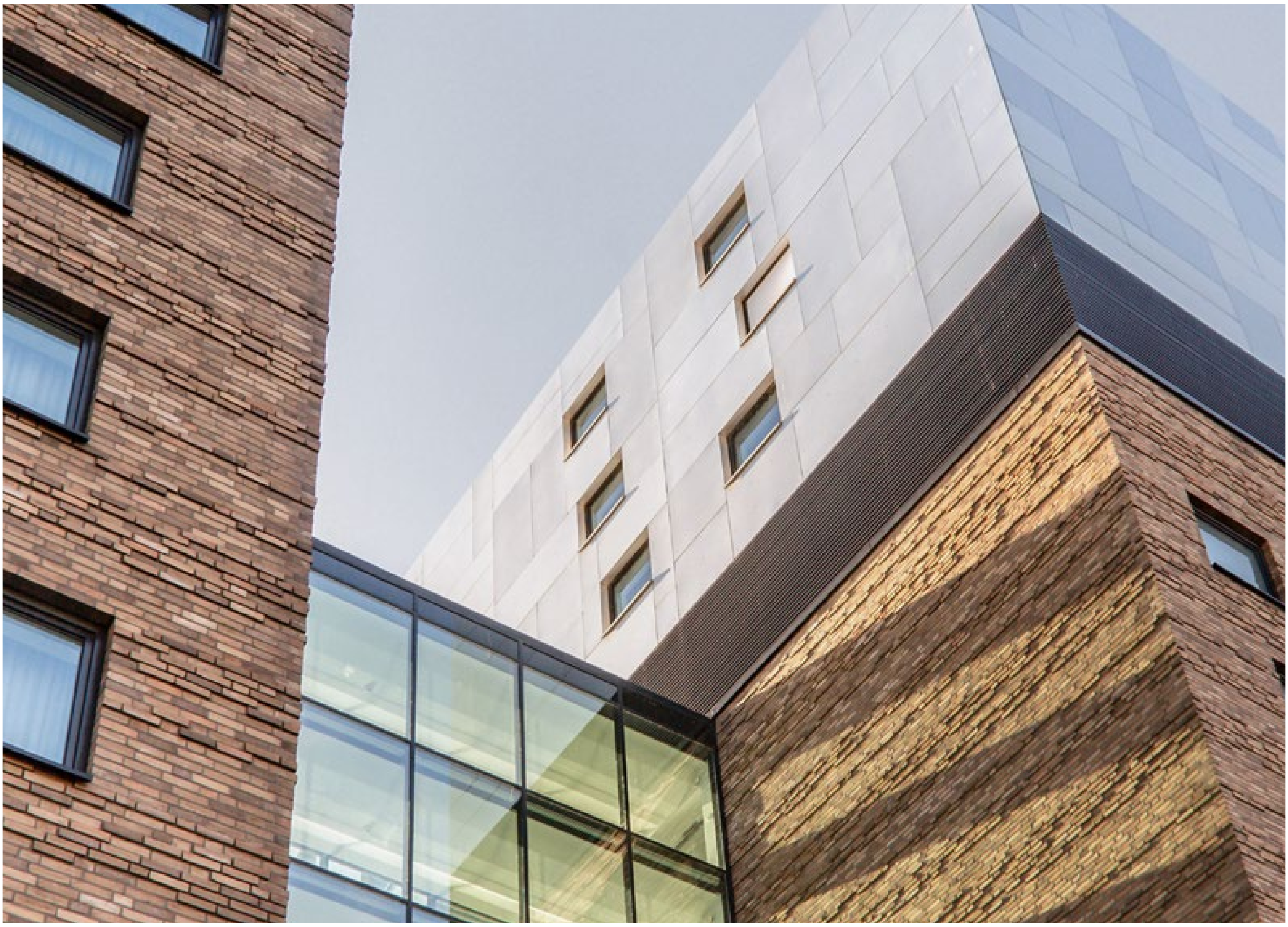
ANNUAL REPORT 2021



EPH EUROPEAN PROPERTY HOLDINGS

DEAR SHAREHOLDERS

The financial year 2021 was successful for EPH European Property Holdings ("EPH" or the "Company"). We took great strides forward with the integration of the acquisitions from 2020 into our operations which despite the Covid-19 pandemic also show the expected returns and made excellent progress with our refurbishment project in Vienna. With the acquisitions made in 2020, we significantly increased our portfolio to 15 properties and US$ 1.5 billion market value of which almost two thirds are now located in Western Europe.

Although the COVID-19 pandemic remains a crucial factor for society and the entire real estate industry, it has had only a minor impact on EPH and its operations. Although especially the tourism industry and, therefore, the two hotels in our portfolio were affected, the high quality of the assets in sought-after core locations with renowned and strong operators as well as long-term leases form a strong basis for us. Both hotels continue to have a good occupancy rate despite the coronavirus pandemic with a shift in travel patterns towards domestic tourism. Despite the difficult market environment, it was also managed to fully let all our new projects in Vienna. Thus, we were able to secure leasing conditions for the new projects in Austria as planned in 2019 and we found partnership solutions with the hotels for the past two years. All in all, EPH's net rental income and earnings from operational activities increased by 9 % and 85 % respectively in 2021 compared to 2020 and we are very optimistic for the future.

The operational success is supported by the magnificent work of the local property and asset managers. We – in cooperation with our exclusive asset manager Valartis Group - have built up a powerful team in Germany and Austria over the past two years. The support of the highly professional teams with their active asset management plays an important role in the development of our portfolio and our entire company.

In the past business year, we continued with the refurbishment of the office building LASS 1 in Vienna. The reconstruction measures are all proceeding according to plan, the roof of the building has been completed in 2021, the construction is expected to be finished in mid-2022 and all tenant improvements by the end of 2022. Once the project is completed, it will offer a future-oriented workspace over nine floors with a total area of nearly 45,000 square metres. The building is situated in a very good location in Vienna as part of the renowned Quartier Lassalle with different office concepts and a variety of restaurants and supermarkets. We are very pleased that the leasable area at this early stage of the project is fully let, even before the refurbishment is completed.

Our core strategic focus for potential additional acquisitions remains the office asset class while we believe that excellently located hotels operated by large hotel chains also have great potential. We continue to see very good opportunities in both segments in our core European markets as the general conditions for real estate investments, particularly in Germany and Austria, remain positive for investors. Above all, these markets have turned out to be very stable despite the lockdown measures and temporary restraint. The economic recovery and the persistently low interest rate environment continue to provide a tailwind for the market for high-quality real estate in very good locations in major cities.

After the end of the reporting period, in February 2022, we relocated our headquarters to Cyprus. The moving of EPH's registered offices to a European country is a natural step in line with our strategy to further expand the European asset portfolio. In view of our relocation to Cyprus, another focus of our activities in the first half of 2022 will be on the operational and structural set-up of the group in Cyprus.

In 2022, Covid-19 might still affect the world and our business but the military conflict in Ukraine since February 2022 and the resulting sanctions against and by Russia have changed the operating environment in Russia as well as business between Russia and other countries of the world, particularly with regards to imports/exports, currency conversions and transfers of funds between Russia and other countries. As EPH still owns subsidiaries and real estate assets in Russia (approximately 1/3 of total assets) it is affected by the imposed sanctions and ordinances as well as might face financial consequences in the future. In any case, each of EPH's asset is self-sustaining and as far as it can be evaluated today the change in the geopolitical situation has no major impact on our Western European portfolio. As of today, also our Russian assets continue to operate independently as they did before the crisis began but the uncertainty surrounding the development of the conflict, sanctions and Russian economy does not allow us to foresee the impact on each of our assets. Nevertheless, the disconnection of certain Russian banks from the SWIFT system as well as different other restrictions imposed by Western States as well as Russia make the transfer of funds between Russia, EPH holding company in Cyprus and other EPH Group subsidiaries difficult, and sometimes impossible. Therefore, the Board of Directors has as a first measure already in March 2022 decided to improve the liquidity situation at the holding company and obtained additional liquidity in European capital markets by taking up EUR 103 million as well as re-negotiated the nominated currency and significantly improved the terms of the Company's issued bonds. These measures give the Company time to find suitable solutions to react to any potential financial impact. The nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, the effect on the Russian economy and reactions to ongoing developments by the global financial markets will decide on the degree EPH is affected in the coming months or years and cannot be assessed today. We are monitoring the imposed sanctions, restrictions, economic and political developments constantly and assess on a regular basis the risks and their financial consequences which might influence EPH Group as well as discuss counteractions.

We would like to thank all our shareholders for the trust placed in our company, and our business partners for the excellent cooperation.

Sincerely,
The Board of Directors
28 April 2022

MANAGEMENT
REPORT

The following is a discussion of the key factors influencing our 2021 results and our financial condition at the end of the year.

KEY PERFORMANCE INDICATORS

in US$	31.12.2021	31.12.2020	31.12.2019
Net rental income	66,174,574	60,843,380	71,297,392
Management fees	−3,995,397	−3,400,547	−2,663,808
Administrative and selling expenses	−4,407,912	−4,099,089	−5,728,416
Net gain arising from sale of residential properties	8,498,849	895,635	3,122,728
Net other operating income / (expenses)	49,017	2,391,721	−196,838
Operating Income	66,319,131	56,631,100	65,831,058
Finance costs	−41,612,698	−38,361,636	−32,646,854
Current tax expense	−8,164,987	−9,343,687	−9,067,833
Earnings from operational activity	16,541,446	8,925,777	24,116,371
Earnings from operational activity per share	1.15	0.90	1.49
Revaluation of investment properties	24,680,005	27,129,859	−17,063,153
Deferred tax (expense) / benefit	−4,916,448	4,978,333	−3,806,119
Other extraordinary items	2,542,096	6,195,316	−605,959
Total before foreign exchange movements	38,847,100	47,229,286	2,641,140
Net foreign exchange (loss)/gain	−27,648,375	−20,660,840	38,361,015
Net Profit / (Loss) for period	11,198,725	26,568,446	41,002,155

		as of	
	31.12.2021	31.12.2020	31.12.2019
Number of investment properties	15	15	10
Investment properties	1,513,494,672	1,525,251,437	1,007,516,128
Europe	63%	62%	35%
Russia	37%	38%	65%
Total Assets	1,774,494,974	1,844,882,222	1,268,555,787
Borrowings	1,057,765,291	1,113,884,313	659,359,016
Loan-to-value	60%	60%	52%
Market capitalization, million	429.73	409.72	289.25
Cash yield*	20%	19%	19%

For a reconciliation of non-IFRS measures see “Supplemental Reconciliations and Definitions” on page 121

* Cash yield for 2020 year is based on weighted average number of outstanding shares

OVERVIEW

EPH European Property Holdings PLC ("EPH", the "Company") (until 07 February 2022 "EPH European Property Holdings Ltd") is a real estate investment and development company with focus on European's core business hubs. Prior to 2016, the Company's operating activities were concentrated in Russia. Since that the Company diversified its portfolio by acquiring two offices and two hotel properties in Germany and three office properties in Vienna of which one consist of two connected office buildings and a parking garage.

The corporate and asset management of the Company is provided by Valartis Group AG and its subsidiaries. Valartis Group supports, among others, property acquisitions, project developments, debt financing of the Company's assets, administration, investor relations, financial services and the property management itself. Valartis Group AG is also listed on the SIX Swiss Stock Exchange.

As of 31 December 2021, EPH had total assets of US$ 1,774.49 million (2020: US$ 1,844.88 million) and net assets (calculated as total equity) of US$ 537.52million (2020: US$ 536.25 million).

In the twelve months ended at 31 December 2021 the Company is reporting a profit of US$ 11.20 million, compared to a profit of US$ 26.57 million for the year ended at 31 December 2020.

The results of the Company's operations are affected by certain factors relating to our business and the markets in which we operate, as well as the political, economic and legal environment. Many of these factors are outside our ability to control or influence.

Like the previous years, the principal factors contributing to the volatility of the Company's net earnings in 2020 and 2021 are RUB/USD exchange rate fluctuation and revaluation of investment properties held at fair value. We expect that these factors will continue affecting the Company's financial results further, especially in relation to the Russian assets with RUB-denominated rental steam. From an operating standpoint, the Company's income-generating properties continue to demonstrate stable profitability and generate sufficient cash to cover the Company's operating expenses, including payment of interest on the bonds issued by the Company - also due to the quality and diversification of the portfolio.

RESULTS OF OPERATIONS

Earnings from Operational Activity

In 2021, the result from the Company's operational activity improved: the Company's operating income before finance costs and taxation is US$ 66.32 million in 2021 as compared to US$ 56.63 million in 2020 – mainly due to the contribution of newly acquired entities to the net rental income as well as substantial gain from the sale of Arbat apartments and parking lots. Profit from the sale of Arbat office premises in 2020 represents extraordinary income – as it was one-off unscheduled transaction.

Net rental income

The Company's net rental income increased from US$ 60.84 million in 2020 to US$ 66.17 million in 2021 (see note 17). New properties acquired in 2020 brought USD 5.62 million of additional income in 2021 as compared to 2020. Moderate decrease of income from Russian properties of US$ 1.35 million was almost fully compensated by increase of income by earlier acquired European properties.

Management fees

Management fees increased from US$ 3.40 million in 2020 to US$ 4.00 million in 2021 – due to substantial growth of the Company's portfolio and increased scope of management services provided by Valartis Group and its subsidiaries.

Administrative and selling expenses

Professional and administration fees, which include legal advice, audit, appraisals and costs for other services for the Company and its subsidiaries as well as selling expenses relating to the marketing and sale of Arbat premises increased slightly from US$ 4.10 million in 2020 to US$ 4.41 million in 2021.

Net gain arising from sale of residential properties

Due to the successful sales of Arbat apartments and parking lots in 2021 the total gain from these transactions increased from US$ 0.90 million in 2020 to US$ 8.50 million in 2021.

Finance costs

Our finance costs considerably increased from US$ 38.36 million in 2020 to US$ 41.61 million in 2021. The increase was caused by interest accrued on additional interest-bearing subordinated notes issued in March 2020 to finance the acquisition of new properties as well as by interest on loans acquired with these properties. As it was expected, the increased costs are already being compensated by income generated by newly acquired properties – even now when LASS1 has not been put into operation yet and QBC127 did not generate full income in 2021.

Current income tax expense

Current income tax expense in 2020 and in 2021 represents mainly the current income tax payable In Russia and in Cyprus, as German and Austrian entities use tax losses carried forward from the previous periods. The amount slightly decreased from US$ 9.43 million in 2020 to US$ 8.16 million in 2021.

NON-CASH GENERATING INCOME/(EXPENSES)

Valuation movements

Valuation movements in 2021 represent net gain from fair value adjustment on investment properties in the amount of US$ 25.42 million, as well as negative effect of foreign exchange movements on fair value of investment properties in the amount of US$ 0.74 million, resulting in the net positive valuation movements of US$ 24.68 million, as compared to positive valuation movements of US$ 27.13 million in 2020.

The gain from fair value adjustment is caused by the net increase of the appraised values of the Company's investment properties in US$ equivalent. The major contribution to the gain in fair value adjustment is done by properties QBC 1,2&7 (US$20.35 million).

Slight negative effect of foreign exchange movements on fair value of investment properties is caused by the fact that Russian properties of the Group are held via the subsidiary companies which use the RUB as their functional currency and the US$ as its presentation currency. While the Group changed the currency of valuation of most Russian properties to RUB (see note 9), Berlin House and Geneva House are still appraised in US$, then converted to RUB. Therefore, total result of revaluation includes net loss from the effect of fluctuations of RUB over US$ of US$ 0.74 million.

Deferred tax expense

Deferred tax expense is recognized on the difference between fair values and tax values of the Company's investment property. In 2020, the Company recognized deferred tax expenses of US$ 4.92 million as compared to deferred tax benefits of US$ 4.98 million recognized in 2020.

Other extraordinary items

In 2021, extraordinary items include income from the adjustment of the final purchase price of WLC property agreed with the former owners. The property was acquired in 2017 and gain on release of part of the provision for RETT (tax) that was created at acquisition of SALZ4 in 2020. In 2020 other extraordinary items included net profit from the sale of Arbat office premises as well as loss on impairment of goodwill.

Net foreign exchange gain/loss

The functional currency of each company corresponds to the primary economic environment where the company operates, and is used for accounting purposes. The holding company EPH European Property Holdings PLC which functional currency in 2020 and 2021 was US$ has certain assets and liabilities denominated in EUR which are revaluing at each balance sheet date, and creating unrealised exchange rate gains or losses. In addition, the Company's subsidiaries holding the assets in Russia keep their accounts in RUB. As a result, assets and liabilities of these subsidiaries denominated in currencies other than their functional currency create unrealised exchange rate gains or losses on income statements.

During 2021 exchange rate fluctuations led to recognition of net loss from foreign currency translation in the amount of US$ 27.65 million, compared to net loss of US$ 20.66 million recognized in 2020.

EPH EUROPEAN PROPERTY HOLDINGS

REAL ESTATE

EPH COMBINES STABILITY IN CENTRAL EUROPE WITH HIGH YIELDS IN RUSSIA

DIVERSIFIED CORE AND CORE PLUS COMMERCIAL REAL ESTATE PORTFOLIO

EPH European Property Holdings PLC (EPH) is a long-term investor with a diversified portfolio in standing assets across Europe with a total value of more than US$ 1.5 billion. We have been investing in real estate for about 20 years and are focusing on first-class properties in prime locations with strong international tenants and long-term lease agreements.

The current portfolio consists of 15 core assets in Germany's top cities as well as in Vienna and Moscow. Through investing in premium real estate in core European markets, EPH ensures long-term capital preservation and generates a stable, regular and risk-adjusted return for its stakeholders.

RUSSIA

OFFICE/MIXED-USE

- Moscow

GERMANY

OFFICE/HOTELS

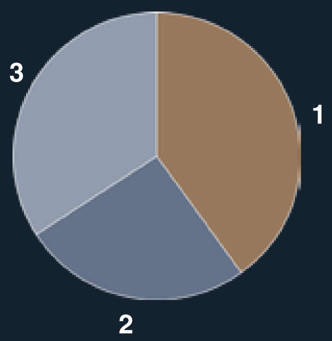
- Stuttgart
- Hamburg
- Berlin
- Dresden

AUSTRIA

OFFICE

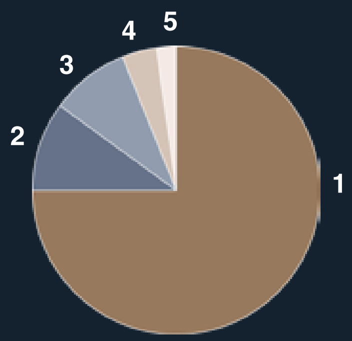
- Vienna

GEOGRAPHICAL SPLIT
MARKET VALUE
31 DECEMBER 2021



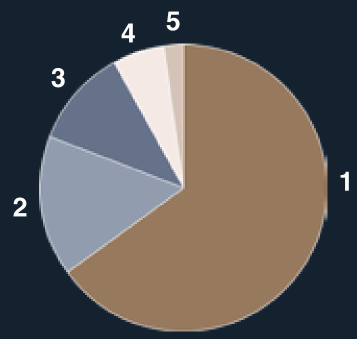
1 RUSSIA 40%*
*INCLUDING RESIDENTIAL PROPERTIES FOR SALE
2 GERMANY 26%
3 AUSTRIA 34%

ASSET CLASSES
MARKET VALUE
31 DECEMBER 2021



1 OFFICE (INCL. RETAIL) 75%
2 HOTEL 10%
3 REFURBISHMENT 9%
4 HELD FOR SALE 4%
5 PARKING 2%

ASSET CLASSES
GROSS RENTAL INCOME
31 DECEMBER 2021



1 OFFICE 65%
2 RETAIL 16%
3 HOTEL 11%
4 PARKING 6%
5 OTHER 2%

We hold a diversified core/ core plus commercial real estate portfolio in excellent locations across Europe, which combines high yield properties in Moscow with stable values and income from properties in Germany's top cities and Vienna. The majority of our portfolio consists of prestigious office properties, generating 65% of our Gross Rental Income. We take advantage of the high demand for modern spaces in premium locations and currently refurbish a centrally located office property in Vienna.

PROPERTY REVIEW

AS OF 31 DECEMBER 2021 OUR PROPERTY HOLDINGS CONSISTS OF:

- 100% shareholding in four mixed-use commercial properties in Moscow: Berlin House, Geneva House, Polar Lights and Magistal'naya
- 99.98% shareholding in a mixed-use office and retail building in Moscow: Hermitage Plaza
- 94% shareholding in two mixed-use office and retail properties: City Gate in Stuttgart and Work Life Center in Hamburg
- 89.9% shareholding in a hotel property in Berlin: STRAL 3
- 100% shareholding in a hotel property in Dresden: SALZ 4
- 100% shareholding in three office properties and a parking garage in Vienna: QBC 1, QBC 2, QBC 4 & QBC 7
- 100% shareholding in a office property under refurbishment in Vienna: LASS 1
- Apartments, retail premises and parking lots in two mixed-use properties in Moscow: Arbat Multi-use Complexes

LASS 1

AUSTRIA / VIENNA COUNTRY / CITY	OFFICE ASSET CLASS
44,800 BUILDING AREA	EUR 119,700,000 COST
29,000 RENTABLE AREA	1993 YEAR OF CONSTRUCTION
100% OWNERSHIP	UNDER REFURBISHMENT APPRAISED VALUE

QBC 1

AUSTRIA / VIENNA COUNTRY / CITY	OFFICE ASSET CLASS
10,300 BUILDING AREA	0.4% VACANCY RATE
9,300 RENTABLE AREA	2020 YEAR OF CONSTRUCTION
100% OWNERSHIP	EUR 51,700,000 APPRAISED VALUE

QBC 2

AUSTRIA / VIENNA COUNTRY / CITY	OFFICE ASSET CLASS
30,600 BUILDING AREA	3.2% VACANCY RATE
30,100 RENTABLE AREA	2020 YEAR OF CONSTRUCTION
100% OWNERSHIP	EUR 178,100,000 APPRAISED VALUE

QBC 4

AUSTRIA / VIENNA COUNTRY / CITY	OFFICE ASSET CLASS
20,000 BUILDING AREA	0.0% VACANCY RATE
17,400 RENTABLE AREA	2019 YEAR OF CONSTRUCTION
100% OWNERSHIP	EUR 106,900,000 APPRAISED VALUE

QBC 7

AUSTRIA / VIENNA COUNTRY / CITY	PARKING ASSET CLASS
	680 PARKING LOTS
	2020 YEAR OF CONSTRUCTION
100% OWNERSHIP	EUR 21,000,000 APPRAISED VALUE

SALZ 4

GERMANY / DRESDEN COUNTRY / CITY	HOTEL ASSET CLASS
15,600 BUILDING AREA	0.0% VACANCY RATE
180 ROOMS	2010 YEAR OF CONSTRUCTION
100% OWNERSHIP	EUR 49,400,000 APPRAISED VALUE

STRAL 3

GERMANY / BERLIN COUNTRY / CITY	HOTEL ASSET CLASS
28,000 BUILDING AREA	0.0% VACANCY RATE
304 ROOMS	2010 YEAR OF CONSTRUCTION
89.9% OWNERSHIP	EUR 95,000,000 APPRAISED VALUE

WORK LIFE CENTER

GERMANY / HAMBURG COUNTRY / CITY	OFFICE ASSET CLASS
12,100 BUILDING AREA	0.0% VACANCY RATE
12,000 RENTABLE AREA	2017 YEAR OF CONSTRUCTION
94% OWNERSHIP	EUR 91,600,000 APPRAISED VALUE

CITY GATE

GERMANY / STUTTGART COUNTRY / CITY	OFFICE ASSET CLASS
26,500 BUILDING AREA	0.0% VACANCY RATE
17,200 RENTABLE AREA	2016 YEAR OF CONSTRUCTION
94% OWNERSHIP	EUR 129,800,000 APPRAISED VALUE

GENEVA HOUSE

RUSSIA / MOSCOW COUNTRY / CITY	OFFICE & RETAIL ASSET CLASS
16,500 BUILDING AREA	7.1% VACANCY RATE
12,000 RENTABLE AREA*	2010 YEAR OF CONSTRUCTION
100% OWNERSHIP	US$ 122,900,000 APPRAISED VALUE

*in accordance with BOMA standard

BERLIN HOUSE

RUSSIA / MOSCOW COUNTRY / CITY	OFFICE & RETAIL ASSET CLASS
13,400 BUILDING AREA	20.9% VACANCY RATE
10,100 RENTABLE AREA*	2002 YEAR OF CONSTRUCTION
100% OWNERSHIP	US$ 141,800,000 APPRAISED VALUE

*in accordance with BOMA standard

HERMITAGE PLAZA

RUSSIA / MOSCOW COUNTRY / CITY	OFFICE ASSET CLASS
40,200 BUILDING AREA	0.0% VACANCY RATE
32,900 RENTABLE AREA*	1937/2006 YEAR OF CONSTRUCTION
99.98% OWNERSHIP	US$ 180,600,000 APPRAISED VALUE

*in accordance with BOMA standard

POLAR LIGHTS

RUSSIA / MOSCOW COUNTRY / CITY	OFFICE & RETAIL ASSET CLASS
37,800 BUILDING AREA	0.0% VACANCY RATE
30,800 RENTABLE AREA*	2006 YEAR OF CONSTRUCTION
100% OWNERSHIP	US$ 100,100,000 APPRAISED VALUE

*in accordance with BOMA standard

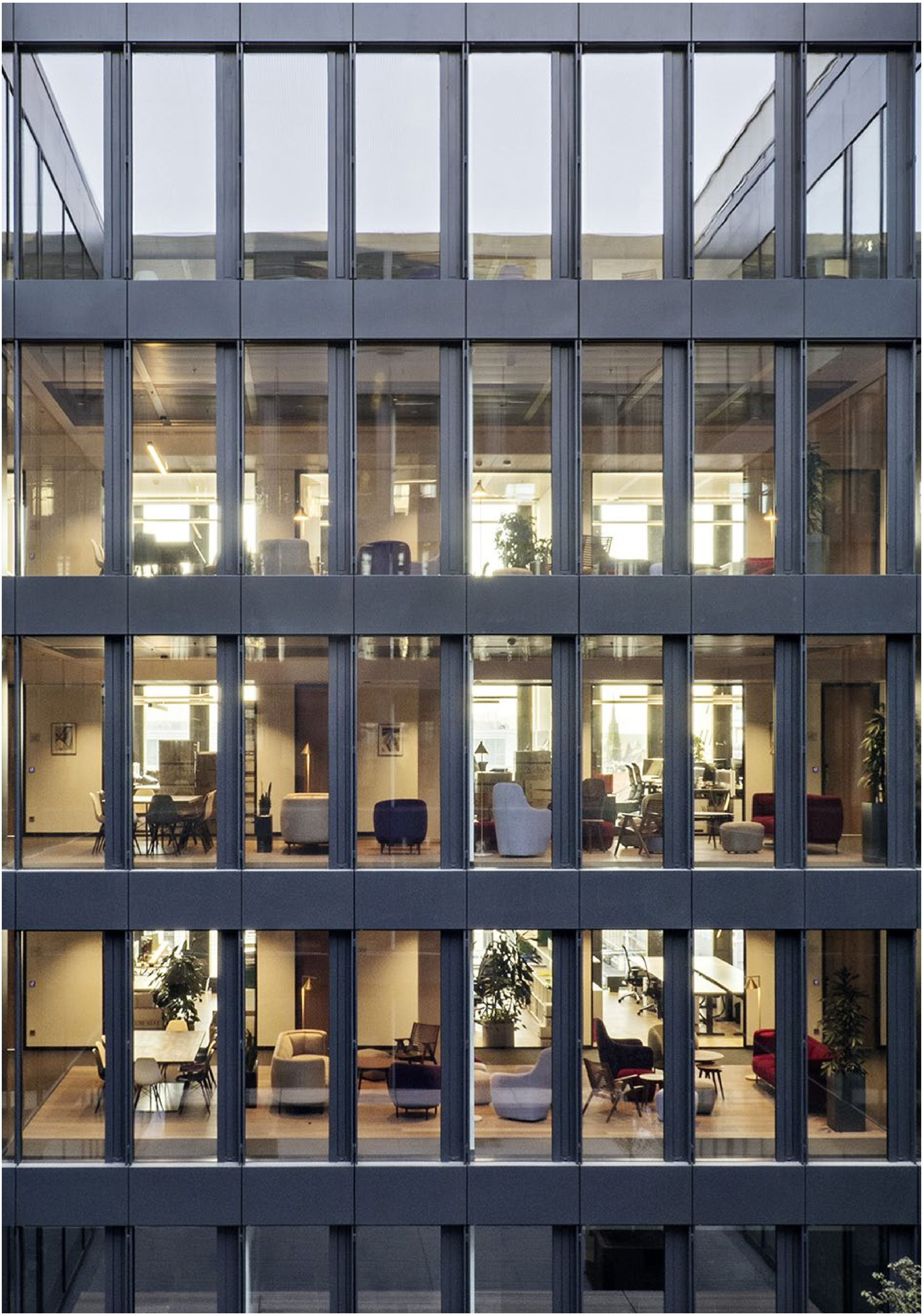
ARBAT PROJECTS

RUSSIA / MOSCOW COUNTRY / CITY	APARTMENTS & RETAIL ASSET CLASS
35,100 BUILDING AREA	
5,430 / 1,261 REMAINING SELLABLE AREA/ NET RENTABLE AREA	2016 YEAR OF CONSTRUCTION
130 PARKING LOTS	US$ 70,800,000 APPRAISED VALUE

MAGISTRAL'NAYA

RUSSIA / MOSCOW COUNTRY / CITY	OFFICE ASSET CLASS
3,600 BUILDING AREA	1966 YEAR OF CONSTRUCTION
3,200 RENTABLE AREA*	1994/2007 YEAR OF REFURBISHMENT
100% OWNERSHIP	US$ 4,000,000 APPRAISED VALUE

*in accordance with BOMA standard



INTERVIEW WITH

Gustav Stenbolt,
born 1957, Norwegian

Executive Board Member
(since March 2003)

"Would you say that the real estate industry only really became aware of the importance of asset management as a result of the coronavirus pandemic?"

"Of course, the corona pandemic is still present for all of us and still poses challenges for asset managers. But also, the Ukraine crisis is very demanding for our asset management teams and especially requires almost daily attention to the development of the business of each of the tenants in our assets in Russia. In general, I think though that this crisis will also require the same qualities and competences from asset management. In a crisis, more than at any other time, your asset managers must prove how professional they are and how well their work is aligned with the interests of investors on the one hand and tenants on the other hand. But active asset management was important even before the pandemic and the current Ukraine crisis. New technologies, especially those created by the digital transformation, combined with rising tenant demands and yield compression in some markets, had already boosted the importance of asset management in the past few years. However, the Covid-19 situation as well as the impact of the Ukraine crisis now has certainly raised awareness across the industry of the key role played by asset managers in ensuring the success of real estate investments and achieving growth targets. This is because what tenants want and need has clearly changed but also the economic and political impact on their businesses gets challenging and leaves insecurity for the future."

"To what extent do the latest developments require greater flexibility from asset managers?"

"Asset managers need to actively address tenants' evolving needs to secure their long-term loyalty in a given location, to attract new tenants and to optimise the mix of tenants in a property. The way we live, work, and communicate has changed with the crises. This means that asset managers need to be closer to tenants to pick up on changes early and respond accordingly. Office tenants, for example, may require additional office space at short notice to comply with the latest distancing requirements, or they may want more communal spaces or meeting rooms. Modern office spaces also need to cater to entirely new ways of working, such as coworking. In addition to the flexible use of space, there is also a noticeable change in the way leases are structured. The current trend is towards shorter lease terms. While terms of up to ten years used to be common in the office sector, we are now seeing more three- and five-year leases. In particular, smaller companies want or need to be more agile. Larger companies, however, often still conclude contracts of five years and more. Moreover, shorter leases are not necessarily a bad thing. In the case of sought-after modern space in the best locations, there are usually more than enough opportunities to conclude new leases at attractive conditions if and when premium space does become available. In Russia, asset managers face a new challenge which requires them to be as close to tenants as in Western Europe to also pick up any changes in the tenants' operational structure or business early and respond accordingly."

"Is it necessary for an asset manager to be based at the property, i.e. directly on site? Or is digitalisation making it possible to manage properties effectively from a distance?"

"Valartis Group, has been working with EPH for many years, providing a wide range of exclusive management services, including asset and property management. In Russia Valartis is supporting EPH since close to 20 years. At the time when EPH acquired the assets in Germany and Austria there was established structures in place to successfully expand in these new markets, but Valartis Group had no local employees in these markets. In the past 3 years we have together with EPH successfully built-up local teams with VLR Germany as well as VLR Austria as it is definitely a huge advantage to be on site or at least close to the properties.
Not everything can be clarified via web conference or telephone. If you have direct personal contact, you can assess the situation and react better and faster. This plays a major role in ensuring a low tenant churn rate. During the corona pandemic it was also a great advantage to be present locally as travel restrictions did not allow to arrive from abroad. For foreign real estate investors without a presence in the respective country it is, for example, difficult to discuss operationally necessary measures with tenants, conclude acquisitions, visit properties or plan new space concepts. As in the case of EPH's office property LASS 1 in Vienna, which comprises a building area of around 45,000 square metres and which is currently undergoing an extensive refurbishment, the local team is a huge advantage to manage the conversion of

the project more effectively and efficiently, Due to professionals in Vienna this project is well on schedule."

"How does asset managers prove their worth? "

"Above all, asset managers must be familiar with the specific features of the regional market and tenant requirements. This is particularly important if you are active in several countries and manage tenants across different real estate asset classes. But above all – and this has become even more important as a result of the pandemic as well as the Ukraine crisis – asset managers should understand each of the tenants' business models and build up good relationships with direct communication. This is the only way to assess how vulnerable they are to crises and whether there needs to be a proactive strategy in place to deal with rent defaults. Last but not least, the right choice of tenant mix can have a significant impact on the performance of a property. Of course, the creditworthiness of tenants and whether they have financial reserves is also important. This is a key point for new tenancy agreements. But asset managers should also establish regular personal exchange with their tenants to stay up to date and pick up on developments in time to react accordingly. They should also possess negotiating skills and a healthy dose of empathy. That makes a lot of things easier and also helps to ensure that tenants are satisfied, which in turn contributes to the overall stability of the property."

"What impact does asset management have on the value retention of a real estate portfolio?"

"Active asset management is absolutely vital for enhancing the stability and performance of the entire portfolio as well as the long-term success of any real estate investment. Active asset managers based on the before mentioned competencies create the possibility to ensure that portfolios are crisis-proof and able to deliver stable flows of rental income. For EPH being a long-term real estate investor that holds properties in its portfolio for longer rather than selling them in the short term, the right tenants and communication with the tenants but also keeping the assets state-of-the art through maintenance and where necessary investments are essential. And this is where asset management plays a central role."

"Right now, what are the greatest challenges to successful asset management?"

"The entire industry is currently seeing more dynamic developments than in the past – both in terms of the market and an individual property level. We see that structures are changing and that space requirements within office units are changing. For example, tenants want spaces that promote interaction, as well as spaces that promote opportunities for retreat and concentrated work. This requires an even more regular and intensive exchange between the investor and the asset manager. If you set up resilient and effective structures at an early stage, and communicate on an ongoing basis, you will be prepared for any market phase. Even exogenous shocks will not be able to throw you off course so quickly, because you simply have options for action. And you also have more options if the fundamentals of a property are right, i.e. a high-grade property in a prime location, and if the entire portfolio is well diversified to ensure long-term capital preservation and generate a stable, regular and risk-adjusted return. And, as we have seen, crises that we are facing has made this crystal clear to both real estate investors and asset managers."

THE PRESENT AND FUTURE OF OFFICE- AND HOTEL INVESTMENTS

HIGH-QUALITY SPACE IN GOOD LOCATIONS IS STILL SOUGHT AFTER

Although the coronavirus pandemic remains ever present and a trend towards increased working from home has been observed, the office is anything but obsolete. Although the pandemic and growing digitalisation have brought significant change and lead to a reorganisation of companies, making decisions via video conferencing, for example, is only possible to a limited extent and cannot completely or permanently replace physical meetings. Quite apart from the fact that a face-to-face exchange of opinions is important, high-quality space in very good locations for representative purposes will not decline in significance and will also remain an element in the competition to recruit new employees.

Real estate investors, however, also must sound out the market and create offerings that satisfy for the long-term. In particular, they need to satisfy the changing requirements of tenants and offer space that allows for flexible working. Property companies and asset managers should adapt to this new situation to ensure they are future-proof and successful in the long term. The framework conditions on the office real estate market in Germany and in Austria, for example, remain positive – thanks to the expected ongoing economic recovery, the low interest rate environment, stable prime rents as a consequence of the very limited vacancy rate in top locations, and the continued imbalance between supply and demand in the premium sector.

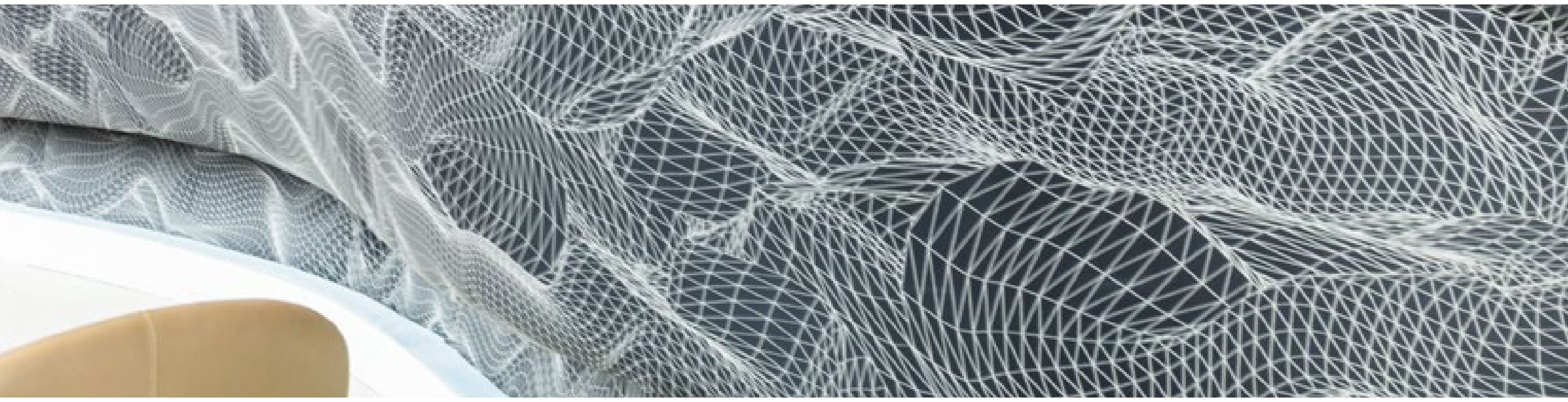
Thus, the major German office locations are still on course for recovery. According to BNP Paribas Real Estate, a significant increase in take-up was recorded in all key real estate strongholds for the second half of 2021. With take-up of 3.4 million square metres in 2021, the level seen in the previous year was clearly exceeded – by 26.5 per cent. Although the beginning of 2022 was marked by restrictions because of the Corona pandemic with home office obligation, and the start of the Ukraine crisis is associated with many uncertainties, 807,000 m² of office space was taken up in the top eight German locations Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig and Munich. This exceeded the previous year's result by almost 16 per cent. BNP Paribas Real Estate also expects a good development for 2022. According to CBRE, the Viennese office market will probably also see the start of a noticeable recovery in 2022. The low number of completions coupled with a low vacancy rate dampened leasing activities in 2021. However, rents for office space in good locations also increased in Vienna last year and there is further potential for a rise in rents.

WHY HOTELS ARE STILL AN ATTRACTIVE ASSET CLASS

The hotel segment indisputably ranks among the sectors most seriously affected by the coronavirus pandemic. Travel restrictions and lockdown measures have had a major impact on the tourism industry. Nevertheless, hotels as a real estate asset class are definitely attractive; and in particular premium properties with long-term lease agreements, renowned operators and in very good locations offer interesting potential for real estate investors. According to the Federal Statistical Office, accommodation facilities in Germany recorded 310.3 million overnight stays in 2021, 2.7 per cent more than in 2020. Although the coronavirus pandemic is still ongoing, the prospects for the future are thoroughly positive. CBRE has provided an optimistic outlook for the hotel market beginning in the summer season of 2022, especially for the vacation regions and city tourism. Even at the beginning of 2022, more than every second German was already sure they wanted to go on holiday this year - 27 percent more than twelve months ago, according to the results of a survey by the Stiftung für Zukunftsfragen (Foundation for Future Studies).

These improved prospects are clearly visible on the investment market: according to Cushman & Wakefield, the transaction volume on the German hotel real estate market in 2021 was 22 per cent higher than in the previous year at around 2.5 billion euros. This is the highest investment volume in Europe after the UK, and underlines Germany's position as a liquid and secure investment location.

THE EFFECTS OF INFLATION AND COVID-19



REAL ESTATE INVESTORS CAN EVEN PROFIT FROM INFLATION

One issue is currently preoccupying the market along with other geopolitical uncertainties: rising inflation and its impact on real estate investors. Many countries have seen consumer prices skyrocket over the last few months. In addition to the corona pandemic, the crisis in Ukraine is now having a significant impact, especially on the energy prices. After inflation had already risen significantly in 2021, it continued to increase strongly in the first months of 2022: The inflation rate for the euro zone climbed to 7.5 per cent in March 2022, its highest level since the euro was introduced. In Germany, the inflation trend was similar. By March 2022, it had reached 7.3 per cent, a new high since German unification. The question is whether this is just a brief flare-up or whether this is the new normal. The inflation rate is now more than double the European Central Bank's (ECB) target of 2.0 per cent.

As long as the inflation rate remains within moderate limits and no hyperinflation sets in, real estate investors can relax. They can even profit from it, especially if they have taken out favourable financing. Rents in the commercial real estate sector are usually indexed against inflation and regularly adjusted to keep pace with general price increases. That means, they increase with a slight time lag, but nevertheless in sync with inflation. If, at the same time, long-term loan agreements with fixed interest rates have been concluded on the refinancing side, borrowing costs do not follow suit for the investor. Should the inflation level continue to move moderately upwards, current rental income less borrowing costs should rise disproportionately. However, this is based on the assumptions that tenants can sustain slight increase in costs due to maybe themselves being able to increase own revenues.

However, if inflation were to remain high over the long term, this could have an unfavourable impact on financing rates. This is an eventuality that real estate investors and asset managers need to be prepared for, especially as they will need to find well-timed solutions with tenants. In fact, if inflation continues to rise moderately, it is likely that even more capital will flow into real estate markets in search of inflation-proof investment opportunities. This could continue to have a positive impact on the value of real estate assets. Therefore, it can be expected that the demand for quality real estate will increase, and it will remain a sought-after asset class, especially with low market interest rates, which are quite often negative in real terms. Of course, this is to be seen under the premise that it is only a temporary case of higher inflation.

THE CORONAVIRUS PANDEMIC INCREASES IMPORTANCE OF DIVERSIFIED REAL ESTATE PORTFOLIOS

How can real estate investors position themselves to weather a crisis? That is the biggest question facing the market in the wake of the coronavirus pandemic and the Ukraine crisis. Thankfully, market participants are not helpless in the face of such exogenous shocks, even if – as with the pandemic and the crisis in Ukraine – they are unpredictable events of global proportions. The silver bullet for stable investments is portfolio diversification, especially geographic diversification across countries, regions and cities – to take advantage of existing opportunities and also to avoid cluster risks. At the same time, the precise selection of asset classes and, above all, the quality and location of each property, help to significantly hedge against potential risks. In addition, properties in central locations that can significantly increase the stability of the portfolio thanks to their good long-term rentability. However, this requires real estate and market expertise.

First, it is a matter of identifying markets and locations that promise balanced and stable development. That is the basic prerequisite. Of course, a strong network is also important and thus access to attractive properties in the respective target markets. Appropriate capacities - also from a personnel perspective - should also be built up to successfully manage various assets in different countries. Only then can a real estate portfolio be set up for the future, positioned for different market phases and crisis situations and achieve long-term value stability. It is important to continuously monitor markets, to be sensitive to changes in market demand, and to carefully explore investment opportunities.

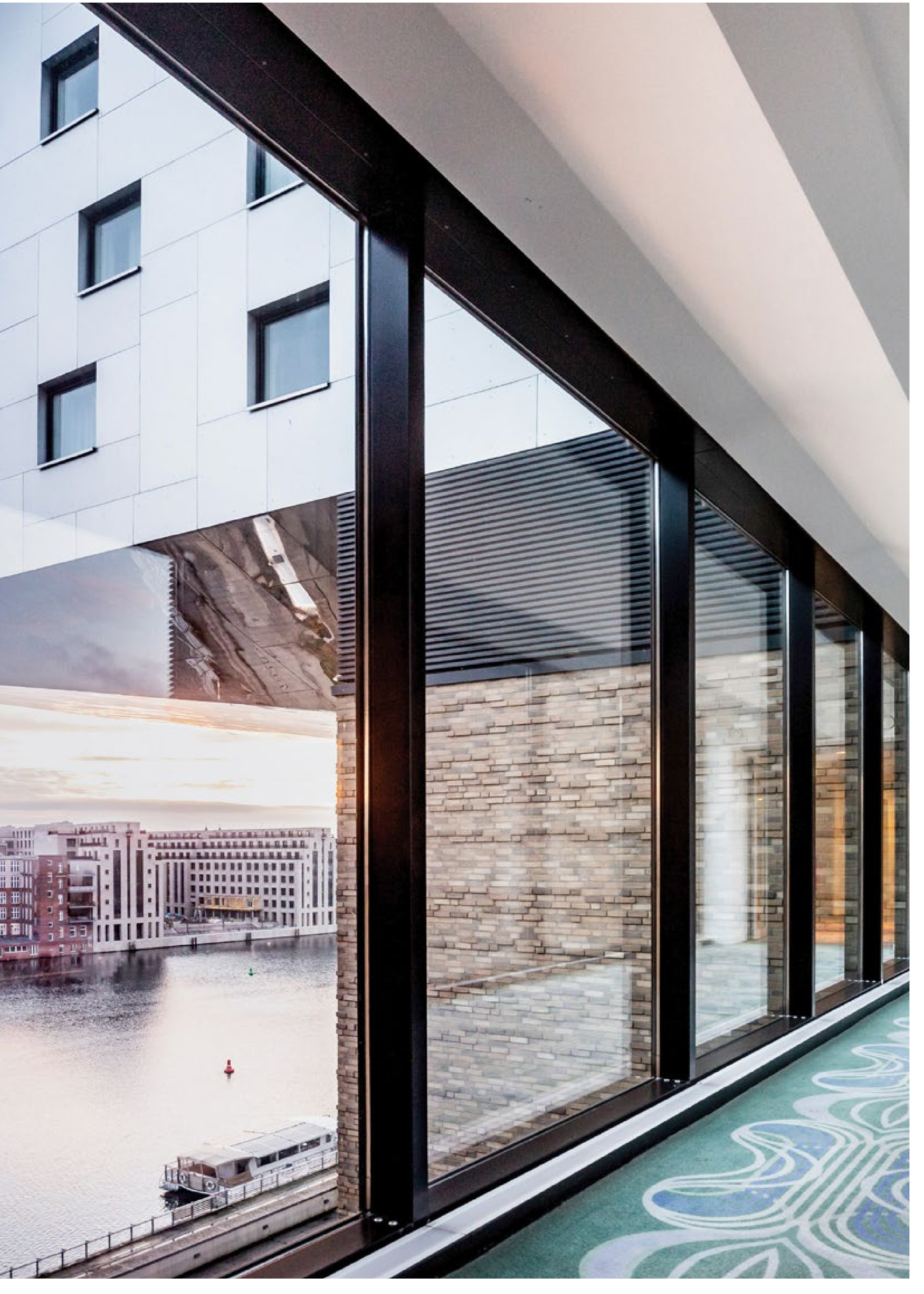
Each individual property individually can also contribute to greater diversification and risk reduction in the portfolio. This is because tenant selection and a good mix of tenants plays a major role in the performance of property and ultimately the stability of a portfolio.

INSIGHTS ON
RELEVANT COUNTRY MARKETS

INVESTING IN GERMANY AND AUSTRIA AS AN INTERNATIONAL INVESTOR

Especially in turbulent times such as the Corona pandemic, rising inflation and uncertainties due to the crisis in Ukraine, investments in German and Austrian real estate are extremely attractive for foreign investors. This is because these real estate markets are synonymous with high levels of security, stable returns and relatively low risks – both in the investment and rental sectors. The general conditions for real estate investments, especially in Germany and Austria, remain positive for investors given their stable fundamentals. Moreover, there are still some very attractive investment opportunities. The shortage of supply, particularly in the core and core-plus sectors, combined with the medium-term economic outlook, is having a very positive impact on demand for high-quality real estate and space in prime locations. The economic recovery after the corona slump in 2020 and the continuing low interest rate environment continue to provide a tailwind for the market for premium real estate in major cities – although the crisis in Ukraine in general represents a major factor of uncertainty.

Due to the stability of achievable returns as a result of strong demand and the rentability of high-end space, the real estate markets especially in Germany and Austria are highly attractive for investors and, consequently, continue to be among EPH's core target markets. However, they are no sure-fire success. The basic prerequisites for both domestic and foreign investors are market access, a stable local network and, above all, in-depth knowledge of the market. Professional risk and asset management are also vital factors in achieving successful long-term investments, especially as tenants' preferences change over time.



BOARD OF DIRECTORS

AS OF 31 DECEMBER 2021 AND THE REPORTING DATE

Olga Melnikova,
born 1968, Russian

Chairman, Executive Member
(since April 2013)

Management Committee Member
(since September 2013)

Mrs. Olga Melnikova is Chairman of the Board of Directors of EPH PLC and specializes in strategic planning of legal support through internal legal experts and external advisers in local and international legal environments. Besides, she provides legal support and structuring for real estate transactions in Russia and Europe. Mrs. Melnikova graduated from Moscow State University of Railway Engineering in 1991 with a degree in Engineering and Mathematics.

Michael Cuthbert,
born 1956, English

Non-Executive Member
(since April 2013)

Mr. Michael Cuthbert is a member of the board of Reso Garantia, a leading Russian insurance company. Before that Mr. Cuthbert worked for two of the leading law firms in London, Slaughter and May and subsequently Clifford Chance where he was a partner for almost 24 years and was, from 2005 to 2009, the Regional Managing Partner responsible for Russia, the CIS and Central and Eastern Europe and a member of its global management committee.

Tomasz Dukala,
born 1974, Polish

Executive Member
(since April 2013)

Mr. Tomasz Dukala is an entrepreneur and board member in several commercial organisations. He is part of EPH's transaction team and supports acquisitions and funding strategies. From 2007 to 2011 he worked at Morgan Stanley, Real Estate Investment Banking Division as a Senior Coverage Officer responsible for Russia / CIS and CEE markets, where he was based in London and Moscow. Before that Mr. Dukala served as a National Director at Jones Lang LaSalle Capital Markets Department. He started his carrer at PricewaterhouseCoopers Corporate Finance Department. Mr. Dukala is a CFA charter holder.

Hans Messmer,
born 1955, German

Non-Executive Member
(since April 2013)

Management Committee
Member
(until Feburrary 2022)

Mr. Hans Messmer is an independent director with expertise in international banking and financing. Until June 2019 he was CIO of CAIAC Fund Management AG in Liechtenstein. Before joining CAIAC, he held management functions in various asset management companies and acted as head of business development at Baader Bank (Munich) for exchange traded products. Prior to that, he was partner and manager for CK Trading Bank (Frankfurt) and director for several public funds. During his career he qualified as Investment Specialist for Structured Products, Hedge Fund Advisor and Commodity Advisor. He holds a MBA of Johann Wolfgang Goethe University Frankfurt specialised in Banking and Insurance.

Gustav Stenbolt,
born 1957, Norwegian

Executive Member
(since March 2003)

Mr. Gustav Stenbolt is Chairman of the Board of Directors of Swiss listed Valartis Group and was Group CEO from 2007 to 2015. From 2004 to 2007, he was Chief Executive Officer of Jelmoli Holding AG. In 1996 Mr. Stenbolt founded MCT Group, one of the predecessors of Valartis Group, offering institutional asset management services focused on Eastern Europe and the CIS countries. From 2004 to 2007 he was president of the executive committee of Jelmoli Holding AG, by then one of the leading department stores and real estate companies in Switzerland. Gustav Stenbolt graduated from the University of Fribourg, Switzerland with a degree in Economics.

Annamaria Vassiliades,
born 1987, Cypriot

Executive Member
(since June 2020)

Management Committee
Member
(since June 2020)

Mrs. Annamaria Vassiliades is a lawyer with a dual qualification as a Solicitor of England & Wales and a Cypriot Advocate. She has expertise in International Tax Planning, M&A and commercial transactions. At the end of 2015, she joined CHRISTODOULOS G. VASSILIADES & CO. LLC currently in the position as Associate Director leading the firm's corporate teams and supporting the Board of Directors in firm management and business development.She holds a Masters degree from the University College London in International Business Law and admitted to the Roll of Solicitors of England and Wales in 2015.

MANAGEMENT COMMITTEE

AS OF THE REPORTING DATE

Olga Melnikova,
Russian

Management Committee Member
(since September 2013)

Chairman of the Board
(since April 2013)

Mrs. Olga Melnikova is Chairman of the Board of Directors of EPH PLC and specializes in the strategic planning of legal support through internal legal experts and external advisers in local and international legal environments. Besides, she provides legal support and structuring for real estate transactions in Russia and Europe. Mrs. Melnikova graduated from Moscow State University of Railway Engineering in 1991 with a degree in Engineering and Mathematics.

Vera Christodoulou,
Cypriot

Management Committee Member
(since April 2015)

Mrs. Vera Christodoulou is Managing Director and Board Member of several subsidiaries of EPH. She is specialized in corporate governance, operations and communications. She has over 20 years of professional experience in client relations, business development, compliance and communications. Mrs. Christodoulou worked in various management positions for Linebrook limited, Eurasia Capital, Mars Capital and DCS Group in Cyprus. Mrs. Christodoulou graduated from the University of Lwivska Polytechnika Ukraine in 1989 with a masters degree in System Engineering.

Marios Phedonos
Cypriot

Management Committee Member
(since February 2022)

Mr. Marios Phedonos is a Director at Ilntertaxaudit Auditors & Consultants Limited, member of Russell Bedford International. He has an extensive knowledge of the IFRSs and ISAs specialised on financial audits of international clients, business consulting services and strategic planning. He holds a degree in Accounting from the European University Cyprus and recently obtained the Advance Certification from the Cyprus Securities and Exchange Commission (CySec). Marios Phedonos is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Certified Public Accountants of Cyprus (ICPAC).

Mrs. Christina Spyrou-Katras is Managing Director at EPH's subisdiary Redhill Investment Ltd. and Director at Valartis Group. She is specialised in client relations and administrations working for Valartis and EPH since 18 years. Christina Spyrou-Katras was Branch Manager of Marcuard Cook & Cie S.A handling the administration for the client's accounts. She moved to Cyprus in 1997 after she had left Goldman Sachs in Toronto, Canada. She holds a degree in Computer Programming from Centennial College (Toronto,Canada).

Christina Spyrou-Katras
Cypriot

Management Committee
Member
(since February 2022)

Mrs. Annamaria Vassiliades is a lawyer with a dual qualification as a Solicitor of England & Wales and a Cypriot Advocate. She has expertise in International Tax Planning, M&A and commercial transactions. At the end of 2015, she joined CHRISTODOULOS G. VASSILIADES & CO. LLC currently in the position as Associate Director leading the firm's corporate teams and supporting the Board of Directors in firm management and business development.She holds a Masters degree from the University College London in International Business Law and admitted to the Roll of Solicitors of England and Wales in 2015.

Annamaria Vassiliades,
Cypriot

Management Committee
Member
(since June 2020)

Member of the Board
(since June 2020)

MANAGEMENT COMMITTEE

AS OF 31 DECEMBER 2021

Olga Melnikova,
Russian

Management Committee Member
(since September 2013)

Chairman of the Board
(since April 2013)

Mrs. Olga Melnikova is Chairman of the Board of Directors of EPH PLC and specializes in the strategic planning of legal support through internal legal experts and external advisers in local and international legal environments. Besides, she provides legal support and structuring for real estate transactions in Russia and Europe. Mrs. Melnikova graduated from Moscow State University of Railway Engineering in 1991 with a degree in Engineering and Mathematics.

Vera Christodoulou,
Cypriot

Management Committee Member
(since April 2015)

Mrs. Vera Christodoulou is Managing Director and Board Member of several subsidiaries of EPH. She is specialized in corporate governance, operations and communications. She has over 20 years of professional experience in client relations, business development, compliance and communications. Mrs. Christodoulou worked in various management positions for Linebrook limited, Eurasia Capital, Mars Capital and DCS Group in Cyprus. Mrs. Christodoulou graduated from the University of Lwivska Polytechnika Ukraine in 1989 with a masters degree in System Engineering.

Hans Messmer,
German

Management Committee Member
(since April 2015 until February 2022)

Member of the Board
(since April 2013)

Mr. Hans Messmer is an independent director with expertise in international banking and financing. Until June 2019 he was CIO of CAIAC Fund Management AG in Liechtenstein. Before joining CAIAC, he held management functions in various asset management companies and acted as head of business development at Baader Bank (Munich) for exchange traded products. Prior to that, he was partner and manager for CK Trading Bank (Frankfurt) and director for several public funds. During his career he qualified as Investment Specialist for Structured Products, Hedge Fund Advisor and Commodity Advisor. He holds a MBA of Johann Wolfgang Goethe University Frankfurt specialised in Banking and Insurance.

Alexander Nikolaev,
Russian

Management Committee
Member
(since 2003 until Feburary 2022)

Mr. Alexander Nikolaev is providing strategic advice to the Company on acquisitions and portfolio development. Mr. Nikolaev is the President and member of the Board of Directors of JSC INTECO. Following graduation in 1997 from Moscow State University for Foreign Affairs he was Head of Russian and CIS operations for Smith Management LLC, a U.S. private investment corporation. Since 2003 for over 15 years Alexander Nikolaev held the position of the Managing Director of Valartis Group AG in Russia and CIS. Since May 2018 he is advising (in non-executive capacity) Valartis Group AG on strategy and business development. He has more than 20 years of experience in real estate development and managing investments in private and public equity.

Annamaria Vassiliades,
Cypriot

Management Committee
Member
(since June 2020)

Member of the Board
(since June 2020)

Mrs. Annamaria Vassiliades is a lawyer with a dual qualification as a Solicitor of England & Wales and a Cypriot Advocate. She has expertise in International Tax Planning, M&A and commercial transactions. At the end of 2015, she joined CHRISTODOULOS G. VASSILIADES & CO. LLC currently in the position as Associate Director leading the firm's corporate teams and supporting the Board of Directors in firm management and business development.She holds a Masters degree from the University College London in International Business Law and admitted to the Roll of Solicitors of England and Wales in 2015.


3

CORPORATE GOVERNANCE

The Corporate Governance of EPH European Property Holdings PLC (until 7 February 2022 "EPH European Property Holdings Limited") ("EPH" or "Company") is based on the Corporate Governance Guidelines of the SIX Swiss Exchange that entered into force on 01 October 2021.

The Company redomiciled to Cyprus on 7 February 2022 and from this date continued as EPH European Property Holdings PLC with its registered address at Menandrou 12, Eleona Tower, Office 207, 1066 Nicosia, Cyprus. On 7 February 2022, the Company adopted new Memorandum and Articles of Association which can be found on EPH's homepage. The Company continued to operate as a public company limited by shares registered in the Republic of Cyprus and traded on the SIX Swiss Exchange. As such it ceased to act as company in the British Virgin Islands.

The Corporate Governance refers to the facts as of the reporting date (30 April 2022), unless another date is explicitly stated.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

EPH European Property Holdings PLC operates as a real estate holding company which owns its assets directly, through subsidiaries, and through joint ventures or associated companies. A list of all companies showing the Company's subsidiaries and otherwise affiliated companies, percentage ownership, and domiciliation can be found on page 45 of the Annual Report. None of the Company's subsidiaries or holdings are listed companies.

The Board of Directors is responsible for the business affairs of the Company in accordance with the Company's Memorandum and Articles of Association. The Board of Directors supervises the Company's management and the activities of the Management Committee. The Board of Directors and the Management Committee are assisted in the Management of the Company by Valartis International Limited, a wholly owned subsidiary of Valartis Group AG, and its subsidiaries ("Manager").

The shares of the Company are traded on the SIX Swiss Exchange.
As of 31 December 2021, the Company's market capitalization was US$ 429.73 million.

Symbol: EPH
Swiss security number: 117016316 (until 07 February 2022: 1673866)
ISIN number: CY0109992111 (until 07 February 2022: VGG290991014)

None of the Company's subsidiaries or holdings are listed companies.
Significant group companies fully consolidated in the financial statements of the Company are:

Full company name	Registered office	Issued Share Capital	Ownership %
Andorian Beteiligungsverwaltungs GmbH	Am Belvedere 4, 1100 Vienna, Austria	EUR 35,000	100% held by Lexworth Finance Limited
Asura Holding S.a.r.l.	23, rue des Jardiniers 835 Luxembourg, Luxembourg	EUR 1,012,000	100% held by EPH
Capital Estate Group (C.E.G.) Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	US$ 94,000 (94,000 ordinary shares, par US$ 1)	100% held by EPH
City Gate Stuttgart GmbH	Westendstrasse 28 60325 Frankfurt am Main, Germany	EUR 25,000	94% held by Ferran Limited
Connecta Beratungsgesellschaft im Ost-West-Wirtschaftsverkehr mbH	Herzog-Heinrich-Strasse 22, 80336 Munich, Germany	DM 50,000	100% held by EPH
Connecta Beratungsgesellschaft im Ost-West-Wirtschaftsverkehr mbH&Co. Erste Grundstücks KG	Herzog-Heinrich-Strasse 22, 80336 Munich, Germany	EUR 8,757,044.81	100% held by EPH
EPH One, LLC	5 Petrovka St., 107031 Moscow, Russia	RUB 10,000	100% held by EPH Real Estate Limited
EPH Real Estate Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 17,100	99.99% held by EPH and 0.01% held by T&A Services Ltd.
Ferran Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 21,000 (21,000 ordinary shares of EUR 1 each)	100% held by EPH
Housefar Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 3,420 (1,000 ordinary shares, par EUR 1.71, 1,000 non-voting preferred shares, par EUR 1.71)	EPH holds 100% of ordinary shares and 85% of preferred shares
Idelisa Limited	Alasias, 33 3095 Limassol, Cyprus	EUR 2,000 (2,000 ordinary shares, par EUR 1.00)	100% held by EPH
Inspetsstroy, LLC	11/2 bldg.1, 1st Magistralnaya St., 123290 Moscow, Russia	RUB 50	100% held by Housefar Limited
Lexworth Finance Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 2,000	99.95% held by EPH and 0.05% held by T&A Services Ltd.z
Obewan Beteiligungsverwaltungs GmbH	Esslinger Hauptstraße 188B/Haus 4, 1220 Vienna, Austria	EUR 35,000	100% held by Lexworth Finance Ltd.
Obewan GmbH & Co KG	Esslinger Hauptstraße 188B/Haus 4, 1220 Vienna, Austria	EUR 500	100% held by Ophuchus Beteiligungsverwal-tungs GmbH
Ophuchus Beteiligungsverwaltungs GmbH	Esslinger Hauptstraße 188B/Haus 4, 1220 Vienna, Austria	EUR 35,000	100% held by Obewan Beteiligungsverwaltungs GmbH
Philadelphia, LLC	5, Petrovka Street, floor 4, premises XI, room 44 107031 Moscow, Russia	RUB 10,000	99.99% held by Idelisa Limited
PNL Media Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 2,001 (2,001 ordinary shares, par EUR 1.00)	99.95% held by EPH and 0.05% held by T&A Services Ltd.

Full company name	Registered office	Issued Share Capital	Ownership %
Primary TIZ Limited	Poseidonos,1 LEDRA BUSINESS CENTRE Egkomi, 2406 Nicosia, Cyprus	US$102,540 (102,540 ordinary shares, par US$1)	100% held by TP Invest Ltd.
QBC Alpha SP Immomanagement GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 35,000	100% held by QBC 1,2,7 Holding GmbH
QBC BT IV Alpha GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 120,000	100% held by Andorian Beteiligungs verwaltungs GmbH
QBC BT IV Beta GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 60,000	100% held by Andorian Beteiligungs verwaltungs GmbH
QBC BT IV Epsilon GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 60,000	100% held by Andorian Beteiligungs verwaltungs GmbH
QBC Immobilien GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 60,000	100% held by QBC 1,2,7 Holding GmbH
QBC Immobilien GmbH & Co Alpha KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 10,000	94% held by QBC 1,2,7 Holding GmbH and 6% held by QBC Alpha SP Immomanagement GmbH
QBC Immobilien GmbH&Co Delta KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 10,000	100% held by QBC BT IV Alpha GmbH, QBC BT IV Beta GmbH (Limited Partners) and QBC BT IV Epsilon GmbH (General Partner)
QBC Immobilien GmbH & Co Omega KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 10,000	94% held by QBC 1,2,7 Holding GmbH and 6% held by QBC Omega SP Immomanagement GmbH
QBC Immobilien GmbH & Co Zeta KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 9,400	94% held by QBC 1,2,7 Holding GmbH and 6% held by QBC Immobilien GmbH
QBC Omega SP Immomanagement GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 35,000	100% held by QBC 1,2,7 Holding GmbH
QBC 1,2,7 Holding GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 35,000	100% held by Lexworth Finance Ltd.
Ramses Immobilien Gesellschaft mbH & Co KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 500	89.9% held by Ophuchus Beteiligungsverwal-tungs GmbH 10.1% held by Obewan GmbH & Co KG
Redhill Investment Limited	Agiou Andreou, 339 Andrea Chambers Court, Flat/Office M103 3035 Limassol, Cyprus	EUR 8,550 (5,000 ordinary shares, par EUR 1.71)	100% held by EPH
SA3 Media S.a.r.l.	23, rue des Jardiniers 835 Luxembourg,Luxembourg	EUR 3,512,500	89.9% held by Lexworth Finance Limited
Setford Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 20,000 (20,000 ordinary shares of EUR 1 each)	100% held by EPH
Silverlake Limited (as per February 2022 liquidated)	Koumandarias&Spyrou Araouzou, 7th Floor, Tonia Court II 3036 Limassol, Cyprus	EUR 2,000 (2,000 ordinary shares, par EUR 1.00)	100% held by EPH
SG4 Dresden GmbH & Co KG	Westendstrasse 28, 60325 Frankfurt Germany	EUR 1,000	100% held by SG4 Dresden Holding GmbH
SG4 Dresden Holding GmbH	Westendstrasse 28, 60325 Frankfurt Germany	EUR 25,000	100% held by Asura Holding S.a.r.l.

Full company name	Registered office	Issued Share Capital	Ownership %
SG4 Dresden Management GmbH	Westendstrasse 28, 60325 Frankfurt Germany	EUR 25,000	100% held by SG4 Dresden Holding GmbH
T&A Services Limited	171 Main Street, Road Town, floor3, premises III, room 7 Tortola VG 1110, British Virgin Islands	US$ 5	100% held by EPH
Tengri, LLC	Hersonskaya Street, 41A, floor 3, premises III; room 7 117246 Moscow, Russia	RUB 2,019,195,866	100% held by PNL Media Ltd.
Tizpribor, JSC	Krasnoproletarskaya, 4 127006 Moscow, Russia	RUB 8,787,500	99.98% held by Capital Estate Group (C.E.G.) Ltd.
TP Invest, LLC	Krasnoproletarskaya, 2/4 constr.13 127006 Moscow, Russia	RUB 1,511,710,000	100% held by JSC Tizpribor
WLC Hamburg GmbH	Westendstrasse 28 60325 Frankfurt am Main, Germany	EUR 25,000	94% held by Setford Limited

1.2 SIGNIFICANT SHAREHOLDERS

On 31 December 2021 and on the reporting date, EPH had 14,409,022 ordinary shares in issue carrying voting rights.

On 31 December 2021, CAIAC Fund Management AG's Aurora Value Fund held 8,648,103 shares equalling to 60.02% of the nominal capital of the Company. In addition, Aurora Value Fund held call options for 1,070,000 shares in the Company, equalling 7.42%. On 31 December 2021, Real Estate Portfolio Fund managed by Bendura Fund Management Alpha AG held 2,700,000 shares in the Company, equalling 18.7% of shares in issue. Lionshare Opportunities Fund managed by Bendura Fund Management Alpha AG held 913,156 shares in issue, equalling 6.34%. Valartis Property Holdings Ltd. held 710,000 shares in the Company, equalling 4.9275% of shares in issue with a put-option towards Aurora Value Fund.

When informed by shareholders that their ownership stakes have exceeded or fallen below the levels of 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% of shares in issue, the Company publishes the disclosure in a press release in accordance with the requirements of SIX Swiss Exchange Regulations. Historical press releases can be found on the Company's website at https://europeanpropertyholdings.com/investors/news/.

For an overview of the disclosures in the reporting period, please refer to the website of SIX Exchange Regulation (https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

1.3 CROSS-SHAREHOLDINGS

There are no cross-shareholdings.

2. CAPITAL STRUCTURE

2.1 CAPITAL

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions passed at the Extraordinary Shareholders Meetings of 29 June 2004, 19 November 2004 and 7 March 2005, the General Meetings of Shareholders of 16 May 2006, 3 May 2007, 24 June 2008 and 28 July 2011, the Extraordinary Meeting of Shareholders of 15 April 2013 and the Shareholders Meeting of 17 June 2014, 11 June 2019, and 14 June 2021, provides for an authorised capital which entitles the Board of Directors to issue a total of 21,000,000 registered ordinary shares of a nominal value of USD 1 each and 1,000,000 registered Series A shares with a nominal value of USD 1 each. As of 31 December 2021, and the reporting date the Company's issued share capital consists of 14,409,022 ordinary shares. Note 25 "Shareholders' Equity" to the Company's Financial Statements contains a detailed description of the Company's capital structure.

2.2 AUTHORISED AND CONDITIONAL CAPITAL

2.2.1 Authorised share capital

A change in the Company's authorized capital must be approved by a resolution of a General Meeting of Members. There is neither a maximum to the authorized capital nor a limit to the authorization period to carry out an increase in capital defined by the Company's Memorandum and Articles of Association.

Shares and other Securities may be issued at such times, to such persons, for such consideration and on such terms as the directors may determine by resolution - subject to requirements stated in the Company's Articles of Association. Subject to the provisions of the Law and any direction to the contrary that may be given by a resolution sanctioning the increase of share capital, all new shares proposed to be issued (whether unissued shares in the original capital or new shares in the increased capital) in consideration of cash or in kind must be offered in the first instance to the Members on a certain date as determined by the Directors and in proportion to their participation in the share capital of the company. Each Member will have up to 14 days following the dispatch date of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. The company may by ordinary resolution of a general meeting, before the issue of any new shares, withdraw the Members' pre-emption rights as to the issue of such new shares if the Directors furnish at the general meeting a written report that describes the reasons in favour of the disapplication of the Members' pre-emption rights and provides information to support the proposed price of the new shares. The status of the authorized capital is detailed in Note 25 to the Company's Financial Statements.

2.2.2 Conditional share capital

According to Cyprus law the Company's Memorandum and Articles of Association do not foresee a conditional capital, therefore a capital increase by the exercise of options or conversion of rights must also be covered by authorized capital.

2.3 CHANGES IN CAPITAL

Number of ordinary shares	31.12.2021	31.12.2020	31.12.2019
Authorised	21,000,000	21,000,000	21,000,000
Issued	14'409'022	14,409,022	9,974,022
Treasury shares	84,805	84,741	83,022
Issued and outstanding	14,324,217	14,324,281	9,891,000

On 11 June 2019, the Annual General Meeting of the Company has approved the increase of the authorised capital of the Company to a maximum of 21,000,000 ordinary shares.

On 22 December 2020, the Company successfully issued additional share capital by way of a public placement of 4,435,000 new ordinary shares.

On 14 June 2021, the Annual General Meeting of the Company has approved the change of the par value of the Company's shares from no par value to USD 1 per share.

As of 31 December 2021 and the reporting date, the Company's issued share capital is equal to 14,409,022 ordinary shares of a nominal value of USD 1 each. Note 25 "Shareholders' Equity" to the Company's Financial Statements contains a detailed description of the Company's capital structure. There have been no further changes to the authorised capital.

2.4 SHARES AND PARTICIPATION CERTIFICATES

Number of shares in issue	14,409,022 ordinary shares
Share category	Registered ordinary shares
Nominal value	USD 1

Each ordinary share has one vote and is entitled to dividends. The voting right is disapplied in relation to the ordinary shares that are held by the Company ("Treasury Shares").

Series A shares have equal economic and dividend rights like ordinary shares, but do not have voting rights. No Series A shares are in issue as of 31 December 2021 and the reporting date.

The Company has no participation certificates.

2.5 DIVIDEND-RIGHT CERTIFICATES

The Company has no dividend-right certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

There are no limitations on transferability of fully paid ordinary shares. Series A shares can only be transferred with the prior written consent of the Company's Board of Directors.

2.7 CONVERTIBLE BONDS AND OPTIONS

Neither the Company nor any of its subsidiaries have outstanding convertible bonds and / or options in issue.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

Composition of the Board of Directors as of 31 December 2021 and the reporting date, and biographies of the board members can be found in the "Directors and Management" section of the Annual Report, starting on page 36.

Board Members who are part of the management committee of EPH, operationally involved in the business of EPH or employees of Valartis Group, which through Valartis International Ltd. supports the Company's daily management, are designated as Executive Board Members. Due to their position within EPH or Valartis Group, they may be informed of, or involved in, company matters which are not necessarily board matters and may not involve the full Board of Directors.

Due to their involvement in the Company's operations Olga Melnikova, Tomasz Dukala, Gustav Stenbolt and Annamaria Vassiliades are Executive Board Members. The other Board Members are designated as Non-Executive Board Members. Hans Messmer has supported EPH Management Committee until February 2022. As per the publication of this Annual Report Hans Messmer only remains a Board Member. None of the Company's other Non-Executive Board Members have significant business connections with, or have served in other roles within the Company, its subsidiaries or affiliated companies, or Valartis Group at any time in the past.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Olga Melnikova and Annamaria Vassiliades are members of the Management Committee, Tomasz Dukala is supporting the Company with advice regarding potential investment opportunities, negotiating respective potential acquisitions and supporting the Company's public relations. Gustav Stenbolt is Chairman of the Board of the Company's Manager Valartis Group AG.

Except for the mentioned, none of the Company's Board Members serve in governing or supervisory bodies with relevance to the Company, nor do they represent Swiss or foreign interest groups. None of the Company's Board Members hold political posts or serve official governmental or regulatory functions.

3.3 ELECTIONS AND TERMS OF OFFICE

TThe Board Members are elected individually by the General Meeting of Shareholders. According to the Articles of Association of the Company the maximum term for election is three years. Upon expiration of a Board Member's term re-election is allowed. All Board Members should resign at the next Annual General Meeting and may be re-elected in accordance with the provisions of the current Articles of Association.

3.4 INTERNAL ORGANISATIONAL STRUCTURE

3.4.1 Allocation of tasks within the Board of Directors

On 07 March 2022, the Board of Directors have passed a resolution forming a Management Committee which consists of two Board Members and three Non-Board Members. No committees other than the Management Committee has been formed.

3.4.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

Details of the Management Committee can be found in the "Management Committee" section of the Annual Report, starting on page 38.

3.4.3 Work methods of the Board of Directors

The Board of Directors shall meet as often as necessary during any given year and customarily, board meetings shall be held in the Republic of Cyprus unless exceptionally, there is a need to hold the meeting remotely via electronic means when the physical presence of any of the directors in the Republic Cyprus would not be possible. Duration of the meetings depends on the list of items on the agenda. Board meetings may be attended by the Management Committee members and the Manager, who brief the Board of Directors with regards to Company developments within their area of responsibility. In order to support the ordinary course of the daily business, the Board of Directors may also decide on written resolutions. Board of Directors meetings took place five times in 2021.

3.5 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors is responsible for the business affairs of the Company in accordance with the Company's Memorandum and Articles of Association. The Board of Directors supervises the Company's management and the activities of the Management Committee, the Manager and is responsible for company investments. The Board of Directors has ultimate responsibility for the issue of the necessary directives and regulations and approval of the investment strategy as laid down in the Investment Guidelines which can be found on the Company's homepage.

Debt financing except for intercompany financings as well as asset acquisitions and sales exceeding US$ 5 million, share issuance and equity injections on EPH holding level within the authorized capital and approval of the financial results of the Company (subject to approval by the members) require a dual approval by the Board of Directors and the Management Committee. The appointment of Management Committee members as well as their remuneration is to be decided by the Board of Directors solely. The appointment of Directors falls within the competency of the General Meeting of the Company except for the appointment of a Director to fill a casual vacancy which may be decided upon the Board of Directors.

Certain aspects of the daily management of the Company have been delegated to the Management Committee and to the Manager.

3.6 INFORMATION AND CONTROL INSTRUMENTS

EPH's Board of Directors monitors the exercise of the competencies transferred to the Management Committee and the Manager. At the meetings of the Board of Directors, the Management Committee and the Manager present the most important topics as well as the financial development of the Company and its assets. The Management Committee and the Manager report on the key risks the Company faces, such as the status of projects or that cash flows may not meet development or operational budgets. The Board of Directors may also ask to engage third parties to review transactions and results at any time.

4. MANAGEMENT

4.1 MANAGEMENT COMMITTEE

4.1.1 Members of the Management Committee

In accordance with the Company's Memorandum and Articles of Association, the current Management Committee was elected by a Board resolution on 07 March 2022. Composition of the Management Committee as of 31 December 2021 and the reporting date, and biographies of the members can be found in the "Directors and Management" section of the Annual Report, starting on page 38. Biographies of the members of the Management Committee.

The Management Committee consists of five persons and is responsible for taking certain operative decisions and will take such decisions by majority vote within its authorities and any resolution passed by the Board of Directors. The Management Committee has the authority to conclude defined transactions without consultation of the Board of Directors.

The Management Committee shall meet in the Republic of Cyprus on a regular basis, each month and may adopt decisions by majority votes.

4.1.2 Other activities and vested interests

Olga Melnikova and Annamaria Vassiliades, who are members of the Management Committee, also serve as members of the Board of Directors of the Company. As per 31st December 2021 Hans Messmer who is a Board Member of the Company was also a Management Committee Member. Except for the mentioned, none of the members of the Management Committee serve in governing or supervisory bodies with relevance to the Company, nor do they represent Swiss or foreign interest groups. None of the Management Committee members hold political posts or serve official governmental or regulatory functions.

4.2 MANAGER

The Board of Directors and the Management Committee are assisted in the Management of the Company by Valartis International Limited, a wholly owned subsidiary of Valartis Group AG, and its subsidiaries ("Manager").The management agreement with Valartis International Limited ("Real Estate Management Agreement") is effective from 1 January 2013 and concluded for the period expiring on 1 January 2024 with the possibility of prolongation by express written agreement of both Parties.

The Manager is responsible for the day-to-day business of EPH, including but not limited to the management of specific properties and other assets of the Company. The Manager also manages the Company's operations and reporting as well as is responsible for investor relations. The Management Committee and the Manager have the duty to inform the Board of Directors and Management Committee on a regular basis of the business and decisions adopted.

The Real Estate Management Agreement covers the scope of services and the managed assets and those EPH subsidiaries to which Valartis International Ltd. and its subsidiaries provide regular services. Valartis International Ltd. and its subsidiaries manage Berlin House, Geneva House, Polar Lights, Hermitage Plaza, Arbat Premises, City Gate, Work Life Center, QBC 4, STRAL 3, SALZ 4, LASS 1 and QBC 1,2,7. In addition to leasing, regular reporting and administration of the Company's properties, the services provided by the Manager also relate to corporate administrative, financial management, directorships in subsidiaries and investor relations services.

Under the Real Estate Management Agreement, the Board of Directors and the Management Committee monitor the Manager's activities closely. The Manager is only authorized to act within agreed budgets of the respective subsidiaries and within the scope of the respective property management agreements. Where the Manager requires approval by the Board of Directors or the Management Committee, the respective resolutions must be obtained.

To support EPH activities, the Manager maintains three offices in Germany, two offices in Switzerland, one office in Austria and two offices in Moscow where it employs managerial, technical and financial staff for the operations of the Company's subsidiaries.

5. COMPENSATIONS, SHAREHOLDINGS AND LOANS

5.1 CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND SHAREHOLDING PROGRAMS

Members of the Board of Directors are compensated for serving on the Board of Directors. Starting from April 2018 the annual fee per board member has been agreed at US$ 50,000 which is included in professional and administration expenses in the Company's income statement.

Name of Board Member	Function	Cash Remuneration
Olga Melnikova	Executive Member	US$ 50,000
Michael Cuthbert	Non-Executive Member	US$ 50,000
Tomasz Dukala	Executive Member	US$ 73,445
Annamaria Vassiliades	Executive Member	US$ 50,000
Hans Messmer	Executive Member	US$ 50,000
Gustav Stenbolt	Executive Member	0

In deciding on the level of compensation, the Board of Directors considered compensation paid to board members of other companies. The current compensation level will remain in effect until the Board of Directors votes to amend it.

Gustav Stenbolt does not receive any remuneration as his services are compensated within the Real Estate Management Agreement. Tomasz Dukala received an additional compensation in 2021 of EUR 20k for supporting the process of potential acquisitions. In 2021, the Management Committee members did not receive any separate payment for their work as Management Committee members.

The Board of Directors and Management Committee do not receive any performance-oriented remuneration. There is no employee benefit program in place. There are no payments in respect to pension or social security. There are no loans granted to members of the Board of Directors or the Management Committee.

In addition to the above-described fees, the Manager, Board Members and Management Committee Members shall be entitled to receive compensation based on full reimbursement of all reasonable costs and expenses incurred by them on behalf of the Company and its subsidiaries.

In December 2020, Valartis Group AG, whose majority owner is Gustav Stenbolt, acquired 4.9% of the total issued shares during the Company's share capital increase. Apart from that, the members of the Board of Directors, the Management Committee, the Manager and parties closely linked to them held no shares in the Company. Please also refer to 1.2 Significant Shareholders of this Corporate Governance section.

The overall management fee under the Real Estate Management Agreement with Valartis Group consists of separate payments for each of the specific services provided. Under the Real Estate Management Agreement, in 2021 the management fee in respect to property management, administration investor relations and administrative services amounted to approximately US$ 4 million. For 2022 the annual fee is expected to remain at approximately US$ 4 million.

Additional services like corporate finance services (e.g., for structuring of financing and acquisition of assets), property management of additional assets and the management of additional development projects is not included in the services under the Real Estate Management Agreement. In 2021, the Manager received corporate finance fees in the amount of EUR 0.21m for the support of refinancing one of the Company's assets.

6. SHAREHOLDERS' PARTICIPATION

6.1 VOTING-RIGHTS AND REPRESENTATION RESTRICTIONS

Ordinary shares entitle the holder to one vote per share. Holders of ordinary shares may exercise their voting rights provided they have duly paid all sum due or any calls made on the shares. Series A shares have equal economic and dividend rights like ordinary shares, but do not have voting rights. The voting right is disapplied in relation to the ordinary shares that are held by the Company ("Treasury Shares").

In order to exercise their voting right, or participate in the Meeting of Shareholders, shareholders must be entered into the shareholder register. The shareholder register is maintained and administrated by Computershare Schweiz AG, Baslerstrasse 90, CH-4601 Olten and may be found also at the Company's registered office.

At a Meeting of Shareholders, a shareholder may be participating in person or be represented by a proxy who may speak and vote on behalf of the shareholder. The instrument appointing a proxy shall be produced at the place designated for the Meeting of Shareholders before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the Meeting of Shareholders may specify an alternative or additional place or time at which the proxy shall be presented.

6.2 STATUTORY QUORUMS

A Meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are three or more members present in person or by proxy who together represent more than fifty per cent of the issued share capital of the company carrying a voting right.

Matters of the Shareholders' meetings are decided by:

– An ordinary resolution, that is passed by a simple majority of votes cast by persons who are present and entitled to vote. An ordinary resolution is required, for example, for the removal of a director and the removal of an auditor.

– A special resolution, that is passed by a majority of 75% of the votes cast by persons who are present and entitled to vote at a general meeting. A special resolution is called in respect of matters which constitute important corporate decisions such as alteration of the objects clause and voluntary winding-up.

6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

As per the Articles of Association, the Annual General Meeting of Shareholders shall be held at such time and place in Cyprus as the Directors shall determine. The exact location of the Meeting of Shareholders shall be specified in the notice of the meeting. The Directors by duly passed decision of the Board of Directors may decide to convene a Shareholders Meeting.

The directors convening a meeting shall give not less than 21 days' notice of a meeting of Shareholders to those Shareholders whose names on the date the notice is given appear as Shareholders in the register of shareholders of the Company and are entitled to vote at the meeting and to the other directors.

The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitions, as provided by section 126 of the Law. If at any time there are not sufficient directors capable of acting to form a quorum, any two directors or any members of the company holding 50% of the Company's issued shares which have a right to vote, may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.

6.4 INCLUSION OF ITEMS ON THE AGENDA

The Board of Directors and the Management Committee determine the agenda for the General Meetings.

6.5 ENTRIES INTO THE SHARE REGISTER

For the purpose of determining which members are entitled to vote at a General Meeting, the Board of Directors shall determine by reference to the members of the Company who are included in the Company's register of members by 5 p.m. (Central European Time) of the fifth business day following the date of the notice issued for the convening of a meeting.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 DUTY TO MAKE AN OFFER

As a foreign entity, the Company is not regulated by Articles 22 or 32 SESTA. The Company's Memorandum and Articles of Association do not provide for rules on takeover. As such, there is no threshold level at which a major shareholder is required to make a full tender offer for the Company.

7.2 CLAUSES ON CHANGES OF CONTROL

Neither the Company's Articles of Association, nor existing agreements between the Company and its joint venture partners include clauses benefiting members of the Board of Directors, Management Committee or the Manager in case of change of control.

8. AUDITING BODY

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

The Company's auditor is appointed each year at the General Meeting of Shareholders. Deloitte AG, Zurich has been appointed auditor of the Company in June 2018. The lead auditor is Mr. Marcel Meyer.

8.2 AUDITING FEES

Fees (excluding expenses and VAT) paid to Deloitte, which include services of the Zurich, Cyprus and Moscow offices, for audit of the Company's 31 December 2020 financial statements, and audit-related work, totalled US$ 510,000. Fees (excluding expenses and VAT) paid or to be paid to Deloitte AG for audit of the Company's 31 December 2021 financial statements and review of the 30 June 2021 interim financial statements are estimated at a total of approximately US$ 535,000. Fees paid for the audit of the standalone financials of the Cyprus subsidiaries by Deloitte in 2020 totalled to EUR 49,500. For 2021, no engagements have been signed yet.

8.3 ADDITIONAL FEES

No additional fees were paid in 2021.

8.4 INFORMATIONAL INSTRUMENTS PERTAINING TO AN EXTERNAL AUDIT

The Board of Directors is responsible for the supervision and control of the external audit. Prior to board approval of the Company's audited financial statements, the lead auditor presents the findings of the audit process to the full Board of Directors and addresses any questions and concerns. The audit opinion is signed only after the Board of Directors has formally approved the annual financial statements.

In accordance with the Company's Memorandum and Articles of Association as of 7 February 2022, the Company's audited financial statements must be approved by the Management Committee followed by a board approval.

9. INFORMATION POLICY

Audit reports are published on an annual basis for the reporting period ending 31 December. In addition, the Company publishes unaudited interim financial information for the period ended 30 June which are reviewed by the auditor. Interested parties can request all press releases and other communication from the Company be sent to their email address by visiting https://europeanpropertyholdings.com.

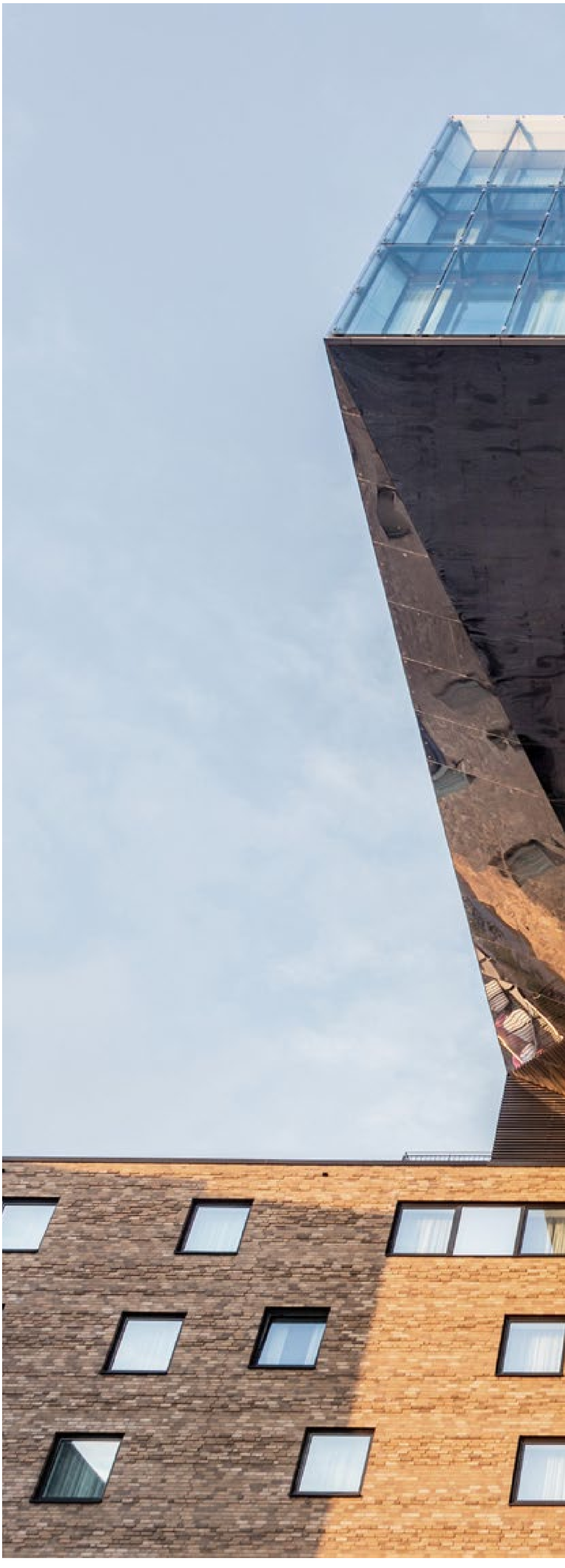
Printed financial statements can be requested in writing free of charge from the following address:

EPH European Property Holdings PLC
Investor Relations
c/o Valartis Advisory Services SA
St. Annagasse 18
8001 Zurich, Switzerland
Phone: +41 44 503 5400
Email: contact@europeanpropertyholdings.com

All historical financial statements and press releases, and the Company's Memorandum and Articles of Association and Investment Guidelines are available on the Company's website https://europeanpropertyholdings.com.

10. QUIET PERIODS

There are no defined blackout periods. The Board of Directors and Management Committee members are responsible to abstain from using price sensitive information in case they trade any share of the Group.

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EXTERNAL
REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the General Meeting of EPH European Property Holdings PLC
(formerly EPH European Property Holdings Limited),
Nicosia, Republic of Cyprus

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EPH European Property Holdings PLC (formerly EPH European Property Holdings Limited) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 68 to 117) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and art. 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International *Code of Ethics for Professional Accountants* (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) as well as the ethical requirements that are relevant to our audit of the consolidated financial statements in Switzerland, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of investment properties

Key audit matter	How the scope of our audit responded to the key audit matter
As described in note 7 – Investment properties, the carrying values of investment properties for the Group as at 31 December 2021 were USD 1'5 billion. The fair value adjustment recorded in net profit before tax in respect of investment properties for the Group amounted to USD 25 million. We considered the valuation of the investment properties to be significant to the audit because the determination of fair value involves significant judgement by the directors and the use of external valuation experts. Fair value is determined by external independent valuation specialists using valuation techniques such as a capitalised income value method (discounted cash flow method) since the subject property can be classified as income generating property. Valuation techniques for investment properties are subjective in nature and involve various key assumptions regarding pricing factors. These key assumptions include future rental cash inflows, capitalisation rates and discount rates. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties.	In auditing the valuation of investment properties, we performed the following audit procedures: • We gained an understanding of the controls in place over the valuation process of investment properties; • We involved internal valuation specialists to assist with the audit of the valuation of the investment properties (i.e. by verifying the validity of the methodology and its application as well as challenging the key assumptions) due to their specialised experience and knowledge of the local markets. We assessed the key assumptions included in the valuation; • We evaluated the external specialist's independence and methodology used by them for the valuation; • We corroborated the significant data like rent roll applied in the valuation model with supporting documentation and checked mathematical accuracy of the models; and • We also verified the adequacy of disclosures of key assumptions. The disclosures on the fair value of investment properties are included in note 10 to the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to address the risk of valuation of investment properties.

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Other Information in the Annual Report

Management is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and art. 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Deloitte.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, saction taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte AG

Marcel Meyer

Avazkhodja Usmanov

29 April 2022

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Jones Lang LaSalle LLC has been instructed to prepare valuation reports regarding the following properties:

- Magistral'naya office building (Moscow)
- Arbat 24 mixed-use complex (Moscow)
- Arbat 39 mixed-use complex (Moscow)
- Geneva House office building (Moscow)
- Berlin House office building (Moscow)
- Polar Lights office building (Moscow)
- Hermitage Plaza office building (Moscow)

We understand that the reports are required for accounting purposes. The date of valuation: 31 December 2021. Our valuation has been carried out in compliance with the RICS Valuation – Global Standards, issued November 2019, effective from 31 January 2020, published by the Royal Institution of Chartered Surveyors.

Market Value is defined by the RICS Valuation – Global Standards as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In addition, our calculations have been carried out and are presented exclusive of VAT. Our reports summarise our key assumptions, estimations and conclusions used in arriving at our opinion of Market Value. The purpose of the reports is to present the basic facts and conclusions adopted in relation to the properties in arriving at our opinions.

Finally, and in accordance with our normal practice, we confirm that the reports are confidential to the party to whom they are addressed for the specific purpose to which they refer. No responsibility whatsoever is accepted to any third party and neither the whole of the reports, nor any parts, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully,

Dmitry Davydov MRICS

Head of Valuation Department,

Russia and CIS, JLL

For and on behalf of JLL

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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10117 Berlin
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julia.sacchi@de.pwc.com

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

City Gate Stuttgart GmbH
Mr. Marcus Friedrichs
Westendstr. 28

60325 Frankfurt

28 March 2022
DHe/JSa

Assessment of Fair Value of the property City Gate Stuttgart

Dear Mr. Friedrichs,

You have first mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin to ascertain the Fair Value of the Property "City Gate Stuttgart" at Friedrichstraße/Kriegsbergstraße/Arnulf-Klett-Platz crossing as at 31 December 2016.

After the initial valuation, we provided regular bi-annual updates as of 30 June and 31 December of each year, and recently, you engaged us to update the Fair Value assessment of the subject property as of 31 December 2021.

The valuation at hand is to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13.9 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated 31 January 2022.

According to the engagement letter signed by you, the Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media.

Yours faithfully
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Sacchi

Dirk Hennig Julia Sacchi

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Kapelle-Ufer 4, 10117 Berlin

WLC Hamburg GmbH
Mr. Marcus Friedrichs
Westendstraße 28
60325 Frankfurt

28 March 2022
DHe/JSa

Assessment of Fair Value of the property Work Life Center in Hamburg

Dear Mr. Friedrichs,

You have first mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin to ascertain the Fair Value of the Property “Work Life Center” at Gorch-Fock-Wall 1a in 20354 Hamburg as at 31 December 2017.

After the initial valuation, we provided regular bi-annual updates as of 30 June and 31 December of each year, and recently, you engaged us to update the Fair Value assessment of the subject property as of 31 December 2021.

The valuation at hand is to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated 31 January 2022.

According to the engagement letter signed by you, the Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media.

Yours faithfully

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Sacchi

Dirk Hennig Julia Sacchi

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

SG4 Dresden GmbH & Co. KG
Mr Adi Bikić and Mr Roman Brück
Westendstraße 28
60325 Frankfurt am Main
Germany

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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julia.sacchi@de.pwc.com

28 March 2022
DHe/JSa

Assessment of Fair Value of the property "Innside by Melia", Salzgasse 4 in Dresden

Dear Mr. Bikić, Dear Mr. Brück,

You have first mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin to ascertain the Fair Value of the hotel property "Innside by Melia", Salzgasse 4 in 01067 Dresden as at 31 December 2020.

After the initial valuation, we provided an update valuation as of 30 June 2021 and recently, you engaged us to update the Fair Value assessment of the subject property as of 31 December 2021.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated 7 February 2022.

According to the engagement letter signed by you, the Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media.

Yours faithfully

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Sacchi

Dirk Hennig | Julia Sacchi

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

SA3 Media S.à r.l.
Ms. Carole Sassel and Mr. Fernand Sassel
7, route d´Esch
1470 Luxemburg
Luxemburg

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Fax: +49 30 9585 946 120
julia.sacchi@de.pwc.com

28 March 2022
DHe/JSa

Assessment of Fair Value of the property nhow in Berlin, Stralauer Allee 3

Dear Ms. Sassel, Dear Mr. Sassel,

You have first mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin to ascertain the Fair Value of the hotel property nhow Berlin at Stralauer Allee 3 in 10245 Berlin as at 30 June 2020.

After the initial valuation, we provided regular bi-annual updates as of 30 June and 31 December of each year, and recently, you engaged us to update the Fair Value assessment of the subject property as of 31 December 2021.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated 7 February 2022.

According to the engagement letter signed by you, the Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media.

Yours faithfully

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Sacchi

Dirk Hennig Julia Sacchi

pwc

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QBC Immobilien GmbH & Co Omega KG
Ms Anna Bernhart
Esslinger Hauptstraße 188 B/Haus 4
1220 Vienna

March 28, 2022

Assessment of Fair Value of the property QBC 1 in Vienna

Dear Ms. Bernhart,

based on our agreement (hereinafter "agreement" or "engagement letter") as of November 22, 2021, QBC Immobilien GmbH & Co Omega KG ("QBC" or "you") has mandated PwC Advisory Services GmbH, Vienna to ascertain the Fair Value of the Property "QBC1", 1100 Wien, KG 01101 Favoriten EZ 3758 as of December 31, 2021.

The PwC Advisory Terms of Business (as amended 6 April 2011; see Attachment) were the basis for providing our services and for our responsibility, also in relation to third parties. We particularly draw your attention to our limitations of liability.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated March 28, 2022.

According to the engagement letter signed by you, the Report was exclusively prepared for you in accordance with the engagement letter and the therein determined purposes for reporting. The Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media. Duties of care and liabilities on the part of PwC towards third parties are excluded.

Yours faithfully

PwC Advisory Services GmbH

ppa. Olena Chekmezova   Matthias Eicher

PwC Advisory Services GmbH
Donau-City-Straße 7
1220 Vienna
Austria

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QBC Immobilien GmbH & Co Delta KG
Ms Anna Bernhart
Esslinger Hauptstraße 188 B/Haus 4
1220 Vienna

March 28, 2022

Assessment of Fair Value of the property QBC 2 in Vienna

Dear Ms. Bernhart,

based on our agreement (hereinafter "agreement" or "engagement letter") as of November 22, 2021, QBC Immobilien GmbH & Co Alpha KG ("QBC" or "you") has mandated PwC Advisory Services GmbH, Vienna to ascertain the Fair Value of the Property "QBC2", 1100 Wien, KG 01101 Favoriten, EZ 3632 as of December 31, 2021.

The PwC Advisory Terms of Business (as amended 6 April 2011; see Attachment) were the basis for providing our services and for our responsibility, also in relation to third parties. We particularly draw your attention to our limitations of liability.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated March 28, 2022.

According to the engagement letter signed by you, the Report was exclusively prepared for you in accordance with the engagement letter and the therein determined purposes for reporting. The Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the internet or any other public media. Duties of care and liabilities on the part of PwC towards third parties are excluded.

Yours faithfully

PwC Advisory Services GmbH

ppa. Olena Chekmezova　　　　Matthias Eicher

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QBC Immobilien GmbH & Co Delta KG
Ms Anna Bernhart
Am Belvedere 4
1100 Vienna
Austria

March 28, 2022

Assessment of Fair Value of the property QBC 4 in Vienna

Dear Ms. Bernhart,

based on our agreement (hereinafter "agreement" or "engagement letter") as of November 22, 2021, QBC Immobilien GmbH & Co Delta KG ("QBC" or "you") has mandated PwC Advisory Services GmbH, Vienna to ascertain the Fair Value of the Property "QBC4", Karl-Popper-Straße 4, 1100 Vienna, KG 01101 EZ 3667 as of December 31, 2021.

The PwC Advisory Terms of Business (as amended 6 April 2011; see Attachment) were the basis for providing our services and for our responsibility, also in relation to third parties. We particularly draw your attention to our limitations of liability.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated March 28, 2022.

According to the engagement letter signed by you, the Report was exclusively prepared for you in accordance with the engagement letter and the therein determined purposes for reporting. The Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the internet or any other public media. Duties of care and liabilities on the part of PwC towards third parties are excluded.

Yours faithfully

PwC Advisory Services GmbH

ppa. Olena Chekmezova   Matthias Eicher

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QBC Immobilien GmbH & Co Zeta KG
Ms Anna Bernhart
Esslinger Hauptstraße 188 B/Haus 4
1220 Vienna

March 28, 2022

Assessment of Fair Value of the property QBC 7 in Vienna

Dear Ms. Bernhart,

based on our agreement (hereinafter "agreement" or "engagement letter") as of November 22, 2021, QBC Immobilien GmbH & Co Zeta KG ("QBC" or "you") has mandated PwC Advisory Services GmbH, Vienna to ascertain the Fair Value of the Property "QBC7", 1100 Wien, KG 01101 Favoriten, EZ 3660 as of December 31, 2021.

The PwC Advisory Terms of Business (as amended 6 April 2011; see Attachment) were the basis for providing our services and for our responsibility, also in relation to third parties. We particularly draw your attention to our limitations of liability.

The valuation was to serve IFRS accounting purposes in compliance with the International Financial Reporting Standard IFRS 13 issued by International Accounting Standards Board (IASB).

IFRS 13 defines Fair Value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

We have summarized the assumptions, estimations and conclusions made in our valuation, and our opinion of Fair Value of the Property in our Report dated March 28, 2022.

According to the engagement letter signed by you, the Report was exclusively prepared for you in accordance with the engagement letter and the therein determined purposes for reporting. The Report is confidential and shall therefore not be passed in whole or in part to any third party and shall not in whole or in part be published or referred to in a public document, the Internet or any other public media. Duties of care and liabilities on the part of PwC towards third parties are excluded.

Yours faithfully

PwC Advisory Services GmbH

ppa. Olena Chekmezova　　　　Matthias Eicher

FINANCIAL
REPORT

in US$	Note *	31.12.2021	31.12.2020
Assets			
Non-current assets			
Investment properties	7	1,513,494,672	1,525,251,437
Goodwill	11	72,753,756	75,036,169
Loans and accounts receivable	12	2,173,751	932,592
Deferred tax assets	23	485,048	495,412
Furniture and equipment		47,477	60,391
Total non-current assets		1,588,954,704	1,601,776,001
Current assets			
Inventory	10	59,614,974	86,044,974
Accounts receivable	12	5,416,800	7,675,900
Prepayments		960,524	1,799,303
Prepaid taxes		5,742,793	4,323,950
Cash & cash equivalents	13	113,805,179	143,262,094
Total current assets		185,540,270	243,106,221
Total assets		1,774,494,974	1,844,882,222
Liabilities			
Non-current liabilities			
Borrowings	14	953,197,437	976,770,903
Deferred tax liabilities	23	138,322,340	135,970,620
Other non-current liabilities	15	10,800,040	8,990,789
Total non-current liabilities		1,102,319,817	1,121,732,312
Current liabilities			
Accounts payable and accrued expenses	15	9,116,738	23,499,669
Advances received	16	12,268,144	14,226,471
Taxes payable		8,699,143	12,065,178
Borrowings	14	104,567,854	137,113,410
Total current liabilities		134,651,879	186,904,728
Equity			
Share capital	25	14,409,022	753,526,865
Share premium	25	758,294,648	19,176,805
Treasury shares	25	−2,419,642	−2,370,375
Accumulated deficit		−33,787,333	−43,911,112
Other reserves	25	450,647	–
Cumulative translation adjustment		−210,253,989	−200,746,011
Shareholders' equity attributable to the holders of the Company		526,693,353	525,676,172
Non-controlling interest		10,829,925	10,569,010
Total equity		537,523,278	536,245,182
Total equity and liabilities		1,774,494,974	1,844,882,222
Number of shares outstanding		14,324,281	14,326,000
Net asset value per share		36.77	36.69

* The notes are an integral part of these Consolidated Financial Statements.

		for the year ended	
in US$	Note *	31.12.2021	31.12.2020
Rental income			
Gross rental income	17	69,101,790	63,269,071
Service charge income	17	14,988,651	11,346,099
Property operating and maintenance expenses	17	–17,915,867	–13,771,790
Net rental income		66,174,574	60,843,380
Gains and losses arising from the sales of properties			
Sales of properties	18	35,735,837	41,007,784
Cost of sales	18	–27,236,988	–29,778,833
Net gain arising from the sales of properties		8,498,849	11,228,951
Management fees	26	–3,995,397	–3,400,547
Administrative and selling expenses	19	–4,407,912	–4,099,089
Other income	20	4,584,982	4,842,872
Other expenses	21	–2,461,343	–7,147,470
Revaluation of investment properties	7,9	24,680,005	27,129,859
Net operating profit		93,073,758	89,397,956
Interest income		467,474	558,319
Finance cost	22	–41,612,698	–38,361,636
Net foreign exchange loss		–27,648,375	–20,660,840
Profit before tax		24,280,159	30,933,799
Income taxes	23	–13,081,435	–4,365,354
Net profit for the period		11,198,724	26,568,445
Attributable to:			
Equity holders of the Company		10,123,779	26,982,077
Non-controlling interest		1,074,945	–413,632
Earnings per share for profit attributable to equity holders of the Company during the period			
Weighted average number of outstanding shares		14,324,481	10,005,836
Basic and diluted		0.71	2.70

* The notes are an integral part of these Consolidated Financial Statements.

	for the year ended	
in US$	31.12.2021	31.12.2020
Net profit for the period	11,198,724	26,568,445
Other comprehensive gain/(loss)		
Other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	492,668	–
Loss on currency translation differences	−10,372,637	−66,250,647
Income tax relating to these items	8,608	–
Net other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods	−9,871,361	−66,250,647
Total comprehensive gain/(loss) for the period	1,327,363	−39,682,202
Attributable to:		
Equity holders of the Company	1,066,448	−40,392,471
Non-controlling interest	260,915	710,269

* The notes are an integral part of these Consolidated Financial Statements.

		for the year ended	
in US$	Note *	31.12.2021	31.12.2020
Cash flows from operating activities			
Net profit for the period		11,198,724	26,568,445
Net foreign exchange loss		27,648,375	20,660,840
Revaluation of investment properties	9	−24,680,005	−27,129,859
Other non-cash expenses		728,151	1,941,483
Impairment allowance for eurobonds		527,098	–
Gain arising from sale of investment property	18	–	−10,333,316
Depreciation	21	11,342	14,176
Interest income		−467,474	−558,319
Finance costs	22	41,612,698	38,361,636
Other income related to acquisitions of properties in prior periods	20	−2,487,926	–
Income tax expense		13,081,435	4,365,354
Cash generated from operations before movements in working capital		67,172,418	53,890,440
Movements in working capital			
Decrease in accounts payable and other liabilities		−3,593,541	−2,476,505
Decrease/(increase) in accounts receivable and other receivables		2,013,922	−5,641,718
Decrease in inventory		27,236,988	17,024,275
Cash generated from operations		92,829,787	62,796,492
Interest income received		382,537	558,319
Income tax paid		−7,228,475	−7,742,161
Net cash generated from operating activities		85,983,849	55,612,650
Cash flows from investing activities			
Purchases of investment properties	7,8	−46,253,559	−343,676,302
Proceeds from sales of investment properties	7	744,399	22,155,282
Release/(net transfer) of funds from/to Escrow accounts		12,486,235	−15,638,524
Borrowing costs	7	−3,792,534	−2,452,342
Acquisition of eurobonds	12	−2,303,499	–
Reimbursement from seller after adjustment of purchase price on acquistions of prior periods	20	1,234,305	–
Net cash used in investing activities		−37,884,653	−339,611,886
Cash flows from financing activities			
Interest paid	22	−39,015,114	−36,245,045
Proceeds from notes payable	14	–	247,039,409
Proceeds from borrowings, net of transaction costs	14	116,982,325	–
Repayment of borrowings	14	−127,330,681	−3,542,075
Proceeds from sale of ordinary shares	25	–	162,987,491
Proceeds from sale of treasury shares		1,910	–
Acquisition of treasury shares		−51,177	−395,137
Net cash (used in)/ generated from financing activities		−49,412,737	369,844,643
Net change in cash & cash equivalents		−1,313,541	85,845,407
Cash & cash equivalents at the beginning of the period	13	127,622,973	29,372,573
Net (loss)/gain from foreign currency translation		−15,589,327	12,404,993
Cash & cash equivalents at the end of the period	13	110,720,105	127,622,973

* The notes are an integral part of these Consolidated Financial Statements.

Non-cash transactions

In 2021, the non-cash transactions, excluding those described in Note 14, were insignificant. In 2020, advance paid in 2019 for acquisition of investment property QBC 1,2,7 in the amount of US$ 22.96 million was set off against the liability arisen upon completion of property acquisition in December 2020. Other non-cash transactions in 2020 were insignificant.

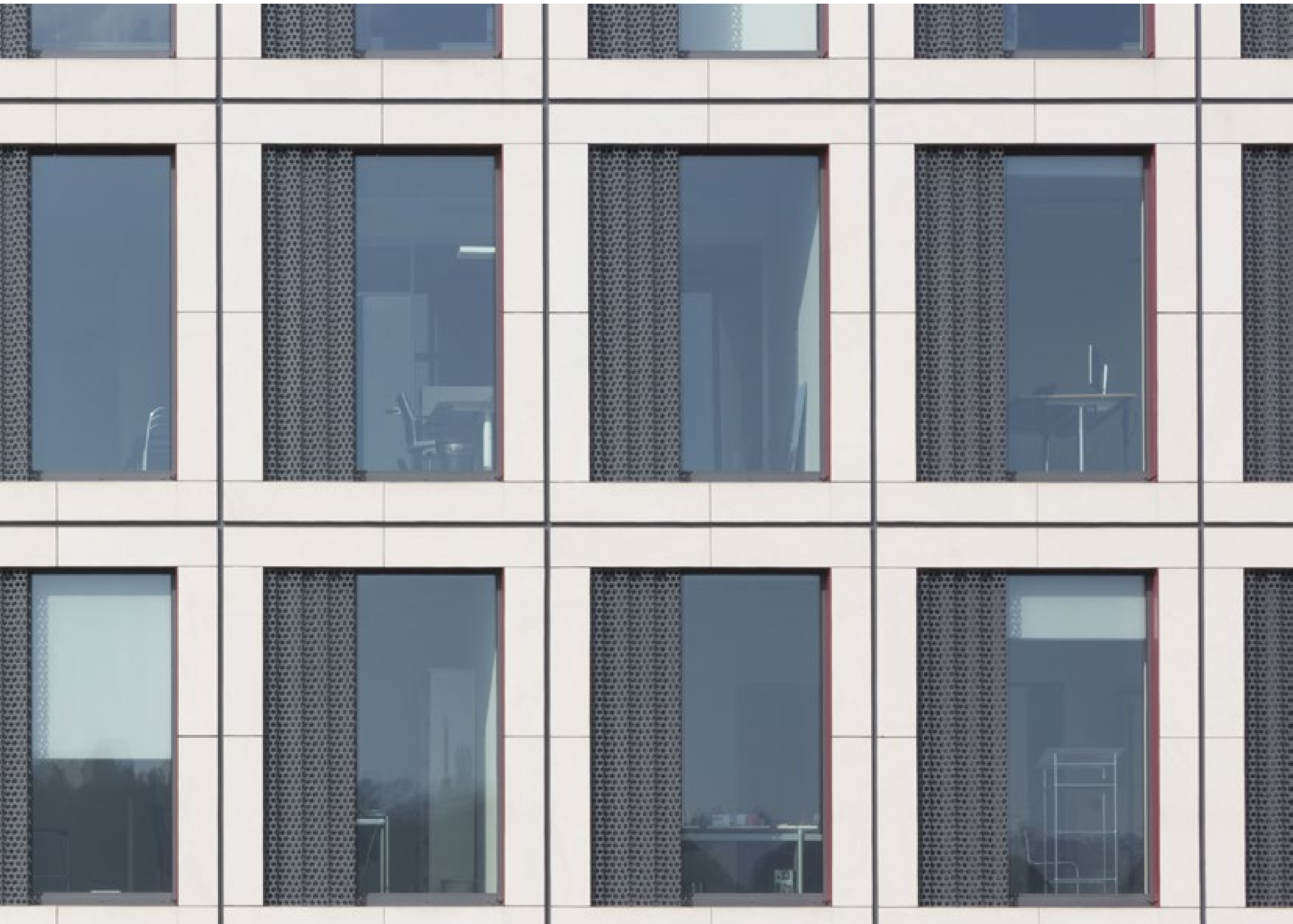
Cash& cash equivalents at the beginning/end of the period in the statement of cash flows are presented excluding cash on escrow accounts and restricted accounts (tenants' deposits) and including bank overdraft.

Changes in liabilities arising from financing activities are disclosed in Note 14. The Group classifies paid interest, recognized as expense in the Consolidated statement of profit or loss, as financing activity (interest paid) and paid interest, capitalized in the cost of investment property, as investing activity (borrowing cost).

in US$	Share capital	Share premium	Treasury shares	Accumulated deficit
Balance as at 01.01.2020	590,539,374	19,176,805	−1,975,238	−70,893,189
Net profit/(loss) for the period	–	–	–	26,982,077
Other comprehensive (loss)/gain	–	–	–	–
Total comprehensive gain/(loss) for the period	–	–	–	26,982,077
Allocation of newly issued shares net of transaction cost	162,987,491			
Acquisition of treasury shares	–	–	−395,137	–
Acquisition of a subsidiary during the period	–	–	–	–
Balance as at 31.12.2020	753,526,865	19,176,805	−2,370,375	−43,911,112
Net profit for the period	–	–	–	10,123,779
Other comprehensive gain/(loss)	–	–	–	–
Total comprehensive gain/(loss) for the period	–	–	–	10,123,779
Acquisition of treasury shares, net of sale (sale for 1910 US$, purchase for 51177 US$)	–	–	−49,267	–
Share capital repartition	−739,117,843	739,117,843	–	–
Balance as at 31.12.2021	14,409,022	758,294,648	−2,419,642	−33,787,333

* The notes are an integral part of these Consolidated Financial Statements.

Other reserves	Currency translation adjustment	Shareholders' equity attributable to the holders of the Company	Non-controlling interest	Total equity
–	**−133,371,463**	**403,476,289**	**3,856,167**	**407,332,456**
–	–	26,982,077	−413,632	26,568,445
–	−67,374,548	−67,374,548	1,123,901	−66,250,647
–	−67,374,548	−40,392,471	710,269	−39,682,202
–		162,987,491		162,987,491
–	–	−395,137	–	−395,137
–	–	–	6,002,574	6,002,574
–	**−200,746,011**	**525,676,172**	**10,569,010**	**536,245,182**
–	–	10,123,779	1,074,945	11,198,724
450,647	−9,507,978	−9,057,331	−814,030	−9,871,361
450,647	−9,507,978	1,066,448	260,915	1,327,363
–	–	−49,267	–	−49,267
–	–	–	–	–
450,647	−210,253,989	526,693,353	10,829,925	537,523,278



1. CORPORATE INFORMATION

EPH European Property Holdings PLC (former “EPH European Property Holdings Limited” (26 June 2020 – 7 February 2022) and “Eastern Property Holdings Ltd.” (from foundation up to June 2020)) (the “Company”, “EPH”) is a limited liability company incorporated and domiciled in Cyprus (before 7 February 2022, in British Virgin Islands) whose shares are publicly traded on the SIX Swiss Exchange. The registered office is located at Menandrou 12, Eleona Tower, Office 207, 1066 Nicosia, Cyprus. The consolidated financial statements of EPH European Property Holdings PLC and its subsidiaries (together the “Group”) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2022.

The principal activities of the Group are described in Note 6.

The Company was founded in 2003 with the intention to invest in the promising Russian real estate market. In 2016, EPH acquired its first property outside Russia. In the following years, the company continued its westward expansion and strengthened its real estate portfolio through further acquisitions in Germany and Austria. In June 2020, the Company changed its name to EPH European Property Holdings to underline its geographic shift and its intensive expansion phase across European real estate markets. On 7 February 2022, the Company has re-domiciled to Cyprus as EPH European Property Holdings PLC (refer to Note 29 for detail).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and SIX Swiss Exchange Regulations on financial reporting.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties.

The consolidated financial statements have been prepared on a going concern basis. Please refer to Note 29.

The consolidated financial statements are presented in US dollars (“US$”).

3. NEW ACCOUNTING POLICIES

New amendments and improvements to standards set out below became effective 1 January 2021 and did not have any impact or did not have a material impact on the Group’s consolidated financial statements:

- IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16, Interest rate benchmark reform (“IBOR”) – phase 2;
- IFRS 4: Extension of the temporary exemption from applying IFRS 9;
- IFRS 16: COVID-19 related rent concessions beyond 30 June 2021 (effective from April 2021). Amendment applies to lessees. The operations where the Group acts as lessee are not significant.

Early adoption of standards

In 2021, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the issued, but not yet effective standards.

- IFRS 17, Insurance Contracts including amendments to IFRS 17, effective 1 January 2023;
- Amendments to IFRS 3: reference to the Conceptual Framework, effective 1 January 2022;
- Amendments to IAS 1: classification of liabilities as current or non-current, effective 1 January 2023;
- Amendments to IAS 1 and IFRS practice statement 2: disclosure of accounting policies, effective 1 January 2023;
- Amendments to IAS 8: definition of accounting estimates, effective 1 January 2023;
- Amendments to IAS 16: property, plant and equipment - proceeds before intended use, effective 1 January 2022;
- Amendments to IAS 37: onerous contracts – cost of fulfilling a contract, effective 1 January 2022;
- Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective 1 January 2023;
- Annual improvements to IFRS Standards 2008-2020 Cycle: amend ments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, effective 1 January 2022.

Management of the Group do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Changes in presentation and respective adjustments to comparative financial information

The Group revisited its approach to presentation of the financial statements in terms of materiality and aggregation of items to improve their understandability for the users and to be in line with best industry practice.

In deciding which items to aggregate, the Group follows the guidance below:

- each material class of similar items is presented separately;
- material items of dissimilar nature or function are presented separately;
- immaterial items of assets and liabilities are aggregated if they are of the same liquidity interval (current, non-current) and the same monetary nature (monetary, non-monetary) as defined by IAS 21;
- immaterial items are not aggregated if their aggregation will aggravate understandability of the financial statements.

Materiality is defined as Group-specific aspect of relevance of items based on their nature or magnitude, or both. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial statements.

Based on the review of how the Group’s financial statements comply with the rules described above, management of the Group made changes in the presentation of statement of profit and loss, whereas other statements are recognized as being in line with them and, therefore, are not changed.

Management performs analysis of the relevance of presentation on a regular basis and further reasonable changes may happen in the future.

Changes in statement of profit and loss

1) Several items of similar nature or function are aggregated (see the table below).
2) Sub-headings and sub-totals "Administrative and selling expenses", "(Net) Other income/(expenses)", "(Net) Valuation movements" are removed and respective items are given down in a row after "Net rental income" and "Net gain arising from the sales of properties".
3) "Interest income" and "Net foreign exchange (loss)/gain" are placed below "Net operating profit" sub-total and down in a row with "Finance cost" (previously, these items were presented as part of "Net operating gain before finance cost").
4) The sub-total title "Net operating gain before finance cost" is replaced with title "Net operating profit".
5) The sub-total title "Gain before taxes" is replaced with title "Prof it before tax ".

in US$	for the year ended 31.12.2020 before aggregation adjustments	aggregation adjustment	for the year ended 31.12.2020 after aggregation adjustments
Property operating and maintenance expenses	–	−13,771,790	−13,771,790
Utilities	−3,097,630	3,097,630	–
Property operating expenses	−5,108,761	5,108,761	–
Repair and maintenance costs	−1,137,723	1,137,723	–
Ground rents paid	−269,023	269,023	–
Non-income taxes	−4,158,653	4,158,653	–
Administrative and selling expenses	–	−4,099,089	−4,099,089
Professional and administration fees	−2,971,238	2,971,238	–
Selling expenses	−672,354	672,354	–
Salaries and social charges	−455,497	455,497	–
Other expenses	−7,133,294	−14,176	−7,147,470
Depreciation	−14,176	14,176	–
Revaluation of investment properties	–	27,129,859	27,129,859
Valuation movements	–		–
Net (loss)/gain from fair value adjustment on investment properties	−85,346,111	85,346,111	–
Net gain/(loss) due to effect of currency fluctuation on valuation of investment property	112,475,970	−112,475,970	–
Net valuation movements	27,129,859	−27,129,859	–

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2021. Control over subsidiaries is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, it has:

– Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
– Exposure, or rights, to variable returns from its involvement with the investee
– The ability to use its power over the investee to affect its returns.

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

– The contractual arrangement with the other vote holders of the investee
– Rights arising from other contractual arrangements
– The Group's voting rights and potential voting rights.

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

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position, statement of profit or loss and statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of comprehensive income and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and within the consolidated statement of changes in equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The Group's structure is given in the Corporate Governance part of the annual report.

Property acquisition and business combinations

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity to determine whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 5.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. The goodwill is not deductible for income tax purposes.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment at least annually, where there is an indicator that it is impaired or where there is an indicator that the CGU(s) to which it is allocated is impaired. Where the impairment indicator relates to specific CGUs, those CGUs are tested for impairment separately before testing the group of CGUs and the goodwill together. Where a property acquisition meets the definition of a business, the entity should apply IAS 12, and it might need to recognise a deferred tax liability on acquisition and the corresponding goodwill. An impairment test for such goodwill is performed using fair value less costs of disposal. The carrying value of a CGU under the fair value less costs of disposal method includes the deferred tax liabilities.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The functional currency of the parent company is the US dollar (US$). The functional currency of the Group's major subsidiaries is the Russian ruble (RUB) and Euro (for German subsidiary). Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

The Company's shares are listed on the SIX stock exchange in US dollars. Therefore, the Group uses the US dollar as its presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items valued at fair value are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of profit or loss.

The Group uses the following official rates of exchange, as determined by the Swiss National Bank (for 1 US$):

	31.12.2021		31.12.2020		31.12.2019	
in US$	RUB	EUR	RUB	EUR	RUB	EUR
closing rate	74.9343	0.8828	75.0596	0.8143	62.1071	0.8917
average rate	73.8851	0.8462	72.9358	0.8727	64.4692	0.8933

Translation of consolidated financial statements

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that financial position;
- income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income or expenses.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings that qualify as quasi-equity loans, are taken to other comprehensive income. When the foreign operation is sold, such exchange differences are recognised in the consolidated statement of profit or loss.

Goodwill and fair value adjustment arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

INVESTMENT PROPERTY

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Land plot, on which the property is constructed, held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognised under IFRS 16 at the present value of the lease payments that are not paid at that date.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions incurred to ensure that the property is operational.

The carrying amount also includes the costs for replacing parts of an existing Investment property at the time when the cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise.

If management determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). Contingent consideration, if applicable, is not taken into account on initial recognition of the asset under construction, but it is added to the cost of the asset initially recorded, when incurred, or when a related liability is remeasured for changes in cash flows. Contingent consideration for the investment property, for which the fair value is reliably measureable, is recognized as financial liability at FVTPL. Refer to section Financial Liabilities below in this Note for accounting policy description.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Fair value is the price that would be received in case of a sale of the investment property in an orderly transaction between market participants at the measurement date. The fair value of the investment property is determined by professional third party appraisers at each balance sheet date, acquisition date and date of disposal using recognized valuation techniques and the principle of IFRS 13.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect to the property. The appraisers determine the value of the Group's real estate holdings in currency used in the lease contracts of each property (usually, Euro for European properties and RUB for Russian properties, except Berlin and Geneva Houses with contractual rental rates determined in US$).

The Moscow office of international real estate consultant Jones Lang LaSalle and the Berlin office of PWC have been commissioned by the Group to perform valuations of its real estate holdings. The results of the valuations have been reviewed and approved by the Board of Directors as representing the fair values at the reporting date.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to Inventories. A property's deemed costs for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from Inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the profit or loss.

The Group's investment property includes long-term leasehold land at project Berlin House which is accounted for as if it was a right-of-use asset under IFRS 16, Leases.

INVENTORY

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as Inventory and is measured at the lower of cost and net realisable value. Costs include amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Cost is allocated between inventory items (apartments and parking lots) based on the floor space in sqm of each item. The cost of a sqm is determined using weighted average cost formula.

When item of inventory is sold, revenue from the sale, as determined by the sale price, and respective cost is recognised in the consolidated statement of profit or loss.

FINANCIAL ASSETS

Classification

The Group's financial assets (receivables and cash and cash equivalents) are classified as subsequently measured at amortised cost based on the following criteria:

– the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Receivables result from transactions that are within scope of IFRS 16 Leases (collectible on rental revenue) and IFRS 15 Revenue from Contracts with Customers (collectibles on service charge fee and sales of properties).

Cash and cash equivalents comprise cash in-hand, cash at bank and in transit between bank accounts, short-term deposits with an original maturity of three months or less and bank promissory notes payable on demand. Bank overdrafts (if any) are shown separately in the current liabilities on the consolidated statement of financial position.

Eurobonds are classified as financial assets subsequently measured at fair value through other comprehensive income if both of the following conditions are met based on the following criteria:

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, receivables and cash and cash equivalents are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss in the consolidated statement of profit or loss and presented in other income or expense. Impairment losses are presented as separate line item in Profit or loss in the consolidated statement of profit or loss.

The group recognizes the changes in the fair value of eurobonds in Other Comprehensive Income. These changes are accumulated within the Other reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant asset is derecognised.

Cash flows from interest income received are classified as operating activity in the consolidated statement of cash flows.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with the asset. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Receivable have been determined to have low credit risk (refer to Note 28).

For eurobonds, the Group generally assumes that fair value (market price) at the reporting period correctly reflects credit risk of the asset. Management measures the loss allowance for specific eurobonds at an amount equal to the lifetime expected credit losses, if management identified that the credit risk on them has increased significantly since initial recognition. The impairment allowance for eurobonds is recognised in profit or loss (in aggregate with other items in line 'Other expenses' or as a separate line 'Impairment allowance', depending on materiality of the amount) and reduces the fair value loss otherwise recognised in other comprehensive income. The impairment allowance does not reduce the carrying amount of the asset in the statement of financial position.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

PREPAYMENTS

Prepayments are stated at historical cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect goods or services due according to the terms of the payments. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the effective interest rate. The impairment charge is recognised in the consolidated statement of profit or loss. When a prepayment is uncollectible, it is written off against the provision account for prepayments.

SHARE CAPITAL

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

FINANCIAL LIABILITIES

Classification, initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. All financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to issue of the financial liability. The Group's financial liabilities include trade and other payables and accrued expenses, liabilities at fair value through profit or loss (FVTPL), tenant deposits and borrowings including own bonds issued, lease liabilities and derivative financial instruments.

At the date of recognition, financial liabilities are irrevocably designated as measured at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. After initial recognition financial liabilities at FVTPL are subsequently measured at fair value. Change in fair value is recognized in profit or loss. All other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derecognition

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Cash flows from interest expense paid are classified as financing activity in the consolidated statement of cash flows. Cash flows from interest expense, capitalized in cost of investment property, are classified as investing activity in the consolidated statement of cash flows.

PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

CURRENT INCOME TAX

Current Income Tax Assets and Liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

DEFERRED INCOME TAX

Deferred Income Tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

– Where the temporary taxable difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss

– In respect of taxable temporary differences associated with investments in subsidiaries, joint operations and associates where the timing of the reversal of the temporary differences can be controlled by the parent, operator or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred Income Tax Assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value, a rebuttable presumption exists that its carrying amount will be recovered through the sale.

Deferred Income Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

LEASES
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Rights-of-use assets - Investment properties (land) held under lease
The Group leases properties (land) that meet the definition of investment property. These right-of-use assets are presented as part of the line item ‘Investment property’ in the statement of financial position.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

Land leases where the lease payments are defined as a percentage of cadastral value of the land
Where the lease payment is determined as a percentage of cadastral value of the land and, therefore, does not fall into any category of payments that form lease liability defined by IFRS 16, the Group does not recognise a right-of-use asset and a corresponding lease liability. The lease payments are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a Lessor
Refer to accounting policies on rental income in this Note.

Rent receivables
Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in this note.

Tenant deposits
Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities in this note.

REVENUE RECOGNITION
The Group's's key sources of income include:
– Rental income;
– Revenue from contracts with customers:
  - Services to tenants including management charges and other expenses recoverable from tenants;
  - Sale of inventory property.

The accounting for each of these elements is discussed below.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.
Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

The initial direct costs and tenant lease incentives are presented in the line item 'Investment property' in the Consolidated statement of financial position. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized as gain or loss, respectively, in the consolidated statement of profit or loss when the right to receive them arises.

Revenue from services to tenants

The Group recovers direct expenses arising on exploitation and maintenance of the investment property through fixed and variable (i.e. tied to the actual utility costs) service charge fee. Service charge revenue is recognised when a performance obligation is satisfied, which occurs when control of a service transfers to the customer. Since the customer receives and consumes the benefits of the services as the Group performs these services, the control transfers to the customer over time. Based on this criterion, revenue is recognized over time using the input method to measure progress of the performance that is when the recoverable costs are incurred. Service charges are included gross of the related costs in revenue, as the management considers that the Group acts as principal in this respect.

For practical reasons, the Group recognizes the service charge income in the consolidated statement of profit or loss at the last date of every month.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Sales of inventory property

Revenue on sale of inventory property is recognised when a performance obligation is satisfied, which occurs when control of the property transfers to the buyer. In each case, management considers indicators to determine the point in time at which control passes to the customer, including but not limited to whether:

– the Group has a right to payment;
– the customer has obtained legal title to the asset;
– the entity has transferred possession of the asset to the customer;
– the customer has significant risks and rewards of ownership of the asset;
– the customer has accepted the asset.

Revenue on sale is recorded in the consolidated statement of profit or loss together with an adjustment for the associated costs. General costs of marketing and promoting of the sales are recognized when they are incurred, in the consolidated statement of profit or loss as selling expenses. Deposits and instalments received on properties prior to the transfer of control are included under current liabilities.

OTHER INCOME

Other income includes income that is derived from activities not directly related to the main focus of business and/or has irregular nature.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition and construction of investment property under construction, when accounted at cost, and inventory property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalisation commences when:
(1) the Group incurs expenditures for the asset;
(2) the Group incurs borrowing costs; and
(3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. For investment property under construction accounted at cost, interest is capitalized from the commencement of construction until earlier of two dates:
1) when fair value of the property can be measured reliably;
2) when substantially all of the construction is completed.

Borrowing costs paid in the period are classified as investing activities for the purposes of the Consolidated statement of cash flows.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Although management believes that the assumption and estimates used in these consolidated financial statements are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Acquisition of investment properties

The Group acquires subsidiaries that own real estates. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business or acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which substantive processes are acquired.

If acquired set of activities does not have an output (i.e. revenue), the process (or group of processes) is substantive only if:

a) it is critical to the ability to develop or convert an acquired input or inputs into outputs; and
b) the inputs acquired include both an organised workforce that has the necessary skills, knowledge, or experience to perform that process (or group of processes) and other inputs that the organised workforce could develop or convert into outputs.

If acquired set of activities has an output, the process (or group of processes) shall be considered substantive if, when applied to an acquired input or inputs, it:

a) is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or
b) significantly contributes to the ability to continue producing out puts

and:

– is considered unique or scarce; or
– cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Property lease classification - the Group as a Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

ESTIMATES

Valuation of Investment property

Refer to Note 9.

Estimation of net realisable value for Inventory

Inventory is carried at the lower of cost and net realisable value (NRV). NRV for Inventory is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. Decrease in the NRV estimate by 20% would result in impairment of Inventory in the amount of US$ 4.06 million.

Corporate profit tax rate for German properties

In 2016 and 2017, as of the acquisition date a deferred tax liability was recognised in City Gate and WLC due to the excess of the fair value of these businesses over their tax value. Goodwill arose on acquiring an asset via a share deal, where the Group inherited the fiscal basis of the assets. As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference appeared was reflected in the goodwill. Therefore, in this case the impairment test consists in a comparison between the accounting value of the Goodwill and the potential tax optimization existing at the date of reporting.

At the date of acquisition and in subsequent reporting periods, management applied corporate profit tax rate of 30.50% for City Gate and 32.275% for WLC for the measurement of the entities' deferred tax liabilities. On 1 January 2020, management re-estimated tax rates that the entities are eligible to apply in the future if the investment properties will be realized, being now 15.825% for both entities. Management made sure and resumed that both entities will meet the conditions to apply for extended trade tax deduction. Remeasurement resulted in goodwill's excess over deferred tax liabilities, which was written off and recognized in profit and loss as other expense.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group recognises liabilities, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax liabilities in the period in which such determination is made.

6. SEGMENT INFORMATION

The Chief Operating Decision Maker of the Group has been identified as the Management Committee, which has been given responsibility for allocating the Group's resources between its various assets. The Management Committee has access to detailed financial reports for all the Group's assets and evaluates the performance of each on an individual basis.

The management arranged its operating segments into three operating segments: rental properties, rental property under construction and residential properties for sale. All other business activities and non-reportable business segments were combined and disclosed below in "all other segments" category.

1. "Rental Properties" consist of:
– 100% of six commercial properties in Moscow: Berlin House, Geneva House, Polar Lights, Hermitage Plaza, retail areas of Arbat Multi-Use Complexes and Magistal'naya;
– 94% of two commercial properties City Gate in Stuttgart and Work Life Center in Hamburg, 89.9% of commercial property STRAL 3 in Berlin and 100% of commercial property SALZ 4 in Dresden;
– 100% of the commercial properties QBC 4 and QBC 1,2,7 in Vienna.

Rental Properties generate rental income and incur expenses primarily for maintenance and building operations. They are predominantly comprised of office space or hotel space (STRAL3 and SALZ 4), though most of them have space dedicated to retail. The Rental Properties segment generates product or service-based recurring revenues by providing commercial premises, for which rental income is received.

Generally, gross and net rents for the Segment are reflected as such in both the consolidated statement of profit or loss and accounts presented by segment.

In prior years the Company issued bonds to finance acquisitions of rental properties therefore these bonds as well as the interest accrued for them are presented in Rental Properties segment.

In 2017, 2019 and 2020, the Company issued interest bearing subordinated registered notes. Proceeds were in some part used to finance acquisition of rental property, therefore the notes as well as interest accrued for them, except for capitalized amount (see p.2 below), are also presented in Rental Properties segment.

Assets STRAL 3 (Berlin, Germany), acquired on 2 April 2020, SALZ 4 (Dresden, Germany), acquired on 2 July 2020 and QBC 1,2,7 (Vienna, Austria), acquired on 29 December 2020, refer to the Rental Properties Segment based on their business nature, production processes, type of customer, distribution methods and other relevant characteristics.

2. "Rental Property under Construction" comprises of commercial property under construction LASS 1 in Vienna. Upon completion of construction and start of leases, expected in June 2022, the asset will be reclassified to Rental Properties Segment. Acquisition of the asset and further construction works occurred before 1 January 2021 are financed out of funds received from issue of interest bearing subordinated registered notes in 2020 (see note 14). The notes as well as interest capitalised for them are presented in Rental Property under Construction segment in the amount of the value of the property as of 31 December 2020. The value of the property is accounted for at cost until the construction is completed or when its fair value can be estimated reliably whichever is earlier.

3. "Residential Properties for Sale" consists of 100% of owned by the Group residential areas of two Arbat Multi-use Complexes in Moscow.

4. "Other segments" include activities on general administration of the Group and non-reportable segment of 100% of a raw land plot of 55 hectare "Scandinavia" site near St. Petersburg which was sold in 2020. The result of the sale and remaining receivable are disclosed in Other segments.

Information provided to the Management Committee is measured in a manner consistent with that in the consolidated financial statements. Revenue of the Group by operating activities for the periods is as follows:

for the year ended 31.12.2021

in US$	Rental properties	Rental properties under construction	Residential properties for sale	Other segments	Total
Gross rental income	69,101,790	–	–	–	69,101,790
Other rental expenses	–2,927,216	–	–	–	–2,927,216
Net rental income	66,174,574	–	–	–	66,174,574
Sales of properties	–	–	35,735,837	–	35,735,837
Net gain arising from the sales of properties	–	–	8,498,849	–	8,498,849
Interest income	345,575	–	121,899	–	467,474
Net foreign exchange loss	–1,106,592	–	–24,328	–26,517,455	–27,648,375
Revaluation of investment properties	24,680,005	–	–	–	24,680,005
Finance costs	–39,533,296	–214,751	–1,725,792	–138,859	–41,612,698
Income tax expense	–12,096,160	–	–958,402	–26,873	–13,081,435
Other expenses	–1,321,495	–369,393	–2,260,983	–2,327,799	–6,279,670
Net profit/ (loss) for the period	37,142,611	–584,144	3,651,243	–29,010,986	11,198,724

for the year ended 31.12.2020

in US$	Rental properties	Rental properties under construction	Residential properties for sale	Other segments	Total
Gross rental income	63,269,071	–	–	–	63,269,071
Other rental expenses	–2,425,691	–	–	–	–2,425,691
Net rental income	60,843,380	–	–	–	60,843,380
Sales of properties	20,432,782	–	17,919,910	2,655,092	41,007,784
Net gain arising from the sales of properties	10,779,751	–	895,635	–446,435	11,228,951
Interest income	437,422	–	120,897	–	558,319
Net foreign exchange gain/ loss	–2,584,875	–	69,625	–18,145,590	–20,660,840
Revaluation of investment properties	27,079,815	–	–	50,044	27,129,859
Finance costs	–35,869,016	–144,410	–1,712,009	–636,201	–38,361,636
Income tax expense	–1,928,816	–	–2,327,786	–108,752	–4,365,354
Other expenses	–6,679,670	–511,932	–8,287	–2,604,345	–9,804,234
Net profit/ (loss) for the period	52,077,991	–656,342	–2,961,925	–21,891,279	26,568,445

The Management Committee also assesses the performance of operating segments based on the results of valuation of the respective assets.

Assets and liabilities valuation as of 31.12.2021					
	Rental Properties	Rental Property Under Construction	Residential Properties for sale	Other Segments	Total
Investment properties	1,377,935,543	135,559,129	–	–	1,513,494,672
Goodwill	72,753,756	–	–	–	72,753,756
Inventory	–	–	59,614,974	–	59,614,974
Cash & cash equivalents	77,464,188	23,531,939	2,599,768	10,209,284	113,805,179
Other Assets	9,379,817	4,064,951	1,029,226	352,399	14,826,393
Total Assets	1,537,533,304	163,156,019	63,243,968	10,561,683	1,774,494,974
Total Liabilities	1,128,381,984	103,931,014	4,496,247	162,451	1,236,971,696

Assets and liabilities valuation as of 31.12.2020					
	Rental Properties	Rental Property Under Construction	Residential Properties for sale	Other segments	Total
Investment properties	1,412,648,407	112,603,030	–	–	1,525,251,437
Goodwill	75,036,169	–	–	–	75,036,169
Inventory	–	–	86,044,974	–	86,044,974
Cash & cash equivalents	70,287,642	1,368,096	4,183,581	67,422,775	143,262,094
Other Assets	9,783,606	1,212,172	3,229,441	1,062,329	15,287,548
Total Assets	**1,567,755,824**	**115,183,298**	**93,457,996**	**68,485,104**	**1,844,882,222**
Total Liabilities	**1,162,907,119**	**110,804,608**	**34,472,177**	**453,136**	**1,308,637,040**

Geographical information on Group's revenues and significant non-financial assets is given below:

for the year ended 31.12.2021				
in US$	Russia	Germany	Austria	Total
Gross rental income	44,467,489	16,778,535	7,855,766	69,101,790
Net rental income	43,302,172	15,225,476	7,646,926	66,174,574
Sales of residential properties	35,735,837	–	–	35,735,837
Carrying amount of:				
Investment property	558,418,099	414,363,389	540,713,184	1,513,494,672
Goodwill	45,621,368	15,320,389	11,811,999	72,753,756
Inventory	59,614,974	–	–	59,614,974
Total	663,654,441	429,683,778	552,525,183	1,645,863,402

for the year ended 31.12.2020				
in US$	Russia	Germany	Austria	Total
Gross rental income	45,304,048	13,911,929	4,053,094	63,269,071
Net rental income	44,653,282	12,137,004	4,053,094	60,843,380
Sales of residential and investment properties	41,007,784	–	–	41,007,784
Carrying amount of:				
Investment property	573,491,258	429,939,826	521,820,353	1,525,251,437
Goodwill	45,621,368	16,609,161	12,805,640	75,036,169
Inventory	86,044,974	–	–	86,044,974
Total	**705,157,600**	**446,548,987**	**534,625,993**	**1,686,332,580**

Information on the major customers is given in Note 18.

7. INVESTMENT PROPERTIES

The balances and movements of investments properties on a project and country basis, reconciliation of their carrying amounts to the fair values determined by the independent appraisal and descriptions of the properties are given in the tables below.

The fair value of the investment property in operation was determined based on an independent valuation prepared by Jones Lang LaSalle (Russian properties) or PWC (German and Austrian properties) on 31 December 2021 and 31 December 2020. Refer to Note 9 for details.

RUSSIA

for the year ended 31.12.2021

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Total Russia
Beginning of the period	149,074,258	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000	573,491,258
Additions from subsequent expenditure	32,316	168,132	344,223	17,688	45,286	–	607,645
Other	−26,123	−13,976	−463,184	−110,211	−3,439	–	−616,933
Revaluations (3)	−7,263,511	−11,277,156	1,402,050	1,771,596	358,246	−501,706	−15,510,481
Land lease obligations	1,069	–	–	–	–	–	1,069
Effect of translation to presentation currency	–	–	146,971	275,188	405	22,977	445,541
End of period	141,818,009	122,890,000	100,068,060	180,587,261	3,993,498	9,061,271	558,418,099

for the year ended 31.12.2020

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Scandinavia land plots	Total Russia
Beginning of the period	152,229,774	147,198,000	111,737,000	209,869,000	4,824,000	21,499,000	3,772,677	651,129,451
Acquisitions	–	–	–	–	–	–	–	–
Additions from subsequent expenditure	12,342	–	587,026	496,143	–	11,331	–	1,106,842
Disposals (1)	–	–	–	–	–	−8,829,000	−3,008,599	−11,837,599
Other	−20,073	–	−1,724,784	−81,210	–	–	–	−1,826,067
Revaluations (3)	−3,087,888	−13,185,000	−11,961,242	−31,650,933	−1,231,000	−3,141,331	50,044	−64,207,350
Land lease obligations	−59,897	–	–	–	–	–	–	−59,897
Effect of translation to presentation currency	–	–	–	–	–	–	−814,122	−814,122
End of period	149,074,258	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000	–	573,491,258

GERMANY

in US$	City Gate	WLC	STRAL 3	SALZ 4	Total Germany
		for the year ended 31.12.2021			
Beginning of the period	153,383,274	108,436,694	110,524,377	57,595,481	429,939,826
Additions from subsequent expenditure	–	–	754,054	–	754,054
Other	−43,563	−67,655	–	–	−111,218
Revaluations (3)	5,834,156	3,967,443	5,154,715	2,954,384	17,910,698
Effect of translation to presentation currency	−12,141,697	−8,575,721	−8,821,003	−4,591,551	−34,129,972
End of period	147,032,170	103,760,761	107,612,143	55,958,314	414,363,388

in US$	City Gate	WLC	STRAL 3	SALZ 4	Total Germany
		for the year ended 31.12.2020			
Beginning of the period	139,284,513	100,033,644	–	–	239,318,157
Acquisitions	–	–	111,602,880	62,280,651	173,883,531
Other	−42,240	−73,176	–	–	−115,416
Revaluations (3)	844,349	−958,107	−14,577,809	−6,697,014	−21,388,581
Effect of translation to presentation currency	13,296,652	9,434,333	13,499,306	2,011,844	38,242,135
End of period	153,383,274	108,436,694	110,524,377	57,595,481	429,939,826

AUSTRIA

	for the year ended 31.12.2021				
in US$	QBC 4	QBC 1,2,7	LASS 1	Total Austria	Total Group
Beginning of the period	128,503,008	280,714,315	112,603,030	521,820,353	1,525,251,437
Additions from subsequent expenditure	–	5,867,388	29,271,695	35,139,083	36,500,782
Borrowing costs (2)	–	–	3,792,534	3,792,534	3,792,534
Other	–	–	–	–	–728,151
Revaluations (3)	2,670,763	20,349,031	–	23,019,794	25,420,011
Land lease obligations	–	–	–	–	1,069
Effect of translation to presentation currency	–10,081,791	–22,868,658	–10,108,130	–43,058,579	–76,743,010
End of period	121,091,980	284,062,076	135,559,129	540,713,185	1,513,494,672

	for the year ended 31.12.2020				
in US$	QBC 4	QBC 1,2,7	LASS 1	Total Austria	Total Group
Beginning of the period	117,068,520	–	–	117,068,520	1,007,516,128
Acquisitions	–	280,714,315	95,617,160	376,331,475	550,215,006
Additions from subsequent expenditure	36,647	–	6,088,299	6,124,946	7,231,788
Borrowing costs (2)	–	–	2,452,342	2,452,342	2,452,342
Disposals (1)	–	–	–	–	–11,837,599
Other	–	–	–	–	–1,941,483
Revaluations (3)	249,820	–	–	249,820	–85,346,111
Land lease obligations	–	–	–	–	–59,897
Effect of translation to presentation currency	11,148,021	–	8,445,229	19,593,250	57,021,263
End of period	**128,503,008**	**280,714,315**	**112,603,030**	**521,820,353**	**1,525,251,437**

The notes 1) - 3) below relate to the tables with balances and movements of investment properties above.

1) Disposal of investment property at Arbat 24.
In June 2020, the Group sold to a third party the office area of 2 600 sqm in Arbat 24 with the carrying amount of US$ 8.83 million.

2) The Group capitalizes in the cost of rental property under construction interest incurred in connection to the borrowing of funds directly attributable to its acquisition and construction.

3) Effect of currency fluctuation
In 2020, the fair value of investment properties, located in Russia, is determined by using RUB-denominated discounted cash flows. Total result of revaluation includes net gain from the effect of fluctuations of RUB (the functional currency of the Russian subsidiaries, holding the properties) over US$ (the currency of the appraised fair value) for US$ 112.48 million. Starting 2021, the fair value of investment properties in Russia, except Berlin House and Geneva House, is determined by using RUB-denominated discounted cash flows (refer to Note 9). Total result of revaluation includes net loss from the effect of fluctuations of RUB (the functional currency of the Russian subsidiaries, holding the properties) over US$ (the currency of the appraised fair value) for US$ 0.7 million.

General information for the properties

General information for each property is disclosed in the Note 30.

Reconciliation of market (fair) value of each property to its carrying amount in the consolidated statement of financial position as of 31 December 2021 and 2020 is presented below:

	as of 31.12.2021			
in US$	Market value as estimated by the external valuer	Add finance lease obligation recognised separately	Carried at cost of acquisition	Carrying amount for financial reporting purposes
Berlin House	141,490,000	328,009	–	141,818,009
Geneva House	122,890,000	–	–	122,890,000
Polar Lights	100,068,060	–	–	100,068,060
Hermitage Plaza	180,587,261	–	–	180,587,261
Magistral'naya	3,993,498	–	–	3,993,498
Arbat	9,061,271	–	–	9,061,271
City Gate	147,032,170	–	–	147,032,170
WLC	103,760,761	–	–	103,760,761
STRAL 3	107,612,143	–	–	107,612,143
SALZ 4	55,958,314	–	–	55,958,314
QBC 4	121,091,980	–	–	121,091,980
QBC 1	58,518,351	–	–	58,518,351
QBC 2	201,755,777	–	–	201,755,777
QBC 7	23,787,948	–	–	23,787,948
LASS 1	–	–	135,559,129	135,559,129
Total	1,377,607,534	328,009	135,559,129	1,513,494,672

	as of 31.12.2020			
in US$	Market value as estimated by the external valuer	Add finance lease obligation recognised separately	Carried at cost of acquisition	Carrying amount for financial reporting purposes
Berlin House	148,714,000	360,258	–	149,074,258
Geneva House	134,013,000	–	–	134,013,000
Polar Lights	98,638,000	–	–	98,638,000
Hermitage Plaza	178,633,000	–	–	178,633,000
Magistral'naya	3,593,000	–	–	3,593,000
Arbat	9,540,000	–	–	9,540,000
City Gate	153,383,274	–	–	153,383,274
WLC	108,436,694	–	–	108,436,694
STRAL 3	110,524,377	–	–	110,524,377
SALZ 4	57,595,481	–	–	57,595,481
QBC 4	128,503,008	–	–	128,503,008
QBC 1	–	–	56,230,950	56,230,950
QBC 2	–	–	187,172,039	187,172,039
QBC 7	–	–	37,311,326	37,311,326
LASS 1	–	–	112,603,030	112,603,030
Total	1,131,573,834	360,258	393,317,345	1,525,251,437

8. ACQUISITIONS OF INVESTMENT PROPERTY

In 2021, the Group did not acquire any new investment property. All additions in the period consist of subsequent expenditure on the properties. Acquisitions of investment properties in year 2020 and their further developments in the reporting period, if applicable, are described below.

STRAL 3

On 2 April 2020, the Group acquired freehold land plot and the hotel building in Stralauer Allee 3,4,5,6,10245 Berlin (Friedrichshain area). The property is leased in its entirety to the hotel operator Nhow Hotel, part of the NH Hotel Group, for over 15 years. The consideration for the Group's share in the property amounted to EUR 90.9 million (US$ 98.9 million), which were fully paid as of 31 December 2020. The total value of the investment property at the date of acquisition amounted to EUR 102.9 million (US$ 111.7 million), including transaction related costs in the amount of EUR 1.3 million (US$ 1.4 million) incurred by the Group.

LASS 1

On 29 June 2020, the Group acquired freehold land plot and building in Lassallestrasse 1 in Vienna. The mixed-use building was originally built in 1993 and is currently undergoing a refurbishment that is expected to be completed in June 2022. Tenants of the building will include City of Vienna, the State Police and the supermarket Merkur, with an average lease of more than 10 years. The tenants will move in after completion of construction and refurbishment expected in June 2022.

At the date of acquisition, 28% of the area were contracted for lease. Percentage of the areas contracted for lease increased to 100% by the date of authorisation of these financial statements (62% as of 31 December 2020). The price of the property is agreed as initial payment plus contingent consideration when the Group is obligated to make additional payments if the future event or condition occurs. Initial consideration amounted to EUR 72.3 million (US$ 81.1 million), which are fully paid as of 31 December 2021. Additional payments are contingent on future events, primarily conclusion of the new leases and construction progress. In addition to the share purchase agreement, the Group also concluded general construction agreement with the seller for EUR 50 million (US$ 56.1 million) for construction work at the building. Final purchase price for the property will be determined at construction completion date, planned for June 2022, and should not be higher than EUR 145 million (US$ 172 million), including EUR 50 million (US$ 59 million) to be paid under the general construction agreement. Transaction related costs of EUR 0.54 million (US$ 0.61 million) are capitalized in the cost of the investment property.

The Group measures LASS 1 property at cost, since its fair value is not reliably measurable in the refurbishment stage, until its fair value becomes reliably measurable, or construction is completed (whichever is earlier). Contingent payments will be recognized in the cost of the property, when incurred.

After acquisition up to 31 December 2020, the Group paid EUR 11.6 million (US$ 13.8 million) to the sellers upon realization of some of the contingencies as well as EUR 5.1 million (US$ 6.1 million) for works under construction agreement. During 2021, the Group paid additionally EUR 2.0 million (US$ 2.36 million) to the sellers under the SPA. Under the construction agreement, further expenditure amounted to EUR 22.77 million (US$ 26.91 million). The acquisition and further construction costs, incurred up to 31 December 2021, were financed by the funds from subordinated notes issued in 2020 (refer to Note 14).

Until completion of the construction, interest incurred is capitalized in the cost of investment property. During 2021, the Group capitalized US$ 3.79 million of borrowing costs (2020: US$ 2.45 million)). Further capital expenditure after 31 December 2021 is financed from funds raised on additional issue of ordinary shares at the end of 2020 (refer to Note 25).

SALZ 4

On 2 July 2020, the Group acquired the hotel property in Salzgasse 4 in Dresden, Germany. The property is occupied by 4-star Hotel Innside Dresden of Melia Hotels&Resorts Group. The current lease agreement with Melia Hotels International runs till December 2029. The consideration amounted to EUR 31 million (US$ 36.8 million). As of 31 December 2021, payable to the sellers is EUR 1 million (US$ 1.14 million) (31 December 2020: EUR 1 million (US$ 1.2 million)).

Total value of the investment property at the day of acquisition amounted to EUR 52.5 million (US$ 62.3 million), including transactions costs of EUR 1 million (US$1.2 million). With the property, the Group also acquired the liability on Unicredit bank loan for the amount EUR 19 million (US$ 22.6 million) at the date of acquisition. In 2021, the Group paid real estate transfer tax (RETT) on the deal of EUR 0.67 million (US$ 0.76 million). At acquisition of the property, the Group recognized accrual for RETT in its statement of financial position (31 December 2020: EUR 1.8 million (US$ 2.14 million)). In 2021, the Group recognized income on release of the accrual in the amount EUR 1.1 million (US$ 1.31 million). As of 31 December 2021, cash on Escrow account in the amount of EUR 1.01 million (US$ 1.14 million) is retained to repay the remaining liability to the sellers and the tax when they fall due (31 December 2020: EUR 2.8 million (US$ 3 million)).

QBC 1,2,7

On 29 December 2020, the Group acquired office properties QBC 1,2 and underground car park QBC 7. The forward purchase agreement was concluded in August 2019, when the Group made a down payment of EUR 20 million (US$ 23 million). In December 2020, the deal was successfully completed. QBC 1 & 2 is rented to reputable office tenants including Grant Thornton, Regionalmedien Austria and CBRE as well as commercial tenants like Hofer, Österreichische Post, a pharmacy and a restaurant.

The value of the property amounted to EUR 228.6 million (US$ 280.7 million), including transaction cost of EUR 0.58 million (US$ 0.7 million). In the course of the transaction, the Group has taken over existing financing in the amount of approximately EUR 107 million (US$ 131.5 million) granted by Raiffeisen Bank International AG refinanced by Unicredit bank loan in March 2021.

Total consideration amounted to EUR 117 million (US$ 144 million), of which EUR 0.70 million (US$ 0.8 million) are retained on Escrow account as of 31 December 2021 and (31 December 2020: EUR 10 million (US$ 12 million)) and fall due upon fulfilment by the sellers of certain conditions mainly in respect of future lease out of vacant areas. In 2021, QBC 1 and 7 received government grant in cash in the amount of EUR 1.31 million (US$ 1.93 mil-

lion) which, as agreed by the parties, is to be transferred in full to the sellers in cash and is outstanding as of 31 December 2021.
The amount of payables to the sellers is accounted for as financial liability at fair value through profit and loss and is reassessed each reporting date.

9. FAIR VALUE MEASUREMENT – INVESTMENT PROPERTY

Valuation of real estate assets involves a significant number of assumptions and judgement calls by the valuers. These variables include, but are not limited to: future rent and sale price levels, amount of time needed to rent or sell space, time needed to deliver new construction, best and highest use of an asset or space in an asset, and exchange rates. Varying any of these factors can have a material impact on valuations, and variations in a number of these factors at once can have a significant effect.

When possible, valuers make their assumptions based on available evidence. When such evidence is lacking, which is often the case in the Russian market, assumptions are based on the experience and judgement of the valuer.

The fair value of each Investment Property is determined by independent real estate valuation experts using recognised valuation techniques.

The determination of the fair value of Investment Property requires the use of estimates such as future cash flows from assets (including lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount and terminal capitalisation (referred to as 'capitalisation rate' hereinafter) rates applicable to those assets. Future revenue streams, inter alia, comprises contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. Discount and terminal capitalization rates represent the current market assessment of the risks specific to each property, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. All these estimates are based on local market conditions existing at the reporting date.

For all investment properties that are measured at fair value, the current use of the property is considered the highest and best use.

Techniques used for valuing investment property

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To these projected cash flow series, an appropriate, market-derived discount rate is applied to achieve an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings and investment costs. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Investment properties fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of investment properties by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets;
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2021 and 31 December 2020, the Group held the investment properties carried at fair value determined by the Level 3 technique.

During the year ending 31 December 2021 and 31 December 2020, there were no transfers between levels.

Valuation techniques used to derive Level 3 fair values

The table below presents the following for each investment property:
- The fair value measurement at the end of the reporting period;
- A description of the valuation techniques applied;
- Quantitative information about significant unobservable inputs used in the fair value measurement.

Property	Fair value as of 31.12.2021	Valuation technique	Key unobservable inputs	Range (Weighted average), per sqm p.a.
			ERV	US$ 650- US$ 2,780 (US$ 1,228)
			Discount rate	11.25%
Berlin House	US$ 141,490,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 650 - US$ 2,600 (US$ 817)
			Discount rate	11.25%
Geneva House	US$ 122,890,000	DCF	Capitalisation rate	8.50%
			ERV	RUB 1,695 - RUB 90,092 (RUB 23,738)
			Discount rate	13.75%
Polar Lights	RUB 7,498,530,000	DCF	Capitalisation rate	9.75%
			ERV	RUB 14,553 - RUB 129,360 (RUB 34,042)
			Discount rate	12.75%
Hermitage Plaza	RUB 13,532,180,000	DCF	Capitalisation rate	9.00%
			ERV	RUB 13,900 (RUB 13,900)
			Discount rate	15.50%
Magistral'naya	RUB 299,250,000	DCF	Capitalisation rate	10.75%
			ERV	EUR 282 - EUR 288 (EUR 296)
			Discount rate	4.20%
City Gate	EUR 129,800,000	DCF	Capitalisation rate	3.75%
			ERV	EUR 228 - EUR 276 (EUR 270)
			Discount rate	4.30%
Work Life Center	EUR 91,600,000	DCF	Capitalisation rate	3.60%
			ERV	EUR 188 - EUR 204 (EUR 200)
			Discount rate	3.75%
QBC 4	EUR 106,900,000	DCF	Capitalisation rate	3.25%
			ERV	n.a.
			Discount rate	6.05%
STRAL 3	EUR 95,000,000	DCF	Capitalisation rate	4.45%
			ERV	n.a.
			Discount rate	6.25%
SALZ 4	EUR 49,400,000	DCF	Capitalisation rate	4.65%
			ERV	EUR 194 - EUR 235 (EUR 190)
			Discount rate	3.75%
QBC 1	EUR 51,660,000	DCF	Capitalisation rate	3.25%
			ERV	EUR 196 - EUR 209 (EUR 179)
			Discount rate	3.75%
QBC 2	EUR 178,110,000	DCF	Capitalisation rate	3.25%
			ERV	EUR 1,085 per unit
			Discount rate	4.00%
QBC 7	EUR 21,000,000	DCF	Capitalisation rate	3.50%
			ERV	RUB 40,000 - RUB 84,085 (RUB 52,656)
			Discount rate	12.50%
Arbats 39	RUB 679,000,000	DCF	Capitalisation rate	8.75%

Property	Fair value as of 31.12.2020	Valuation technique	Key unobservable inputs	Range (Weighted average), per sqm p.a.
			ERV	US$ 700- US$ 2,700 (US$ 1,238)
			Discount rate	10.50%
Berlin House	US$ 148,714,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 700 - US$ 2,600 (US$ 851)
			Discount rate	10.50%
Geneva House	US$ 134,013,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 20 - US$ 1,140 (US$ 315)
			Discount rate	13.00%
Polar Lights	US$ 98,638,000	DCF	Capitalisation rate	9.75%
			ERV	US$ 188 - US$ 1,621 (US$ 462)
			Discount rate	12.00%
Hermitage Plaza	US$ 178,633,000	DCF	Capitalisation rate	9.00%
			ERV	US$ 169 (US$ 169)
			Discount rate	14.75%
Magistral'naya	US$ 3,593,000	DCF	Capitalisation rate	10.75%
			ERV	EUR 276 - EUR 300 (EUR 291)
			Discount rate	4.35%
City Gate	EUR 124,900,000	DCF	Capitalisation rate	3.85%
			ERV	EUR 228 - EUR 276 (EUR 270)
			Discount rate	4.40%
Work Life Center	EUR 88,300,000	DCF	Capitalisation rate	3.70%
			ERV	EUR 186 - EUR 195 (EUR 197)
			Discount rate	3.74%
QBC 4	EUR 104,640,000	DCF	Capitalisation rate	3.20%
			ERV	n.a.
			Discount rate	6.10%
STRAL 3	EUR 90,000,000	DCF	Capitalisation rate	4.45%
			ERV	n.a.
			Discount rate	6.45%
SALZ 4	EUR 46,900,000	DCF	Capitalisation rate	4.8%
			ERV	US$ 541 - US$ 1,029 (US$ 718)
			Discount rate	11.75%
Arbats 39	US$ 9,540,000	DCF	Capitalisation rate	8.75%

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment property are:

– ERV
– Discount rate
– Capitalisation rate

Significant increases/(decreases) in the ERV in isolation would result in a significantly higher (lower) fair value measurement. Significant increases/(decreases) in the discount rate/capitalisation rate in isolation would result in a significantly lower/(higher) fair value measurement.

The table below presents the sensitivity of the valuation to changes in the most significant unobservable inputs used in the fair value measurement categorized within Level 3.

31.12.2021	Effect on fair value	
in US$	Sensitivity used	Rental properties
Decrease in ERV	5%	−40,109,581
Increase in discount rate	25 bps	−25,218,010
Increase in capitalisation rate	25 bps	−46,490,619

31.12.2020	Effect on fair value	
in US$	Sensitivity used	Rental properties
Decrease in ERV	5%	−31,687,697
Increase in discount rate	25 bps	−17,452,288
Increase in capitalisation rate	25 bps	−33,459,390

Change in currency of valuation of Polar Lights, Hermitage, Magistralnaya, Arbat 39

Before 31 December 2021, the fair value of investment properties in Russia was determined using US$-denominated discounted cash flows, because contractual rental rates of the properties were historically set in US$. During last years, following economic conjuncture, most of the leases with tenants of properties Polar Lights, Hermitage, Magistralnaya and Arbat 39 have switched to RUB and using US$ as a base for valuation became somewhat artificial. Based on this ground, management decided to change the currency of the cash flows used to determine fair value of these properties from US$ to RUB starting 31 December 2021. As a result, valuation adjustment for these properties in the reporting period is not affected by the fluctuation of US$ against RUB, in comparison to the valuation adjustment in the prior reporting periods. Refer to Note 7.

Valuation Uncertainty as at December 2021 Impact of COVID-19

Caused by the world-wide spreading of coronavirus COVID-19 since the beginning of 2020, national and international markets are subject to extraordinary conditions. There is no certainty at the moment about which quantitative and qualitative impact this already has had and will have, and how long this impact will last. Such certainty will develop gradually and with a certain time lag. As of 31 December 2021 and 2020, the value is based on available and publicly accessible information about the market conditions at the valuation date. However, management consider that less weight can be attached to previous market evidence for comparison purposes, to form opinions of value. The fair value valuations are therefore reported on the basis of material valuation uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

Impact of Russian political and regulatory environment on valuation

Significant part of the Group's real estate properties and projects relate to commercial properties in Moscow, Russia. As a result of this geographic and sectoral concentration, any change in the Russian political or regulatory environment, any decline in economic activity in Russia generally or in Moscow in particular, and any downturn or weakness in the local real estate market due to changes in the level of demand for or supply of commercial space or otherwise, may each adversely affect the Group's results of operations, financial condition and the value of its properties. Recently, the Group has been making steps to reduce the risk resulting from the geographical concentration by the series of acquisitions of commercial properties in European countries. The valuation experts have relied upon our proprietary market research and third party economic forecasts in arriving at our opinion of market value. However, in periods where geopolitical, economic and market conditions can change rapidly and unexpectedly there is less certainty with regard to valuations. Under these circumstances, it is still necessary to make more estimates and judgements than usually required. In February, the Russia-Ukraine military conflict moved into an active phase. Management assessment of the potential impact of the conflict of the valuation of the investment property is disclosed in Note 29.

10. INVENTORY

in US$	for the year ended 31.12.2021	for the year ended 31.12.2020
Inventory		
Beginning of the period	86,044,974	124,420,990
Disposal	−27,236,988	−17,024,275
Effect of translation to presentation currency	806,988	−21,351,741
End of period	59,614,974	86,044,974

ARBAT MULTI-USE COMPLEXES (APARTMENT PREMISES)

Inventory consists of residential properties at Arbat Multi-use complexes. Arbat projects represent two multi-use buildings of 24,630 and 10,520 sqm at Arbat Street 24 and Arbat Street 39 in Moscow. The part of the project representing residential properties and parking lots on sale is recognized as inventory. As of 31 December 2021, the Group owns the apartments with total area of approx. 5,400 sqm (31 December 2020: 8,100 sqm). In the reporting period, the Group sold several apartments and parking lots to third parties and recognised gain on sale in the amount of US$ 8.5 million (2020: US$ 0.9 million). Refer to Note 18.

The carrying value of the inventory is measured at the lower of cost and net realisable value. As of 31 December 2021 and 31 December 2020, the cost of the inventory is lower than its net realisable value.

11. GOODWILL

	for the year ended 31.12.2021							
in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	City Gate	WLC	QBC 4	Total
Goodwill								
Beginning of the period	8,837,903	3,655,945	12,372,982	20,754,539	11,655,493	4,953,667	12,805,640	75,036,169
Forex effect	–	–	–	–	−904,396	−384,375	−993,642	−2,282,413
End of period	8,837,903	3,655,945	12,372,982	20,754,539	10,751,097	4,569,292	11,811,999	72,753,756

	for the year ended 31.12.2020							
in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	City Gate	WLC	QBC 4	Total
Goodwill								
Beginning of the period	8,837,903	3,655,945	12,372,982	20,754,539	13,564,628	5,740,848	11,694,104	76,620,949
Impairment	–	–	–	–	−2,920,838	−1,217,162	–	−4,138,000
Forex effect	–	–	–	–	1,011,703	429,981	1,111,536	2,553,220
End of period	8,837,903	3,655,945	12,372,982	20,754,539	11,655,493	4,953,667	12,805,640	75,036,169

Goodwill was recognised on the acquisition of investment properties as given above and represents the advantage of acquired entities' corporate structure optimizing the future income tax expense which can arise from potential property sales. Goodwill is tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired.

Goodwill arises on acquiring an asset via a share deal, where the Group inherits the fiscal basis of the assets. As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference appeared is reflected in the goodwill. Therefore, in this case the impairment test consists in a comparison between the accounting value of the Goodwill and the potential tax optimization existing at the date of reporting.

Impairment of goodwill arisen on acquisition of City Gate and WLC results from the change in estimate of future income tax benefits for these businesses in comparison to those at the date of acquisition. Refer to Note 5 for detail. Except for the above mentioned, as of 31 December 2021 and 31 December 2020, there are no circumstances indicating that the carrying value of goodwill may be impaired, since carrying amount of investment property as at 31 December 2021 and 2020 exceeds its value at acquisition date of each specific property.

12. ACCOUNTS RECEIVABLE

in US$	31.12.2021	31.12.2020
Non-current Loans and Accounts receivable		
Eurobonds	2,173,751	–
Receivable on sale of properties	–	932,592
Total	2,173,751	932,592
Current Accounts receivable		
Rental receivable	4,161,742	3,966,240
Receivable on sale of properties	877,086	3,050,402
Other receivable	377,972	659,258
Total	5,416,800	7,675,900
Total Accounts receivable	7,590,551	8,608,492

13. CASH AND CASH EQUIVALENTS

in US$	31.12.2021	31.12.2020
Cash at bank	95,893,412	114,308,459
Fiduciary deposits (1)	14,829,208	13,315,111
Cash in transit	3,364	–
Cash and cash equivalents available	110,725,984	127,623,570
Bank overdrafts (Note 14)	–5,879	–597
Total cash and cash equivalents available with bank overdrafts	110,720,105	127,622,973
Restricted cash: tenants deposits	1,139,872	–
Restricted cash: escrow accounts (2)	1,939,323	15,638,524
Total Cash and cash equivalents with bank overdrafts	113,799,300	143,261,497

(1) Fiduciary deposits are denominated in RUB and have different terms up to 82 days and interest rates of 2% – 7.90% p.a.
(2) Cash on Escrow account at notary is retained for future payment of remaining liabilities on acquisitions of SALZ 4 and QBC 1, 2, 7 properties (Note 8).

14. BORROWINGS

in US$	31.12.2021	31.12.2020
Borrowings (long term)		
Bonds issued	454,524,379	454,296,850
Notes payable	302,571,949	396,783,924
Bank loans	189,303,208	83,989,892
Other loans	6,797,901	41,700,237
Total	953,197,437	976,770,903
Borrowings (short term)		
Bonds issued	3,712,500	3,712,500
Notes payable	63,437,024	–
Bank loans	1,019,483	132,556,310
Other loans	36,392,968	844,003
Bank overdrafts	5,879	597
Total	104,567,854	137,113,410

BONDS ISSUED

Bonds are measured at amortised cost using the effective interest rate (EIR). Amortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Bonds are denominated in US$.

The information on all four bond placements performed by the Company is presented in the table:

	Nominal value, US$	Amortised cost, US$	Nominal interest rate	Interest payment date	Maturity date
Bonds issued in Aug 2014	140,000,000	139,877,411	5.5%	March and September	Sep 2023
Bonds issued in Sep 2014	130,000,000	129,894,081	5.5%	March and September	Sep 2023
Bonds issued in Jun 2015	135,000,000	134,836,588	7.25%	June and December	May 2024
Bonds issued in Dec 2015	50,000,000	49,916,300	6.75%	June and December	Dec 2024
Total	455,000,000	454,524,380			

NOTES PAYABLE

Notes payable consist of the subordinated EUR-denominated notes issued by the Company's shareholders on terms disclosed in the table below.

	Carrying amount, EUR	Carrying amount, US$	Nominal interest rate	Collateral	Maturity date
Issue 2017	56,000,000	63,437,024	1.7%	66.98% of the shares of the Cyprus holding company of WLC Hamburg GmbH, Setford Limited	Dec 2022
Issue 2019	43,000,000	48,710,572	1.5%	100% of the shares of the Cyprus holding company of City Gate Stuttgart GmbH, Ferran Limited	Feb 2024
Issue 2020 - 1	204,700,000	231,884,979	3.50%	None	Mar 2023
Issue 2020 - 2	19,400,000	21,976,398	3.50%	None	Jun 2023
Total	323,100,000	366,008,973			

BANK LOANS

Bank loans consist of secure EUR-denominated loans of European entities of the Group holding the properties QBC 4, QBC 1 & 2 and SALZ 4 from Unicredit bank.

in US$					31.12.2021	31.12.2020
Long-term bank loans	**currency of issue**	**nominal interest**	**repayment date**	**Collateral**		
UniCredit - QBC4 loan	EUR	3M EURIBOR +1,125%	April 2024	(1)	57,413,026	62,242,686
UniCredit - QBC1&2 loans	EUR	3M EURIBOR +1,3%	Dec. 2030	(2)	112,849,912	–
UniCredit - SALZ4 loan	EUR	1M EURIBOR +1,05%	Dec. 2029	(3)	19,040,270	21,747,206
Total					189,303,208	83,989,892
Short-term bank loans						
Raiffeisen Bank	EUR	3M EURIBOR +1,32%	June 2021	(2)	–	131,451,066
UniCredit - SALZ4 loan	EUR	1M EURIBOR +1,05%		(3)	1,019,483	1,105,244
Total					1,019,483	132,556,310

The loans are secured as follows

(1) The loan is secured by 100% shares in subsidiary QBC Immobilien GmbH&Co Delta KG that holds investment property.

(2) The loans given to QBC 1&2 are secured with the property QBC 1&2 (land and building) and all current and future rental receivables of these properties.

(3) The loan is secured with the property SALZ 4 (land and building) as well as all its current and future rental receivables.

OTHER LOANS

Other loans comprise of the following liabilities.

- Loan with the carrying amount of US$31.26 million was obtained in prior periods to finance Arbat Project. It has fixed 7% annual interest rate. Maturity term is in 31 December 2022.
- Loans from non-controlling shareholders of German subsidiaries of the Group (WLC, City Gate and SA23 Media) with the total carrying amount of US$11.93 million (of which US$ 5.13 million is short-term). Interest rates are fixed at 4.26% and 4.5%. Loans are repayable in December 2022 (US$4.56 million), October 2026 (US$1.47 million) and December 2031 (US$5.32 million).

The changes in the balance of borrowings, excluding overdraft, are given below:

in US$	Bonds issued	Notes payable	Bank and other loans	Total
Balance as of 1 January 2021	458,009,350	396,783,924	259,090,442	1,113,883,716
Cash flows, net	–28,012,500	–10,974,122	–13,385,248	–52,371,870
Non-cash movements:	–	–	–	–
Interest accruals (1)	28,240,029	11,089,264	5,291,806	44,621,099
Foreign exchange difference	–	–30,890,093	–	–30,890,093
Currency translation adjustment (CTA)	–	–	–17,483,440	–17,483,440
Balance as of 31 December 2021	458,236,879	366,008,973	233,513,560	1,057,759,412

in US$	Bonds issued	Notes payable	Bank and other loans	Total
Balance as of 1 January 2020	457,781,821	111,023,154	90,553,756	659,358,731
Cash flows, net	–28,012,500	238,300,595	–4,555,285	205,732,810
Non-cash movements:				–
Interest accruals (1)	28,240,029	8,679,582	2,961,504	39,881,115
Foreign exchange difference	–	38,780,593	4,980,299	43,760,892
Currency translation adjustment (CTA)	–	–	2,478,284	2,478,284
Acquisition of subsidiaries	–	–	162,671,884	162,671,884
Balance as of 31 December 2020	458,009,350	396,783,924	259,090,442	1,113,883,716

(1) Interest accruals include both interest recognized as finance cost in the consolidated statement of profit or loss and interest capitalized in the value of the investment property under construction. Refer to notes 7 and 22.

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are presented below:

in US$	Note	31.12.2021	31.12.2020
Non-current liabilities			
Tenant deposits (2)		7,790,218	6,180,396
Deferred revenue (3)		2,681,813	2,450,135
Land lease liabilities		328,009	360,258
Total		10,800,040	8,990,789
Current liabilities			
Payables for acquired properties at FVTPL (1)	8	3,419,103	13,460,172
Trade payables and accrued expenses		2,961,034	2,984,074
Payables to construction suppliers		1,076,237	4,877,973
Payables and accrued expenses with related parties	26	171,513	1,028,315
Tenant deposits (2)		1,124,503	1,105,859
Deferred revenue (3)		364,348	43,276
Total		9,116,738	23,499,669
Total Accounts payable and other liabilities		19,916,778	32,490,458

1) Payables to sellers of acquired properties represent retained amounts on acquisition deals for SALZ 4 (2021: US$1.14 million; 2020: US$ 1.24 million) and QBC 1,2,7 (2021: US$2.28 million; 2020: US$ 12.22 million) become due upon occurrence of certain events not under control of the Group. Payables are measured as the best estimate of future payments which approximates their fair value.

2) The balances of tenant deposits consist of the tenant security deposits refundable within a year after the reporting date (current) and after a year from the reporting date (non-current).

3) Deferred revenue relates to the current and non-current tenant deposits described above.

LEASE LIABILITIES

Lease liabilities represent obligations of the Group's subsidiary Connecta KG Moscow branch in relation to rent payments to the city of Moscow for lease of the land under Berlin House as of 31 December 2021 and 2020.

16. ADVANCES RECEIVED

in US$	31.12.2021	31.12.2020
Advances received from tenants	10,787,714	12,159,707
Advances on sale of properties	1,480,430	2,056,811
Advances received from related parties	–	9,953
Total	12,268,144	14,226,471

17. NET RENTAL INCOME

The breakdown of Rental Income on an asset by asset basis is presented below:

RUSSIA

	for the year ended 31.12.2021						
in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Total Russia
Gross rental income	10,222,283	10,266,462	10,021,454	13,392,963	282,938	281,389	44,467,489
Service charge income	1,317,481	2,013,825	1,412,718	3,711,131	77,795	14,110	8,547,060
Property operating and maintenance expenses	−1,531,943	−1,748,837	−2,820,428	−3,347,788	−173,140	−90,241	−9,712,377
Utilities	−386,865	−367,168	−798,736	−561,913	−64,831	−4,282	−2,183,795
Property operating expenses	−241,674	−355,192	−821,798	−1,290,437	−83,377	–	−2,792,478
Repair and maintenance costs	−200,341	–	−63,727	−101,847	−8,711	−8,636	−383,262
Ground rents paid	−33,271	−41,903	−59,478	−118,439	−13,421	–	−266,512
Non-income taxes	−669,792	−984,574	−1,076,689	−1,275,152	−2,800	−77,323	−4,086,330
Net rental income	10,007,821	10,531,450	8,613,744	13,756,306	187,593	205,258	43,302,172

	for the year ended 31.12.2020						
in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Total Russia
Gross rental income	11,627,473	10,094,574	9,890,799	12,937,413	574,932	178,857	45,304,048
Service charge income	1,691,218	1,974,917	1,384,808	3,159,735	246,417	12,340	8,469,435
Property operating and maintenance expenses	−1,410,636	−1,661,369	−2,712,594	−3,117,726	−152,352	−65,524	−9,120,201
Utilities	−377,006	−348,565	−695,246	−454,730	−55,737	−3,109	−1,934,393
Property operating expenses	−290,423	−328,419	−740,919	−1,255,309	−79,586	–	−2,694,656
Repair and maintenance costs	−99,105	–	−189,567	−99,177	−204	−6,562	−394,615
Ground rents paid	−32,747	−42,448	−60,252	−119,980	−13,596	–	−269,023
Non-income taxes	−611,355	−941,937	−1,026,610	−1,188,530	−3,229	−55,853	−3,827,514
Net rental income	11,908,055	10,408,122	8,563,013	12,979,422	668,997	125,673	44,653,282

GERMANY

	for the year ended 31.12.2021				
in US$	City Gate	WLC	STRAL 3	SALZ 4	Total Germany
Gross rental income	5,306,560	4,034,538	4,999,726	2,437,711	16,778,535
Service charge income	1,219,722	950,444	–	101,250	2,271,416
Property operating and maintenance expenses	−1,708,353	−1,409,738	−450,041	−256,343	−3,824,475
Utilities	−387,855	−392,313	–	−14,428	−794,596
Property operating expenses	−666,146	−479,091	−97,555	−87,315	−1,330,107
Repair and maintenance costs	−499,958	−456,858	−258,799	−112,995	−1,328,610
Ground rents paid	–	–	–	–	–
Non-income taxes	−154,394	−81,476	−93,687	−41,605	−371,162
Net rental income	4,817,929	3,575,244	4,549,685	2,282,618	15,225,476

	for the year ended 31.12.2020				
in US$	City Gate	WLC	STRAL 3	SALZ4	Total Germany
Gross rental income	5,002,582	3,856,268	3,622,321	1,430,758	13,911,929
Service charge income	974,054	691,236	–	71,403	1,736,693
Property operating and maintenance expenses	−1,520,732	−1,536,084	−341,176	−113,626	−3,511,618
Utilities	−409,369	−404,604	–	−19,739	−833,712
Property operating expenses	−732,722	−707,521	−171,977	−46,751	−1,658,971
Repair and maintenance costs	−230,709	−344,958	−100,174	−15,713	−691,554
Ground rents paid	–	–	–	–	–
Non-income taxes	−147,932	−79,001	−69,025	−31,423	−327,381
Net rental income	4,455,904	3,011,420	3,281,145	1,388,535	12,137,004

AUSTRIA

	for the year ended 31.12.2021			
in US$	QBC 4	QBC 1,2,7	Total Austria	Total Group
Gross rental income	4,118,466	3,737,300	7,855,766	69,101,790
Service charge income	1,393,872	2,776,303	4,170,175	14,988,651
Property operating and maintenance expenses	−1,325,257	−3,053,758	−4,379,015	−17,915,867
Utilities	−424,551	−936,469	−1,361,020	−4,339,411
Property operating expenses	−783,285	−1,501,497	−2,284,782	−6,407,367
Repair and maintenance costs	−107,466	−615,792	−723,258	−2,435,130
Ground rents paid	–	–	–	−266,512
Non-income taxes	−9,955	–	−9,955	−4,467,447
Net rental income	4,187,081	3,459,845	7,646,926	66,174,574

	for the year ended 31.12.2020			
in US$	QBC 4		Total Austria	Total Group
Gross rental income	4,053,094		4,053,094	63,269,071
Service charge income	1,139,971		1,139,971	11,346,099
Property operating and maintenance expenses	−1,139,971		−1,139,971	−13,771,790
Utilities	−329,525		−329,525	−3,097,630
Property operating expenses	−755,134		−755,134	−5,108,761
Repair and maintenance costs	−51,554		−51,554	−1,137,723
Ground rents paid	–		–	−269,023
Non-income taxes	−3,758		−3,758	−4,158,653
Net rental income	4,053,094	–	4,053,094	60,843,380

The top tenants in the Group in 2021 and 2020 are presented below as share of their income in total gross rental and service charge income of the Group.

	for the year ended	
	31.12.2021	31.12.2020
VimpelCom	10%	11%
Richemont Group	9%	11%
BDO Austria	7%	7%
Ingrad Nedvizhimost	6%	7%
NHOW (% in 2020 is based on revenue for 9 months after acquisition)	6%	5%
S7 Airlines	4%	6%

The Group has entered into leases on its property portfolio. The commercial property leases typically have various lease terms (refer to Note 7 and 30 for information on each property) and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows. The amounts include effect of indexation of the rent if applicable. Indexation is usually tied to the consumer price index in the country of operation.

in US$	31.12.2021	31.12.2020
Less than 1 year	87,283,008	78,506,645
From 1 year to 5 years	274,414,385	257,749,082
More than 5 years*	247,457,515	244,769,799
Total	609,154,908	581,025,526

*The income on leases with BDO at QBC 4, unlimited in term, is included in the table for the period up to December 2043, when the Group shall be entitled to increase the basic rate up to a fair market rate for similar rental property.

The Group's strategy in respect of the property portfolio's management and associated risks are described above in the Management report section of the Annual report. Remaining weighted average lease terms are disclosed in Note 30.

18. GAINS AND LOSSES ARISING FROM THE SALES OF PROPERTIES

	for the year ended	
in US$	31.12.2021	31.12.2020
Sales of investment property	–	23,087,874
Cost of sales	–	–12,754,558
Gain on sale	–	10,333,316
Sales of residential property	35,735,837	17,919,910
Cost of sales	–27,236,988	–17,024,275
Gain on sale	8,498,849	895,635
Total gain on sale of properties	**8,498,849**	**11,228,951**

In the reporting period, the Group continued to sell apartments and parking lots in Arbat 24 and Arbat 39 properties.

Gain on sale for the period amounted to US$ 8.50 million (2020: US$ 0.90 million). In 2020, the Group recognized profit on sale of the investment property for the amount US$ 10,33 million, including sale of commercial area at Arbat 24 (gain US$10.78 million) and land plot Scandinavia (loss US$ 0.45 million).

Cost of sales includes agency fees paid on each specific sale, totalling to US$ 0.97 million (2020: US$ 1.1 million).

19. ADMINISTRATIVE AND SELLING EXPENSES

	for the year ended	
in US$	31.12.2021	31.12.2020
Professional and administration fees	3,168,703	2,971,238
Selling expenses	647,895	672,354
Salaries and social charges	591,314	455,497
Total	4,407,912	4,099,089

20. OTHER INCOME

	for the year ended	
in US$	31.12.2021	31.12.2020
Income on adjustment of purchase price of investment property WLC (1)	1,234,305	–
Release of RETT tax provision at SG4 Dresden (Note 8)	1,307,791	–
Gain on setoff of input VAT on construction of Arbat project (2)	–	2,805,012
Termination and other penalties from tenants	964,766	645,113
Income from recalculation of property tax for prior periods for Russian properties agreed with tax authorities	142,612	547,415
Other miscellaneous income	935,508	845,332
Total	4,584,982	4,842,872

1) In the reporting period, the Group agreed with the former owners of investment property WLC on adjustment of the final purchase price. The property was acquired in 2017 year in business combination. Upon receipt of cash, the Group recognized income on adjustment in the statement of profit and loss.

2) In 2020, the Group set off input VAT that arose in prior periods on construction of the Arbat 24 and Arbat 39 properties against output VAT on revenue from sale of investment property (refer to Note 18). When the properties were constructed, the Group paid respective VAT (input VAT) that was included in the price of acquired construction works and supplies. The Group capitalized this VAT in the cost of the properties back then based on conservative reasons. Upon actual offset against output VAT on sales in 2020, the Group recognized gain that represents, in substance, exemption from payment of output VAT on revenue to tax authorities for the amount of US$ 2.8 million.

21. OTHER EXPENSES

	for the year ended	
in US$	31.12.2021	31.12.2020
General overheads at LASS 1 construction site	116,418	491,039
Utilities and maintenance of Arbat residential properties in stock	448,060	1,646,816
Other taxes and duties	1,074,709	68,475
Depreciation	11,342	14,176
Impairment of eurobonds	549,897	–
Impairment of goodwill (notes 5 and 11)	–	4,138,000
Other miscellaneous expenses	260,917	788,964
Total	2,461,343	7,147,470

22. FINANCE COSTS

	for the year ended	
in US$	31.12.2021	31.12.2020
Interests on bonds issued	28,240,029	28,240,029
Interest on notes payable (1)	7,296,730	6,227,240
Interest on loans payable	2,224,478	1,948,294
Interest on bank loans	3,067,328	1,013,210
Bank charges	617,952	729,609
Other finance cost	166,181	203,254
Total	41,612,698	38,361,636

(1) Total interest on notes payable in the reporting period amounted to US$11.09 million (2020: US$8.68 million), including US$ 7.3 million (2020: US$6.23 million) recognized in statement of profit and loss as interest expense and US$ 3.79 million (2020: US$ 2.45 million) capitalized in the investment property LASS 1 (refer to Note 7).

23. TAXATION

Before 7 February 2022, the Company was domiciled in the British Virgin Islands (BVI), and organised as a Business Corporation, which is tax exempt in the BVI. Therefore, profits were accumulated and paid out free of any corporate tax or withholding tax. Since 7 February 2022, the Company re-domiciled to the Republic of Cyprus.

TAXATION IN RUSSIA

The Group's subsidiaries in Russia are liable for the following major taxes in the Russian Federation:

– 20% payable on the taxable profit calculated as the difference between rental income and tax deductible expenses incurred by the companies in connection with the permanent establishment (therefore the Russian corporate tax rate is used for income tax reconciliation);
– According to Russian tax code the dividends are subject to income tax at 15% rate unless otherwise is provided by double tax treaty. Double tax treaty between Russia and Cyprus provides 5% and 15% (from 2020: 5% and 10%) income tax rates depending on an amount of direct investments in Russian subsidiary;
– 1.8% (1.7% before 1 January 2021) property tax on the cadastral value of the properties.

TAXATION IN GERMANY

The Group's subsidiaries in Germany are liable for the following major taxes in Germany:

– 15.825% – 31.93% income tax payable on the taxable profit calculated as the difference between rental income and tax deductible expenses incurred by the companies in connection with the permanent establishment;
– land tax on tax value of the land at rate established by local authorities on an individual basis.

TAXATION IN AUSTRIA

The Group's subsidiaries in Austria are liable for the following major taxes in Austria:

– 25% corporate income tax payable on the taxable profit calculated as the difference between rental income and tax deductible expenses incurred by the companies in connection with the permanent establishment;
– Property tax (real estate tax) levied on the assessed value of real estate property. It is levied at a basic federal rate, multiplied by a municipal coefficient. The basic federal rate is 2% and the municipal coefficient of 500%.

TAXATION IN CYPRUS

The Group's subsidiaries in Cyprus are liable for income tax in Cyprus at 12.5% rate payable on the taxable profit calculated as the difference between taxable income and tax deductible expenses incurred by the companies in connection with the permanent establishment.

Income taxes

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

in US$	31.12.2021	31.12.2020
Current income tax expense	−8,164,987	−9,343,687
Deferred income tax (expense)/ benefit	−4,916,448	4,978,333
Income tax expense	−13,081,435	−4,365,354

Reconciliation between income tax expense/benefit and the product of accounting profit multiplied by the Russian tax rate for the years ended 31 December 2021 and 2020 is given below. Profits of Russian properties primarily impact tax liabilities.

in US$	31.12.2021	31.12.2020
Profit before tax	24,280,159	30,933,799
Income tax at Russian corporate tax rate of 20% (2020: 20%)	−4,856,032	−6,186,760
Effect of non-deductible expenses net of non-taxable income	−3,039,530	−8,669,927
Effect of change in tax rate at WLC and City Gate	–	16,109,656
Unrecognised deferred tax assets	−555,695	−2,637,436
Release of tax provision in respect of prior period profit	1,304,092	567,842
Effect of tax rates in other jurisdictions	−5,934,270	−3,548,729
Income tax benefit/ (expense)	−13,081,435	−4,365,354

In 2021, average effective tax rate is 54% (2020: 14%).

Deferred tax assets and liabilities reflected in the financial statement are:

in US$	As of 1 January 2021	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	CTA	As of 31 December 2021
Deferred tax assets					
Due to losses available for offset against future taxable income	2,570,401	646,122	–	−106,731	3,109,792
Due to change in FV of financial assets at FVOCI	–	–	8,608	–	8,608
Net against deferred tax liability	−2,074,989	−536,171	–	−22,192	−2,633,352
Deferred tax assets recognised	495,412	109,951	8,608	−128,923	485,048
Deferred tax liability					
Due to fair value adjustment to investment property	−138,045,609	−5,562,570	–	2,652,486	−140,955,693
Net against deferred tax asset	2,074,989	536,171	–	22,192	2,633,353
Deferred tax liabilities recognised	−135,970,620	−5,026,399	–	2,674,678	−138,322,340
Deferred tax liabilities net	−135,475,208	−4,916,448	8,608	2,545,755	−137,837,292

in US$	As of 1 January 2020	Recognised in Profit or Loss	CTA	As of 31 December 2020
Deferred tax assets				
Due to losses available for offset against future taxable income	2,445,757	212,497	−87,853	2,570,401
Net against deferred tax liability	−1,794,933	−300,114	20,058	−2,074,989
Deferred tax assets recognised	**650,824**	**−87,617**	**−67,795**	**495,412**
Deferred tax liability				
Due to fair value adjustment to investment property	−160,166,186	4,765,836	17,354,741	−138,045,609
Net against deferred tax asset	1,794,933	300,114	−20,058	2,074,989
Deferred tax liabilities recognised	**−158,371,253**	**5,065,950**	**17,334,683**	**−135,970,620**
Deferred tax liabilities net	**−157,720,429**	**4,978,333**	**17,266,888**	**−135,475,208**

Tax losses have been recognised as a Deferred Income Tax Asset as it is probable that taxable profit will be available against which the unused tax losses can be utilised. As of 31 December 2021, the available tax losses capable of being carried forward can be offset against taxable profits.

As of 31 December 2021, the amount of unrecognized deferred tax assets is US$ 3.25 million (31 December 2020: US$ 4.6 million).

Deferred tax liabilities represent temporary differences resulting from excess of Berlin House, Geneva House, Polar Lights, Hermitage Plaza, City Gate, Work Life Center and QBC 1, 2 & 7 fair values over their tax values.

24. EARNINGS PER SHARE

Basic Earnings per Share amounts are calculated by dividing Net Profit/Loss for the Year Attributable to Equity Holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the Basic and Diluted Earnings per Share computations:

in US$	31.12.2021	31.12.2020
Earnings per share		
Net profit (loss) attributable to shareholders	10,123,779	26,982,077
Weighted average number of ordinary shares outstanding	14,324,481	10,005,836
Earnings per share (US$ per share)	0.71	2.70

25. SHAREHOLDERS' EQUITY

AUTHORIZED CAPITAL

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions of the shareholders, provides for an authorised capital which entitles the Board of Directors to issue a total of 21,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

	Number of ordinary shares		Number of series A preferred shares	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Authorised capital				
Total authorised capital	**21,000,000**	**21,000,000**	**1,000,000**	**1,000,000**
Opening balance unissued authorised capital	6,590,978	11,025,978	1,000,000	1,000,000
Conversion to ordinary shares	–	–4,435,000	–	–
Closing balance unissued authorised capital with par value (2020: without par value)	**6,590,978**	**6,590,978**	**1,000,000**	**1,000,000**

	Number of ordinary shares		Number of series A preferred shares	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Issued share capital with par value (2020: without par value)				
Opening balance	14,409,022	9,974,022	–	–
Capital increase	–	4,435,000	–	–
Closing balance	**14,409,022**	**14,409,022**	**–**	**–**

	Number of treasury shares	
	31.12.2021	31.12.2020
Treasury shares		
Opening balance	83,022	69,063
Purchase	1,781	13,959
Sales	62	–
Closing balance	**84,741**	**83,022**

As of 31 December 2021, issued share capital of the Company consists of 14,409,022 ordinary shares, totaling to US$ 14.41 million (31 December 2020: issued share capital of the Company consists of 14,409,022 shares, totaling to US$ 753.53 million).

SHARE CAPITAL AND SHARE PREMIUM REPARTITION

All of the Company's ordinary and preferred shares had been authorised and issued without par value. On 14 June 2021, the Company was entitled to amend and restate its share capital by assigning par value US$ 1.00 to each ordinary share and each preferred share. Accordingly, share capital of the Company is amended to par value of 14,409,022 ordinary issued shares, that is US$14.41 million, and the excess over this amount of US$739.12 million is reclassified to share premium.

SHARE PREMIUM

As of 31 December 2020, the balance of share premium in the amount of US$ 19.18 million represents premium arisen on sale of treasury shares in prior periods. As of 31 December 2021, the balance of share premium in the amount US$758.30 million includes premium arisen on sale of treasury shares in prior periods (US$19.18 million) and reclassified amount from share capital (US$739.12 million, see the paragraph above).

TREASURY SHARES

Since November 2015 the Company performs market making for its publicly traded shares. Therefore, the amount of treasury shares held by the Company might fluctuate on a daily basis. Treasury shares do not participate in profits of the Group and do not carry any voting rights. All outstanding shares rank equally as to dividends and all other pecuniary rights associated with share ownership. Ordinary shares are entitled to one vote each. Preferred A shares are not entitled to vote. No Preferred A shares are outstanding or in issue.

OTHER RESERVES

Other reserves include FV adjustment and impairment allowance for the financial assets at FVOCI. Upon disposal of the asset, accumulated reserve related to this asset is reclassified to Profit or Loss.

DIVIDENDS

No dividend was paid during 2021 and 2020.

26. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and the subsidiaries. The Company's holdings in all subsidiaries are listed in the Corporate Governance part of the report, section 1. Group structure and shareholders. The Company's intermediary holding companies are listed in the table below:

		% Holding	
Name of subsidiary	Incorporated in	31.12.2021	31.12.2020
Housefar Limited	Limassol, Cyprus	100%	100%
Idelisa Limited	Limassol, Cyprus	100%	100%
Silverlake Limited	Limassol, Cyprus	100%	100%
Redhill Investment Limited	Limassol, Cyprus	100%	100%
Connecta GmbH & Co. KG	Munich, Germany	100%	100%
EPH Real Estate Limited	Limassol, Cyprus	100%	100%
PNL Media Limited	Limassol, Cyprus	100%	100%
Capital Estate Group Limited	Limassol, Cyprus	100%	100%
T&A Services Limited	Tortola, BVI	100%	100%
Lexworth Finance Limited	Limassol, Cyprus	100%	100%
Ferran Limited	Limassol, Cyprus	100%	100%
Setford Limited	Limassol, Cyprus	100%	100%
Andorian Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	100%
QBC BT IV Alpha GmbH	Vienna, Austria	100%	100%
QBC BT IV Beta GmbH	Vienna, Austria	100%	100%
Obewan Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	100%
Ophuhus Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	100%
Obewan GmbH &Co	Vienna, Austria	100%	100%
Asura Holding S.a.r.l.	Luxembourg	100%	100%
SG4 Dresden Holding GmbH	Frankfurt am Main, Germany	100%	100%
QBC 1,2,7 Holding	Vienna, Austria	100%	100%
QBC Immomanagement SP Alpha GmbH	Vienna, Austria	100%	100%
QBC Immomanagement SP Omega GmbH	Vienna, Austria	100%	100%
QBC Immobilien GmbH	Vienna, Austria	100%	100%

Related parties include shareholders, key management personnel and other related parties having significant influence on the Group. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Shareholders of the Company issued subordinated registered notes to the Company (Note 14).

The Company owns shares in associate Hypercenter Investment SA (25.9%). Investment in this associate has been fully impaired in previous periods.

OTHER RELATED PARTIES HAVING SIGNIFICANT INFLUENCE ON THE GROUP

Board of the directors:

- Member of the Board Tomasz Dukala has been delivering strategic advisory services to EPH PLC since March 2019. His fee is presented in line Administrative and selling expenses in the Consolidated statement of profit or loss and disclosed below as compensation to the member of the Board of Directors.
- Member of the Board Annamaria Vassiliades is a close relative of the owner of the entity that has been delivering administrative and accounting services to Cypriot subsidiaries of the Company since November 2019. Related expenses are reflected in line Administrative and selling expenses in the Consolidated statement of profit or loss.

The real estate activities of the Company are managed by subsidiaries of Valartis Group AG. Employees of Valartis Group are members of the Management Committee and Board of Directors of the Company.

Valartis Group:

Real estate management agreements

The management of the Group is provided by the entities of Valartis Group on the base of the real estate management agreements, concluded with the Company and its subsidiaries.

- Valartis Group's entity rents out office space to Redhill Investment Limited;
- Valartis Group's entities lease office space at Berlin House owned by Connecta KG and at Polar Lights owned by Tengri LLC;
- Valartis Group's entity concluded the agreement for administrative and consulting services to German and Austrian subsidiaries of the Company starting 2020 year ;
- Valartis Group's entity delivers various financial consulting and administrative services to the Company on specific cases (acquisitions, refinancing of debt).

The services and rents are provided on market terms.

The Group's related party balances as of 31 December 2021 and 31 December 2020 consisted of the following:

in US$	31.12.2021	31.12.2020
Other related parties		
Accounts payable and accrued expenses	–171,513	–1,028,315
Accounts receivable	1,286	283
Advances paid	–	–
Advances received	–	–9,953
Shareholders		

The Group's transactions with related parties for the period ended of 31 December 2021 and 2020 consisted of the following:

	for the year ended	
in US$	31.12.2021	31.12.2020
Other related parties		
Gross rental income	368,099	392,909
Management fees	–3,995,397	–3,400,547
Other expenses	–11,674	–
Shareholders		
Finance costs	–7,296,730	–6,227,240

OTHER TRANSACTIONS

2021

Valartis Group delivered financial services related to the refinancing of the loans for the amount US$ 0.25 million (EUR 0.21 million). These expenses are amortised over the loans term under effective interest rate (EIR) method. Several managers of Valartis Group work as managers at several Russian subsidiaries of the Group. Salary for the reporting period amounted to US$ 0.32 million.

2020

Valartis Group delivered financial services related to the acquisitions of investment property by the Group in the reporting period in the amount of US$ 1.17 million (EUR 1.02 million). It was capitalized in the cost of the respective investment properties (refer to Note 8). Several managers of Valartis Group work as managers at several Russian subsidiaries of the Group. Salary for the reporting period amounted to US$ 0.21 million.

Valartis Group acquired 4.9%, or 217,315 ordinary shares issued in December 2020 at subscription price US$ 36.82 per share for the total amount of US$ 8 million. Refer to Note 25.

Transactions and balances with key management personnel

Compensation to the Board of Directors amounted to US$ 286 thousand in the reporting period (2020: US$ 305 thousand). It is presented in line Professional and administration fees in the Profit and loss statement. Compensation prepaid as at 31 December 2021 amounts to US$ 72 thousand (31 December 2020: US$ 84 thousand). It is presented in line Prepayments in the Statement of financial position.

27. CONTINGENCIES AND COMMITMENTS

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group which have not been disclosed in these consolidated financial statements.

Pledges

The Group's assets are pledged to secure borrowings of the Group (refer to Note 14):

– Shares in subsidiaries Ferran Limited, Setford Limited, QBC Immobilien GmbH&Co Delta KG, QBC Omega SP Immomanagement GmbH, QBC Alpha SP Immomanagement GmbH, QBC Immobilien GmbH;
– Investment property for the total amount of US$ 340.02 million (31 December 2020: US$ 338.31 million);
– Current rental receivables for the amount of US$ 0.96 million and future rental receivables of investment properties SALZ 4 and QBC 1, 2 & 7 (31 December 2020: US$ 0.32 million).

During the current period, the Group did not breach any of its loan covenants, nor did it default on any of its obligations under its loan agreements.

Capital commitments

In June 2020, the Group signed a general construction agreement for the amount of EUR 50 million for construction and refurbishment works at newly acquired property LASS 1 in Vienna, out of which EUR 27.87 million are already executed and EUR 22.13 million are outstanding as of 31 December 2021 (refer to Note 8). The works are to be completed by June 2022.

Covid-19

Management has been closely monitoring COVID-19 consequences for the Group. Based on the latest available information, management does not expect significant impact of the pandemic on the Group's performance and financial position in the foreseeable future.

Operating environment in Russia

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the US, UK, EU and others on certain Russian officials, businessmen and companies. On 21 February 2022, the President of Russia signed the executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. On 24 February 2022, a decision to carry out a "special military operation" in Ukraine was announced and has been carried out by the time of the issue of these financial statements. Subsequent to these events, the US, UK, EU and other countries announced and have been imposing several rounds of severe sanctions on wide range of Russian state bodies, officials, businessmen, banks and companies. These developments may result in reduced access of the Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences. The impact of these and further developments on future operations and financial position of the Group might be significant and at this stage is difficult to determine.

28. FINANCIAL INSTRUMENTS

CLASSES AND CATEGORIES OF FINANCIAL INSTRUMENTS AND THEIR FAIR VALUES

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments.

	measurement category	carrying amount	
in US$		31.12.2021	31.12.2020
Non-current financial assets			
Loans	FVOCI	2,173,751	–
Accounts receivable	amortised cost	–	932,592
Current financial assets			
Accounts receivable	amortised cost	5,416,800	7,675,900
Cash&cash equivalents	amortised cost	113,805,179	143,262,094
Non-current financial liabilities			
Borrowings	amortised cost	−953,197,437	−976,770,903
Tenant deposits	amortised cost	−7,790,218	−6,180,396
Finance lease liabilities	amortised cost	−328,009	−360,258
Current financial liabilities			
Borrowings	amortised cost	−104,567,854	−137,113,410
Payables on acquisition of properties	FVTPL	−3,419,103	−13,460,172
Trade payables and accrued expenses	amortised cost	−5,333,287	−9,996,221

Fair value hierarchy

As at 31 December 2021, the Group holds financial instruments carried at fair value in the statement of financial position at level 1 hierarchy for the amount US$ 2.17 million (asset) and at level 3 hierarchy for the amount US$ 3.41 million (liability) (31 December 2020: nil and US$ 13.5 million respectively).

Fair values of the Group's financial assets and liabilities, accounted for at amortised cost, approximate their carrying amounts except for the bonds issued:

in US$	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Carrying amount		Fair value	
Bonds issued	458,236,879	458,009,350	480,033,824	488,914,879

The fair value of bonds issued are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities are exposed to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Management Committee and supervised by the Board of Directors.

MARKET RISK

Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Russian ruble/US dollar and Euro/US dollar exchange rate. Foreign currency risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group seeks, when possible, to reduce the currency exposure arising from these assets by obtaining direct funding in the same currency.

In Russia, commercial property industry has become a tenant ruble-driven market. As most of the Group's liabilities are denominated in US$, almost all lease agreements with tenants in the Group's properties in Russia remain US$-linked. In addition, the Group promptly exchanges significant RUB cash balances to US$ during periods of exchange rate volatility or unpredictability in order to ensure its ability to meet debt service and other major US$ obligations.

Other than interest and management fees, most significant expenses such as construction costs, property maintenance, security utilities and other operating costs are denominated and payable in RUB. The Group seeks to minimise its exposure to foreign currency risk by carefully monitoring currency markets and holding appropriate amounts of US$ or RUB to meet its obligations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
US$	−161,411,818	−181,197,217	4,717,195	4,717,360
Euro	−302,767,266	−396,996,773	725,198,664	720,568,823

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table details the Group's sensitivity to a 10 and 1 per cent increase and decrease in US$ against RUB and Euro, respectively. This percentage is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 and 1 per cent change in the respective foreign currency rate.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where currency units strengthens against the relevant currency. For weakening of currency units against the relevant currency, there would be a comparable impact on the profit, and the balances below would be positive.

	10% increase US$ to RUB impact		1% increase US$ to Euro impact	
in US$	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loss	−13,504,028	−18,158,274	−4,123,839	−3,209,166

The negative effect of 10% increase in US$/RUB rate of US$ 13.50 million is mainly attributable to the net US$ denominated inter-company borrowings of the subsidiaries with RUB functional currency (2020: US$ 18.16 million). The negative effect of 1% increase in US$/Euro rate of US$ 4.12 million to the net Euro denominated inter-company loans given overlapping gain on revaluation of Euro denominated notes payable (2020: US$ 3.21 million).

Interest rate risk

All of the Group's interest-bearing financial instruments have fixed interest rates, except for bank loans at some newly acquired entities. Refer to Note 14.

INTEREST RATE SENSITIVITY ANALYSIS

The Group does not have any financial instruments with fixed interest rates that are accounted for at fair value through profit or loss as of 31 December 2021 and 2020. Hence, change of interest rate would not have any impact on the Group's profit or loss.

Credit risk

The Group's credit risk arises from cash and cash equivalents, deposits with banks, interest bearing financial instruments, as well as rents and other receivables from tenants and accounts receivable in general. Credit risk related to rental payments is mitigated by requiring tenants to pay rentals in advance, provide rental security deposits or bank guarantees.

The Group has policies in place to monitor its exposure to non-payment of rents by its tenants, including pre-screening prior to signing leases, careful monitoring of rental receipts, and efforts to collect rents or terminate leases before receivables become substantial.

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and eurobonds (31 December 2021: US$ 115.98 million, 31 December 2020: US$ 143.26 million). The Group holds significant cash deposits and current accounts at well-known high ranking banks VTB (deposits in RUB), UniCredit (Russian (deposits in RUB) and Austrian entities), Postbank (Germany), Cramer Bank (holding companies). Management monitors creditworthiness of the banks on a regular basis. The eurobonds are issued by the European and Russian companies and have high credit ranking. Subsequently to the year-end, the eurobonds issued by the companies affiliated with the Russian state, are not included into credit ratings. Management estimates the risk on such debentures as significantly increased and recognises impairment allowance equal to the lifetime expected credit loss for the amount US$ 0.53 million in the reporting period.

Based on the effective controls in place and historically low impairment expenses over the long-term period in the past, the Group has determined the credit risk for financial assets as low. Due to the positive outlook in the rental properties segment as well as security provided by the tenants in the form of security deposits or bank guarantees, the Group does not expect a significant increase in credit loss risk due to Covid-19 pandemic. There is no concentration of credit risk as of 31 December 2021 and 31 December 2020.

Liquidity risk

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The table below shows liabilities as at 31 December 2021 and 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Foreign currency payments are translated using the exchange rate at the reporting date.

in US$	Less than 1 Month	1 to 6 months	6 to 12 months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
31.12.2021							
Liabilities							
Borrowings	–	28,207,817	114,175,431	556,967,616	307,377,033	130,702,239	1,137,430,137
Gross finance lease liabilities	–	18,100	18,100	36,200	108,600	606,348	787,348
Tenant deposits	175,143	44,494	790,870	1,103,595	5,645,379	2,739,574	10,499,055
Financial liabilities at fair value through profit or loss	1,141,577	2,277,526	–	–	–	–	3,419,103
Trade and other payables	–	4,208,784	–	–	–	–	4,208,784
Total	1,316,720	34,756,721	114,984,400	558,107,411	313,131,012	134,048,162	1,156,344,426

in US$	Less than 1 Month	1 to 6 months	6 to 12 months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
31.12.2020							
Liabilities							
Borrowings	–	153,133,039	20,890,782	141,835,219	886,503,862	24,344,281	1,226,707,183
Gross finance lease liabilities	–	19,622	19,622	39,244	156,975	171,953	407,415
Tenant deposits	121,445	698,234	331,845	1,385,711	4,933,504	1,951,879	9,422,618
Financial liabilities at fair value through profit or loss	–	13,460,172	–	–	–	–	13,460,172
Trade and other payables	–	8,890,362	–	–	–	–	8,890,362
Total	121,445	176,201,429	21,242,249	143,260,174	891,594,341	26,468,114	1,258,887,751

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, limit spending on future acquisitions of properties and capex level or sell assets to reduce debt. Management is and will continuously monitor business performance to ensure the ability to act proactively in case of any unforeseen future downturns in the economy. Given the measures taken to face the impacts of the Covid-19 pandemic and stable capital structure, Group's management does not see any issues regarding the Group's ability to continue as a going concern.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 December 2021 and 2020, the Group's gearing ratio is given the table below.

Net Debt, US$	31 December 2021	31 December 2020
Non-current borrowings	953,197,437	976,770,903
Current borrowings	104,567,854	137,113,410
Cash & cash equivalents	–113,805,179	–143,262,094
Total	943,960,112	970,622,219
Total Capital, US$		
Shareholders equity	537,523,278	536,245,182
Net debt	943,960,112	970,622,219
Total	1,481,483,390	1,506,867,401
Gearing ratio (Net debt divided by Total Capital)	63.72%	64.41%

29. SUBSEQUENT EVENTS

RUSSIA UKRAINE MILITARY CONFLICT

On 24 February 2022, the military conflict between Russia and Ukraine started. It was immediately followed by unprecedented response from the governments and companies of other countries, including the USA, UK and EU. Since start of the conflict, the governments of these countries and international bodies have been imposing a wide range of severe sanctions on the Russian state bodies, Central bank, officials, private and state companies and individual persons, leading to the isolation of Russia which may significantly worsen its economic, financial and social stability.

At the time of the issuance of these financial statements, the situation is rapidly developing and its outcome is uncertain. It is impossible for the management to assess its overall effect on the Group's position and performance in the future. Based on the current circumstances and available information, management has been implementing a range of measures that support the Group's going concern in the foreseeable future.

To support the ability of the Group to pay its obligations in regard to its borrowings in case that operational cash flows will not be sufficient, the Company issued subordinated notes to two significant shareholders and agreed on decrease of the interest rate for bonds (see below). Please refer to Note 28 for maturity analysis of the Group's liabilities as of 31 December 2021.

As of now, there are no actual signs of significant fall in rental income in Russia; most of the tenants continue payment of the rentals and do not approach management to withdraw or review current rental agreements. Though, most of the experts in Russia that management has been consulting with, expect decrease in revenues in the nearest future. As per their current estimates, yields in Russia may increase for 2%-3% and estimated rental values (ERV) may decrease by 10-15% in comparison to the year-end. Given that estimate, 2% increase in discount and capitalization rate and 10% decrease in ERV would lead to a decrease of the fair value of investment properties in Russia for US$ 151 million (27% of the value of investment properties in Russia and 10% of total value of investment property of the Group as of 31 December 2021). As the properties in Russia are not subject to any mortgages and other financial instruments tied to the fair value of the assets, management does not expect any direct negative consequences of the potential decrease in the fair value of investment property.

Management tested different scenarios with decreased rental cash flows and ensured that entities in Russia have sufficient funds to maintain properties during twelve months, at least, even if the revenues fall dramatically to zero level. Management monitors the situation on a regular basis to develop and introduce additional measures for the properties in case necessary.

As part of countermeasures against sanctions imposed on Russia in the spring 2022, the Russian state authorities restricted rights of the foreign owners of the Russian assets. Under current rulings, the foreign companies and individuals that own shares in and/or assets based in Russia, cannot sell them without specific permit of the government. Management filed an application to get the permit for the sales of Arbat residential properties (Note 10) and expects to get approval.

MODIFICATION OF TERMS OF BONDS ISSUED

The Company received consent of the bondholders to amend the interest coupons and to change the denomination and, therefore, the payments of interest and redemption to EUR which will result in a total nominal value of all issued bonds of EUR 411,775,000. The changes have become effective on 1 April 2022.

NOTES PAYABLE ISSUE

In March and April 2022, the Company issued registered subordinated EUR-denominated loan notes to two shareholders for the amount of EUR 103 million in total. The notes have a maturity of 3 years and interest of 3.5%. The Company has the right to redeem all notes at par with interest accrued at any time.

RE-DOMICILIATION TO CYPRUS AND CHANGE OF THE LEGAL NAME OF THE COMPANY

On 7 February 2022, the Company re-domiciled from the British Virgin Islands to the Republic of Cyprus. Due to the re-domiciliation, the Company changed its name to EPH European Property Holdings PLC and legal address, and adopted new constitutional documents and changed composition of the Management Committee. Refer to Management Report Corporate Governance section for detail.

30. GENERAL INFORMATION ON INVESTMENT PROPERTIES

RUSSIA

as of 31.12.2021

	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat 39
Country			Russia			
City			Moscow			
Address	5, Petrovka Street	7, Petrovka Street	26, Pravdy Street	4 & 13,2/4, Krasnoproletars-kaya St.	11/2 1st Magistralnaya St	39, Arbat Street
Property description	Office & retail centre	Office & retail centre	Office & retail centre	Office centre	Office centre	Mixed-use: apartments & retail
Class	A	A	B+	A	B	Elite
Building area, sqm	13,381	16,455	37,815	40,216	3,552	10,520
Land	leasehold	leasehold	leasehold	leasehold	leasehold	leasehold
Net rentable area in sqm (BOMA)	10,100	11,970	30,750	32,900	3,177	1,261
office	6,620	10,340	30,490	32,500	3,177	–
retail	3,480	1,630	260	400	–	1,261
other	–	–	–	–	–	–
Parking lots						
underground	62	127	159	284	–	58
surface	–	–	52	–	39	–
Vacancy rate as a % of net rentable area	20.9%	7.1%	0.0%	0.0%	0.0%	77.2%
Lease terms	2023-2030	2022-2035	2022-2027	2022-2026	2023	2023
Weighted average lease term, years	3.8	5.4	3.6	3.7	2.0	1.6

GERMANY

as of 31.12.2021

	City Gate	WLC	STRAL 3	SALZ 4
Country		Germany		
City	Stuttgart	Hamburg	Berlin	Dresden
Address	11, Kriegsbergstrasse	1a, Gorch-Fock-Wall	3, Stralauer Allee	4, Salzgasse
Property description	Office & retail with restaurant	Office and retail with fitness	Purpose built design hotel (music theme)	Hotel
Class	A	A	4-star	4-star
Building area, sqm	26,445	12,068	28,030	15,620
Land	freehold	freehold	freehold	freehold
Net rentable area in sqm (BOMA)	**17,231**	**12,038**	**20,160**	**15,550**
office	15,378	6,171	n/a	–
retail	1 246 (incl. restau-rant)	2,519	n/a	261
other	607	2 416 (fitness), 932 (other)	20 160 (304 rooms, restaurant, spa, music stage, record studios)	15 289 (180 rooms, a spa, restaurant, bar)
Parking lots				
underground	145	89	86	46
surface	–	–	39	–
Vacancy rate as a % of net rentable area	0.0%	0.0%	0.0%	0.0%
Lease terms	2023-2031	2023-2032	2035	2029
Weighted average lease term, years	5.9	6.2	14.0	8.0

AUSTRIA

as of 31.12.2021

	QBC 1	QBC 2	QBC 4	QBC 7	LASS 1
Country			Austria		
City			Vienna		
Address	Gertrude-Fröhlich-Sandner-Str	5, Wiedner Gürtel	4, Am Belvedere	Karl Popper Straße ONr. sine	1, Lassallestrasse
Property description	Office buidling	Office buidling	Office buidling	Parking	Office building under construction
Class	A	A	A	A	n/a
Building area, sqm	10,300	30,600	20,000	n/a	44 776*
Land	freehold	freehold	freehold	freehold	freehold
Net rentable area in sqm (BOMA)	**9,271**	**29,870**	**17,425**	**679**	**29 048***
office	7,848	24,287	17,425		n/a
retail	740	3,205	–	–	n/a
other	683	2,378	–	–	n/a
Parking lots					
underground	–	–	71	679	n/a
surface	–	–	–	–	n/a
Vacancy rate as a % of net rentable area	0.4%	3.2%	0.0%		n/a
Lease terms	2026-2040	2026-2041	unlimited	2038	n/a
Weighted average lease term, years	9.5	6.5	unlimited	17.0	n/a

*expected area after completion of construction is given

SUPPLEMENTAL RECONCILIATIONS AND DEFINITIONS

The KPI table on page 4 includes management performance measures which are, or may be, considered non-IFRS financial measures as defined in the rules of SIX. While EPH's management believes that the non-IFRS financial measures herein are useful in evaluating Group's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS. Therefore these measures should not be viewed in isolation but considered together with the condensed consolidated financial statements (unaudited) prepared in accordance with IFRS as of and for the year ended 31 December 2021 (referred to as "financial statements" herein).

Reconciliation of the non-IFRS financial measures to a comparable measure in the financial statements is given below. All other measures, not listened below, represent IFRS financial measures, which can be directly identified in the financial statements.

"Operating income" represent performance measure of a regular basic activity of the Group. It is determined based on IFRS-measures: "Net operating profit" excluding "Revaluation of investment properties" and irregular items of extra-ordinary nature (see below) plus "Interest income".

"Net other operating income/(gain)" measures financial outcome of other irregular and individually insignificant items and is determined as net result of "Other operating income" and "Other operating expense" excluding irregular items of extra-ordinary nature (see below).

"Earnings from operational activity" measures regular performance of the Group excluding current income tax and finance costs and is determined as "Operating income", as described above, less "Current income tax" and less "Finance cost". Sum of current income tax and deferred tax, not presented and disclosed separately in these financial statements, reconcile to "Income tax".

"Other extra-ordinary items" consist of material one-off transactions aside from regular business activity of the Group. In 2021, extraordinary items consist of income on final adjustment of purchase price of investment property WLC acquired in business combination in 2017 and gain on release of provision for RETT created in 2020 at acquisition of SALZ 4 property. In 2021 and in 2020, extraordinary items consist of gain on sale of investment properties (refer to notes 18 and 20 of the financial statements). In 2019, there were no extra-ordinary transactions.

"Total before foreign exchange movements" is determined as "Net profit for the period" excluding "Net foreign exchange (loss)/gain" and gives a measure of net profits free from the effect of fluctuations of foreign currencies.

"Earning from operational activity per share" is a performance measure on a share basis, calculated as "Earning from professional activity", described above, divided by the weighted average number of shares in each reporting period.

"Loan-to-value" is determined as a division of "Total assets" by "Borrowings". This ratio gives understanding of the relative difference between the EPH's debt amount and carrying amount of its assets at each reporting date.

"Market capitalization" represents EPH's market value at each reporting date and is determined as multiplication of market price per share and total number of outstanding ordinary shares excluding treasury shares, all taken at each reporting date.


413-417

GENERAL
INFORMATON

1. OBJECTIVE

The objective of EPH European Property Holdings (the “Company”) is to invest directly, through subsidiaries, or via participation in other companies, in real estate in Russia, the CIS, and Europe in order to provide capital appreciation and dividend income to its shareholders. Investments may be existing properties or development projects which are intended to provide capital appreciation and/or rent income. The Company may also purchase participations in other companies with real estate related activities and provide real estate financing, real estate management, sale and leaseback of real estate and enter into real estate related financial transactions.

2. INVESTMENTS

2.1 REAL ESTATE INVESTMENTS

Investment targets are commercial, residential and industrial properties located in Russia and other CIS countries which provide a reasonable risk/return ratio. The main criteria to be considered are as follows:

a) Quality of location;
b) Economic outlook;
c) Infrastructure;
d) Architecture;
e) Standard of fittings;
f) Occupancy;
g) Quality of tenants;
h) Flexibility of usage;
i) Profitability;
j) Potential for value appreciation.

2.2 DEVELOPMENT PROJECTS

Development projects might be new construction or refurbishing of existing buildings. If development projects are undertaken with a partner, special care must be taken to protect the interests of the Company through the structure and contractual framework of the endeavor.

2.3 FINANCING OF REAL ESTATE INVESTMENTS

The Company intends to optimise the return on its investments through the conservative use of leverage. Interest expenses will be considered on a consolidated basis.

2.4 PARTICIPATIONS IN COMPANIES

The Company can also invest in majority or minority participations in other companies with real estate related activities, including real estate management.

2.5 REAL ESTATE FINANCING

The Company may provide real estate financing secured by mortgages or other adequate guarantees.

2.6 FINANCIAL INVESTMENTS

For temporary or defensive purpose, the Company’s assets can also be invested in financial instruments, such as stock, listed shares, bonds, investment funds and other liquid financial instruments.

The investment in options, futures and other derivatives is only permitted for hedging purposes. The Company may furthermore engage into other financial transactions such as currency and interest rate forwards and swaps for hedging purposes.

2.7 OTHER INVESTMENTS

The Company can also, subject to approval of the Board of Directors, invest up to 10% of its assets in non-real estate related investments. Up to 20% of the Company’s total assets can be invested in real estate investments outside the Company’s primary geographic area of focus.

3. VALUATION

The entire real estate portfolio will be appraised once a year by an independent real estate appraiser. The results of the yearly appraisal will be used as the basis for valuation in the Company’s annual report. For the purpose of the half year report, a simplified valuation method will be applied.

4. INVESTMENT PROCESS

4.1 APPROVAL BY THE BOARD OF DIRECTORS

All purchases or sales of properties and all investments in other assets in excess of US$ 5 million, with the exception of financial investments for temporary or cash management purpose have to be approved by the Board of Directors.

4.2 ANALYSIS

Prior to the approval, Eastern Property Management Limited will present a comprehensive analysis of potential investments, including financing. Analysis will be based on conservative cost, timing, and rent or sale assumptions.
Changes to, and Compliance with the Investment Guidelines

The Investment Guidelines can be changed or amended by resolution of the Board of Directors. Compliance with the Investment Guidelines is verified periodically by the Board of Directors

5. CHANGES TO, AND COMPLIANCE WITH THE INVESTMENT GUIDELINES

The Investment Guidelines can be changed or amended by resolution of the Board of Directors. Compliance with the Investment Guidelines is verified periodically by the Board of Directors.

The Investment Guidelines are posted on the Company’s website:
https://europeanpropertyholdings.com/.

BOARD OF DIRECTORS
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Michael Cuthbert
Tomasz Dukala
Hans Messmer
Annamaria Vassiliades

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REAL ESTATE MANAGER
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(since January 2010)

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TICKER SYMBOL
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CONCEPT, DESIGN AND REALISATION
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