

Toriase Public Company Ltd
Unaudited Condensed Consolidated Interim Financial
Statements

As at 30 June 2021

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Board of directors and other officers

Board of Directors:

Andreas Kkailis
Anna Shipilli

Secretary:

Demetrios Tsingis

Registered Office:

24 Pireos, 1st floor, flat/office 101,
Strovolos, 2023, Nicosia, Cyprus

Registration number:

HE382948

Management report

The Board of Directors of Toriase Public Company Ltd presents its Management Report and unaudited condensed interim financial statements of the Company for the period from 1 January 2021 to 30 June 2021.

Corporate information

Toriase Public Company Ltd (the “**Company**”) is a public limited company and has its ordinary shares listed on the Emerging Companies Market of the Cyprus Stock Exchange. The Company was incorporated in Cyprus on 23 April 2018 as a limited liability Company under the Cyprus Companies Law, Cap 113. The Company registered address is 24 Pireos, 1st floor, flat/office 101, Strovolos, 2023, Nicosia, Cyprus.

Principal activities and nature of operations of the Group

The Company and its subsidiaries (together referred to as the “**Group**”) are involved in the commercial real estate sector, focusing on the ownership, management, improvement and selective acquisition and disposal of properties primarily in Germany and in the United Kingdom.

Reverse acquisition

On 23 June 2021, the Company acquired 100% of the issued capital of a Luxembourg real estate group (“**Lux Group**”) in a share for share transaction (See Note 2 to the Condensed Consolidated Interim Financial Statements).

As the consolidated group results represent the continuation of the financial statements of the legal subsidiary, the assets and liabilities of Lux Group have been recognized and measured in the condensed consolidated interim financial statements at their pre-combination carrying amounts. The assets and liabilities of the Company have been recognised and measured in accordance with IFRS 3. The retained earnings and other equity balances recognised are the retained earnings and other equity balances of Lux Group immediately before the business combination. The amount of issued equity includes the issued equity interest of the Lux Group immediately before the business combination plus the fair value of the Company.

Comparative information presented in the consolidated financial statements is retroactively adjusted to reflect the legal capital of the Company.

Other reserves represent the difference in carrying value between the additional issued shares of the Company and the share capital of Lux Group on the acquisition date.

Review of current position, future developments and performance of the activities of the Group

Following the outbreak of the Coronavirus (“COVID-19”), the Group’s operations remain resilient as it is not significant reliant on a supply chain of any sort. As of the date of the report, the Group did not identify a material impact from COVID-19 during the Reporting Period. Since the beginning of 2021, more and more countries started to vaccinate their citizens against COVID-19, and the restrictions are gradually being lifted.

Financial performance

Revenues - The Group’s revenue for the period from 1 January 2021 to 30 June 2021 was €96.2 (H1 2020: €95.8 million). While total revenues remained stable in comparison to the first half year of 2020, the revenue mix has changed due to signing of new rental agreements (crystallizing the agreements that were signed subsequent to H1 2020) in German portfolio and by the COVID-19 impact on the Group’s hotel operations (which were disposed in July 2021).

Management report

Net operating income - Net operating income margin improved from 86% in H1 2020 to 90% in H1 2021. The increase is the result of the Group's efforts to reduce operating expenses, improved revenue mix as well as currency impact.

Selling and administrative expenses- Selling and administrative expenses amounted to €10.1 million in H1 2021 compared to €21.9 million in H1 2020, a decrease of 54%. Expenses for H1 2020 included amongst others, transaction costs of €7.0 million relating to the acquisition of two hotels in London and other one-time expenses

Net gains on investment property - The Group recorded a net gain on investment property of €43.1 million in H1 2021, compared to a net loss of €49.6 million in H1 2020. The net gain of €42.0 million includes €9.1 million of valuation gains on the German commercial real estate portfolio as well as a profit of €34.0 million due to disposals in the period.

Finance expenses – Total net finance costs amounted to €75.3 million for H1 2021 (H1 2020: €59.4 million).

Financial position

The Group's total assets as at 30 June 2021 were €4,744 million (€4,784 million as at 31 December 2020) of which €3,434 million were investment properties (€4,360 million as at 31 December 2020 including €1,010 million of investment property classified as held for sale).

The Group has a consolidated position of €1,132 million of cash and other current financial assets of which of €423.3 million are cash and cash equivalents (excluding restricted cash of €50.3 million).

Condensed Consolidated Interim Statement of Financial Position

		30 June 2021	31 December 2020
	Note	EUR 000	
Assets			
Non-current assets			
Investment property	4	3,292,947	3,204,195
Advance payments for investment properties		70,793	145,793
Investment and loans to equity-accounted investee		19,643	17,700
Loans to related parties	12	25,710	27,308
Property, plant and equipment		181	111
Derivative financial instruments	13A	12	7
Restricted bank and other deposits		50,290	50,694
Other financial assets		17,160	15,135
Total non-current assets		3,476,736	3,460,943
Current assets			
Cash and cash equivalents		423,335	257,552
Financial assets at fair value through profit and loss	13A	708,561	-
Trade and other receivables		60,526	54,099
Prepayments		4,264	1,571
Inventories		294	268
Assets held for sale	6	69,888	1,009,811
Total current assets		1,266,868	1,323,301
Total assets		4,743,604	4,784,244

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Toriase Public Company Ltd

Condensed Consolidated Interim Statement of Financial Position

		Unaudited 30 June 2021	Unaudited 31 December 2020
	Note	EUR 000	
Equity			
Issued share capital		591,489	591,463
Retained earnings		416,152	437,893
Foreign currency translation reserve		25,562	(12,019)
Other reserves		(437,421)	(437,421)
Total equity attributable to owners of the Company		595,782	579,916
Non-controlling interests		468,764	500,945
Total equity		1,064,546	1,080,861
Liabilities			
Non-current liabilities			
Loans and borrowings	7	722,373	779,186
Bonds	13B	982,238	980,094
Convertible bonds	13B	173,887	168,706
Loans from related parties	12	795,041	837,437
Loans from non-controlling interests		514,108	502,135
Derivative financial liabilities	13A	31,960	31,569
Tenant deposits		2,040	1,908
Long-term lease liabilities		141,037	74,903
Deferred tax liabilities		221,764	174,170
Total non-current liabilities		3,584,448	3,550,108
Current liabilities			
Trade and other payables		28,250	49,105
Income tax payables	10	2,287	4,160
Other short-term liabilities		50,526	29,707
Current portion of loans and borrowings		13,547	13,495
Liabilities held for sale		-	56,808
Total current liabilities		94,610	153,275
Total liabilities		3,679,058	3,703,383
Total liabilities and equity		4,743,604	4,784,244

.....
Andreas Kkatis, Director

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Anna Shipilli, Director

Date of approval of the financial statements: 30 September 2021

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Profit or Loss

		Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020
	Note	EUR 000	
Revenues			
Rental income		86,423	81,645
Service charge income		8,597	7,703
Hotel income		1,155	6,453
Total revenues	9	96,175	95,801
Cost of hotel operations		(1,323)	(3,629)
Other property operating expenses		(679)	(1,331)
Service charge expenses		(7,572)	(8,859)
Total operating expenses	9	(9,574)	(13,819)
Net operating income		86,601	81,982
Selling expenses		(990)	(1,989)
Administrative expenses		(9,083)	(19,941)
Valuation gains (losses) from investment property	4	9,116	(77,800)
Share in loss from investment in equity-accounted investee		(1,080)	(1,800)
Profit on disposal of investment property		33,993	-
Bargain purchase gain		-	28,164
Net gains (losses) on investment property		42,029	(51,436)
Operating profit		118,557	8,616
Interest expenses on related party and non-controlling interest loans		(34,461)	(29,691)
Interest expenses on third parties		(25,179)	(28,463)
Other finance expenses		(15,665)	(1,210)
Finance expenses, net		(75,305)	(59,364)
Profit (loss) before tax		43,252	(50,748)
Income tax expense	10	(47,829)	(1,118)
Loss for the period		(4,577)	(51,866)
Attributable to:			
Owners of the Company		(21,741)	(44,755)
Non-controlling interests		17,164	(7,111)
		(4,577)	(51,866)
Loss per share attributable to owners of the Company	11	(0.07)	(0.15)

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Other Comprehensive Income

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020
	EUR 000	
Note		
Loss for the period	(4,577)	(51,866)
<u>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</u>		
Foreign currency translation reserve	37,581	(49,459)
Other comprehensive income (loss):	37,581	(49,459)
Total comprehensive income (loss) for the period	33,004	(101,325)
Attributable to:		
Owners of the Company	15,840	(94,214)
Non-controlling interests	17,164	(7,111)
	33,004	(101,325)

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Cash Flows

	Notes	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020
		EUR 000	
Cash flows from operating activities			
Profit (loss) for the period		(4,577)	(51,866)
<u>Adjustments to reconcile profit (loss) for the period:</u>			
Net change in fair value of investment property	4	(9,116)	77,800
Profit from acquisition at bargain price		-	(28,164)
Profit on disposal of investment property		(33,993)	-
Net finance expense		75,305	59,363
Tax expense		47,829	1,118
Share in loss from investment in equity-accounted investee		1,080	1,800
Change in inventories		(26)	28
Change in trade and other receivables		(14,048)	(7,423)
Change in trade and other payables		(621)	6,843
Change in tenant deposits		133	231
Taxes paid		(8,475)	(8,836)
Net cash from operating activities		53,491	50,894
Cash flows from investing activities			
Purchase of and CAPEX on investment properties		(33,411) (*)	(297,936)
Disposal of subsidiary, net of cash disposed of		185,470	-
Proceeds from disposals of investment properties		24,750	-
Advances in respect of investment properties		75,000	(96,580)
Change in restricted bank and other deposits		(404)	(374)
Loans granted to equity-accounted investees		(2,501)	(6,828)
Net cash used in investing activities		248,904	(401,718)

(*) Capital Expenditure in the amount of EUR 17.2 million is related to a portfolio of assets sold during the reporting period.

Continued on next page

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Cash Flows*Continued from previous page*

	Notes	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020
		EUR 000	
Cash flows from financing activities			
Proceeds from capital contributions of non-controlling interest shareholders		-	97,898
Proceeds from loans and borrowing		-	54,239
Proceeds from sale-and-leaseback of freehold rights		59,439	-
Proceeds (repayment) from related party loans		(109,714)	226,700
Proceeds from loans from non-controlling interests		-	174,137
Repayment of loans and borrowings		(76,535)	(25,441)
Interest paid		(13,109)	(12,514)
Proceeds from hedging activities		-	2,510
Net cash from financing activities		(139,919)	517,529
Net increase in cash and cash equivalents		162,476	166,705
Cash and cash equivalents as at the beginning of the period		257,552	128,485
Effect of exchange rate differences on cash and cash equivalents		3,307	3,154
Cash classified as held for sale		-	(660)
Cash and cash equivalents as at the end of the period		423,335	297,684

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021	Attributable to owners of the Company					Non-controlling interests	Total equity
	Issued share capital	Other reserves	Foreign currency translation reserve	Retained earnings	Total		
In EUR 000							
Balance as at 1 January 2021	591,463	(437,421)	(12,019)	437,893	579,916	500,945	1,080,861
Total comprehensive income							
Profit (loss) for the period	-	-	-	(21,741)	(21,741)	17,164	(4,577)
Other comprehensive income (loss)	-	-	37,581	-	37,581	-	37,581
Total comprehensive income for the period	-	-	37,581	(21,741)	15,840	17,164	33,004
Transactions with owners, recognized directly in equity							
Issued share capital	26	-	-	-	26	-	26
Disposal of subsidiaries	-	-	-	-	-	(50,634)	(50,634)
Sale of shares in subsidiaries to non-controlling interests	-	-	-	-	-	1,289	1,289
Balance as at 30 June 2021	591,489	(437,421)	25,562	416,152	595,782	468,764	1,064,546

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2020

In EUR 000	Attributable to owners of the Company					Non-controlling interests	Total equity
	Issued share capital	Other reserves	Foreign currency translation reserve	Retained earnings	Total		
Balance as at 1 January 2020	591,463	(437,421)	28,794	518,968	701,804	393,442	1,095,246
Total comprehensive income							
Profit (loss) for the period	-	-	-	(44,755)	(44,755)	(7,111)	(51,866)
Other comprehensive income (loss)	-	-	(49,459)	-	(49,459)	-	(49,459)
Total comprehensive income for the period	-	-	(49,459)	(44,755)	(94,214)	(7,111)	(101,325)
Transactions with owners, recognized directly in equity							
Equity contributions of non-controlling interests	-	-	-	-	-	97,898	97,898
Debt/equity restructuring of non-controlling interest	-	-	-	-	-	(6,325)	(6,325)
Balance as at 30 June 2020	591,463	(437,421)	(20,665)	474,213	607,590	477,904	1,085,494

The accompanying notes on pages 12-22 are an integral part of these condensed consolidated interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – Reporting entity

Toriase Public Company Ltd (the “Company”) is a public limited company and has its ordinary shares listed on the Emerging Companies Market of the Cyprus Stock Exchange. The Company was incorporated in Cyprus on 23 April 2018 as a limited liability Company under the Cyprus Companies Law, Cap 113. The Company registered address is 24 Pireos, Strovolos, 2023, Nicosia, Cyprus.

The consolidated financial statements for the six months ended on 30 June 2021 and 2020 respectively, have not been audited by the external auditors of the Company.

Note 2 - Basis of Preparation

A. Reverse acquisition

On 23 June 2021, the Company acquired 100% of the issued capital of a Luxembourg real estate group (“**Lux Group**”) in a share for share transaction.

Under IFRS the acquisition constituted a reverse acquisition of the Company by Lux Group. It would normally be necessary for the Group’s consolidated financial statements to follow the legal form of the business combination, with Lux Group results consolidated into the Company’s results from the date of the completion of the transaction 23 June 2021. In this case, the consolidated financial statements have been treated as being a continuation of the financial statements of Lux Group with the Company being treated as the acquired entity for accounting purposes.

As the consolidated group results represent the continuation of the financial statements of the legal subsidiary, the assets and liabilities of Lux Group have been recognized and measured in the condensed consolidated interim financial statements at their pre-combination carrying amounts. The assets and liabilities of the Company have been recognised and measured in accordance with IFRS 3. The retained earnings and other equity balances recognised are the retained earnings and other equity balances of Lux Group immediately before the business combination. The amount of issued equity includes the issued equity interest of the Lux Group immediately before the business combination plus the fair value of the Company.

Comparative information presented in the consolidated financial statements is retroactively adjusted to reflect the legal capital of the Company.

Other reserves represent the difference in carrying value between the additional issued shares of the Company and the share capital of Lux Group on the acquisition date.

B. Statement of compliance

These condensed consolidated interim financial statements (the “**Financial Statements**”) as at 30 June 2021 (the “**Report Date**”) and for the six-month period then ended (the “**Reporting Period**”) have been prepared in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union, and do not include all information required for full annual financial statements.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last audited annual consolidated financial statements of Lux Group.

Notes to the Condensed Consolidated Interim Financial Statements

C. Use of estimates, judgments and fair value measurement

The preparation of financial statements in conformity with IFRSs requires management to exercise judgment when making assessments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except as described below and as mentioned in Note 3A, the significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those that applied to the annual financial statements of Lux Group.

D. Functional and presentation currency

These Financial Statements are presented in Euro, which is the Group's functional currency. All financial information presented in Euro (or "EUR") has been rounded to the nearest thousand, unless otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

Note 3 – Summary of significant accounting policies

Except as described below in Item A, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements of Lux Group.

Presented hereunder is a description of the changes in accounting policies applied in these condensed consolidated interim financial statements and their effect:

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 - Summary of significant accounting policies

A. Initial application of new standards, amendments to standards and interpretations

Standard/ interpretation amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
Amendments to IFRS 9, <i>Financial Instruments</i>, IAS 39, <i>Financial Instruments: Recognition and Measurement</i>, IFRS 7, <i>Financial Instruments: Disclosures</i>, IFRS 4 <i>Insurance Contracts</i> and IFRS 16, <i>Leases</i>, <i>Interest Rate Benchmark Reform – Phase 2</i> ("the Amendments")	The Amendments include practical expedients regarding the accounting treatment of modifications in contractual terms that are a result of the interest rate benchmark reform (a reform that in the future will lead to the replacement of interest rates such as the Libor and Euribor). Thus, for example: - When certain modifications are made in the terms of financial assets or financial liabilities as a result of the reform, the entity shall update the effective interest rate of the financial instrument instead of recognizing a gain or loss. - Certain modifications in lease terms that are a result of the reform shall be accounted for as an update to lease payments that depend on an index or rate. - Certain modifications in terms of the hedging instrument or hedged item that are a result of the reform shall not lead to the discontinuance of hedge accounting.	The Amendments are applicable retrospectively as from January 1, 2021 by amending the opening balance of equity for the annual reporting period in which the amendment was adopted without a restatement of comparative data.	Application of the Amendments did not have a material effect on the Group's financial statements. Nonetheless, the Amendments may have a material effect in the future should the Group elect to apply hedge accounting that is affected by the uncertainty arising from the reform.

Notes to the Condensed Consolidated Interim Financial Statements

B. New standards, amendments to standards and interpretations not yet adopted

Standard/interpretation/ amendment	The requirements of the publication	Effective date and transitional provisions	Effects
(1) Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets	According to the Amendment, when assessing whether a contract is onerous, the costs of complying with a contract that should be taken into consideration are costs that relate directly to the contract, which include as follows: - Incremental costs; and - An allocation of other costs that relate directly to complying with a contract (such as depreciation expenses for fixed assets used in fulfilling that contract and other contracts).	The Amendment is effective retrospectively as from January 1, 2022, in respect of contracts where the entity has not yet fulfilled all its obligations. Early application is permitted. Upon application of the Amendment, the entity will not restate comparative data, but will adjust the opening balance of retained earnings at the date of initial application, by the amount of the cumulative effect of the Amendment.	Application of the Amendments is not expected to have a material effect on the Group's financial statements.
(2) Amendment to IAS 16, Property, Plant and Equipment	The Amendment annuls the requirement by which in the calculation of costs directly attributable to fixed assets, the net proceeds from selling certain items that were produced while the Company tested the functioning of the asset should be deducted (such as samples that were produced when testing the equipment). Instead, the proceeds from selling the items and the cost of the sold items shall be recognized in profit or loss.	The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment shall be applied on a retrospective basis, including an amendment of comparative data, only with respect to fixed asset items that have been brought to the location and condition required for them to operate in the manner intended by management subsequent to the earliest reporting period presented at the date of initial application of the Amendment. The cumulative effect of the Amendment will adjust the opening balance of retained earnings for the earliest reporting period presented.	Application of the Amendments is not expected to have a material effect on the Group's financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Investment Property

A. Reconciliation of investment property, according to its predominant use

	Germany (*)				United Kingdom	Totals
	Office	Hotels	Other	Subtotal	Hotels	
	EUR 000					
Balance as at 1 January 2021 (incl. held for sale assets)	2,071,407	146,959	93,338	2,311,704	1,892,993	4,204,697
Acquisitions of investment property and investment in capex during the year, net	19,949	1,540	6,524	28,012	2,217	30,230
Fair value adjustments	11,287	(2,782)	610	9,116	0	9,116
Foreign currency revaluation effect	0	0	0	0	90,419	90,419
Disposal of subsidiaries	(951,450)	0	(24,750)	(976,200)	0	(976,200)
Other adjustments	3,099	1,620	0	4,719	(145)	4,574
Total	1,154,292	147,336	75,722	1,377,350	1,985,485	3,362,835
Less: classified as held for sale (Note 6)	(55,387)		(14,501)	(69,888)	0	(69,888)
At 30 June 2021	1,098,905	147,336	61,221	1,307,462	1,985,485	3,292,947

	Germany (*)				United Kingdom	Totals
	Office	Hotels	Other	Subtotal	Hotels	
	EUR 000					
Balance as at 1 January 2020 (incl. held for sale assets)	1,931,404	153,023	133,984	2,218,411	1,787,234	4,005,644
Acquisitions of investment property and investment in capex during the year, net	70,136	4,308	7,336	81,780	354,069	435,849
Fair value adjustments	50,966	(12,298)	(5,344)	33,324	(133,540)	(100,216)
Foreign currency revaluation effect	0	0	0	0	(114,065)	(114,065)
Disposal of subsidiaries	0	0	(42,991)	(42,991)	0	(42,991)
Other adjustments	18,901	1,926	353	21,180	(703)	20,476
Total	2,071,407	146,959	93,338	2,311,704	1,892,993	4,204,697
Less: classified as held for sale (Note 6)	(963,050)		(37,452)	(1,000,502)	0	(1,000,502)
At 31 December 2020	1,108,357	146,959	55,886	1,311,202	1,892,993	3,204,195

* The investment property table for Germany contains two properties in another EU jurisdiction.

The Group values its investment properties through engaging external independent appraisers, using the discounted cash flows method (“DCF”), and the residual value method. Under the DCF methodology the expected future income and costs of the property are forecasted over a period of 10 years and discounted to the date of valuation, by using a discount rate that is suitable in the appraisers’ and Group management’s view to the specific property location and category, specific characteristics and inherent risk as well as the prevailing market conditions as at the Report Date.

The Residual value method uses the present value of the market value expected to be achieved in the future from the property once it is developed less estimated cost to complete. The rental levels are set at the current market levels capitalized at the net yield which reflects the risks inherent in the net cash flows.

The Group’s investment property has been categorized as level 3 fair value based on the input to the valuation technique used and was determined considering the highest and best use measurement approach accordingly.

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 - Loss of control in subsidiaries

During the reporting period the Group completed the sale of subsidiaries. As a result of the sale, the Group has no interest left in these subsidiaries. The consideration for the sale of the shares was settled in cash and financial instruments.

As a result of the loss of control, the Group recognized a profit from loss of control in the amount of EUR 32 million which was recognized under Profit on disposal of investment property.

These subsidiaries were already recognized under Assets and Liabilities of disposal groups classified as held-for-sale, as at 31 December 2020.

Identifiable assets and liabilities sold:

	<u>EUR thousands</u>
Assets of disposal groups classified as held-for-sale	965,970
Liabilities of disposal groups classified as held-for-sale	58,116
Total net identifiable assets	<u>907,854</u>

The Group also de-recognized Non-Controlling Interest of EUR 50.6 million.

Note 6 – Assets and Liabilities Held for Sale

The Company expects to sell non-core properties being held by subsidiaries of the Group within the next 12 months. The Group has initiated selling activities and is in advanced negotiations with potential buyers. The Company classified the investment properties with fair value of EUR 70 million as Assets Held for Sale.

Note 7 – Loans and Borrowings

During the Reporting Period there were no new loans and borrowings.

During the reporting period the Group repaid EUR 76 million of secured loans.

As part of the bank loans received by the Group, the Group companies have undertaken to maintain certain financial ratios, inter-alia, LTV ratios, debt service coverage ratio, interest coverage ratios, NOI Debt Yield minimum and loan to annual rent ratio. As at 30 June 2021, the Group is fully compliant with all covenant requirements on all EUR denominated loans.

The Group obtained a covenant waiver for certain loan facilities in the UK from the Lenders, the waiver being subject to certain conditions imposed to protect the Issuer's position. The closure of hotels during the lockdown in the UK has impacted the operational metrics used for covenant testing purposes but has not impacted rental income due to the Group, which continued to be paid. The waiver was granted in connection with COVID-19

Notes to the Condensed Consolidated Interim Financial Statements

and the resulting temporary closure of certain of the hotels, to enable the Group to manage its business without breaching any obligations under the loan agreement. The covenant waiver was for a period up to but excluding the interest payment date falling on 13 July 2021. During the reporting period the group obtained an extension for a period up to but excluding the interest payment date falling on 13 July 2022.

Note 8 - Finance Lease liabilities

On 31 December 2020 a subsidiary of the Group entered into a sale and lease back agreement for one of its hotels' freehold rights in London. The underlying lease is for 200 years with a buy back option in the end of the lease for 1 pound and a lease payment of GBP 1.2 million per annum. The transaction was completed on 2 February 2021. Total net proceeds from the transaction amount to GBP 52 million (EUR 59 million) after depositing the first two years of rent (gross proceeds of GBP 54.3 million).

Note 9 - Operating Segments

The Group has two reportable segments - as described below, which form the Group's strategic business units. The allocation of resources and evaluation of performance are managed separately for each business unit because they have different asset class and different geography, hence exposed to different risks and required yields.

For each of the business units, the Group's chief operating decision maker (CODM) reviews management reports on at least a quarterly basis for:

- Properties located in Germany
- Properties located in the United Kingdom

Commercial properties in Germany include predominately office asset class (84% of the total fair value of the German portfolio as of the Report Date). The other asset class in Germany include hotels, residential and retail investment property. None of these segments meets any of the quantitative thresholds for determining reportable segments during the Reporting period.

The accounting policies of the operating segments are the same as described in Note 3 regarding significant accounting policies presented above. Performance is measured based on segment operating profit as included in reports that are regularly reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the segments' results. Segment results reported to the CODM including items directly attributable to a segment on a reasonable basis. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities. Segment assets comprise mainly investment property, cash and equivalents and operating receivables whereas segment liabilities comprise mainly borrowings and operating payables.

Notes to the Condensed Consolidated Interim Financial Statements

Information regarding the results of each reportable segment is provided below:

	United Kingdom	Germany	Total Consolidated
For the six month period ended 30 June 2021		EUR 000	
Revenues	58,666	37,509	96,175
Operating expenses	(746)	(8,828)	(9,574)
Reportable segment gross profit	57,920	28,681	86,601
Selling and administrative expenses	(2,163)	(7,910)	(10,073)
Changes in fair value of investment property	-	9,116	9,116
Reportable segment operating profit	55,757	29,887	85,644
Profit on disposal of investment property			33,993
Share in profit (loss) from equity-accounted investee			(1,080)
Net finance expenses			(75,305)
Profit (loss) before tax			43,252

* The operating segments table for Germany contains two properties in another EU jurisdiction.

	United Kingdom	Germany	Total Consolidated
For the six month period ended 30 June 2020		EUR 000	
Revenues	63,796	32,005	95,801
Operating expenses	(4,655)	(9,164)	(13,819)
Reportable segment gross profit	59,141	22,841	81,982
Selling and administrative expenses	(12,143)	(9,787)	(21,930)
Changes in fair value of investment property	(68,170)	(9,630)	(77,800)
Reportable segment operating profit	(21,172)	3,424	(17,748)
Bargain purchase gain			28,164
Share in profit (loss) from equity-accounted investee			(1,800)
Net finance expenses			(59,364)
Profit (loss) before tax			(50,748)

Note 10 – Taxation

On 24 May 2021, the report stage and third reading of the UK Finance Bill 2021 in the House of Commons took place and the final government amendments were passed. The amendments include an increase in the corporation tax rate from 19% to 25% on profits over GBP 250 thousand starting from 1 April 2023. The Group recognized GBP 33 million (EUR 38 million) of deferred tax expense during the Reporting Period relating to this increase in tax rate.

Notes to the Condensed Consolidated Interim Financial Statements

Note 11 – Earnings per share

	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
	EUR 000	
Loss per share attributable to owners of the Company	(21,741)	(44,755)
Weighted average number of ordinary shares in issue during the period	295,732	295,731
Loss per share attributable to owners of the Company-cents	(0.07)	(0.15)

Note 12 – Related parties

The following balances with related parties are included in the condensed consolidated interim financial statements:

	30 June 2021	31 December 2020
	EUR 000	
Receivables from related parties	21,562	18,903
Loans to equity-accounted investee	18,776	15,755
Loans to related parties	25,710	27,308
	66,048	61,966
Payables to related parties	373	18,183
Loans from related parties	795,041	837,437
	795,414	855,620
Net payable to related parties	729,366	793,654
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
	EUR 000	
Consolidated statement of profit or loss		
Rental and service charges income	49,328	47,111
Interest income on loans to equity-accounted investee	929	770
Services and management fee charges	(1,735)	(553)
Interest on loans from related parties	(21,478)	(18,907)

Notes to the Condensed Consolidated Interim Financial Statements

Note 13 – Financial Instruments

A. Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	30 June 2021				31 December 2020			
	Fair value measurement using				Fair value measurement using			
		Quoted prices in active market (level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (level 3)		Quoted prices in active market (level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (level 3)
	Total fair value				Total fair value			
Financial assets								
Financial assets at fair value through profit and loss	705,600	220,000	0	485,600	0	0	0	0
Derivatives financial instruments	12	0	12	0	7	0	7	0
Total	705,612	220,000	12	485,600	7	0	7	0
Financial liabilities								
Derivatives financial	31,960	0	175	31,785	31,569	0	597	30,972
Total	31,960	0	175	31,785	31,569	0	597	30,972

The Group holds financial assets measured at fair value through profit and loss of EUR 705.6 million as of 30 June 2021. The fair value of the financial assets which are classified as level 3 were measured by external valuers.

The methodology used by the external valuator was based on discounting the cash flows from the notes received in accordance with a Discounted Cash Flow (DCF) model, using a discount rate of 6.5%.

B. Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term liabilities, deposits, loans and borrowings, trade payables and other payables are the same or proximate to their fair value.

The fair values of the other financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	EURO 000		EURO 000	
Non-current liabilities				
Bonds	982,238	998,900	980,094	927,741
Convertible Bonds	173,887	174,209	168,706	171,341
	1,156,125	1,173,109	1,148,800	1,099,082

Notes to the Condensed Consolidated Interim Financial Statements

Note 14 – Subsequent events

- A. In July the Group completed the disposal of the hotel operations related to the two London hotels it acquired in January 2020. The Group entered into index linked lease agreements with the respective tenants of the properties for a period of 20 years.
- B. In July the Group tapped its original EUR 300 million 2025 Senior Notes by placing an additional EUR 340 million. The New 2025 Notes have the same terms and conditions as the existing 2025 Notes and will form a single consolidated series with the existing 2025 Notes. Following settlement, the aggregate nominal amount of the 2025 Notes in issue increased to EUR 640 million.