase of +197.4% (North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 230 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 316 apartments in 2012 (North Rhine-Westphalia: 39,989 / GER: 241,090). In line with the building completion volume, the number of building permissions is above the five-year average of approx. 200 units per year.

The vacancy rate in multi-family buildings in Oberhausen currently (2012) amounts to 4.0%. Thus, it is not only above the German average, but has even increased compared with 2009 (+0.3%-points) (North Rhine-Westphalia: 3.3 [-0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Oberhausen is at 4.0% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Oberhausen the average asking price in the year 2013 amounts to 5.50 €/sq m/month. This constitutes an increase of +1.9% compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 7.60 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 6.10 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 73.80 sq m.

2.7. Residential market of Gelsenkirchen

Population and Households

The urban commune of Gelsenkirchen is situated in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 257,607 people live here (2012). They distribute over 128,368 households. Hence, households in the City of Gelsenkirchen have an average size of 2.0 persons (North Rhine-Westphalia: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-1.2%) has opposed the German development (GER: +0.1%), showing a negative trend (North Rhine-Westphalia: -0.2%). The development in the number of households during the same period (-1.2%) shows a similar tendency (North Rhine-Westphalia: +0.3% / GER: +0.4%).

Regarding future population developments in the City of Gelsenkirchen, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-12.7%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with -7.3% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the City of Gelsenkirchen is characterized by the Tertiary sector. 71.2% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the City of Gelsenkirchen is distributed over the Secondary sector with 28.7% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 82.9 and has changed only marginally by -0.8 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Gelsenkirchen is significantly below the German figure (North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).

On the labour market the City of Gelsenkirchen, with an unemployment rate (relating to the economically active population) of 15.5% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has further increased by +1.4%-points.

Residential Market

The residential market in the City of Gelsenkirchen consists of 36,363 residential buildings (census 2011: 37,957) and 142,741 apartments (census 2011: 139,178), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments increased by +0.2% (stock of residential buildings: +0.4%). The respective stocks (apartments / residential buildings) in North Rhine-Westphalia developed with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Gelsenkirchen consists of 3.9 apartments (North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 38.4 sq m (North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).

The building completion volume in Gelsenkirchen (2012) amounted to 335 residential units (North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes an increase of +6.0% (North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 260 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 251 apartments in 2012 (North Rhine-Westphalia: 39,989 / GER: 241,090). In contrast to the building completion volume, the number of building permissions is below the five-year average of approx. 290 units per year.
The vacancy rate in multi-family buildings in Gelsenkirchen currently (2012) amounts to 5.2%. Thus, it is not only above the German average, but has even increased compared with 2009 (+0.4%-points) (North Rhine-Westphalia: 3.3 [-0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Gelsenkirchen is at 6.5% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Gelsenkirchen the average asking price in the year 2013 amounts to 5.00 €/sq m/month. This constitutes an increase of +2.0% compared to the previous year.
In the analysis according to construction year clusters, the cluster 1986-2005 forms the most expensive market segment with 5.95 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 5.35 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 66.10 sq m.

2.8. Residential market of Bremen

Population and Households

The urban commune of Bremen is situated in the federal state of Bremen. According to the updated results of the census 2011, 546,451 people live here (2012). They distribute over 298,559 households. Hence, households in the City of Bremen have an average size of 1.8 persons (state of Bremen: 1.8 / GER: 2.0 persons).
In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (+0.1%) has been in line with the German development (GER: +0.1%), showing a positive trend (state of Bremen: -0.1%). The development in the number of households during the same period (-0.5%) shows an opposed tendency (state of Bremen: -0.5% / GER: +0.4%).
Regarding future population developments in the City of Bremen, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-2.0%) until the year 2030 (base year: 2010; state of Bremen: -3.4% / GER: -2.9%). In the same period, the development of household numbers is projected with +0.9% (state of Bremen: -0.2% / GER: +2.9%).

Economy

The economy in the City of Bremen is characterized by the Tertiary sector. 74.5% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in

Germany accounts for 69.0% (state of Bremen: 75.1%). The remaining workforce in the City of Bremen is distributed over the Secondary sector with 25.5% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 95.7 and has changed only marginally by -0.9 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Bremen is below the German figure (state of Bremen: 93.6 / -0.6 points compared to the previous year).

On the labour market the City of Bremen, with an unemployment rate (relating to the economically active population) of 10.1% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (state of Bremen: 11.0%). Since March 13 it has, however, decreased by -0.7%-points.

Residential Market

The residential market in the City of Bremen consists of 113,556 residential buildings (census 2011: 118,637) and 290,413 apartments (census 2011: 283,203), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments increased by +0.2% (stock of residential buildings: +0.3%). The respective stocks (apartments / residential buildings) in the state of Bremen developed with +0.2% and +0.3%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Bremen consists of 2.6 apartments (state of Bremen: 2.6 / GER: 2.2). Each inhabitant has an average living space of 40.4 sq m (state of Bremen: 40.9 sq m / GER: 42.1 sq m).

The building completion volume in Bremen (2012) amounted to 3,175 residential units (state of Bremen: 3,286 / GER: 200,466). Compared to the previous year this constitutes an increase of +384.0% (state of Bremen: +358.9% / GER: +9.5%). Compared to the five-year average of approx. 1,160 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 1,308 apartments in 2012 (state of Bremen: 1,477 / GER: 241,090). In line with the building completion volume, the number of building permissions is above the five-year average of approx. 1,090 units per year.

The vacancy rate in multi-family buildings in Bremen currently (2012) amounts to 2.4%. Thus, it is not only below the German average, but has even decreased compared with 2009 (-0.2%-points) (state of Bremen: 3.3 [0.0%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Bremen is at 2.9% (state of Bremen: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Bremen the average asking price in the year 2013 amounts to 7.65 €/sq m/month. This constitutes an increase of +2.0% compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 10.45 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 9.05 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 69.65 sq m.

2.9. Residential market of Bremerhaven

Population and Households

The urban commune of Bremerhaven is situated in the federal state of Bremen. According to the updated results of the census 2011, 108,323 people live here (2012). They distribute over 60,408 households. Hence, households in the City of Bremerhaven have an average size of 1.8 persons (Bremen: 1.8 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.9%) has opposed the German development (GER: +0.1%), showing a negative trend (Bremen: -0.1%). The development in the number of households during the same period (-0.3%) shows a similar tendency (Bremen: -0.5% / GER: +0.4%).

Regarding future population developments in the City of Bremerhaven, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-10.1%) until the year 2030 (base year: 2010; Bremen: -3.4% / GER: -2.9%). In the same period, the development of household numbers is projected with -5.3% (Bremen: -0.2% / GER: +2.9%).

Economy

The economy in the City of Bremerhaven is characterized by the Tertiary sector. 78.6% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (Bremen: 75.1%). The remaining workforce in the City of Bremerhaven is distributed over the Secondary sector with 21.3% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 83.0 and has changed only marginally by +0.4 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Bremerhaven is significantly below the German figure (Bremen: 93.6 / -0.6 points compared to the previous year).

On the labour market the City of Bremerhaven, with an unemployment rate (relating to the economically active population) of 15.1% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (Bremen: 11.0%). Since March 13 it has, however, decreased by -0.2%-points.

Residential Market

The residential market in the City of Bremerhaven consists of 21,320 residential buildings (census 2011: 21,372) and 65,472 apartments (census 2011: 64,127), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments remained unchanged (stock of residential buildings: +0.1%). The respective stocks (apartments / residential buildings) in Bremen developed with +0.2% and +0.3%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Bremerhaven consists of 3.1 apartments (Bremen: 2.6 / GER: 2.2). Each inhabitant has an average living space of 43.5 sq m (Bremen: 40.9 sq m / GER: 42.1 sq m).

The building completion volume in Bremerhaven (2012) amounted to 111 residential units (Bremen: 3,286 / GER: 200,466). Compared to the previous year this constitutes an increase of +85.0% (Bremen: +358.9% / GER: +9.5%). Compared to the five-year average of approx. 80 units per year, this, too, means an increase.
Building permissions, which give an indication for the construction activity in subsequent years, were issued for 169 apartments in 2012 (Bremen: 1,477 / GER: 241,090). In line with the building completion volume, the number of building permissions is above the five-year average of approx. 140 units per year.
The vacancy rate in multi-family buildings in Bremerhaven currently (2012) amounts to 7.1%. Thus, it is not only above the German average, but has even increased compared with 2009 (+0.9%-points) (Bremen: 3.3 [0.0%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Bremerhaven is at 6.3% (Bremen: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Bremerhaven the average asking price in the year 2013 amounts to 4.90 €/sq m/month. This constitutes an increase of +2.1% compared to the previous year.
In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 8.10 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 5.55 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 68.05 sq m.

2.10. Residential market of Emmerich

Population and Households

Emmerich is situated in the district of Kleve in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 30,038 people live here (2012). They distribute over 13,241 households. Hence, households in Emmerich have an average size of 2.3 persons (district of Kleve: 2.3 / North Rhine-Westphalia: 2.1 / GER: 2.0 persons).
In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.1%) has opposed the German development (GER: +0.1%), showing a negative trend (district of Kleve: 0.0% / North Rhine-Westphalia: -0.2%). The development in the number of households during the same period (+1.1%) shows an opposed tendency (Kleve: +2.3% / GER: +0.4%).
Regarding future population developments in the district of Kleve, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a growth (+2.2%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with +9.3% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the district of Kleve is characterized by the Tertiary sector. 67.3% of all employees (subject to social insurance contribution) are employed in this sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the district of Kleve is distributed over the Secondary sector with 28.1% as well as the Primary sector with 4.7%.

The GfK purchasing power index per inhabitant (2014) in the City of Emmerich stands at 85.2 and has changed only marginally by -0.9 points since the previous year. Compared to the German average (100), the purchasing power in the City of Emmerich is significantly below the German figure (district of Kleve: 91.2 / +0.3 points compared to the previous year) / North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).

On the labour market the district of Kleve, with an unemployment rate (relating to the economically active population) of 7.0% (March 14) is in a better position than the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has, however, increased by +0.3%-points.

Residential Market

The residential market in Emmerich consists of 8,834 residential buildings and 14,468 apartments, respectively (2011) (district of Kleve: 88,604 residential buildings and 132,807 apartments). The stock of apartments increased by +0.4% (stock of residential buildings: +0.5%) in a one year comparison (2010 - 2011). The respective stocks (apartments / residential buildings) in the district of Kleve developed with +0.7% and +0.7%, in North Rhine-Westphalia with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Emmerich consists of 1.6 apartments (district of Kleve 1.5 / North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 45.4 sq m (district of Kleve: 42.5 sq m / North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).

The building completion volume in Emmerich (2012) amounted to 86 residential units (district of Kleve: 1,115 / North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes an increase of +53.6% (district of Kleve: +12.2% / North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 70 units per year, this, too, means an increase.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 79 apartments in 2012 (district of Kleve: 1,066 / North Rhine-Westphalia: 39,989 / GER: 241,090). In contrast to the building completion volume, the number of building permissions is below the five-year average of approx. 80 units per year.

The vacancy rate in multi-family buildings in the district of Kleve currently (2012) amounts to 3.9%. Thus, it is not only above the German average, but has even increased compared with 2009 (+0.3%-points) (North Rhine-Westphalia: 3.3 [-0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in the district of Kleve is at 2.5% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Emmerich the average asking price in the year 2013 amounts to 5.75 €/sq m/month. This constitutes an increase of +0.9% compared to the previous year.

A differentiation according to apartment size as well as construction year clusters is not possible due to an insufficient sample size in certain clusters. The average size of all units on offer in 2013 amounts to 84.45 sq m.

2.11. Residential market of Essen

Population and Households

The urban commune of Essen is situated in the federal state of North Rhine-Westphalia. According to the updated results of the census 2011, 566,862 people live here (2012). They distribute over 297,876 households. Hence, households in the City of Essen have an average size of 1.9 persons (North Rhine-Westphalia: 2.1 / GER: 2.0 persons).

In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.5%) has opposed the German development (GER: +0.1%), showing a negative trend (North Rhine-Westphalia: -0.2%). The development in the number of households during the same period (-1.7%) shows a similar tendency (North Rhine-Westphalia: +0.3% / GER: +0.4%).

Regarding future population developments in the City of Essen, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-6.3%) until the year 2030 (base year: 2010; North Rhine-Westphalia: -3.6% / GER: -2.9%). In the same period, the development of household numbers is projected with -1.0% (North Rhine-Westphalia: +2.5% / GER: +2.9%).

Economy

The economy in the City of Essen is characterized by the Tertiary sector. 81.2% of all employees (subject to social insurance contribution) are employed in this economic sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (North Rhine-Westphalia: 70.0%). The remaining workforce in the City of Essen is distributed over the Secondary sector with 18.8% as well as the Primary sector with 0.1%.

The GfK purchasing power index per inhabitant (2014) stands at 99.3 and has changed only marginally by -0.7 points since the previous year. Compared to the German average (100), the purchasing power index in the City of Essen roughly corresponds to the German figure (North Rhine-Westphalia: 100.1 / -0.2 points compared to the previous year).

On the labour market the City of Essen, with an unemployment rate (relating to the economically active population) of 12.4% (March 14) is in a worse position than the Federal Republic of Germany (7.1%) (North Rhine-Westphalia: 8.5%). Since March 13 it has, however, decreased by -0.2%-points.

Residential Market

The residential market in the City of Essen consists of 87,034 residential buildings (census 2011: 89,131) and 319,338 apartments (census 2011: 310,806), respectively (2011). In a one year comparison (2010 - 2011) the stock of apartments increased by +0.1% (stock of residential buildings: +0.3%). The respective stocks (apartments / residential buildings) in North Rhine-Westphalia developed with +0.3% and +0.4%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Essen

consists of 3.7 apartments (North Rhine-Westphalia: 2.3 / GER: 2.2). Each inhabitant has an average living space of 39.8 sq m (North Rhine-Westphalia: 40.5 sq m / GER: 42.1 sq m).
The building completion volume in Essen (2012) amounted to 808 residential units (North Rhine-Westphalia: 37,242 / GER: 200,466). Compared to the previous year this constitutes an increase of +29.9% (North Rhine-Westphalia: +8.1% / GER: +9.5%). Compared to the five-year average of approx. 620 units per year, this, too, means an increase.
Building permissions, which give an indication for the construction activity in subsequent years, were issued for 1,069 apartments in 2012 (North Rhine-Westphalia: 39,989 / GER: 241,090). In line with the building completion volume, the number of building permissions is above the five-year average of approx. 740 units per year.
The vacancy rate in multi-family buildings in Essen currently (2012) amounts to 3.9%. Thus, it is above the German average, but has decreased compared with 2009 (-0.3%-points) (North Rhine-Westphalia: 3.3 [-0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in Essen is at 4.4% (North Rhine-Westphalia: 3.6% / GER: 4.4%).

Rents
On the letting market for flats in Essen the average asking price in the year 2013 amounts to 6.25 €/sq m/month. This constitutes an increase of 1.6% compared to the previous year.
In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 8.80 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 6.90 €/sq m/month can be observed for small units (<45 sq m) as well as large units (>84 sq m). The average size of all units on offer in 2013 amounts to 68.70 sq m.

2.12. Residential market of Göttingen

Population and Households
Göttingen is situated in the district of Göttingen in the federal state of Lower Saxony. According to the updated results of the census 2011, 116,650 people live here (2012). They distribute over 71,795 households. Hence, households in Göttingen have an average size of 1.6 persons (district of Göttingen: 1.8 / Lower Saxony: 2.1 / GER: 2.0 persons).
In the two-year comparison, which is based on an older version of updated population figures published by the German Statistical Office due to a lack of current census figures (2009 - 2011), the population growth (-0.1%) has opposed the German development (GER: +0.1%), showing a negative trend (district of Göttingen: -0.4% / Lower Saxony: -0.2%). The development in the number of households during the same period (+1.3%) shows an opposed tendency (Göttingen: +2.6% / GER: +0.4%).
Regarding future population developments in the district of Göttingen, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) forecasts a decline (-8.0%) until the year 2030 (base year: 2010; Lower Saxony: -2.4% / GER: -2.9%). In the same period, the development of household numbers is projected with -3.1% (Lower Saxony: +3.8% / GER: +2.9%).

Economy

The economy in the district of Göttingen is characterized by the Tertiary sector. 76.7% of all employees (subject to social insurance contribution) are employed in this sector. In comparison, the Tertiary sector in Germany accounts for 69.0% (Lower Saxony: 67.8%). The remaining workforce in the district of Göttingen is distributed over the Secondary sector with 22.8% as well as the Primary sector with 0.5%.

The GfK purchasing power index per inhabitant (2014) in the City of Göttingen stands at 97.5 and has changed only marginally by +0.2 points since the previous year. Compared to the German average (100), the purchasing power in the City of Göttingen is below the German figure (district of Göttingen: 96.0 / +0.3 points compared to the previous year) / Lower Saxony: 98.3 / +0.4 points compared to the previous year).

On the labour market the district of Göttingen, with an unemployment rate (relating to the economically active population) of 6.7% (March 14) is in a better position than the Federal Republic of Germany (7.1%) (Lower Saxony: 6.8%). Since March 13 it has further decreased by -0.2%-points.

Residential Market

The residential market in Göttingen consists of 18,559 residential buildings and 64,961 apartments, respectively (2011) (district of Göttingen: 55,338 residential buildings and 126,116 apartments). The stock of apartments increased by +0.7% (stock of residential buildings: +0.6%) in a one year comparison (2010 - 2011). The respective stocks (apartments / residential buildings) in the district of Göttingen developed with +0.5% and +0.3%, in Lower Saxony with +0.5% and +0.6%, while Germany shows the trends of +0.4% and +0.5%. On average each residential property in Göttingen consists of 3.5 apartments (district of Göttingen 2.3 / Lower Saxony: 1.8 / GER: 2.2). Each inhabitant has an average living space of 38.6 sq m (district of Göttingen: 41.5 sq m / Lower Saxony: 45.4 sq m / GER: 42.1 sq m).

The building completion volume in Göttingen (2012) amounted to 98 residential units (district of Göttingen: 227 / Lower Saxony: 20,594 / GER: 200,466). Compared to the previous year this constitutes a decrease of -78.9% (district of Göttingen: -61.9% / Lower Saxony: +14.3% / GER: +9.5%). Compared to the five-year average of approx. 200 units per year, this, too, means a decrease.

Building permissions, which give an indication for the construction activity in subsequent years, were issued for 480 apartments in 2012 (district of Göttingen: 671 / Lower Saxony: 26,697 / GER: 241,090). In contrast to the building completion volume, the number of building permissions is above the five-year average of approx. 250 units per year.

The vacancy rate in multi-family buildings in the district of Göttingen currently (2012) amounts to 3.0%. Thus, it is not only below the German average, but has even decreased compared with 2009 (-0.1%-points) (Lower Saxony: 3.6 [-0.2%-points] / GER: 3.3 [-0.4%-points]). According to the results of the census 2011, the vacancy rate – based on the total housing stock – in the district of Göttingen is at 3.7% (Lower Saxony: 3.6% / GER: 4.4%).

Rents

On the letting market for flats in Göttingen the average asking price in the year 2013 amounts to 7.70 €/sq m/month. This constitutes an increase of +5.5% compared to the previous year.

In the analysis according to construction year clusters, the cluster > 2005 forms the most expensive market segment with 9.05 €/sq m/month. Segmented according to apartment size, the highest rental offer prices of 9.20 €/sq m/month can be observed for small units (<45 sq m). The average size of all units on offer in 2013 amounts to 72.25 sq m.

3. THE PORTFOLIO

3.1. Geographic Distribution

The properties of the BCRE IPO Portfolio are located in Leipzig, Velbert, Oberhausen, Hanover, Gelsenkirchen, Duisburg, Bremen, Bremerhaven, Göttingen, Essen, Emmerich and Dortmund:

City	Post Code	Address
Leipzig	04347	Lazarusstr. 1a,1b,1c; Theklaer Str. 7,9
Leipzig	04347	Lazarusstr. 1
Leipzig	04347	Bautzner Str. 3,5
Leipzig	04315	Schulze-Delitzsch-Str. 16
Leipzig	04315	Hermann-Liebmann-Str. 105
Leipzig	04315	Meißner Str. 7
Leipzig	04315	Meißner Str. 11
Leipzig	04315	Neustädter Str. 32
Leipzig	04315	Mariannenstr. 19
Leipzig	04315	Mariannenstr. 35,37
Leipzig	04315	Ludwigstr. 5
Leipzig	04315	Eisenbahnstr. 11, 11/HH
Leipzig	04315	Neustädter Str. 9
Leipzig	04315	Hermann-Liebmann-Str. 87
Leipzig	04315	Ludwigstr. 50
Leipzig	04317	Augustenstr. 1,3
Leipzig	04317	Krugstr. 4
Leipzig	04317	Carpzovstr. 6
Leipzig	04277	Biedermannstr. 16
Leipzig	04277	Biedermannstr. 59
Leipzig	04249	Anton-Zickmantel-Str. 19,19a,21,23
Leipzig	04249	Breitschuhstr. 18
Leipzig	04249	Breitschuhstr. 38
Leipzig	04249	Dieskaustr. 260-264
Leipzig	04177	Erich-Köhn-Str. 61b
Leipzig	04179	Sattelhofstr. 25
Leipzig	04159	Georg-Schumann-Str. 225a
Leipzig	04159	Ölhafenstr. 7
Leipzig	04155	Elsbethstr. 29
Leipzig	04357	Oberläuterstr. 28-50 / Wilhelm-Busch-Str. 25
Leipzig	04357	Friedrichshafner Str. 69, Mockauer Str. 32-48
Leipzig	04328	Ostheimstr. 2a-b,4a-b,6a-b,8a-b,10a-b,12a-b,14a-b,16a-b,18a-b,20a-b
Leipzig	04289	Paul-Flechsig-Str. 2-12,13,14,15,16,17,19,21,22,23,25
Leipzig	04289	Chemnitzer Str. 56-66
Leipzig	04289	Heinrich-Mann-Weg 6-10
Leipzig	04249	Arthur-Nagel-Str. 30-48 / Bismarckstr. 1-7 / Karl-Heft-Str. 1-29 / Kloßstr. 12-20,32-38 / Martin-Herrmann-Str. 2-32
Leipzig	04249	Huttenstr. 19, 21,22a-c,23,24,24a-c,26,26a-c / Ponickaustr. 15
Leipzig	04179	Am langen Felde 2-6 / Georg-Schwarz-Str. 95-99
Leipzig	04159	Yorckstr. 1,3,5,5a
Leipzig	04349	Stollberger Str. 1,2,3,4,5,7,10,12
Leipzig	04159	Diderotstr. 1-11,23-33 / Yorckstr. 31-41,63-71
Leipzig	04157	Fritz-Schmenkel-Str. 2-12 / Sylter Str. 22-30,31-49 / Zillstr. 1-13
Leipzig	04157	Zillstr. 2-12

City	Post Code	Address
Gelsenkirchen	45891	Cranger Str. 358-404, Erigasse 1+3, 11+13, Franzisstr. 1+2, Hedwigplatz 3-7, Hermannstr. 1-5, 7, 15, 17, 19-31, 33-36, 38, 40, 41, 43, 45, 47, 49, 51, Rudelgasse 1-2, 32
Oberhausen	46049	Bebelstr. 19-49
Velbert	42549	Von-Humboldt-Str. 2-10
Velbert	42549	Am Kostenberg 32, 42, 52, Heidekamp 1+6
Velbert	42549	Bartelskamp 6-10, Bartelsheide 2-16, Am Lindenkamp 20-24, Am Kostenberg 25-37
Velbert	42549	Ernst-Moritz-Arndt-Str. 2-8; Papenfeld 37-45, Heiligenhauser Straße 44-50
Hanover	30453	Göttinger Hof 4A
Hanover	30453	Göttinger Hof 4B
Hanover	30453	Göttinger Hof 4C
Hanover	30453	Göttinger Hof 4D
Hanover	30459	Friedrich-Ebert-Str. 6
Hanover	30459	Friedrich-Ebert-Str. 8
Hanover	30459	Friedrich-Ebert-Str. 10
Hanover	30459	Friedrich-Ebert-Str. 12
Hanover	30453	Göttinger Chaussee 69
Hanover	30453	Göttinger Chaussee 71
Hanover	30453	Göttinger Chaussee 73
Hanover	30459	Friedrich-Ebert-Str. 49
Hanover	30459	Friedrich-Ebert-Str. 60
Hanover	30459	Friedrich-Ebert-Str. 62
Hanover	30459	Ricklinger Stadtweg 53
Hanover	30459	Ricklinger Stadtweg 55
Hanover	30459	Ricklinger Stadtweg 57
Hanover	30459	Ricklinger Stadtweg 59
Hanover	30459	Ricklinger Stadtweg 61
Hanover	30459	Ricklinger Stadtweg 63
Hanover	30459	Ricklinger Stadtweg 65
Hanover	30459	Ricklinger Stadtweg 67
Hanover	30459	Auf dem Rohe 39
Hanover	30459	Auf dem Rohe 41
Hanover	30459	Auf dem Rohe 43
Hanover	30459	Auf dem Rohe 45
Hanover	30459	Dormannstr. 20
Hanover	30459	Dormannstr. 22
Hanover	30459	Dormannstr. 24
Hanover	30459	Dormannstr. 26
Hanover	30459	Herforder Str. 15
Hanover	30459	Herforder Str. 17
Hanover	30459	Herforder Str. 19
Hanover	30459	Herforder Str. 21
Hanover	30459	Herforder Str. 23
Hanover	30459	Auf dem Rohe 38
Hanover	30459	Auf dem Rohe 40
Hanover	30459	Auf dem Rohe 42
Hanover	30459	Auf dem Rohe 44
Hanover	30419	Haltenhoffstr. 200
Hanover	30419	Haltenhoffstr. 202
Hanover	30419	Haltenhoffstr. 204
Hanover	30419	Troskeweg 1
Hanover	30419	Troskeweg 2
Hanover	30419	Troskeweg 3
Hanover	30419	Troskeweg 4
Hanover	30419	Wesenerweg 1
Hanover	30419	Wesenerweg 2
Hanover	30419	Wesenerweg 3
Hanover	30419	Wesenerweg 4

City	Post Code	Address
Hanover	30419	Buddeweg 2
Hanover	30419	Buddeweg 3
Hanover	30419	Buddeweg 4
Hanover	30419	Weirauchstr. 1
Hanover	30419	Weirauchstr. 3
Hanover	30419	Weirauchstr. 5
Hanover	30419	Weirauchstr. 7
Hanover	30419	Weirauchstr. 2
Hanover	30419	Haltenhoffstr. 188, 188a
Hanover	30419	Haltenhoffstr. 186
Hanover	30419	Haltenhoffstr. 184
Hanover	30419	Haltenhoffstr. 182
Hanover	30419	Haltenhoffstr. 180
Hanover	30419	Haltenhoffstr. 172
Hanover	30419	Haltenhoffstr. 174
Hanover	30419	Haltenhoffstr. 176
Hanover	30419	Troskeweg
Hanover	30419	Wesenerweg
Hanover	30459	Kiffkampe / Bierweg
Leipzig	04347	Gorkistraße 120
Essen	45309	Am Mörgeken 1, 3
Essen	45309	Am Mörgeken 5
Essen	45309	Am Mörgeken 7
Essen	45309	Am Mörgeken 9
Essen	45309	Am Mörgeken 11
Essen	45309	Am Mörgeken 13
Essen	45309	Am Mörgeken 15
Essen	45309	Am Mörgeken Stellplätze 1-15
Bremen	28325	Brienzer Straße 2-8
Bremen	28197	Kamphofer Damm 41
Bremen	28197	Kamphofer Damm 43
Bremen	28197	Kamphofer Damm 45-49
Bremen	28197	Kamphofer Damm 51-55
Bremen	28197	Kamphofer Damm 57-61
Bremen	28197	Kamphofer Damm 63-67
Bremerhaven	27570	Schillerstraße 122 - 140
Bremerhaven	27570	Flensburger Straße 3,3a - 11,11
Bremerhaven	27570	Sylter Weg 2-10
Göttingen	37081	Sollingstraße 2/2a/2b
Leipzig	04177	Odermannstraße 12
Leipzig	04318	Torgauer Straße 51
Leipzig	04316	Paunsdorfer Straße 18
Bremerhaven	27570	Düppelstraße 20
Bremerhaven	27576	Eichendorffstraße 31
Bremerhaven	27576	Eupenerstraße 14
Bremerhaven	27576	Georgstraße 65
Bremerhaven	27568	Hafenstraße 191
Bremerhaven	27568	Hafenstraße 196
Bremerhaven	27576	Heinrichstraße 24
Bremerhaven	27574	Hertzstraße 12
Bremerhaven	27576	Körnerstraße 42 / Eichendorffstraße 22
Bremerhaven	27570	Ludwigstraße / Industriestraße 16,18,20/Ind
Bremerhaven	27570	Max-Dietrich-Straße 24
Bremerhaven	27576	Sollingstraße 3
Bremerhaven	27568	Werkstraße 6,8
Leipzig	04157	Wehrmannstraße 1,3,5,7,9,11 / Jörgen-Schmidtchen-Weg 7,9,11
Bremerhaven	27568	Hafenstraße 21
Bremerhaven	27568	Georgstraße 58
Bremerhaven	27570	Georgstraße 40 / Theestraße 13

City	Post Code	Address
Bremerhaven	27576	Goethestraße 12
Bremen	28779	Bürgermeister-Kürten-Straße 30,32
Bremen	28779	Bürgermeister-Kürten-Straße 2, 4, 6-12 (even & uneven), 14-29 (even & uneven), 31, 33-39 (even & uneven); Liebrechtsraße 3
Bremen	28779	Scheringerstraße 1, 3, 5
Leipzig	04299	Papiermühlstraße 24a
Essen	45257	Kupferdreher Markt 7
Essen	45357	Reuenberg 72
Leipzig	04178	Leipziger Straße 69
Leipzig	04357	Dimpfelstraße 51
Göttingen	37077	Hannoversche Straße 103
Göttingen	37081	Weserstraße 36
Leipzig	04288	Seitenstraße 13
Leipzig	04178	Heinrich-Heine-Straße 48
Bremerhaven	27570	Georgstraße 63
Emmerich	46446	Heerenberger Straße 58a
Emmerich	46446	Heerenberger Straße 58b
Emmerich	46446	Heerenberger Straße 58
Emmerich	46446	Heerenberger Straße 60
Emmerich	46446	Heerenberger Straße 60a
Duisburg	47059	Kaßlerfelder Straße 30, 32
Duisburg	47053	Johanniterstraße 125
Duisburg	47249	Lambarenestr. 31-39 uneven, 61-69 uneven, 81-85 uneven
Duisburg	47249	Lüderitzallee 55-63 uneven
Duisburg	47059	Andreasstr. 6-9, 11, Klemensstr. 5
Duisburg	47137	Dr.-Lengeling-Str. 16, Sommerstr. 49, 51
Duisburg	47059	Ruhrorter Str. 27, 29
Essen	45143	Jahnplatz 12
Essen	45356	Hagenbecker Bahn 8-10
Essen	45356	Bottroper Straße 117-121 (uneven)
Essen	45356	Sälzer Str. 77-83 uneven
Essen	45356	Haus-Berge-Str. 161, 163
Essen	45138	Am Ostpark 8
Essen	45143	Altendorfer Str. 376
Essen	45326	Bäuminghausstr. 79, 81
Essen	45144	Frohnhauser Str. 124
Essen	45356	Bergmühle 69, 71
Essen	45307	Bartlingstr. 10
Essen	45143	Holdenweg 9
Essen	45326	Nienhausenstr. 4, 6
Essen	45143	Weuenstr. 19
Essen	45143	Hüttmannstr. 65
Essen	45147	Keplerstr. 33
Essen	45138	Spichernstr. 7
Essen	45147	Windmühlenstr. 6
Essen	45144	Seibertzstr. 1
Essen	45138	Wörthstr. 36
Dortmund	44143	Eisenacher Straße 2-8 (even)
Dortmund	44147	Goethestraße 51-69 (uneven)
Dortmund	44143	Heimbaustraße 1-43 (uneven)
Dortmund	44147	Herderstraße 72-86 (even)
Dortmund	44143	Klönnestraße 60-70 (even)

The BCRE IPO Portfolio consists of 7,426 residential, 117 commercial and 1,175 parking units along with several miscellaneous units. The subject portfolio features a lettable area of 427,858 sq m with 415,793 sq m (97.1%) of residential and 12,065 sq m of commercial space. At the dates of valuations the BCRE IPO portfolio has an in-place vacancy rate of 6.1% (26,124 sq m). The properties of the portfolio are located in mostly average micro locations.

3.2. Breakdown of Market Values

The Market Values range from the highest of 21,500,000 Euro (Leipzig, Arthur-Nagel-Str. 30-48 even / Bismarckstr. 1,3,5,7 / Karl-Heft-Str. 1-29 uneven / Kloßstr. 12,14,16,18,20,32,34,36,38 / Martin-Herrmann-Str. 2-32 even), equaling a multiplier on the Effective Gross Income of 12.8 to the lowest Market Value (Mariannenstr. 19) of 111,000 Euro, equaling a multiplier of 10.7.

3.3. Breakdown of Rental Income

On average, the total rent per sq m per month (including parking and miscellaneous units) amounts to € 4.59. The average residential rent is € 4.82 per sq m per (rented area) and month, while commercial spaces have an average rent of € 4.69 per sq m (rented area) and month.

4. APPLIED VALUATION METHODOLOGY

4.1. Valuation Methodology

Generally, there are three different approaches to valuing a property: the sales comparison method, the cost approach and the income approach.

The Sales Comparison Method

The sales comparison method is an appropriate approach to value investment property, but it heavily depends on the availability of sales comparables. A transaction can be regarded as comparable, if the sold property is similar to the valuation property regarding size, condition, rent level and location. Further, the transaction must have taken place according to the requirements stated in the RICS definition of the Market Value (arm's length transaction with knowledgeable and prudent parties without compulsion) and there must be a temporary proximity between transaction and valuation, as markets are in constant movement. As it is very difficult to obtain comparables that fit all these requirements because the German market is intransparent, NAI apollo opted against using this approach for the valuation of the BCRE IPO portfolio.

The Cost Approach

This methodology determines a property's value based on the costs associated with its construction. It is usually used mainly for self-occupied real estate which do not have an actual cash flow. The valued properties can be regarded as investment properties, which is why the application of the cost approach would not yield reliable results.

The Income Approach

The income approach is usually used to estimate the value of investment property. This methodology allows making detailed estimations regarding future cash flow developments in order to see the direction and market position a property is headed to. As this approach seems to be best suited for the valued properties, NAI apollo applied a cash flow-focused approach. NAI apollo considers the Discounted Cash Flow (DCF) approach the most transparent and practicable income approach methodology, which is why this model was used for the valuation of the BCRE IPO portfolio.

4.2. Plausibility Check

The data provided to NAI apollo was checked for obvious errors and logical inconsistencies. This check includes a review of the accuracy and completeness of the data, in particular addresses, the number of economic and administrative units, property types, lettable areas, lease agreements, vacancies and current incomes. If inconsistent data was discovered the Company was informed immediately and the inconsistencies were removed. If implausible data could not be verified or data was missing, NAI apollo made plausible assumptions.

4.3. Cash Flow Estimation

NAI apollo developed a forecast of future cash flows for a ten year holding period for the subject properties. After year ten, a resale value (present value of all future cash flows generated by the asset) was estimated. The cash flow estimation was based on the following scheme:

Potential Gross Revenue

The Potential Gross Revenue (PGR) forms the basis of the valuation. It comprises of the revenues p.a. for rented areas and other units plus a potential market rent for currently vacant areas.

Effective Gross Revenue

Deducting the lost incomes from the PGR, NAI apollo arrives at the Effective Gross Revenue (EGR). Thus, this figure shows the actual rental income, taking into account existing and estimated future vacancies.

Net Operating Income

All running costs such as management costs, void costs, collection loss, ongoing maintenance, tenant improvements and ground lease payments are subtracted from the EGR to arrive at the Net Operation Income (NOI).

Operating Profit

In the final step to determine a free cash flow, one-off costs such as capex are deducted from the NOI.

4.4. Structural Investigations

NAI apollo has not undertaken structural surveys or investigations for the purposes of this valuation. During site inspection, the properties were not measured nor were the services or technical installations tested. All observations and results from the inspections carried out by NAI apollo are based exclusively on purely visual examination with no guarantee as to completeness. If, during the inspection, it appeared that there was a backlog of maintenance or repairs, this was reflected in the valuation accordingly. No further investigations that might have caused damage to the subject properties have been carried out. Statements concerning structural elements or materials that were covered or otherwise incapable of inspection are based on information provided or on assumptions.

4.5. Technical Cost Indexation

The technical costs were indexed with the ‘Baupreisindex für die Instandhaltung von Wohngebäuden’ (building price index for the refurbishment of multi-family houses), determined quarterly by Destatis (German Statistical Office). As this index is subject to fluctuations, applying the current figure to forecast the cost development for ten years would be inappropriate. Thus, to forecast the next ten years more reliably, NAI apollo applied the average cost increase observed during the last ten years. The ten year average increase of technical costs amounts per property from 2.16% to 2.43% p.a., which was applied by NAI apollo for the indexation of ongoing maintenance, tenant improvements and capex.

4.6. Indexation of Costs

Aside from the indexation of technical costs, which was laid out in 4.5., there are some other costs that need to be indexed in order to consider future cash flow developments. These costs, namely management costs, vacancy costs and ground lease payments, were indexed according to the development of the 'Verbraucherpreisindex' (consumer price index - CPI) published monthly by Destatis (German Statistical Office). Here, too, to forecast the next ten years, NAI apollo relied on the average price growth observed during the last ten years. The development of this index is displayed in the figure 'Consumer Price Index Development'. The average growth rate of the CPI within the last ten years amounts from 1.60% to 1.70% p.a., which was consequently applied by NAI apollo for the indexation of the above cost categories.

4.7. Environmental contamination and soil conditions

Based on information received from the Company, we have assumed that the subject properties are not subject to any form of contamination and that no uses or activities with potential to cause contamination have been or are being carried out on or in them. Based on the information provided, we have also assumed that no environmental investigations or soil surveys that have discovered contamination or potential contamination in or on the subject properties (including the buildings) have been carried out. For the purposes of this valuation, we have assumed that no potential contamination exists. Should it be discovered, subsequent to our valuation, that contamination exists on any of the subject properties and/or on adjoining or nearby properties or that uses capable of causing contamination have been carried out in any of the subject properties, this could have a detrimental effect on the value of the subject property concerned.

4.8. Collection Loss

Collection loss is the risk of a reduction in income as a result of uncollectible arrears of rent. It also serves to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent due deposit payments must also be taken into account under this heading. The amount of the collection loss depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. The collection loss is calculated as percentage of the annual Effective Gross Revenue (EGR). A percentage of 0.50% to 3.18% of the annual EGR was considered for collection loss in the valuation of the BCRE IPO portfolio.

4.9. Void Costs

Since 2006 the Mieterbund (German Tenant Alliance) annually publishes a study of operating costs based on service charge statements provided by its members ('Betriebskostenspiegel'). The latest edition of the study was published in March 2013 and was based on operating costs gathered in 2011. Operating costs differ between East and West Germany, with costs in East Germany averaging € 2.77 per sq m and month in 2011, while tenants in West Germany pay an average of € 3.00 per sq m and month. When units are rented, these costs are born by the tenant and do not affect the property's cash flow. However, some of these costs also occur when a unit is vacant. These costs then have to be paid by the owner and thus affect the cash flow. According to relevant literature (cf. Prof. Dr. Kleiber, 'Verkehrswertermittlung von Grundstücken') and our internal benchmarks these cash flow relevant costs make up for 40% - 80% of the operating costs. These costs were taken into account in the valuation by NAI apollo for vacant spaces.

4.10. Revenue Assumptions

NAI apollo assumed residential market rents for each property ranging between € 3.30 and € 8.60 per sq m per month according to the property's market position. The determination of market rents was based on thorough research conducted with the help of several sources. Further, an indexation rate for each assumed rent was set according to current price developments and future expectations regarding the development of each local market. This indexation rate was applied to determine the annual growth of the market rent. If properties were currently subject to rent restrictions, the resulting limited rent increase potential was taken into account for the remaining runtime of the subsidization agreement. Afterwards NAI apollo assumed a letting of vacated units at market level. In-place rents were indexed annually according legal regulations. Further, an annual tenant turnover was assumed for residential spaces, with new lettings taking place at the respective market rent (taking into account vacancy periods, if applicable).

4.11. Vacancy Development

The tenant turnover rate was determined individually based on the relation of current rents and market rents as well as the property condition and each property's market position. When assuming a tenant turnover of 10% p.a., vacancy times were taken into account, also based on property condition and location quality. In addition, NAI apollo determined a structural vacancy for each property ranging between 1% and 3% based on local vacancy rates (e.g. provided in the techem empirica vacancy index), the in-place vacancy of the properties, the micro location, the property condition, assumed future investments and market rents. We have assumed a property related void period of 0 to 12 months depending on micro-location, property condition as well as condition and fit out of the inspected apartments.

4.12. Management Costs

Management costs are costs for the management of a property or economic unit. This includes the coordination and supervision of maintenance works, a consistent book-keeping incl. the preparation of annual accounts and the monitoring of building structures and employed personnel. According to NAI's internal benchmarks, these management costs usually range between € 200 and € 350 per unit and year. Management costs for commercial spaces are usually calculated as share of the rent paid. These costs usually range between 2% and 5% of the annual PGR. For the BCRE IPO portfolio NAI apollo applied the following management costs:

Residential: € 240 - € 300 per unit per year
Commercial: 3.0% of the annual Potential Gross Revenue (PGR)
Parking: € 30.00 to € 40.00 per unit and year

4.13. Technical Costs

There was no technical due diligence report provided by the Company. NAI apollo made own assumptions regarding necessary technical investments based on findings during the site inspections and documentation provided by the Company. In case a due diligence report provided by a technical consultancy shows different results, the assumptions and scenarios developed by NAI apollo would need to be revised.

Ongoing maintenance

Ongoing maintenance costs are expenditures necessary to keep properties in their current condition and preserve their usability. Ongoing Maintenance are used to remove damages caused by wear and tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the properties. The amount of ongoing maintenance necessary depends on the property condition and legal requirements such as e.g. monument protection. According to internal benchmarks gained in numerous valuation projects, these costs usually range between € 4.00 and € 10.00 per sq m per year. NAI apollo applied ongoing maintenance costs of € 5.00 - € 9.00 per sq m for the valuation of the BCRE IPO portfolio.

Tenant Improvements

Tenant Improvements (TIs) are costs necessary to bring vacated units into a marketable and re-lettable condition. Tenant improvements include touch-up repairs as well as refurbishment costs and marketing costs. This cost category has to be regarded as an average figure, as the works necessary to re-let units differ from units that just need to be cleaned to complete modernizations. These costs usually account for approx. € 20 - € 40 per vacant sq m according to our internal benchmark database. For the valuation of the BCRE IPO portfolio NAI apollo on average applied TIs of € 31 per sq m.

Capital Expenditures

Capital expenditures (capex) are defined as the amount used during a particular period to acquire or improve long term assets. These are one off costs necessary for immediate repairs and modernizations not covered by the ongoing maintenance. NAI apollo assumed capital expenditures that amount to € 2,046,702 to be spent.

4.14. Transaction Costs

The Market Value as defined in the Red Book is the 'estimated amount for which a property should exchange on the date of valuation […]'. Due to this required sale, NAI apollo assumed transaction costs at the date of valuation. This cost category includes legal fees for sale, tax and land register fees as well as the broker's commission. In the past, the German government set the tax on acquisition of real estate to 3.50% of the net sale proceeds. Since September 2006, the federal states are entitled to set the tax rate independently.

For the BCRE IPO properties, this results in a weighted average of transaction costs of 6.20% of the Net Capital Value.

4.15. Discount Rate

The discount rate reflects all risks and opportunities that are associated with a property and which were not accounted for in the cash flow. It is used to discount the annual operating profits to the date of valuation. This discount rate is set by NAI apollo for each individual property and comprises of a yield for an alternative risk-free investment and a propertyspecific risk premium. The yield for a risk-free investment is taken into account in form of the ten year average rate of return for a European Government Bond. At the date of valuation 31 December 2013, the ten year average rate of return for ten year European Government Bonds stood at 3.85% and 13 May 2014 at 3.80%.The risk premium which was added to arrive at an appropriate discount rate is based on socio-demographic data such as unemployment rates, population development forecasts or purchasing power as well as an assessment of each individual property's micro location and property quality. In addition, all other risks that have not been accounted for so far (such as legal risks or hidden building defects) were taken into account individually for each property. This discount rate is applied at least in the first year, but is variable in subsequent years, as capex investments can alter a property's risk structure.
Discount rates between 3.50% to 8.25% were applied.

4.16. Capitalization Rate

The capitalization rate (cap rate) is used to forecast future cash flows into perpetuity based on the cash flow development assumed in the ten year planning period (as it is assumed that properties are kept in stock after the assessed 10 year period). Capitalization rates between 2.95% to 7.81% were applied.

5. VALUATION RESULTS

Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards 2014 (9th edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2012 – 7th edition) and in accordance with IVSC International Valuation Standards 2013 (10th edition) on the basis of Market Value.

In VPS 4, section 1.2, the RICS Red Book 2014 adopts the following definition of the market value set by the International Valuation Standards Council (IVSC): 'The estimated amount for which an asset or liability should exchange on the valuation date be-tween a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.' The above definition in most cases concurs with that of Fair Value defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86. Further, the Market Value in result complies with the German 'Verkehrswert' according to Art. 194 BauGB (German Building Act).

The valuation result is rounded and represents a net figure, i.e. a deduction has been made for land transfer tax, legal costs and broker fees normally incurred by the purchaser. NAI apollo is of the opinion that aggregate of the individual Market Values of the properties, subject to the assumptions, caveats and comments contained within this report, as at 31 December 2013 and 13 May 2014 was:

€ 300,913,000

(Euro Three Hundred Million Nine Hundred and Thirteen Thousand)

Resulting in € 703 per sq m lettable area.

The Multiplier on the current Net Rent is 12.8.

The Gross Capital Value (Market Value plus transaction costs) for the above properties amounts to

€ 320,100,000

(Euro Three Hundred Twenty Million and One Hundred Thousand)

Frankfurt/Main, 13 May 2014

Stefan Mergen	Falk Schollenberger MRICS
Managing Partner	Managing Partner
NAI apollo valuation & research GmbH	NAI apollo valuation & research GmbH

Strictly Confidential

For Addressee Only

Valuation Summary Report for 2 Properties Located in Ludhiana, Punjab & Off Mumbai-Pune Expressway

Valuation Summary Report

for

BCRE - Brack Capital Real Estate Investments B.V. and Peel Hunt LLP

Valuation Summary Report

Date

May 07, 2014

CUSHMAN & WAKEFIELD®

Cushman & Wakefield (India) Pvt Ltd

14th Floor, Block C, Building No. 8, DLF Cyber City, Gurgaon, Haryana.

Tel +91 124 469 5555

Entity: **BCRE - Brack Capital Real Estate Investments B.V. & Peel Hunt LLP**

Properties: **The Imperial Golf Estate, off Ferozepur Road, District Ludhiana, Punjab, India**

And

Khopoli-Pen Road, Off Mumbai-Pune Expressway, India (hereinafter referred to as "Subject Properties")

Report Date: **May 07, 2014**

Valuation Date: **December 31, 2013**

A REPORT

1 Instructions

Appointment

We are pleased to submit our valuation summary report, which has been prepared for the admission of shares in BCRE – Brack Capital Real Estate Investments B.V. to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange the Admission for the benefit of **Peel Hunt LLP & BCRE - Brack Capital Real Estate Investments B.V.** (herein after referred to as "BCRE" or "client"**).** Our valuation summary report will be published in the prospectus relating to the Admission ("Prospectus").

Subject to the terms of engagement letter dated March 10th, 2014 entered between parties, we are responsible for this report and accept responsibility for the information contained within it,. Further, we understand that investors may rely on the valuation report as one of the factors in making their decision to invest in the shares of BCRE and regulators will rely on it when deciding whether to list the shares. We hereby consent for our valuation summary report to be included in the Prospectus.

The subject properties and interests valued are detailed in Annexure I & 2 of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 3 of this report. The extent of our professional liability to you is also outlined within these instructions.

2 Conflicts of Interest

We confirm that there are no conflicts of interest in our advising you on the value of the subject properties under the assumed conditions as instructed.

3 Basis of Valuation

We understand from our discussion with the client that the basic intention of the exercise is to assess the value of the subject development in its current state (its condition on the date of the site visit). Hence, the valuation of the subject development is assessed on the basis of 'Discounted Cash Flows Method' and/or 'Sales Comparable Method'. C&WI confirms that it shall prepare the Valuation Summary Report as an independent external valuer and that the report will be prepared in accordance with the Global Practice Statements and Guidance Notes contained in the RICS Valuation Standards (7th edition, as amended) published by the Royal Institution of Chartered Surveyors (the "Red Book").

We confirm that we have sufficient knowledge of the local property markets in which the properties are located and that we have the skills and understanding to undertake the valuation in a competent manner.

Market Value

The calculation of value has been carried out on the basis of the definition of Market Value. The Market Value is defined by the Royal Institution of Chartered Surveyors in the RICS Valuation Standards as:

"Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The Market Value reflects the definition, and the conceptual framework, settled by the International Valuation Standards Committee.

4 Assumptions, Departures and Reservations

We have prepared our report on the basis of the assumptions within our instructions (Caveats & Limitations) detailed in Annexure 4 of this report. The development mix, built up area, permissible height and saleable area for the proposed use of the subject development has been provided to us by BCRE.

5 Inspection

The Ludhiana property was inspected externally /internally from ground level on December 5, 2013. No measurement survey has been carried out by C&WI. We have relied entirely on the site areas provided to us by the Client. We have assumed that these are correct.

6 Sources of Information

Information on comparable properties are generally gathered from reliable sources (public and private auctions, sub broker of C&WI, local real estate agents), discussions with local residents, and media (newspaper articles, property websites, etc). However, for the purpose of this study, information on comparable properties has been gathered from local real estate agents.

7 General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our valuation could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the borrower contemplate a sale, we strongly recommend that the property is given proper exposure to the market. You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

8 Confidentiality

Same as otherwise agreed this report or any part of it may not be modified, altered (including altering the context in which the report is displayed) or reproduced without the written consent of C&WI (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying C&WI for all of the consequences of the contravention. C&WI accepts no liability for any use of the Report which is in contravention of this section.

9 Disclosure and Publication

Subject to the below paragraph and any contrary provision contained in the engagement letter dated March 10th, 2014, the Client acknowledges and agrees that C&WI's services hereunder (including, without limitation, the Reports itself and the contents thereof) are being provided by C&WI solely to and for the benefit of the Client and no other party.

Notwithstanding the above, the Valuation Summary Report has been prepared for the parties to whom it is addressed for the specific purposes set out herein, which includes publication of the valuation summary report in the Prospectus. Furthermore, the Client may disclose and use the content of the requested Valuation Summary Report in connection with any legal proceedings or regulatory investigations or action brought against it in connection with the Prospectus or Admission or as the basis of any due diligence or other defence.

This report or any part of it may not be modified, altered (including altering the context in which the report is displayed) or reproduced without the written consent of C&WI (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying C&WI for all of the consequences of the contravention. C&WI accepts no liability for any use of the Report which is in contravention of this section.

10 Valuation

Market Value

We hereby confirm that as at the date of this valuation summary report:

We have not become aware of any material changes since 31 December 2013 in any matter relating to any specific property covered by our valuation summary report which in our opinion would have a material effect on the Market Value as at today's date; or

In relation to market conditions and movements in the property markets in which the properties covered by our valuation summary report are located, we do not consider that any movement in respect to the properties constitutes material change since 31 December 2013

The Market Value is derived by summing the discounted cash flows as well as the discounted terminal value and deducting ancillary purchase costs for the Ludhiana Property and Sales Comparable ,Method for the Mumbai Property (as the RICS definition of 'Market Value assumes an asset to be traded at the date of valuation)

Market Value Assuming Vacant Possession

In our opinion, assuming vacant possession, the Market Value of the proposed freehold interest in the subject development is:

MARKET VALUE				
Property**	**Construction status**	**Land use**	**Market Value (INR million)**	**Methodology Used**
The Imperial Golf Estate, off Ferozepur Road, District Ludhiana, Punjab	Under construction	Residential	3156*	Discounted Cash Flow Method^
Khopoli-Pen Road, Off Mumbai-Pune Expressway	Land stage	Non Agriculture/ Agriculture	779	Sales Comparable Method
Total Market Value			**3,935**	

Note: Equity Value after adjusting for Debt and Interest inflows and outflows.

*****Note: For detailed property description of the Ludhiana property refer to Appendix I and for the Mumbai property refer to Appendix 2.***

^As per the information provided by the client, we understand that the client has incurred INR 2,814 million,

It may be noted that this is approximate value estimation. Actual achievable value may vary in the range of +/- 5 % depending on space usage, buyer profiles, and case-to-case transaction peculiarities.

INR 3,935 Million

(Indian Rupees Three Thousand Nine Hundred and Thirty Five Million only)

Signed for and on behalf of Cushman & Wakefield India Pvt. Ltd.

CUSHMAN & WAKEFIELD (INDIA) PVT. LTD.

Cyrus Bilimoria, MRICS	**Shailaja Balachandran**
Associate Director, V & A Services	**Regional Manager, V & A Services**
Archit Sood, MRICS	**Priyanka Vasishtha**
Regional Manager, V & A Services	**Senior Manager, V & A Services**
Rushit Shroff	**Bijon Keswani**
Manager, V & A Services	**Associate, V & A Services**

Appendix 1: Ludhiana Property Details

1 Property report for The Imperial Golf Estate, Ferozepur Road, District Ludhiana, Punjab

1.1 Location

General

The property (hereinafter referred to as 'subject property I') is a private Golf Course based residential township project located in Talwandi Kurd and Mullanpur, Greater Ludhiana, Punjab. Located approximately 2 kilometres off National Highway 95 (NH-95), also known as Ferozepur Road, the subject property I enjoys secondary access not only from Ferozepur Road but also from Sidhwan Canal Road. The current access to the subject property I is provided by Khanjarwal Mullanpur Link Road, an internal village road, however the future connectivity would be from a proposed masterplan road.

In the immediate vicinity to the subject property I is mostly agricultural land. Besides the subject property, along the Ferozepur Road and Sidhwan Canal Road, are other private township projects such as IREO Waterfront by IREO, Vipul World by Vipul Group, Rajgadh Estates by Munish Promoters and Developers and Dev Arjuna Promoters and Developers, and Janpath Estates by K. Lall Group and Eastman Impex Group. The subject micro-market is one of the fastest growing real estate micro-markets of Ludhiana.

Communications

The subject project is well connected to major locations via the road network. Two of the prime arterial roads providing access to the subject property I are NH-95 and Sidhwan Canal Road. The distance of the subject project from major locations in and around Ludhiana is as follows:

- Approximately 2 kilometres from NH-95
- Approximately 6 kilometres from Sidhwan Canal Road

Site details

Area

According to the information supplied to us by the client, the area details of the subject property I are as follows:

Land Use Statement	Nov-13
18 Hole Championship Golf Course	144.57 Acre
Club House/Resort	4.66 Acre
Infrastructure / Roads / Open Spaces	21.90 Acre
Institutional (Schools, Milk booth, etc.)	7.86 Acre
EWS	9.90 Acre
Residential Area	89.34 Acre
Commercial	0.00 Acre
Total	**278.22 Acre**

Description & Layout

Spread over 278.20 acres, the subject property I is a contiguous land parcel, where construction is currently under progress. The proposed development is a golf course based premium residential township consisting of a 18 –hole Golf Course, Residential Villas, Residential Suites, Residential Plots, Institutional Plots and Club House. Construction for the first 9 holes of the 18- hole Golf course is under construction. The sample villa has been constructed near the Eastern gate of the site.

As per the information provided by the client, while most approvals such as change of land use (CLU), approval of layout plans, NOC from Forest Department, Ministry of Water Resources, Mines and Minerals Industry Department, Air Headquarters, Punjab Pollution Control Board and Environment Ministry, and exemption under the PAPRA Act, 1995, have been received.

Based on the information provided by the client we understand that around 16% of the total saleable area has been sold which includes area under Residential Villas, Residential Suites and Residential Plots.

Services

The site is connected to roads, electricity and sewerage services.

Ground Conditions

There is no evidence of adverse ground conditions at the property or immediate vicinity.

1.2 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from BCRE or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

1.3 Town Planning and Statutory Considerations

We have not made formal search, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority. Our report is on current use/ current state basis of the property and we have not considered any government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the subject property.

1.4 Title

a. Address	The Imperial Golf Estate, Villages Talwandi Khurd and Mullanpur, District Ludhiana, Punjab
b. Tenure	Freehold
c. Nature of use of property	Residential Township

Unless disclosed to us to the contrary and recorded in the Property Report, our report is on the basis that the property in the subject location possesses a good and marketable title and is free from any unusually onerous encumbrances. We have not checked and verified the title of the subject property.

Appendix 2: Mumbai Property Details

1 Property is located Off Khopoli-Pen road, Off Mumbai-Pune Expressway:

1.1 Location

General

The subject property II is located off Khopoli-Pen road, NH-17, off the Mumbai-Pune Expressway. It is approximately 7 km from the Khalapur toll junction on Mumbai-Pune Expressway. The site is near industrial developments of Uttam Galva Steel and Parle Industries. Other industries in the vicinity would include NAMCO, Shree Renuka Sugars and CONROS Steel. Prominent residential development, Indiabulls Golf City is coming up at Savroli, located approximately 5 kilometres from the subject site. Pen railway station is approximately 20 km by road.

The Panvel-Khopoli-Pen stretch has seen increasing number of developments and increased interest in land aggregation from developers and investors. Large township developments are currently under construction by HIRCO and Indiabulls between Panvel and Khopoli. Gulf Finance House has also acquired 1700 acres of land near Panvel for a proposed integrated energy, IT & telecom, and entertainment city. In addition, major industrial developments by companies such as Uttam Galva Steel, NAMCO Industries, Parle Industries and Conros Steel have their operations on Khopoli-Pen road. Significant land aggregation and purchase of large land parcels have been taking place over the last couple of years.

Communications

The subject project is well connected to major locations in the city via road and railway networks. **Site details**

Area

According to the information supplied to us by the client, the site area is

Land Area	418 Acres

Description & Layout

The subject property II is a land parcel admeasuring 418 acres. The property is accessible via narrow semi developed (Interior) road from Pen-Khopoli road. This road is approximately 1km long. As a result, the property does not have any frontage on the Pen-Khopoli Road.

As per information provided by the Client, the land is located in Gohe, Gothivali, Narangi, Swali and Nandanpada villages.

Services

The site is connected by an internal road off Pen Khopoli road. While the micro market is connected to electricity, water and sewerage services, the subject property II site is yet to be connected to electricity, water and sewerage services.

1.2 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from BCRE or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

1.3 Town Planning and Statutory Considerations

We have not made formal search, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or Compulsory Purchase/ Acquisition, or any other statute in force that might affect the subject property II.

1.4 Title

a. Address	Pen, Off Mumbai-Pune Expressway
b. Tenure	Freehold
c. Nature of use of property	Agricultural / Non Agricultural

Unless disclosed to us to the contrary and recorded in the Property Report, our report is on the basis that the property in the subject location possesses a good and marketable title and is free from any unusually onerous encumbrances. We have not checked and verified the title of the subject property II

Appendix 4: Instructions (Caveats & Limitations)

1. The Valuation Report (hereafter referred to as "Report") will not be based on comprehensive market research of the overall market for all possible situations. Cushman & Wakefield India (hereafter referred to as "C&WI") will cover specific markets and situations, which will be highlighted in the Report. C&WI will not be carrying out comprehensive field research based analysis of the market and the industry given the limited nature of the scope of the assignment. In this connection, C&WI will rely solely on the information supplied to C&WI and update it by reworking the crucial assumptions underlying such information as well as incorporating published or otherwise available information.

2. In conducting this assignment, C&WI will carry out analysis and assessments of the level of interest envisaged for the property(ies) under consideration and the demand-supply for the hospitality / retail / land / commercial sector in general. C&WI will also obtain other available information and documents that are additionally considered relevant for carrying out the exercise. The opinions expressed in the Report will be subject to the limitations expressed below.

   a. C&WI endeavors to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time. All of these forecasts will be in the nature of likely or possible events/occurrences and the Report will not constitute a recommendation to **BCRE - *Brack Capital Real Estate Investments B.V.*** (hereafter referred to as the "Client") or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which forecasts have been generated and is not recommended as an input to a financial decision.

   b. Changes in socio-economic and political conditions could result in a substantially different situation than those presented at the stated effective date. C&WI assumes no responsibility for changes in such external conditions.

   c. In the absence of a detailed field survey of the market and industry (as and where applicable), C&WI will rely upon secondary sources of information for a macro-level analysis. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis.

   d. The services provided will be limited to assessment and will not constitute an audit, a due diligence, tax related services or an independent validation of the projections. Accordingly, C&WI will not express any opinion on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report will be prepared solely for the purpose stated, and should not be used for any other purpose.

   e. While the information included in the Report will be believed to be accurate and reliable, no representations or warranties, expressed or implied, as to the accuracy or completeness of such information is being made. C&WI will not undertake any obligation to update, correct or supplement any information contained in the Report.

   f. In the preparation of the Report, C&WI will rely on the following information:

   g. Information provided to us by the Client and its affiliates and subsidiaries and third parties;

   h. Recent data on the industry segments and market projections;

i. Other relevant information provided to us by the Client and its affiliates and subsidiaries at C&WI's request;

j. Other relevant information available to C&WI; and

k. Other publicly available information and reports.

3. The Report will reflect matters as they currently exist. Changes may materially affect the information contained in the Report.

4. All assumptions made in order to determine the Valuation of the identified property(ies) will be based on information or opinions as current. In the course of the analysis, C&WI would be relying on information or opinions, both written and verbal, as current obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which would be accepted as accurate in bona-fide belief. No responsibility is assumed for technical information furnished by the third party organizations and this is bona-fidely believed to be reliable.

5. No investigation of the title of the assets will be been made and owners' claims to the assets will be assumed to be valid. No consideration will be given to liens or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matters of a legal nature.

6. Subject to the terms and conditions in the engagement letter dated 10th March, 2014 signed between the client & C&WI , C&WI's total aggregate liability to the Company arising in connection with the performance or contemplated performance of the services herein, regardless of cause and/or theory of recovery, shall be limited to an aggregate sum not exceeding the an amount of USD 2 million. C&WI shall not be liable under any circumstances for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement. Where a report is prepared or where C&WI consents to the report being used for the purpose of a public/private offering in accordance with any stock exchange listing rules, the Company agrees to indemnify C&WI for any liability whatsoever that C&WI shall have to any party or parties which arises from their use and/or reliance on the Valuation Summary Report. To the fullest extent permitted by the law (including any responsibility arising from the listing rules of any stock exchange) and subject always to the paragraph below, C&WI does not assume any responsibility to and C&WI hereby excludes all liability arising from use of and/or reliance on this report by any person or persons for the purposes of determining whether or not to purchase shares in the IPO Listing on the London Stock Exchange of BCRE other than those parties to whom this report is addressed.

   Notwithstanding any provision contained herein (including the above paragraph), nothing in this Valuation Summary Report shall exclude or limit the liability of C&WI to any third party in respect of any liability arising under the European Union Directive 2003/71/EC or Dutch law or seek to do so in respect of the Valuation Summary Report or its inclusion in the Prospectus and in reliance thereon.

7. C&WI endeavors to provide services to the best of its ability and in bonafide good faith. Save as otherwise provided, the Report issued shall be only for the use by the Company. In the event the Company provides a copy of the Report to, or permits reliance thereon by, any person or entity not authorized by C&WI in writing to use or rely thereon, the Company hereby agreed to indemnify and hold C&WI, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including reasonable attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person or entity. C&WI disclaims any and all liability to any party other than the Company.

8. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from C&WI for any purpose without prior written consent from C&WI and should take all reasonable precautions to protect such information from any sort of disclosure. The information or data, whether oral or in written form (including any negotiations, discussion, information or data) forwarded by C&WI to the Client may comprise confidential information and the Client undertakes to keep such information strictly confidential at all times unless prior written consent from C&WI has been obtained.

9. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

Lambert Smith Hampton

www.lsh.co.uk

Valuation Report

On

Fountain Court
Fountain Street
Manchester
M2 2FE

On behalf of

BCRE - Brack Capital Real Estate Investments BV

BCRE Manchester 1 BV

Peel Hunt LLP

Prepared by

Lambert Smith Hampton
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Tel: 0161 242 7006
Fax: 0161 228 7354
Date: 7 May 2014
Ref: MAN/VAL/CJD/pfj

FOUNTAIN COURT
FOUNTAIN STREET
MANCHESTER
M2 2FE

CONTENTS PAGE NO.

Lambert Smith Hampton

FOUNTAIN COURT
FOUNTAIN STREET
MANCHESTER
M2 2FE

EXECUTIVE SUMMARY

Fountain Court, Fountain Street, Manchester, M2 2FE

Purpose of Valuation: Financial Statements

Location
Manchester is the commercial and administrative capital of the North West, providing a thriving and popular retail and commercial centre.

Situation
The property is located within Manchester's Central Business District. The property is located at the junction of Fountain Street and Booth Street.

Description

Type:	Office
Size:	2,479.17 sq m (26,687 sq ft) NIA
Condition:	Average
Area:	0.048 hectares (0.118 acres)

Accommodation
The property comprises a seven storey office building set over basement, ground and six upper floors. The property has a Grade II listed frontage to both Fountain Street and Booth Street. There are ten basement car parking spaces. The property requires refurbishment.

Tenure
Freehold

Tenancy
The property is vacant

Valuation

Valuation Date:	7 May 2014
Fair Value (FV):	£2,250,000

Sales Profile

Selling timescale:	6 months.
Sales targets:	Property companies, investors and developers.

Rental Profile
Passing Rent: £0 per annum

Valuation Issues
- The property cannot be transferred out of the Company's group within 18 months from the purchase date (expires 2 July 2015)

Strengths
- Well located office building in Manchester City Centre
- Good opportunity to refurbish and re-let
- We would anticipate strong levels of purchaser demand

Weaknesses
- Currently vacant
- Restriction on selling within 18 months of purchase date, the property is therefore illiquid during this period
- Costs of refurbishment

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Lambert Smith Hampton
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7 May 2014

Private & Confidential

The Directors
BCRE – Brack Capital Real Estate Investments B.V.
Weteringschans 95A,
Amsterdam, 1017 RZ, Netherlands

BCRE Manchester 1 BV,
Weteringschans 95A,
Amsterdam, 1017 RZ, Netherlands

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

For the attention of: Nansia Koutsou

Our Ref: MAN/VAL/CJD/lam

PROPERTY: FOUNTAIN COURT, FOUNTAIN STREET, MANCHESTER M2 2FE

1 INSTRUCTIONS

Appointment

We refer to your instructions dated 11 April 2014 to provide you with a Valuation Report in respect of the freehold interest in the above vacant office property. You have instructed us to value the property for financial statement purposes and to produce a Valuation Report for use as part of the admission of shares in BCRE – Brack Capital Real Estate Investments B.V. to the standard listing segment of the Official List of the United Kingdom Listing Authority and to trading on the main market of the London Stock Exchange ("Admission") and which will be published in the prospectus relating to the Admission ("Prospectus"). We accept responsibility for our Report, as such Report is included in the Prospectus.

The basis upon which we usually prepare our Valuations and Reports is set out in the Terms of Engagement contained within our letter to you on 11 April 2014. Unless and except where here specifically stated otherwise, this Report has been prepared in accordance with these Terms of Engagement.

We confirm that:-

- Lambert Smith Hampton acts in the capacity of an independent External Valuer in connection with this instruction;
- The valuation date is 7 May 2014;
- This Report and Valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards January 2014 (the 'Red Book');

- This Report and Valuation reflects the Assumptions, Limitations and Regulatory Information attached to the rear of this Report unless specifically stated otherwise;
- We confirm that the Valuation Division of Lambert Smith Hampton has a Quality Management System which complies with ISO 9001:2008; and
- Lambert Smith Hampton holds appropriate professional indemnity insurance for this valuation instruction.

Conflict of Interest

We have confirmed to you that over the last two years we have had no involvement with the property.

Red Book Departures

In accordance with Professional Standard 1 of the RICS Valuation – Professional Standards January 2014, we have agreed that we shall depart from the Standards as follows:-

- We are not required to inspect the property.

Reporting Restrictions

In accordance with Valuation Practice Statements 2 and 3 of the RICS Valuation – Professional Standards January 2014, we have agreed that the scope of our instruction is restricted as follows:-

- Due to time constraints, it has been agreed that we do not undertake enquiries of the local authority relating to planning status or history and rely on the information provided in the title report by BLP (dated 2 December 2013).
- Due to time constraints, it has been agreed that we do not undertake an internal inspection of the property and rely on the description and comments within title and the survey reports.

Valuer

This Report and Valuation has been prepared by Chad Davies BSc (Hons) MRICS, RICS Registered Valuer, Associate Director, who has acted with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular market as well as appropriate skills, qualifications, experience and understanding for the purposes of this instruction.

Inspection

The property was externally inspected on 14 April 2014 by Chad Davies BSc (Hons) MRICS, RICS Registered Valuer, Associate Director.

Material Change

We hereby confirm that as at the date of this Valuation Report:

- We have not become aware of any material change since 14 April 2014 in any matter relating to the property covered by our appraisal Report which in our opinion would have a material effect on the market value as at today's date; or

- in relation to market conditions and movements in the property markets in which the property covered by our appraisal Report is located, we do not consider that any movement in respect of the property constitutes material change since 14 April 2014.

Reliance upon Provided Information

We have previously agreed that we shall rely upon the following information for the purpose of reporting to you:-

- Due to time constraints, it has been agreed that we do not undertake enquiries of the local authority relating to planning status or history and rely on the information provided in the title report by BLP (dated 2 December 2013)

- Due to time constraints, it has been agreed that we do not undertake an internal inspection of the property and rely on the description and comments within title and the survey reports.

2 BASIS OF VALUATION

Valuation Definitions

We have prepared our valuation on the basis of **Fair Value** (FV) which is defined in the Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors, as:

> The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

Further, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

3 LOCATION

Manchester is the commercial and administrative capital of the North West, providing a thriving and popular retail and commercial centre, which has seen much positive regeneration over recent years. The City has excellent road communications, including one of the most comprehensive motorway networks in the country, with the M60 Manchester Orbital motorway Providing links to the regional and wider national motorway network. Manchester International Airport lies just 5 miles to the south of the city centre and rail services to London Euston are available in approximately 2 hours and 23 minutes.

Manchester had, at 2001 estimates, an Urban Area population of 394,269 and a population within 20 km of the city centre of approximately 2,425,000. In socio-economic terms, the City has a higher proportion of Urban Intelligence (21.88%), Welfare Borderline (16.48%) and Municipal Dependency (23.89%), against GB averages of 6.95%, 5.29% and 6.40% respectively. The City has a lower population of Symbols of Success (1.99%), Happy Families (2.96%) and Suburban Comfort (6.76%), against GB averages of 10.53%, 11.46% and 16.06% respectively.

The main employment sectors in the Travel to Work Area are Banking, Finance & Business Services, Other Services, Retail, and Manufacturing Industries. The main employers include Manchester City Council, the Trafford Centre, Manchester Royal Infirmary, Ofsted and the Co-operative Group.

The city benefits from a light rail system known as the Metrolink which serves Altrincham Town Centre to the South and Bury to the North with links through the city centre to Piccadilly. The Metrolink also provides access to Eccles and Salford Quays. The new route for the proposed second city crossing runs along Cross Street towards St Peters Square, where the nearest tram stop is.

The property is situated within the heart of Manchester's Central Business District at the junction of Fountain Street and Booth Street. It is situated on the eastern side of Cross Street. Nearby premises comprise modern and refurbished period office premises occupied predominantly by professional firms and businesses involved in financial services. The property is in close proximity to St Peters Square where a new 268,000 sq ft office building is currently being constructed, as well as public realm works.

The location of the site is shown on the location plans attached within Appendix 3.

4 SITE

The site is shown, for identification purposes only, outlined in red on the attached copy extract from the Ordnance Survey Plan (scale approximately 1:1,250), enclosed within Appendix 3.

The approximate area of the site, which has been scaled from the Ordnance Survey Plan, is:-

Site Area	0.048 hectares 0.118 acres

The property occupies a fully developed level irregular shaped site with frontage onto Booth Street and Fountain Street, both of which are adopted highways.

5 DESCRIPTION

Although we have not inspected the property internally we understand from reports on the property that it provides the following:

The property comprises a seven storey office building over ground and six upper floors with basement car parking for six vehicles and storage. The main element of the building was constructed in the 1980s whilst retaining the Grade II listed frontages to both Fountain Street and Booth Street.

The main structure is of steel frame with concrete beam and block floors under a pitched slate clad roof. The floor plates are irregular in shape with a central core which impacts on the suite sizes and layout. At ground floor level the property has been split to provide two entrances, one of which has its own designated entrance at the junction of Booth Street and Fountain Street. Access to the remaining floors is by way of designated access from Fountain Street onto the main reception.

Access to each floor is via two passenger lifts and a central staircase located in the central core. WC facilities are located on each floor within the core, but alternate on each floor between male and female.

We understand the property requires substantial refurbishment, and the anticipated costs associated with this are detailed further within this Report. We have not been asked to comment on the value of the property upon completion of these works.

We attach as Appendix 4 a series of photographs illustrating both the exterior and interior of the property, as well as its surrounds.

6 ACCOMMODATION

We have relied upon floor areas produced by OBI Property and we understand the property provides the following approximate accommodation, measured in accordance with the RICS Code of Measuring Practice (6th Edition):-

Floor	Use	Sq Metres	Sq Feet
Basement	Storage	130.89	1,409
Ground	Offices	359.61	3,871
First	Offices	365.09	3,930
Second	Offices	375.40	4,041
Third	Offices	353.48	3,805
Fourth	Offices	360.82	3,884
Fifth	Offices	307.49	3,310
Sixth	Offices	226.39	2,437
	Total net internal area:	**2,479.17**	**26,687**

7 SERVICES

We understand that all mains services are available to the property, although we have not made any enquiries of the respective service supply companies.

8 CONDITION

We refer you to Appendix 2 of this Report.

We have not inspected the property but have had sight of various reports relating to the condition of the property. These are summarised below:

Mechanical & Electrical Report
This report makes recommendations and budgeted costs for bringing the existing installations and/or renewal of installations to meet current standards based upon the principals and extents of the systems currently/previously installed. The budgeted cost for Electrical Services is £136,500 and £85,500 for Mechanical Services, **totalling £222,000** exc VAT & fees.

Building Survey Report
The report states that from a structural point of view the building is sound and there is no evidence of settlement. Spalled brick and stone work needs attending to on the external elevations in the medium to long term. There are displaced slates along with defective box guttering which is contributing to water penetration. This report identifies a **total of between £298,000 to £348,000** which is split into the following timescales:

Short term (within 12 months) - £70,000
Medium term (within 5 years) - £46,000
Long Term (within 10 years) - £182,000 to £232,000

The above costs exclude the cost of refurbishing the office accommodation.

Passenger Lift Report

Based on the recommendations within the report on the two lifts within the property, costs to overhaul the lifts **total £101,000.**

We estimate the building has a remaining economic life of at least 25 years, provided an adequate and suitable programme of maintenance and repair is followed.

9 TOWN PLANNING

We refer you to Appendix 2 of this Report.

The property lies within an area administered by Manchester City Council whose Local Plan provides the framework for guiding, controlling and facilitating development. The plan was adopted in July 2012 and replaces a large amount of the Unitary Development Plan.

The Proposals Map annexed to the Local Plan identifies the subject as lying within policies CC1 – CC10 of the Core Strategy with CC1 ensuring office/ employment led development occurs between 2012 and 2027 in the city centre. The property is also within Policy RC20 Area 7 – The Financial Core.

We understand from planning history obtained from the Council's website that the following pertinent consents have been granted:-

Reference	Date of Consent	Detail
096435/LO/2011/C1	January 2012	Listed building consent for the installation of an internal platform lift and replacement of existing door to create disabled access.

We understand the property is Grade II Listed, and is situated within the Upper King Street Conservation Area which adjoins the Albert Square Conservation Area.

For valuation purposes we have assumed that the current use of the property falls within Class B1 of the Town and Country Planning (Use Classes) Order 1987 (as amended) and that the property has full unconditional consent for this use and development as described above.

10 RATING

We refer you to Appendix 2 of this Report.

Business Rates

We have made informal enquiries only and are informed that the entries appearing in the 2010 Rating List of Manchester City Council as at the valuation date, are as follows: -

Address	Description	Rateable Value
Pt Basement	Store & Premises	£7,800
Pt Basement	Store & Premises	£3,300
Ground – Second Floors	Offices & Premises	£174,000
3rd – 6th Floors	Offices & Premises	£205,000
Pt Basement	Car Parking Spaces	£11,000
Pt Basement	Car Parking Spaces	£16,500

The National Non-Domestic rate for the financial year 2014/2015 is 48.2 pence in the pound, or if the Rateable Value is under £18,000 the rate is 47.1 pence in the pound.

We have not investigated whether the property is subject to any transitional relief or phasing and are unable to comment in this respect.

11 HAZARDOUS AND DELETERIOUS MATERIALS

We refer you to Appendix 2 of this Report.

Asbestos

In 2010 and under HSE Guidance Note 264, Type 1, 2 and 3 asbestos surveys were replaced with Management, Demolition and Refurbishment asbestos surveys.

The Management survey replaces type 1 and 2 and involves sampling a specified selection of materials suspected of containing asbestos, with the aim of locating and identifying the presence of asbestos within a building's fabric, in order to help prevent it being inadvertently disturbed.

Demolition and Refurbishment surveys replace type 3 surveys and are conducted only when all or part of a building is to undergo demolition or refurbishment. They are designed to protect contractors, or anyone else involved in such a construction project, from exposure. A full sampling programme is undertaken to identify types and volumes of asbestos present; it does not assess condition.

We have not had sight of Management, Demolition or Refurbishment asbestos survey.

For the purpose of this Report, we have assumed that, unless indicated to the contrary, a survey would not disclose any evidence of asbestos or deleterious materials in the construction of the subject, in circumstances where it is likely to have an effect on health or safety.

Confirmation should be sought from the conveyancer that an asbestos survey has been obtained and that any management plan required has been implemented.

The property is of an age where materials such as asbestos may have been incorporated into the structure. However at the time of inspection no such materials were noted from our limited visual inspection. This matter is noted for your information.

12 CONTAMINATION AND ENVIRONMENTAL MATTERS

Contamination

We have been provided with a desktop Environmental Report for the subject property prepared by Argyll Environmental dated October 2013 which highlighted no significant contamination linkage had been identified. Accordingly soil or groundwater liabilities are unlikely to occur. The Report concluded no further action was required.

We noted no obvious contaminative uses above ground upon inspection and that none of the immediately surrounding property appeared to be being put to a current use which would be likely to result in contamination. However, we would stress that we have not carried out, nor are we qualified to carry out an Environmental Audit. Our comments are therefore merely a guide and should not be relied upon. If you require confirmation of the position, we strongly recommend that an initial Environmental Audit is carried out.

Masts and Lines

The property does not include telecommunications base stations, masts or high voltage overhead transmission lines.

Contaminative Species

We did not note the presence of Japanese Knotweed or other contaminative species during the course of our inspection, and have not been advised that any are present at the subject.

13 FLOODING

We refer you to Appendix 2 of this Report.

Property matters relating to flooding are principally two-fold, first the risk of a property flooding given its proximity to a water course and second, the risk created by heavy rainfall where the provision and proximity of drain and sewer facilities, in light of the amount of surrounding development and extent of hard surfaces, are inadequate; this accounts for approximately half of UK flooding.

Flood Risk from Rivers or the Sea

We have made enquiries of the Environment Agency website, which identifies the subject as being within an area that is classed as having a **very low** risk of flooding from rivers or the sea, which means that it is unlikely to flood except in extreme conditions. The chance of flooding each year is 0.1% (1 in 1000) or less.

This takes into account the effect of any flood defences that may be in this area, whether or not these are currently illustrated on the Flood Map. Flood defences reduce but do not completely remove the likelihood of flooding and can be over topped or fail in extreme weather conditions.

Flood Risk from Surface Water

We have made enquiries of the Environment Agency website, which identifies the subject as being within an area that is classed as having a **'very low'** chance of flooding from surface water, which means that each year, this area has a chance of flooding of less than 1 in 1000 (0.1%). This type of flooding can be difficult to predict, much more so than river or sea flooding as it is hard to forecast exactly where or how much rain will fall in any storm.

Drainage

For the purpose of this Report, we have assumed that, unless indicated to the contrary, enquiries would not disclose any evidence of historic pluvial flooding, relating to the drainage of surface water or groundwater flooding.

14 FIRE, HEALTH & SAFETY AND OTHER LEGISLATION

We refer you to Appendix 2 of this Report.

Fire Risk Assessment

We were unable to ascertain whether a Risk Assessment has been undertaken hence without evidence to the contrary we have assumed that it has.

We have assumed that this assessment will continue to be reviewed and updated if there are any alterations to the premises or changes to work practices or use of the premises. We recommend that your solicitors be instructed to verify the position.

General Legislation

For the purpose of this Report, we have assumed that the property complies with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

15 DISCRIMINATION

We refer you to Appendix 2 of this Report.

We have not inspected the property and for the purpose of this Report we have assumed that the property complies with the relevant requirements of the Equality Act 2010 ('the Act').

16 SUSTAINABILITY

We refer you to Appendix 2 of this Report.

Energy Performance Certificate

The property has an Energy Performance Certificate (EPC) rating 113.

17 TENURE

We have been instructed to value the **freehold** interest of the subject.

We have been provided with a Report on Title prepared by Berwin Leighton Paisner, the Report confirms the property has a good and marketable title. There are however two onerous conditions highlighted in the Report as follows:

(i) The property cannot be transferred out of the group company's group within 18 months of completion of this transaction

(ii) You have agreed to deal with this prohibition by entering a restriction on the Property's title after completion of the transaction. The restriction prevents you from transferring or granting a lease for more than 25 years at a premium of the Property within 18 months of completion, other than to a BCRE group company. If you wish to make any dispositions during this period a conveyance must provide a certificate stating that the prohibition does not apply.

The above two points make the subject property illiquid during this period (expires 2 July 2015) which may make obtaining short term debt finance difficult. However, we understand BCRE intend to refurbish and hold the asset, these onerous clauses therefore are of little concern to BCRE.

18 TENANCY

There are no leases in place, the property has the benefit of vacant possession.

19 VALUATION CONSIDERATIONS

Location

The subject property is located in a strong position within Manchester City Centre's Central Business District (CBD) with frontage onto Cross Street. It is located within an established office location and in close proximity to the prime retail areas of Market Street and the Arndale Shopping Centre. The subject is within a short walking distance of the Metrolink stations at St Peter's Square.

Building

The subject property provides office accommodation in need of refurbishment together with six basement car parking spaces. The frontage of the property is Grade II listed and this may therefore restrict what works can be done and may lead to higher than average refurbishment costs.

The floor plates to the building are of an irregular shape and the central core of the property may impact on the suite sizes and layout. We understand there may be parts of the office accommodation which may have slightly restrictive natural light, which may restrict the occupier market.

The building lends itself to being let as a whole, or on a floor by floor basis, with the latter being most likely in our opinion.

Tenants and Leases

The property is valued on the basis of vacant possession.

Yields and Capital Values

Leading into 2014, there is evidence of a recovery in investor interest in secondary assets where the yield has over corrected on the back of the last few years of heightened risk aversion. There is increasing interest in Grade B accommodation and the opportunity to add value, indeed the growing shortage of Grade A space, particularly in the regions has seen a number of investors acquire assets for refurbishment. Hines and Moorfield's purchase of 100 Barbirolli Square and Bauhaus in Manchester at £41,000,000 reflecting 8.85% (July 2013) and £16,250,000 reflecting 7.6% (May 2013) respectively represent investor interest in good, well located assets with shorter leases and future refurbishment plans.

In arriving at our opinion of value we have had regard to transactions which have occurred in Manchester City Centre on both vacant office buildings and office buildings with short term income security, these are as follows:

- **9 Portland Street** – this office property comprising 55,000 sq ft and in need of refurbishment sold in Q3 2013 for approximately £4,000,000 which equates to £73 psf.

- **22-26 Cross Street** – this property which comprises a ground floor retail unit extending to 5,361 sq ft let to Sainsburys for 15 years from 2011 together with vacant upper floor office accommodation extending to 21,840 sq ft and was in need of refurbishment, the property sold in Q4 2013. We have not been able to obtain the actual purchase price in timescales available but understand it sold close to the asking price of £5,000,000 which reflects a capital value of £184 psf.

- **55 Princess Street** – in Q3 2013 this modern office property with a ground floor retail unit let to Tesco sold for £11,000,000. The property was in a very good condition having been constructed during the peak of the market but the office accommodation remained largely vacant with the exception of a couple of lettings. The purchase price equated to £195 psf.

- **Trinity Court, 16 John Dalton Street** - reasonably modern office property together with ground floor retail extending to 48,412 sq ft together with 53 basement car parking spaces and Grade II listed facade. Whilst this building is fully let to two retail occupiers and a single office occupier there is only short term income security. We understand a sale of the property is currently going through at approximately £10.9 m which reflects a capital value of £224 psf.

- **Arkwright House, Parsonage Gardens** – this Grade II listed seven storey office building extending to 86,967 sq ft and is predominately vacant with the exception of some short term income security in parts is currently under offer at £13m. The ground and first floors have been refurbished to a good standard but the remainder of the upper floors require refurbishment, the offer price of £13m equates to £150 psf.

- **Basil House, 105 -107 Princess Street** – this Grade II listed office property extending to 21,703 sq ft which is in need of some refurbishment is under offer at £1.7m which reflects a capital value of £78 psf.

As can be seen from the above comparable evidence there is no clear tone on value as transactions often have an element of income which distorts the overall capital value psf. The subject property itself provides good market evidence following the purchase of it last year and we have had very close regard to this.

Should the property become available for sale at this point in time we would expect a strong level of purchaser demand.

Valuation Methodology

Taking into account the evidence set out, for valuation purposes we have adopted a comparable method of valuation and we are of the opinion the fair value of the property is reflected by the recent sale at a capital value of £84.31 psf.

We not reflected empty rates relief in forming our opinion of value.

Proposed Purchase Price

We have been advised that the sale price of this property in January 2014 was £2,250,000 which is in line with our opinion of Fair Value.

20 VALUATION

Fair Value

We are of the opinion that the current **Fair Value** of the **freehold** interest of Fountain Court, Manchester M2 2FE as at 7 May 2014, subject to vacant possession, for financial statement purposes, is:-

£2,250,000
(Two Million Two Hundred & Fifty Thousand Pounds)

We consider 6 months to exchange contracts is a realistic period required to achieve this value.

21 COSTS

Our valuation is produced net of purchaser's costs at the appropriate rate.

No allowance has been made in our valuation for any vendor's costs or taxation (actual or notional) nor have any allowances been made for any grants or incentives to which a purchaser may be entitled.

22 VALUE ADDED TAX

Our valuation is exclusive of VAT unless otherwise stated.

23 SUMMARY

We consider the commercial strengths and weaknesses of the property at the date of valuation to be:-

Strengths

- Well located office building in Manchester City Centre
- Good opportunity to refurbish and re-let
- We would anticipate strong levels of purchaser demand

Weaknesses

- Currently vacant
- Restriction on selling within 18 months of purchase date, the property is therefore illiquid during this period
- Costs of refurbishment

24 LIMITATION OF LIABILITY/PUBLICATION

This Valuation Report is provided for the stated purpose and for the sole use of the named clients. It is confidential to the client and his professional advisers and the Valuer accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this Valuation Report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear.

We hereby give our consent for the inclusion of our Valuation Report in the Prospectus.

Notwithstanding any provision to the contrary, our valuation may be relied upon by the Client, any investor when investing in the Company's shares and any regulator when determining whether to list the shares of the Company.

Further, notwithstanding any contrary provision, we understand that the Valuation Report may be disclosed and relied upon in any relevant litigation or regulatory enquiry or investigation or action arising out of the Prospectus and / or Admission.

Save for any responsibility arising under Prospectus Directive 2003/71/EC and Dutch Law to any person and as to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulations, consenting to its inclusion in the Prospectus.

Chad J Davies, BSc (Hons) MRICS
RICS Registered Valuer
Associate Director
for and on behalf of
<u>LAMBERT SMITH HAMPTON</u>

Christopher M Taylor BSc (Hons) MRICS
RICS Registered Valuer
Associate Director
For and on behalf of
<u>LAMBERT SMITH HAMPTON</u>

Date: 7 May 2014

APPENDIX 1 ASSUMPTIONS, LIMITATIONS AND REGULATORY INFORMATION

ASSUMPTIONS, LIMITATIONS AND REGULATORY INFORMATION

Condition

We have not carried out a building survey of the property as this was not within the scope of our instructions, nor have we inspected those parts of the property which are covered, unexposed or inaccessible, and for the purpose of this Report, such parts have been assumed to be in good repair and condition.

We cannot express an opinion about, or advise upon the condition of un-inspected parts and this Report should not be taken as making any implied representation or statement about such parts.

Further, we have not tested any of the drains or other services, and for the purpose of this valuation we have assumed that they are all operating satisfactorily and no allowances have been made for replacement or repair.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious materials have been used in the construction of the property, or have since been incorporated and we are, therefore, unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

The property has been valued with due regard to its appropriate existing state of repair and condition, including reference to its age, nature of construction and functional obsolescence. We believe we have formed a general opinion of the state of repair of the property in so far as it is likely to affect our valuation.

It is assumed that normal periodic maintenance will be carried out to maintain the property in a state of repair fit for its present use.

It is assumed that the condition of the property at the date of valuation is identical to that found at the date of our inspection.

Asbestos

This material was regularly used from 1960s to 1980s. The cost of maintenance, alteration and repair of any building where asbestos is present can be significantly increased because of the need to take appropriate precautions under The Control of Asbestos Regulations 2006. This in turn may impact value.

This requires property owners, occupiers and managers to identify and control Asbestos Containing Material (ACM) in their property and to have management plans in place. If potential ACM is identified and is in good condition and undisturbed, the Health & Safety Executive recommends that a management plan is formulated whereby it is regularly inspected, steps taken to keep disturbance at a minimum and only removed if it is in a poor condition or at risk of damage.

Contaminative Invasive Species

The three main non-native invasive plant species in the UK are Japanese Knotweed (*Fallopia japonica*), Himalayan (Indian) Balsam or purple sticky (*Impatiens glandulifera*) and New Zealand Pygmyweed (*Crassula Helmsii*). Other notifiable plants and weeds include giant hogweed, ragwort and azolla.

Japanese knotweed in particular is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces. Under s.14(2) of the Countryside and Wildlife Act 1981 it is an offence to cause this plant to grow in the wild and failure to dispose of any material containing

Japanese knotweed may also result in prosecution under this Act and under ss.33 and 34 of the Environmental Protection Act 1990.

Flooding

Flood Risk - the Environment Agency website uses indicative Flood Plain maps to provide a general overview of areas of land in natural flood plains and therefore potentially at risk of flooding from rivers or sea. The maps use the best information currently available, based on historical flood records and geographical models and indicate where flooding from rivers, streams, water courses or the sea is possible.

The information relating to the likelihood of flooding is the Environment Agency's assessment of the likelihood of flooding from rivers and the sea at any particular location, based on the presence and effect of all flood defences, predicted floor levels, and ground levels. The probability or likelihood of flooding is described as the chance that a location will flood in any one year.

Further information regarding flood maps and their accuracy can be obtained from www.environment-agency.gov.uk.

Of note, research undertaken on 'Flooding and Property Values', published by the RICS during 2009, found that flooding has only a temporary impact on property values, and within three years after flooding, property prices generally return to their normal market level. Furthermore, flood events in low risk areas are found to have no impact on property prices whilst being designated at high risk of flooding has no effect on values in areas with no flood events.

Drainage – surface water run off flooding, known as 'pluvial' flooding, at times of prolonged, exceptionally heavy downpours of rain, is becoming increasingly frequent given surrounding drains and sewers are not always able to cope. It can be made worse in urban areas where the ground consists mostly of hard surfaces, such that the rain flows straight off rather than soaking away. Rising groundwater levels resulting from heavier rainfall and reduces abstractions can also present problems.

Detailed Flood Risk Surveys do not currently form one of the mandatory searches undertaken by solicitors at the time of property purchase.

Further information can be found within the RICS publication "A Clear Guide to Flooding for Property Owners.

Town Planning

We have made informal enquiries of the local planning and highway authorities and the information provided is assumed to be correct.

Unless otherwise stated, all planning information has been given verbally and we have not examined any entries in the planning register. In the absence of further information, we have assumed that the uses being carried out in each of the properties is an authorised planning use and that the buildings have been erected with full planning permission.

No formal search has been instigated and if reassurance is required we recommend that verification be obtained from your solicitors that the position is correctly stated in our Report, that the property is not adversely affected by local authority proposals or requirements and that there are no outstanding statutory notices.

We have assumed that the properties and their value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the properties nor their condition nor their present or intended uses are or will be unlawful.

We trust that your solicitors will check this information by taking out a local search and again, we would be pleased to advise further upon receipt of the confirmation of these details.

We have assumed that each property has full unconditional consent for the stated use and development described within.

Following the Planning and Compulsory Purchase Act 2004, the old plan-making system is to be replaced by Local Development Frameworks (LDF). The LDF is not a single document or plan; rather, it is a suite of documents that combine to form the development plan for the area. The principal document is the Core Strategy, which sets the overall planning policy approach, which is supported by various Development Plan Documents (DPDs) for specific issues, such as site allocations.

Rating

Before April 2008 most types of empty property were subject to rates at 50% of the normal charge. With effect from 1st April 2008 the empty property rate has changed from 50% to 100% of the basic occupied business rate, after initial void periods have elapsed. For most properties, excluding industrial, the void period is 3 months. For industrial properties, the void period is 6 months. Prior to this change, industrial properties had an indefinite period of 100% relief.

Health and Safety Legislation

Our valuation assumes that, in so far as is relevant to the subject, the property complies with the requirements of the Office Shops and Railway Premises Act 1963 as well as any superseding statute. The Act provides for securing the health, safety and welfare of persons employed to work in office or shop premises and those employed to work in certain railway premises.

Fire Legislation

As from 1 October 2006 the Regulatory Reform (Fire Safety) Order 2005 came into force in England and Wales. Under this Order, fire certificates are no longer issued and existing certificates have been superseded by Risk Assessments. A Risk Assessment is now to be carried out by a 'Responsible Person' as defined within the Order. The findings of any risk assessment must be recorded in writing where more than five or more persons are employed or the premises are licensed or there is an alterations notice.

Further information on the regulations may be found at www.fire.org.uk.

Discrimination

The Equality Act 2010 makes it unlawful for service providers to treat disabled people less favourably because they are disabled (unless there is a clear and fair reason) in relation to their access to their place of employment or education; their access to goods, services and facilities (although note that where private clubs are concerned, only those with 25 or more members are required to be compliant with the Act) and their access to the functions of public bodies.

Employers, educators and service providers must all make *reasonable* adjustments for disabled people to be able to access and use property they have a right or need to visit; this is not restricted to physical access.

Where a temporary or permanent physical feature makes it impossible, or unreasonably difficult, for disabled customers to make use of a service or place of education or work, the provider has to take reasonable measures to remove the feature; alter it so that it no longer has that effect; provide a reasonable means of avoiding the feature; or, provide a reasonable alternative method of making the service available to disabled people.

The test of reasonableness is about what is practical in the service provider's individual situation; what resources they might have (and the amount of any resources already spent on making adjustments); whether taking any particular measures would be effective in overcoming a particular difficulty; the extent to which it is practicable for the service provider to take the measures; the extent of any disruption which taking the measures would cause.

Climate Change Act 2008

The UK has passed legislation that introduces the world's first long-term legally binding framework to tackle the dangers of climate change. The Climate Change Bill was introduced into Parliament on 14 November 2007 and became law on 26 November 2008. The Climate Change Act creates a new approach to managing and responding to climate change in the UK, by:-

- setting ambitious, legally binding targets;
- taking powers to help meet those targets;
- strengthening the institutional framework;
- enhancing the UK's ability to adapt to the impact of climate change; and
- establishing clear and regular accountability to the UK Parliament and to the devolved legislatures.

The Act has two key aims, of which one is to improve carbon management, helping the transition towards a low-carbon economy in the UK. The Act provides a legally binding target of at least an 80% cut in greenhouse gas emissions by 2050, to be achieved through action in the UK and abroad, as well as a reduction in emissions of at least 34% by 2020. Both targets are measured against a 1990 baseline. The Act also introduces a carbon budgeting system that caps emissions over five-year periods, with three budgets set at a time, to help us stay on track for our 2050 target. The first three Carbon budgets will run from 2008 to 2012, 2013 to 2017 and 2018 to 2022.

Sustainability

In light of the Climate Change Act 2008, investor and occupational decisions are increasingly being informed by a range of sustainability related metrics that are beginning to be developed and that can provide measures of some aspects of a property's sustainability characteristics, for example Energy Performance Certificates (EPCs) and BREEAM. Furthermore industry benchmarking of sustainability performance is becoming more common place.

Characteristics that may be considered are land use, design and configuration, construction materials and services, location and accessibility, fiscal and legislative considerations and management and leasing issues. If, at the date of valuation, the market does not differentiate (in terms of demand), between a building that displays strong sustainability credentials and one that does not, there will be no impact on value.

Sustainability is not yet considered a direct driver of property values however this may change during the coming years as energy costs rise; less 'green' buildings, where it is not economically viable to achieve modern standards of sustainability, may become cheaper or obsolete and the most 'green' buildings may potentially command premiums.

Energy Performance Certificates

EPCs contain information about the energy performance of a building.

To meet the EU Energy Performance of Buildings Directive, EPCs must be produced by the 'relevant person' prior to marketing for property transactions including the sale, rent or construction of all buildings, whether residential or commercial, with the exception of places of worship, buildings less than 50 sq m, industrial sites, workshops and non-residential agricultural buildings that do not use a lot of energy, and temporary buildings.

The ‘relevant person’ will be the vendor or prospective landlord as appropriate; where a tenant wishes to assign or sub-let its interest and the premises have common heating or air-conditioning services, the landlord of those constituent parts becomes the ‘relevant person’.

Local Authority Trading Standards Officers have powers to levy fines for non-compliance. EPCs are valid for 10 years from the date of production and can be reused as many times as required within that period, provided that changes have not occurred to the property relating to, for example, layout or refurbishment.

Rental properties – when renting a property (including sub-letting and assignment, but excluding lease renewals, extensions or surrenders) to a new tenant, landlords are required to produce an EPC to the tenant and a tenant cannot legally move into the property until an EPC has been produced. Landlords are not required to produce an EPC to an existing tenant or if an existing lease is renewed or for dwellings in multiple occupation.

Properties for sale - sellers must obtain an EPC prior to marketing and provide a hard copy to the purchaser on completion.

Any commercial building over 50 sq m, marketed before 1 October 2008 but remaining on the market, needs a Commercial EPC. If it has been sold or rented out since 1 October 2008, a CEPC must have been commissioned and then handed over as soon as was practicable.

Our valuations assume that EPCs would be provided on sale in the accordance with the aforementioned legislation however **we recommend that this is clarified by your legal advisors**.

APPENDIX 2 LOCATION PLANS, ORDNANCE SURVEY EXTRACT

FOUNTAIN COURT
MANCHESTER

FOUNTAIN COURT
MANCHESTER

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FOUNTAIN COURT
MANCHESTER

Lambert Smith Hampton

Promap

APPENDIX 3 PHOTOGRAPHS

FOUNTAIN COURT
FOUNTAIN STREET
MANCHESTER
M2 2FE

FOUNTAIN COURT
FOUNTAIN STREET
MANCHESTER
M2 2FE