

SEMI-ANNUAL REPORT 2019

EASTERN PROPERTY
HOLDINGS

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DEAR SHAREHOLDERS

In the first months of 2019, Eastern Property Holdings Group (“EPH”, the “Company”) successfully followed the implementation of its strategy to geographically diversify to Western Europe and stabilize its real estate portfolio for the long-term by acquiring one property in Vienna in February 2019 and securing an additional property comprising approx. 38,000 sqm of office& retail space in August 2019.

The QBC 4 – BDO Austria Headquarters – located in Am Belvedere 4, 1100 Vienna, Austria, acquired in February 2019, is occupied by BDO Austria, a reputable and long-standing company providing audit&assurance, tax&accounting, advisory and consulting services and Austrian state company WKO Inhouse GmbH der Österreichischen Wirtschaftskammer (a subsidiary of Austrian Economic Chambers) as anchor tenants. QBC 4 is a prime office property in the newly developed and striving business district Quartier Belvedere comprising an approx. gross floor area of 20,000 sqm and approx. 70 parking spaces.

Covering 25 hectares, Quartier Belvedere is a new city district in Vienna and one of the biggest development areas of Europe, quite unique due to its closeness to the centre of Vienna. Located directly at the Vienna Central Station, between the Wiedner Gürtel and Arsenalstrasse, the new Quartier Belvedere arose over the past years comprising a total of six buildings and a parking garage below the area: a unique office, residential and commercial centre thanks to its size and its location. For further information refer to <http://www.qbc.at/en/quartier-belvedere/>.

As the board and management are convinced of the attractiveness of this new business area with the central station, the headquarters of Erste Group and several other highly reputable tenants already having moved, it has secured the last development project “QBC 1&2 & 7” with an expected finalization of construction in Q4 2020. The QBC 1&2 office properties with over 38,000 m2 of gross leasable space and an underground garage with approx. 580 freehold parking spaces are sold by UBM Development AG and its joint venture partner S IMMO AG for a total purchase price of approx. EUR 230m. Already today, approx. 60% of the office and commercial space have been either taken or are under negotiations, among others to well-known names like CBRE, Grant Thornton Austria and the well-known German restaurant chain Hans im Glueck. The Company and the sellers are confident that by the expected closing of the transaction in Q1 2021 the major part of the properties will be rented with a minimum lease term of 5 years.

The increase of the authorized capital of the Company to a total of 21 million ordinary shares, allows the management of the Company to further explore the markets and to keep an eye out for profitable additional investment opportunities.

Rather than reprint a large amount of information found in our Annual Report for the Semi Annual Review, we have opted to focus on what has changed during the period under review in this report, and include static background information only as necessary. If you are looking at Eastern Property Holdings the first time, or perhaps for the first time in some years, please be sure to also have the 2018 Annual Report on hand. You will find it on the Company's website, or a printed copy will be sent to you at request.

Sincerely,
The Board of Directors
September 2019

KEY PERFORMANCE INDICATORS

in US\$	for the period ended		
	30.06.2019	30.06.2018	30.06.2017
Net rental income	37,765,239	35,055,082	34,777,127
Administrative expenses	-4,335,127	-2,434,755	-3,328,968
Gain on disposal of inventory	3,082,737	-	-
Net other operating income/(expenses)	-611,236	-1,094	1,128,930
Operating Income	35,901,613	32,619,233	32,577,089
Finance costs	-16,255,147	-15,650,833	-14,987,478
Current tax expense	-4,922,078	-4,360,415	-5,359,624
Earnings from operational activity	14,724,388	12,607,985	12,229,987
Valuation movements	-24,378,667	24,938,476	-28,366,344
Deferred tax (expense)/benefit	-1,157,173	-6,098,602	1,154,709
Other extraordinary items	-	-134,496	-2,374,789
Total before foreign exchange movements	-10,811,452	31,313,363	-17,356,437
Net foreign exchange (loss)/gain	38,219,125	-28,583,146	16,375,304
Net Profit/(Loss) for period	27,407,673	2,730,217	-981,133
Earnings from operational activity per share	2.75	0.27	-0.09

	for the period ended		
	30.06.2019	31.12.2018	31.12.2017
Number of investment properties	10	9	8
Investment properties at FV	991,816,005	841,451,779	874,828,138
Total Assets	1,242,913,207	1,073,143,730	1,143,230,806
Borrowings	661,800,919	553,507,629	559,748,328
Loan-to-value	53%	52%	49%



MANAGEMENT REPORT

EASTERN PROPERTY HOLDINGS

REAL ESTATE

Our property holdings consists 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 (acquired in 2016) and Work Life Center in Hamburg (acquired at the end of 2017)
- 100% shareholding in an office property in Vienna (acquired in the 1st quarter of 2019)
- apartments and office/retail premises 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 Group considers its current portfolio as optimal for the time being – the most of our assets are prime-class properties which are less exposed to sharp movements in the macro economy or the industry and which demonstrate stable profitability regardless of the uncertainty in the Russian real estate market. Recent acquisitions of premium quality income producing commercial properties in Europe diversified the Company's portfolio and strengthened sustainability of its long-term performance.

Our portfolio will continue to be predominantly focused on income-generating investment properties in Russia and Europe, producing ongoing long-term cash flows.

BERLIN HOUSE

13,381	US\$ 148,000,000
BUILDING AREA	APPRAISED VALUE

9,960*	5%
RENTABLE AREA	VACANCY RATE

100%	2002
OWNERSHIP	YEAR OF CONSTRUCTION

*in accordance with BOMA standard

Berlin House

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

The vacancy rate as of 30 June 2019 is 5%. The major tenants are Richemont Group and Thomson Reuters.

GENEVA HOUSE

16,455	US\$ 143,000,000
BUILDING AREA	APPRAISED VALUE

11,970*	0%
RENTABLE AREA	VACANCY RATE

100%	2010
OWNERSHIP	YEAR OF CONSTRUCTION

*in accordance with BOMA standard

Geneva House

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

The vacancy rate as of 30 June 2019 is 0%. The major tenants are S7 Airlines , Chanel, Merrill Lynch and Akin Gump.

HERMITAGE PLAZA

40,216	US\$ 205,500,000
BUILDING AREA	APPRAISED VALUE

33,400*	0%
RENTABLE AREA	VACANCY RATE

99.98%	1937/2006
OWNERSHIP	YEAR OF CONSTRUCTION

*in accordance with BOMA standard

Hermitage Plaza

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

The current lease contract with VimpelCom is valid till October 2019. In 2019, the tenant and the Group agreed to extend lease for the most part of currently leased premises till October 2026.

POLAR LIGHTS

37,815 BUILDING AREA US\$ 109,000,000 APPRAISED VALUE

29,850* RENTABLE AREA 13% VACANCY RATE

100% OWNERSHIP 2006 YEAR OF CONSTRUCTION

*in accordance with BOMA standard

Polar Lights

Polar Lights, a B+ class business center, has a beneficial location in one of the most developed business districts in the North of Moscow, inside the Third Transport Ring Road, and an efficient tenant mix of international and Russian companies: Setelem bank, Rosagroleasing and Monex Trading. The building has been constructed in 2006 with 14 above ground levels and was fully renovated in 2012.

The vacancy rate as of 30 June 2019 is 13%. EPH acquired 100% of Polar Lights in September 2014.

MAGISTRAL'NAYA

EPH's Magistral'naya Class-B office property in Moscow is leased till March 2022 to a single tenant, the Gazprom subsidiary "Gazprom Geotechnologii". The lease agreement is subject to annual indexation and compensation of operating expenses.

CITY GATE

26,445 BUILDING AREA EUR 120,800,000 APPRAISED VALUE

17,260 RENTABLE AREA 0% VACANCY RATE

94% OWNERSHIP 2016 YEAR OF CONSTRUCTION

City Gate

CityGate is a newly constructed Class A office and retail complex perfectly located in the center of Stuttgart, in close proximity to the main railway station. EPH acquired 94% of CityGate in November 2016. The major tenants are Land Baden-Württemberg, Rödl&Partner GmbH and DREISS Patentanwälte.

As of 30 June 2019 CityGate is fully rented.

WORK LIFE CENTER

19,600	EUR 87,900,000
BUILDING AREA	APPRAISED VALUE
12,100	1%
RENTABLE AREA	VACANCY RATE
94%	2017
OWNERSHIP	YEAR OF CONSTRUCTION

Work Life Center

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

The vacancy rate as of 30 June 2019 is 1%.

QBC 4 – BDO Austria HQs

20,000	EUR 104,800,000
BUILDING AREA	APPRAISED VALUE
17,400	0%
RENTABLE AREA	VACANCY RATE
100%	2018
OWNERSHIP	YEAR OF CONSTRUCTION

QBC 4 – BDO Headquarters

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

The major tenant is global accounting firm BDO. The vacancy rate as of 30 June 2019 is 0%.

ARBAT PROJECTS

36,000 BUILDING AREA US\$ 162,200,000 APPRAISED VALUE

13,600 RENTABLE/SELLABLE AREA

160 PARKING LOTS 2016 YEAR OF CONSTRUCTION

Arbat Projects

The Company owns premises in two mixed-use complexes in the historic Arbat district of Moscow, the principal pedestrian street in the historical centre of the city. The first property located at Arbat Street 24, includes office 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 HY 2019, the Group sold a penthouse and several parking lots to private customers.

SCANDINAVIA LAND

Scandinavia land site is located near St. Petersburg, Russia. After the sale of 48 hectares in 2014 the Group still owns 55 hectares, which are intended to be sold.



CORPORATE
GOVERNANCE

This section contains parts of the annual corporate governance report focusing on significantly changed matters since 31 December 2018.

CAPITAL STRUCTURE

CAPITAL

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions passed at the Extraordinary Shareholders Meetings of 29 June 2004, 19 November 2004 and 7 March 2005, the General Meetings of Shareholders of 16 May 2006, 3 May 2007, 24 June 2008 and 28 July 2011, the Extraordinary Meeting of Shareholders of 15 April 2013 and the Shareholders Meeting of 17 June 2014 and 11 June 2019 provides for an authorised capital which entitles the Board of Directors to issue a total of 12,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

On 11 June 2019, the Annual General Meeting of the Company has approved the increase of the authorised capital of the Company to a maximum of 21,000,000 ordinary shares and the amendment of clause 5.1 of the Company's memorandum of association by deleting the current text of clause 5.1 and replacing it by the following:

"The Company is authorised to issue a maximum of 21,000,000 Ordinary Shares without par value and 1,000,000 Series A Preferred Shares without par value."

There have been no further changes to the authorised or conditional capital as described in the latest annual report of the Company as per 31 December 2018.

As of 30 June 2019 the Company's issued share capital consists of 9,974,022 ordinary shares.

Note 13 "Shareholders' Equity" to the Company's Financial Statements contains a detailed description of the Company's capital structure.

CHANGES IN CAPITAL

Number of ordinary shares	30.06.2019	31.12.2018	31.12.2017
Authorised	21,000,000	11,000,000	11,000,000
Issued	9,974,022	9,974,022	9,974,022
Treasury shares	62,665	54,005	44,250
Issued and outstanding	9,911,357	9,920,017	9,929,772

There have been no changes to shares&participation certificates, dividend-right certificates, limitations on transferability and nominee registrations or convertible bonds&options as described in the latest annual report of the Company as per 31 December 2018.

SIGNIFICANT GROUP COMPANIES

Significant group companies fully consolidated in the financial statements of the Company are:

Company name	Registered office	Issued Share Capital	Ownership %
Andorian Beteiligungsverwaltungs GmbH (acquired in January 2019)	Am Belvedere 4 1100 Vienna, Austria	EUR 35,000	100% held by Lexworth Finance Limited
Bluestone Investments Limited	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	99.99% held by EPH and 0.01% held by T&A Services Ltd.
Ferran Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 21,000 (21,000 ordinary shares of EUR 1 each)	100% held by EPH
Geneva House, LLC	5 Petrovka St., 107031 Moscow, Russia	RUB 10,000	99.85% held by Bluestone Investments Limited, 0.075% held by Whiterock Investments Limited, 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 preference shares
Idelisa 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
Inspetsstroy, LLC	11/2 bldg.1, 1st Magistralnaya St., 123290 Moscow, Russia	RUB 50	100% held by Housefar Limited
INTRUSTCOM, JSC	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 LLC
Lexworth Finance Limited	Menandrou 12, office 207, Eleona Tower, 1066 Nicosia, Cyprus	EUR 1,500	99.9% held by EPH and 0.1% held by T&A Services Ltd.
Otdelstroy, JSC	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

Company name	Registered office	Issued Share Capital	Ownership %
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 (acquired in February 2019)	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 120,000	100% held by Andorian Beteiligungsverwaltungs GmbH
QBC BT IV Beta GmbH (acquired in February 2019)	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 60,000	100% held by Andorian Beteiligungsverwaltungs GmbH
QBC BT IV Epsilon GmbH (acquired in February 2019)	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	EUR 60,000	100% held by Andorian Beteiligungsverwaltungs GmbH
QBC Immobilien GmbH & Co Delta KG (acquired in February 2019)	Esslinger Hauptstraße 188B/Haus 4 1220 Vienna, Austria	Limited Partnership	100% held by QBC Alpha, Beta (Limited Partners) and Epsilon (General Partner)
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
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
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.
Tizpibor, PJSC	Krasnoproletarskaya, 4 127006 Moscow, Russia	RUB 8,787,500	99.98% held by Capital Estate Group (C.E.G.) Ltd.
TP Invest, LLC	Krasnoproletarskaya, 2/4 constr.13 127006 Moscow, Russia	RUB 1,511,710,000	100% held by PJSC Tizpibor
Vakhtangov Place Limited	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	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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www.deloitte.ch**Report on Review of Interim Condensed Consolidated Financial Information**To the Board of Directors of
Eastern Property Holdings Limited, Tortola, British Virgin Islands*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Eastern Property Holdings Limited and its subsidiaries (together the "Group") as of June 30, 2019 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 AGMarcel Meyer
Licensed audit expert
Auditor in charge

Avazkhodja Usmanov

Zurich, September 27, 2019



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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 2019.

Our valuation has been carried out in compliance with the requirements of RICS Valuation - Global Standards 2017.

Market Value is defined by the RICS Valuation - Global Standards 2017 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'.

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



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3 September 2019
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 provided updates as of 30 June 2017, 31 December 2017, 30 June 2018 and 31 December 2018, you now engaged us to update the Fair Value assessment of the subject property. The valuation date is 30 June 2019.

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 13.9 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 5 August 2019.

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



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Kapelle-Ufer 4, 10117 Berlin

Fünfunddreißigste Verwaltungsgesellschaft
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3 September 2019
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 provided updates as of 30 June 2018 and 31 December 2018, you now engaged us to update the Fair Value assessment of the subject property. The valuation date is 30 June 2019.

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 5 August 2019.

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
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ist Mitglied von PricewaterhouseCoopers International, einer *Company limited by guarantee* registriert in England und Wales



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September 18, 2019

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 25, 2019, 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, 2019.

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 16, 2019.

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.

Kind regards

PwC Advisory Services GmbH

Felix Wirth

Matthias Eicher

Managing Directors: Dr. Diana Arjoca, Georg Beham, MSc, WP/StB Mag. Horst Bernegger, WP/StB Mag. Dr. Christine Catasta, StB Mag. Andrea Cerne-Stark, WP/StB Mag. (FH) Gerald Eibisberger, Dr. Matthias Eicher, Mag. Bernhard Engel, Mag. Dieter Harreither, WP (D) Dipl.Kfm.(Univ.) Hans Hartmann, Mag. MBA Agatha Kalandra, MMag. Manfred Kvasnicka, MBA, Mag. Michael Georg Lackner, Mag. Christoph Obermair, Mag. Georg Ogrinz, StB Mag. Hannes Orthofer, Mag. Thomas Pühringer, WP/StB Dipl.Kfm.Univ. Dorotea-E. Rebmann, Mag. Dr. Barbara Redlein, Dr. Thomas Riegler, Mag. Miklós Révay, WP/StB Mag. Jürgen Schauer, Roland Schöbel, StB Mag. Thomas Strobach, WP/StB MMag. Frédéric Vilain, Mag. Kristof Wabl, WP/StB Mag. Günter Wiltschek, Mag. Thomas Windhager, WP/StB Mag. Felix Wirth
Domicile: Vienna; Company Register: FN 88905 v, Commercial Court of Vienna; DVR: 0582484 VAT number: ATU16070203
PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.



FINANCIAL REPORT

in US\$	Note *	30.06.2019	31.12.2018
Assets			
Non-current assets			
Investment properties	7	991,816,005	841,451,779
Goodwill	6	77,104,625	65,309,036
Deferred tax assets		635,349	637,090
Furniture and equipment		86,525	89,051
Total non-current assets		1,069,642,504	907,486,956
Current assets			
Inventory	8	124,077,680	116,649,298
Accounts receivable		1,603,371	1,959,461
Loans		–	81,837
Prepayments		1,694,628	2,296,516
Prepaid taxes		1,496,107	2,976,066
Cash & cash equivalents	9	44,398,917	41,693,596
Total current assets		173,270,703	165,656,774
Total assets		1,242,913,207	1,073,143,730
Liabilities			
Non-current liabilities			
Borrowings	10	630,071,857	523,453,152
Deferred tax liabilities		154,550,502	131,264,211
Other non-current liabilities		7,179,848	10,254,243
Total non-current liabilities		791,802,207	664,971,606
Current liabilities			
Accounts payable and accrued expenses		8,891,553	9,750,142
Advances received		10,794,137	16,977,150
Taxes payable and provisions		12,137,035	12,221,007
Borrowings	10	31,729,062	30,054,477
Total current liabilities		63,551,787	69,002,776
Equity			
Share capital	13	590,539,374	590,539,374
Share premium		19,176,805	19,176,805
Treasury shares	13	–1,793,007	–1,540,593
Accumulated deficit		–84,280,867	–111,571,870
Cumulative translation adjustment		–139,259,238	–161,101,897
Shareholders' equity attributable to the holders of the Company		384,383,067	335,501,819
Non-controlling interest		3,176,146	3,667,529
Total equity		387,559,213	339,169,348
Total equity and liabilities		1,242,913,207	1,073,143,730
Number of shares outstanding		9,911,357	9,920,017
Net asset value per share		38.78	33.82

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

in US\$	Note *	for six months ended	
		30.06.2019	30.06.2018
Rental income			
Gross rental income	11	38,879,098	35,137,326
Ground rents paid	11	– 267,227	– 224,905
Service charge income on principal basis	11	6,225,013	5,999,288
Service charge expenses on principal basis	11	– 2,104,357	– 2,039,527
Property operating expenses	11	– 2,034,910	– 1,549,707
Repair and maintenance costs	11	– 292,332	– 191,252
Non-income taxes	11	– 2,640,046	– 2,076,141
Net rental income	11	37,765,239	35,055,082
Disposal of inventory			
Proceeds from sales		7,444,796	–
Cost of sales		– 4,362,059	–
Gain on disposal of inventory	8	3,082,737	–
Administrative expenses			
Management fees		– 1,249,838	– 966,683
Professional and administration fees	6	– 2,850,368	– 1,199,635
Salaries and social charges		– 234,921	– 268,437
Total administrative expenses		– 4,335,127	– 2,434,755
Other income/(expenses)			
Interest income		232,486	186,927
Other income		564,922	565,759
Loan impairment charge		–	– 134,496
Other expenses		– 1,396,792	– 743,562
Depreciation		– 11,852	– 10,218
Net foreign exchange gain/(loss)		38,219,125	– 28,583,146
Net other income/(expenses)		37,607,889	– 28,718,736
Valuation movements			
Net gain/(loss) from fair value adjustment on investment properties	7	36,238,072	– 27,219,081
Net (loss)/gain due to effect of currency fluctuation on valuation of investment property		– 60,616,739	52,157,557
Net valuation movements		– 24,378,667	24,938,476
Net operating gain before finance cost		49,742,071	28,840,067
Finance costs	12	– 16,255,147	– 15,650,833
Gain before taxes		33,486,924	13,189,234
Income taxes		– 6,079,251	– 10,459,017
Net profit for the period		27,407,673	2,730,217
Attributable to:			
Equity holders of the Company		27,291,003	2,660,194
Non-controlling interest		116,670	70,023
Earnings per share for profit attributable to equity holders of the Company during the period			
Weighted average number of outstanding shares		9,915,385	9,928,602
Basic and diluted		2.75	0.27

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in US\$	for six months ended	
	30.06.2019	30.06.2018
Net profit for the period	27,407,673	2,730,217
Other comprehensive gain/(loss)		
Other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on currency translation differences	21,234,606	-27,864,258
Net other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods	21,234,606	-27,864,258
Total comprehensive gain/(loss) for the period	48,642,279	-25,134,041
Attributable to:		
Equity holders of the Company	49,133,662	-25,103,571
Non-controlling interest	-491,383	-30,470

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

in US\$	Note *	for six months ended	
		30.06.2019	30.06.2018
Cash flows from operating activities			
Net profit for the period		27,407,673	2,730,217
Net foreign exchange (gain)/loss		-38,219,125	28,583,146
Net (gain)/ loss from fair value adjustment on investment properties	7	-36,238,072	27,219,081
Other non-cash expenses		21,995	-
Loan impairment charge		-	134,496
Depreciation		11,852	10,218
Interest income		-232,486	-186,927
Net loss/(gain) due to effect of currency fluctuation on valuation of investment property		60,616,739	-52,157,557
Finance costs	12	16,255,147	15,650,833
Income tax expense		6,079,251	10,459,017
Cash generated from operations before movements in working capital		35,702,974	32,442,524
Movements in working capital			
Decrease in accounts payable and other liabilities		-10,642,055	-13,551,274
Decrease in accounts receivable		2,556,685	2,840,658
Decrease/(increase) in inventory		4,362,059	-1,973,851
Cash generated from operations		31,979,663	19,758,057
Interest income received		232,486	184,873
Income tax paid		-5,436,464	-4,908,182
Net cash generated from operating activities		26,775,685	15,034,748
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	6	-54,689,100	-
Investments in investment properties		-1,325,391	-9,763,140
Loans granted to joint operation entities		-	-3,022
Net cash used in investing activities		-56,014,491	-9,766,162
Cash flows from financing activities			
Finance costs paid		-14,635,679	-12,411,205
Proceeds from notes payable		49,396,207	-
Proceeds from sale of treasury shares		-	34,555
Acquisition of treasury shares		-252,414	-143,176
Unicredit loan refinance fees	10	-4,430,072	-
Net cash generated from/ (used in) financing activities		30,078,042	-12,519,826
Net change in cash & cash equivalents		839,236	-7,251,240
Cash & cash equivalents at the beginning of the period		41,688,479	40,644,407
Net gain from foreign currency translation		1,860,477	1,664,992
Cash & cash equivalents at the end of the period	9	44,388,192	35,058,159

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

in US\$	Share capital	Share pre- mium	Treasury shares	Accumulated deficit	Currency translation adjustment	Shareholders' equity at- tributable to the holders of the Company	Non- controlling interest	Total equity
Balance as at 01.01.2018	590,539,374	19,176,805	-1,263,047	-141,520,488	-95,264,800	371,667,844	3,487,946	375,155,790
Net profit for the period	-	-	-	2,660,194	-	2,660,194	70,023	2,730,217
Other comprehensive loss	-	-	-	-	-27,763,765	-27,763,765	-100,493	-27,864,258
Total comprehensive gain/(loss) for the period	-	-	-	2,660,194	-27,763,765	-25,103,571	-30,470	-25,134,041
Net acquisition of treasury shares (acquisitions US\$ 143,176, sales US\$ 34,555)	-	-	-108,621	-	-	-108,621	-	-108,621
Balance as at 30.06.2018	590,539,374	19,176,805	-1,371,668	-138,860,294	-123,028,565	346,455,652	3,457,476	349,913,128
Net profit for the period	-	-	-	27,288,424	-	27,288,424	212,835	27,501,259
Other comprehensive loss	-	-	-	-	-38,073,332	-38,073,332	-2,782	-38,076,114
Total comprehensive (loss)/gain for the period	-	-	-	27,288,424	-38,073,332	-10,784,908	210,053	-10,574,855
Acquisition of treasury shares	-	-	-168,925	-	-	-168,925	-	-168,925
Balance as at 31.12.2018	590,539,374	19,176,805	-1,540,593	-111,571,870	-161,101,897	335,501,819	3,667,529	339,169,348
Net profit for the period	-	-	-	27,291,003	-	27,291,003	116,670	27,407,673
Other comprehensive loss	-	-	-	-	21,842,659	21,842,659	-608,053	21,234,606
Total comprehensive gain/(loss) for the period	-	-	-	27,291,003	21,842,659	49,133,662	-491,383	48,642,279
Acquisition of treasury shares	-	-	-252,414	-	-	-252,414	-	-252,414
Balance as at 30.06.2019	590,539,374	19,176,805	-1,793,007	-84,280,867	-139,259,238	384,383,067	3,176,146	387,559,213

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

1. CORPORATE INFORMATION

Eastern Property Holdings Limited 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 Eastern Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the half year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 25 September 2019.

The principal activities of the Group are given in Note 4.

2. BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2019 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 2018.

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 (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.

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 income from real estate assets and interest income from loans and cash on deposit. While operations are subject to long-term cyclical patterns in rent and interest rates, 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 2019 and did not have any impact or did not have a material impact on the Group's Interim Condensed Consolidated Financial Statements:

- IFRIC 23 Uncertainty over Income Tax Treatment;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS 2015-2017 Cycle.

New standard IFRS 16 Leases became effective 1 January 2019 and had following impact on the Group's Interim Condensed Consolidated Financial Statements. The Group's investment property includes certain long-term leasehold land. It had been accounted for as a finance lease under old IAS 17, i.e. the Group recognised investment property and respective long-term financial liability in the amount of future minimum lease payments over the lease term, net of future finance charges. Under IFRS 16, management conclude that lease payments on specific leases, defined as a percentage of state cadastral value of the land, do not meet the IFRS 16's definition of lease payments for measurement of long-term lease liability. As a result, the finance lease liabilities on such leases and respective value of leasehold investment property are derecognised as of 1 January 2019 in the amount of US\$ 3.6 million. That kind of land rental payments are in place at properties in Russia: Geneva House, Polar Lights, Hermitage Plaza and Magistralnaya. Refer to Note 7 for detail. From 2019, rental payments on such leases are only recognised in the period when they occur.

Early adoption of standards

In the first half of 2019, 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.

in US\$	30.06.2019		31.12.2018		30.06.2018	
	RUB	Euro	RUB	Euro	RUB	Euro
closing rate	63.0829	0.8780	69.5131	0.8744	62.6656	0.8584
average rate	64.8153	0.8846	62.6679	0.8478	59.3836	0.8284

Reclassification adjustment of comparative financial information

The Interim Condensed Consolidated statement of profit or loss for prior period is amended to achieve consistency with the reporting period. The summary is presented in the table below.

in US\$	HY 2018		reclassification adjustments			HY 2018
	before reclassification adjustments	Foreign exchange effect	Berlin House	Geneva House	City Gate	after reclassification adjustments
Gross rental income	35,310,646	–	–	–	–173,320	35,137,326
Service charge income on principal basis	6,045,179	–	–	–	–45,891	5,999,288
Service charge expenses on principal basis	–2,263,971	–	107,534	177,470	–60,560	–2,039,527
Property operating expenses	–1,279,450	–	–107,534	–177,470	14,747	–1,549,707
Repair and maintenance costs	–191,867	–	–	–	615	–191,252
Non-income taxes	–2,273,101	–	–	–	196,960	–2,076,141
Net rental income	35,122,531	–	–	–	–67,449	35,055,082
Other expenses	–811,011	–	–	–	67,449	–743,562
Net foreign exchange gain/(loss)	23,574,411	–52,157,557	–	–	–	–28,583,146
Net other income/(expenses)	23,371,372	–52,157,557	–	–	67,449	–28,718,736
Net gain/(loss) due to effect of currency fluctuation on valuation of investment property	–	52,157,557	–	–	–	52,157,557
Net valuation movements	–27,219,081	52,157,557	–	–	–	24,938,476

4. SEGMENT INFORMATION

Information on the main customers and gross and net rental income of the Rental properties segment on asset by asset basis is given in Note 11. Asset QBC 4, acquired in 2019 (Note 6), refers to the Rental Properties Segment based on its business nature, production processes, type of customer, distribution methods and other characteristics. Assets City Gate and WLC represent German geographic segment, asset QBC 4 represents Austrian geographic segment, the other assets represent Russian geographic segment.

Segment data by operating activities for a prior period presented for comparative purposes has been restated to reflect the changes made in 2018 in respect of re-arrangement of segments and reclassifications between line items of Profit or loss (refer to Note 3).

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

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
Net profit/(loss) for the period	–2,597,052	–1,688,953	31,693,678	27,407,673

for six months ended 30.06.2018				
in US\$	Rental properties	Residential properties for sale	Other segments	Total
Gross rental income (refer to Note 3)	35,137,326	–	–	35,137,326
Other rental income/(expenses) (refer to Note 3)	–82,244	–	–	–82,244
Net rental income (refer to Note 3)	35,055,082	–	–	35,055,082
Interest income	186,927	–	–	186,927
Loan impairment charge	–	–	–134,496	–134,496
Net foreign exchange gain/(loss)	–6,532,608	100,049	–22,150,587	–28,583,146
Valuation movements	24,938,476	–	–	24,938,476
Finance costs	–14,783,807	–667,438	–199,588	–15,650,833
Income tax (expense)/benefit	–10,461,520	2,503	–	–10,459,017
Other expenses	–1,255,929	–53,593	–1,313,254	–2,622,776
Net profit/(loss) for the period	27,146,621	–618,479	–23,797,925	2,730,217

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 30.06.2019

	Residential Properties			Total
	Rental Properties	for sale	Other segments	
Investment properties	988,066,005	–	3,750,000	991,816,005
Goodwill	77,104,625	–	–	77,104,625
Inventory	–	124,077,680	–	124,077,680
Cash&cash equivalents	16,762,173	2,398,692	25,238,052	44,398,917
Other Assets	4,843,575	522,735	149,671	5,515,980
Total Assets	1,086,776,377	126,999,107	29,137,723	1,242,913,207
Total Liabilities	852,650,109	2,625,801	78,084	855,353,994

Assets and liabilities valuation as of 31.12.2018

	Residential Properties			Total
	Rental Properties	for sale	Other segments	
Investment properties	838,131,779	–	3,320,000	841,451,779
Goodwill	65,309,036	–	–	65,309,036
Inventory	–	116,649,298	–	116,649,298
Loans	81,837	–	–	81,837
Cash&cash equivalents	34,086,599	1,127,794	6,479,203	41,693,596
Other Assets	7,624,566	247,818	85,800	7,958,184
Total Assets	945,233,817	118,024,910	9,885,003	1,073,143,730
Total Liabilities	732,357,596	1,512,903	103,883	733,974,382

5. 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.

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as of and for the year ended 31 December 2018.

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 2019 and 31 December 2018, the Group held the investment properties carried at fair value determined by the Level 3 technique.

During six months ending 30 June 2019 and the year ending 31 December 2018, 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 30.06.2019	Valuation technique	Key unobservable inputs	Range (Weighted average), per sq.m p.a.
			ERV	US\$ 750 – US\$ 2,380 (US\$ 1,245)
			Discount rate	10.75%
Berlin House	\$147,650,000	DCF	Capitalisation rate	8.75%
			ERV	US\$ 750 – US\$ 3,400 (US\$ 957)
			Discount rate	10.75%
Geneva House	\$142,980,000	DCF	Capitalisation rate	8.75%
			ERV	US\$ 196 – US\$ 1,550 (US\$ 331)
			Discount rate	13.50%
Polar Lights	\$109,000,000	DCF	Capitalisation rate	10.00%
			ERV	US\$ 350 – US\$ 701 (US\$ 537)
			Discount rate	12.50%
Hermitage Plaza	\$205,500,000	DCF	Capitalisation rate	9.25%
			ERV	US\$ 198 (US\$ 198)
			Discount rate	16.00%
Magistral'naya	\$4,800,000	DCF	Capitalisation rate	11.00%
			ERV	€ 273 – € 300 (€ 289)
			Discount rate	4.60%
City Gate	€ 120,800,000	DCF	Capitalisation rate	3.85%
			ERV	€ 222 – € 270 (€ 266)
			Discount rate	4.60%
Work Life Center	€ 87,900,000	DCF	Capitalisation rate	3.70%
			ERV	€ 184 – € 222 (€ 195)
			Discount rate	3.74%
QBC 4	€ 104,800,000	DCF	Capitalisation rate	3.20%
			ERV	US\$ 422 – US\$ 1,268 (US\$ 582)
			Discount rate	12.0%; 12.25%
Arbats IP	\$20,729,000		Capitalisation rate	9.0% – 10.5%
Scandinavia	\$3,750,000	Comparable approach	n.a	n.a

Property	Fair value as of 31.12.2018	Valuation technique	Key unobservable inputs	Range (Weighted average), per sq.m p.a.
				US\$ 750 – US\$ 2,100 (US\$ 1,156)
Berlin House	\$141,000,000	DCF	ERV Discount rate Capitalisation rate	10.75% 8.75%
				US\$ 750 – US\$ 3,000 (US\$ 924)
Geneva House	\$140,000,000	DCF	ERV Discount rate Capitalisation rate	10.75% 8.75%
				US\$ 168 – US\$ 1,056 (US\$ 331)
Polar Lights	\$95,700,000	DCF	ERV Discount rate Capitalisation rate	13.50% 10.00%
				US\$ 317 – US\$ 637 (US\$ 508)
Hermitage Plaza	\$199,000,000	DCF	ERV Discount rate Capitalisation rate	11.25% 9.25%
				US\$ 180 (US\$ 180)
Magistral'naya	\$4,400,000	DCF	ERV Discount rate Capitalisation rate	16.00% 11.00%
				€ 264 – € 300 (€ 281)
City Gate	€ 119,100,000	DCF	ERV Discount rate Capitalisation rate	4.70% 3.90%
				€ 222 – € 270 (€ 266)
Work Life Center	€ 86,500,000	DCF	ERV Discount rate Capitalisation rate	4.60% 3.75%
				US\$ 369 – US\$ 1,152 (US\$ 534)
Arbats IP	\$18,956,000	DCF	ERV Discount rate Capitalisation rate	12.0%; 12.25% 9.0% – 10.5%
Scandinavia	\$3,320,000	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.

30.06.2019	Effect on fair value	
in US\$	Sensitivity used	Rental properties
Decrease in ERV	5%	–31,310,839
Increase in discount rate	25 bps	–13,476,505
Increase in capitalisation rate	25 bps	–27,700,296
<hr/>		
31.12.2018	Effect on fair value	
in US\$	Sensitivity used	Rental properties
Decrease in ERV	5%	–22,851,382
Increase in discount rate	25 bps	–9,750,088
Increase in capitalisation rate	25 bps	–20,114,480

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 approx. 71 parking spaces and is fully let, primarily to the headquarters of the accounting firm BDO.

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

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

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

At the date of the acquisition, the fair value of the trade receivables did not differ from their gross contractual amount. As of the acquisition date, a deferred tax liability is recognised due to the excess of the fair value of the investment property over its tax value. Goodwill arises on acquiring an asset via a share deal, where the Group inherits the fiscal basis of the assets. As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference appeared is reflected in the goodwill. None of the goodwill is expected to be deductible for income tax purposes.

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

Net rental income and net profit of the acquired subsidiaries amounted to US\$ 1.3 million and US\$ 0.5 million respectively, since the acquisition date up to 30 June 2019. Had the subsidiaries been acquired on 1 January 2019, the net rental income and net profit of the Group for the reporting period would have been US\$ 38.4 million and US\$ 27.6 million accordingly.

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 six months ended 30.06.2019

in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat
Beginning of the period	141,292,855	140,730,907	96,432,222	201,096,102	4,488,262	18,956,000
Acquisitions arising from business combinations	–	–	–	–	–	–
Additions from subsequent expenditure	–	7,180	35,535	1,212,046	–	–
Other	–4,356	–	–	–17,639	–	–
Revaluations	6,670,866	2,972,820	13,264,465	5,305,593	400,000	1,773,000
Land lease obligations	30,305	–730,907	–732,222	–2,096,102	–88,262	–
Effect of translation to presentation currency	–	–	–	–	–	–
End of period	147,989,670	142,980,000	109,000,000	205,500,000	4,800,000	20,729,000

as at 30.06.2019

Market value as estimated by the external valuer	147,650,000	142,980,000	109,000,000	205,500,000	4,800,000	20,729,000
Add: land lease obligation recognised separately	339,670	–	–	–	–	–
Fair value for financial reporting purposes	147,989,670	142,980,000	109,000,000	205,500,000	4,800,000	20,729,000

for the year ended 31.12.2018

in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral'naya	Arbat
Beginning of the period	141,682,391	144,831,219	111,177,034	218,928,922	4,924,142	23,000,000
Additions from subsequent expenditure	332,730	163,409	1,468,310	244,953	–	–
Revaluations	–770,047	–4,228,145	–16,085,640	–18,557,149	–418,396	–4,044,000
Land lease obligations	47,781	–35,576	–5,637	479,376	–17,484	–
Embedded derivatives	–	–	–121,845	–	–	–
Effect of translation to presentation currency	–	–	–	–	–	–
End of period	141,292,855	140,730,907	96,432,222	201,096,102	4,488,262	18,956,000

as at 31.12.2018

Market value as estimated by the external valuer	141,000,000	140,000,000	95,700,000	199,000,000	4,400,000	18,956,000
Add: land lease obligation recognised separately	292,855	730,907	732,222	2,096,102	88,262	–
Fair value for financial reporting purposes	141,292,855	140,730,907	96,432,222	201,096,102	4,488,262	18,956,000

for six months ended 30.06.2019					
in US\$	Scandinavia land plots	City Gate	WLC*	QBC 4	Total
Beginning of the period	3,320,000	136,209,289	98,926,142	–	841,451,779
Acquisitions arising from business combinations	–	–	–	117,358,448	117,358,448
Additions from subsequent expenditure	–	1,396	69,234	–	1,325,391
Other	–	–	–	–	–21,995
Revaluations	430,000	1,920,454	1,513,439	1,987,434	36,238,072
Land lease obligations	–	–	–	–	–3,617,188
Effect of translation to presentation currency	–	–539,939	–394,867	16,304	–918,502
End of period	3,750,000	137,591,200	100,113,948	119,362,187	991,816,005
Market value as estimated by the external valuer	3,750,000	137,591,200	100,113,948	119,362,187	991,476,334
Add: land lease obligation recognised separately	–	–	–	–	339,670
Fair value for financial reporting purposes	3,750,000	137,591,200	100,113,948	119,362,187	991,816,004
for the year ended 31.12.2018					
in US\$	Scandinavia land plots	City Gate	WLC*	QBC 4	Total
Beginning of the period	3,850,000	136,771,670	89,662,760	–	874,828,138
Additions from subsequent expenditure	–	510,051	10,230,600	–	12,950,053
Revaluations	–530,000	5,387,472	3,569,604	–	–35,676,301
Land lease obligations	–	–	–	–	468,460
Embedded derivatives	–	–	–	–	–121,845
Effect of translation to presentation currency	–	–6,459,904	–4,536,822	–	–10,996,726
End of period	3,320,000	136,209,289	98,926,142	–	841,451,779
as at 31.12.2018					
Market value as estimated by the external valuer	3,320,000	136,209,289	98,926,142	–	837,511,431
Add: land lease obligation recognised separately	–	–	–	–	3,940,348
Fair value for financial reporting purposes	3,320,000	136,209,289	98,926,142	–	841,451,779

* The carrying value of Work Life Center represents its fair value adjusted for outstanding capital expenditure in the amount of EUR 0.67 million (US\$ 0.76 million) (31 December 2018: EUR 0.7 million (US\$ 0.83 million)).

	as of 30.06.2019				
	Berlin House	Geneva House	Polar Lights	Hermitage Plaza*	Magistral'naya
Country	Russia	Russia	Russia	Russia	Russia
City	Moscow	Moscow	Moscow	Moscow	Moscow
Address	5, Petrovka Street	7, Petrovka Street	26, Pravdy Street	4&13,2/4, Krasnopro- letarskaya St.	11/2 1st Magistral- naya 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
Net rentable area in sqm (BOMA)	9,960	11,970	30,200	33,400	3,177
office	6,620	10,340	28,675	33,010	3,177
retail	3,340	1,630	1,525	390	–
other	–	–	–	–	–
Parking lots					
underground	62	127	158	284	–
surface	–	–	52	–	39
Vacancy rate as a % of net rentable area	4.8%	0.0%	13.4%	0.0%	0.0%
Lease terms	2019–2023	2019–2025	2019–2027	2019–2026	2022
Weighted average lease term, years	3.5	3.1	3.6	0.7	3.0
Carrying amount, US\$	147,989,670	142,980,000	109,000,000	205,500,000	4,800,000

*The Group concluded new agreement with tenant Vypelkom for lease at Hermitage Plaza in place of the expiring old contract. New 7-year lease is effective starting October 2019.

as of 30.06.2019						
	Arbat*	Scandinavia land	plots	City Gate	WLC	QBC 4
Country	Russia	Russia	Russia	Germany	Germany	Austria
City	Moscow	Moscow	Leningrad Region near Leninskoye	Stuttgart	Hamburg	Vienna
Address	24, Arbat Street	39, Arbat Street	Settlement, Vyborgskiy District	11, Kriegsberg- strasse	1a, Gorch- Fock-Wall	4, Am Belvedere
Property description	Mixed-use: apartments&offices	Mixed-use: apartments&retail	4 land plots of 55 ha	Office&retail with restaurant	Office and retail with fitness	Office centre
Class	Elite	Elite	n/a	A	A	A
Building area, sqm	24,630	10,520	n/a	26,445	12,068	20,000
Land	leasehold	leasehold	freehold	freehold	freehold	freehold
Net rentable area in sqm (BOMA)	2,600	1,200	n/a	17,260	12,068	17,425
office	2,600	–	n/a	15,407	6,171	17,425
retail	–	1,200	n/a	1,330	2,519	–
other	–	–	n/a	523 (rest.)	2 416 (fit- ness), 962 (other)	–
Parking lots						
underground	81	72	n/a	145	89	71
surface	–	–	n/a	–	–	–
Vacancy rate as a % of net rentable area	100%	84%	n/a	0.0%	1.2%	0.0%
Lease terms	–	2023	n/a	2021–2030	2023–2032	unlimited
Weighted average lease term, years	0.0	4.0	n/a	7.2	8.8	unlimited
Carrying amount, US\$	8,439,000	12,290,000	3,750,000	137,591,200	100,113,948	119,362,187

* Arbat projects represent the two multi-use buildings of 24,630 and 10,520 sqm at Arbat Street 24 and Arbat Street 39 in Moscow. The buildings include elite segment apartments and retail/office area. The first building includes also the small stage of Vakhtangov theatre which has been transferred to the Russian Federation after construction. 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 8).

8. INVENTORY

	for six months ended	for the year ended
in US\$	30.06.2019	31.12.2018
Inventory		
Beginning of the period	116,649,298	136,358,467
Additions from construction expenditure	–	6,090,412
Disposal	–4,362,059	–
Disposal by joint operator	–	–2,465,422
Effect of translation to presentation currency	11,790,441	–23,334,159
End of period	124,077,680	116,649,298

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 2019, the Group owns the apartments with total area of approx. 9,800 sqm.

In April 2019, the Group sold an apartment of 348 sqm and several parking lots to third parties and recognised gain on disposal in the amount of US\$ 3 million.

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\$ 124.08 million as of 30 June 2019 (31 December 2018: US\$ 116.6 million).

9. CASH AND CASH EQUIVALENTS

in US\$	30.06.2019	31.12.2018
Cash at bank	39,283,157	32,486,703
Fiduciary deposits	5,115,760	9,206,893
Cash and cash equivalents	44,398,917	41,693,596
Bank overdrafts (Note 10)	–10,725	–5,117
Cash and cash equivalents with bank overdrafts	44,388,192	41,688,479

Fiduciary deposits are denominated in Rouble and have different terms of maturity from 1 to 80 days and interest rates of 2.9% – 7.6% p.a.

10. BORROWINGS

in US\$

30.06.2019 31.12.2018

Borrowings (long term)

Bonds issued	453,955,557	453,841,792
Notes payable due to Aurora Value Fund	101,594,608	57,754,578
Notes payable due to Lionshare Opportunities Fund	11,161,739	6,290,103
UniCredit	57,726,949	–
Jelfor Limited	4,151,401	4,079,021
Meglior Holdings Limited	1,481,603	1,487,658
Total	630,071,857	523,453,152

Borrowings (short term)

Bonds interest accrued	3,712,500	3,712,500
Notes payable due to Aurora Value Fund	722,139	–
Notes payable due to Lionshare Opportunities Fund	79,366	–
Jilford Investments Limited	27,036,185	26,199,453
Meglior Holdings Limited	168,147	137,407
Bank overdrafts	10,725	5,117
Total	31,729,062	30,054,477

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 value, US\$	Amortised cost, US\$	Nominal interest rate	Interest payment date	Maturity date
Bonds issued in Aug 2014	140,000,000	141,618,525	5.5%	March and September	Sep 2023
Bonds issued in Sep 2014	130,000,000	131,530,267	5.5%	March and September	Sep 2023
Bonds issued in Jun 2015	135,000,000	134,674,709	7.25%	June and December	May 2024
Bonds issued in Dec 2015	50,000,000	49,844,556	6.75%	June and December	Dec 2024
Total	455,000,000	457,668,057			

Notes payable

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

In February 2019, the Company has received EUR 43 million by issuance of subordinated and secured notes to the same largest shareholders (EUR 38.7 million 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.

Jilford loan

Loan was obtained in prior periods to finance Arbat Project. It has fixed 7% annual interest rate and mature on 31 December 2019.

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 holding investment property.

Jelfor loan

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

Meglior loan

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

As of 30 June 2019, fair values of the borrowings have not changed materially in comparison to 31 December 2018.

11. GROSS AND NET RENTAL INCOME

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

for six months ended 30.06.2019										
in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral' naya	Arbat	City Gate	WLC	QBC 4	Total
Gross rental income	6,687,968	7,191,204	5,221,642	14,107,672	317,139	116,290	2,388,086	1,540,243	1,308,854	38,879,098
Ground rents paid	-65,251	-41,142	-41,159	-112,025	-7,650	-	-	-	-	-267,227
Service charge income on principal basis	1,109,428	1,219,865	856,911	1,772,259	142,360	7,286	437,786	346,520	332,598	6,225,013
Service charge expenses on principal basis	-228,491	-234,418	-460,663	-309,414	-39,218	-552	-489,843	-166,119	-175,639	-2,104,357
Property operating expenses	-137,244	-177,835	-404,352	-476,055	-45,567	-54,316	-180,620	-405,453	-153,468	-2,034,910
Repair and mainte- nance costs	-62,005	-	-50,339	-21,982	-1,660	-1,933	-	-151,844	-2,569	-292,332
Non-income taxes	-431,196	-545,126	-774,679	-718,544	-41,021	-14,053	-88,393	-26,113	-921	-2,640,046
Net rental income	6,873,209	7,412,548	4,347,361	14,241,911	324,383	52,722	2,067,016	1,137,234	1,308,855	37,765,239

for six months ended 30.06.2018										
in US\$	Berlin House	Geneva House	Polar Lights	Hermitage Plaza	Magistral' naya	Arbat	City Gate	WLC	QBC 4	Total
Gross rental income	5,976,615	6,692,357	5,951,171	13,145,927	329,664	-	2,551,857	489,735	-	35,137,326
Ground rents paid	-66,960	-39,994	-38,652	-73,148	-6,151	-	-	-	-	-224,905
Service charge income on principal basis	1,010,517	1,010,909	1,121,099	1,946,310	146,927	-	470,705	292,821	-	5,999,288
Service charge expenses on principal basis	-255,821	-245,457	-530,888	-330,338	-84,795	-	-492,163	-100,065	-	-2,039,527
Property operating expenses	-119,050	-198,936	-403,973	-493,072	-1,692	-	-81,455	-251,529	-	-1,549,707
Repair and mainte- nance costs	-79,759	-136	-98,378	-8,978	-4,001	-	-	-	-	-191,252
Non-income taxes	-350,573	-424,781	-579,512	-585,448	-29,760	-	-77,898	-28,169	-	-2,076,141
Net rental income	6,114,969	6,793,962	5,420,867	13,601,253	350,192	-	2,371,046	402,793	-	35,055,082

As of 30 June 2019, the top five tenants in the Group are Vimpelcom (31% of the semi-annual rental income), Richemont Group (11%), S7 Airlines (6%), Reuters (4%) and Chanel (4%).

As of 31 December 2018, the top five tenants in the Group are Vimpelcom (33% of the annual rental income), Richemont Group (11%), S7 Airlines (4%), Reuters (4%) and Cetelem Bank (4%).

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

in US\$	30.06.2019	31.12.2018
Less than 1 year	75,344,098	73,797,077
From 1 year to 5 years	220,396,414	176,219,089
More than 5 years*	98,581,251	48,714,174
Total	394,321,763	298,730,340

*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.

12.FINANCE COSTS

	for the six months ended	
in US\$	30.06.2019	30.06.2018
Interests on bonds issued	14,120,015	14,019,652
Interest on notes payable	796,199	570,832
Interest on loans payable	971,201	981,296
Interest on bank loans	260,937	–
Bank charges	65,034	53,870
Other finance cost	41,761	25,183
Total	16,255,147	15,650,833

13. 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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Authorised capital				
Total authorised capital	21,000,000	11,000,000	1,000,000	1,000,000
Opening balance unissued authorised capital	1,025,978	1,025,978	1,000,000	1,000,000
Increase	10,000,000	–	–	–
Utilisation for capital increase	–	–	–	–
Conversion to ordinary shares	–	–	–	–
Closing balance unissued authorised capital	11,025,978	1,025,978	1,000,000	1,000,000

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Issued share capital				
Opening balance	9,974,022	9,974,022	–	–
Capital increase	–	–	–	–
Closing balance	9,974,022	9,974,022	–	–

	Number of shares	
	30.06.2019	31.12.2018
Treasury shares		
Opening balance	54,005	44,250
Issued to treasury	–	–
Purchase	8,660	10,955
Sales	–	1,200
Closing balance	62,665	54,005

In June 2019, the authorised share capital was increased by 10,000,000 ordinary shares, none of them issued.

No dividend was paid during reporting period.

14. CONTINGENCIES

Pledges

Shares in some of the subsidiaries are pledged to secure borrowings of the Group (refer to Note 10).

15. RELATED PARTIES

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

Name of subsidiary	Incorporated in	% Holding	
		30.06.2019	31.12.2018
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%	0%
QBC BT IV Alpha GmbH	Vienna, Austria	100%	0%
QBC BT IV Beta GmbH	Vienna, Austria	100%	0%
Joint operations			
Vakhtangov Place Limited	Limassol, Cyprus	60%	60%
Bluestone Investments Limited	Limassol, Cyprus	60%	60%

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.

Shareholders of the Company issued subordinated registered Notes to the Company (Note 10).

The Company owns shares in associates Hypercenter Investment SA (25.9%) and Sarnatus Trading Limited (10%). Investment in these associates has been fully impaired in previous periods.

Entities under joint control Vakhtangov Property Limited and Bluestone are treated by the Company as a joint operation and had loans due to the Group and payables from the Group as of 31 December 2017. The loans and payables were set off as of 31 December 2018.

Other related parties having significant influence on the Group

The Chairman of the Board of the Directors of the Company owns 100% of the 3d party company EPH LLC, which delivers consulting services to EPH Ltd.

The real estate activities of the Company are managed by Valartis International Ltd, a subsidiary of Valartis Group AG. Employees of Valartis Group are members of the Management Committee and Board of Directors of the Company. The following contractual agreements are in place between the Group and Valartis International Limited under which management fee is charged:

- Valartis International Ltd has a real estate management agreement with EPH Ltd;
- Valartis International Ltd has property management agreements in place with Connecta KG (Berlin House) and EPH One LLC (Geneva House);
- VLR Property Management LLC, a subsidiary of Valartis International Ltd, has property management agreements in place with Tengri LLC (Polar Lights) Tizprobor JSC (Hermitage Plaza) and Redhill Investment Limited (Multi-use complexes at Arbat 24 and 39);
- VLR Property Management LLC rents out office space to Redhill Investment Limited;
- Valartis International Ltd leases an office space at Berlin House owned by Connecta KG;
- VLR Property Management LLC leases an office space at Polar Lights owned by Tengri LLC;
- Valartis Advisory Services SA delivers various financial consulting services to the Company on specific cases.

The Group's related party balances as of 30 June 2019 and 31 December 2018 consisted of the following:

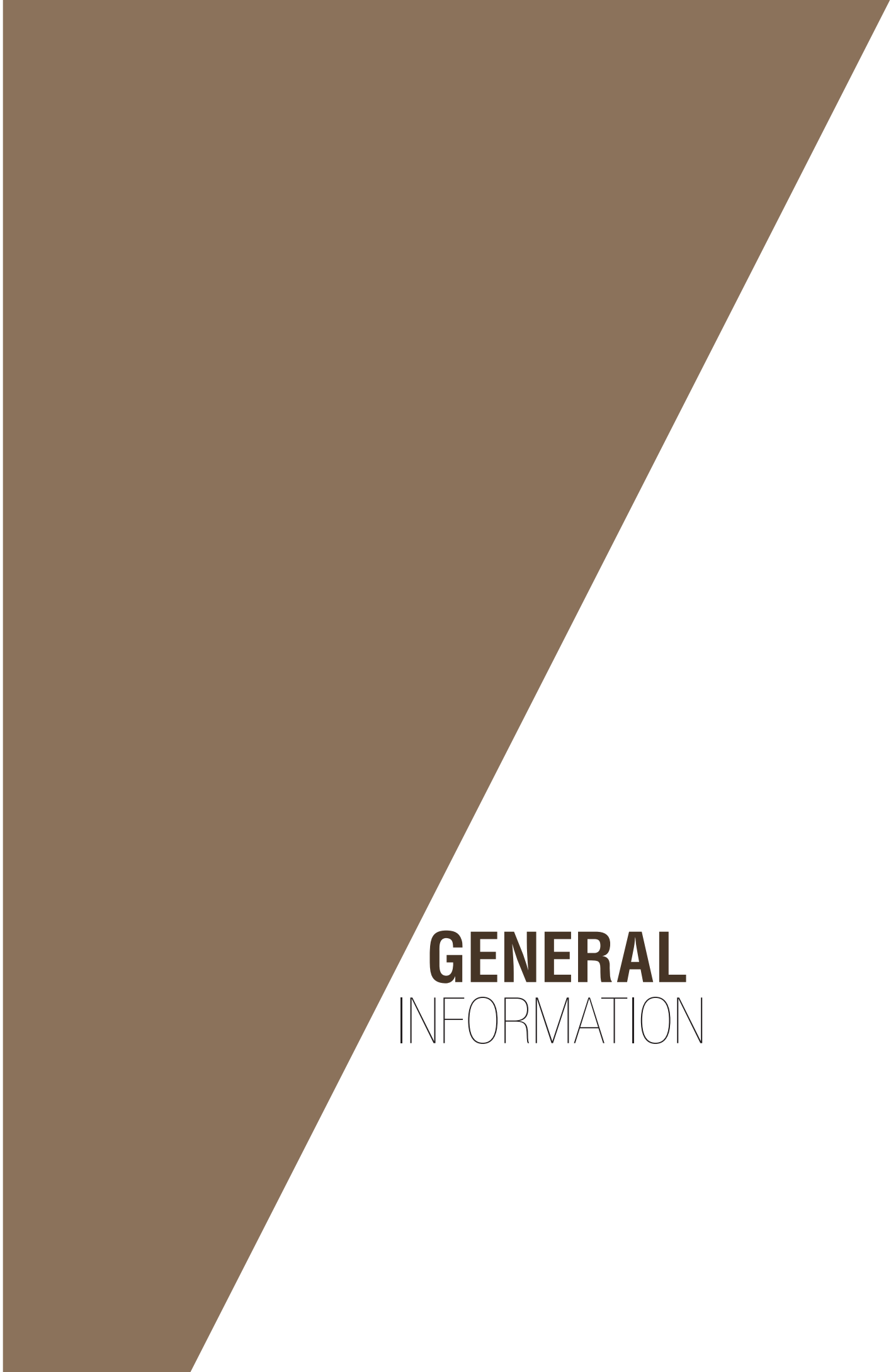
in US\$	30.06.2019	31.12.2018
Accounts receivable (other related parties)	264	247
Advance received	-11,224	-
Borrowings (shareholders)	-113,557,852	-64,044,681
Accounts payable and accrued expenses (other related parties)	-27,662	-

The Group's transactions with related parties for the periods ended of 30 June 2019 and 30 June 2018 consisted of the following:

in US\$	for six months ended	
	30.06.2019	30.06.2018
Gross rental income (other related parties)	198,718	104,084
Management fees (other related parties)	-1,249,838	-966,683
Finance costs (shareholders)	-796,199	-570,832
Other expenses (other related party)	-6,310	-
Professional and administration fees (other related party)	-361,706	-

16. SUBSEQUENT EVENTS

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 March 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. On 19 August 2019, the Company has paid EUR 20.00 million as a down payment. As the acquisition will be completed, full disclosure, including purchase price allocation, will be presented in the interim condensed and annual consolidated financial statements.



GENERAL
INFORMATION

BOARD OF DIRECTORS

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Michael Cuthbert
Tomasz Dukala
Hans Messmer
Gustav Stenbolt
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ISIN NUMBER

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TICKER SYMBOL

EPH

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