BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

U.S. DOLLARS IN THOUSANDS

INDEX

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

to the shareholders -

BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of BCRE – Brack Capital Real Estate Investments N.V. (the "Company") and its subsidiaries (together the "Group") as of 30 June 2018 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2400, Engagements to review financial statements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

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

Tel-Aviv, Israel
25 September 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2018	31 December 2017
	Unaudited	Audited Restated (*)
	U.S. dollars in thousands	
ASSETS:		
Non-current assets:		
Investment property	479,059	494,377
Investments and loans to associates and joint ventures	12,909	28,081
Financial assets at fair value through other comprehensive income	10,562	10,901
Property, plant and equipment, net	9,178	10,613
Other investments and loans	16,191	24,560
Restricted bank accounts and deposits	1,912	1,918
Deferred tax assets	2,946	3,027
Total non-current assets	532,757	573,477
Current assets:		
Inventory of apartments under construction and other inventory	237,319	216,291
Trade and other receivables	15,647	22,535
Other investments and loans	7,872	3,968
Restricted bank accounts and deposits	4,032	1,344
Financial assets at fair value through profit or loss	2,665	2,959
Cash and cash equivalents	18,453	44,845
Total current assets	285,988	291,942
Assets classified as held for sale	57,636	47,772
Total assets	876,381	913,191

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2018	31 December 2017
	Unaudited	Audited Restated (*)
	U.S. dollars in thousands	
EQUITY:		
Attributable to the equity holders of the Company:		
Share capital and premium	181,545	181,545
Convertible loans and bonds	36,878	36,878
Other reserves	(143,379)	(132,391)
Retained earnings	130,358	155,536
	205,402	241,568
Non-controlling interests	75,896	83,191
Total equity	281,298	324,759
LIABILITIES:		
Non-current liabilities:		
Derivative financial instruments measured at fair value	10,438	9,682
Interest-bearing loans and borrowings	345,477	242,564
Other non-current liabilities	8,139	1,571
Deferred tax liabilities	18,128	18,530
Total non-current liabilities	382,182	272,347
Current liabilities:		
Tax provision	3,206	2,373
Trade and other payables	13,769	16,457
Interest-bearing loans and borrowings	194,921	297,255
Total current liabilities	211,896	316,085
Liabilities directly associated with the assets classified as held for sale	1,005	-
Total liabilities	595,083	588,432
Total equity and liabilities	876,381	913,191

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

25 September 2018				
Date of approval of the interim condensed consolidated financial statements	Harin Thaker Chairman of Board	Shai Shamir Co-CEO	Nansia Koutsou Co-CEO	Yiannis Peslikas CFO

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands (except for per share data)		
Gross rental income	10,089	7,916	18,304
Service charge, management and other income	4,277	4,489	9,817
Property operating and other expenses	(9,602)	(11,968)	(22,263)
Rental, management and other income, net	4,764	437	5,858
Interest and other related income from lending business	46	631	969
Costs related to lending business	(30)	(153)	(279)
Gross profit from lending business	16	478	690
Gross profit before impairment of inventory and depreciation of property, plant and equipment	4,780	915	6,548
Impairment of inventory and depreciation of property, plant and equipment	(455)	(930)	(1,301)
Total gross profit/(loss)	4,325	(15)	5,247
Revaluation of investment property, net	6,829	2,692	5,448
General and administrative expenses	(3,184)	(3,927)	(6,612)
General and administrative expenses relating to inventory of buildings under construction and investment property	(1,612)	(1,681)	(5,491)
Other expenses, net	(1,501)	(41)	(579)
Impairment of assets held for sale	(1,816)	(5,629)	(21,671)
Fair value loss of property, plant and equipment	(6)	(279)	(1,484)
Share based compensation	(344)	(692)	(1,349)
Share of loss of associates and joint ventures	(22,864)	(9,781)	(18,553)
Operating loss	(20,173)	(19,353)	(45,044)
Financial income	6,708	2,705	4,490
Financial expenses	(14,579)	(17,884)	(38,435)
Exchange rate differences, net	(8,465)	6,622	6,258
Financial expenses, net	(16,336)	(8,557)	(27,687)
Loss before tax	(36,509)	(27,910)	(72,731)
Tax benefit/(expense)	(954)	(1,788)	17,185
Loss from continuing operations	(37,463)	(29,698)	(55,546)
Profit from discontinued operations, net	-	5,250	5,250
Net loss for the period/year	(37,463)	(24,448)	(50,296)
Loss for the period/year attributable to:			
Equity holders of the Company	(28,522)	(17,287)	(38,454)
Non-controlling interests	(8,941)	(7,161)	(11,842)
	(37,463)	(24,448)	(50,296)

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands (except for per share data)		
Profits/(losses) per share attributable to equity holders of the Company			
Basic net profit/(loss):			
Loss from continuing operations	(0.18)	(0.14)	(0.27)
Profit from discontinued operations	-	0.03	0.03
Total loss	(0.18)	(0.11)	(0.24)
Diluted net profit/(loss):			
Loss from continuing operations	(0.18)	(0.14)	(0.27)
Profit from discontinued operations	-	0.03	0.03
Total loss	(0.18)	(0.11)	(0.24)

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands		
Loss for the period/year	(37,463)	(24,448)	(50,296)
Other comprehensive income/(loss):			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations, net	(3,965)	(3,052)	1,420
Share of other comprehensive income/(loss) of associates and joint ventures	(2,029)	10,543	10,908
Gain on financial assets at fair value through other comprehensive income	-	1,257	1,257
Total other comprehensive income/(loss)	(5,994)	8,748	13,585
Total comprehensive loss for the period/year	(43,457)	(15,700)	(36,711)
Total comprehensive loss for the period/year attributable to:			
Equity holders of the Company	(33,128)	(7,817)	(23,187)
Non-controlling interests	(10,329)	(7,883)	(13,524)
	(43,457)	(15,700)	(36,711)

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital and premium	Convertible loans and bonds	Foreign currency translation reserve	Share-based compensation reserve	Reserves from transactions with non-controlling interests	Revaluation and fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands									
(*) Balance as at 1 January 2017 (audited) - Restated	182,217	36,878	(137,911)	4,057	(20,740)	6,305	193,990	264,796	101,705	366,501
Loss for the year	-	-	-	-	-	-	(38,454)	(38,454)	(11,842)	(50,296)
Other comprehensive income/(loss)	-	-	14,010	-	-	1,257	-	15,267	(1,682)	13,585
Total comprehensive income/(loss)	-	-	14,010	-	-	1,257	(38,454)	(23,187)	(13,524)	(36,711)
Share based compensation	-	-	-	-	-	-	-	-	1,349	1,349
Capital reduction	(672)	-	-	-	-	-	-	(672)	-	(672)
Transactions with non-controlling interests, net	-	-	-	-	631	-	-	631	(1,240)	(609)
Distributions to non-controlling interests, net	-	-	-	-	-	-	-	-	(5,099)	(5,099)
(*) Balance as at 31 December 2017 (audited)	181,545	36,878	(123,901)	4,057	(20,109)	7,562	155,536	241,568	83,191	324,759
Impact of initial application of IFRS 9	-	-	-	-	1,497	-	3,344	4,841	678	5,519
Balance after initial application of IFRS 9	181,545	36,878	(123,901)	4,057	(18,612)	7,562	158,880	246,409	83,869	330,278
Loss for the period	-	-	-	-	-	-	(28,522)	(28,522)	(8,941)	(37,463)
Other comprehensive loss	-	-	(4,606)	-	-	-	-	(4,606)	(1,388)	(5,994)
Total comprehensive loss	-	-	(4,606)	-	-	-	(28,522)	(33,128)	(10,329)	(43,457)
Share based compensation	-	-	-	-	-	-	-	-	344	344
Transactions with non-controlling interests, net	-	-	-	-	(7,879)	-	-	(7,879)	4,069	(3,810)
Distributions to non-controlling interests, net	-	-	-	-	-	-	-	-	(2,057)	(2,057)
Balance as at 30 June 2018 (unaudited)	181,545	36,878	(128,507)	4,057	(26,491)	7,562	130,358	205,402	75,896	281,298

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital and premium	**Convertible loans and bonds**	**Foreign currency translation reserve**	**Share-based compensation reserve**	**Reserves from transactions with non-controlling interests**	**Revaluation and fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	U.S. dollars in thousands									
(*) Balance as at 1 January 2017 (audited) - Restated	182,217	36,878	(137,911)	4,057	(20,740)	6,305	193,990	264,796	101,705	366,501
Loss for the period	-	-	-	-	-	-	(17,287)	(17,287)	(7,161)	(24,448)
Other comprehensive income/(loss)	- -	-	8,213	-	-	1,257	-	9,470	(722)	8,748
Total comprehensive income/(loss)	-	-	8,213	-	-	1,257	(17,287)	(7,817)	(7,883)	(15,700)
Share based compensation	-	-	-	-	-	-	-	-	692	692
Contributions from non-controlling interests, net	-	-	-	-	-	-	-	-	4,350	4,350
(*) Balance as at 30 June 2017 (unaudited)	182,217	36,878	(129,698)	4,057	(20,740)	7,562	176,703	256,979	98,864	355,843

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net loss for the period/year	(37,463)	(24,448)	(50,296)
Adjustments for:			
Depreciation	455	604	1,022
Impairment of inventory	-	326	279
Profit from discontinued operations, net	-	(5,250)	(5,250)
Revaluation of investment property, net	(6,829)	(2,692)	(5,448)
Share of loss of associates and joint ventures	22,864	9,781	18,553
Tax expense/(benefit)	954	1,788	(17,185)
Share based compensation	344	692	1,349
Other expenses/(income), net	1,471	(392)	2,238
Interest from lending business	(46)	(631)	(969)
Fair value loss of property, plant and equipment	6	279	1,484
Impairment of assets held for sale	1,816	5,629	21,671
Financial expenses, net	16,336	8,557	27,687
Cash flow used in operating profit before changes in working capital and provisions	(92)	(5,757)	(4,865)
Increase/(decrease) in advances from buyers	-	27	(122)
Increase in inventories of apartments under construction	(14,887)	(10,243)	(25,575)
Decrease/(increase) in trade and other receivables	6,236	(236)	(870)
Decrease in trade and other payables	(2,265)	(2,738)	(1,192)
	(10,916)	(13,190)	(27,759)
Cash flows used in operating activities	(11,008)	(18,947)	(32,624)
Tax paid	(265)	(40)	(538)
Total cash flows used in operating activities	(11,273)	(18,987)	(33,162)

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands		
Cash flows from investing activities:			
Obtaining control in companies previously accounted for using equity method, net (a)	-	11	11
Additions to investment and loans to associates and joint ventures	(2,195)	(1,633)	(6,032)
Additions to other investments	-	-	(348)
Receipts from other investments	1,688	380	9,058
Acquisitions of investment property	-	(25,500)	(25,500)
Additions to investment property	(2,513)	(750)	(2,743)
Changes in short-term and long-term deposits, net	(2,682)	(127,074)	1,611
Interest received	46	631	969
Proceeds from disposal of BCP, net	-	189,352	189,352
Proceeds from financial assets at fair value through other comprehensive income	1,839	-	1,969
Proceeds from sale of financial assets at fair value through profit or loss	-	984	984
Acquisitions of financial assets at fair value though profit or loss	(793)	-	-
Distribution from assets held for sale	-	3,000	3,312
Loans granted from/(to) related parties	200	(1,286)	(2,813)
Total cash flows provided by/(used in) investing activities	(4,410)	38,115	169,830
Cash flows from financing activities:			
Payment in relation to capital reduction	-	-	(672)
Receipt of loans	31,884	30,930	60,606
Issue of debentures	-	18,999	18,999
Repayment of long-term loans and debentures	(27,670)	(4,432)	(157,282)
Interest paid	(13,034)	(14,801)	(34,720)
Purchase of rights from non-controlling interests of subsidiaries	-	-	(609)
Proceeds/(repayment) from/(of) other non-current liabilities	43	(12)	(194)
Contributions/(distributions) from/(to) non-controlling interests, net	(2,057)	4,350	(5,099)
Total cash flows (used in)/provided by financing activities	(10,834)	35,034	(118,971)
Increase/(decrease) in cash and cash equivalents	(26,517)	54,162	17,697
Foreign exchange differences, net	125	357	4,169
Cash and cash equivalents at the beginning of the period/year	44,845	22,979	22,979
Cash and cash equivalents at the end of the period/year	18,453	77,498	44,845

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	2018	2017 Restated (*)	2017 Restated (*)
	U.S. dollars in thousands		
(a) Obtaining control in companies previously accounted for using equity method:			
Working capital (excluding cash and cash equivalents), net	-	3,446	3,446
Investment property	-	(38,214)	(38,214)
Investment in associate	-	(152)	(152)
Interest bearing loans and borrowings	-	33,795	33,795
Loan receivable netted off with consideration	-	1,136	1,136
	-	11	11
(b) Material non-cash transactions:			
Exercise of options and purchase of shares	3,810	9,014	9,014

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of 30 June 2018 and for the six months period then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of 31 December 2017 and for the year then ended ("annual financial statements").

The interim condensed consolidated financial statements of the Company for the six months period ended 30 June 2018 comprise the Company and its subsidiaries and the Group's interest in associates and joint arrangements which are accounted for using the equity method. The significant investees of the Group are listed below:

			Ownership interest	
Significant investees	**Investee**	**Country of incorporation**	**30 June 2018**	**31 December 2017**
Brack Capital First B.V.	Subsidiary	The Netherlands	100%	100%
BCRE Russian Properties Ltd	Subsidiary	Cyprus	85.07%	85.07%
Brack Capital USA B.V.	Subsidiary	The Netherlands	98.77%	100%

The Group is an international real-estate development and investment group interested in, develops and operates an international portfolio of real estate assets predominantly located in the USA and Russia.

b. The interim condensed consolidated financial statements were authorized in accordance with a resolution of the Board of Directors on 25 September 2018.

c. Following the sale of the Group's total holding in Brack Capital Properties N.V. which was completed on 14 June 2017 (see note 4 of the annual financial statements) and in combination with the change in the Group's strategy at the beginning of the period, Management considered whether the Company's functional currency remained the Euro.

d. Accordingly, on 1 January 2018, Management concluded that the Company's sole operations cannot be considered sufficiently substantive. As a result and in accordance with the related guidance of IAS 21, Management concluded that the Company's functional currency should be the same as the currency of its most significant platform, which as of 1 January 2018, was the US platform. Therefore, the functional currency of the Company from 1 January 2018 onwards was concluded to be the U.S. dollar. The change in functional currency has been accounted for prospectively, from the date of change, i.e. from 1 January 2018 onwards. On this date, all items were translated into the new functional currency using the exchange rate at the date of change. As all items were translated using the exchange rate at the date of the change, the resulting translated amounts for non-monetary items (like investment properties) were treated as its historical cost. Equity items were also translated using the exchange rate at the date of change of functional currency.

NOTE 1:- GENERAL (Cont.)

e. Following the change in functional currency, the Company elected to change the presentation currency of the consolidated financial statements from Euro to U.S. dollar (see note 2b).

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements for the six months period ended 30 June 2018 have been prepared in accordance with the International Financial Reporting Standard IAS 34 (“Interim Financial Reporting”) as adopted by the European Union.

The significant accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except from:

1. Changes in accounting policies as a result of the change in presentation currency as described in note 2b;
2. Initial adoption of IFRS 15 “Revenue from Contracts with Customers” as described in note 2c;
3. Initial adoption of IFRS 9 “Financial instruments” as described in note 2d; and
4. Initial adoption of the amendments to IAS 40 “Investment Property” **-** Transfers of Investment Property as described in note 2e.

b. Change in the presentation currency of the consolidated financial statements:

Following the change in the functional currency (see note 1c above), the Company elected to change the presentation currency of the consolidated financial statements from Euro to U.S. dollar.

The change in presentation currency was elected by the Company to better reflect the Group’s activities and to reduce the foreign exchange volatility. Therefore, Management believed that the presentation of the consolidated financial statements in U.S. dollar will provide more reliable and relevant information to the users of the consolidated financial statements.

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

b. Change in the presentation currency of the consolidated financial statements (Cont.):

This change, was applied from 1 January 2018 onwards, concurrently with the change of the functional currency. The change of presentation currency represented a change in accounting policy and it was applied retrospectively in accordance with the requirements of IAS 8. The implementation of the change, as per IAS 21 guidance, was done as follows:

- Assets and liabilities were translated using the exchange rate prevailing at the dates of the consolidated statement of financial position;
- Income statement, other comprehensive income statement and cash flow statement items have been translated using the average exchange rates prevailing during each reporting period (or year) end;
- Equity items have been translated using the rates of exchange in effect as of the dates of the related capital transactions; and
- All resulting exchange differences arising from the translation were included as a separate component of other comprehensive income.

All comparative financial information has been restated into the new presentation currency and the effect on the consolidated financial statements was a decrease in the foreign currency translation reserve of $80.9 million.

c. Revenue from contracts with customers:

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” (the “new Standard”) which replaced IAS 18 “Revenue”, IAS 11 “Construction Contracts”, IFRIC 13 “Customer Loyalty Programs”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC - 31 “Revenue - Barter Transactions Involving Advertising Services”.

As detailed in the paragraphs below, the Group chose to adopt the provisions of the new Standard using the modified retrospective approach with certain reliefs and without restatement of comparative figures. For the accounting policy of the Group regarding revenue recognition which was applied before the adoption of the new Standard, see note 2t of the annual financial statements. The accounting policy regarding revenue recognition effective from 1 January 2018 is as follows:

(a) Revenue recognition:

Revenue from contracts with customers is recognized in profit or loss when the control over the asset or the service is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration that is expected to be received based on the contract terms, less the amounts collected in favor of third parties (such as taxes). Revenue is recognized in profit or loss to the extent that it is probable that the economic benefits associated with the contract will flow to the Group and that and the costs incurred or to be incurred in respect of the contract can be measured reliably.

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

c. Revenue from contracts with customers (Cont.):

(b) Revenue from provision of services:

According to this type of contracts, the customer simultaneously receives and consumes the benefits produced by the Group's performance and therefore revenue is recognized over time in the reporting periods in which the services are provided. The Group charges its customers based on payment terms agreed upon in specific agreements. Payments can be made before or after the service period begins. The Group recognizes the resulting asset or liability in respect of the contract with the customer.

In contracts for providing management and maintenance services when the Group acts as an agent, revenue is recognized in the amount of the net consideration for the contract performance, after deducting the amounts payable to the principal supplier.

(c) Incremental costs of obtaining contracts:

In order to obtain some of its contracts with customers, the Group bears the incremental costs of obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Group expects to recover are recognized as an asset and are amortized on a systematic basis consistently with the provision of the services under the specific contract.

(d) Revenue from real estate development and construction contracts in the USA:

The Group is engaged in the development, construction and sale of residential apartments in the USA. On the date of engagement with the customer, the Group identifies the residential apartments as performance obligations.

Based on the provisions of the laws, regulations and commercial practices applicable in the USA, the Group concluded that control of the asset is assigned to the customer when the apartment is delivered. In view of the Group's assessment that the enforceability of the contract before the full consideration is collected is low, revenue from the sale of residential apartments is therefore recognized at a specific point in time (on the delivery date).

Costs incurred in the performance of contracts with customers, or expected contracts with customers, are presented as an asset when their recovery is expected. Contract costs consist of direct identifiable costs and joint indirect costs that can be directly attributed to a contract based on a reasonable allocation method. If a loss is anticipated from the project, it will be recognized immediately in profit or loss.

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

d. Financial instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9 “Financial Instruments” (the “Standard”) which replaced IAS 39 “Financial Instruments: Recognition and Measurement”. The Standard mainly focuses on the classification and measurement of financial assets and it applies to all assets within the scope of IAS 39. The Standard has been applied for the first time in these financial statements without restatement of comparative figures by using the modified retrospective approach. For the accounting policies of the Group regarding financial instruments which were applied before the adoption of the Standard, see note 2o of the annual financial statements.

The accounting policies regarding financial instruments following the application of the Standard are as follows:

(a) Financial assets:

Financial assets within the scope of the Standard are measured upon initial recognition at fair value with the addition of transaction costs that can be directly attributed to the financial asset’s acquisition, excluding financial assets that are measured at fair value through profit or loss whereby the transaction costs are carried to profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

- The Group’s business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

(1) Debt instruments are measured at amortized cost when the following criteria are met:

The Group’s business model consists of holding the financial assets for collecting contractual cash flows therefrom and the contractual cash flow terms of the financial asset provide entitlement to cash flows which only include principal payments and interest on the unpaid principal on predetermined dates. After initial recognition, the instruments in this category are presented according to their terms at cost with the addition of directly attributable transaction costs using the amortized cost method.

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

d. Financial instruments (Cont.):

(a) Financial assets (Cont.):

(2) Equity instruments:

Equity instruments held for trading are measured at fair value through profit or loss. In connection with equity instruments that are not held for trading, on the date of initial recognition, the Group may choose, on a non-recourse basis, to present subsequent changes in fair value in other comprehensive income which would have otherwise been measured at fair value through profit or loss. These changes will not be carried to profit or loss in the future, even when the investment is disposed of.

(b) Impairment of financial assets:

The Group reviews at the end of each reporting period the provision for loss of financial debt instruments which are not measured at fair value through profit or loss.

The Group distinguishes between two types of debt instruments when recognizing a provision for losses:

(1) Debt instruments whose credit quality has not significantly deteriorated since its initial recognition date, or whose credit risk is low - The provision for loss that will be recognized in respect of these debt instruments will take into account expected credit losses within 12 months from the reporting date; or

(2) Debt instruments whose credit quality has significantly deteriorated since its initial recognition date, or whose credit risk is not low - The provision for loss that will be recognized will take into account expected credit losses over the instruments' remaining term. The Group has adopted the relief in the Standard according to which it assumes that the debt instrument's credit risk has not risen significantly from the date of initial recognition if on the reporting date it was determined that the instrument has a low credit risk, for example when the investment in the instrument has been externally rated.

An impairment loss of debt instruments measured at amortized cost is carried to profit or loss against a provision, whereas an impairment loss of debt instruments measured at fair value through other comprehensive income is carried against a capital reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

d. Financial instruments (Cont.):

(b) Impairment of financial assets (Cont.):

The Group has financial assets bearing short-term credit such as trade receivables in respect of which it is required to adopt the relief prescribed in the model and measure the provision for loss in an amount which is equivalent to the expected credit losses throughout the instruments' term.

(c) Derecognition of financial assets:

A financial asset is only derecognized when the following criteria are met:

- The contractual rights to the cash flows from the financial asset expire; or
- The Group has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Group has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

(d) Financial liabilities:

Financial liabilities within the scope of the Standard are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, excluding financial liabilities measured at fair value through profit or loss whose transaction costs are carried to profit or loss.

After initial recognition, the Group measures all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss such as derivatives.

(e) Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation is discharged or cancelled or expired. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services or is legally released from the liability.

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

d. Financial instruments (Cont.):

(e) Derecognition of financial liabilities (Cont.):

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the exchange or modification is not substantial, the Group is required to update the carrying amount of the original liability by discounting the modified cash flows discounted at the original effective interest rate and recognize a gain or loss in profit or loss.

When evaluating whether the change in the terms of an existing liability is substantial, the Group takes into account both quantitative and qualitative considerations.

(f) 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.

e. Initial adoption of new standards:

1. Initial adoption of IFRS 15 “Revenue from Contracts with Customers”:

The new Standard has been adopted for the first time in these interim condensed consolidated financial statements. The Group chose to adopt the provisions of the new Standard using the modified retrospective approach with certain reliefs and without restatement of comparative figures. The initial adoption of the new Standard had no material effect on the interim condensed consolidated financial statements.

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

e. Initial adoption of new standards (Cont.):

2. Initial adoption of IFRS 9 “Financial Instruments”:

The Standard has been applied for the first time in these interim condensed consolidated financial statements by using the modified retrospective approach. The effect of the initial adoption of IFRS 9 on the interim condensed consolidated financial statements is as follows:

(a) Classification and measurement:

1) The Group had several equity investments amounting to $10,901 thousand as of 31December 2017, which have been classified as “available-for-sale financial assets”. According to IFRS 9, the Group chose to measure these investments at fair value through other comprehensive income.

2) During 2016, indirect subsidiaries and a joint venture of the Group in Russia entered into certain refinancing agreements to modify the terms of its financial liabilities without resulting in derecognition of the existing facilities.

Under IAS 39, no gain or loss should have been recognized at the date of the modification of the loans’ terms, instead the difference between the original and modified cash flows was amortized over the remaining term of the modified liability by re-calculating the effective interest rate.

Under IFRS 9, gains or losses should be recognized in profit or loss. These gains or losses, under IFRS 9, are calculated as the difference between the original contractual cash flows discounted at the original effective interest rate and the modified cash flows also discounted at the original effective interest rate.

Thus, the effect of the initial application of IFRS 9 in the consolidated statement of financial position is as follows:

	1 January 2018		
	As previously reported	**IFRS 9 effect**	**As restated**
	U.S. dollars in thousands		
Investments and loans to associates and joint ventures	27,469	612	28,081
Interest-bearing loans and borrowings	544,726	(4,907)	539,819
quity attributable to the equity holders of the Company	241,568	4,841	246,409
on-controlling interests	83,191	678	83,869

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

e. Initial adoption of new standards (Cont.):

3. Initial adoption of the amendments to IAS 40 “Investment Property” - Transfers of Investment Property:

   In December 2016, the IASB issued amendments to IAS 40 “Investment Property” (the “Amendments”). The Amendments provide guidance and clarifications on the application of the provisions of IAS 40 regarding transfers to or from investment property. The Amendments determine that the list of circumstances regarding transfers of investment property represents examples that evidence a change in use of the property rather than a closed list. The Amendments also clarify that a change in Management’s intention, in and of itself, does not evidence a change in use.

   The Amendments were applied prospectively from the period in which they are first adopted, i.e. 1 January 2018. Any adjustments as of the date of initial application of the Amendments were carried to equity. The effect of the adoption of the Amendments on the Group’s interim condensed consolidated financial statements was immaterial.

f. Disclosure of main new standards effective in the period prior to its adoption:

In January 2016, the IASB issued IFRS 16 “Leases” (the “new Standard”). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for a consideration. The effects of the adoption of the new Standard are as follows:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17 “Leases”.

- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index (“CPI”) or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the re-measurement is an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

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

f. Disclosure of main new standards effective in the period prior to its adoption (Cont.):

The new Standard is effective for annual periods beginning on or after 1 January 2019.

The Group evaluated the impact of IFRS 16 "Leases" and considers that it will not have a material impact on the consolidated financial statements.

NOTE 3:- FINANCIAL INSTRUMENTS

a. Set out below, is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount		**Fair value**	
	30 June 2018	**31 December 2017 Restated (*)**	**30 June 2018**	**31 December 2017 Restated (*)**
	U.S. dollars in thousands			
Financial assets:				
Financial assets at fair value through profit or loss	2,665	2,959	2,665	2,959
Financial assets at fair value through other comprehensive income	10,562	10,901	10,562	10,901
Loans to associates and joint ventures	70,991	70,943	70,991	70,943
Financial liabilities:				
Derivative financial instruments measured at fair value	10,438	9,682	10,438	9,682
Interest-bearing loans and borrowings	132,332	-	132,332	-
Debentures	-	22,258	-	22,258

(*) Change of presentation currency from Euro to U.S. dollar, see note 2b.

The carrying amount of cash and cash equivalents, restricted bank accounts and deposits, other short-term investments, loans receivables, trade receivables, other accounts receivable, trade and other payables and interest-bearing loans and borrowings (other than those presented at fair value as detailed in the table above) which are presented at amortized cost, approximates their fair value. The Group's interest-bearing loans and borrowings presented at amortized cost have been recently obtained from banks and other financial institutions, at market interest rates and terms and therefore Management considers that its carrying amounts approximate its fair value as of the date of the consolidated statement of financial position.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

b. The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2018 (unaudited):

	Total	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	U.S. dollars in thousands			
Assets measured at fair value:				
Investment property	479,059	-	-	479,059
Property, plant and equipment (1)	8,142	-	-	8,142
Assets classified as held for sale (2)	57,636	-	45,955	11,681
Financial assets at fair value through other comprehensive income (3)	10,562	-	-	10,562
Financial assets at fair value through profit or loss	2,665	2,665	-	-
Liabilities measured at fair value:				
Derivatives	10,438	-	-	10,438
Interest-bearing loans and borrowings	132,332	-	-	132,332

There have been no transfers between Level 1 and Level 2 during the period ended 30 June 2018.

(1) Only a class of property, plant and equipment is measured at fair value. The remaining property, plant and equipment is accounted for in the interim condensed consolidated financial statements in accordance with the related Group's accounting policy at historic cost.
(2) The fair value of the assets held for sale is determined based on the values reflected in the relevant sale transactions.
(3) Value based on the fair values of the underlying assets held by the investee as determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the assets and estimates of the suitable discount rate for the cash flows.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

b. The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at (*) 31 December 2017 (audited):

	Total	Fair value hierarchy: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	U.S. dollars in thousands			
Assets measured at fair value:				
Investment property	494,377	-	-	494,377
Property, plant and equipment (1)	8,870	-	-	8,870
Assets classified as held for sale (2)	47,772	-	47,772	-
Financial assets at fair value through other comprehensive income (3)	10,901	-	-	10,901
Financial assets at fair value through profit or loss	2,959	2,959	-	-
Liabilities measured at fair value:				
Derivatives	9,682	-	-	9,682

(*) Restated - change of presentation currency from Euro to U.S. dollar, see note 2b.

There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2017.

(1) Only a class of property, plant and equipment is measured at fair value. The remaining property, plant and equipment is accounted for in the interim condensed consolidated financial statements in accordance with the related Group's accounting policy at historic cost.
(2) The fair value of the assets held for sale is determined based on the values reflected in the relevant sale transactions.
(3) Value based on the fair values of the underlying assets held by the investee as determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the assets and estimates of the suitable discount rate for the cash flows.

NOTE 4:- MATERIAL EVENTS DURING THE REPORTING PERIOD

a. On 22 January 2018, an indirect subsidiary of the Company agreed with the financing bank the extension of the maturity of the facility provided to the indirect subsidiary to 31 March 2018. On 30 May 2018, with another amendment, the maturity of the facility has been further extended to 30 June 2018. In June 2018, the indirect subsidiary further agreed with the financing bank to extend the maturity to 30 June 2020 and that the facility will carry interest equal to 3 months Libor plus a margin of 5.25%. Interest shall be paid to the financing bank quarterly along with principal payments of $300 thousand each quarter. The outstanding principal balance on maturity will be paid to the financing bank through a balloon payment. As of 30 June 2018, the carrying amount of the facility amounted to $13 million. No other modification to the loan terms was agreed with the financing bank.

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

b. On 7 February 2018, an indirect subsidiary of the Company in the USA, agreed with the financing bank the extension of the maturity of the facility provided to the indirect subsidiary, amounting to $59.3 million as at 30 June 2018, until 1 July 2019. No other modification to the loan terms was agreed with the financing bank.

c. On 14 February 2018, the Company entered into a financing agreement with a group of individual lenders for the total amount of $20 million. The facility carries interest of 6.5% per annum and matures on 30 June 2020. The Company agreed with the group of lenders that any proceeds received from certain Group’s investments, either through dividend payments or through sale proceeds, would be used for the repayment of the loan facility. Otherwise, and if the principal amount provided along with interest accrued, are not paid in full by the maturity date on 30 June 2020, the Company will pay to the lenders the outstanding loan amount via a balloon payment.

d. On 22 March 2018, the refinancing agreements between the indirect subsidiaries and a joint venture of the Company in Russia and the financing bank have been completed. The key amendments in the refinancing agreements of the indirect subsidiaries and the joint venture are described in Notes 30a(10) and 30a(12) of the annual financial statements.

   The Group considered the requirements of IFRS 9 regarding derecognition of financial liabilities and concluded that the terms of the revised facility obtained by the joint venture of the Company are substantially different compared to the terms of the original facility. In this respect, the existing financial liability of the joint venture has been extinguished and a new financial liability has been recognized. Accordingly, a loss amounting to $4.1 million has been recognized in the interim condensed consolidated income statement within “share of loss of associates and joint ventures” representing the Group’s share of the loss from the extinguishment of the existing financial liability and the recognition of the revised facility. The carrying amount of the facility as of 30 June 2018 amounted to $112.2 million.

   Regarding the facilities obtained by the indirect subsidiaries of the Company in Russia, the Group concluded that the terms of the revised facilities are not substantially different compared to the terms of the original facilities. Accordingly, the Group has modified the carrying amounts of the facilities to equal the present value of the modified contractual cash flows discounted at the financial liabilities’ original effective interest rates. In this respect, a gain of $4.5 million has been recognized in the interim condensed consolidated income statement within “financial income” as a result of the modification of the loan terms. The carrying amount of the facilities as of 30 June 2018 amounted to $132.3 million.

e. On 27 March 2018, the Group signed an agreement with its partner, for the sale of the Group’s total shareholding in OSIB-BCRE Bowery Street Holdings LLC, an associate company of the Group in the USA. According to the agreed price, there was no modification to the carrying amount of the investment as of 30 June 2018. The carrying amount of the investment in OSIB-BCRE Bowery Street Holdings LLC, amounted to $21.8 million (including loans amounting to $17 million) as of 30 June 2018. The investment in OSIB-BCRE Bowery Street Holdings LLC is classified as an asset held for sale in the interim condensed statement of financial position.

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

f. On 8 June 2018, the Group entered into an agreement with a third party for the sale of the property owned by BCRE IHG 180 Orchard Holdings LLC, a joint venture of the Group in the USA, for a total consideration of $162.5 million. As a result, the value of the property in the accounting records of BCRE IHG 180 Orchard Holdings LLC has been modified accordingly to equal the price agreed with the third party. Transaction costs in the total amount of $9.1 million are expected to be borne in relation to sale of the property. These costs have been recognized in the accounting records of the joint venture as of 30 June 2018. The investment in BCRE IHG 180 Orchard Holdings LLC, with a carrying amount of $24.2 million (including loans amounting to $3.6 million) as of 30 June 2018, is classified as an asset held for sale in the interim condensed statement of financial position. A loss of $1.8 million has been recognized in the interim condensed consolidated income statement in respect of the investment in BCRE IHG 180 Orchard Holdings LLC included within "impairment of assets held for sale".

g. On 22 June 2018, the Group entered into a term sheet with a third party for the sale of 79% of its holding in the issued and outstanding share capital of BCRE Roma S.r.l., a wholly owned indirect subsidiary of the Group holding a property in Italy. The consideration agreed with the third party for the sale amounted to €10 million ($11.6 million). The agreement provided that the Group will be solely responsible for settling the outstanding bank loan obtained by the indirect subsidiary amounting to €0.9 million ($1 million) as of 30 June 2018. As a result, the assets owned by the indirect subsidiary and the carrying amount of the bank loan were classified within "asset held for sale" and "liabilities directly associated with the assets classified as held for sale" respectively, in the interim condensed consolidated statement of financial position.

NOTE 5:- SEGMENT INFORMATION

Six months ended 30 June 2018 (unaudited)	Russia	USA	Others	Total
	U.S. dollars in thousands			
Gross rental income	6,144	3,945	-	10,089
Service charge, management and other income	3,559	718	-	4,277
Property operating and other expenses	(4,180)	(4,683)	(739)	(9,602)
Rental, management and other income, net	5,523	(20)	(739)	4,764
Interest and other related income from lending business	-	46	-	46
Costs related to lending business	-	(30)	-	(30)
Gross profit from lending business	-	16	-	16
Gross profit/(loss) before impairment of inventory and depreciation of property, plant and equipment	5,523	(4)	(739)	4,780
Impairment of inventory and depreciation of property, plant and equipment	(455)	-	-	(455)
Gross profit/(loss)	5,068	(4)	(739)	4,325
Revaluation of investment property, net	(148)	6,977	-	6,829
Impairment of assets held for sale	-	(1,816)	-	(1,816)
Fair value loss of property, plant and equipment	(6)	-	-	(6)
Share of loss of associates and joint ventures	(16,970)	-	(5,894)	(22,864)
Segment results	(12,056)	5,157	(6,633)	(13,532)
Administrative and other expenses, net				(6,641)
Financial expenses, net				(16,336)
Tax expense				(954)
Loss for the period				(37,463)

NOTE 5:- SEGMENT INFORMATION (Cont.)

(*) Year ended 31 December 2017 (audited)	Russia	USA	Others	Total
	U.S. dollars in thousands			
Gross rental income	10,801	7,503	-	18,304
Service charge, management and other income	8,532	1,285	-	9,817
Property operating and other expenses	(9,830)	(10,983)	(1,450)	(22,263)
Rental, management and other income, net	9,503	(2,195)	(1,450)	5,858
Interest and other related income from lending business	-	969	-	969
Costs related to lending business	-	(279)	-	(279)
Gross profit from lending business	-	690	-	690
Gross profit/(loss) before impairment of inventory and depreciation of property, plant and equipment	9,503	(1,505)	(1,450)	6,548
Impairment of inventory and depreciation of property, plant and equipment	(1,301)	-	-	(1,301)
Gross profit/(loss)	8,202	(1,505)	(1,450)	5,247
Revaluation of investment property, net	(17,807)	23,877	(622)	5,448
Impairment of assets held for sale	-	(21,671)	-	(21,671)
Fair value loss of property, plant and equipment	(1,484)	-	-	(1,484)
Share of profit/(loss) of associates and joint ventures	(19,119)	-	566	(18,553)
Segment results	(30,208)	701	(1,506)	(31,013)
Administrative and other expenses, net				(14,031)
Financial expenses, net				(27,687)
Tax benefit				17,185
Profit from discontinued operations, net				5,250
Loss for the year				(50,296)

(*) Six months ended 30 June 2017 (unaudited)	Russia	USA	Others	Total
	U.S. dollars in thousands			
Gross rental income	4,194	3,722	-	7,916
Service charge, management and other income	3,902	587	-	4,489
Property operating and other expenses	(5,481)	(5,752)	(735)	(11,968)
Rental, management and other income, net	2,615	(1,443)	(735)	437
Interest and other related income from lending business	-	631	-	631
Costs related to lending business	-	(153)	-	(153)
Gross profit from lending business	-	478	-	478
Gross profit/(loss) before impairment of inventory and depreciation of property, plant and equipment	2,615	(965)	(735)	915
Impairment of inventory and depreciation of property, plant and equipment	(930)	-	-	(930)
Gross profit/(loss)	1,685	(965)	(735)	(15)
Revaluation of investment property, net	(5,930)	8,954	(332)	2,692
Impairment of assets held for sale	-	(5,629)	-	(5,629)
Fair value loss of property, plant and equipment	(279)	-	-	(279)
Share of profit/(loss) of associates and joint ventures	(10,367)	-	586	(9,781)
Segment results	(14,891)	2,360	(481)	(13,012)
Administrative and other expenses, net				(6,341)
Financial expenses, net				(8,557)
Tax expense				(1,788)
Profit from discontinued operations, net				5,250
Loss for the period				(24,448)

(*) Restated - change of presentation currency from Euro to U.S. dollar, see note 2b.

NOTE 6:- SUBSEQUENT EVENTS

a. On 17 August 2018, an extraordinary general meeting of the Company's shareholders unanimously approved to apply for the cancellation of the shares of the Company from the standard segment of the Official List of the London Stock Exchange and from the admission to trading on the Main Market of the London Stock Exchange. Concurrently, an application has been made to Euronext Paris for the admission of the shares to Euronext Access of Euronext Paris, which was anticipated to be effective by the end of September 2018.

b. On 21 September 2018, the Company has postponed the cancellation of its shares from the standard segment of the Official List of the London Stock Exchange and from the admission to trading on the Main Market of the London Stock Exchange, which was scheduled to be effective on 24 September 2018.

c. On 24 September 2018, the Company has withdrawn the application to Euronext Paris in connection with the admission of its shares to Euronext Access of Euronext Paris. The Company will retain the listing of its shares on the Main Market of the London Stock Exchange until further notice.

DIRECTORS RESPONSIBILITY STATEMENT

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

- the interim condensed consolidated financial statements, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the subsidiaries included in the consolidation as a whole; and

- the additional management information provided in the press release attached to the interim condensed consolidated financial statements gives a fair view of the information required pursuant to section 5:25d paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Amsterdam, 25 September 2018

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