



# SEMI-ANNUAL REPORT 2020

EPH EUROPEAN  
PROPERTY HOLDINGS

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# DEAR SHAREHOLDERS

We are proud to say that in the first six months of 2020 EPH European Property Holdings (“EPH” or the “Group”) has made considerable progress with the implementation of its expansion strategy and to further expand its portfolio in Europe. Our portfolio has grown by additional first-class, high quality properties in outstanding locations in German and Austrian metropolises.

Going back to 2016, EPH set the sails for a change in geographic focus. After many years of investing very successfully in the volatile but high yield Russian real estate market, EPH was looking for calmer waters. The high-class 11-floor office building “City Gate” in Stuttgart set the first anchor in the western sphere. In 2017, the acquisition was followed by “Work Life Center” close to Hamburg city centre, and in 2019, by the office building “QBC 4” in the attractive Belvedere quarter in Vienna.

In 2020, EPH is still staying at its course of expanding to Europe but added a new real estate class to its portfolio. The Group acquired an 89.9 percent stake of the trendy hotel property “STRAL 3” in Berlin-Friedrichshain. The building was erected in 2010 in the epic centre of music, fashion and culture. It embraces the dynamic and energy of a new generation of hotels appealing to the cosmopolitan travellers. Europe’s first hotel dedicated to music is an upbeat mix of 304 rooms, an art gallery, a music studio, a terraced bar and restaurant overlooking the river Spree. The hotel property is fully leased to NH Hotel Group, the third-largest hotel operator in Europe.

Only recently, after the end of the reporting period, EPH acquired a second hotel property in Germany which is beyond the ordinary. The hotel property “SALZ 4” with 180 rooms in Dresden’s historic centre is right next to the Church of Our Lady and home to the award-winning international Twist Bar on the 6th floor which offers a great view over the city. It is leased to Meliá Hotels International, one of the largest Spanish hotel operators with a strong global presence in 40 countries.

The hotel sector is one of the segments most affected by the coronavirus pandemic. However, the sector has seen attractive opportunities for acquisitions. Naturally fundamental factors which define the quality of the asset for the long-term remain most important – for instance a consistent and future-viable hotel concept, the creditworthiness of the tenant, an excellent hotel location and the construction quality of the building itself. These factors play a decisive role in whether a hotel can survive the recession of the coronavirus crisis and be successful in the long term. The modern city hotels which we have acquired in Berlin and Dresden fulfil these criteria. EPH is convinced that these assets supplement our portfolio in an excellent manner.

Although the pandemic has left its mark on the office real estate market, there is still a shortage of space at in-demand locations in Europe – for EPH reason enough to acquire another office property in Vienna. The property “Lass One”, 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 – expected finalization of refurbishment in mid-2022. Quartier Lassalle is next to Praterstern which is one of Vienna’s largest inner-city urban development area with an excellent infrastructure and upscale local supply. As of today, there are already more than 50% of the property leased with an average term of more than 10 years to reputable tenants and public authorities.

The Group’s strategy “From East to West” is clearly observable through the latest investments associated with the shift in our focus from Russia to Europe. The renaming of the Group’s holding company to “EPH European Property Holdings” in June was not only a major symbolic step but also a commitment to further enlarge the European asset portfolio.

The Group’s rental income in the first half year 2020 as well as the market values across the entire portfolio faced a moderate decrease due to the coronavirus pandemic and potential risks arising from it have been reflected in the valuations. The valuations of the Russian properties with RUB-based income were further affected by the substantial RUB depreciation since the beginning of the year. However, due to active and efficient management, the Company successfully continued sales of Arbat premises in Moscow and, in particular, sold the whole office space in Arbat 24 of 2,600 square meters with significant profit which overlapped the temporary decline of the rental income.

As of today, the future potential negative impact of Covid-19 on the global economy and major financial markets as well as on EPH properties is difficult to judge but EPH is repeatedly analysing the impact of Covid-19 on the Group’s performance. As per the most recent assessment – also based on the good relationship management with tenants in order to find valuable solutions for both parties to overcome this crisis together – impacts on the Group are only considered short-term with no material impact expected for the long-term. For the second half of 2020 and beyond, we will advance with our growth plans based on our investment criteria.

We would like to thank all of our shareholders for the trust they have placed in us and would be pleased if you were to continue to accompany us on our growth path. We would also like to thank our business partners for their good cooperation and their commitment.

For the Semi Annual Report we have opted to only focus on what has changed during the period under review. If you are looking at EPH European Property Holdings the first time, or perhaps for the first time in some years, please be sure to also have the 2019 Annual Report on hand. You find it on the Company’s website, or a printed copy will be sent to you at request.

Sincerely,  
The Board of Directors  
September 2020

KEY PERFORMANCE INDICATORS

in US\$	for six months ended		
	30.06.2020	30.06.2019	30.06.2018
Net rental income	29,045,637	37,765,239	35,055,082
Administrative and selling expenses	-3,902,594	-4,335,127	-2,434,755
Net gain arising from the sales of properties	12,454,837	3,082,737	-
Net other operating income/(expenses)	-1,057,934	-611,236	-1,094
<b>Operating Income</b>	<b>36,539,946</b>	<b>35,901,613</b>	<b>32,619,233</b>
Finance costs	-18,257,788	-16,255,147	-15,650,833
Current tax expense	-3,940,729	-4,922,078	-4,360,415
<b>Earnings from operational activity</b>	<b>14,341,429</b>	<b>14,724,388</b>	<b>12,607,985</b>
Valuation movements	21,151,198	-24,378,667	24,938,476
Deferred tax (expense)/benefit	2,492,898	-1,157,173	-6,098,602
Other extraordinary items	-	-	-134,496
<b>Total before foreign exchange movements</b>	<b>37,985,525</b>	<b>-10,811,452</b>	<b>31,313,363</b>
Net foreign exchange (loss)/gain	-28,134,006	38,219,125	-28,583,146
<b>Net Profit/(Loss) for period</b>	<b>9,851,519</b>	<b>27,407,673</b>	<b>2,730,217</b>
<b>Earnings from operational activity per share</b>	<b>1.45</b>	<b>1.49</b>	<b>1.27</b>

in US\$	as of		
	30.06.2020	31.12.2019	31.12.2018
Number of investment properties	12	10	9
Investment properties, incl.	1,138,277,378	1,007,516,128	841,451,779
Europe	47%	35%	28%
Russia	53%	65%	72%
Total Assets	1,476,608,971	1,268,555,787	1,073,143,730
Borrowings	923,224,627	659,359,016	553,507,629
<b>Loan-to-value</b>	<b>63%</b>	<b>52%</b>	<b>52%</b>

**MANAGEMENT**

REPORT

# EPH EUROPEAN PROPERTY HOLDINGS

## REAL ESTATE

As of 30 June 2020 our property holdings consist of:

- 100% of shareholdings in four mixed-use commercial properties: Berlin House, Geneva House, Polar Lights and Magistal'naya in Moscow
- 99.98% shareholding in a mixed-use office and retail building Hermitage Plaza in Moscow
- 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 (acquired in the first half of 2020)
- 100% shareholding in an office property QBC4 in Vienna
- 100% shareholding in an office property LASS 1 under refurbishment in Vienna (acquired in the first half of 2020)
- Apartments, retail premises and parking lots in two mixed-use properties in Moscow: Arbat Multi-use Complexes
- 100% stake in raw land plot: 55 hectare "Scandinavia" site near St. Petersburg

The Company's strategy is to diversify its portfolio across major Western European markets, adding attractive real estate investments in stable markets with a strong long-term economic outlook.

# SELECTED PROPERTY REVIEW

## QBC 4 (BDO HEADQUARTERS)

20,000	EUR 102,980,000
BUILDING AREA	APPRAISED VALUE

17,430	0%
RENTABLE AREA	VACANCY RATE

100%	2019
OWNERSHIP	YEAR OF CONSTRUCTION

QBC 4 is a newly constructed Class A office property in the attractive and sought-after Quartier Belvedere in Vienna close to the main station. EPH acquired 100% of QBC 4 in February 2019. The major tenant is the global accounting firm BDO. The vacancy rate as of 30 June 2020 is 0%.

## STRAL 3 (HOTEL NHOW)

20,160	EUR 92,100,000
BUILDING AREA	APPRAISED VALUE

20,160	0%
RENTABLE AREA	VACANCY RATE

89.9%	2010
OWNERSHIP	YEAR OF CONSTRUCTION

STRAL 3 is ideally located in the popular, upcoming area of Friedrichshain in Berlin. The property is leased in its entirety to NH Hotel Group, the third largest business hotel group in Europe, until November 2035. The hotel property STRAL 3 was completed in 2010 and is notable for its extraordinary, very modern construction. EPH acquired 89.9% of interest in the property in April 2020.

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## WORK LIFE CENTER

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12,070	EUR 88,200,000
BUILDING AREA	APPRAISED VALUE

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12,070	1.2%
RENTABLE AREA	VACANCY RATE

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94%	2017
OWNERSHIP	YEAR OF CONSTRUCTION

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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 30 June 2020 is 1.2%.

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## CITY GATE

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26,450	EUR 123,800,000
BUILDING AREA	APPRAISED VALUE

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17,260	0%
RENTABLE AREA	VACANCY RATE

---

94%	2016
OWNERSHIP	YEAR OF CONSTRUCTION

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City Gate is a Class A office and retail complex constructed in 2014 and 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 30 June 2020 CityGate is fully rented.



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## BERLIN HOUSE

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13,380	US\$ 151,100,000
BUILDING AREA	APPRAISED VALUE

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10,100	13.5%
RENTABLE AREA*	VACANCY RATE

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100%	2002
OWNERSHIP	YEAR OF CONSTRUCTION

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\*in accordance with BOMA standard

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 vacancy rate as of 30 June 2020 is 13.5%. The major tenants are Richemont Group and Thomson Reuters.

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## GENEVA HOUSE

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16,460	US\$ 145,202,000
BUILDING AREA	APPRAISED VALUE

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11,970	8.9%
RENTABLE AREA*	VACANCY RATE

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100%	2010
OWNERSHIP	YEAR OF CONSTRUCTION

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\*in accordance with BOMA standard

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 vacancy rate as of 30 June 2020 is 8.9%. The major tenants are S7 Airlines, Merrill Lynch, Akin Gump and Chanel.

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## HERMITAGE PLAZA

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40,220	US\$ 185,002,000
BUILDING AREA	APPRAISED VALUE

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32,900	3.5%
RENTABLE AREA*	VACANCY RATE

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99.98%	1937/2006
OWNERSHIP	YEAR OF CONSTRUCTION

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\*in accordance with BOMA standard

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. The vacancy rate as of 30 June 2020 is 3.5%.

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## POLAR LIGHTS

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37,820	US\$ 99,720,000
BUILDING AREA	APPRAISED VALUE

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30,750	2.9%
RENTABLE AREA*	VACANCY RATE

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100%	2006
OWNERSHIP	YEAR OF CONSTRUCTION

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\*in accordance with BOMA standard

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 30 June 2020 is 2.9%. EPH acquired 100% of Polar Lights in September 2014.

# DEVELOPMENT PROJECTS

## LASS 1

29,000	UNDER REFURBISHMENT
BUILDING AREA	APPRAISED VALUE
N/A	EUR 73,481,370
RENTABLE AREA	COST
100%	1993
OWNERSHIP	YEAR OF CONSTRUCTION

EPH's 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.

## ARBAT PROJECTS

36,000	US\$ 127,710,000
BUILDING AREA	APPRAISED VALUE
10,400	
REMAINING RENTABLE/SELLABLE AREA	
139	2016
REMAINING PARKING LOTS	YEAR OF CONSTRUCTION

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 and luxury apartment space. The second property, located near the first at Arbat Street 39, consists of retail space and luxury apartments. 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 the first half of 2020, the Group sold all office premises in Arbat 24 to a third party and continued to sell apartments and parking lots in both Arbat properties. Also some part of retail premises in Arbat 39 has been leased out.



**CORPORATE**

GOVERNANCE



This section contains parts of the annual corporate governance report focusing on significantly changed matters since 31 December 2019.

## 1. BOARD OF DIRECTORS

### 1.1 ELECTIONS AND TERMS OF OFFICE

The Board Members are elected individually by a resolution of shareholders or by a resolution of directors. 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. Gustav Stenbolt has been re-elected for a term of three years as per General Meeting 2020 (first appointment July 2003). In June 2020, Mr. Christodoulos Vassiliades has resigned as Board Member of EPH with immediate effect. As his replacement the Board of Directors has appointed Mrs. Annamaria Vassiliades as Director of the Board.

## 2. MANAGEMENT

### 2.1 MANAGEMENT COMMITTEE

In June 2020, Mr. Christodoulos Vassiliades has resigned as Management Committee Member of EPH with immediate effect. As his replacement the Board of Directors has appointed Mrs. Annamaria Vassiliades as Member of the Management Committee.

## SIGNIFICANT GROUP 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.	7, route d'Esche L-1470 Luxembourg, Luxembourg	EUR 12,000	100% held by EPH
Bluestone Investments Limited (sold in July 2020)	Koumandarias&Spyrou Araouzou, 7th Floor, Tonia Court II 3036 Limassol, Cyprus	EUR 21,375 (10,000 Class A shares, par EUR 1.71; 2,500 Class B non-voting shares, par EUR 1.71)	EPH holds 50% Class A shares and 100% Class B shares
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	99.9999% held by EPH and 0.0001% 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
Geneva House LCC (sold in July 2020)	5 Petrovka St., 107031 Moscow, Russia	RUB 10,000	99.85% held by Bluestone Investments Ltd., 0.075% held by Whiterock Investments Ltd., 0.075% held by a third party
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	TONIA COURT II, 7th Floor 3036 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
Intrustcom JSC (sold in July 2020)	11/2 bldg.1, 1st Magistralnaya St., 123290 Moscow, Russia	RUB 500,000 (100 ordinary shares, par RUB 5,000)	100% held by Geneva House



Full company name	Registered office	Issued Share Capital	Ownership %
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.
Norpexal Investments GmbH (acquired in July 2020)	Westendstrasse 28, 60325 Frankfurt, Germany	EUR 25,000	100% held by SG4 Holding GmbH
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 Beteiligungsverwaltungs GmbH
Ophuchus Beteiligungsverwaltungs GmbH	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 35,000	100% held by Obewan Beteiligungsverwaltungs GmbH
Otdelstroy, JSC (sold in July 2020)	6/1/2 str.3 pom.37 Kadashevskaya nab., 119016 Moscow, Russia	RUB 10,000 (1,000 ordinary shares, par RUB 10)	100% held by Geneva House LLC
Philadelphia, LLC	5, Petrovka Street, 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.
Primary TIZ Limited	Griva Digeni 115, Trident Center, P.C. 3101 Limassol, Cyprus	US\$ 102,540 (102,540 ordinary shares, par US\$1)	100% held by TP Invest Ltd.
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&Co Delta KG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	Limited Partnership	100% held by QBC BT IV Alpha GmbH, QBC BT IV Beta GmbH (Limited Partners) and QBC BT IV Epsilon GmbH (General Partner)
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 OG	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 36,500	89.9% held by Ophuchus Beteiligungs- verwaltungs GmbH 10.1% held by Obewan GmbH&Co KG

Full company name	Registered office	Issued Share Capital	Ownership %
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.	7, route d'Esche L-1470 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 (acquired in July 2020)	Westendstrasse 28, 60325 Frankfurt, Germany	Limited Partnership	75% held by SG4 Dresden Management GmbH and 25% held by SG4 Dresden Holding GmbH
SG4 Dresden Holding GmbH (acquired in July 2020)	Westendstrasse 28, 60325 Frankfurt, Germany	EUR 25,000	100% held by Asura Holding S.a.r.l.
SG4 Dresden Management GmbH (acquired in July 2020)	Westendstrasse 28, 60325 Frankfurt, Germany	EUR 25,000	100% held by SG4 Dresden Holding GmbH
T&A Services Limited	171 Main Street, Road Town, Tortola VG 1110, British Virgin Islands	US\$ 5	100% held by EPH
Tengri, LLC	Hersonskaya Street, 41A, 117246 Moscow, Russia	RUB 2,019,195,866	100% held by PNL Media Ltd.
Tizpribor, PJSC	Krasno proletarskaya, 4 127006 Moscow, Russia	RUB 8,787,500	99.98% held by Capital Estate Group (C.E.G.) Ltd.
TP Invest, LLC	Krasno proletarskaya, 2/4 constr.13 127006 Moscow, Russia	RUB 1,511,710,000	100% held by PJSC Tizpribor
Vakhtangov Place Limited (sold in July 2020)	Koumandarias&Spyrou Araouzou, 7th Floor, Tonia Court II 3036 Limassol, Cyprus	EUR 12,500 (10,000 Class A shares, par EUR 1.00, 2,500 non-voting Class B shares, par EUR 1.00)	EPH holds 50% Class A shares and 100% Class B shares
Whiterock Investments Limited (sold in July 2020)	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
WLC Hamburg GmbH	Westendstrasse 28 60325 Frankfurt am Main, Germany	EUR 25,000	94% held by Setford Limited

**EXTERNAL**

REPORTS





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## Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors of  
**EPH European Property Holdings Limited, Tortola, British Virgin Islands**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of EPH European Property Holdings Limited and its subsidiaries (together the "Group") as of June 30, 2020 and the related interim condensed consolidated statement of profit and loss, interim condensed consolidated comprehensive income, interim condensed consolidated statement of cash flow, interim condensed consolidated statement of changes in equity for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" and article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material aspects, in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" and article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

### **Deloitte AG**

Marcel Meyer  
Licensed audit expert  
Auditor in charge

Avazkhodja Usmanov

Zurich, September 25, 2020



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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)
- Scandinavia land plot (Leningrad Oblast)

We understand that the reports are required for accounting purposes. The date of valuation: 30 June 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,

A handwritten signature in black ink, appearing to read 'Tim Millard', written in a cursive style.

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



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
Kapelle-Ufer 4, 10117 Berlin

City Gate Stuttgart GmbH  
Mr. Marcus Friedrichs  
Westendstr. 28  
60325 Frankfurt

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

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julia.sacchi@de.pwc.com

7 September 2020  
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 30 June 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 17 July 2020.

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

Dirk Hennig

Julia Sacchi

Vorsitzender des Aufsichtsrats: WP StB Dr. Norbert Vogeloth  
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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Kapelle-Ufer 4, 10117 Berlin

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

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7 September 2020  
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 30 June 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 17 July 2020.

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

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,  
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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

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

*Tel.: +43 1 501 88 – 0  
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E-mail: office.wien@at.pwc.com  
www.pwc.at*

September 15, 2020  
EMA/HAAR

***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 July 13, 2020, 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 June 30, 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



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft  
Kapelle-Ufer 4, 10117 Berlin

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

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7 September 2020  
DHe/JSa

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

Dear Ms. Sassel, Dear Mr. Sassel,

You have 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.

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 21 July 2020.

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

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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**FINANCIAL**

REPORT

in US\$	Note *	30.06.2020	31.12.2019
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	7,8	1,138,277,378	1,007,516,128
Prepayments for future acquisitions		23,068,555	22,962,341
Goodwill	11	72,498,020	76,620,949
Deferred tax assets		559,926	650,824
Furniture and equipment		67,924	82,635
<b>Total non-current assets</b>		<b>1,234,471,803</b>	<b>1,107,832,877</b>
<b>Current assets</b>			
Inventory	10	102,662,027	124,420,990
Accounts receivable	12	27,138,830	882,976
Prepayments		2,756,306	2,362,158
Prepaid taxes		4,642,906	3,683,928
Cash&cash equivalents	13	104,937,099	29,372,858
<b>Total current assets</b>		<b>242,137,168</b>	<b>160,722,910</b>
<b>Total assets</b>		<b>1,476,608,971</b>	<b>1,268,555,787</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	913,308,530	655,449,347
Deferred tax liabilities		137,668,920	158,371,253
Other non-current liabilities		9,540,733	8,085,129
<b>Total non-current liabilities</b>		<b>1,060,518,183</b>	<b>821,905,729</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		8,006,648	6,895,412
Advances received		12,238,660	16,215,826
Taxes payable		12,009,417	12,296,695
Borrowings	14	9,916,097	3,909,669
<b>Total current liabilities</b>		<b>42,170,822</b>	<b>39,317,602</b>
<b>Equity</b>			
Share capital	18	590,539,374	590,539,374
Share premium	18	19,176,805	19,176,805
Treasury shares	18	-2,242,034	-1,975,238
Accumulated deficit		-60,553,467	-70,893,189
Cumulative translation adjustment		-182,554,861	-133,371,463
<b>Shareholders' equity attributable to the holders of the Company</b>		<b>364,365,817</b>	<b>403,476,289</b>
Non-controlling interest		9,554,149	3,856,167
<b>Total equity</b>		<b>373,919,966</b>	<b>407,332,456</b>
<b>Total equity and liabilities</b>		<b>1,476,608,971</b>	<b>1,268,555,787</b>
Number of shares outstanding		9,895,549	9,904,959
Net asset value per share		36.82	40.73

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

in US\$	Note *	for six months ended	
		30.06.2020	30.06.2019
<b>Rental income</b>			
Gross rental income	15	31,066,966	38,879,098
Service charge income	15	5,619,489	6,225,013
Utilities	15	-1,740,650	-2,104,357
Property operating expenses	15	-2,755,659	-2,034,910
Repair and maintenance costs	15	-361,697	-292,332
Ground rents paid	15	-201,523	-267,227
Non-income taxes	15	-2,581,289	-2,640,046
<b>Net rental income</b>	<b>15</b>	<b>29,045,637</b>	<b>37,765,239</b>
<b>Gains and losses arising from the sales of properties</b>			
Sales of properties	16	27,913,900	7,444,796
Cost of sales	16	-15,459,063	-4,362,059
<b>Net gain arising from the sales of properties</b>	<b>16</b>	<b>12,454,837</b>	<b>3,082,737</b>
<b>Administrative and selling expenses</b>			
Management fees	20	-1,580,828	-1,249,838
Professional and administration fees		-1,701,549	-2,850,368
Selling expenses		-384,632	-
Salaries and social charges		-235,585	-234,921
<b>Total administrative and selling expenses</b>		<b>-3,902,594</b>	<b>-4,335,127</b>
<b>Other income/(expenses)</b>			
Interest income		194,295	232,486
Other income		371,423	564,922
Other expenses		-1,616,016	-1,396,792
Depreciation		-7,636	-11,852
Net foreign exchange (loss)/gain		-28,134,006	38,219,125
<b>Net other (expenses)/income</b>		<b>-29,191,940</b>	<b>37,607,889</b>
<b>Valuation movements</b>			
Net (loss)/gain from fair value adjustment on investment properties	7	-57,345,482	36,238,072
Net gain/(loss) due to effect of currency fluctuation on valuation of investment property		78,496,680	-60,616,739
<b>Net valuation movements</b>		<b>21,151,198</b>	<b>-24,378,667</b>
<b>Net operating gain before finance cost</b>		<b>29,557,138</b>	<b>49,742,071</b>
Finance costs	17	-18,257,788	-16,255,147
<b>Gain before taxes</b>		<b>11,299,350</b>	<b>33,486,924</b>
Income taxes		-1,447,831	-6,079,251
<b>Net profit for the period</b>		<b>9,851,519</b>	<b>27,407,673</b>
Attributable to:			
Equity holders of the Company		10,339,722	27,291,003
Non-controlling interest		-488,203	116,670
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>			
Weighted average number of outstanding shares		9,900,051	9,915,385
Basic and diluted		1.04	2.75

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

in US\$	for six months ended	
	30.06.2020	30.06.2019
<b>Net profit for the period</b>	<b>9,851,519</b>	<b>27,407,673</b>
<b>Other comprehensive gain/(loss)</b>		
Other comprehensive (loss)/gain to be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on currency translation differences	-42,808,575	21,234,606
Net other comprehensive (loss)/gain to be reclassified to profit or loss in subsequent periods	-42,808,575	21,234,606
<b>Total comprehensive (loss)/gain for the period</b>	<b>-32,957,056</b>	<b>48,642,279</b>
<b>Attributable to:</b>		
Equity holders of the Company	-33,138,612	49,133,662
Non-controlling interest	181,556	-491,383

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

in US\$	Note *	for six months ended	
		30.06.2020	30.06.2019
<b>Cash flows from operating activities</b>			
Net profit for the period		9,851,519	27,407,673
Net foreign exchange loss/(gain)		28,134,006	-38,219,125
Net loss/(gain) from fair value adjustment on investment properties	7	57,345,482	-36,238,072
Net (gain)/loss due to effect of currency fluctuation on valuation of investment property		-78,496,680	60,616,739
Other non-cash expenses		979,004	21,995
Gain arising from sale of investment property		-11,603,782	-
Depreciation		7,636	11,852
Interest income		-194,295	-232,486
Finance costs	17	18,257,788	16,255,147
Income tax expense		1,447,831	6,079,251
<b>Cash generated from operations before movements in working capital</b>		<b>25,728,509</b>	<b>35,702,974</b>
<b>Movements in working capital</b>			
Increase/ (decrease) in accounts payable and other liabilities		2,000,263	-10,642,055
(Increase)/Decrease in accounts receivable		-7,265,356	2,556,685
Decrease in inventory	10	6,630,063	4,362,059
<b>Cash generated from operations</b>		<b>27,093,479</b>	<b>31,979,663</b>
Interest income received		194,295	232,486
Income tax paid		-3,675,403	-5,436,464
<b>Net cash generated from operating activities</b>		<b>23,612,371</b>	<b>26,775,685</b>
<b>Cash flows from investing activities</b>			
Acquisitions of business, net of cash acquired	6	-	-54,689,100
Purchases of investment properties	7,8	-180,771,628	-1,325,391
<b>Net cash used in investing activities</b>		<b>-180,771,628</b>	<b>-56,014,491</b>
<b>Cash flows from financing activities</b>			
Finance costs paid		-14,821,148	-14,635,679
Proceeds from notes payable	14	247,039,409	49,396,207
Repayment of borrowings		-	-
Proceeds from sale of treasury shares		-	-
Acquisition of treasury shares		-266,796	-252,414
Unicredit loan refinance fees	14	-	-4,430,072
<b>Net cash generated from financing activities</b>		<b>231,951,465</b>	<b>30,078,042</b>
<b>Net change in cash&amp;cash equivalents</b>		<b>74,792,208</b>	<b>839,236</b>
Cash&cash equivalents at the beginning of the period		29,372,573	41,688,479
Net gain from foreign currency translation		749,008	1,860,477
<b>Cash&amp;cash equivalents at the end of the period</b>	<b>13</b>	<b>104,913,789</b>	<b>44,388,192</b>

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

in US\$	Share capital	Share premium	Treasury shares	Accumulated deficit
<b>Balance as at 01.01.2019</b>	<b>590,539,374</b>	<b>19,176,805</b>	<b>-1,540,593</b>	<b>-111,571,870</b>
Net profit for the period	-	-	-	27,291,003
Other comprehensive gain	-	-	-	-
Total comprehensive gain/(loss) for the period	-	-	-	27,291,003
Acquisition of treasury shares	-	-	-252,414	-
<b>Balance as at 30.06.2019</b>	<b>590,539,374</b>	<b>19,176,805</b>	<b>-1,793,007</b>	<b>-84,280,867</b>
Net profit for the period	-	-	-	13,387,678
Other comprehensive gain	-	-	-	-
Total comprehensive gain for the period	-	-	-	13,387,678
Acquisition of treasury shares, net (acquisitions US\$182.291, sales US\$ 60)	-	-	-182,231	-
<b>Balance as at 31.12.2019</b>	<b>590,539,374</b>	<b>19,176,805</b>	<b>-1,975,238</b>	<b>-70,893,189</b>
Net profit/(loss) for the period	-	-	-	10,339,722
Other comprehensive (loss)/gain	-	-	-	-
Total comprehensive gain/(loss) for the period	-	-	-	10,339,722
Acquisition of treasury shares	-	-	-266,796	-
Acquisition of a subsidiary during the period	-	-	-	-
<b>Balance as at 30.06.2020</b>	<b>590,539,374</b>	<b>19,176,805</b>	<b>-2,242,034</b>	<b>-60,553,467</b>

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



Currency translation adjustment	Shareholders' equity attributable to the holders of the Company	Non-controlling interest	Total equity
-161,101,897	335,501,819	3,667,529	339,169,348
-	27,291,003	116,670	27,407,673
21,842,659	21,842,659	-608,053	21,234,606
21,842,659	49,133,662	-491,383	48,642,279
-	-252,414	-	-252,414
-139,259,238	384,383,067	3,176,146	387,559,213
-	13,387,678	206,804	13,594,482
5,887,775	5,887,775	473,217	6,360,992
5,887,775	19,275,453	680,021	19,955,474
-	-182,231	-	-182,231
-133,371,463	403,476,289	3,856,167	407,332,456
-	10,339,722	-488,203	9,851,519
-49,183,398	-49,183,398	669,759	-48,513,639
-49,183,398	-38,843,676	181,556	-38,662,120
-	-266,796	-	-266,796
-	-	5,516,426	5,516,426
-182,554,861	364,365,817	9,554,149	373,919,966

## 1. CORPORATE INFORMATION

EPH European Property Holdings Limited (former "Eastern Property Holdings Ltd") 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 Interim Condensed Consolidated Financial Statements of EPH European Property Holdings Limited (the "Company" or "EPH") and its subsidiaries (together the "Group") for the half year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 September 2020. The principal activities of the Group are given in Note 5.

The Company was founded in 2003 with the intention to invest European money 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 Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

Management prepared these Interim Condensed Consolidated Financial Statements on a going concern basis.

### Functional and presentation currency

The functional currency of the Company is the US dollar ("US\$"). The functional currency of the Group's major subsidiaries is the Russian ruble (for Russian subsidiaries) and Euro ("EUR") (for German and Austrian subsidiaries). Items included in the 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 Interim Condensed Consolidated Financial Statements are presented in US dollars ("US\$").

### Foreign currency exchange rates

The Group uses official rates of exchange, as determined by the Swiss National Bank (for 1 US\$). The rates are given at the bottom of the page.

	30.06.2020		31.12.2019		30.06.2019	
in US\$	RUB	EUR	RUB	EUR	RUB	EUR
closing rate	70.6570	0.8912	62.1071	0.8917	63.0829	0.8780
average rate	70.2545	0.9054	64.4692	0.8933	64.8153	0.8846

### Income tax

Income tax in the interim periods is accrued using the effective tax rate that would be applicable to the expected total annual earnings.

### Seasonality of interim operations

The Group's operating income includes rent and sales income from real estate assets. While operations are subject to long-term cyclical patterns in rental and sales prices, Management of the Group does not believe interim operations are subject to seasonality.

The same accounting policies and methods of computation are followed in the Interim Condensed Consolidated Financial Statements as compared with the most recent annual Consolidated Financial Statements except for those described in Note 3.

## 3. CHANGES IN 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 Interim Condensed Consolidated Financial Statements:

- Amendments to Conceptual Framework: fair value, improved definitions and recommendations (subject of changes);
- Amendments to IFRS 9, IAS 39 and IFRS 7: interest benchmark reform
- Amendments to IAS 1 and IAS 8: definition of a materiality;
- IFRS 17: insurance contracts.

The following amendments have significant impact on the Group's Interim Condensed Consolidated Financial Statements:

### Amendments to IFRS 3 Business Combinations

In October 2018, 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 the first half of 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.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Although management believes that the assumption and estimates used in these interim condensed consolidated financial statements are appropriate, any unforeseeable changes in these assumptions could impact the net assets, financial position and results of operations. The Covid-19 situation has been considered by judgements. In view of the global effects of the coronavirus pandemic on the economy and society, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of international links and interrelations between the financial markets, the real economy and political decisions, which each individually have an influence on the economic effects of the pandemic already, but when combined are impossible to assess with any certainty *ex ante*. The management judgements and estimates are therefore based on the fundamental premise that the coronavirus pandemic represents a temporary phenomenon, affecting the Group's profits in the short run.

Judgements and estimates critical for these interim consolidated financial statements are given below.

##### JUDGEMENTS

###### Acquisition of investment properties

The Group acquires subsidiaries that own real estates. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business or acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which substantive processes are acquired. If acquired set of activities does not have an output (i.e. revenue), the process (or group of processes) is substantive only if:

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

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

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

###### Recognition of revenue on sale of investment and inventory property

Revenue on sale of investment and 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.

If the customer has not physically accepted the asset but obtained significant risk and rewards of the ownership of the asset (which usually coincides in time with the transfer of legal title to the asset in Russia), the latter prevails in determining the moment of the control transfer.

##### ESTIMATES

###### Valuation of Investment property

Refer to Note 9.

###### 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 decrease to the deferred tax benefit resulting from rate change.

## 5. SEGMENT INFORMATION

Information on the major customers and gross and net rental income of the Rental properties segment on asset by asset basis is given in Note 15.

Asset STRAL 3 (Berlin, Germany), acquired on 2 April 2020 (Note 8), refers to the Rental Properties Segment based on its business nature, production processes, type of customer, distribution methods and other characteristics. Asset LASS 1 (Vienna, Austria), acquired on 29 June 2020 (Note 8), refers to the newly introduced segment Rental Property Under Construction. Upon completion of construction and start of leases, expected in June 2022, the asset will be reclassified to Rental Properties Segment. For the period of one day after acquisition up to 30 June 2020, there were no operations at the segment.

In 2020, the Company issued interest bearing subordinated registered notes. Proceeds are mainly used to finance acquisition of rental properties and rental properties under construction. Therefore, the notes as well as interest expensed or capitalised for them are also presented in Rental Properties and Rental Property Under Construction segments in proportion to the value of the properties.

Revenue of the Group by operating activities for the periods is as follows:

for six months ended 30.06.2020				
in US\$	Rental properties	Residential properties for sale	Other segments	Total
Gross rental income	31,066,966	–	–	31,066,966
Other rental expenses	–2,021,329	–	–	–2,021,329
Net rental income	29,045,637	–	–	29,045,637
Sales of properties	20,432,782	7,481,118	–	27,913,900
Net gain arising from the sales of properties	11,603,782	851,055	–	12,454,837
Interest income	150,285	44,010	–	194,295
Net foreign exchange gain/(loss)	–2,705,821	58,536	–25,486,721	–28,134,006
Valuation movements	21,099,244	–	51,954	21,151,198
Finance costs	–17,019,108	–849,730	–388,950	–18,257,788
Income tax expense	810,487	–2,207,798	–50,520	–1,447,831
Other expenses	–1,355,630	–1,672,352	–2,126,841	–5,154,823
<b>Net profit/(loss) for the period</b>	<b>41,628,876</b>	<b>–3,776,279</b>	<b>–28,001,078</b>	<b>9,851,519</b>

for six months ended 30.06.2019				
in US\$	Rental properties	Residential properties for sale	Other segments	Total
Gross rental income	38,879,098	–	–	38,879,098
Other rental expenses	–1,113,859	–	–	–1,113,859
Net rental income	37,765,239	–	–	37,765,239
Gain on disposal of inventory	–	3,082,737	–	3,082,737
Interest income	218,328	14,158	–	232,486
Net foreign exchange gain/(loss)	5,505,245	–107,440	32,821,320	38,219,125
Valuation movements	–24,467,803	–	89,136	–24,378,667
Finance costs	–15,358,447	–849,688	–47,012	–16,255,147
Income tax expense	–3,391,370	–2,687,881	–	–6,079,251
Other expenses	–2,868,244	–1,140,839	–1,169,766	–5,178,849
<b>Net profit/(loss) for the period</b>	<b>–2,597,052</b>	<b>–1,688,953</b>	<b>31,693,678</b>	<b>27,407,673</b>

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 30.06.2020

	Rental Properties	Rental Property Under Construction	Residential Properties for sale	Other Segments	Total
Investment properties	1,052,457,393	82,452,166	–	3,367,819	1,138,277,378
Prepayments for future acquisitions	23,068,555	–	–	–	23,068,555
Goodwill	72,498,020	–	–	–	72,498,020
Inventory	–	–	102,662,027	–	102,662,027
Cash&cash equivalents	28,612,851	200,379	1,181,485	74,942,384	104,937,099
Other Assets	33,506,086	1,308,599	338,484	12,723	35,165,892
<b>Total Assets</b>	<b>1,210,142,905</b>	<b>83,961,144</b>	<b>104,181,996</b>	<b>78,322,926</b>	<b>1,476,608,971</b>
<b>Total Liabilities</b>	<b>987,095,479</b>	<b>86,155,548</b>	<b>29,224,419</b>	<b>213,559</b>	<b>1,102,689,005</b>

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
Goodwill	22,962,341	–	–	–	22,962,341
Inventory	76,620,949	–	–	–	76,620,949
Loans	–	–	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
<b>Total Assets</b>	<b>1,133,487,272</b>	<b>–</b>	<b>129,294,050</b>	<b>5,774,465</b>	<b>1,268,555,787</b>
<b>Total Liabilities</b>	<b>830,638,707</b>	<b>–</b>	<b>30,506,992</b>	<b>77,632</b>	<b>861,223,331</b>

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

for six months ended 30.06.2020

in US\$	Russia	Germany	Austria	Total
Gross rental income	23,735,135	5,378,476	1,953,355	31,066,966
Net rental income	22,743,246	4,349,036	1,953,355	29,045,637
Sales of residential and investment properties	27,913,900	–	–	27,913,900

Carrying amount of:

Investment property	599,047,834	341,225,314	198,004,230	1,138,277,378
Prepayments for future acquisitions	–	–	23,068,555	23,068,555
Goodwill	45,621,368	15,175,987	11,700,665	72,498,020
Inventory	102,662,027	–	–	102,662,027
<b>Total</b>	<b>747,331,229</b>	<b>356,401,301</b>	<b>232,773,450</b>	<b>1,336,505,980</b>

for six months ended 30.06.2019

in US\$	Russia	Germany	Austria	Total
Gross rental income	33,641,915	3,928,329	1,308,854	38,879,098
Net rental income	33,252,134	3,204,250	1,308,855	37,765,239

Carrying amount of:

Investment property	634,748,670	237,705,148	119,362,187	991,816,005
Goodwill	45,621,368	19,606,676	11,876,581	77,104,625
Inventory	124,077,680	–	–	124,077,680
<b>Total</b>	<b>804,447,718</b>	<b>257,311,824</b>	<b>131,238,768</b>	<b>1,192,998,310</b>

#### 6. BUSINESS COMBINATION

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 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
<b>Assets</b>	
Investment property	117,358,448
Trade receivables	37,520
Other assets	81,230
Cash and cash equivalents	716,299
<b>Total assets</b>	<b>118,193,497</b>
<b>Liabilities</b>	
Deferred tax liabilities	11,877,628
Borrowings	62,487,315
Accounts payable and accrued expenses	300,783
<b>Total liabilities</b>	<b>74,665,726</b>
<b>Total identifiable net assets at fair value</b>	<b>43,527,771</b>
Goodwill arising on acquisition	11,877,628
Purchase consideration	55,405,399
thereof paid in cash	55,405,399
<b>Analysis of cash flows on acquisition</b>	
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.





## 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.

for the half year ended 30.06.2020

in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat	Scandinavia land plots
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	11,597	-	319,372	486,307	-	6,930	-
Borrowing costs (2)	-	-	-	-	-	-	-
Disposals (1)	-	-	-	-	-	-8,829,000	-
Other	-10,362	-	-890,413	-41,925	-	-	-
Revaluations	-759,507	-1,996,000	-11,445,959	-25,311,382	-639,000	-2,536,930	51,954
Land lease obligations	-40,488	-	-	-	-	-	-
Effect of translation to presentation currency	-	-	-	-	-	-	-456,812
<b>End of period</b>	<b>151,431,014</b>	<b>145,202,000</b>	<b>99,720,000</b>	<b>185,002,000</b>	<b>4,185,000</b>	<b>10,140,000</b>	<b>3,367,819</b>

as of 30.06.2020

Market value as estimated by the external valuer	151,100,000	145,202,000	99,720,000	185,002,000	4,185,000	10,140,000	3,367,819
Construction in progress carried at cost	-	-	-	-	-	-	-
Add: land lease obligation recognised separately	331,014	-	-	-	-	-	-
<b>Carrying amount for financial reporting purposes</b>	<b>151,431,014</b>	<b>145,202,000</b>	<b>99,720,000</b>	<b>185,002,000</b>	<b>4,185,000</b>	<b>10,140,000</b>	<b>3,367,819</b>

for the year ended 31.12.2019

in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat (1)	Scandinavia land plots
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
Acquisitions arising from business combinations	-	-	-	-	-	-	-
Additions from subsequent expenditure	33,721	42,585	1,816,408	2,548,280	-	-	-
Disposals	-	-	-	-	-	-	-
Other	-22,824	-	-	-35,761	-	-	-
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
<b>End of period</b>	<b>152,229,774</b>	<b>147,198,000</b>	<b>111,737,000</b>	<b>209,869,000</b>	<b>4,824,000</b>	<b>21,499,000</b>	<b>3,772,677</b>

as of 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: land lease obligation recognised separately	332,774	-	-	-	-	-	-
<b>Carrying amount for financial reporting purposes</b>	<b>152,229,774</b>	<b>147,198,000</b>	<b>111,737,000</b>	<b>209,869,000</b>	<b>4,824,000</b>	<b>21,499,000</b>	<b>3,772,677</b>



for the half year ended 30.06.2020

in US\$	City Gate	WLC	QBC 4	STRAL 3 (under construction)	LASS1	Total
Beginning of the period	139,284,513	100,033,644	117,068,520	–	–	1,007,516,128
Acquisitions	–	–	–	111,665,075	81,736,967	193,402,042
Additions from subsequent expenditure	–	–	–	–	–	824,206
Borrowing costs (2)	–	–	–	–	705,696	705,696
Disposals (1)	–	–	–	–	–	–8,829,000
Other	–20,357	–15,947	–	–	–	–979,004
Revaluations	–421,437	–1,088,537	–1,557,323	–11,641,361	–	–57,345,482
Land lease obligations	–	–	–	–	–	–40,488
Effect of translation to presentation currency	71,105	38,524	40,869	3,320,092	9,502	3,023,280
<b>End of period</b>	<b>138,913,824</b>	<b>98,967,684</b>	<b>115,552,066</b>	<b>103,343,806</b>	<b>82,452,165</b>	<b>1,138,277,378</b>

as of 30.06.2020

Market value as estimated by the external valuer	138,913,824	98,967,684	115,552,066	103,343,806	–	1,055,494,199
Construction in progress carried at cost	–	–	–	–	82,452,165	82,452,165
Add: land lease obligation recognised separately	–	–	–	–	–	331,014
<b>Carrying amount for financial reporting purposes</b>	<b>138,913,824</b>	<b>98,967,684</b>	<b>115,552,066</b>	<b>103,343,806</b>	<b>82,452,165</b>	<b>1,138,277,378</b>

for the year ended 31.12.2019

in US\$	City Gate	WLC	QBC 4	Total
Beginning of the period	136,209,289	98,926,142	–	841,451,779
Acquisitions arising from business combinations	–	–	117,358,448	117,358,448
Additions from subsequent expenditure	215,712	189,415	29,436	4,875,557
Other	–41,267	–31,623	–	–131,476
Revaluations	5,534,754	2,864,710	1,467,280	53,511,851
Land lease obligations	–	–	–	–3,612,389
Effect of translation to presentation currency	–2,633,975	–1,915,000	–1,786,644	–5,937,643
<b>End of period</b>	<b>139,284,513</b>	<b>100,033,644</b>	<b>117,068,520</b>	<b>1,007,516,128</b>

as of 31.12.2019

Market value as estimated by the external valuer	139,284,513	100,033,644	117,068,520	1,007,183,354
Add: land lease obligation recognised separately	–	–	–	332,774
<b>Carrying amount for financial reporting purposes</b>	<b>139,284,513</b>	<b>100,033,644</b>	<b>117,068,520</b>	<b>1,007,516,128</b>

(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 16.

(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.

	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya
Country	Russia		Russia	Russia	Russia
City	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
Property description	Office&retail centre	Office&retail centre	Office&retail centre	Office centre	Office centre
Class	A	A	B+	A	B
Building area, sqm	13,381	16,455	37,815	40,216	3,552
Land	leasehold	leasehold	leasehold	leasehold	leasehold
<b>Net rentable area in sqm (BOMA)</b>	<b>10,100</b>	<b>11,970</b>	<b>30,750</b>	<b>32,900</b>	<b>3,177</b>
office	6,620	10,340	29,270	32,260	3,177
retail	3,480	1,630	1,480	640	–
other	–	–	–	–	–
<b>Parking lots</b>					
underground	62	132	159	281	–
surface	–	–	52	–	39
Vacancy rate as a % of net rentable area	13.5%	8.9%	2.9%	3.5%	0.0%
Lease terms	2020 – 2030	2020 – 2035	2020 – 2027	2020 – 2026	2022
Weighted average lease term, years	4.3	4.9	3.1	4.7	2.0
Carrying amount, US\$	151,431,014	145,202,000	99,720,000	185,002,000	4,185,000

as of 30.06.2020

Arbat 39 (1)	Scandinavia land	City Gate	WLC (2)	QBC 4	STRAL 3	LASS 1
Russia	Russia	Germany	Germany	Austria	Germany	Austria
Moscow	Leningrad Region near Leninskoye Settlement, Vyborgskiy District	Stuttgart	Hamburg	Vienna	Berlin	Vienna
39, Arbat Street	4 land plots of 55 ha	11, Kriegsbergstrasse	1a, Gorch-Fock-Wall	4, Am Belvedere	3, Stralauer Allee	1, Lassallestrasse
Mixed-use: apartments&retail		Office&retail with restaurant	Office and retail with fitness	Office centre (ref. to music theme)	Design hotel	Office building under construction
Elite	n/a	A	A	A	n/a	n/a
10,520	n/a	26,445	12,068	20,000	20,160	29 000*
leasehold	freehold	freehold	freehold	freehold	freehold	freehold
1,200	n/a	17,260	12,068	17,425	20,160	29 000*
–	n/a	15,407	6,171	17,425	n/a	n/a
1,200	n/a	1,330	2,519	–	n/a	n/a
–	n/a	523 (restaurant)	2 416 (fitness), 962 (other)	–	n/a	n/a
65	n/a	145	89	71	86	n/a
–	n/a	–	–	–	39	n/a
85%	n/a	0.0%	1.2%	0.0%	–	n/a
2023	n/a	2021 – 2030	2023 – 2032	unlimited	n/a	n/a
3.0	n/a	6.3	7.8	unlimited	15.4	n/a
10,140,000	3,367,819	138,913,824	98,967,684	115,552,066	103,343,806	82,452,165

(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/office area. Retail/ office 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 10).

(2) The carrying value of Work Life Center represents its fair value adjusted for outstanding capital expenditure in the amount of EUR 0.30 million (US\$ 0.34 million) (31 December 2019: EUR 0.30 million (US\$ 0.34 million)).

## 8. ACQUISITIONS OF INVESTMENT PROPERTY

## STRAL3

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 Luxembourg. 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 and 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), of which EUR 0.47 million (0.52 million) is outstanding as of 30 June 2020. The total value of the investment property amounted to EUR 102.9 million (US\$ 111.7 million at acquisition date), including transaction related costs in the amount of EUR 1.3 million (US\$ 1.4 million) incurred by the Group.

## LASS1

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 20 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. It is expected that the lease will increase to 85% of the area by the end of the construction.

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 2.5 million (US\$ 2.9 million) is outstanding as of 30 June 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. There were no additional payments due in the reporting period. 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 measurable or construction is completed (whichever is earlier). Contingent payments will be recognized in the cost of the property, when incurred.

The acquisition is fully 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.

## 9. FAIR VALUE MEASUREMENT – INVESTMENT PROPERTY

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

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

The fair value of each Investment Property is determined by independent real estate valuation experts using recognised valuation techniques where, except for Scandinavia land plots, the Discounted Cash Flow Method (DCF) within the income approach is used. Scandinavia land plots are valued by using sales comparable method.

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 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. 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.

Under Sales Comparable Method, estimations of the property's market value are based on analysis of recent sales/offers of comparable real estate assets, provided that key parameters of the comparable assets are similar to the ones of the valued property. The method assumes that the market will estimate the value of the valued property the same way as it was done for comparable properties.

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

During six months ending 30 June 2020 and the year ending 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 30.06.2020	Valuation technique	Key unobservable inputs	Range (Weighted average), per sq.m p.a.
			ERV	US\$ 750 – US\$ 2,700 (US\$ 1,270)
			Discount rate	10.50%
Berlin House	\$151,100,000	DCF	Capitalisation rate	8.50%
			ERV	US\$ 750 – US\$ 3,100 (US\$ 935)
			Discount rate	10.50%
Geneva House	\$145,202,000	DCF	Capitalisation rate	8.50%
			ERV	US\$ 21 – US\$ 1,389 (US\$ 335)
			Discount rate	13.25%
Polar Lights	\$99,720,000	DCF	Capitalisation rate	9.75%
			ERV	US\$ 189 – US\$ 1,712 (US\$ 487)
			Discount rate	12.25%
Hermitage Plaza	\$185,002,000	DCF	Capitalisation rate	9.00%
			ERV	US\$ 179 (US\$ 179)
			Discount rate	15.75%
Magistral'naya	\$4,185,000	DCF	Capitalisation rate	10.75%
			ERV	€ 276 – € 300 (€ 291)
		DCF	Discount rate	4.35%
City Gate	€ 123,800,000		Capitalisation rate	3.85%
			ERV	€ 228 – € 276 (€ 270)
		DCF	Discount rate	4.30%
Work Life Center	€ 88,200,000		Capitalisation rate	3.70%
			ERV	€ 188 – € 226 (€ 197)
		DCF	Discount rate	3.74%
QBC 4	€ 102,980,000		Capitalisation rate	3.20%
			ERV	US\$ 208 (US\$ 208)
		DCF	Discount rate	5.90%
STRAL 3	€ 92,100,000		Capitalisation rate	4.45%
			ERV	US\$ 572 – US\$ 1,144 (US\$ 804)
		DCF	Discount rate	11.75%
Arbats 39	\$10,140,000		Capitalisation rate	8.75%
Scandinavia	\$3,367,819	Comparable approach	n.a	n.a

Property	Fair value as of 31.12.2019	Valuation technique	Key unobservable inputs	Range (Weighted average), per sq.m p.a.
			ERV	US\$ 750 – US\$ 2,621 (US\$ 1,251)
			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	8.75%
			ERV	US\$ 172 – US\$ 1,580 (US\$ 380)
			Discount rate	13.25%
Polar Lights	\$111,737,000	DCF	Capitalisation rate	9.75%
			ERV	US\$ 244 – US\$ 768 (US\$ 552)
			Discount rate	12.25%
Hermitage Plaza	\$209,869,000	DCF	Capitalisation rate	9.00%
			ERV	US\$ 202 (US\$ 202)
			Discount rate	15.75%
Magistral'naya	\$4,824,000	DCF	Capitalisation rate	10.75%
			ERV	€ 276 – € 300 (€ 291)
			Discount rate	4.55%
City Gate	€ 124,200,000	DCF	Capitalisation rate	3.85%
			ERV	€ 228 – € 276 (€ 270)
			Discount rate	4.50%
Work Life Center	€ 89,500,000	DCF	Capitalisation rate	3.65%
			ERV	€ 184 – € 222 (€ 195)
			Discount rate	3.74%
QBC 4	€ 104,390,000	DCF	Capitalisation rate	3.20%
			ERV	US\$ 430 – US\$ 1,659 (US\$ 591)
			Discount rate	11.75%
Arbats IP	\$21,499,000	DCF	Capitalisation rate	10.25%; 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.

30.06.2020 in US\$	Effect on fair value	
	Sensitivity used	Rental properties
Decrease in ERV	5%	–30,703,312
Increase in discount rate	25 bps	–15,563,502
Increase in capitalisation rate	25 bps	–30,504,712

  

31.12.2019 in US\$	Effect on fair value	
	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

10. INVENTORY

in US\$	for six months ended	for the year ended
	30.06.2020	31.12.2019
<b>Inventory</b>		
Beginning of the period	124,420,990	116,649,298
Disposal	–6,630,063	–5,309,113
Disposal by joint operator	–	–605,959
Effect of translation to presentation currency	–15,128,900	13,686,764
<b>End of period</b>	<b>102,662,027</b>	<b>124,420,990</b>

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 30 June 2020, the Group owns the apartments with total area of approx. 9,200 sqm.

In the reporting period, the Group sold five apartments at Arbat Street 39, one apartment at Arbat Street 24 with several parking lots to third parties and recognised gain on sale in the amount of US\$ 0.85 million (Note 16). This includes parking lots sold to the buyer of the office area at Arbat 24 (refer to Note 16).

Inventory is kept at cost and tested against appraised values for impairment at each balance sheet date. The carrying value is thus 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\$ 102.66 million as of 30 June 2020 (31 December 2019: US\$ 124.42 million).



**11. GOODWILL**

for six months ended 30.06.2020

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	–	–	–	–	5,972	2,538	6,561	15,071
<b>End of period</b>	<b>8,837,903</b>	<b>3,655,945</b>	<b>12,372,982</b>	<b>20,754,539</b>	<b>10,649,762</b>	<b>4,526,224</b>	<b>11,700,665</b>	<b>72,498,020</b>

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 6)	–	–	–	–	–	–	11,877,628	11,877,628
Forex effect	–	–	–	–	–268,539	–113,652	–183,524	–565,715
<b>End of period</b>	<b>8,837,903</b>	<b>3,655,945</b>	<b>12,372,982</b>	<b>20,754,539</b>	<b>13,564,628</b>	<b>5,740,848</b>	<b>11,694,104</b>	<b>76,620,949</b>

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 4 for detail.

**12. ACCOUNTS RECEIVABLE**

in US\$	30.06.2020	31.12.2019
Rental receivable	5,072,290	882,976
Receivable on sale of investment property (1)	20,432,782	–
Receivable on sale of residential property (2)	1,633,758	–
<b>Total</b>	<b>27,138,830</b>	<b>882,976</b>

Receivable on sale of investment property refers to the sale of office area at Arbat 24 (Note 16). The amount is excl. VAT.

Receivable on sale of Inventory property refers to the sale of apartments and parking lots, including those sold to the buyer of office area at Arbat 24 mentioned above (Note 16).

**13. CASH AND CASH EQUIVALENTS**

in US\$	30.06.2020	31.12.2019
Cash at bank	52,327,891	20,311,397
Fiduciary deposits (1)	15,361,599	8,090,564
Cash in transit	–	504,654
Escrow account (2)	36,837,784	–
Cash equivalents (3)	409,825	466,243
<b>Cash and cash equivalents</b>	<b>104,937,099</b>	<b>29,372,858</b>
Bank overdrafts (Note 14)	–23,310	–285
<b>Cash and cash equivalents with bank overdrafts</b>	<b>104,913,789</b>	<b>29,372,573</b>

(1) Fiduciary deposits are denominated in Rouble and have different terms up to 7 days and interest rates of 3,0% – 4,2% p.a.

(2) Cash on escrow account at notary is kept for settlements on acquisition of SALZ 4 (Hotel Inside) project (refer to Note 21).

(3) Cash equivalent represent interest-free Sberbank promissory note payable on demand.

14. BORROWINGS

in US\$ 30.06.2020 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	454,183,086	454,069,321
Notes payable due to Aurora Value Fund	EUR	1,5%; 1,7%	Dec. 2022; Feb. 2024	327,301,693	100,032,983
Notes payable due to Lionshare Opportunities Fund	EUR	1,5%; 1,7%	Dec. 2022; Feb. 2024	35,232,339	10,990,171
Jilford Investments Limited	US\$	7%	Dec. 2022	28,725,878	27,886,804
UniCredit	EUR	3M EURIBOR +1,125%	April 2024	56,871,856	56,840,137
AVM Invest	EUR	4,5%	Dec. 2031	5,274,230	–
Jelfor Limited	EUR	4,5%	Dec. 2022	4,259,851	4,171,152
Meglier Holdings Limited	EUR	4,26%	Oct. 2026	1,459,597	1,458,779
<b>Total</b>				<b>913,308,530</b>	<b>655,449,347</b>
<b>Borrowings (short term)</b>					
Bonds interest accrued	US\$	5,5% – 7,25%		3,712,500	3,712,500
Notes payable due to Aurora Value Fund	EUR	1,5%; 1,7%		2,776,545	–
Notes payable due to Lionshare Opportunities Fund	EUR	1,5%; 1,7%		318,951	–
Meglier Holdings Limited	EUR	4,26%		227,999	196,884
Bank overdrafts	US\$			23,310	285
Loans to seller of LASS 1				2,856,792	–
<b>Total</b>				<b>9,916,097</b>	<b>3,909,669</b>

**BONDS**

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 statement of profit or loss.

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

	Nominal vlaue, US\$	Amortised cost, US\$	Nominal interest rate	Interest payment date	Maturity date
Bonds issued in Aug 2014	140,000,000	141,692,080	5.5%	March and September	Sep 2023
Bonds issued in Sep 2014	130,000,000	131,590,793	5.5%	March and September	Sep 2023
Bonds issued in Jun 2015	135,000,000	134,739,460	7.25%	June and December	May 2024
Bonds issued in Dec 2015	50,000,000	49,873,253	6.75%	June and December	Dec 2024
<b>Total</b>	<b>455,000,000</b>	<b>457,895,586</b>			

**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 ("Lionshare").

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 to Aurora Value Fund and EUR 4.3 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 outstanding 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 31 December 2022.

**UNICREDIT LOAN**

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 6). 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 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 was 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 was 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 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\$ 5.27 million), at 4.5% p.a., unsecured. Maturity is December 2031.

**LOAN PAYABLE TO THE SELLERS OF LASS 1**

The loan is an outstanding liability to the previous shareholder of newly acquired Ramses (LASS 1 property) (Note 8), 0%. It was fully repaid by the Group in August 2020.

As of 30 June 2020, fair values of the borrowings approximate their carrying amounts.

### 15. GROSS AND NET RENTAL INCOME

The breakdown of Net 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	5,775,484	5,544,634	5,201,909	6,822,825	298,438
Service charge income	876,372	1,052,287	719,041	1,463,202	131,992
Utilities	-192,800	-192,299	-363,907	-235,912	-29,135
Property operating expenses	-172,660	-165,250	-400,445	-664,673	-40,883
Repair and maintenance costs	-44,090	-	-20,086	-44,114	-211
Ground rents paid	-15,185	-37,957	-37,972	-103,352	-7,057
Non-income taxes	-423,087	-534,153	-735,643	-703,775	-40,187
<b>Net rental income</b>	<b>5,804,034</b>	<b>5,667,262</b>	<b>4,362,897</b>	<b>6,534,201</b>	<b>312,957</b>

in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya
Gross rental income	6,687,968	7,191,204	5,221,642	14,107,672	317,139
Service charge income	1,109,428	1,219,865	856,911	1,772,259	142,360
Utilities	-228,491	-234,418	-460,663	-309,414	-39,218
Property operating expenses	-137,244	-177,835	-404,352	-476,055	-45,567
Repair and maintenance costs	-62,005	0	-50,339	-21,982	-1,660
Ground rents paid	-65,251	-41,142	-41,159	-112,025	-7,650
Non-income taxes	-431,196	-545,126	-774,679	-718,544	-41,021
<b>Net rental income</b>	<b>6,873,209</b>	<b>7,412,548</b>	<b>4,347,361</b>	<b>14,241,911</b>	<b>324,383</b>

As of 30 June 2020, the top five tenants in the Group are VimpelCom (12% of the half-year rental income), Richemont Group (11%), S7 Airlines (7%), Ingrad Nedvizhimost (7%) and BDO Austria (7%).

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 following table represents the rental income to be received by the Group in future periods under leases currently in effect:

in US\$	30.06.2020	31.12.2019
Less than 1 year	75,204,068	75,924,009
From 1 year to 5 years	218,779,612	231,448,915
More than 5 years*	214,430,965	184,800,631
<b>Total</b>	<b>508,414,645</b>	<b>492,173,555</b>

\*The income on leases with BDO at QBC 4, unlimited in term, is included in the table for the period up to 30 June 2030. After this term, payments will amount to EUR 4 mln (USD 5 mln) annually.

for six months ended 30.06.2020						
in US\$	Arbat	City Gate	WLC	QBC 4	STRAL 3	Total
Gross rental income	91,845	2,360,890	1,857,432	1,953,355	1,160,154	31,066,966
Service charge income	6,050	460,661	324,281	585,603	–	5,619,489
Utilities	–2,152	–353,755	–154,430	–216,260	–	–1,740,650
Property operating expenses	–	–213,462	–670,835	–351,200	–76,251	–2,755,659
Repair and maintenance costs	–4,541	–66,310	–175,613	–16,332	9,600	–361,697
Ground rents paid	–	–	–	–	–	–201,523
Non-income taxes	–29,307	–72,345	–19,037	–1,811	–21,944	–2,581,289
<b>Net rental income</b>	<b>61,895</b>	<b>2,115,679</b>	<b>1,161,798</b>	<b>1,953,355</b>	<b>1,071,559</b>	<b>29,045,637</b>

for six months ended 30.06.2019						
in US\$	Arbat	City Gate	WLC	QBC 4		Total
Gross rental income	116,290	2,388,086	1,540,243	1,308,854.00		38,879,098
Service charge income	7,286	437,786	346,520	332,598.00		6,225,013
Utilities	–552	–489,843	–166,119	–175,639.00		–2,104,357
Property operating expenses	–54,316	–180,620	–405,453	–153,468.00		–2,034,910
Repair and maintenance costs	–1,933	–	–151,844	–2,569.00		–292,332
Ground rents paid	–	–	–	–		–267,227
Non-income taxes	–14,053	–88,393	–26,113	–921.00		–2,640,046
<b>Net rental income</b>	<b>52,722</b>	<b>2,067,016</b>	<b>1,137,234</b>	<b>1,308,855</b>		<b>37,765,239</b>

16. GAINS AND LOSSES ARISING FROM THE SALES OF PROPERTIES

in US\$	for six months ended	
	30.06.2020	30.06.2019
Sales of investment property	20,432,782	–
Cost of sales	–8,829,000	–
Gain on sale	11,603,782	–
Sales of residential property	7,481,118	7,444,796
Cost of sales	–6,630,063	–4,362,059
Gain on sale	851,055	3,082,737
<b>Total gain on sale of properties</b>	<b>12,454,837</b>	<b>3,082,737</b>

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\$ 0.85 million (six months ended 30.06.2019: US\$ 3.08 million).

In the reporting period, the Group recognized profit on sale of the investment property commercial area at Arbat 24 to a third party customer for the amount of US\$ 11.60 million.

17. FINANCE COSTS

in US\$	for six months ended	
	30.06.2020	30.06.2019
Interests on bonds issued	14,120,015	14,120,015
Interest on notes payable	2,326,752	796,199
Interest on loans payable	962,285	971,201
Interest on bank loan	368,763	260,937.00
Bank charges	434,725	65,034
Other finance cost	45,248	41,761
<b>Total</b>	<b>18,257,788</b>	<b>16,255,147</b>

## 18. SHAREHOLDERS' EQUITY

## Authorised 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, 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.

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
<b>Authorised capital</b>				
<b>Total authorised capital</b>	<b>21,000,000</b>	<b>11,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
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	–	–	–	–
<b>Closing balance unissued authorised capital without par value</b>	<b>11,025,978</b>	<b>11,025,978</b>	<b>1,000,000</b>	<b>1,000,000</b>

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
<b>Issued share capital without par value</b>				
Opening balance	9,974,022	9,974,022	–	–
Capital increase	–	–	–	–
<b>Closing balance</b>	<b>9,974,022</b>	<b>9,974,022</b>	<b>–</b>	<b>–</b>

	Number of shares	
	30.06.2020	31.12.2019
<b>Treasury shares</b>		
Opening balance	69,063	54,005
Issued to treasury	–	–
Purchase	9,410	15,060
Sales		2
<b>Closing balance</b>	<b>78,473</b>	<b>69,063</b>

No dividend was paid during reporting period.

## 19. CONTINGENCIES

### Pledges

Shares in some of the subsidiaries are pledged to secure borrowings of the Group (refer to Note 14).

### Capital commitments

On 22 August 2019, the Group signed the share purchase agreement to acquire 100% of ownership interest in the currently under construction office and retail complexes QBC 1&2 as well as the parking garage QBC 7 located at Am Belvedere 10, 1100 Vienna, Austria. The properties are directly adjacent to the QBC 4 property, the BDO Headquarters, acquired by the Group in February 2019. The closing of the transaction will occur after finalization of construction and is expected for Q1 2021 also subject to various other customary closing conditions. The preliminary purchase price amounts to EUR 230 million subject to final purchase price calculations. On 19 August 2019, the Company has paid EUR 20.00 million as a down payment.

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 (refer to Note 8). The works are to be completed by June 2022.

### Covid-19

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, companies may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

Management has repeatedly analysed the impact of COVID-19 crisis on the Group's rental income on an asset by asset basis including the most important and for this crisis relevant legal regulations for each of the countries the Group is currently invested in, an overview on requests received from tenants in regards to rent deferrals or reductions and the Group's position to these requests as well as expectations on potential effects on rental income. Management cannot judge on the future potential negative impact of COVID-19 on the global economy and major financial markets as well as on EPH properties but as per the most recent assessment impacts on the Group are only considered short-term with no material impact expected for the long-term.

As assumed, some of the Group's tenants have requested rent reductions or rent deferrals. EPH is responding to requests on the basis of the respective legislations. It must still be expected that some more of the tenants might use their rights given under the current legislations and defer rent payments. Apart from the fact that such deferrals have only been received from a limited number of tenants, the Group does not expect any difficulties in meeting its financial obligations as a result of COVID-19.



## 20. RELATED PARTIES

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and the subsidiaries and joint operations. The Company's intermediary holding companies and joint operations are listed in the following table:

Name of subsidiary	Incorporated in	% Holding	
		30.06.2020	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	Frankfurt am Main, Germany	100%	100%
EPH Real Estate Limited	Limassol, Cyprus	100%	100%
PNL Media Limited	Limassol, Cyprus	100%	100%
Capital Estate Group Limited	Limassol, Cyprus	100%	100%
T&A Services Limited	Tortola, BVI	100%	100%
Lexworth Finance Limited	Limassol, Cyprus	100%	100%
Ferran Limited	Limassol, Cyprus	100%	100%
Setford Limited	Limassol, Cyprus	100%	100%
Andorian Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	100%
QBC BT IV Alpha GmbH	Vienna, Austria	100%	100%
QBC BT IV Beta GmbH	Vienna, Austria	100%	100%
Obewan Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	0%
Ophuhus Beteiligungsverwaltungs GmbH	Vienna, Austria	100%	0%
Obewan GmbH&Co	Vienna, Austria	100%	0%
<b>Joint operations</b>			
Vakhtangov Place Limited	Limassol, Cyprus	60%	60%
Bluestone Investments Limited	Limassol, Cyprus	60%	60%

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 the reporting period (refer to Note 8).

Related parties include shareholders, associates, entities under joint control, 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. Refer to the Group's latest published annual financial statements for description of the relationships with the related parties, which remained basically the same in the reporting period.

The Group's related party balances as of 30 June 2020 and 31 December 2019 consisted of the following:

in US\$	30.06.2020	31.12.2019
<b>Other related parties</b>		
Accounts payable and accrued expenses	-1,216,224	-328,258
Accounts receivable	186	119
Advances paid	118,958	22,331
Advances received	-11,030	-11,029
<b>Shareholders</b>		
Borrowings (Note 14)	-365,629,528	-111,023,154

The Group's transactions with related parties for the periods ended of 30 June 2020 and 30 June 2019 consisted of the following:

in US\$	for six months ended	
	30.06.2020	30.06.2019
<b>Other related parties</b>		
Gross rental income	199,268	198,718
Management fees	-1,580,828	-1,249,838
Other expenses	-5,812	-6,310
Professional and administration fees	-51,521	-361,706
<b>Shareholders</b>		
Finance costs	-2,326,752	-796,199

#### 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\$ 577.3 thousand. 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\$ 105 thousand (half year 2019: US\$ 39 thousand).

#### Transactions and balances with key management personnel

Compensation to the board of directors amounted to US\$ 124 thousand in the reporting period (half year 2019: US\$ 125 thousand). It is presented in line Professional and administration fees in the Profit and loss statement.

Compensation prepaid as at 30 June 2020 amounts to US\$ 198 thousand (31 December 2019: US\$ 72 thousand). It is presented in line Prepayments in the Statement of financial position.

#### 21. SUBSEQUENT EVENTS

##### Acquisition of hotel property SALZ 4 (Hotel Ininside)

On 2 July 2020, the Company acquired from a third party 100% of interest in the entity holding the hotel property in Salzgasse 4 in Dresden, Germany. The property is occupied by 4-star Hotel Ininside 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.

##### Settlement of receivable on sale of properties

In July 2020, the buyer of the investment property and parking lots at Arbat 24 fully repaid receivable arisen on sale in the amount US\$ 25.18 million, including VAT 20% (refer to Note 12).

**GENERAL**

INFORMATION

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Gustav Stenbolt  
Michael Cuthbert  
Tomasz Dukala  
Hans Messmer  
Annamaria Vassiliades

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TICKER SYMBOL

EPH

COMPANY WEBSITE

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