

PRESS RELEASE
Third Quarter 2020 Financial Update

25 November 2020, Road Town, Tortola, BVI

BUSINESS HIGHLIGHTS

- In Q3 2020 the Company continued to expand its activity to Europe and diversify its portfolio to ensure long-term capital preservation. Following this strategy, in July 2020, the Company acquired 100% of interest in the entity holding a hotel property in Salzgasse 4 in Dresden, Germany. The property is located in the historic centre of Dresden, very close to the main city attractions and Dresden Airport. It 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. The property and is occupied by 4-star Hotel Inside Dresden of Melia Hotels & Resorts Group. The current lease runs till December 2029.
- The Company's rental properties continue generating sufficient cash to cover the Company's operating expenses, service the debt and partially finance its new acquisitions.
- The Company successfully continued sales of Arbat premises in Moscow. During 3rd quarter 2020 a few more apartments and parking lots have been sold.
- RUB and EUR, the major currencies in which the Group operates, continue to be volatile and have an impact on the Company's operating result and net asset value. RUB weakened against US\$ by more than 26% since the beginning of 2020. In average for the 9 months of 2020 RUB weakened by 11% as compared to the same period of 2019. EUR appreciated against USD by 4% and 1%, accordingly.
- The management of the Company is constantly monitoring the impact of COVID-19 pandemic on the Company's rental income on an asset by asset basis. As of today, the Management of the Company cannot judge on the future potential negative impact of Covid-19 on the global economy and major financial markets as well as on the Company's properties but as per the most recent assessment, impacts on our portfolio are only considered short-term with no material impact expected for the long-term.

FINANCIAL HIGHLIGHTS

The above key events led to the following main changes in the Company's financial results for Q3 2020:

- Acquisition of new hotel property in Dresden, SALZ 4, added US\$ 60.52 million (EUR 51.5 million) to the value of the Company's investment properties.
- Further, during Q3 2020 the Group's additional investments in LASS 1, an office property under refurbishment in Vienna, amount to approximately EUR 15 million, resulting in its recognized value of US\$ 103.70 million as of 30 September 2020. The Group measures LASS 1 property at cost, since its fair value is not reliably measurable in the refurbishment stage, until its fair value becomes reliably measurable or construction is completed (whichever is earlier).
- The Group's borrowings increased due to the loan with a total value of US\$ 22 million (EUR 19 million) granted by Hypo Vereinsbank (member of Unicredit Group) which was acquired together with the acquisition of SALZ 4 property. The loan matures in December 2029 and is payable through monthly amortization payments with a balloon payment of EUR 9.76 million.
- Apart from the impact of Q3 2020 acquisitions, the values of the Group's properties and debt are influenced by the currency fluctuations between EUR/EUR and US\$.
- Net rental income declined from US\$ 56 million for 9 months of 2019 to US\$ 45 for 9 months of 2020. The decrease is mainly attributable to Russian properties and caused especially by the compression of US\$ values of EUR-denominated revenues resulting from EUR depreciation, as well as by revision of certain leases.
- Properties acquired in the first 9 months 2020, STRAL 3 and SALZ 4, contributed US\$ 2 million and US\$ 0,7 million, respectively, for the period after acquisition by the Group (STRAL 3: 6 months, SALZ 4: 3 months).
- For 9 months of 2020 foreign exchange gain recognised in the Company's income statement was partially overlapped by negative change in currency translation adjustment recognized directly in equity; so the overall gain from exchange rate fluctuations in the reporting period is US\$ 13 million.