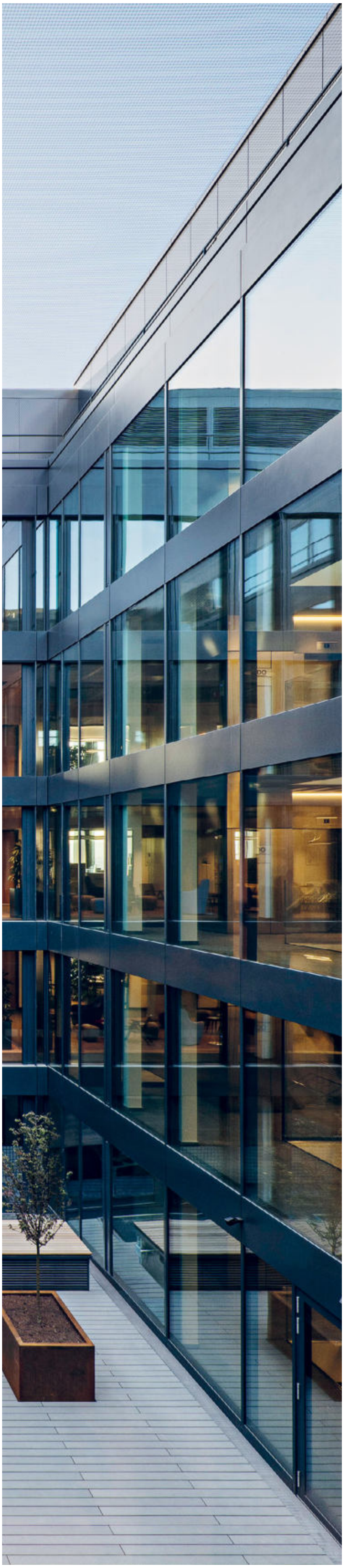


ANNUAL REPORT 2020

EPH
European
Property
Holdings

EPH EUROPEAN PROPERTY HOLDINGS

MANAGEMENT REPORT

CORPORATE GOVERNANCE REPORT

EXTERNAL REPORTS

FINANCIAL REPORT

GENERAL INFORMATION

DEAR SHAREHOLDERS

Despite the ongoing Corona pandemic, the financial year 2020 was successful for EPH European Property Holdings ("EPH"). We achieved important milestones in the implementation of our diversification strategy and enlarged the asset base for stable and sustainable growth of our business. We acquired further first-class properties in premium locations and added a new asset class to EPH's portfolio. We were able to significantly increase the market value of our investment property portfolio to US$ 1.5 billion in 2020. This is an increase of more than 50 % compared to the previous year's level.

In April 2020, EPH purchased an 89.9 percent stake of the hotel property STRAL 3 in Berlin-Friedrichshain, which is notable for its extraordinary, modern construction and desirable waterside location. It is home to the trendy hotel concept "nhow" by NH Hotel Group, the third-largest hotel operator in Europe. Shortly after our first hotel acquisition, EPH acquired 100% of the hotel property SALZ 4 in Dresden's historic city centre next to the Church of Our Lady. The hotel comprises an area of 15,550 sqm. with a total of 180 rooms. It is leased to Meliá Hotels International until December 2029, with two five-year extension options.

These transactions might raise questions as the hotel industry is one of the segments most affected by the pandemic. However, we are long-term oriented investors focusing on location, building quality and utilisation possibilities. Berlin and Dresden are two of Germany's most sought-after tourist destinations – for international and domestic visitors. Both hotels impress with their unique location, great architecture, and strong operator. We, therefore, believe in the long-term sustainability of these investments for our stakeholders.

The hotel acquisitions were followed by the purchase of LASS 1. The office property, originally built in 1993, is currently undergoing a full refurbishment to create an intelligent and future-oriented workspace over 9 floors with a total area of approx. 29,000 sqm. The finalisation of refurbishment is expected in mid-2022. Quartier Lassalle is next to Praterstern which is one of Vienna's largest inner-city urban development areas with an excellent infrastructure and upscale local supply. We continue to assess the demand for office space in such locations as very high – 60 % of the space has already been let to institutional quality tenants with an average lease term of more than ten years.

Finally, in December, we also closed the forward purchase of the prestigious QBC 1,2 & 7 properties in the newly developed Quartier Belvedere in Vienna. Despite Corona, UBM Development successfully completed the project without any delays. The office properties QBC 1 & 2 added a leasable area of 38,700 sqm and QBC 7, the underground car park, 680 parking spaces to our portfolio.

In addition to new acquisitions increasing the market value of our portfolio most of the properties already in our portfolio by the end of 2019 have increased their value in local currency. The increase in cap rates due to the potentially higher risk due to Corona assumed by external evaluators only slightly impacted valuations of EPH core and high-quality properties with reputable tenants. Nevertheless, because of currency fluctuations the property values in EPH's reporting currency USD have decreased. Since EPH is a long-term oriented investor not intending to sell its properties any time soon, such decrease is visible in our financial result 2020 but has no impact on cash flows. It would only materialize in the moment of a sale of an asset at the applicable FX rate at this point in time.

Overall, the Corona pandemic did not have a significant impact on EPH in the financial year 2020. Due to the low share of hotel and retail tenants in our portfolio together with the high quality of our assets in core city or business centre locations which are still demanded and with a majority of financially strong tenants the direct negative effect on net rental income resulted in only approx. 3%. Nevertheless, a few of our Russian tenants have decreased their rental area leading to higher vacancy rates at the year-end. As we are keen to let our properties to similar financially strong and reputable tenants the reletting might take a while but considering responses to our current marketing activities, we are positive that these areas can be leased in the short-term. Furthermore, unfortunately, the Corona pandemic still subjects some of our tenants to restrictions with potential negative financial consequences to them. It is difficult for us to judge how long the current situation continues, how it develops and what might be the effect on the result of EPH in 2021. From today's perspective and based on continues reviews of the situation on an asset-by-asset basis a potential worst-case scenario for 2021, EPH obligations can be covered by the Group's annual cash income.

The decrease in rental income in 2020 is, therefore, not predominately driven by the Corona pandemic but mainly by currency translations as well as the renewal of some rental contracts – partly already at the end of 2019. The decrease is mostly compensated by the successful ongoing sale of apartments at Arbat properties in Moscow as well as the sale of Scandinavia Land in St. Petersburg.

The strategy of the Group has also been supported by the Company's shareholders visible by the successful share capital increase in December 2020, through which we raised a total of around US$ 163 million for our acquisitions.

We are convinced that we have expanded our portfolio with great properties of long-term stable and increasing value and intend to further invest in line with our defined investment criteria. We are continuously screening the real estate market in Europe's business hubs for attractive investment opportunities and we monitor developments in the real estate market during and after Corona to be able to strike at the right moment.

We would like to thank our shareholders for their trust and our business partners for their good cooperation.

Sincerely,
The Board of Directors
April 2021

MANAGEMENT
REPORT

The following is a discussion of the key factors influencing our 2020 results and our financial condition at the end of the year.

KEY PERFORMANCE INDICATORS

in US$	31.12.2020	31.12.2019	31.12.2018
Net rental income	60,843,380	71,297,392	68,214,163
Administrative and selling expenses	−7,499,636	−8,392,224	−5,200,748
Net gain arising from the sales of properties	11,228,951	3,122,728	–
Net other operating income / (expenses)	2,391,721	−196,838	2,495,279
Operating Income	**66,964,416**	**65,831,058**	**65,508,694**
Finance costs	−38,361,636	−32,646,854	−31,386,106
Current tax expense	−9,343,687	−9,067,833	−7,453,339
Earnings from operational activity	**19,259,093**	**24,116,371**	**26,669,249**
Valuation movements	27,129,859	−17,063,153	81,677,977
Deferred tax (expense) / benefit	4,978,333	−3,806,119	−16,681,201
Other extraordinary items	−4,138,000	−605,959	−2,465,422
Total before foreign exchange movements	**47,229,285**	**2,641,140**	**89,200,603**
Net foreign exchange (loss)/gain	−20,660,840	38,361,015	−58,969,127
Net Profit / (Loss) for period	**26,568,445**	**41,002,155**	**30,231,476**
Earnings from operational activity per share	**1.92**	**2.43**	**2.69**

		as of	
	31.12.2020	31.12.2019	31.12.2018
Number of investment properties	13	10	9
Investment properties	1,525,251,437	1,007,516,128	841,451,779
Europe	62%	35%	28%
Russia	38%	65%	72%
Total Assets	1,844,882,222	1,268,555,787	1,073,143,730
Borrowings	1,113,884,313	659,359,016	553,507,629
Loan-to-value	**60%**	**52%**	**52%**
Cash from operating activity	55,612,650	54,310,893	54,335,761
Market capitalization, million	409.72	277.34	287.68
Cash yield*	19%	20%	19%

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

OVERVIEW

EPH European Property Holdings Limited ("EPH", the "Company") 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 2020, EPH had total assets of US$ 1,844.88 million (2019: US$ 1,268.56 million) and net assets (calculated as total equity) of US$ 536.25 million (2019: US$ 407.33 million).

In the twelve months ended at 31 December 2020 the Company is reporting a profit of US$ 26.57 million, compared to a profit of US$ 41.00 million for the year ended at 31 December 2019.

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 2019 and 2020 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

The result from the Company's operational activity remains stable: the Company's operating income before finance costs and taxation is US$ 66.44 million in 2020 as compared to US$ 65.83 million in 2019. Some decline in the rental income was overlapped by profit from the sale of Arbat premises.

Net rental income

The Company's net rental income decreased from US$ 71.30 million in 2019 to US$ 60.84 million in 2020 (see note 18) – attributable to Russian properties and caused mainly by compression of US$ values of RUB-denominated revenues resulting from RUB depreciation (by 21% during the reporting period), as well as by revision of certain leases and tenants rotation. This effect was to some extent compensated by additional income generated by properties newly acquired in 2020. COVID-19 implications are well managed by the management – direct impact on the Company's rental income is not significant in 2020.

Administration expenses

Management fees increased from US$ 2.66 million in 2019 to US$ 3.40 million in 2020 – due to substantial growth of the Company's portfolio and increased scope of management services provided by Valartis International Ltd. and its subsidiaries. Professional and administration fees, which include legal advice, audit, appraisals and costs for other services for the Company and its subsidiaries decreased from US$ 3.99 million in 2019 to US$ 2.97 million in 2020. Selling expenses relating to the marketing and sale of Arbat premises decreased from US$ 1.21 million incurred in 2019 to US$ 0.67 million in 2020 – as the main part of pre-sales marketing was initiated and paid in 2019.

Net other operating income/ (expenses)

Other operating income /(expenses) include income from claiming back in 2020 the input VAT related to Arbat construction, additional income received from tenants as payments for modification of lease agreements, impairment of goodwill resulting from the change in estimate in future tax benefits, as well as other income and expenses from the ordinary cash-generating activity.

Finance costs

Our finance costs considerably increased from US$ 32.65 million in 2019 to US$ 38.36 million in 2020. The increase was caused by interest accrued on additional interest bearing subordinated notes issued in 2020 to finance the acquisition of new properties as well as by interest on loans acquired with these properties. It is expected that the increased costs will be compensated in short- and mid-term perspective by income to be generated by newly acquired properties. Also, the Company is exploring opportunities to reduce its financing costs through attracting financing at lower interest rates.

Current income tax expense

Current income tax expense in 2019 and in 2020 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 increased from US$ 9.07 million in 2019 to US$ 9.43 million in 2020.

NON-CASH GENERATING INCOME/(EXPENSES)

Valuation movements

Valuation movements in 2020 represent net loss from fair value adjustment on investment properties in the amount of US$ 85.35 million, as well as positive effect of foreign exchange movements on fair value of investment properties in the amount of US$ 112.48 million, resulting in the net positive valuation movements of US$ 27.13 million, as compared to negative valuation movements of US$ 17.06 million in 2019.

The loss from fair value adjustment is caused by the net decrease of the appraised values of the Company's investment properties in US$ equivalent. While the values of the most properties increased in the local currencies, for Russian properties reduction in US$ is caused mostly by RUB depreciation during the reporting period which affects the US$ value of the current rental stream nominated in RUB and a lower estimated rental value (ERV) applied by the appraiser after the expiration of the existing leases. Also, for some of the European properties increased discount rates have been applied by the valuer to take into account the market uncertainty due to COVID-19 pandemic.

Significant positive 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. The property is appraised in US$, then converted to RUB. While the US$ fair values of the properties decreased during the year, due to the RUB depreciation against US$ in 2020, the RUB fair values of the properties have substantially increased.

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 benefit of US$ 4.98 million as compared to deferred tax expense of US$ 3.81 million in 2019.

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. Therefore the Company's subsidiaries holding the assets in Russia as well as the respective sub-holding companies 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. In addition, the holding company EPH European Property Holdings Ltd which functional currency is US$ has certain assets and liabilities denominated in EUR which are revaluing at each balance sheet date, also creating unrealised exchange rate gains or losses.

During 2020 exchange rate fluctuations led to recognition of net loss from foreign currency translation in the amount of US$ 20.66 million, compared to net gain of US$ 38.36 million recognized in 2019.

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 Limited (EPH) is a long-term investor with a diversified portfolio in standing assets across Europe with a total value of more than EUR 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 13 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

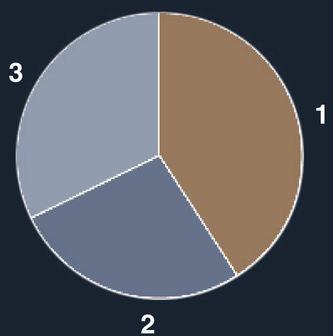
- Stuttgart
- Hamburg
- Berlin
- Dresden

AUSTRIA

OFFICE

- Vienna

GEOGRAPHICAL SPLIT MARKET VALUE 2020

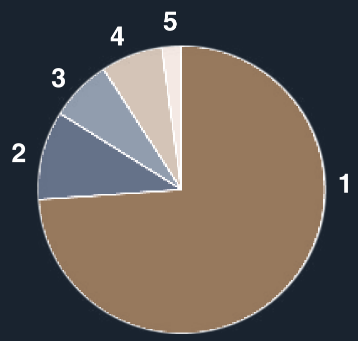


1 RUSSIA 41%

2 GERMANY 27%

3 AUSTRIA 32%

ASSET CLASSES MARKET VALUE 2020



1 OFFICE 74%

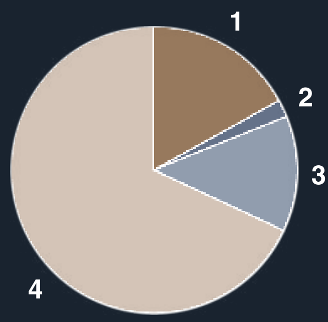
2 HOTEL 10%

3 REFURBISHMENT 7%

4 HELD FOR SALE 7%

5 PARKING 2%

ASSET CLASSES NET RENTAL INCOME 2020



1 RETAIL 17%

2 OTHER 2%

3 HOTEL 13%

4 OFFICE 68%

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 68% of our Net 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. After refurbishment the total investment amounts to approx. EUR 150 million. We successfully continued with selling premises at the Arbat properties which are held for sale and added a new asset class "Hotel" to our portfolio.

PROPERTY REVIEW

AS OF 31 DECEMBER 2020 OUR PROPERTY HOLDINGS CONSISTS OF:

- 100% of shareholdings 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% of two mixed-use office and retail properties: City Gate in Stuttgart and Work Life Center in Hamburg
- 89.9% shareholding in a hotel property STRAL 3 in Berlin
- 100% shareholding in a hotel property SALZ 4 in Dresden
- 100% shareholding in two office properties (one consist of two connected office properties and a parking garage) in Vienna: QBC 4 and QBC 1, 2 & 7
- 100% shareholding in the office property LASS 1 under refurbishment in Vienna
- Apartments, retail premises and parking lots in two mixed-use properties in Moscow: Arbat Multi-use Complexes

LASS 1

29,000 BUILDING AREA	UNDER REFURBISHMENT APPRAISED VALUE
N/A RENTABLE AREA	EUR 91,700,000 COST
100% OWNERSHIP	1993 YEAR OF CONSTRUCTION

LASS 1

LASS 1 is a prominent office property located near Vienna's city centre in the most promising and upcoming 2nd district with excellent transport links. The mixed-use building was originally built in 1993 and is currently undergoing a refurbishment that is expected to be completed in 2022. Tenants of the building will include City of Vienna, the State Police and the supermarket Merkur.

EPH acquired 100% of the property in June 2020.

QBC 1, 2 & 7

44,400 BUILDING AREA	EUR 228,600,000 ACQUISITION COST*
38,800 RENTABLE AREA	680 PARKING LOTS
100% OWNERSHIP	2020 YEAR OF CONSTRUCTION

*The properties were acquired at the year-end, so the acquisition costs reflect their fair value.

QBC 1,2,7

QBC 1 & 2 are offices properties with over 38,000 sqm of gross leasable space and QBC 7 an underground garage with approx. 580 freehold parking. The properties are located adjacent to the Company's recently acquired QBC 4, in one of the most sought after newly developed business areas in Vienna.

Quartier Belvedere is considered an optimal location close to the city centre, the main railway station and offers a diverse infrastructure including shops, hotels, restaurants and recreational facilities.

EPH has acquired the property via a share deal in December 2020 and owns 100% of QBC 1, 2 & 7.

QBC 4

20,000 BUILDING AREA	EUR 104,600,000 APPRAISED VALUE
17,400 RENTABLE AREA	0% VACANCY RATE
100% OWNERSHIP	2019 YEAR OF CONSTRUCTION

SALZ 4

15,600 BUILDING AREA	EUR 46,900,000 APPRAISED VALUE
180 ROOMS	0% VACANCY RATE
100% OWNERSHIP	2010 YEAR OF CONSTRUCTION

QBC4

QBC 4 is a newly constructed Class A office property in the attractive and sought-after Quartier Belvedere in Vienna and in close proximity to the main station of Vienna. EPH acquired 100% of QBC 4 in February 2019. The major tenant is global accounting firm BDO.

The vacancy rate as of 31 December 2020 is 0%.

SALZ 4

This hotel building is situated in the city's historic Old Town right next to the famous Frauenkirche and very close to the main city attractions. It was built in 2010 and comprises an area of 15,550 sqm. with a total of 180 rooms, parking spaces, a spa, restaurant, 261 sqm. of retail space and meeting rooms.

The hotel is home to the award-winning international Twist Bar on the 6th floor as well as the modern, elegant VEN Restaurant.

The hotel is wholly rented out to Meliá Hotels International, one of the largest operators in Spain with a strong global presence. The current lease runs until December 2029, with two five-year extension options.

EPH acquired 100% of the property in July 2020.

STRAL 3

28,000 BUILDING AREA	EUR 90,000,000 APPRAISED VALUE
304 ROOMS	0% VACANCY RATE
89.9% OWNERSHIP	2010 YEAR OF CONSTRUCTION

WORK LIFE CENTER

12,100 BUILDING AREA	EUR 88,300,000 APPRAISED VALUE
12,000 RENTABLE AREA	0% VACANCY RATE
94% OWNERSHIP	2017 YEAR OF CONSTRUCTION

STRAL 3

STRAL 3 in Berlin, Germany, is a one-of-a-kind hospitality asset in EPH's portfolio. This trendy hotel property next to the River Spree at the epicentre of music, fashion and culture, is leased to NH Hotel Group. It embraces the dynamic and energy of a new generation of hotels appealing to the cosmopolitan traveller. Europe´s first hotel dedicated to music is an upbeat mix of 304 rooms, an art gallery, a terraced bar and restaurant overlooking the Spree River, a wellness centre and 24-hour room service that also delivers keyboards and guitars.

EPH acquired 89.9% of interest in the property in April 2020.

Work Life Center

Work Life Center is a Class A property complex with office, retail complex and fitness centre premises, located very close to the Hamburg city center and near train station. EPH acquired 94% of Work Life Center at the end of 2017. The major tenants are Performance Media Deutschland, Germany Centre Company No.29 GmbH and Fitness First Germany.

The vacancy rate as of 31 December 2020 is close to 0%.

CITY GATE

26,500 BUILDING AREA	EUR 124,900,000 APPRAISED VALUE
17,300 RENTABLE AREA	0% VACANCY RATE
94% OWNERSHIP	2016 YEAR OF CONSTRUCTION

City Gate

City Gate is a newly constructed Class A office and retail complex perfectly located in the center of Stuttgart, in close proximity to the main railway station. EPH acquired 94% of CityGate in November 2016.

The major tenants are Land Baden-Württemberg, Rödl&Partner GmbH and DREISS Patentanwälte. As of 31 December 2020 City Gate is fully rented.

GENEVA HOUSE

16,500 BUILDING AREA	US$ 134,000,000 APPRAISED VALUE
12,000 RENTABLE AREA*	17.4% VACANCY RATE
100% OWNERSHIP	2010 YEAR OF CONSTRUCTION

*in accordance with BOMA standard

Geneva House

Geneva House is a Prime Class A office/retail property located next to Berlin House. It was completed by EPH in 2010. In August 2014 EPH re-acquired the 90% stake in Geneva House, becoming its 100% owner.

The major tenants are S7 Airlines, Chanel, Merrill Lynch and Akin Gump.

BERLIN HOUSE

13,400 BUILDING AREA	US$ 148,700,000 APPRAISED VALUE
10,100 RENTABLE AREA*	13.5% VACANCY RATE
100% OWNERSHIP	2002 YEAR OF CONSTRUCTION

*in accordance with BOMA standard

HERMITAGE PLAZA

40,200 BUILDING AREA	US$ 178,600,000 APPRAISED VALUE
32,900 RENTABLE AREA*	0% VACANCY RATE
99.98% OWNERSHIP	1937/2006 YEAR OF CONSTRUCTION

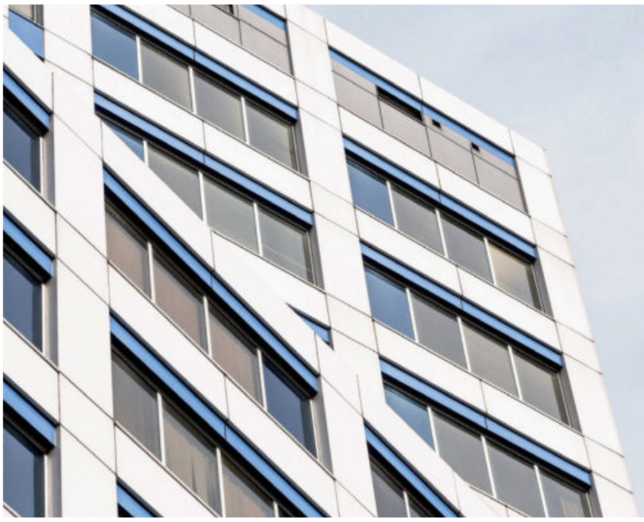
*in accordance with BOMA standard

Berlin House
Berlin House is a prime class A office/retail property which is exclusively located in the heart of Moscow – approximately 500 meters from the Kremlin, on one of the most prominent shopping streets – and was completed and leased in 2002. In August 2014 EPH re-acquired the 90% stake in Berlin House, becoming its 100% owner.

The major tenants are Richemont Group and Refinitiv.

Magistral'naya
Magistral'naya is a Class-B office property situated in Moscow in the north-east of the city center, near the Third Ring Road. As of 31 December 2020, the property was fully leased to a single tenant, the Gazprom subsidiary "Gazprom Geotechnologii". In March 2021 the lease was terminated and now the negotiations with new potential tenants are in the active stage.

Hermitage Plaza
Hermitage Plaza is an A-class office building constructed/renovated in 2006. The property is beneficially located in proximity to the Kremlin area and is fronting the Moscow Garden Ring. EPH acquired 99.98% of Hermitage Plaza in December 2014. The anchor tenants are VimpelCom, one of the leading Russian telecommunication companies, and Ingrad.



POLAR LIGHTS

37,800 BUILDING AREA	US$ 98,600,000 APPRAISED VALUE
30,800 RENTABLE AREA*	2.0% VACANCY RATE
100% OWNERSHIP	2006 YEAR OF CONSTRUCTION

*in accordance with BOMA standard

ARBAT PROJECTS

36,000 BUILDING AREA	US$ 108,100,000 APPRAISED VALUE
9,300 REMAINING RENTABLE / SELLABLE AREA	
130 PARKING LOTS	2016 YEAR OF CONSTRUCTION

Polar Lights

Polar Lights, a B+ class business center, has a beneficial location in one of the most developed business districts in the North of Moscow, inside the Third Transport Ring Road, and an efficient tenant mix of international and Russian companies: Setelem bank, Rosagroleasing and Monex Trading. The building has been constructed in 2006 with 14 above ground levels and was fully renovated in 2012. The vacancy rate as of 31 December 2019 is 0.6%. EPH acquired 100% of Polar Lights in September 2014.

Arbat Projects

The Company owns premises in two mixed-use complexes in the historic Arbat district of Moscow, the principal pedestrian street in the historical centre of the city. The first property located at Arbat Street 24, includes office, luxury apartment space and parking lots. The second property, located near the first at Arbat Street 39 consists of retail space, luxury apartments and parking lots.

The development is finished in 2018 and now the Company is actively marketing the project. Due to the high profile location, and the design of the projects, which does feature large well-lit living areas and sizeable terraces, the apartment premises in the buildings will be of elite standing.

In 2020, the Group sold all office premises in Arbat 24 and successfully continued to sell apartments and parking lots in both Arbat properties. Also some part of retail premises in Arbat 39 has been leased out.

BOARD OF DIRECTORS

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 Ltd. 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.

Hans Messmer,
born 1955, German

Executive Member
(since April 2013)

Management Committee Member
(since April 2015)

Mr. Hans Messmer is an independent director with an excellent expertise in international banking and financing. Until June 2019 he was the 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. Mr. Messmer started his career as registered stock broker in New York and gained a license as EUREX trader at Deutsche Borse AG. During his career he qualified as Investment Specialist for Structured Products, Hedge Fund Advisor and Commodity Advisor. He holds an academic degree as MBA of Johann Wolfgang Goethe University Frankfurt specializing in Banking and Insurance.

Gustav Stenbolt,
born 1957, Norwegian

Executive Member
(since March 2003)

Mr. Gustav Stenbolt is Chairman of the Board and CEO of Swiss listed Valartis Group and member of the board of directors of EPH European Property Holdings Ltd., ENR Russia Invest S.A. and Anglo Chinese Group. 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 store and real estate companies in Switzerland. Gustav Stenbolt graduated from the University of Fribourg, Switzerland with a degree in Economics.

Annamaria Vassiliades is a lawyer with expertise in International Tax Planning, M&A and commercial transactions. She graduated from the University College London and admitted to the Roll of Solicitors of England and Wales in 2015. Five years ago, she joined the law firm Christodoulos G. Vassiliades & Co. LLC.

Annamaria Vassiliades,
born 1987, Cypriot

Executive Member
(since June 2020)

Management Committee
Member
(since June 2020)

Mr. Michael Cuthbert is a member of the board of Reso Garantia, a leading Russian insurance company and a consultant to Discreet Law LLP, a legal services advisory firm in London. 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.

Michael Cuthbert,
born 1956, English

Non-Executive Member
(since April 2013)

Mr. Tomasz Dukala is an entrepreneur and board member in a number of commercial organizations. Mr. Dukala started his career at Pricewaterhouse-Coopers Corporate Finance Department in Warsaw. In 2002, he moved to Moscow and worked as Senior Manager in PricewaterhouseCoopers and subsequently as a National Director in Jones Lang LaSalle Capital Markets Department. 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, based in Moscow. Mr. Dukala is a CFA charter holder.

Tomasz Dukala,
born 1974, Polish

Executive Member
(since April 2013)

MANAGEMENT COMMITTEE

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 Ltd. 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 the Managing Director and Member of the Board of PNL Media Ltd, Capital Estate Group (C.E.G.) Ltd., EPH Real Estate Ltd. and Lexworth Finance Ltd., all subsidiaries of EPH. She specializes in corporate governance, operation and communications. She has over 20 years of professional experience in client relations, business development, compliance and communications in Cyprus. 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 degree in System Engineering.

Hans Messmer,
German

Management Committee Member
(since April 2015)

Member of the Board
(since April 2013)

Mr. Hans Messmer is an independent director with an excellent expertise in international banking and financing. Until June 2019 he was the 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. Mr. Messmer started his career as registered stock broker in New York and gained a license as EUREX trader at Deutsche Börse AG. During his career he qualified as Investment Specialist for Structured Products, Hedge Fund Advisor and Commodity Advisor. He holds an academic degree as MBA of Johann Wolfgang Goethe University Frankfurt specializing in Banking and Insurance.

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.

Alexander Nikolaev,
Russian

Management Committee
Member
(since 2003)

Annamaria Vassiliades is a lawyer with expertise in International Tax Planning, M&A and commercial transactions. She graduated from the University College London and admitted to the Roll of Solicitors of England and Wales in 2015. Five years ago, she joined the law firm Christodoulos G. Vassiliades & Co. LLC. .

Annamaria Vassiliades,
Cypriot

Management Committee
Member
(since June 2020)

Member of the Board
(since June 2020)


3

MANAGEMENT
INTERVIEW

INTERVIEW WITH

Tomasz Dukala,
born 1974, Polish

Executive Board Member
(since April 2013)

"Are you satisfied with the implementation of your expansion plans?"

"We made very good progress with our diversification strategy in 2020. Our Central European portfolio has grown to five premium office properties, one large office refurbishment project, two hotels and one parking garage underground office property, which was purchased – despite the difficult market environment caused by the pandemic."

"Does this mean that you did not experience any negative impacts from Corona, such as loss of rent?"

"The impact of the pandemic for the financial year 2020 has been rather insignificant for us due to our diversification and focus on core properties with strong tenants and long-term leases. The share of tenants in our properties directly affected by the Corona pandemic, such as hotel operators and retailers, is low in terms of total rental income. Nevertheless, selected tenants such as fitness centres and co-working spaces are continually hampered by government regulations relating to Corona restrictions which also leaves its mark on us. However, I would like to emphasise that we have not experienced considerable rental losses due to Corona in 2020. This underlines the sustainability of revenues in y of our portfolio as well as our professional and active asset management."

"How significant was the portfolio growth in 2020?"

"In 2020, we acquired a number of properties, including two hotels, and we completed two office project acquisitions in Vienna. In addition, we have also made progress with the properties we had in our portfolio, for example through successful lettings or lease extensions. Of course, this is also noticeable in the value of the properties."

"Why did you buy two hotels in 2020, one of the segments most affected by the consequences of the Corona pandemic?"

"We were looking into hotels quite a while before Corona and started our first hotel acquisition before the outbreak. The hotel property STRAL 3 in Berlin convinced us with its architecture, location, and hotel concept before and regardless of the pandemic. We are long-term oriented investors aiming for sustainable growth and not seeking a quick return, furthermore it also gave us comfort knowing it is operated by one of the largest hotel chains. That is, apart from location and building quality, a decisive factor – the potential of the tenant to survive the pandemic. We are convinced that both hotels and its operators have great potential to overcome the crises."

"Which concept do you think will recover fastest after Corona?"

"City hotels in metropolises are in high demand all year round because they address different customer groups – i.e. business people but also international and - currently more important – domestic tourists. Our hotel property STRAL 3 in Berlin-Friedrichshain, which we acquired in April 2020, is home to the very special hotel-concept “nhow” by NH Hotel Group. It embraces the dynamic and energy of a new generation of hotels. It offers big entertainment to guests like an art gallery, music studios and a bar with restaurant on a terrace overlooking the River Spree. This concept is very unique and future-proof due to different uses and customer target groups. This also counts for our hotel property SALZ 4 in Dresden. Overall, hotels which already have successfully met the challenges of the highly competitive hotel market through innovative solutions will survive. Well-known brands and hotel chains also tend to have a better chance of surviving the pandemic."

"Why did you acquire hotels in Germany?"

"Because we believe in Germany as a location and, compared to others in Europe, the market is anticipated to recover from the pandemic in relatively good standing, provided, of course, that the hotel concept and the creditworthiness of the tenant are right. And Germany is the largest and one of the most stable economies in Europe with stable political conditions and a secure legal framework. The German commercial real estate market is one of the most important in the world and the second most liquid after the US."

"And how do you assess the situation in the office sector?"

"There is still an undersupply of modern offices spaces in central city locations, especially in Germany and Austria. The pandemic has not changed the demand. The Quartier Belvedere in Vienna, for example, continues to be one of the most sought-after locations and our office properties in Stuttgart and Hamburg have long waiting lists with potential tenants. Nevertheless, the fundamental factors stay the same. It's all about location, condition of the property, existing tenants, lettability and the rental income forecast."

"Are you not afraid of an increasing vacancy rate for your office space in the portfolio, not even due to home offices?"

"If you focus on high quality assets in good locations the vacancy risk is rather low. Of course, Corona has led to changes in this segment. But it has simply accelerated trends such as flexible working. In our view, this does not mean that offices will disappear. It is more about creating flexible options between office and home office. It is important to respond to the changing needs of tenants and to offer flexible and modular space concepts."

"Why do you still hold properties in Moscow in your portfolio? Isn't the risk from currency fluctuations far too high?"

"For us, properties in Moscow continue to be interesting because of the high yields. Our Class-A properties in Moscow are almost fully let and generate high recurring cash flows through rents. In 2020, these amounted to USD 45 million. That is close to 75% percent of our total rental income – not considering the expected rental income of our newly acquired properties in Vienna. The properties also account for a large share of 38 percent of our investment properties. In order to buffer currency fluctuations, we have indeed further diversified our portfolio geographically. Nevertheless, the properties in Moscow play an important role for us.

Furthermore, the major impact of currency fluctuations results from the fluctuations of the asset values of our properties. Due to the fact that we are long-term investors with no intention to sell off our properties in the short-term such currency effects are visible in our financials but do not have a cash effect on the company."

"What outlook can you give for the coming years?"

"We will continue to expand and diversify our real estate portfolio in accordance with our investment criteria. We will further focus on core/core+ office and hotel properties in European metropolises such as Germany's Top 7 to ensure long-term value sustainability.

In June 2022, we will complete our major refurbishment project LASS 1 in Vienna, where we invest a total of around EUR 150 million. In addition, we will also take the opportunity to reduce our financing costs. Combined with the investment shift to Central Europe and the falling interest rates in Russia, this gives us scope for financing at lower interest rates."


BY MELIÃ
Salzgasse

MARKET REPORT

OFFICE
MARKET REPORT

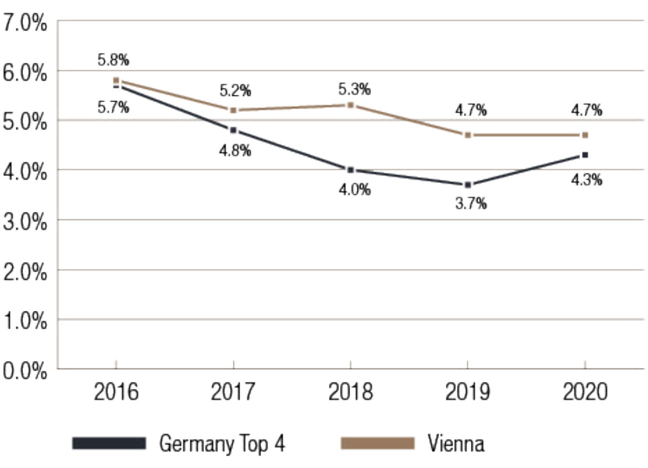
EUROPEAN OFFICE MARKETS STABLE DESPITE CORONA

The year 2020 was marked by the Corona pandemic that led to economic slumps. Its ongoing impact led to a decline of European Union's national economies' output by 6.4 percent in 2020.[1] The International Monetary Fund (IMF), however, expects the EU Gross Domestic Product (GDP) to recover in 2021 and resume growth at a rate of 5.5 percent in 2021 and 4.2 per ent in 2022.[2]

Despite the negative effects of the Corona pandemic, the European real estate markets proved robust in 2020 and withstood market distortions better than experts had initially expected. Low vacancy rates, moderate completion volumes and support by European governments had a positive effect, DWS Group stated.[3] According to BNP Paribas, office take-up in Europe's 15 most important office markets fell by 38 percent year-on-year to six million square metres in 2020. Nevertheless, prime rents were mostly stable due to the lack of supply in good locations. [4]

Especially, core office properties with creditworthy tenants have proven to be resilient and often showed only minor rent defaults. DWS assumes that demand for modern office properties in good and very good city centre locations will continue unabated in the medium and long term.

VACANCY RATE



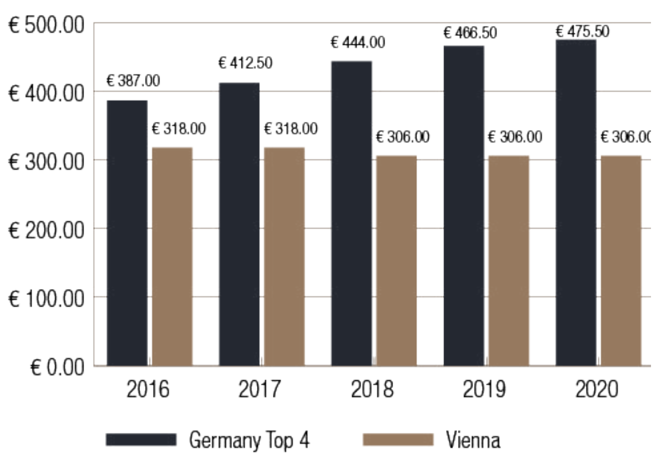
BNP Paribas European Office Markets 2019 and 2020 Edition, At a glance q3 2020 Main Office Markets in Europe

NO LONG-TERM NEGATIVE EFFECTS DUE TO FLEXIBLE WORKING

On the one hand, the course of events in 2020 has driven trends such as flexible working ("flex office") which are likely to remain an integral part of corporate processes, Jones Lang LaSalle (JLL) predict.[5] On the other hand, JLL assume that the pandemic will not result in a significant rise in office vacancy, as both excess construction and pure speculative schemes are not relevant features of the market.

DWS do not expect any significant long-term negative effects for the European office market due to the flexibilisation of the service sector in general and an increase in mobile office arrangements. According to the experts, inner-city locations in particular will likely be far less affected than other locations and will see strong demand for space and stable to rising rent levels in the future.[6]

PRIME RENT



BNP Paribas European Office Markets 2019 and 2020 Edition, At a glance q3 2020 Main Office Markets in Europe

OFFICE MARKETS TOP 4 GERMANY AND VIENNA – SHORTAGE OF CENTRAL AND MODERN SPACES

Take-up in Germany's four largest A-locations [7] fell by 32 percent year-on-year to around two million square metres in 2020 and by 7 percent to 205,000 square metres in Vienna, as BNP Paribas have reported[8]. At the same time, the vacancy rate in the German Big 4 rose only slightly to quotas between 2.4 percent (Berlin) and 7.8 percent (Frankfurt) and remained stable in Vienna at 4.7 percent. This was significantly lower than the average in the 15 most important European office markets of 6.9 percent.

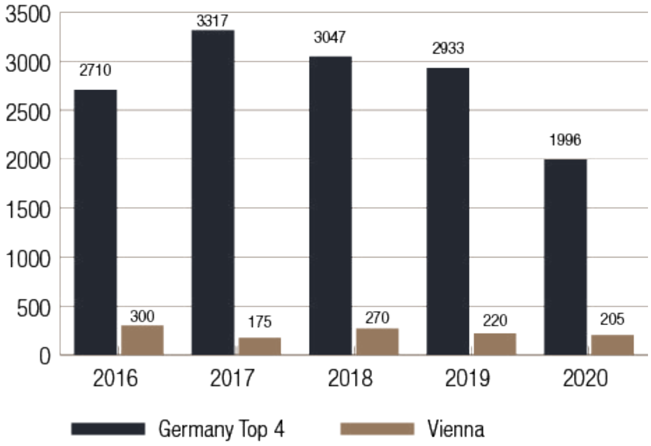
According to BNP Paribas[9], this development underpins the fact that the supply/demand ratio is currently much more balanced than in previous crises. Moreover, the temporary restraint in demand for office spaces had only little impact on prime rents, which range from 384 €/sqm /year (Hamburg) to 564€ (Frankfurt) in Germany's top four cities and 306 € in Vienna. BNP Paribas explained this by stating that modern spaces in central locations are highly sought-after but still short in supply.

Cushman & Wakefield establish many prime locations are almost fully let after the boom phase of the past few years, and Corona has not changed this.[10] The rent level is growing less strong in the current market situation.

1: Eurostat Preliminary Estimate February 2021 I 2: IWF World Economic Outlook January 2021 I 3: DWS Group Real Estate Investments October 2020 I 4: BNP Paribas Real Estate, At a glance Q4 2020 Main Office Markets in Europe I 5: JLL, Office market overview Big 7, October 2020 I 6: DWS Group Real Estate Investments October 2020 I 7: Berlin, Frankfurt, Hamburg, Munich I 8: BNP Paribas Real Estate, At a glance Q4 2020 Main Office Markets in Europe I 9: BNP Paribas Real Estate, At a glance Q4 2020 Main Office Markets in Europe I 10: Cushman & Wakefield, What impact will Corona have on the German office property market?

However, Cushman & Wakefield still sees growth potential for top rents in prime locations due to the continuing product shortage and high construction costs for project developments.

TAKE UPS



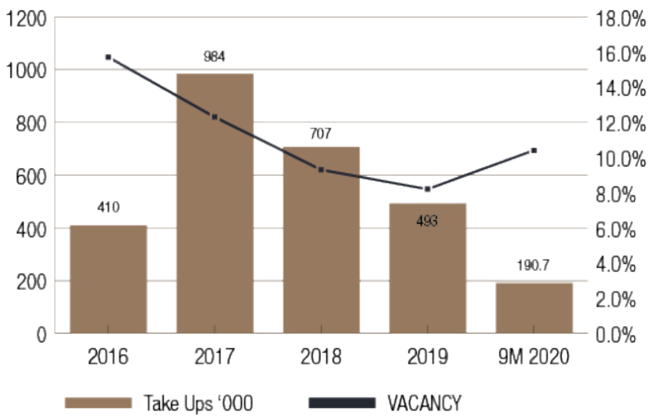
BNP Paribas European Office Markets 2019 and 2020 Edition, At a glance q3 2020 Main Office Markets in Europe

MOSCOW OFFICE MARKET - VACANCY RATE RISES ONLY SLIGHTLY IN 2020

Before the Corona pandemic, the Moscow office market was in robust shape with a steadily falling vacancy rate. On the report of BNP Paribas[11], the vacancy rate in Moscow fell to a record low of 8.2 percent at the end of 2019, with prime yields of around 9 per cent and prime rents of 557 €/sqm/year. At the same time, take-up fell by around 30 percent year-on-year to just under 500,000 square metres. This supports the shortage of class A supply.

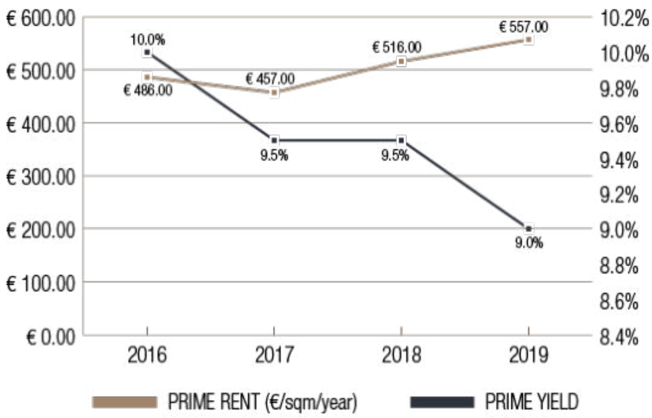
Despite the shortage, the vacancy rate in Moscow increased to 11 percent at the end of 2020, according to CBRE[12]. Although demand for space declined significantly during 2020, CBRE noted that a recovery in economic activity supported the revival of office leasing demand in Moscow towards the end of the year. CBRE also expects continued office leasing demand in 2021, following a decrease in negative external factors and resulting in an improvement of overall market performance.

OFFICE MARKET MOSCOW



BNP Paribas European Office Markets 2019 and 2020 Edition, CBRE Moscow Office MarketView Q3 2020, Knight Frank Office Market Report Moscow Q3 2020

OFFICE MARKET MOSCOW



BNP Paribas European Office Markets 2019 and 2020 Edition

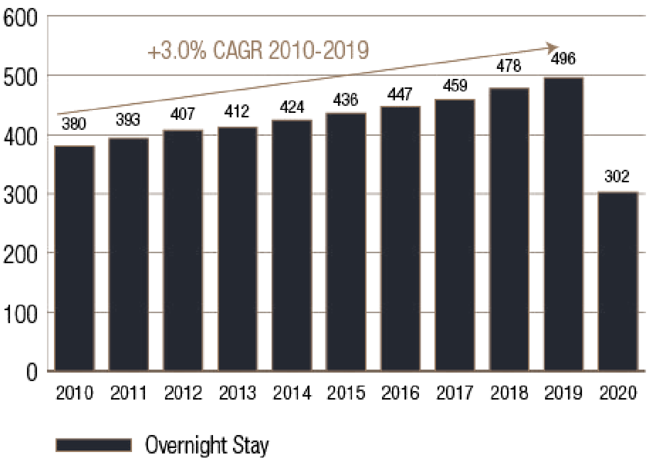
HOTEL
MARKET REPORT

HOTEL MARKET GERMANY – ESTABLISHED CONCEPTS IN TOP LOCATIONS STILL IN DEMAND

Tourism has been one of the fastest-growing sectors in Germany over the past ten years. According to the Federal Statistical Office Destatis[1] a new overnight stay record of 496 million was set in Germany in 2019. This was 3.7 percent above the 2018 level, making 2019 the tenth year in a row with an increase. The top location was Berlin with 34.2 million overnight stays and an occupancy rate of 80 percent, followed by Munich and Hamburg with 18.2 million and 15.4 million overnight stays and occupancy rates of 75 percent and 78 percent respectively.[2]

The Corona pandemic stopped this upward trend for the time being, and travel restrictions led to a decline in the total volume of overnight stays by 39 percent to 302.3 million in 2020[3]. During months with stricter anti-pandemic measures including travel restrictions the decline was significantly higher; during January 2021 e.g. , the number of overnight stays fell by 76 per cent compared to January 2020. As a result, according to real estate agents Engel & Völkers, room occupancy in German accommodations in 2020 was 48 percent lower than a year before and revenue per available room (RevPAR) fell by 65 per cent to 26 Euro[4].

OVERNIGHT STAY IN MILLION

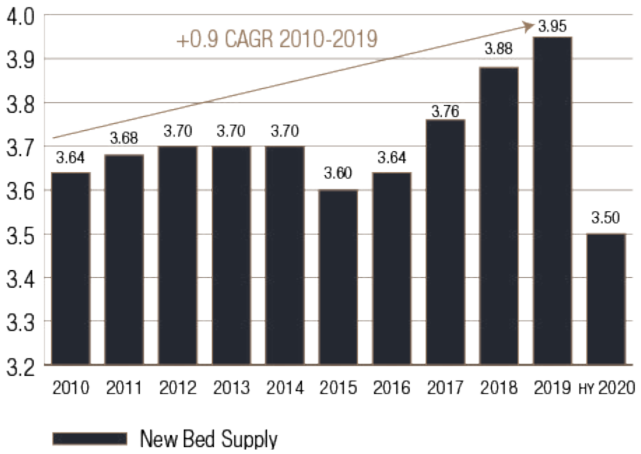


Source: ENGEL & VÖLKERS Hotel Market Report Germany 2020, Feb 2020 / Sentiment Report Hotel Market Germany 2020/2021", Q4 2020

Political measures and the subsequent decline in travel activity also effected the investment market. According to BNP Paribas[5], the transaction volume in 2020 accounted for 2.2 billion Euro, the lowest outcome since 2014. Looking at the seven largest German hotel markets[6], only Hamburg saw a smaller increase of 14 per cent. All other top cities experienced significant decreases in market volume, with losses ranging between 89 per cent in Frankfurt and 24 per cent in Berlin. Taken the circumstances, especially Berlin's market revenue of 440 million Euro is a positive sign and proof of a persistent demand.[7]

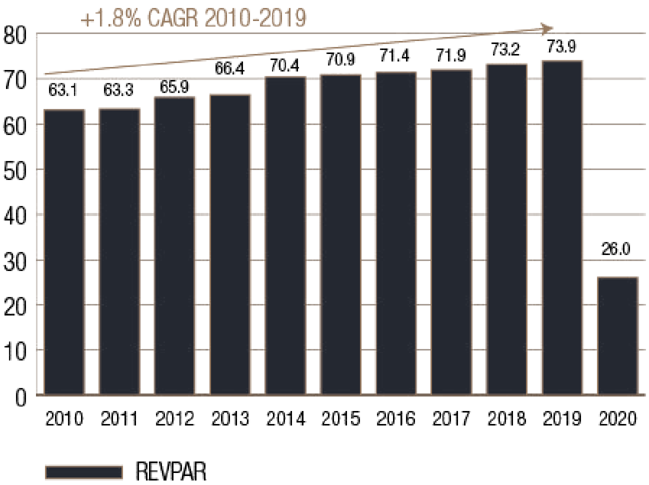
As German investors continue to extend their share of the domestic hotel market, foreign investors' contribution sank to 40 per cent. Looking at portfolio deals, however, they still dominate the market with 62 per cent.[8] According to BNP Paribas[10], the market activity in 2021 is highly dependent on the international as well as regional course of the pandemic. Established concepts in top locations – in particular with long-term leases – are thus more likely to remain in demand.

NEW BED SUPPLY IN MILLION



Source: ENGEL & VÖLKERS Hotel Market Report Germany 2020, Feb 2020 / Sentiment Report Hotel Market Germany 2020/2021", Q4 2020

REVPAR



Source: ENGEL & VÖLKERS Hotel Market Report Germany 2020, Feb 2020 / Sentiment Report Hotel Market Germany 2020/2021", Q4 2020

1: Destatis press release Tourism in Germany 2019, 10 Feb 2020 I 2: ENGEL & VÖLKERS, Hotel Market Report Germany 2020 I 3: Destatis press release Tourism in Germany 2020, 10 Feb 2021 I 4:ENGEL & VÖLKERS, Sentiment Report Hotel Market Germany 2020/2021, Q4 2020 I 5: BNP Paribas Real Estate, At a Glance Q4/2020, Hotel Investment Market Germany I 6: Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart I 7: BNP Paribas Real Estate, At a Glance Q4/2020, Hotel Investment Market Germany I 8: BNP Paribas Real Estate, At a Glance Q4/2020, Hotel Investment Market Germany I 10: BNP Paribas Real Estate, At a glance Q3 2020, Hotel Investment Market Germany


413-417

CORPORATE GOVERNANCE

The Corporate Governance of EPH European Property Holdings Limited is based on the Corporate Governance Guidelines of the SIX Swiss Exchange that entered into force on 2 January 2020.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

EPH European Property Holdings Limited ("EPH" or "Company") 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 pages 37ff of the Annual Report. None of the Company's subsidiaries or holdings are listed companies.

The management of the Company is provided by Valartis International Limited, a wholly owned subsidiary of Valartis Group AG ("Manager"). Details on the management contract can be found on page 42 of the Annual Report. The Company's registered office is located at: EPH European Property Holdings Ltd. c/o Hauteville Trust (BVI) Limited, P.O. Box 3483, Road Town, Tortola, British Virgin Islands.

The shares of EPH are traded on the SIX Swiss Exchange.
As of 31 December 2020, the Company's market capitalization was US$ 409.72 million.

Symbol: EPH
Swiss security number: 1673866
ISIN number: 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	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 2020, EPH had 14,409,022 shares in issue, whereof 14,326,000 were outstanding and had voting rights. As per 31 December 2020, the Company held 83,022 treasury shares.

On 31 December 2020, CAIAC Fund Management AG's Aurora Value Fund held 9'718'103 shares in the Company, equaling 67.4% of shares in issue of which 8'648'103 shares have voting rights.

On 31 December 2020, Real Estate Portfolio Fund managed by Bendura Fund Management Alpha AG held 2,700,000 shares in the Company, equaling 18.7% of shares in issue. Lionshare Opportunities Fund managed by Bendura Fund Management Alpha AG held 913'156 shares in issue, equaling 6.3%. Valartis Property Holdings Ltd. held 710'000 shares in the Company, equaling 4.9% 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 http://www.easternpropertyholdings.com/investors/news/.

No additional disclosures from significant shareholders have been made during the period under review.

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 and 11 June 2019 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. As of 31 December 2020, the Company's issued share capital consists of 14,409,022 ordinary shares. Note 26 "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 passed by the General Meeting of Members or by a resolution of directors. 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 Memorandum and Articles of Association. Any shares issued by the Company have to be offered to each holder of shares of the class being offered equal to the proportion in nominal value held by him and subject to the right of any such person to whom the offer is made to apply, (on a pro-rata basis with other holders of Shares of that class who have taken up their entitlement), for any Shares not so taken up and the period during which such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made. The status of the authorized capital is detailed in Note 26 to the Company's Financial Statements.

2.2.2 Conditional share capital

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	31.12.2020	31.12.2019	31.12.2018
Authorised	21,000,000	21,000,000	11,000,000
Issued	14,409,022	9,974,022	9,974,022
Treasury shares	83,022	69,063	54,005
Issued and outstanding	14,326,000	9,904,959	9,920,017

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 and the amendment of clause 5.1 of the Company's memorandum of association by deleting the current text of clause 5.1 and replacing it by the following:
"The Company is authorised to issue a maximum of 21,000,000 Ordinary Shares without par value and 1,000,000 Series A Preferred Shares without par value."

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

There have been no further changes to the authorised or conditional capital as described in the latest annual report of the Company as per 31 December 2020.

2.4 SHARES AND PARTICIPATION CERTIFICATES

Number of shares in issue	14,409,022 ordinary shares
Share category	Registered shares
Par value	No par value

Except when held by the Company as treasury shares, each ordinary share has one vote, and is entitled to dividends.

Series A preferred shares have equal economic and dividend rights than ordinary shares, but do not have voting rights. Any such shares in issue at the time of a capital increase of over 10% of the Company's shares outstanding would automatically be converted to ordinary shares on a one-for-one basis.

No series A preferred shares are in issue as of 31 December 2020.

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 ordinary shares or the registration of nominee shareholders in the register. Series A preferred shares can only be transferred with the prior written consent of the Company.

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

Members of the Company's Board of Directors are designated as Executive or Non-executive. 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. provides 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.

The other Board Members are designated as Non-Executive Board Members. None of the Company's 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.

Composition of the Board of Directors as of 31 December 2020, and biographies of the board members can be found in the "Directors and Management" section of the Annual Report, starting on page 16.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

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

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

The 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. In June 2020, Gustav Stenbolt has been re-elected for three years (first appointment July 2003), and Annamaria Vassiliades has been elected for 3 years. All other Board Members have been re-elected for a term of three years as per the General Meeting 2019 (first appointment in April 2013).

3.4 INTERNAL ORGANISATIONAL STRUCTURE

3.4.1 Allocation of tasks within the Board of Directors

As of 31 December 2020, the Board of Directors has not formed any committees and specific tasks have not been allocated to individual Board Members.

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

No committees have been formed.

3.4.3 Work methods of the Board of Directors

Board meetings take place as often as business requires, though generally not less than four times per year, at such place as the Board Members shall decide. Meetings may also take place by conference call. Duration of the meetings depends on the list of items on the agenda. Board meetings may be attended by the Management Committee members or, where requested, representatives of 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 circular resolutions. Board of Directors meetings took place ten times in 2020.

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 main function of the Board of Directors is the supervision of the Company's management, including the Management Committee and the Manager, and 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. All significant investment proposals are discussed on board level.

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 or intercompany financing have to be approved by the Board of Directors.

The management of the Company has been delegated to the Management Committee and to the Manager, Valartis International Ltd., a wholly owned subsidiary of Valartis Group AG. The Management Committee consists of five persons, one of them being nominated by the Company from the candidate designated by the Manager. The Management Committee is responsible for taking operative decisions and will take such decisions by unanimous vote within its authorities and the guidelines determined by the Board of Directors. The Management Committee is responsible for the supervision and has the authority to conclude defined transactions without consultation of the Board of Directors (including the sale of existing properties with a value not exceeding US$ 5million).

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 inform the Board of Directors on a regular basis on the Company's assets and liabilities.

3.6 INFORMATION AND CONTROL INSTRUMENTS

EPH's Board of Directors monitors 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 Real Estate Management Agreement between the Company and Valartis International Ltd., the current Management Committee was elected by the resolution of the Board of Directors on 21 April 2015 and 19 June 2020. The Management Committee consists of five persons, one of them is nominated by the Company from the candidate designated by the Manager.

The Management Committee shall meet as often as required and may pass resolutions only with the consent of all members attending the meeting of the Management Committee.

Composition of the Management Committee as of 31 December 2020, and biographies of the members can be found in the "Directors and Management" section of the Annual Report, starting on page 18.

4.1.2 Other activities and vested interests

Olga Melnikova, Hans Messmer and Annamaria Vassiliades, who are members of the Management Committee, also serve as members of the Board of Directors of the Company. 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 management agreement with Valartis International Ltd. ("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 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, QBC4, 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

The overall management fee under the Real Estate Management Agreement consists of separate payments for each of the specific services provided. Under the Real Estate Management Agreement, in 2020 the management fee in respect to property management, administration investor relations and administrative services amounted to approximately US$ 3.4 million. For 2021 the annual fee is expected to increase to approximately US$ 4 million mainly due to a full year of fees for the property managements in Germany and Austria and additional financial as well as corporate services.

In addition to the above described fees, the Manager shall be entitled to receive compensation on the basis of full reimbursement of all reasonable costs and expenses incurred by the Manager on behalf of the Company and its subsidiaries.

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. For such services the Manager received additional fees in the amount of approximately US$ 1,167,099 in 2020.

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.

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 2020 of EUR 60k for supporting the process of acquisitions. The remaining 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 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 on 31 December 2020, 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.

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$ 116,032
Christodoulos G Vassiliades	Executive Member	US$ 50,000
Hans Messmer	Executive Member	US$ 50,000
Gustav Stenbolt	Executive Member	0

6. SHAREHOLDERS' PARTICIPATION

6.1 VOTING-RIGHTS AND REPRESENTATION RESTRICTIONS

Ordinary shares entitle the holder to one vote per share. According to the Memorandum and Articles of Association, treasury shares do not confer the right to vote.

There are no voting restrictions or limitations. However, 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.

At a Meeting of Shareholders, a shareholder may either represent his shares 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 ad¬ditional 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 present in person or by proxy not less than 10 percent of the votes of the shares (or class or series of shares) entitled to vote on resolutions of shareholders to be considered at the meeting.

Matters are decided by a simple majority of votes, except that approval of at least two thirds of the votes of the shareholders of the ordinary shares that were present at the meeting and are entitled to vote did not abstain is required for:

1. Change of the purpose of the Company
2. The dissolution of the Company followed by liquidation

6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

As per the Articles of Association, the Annual General Meeting of Shareholders shall be held in any place other than Switzerland, the Russian Federation or the British Virgin Islands. The exact location of the Meeting of Shareholders shall be specified in the notice of the meeting. Any two Board Members of the Company may convene a Meeting of Shareholders.

The directors convening a meeting shall give not less than 20 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.

Extraordinary shareholders' meetings may be called by any Director of the Company as well as upon written request of members holding 10% or more of the votes of the outstanding ordinary shares.

6.4 INCLUSION OF ITEMS ON THE AGENDA

Shareholders holding more than 10% of the votes of the outstanding ordinary shares in the Company may request in writing that additional items are added to the proposed agenda.

6.5 INSCRIPTIONS INTO THE SHARE REGISTER

The deadline for the inscription of registered shares into the shareholders' register in view of their participation in the General Meeting of Shareholders is specified in the notice, being a date not earlier than the date of the notice.

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.

7.3 OBLIGATION TO ANNOUNCE SIGNIFICANT SHAREHOLDINGS

Pursuant to Article 20 of the Stock Exchange Act ("SESTA"), if a shareholder or group of shareholders subject to the disclosure obligation attains, falls below or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3 percent of the voting rights, the person or group is obliged to make a notification in writing to the Company and the stock exchange no later than four trading days after the creation of the obligation to notify.

The reporting levels are based on the total number of shares in issue, with no adjustment for treasury shares.

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.

From 2010 until 2017, Ernst&Young AG, Zurich was the auditor of the Company.

8.2 AUDITING FEES

Fees (excluding expenses and VAT) paid to Deloitte, which include services both the Zurich and Moscow offices, for audit of the Company's 31 December 2019 financial statements, and audit-related work, totaled US$ 490,000. Fees (excluding expenses and VAT) paid or to be paid to Deloitte AG for audit of the Company's 31 December 2020 financial statements and review of the 30 June 2020 interim financial statements are estimated at a total of approximately US$ 510,000.

8.3 ADDITIONAL FEES

The total fees (excluding expenses and VAT) charged to the Company in the year under review by Deloitte and its related parties for additional services are as follows: Comfort Letter for EPH's Share Issuance: CHF 60,000 and other services: US$ 17,400.

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.

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 Limited
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.

EXTERNAL REPORTS

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the General Meeting of EPH European Property Holdings Limited,
Tortola, British Virgin Islands

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EPH European Property Holdings Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 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 57 to 112) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, 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 judgment, 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 the note 7 – Investment properties, the carrying values of investment properties for the Group as at 31 December 2020 were USD 1'525 million. The fair value adjustment recorded in net profit before tax in respect of investment properties for the Group amounted to USD 27 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 procedures: • We assessed the design and implementation of the relevant controls 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. validity of methodology and its application, challenging assumptions used) based on their specific experience and knowledge in the local markets; • We evaluated the external valuators expertise, independency and methodology used by them for the valuation. We assessed the key assumptions included in the valuation; • We verified the significant data applied in the valuation model to supporting documentation; and • We also focused on the adequacy of disclosures about key assumptions. The disclosures on the fair value of investment properties are included in note 10 to the consolidated financial statements.

Deloitte.

Other Information in the Annual Report

Board of Directors 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.

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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.

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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 2021

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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 2020.

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 (issued November 2019, effective from 31 January 2020) 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,

Tim Millard MRICS
Reginal Director
Head of the Advisory Group
JLL Russia&CIS

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

City Gate Stuttgart GmbH
Mr. Marcus Friedrichs
Westendstr. 28

60325 Frankfurt

23 March 2021
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 2020.

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 29 January 2021.

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

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PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

Fünfunddreißigste Verwaltungsgesellschaft
DWI Grundbesitz mbH
Mr. Marcus Friedrichs
Westendstraße 28
60325 Frankfurt

23 March 2021
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 2020.

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 11 February 2021.

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

Vorsitzender des Aufsichtsrats: WP StB Dr. Norbert Vogelpoth
Geschäftsführer: WP StB Dr. Ulrich Störk, WP StB Dr. Peter Bartels, Dr. Joachim Englert, WP StB Petra Justenhoven, WP Clemens Koch, StB Marius Möller, WP StB Uwe Rittmann, StB RA Klaus Schmidt, StB CPA Mark Smith

Sitz der Gesellschaft: Frankfurt am Main, Amtsgericht Frankfurt am Main HRB 107858
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ist Mitglied von PricewaterhouseCoopers International, einer *Company limited by guarantee* registriert in England und Wales

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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

23 March 2021
DHe/JSa

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

Dear Mr. Bikić, Dear Mr. Brück,

You have 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.

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 17 February 2021.

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

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

23 March 2021
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, you now engaged us to update the Fair Value assessment of the subject property. The valuation date is 31 December 2020.

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 17 February 2021.

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

Vorsitzender des Aufsichtsrats: WP StB Dr. Norbert Vogelpoth
Geschäftsführer: WP StB Dr. Ulrich Störk, WP StB Dr. Peter Bartels, Dr. Joachim Englert, WP StB Petra Justenhoven, WP Clemens Koch, StB Marius Möller, WP StB Uwe Rittmann, StB RA Klaus Schmidt, StB CPA Mark Smith

Sitz der Gesellschaft: Frankfurt am Main, Amtsgericht Frankfurt am Main HRB 107858
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QBC Immobilien GmbH & Co Delta KG
Ms Anna Bernhart
Am Belvedere 4
1100 Vienna
Austria

April 01, 2021

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 February 08, 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, 2020.

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 September 15, 2020.

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 *	31.12.2020	31.12.2019
Assets			
Non-current assets			
Investment properties	7,8	1,525,251,437	1,007,516,128
Prepayments for future acquisitions		–	22,962,341
Goodwill	12	75,036,169	76,620,949
Accounts receivable	13	932,592	–
Deferred tax assets	23	495,412	650,824
Furniture and equipment		60,391	82,635
Total non-current assets		1,601,776,001	1,107,832,877
Current assets			
Inventory	11	86,044,974	124,420,990
Accounts receivable	13	7,675,900	882,976
Prepayments		1,799,303	2,362,158
Prepaid taxes		4,323,950	3,683,928
Cash & cash equivalents	14	143,262,094	29,372,858
Total current assets		243,106,221	160,722,910
Total assets		1,844,882,222	1,268,555,787
Liabilities			
Non-current liabilities			
Borrowings	15	976,770,903	655,449,347
Deferred tax liabilities	23	135,970,620	158,371,253
Non-current liabilities	16	8,990,789	8,085,129
Total non-current liabilities		1,121,732,312	821,905,729
Current liabilities			
Accounts payable and accrued expenses	16	23,499,669	6,895,412
Advances received	17	14,226,471	16,215,826
Taxes payable		12,065,178	12,296,695
Borrowings	15	137,113,410	3,909,669
Total current liabilities		186,904,728	39,317,602
Equity			
Share capital	25	753,526,865	590,539,374
Share premium	25	19,176,805	19,176,805
Treasury shares	25	–2,370,375	–1,975,238
Accumulated deficit		–43,911,112	–70,893,189
Cumulative translation adjustment		–200,746,011	–133,371,463
Shareholders' equity attributable to the holders of the Company		525,676,172	403,476,289
Non-controlling interest		10,569,010	3,856,167
Total equity		536,245,182	407,332,456
Total equity and liabilities		1,844,882,222	1,268,555,787
Number of shares outstanding		14,326,000	9,904,959
Net asset value per share		36.69	40.73

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

		for the year ended	
in US$	Note *	31.12.2020	31.12.2019
Rental income			
Gross rental income	18	63,269,071	74,519,184
Service charge income	18	11,346,099	12,304,638
Utilities	18	−3,097,630	−4,155,532
Property operating expenses	18	−5,108,761	−4,194,104
Repair and maintenance costs	18	−1,137,723	−710,275
Ground rents paid	18	−269,023	−488,812
Non-income taxes	18	−4,158,653	−5,977,707
Net rental income	18	60,843,380	71,297,392
Gains and losses arising from the sales of properties			
Sales of properties	19	41,007,784	8,431,841
Cost of sales	19	−29,778,833	−5,309,113
Net gain arising from the sales of properties	19	11,228,951	3,122,728
Administrative and selling expenses			
Management fees	26	−3,400,547	−2,663,808
Professional and administration fees		−2,971,238	−3,986,989
Selling expenses		−672,354	−1,206,260
Salaries and social charges		−455,497	−535,167
Total administrative and selling expenses		−7,499,636	−8,392,224
Other income/(expenses)			
Interest income		558,319	383,625
Other income	20	4,842,872	759,919
Other expenses	21	−7,133,294	−1,923,221
Depreciation		−14,176	−23,120
Net foreign exchange (loss)/gain		−20,660,840	38,361,015
Net other (expenses)/income		−22,407,119	37,558,218
Valuation movements			
Net (loss)/gain from fair value adjustment on investment properties	7	−85,346,111	53,511,851
Net gain/(loss) due to effect of currency fluctuation on valuation of investment property	7	112,475,970	−70,575,004
Net valuation movements		27,129,859	−17,063,153
Net operating gain before finance cost		69,295,435	86,522,961
Finance costs	22	−38,361,636	−32,646,854
Gain before taxes		30,933,799	53,876,107
Income taxes	23	−4,365,354	−12,873,952
Net profit for the period		26,568,445	41,002,155
Attributable to:			
Equity holders of the Company		26,982,077	40,678,681
Non-controlling interest		−413,632	323,474
Earnings per share for profit attributable to equity holders of the Company during the period			
Weighted average number of outstanding shares		10,005,836	9,911,451
Basic and diluted		2.70	4.10

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

	for the year ended	
in US$	31.12.2020	31.12.2019
Net profit for the period	26,568,445	41,002,155
Other comprehensive gain/(loss)		
Other comprehensive (loss)/gain to be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on currency translation differences	−66,250,647	27,595,598
Net other comprehensive (loss)/gain to be reclassified to profit or loss in subsequent periods	−66,250,647	27,595,598
Total comprehensive (loss)/gain for the period	−39,682,202	68,597,753
Attributable to:		
Equity holders of the Company	−40,392,471	68,409,115
Non-controlling interest	710,269	188,638

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

		for the year ended	
in US$	Note *	31.12.2020	31.12.2019
Cash flows from operating activities			
Net profit for the period		26,568,445	41,002,155
Net foreign exchange loss/(gain)		20,660,840	–38,361,015
Net loss/(gain) from fair value adjustment on investment properties	7	85,346,111	–53,511,851
Net (gain)/loss due to effect of currency fluctuation on valuation of investment property	7	–112,475,970	70,575,004
Other non-cash expenses		1,941,483	737,435
Gain arising from sale of investment property	19	–10,333,316	–
Depreciation		14,176	23,120
Interest income		–558,319	–383,625
Finance costs	22	38,361,636	32,646,854
Income tax expense		4,365,354	12,873,952
Cash generated from operations before movements in working capital		**53,890,440**	**65,602,029**
Movements in working capital			
Decrease in accounts payable and other liabilities		–2,476,505	–7,179,486
(Increase)/Decrease in accounts receivable		–5,641,718	421,730
Decrease in inventory	11	17,024,275	5,309,113
Cash generated from operations		**62,796,492**	**64,153,386**
Interest income received		558,319	383,625
Income tax paid		–7,742,161	–10,226,118
Net cash generated from operating activities		**55,612,650**	**54,310,893**
Cash flows from investing activities			
Acquisitions of business, net of cash acquired	9	–	–54,689,100
Prepayments for future acquisitions		–	–22,603,847
Purchases of investment properties	7,8	–343,676,302	–4,875,557
Proceeds from sales of investment properties		22,155,282	–
Net transfer of funds on Escrow accounts	8, 14	–15,638,524	–
Borrowing costs	7	–2,452,342	–
Net cash used in investing activities		**–339,611,886**	**–82,168,504**
Cash flows from financing activities			
Finance costs paid		–36,245,045	–30,531,677
Proceeds from notes payable	15	247,039,409	49,396,207
Repayment of borrowings		–3,542,075	–
Proceeds from sale of ordinary shares		162,987,491	–
Proceeds from sale of treasury shares		–	60
Acquisition of treasury shares		–395,137	–434,705
Unicredit loan refinance fees		–	–4,430,072
Net cash generated from financing activities		**369,844,643**	**13,999,813**
Net change in cash & cash equivalents		**85,845,407**	**–13,857,798**
Cash & cash equivalents at the beginning of the period		29,372,573	41,688,479
Net gain from foreign currency translation		12,404,993	1,541,892
Cash & cash equivalents at the end of the period	14	**127,622,973**	**29,372,573**

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

Non-cash transactions

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 (Note 8). In 2019, the non-cash transactions were insignificant.

Reconciliation of cash& cash equivalents at the end of the period to the statement of financial position

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

Changes in liabilities arising from financing activities are disclosed in Note 15.

in US$	Share capital	Share premium	Treasury shares
Balance as of 01.01.2019	590,539,374	19,176,805	−1,540,593
Net profit for the period	–	–	–
Other comprehensive loss	–	–	–
Total comprehensive gain for the period	–	–	–
Acquisition of treasury shares (acquisitions US$434.705, sales US$ 60)	–	–	−434,645
Balance as of 31.12.2019	590,539,374	19,176,805	−1,975,238
Net profit/(loss) for the period	–	–	–
Other comprehensive (loss)/gain	–	–	–
Total comprehensive gain/(loss) for the period	–	–	–
Allocation of newly issued shares net of transaction cost (Note 25)	162,987,491		
Acquisition of treasury shares	–	–	−395,137
Acquisition of a subsidiary during the period	–	–	–
Balance as of 31.12.2020	753,526,865	19,176,805	−2,370,375

* The Notes are an integral part of these Consolidated financial statements.

Accumulated deficit	Currency translation adjustment	Shareholders' equity attributable to the holders of the Company	Non-controlling interest	Total equity
−111,571,870	−161,101,897	335,501,819	3,667,529	339,169,348
40,678,681	–	40,678,681	323,474	41,002,155
–	27,730,434	27,730,434	−134,836	27,595,598
40,678,681	27,730,434	68,409,115	188,638	68,597,753
–	–	−434,645	–	−434,645
−70,893,189	−133,371,463	403,476,289	3,856,167	407,332,456
26,982,077	–	26,982,077	−413,632	26,568,445
–	−67,374,548	−67,374,548	1,123,901	−66,250,647
26,982,077	−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
−43,911,112	−200,746,011	525,676,172	10,569,010	536,245,182

1. CORPORATE INFORMATION

EPH European Property Holdings Limited (former "Eastern Property Holdings Ltd") (the "Company", "EPH") is a limited liability company incorporated and domiciled in British Virgin Islands whose shares are publicly traded on the SIX Swiss Exchange. The registered office is located at Hauteville Trust (BVI) Limited, P.O. Box 3483, Road Town, Tortola, British Virgin Islands. The consolidated financial statements of EPH European Property Holdings Limited and its subsidiaries (together the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2021.

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.

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.
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 2020 and did not have any impact or did not have a material impact on the Group's Consolidated Financial Statements:

- Amendments to the Conceptual Framework: fair value, improved definitions and recommendations (subject of changes);
- Amendments to IFRS 9, IAS 39 and IFRS 7: interest rate benchmark reform ("IBOR") – Phase 1;
- Amendment to IFRS 16 Covid-19-Related Rent Concessions: practical relief for lessees in accounting for rent concessions occurring as a direct consequence of COVID-19;
- Amendments to IAS 1 and IAS 8: definition of a materiality.

The following amendments have significant impact on the Group's Consolidated Financial Statements.

Amendments to IFRS 3 Business Combinations

In October 2019, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not.
The amendments mainly include:

- Clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs
- Adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
- The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. The amendments will have an effect on how management classifies acquisition of properties and the Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

Early adoption of standards

In 2020, 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;
- IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16, Interest rate benchmark reform ("IBOR") – phase 2, effective 1 January 2021;
- IFRS 4: Extension of the temporary exemption from applying IFRS 9, effective 1 January 2021;
- IFRS 16: COVID-19 related rent concessions beyond 30 June 2021, effective 1 April 2021;
- 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: 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;
- Annual improvements to IFRS Standards 2008-2020 Cycle: amendments 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.

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 2020. 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.

Joint operations

Joint operations are a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, resulting to the arrangement. The Group's interests in joint operation entities are accounted for by recognising its share of the assets, liabilities, revenues and expenses. The Group combines its share of the joint operations' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

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$):

	31.12.2020		31.12.2019		31.12.2018	
in US$	RUB	EUR	RUB	EUR	RUB	EUR
closing rate	75.0596	0.8143	62.1071	0.8917	69.5131	0.8744
average rate	72.9358	0.8727	64.4692	0.8933	62.6679	0.8478

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. Because of the primary currency used in the Group's lease contracts, the currency of the Group's bank financings, and the usual currency to set transaction prices when buying or selling properties, the appraisers determine the value of the Group's real estate holdings 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 amostised 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.

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, the financial asset is 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.

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 trade 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.

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

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 COST

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.

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 AND ASSUMTIONS

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.

Impact of COVID-19

Due to the COVID-19 pandemic, the business conditions in 2020 were impacted by various factors beyond the Group's control, including a prolonged spread of the pandemic, various government measures in the countries where the Group operates affecting the Group's operations and customers' behaviours. This applies particularly in the context of international links and interrelations between the financial mar kets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when com bined are impossible to assess with any certainty ex ante. These factors led to a high degree of uncertainty on the estimates and assumptions concerning the future that were considered in the forecasts of the various operating segments of the Group. The estimates and assumptions, notably those relating to fair value of investment property, inventory valuation and expected credit loss of rental receivables have been based on the available information as of 31 December 2020 and grounded on the fundamental premise that the coronavirus pandemic represents a temporary phenomenon, affecting the Group's profits in the short run.

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 ac quired 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 outputs 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 10.

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$ 3.76 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 newly acquired (29 June 2020) 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 in the reporting period are financed out of funds received from issue of interest bearing subordinated registered notes in 2020 (see note 15). The notes as well as interest capitalised for them are presented in Rental Property under Construction segment in proportion to the value of the property. The value of the property is accounted for at cost until the construction is completed or when its fair value can be estimated reliably which ever is earlier.

3. "Residential Properties for Sale" consists of 100% of owned by the Group residential areas of two mixed-use 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 31.12.2020				
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
Valuation movements	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**

	for the year ended 31.12.2019				
in US$	Rental properties	Rental properties under construction	Residential properties for sale	Other segments	Total
Gross rental income	74,519,184	–	–	–	74,519,184
Other rental expenses	−3,221,792	–	–	–	−3,221,792
Net rental income	71,297,392	–	–	–	71,297,392
Sales of properties	–	–	8,431,841	–	8,431,841
Net gain arising from the sales of properties	–	–	3,122,728	–	3,122,728
Interest income	360,287	–	23,338	–	383,625
Net foreign exchange gain/ loss	4,541,465	–	−125,288	33,944,838	38,361,015
Valuation movements	−17,117,854	–	–	54,701	−17,063,153
Finance costs	−30,901,268	–	−1,670,254	−75,332	−32,646,854
Income tax expense	−10,294,705	–	−2,510,384	−68,863	−12,873,952
Other expenses	−3,935,338	–	−3,212,251	−2,431,057	−9,578,646
Net profit/ loss for the period	13,949,979	–	−4,372,111	31,424,287	41,002,155

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 31.12.2020

	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

Assets and liabilities valuation as of 31.12.2019

	Rental Properties	Rental Property Under Construction	Residential Properties for sale	Other segments	Total
Investment properties	1,003,743,451	–	–	3,772,677	1,007,516,128
Prepayments for future acquisitions	22,962,341	–	–	–	22,962,341
Goodwill	76,620,949	–	–	–	76,620,949
Inventory	–	–	124,420,990	–	124,420,990
Cash & cash equivalents	23,457,710	–	3,998,331	1,916,817	29,372,858
Other Assets	6,702,821	–	874,729	84,971	7,662,521
Total Assets	**1,133,487,272**	**–**	**129,294,050**	**5,774,465**	**1,268,555,787**
Total Liabilities	**830,638,707**	**–**	**30,506,992**	**77,632**	**861,223,331**

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

	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
Prepayments for future acquisitions	–	–	–	–
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

	for the year ended 31.12.2019			
in US$	Russia	Germany	Austria	Total
Gross rental income	63,138,542	8,172,680	3,207,962	74,519,184
Net rental income	61,182,777	6,906,311	3,208,304	71,297,392
Sales of residential properties	8,431,841			8,431,841
Carrying amount of:				
Investment property	651,129,451	239,318,157	117,068,520	1,007,516,128
Prepayments for future acquisitions	0	–	22,962,341	22,962,341
Goodwill	45,621,368	19,305,477	11,694,104	76,620,949
Inventory	124,420,990	–	–	124,420,990
Total	821,171,809	258,623,634	151,724,965	1,231,520,408

Information on the major customers is given in Note 18.

7. INVESTMENT PROPERTIES

The balances and movements of investments properties on a project 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 2020 and 31 December 2019. Refer to Note 10 for details.

for the year ended 31.12.2020

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Scandinavia land
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
Acquisitions							
Additions from subsequent expenditure	12,342		587,026	496,143		11,331	
Borrowing costs (2)							
Disposals (1)						−8,829,000	−3,008,599
Other	−20,073		−1,724,784	−81,210			
Revaluations	−3,087,888	−13,185,000	−11,961,242	−31,650,933	−1,231,000	−3,141,331	50,044
Land lease obligations	−59,897						
Effect of translation to presentation currency							−814,122
End of period	149,074,258	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000	–

as at 31.12.2020

Market value as estimated by the external valuer	148,714,000	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000	
Carried at cost of acquisition							
Add: finance lease obligation recognised separately	360,258						
Carrying amount for financial reporting purposes	149,074,258	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000	–

for the year ended 31.12.2019

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Scandinavia land
Beginning of the period	141,292,855	140,730,907	96,432,222	201,096,102	4,488,262	18,956,000	3,320,000
Additions from subsequent expenditure	33,721	42,585	1,816,408	2,548,280			
Revaluations	10,890,916	7,155,416	14,220,592	8,356,482	424,000	2,543,000	54,701
Land lease obligations	35,106	−730,908	−732,222	−2,096,103	−88,262		
Effect of translation to presentation currency							397,976
End of period	152,229,774	147,198,000	111,737,000	209,869,000	4,824,000	21,499,000	3,772,677

as at 31.12.2019

Market value as estimated by the external valuer	151,897,000	147,198,000	111,737,000	209,869,000	4,824,000	21,499,000	3,772,677
Add: finance lease obligation recognised separately	332,774						
Carrying amount for financial reporting purposes	152,229,774	147,198,000	111,737,000	209,869,000	4,824,000	21,499,000	3,772,677

(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. Refer to Note 19.

(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.

City Gate	WLC	QBC 4	STRAL 3	LASS 1	SALZ 4	QBC 1,2,7	Total
139,284,513	100,033,644	117,068,520					1,007,516,128
			111,602,880	95,617,160	62,280,651	280,714,315	550,215,006
		36,647		6,088,299			7,231,788
				2,452,342			2,452,342
							−11,837,599
−42,240	−73,176						−1,941,483
844,349	−958,107	249,820	−14,577,809		−6,697,014		−85,346,111
							−59,897
13,296,652	9,434,333	11,148,021	13,499,306	8,445,229	2,011,844		57,021,263
153,383,274	108,436,694	128,503,008	110,524,377	112,603,030	57,595,481	280,714,315	1,525,251,437
153,383,274	108,436,694	128,503,008	110,524,377		57,595,481		1,131,573,834
				112,603,030		280,714,315	393,317,345
							360,258
153,383,274	108,436,694	128,503,008	110,524,377	112,603,030	57,595,481	280,714,315	1,525,251,437

City Gate	WLC	QBC 4	Total
136,209,289	98,926,142		841,451,779
215,712	189,415	29,436	4,875,557
5,534,754	2,864,710	1,467,280	53,511,851
			−3,612,389
−2,633,975	−1,915,000	−1,786,644	−5,937,643
139,284,513	100,033,644	117,068,520	1,007,516,128
139,284,513	100,033,644	117,068,520	1,007,183,354
			332,774
139,284,513	100,033,644	117,068,520	1,007,516,128

The fair value of investment property, located in Russia, is determined by using US$-denominated discounted cash flows. In the table above, net (loss)/gain from fair value adjustment for the Russian properties is presented free from the effect of fluctuations of Ruble (the functional currency of the Russian subsidiaries, holding the properties) over US$ (the currency of the appraised fair value). The derived effect of Ruble fluctuations over US$ for the amount of US$ 112.48 million is set off with the effect of translation from functional to presentation currency for the purposes of the disclosure. On a gross basis, net gain/(loss) due to effect of currency fluctuation on valuation of investment property in Russia is related to the following properties:

	for the year ended	
in US$	31.12.2020	31.12.2019
A. Berlin House	26,882,352	−16,596,853
B. Geneva House	25,756,621	−16,346,448
C. Polar Lights	19,461,689	−11,581,270
D. Hermitage Plaza	36,360,597	−23,258,667
E. Magistral'naya	820,838	−520,992
F. Arbat Multi-use Complexes	3,193,873	−2,270,774
Total Net gain/(loss) due to effect of currency fluctuation on valuation of investment property	112,475,970	−70,575,004

as of 31.12.2020

	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat 39 (1)
Country	Russia	Russia	Russia	Russia	Russia	Russia
City	Moscow	Moscow	Moscow	Moscow	Moscow	Moscow
Address	5, Petrovka Street	7, Petrovka Street	26, Pravdy Street	4 & 13,2/4, Krasnoproletarskaya 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	1,200
office	6,620	10,340	29,350	32,500	3,177	–
retail	3,480	1,630	1,400	400	–	1,200
other	–	–	–	–	–	–
Parking lots						
underground	68	132	159	284	–	60
surface	–	–	52	–	39	–
Vacancy rate as a % of net rentable area	14%	17%	2%	0%	0%	76%
Lease terms	2021-2030	2021-2035	2021-2026	2021-2026	2021	2023
Weighted average lease term, years	4	6	2	5	0	3
Carrying amount, US$	149,074,258	134,013,000	98,638,000	178,633,000	3,593,000	9,540,000

* expected area after completion of construction is given

(1) Arbat project represents a multi-use building of 10,520 sqm at Abat Street 39 in Moscow. The building includes elite segment apartments and retail area. Retail premises have been recognised as investment property and carried at fair value. Main characteristics on retail/ office premises is presented in the table below. Apartments, which are intended for sale, have been recognised as Inventory and carried at cost but tested against an appraisal for impairment at each balance sheet date (Note 11).

	City Gate	WLC	STRAL 3	SALZ 4	QBC 4	QBC 1,2,7	LASS 1
	Germany	Germany	Germany	Germany	Austria	Austria	Austria
	Stuttgart	Hamburg	Berlin	Dresden	Vienna	Vienna	Vienna
	11, Kriegsbergstrasse	1a, Gorch-Fock-Wall	3, Stralauer Allee	4, Salzgasse	4, Am Belvedere	QBC1: Gertrude-Fröhlich-Sandner-Str; QBC2: 5, Wiedner Gürtel; QBC7: Karl Popper Straße ONr. sine	1, Lassallestrasse
	Office & retail with restaurant	Office and retail with fitness	Purpose built design hotel (ref. to music theme)	Hotel	Office centre	Office buildings and parking	Office building under construction
	A	A	4-star	4-star	A	A	n/a
	26,445	12,068	28,030	15,620	20,000	44,410	29 000*
	freehold	freehold	freehold	freehold	freehold	freehold	freehold
	17,231	**12,038**	**20,160**	**15,550**	**17,425**	**38,771**	**29 000***
	15,378	6,171	n/a	–	17,425	33,030	n/a
	1 246 (incl. restaurant)	2,519	n/a	261	–	3,945	n/a
	607	2 416 (fitness), 932 (other)	20 160 (hotel of 304 rooms, rest., spa, music stage, record studios)	15 289 (hotel of 180 rooms, a spa, restaurant, bar)	–	1 796 (storage)	n/a
	145	89	86	46	71	583	n/a
	–	–	39	–	–	97	n/a
	0%	0%	0%	0%	0%	84%	n/a
	2022-2031	2023-2032	2035	2029	unlimited	2025-2040	n/a
	6	7	15	9	unlimited	11	n/a
	153,383,274	108,436,694	110,524,377	57,595,481	128,503,008	280,714,315	112,603,030

8. ACQUISITIONS OF INVESTMENT PROPERTY

STRAL 3

On 2 April 2020, the Company's subsidiary Lexworth Finance Ltd acquired from third parties 89.9% of shares in SA3 Media S.A.R.L. (original name Arion Investment S.A.R.L.), domiciled in Luxemburg. SA3 Media owns freehold land plot and the building in Stralauer Allee 3,4,5,6,10245 Berlin (Friedrichshain area). The property had been completed in 2010 and comprises approximately 20,160 sqm, including 304 rooms, 86 underground&39 surface parking spaces, a spa, restaurant and two music studios. The property is leased in its entirety to the hotel operator Nhow Hotel, part of the NH Hotel Group. The lease has over 15 years left with the option to extend by a further 10 years. The SA3 Media S.A.R.L. does not manage the hotel and does not provide any services to its guests. The lessee bears all direct expenses related to the operating of the hotel, with the exception of exterior design and maintenance of the building.

The consideration for the Group's share in the property amounted to EUR 90.9 million (US$ 98.9 million), which are 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 Company's subsidiary Lexworth Finance Ltd acquired from third parties 100% of shares in Ramses Immobilien Gesellschaft mbH&Co OG ("Ramses" hereinafter) (refer to Note 26 for all the intermediary companies participating), a company domiciled in Austria.

Ramses owns 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. The property will be spread across nine floors and after refurbishment and construction of the top floor will comprise a total of approx. 29,000 sqm with 150 underground and 70 outdoor parking spaces. 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. Ramses and all other acquired entities do not employ any staff. During construction phase, only tenant State Police will sit in the building under lease. Other tenants will move in after completion of construction and refurbishment expected in June 2022. At the date of acquisition, 28% of the area are contracted for lease. Percentage of the areas contracted for lease increased to 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 payment amounted to EUR 72.3 million (US$ 81.1 million), of which EUR 0.26 million (US$ 0.32 million) is outstanding as of 31 December 2020 and presented in current liabilities, line Borrowings of the statement of financial position. 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$ 162.7 million), including EUR 50 million (US$ 56.1 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 measureable 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.

The acquisition and further construction costs, incurred in the reporting period, are financed by the funds from subordinated notes issued in the reporting period. Until completion of the construction, interest incurred will be capitalized in the cost of investment property. After acquisition up to 31 December 2020, the Group capitalized EUR 2.1 million (US$ 2.5 million) in the value of the property.

SALZ 4

On 2 July 2020, the Company acquired from a third party 100% of interest in the entity SG4 Dresden GmbH & Co. KG (formerly Norpexal Dresden GmbH & Co. KG) holding the hotel property in Salzgasse 4 in Dresden, Germany. Refer to Note 26 for all the intermediary companies participating. The property is occupied by 4-star Hotel Innside Dresden of Melia Hotels&Resorts Group. The property comprises an area of 15,550 sqm. with a total of 180 rooms, 46 underground parking spaces, a spa, restaurant, 261 sqm. of retail space and meeting rooms for up to 230 people. It was developed, planned and built 10 years ago. The current lease agreement with Melia Hotels International runs till December 2029. The Group does not manage the hotel and does not provide any services to its guests. The lessee bears all direct expenses related to the operating of the hotel, with the exception of exterior design and maintenance of the building.

The consideration amounted to EUR 31 million (US$ 36.8 million). As of 31 December 2020, payable to the sellers is 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$1.2 million). With the property, the Group also acquired the liability on Unicredit bank loan for the amount EUR 19 mln (US$ 22.6 million) at the date of acquisition.

The Group will pay real estate transfer tax (RETT) on the deal of EUR 1.8 million (US$ 2.2 million) which is outstanding as of 31 December 2020. As of 31 December 2020, cash on Escrow account in the amount of EUR 2.8 million (US$ 3 million) is retained to repay the remaining liability to the sellers and the tax when they fall due.

QBC 1,2,7

On 29 December 2020, subsidiary Lexworth Finance Ltd acquired from third parties 100% of interest in entities QBC 1,2,7 Immobilien GmbH and Co. Omega KG, QBC 1,2,7 Immobilien GmbH and Co. Alpha KG and QBC 1,2,7 Immobilien GmbH and Co. Zeta KG. See Note 26 for all of the Group's intermediary companies in the deal. The acquired entities hold office properties QBC 1,2 and QBC 7, the underground car park. 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.

The office properties QBC 1 & 2 have leasable area of 38,700 sqm. The underground car park QBC 7 holds 583 parking spaces, Q1 and Q2 have 97 parking spaces (680 in total). The properties have been successfully developed by UBM Development, the one of the seller's company, in the past 2 years. 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. Total consideration amounted to EUR 117 million (US$ 144 million), of which EUR 10 million (US$ 12.2 million) are retained on Escrow account and fall due upon fulfillment by the sellers of certain conditions mainly in respect of future lease out of vacant areas and EUR 20 million (USD 23 million) are set off against prepayment made in 2019 year. The amount of retention is accounted for as financial liability at fair value through profit and loss and will be reassessed each reporting date.

9. BUSINESS COMBINATIONS QBC 4

On 28 February 2019, the Company acquired 100% of the group of entities: holding companies QBC BT IV Alpha GmbH, QBC BT IV Beta GmbH, QBC BT IV Epsilon GmbH and property company QBC Immobilien GmbH&Co Delta KG owning the office property in Am Belvedere 4, 1100 Vienna, Austria. The property is a newly constructed Class A office property in the attractive and sought-after Quartier Belvedere in Vienna and in close proximity to the newly constructed main station of Vienna. The property comprises an approx. gross floor area of 20,000 sqm with approx. 71 parking spaces and is fully let, primarily to the headquarters of the accounting firm BDO.

The property has been acquired on market terms. The acquired assets and liabilities constitute a business and are accounted for in accordance with IFRS 3.

The fair values of the identifiable assets and liabilities of the acquired business as of the date of acquisition is given below (translated at rate 1.1391 US$/EUR):

in US$	28 February 2019
Assets	
Investment property	117,358,448
Trade receivables	37,520
Other assets	81,230
Cash and cash equivalents	716,299
Total assets	**118,193,497**
Liabilities	
Deferred tax liabilities	11,877,628
Borrowings	62,487,315
Accounts payable and accrued expenses	300,783
Total liabilities	**74,665,726**
Total identifiable net assets at fair value	**43,527,771**
Goodwill arising on acquisition	11,877,628
Purchase consideration	55,405,399
thereof paid in cash	55,405,399
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiaries	716,299
Cash payment	–55,405,399
Net cash outflow	–54,689,100

At the date of the acquisition, the fair value of the trade receivables did not differ from their gross contractual amount. As of the acquisition date, a deferred tax liability is recognised due to the excess of the fair value of the investment property over its tax value. 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. None of the goodwill is expected to be deductible for income tax purposes.

Transaction costs incurred in the amount of US$ 1.5 million are recognised in profit or loss in line Professional and administration fees in 2019.

10. 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 2020 and 31 December 2019, the Group held the investment properties carried at fair value determined by the Level 3 technique.

During the year ending 31 December 2020 and 31 December 2019, there were no transfers between Level 1&2 fair value measurements.

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 31.12.2020	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	$148,714,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 700 - US$ 2,600 (US$ 851)
			Discount rate	10.50%
Geneva House	$134,013,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 20 - US$ 1,140 (US$ 315)
			Discount rate	13.00%
Polar Lights	$98,638,000	DCF	Capitalisation rate	9.75%
			ERV	US$ 188 - US$ 1,621 (US$ 462)
			Discount rate	12.00%
Hermitage Plaza	$178,633,000	DCF	Capitalisation rate	9.00%
			ERV	US$ 169 (US$ 169)
			Discount rate	14.75%
Magistral'naya	$3,593,000	DCF	Capitalisation rate	10.75%
			ERV	€ 276 - € 300 (€ 291)
		DCF	Discount rate	4.35%
City Gate	€ 124,900,000		Capitalisation rate	3.85%
			ERV	€ 228 - € 276 (€ 270)
		DCF	Discount rate	4.40%
Work Life Center	€ 88,300,000		Capitalisation rate	3.70%
			ERV	€ 188 - € 226 (€ 197)
		DCF	Discount rate	3.74%
QBC 4	€ 104,640,000		Capitalisation rate	3.20%
			ERV	n.a.
		DCF	Discount rate	6.10%
STRAL 3	€ 90,000,000		Capitalisation rate	4.45%
			ERV	n.a.
		DCF	Discount rate	6.45%
SALZ 4	€ 46,900,000		Capitalisation rate	4.8%
			ERV	US$ 541 - US$ 1,029 (US$ 718)
		DCF	Discount rate	11.75%
Arbats 39	$9,540,000		Capitalisation rate	8.75%

Property	Fair value as of 31.12.2019	Valuation technique	Key unobservable inputs	Range (Weighted average), per sqm p.a.
			ERV	US$ 750- US$ 2,700 (US$ 1,270)
			Discount rate	10.50%
Berlin House	$151,897,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 750 - US$ 3,100 (US$ 935)
			Discount rate	10.50%
Geneva House	$147,198,000	DCF	Capitalisation rate	8.50%
			ERV	US$ 21 - US$ 1,389 (US$ 335)
			Discount rate	13.25%
Polar Lights	$111,737,000	DCF	Capitalisation rate	9.75%
			ERV	US$ 189 - US$ 1,712 (US$ 487)
			Discount rate	12.25%
Hermitage Plaza	$209,869,000	DCF	Capitalisation rate	9.00%
			ERV	US$ 179 (US$ 179)
			Discount rate	15.75%
Magistral'naya	$4,824,000	DCF	Capitalisation rate	10.75%
			ERV	€ 276 - € 300 (€ 291)
		DCF	Discount rate	4.35%
City Gate	€ 124,200,000		Capitalisation rate	3.85%
			ERV	€ 228 - € 276 (€ 270)
		DCF	Discount rate	4.30%
Work Life Center	€ 89,500,000		Capitalisation rate	3.70%
			ERV	€ 188 - € 226 (€ 197)
		DCF	Discount rate	3.74%
QBC 4	€ 104,390,000		Capitalisation rate	3.20%
			ERV	US$ 572 - US$ 1,144 (US$ 804)
		DCF	Discount rate	11.75%
Arbats 24 and 39	$21,499,000		Capitalisation rate	8.75%
Scandinavia	$3,772,677	Comparable approach	n.a	n.a

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.

31.12.2020	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

31.12.2019	Effect on fair value	
in US$	Sensitivity used	Rental properties
Decrease in ERV	5%	–31,279,332
Increase in discount rate	25 bps	–14,107,496
Increase in capitalisation rate	25 bps	–28,113,870

Valuation Uncertainty as at December 2020

Impact of COVID-19 on valuation

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has impacted global financial markets. Diverse restrictions have been implemented by many countries following the second wave of the pandemic. Market activity is being impacted in many sectors. Recent market reports show different trends by asset class and country, or region. Increasing transactions prices have been noted for certain assets, while other suffered from a decreasing investor sentiment. The overall market trends remain volatile. However, as at the reporting date, most of the available market data refers to the epidemic downturn period in summer/autumn 2020, and the outlooks given are inconsistent. Thus, less weight still can be attached to previous market evidence for comparison purposes to inform opinions on value. Indeed, the current response to COVID-19 means that management is faced with an unprecedented set of circumstances on which to base a judgement. 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.

11. INVENTORY

in US$	for the year ended 31.12.2020	for the year ended 31.12.2019
Inventory		
Beginning of the period	124,420,990	116,649,298
Disposal	−17,024,275	−5,309,113
Disposal by joint operator	–	−605,959
Effect of translation to presentation currency	−21,351,741	13,686,764
End of period	**86,044,974**	**124,420,990**

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 expected for sale is recognized as inventory. As of 31 December 2020, the Group owns the apartments with total area of approx. 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$ 0.9 million (2019: US$ 3.12 million). Refer to Note 19.

The carrying value is the lower of cost and net realizable value. The cost of the space allocated for apartments in the Arbat Multi-use Complexes was determined to be US$ 86.04 million as of 31 December 2020 (31 December 2019: US$ 124.42 million).

12. GOODWILL

	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

	for the year ended 31.12.2019							
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	13,833,167	5,854,500	–	65,309,036
Arising on business combinations (Note 9)	–	–	–	–	–	–	11,877,628	11,877,628
Forex effect	–	–	–	–	−268,539	−113,652	−183,524	−565,715
End of 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

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 2020 and 31 December 2019, there are no circumstances indicating that the carrying value of goodwill may be impaired, since carrying amount of investment property as at 31 December 2020 and 2019 exceeds its value at acquisition date of each specific property.

13. ACCOUNTS RECEIVABLE

in US$	31.12.2020	31.12.2019
Non-current Accounts receivable		
Receivable on sale of investment property (1)	932,592	–
Total	**932,592**	**–**
Current Accounts receivable		
Rental receivable	4,625,498	882,976
Receivable on sale of residential property (2)	3,050,402	–
Total	**7,675,900**	**882,976**
Total Accounts receivable	**8,608,492**	**882,976**

1) Long-term receivable on sale of investment property of US$ 0.93 million refers to the sale of Scandinavia land plot. Part of the purchase price has been deferred for up to 24 months after sale (up to October 2022). Until final payment is done, part of the land plots (about 40 ha of 55 ha) is pledged in favor of the Group. Interest on receivable of 4,25% p.a. is accrued and paid quarterly.

2) Receivable on sale of residential property refers to the sale of apartments and parking lots, accounted for as inventory.

14. CASH AND CASH EQUIVALENTS

in US$	31.12.2020	31.12.2019
Cash at bank	114,308,459	20,311,397
Fiduciary deposits (1)	13,315,111	8,090,564
Cash in transit	–	504,654
Cash equivalents	–	466,243
Cash and cash equivalents available	127,623,570	29,372,858
Bank overdrafts (Note 15)	−597	−285
Total cash and cash equivalents available with bank overdrafts	**127,622,973**	**29,372,573**
Restricted cash: escrow accounts (2)	15,638,524	–
Total Cash and cash equivalents with bank overdrafts	**143,261,497**	**29,372,573**

(1) Fiduciary deposits are denominated in RUB and have different terms up to 39 days and interest rates of 1% – 4.02% 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).

15. BORROWINGS

in US$				31.12.2020	31.12.2019
Borrowings (long term)	**currency of issue**	**nominal interest**	**repayment date**		
Bonds issued	US$	5,5% - 7,25%	Sept. 2023; May and Dec. 2024	454,296,850	454,069,321
Notes payable due to Aurora Value Fund	EUR	1,5%; 1,7%; 3,5%; 3,5%	Dec. 2022; Feb. 2024; March 2023; June 2023	358,223,060	100,032,983
Notes payable due to Lionshare Opportunities Fund	EUR	1,5%; 1,7%; 3,5%	Dec. 2022; Feb. 2024; March 2023	38,560,864	10,990,171
Jilford Investments Limited	US$	7%	Dec. 2022	29,574,172	27,886,804
UniCredit - QBC4 loan	EUR	3M EURIBOR +1,125%	April 2024	62,242,686	56,840,137
AVM Invest	EUR	4.5%	Dec. 2031	5,772,312	–
UniCredit - SALZ4 loan	EUR	1MEURIBOR+ 1,05%	Dec. 2029	21,747,206	–
Jelfor Limited	EUR	4,5%	Dec. 2022	4,756,316	4,171,152
Meglior Holdings Limited	EUR	4,26%	Oct. 2026	1,597,437	1,458,779
Total				976,770,903	655,449,347
Borrowings (short term)					
Bonds interest accrued	US$	5,5% - 7,25%		3,712,500	3,712,500
Raiffeisen Bank	EUR	3M EURIBOR +1,32%	June 2021	131,451,066	–
UniCredit - SALZ4 loan	EUR	1MEURIBOR+ 1,05%		1,105,244	
Meglior Holdings Limited	EUR	4,26%		283,835	196,884
Bank overdrafts	US$			597	285
Other loans				560,168	–
Total				137,113,410	3,909,669

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.

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	139,803,857	5.5%	March and September	Sep 2023
Bonds issued in Sep 2014	130,000,000	129,833,555	5.5%	March and September	Sep 2023
Bonds issued in Jun 2015	135,000,000	134,771,836	7.25%	June and December	May 2024
Bonds issued in Dec 2015	50,000,000	49,887,602	6.75%	June and December	Dec 2024
Total	**455,000,000**	**454,296,850**			

NOTES PAYABLE

In December 2017, to finance the acquisition of Work Life Center the Company issued subordinated registered notes nominated in EUR for the total amount of EUR 56.0 million with 1.7% annual interest maturing in December 2022. Notes with the total amount of EUR 50.5 million were issued to Company's majority shareholder, Aurora Value Fund and notes with the total amount of EUR 5.5 million were issued to Lionshare Opportunities Fund.

In February 2019, the Company has received EUR 43 million by issuance of subordinated and secured notes to the same largest shareholders (EUR 38.7 million (US$ 44.46 million) to Aurora Value Fund and EUR 4.3 million (US$ 4.94 million) to Lionshare Opportunities Fund) at an interest rate of 1.5% p.a. and secured by pledge of 100% of the shares of the Cyprus holding company of City Gate Stuttgart GmbH, Ferran Limited. Unless previously redeemed, the Company undertakes to repay all out- standing notes at par of their aggregate principal amount, without further notice on 21 February 2024. At any time after 1 March 2019, the Company may redeem all but not only some of the notes for the time being outstanding at par with interest accrued to the day of redemption.

In March 2020, the Company issued additionally subordinated unsecured notes to Aurora (EUR 183 million) and Lionshare (EUR 21.6 million) at interest rate of 3.5% p.a. Unless previously redeemed, the Company undertakes to repay all outstanding notes at par of their aggregate principal amount, without further notice on 23 March 2023. At any time after 15 March 2020, the Company may redeem all but not only some of the notes for the time being outstanding at par with interest accrued to the day of redemption. In June 2020, additional issue of the subordinated notes to Aurora amounted to EUR 19.4 million, 3.5% p.a. repayable on 22 June 2023 unless previously redeemed in full.

JILFORD LOAN

Loan was obtained in prior periods to finance Arbat Project. It has fixed 7% annual interest rate. Maturity term is in 31 December 2022.

UNICREDIT LOAN - QBC 4

The loan represents refinanced credit facility of the Austrian subsidiary QBC Immobilien GmbH&Co Delta KG that was acquired in February 2019 (refer to Note 9). After acquisition of the subsidiary, the loan was refinanced. Respective refinancing charges of US$ 4.4 million were recognised as liability at acquisition date and paid in March 2019. The loan, denominated in EUR, is repayable in April 2024, with quarterly payments of interest 3M EURIBOR+1.125% p.a. The loan agreement provides for embedded interest cap, closely related to the host contract and accounted for as part of the liability on the loan. The loan is secured by 100% shares in subsidiary QBC Immobilien GmbH&Co Delta KG that holds investment property.

JELFOR LOAN

The EUR-denominated loan is issued to the German subsidiary WLC by its non-controlling shareholder in 2016, at 4.5 % p.a. and repayable in December 2022.

MEGLIOR LOAN

The EUR-denominated subordinated loan is issued to the German subsidiary City Gate by its non-controlling shareholder in 2016, at 4.26 % p.a. and repayable in October 2026.

AVM INVEST LOAN

The EUR-denominated loan was provided by the non-controlling shareholder of newly acquired entity SA3 Media (hotel property STRAL3) in the amount EUR 4.70 million (US$ 5.12 million), at 4.5% p.a., unsecured. Maturity is December 2031.

UNICREDIT LOAN – SALZ 4

The EUR-denominated loan was acquired with the property SALZ 4 (Note 8). It is repaid in quarterly partial installments and final payment of EUR 9.76 million on 31 December 2029, bearing 1M EURIBOR+1.05%. The loan is secured with the property SALZ 4 (land and building) owned by the debtor subsidiary SA3 Media S.a.r.l. as well as all current and future rental receivables.

RAIFFEISEN BANK LOANS

These are two EUR-denominated loans given to the entities QBC Immobilien GmbH and Co. Omega KG ("QBC 1") (EUR 25.81 million, or US$ 31.69 million) and QBC Immobilien GmbH and Co. Alpha KG ("QBC 2") (EUR 81.23 million, or US$ 99.76 million). The entities were acquired in December 2020 and hold office properties QBC 1 and 2 (Note 8). The maturity of both loans is 30 June 2021 with the interest 3M EURIBOR +1.32%. The loans are secured with the properties QBC 1 and 2 (land and buildings), all current and future rental receivables and all shares in these entities.

OTHER LOANS

Other loans comprise of two outstanding liabilities:

- US$ 0.32 million (EUR 0.26 million) is remaining loan to the previous shareholder of newly acquired Ramses (LASS 1 property) (Note 8), 0%. The liability was settled in February 2021;
- US$ 0.53 million (EUR 0.43 million) represent VAT loans from Raiffeisen Bank given to QBC Immobilien GmbH and Co. Omega KG and QBC Immobilien GmbH and Co. Alpha KG: VAT on invoices is financed by the bank. Simultaneously, all VAT received back from authorities arrive at this account and balance the loan.

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 2020	457,781,821	111,023,154	90,553,756	659,358,731
Cash flows	−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

in US$	Bonds issued	Notes payable	Bank and other loans	Total
Balance as of 1 January 2019	457,554,292	64,044,681	31,903,539	553,502,512
Cash flows	−28,012,500	47,697,390	−5,063,810	14,621,080
Non-cash movements:				–
Interest accruals	28,240,029	1,682,304	2,537,899	32,460,232
Foreign exchange difference	–	−2,401,221	−3,050,248	−5,451,469
Currency translation adjustment (CTA)			1,739,061	1,739,061
Acquisition of subsidiaries	–	–	62,487,315	62,487,315
Balance as of 31 December 2019	457,781,821	111,023,154	90,553,756	659,358,731

16. ACCOUNTS PAYABLE

Accounts payable and accrued expenses are presented below:

in US$	Note	31.12.2020	31.12.2019
Non-current liabilities			
Tenant deposits (2)		6,180,396	6,183,669
Deferred revenue (3)		2,450,135	1,568,686
Land lease liabilities		360,258	332,774
Total		8,990,789	8,085,129
Current liabilities			
Payables for acquired properties at FVTPL (1)	8	13,460,172	–
Trade payables and accrued expenses		2,984,074	4,262,099
Payables to construction suppliers		4,877,973	–
Security deposit received on sale of residential property		–	2,038,060
Payables and accrued expenses with related parties	26	1,028,315	328,258
Tenant deposits		1,105,859	253,308
Deferred revenue		43,276	13,687
Total		23,499,669	6,895,412
Total Accounts payable and other liabilities		32,490,458	14,980,541

1) Payables to sellers of acquired properties represent retained amounts on acquisition deals for SALZ 4 (US$ 1.24 million) and QBC 1,2,7 (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 2020 and 2019.

17. ADVANCES RECEIVED

in US$	Note	31.12.2020	31.12.2019
Advances received from tenants		12,159,707	14,268,309
Advances on sale of properties		2,056,811	1,936,488
Advances received from related parties		9,953	11,029
Total		14,226,471	16,215,826

18. NET RENTAL INCOME

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

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya
Gross rental income	11,627,473	10,094,574	9,890,799	12,937,413	574,932
Service charge income	1,691,218	1,974,917	1,384,808	3,159,735	246,417
Utilities	−377,006	−348,565	−695,246	−454,730	−55,737
Property operating expenses	−290,423	−328,419	−740,919	−1,255,309	−79,586
Repair and maintenance costs	−99,105	–	−189,567	−99,177	−204
Ground rents paid	−32,747	−42,448	−60,252	−119,980	−13,596
Non-income taxes	−611,355	−941,937	−1,026,610	−1,188,530	−3,229
Net rental income	11,908,055	10,408,122	8,563,013	12,979,422	668,997

in US$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya
Gross rental income	13,145,682	14,036,270	10,395,829	24,626,445	637,683
Service charge income	2,216,614	2,380,908	1,672,812	3,281,027	274,513
Utilities	−473,727	−462,002	−877,280	−592,088	−72,739
Property operating expenses	−276,979	−377,300	−888,061	−1,067,967	−88,512
Repair and maintenance costs	−153,939	0	−102,322	−77,283	−4,964
Ground rents paid	−82,162	−82,726	−82,760	−225,252	−15,382
Non-income taxes	−867,492	−1,096,138	−1,555,199	−1,998,585	−82,862
Net rental income	**13,507,997**	**14,399,012**	**8,563,019**	**23,946,297**	**647,737**

As of 31 December 2020, the top five tenants in the Group are VimpelCom (11% of the annual rental income), Richemont Group (11%), BDO Austria (7%), Ingrad Nedvizhimost (7%) and S7 Airlines (6%).

As of 31 December 2019, the top five tenants in the Group are VimpelCom (27% of the annual rental income), Richemont Group (11%), S7 Airlines (6%), Ingrad Nedvizhimost (5%) and BDO Austria (4%).

The Group has entered into leases on its property portfolio. The commercial property leases typically have various lease terms (refer to Note 7 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$	31.12.2020	31.12.2019
Less than 1 year	78,506,645	75,924,009
From 1 year to 5 years	257,749,082	231,448,915
More than 5 years*	244,769,799	184,800,631
Total	581,025,526	492,173,555

*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 7.

for the year ended 31.12.2020

Arbat	City Gate	WLC	QBC 4	STRAL 3	SALZ 4	Total
178,857	5,002,582	3,856,268	4,053,094	3,622,321	1,430,758	63,269,071
12,340	974,054	691,236	1,139,971	–	71,403	11,346,099
−3,109	−409,369	−404,604	−329,525	–	−19,739	−3,097,630
–	−732,722	−707,521	−755,134	−171,977	−46,751	−5,108,761
−6,562	−230,709	−344,958	−51,554	−100,174	−15,713	−1,137,723
–	–	–	–	–	–	−269,023
−55,853	−147,932	−79,001	−3,758	−69,025	−31,423	−4,158,653
125,673	4,455,904	3,011,420	4,053,094	3,281,145	1,388,535	60,843,380

for the year ended 31.12.2019

Arbat	City Gate	WLC	QBC 4	Total
296,633	4,801,892	3,370,788	3,207,962	74,519,184
14,650	995,109	669,608	799,397	12,304,638
−1,039	−1,044,146	−354,619	−277,892	−4,155,532
−16,013	−221,432	−755,037	−502,803	−4,194,104
−1,944	−29,585	−325,411	−14,827	−710,275
−530	–	–	–	−488,812
−173,042	−116,704	−84,152	−3,533	−5,977,707
118,715	4,385,134	2,521,177	3,208,304	71,297,392

19. GAINS AND LOSSES ARISING FROM THE SALES OF PROPERTIES

	for the year ended	
in US$	31.12.2020	31.12.2019
Sales of investment property	23,087,874	–
Cost of sales	–12,754,558	–
Gain on sale	10,333,316	–
Sales of residential property	17,919,910	8,431,841
Cost of sales	–17,024,275	–5,309,113
Gain on sale	895,635	3,122,728
Total gain on sale of properties	11,228,951	3,122,728

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$ 0.90 million (2019: US$ 3.12 million).

Total gain on sale of investment property of US$ 10.33 million is attributable to the following sales in the reporting period:
- commercial area at Arbat 24 sold to a third party customer with gain of US$ 10.78 million;
- land plot Scandinavia sold to a third party customer with loss of US$ 0.45 million.

Cost of sales includes agency fees paid on each specific sale, totaling to US$ 1.1 million.

20. OTHER INCOME

	for the year ended	
in US$	31.12.2020	31.12.2019
Gain on setoff of input VAT on construction of Arbat project (1)	2,805,012	–
Termination penalties from tenants	645,113	324,786
Income from recalculation of property tax for prior periods for Russian properties agreed with tax authorities	547,415	–
Other miscellaneous income	845,332	435,133
Total	4,842,872	759,919

(1) In the reporting period, 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 19). 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

in US$	for the year ended 31.12.2020	31.12.2019
General overheads at LASS 1 construction site	491,039	–
Utilities and maintenance of Arbat residential properties in stock	1,646,816	670,251
Disposal of joint operation	68,475	–
Disposal of residential property by joint operator	–	605,959
Impairment of goodwill (Notes 5 and 12)	4,138,000	–
Other miscellaneous expenses	788,964	647,011
Total	**7,133,294**	**1,923,221**

22. FINANCE COSTS

in US$	for the year ended 31.12.2020	31.12.2019
Interests on bonds issued	28,240,029	28,240,029
Interest on notes payable	6,227,240	1,682,304
Interest on loans payable	1,948,294	1,904,161
Interest on bank loans	1,013,210	633,738
Bank charges	729,609	122,275
Other finance cost	203,254	64,347
Total	**38,361,636**	**32,646,854**

23. TAXATION

The Company is domiciled in the British Virgin Islands (BVI), and organised as a Business Corporation, which is tax exempt in the BVI. Therefore, profits can be accumulated and paid out free of any corporate tax or withholding tax.

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 10% (from 2021: 5% and 15%) income tax rates depending on an amount of direct investments in Russian subsidiary;
- 1.7% (1.8% starting 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 2020 and 2019 are:

in US$	31.12.2020	31.12.2019
Current income tax expense	–9,343,687	–9,068,833
Deferred income tax benefit/ (expense)	4,978,333	–3,805,119
Income tax expense	**–4,365,354**	**–12,873,952**

Reconciliation between income tax expense/benefit and the product of accounting profit multiplied by the Russian tax rate for the years ended 31 December 2020 and 2019 is given below. Profits of Russian properties primarily impact tax liabilities.

in US$	31.12.2020	31.12.2019
Profit before tax	**30,933,799**	**53,876,107**
Income tax at Russian corporate tax rate of 20% (2019: 20%)	–6,186,760	–10,775,221
Effect of non-deductible expenses net of non-taxable income	–8,669,927	–3,739,167
Effect of change in tax rate at WLC and City Gate	16,109,656	
Unrecognised deferred tax assets	–2,637,436	
Release of tax provision in respect of prior period profit	567,842	–
Effect of tax rates in other jurisdictions	–3,548,729	1,640,436
Income tax benefit/ (expense)	**–4,365,354**	**–12,873,952**

In 2020, average effective tax rate is 24% (2019: 24%).
Deferred tax assets and liabilities reflected in the financial statement are:

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**

in US$	As of 1 January 2019	Recognised in Profit or Loss	Acquired in Business combination	CTA	As of 31 December 2019
Deferred tax assets					
Due to losses available for offset against future taxable income	2,729,089	−1,495,905	–	1,212,573	2,445,757
Net against deferred tax liability	−2,091,999	297,066	–	–	−1,794,933
Deferred tax assets recognised	**637,090**	**−1,198,839**	**–**	**1,212,573**	**650,824**
Deferred tax liability					
Due to fair value adjustment to investment property	−133,356,210	−2,309,214	−11,877,628	−12,623,134	−160,166,186
Net against deferred tax asset	2,091,999	−297,066	–	–	1,794,933
Deferred tax liabilities recognised	**−131,264,211**	**−2,606,280**	**−11,877,628**	**−12,623,134**	**−158,371,253**
Deferred tax liabilities net	**−130,627,121**	**−3,805,119**	**−11,877,628**	**−11,410,561**	**−157,720,429**

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 2020, the available tax losses capable of being carried forward can be offset against taxable profits.

As of 31 December 2020, the amount of unrecognized deferred tax assets is US$ 7.6 million (31 December 2019: US$ 4.6 million).

Deferred tax liabilities represent temporary differences resulting from excess of Berlin House, Geneva House, Polar Lights, Hermitage Plaza, City Gate and Work Life Center 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$	31.12.2020	31.12.2019
Earnings per share		
Net profit (loss) attributable to shareholders	26,982,077	40,678,681
Weighted average number of ordinary shares outstanding	10,005,836	9,911,451
Earnings per share (US$ per share)	2.70	4.10

25. SHAREHOLDERS' EQUITY

AUTHORIZED CAPITAL

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions passed at the Extraordinary Shareholders Meeting of 29 June 2004, 19 November 2004, 7 March 2005, the General Meeting of Members of 16 May 2006, 3 May 2007, 24 June 2008, the Extraordinary Shareholders Meeting of 15 April 2013 and Shareholders Meeting of 17 June 2014 provides for an authorised capital which entitles the Board of Directors to issue a total of 11,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value. In June 2019, the authorised share capital was increased by 10,000,000 ordinary shares.

	Number of ordinary shares		Number of series A preferred shares	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Authorised capital				
Total authorised capital	21,000,000	11,000,000	1,000,000	1,000,000
Opening balance unissued authorised capital	11,025,978	1,025,978	1,000,000	1,000,000
Increase		10,000,000	–	–
Utilisation for capital increase	–	–	–	–
Conversion to ordinary shares	–4,435,000	–	–	–
Closing balance unissued authorised capital without par value	6,590,978	11,025,978	1,000,000	1,000,000

	Number of ordinary shares		Number of series A preferred shares	
	31.12.2020	31.12.2019	30.06.2020	31.12.2019
Issued share capital without par value				
Opening balance	9,974,022	9,974,022	–	–
Capital increase	4,435,000	–	–	–
Closing balance	14,409,022	9,974,022	–	–

	Number of treasury shares	
	31.12.2020	31.12.2019
Treasury shares		
Opening balance	69,063	54,005
Issued to treasury	–	–
Purchase	13,959	15,060
Sales		2
Closing balance	83,022	69,063

SHARE ISSUE

On 22 December 2020, the Company successfully listed, traded and settled additional issue of 4,435,000 new ordinary shares without par value at subscription price US$ 36.82. Proceeds from the issue amounted to US$ 163,296,700. The proceeds are presented as share capital, net of transaction related costs of US$ 309,209, in the consolidated statement of financial position and statement of changes in equity.

As of 31 December 2020, issued share capital of the Company consists of 14,409,022 ordinary shares, totaling to US$ 753.53 million (31 December 2019: issued share capital of the Company consists of 9 974 022 shares, totaling to US$ 590.54 million). 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. No dividend was paid during 2020 and 2019.

SHARE PREMIUM

The balance of share premium in the amount of US$ 19.18 million as of 31 December 2020 and 31 December 2019 represents premium arisen on sale of treasure shares in prior periods.

26. RELATED PARTY TRANSACTIONS

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

		% Holding	
Name of subsidiary	Incorporated in	31.12.2020	31.12.2019
Housefar Limited	Limassol, Cyprus	100%	100%
Idelisa Limited	Limassol, Cyprus	100%	100%
Silverlake Limited	Limassol, Cyprus	100%	100%
Whiterock Investments 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 (1)	Vienna, Austria	100%	–
Ophuhus Beteiligungsverwaltungs GmbH (1)	Vienna, Austria	100%	–
Obewan GmbH &Co (1)	Vienna, Austria	100%	–
Asura Holding S.a.r.l. (2)	Luxembourg	100%	–
SG4 Dresden Holding GmbH (2)	Frankfurt am Main, Germany	100%	–
QBC 1,2,7 Holding (3)	Vienna, Austria	100%	100%
QBC Immomanagement SP Alpha GmbH (3)	Vienna, Austria	100%	–
QBC Immomanagement SP Omega GmbH (3)	Vienna, Austria	100%	–
QBC Immobilien GmbH (3)	Vienna, Austria	100%	–
Joint operations			
Vakhtangov Place Limited (4)	Limassol, Cyprus	0%	60%
Bluestone Investments Limited (4)	Limassol, Cyprus	0%	60%

(1) Entities Obewan Beteiligungsverwaltungs GmbH, Ophuhus Beteiligungsverwaltungs GmbH and Obewan GmbH&Co KG are intermediaries that hold shares in the entity Ramses, the owner of LASS 1 property, acquired in June 2020 (refer to Note 8).

(2) Entities Asura Holding S.a.r.l. and SG4 Dresden Holding GmbH are intermediaries that hold shares in the entity SG4 Dresden GMBH&CO KG, the owner of SALZ4 property, acquired in July 2020 (refer to Note 8).

(3) Entities QBC Immomanagement SP Alpha GmbH and QBC Immomanagement SP Omega GmbH are intermediaries holding non-controlling interest in the entities QBC Immobilien GmbH and Co. Omega KG, QBC Immobilien GmbH and Co. Alpha KG, QBC Immobilien GmbH and Co. Zeta KG that own properties QBC 1,2,7 acquired in December 2020 (refer to Note 8).

(4) The Group sold its share in joint operations Vakhtangov Place Limited and Bluestone Investment Limited to a third party, loss on disposal amounted to US$ 0.07 million.

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 15).
The Company owns shares in associate Hypercenter Investment SA (25.9%). Investment in this associate has been fully impaired in previous periods.

Entities under joint control Vakhtangov Property Limited and Bluestone are treated by the Company as a joint operation. As at 31 December 2020 and 31 December 2019, the Group has no balances with the joint operation. In 2019 the inventory (an apartment and a parking lot) with the carrying amount of US$ 0.61 million was disposed by the joint operator (in 2019: US$2.47 million). Refer to Note 11. In July 2020, the Group sold its share in joint operation to a third party for US$0,024 million and recognized loss on disposal of US$ 0.07 million.

OTHER RELATED PARTIES HAVING SIGNIFICANT INFLUENCE ON THE GROUP

Board of the directors:

- Company EPH LLC, owned by the Chairman of the Board Olga Melnikova, delivered consulting services to EPH LTD in 2019;
- Member of the Board Tomasz Dukala has been delivering strategic advisory services to EPH LTD since March 2019.

The real estate activities of the Company are managed by Valartis International Ltd, a subsidiary 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.

Other transactions

- 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 2020 and 31 December 2019 consisted of the following:

in US$	31.12.2020	31.12.2019
Other related parties		
Accounts payable and accrued expenses	–1,028,315	–328,258
Accounts receivable	283	119
Advances paid	–	22,331
Advances received	–9,953	–11,029
Shareholders		
Borrowings (Note 14)	–396,783,924	–111,023,154

OTHER TRANSACTIONS

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$ 206 thousand (2019: US$ 117 thousand).

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$ 305 thousand in the reporting period (2019: US$ 250 thousand). It is presented in line Professional and administration fees in the Profit and loss statement.

Compensation prepaid as at 31 December 2020 amounts to US$ 84 thousand (31 December 2019: US$ 72 thousand). It is presented in line Prepayments in the Statement of financial position.

The Group's transactions with related parties for the period ended of 31 December 2020 and 2019 consisted of the following:

	for the year ended	
in US$	31.12.2020	31.12.2019
Other related parties		
Gross rental income	392,909	398,409
Management fees	−3,400,547	−2,663,808
Other expenses	–	−10,858
Professional and administration fees	–	−497,617
Shareholders		
Finance costs	−6,227,240	−1,682,304

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 15):

- Shares in subsidiaries Ferran 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$ 338.31 million;
- Current rental receivables for the amount of US$ 0.32 million and future rental receivables of investment properties SALZ 4 and QBC 1, 2 & 7.

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 5.12 million are already executed (refer to Note 8). The works are to be completed by June 2022.

Covid-19

National governments have been introducing anti-COVID-19 measures starting from the end of March 2020 in several waves: travel and entry restrictions, ban of public events and closing of public places, distance work and study and other measures aimed to prevent pandemic spread. As a result, many businesses have suffered from sharp drop in demand with the major hit on tourism, hospitality, entertainment and offline retail industries. Accordingly, various supportive measures were introduced by the state authorities to alleviate the negative impact of anti-COVID-19 measures. In case of commercial leases, in general, the measures were aimed to support most affected tenants by obliging the property owners to provide rental deferrals or reductions for the rentals in the period of severe lockdowns (spring – autumn 2020). The tenant should prove that his business is affected by the anti-COVID measures to be eligible for the concessions. This condition has become a source of legal ambiguities in many cases and decreased overall number of potential applicants.

Most of the Group's tenants represent industries on which COVID-19 did not have immediate negative effect. Only 7% of the Group's leasable areas are occupied for retail activities, most of which are owned by financially stable companies. Tenants of newly acquired hotel properties STRAL 3 and SALZ4, industry that has been in sharp decline since the pandemic start, represent global hotel chains. Management of the tenants have demonstrated belief in the short-term nature of the crisis and have not approached the Group with the claims to negotiate decreased lease rates for the long-term.

Up to the date of the issuance of these financial statements, some of the tenants have requested rent reductions or rent deferrals. EPH is responding to requests on the basis of the respective legislations. Management estimates overall amount of these claims as immaterial for the Group's scale. Taking into account limited number of the tenants eligible for the rental concessions and short-term horizon of the claims as well as based on the latest information on COVID-19 developments, including progress with vaccination in the countries of operation, management does not expect significant impact of the pandemic on the Group's performance and financial position in the foreseeable future.

Management estimate of the potential effects of COVID-19 on the Group in the long-run is incorporated into determination of fair values of the Group's investment properties and NRV of inventory as of 31 December 2020. It is impossible to derive the effect of the pandemic from other factors, but, generally, negative change in assumptions, especially for hotel holding properties, can be attributed to COVID-19 consequences in a substantial way. Though all current forecasts can be made only with a considerably higher degree of uncertainty, management presumption in development of the estimates is that negative impact of COVID-19 remains temporary. Refer to Notes 5 and 10.

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. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets. The impact of further economic and political developments on future operations and financial position of the Group might be significant.

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.

in US$	measurement category	carrying amount 31.12.2020	31.12.2019
Non-current financial assets			
Accounts receivable	amortised cost	932,592	0
Current financial assets			
Accounts receivable	amortised cost	7,675,900	882,976
Cash&cash equivalents	amortised cost	143,262,094	29,372,858
Non-current financial liabilities			
Borrowings	amortised cost	−976,770,903	−655,449,347
Tenant deposits	amortised cost	−6,180,396	−6,183,669
Finance lease liabilities	amortised cost	−360,258	−332,774
Current financial liabilities			
Borrowings	amortised cost	−137,113,410	−3,909,669
Payables on acquisition of properties	FVTPL	−13,460,172	0
Trade payables and accrued expenses	amortised cost	−9,996,221	−6,895,412

Fair value hierarchy

As at 31 December 2020, the Group holds financial instruments carried at fair value in the statement of financial position for the amount US$ 13.5 million at level 3 hierarchy (31 December 2019: 0).

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$	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	Carrying amount		Fair value	
Bonds issued	458,009,350	457,781,821	488,914,879	497,454,355

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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
US$	−181,197,217	−27,887,089	4,717,360	352,198
Euro	−396,996,773	−111,226,038	720,568,823	9,244,873

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$	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loss	−18,158,274	−18,166,000	−3,209,166	−1,655,000

The negative effect of 10% increase in US$/RUB rate of US$ 18.16 million is mainly attributable to the net US$ denominated inter-company borrowings of the subsidiaries with RUB functional currency (2019: US$ 18.17 million).

The negative effect of 1% increase in US$/Euro rate of US$ 3.21 million to the net Euro denominated inter-company loans given overlapping gain on revaluation of Euro denominated notes payable (2019: US$ 1.66 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 15.

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 2020 and 2019. Hence, change of interest rate would not have any impact on the Group's profit or loss.

UniCredit loan has interest rate of 1,125%+3MEURIBOR with the interest SWAP, limiting upward change in the variable index to 0,119%. Hence, change in the index over this limit will not have any impact on the Group's profit or loss. Downward change of the index below zero is charged as a SWAP interest. 0,1% change in the index below zero would decrease Group's profit by US$ 0.04 million.

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 (31 December 2020: US$ 143.26 million, 31 December 2019: US$ 29.37 million). The Group holds significant cash deposits and current accounts at well-known high ranking banks VTB, UniCredit (Russian and Austrian entities), Postbank (Germany), Cramer Bank (holding companies). Management monitors creditworthiness of the banks on a regular basis.

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 2020 and 31 December 2019.

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 2020 and 31 December 2019 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
31.12.2020							
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

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
31.12.2019							
Liabilities							
Borrowings	186,322	15,391,457	15,395,048	30,747,846	724,965,507	1,574,965	788,261,145
Gross finance lease liabilities	–	17,918	17,918	35,837	143,348	609,992	825,013
Tenant deposits	–	62,342	209,270	1,508,928	5,756,019	673,154	8,209,713
Trade and other payables	–	6,628,417	–	–	–	–	6,628,417
Total	186,322	22,100,134	15,622,236	32,292,611	730,864,874	2,858,111	803,924,288

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 2020 and 2019, the Group's gearing ratio is given the table below.

Net Debt, US$	31 December 2020	31 December 2019
Non-current borrowings	976,770,903	655,449,347
Current borrowings	137,113,410	3,909,669
Cash & cash equivalents	−143,262,094	−29,372,858
Total	970,622,219	629,986,158
Total Capital, US$		
Shareholders equity	536,245,182	407,332,456
Net debt	970,622,219	629,986,158
Total	1,506,867,401	1,037,318,614
Gearing ratio (Net debt divided by Total Capital)	64.41%	60.73%

29. SUBSEQUENT EVENTS

Refinancing of Raiffeisen Bank loan at QBC 1 and QBC 2

On March 2021, the Group agreed a new secured loan facility for EUR 100 million in total with UniCredit bank Austria, 1,558% p.a. with final repayment on 31 December 2030. Out of the funds from the loan, the Group will repay its liability on Raiffeisen Bank loan at QBC 1 and 2 (carrying amount as of 31 December 2020: EUR 107.04 million, or US$ 131.45 milllion, refer to Note 15).

GENERAL INFORMATON

1. OBJECTIVE

The objective of Eastern 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/.

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