Vivion Investments S.à r.l.

SIX MONTHS ENDED 30 JUNE 2019

REPORT TO NOTEHOLDERS

€ 700 million 3.000% Senior Notes due 2024 (the “Notes”)

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1. Introduction

Vivion Investments S.à.r l. (the “**Company**” or “**Vivion**” and together with its consolidated subsidiaries the “**Group**”) today is publishing its unaudited condensed consolidated interim financial statements as at 30 June 2019 (the “**Unaudited H1 2019 FS**”). The Unaudited H1 2019 FS are available on the website of the Company at http://www.vivion.eu/investor-relations and attached to this report as Annex.

The following report has been prepared by the Company for the noteholders of the Notes pursuant to section 9.5 lit. (b) of the terms and conditions of the Notes and shall be read in conjunction with the Unaudited H1 2019 FS. Capitalised terms in this report, unless otherwise defined, shall have the meaning attributed to them in the Unaudited H 1 2019 FS.

General Information

The Unaudited H1 2019 FS have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended 31 December 2018 (hereinafter – “the annual financial statements”)

The Unaudited H1 2019 FS are the first interim consolidated financial statements prepared by the Company for a six-month period ended 30 June and therefore provide only limited information on the Group in its present form.

As the Company commenced its business operations with effect as from 2 April 2018, no comparative figures for the full six-month period ended 30 June 2018 are available, but only for the period from 2 April 2018 to 30 June 2018.

During the first six months of 2019, the Company has been in a series of transformative corporate, operational and financial transactions, including several acquisitions and a disposal of one property, a disposal of hotel operations relating to certain properties of its UK Portfolio and the refinancing of certain existing indebtedness. Not all of the aforementioned transactions are fully reflected in the Unaudited H1 2019 FS, since they occurred during the reporting period or were completed, in part, after the reporting period or are still ongoing

Non IFRS Measures and Pro Forma non IFRS measures

This report includes certain references to non IFRS measures that are not required by, or presented in accordance with, IFRS or any other accounting standards, and which are not audited. We use these non IFRS measures to evaluate our financial performance. We believe that these non IFRS measures assist in understanding our trading performance, as they give an indication of our ability to service our indebtedness.

Since the Company was established recently as a private company, the Company has only made limited use of non IFRS measures in the past. This report contains non IFRS measures relating to the period covered by the Unaudited H1 2019 FS including GAV, EPRA NAV, Net Debt, Net LTV and Unencumbered Assets Ratio.

To give pro forma effect to certain transactions that occurred before, during or after the end of the reporting period, this report also contains non IFRS measures that were calculated on certain pro forma assumptions. To enhance comparability for investors of the non IRFS measures on a pro forma basis contained in this report with certain pro forma information that is included in the offering memorandum as listing particulars of the Notes dated 8 August 2019 (“Listing Particulars”), certain of the pro forma non IFRS measures in this report are presented for a twelve months period as indicated below. The pro forma non IFRS measures contained in this report have been prepared for illustrative purposes only, to give effect to certain transactions as if they had occurred on:

(i) 1 July 2018 for the purposes of the statement of profit and loss for the period from 1 July 2018 to 30 June 2019 and
(ii) 30 June 2019, for the purposes of the statement of financial position as at 30 June 2019.

The transactions in particular include (i) completed acquisitions within the aforementioned period (ii) signed acquisitions not completed prior to the end of the reporting period, (iii) a completed disposal, (iv) the issue of the Notes and repayment of certain indebtedness from the Notes proceeds and (v) taking into account that, since the completion of the disposal of the Group’s hotel operations in August 2019, the Group is mostly generating revenues from rental activities, where, in contrast, during the period covered by the Unaudited H1 2019 FS, the Group has mostly generated revenues from the operations of hotels (the “Transactions”). Non IFRS measures calculated on a pro forma basis included in this report are Pro Forma Adjusted EBITDA, Pro Forma Net Debt, Pro Forma Secured Net Debt, Pro Forma FFO, Pro Forma EPRA NAV, Pro Forma Net LTV, Pro Forma Secured LTV, Pro Forma Unencumbered Assets Ratio, Pro Forma GAV, Pro Forma Cash and cash equivalents and Pro Forma Interest Coverage Ratio, whereas Pro Forma Adjusted EBITDA, Pro

Forma FFO, Pro Forma Revenues and Pro Forma Interest Coverage Ratio refer to the twelve months period from 1 July 2018 to 30 June 2019.

Certain data contained in this report relating to our properties, tenants and rent levels included in this report, including Pro Forma WAULT, Pro Forma Annualised In Place Rent and Pro Forma Property Occupancy Rate are derived from our operating systems or management estimates, are not part of our financial statements or financial accounting records. Unless otherwise indicated, all operating data relating to our property portfolio as presented in this report gives pro forma effect to the Transactions and is as of 30 June 2019. Assumptions made when presenting certain Pro Forma non IFRS measures in this report not necessarily comply with all of the assumptions made in the Listing Particulars to present certain pro forma financial information. The Pro Forma non IFRS measures should not be considered to be indicative of the actual results that would have been achieved, had the Transactions been completed on the dates assumed, and does not purport to be illustrative of our future results of operations or financial position. The Company's actual results may differ significantly from those reflected by the Pro Forma non IFRS measures for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Pro Forma non IFRS measures.

Definitions of the respective non IFRS measures including Pro Forma non IFRS measures and other definitions are presented in section 4 in this report.

The non IFRS measures including Pro Forma non IFRS measures included in this report are not prepared in accordance with generally accepted accounting principles and should be viewed as supplemental to the Company's financial statements. You are cautioned not to place undue reliance on this information, and should note that these non IFRS measures, as we calculate them, may differ materially from similarly titled measures reported by other companies, including our competitors. Non IFRS measures are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. You should exercise caution in comparing our reported measures to such measures, or to other similar measures, as reported by other companies.

The non IFRS measures, as used in this report, may not be calculated in the same manner as these or similar terms are calculated, pursuant to the terms and conditions governing the Notes.

Forward Looking Statements

This document may contain information, statistical data and predictions about our markets and our competitive position. We have not verified the accuracy of those statistical data or predictions contained on this document that were taken or derived from industry publications, public documents of our competitors or other external sources. We believe that the information presented on this document provides fair and adequate estimates of the size of our markets and fairly reflects our competitive position within these markets. However, our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain or generate the same results. In addition, our competitors may define our and their markets differently than we do.

Certain statements on this document are not historical facts and are or are deemed to be "forward-looking". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "continue", "on-going", "potential", "predict", "project", "target", "seek" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we operate to differ materially from those expressed or implied by the forward-looking statements contained on this document.

Forward-looking statements speak only as of the date they are made. New risks and uncertainties can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in the documents on this document to reflect any changes in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.

Disclaimer

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This report does not contain all of the information that is material to an investor

2. Summary

Highlights –Six Months Ended 30 June 2019

- 32.6% increase in GAV to EUR 2,863 million (EUR 2,159 million as of 31 December 2018).
- Completed acquisition of 26 hotels in the UK
- Completed acquisitions of 4 office properties and disposed of 1 mixed use property in Germany
- German portfolio continues to generate stable income with relatively low vacancy rates (ca. 9.2%)
- UK hotel operation revenues and sales were stable with no material change across the total UK portfolio)
- Substantial pipeline in place for new acquisitions

Highlights – Events after the Reporting Period

- Corporate Reorganisation to dispose Hotel Operations in the UK completed
- Inaugural EUR 700 million issuance of the Notes in August 2019. Proceeds released from Escrow in August 2019 and used to repay EUR 430 million secured bank loans and complete two of its three ongoing acquisitions in Germany
- Overfund for general corporate purposes remains on balance sheet and expected to support acquisition pipeline and drive future growth

- Rating of “BB+” for the Notes and corporate rating of “BB” with a stable outlook assigned by S+P

Key Financials

In EUR millions unless stated otherwise	30 June 2019	31 December 2018
Total Assets	3,133	2,401
Investment property (including advance payment for pipeline acquisitions)	2,863	2,159
EPRA NAV	1,334	1,132
Net Debt	1,062	823
LTV	37.1%	38.1%

Pro Forma Non IFRS Measures and Pro Forma Operational Data

In EUR millions unless stated otherwise	30 June 2019	31 March 2019
Pro Forma Annualised in-place rent	170	174
Pro Forma WAULT (in years)	13.4	13.4
Pro Forma Occupancy	96.4%	96.4%
Number of assets (including signed acquisitions)	96	96
Pro Forma GAV[1]	3,044	2,982
Pro Forma EPRA NAV	1,361	1,322
Pro Forma Unencumbered Assets Ratio	57.5%	57.3%
Pro Forma Net Debt	1,259	1,241
Pro Forma Secured Net Debt	468	449
Pro Forma Cash and cash equivalents	279	327
Pro Forma Net LTV	41.3%	41.6%
Pro Forma Secured LTV	14.9%	14.7%

Pro Forma Annualised Non IFRS Measures

In EUR 000s unless stated otherwise	Pro Forma for the period 1 July 2018 to 30 June 2019	Pro Forma for the period 2 April 2018 to 31 March 2019
Pro Forma Revenues	172,719	175,447

[1] Includes €127m advance payment for pipeline acquisitions

Pro Forma Adjusted EBITDA	147,724	154,939
Pro Forma FFO	88,177	89,333
Pro Forma Interest coverage ratio	3.00x	3.05x

Management Summary

Vivion is a commercial real estate group, focusing on the ownership, management and improvement of properties in the United Kingdom and Germany. Vivion's portfolio comprises a well diversified 3-4 star hotel portfolio in the United Kingdom and a quality office real estate portfolio in Germany which benefits from the strong expertise, reputation and network of its management team. Vivion's UK Portfolio consists of mid-market branded hotels located mainly in Tier 1 and Tier 2 cities, while its German Portfolio consists of office properties located in top German cities with significant commercial activity, leased to a variety of high creditworthy tenants including government entities and "blue-chip" companies.

The United Kingdom and Germany are among Europe's largest and most liquid real estate markets with stable property values. In the United Kingdom, despite the uncertainty around Brexit and despite the challenging political and economic picture, interest from overseas investors in UK hotels remained strong, demonstrating great confidence in the future of the UK hotel market. International inbound tourism to the UK and especially London has been stimulated by more favourable exchange rates, driven, in particular, by visitors from the USA, Eurozone, and parts of Asia. Germany's economic fundamentals remained robust in the first half of 2019 with a positive outlook for employment, income and consumption. The demand for office space in Germany's big cities reached historic high levels and vacancy rates continue to decline mainly in the top 7 cities.

In H1-2019 the Company generated total revenues of EUR 170.8 million. Hereof, EUR 143.8 million (84%) resulted from the properties located in the United Kingdom and the remaining EUR 27.0 million (16%) were generated from the properties located in Germany.

During the reporting period, while revenues from properties located in Germany represent rental income from Vivion's letting activities of its German Portfolio, the revenues generated from properties in the United Kingdom were derived mainly from hotel (operation) income. 26 hotels out of the 55 hotels portfolio were acquired on 31 January 2019 and hence contributed only 5 months of hotel income during the reporting period. Similarly, 4 properties in Germany were acquired in January 2019 and therefore did not receive full recognition in the H1 2019 Profit and Loss Statement.

Looking at the hotel operations, during the first half of the year, total sales were stable with no material change across the total UK portfolio. Like for like RevPAR was stable across the total portfolio, outperforming comparable hotels in the UK where RevPAR slightly declined by 1.6%. The Company's UK Hotel portfolio continues to outperform the market in relative share with strong RGI results across all major cities, with London achieving the strongest growth. Looking ahead to the second half of the year, the Company expects H2 2019 to outperform H1 2019 due to active summer months, typical business months in autumn and Christmas business during winter.

In August 2019, the Company completed the corporate reorganisation to separate the ownership of its hotel properties in the United Kingdom from their operations. Following the completion of the disposal of the hotel operations outside the Group, the Company is no longer directly exposed to the cyclicality of the hotel market nor to any specific hotel operational risk through the replacement of these income streams with long term fixed and RPI indexed rental income. By completing the corporate reorganisation, Vivion has fulfilled its short-term strategy and is now a pure play real estate property company.

Looking at the German office portfolio during the first half of the year, the portfolio continued to generate stable income with relatively low vacancy rates of approximately 9.2%. This is a figure which the Company aims to reduce further as part of its strategy, and time will allow the Company's local management teams to continue to closely manage the letting activities at the individual property level to improve the Group's rate overall. The Company continued to enter into double net and inflation indexed, long-term lease agreements with new and existing tenants with high creditworthiness during the reporting period. Consequently, the German Portfolio performed in line with expectations and experiencing very high rates in rent collection.

The strong underlying performance in Germany and the stable cash flows generated in the UK post reorganisation, reaffirm the expected performance on a pro forma basis after giving effect to the Transactions, on an annualised basis. The non-material movements of the PF financial metrics are mainly driven by the depreciation in the GBP-EUR FX rate from 31 March 2019 to 30 June 2019. The Company is in the process of finalising its hedging strategy in order to optimise performance and exposure to the different currencies going forward.

Looking at the total portfolio of the company, the length of the rental lease agreements and the tenants profile reflect the stability of the Company's rental income stream and provides high predictability of the Company's future cash flows. As of 30 June 2019, on a pro forma basis after giving effect to the Transactions, the Pro Forma WAULT for the Company's portfolio was 13.4 years, which is considered well above industry standard. Moreover, the vast majority of the leases are indexed to inflation, offering a protection against future risk of loss of purchasing power. The Company's UK Portfolio benefits from-long dated leases to strong occupational tenants, which is further supported by corporate, rolling rent guarantees totalling a weighted average of approximately 39 months of rent across the full lease period. The Pro Forma Occupancy Rate as of 30 June 2019 was 96.3%.

As of 30 June 2019, the Company portfolio consisted of 55 properties in the United Kingdom and 38 properties in Germany and had a fair value of EUR 2,721 million (EUR 2,048 million as of 31 December 2018, increase 29.6 %). In the first six months of 2019, the Company completed the acquisitions of 4 office properties in Germany and 26 properties in the United Kingdom and the sale of one property in Germany. Additionally, the Company entered into several purchase agreements to acquire properties in Germany that were in part completed after the end of the reporting period and in part are expected to be completed in the fourth quarter of 2019 (for more information on uncompleted acquisitions as of 30 June 2019 see note 5 to the Unaudited H1 2019 FS, Annex I).

On a pro forma basis after giving effect to the Transactions and including advance payments, the fair value of the Company's portfolio (including signed but not yet completed acquisitions), which comprises 96 properties, is EUR 3,044 million as of 30 June 2019.

After the reporting period, in August 2019, the Company completed its unsecured public market debut through the issuance of EUR 700 million senior unsecured notes due July 2024 priced at a coupon of 3.000%.The Notes have been admitted to the Official List of Euronext Dublin and trade on the Global Exchange Market of Euronext Dublin.

Following the successful corporate reorganisation to dispose the hotel operations and fulfilment of all other conditions as set forth in the terms and conditions of the Notes, the proceeds of the Notes were released to the Company from the escrow account on 28 August 2019. The proceeds were used as communicated in the Offering Memorandum, namely to repay secured bank financing with a principal value of EUR 430 million as at 30 June 2019. The remaining amount is available to the Company for the completion of signed but not yet completed acquisitions in Germany and for general corporate purposes. The Company intends to use parts of the proceeds to increase the shareholding stake of the Group in its subsidiary Golden Capital Partners SA which holds the German Portfolio. Applicable corporate procedures will be initiated shortly, and the Company expects to complete the increase of the shareholding stake within the fourth quarter of 2019.

In September 2019, the Company also completed two of its three ongoing acquisitions in the Rhein-Ruhr region adding 19,000 sqm of office space to the German Portfolio. The remaining ongoing acquisition of another office property in Germany is expected to be completed in the fourth quarter 2019.

On 11 September 2019, following the completion of the corporate reorganisation to separate the ownership of its hotel properties in the United Kingdom from their operations and the release of the

Notes’ proceeds from the escrow account, S&P assigned the Company a “BB” corporate rating with a stable outlook and a rating of “BB+” to the Notes (confirming and replacing S&P’s preliminary rating that was assigned prior to the completion of the steps mentioned above).

In the second half of 2019, the Company intends to continue with its strategy and growth path while keeping its stable cashflow forecast and its robust and prudent financial structure.

Corporate Reorganisation Update

In August 2019 the Company successfully completed its corporate reorganisation of the UK portfolio. Of the 55 hotel properties located in the UK, 46 comprised also the operation of the respective hotels both PropCo and OpCo activities at acquisition. The Company’s strategy is to generate stable and long-term net operating cash flows and thus, the Company did not intend to retain the hotel operation OpCo activities acquired with the hotel portfolio. Implementing this strategy, the Company disposed the hotel operations of each hotel property to a hotel operating entity outside the Group (“Hotel OpCo”).

Triple net lease agreements between the Group and each Hotel OpCo and PropCo were entered into, resulting in approximately £85m of additional rent and the removal of the hotels’ operational income within the Group. This corporate Reorganisation has converted the UK portfolio income streams into 16 year fixed / RPI linked rental income, significantly strengthening the Vivion’s credit profile. Further enhancement is provided by the rolling guarantees from the Hotel OpCo minority investors in the hotel operating companies for the vast majority of the newly signed leases, totalling 39 months on a weighted average basis

3. Operating and Financial Review

Profit & Loss

In EUR 000s unless stated otherwise	1 January 2019 to 30 June 2019	2 April 2018 to 30 June 2019
Hotel income	133,438	56,049
Rental income	32,071	7,215
Service charge income	5,333	1,724
Total revenues	**170,842**	**64,988**
Total operating expenses	78,724	26,497
Selling expenses	15,801	6,917
Administrative expenses	23,688	11,550
Valuation gains from investment property	109,585	81,449
Finance expenses	55,679	19,009

Revenues

In H1-2019 the Company generated total revenues of EUR 170.8 million. Hereof, EUR 143.8 million (84%) resulted from the properties located in the United Kingdom and the remaining EUR 27.0 million (16%) were generated from the properties located in Germany.

While revenues from properties located in Germany represent rental income from Vivion's letting activities of its German Portfolio, the revenues generated from properties in the United Kingdom were derived mainly from hotel (operation) income. 26 hotels out of the 55 hotels portfolio were acquired on 31 January 2019 and hence contributed only 5 months of hotel income during the reporting period. Similarly, 4 properties in Germany were acquired in January 2019 and therefore do not received full recognition in the H1 2019 Profit and Loss Statement.

In the period from 2 April 2018 to 30 June 2018, the Company generated total revenues of EUR 64.9 million, largely as a result of hotel income (EUR 56.0 million) and to a lesser extent from rental income (EUR 7.2 million). The reason for the increase within the first six month of 2019 are primarily based on acquisitions of additional properties that took place in H2 2018 and in H1 2019 and due to increase of rental income upon the reletting of existing assets in Germany.

A comparison of the increase in revenues during the first six month of 2019 compared to the previous reporting period is not entirely possible, as the Company commenced its business only with effect as of 2 April 2018 and no comparison figures for the full first six months of 2018 are available.

Following the recent completion of the disposal of hotel operations outside the Group, the company revenues going forward will be generated primarily from rental income from tenants in the UK Portfolio and in the German Portfolio.

Total Operating Expenses

Total operating expenses for the first half of 2019 amounted to EUR 78.7 million. Hereof, EUR 68.9 million resulted from the segment “Properties located in the United Kingdom” and the remaining EUR 9.8 million were incurred in the segment “Properties located in Germany”. Since these expenses are directly correlated to the Group’s scale, an increase was recorded in line with the growth of the portfolio. These expenses include personnel expenses related to the hotel operations, insurance, real estate taxes, and maintenance as well as ancillary expenses which are mostly recoverable from our tenants. The total operating expenses in the comparison period was EUR 26.5 million. The reason for the increase within the first six month of 2019 are primarily acquisitions of additional properties that took place in H2 2018 and in H1 2019.
The largest portion of these expenses are expenses related to the hotel operations in the UK, which will not be reflected in our future profit and loss statements following the completion of the corporate reorganization in August 2019 which resulted in the disposal of the hotel operations to entities outside the Group.

Selling Expenses

Selling expenses amounted to EUR 15.8 million for the first half of 2019. The items under these expenses are related almost entirely to the operation of the hotels in the United Kingdom and include franchise fees, brand marketing, and travel agent’s fees. Following the reorganisation of the hotel operations, the Group will not incur this type of expense in the future.

Administrative Expenses

Administrative expenses amounted to EUR 23.7 million for the first half of 2019. The main item under these expenses are administrative personnel expenses related to hotel operations in the United Kingdom, legal and consultancy fees, and IT related expenses. Also included are transaction costs totaling EUR 5.3 million related to the acquisition of 26 hotels in the United Kingdom in January 2019.

Valuation Gains from Investment Property

The Group’s portfolio value increased EUR 109.6 million due to valuation gains during the first half of 2019. The main drivers for the value increase are the multiple new leases signed across the German portfolio which increased the rental levels, decreased vacancy rates and prolonged the

WAULT. In addition, positive changes in the German office market drove ERV's to higher levels, driving cap rates and discount rates tighter in turn, providing an additional uplift to certain properties in the German portfolio valuation.

Finance Expenses

Finance expenses amounted to EUR 55.7 million for the first half of 2019. Finance expenses are stable in comparison to Q1 2019 (EUR 30.0 million) as total debt throughout the second quarter remained constant. The decrease stems primarily from foreign currency effects on shareholder loans denominated in GBP as well as lower cash flow hedging results in Q2 2019.

Cash Flow

In EUR 000s unless stated otherwise	1 January 2019 to 30 June 2019	2 April 2018 to 30 June 2019
Net cash flow from operating activities	58,087	26,823
Net cash flow used in investing activities	(120,115)	(286,254)
Net cash flow from financing activities	181,562	538,678
Net (decrease) / increase in cash and cash equivalents	**119,535**	**279,247**

Net cash flows from operating activities

The Group generated net cash from operating activities of EUR 58.1 million

Net cash flow used in investing activities

Net cash used in investing activities amounts to EUR 120.1 million. During the reporting period the Group acquired a hotel portfolio in the UK for a cash consideration of EUR 26.8 million, a German office portfolio for a cash consideration in 2019 of EUR 38.1 million and an office building in Germany for a cash consideration of EUR 9.9 million. The disposal of one of the Group's subsidiaries generated net cash proceeds of EUR 100.8 million. For pipeline acquisitions the Group made refundable advance deposits totaling EUR 131.4 million.

Net cash flow from financing activities

Net cash flows from financing activities amount to EUR 181.6 million, and consist mainly from cash contributions by non-controlling interest shareholders in Golden of EUR 115.1 million in a combination of equity and loans, a shareholder loan of EUR 79.0 million to finance the acquisition of a UK hotel portfolio and new bank loans for an amount of EUR 235.1 million.

Liquidity and Capital Resources

Our liquidity requirements arise primarily from the requirement to fund new acquisitions and to service our debt. During the reporting period, our principal sources of liquidity consisted of cash generated from operations, contributions made by shareholders and minority investors and bank borrowings.

As at 30 June 2019, the Group had total third-party debt of EUR 1,152.0 million and cash and cash equivalents of EUR 180.4 million (excluding restricted cash of EUR 30.3 million). Third-party debt consisted of long-term bank borrowings minus capitalized transaction costs. Following the release of the Notes from escrow on 28 August 2019, bank loans with a principal value of EUR 430 million as at 30 June 2019 were repaid using the Notes proceeds.

4. Certain Definitions

Below are certain definitions relating to non IFRS measures and other operating data used in this report.

- "GAV" is a performance measure used to evaluate the total value of the properties owned by the Company excluding assets held for sale and including advance payments for investment property (including leasehold properties due to the application of IFRS 16). "Pro Forma GAV" gives effect to the Transactions.
- "EPRA NAV" is defined by the European Public Real Estate Association (EPRA) as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialise in a long-term real estate business model. When calculating the EPRA NAV we interpret shareholder loans, including accrued interest to be treated as equity. The „Pro Forma EPRA NAV" gives effect to the Transactions.
- "Net Debt" is a performance measure used to evaluate company indebtedness. We calculate Net Debt as the sum of non-current and current interest-bearing loans and borrowings, comprising liabilities due to financial institutions and corporate bonds and includes the impact of IFRS 16 (long-term lease liabilities), less cash and cash equivalents and excluding interest-bearing liabilities held for sale and shareholder loans. "Pro Forma Net Debt" gives effect to the Transactions.
- "Unencumbered Assets" is defined as total assets not subject to any security interest as of the date of determination, excluding assets held for sale. We calculate "Unencumbered Assets Ratio" as the amount of unencumbered assets divided by total assets. "Pro Forma Unencumbered Assets Ratio" gives effect to the Transactions.
- "EBITDA" is a non-IFRS performance measure used to evaluate the operational results of a company by adding back to the profit the tax expenses, net finance expenses, total depreciation and amortisation. We present our "Pro forma adjusted EBITDA" (excluding non-operational gains/losses) to give effect to the Transactions.
- "FFO" is an industry standard performance indicator for evaluating operational recurring profit of a real estate firm. We present the "Pro Forma FFO" to give effect to the Transactions. We calculate Pro Forma FFO by deducting (i) net interest means all interest charges in respect of interest bearing loans and borrowings excluding loans from related parties and loans from non-controlling interests, excluding any one-off financing charges

VIVION

and (ii) current tax expense as determined by income tax expense (excluding any deferred tax charges) from the adjusted EBITDA.

- We present our “Pro Forma Revenues”, “Pro Forma cash and cash equivalents” and “Pro Forma secured Net Debt” to give effect to the Transactions.
- The loan to value ratio (“LTV”) assesses the degree to which the total value of the real estate properties are able to cover financial debt. The LTV is calculated as a ratio of Net Debt to GAV. “Pro Forma Net LTV” is calculated by dividing the Pro Forma Net Forma Debt by the Gross Asset Value. “Pro forma Secured LTV” is calculated by dividing the Pro Forma Secured Net debt by the total assets less cash and cash equivalents.
- “Pro forma Interest Coverage Ratio” is calculated as an amount of Pro Forma Adjusted EBITDA to the amount of net cash interest in the relevant period, whereas net cash interest means all interest charges in respect of interest bearing loans and borrowings (excluding contemplated financings) excluding non-cash interest on loans from related parties and non-controlling interests, excluding any one-off financing charges.
- We define “Pro Forma Annualised In Place Rent” as contracted monthly rents as of 30 June 2019, without deduction for any applicable rent free periods, multiplied by twelve, based on the assumption that the Transactions had been completed on 30 June 2019 and includes approved and executed lease agreements which will become effective within the financial year 2019.
- We define “Pro Forma WAULT” as weighted average unexpired lease terms (i.e. the remaining average lease term for unexpired leases with a contractual fixed maturity, not taking into account special termination rights, based on the assumption that the Transactions had been completed on 30 June 2019.
- We define “Pro Forma Property Occupancy Rate” as the occupancy in our Aggregate Portfolio measured in sqm of NLA as of 30 June 2019, based on the assumption that the Transactions had been completed on 30 June 2019 and includes approved and executed lease agreements which will become effective within the financial year 2019.
- The aggregate amount of rent guaranteed on a weighted average basis pursuant to the rent guarantees relating to our hotel properties in the UK, which we calculate by dividing the total amount of rent guaranteed under the rent guarantees, by the total monthly rent payable under the relevant leases, assuming that all of our options to extend leases under the relevant leases are exercised and excluding the impact of inflation with respect to inflation linked leases.

- "RevPAR" means revenue per available room which is ADR multiplied by occupancy and divided by the number of rooms that were available to be hired out to guests on the relevant night, i.e. excluding rooms pre booked, reserved or under maintenance; "ADR" means average daily rate, which is the average gross price charged for a one night stay in one of our hotels, excluding breakfast and any food and beverage purchased
- "RGI" means Revenue Generation Index which is which is RevPAR divided by the average RevPAR in the hotel market and is a market share performance metric that indicates how the hotel's occupancy compares to a designated set of competitors.

5. Annex I: Condensed Consolidated Interim Financial Statements as at 30 June 2019

Condensed Consolidated Interim Financial Statements

as at 30 June 2019

VIVION

Vivion Investments S.à r.l.
155, Rue Cents
L-1319 Luxembourg
RCS Number - B228676

Condensed Consolidated Interim Financial Statements
as at 30 June 2019

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To the Shareholders of
Vivion Investments S.à r.l.
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Vivion Investments S. à r.l. as at 30 June 2019, the condensed consolidated interim statements of profit or loss, changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of condensed consolidated interim financial statements consist 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 condensed consolidated interim financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Luxembourg, 25 September 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Weber

Condensed Consolidated Interim Statement of Financial Position

Assets

	Note	30 June 2019 unaudited | EUR thousands	31 December 2018 audited | EUR thousands
Non-current assets			
Investment property	5	2.721.051	2.047.708
Advances payment for investment property	5	142.115	111.451
Property, plant and equipment		471	311
Derivative financial instruments	10	810	3.686
Restricted bank and other deposits		30.275	22.557
Other financial assets		3.095	1.712
Total non-current assets		**2.897.817**	**2.187.425**
Current assets			
Rent and other receivables		47.402	25.074
Prepayments		6.919	5.553
Inventories		850	486
Cash and cash equivalents		180.365	61.213
		235.536	**92.326**
Investment property assets held for sale	5	-	121.102
Total current assets		**235.536**	**213.428**
Total assets		**3.133.353**	**2.400.853**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

Equity and liabilities

	Note	30 June 2019 unaudited | EUR thousands	31 December 2018 audited | EUR thousands
Issued share capital		12	12
Share premium reserve		53.030	53.030
Retained earnings		315.045	234.005
Foreign currency translation reserve		(1.895)	(1.059)
Total equity attributable to owners of the Company		**366.192**	**285.988**
Non-controlling interests		191.910	112.498
Total equity		**558.102**	**398.486**
Non-current liabilities			
Interest bearing loans and borrowings	6	1.139.646	869.871
Loans from related parties	9B	779.767	719.097
Loans from non-controlling interests	7	298.056	206.995
Accrued interest on loans from related parties		47.092	27.040
Tenant deposits		1.744	1.475
Long-term lease liabilities	3A	84.158	-
Deferred tax liabilities		141.739	103.416
Total non-current liabilities		**2.492.201**	**1.927.895**
Current liabilities			
Trade and other payables		68.885	32.143
Income tax payables		1.035	3.487
Other short-term liabilities		755	706
Current maturities of interest bearing loans and borrowings	6	12.375	8.896
		83.050	**45.231**
Liabilities held for sale	5	-	29.242
Total current liabilities		**83.050**	**74.473**
Total liabilities		**2.575.251**	**2.002.367**
Total liabilities and equity		**3.133.353**	**2.400.853**

Date of approval of the financial statement: 25 September 2019

Oliver Wolf, Director *Jan Fischer, Director*

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Profit and Loss

	Note	For the six months ended 30 June 2019 unaudited | EUR thousands	For the period from April 2 till 30 June 2018 unaudited | EUR thousands
Revenues			
Hotel income		133.438	56.049
Rental income		32.071	7.215
Service charge income		5.333	1.724
Total revenues		**170.842**	**64.988**
Service charge expenses		(6.648)	(3.379)
Other property operating expenses		(23.637)	(6.787)
Cost of hotel operations		(48.439)	(16.331)
Total operating expensies		**(78.724)**	**(26.497)**
Net operating income		**92.118**	**38.491**
Selling expenses		(15.801)	(6.917)
Administrative expenses		(23.688)	(11.550)
Valuation gains from investment property	5	109.585	81.449
Profit on disposal of investment property	5	8.473	
Bargain purchase gain	4	35.722	43.207
Net gains on investment property		**153.780**	**124.656**
Operating profit		**206.409**	**144.680**
Finance income		180	4
Finance expense		(55.679)	(19.009)
Profit before tax		**150.910**	**125.675**
Income tax expense		(21.875)	(14.094)
Profit for the year		**129.035**	**111.581**
Attributable to:			
Owners of the Company		80.789	93.957
Non-controlling interests		48.246	17.624
		129.035	**111.581**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Profit and Loss

	Note	For the six months ended 30 June 2019 unaudited | EUR thousands	For the period from April 2 till 30 June 2018 unaudited | EUR thousands
Profit for the year		**129.035**	**111.581**
Other comprehensive income (loss):			
Foreign currency translation reserve		(836)	389
Other comprehensive income (loss):		**(836)**	**389**
Total comprehensive income		**128.199**	**111.970**
Attributable to			
Owners of the Company		79.953	94.346
Non-controlling interests		48.246	17.624
		128.199	**111.970**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Equity

	Note	Attributable to owners of the Company						
		Issued share Capital EUR thousands	**Share premium reserve** EUR thousands	**Foreign currency translation reserve** EUR thousands	**Retained earnings** EUR thousands	**Total** EUR thousands	**Non-controlling interests** EUR thousands	**Total equity** EUR thousands
For the six months ended 30 June 2019 (unaudited)								
Balance as at January 1, 2019		12	53.030	(1.059)	234.004	**285.987**	112.498	**398.485**
Effect of initial application of IFRS 16*	3A	-	-	-	251	**251**	-	**251**
Balances as at January 1, 2019 after initial application								
Total comprehensive income		12	53.030	(1.059)	234.255	**286.238**	112.498	**398.736**
Profit for the period		-	-	(836)	80.789	**79.952**	48.246	**128.199**
Total comprehensive income for the period		12	53.030	(1.895)	315.044	**366.190**	160.744	**526.935**
Transactions with owners, recognized directly in equity								
Equity contributions of non-controlling interest shareholders net of issue costs		-	-	-	-	-	27.608	**27.608**
Non-controlling interests arising on initial consolidation		-	-	-	-	-	8.521	**8.521**
Derecognition of non-controlling interests due to sale of subsidiaries		-	-	-	-	-	(4.963)	**(4.963)**
Balance as at 30 June 2019 (unaudited)		**12**	**53.030**	**(1.895)**	**315.044**	**366.190**	**191.910**	**558.102**

* See Note 3 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated.
The accompanying notes are an integral part of these condensed consolidated interim financial statement

Condensed Consolidated Interim Statement of Equity

	Attributable to owners of the Company						
	Issued share Capital EUR thousands	**Share premium reserve** EUR thousands	**Foreign currency translation reserve** EUR thousands	**Retained earnings** EUR thousands	**Total** EUR thousands	**Non-controlling interests** EUR thousands	**Total equity** EUR thousands
Balance as at 2 April 2018 *	-	-	-	-	-	-	**-**
Profit for the period	-	-	-	93.957	**93.957**	17.624	**111.581**
Other comprehensive income	-	-	389	-	**389**	-	**389**
Total comprehensive income for the period	**-**	**-**	**389**	**93.957**	**94.346**	**17.624**	**111.970**
Transactions with owners, recognized directly in equity							
Issue of ordinary shares net of issue costs	-	-	-	-	-	-	**-**
Conversion of shareholders' loans into share premium	-	-	-	-	-	-	**-**
Equity contributions of non-controlling interest shareholders net of issue costs	-	-	-	-	-	44.500	**44.500**
Non-controlling interests arising on initial consolidation	-	-	-	-	-	16.273	**16.273**
Balance as at 30 June 2018 (unaudited)	**-**	**-**	**389**	**93.957**	**94.346**	**78.397**	**172.743**

Condensed Consolidated Interim Statements of Cash Flows

	Note	For the six months ended 30 June 2019 unaudited | EUR thousands	For the period from April 2 till 30 June 2018 unaudited | EUR thousands
Cash flows from operating activities			
Net income for the period		**129.035**	**111.581**
Adjustments for:			
Net change in fair value of investment property	5	(109.585)	(81.449)
Profit on acquisition at bargain price	4	(35.722)	(43.207)
Profit from disposal of investment property	5	(8.473)	-
Net finance expense		55.499	19.005
Tax expense		21.875	14.094
Depreciation		104	-
Change in inventories		110	(72)
Change in trade and other receivables		(1.960)	(2.395)
Change in trade and other payables		12.039	10.046
Change in tenant deposits		240	-
Taxes paid		(5.075)	(780)
Net cash from operating activities		**58.087**	**26.823**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	(64.891)	(269.109)
Acquisition of investment property	4B	(9.869)	-
Advances in respect of investment properties	5	(131.400)	-
Disposal of subsidiary, net of cash disposed off	5	100.815	-
Capital expenditure and refurbishment of investment property		(6.800)	(893)
Capital expenditure on PP&E		(264)	-
Change in restricted bank and other deposits		(7.705)	(16.252)
Net cash used in investing activities		**(120.115)**	**(286.254)**

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Cash flows from financing activities			
Proceeds from capital contributions		27.720	44.500
Proceeds from bank loans and borrowing	9	235.088	595.862
Proceeds from related party loans		78.973	298.538
Proceeds from loans from non-controlling interests	7	87.331	190.150
Repayment of bank loans and borrowings		(219.452)	(575.758)
Payment of debt issuance costs		(4.371)	(7.481)
Interest paid		(23.728)	(684)
Payments relating to hedging activities		-	(6.449)
Net cash from financing activities		**181.562**	**538.678**

Net increase/decrease in cash and cash equivalents	**119.535**	**279.247**
Cash and cash equivalents as at the beginning of the period	61.213	-
Effect of exchange rate differences on cash and cash equivalents	(383)	389
Cash and cash equivalents as at the end of the period	**180.365**	**279.636**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – General

A. Reporting entity

Vivion Investments S.à. r.l., (the "**Company**" or "**Vivion**" and together with its consolidated subsidiaries the "**Group**") was formed in Luxemburg on 19 October 2018 and was registered with the Luxembourg Register of Trade and Companies (Registre de Commerce et des Sociétés Luxembourg) on 26 October 2018 under number B228676. The Company has its registered address at 155 Rue Cents, L-1319, Luxembourg.

The issued and fully paid share capital of the Company as at 30 June 2019 was EUR 12.002 divided into 12.002 shares with nominal value of EUR 1 each. The Company is a directly held subsidiary of Vivion Holdings S.à. r.l. ("**Vivion Holdings**") a company incorporated in Luxembourg.

The Company is a commercial real estate company, focusing on the ownership, management, improvement and selective acquisition and disposal of property in the United Kingdom ("**UK**") and Germany. As per the Reporting Date Vivion Capital Partners ("**Vivion CP**") held 51,5% of the share capital of Golden Capital Partners S.A ("**Golden**").

Golden's business activities are focused on the German commercial real estate market with a focus on office properties. As at 30 June 2019 Golden owned 38 properties in Germany.

Vivion holds 100% interest in Luxembourg Investment Company 210 ("**LIC 210**") focuses its business activities on investing in hotel properties located in the United Kingdom. As at 30 June 2019, LIC 210 indirectly held a portfolio of 55 hotels in the United Kingdom, of which it acquired 26 hotels on 31 January 2019. The hotels are classified as investment property.

The Company acquired Vivion CP in November 2018, while Golden, a subsidiary of Vivion CP, acquired its operations on 2 April 2018. Therefore, due to the Golden transaction and the common control nature of the Vivion transaction, the comparative profit and loss figures for 2018 are presented for the period from 2 April 2018 to 30 June 2018. The group did not have any operational activities in the period before 2 April 2018. We refer to the notes in the financial statements as at 31 December 2018.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements (the "**Financial Statements**") as at 30 June 2019 (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 and do not include all information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended 31 December 2018 (hereinafter – "**the 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.

B. Basis of measurement

The Financial statements have been prepared under the historical cost convention, except, in particular, investment properties, which are measured at fair value.

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.

Note 3 – 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.

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

A. Initial application of new standards, amendments to standards and interpretations
As from 1 January 2019 the Group applies the new standards and amendments to standards described below:

(1) IFRS 16, *Leases*
As from 1 January 2019 (hereinafter: "the date of initial application") the Group applies International Financial Reporting Standard 16, Leases (hereinafter: "IFRS 16" or "the standard"), which replaced International Accounting Standard 17, Leases (hereinafter: "IAS 17" or "the previous standard").

The main effect of the standard's application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of initial application, the Group classified the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

In accordance with IFRS 16, for agreements in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability at the inception of the lease contract for all the leases in which the Group has a right to control identified assets for a specified period of time, other than exceptions specified in the standard. Accordingly, the Group recognizes depreciation and amortization expenses in respect of a right-of-use asset, tests a right-of-use asset for impairment in accordance with IAS 36 and recognizes financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as part of general and administrative expenses in the income statement, are capitalized to assets and written down as depreciation and amortization expenses. The right-of-use assets are included in investment property, also refer to note 5.

The Group elected to apply the standard using the modified retrospective approach, with an adjustment to the balance of retained earnings as at 1 January 2019 and without a restatement of comparative data. In respect of all the leases, the Group elected to apply the transitional provisions such that on the date of initial application it recognized a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application and adjusted the lease liability as if accounted for the lease per initiation of the lease contract in accordance with IFRS 16. Consequently, for lease agreements of German properties we recognized retrospectively a right-of-use asset at the present value of the balance of future lease payments, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. For UK lease agreements the Group recognized a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of the standard for UK hotel lease agreements did not have an effect on the Group's equity at the date of application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

(1) Applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has a low value;
(2) Relying on a previous definition and/or assessment of whether an arrangement is a lease in accordance with current guidance with respect to agreements that exist at the date of initial application;
(3) Assessing whether a contract is onerous in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (hereinafter: "IAS 37") immediately before the date of initial application instead of assessing impairment of right-of-use assets.
(4) Applying the practical expedient regarding the recognition and measurement of short-term leases, for both leases that end within 12 months from the date of initial application and leases for a period of up to 12 months from the date of their inception for all groups of underlying assets to which the right-of-use relates;
(5) Excluding initial direct costs from measurement of the right-of-use asset at the date of initial application;
(6) Using hindsight when determining the lease term if the contract includes an extension or termination option;

The table below presents the cumulative effects of the items affected by the initial application on the statement of financial position as at 1 January 2019:

	According to IAS 17 unaudited | EUR thousands	**The change** unaudited | EUR thousands	**According to IFRS 16** unaudited | EUR thousands
Right-of-use asset (as included in Investment Property)	-	82.913	82.913
Lease liabilities	-	82.663	82.663
Retained earnings	-	251	251

In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate at 1 January 2019. The discount rates used to measure the lease liability range between 4.25% and 6.3% (weighted average of 6.17%). This range is affected by differences in the lease term, differences between asset groups, and so forth.

Impact of the application of IFRS 16 in the reporting period

As a result of applying IFRS 16, in relation to the leases that were classified as operating leases according to IAS 17, the Group recognized right-of-use assets (including investment property) and lease liabilities as at 30 June 2019 in the amount of EUR 85.511 thousand and EUR 84.158 thousand, respectively.

Furthermore, instead of recognizing lease expenses in relation to those leases, during the six-month period ended June 30, 2019 the Group recognized as part of revaluation of investment property an amount of EUR 0.1 million negative, and additional financing expenses in the amount of EUR 2.3 million.

a. Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At initial recognition, assets held under a finance lease are presented as receivables at an amount equal to the net investment in the lease. The present value of the lease payments is calculated using the discount rate implicit in the lease.

When the Group leases out assets in a sublease, if the discount rate implicit in the sublease cannot be readily determined, the Group uses the discount rate of the head lease, adjusted for initial direct costs related to the sublease.

Initial direct costs are included in the initial measurement of the receivables and reduce the amount of revenue recognized over the lease term.

On the initial date of the lease, the lease payments included in the measurement of the net investment in the lease include fixed payments less any lease incentives payable, variable lease payments that depend on an index or rate, any residual value guarantees provided to the lessor, the exercise price of a purchase option if it is reasonably certain that the lessee will exercise the option and lease termination penalties.

In subsequent periods, the Group recognizes financing income over the lease term. Furthermore, the Group allocates the lease payments against the balance of finance lease receivables and against financing income for the period.

The Group applies the derecognition and impairment requirements of IFRS 9 with respect to the balance of lease receivables. In addition, the Group reviews the estimates of unguaranteed residual values. In the case of a decrease in the estimate of the unguaranteed residual value, the Group adjusts the allocation of income over the lease term and immediately recognizes a decrease with respect to accumulated amounts.

b. Operating leases
Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. The Group recognizes operating lease payments as revenue on a straight-line basis over the lease term.

Initial direct costs incurred to obtain operating leases are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the revenue from the lease.

Standard interpretation amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
(1) ***Improvements to IFRSs 2015-2017:* Amendment to IAS 23, *Borrowing Costs***	The amendment clarifies that any specific borrowing costs outstanding after a qualifying asset is ready for its intended use or sale should be taken into account in the calculation of the weighted average capitalization rate of the general borrowings costs.	The amendment is applied on a prospective basis.	The Group does not expect any material impact on applying the amendment on a prospective basis.
(2) **IFRIC 23, *Uncertainty Over Income Tax Treatments***	IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes. According to IFRIC 23, when determining the taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments, the entity should assess whether it is probable that the tax authority will accept its tax position. Insofar as it is probable that the tax authority will accept the entity's tax position, the entity will recognize the tax effects on the financial statements according to that tax position. On the other hand, if it is not probable that the tax authority will accept the entity's tax position, the entity is required to reflect the uncertainty in its accounts by using one of the following methods: the most likely outcome or the expected value. IFRIC 23 clarifies that when the entity examines whether or not it is probable that the tax authority will accept the entity's position, it is assumed that the tax authority with the right to examine any amounts reported to it will examine those amounts and that it has full knowledge of all relevant information when doing so. Furthermore, according to IFRIC 23 an entity has to consider changes in circumstances and new information that may change its assessment. IFRIC 23 also emphasizes the need to provide disclosures of the judgments and assumptions made by the entity regarding uncertain tax positions.	IFRIC 23 is applied using the cumulative effect approach.	The application of IFRIC 23 did not have a material effect on the financial statements other than providing more disclosures regarding the judgements made on the matter.

Note 4 – Scope of Consolidation

A. Business combinations

In January 2019 the Group acquired 26 hotels in the United Kingdom in a share deal for a consideration of GBP 58.7 million (EUR 67.0 million). The Group paid a down payment of GBP 32.5 million (EUR 36.3 million) in December 2018. The acquisition is accounted for as a business combination based on IFRS 3, Business combinations. As the transaction occurred in an off-market transaction from a third-party seller, it resulted in a bargain purchase gain of GBP 31.3 million (EUR 35.7 million).

As at 30 June 2019, the Group operated the hotels. However, its involvement in their operation was short-term as the hotel operations were disposed of in August 2019 and spun off to a third-party manager. Refer to Note 11 Subsequent Events. Therefore, the hotels are classified as investment property and subsequently measured at fair value.

The purchase price was allocated to the net identifiable assets and liabilities based on their fair values at the Acquisition Date, as follows:

	unaudited | EUR thousands
Investment properties	319.601
Cash	3.901
Prepayments	863
Trade and other receivables	2.384
Inventory	474
Deferred tax liabilities	(22.469)
Other financial liabilities	(202.039)
Total identifiable assets	**102.715**
Gain on bargain purchase	(35.722)
Total consideration	**66.993**
Satisfied by:	
cash	66.993
Cash flow analysis:	
Cash consideration	66.993
Less: cash and cash equivalent balances acquired	(3.901)
Less: advance payments before Reporting period	(36.322)
Net cash outflow arising on acquisition in Reporting period	**26.770**

Transaction costs amounted to approximately GBP 4.6 million (EUR 5.3 million) and are included in Administrative expenses in the Statement of Profit and Loss.

From the date of acquisition, the portfolio has contributed EUR 8.8 million to operating income and EUR 32.8 million to revenues. If the combination had taken place at the beginning of the year, the contribution to the profit after tax for the Group would approximate EUR 10 million and revenue would approximate EUR 39 million.

B. Assets' acquisitions

On 2 January 2019 the Group acquired 89,8% holding stake in three companies which hold three office buildings in Germany through a share deal. The total consideration paid in cash amounted to EUR 104 million, out of which EUR 65 million was already paid in 2018. The acquisition was treated as an asset acquisition in which the company acquired investment property of EUR 152 million and bank loans amounting to EUR 52 million and working capital for amount of EUR 4 million.

On 31 January 2019 the Group acquired 100% stake in one office building in Germany through an asset deal. The total consideration paid in cash amounted to EUR 9.2 million (EUR 9.9 million including acquisition costs). The acquisition was treated as an asset acquisition.

Note 5 – Investment Properties

Reconciliation of carrying amount

	Germany				UK	Totals
	Office EUR thousands	**Hotels** EUR thousands	**Other** EUR thousands	**Subtotal** EUR thousands	**Hotels** EUR thousands	EUR thousands
Balance as at January 1, 2019	**578.450**	**158.690**	**67.120**	**804.260**	**1.353.448**	**2.157.708**
Initial application of IFRS 16, see note 3	4.855	917	-	5.772	77.141	82.913
Restated balance as at January 1, 2019	**583.305**	**159.607**	**67.120**	**810.032**	**1.430.589**	**2.240.621**
Acquisition of subsidiaries (Note 4B)	152.040	-	-	152.040	-	152.040
Properties acquisition	9.869	-	-	9.869	319.601	329.470
Capital expenditure and refurbishment	2.214	2.390	-	4.604	855	5.459
Capitalized rent-free rent	800	467	74	1.341	-	1.341
Capitalization of finance costs in development projects	534	1.879	-	2.413	-	2.413
Foreign exchange differences	-	-	-	-	(7.822)	(7.822)
Fair value adjustments	108.361	(1.776)	3.000	109.585	-	109.585
Disposal of subsidiaries	(112.056)	-	-	(112.056)	-	(112.056)
At June 30, 2019 (unaudited)	**745.067**	**162.567**	**70.194**	**977.828**	**1 .743.223**	**2.721.051**

	Germany				UK	Totals
	Office EUR thousands	**Hotels** EUR thousands	**Other** EUR thousands	**Subtotal** EUR thousands	**Hotels** EUR thousands	EUR thousands
Balance as at 2 April 2018	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of subsidiaries	292.374	136.900	62.816	492.090	962.055	1.454.145
Properties acquisition	134.559	-	-	134.559	286.441	421.000
Capital expenditure and refurbishment	3.117	5.580	226	8.923	6.754	15.677
Capitalization of finance costs in development projects	952	2.523	-	3.475	-	3.475
Foreign exchange differences	-	-	-	-	(17.407)	(17.407)
Fair value adjustments	147.448	13.647	4.118	165.213	115.605	280.818
Total	**578.450**	**158.650**	**67.160**	**804.260**	**1.353.448**	**2.157.708**
Less: classified as held for sale	(110.000)	-	-	(110.000)	-	(110.000)
At 31 December 2018 (audited)	**468.450**	**158.650**	**67.160**	**694.260**	**1.353.448**	**2.047.708**

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 discounts 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 income mainly comprises expected rental income (current in-place rent, market rents as well as their development) net of operating expenses estimation, taking vacancy and lease-up assumptions into account, as well as estimation of anticipated capital expenditure.

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 according.

The Group prepared a fair value assessment of the investment property portfolio. Following the assessment, the Group examined the need to update the fair value valuation for eight properties and accordingly obtained valuation reports from independent external appraisers for eight properties with net leasable area of 128.579 sqm, at EUR 479.32 million and an average market rent per sqm per month of EUR 18.1. The discount rate used in the valuations ranges between 3.75%-6.02% and the applied cap rate ranges between 4.25%-5.00%.

The Group and the valuators confirm that there is no actual or potential conflict of interest that may have influenced the valuators status as external and independent valuator.

Completed transactions

In June 2019 the Group completed the sale of one of its subsidiaries, which owned a property in Hannover. As at 31 December 2018, the assets and liabilities of this subsidiary were classified as held for sale. The total contractual consideration for the transaction is EUR 110 million, subject to working capital and other pricing adjustments. During the reporting period, the Group received a total consideration of EUR 105 million in cash. The group recognized a profit from the disposal of investment property of EUR 8.5 million in the reporting period and a receivable on the buyer of EUR 13.4 million (included in Rent and Other Receivables). The receivable is calculated based on the provisional accounting records as at the disposal date and are subject to finalization of completion accounts.

Uncompleted transactions

On 23 November 2018 the Group has engaged with a third party to acquire three office buildings in Germany (through a share deal to acquire three companies) for a consideration of EUR 135 million. According to the agreement the Group paid a down payment of EUR 10 million in November 2018. Transaction costs of EUR 0.7 million were incurred in 2019. The transaction is expected to be completed no later than 31 October 2019.

The Group has engaged with a third party to obtain the exclusive right to due diligence a potential portfolio acquisition in an off-market transaction, for which the company made advance payments totaling to EUR 75 million in March 2019. The down payments were made for the proposed purchase of multiple mixed-use properties in Germany with an estimated market value of approximately EUR 500 million. The advances are refundable if the Company decides not to finalize the acquisitions.

In June 2019, the Group has signed a purchase agreement with a third party to acquire two office buildings in Cologne and Dusseldorf through an asset deal for a total consideration of EUR 44 million. The group paid a down payment of EUR 4.4 million. The transaction was completed on 16 September 2019.

The Group made advance payments of EUR 91 million (of which EUR 52 million during the reporting period) to a related party in order to pursue an acquisition of a real estate portfolio in Berlin through several share deals. The Group obtained a first priority right to directly or indirectly acquire the Assets from the related party company, subject to tax advice to be obtained and following the carrying out of relevant due diligence. Should the Group elect not to exercise its first priority right until the 31st of December 2019, the advance deposits will be returned to the Group.

Note 6 – Loans and Borrowings

A. Presented hereunder are details of new issues or acquired loans during the six month period ended 30 June 2019, relating to the Group's principal loans and borrowings from banks:

					30 June 2019 unaudited	
Interest Type	**Loan date**	**Original amount of loan**	**Interest mechanism and rate**	**Payment date of principal**	**Principal value** EUR thousands	**Carrying amount** EUR thousands
Variable	January 2019	GBP 133.6 million	Libor + 3%	January 2024	148.973	146.475
Variable	January 2019	EUR 81.9 million	3M Euribor + 2.2%	February 2022	81.900	80.752
Fixed	March 2015*	EUR 28 million	2.24%	February 2025	28.000	25.433
Fixed	November 2017*	EUR 22 million	2.27%	September 2027	22.000	21.066
Fixed	February 2015*	EUR 5 million	2.24%	February 2025	5.000	4.627
Total new loans issued or acquired during the reporting period					**285.873**	**278.353**
Loans and borrowings as at 31 December 2018						878.767
Foreign exchange effects on loans denominated in GBP						(5.101)
Total loan balance as at 30 June 2019						**1.152.021**

* Loans were acquired as part of an asset acquisition as included in Note 4.

Presented in the statement of financial position under:

Non-current liabilities	1.139.646
Current liabilities	12.375
	1.152.021

B. Compliance with financial covenants

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 and loan to annual rent ratio.

As at 30 June 2019, the Group is in compliance with its debt covenants.

C. Collateral

To secure the new bank loans with principal values of EUR 81.9 million and EUR 149.0 million as of the Report Date, the Group pledged properties whose total fair value at the Report Date amounts to EUR 501 million. For the three loans that were acquired as part of an asset acquisition as per note 4 the properties are encumbered with a total fair value at the Report date of EUR 224.4 million.

Note 7 - Loans from Non-controlling Interests

During the Reporting Period non-controlling interest shareholders provided loans to Golden amounting to EUR 87.3 million for which total loans from non-controlling interest shareholders amount to EUR 287.5 million as at 30 June 2019 (excluding accrued interest of EUR 12.7 million). The loans bear 5.25% annual interest rate which is compounded to the loan principal on an annual basis, payable in the 10th anniversary year. In addition, Golden at its sole discretion, has the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. Golden may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own Ordinary shares according to a conversion price which reflects Golden's value based on external valuation report as at the date of conversion. Any prepayment or conversion of the Investors' loans may be executed only on a pro rata basis according to each shareholder stake. Loans from shareholders are unsecured and subordinated to the other Group debt.

Note 8 – Operating segments

A. Segment reporting

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 classes 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 includes offices, hotels, residential and retail investment property. None of these segments meets any of the quantitative thresholds for determining reportable segments during the Reported Period. Properties in the United Kingdom are hotels.

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.

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

	United Kingdom EUR thousands	Germany EUR thousands	Total Consolidated EUR thousands
For the six month period ended 30 June 2019			
Revenues	143.806	27.036	170.842
Operating expenses	(68.903)	(9.821)	(78.723)
Reportable segment gross profit	**74.904**	**17.215**	**92.119**
Selling and administrative expenses	(15.772)	(29)	(15.801)
Changes in fair value of investment properties	-	109.585	109.585
Profit on disposal of investment property	-	8.473	8.473
Reportable segment operating profit	**59.132**	**135.244**	**194.376**
Bargain purchase gain			35.722
Administrative expenses			(23.688)
Net finance expenses			(55.499)
Profit before tax			**150.910**

	United Kingdom EUR thousands	Germany EUR thousands	Total Consolidated EUR thousands
For the period from 2 April 2018 until 30 June 2018			
Revenues	56.049	8.939	64.988
Operating expenses	(23.118)	(3.379)	(26.497)
Reportable segment gross profit	**32.931**	**5.560**	**38.491**
Selling and administrative expenses	(6.917)	-	(6.917)
Changes in fair value of investment properties	-	81.449	81.449
Reportable segment operating profit	**26.014**	**87.009**	**113.023**
Bargain purchase gain			43.207
Administrative expenses			(11.550)
Net finance expenses			(19.005)
Profit before tax			**125.675**

The Group is exposed to the cyclical nature of the hotel industry in the United Kingdom as a result of fluctuations in demand. The operating segment is affected by a mid-season for the period January until March compared to high season for the remaining period of the year.

Note 9 - Related Parties

A. Transactions with related parties

	30 June 2019 unaudited | EUR thousands	**30 June 2018** unaudited | EUR thousands
Services and management fee charged	(743)	(470)
Interest on loans from parent entity	(20.735)	(3.850)
Interest on loans from related parties	(267)	-

The Group companies are engaged with companies affiliated to the Company's ultimate beneficial owner for providing services to the Group companies. These services include Asset Management and Property Management, which are being charged for at rates of the annual rental income of the respective property company.

The Group made advance payments of EUR 91 million (of which EUR 52 million during the reporting period) to a related party in order to pursue an acquisition of a real estate portfolio in Berlin through several share deals. The Group obtained a first priority right to directly or indirectly acquire the Assets from the related party company, subject to tax advice to be obtained and following the carrying out of relevant due diligence. Should the Group elect not to exercise its first priority right until the 31st of December 2019, the advance deposits will be returned to the Group.

B. Loans with related parties

Shareholder loans from Vivion Holdings amount to EUR 775.8 million as at the Report Date and bear the same conditions as the non-controlling interest loans as per Note 7 with an annual interest rate which ranges between 5.25%-5.9%. The accrued interest on these loans amount to EUR 47.1 million. Included in this loan balance are loans in an amount of EUR 471.6 which are denominated in GBP, and as such are subject to foreign currency effects.

Other loans from related parties are in amount of EUR 4.0 million as of the Reporting Date and are bearing an annual interest rate of 5%; the repayment periods range between 2020–2025.

Rent and Other Receivables include receivables on related parties of EUR 4.0 million. The receivables are non-interest bearing and are due within 1 year.

Note 10 - Financial Instruments

A. Fair value

(1) 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 investments, deposits, derivatives, bank overdraft, short-term loans and borrowings, trade payables and other payables are the same or proximate to their fair value.

As at the Report Date, the fair values of long-term bank and related party borrowings as presented in the statement of financial position approximates its fair values.

(2) Fair value hierarchy of financial instruments measured at fair value

	Level 1 unaudited | EUR thousands	**Level 2** unaudited | EUR thousands	**Level 3** unaudited | EUR thousands	**Total** unaudited | EUR thousands
Financial assets measured at fair value through profit or loss:				
Interest rate swap contracts	-	810	-	**810**

There were no transfers between levels 1, 2 or 3 during the Reporting Period.

Note 11 - Subsequent Events

A. In July 2019, the Company completed its unsecured public market debut through the issuance of EUR 700 million Senior Unsecured Notes due July 2024 priced at a coupon of 3.000%. The proceeds were placed in escrow with their release conditional on the execution of the UK Hotel portfolio restructuring (refer to note 11B). The Notes are admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin.

B. In August 2019 the Group completed the restructuring of its hotel portfolio in the United Kingdom. This resulted in the disposal of the hotel operations outside of the Group, with the hotel properties remaining. The Group entered into index linked lease agreements with the respective tenants of the properties for a minimum period of 16 years, resulting in £85 million additional in-place rent across the segment Day 1. Also refer to note 4A.

C. Following the release of the Notes from escrow, various bank loans were repaid, with a total loan value of EUR 430 million as at 30 June 2019.

D. The Group finalized the acquisition of two properties in Germany on 16 September 2019 as disclosed in note 5 for a total consideration of EUR 44 million.

E. In September 2019, the Group made an additional refundable advance payment of EUR 39 million to a related party to prolong its first priority right to 31 December 2019 in order to pursue an acquisition of a real estate portfolio in Berlin as disclosed in note 5.

Authorization of Condensed Interim Consolidated Financial Statements

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Group's Board of Directors on 25 September 2019.

VIVION

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