**BCRE - BRACK CAPITAL REAL ESTATE INVESTMENTS N.V.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 30 JUNE 2017**

**EURO IN THOUSAND**

**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 2017 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. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

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

**Conclusion**

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

|  |  |  |
| --- | --- | --- |
| Tel-Aviv, Israel |  | KOST FORER GABBAY & KASIERER |
| 27 September 2017 |  | A Member of Ernst & Young Global |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 30 June |  | 31 December |
|  |  | 2017 |  | 2016 |
|  |  | Unaudited |  | Audited |
|  |  | **Euro in thousand** |
| ASSETS: |  |  |  |  |
|  |  |  |  |  |
| Non-current assets: |  |  |  |  |
| Investment property |  | 422,856 |  | 389,606 |
| Investments and loans to associates and joint ventures |  | 27,895 |  | 197,374 |
| Available for sale financial assets |  | 9,995 |  | 8,795 |
| Property, plant and equipment, net |  | 12,175 |  | 13,043 |
| Other investments and loans |  | 23,787 |  | 24,319 |
| Restricted bank accounts and deposits |  | 98,666 |  | 1,853 |
| Deferred tax assets |  | 1,479 |  | 1,559 |
|  |  |  |  |  |
| Total non-current assets |  | 596,853 |  | 636,549 |
|  |  |  |  |  |
| Current assets: |  |  |  |  |
| Inventory of land, inventory of apartments under construction and other inventory |  | 172,584 |  | 176,500 |
| Trade and other receivables |  | 18,736 |  | 20,819 |
| Other investments and loans |  | 10,239 |  | 20,166 |
| Restricted bank accounts and deposits |  | 22,801 |  | 2,296 |
| Financial assets at fair value though profit or loss |  | 2,383 |  | 2,686 |
| Cash and cash equivalents |  | 67,846 |  | 21,853 |
|  |  |  |  |  |
| Total current assets |  | 294,589 |  | 244,320 |
|  |  |  |  |  |
| Assets classified as held for sale  |  | 53,322 |  | 66,129 |
|  |  |  |  |  |
| Total assets |  | 944,764 |  | 946,998 |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 30 June |  | 31 December |
|  |  | 2017 |  |  2016 |
|  |  | Unaudited |  | Audited |
|  |  | **Euro in thousand** |
| EQUITY: |  |  |  |  |
|  |  |  |  |  |
| Attributable to the equity holders of the Company: |  |  |  |  |
| Share capital and premium |  | 142,210 |  | 142,210 |
| Convertible loans |  | 31,084 |  | 31,084 |
| Other reserves |  | (70,509) |  | (58,998) |
| Retained earnings |  | 123,838 |  | 139,798 |
|  |  |  |  |  |
|  |  | 226,623 |  | 254,094 |
| Non-controlling interests |  | 84,905 |  | 94,445 |
|  |  |  |  |  |
| Total equity |  | 311,528 |  | 348,539 |
|  |  |  |  |  |
| LIABILITIES: |  |  |  |  |
|  |  |  |  |  |
| Non-current liabilities: |  |  |  |  |
| Derivative financial instruments and other liabilities measured at fair value |  | 8,357 |  | 8,947 |
| Interest-bearing loans and other borrowings |  | 372,556 |  | 343,096 |
| Other non-current liabilities |  | 1,471 |  | 1,482 |
| Deferred tax liabilities  |  | 31,798 |  | 27,721 |
|  |  |  |  |  |
| Total non-current liabilities |  | 414,182 |  | 381,246 |
|  |  |  |  |  |
| Current liabilities: |  |  |  |  |
| Tax provision |  | 1,469 |  | 1,266 |
| Trade and other payables |  | 11,059 |  | 14,168 |
| Interest-bearing loans and other borrowings |  | 206,071 |  | 200,457 |
| Advances from buyers |  | 455 |  | 1,322 |
|  |  |  |  |  |
| Total current liabilities |  | 219,054 |  | 217,213 |
|  |  |  |  |  |
| Total liabilities |  | 633,236 |  | 598,459 |
|  |  |  |  |  |
| Total equity and liabilities |  | 944,764 |  | 946,998 |
|  |  |  |  |  |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 27 September 2017 |  |  |  |  |  |  |
| Date of approval of the interim condensed consolidated financial statements |  | Harin ThakerChairman of Board  |  | Ariel PodrojskiCEO |  | Nansia KoutsouCFO |

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | Six months ended 30 June  |  | Year ended 31 December |
|  |  |  |  | 2017 |  | 2016 |  |  2016 |
|  |  |  |  | **Unaudited** |  | **Audited** |
|  |  | **Note** |  | **Euro in thousand** **(except for per share data)** |
|  |  |  |  |  |  |  |  |  |
| Gross rental income  |  |  |  | 7,308 |  | 5,432 |  | 11,221 |
| Service charge, management and other income |  |  |  | 4,144 |  | 4,197 |  | 8,432 |
| Property operating and other expenses  |  |  |  | (11,049) |  | (10,140) |  | (18,679) |
| Rental and management income, net |  |  |  | 403 |  | (511) |  | 974 |
|  |  |  |  |  |  |  |  |  |
| Proceeds from sale of residential units |  |  |  | - |  | 749 |  | 1,867 |
| Cost of sales of residential units |  |  |  | - |  | (1,166) |  | (2,552) |
| Gross loss from sale of residential units |  |  |  | - |  | (417) |  | (685) |
|  |  |  |  |  |  |  |  |  |
| Interest and other related income from lending business |  |  |  | 583 |  | 987 |  | 1,625 |
| Costs related to lending business |  |  |  | (141) |  | (180) |  | (293) |
| Gross profit from lending business |  |  |  | 442 |  | 807 |  | 1,332 |
|  |  |  |  |  |  |  |  |  |
| Gross profit/(loss) before impairment and depreciation |  |  |  | 845 |  | (121) |  | 1,621 |
| Impairment of inventory and depreciation of property, plant and equipment |  |  |  | (859) |  | (290) |  | (4,822) |
| Impairment of assets held for sale |  | 4a |  | (5,197) |  | - |  | - |
| Total gross loss |  |  |  | (5,211) |  | (411) |  | (3,201) |
|  |  |  |  |  |  |  |  |  |
| Revaluation of investment property, net  |  |  |  | 2,485 |  | (27,004) |  | (38,046) |
| Administrative expenses |  |  |  | (3,625) |  | (2,518) |  | (6,119) |
| General and administrative expenses relating to inventory of buildings under construction and investment property |  |  |  | (1,552) |  | (1,171) |  | (2,547) |
| Other income/(expenses), net |  |  |  | (37) |  | (1,075) |  | 1,718 |
| Fair value loss of property, plant and equipment |  |  |  | (258) |  | (3,822) |  | (5,747) |
| Share based payments  |  |  |  | (639) |  | (15) |  | (1,643) |
| Share of loss of associates and joint ventures |  |  |  | (9,030) |  | (30,833) |  | (53,507) |
| Operating loss  |  |  |  | (17,867) |  | (66,849) |  | (109,092) |
|  |  |  |  |  |  |  |  |  |
| Financial income |  |  |  | 2,497 |  | 1,476 |  | 6,106 |
| Financial expenses |  |  |  | (16,511) |  | (12,511) |  | (31,555) |
| Exchange rate differences, net |  |  |  | 6,114 |  | 17,677 |  | 20,008 |
| Financial income/(expenses), net |  |  |  | (7,900) |  | 6,642 |  | (5,441) |
|  |  |  |  |  |  |  |  |  |
| Loss before tax |  |  |  | (25,767) |  | (60,207) |  | (114,533) |
| Tax benefit/(expense) |  |  |  | (1,651) |  | 966 |  | 1,208 |
| Loss from continuing operations |  |  |  | (27,418) |  | (59,241) |  | (113,325) |
| Profit from discontinued operations, net |  | 6 |  | 4,847 |  | 34,297 |  | 116,372 |
| Net profit/(loss) |  |  |  | (22,571) |  | (24,944) |  | 3,047 |
|  |  |  |  |  |  |  |  |  |
| Profit/(loss) attributable to: |  |  |  |  |  |  |  |  |
| Equity holders of the Company |  |  |  | (15,960) |  | (30,900) |  | (3,749) |
| Non-controlling interests |  |  |  | (6,611) |  | 5,956 |  | 6,796 |
|  |  |  |  | (22,571) |  | (24,944) |  | 3,047 |
|  |  |  |  |  |  |  |  |  |

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 |
|  |  | 2017 |  | 2016 |  |  2016 |
|  |  | **Unaudited** |  | **Audited** |
|  |  | **Euro in thousand** **(except for per share data)** |
|  |  |  |
| Profits/(losses) per share attributable to equity holders of the Company |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Basic net profit/(loss): |  |  |  |  |  |  |
| Loss from continuing operations |  | (0.13) |  | (0.25) |  | (0.45) |
| Profit from discontinued operations |  | 0.03 |  | 0.06 |  | 0.43 |
| Total loss |  | (0.10) |  | (0.19)  |  | (0.02) |
|  |  |  |  |  |  |  |
| Diluted net profit/(loss): |  |  |  |  |  |  |
| Loss from continuing operations |  | (0.13) |  | (0.25) |  | (0.45) |
| Profit from discontinued operations |  | 0.03 |  | 0.06 |  | 0.43 |
| Total loss  |  | (0.10) |  | (0.19)  |  | (0.02) |

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** |
|  |  | 2017 |  | 2016 |  | 2016 |
|  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |
| Profit/(loss) for the period/year |  | (22,571) |  | (24,944) |  | 3,047 |
|  |  |  |  |  |  |  |
| Other comprehensive income/(loss):Items to be reclassified to profit or loss in subsequent periods: |  |  |  |  |  |  |
| Exchange differences on translation of foreign operations, net  |  | (17,777) |  | (3,673) |  | 4,011 |
| Share of other comprehensive income/(loss) of associates and joint ventures |  | (2,487) |  | 5,510 |  | 14,122 |
| Gain/(loss) on available for sale financial assets |  | 1,160 |  | - |  | (239) |
|  |  |  |  |  |  |  |
| Other comprehensive income, net of tax, not to be reclassifiedto profit or loss in subsequent periods: |  |  |  |  |  |  |
| Share of other comprehensive income of associates and joint ventures |  | - |  | 703 |  | 2,407 |
|  |  |  |  |  |  |  |
| Total other comprehensive income/(loss) |  | (19,104) |  | 2,540 |  | 20,301 |
|  |  |  |  |  |  |  |
| Total comprehensive income/(loss) for the period/year |  | (41,675) |  | (22,404) |  | 23,348 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total comprehensive income/(loss) attributable to: |  |  |  |  |  |  |
| Equity holders of the Company |  | (27,471) |  | (30,835)  |  | 6,180 |
| Non-controlling interests |  | (14,204) |  | 8,431  |  | 17,168 |
|  |  |  |  |  |  |  |
|  |  | (41,675) |  | (22,404) |  | 23,348 |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Attributed to equity holders of the Company** |  |  |  |  |
|  |  | Sharecapital and premium |  |  | Convertible loans  |  | Foreign currency translation reserve |  | Share-based payment reserve |  | Reserves from transactions with non-controlling interests |  | Revaluation and fair value reserves |  | Retained earnings |  | **Total** |  | **Non-controlling****Interests** |  | **Total****equity** |
|  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as at 1 January 2016 (audited) |  | 149,020 |  |  | 16,575 |  | (63,829) |  | 3,156 |  | (13,213) |  | 5,395 |  | 143,547 |  | 240,651 |  | 458,049 |  | 698,700 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit/(loss) for the year |  | - |  |  | - |  | - |  | - |  | - |  | - |  | (3,749) |  | (3,749) |  | 6,796 |  | 3,047 |
| Other comprehensive income  |  | - |  |  | - |  | 9,643 |  | - |  | - |  | 286 |  | - |  |  9,929 |  | 10,372 |  | 20,301 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income/(loss) |  | - |  |  | - |  | 9,643 |  | - |  | - |  | 286 |  | (3,749) |  | 6,180 |  | 17,168 |  | 23,348 |
| Share based payments  |  | - |  |  | - |  | - |  | 15 |  | - |  | - |  | - |  | 15 |  | 2,652 |  | 2,667 |
| Issue of convertible bonds  |  | - |  |  | 14,509 |  | - |  | - |  | - |  | - |  | - |  | 14,509 |  | - |  | 14,509 |
| Share buyback |  | (1,962) |  |  | - |  | - | - | - |  | - |  | - |  | - |  | (1,962) |  | - |  | (1,962) |
| Capital reduction |  | (4,848) |  |  | - |  | - |  | - |  | - |  | - |  | - |  | (4,848) |  | - |  | (4,848) |
| Transactions with non-controlling interests, net |  | - |  |  | - |  | - |  | - |  | (451) |  | - |  | - |  | (451) |  | (9,678) |  | (10,129) |
| Distributions to non-controlling interests, net |  | - |  |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (18,121) |  | (18,121) |
| Deconsolidation of BCP |  | - |  |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (355,625) |  | (355,625) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as at 31 December 2016 (audited) |  | 142,210 |  |  | 31,084 |  | (54,186) |  | 3,171 |  | (13,664) |  | 5,681 |  | 139,798 |  | 254,094 |  | 94,445 |  | 348,539 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss for the period |  | - |  |  | - |  | - |  | - |  | - |  | - |  | (15,960) |  | (15,960) |  | (6,611) |  | (22,571) |
| Other comprehensive income/(loss) |  | - | - |  | - |  | (12,671) |  | - |  | - |  | 1,160 |  | - |  | (11,511) |  | (7,593) |  | (19,104) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income/(loss) |  | - |  |  | - |  | (12,671) |  | - |  | - |  | 1,160 |  | (15,960) |  | (27,471) |  | (14,204) |  | (41,675) |
| Share based payments  |  | - |  |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | 639 |  | 639 |
| Contributions from non-controlling interests, net |  | - |  |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | 4,025 |  | 4,025 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as at 30 June 2017 (unaudited) |  | 142,210 |  |  | 31,084 |  | (66,857) |  | 3,171 |  | (13,664) |  | 6,841 |  | 123,838 |  | 226,623 |  | 84,905 |  | 311,528 |

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** |
|  |  | Sharecapital and premium |  |  | Convertible loans |  | Foreign currency translation reserve |  | Share based payment reserve |  | Reserves from transactions with non-controlling interests |  | Revaluation and fair value reserves |  | Retained earnings |  | **Total** |  | **Non-controlling****interests** |  | **Total****equity** |
|  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as at 1 January 2016 (audited) |  | 149,020 |  |  | 16,575 |  | (63,829) |  | 3,156 |  | (13,213) |  | 5,395 |  | 143,547 |  | 240,651 |  | 458,049 |  | 698,700 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit/(loss) for the period |  | - |  |  | - |  | - |  | - |  | - |  | - |  | (30,900) |  | (30,900) |  | 5,956 |  | (24,944) |
| Other comprehensive income/(loss)  |  | - |  |  | - |  | (76) |  | - |  | - |  | 141 |  | - |  | 65 |  | 2,475 |  | 2,540 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income/(loss) |  | - |  |  | - |  | (76) |  | - |  | - |  | 141 |  | (30,900) |  | (30,835) |  | 8,431 |  | (22,404) |
| Share based payments  |  | - |  |  | - |  | - |  | 15 |  | - |  | - |  | - |  | 15 |  | 792 |  | 807 |
| Share buyback |  | (1,173) |  |  | - |  | - |  | - |  | - |  | - |  | - |  | (1,173) |  | - |  | (1,173) |
| Capital reduction |  | (4,848) |  |  | - |  | - |  | - |  | - |  | - |  | - |  | (4,848) |  | - |  | (4,848) |
| Transactions with non-controlling interests, net |  | - |  |  | - |  | - |  | - |  | 778 |  | - |  | - |  | 778 |  | (11,355) |  | (10,577) |
| Distributions to non-controlling interests, net  |  | - |  |  | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (15,165) |  | (15,165) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as at 30 June 2016 (unaudited) |  | 142,999 |  |  | 16,575 |  | (63,905) |  | 3,171 |  | (12,435) |  | 5,536 |  | 112,647 |  | 204,588 |  | 440,752 |  | 645,340 |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Six months ended 30 June  |  | Year ended 31 December |
|  |  | Unaudited |  | Audited |
|  |  | 2017 |  | 2016 |  | 2016 |
|  |  | **Euro in thousand** |
| Cash flows from operating activities: |  |  |  |  |  |  |
| Net profit/(loss) for the period/year  |  | (22,571) |  | (24,944) |  | 3,047 |
| Adjustments for: |  |  |  |  |  |  |
| Depreciation  |  | 558 |  | 290 |  | 1,100 |
| Impairment of inventory |  | 301 |  | - |  | 3,722 |
| Impairment of assets held for sale |  | 5,197 |  | - |  | - |
| Profit from discontinued operations, net |  | (4,847) |  | (34,297) |  | (116,372) |
| Revaluation of investment property, net  |  | (2,485) |  | 27,004 |  | 38,046 |
| Share of loss of associates and joint ventures |  | 9,030 |  | 30,833 |  | 53,507 |
| Tax expense/(benefit)  |  | 1,651 |  | (966) |  | (1,208) |
| Share based payments |  | 639 |  | 15 |  | 1,643 |
| Other (income)/expenses, net |  | (503) |  | 846 |  | (2,734) |
| Interest from lending business |  | (583) |  | (987) |  | (1,625) |
| Costs related to lending business |  | 141 |  | 180 |  | 293 |
| Revaluation loss of property, plant and equipment |  | 258 |  | 3,822 |  | 5,747 |
| Financial expenses/(income), net  |  | 7,900 |  | (6,642) |  | 5,441 |
|  |  |  |  |  |  |  |
| Cash flow used in operating profit before changes in working capital and provisions |  | (5,314) |  | (4,846) |  | (9,393) |
|  |  |  |  |  |  |  |
| Increase in advances from buyers |  | 25 |  | 394 |  | 1,090 |
| Decrease/(increase) in inventories of apartments under construction |  | (9,457) |  | 1,044 |  | (5,459) |
| Increase in trade and other receivables |  | (218) |  | (1,134) |  | (5,481) |
| (Decrease)/increase in trade and other payables |  | (2,528) |  | 268 |  | 1,364 |
|  |  |  |  |  |  |  |
|  |  | (12,178) |  | 572 |  | (8,486) |
|  |  |  |  |  |  |  |
| Cash flows used in operating activities from continued operations |  | (17,492) |  | (4,274) |  | (17,879) |
| Tax paid |  | (37) |  | (316) |  | (132) |
| Cash flows provided by operating activities from discontinued operations |  | - |  | 38,965 |  | 54,544 |
| Total cash flows (used in)/provided by operating activities  |  | (17,529) |  | 34,375 |  | 36,533 |
|  |  |  |  |  |  |  |

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 |
|  |  | 2017 |  | 2016 |  | 2016 |
|  |  | **Euro in thousand** |
| Cash flows from investing activities: |  |  |  |  |  |  |
| Obtaining control in companies previously accounted for using equity method, net  |  | 10 |  | - |  | - |
| Additions to investment and loans to associates and jointly controlled entities |  | (1,508) |  | - |  | (7,797) |
| Receipts from investment and loans to associates and jointly controlled entities |  | - |  | 4,165 |  | 10,180 |
| Additions to other investments |  | - |  | - |  | (820) |
| Receipts from other investments |  | 351 |  | 5,833 |  | 10,983 |
| Additions to property, plant and equipment |  | (102) |  | (443) |  | (1,210) |
| Acquisitions of investment property |  | (24,250) |  | - |  | - |
| Additions to investment property |  | (692) |  | (3,571) |  | (4,961) |
| Changes in short-term and long-term deposits, net |  | (117,318) |  | 1,201 |  | 3,145 |
| Interest received |  | 583 |  | 179 |  | 1,423 |
| Proceeds from disposal of BCP, net |  | 174,815 |  | - |  | - |
| Deconsolidation of BCP (a) |  | - |  | - |  | (36,917) |
| Proceeds from sale of financial assets at fair value through profit or loss |  | 908 |  | - |  | - |
| Proceeds from disposal of assets held for sale |  | - |  | 6,063 |  | 6,063 |
| Receipts from assets held for sale |  | 2,770 |  | - |  | - |
| Receipts from loans from related parties |  | - |  | 4,465 |  | 4,509 |
| Loans granted to related parties |  | (1,187) |  | - |  | (965) |
|  |  |  |  |  |  |  |
| Cash flows provided by/(used in) investing activities from continued operations |  | 34,380 |  | 17,892 |  | (16,367) |
| Cash flows used in investing activities from discontinued operations |  | - |  | (44,149) |  | (58,980) |
| Total cash flows provided by/(used in) investing activities  |  | 34,380 |  | (26,257) |  | (75,347) |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Six months ended30 June |  | Year ended 31 December |
|  |  | Unaudited |  | Audited |
|  |  | 2017 |  | 2016 |  | 2016 |
|  |  | **Euro in thousand** |
| Cash flows from financing activities: |  |  |  |  |  |  |
| Payment in relation to capital reduction |  | - |  | (4,848) |  | (4,848) |
| Share buyback |  | - |  | (1,173) |  | (1,962) |
| Receipt of loans |  | 28,555 |  | 3,149 |  | 98,938 |
| Issue of convertible bonds |  | - |  | - |  | 13,609 |
| Issue of debentures |  | 17,540 |  | 24,055 |  | 24,315 |
| Repayment of long-term loans and debentures |  | (4,092) |  | (6,564) |  | (112,576) |
| Interest paid  |  | (13,665) |  | (13,206) |  | (31,181) |
| Purchase of rights from non-controlling interests of subsidiaries  |  | - |  | (1,751) |  | (1,739) |
| Repayment of other non-current liabilities |  | (11) |  | (226) |  | (150) |
| Contributions from non-controlling interests |  | 5,626 |  | - |  | - |
| Distributions to non-controlling interests |  | (1,616) |  | (6,959) |  | (13,070) |
|  |  |  |  |  |  |  |
| Cash flows (used in)/provided by financing activities from continued operations |  | 32,337 |  | (7,523) |  | (28,664) |
| Cash flows provided by financing activities from discontinued operations |  | - |  | 15,506 |  | 17,183 |
|  |  |  |  |  |  |  |
| Total cash flows (used in)/provided by financing activities  |  | 32,337 |  | 7,983 |  | (11,481) |
|  |  |  |  |  |  |  |
| Increase/(decrease) in cash and cash equivalents |  | 49,188 |  | 16,101 |  | (50,295) |
| Foreign exchange differences, net |  | (3,195) |  | (1,906) |  | 558 |
| Cash and cash equivalents at the beginning of the period/year |  | 21,853 |  | 71,590  |  | 71,590 |
|  |  |  |  |  |  |  |
| Cash and cash equivalents at the end of the period/year |  | 67,846 |  | 85,785 |  | 21,853 |
|  |  |  |  |  |  |  |

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Six months ended30 June |  | Year ended 31 December |
|  |  |  | Unaudited |  | Audited |
|  |  |  | 2017 |  | 2016 |  | 2016 |
|  |  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |
| a)  | Deconsolidation of BCP: |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Working capital (excluding cash and cash equivalents), net |  | **-** |  | **-** |  | (17,591) |
|  | Non-current assets |  | **-** |  | **-** |  | 1,197,359 |
|  | Non-current liabilities |  | **-** |  | **-** |  | (751,048) |
|  | Non-controlling interests  |  | **-** |  | **-** |  | (355,625) |
|  | Investment in associate |  | **-** |  | **-** |  | (151,348) |
|  | Available-for-sale financial assets |  | **-** |  | **-** |  | (9,194) |
|  | Gain on disposal of part of holding in BCP |  | **-** |  | **-** |  | 6,739 |
|  | Gain from loss of control  |  | **-** |  | **-** |  | 43,791 |
|  |  |  | **-** |  | **-** |  | (36,917) |
| b)  | Material non-cash transactions: |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Exercise of options on loans with related parties (notes 4e and 4g) |  | 8,322 |  | - |  | - |
|  | Issue of convertible bonds to a related party |  | **-** |  | **-** |  | 900 |
|  |  |  |  |  |  |  |  |

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

**NOTE 1:- GENERAL**

1. These financial statements have been prepared in a condensed format as of 30 June 2017 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 2016 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 2017 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 |
|  |  |  |  | Country of |  | 30 June |  | 31 December |
| Significant investees |  | Investee |  | incorporation |  | 2017 |  | 2016 |
|  |  |  |  |  |  |  |  |  |
| Brack Capital Properties N.V. |  | Associate |  | The Netherlands |  | - |  | 28.74% |
|  |  |  |  |  |  |  |  |  |
| Brack Capital First B.V. |  | Subsidiary |  | The Netherlands |  | 100% |  | 100% |
|  |  |  |  |  |  |  |  |  |
| BCRE Russian Properties Ltd |  | Subsidiary |  | Cyprus |  | 85.07% |  | 85.07% |
|  |  |  |  |  |  |  |  |  |
| Brack Capital USA B.V. |  | Subsidiary |  | The Netherlands |  | 100% |  | 100% |
|  |  |  |  |  |  |  |  |  |
| BCRE India B.V. |  | Subsidiary |  | The Netherlands |  | 100% |  | 100% |

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

During the period ended 30 June 2017, the Group has sold all of its holding in Brack Capital Properties N.V. (“BCP”). For further information, see note 6.

b. The interim condensed consolidated financial statements were authorized in accordance with a resolution of the Board of Directors on 27 September 2017.

**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 2017 have been prepared in accordance with the International Financial Reporting Standard IAS 34 (“Interim Financial Reporting”) as adopted by the European Union.

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

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

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

1. New standards prior to their adoption:

 The Group evaluated the impact of IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and 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, are the carrying amounts and the fair value of the Group’s financial instruments that are not presented in the interim condensed consolidated financial statements at fair value:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Carrying amount** |  | **Fair value** |
|  |  | **30 June** **2017** |  | **31 December 2016** |  | **30 June** **2017** |  | **31 December****2016** |
|  |  | **Euro in thousand** |
| Financial liabilities: |  |  |  |  |  |  |  |  |
| Debentures and interest payable on debentures  |  | 87,667 |  | 77,260 |  | 88,993 |  | 79,139 |

The carrying amount of cash and cash equivalents, restricted bank accounts and deposits, other short-term investments, trade receivables, other accounts receivable, trade payables and other payables and interest-bearing loans and borrowings presented at amortized cost approximates their fair value. The Group’s interest-bearing loans and borrowings 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 interim condensed consolidated statement of financial position.

Fair value of the quoted debentures is based on price quotations at the reporting date and is classified as Level 1 in the fair value hierarchy.

b. The following table provides the fair value measurement hierarchy of the Group’s assets and liabilities as at 30 June 2017 (unaudited):

|  |  |  |
| --- | --- | --- |
|  |  | **Fair value hierarchy** |
|  |  | Total |  | **Quoted prices in active markets**(Level 1) |  | **Significant****observable****inputs**(Level 2) |  | **Significant****unobservable****inputs**(Level 3) |
|  |  | Euro in thousand |
| Assets measured at fair value: |  |  |  |  |  |
| Investment property |  | 422,856 |  | - |  | - |  | 422,856 |
| Property, plant and equipment (\*) |  | 10,124 |  | - |  | - |  | 10,124 |
| Assets classified as held for sale |  | 53,322 |  | - |  | - |  | 53,322 |
| Available for sale financial assets |  | 9,995 |  | - |  | - |  | 9,995 |
| Financial assets at fair value through profit or loss |  | 2,383 |  | 2,383 |  | - |  | - |
|  |  |  |  |  |  |  |  |  |
| Liabilities measured at fair value: |  |  |  |  |  |  |  |  |
| Derivatives |  | 8,357 |  | - |  | - |  | 8,357 |

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

(\*) 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 cost, less depreciation.

NOTE 3: - FINANCIAL INSTRUMENTS (Cont.)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2016 (audited):

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **Fair value hierarchy** |
|  |  |  | Total |  | **Quoted prices in active markets**(Level 1) |  | **Significant****observable****inputs**(Level 2) |  | **Significant****unobservable****inputs**(Level 3) |
|  |  |  | Euro in thousand |
| Assets measured at fair value: |  |  |  |  |  |  |
| Investment property  |  |  | 389,606 |  | - |  | - |  | 389,606 |
| Property, plant and equipment (\*) |  |  | 10,686 |  | - |  | - |  | 10,686 |
| Assets classified as held for sale |  |  | 66,129 |  | - |  | - |  | 66,129 |
| Other investments and loans |  |  | 9,152 |  | - |  | - |  | 9,152 |
| Available-for-sale financial assets |  |  | 8,795 |  | - |  | - |  | 8,795 |
| Financial assets at fair value through profit or loss |  |  | 2,686 |  | 2,686 |  | - |  | - |
|  |  |  |  |  |  |  |  |  |  |
| Liabilities measured at fair value: |  |  |  |  |  |  |  |  |  |
| Derivatives |  |  | 8,947 |  | - |  | - | - | 8,947 |
|  |  |  |  |  |  |  |  |  |  |

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

 (\*) 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 cost, less depreciation.

**NOTE 4:- MATERIAL EVENTS DURING THE REPORTING PERIOD**

1. The Group classified its investment in BCRE IHG 180 Orchard Holdings LLC, a joint venture of the Group in the USA with carrying amount of €34.3 million as of 30 June 2017 (including loans amounting to €3.8 million) and its investment in OSIB-BCRE Bowery Street Holdings LLC, an associate company of the Group in the USA, with carrying amount of €19 million as of 30 June 2017 (including loans amounting to €12.5 million), as assets held for sale, as a result of the Group’s intentions regarding these investments and actions undertaken in order to realize them. During the period, the Group recognized a loss of €5.2 million in its interim condensed consolidated financial statements regarding its investment in BCRE IHG 180 Orchard Holdings LLC, included in the interim condensed consolidated income statement within “Impairment of assets held for sale”.
2. On 10 January 2017, the Company cancelled 1,533,415 of its own shares which were presented as treasury shares, which were purchased under the share buyback programme. On 30 June 2017, the Company’s shareholders approved the additional cancellation of 479,750 of the Company’s own shares, which were also purchased under the share buyback programme. These shares were cancelled on 6 September 2017. Following both cancellations, the Company’s entire issued share capital will consist of 159,596,899 shares.
3. On 17 January 2017, an indirect subsidiary of the Company in the USA has acquired a new rented multifamily residential property in Dayton, Ohio comprising of 336 multifamily units (approximately 334,000 sq ft), for a total consideration, including related transaction costs, of $25.5 million (€24.3 million).
4. On 31 January 2017, BCP completed a public offering of 598,540 shares and 299,270 warrants exercisable into 299,270 shares of BCP, at a total gross consideration of €49.6 million. Following the offering the Group’s share in BCP was 26.33% as of that date.

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

1. On 16 February 2017, the Company exercised the option provided in the loan agreements with subsidiaries of BCH – Brack Capital Holdings Limited (“BCH”), the Company’s parent company, to acquire 29,556 shares of BCP instead of receiving the principal amount and the accrued interest under the facilities, amounting to €2.2 million on that date. Following the exercise, the Group’s share in BCP was 26.74% as of that date.
2. On 16 February 2017 and 27 February 2017, the Company issued bonds (series C) with an aggregated principal amount of $13.3 million out of which $12 million remains outstanding (€12.3 million out of which €11.1 million remains outstanding) and of $7.8 million out of which $7 million remain outstanding (€7.2 million out of which €6.5 million remains outstanding), respectively. The additional bonds issued on these dates, bear interest of 6.5% per annum and have been consolidated and formed a single series with the existing bonds which were outstanding at the beginning of the period.
3. On 22 May 2017, following the notice received from subsidiaries of BCH for the intention to repay early the facilities provided by the Company, the Company exercised the option provided in the loan agreements and acquired 78,557 shares of BCP instead of receiving the principal amount and the accrued interest under the facilities, amounting to €6.1 million on that date. Following the exercise, the Group’s share in BCP was 27.83% as of that date.
4. On 23 May 2017, the Company entered into an agreement with a third party for the sale of all the shares held by the Group in the issued and outstanding share capital of BCP, representing a holding of 27.83% as of that date. The completion of the transaction occurred on 14 June 2017. The net profit from discontinued operations of €4.9 million was comprised of profit for the period from BCP until the disposal date amounted to €16.7 million less loss from the sale amounted to €11.8 million, all which is included within “Profit from discontinued operations, net” in the interim condensed consolidated income statement. See also note 6.
5. During the period, the Company acquired the remaining 50% in the Dmitrov project in Russia for a total consideration of $500 thousand (€438 thousand).
6. During the period, the Company sold its entire holding in the Uspenka project in Russia for a total consideration of $1.2 million (€1.1 million), which is expected to be paid to the Company during 2018. No gain or loss has been recognized in the interim condensed consolidated financial statements as a result of this transaction, as the consideration received from the sale of the project was equal to the carrying amount of the Company’s investment in the project, as of the date of the transaction.

**NOTE 5:- SEGMENT INFORMATION**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Six months ended 30 June 2017 (unaudited)** |  | **Germany** |  | **Russia** |  | **USA** |  |  | **Others** |  | **Total** |
|  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Gross rental income |  | - |  | 3,872 |  | 3,436 |  | - |  | 7,308 |
| Service charge, management and other income |  | - |  | 3,602 |  | 542 |  | - |  | 4,144 |
| Property operating and other expenses |  | - |  | (5,060) |  | (5,310) |  | (679) |  | (11,049) |
| Rental and management income, net |  | - |  | 2,414 |  | (1,332) |  | (679) |  | 403 |
|  |  |  |  |  |  |  |  |  |  |  |
| Interest and other related income from lending business |  | - |  | - |  | 583 |  | - |  | 583 |
| Costs related to lending business |  | - |  | - |  | (141) |  | - |  | (141) |
| Gross profit from lending business |  | - |  | - |  | 442 |  | - |  | 442 |
|  |  |  |  |  |  |  |  |  |  |  |
| Gross profit/(loss) before impairment and depreciation |  | - |  | 2,414 |  | (890) |  | (679) |  | 845 |
| Impairment of inventory and depreciation of property, plant and equipment |  | - |  | (859) |  | - |  | - |  | (859) |
| Impairment of assets held for sale |  | - |  | - |  | (5,197) |  | - |  | (5,197) |  |
| Total gross loss |  | - |  | 1,555 |  | (6,087) |  | (679) |  | (5,211) |
|  |  |  |  |  |  |  |  |  |  |  |
| Revaluation of investment property, net |  | - |  | (5,475) |  | 8,267 |  | (307) |  | 2,485 |
| Share of profit/(loss) of associates and joint ventures |  | - |  | (9,571) |  | - |  | 541 |  | (9,030) |
|  |  |  |  |  |  |  |  |  |  |  |
| Segment results  |  | - |  | (13,491) |  | 2,180 |  | (445) |  | (11,756) |
| Administrative and other expenses, net |  |  |  |  |  |  |  |  |  | (6,111) |
| Financial expenses, net |  |  |  |  |  |  |  |  |  | (7,900) |
| Income tax expense |  |  |  |  |  |  |  |  |  | (1,651) |
| Profit from discontinued operations, net |  | 4,847 |  | - |  | - |  | - |  | 4,847 |
| Loss for the period |  |  |  |  |  |  |  |  |  | (22,571) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year ended 31 December 2016 (audited)** |  |  | **Germany** |  | **Russia** |  | **USA** |  |  | **Others** |  | **Total** |
|  |  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross rental income |  |  | - |  | 7,159 |  | 4,062 |  | - |  | 11,221 |
| Service charge, management and other income |  |  | - |  | 7,175 |  | 1,257 |  | - |  | 8,432 |
| Property operating and other expenses |  |  | - |  | (10,284) |  | (6,815) |  | (1,580) |  | (18,679) |
| Rental and management income, net |  |  | - |  | 4,050 |  | (1,496) |  | (1,580) |  | 974 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Proceeds from sale of residential units |  |  | - |  | 1,867 |  | - |  | - |  | 1,867 |
| Cost of sales of residential units |  |  | - |  | (2,552) |  | - |  | - |  | (2,552) |
| Gross loss from sale of residential units |  |  | - |  | (685) |  | - |  | - |  | (685) |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Interest and other related income from lending business |  |  | - |  | - |  | 1,625 |  | - |  | 1,625 |
| Costs related to lending business |  |  | - |  | - |  | (293) |  | - |  | (293) |
| Gross profit from lending business |  |  | - |  | - |  | 1,332 |  | - |  | 1,332 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit/(loss) before impairment and depreciation |  |  | - |  | 3,365 |  | (164) |  | (1,580) |  | 1,621 |
| Impairment of inventory and depreciation of property, plant and equipment |  |  | - |  | (4,822) |  | - |  | - |  | (4,822) |
| Total gross loss |  |  | - |  | (1,457) |  | (164) |  | (1,580) |  | (3,201) |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Revaluation of investment property, net |  |  | - |  | (51,642) |  | 15,203 |  | (1,607) |  | (38,046) |
| Share of profit/(loss) of associates and joint ventures |  |  | - |  | (46,685) |  | (1,754) |  | (5,068) |  | (53,507) |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Segment results  |  |  | - |  | (99,784) |  | 13,285 |  | (8,255) |  | (94,754) |
| Administrative and other expenses, net |  |  |  |  |  |  |  |  |  |  | (14,338) |
| Financial expenses, net |  |  |  |  |  |  |  |  |  |  | (5,441) |
| Income tax benefit |  |  |  |  |  |  |  |  |  |  | 1,208 |
| Profit from discontinued operations, net |  |  | 116,372 |  | - |  | - |  | - |  | 116,372 |
| Profit for the year |  |  |  |  |  |  |  |  |  |  | 3,047 |

**NOTE 5:- SEGMENT INFORMATION (Cont.)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Six months ended 30 June 2016 (unaudited)** |  | **Germany** |  | **Russia** |  | **USA** |  |  | **Others** |  | **Total** |
|  |  | **Euro in thousand** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Gross rental income |  | - |  | 3,435 |  | 1,997 |  | - |  | 5,432 |
| Service charge, management and other income |  | - |  | 3,440 |  | 418 |  | 339 |  | 4,197 |
| Property operating and other expenses |  | - |  | (4,111) |  | (4,090) |  | (1,939) |  | (10,140) |
| Rental and management income, net |  | - |  | 2,764 |  | (1,675) |  | (1,600) |  | (511) |
|  |  |  |  |  |  |  |  |  |  |  |
| Proceeds from sale of residential units |  | - |  | 749 |  | - |  | - |  | 749 |
| Cost of sales of residential units |  | - |  | (1,166) |  | - |  | - |  | (1,166) |
| Gross loss from sale of residential units |  | - |  | (417) |  | - |  | - |  | (417) |
|  |  |  |  |  |  |  |  |  |  |  |
| Interest and other related income from lending business |  | - |  | - |  | 987 |  | - |  | 987 |
| Costs related to lending business |  | - |  | - |  | (180) |  | - |  | (180) |
| Gross profit from lending business |  | - |  | - |  | 807 |  | - |  | 807 |
|  |  |  |  |  |  |  |  |  |  |  |
| Gross profit/(loss) before impairment and depreciation |  | - |  | 2,347 |  | (868) |  | (1,600) |  | (121) |
| Impairment of inventory and depreciation of property, plant and equipment |  | - |  | (290) |  | - |  | - |  | (290) |
| Total gross loss |  | - |  | 2,057 |  | (868) |  | (1,600) |  | (411) |
|  |  |  |  |  |  |  |  |  |  |  |
| Revaluation of investment property, net  |  | - |  | (32,298) |  | 5,294 |  | - |  | (27,004) |
| ShaShare of loss of associates and joint ventures |  | - |  | (29,224) |  | (1,278) |  | (331) |  | (30,833) |
|  |  |  |  |  |  |  |  |  |  |  |
| Segment results  |  | - |  | (59,465) |  | 3,148 |  | (1,931) |  | (58,248) |
| Administrative and other expenses, net |  |  |  |  |  |  |  |  |  | (8,601) |
| Financial income, net |  |  |  |  |  |  |  |  |  | 6,642 |
| Income tax benefit |  |  |  |  |  |  |  |  |  | 966 |
| Profit from discontinued operations, net |  | 34,297 |  | - |  | -- |  | - |  | 34,297 |
| Loss for the period |  |  |  |  |  |  |  |  |  | (24,944) |

**NOTE 6:- DISCONTINUED OPERATIONS**

1. Investment in BCP:

On 14 June 2017, the Company completed the transaction for the sale of its entire holding in the issued and outstanding share capital of BCP, for a total consideration of approximately NIS 695 million (approximately €174.8 million). The Company’s holding in the issued and outstanding share capital of BCP amounted to 27.83% as of that date. Until the date of disposal the Company has accounted for its investment in BCP using the equity method of accounting. The movement in the investment in BCP during the period, was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  **Period from 1 January 2017 to 14 June 2017** |  | **Period from 30 September 2016 to 31 December 2016** |
|  |  | **Euro in thousand** |
| Balance at the beginning of the period/initial recognition |  | 160,306 |  | 151,348 |
| Additions (1) |  | 8,322 |  | 2,060 |
| Share of profit for the period (2) |  | 16,674 |  | 6,898 |
| Sale of remaining holding in BCP (3) |  | (185,302) |  | - |
| Balance at the end of the period |  | - |  | 160,306 |

1. On 16 February 2017 and on 22 May 2017, the Company exercised the options provided in the loan agreements with subsidiaries of BCH, to acquire 29,556 and 78,557 shares of BCP, respectively, instead of receiving the principal amount and the accrued interest under these facilities. See Notes 4e and 4g.
2. Included within “Profit from discontinued operations, net”. See Note 6b.
3. On 23 May 2017, the Company entered into an agreement with a third party for the sale of all the shares held by the Group in the issued and outstanding share capital of BCP, representing a holding of 27.83% as of that date. The completion of the transaction occurred on 14 June 2017. The net profit from discontinued operations of €4.9 million was comprised of profit for the period from BCP until the disposal date amounted to €16.7 million less loss from the sale amounted to €11.8 million, all which is included within “Profit from discontinued operations, net” in the interim condensed consolidated income statement. See also Note 4h.
4. Analysis of “Profit from discontinued operations, net” as per the interim condensed consolidated income statement for the period ended 30 June 2017:

|  |  |  |
| --- | --- | --- |
|  |  | **Period ended****30 June 2017** |
|  |  | **Euro in thousand** |
| Profit for the period of BCP until disposal  |  | 16,674 |
| Loss on disposal of holding in BCP (1) |  | (11,827) |
| Total profit from discontinued operations, net |  | 4,847 |

**NOTE 6:- DISCONTINUED OPERATIONS (Cont.)**

1. The loss on disposal has been calculated by deducting the net proceeds received from the disposal which amounted to €173.5 million and the net assets value of the investment in BCP as of that date, as per the table below:

|  |  |  |
| --- | --- | --- |
|  |  | **14 June 2017** |
|  |  | **Euro in thousand** |
| Gross proceeds received (i) |  | 174,815 |
| Less: expenses incurred on disposal |  | (1,340) |
| Less: net assets value of the investment  |  | (185,302) |
| Loss on disposal of holding in BCP |  | (11,827) |

1. Part of the proceeds received were used to replace the BCP shares securing loans and bonds issued by the Company.

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, 27 September 2017

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