CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at 30 June 2021

VIVION

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

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as at 30 June 2021

Contents

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To the Shareholders of
Vivion Investments S.à r.l.
155, rue Cents
L-1319 Luxembourg
Luxembourg

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Vivion Investments S.à r.l. (the “Company”) and its subsidiaries (the “Group”) which comprise the condensed consolidated interim statement of financial position as at 30 June 2021, and the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the “condensed consolidated interim financial information”). Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 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 condensed consolidated interim financial information as at 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union.

Luxembourg, 10 September 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Oliver Collmann

T.V.A. LU 27351518
R.C.S. Luxembourg B 149133

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Assets

	Note	30 June 2021	31 December 2020
		EUR thousands	
Non-current assets			
Investment property	4	3,292,947	3,204,195
Advance payments for investment properties		70,793	145,793
Investment and loans to equity-accounted investee	11	19,643	17,700
Property, plant and equipment		181	111
Derivative financial instruments	12 A	12	7
Restricted bank and other deposits		50,290	50,694
Other financial assets	11	17,160	15,135
Total non-current assets		**3,451,026**	**3,433,635**
Current assets			
Cash and cash equivalents		423,297	257,508
Financial assets at fair value through profit and loss	12 A	708,561	-
Trade and other receivables	11	60,516	54,098
Prepayments		4,182	1,571
Inventories		294	268
Assets held for sale	5, 6	69,888	1,009,811
Total current assets		**1,266,738**	**1,323,256**
Total assets		**4,717,764**	**4,756,891**

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

Equity and liabilities

	Note	30 June 2021	31 December 2020
		EUR thousands	
Equity			
Issued share capital		12	12
Share premium reserve		154,030	154,030
Retained earnings		407,386	421,786
Foreign currency translation reserve		25,562	(12,019)
Total equity attributable to owners of the Company		**586,990**	**563,809**
Non-controlling interests		468,359	500,540
Total equity		**1,055,349**	**1,064,349**
Liabilities			
Non-current liabilities			
Loans and borrowings	7	722,373	779,186
Bonds	12 B	982,238	980,094
Convertible bonds	12 B	173,887	168,706
Loans from related parties	11	780,204	828,414
Loans from non-controlling interests		514,108	502,135
Derivative financial liabilities	12 A	31,960	31,569
Tenant deposits		2,040	1,908
Long-term lease liabilities	8	141,037	74,902
Deferred tax liabilities		221,764	174,170
Total non-current liabilities		**3,569,611**	**3,541,084**
Current liabilities			
Trade and other payables	11	28,177	49,021
Income tax payables		554	2,427
Other short-term liabilities		50,526	29,707
Current portion of loans from credit institutions		13,547	13,495
Liabilities of disposal groups classified as held-for-sale	5	-	56,808
Total current liabilities		**92,804**	**151,458**
Total liabilities		**3,662,415**	**3,692,542**
Total liabilities and equity		**4,717,764**	**4,756,891**

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

Oliver Wolf, Director *Jan Fischer, Director*

Date of approval of the consolidated financial statements: **10 September 2021**

VIVION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
		EUR thousands	
Revenues			
Rental income	11	86,423	81,645
Service charge income		8,597	7,703
Hotel income		1,155	6,453
Total revenues		**96,175**	**95,801**
Operating expenses			
Cost of hotel operations		(1,323)	(3,629)
Other property operating expenses		(679)	(1,331)
Service charge expenses		(7,572)	(8,859)
Total operating expenses		**(9,574)**	**(13,819)**
Net operating income		**86,601**	**81,982**
Selling expenses		(990)	(1,989)
Administrative expenses	11	(8,933)	(19,778)
Valuation gains (losses) from investment property	4	9,116	(77,800)
Share in loss from investment in equity-accounted investees		(1,080)	(1,800)
Profit on disposal of investment property	5	33,993	-
Bargain purchase gain		-	28,164
Net gains (losses) on investment property		**42,029**	**(51,436)**
Operating profit		**118,707**	**8,779**
Interest expenses on related party and non-controlling interest loans	11	(32,315)	(31,027)
Interest expenses on third parties		(25,179)	(28,463)
Other finance expenses		(10,620)	(2,835)
Finance expenses, net		**(68,114)**	**(62,325)**
Profit (loss) before tax		**50,593**	**(53,546)**
Income tax expense		(47,829)	(1,118)
Profit (loss) for the period		**2,764**	**(54,664)**
Attributable to:			
Owners of the Company		(14,400)	(47,553)
Non-controlling interests		17,164	(7,111)
		2,764	**(54,664)**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	EUR thousands	
Profit (loss) for the period	**2,764**	**(54,664)**
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	37,581	(49,459)
Other comprehensive income (loss):	**37,581**	**(49,459)**
Total comprehensive income (loss) for the period	**40,345**	**(104,123)**
Attributable to		
Owners of the Company	23,181	(97,012)
Non-controlling interests	17,164	(7,111)
	40,345	**(104,123)**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
		EUR thousands	
Cash flows from operating activities			
Profit (loss) for the period		**2,764**	**(54,664)**
Adjustments to reconcile profit (loss for the period):			
Net change in fair value of investment property	4	(9,116)	77,800
Profit from acquisition at bargain price		-	(28,164)
Profit on disposal of investment property	5	(33,993)	-
Net finance expense		68,114	62,325
Tax expense (income)		47,829	1,118
Share in loss from investment in equity-accounted investees		1,080	1,800
Change in inventories		(26)	28
Change in trade and other receivables		(13,966)	(7,423)
Change in trade and other payables		(846)	6,703
Change in tenant deposits		133	231
Taxes paid		(8,475)	(8,836)
Net cash from operating activities		**53,498**	**50,920**

Cash flows from investing activities			
Purchase of and CAPEX on investment properties		(33,411) (*)	(297,936) (**)
Disposal of subsidiary, net of cash disposed of		185,470	-
Proceeds from disposals of investment properties		24,750	-
Advances in respect of investment properties		75,000	(96,580)
Change in restricted bank and other deposits		(404)	(374)
Loans granted to equity accounted investees		(2,501)	(6,828)
Net cash from (used in) investing activities		**248,904**	**(401,718)**

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

(**) EUR 32 million reclassified from Capital Expenditure and Refurbishment of Investment Properties.

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

>>> continued from previous page

	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
		EUR thousands	
Cash flows from financing activities			
Proceeds from capital contributions of non-controlling interest shareholders		-	97,898
Proceeds from loans and borrowing		-	54,239
Proceeds from sale-and-leaseback of freehold rights	8	59,439	-
Proceeds (repayment) from related party loans		(109,714)	221,640
Proceeds from loans and borrowings from non-controlling interests		-	174,137
Repayment of loans and borrowings	7	(76,535)	(25,441)
Interest paid		(13,109)	(12,514)
Proceeds from hedging activities		-	2,510
Net cash from (used in) financing activities		**(139,919)**	**512,469**
Net increase in cash and cash equivalents		**162,483**	**161,671**
Cash and cash equivalents as at the beginning of the period		257,507	128,473
Effect of exchange rate differences on cash and cash equivalents		3,307	3,152
Cash classified as held for sale		-	(660)
Cash and cash equivalents as at the end of the period		**423,297**	**292,636**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Issued share Capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
				EUR thousands			
Balance as at 1 January 2021	**12**	**154,030**	**(12,019)**	**421,786**	**563,809**	**500,540**	**1,064,349**
Total comprehensive income							
Profit (loss) for the period	-	-	-	(14,400)	**(14,400)**	17,164	**2,764**
Other comprehensive income	-	-	37,581	-	**37,581**	-	**37,581**
Total comprehensive income for the period	**-**	**-**	**37,581**	**(14,400)**	**23,181**	**17,164**	**40,345**
Transactions with owners, recognized directly in equity							
Disposal of subsidiaries	-	-	-	-	**-**	(50,634)	**(50,634)**
Sale of shares in subsidiaries to non-controlling interests	-	-	-	-	**-**	1,289	**1,289**
Balance as at 30 June 2021	**12**	**154,030**	**25,562**	**407,386**	**586,990**	**468,359**	**1,055,349**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Issued share Capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
				EUR thousands			
Balance as at 1 January 2020	**12**	**53,030**	**28,794**	**512,432**	**594,268**	**393,036**	**987,304**
Total comprehensive loss							
Loss for the period	-	-		(47,553)	**(47,553)**	(7,111)	**(54,664)**
Other comprehensive loss	-	-	(49,459)	-	**(49,459)**	-	**(49,459)**
Total comprehensive loss for the period	**-**	**-**	**(49,459)**	**(47,553)**	**(97,012)**	**(7,111)**	**(104,123)**
Transactions with owners, recognized directly in equity							
Equity contributions of non-controlling interests	-	-	-	-	**-**	97,898	**97,898**
Debt/equity restructuring of non-controlling interest	-	-	-	-	**-**	(6,325)	**(6,325)**
Balance as at 30 June 2020	**12**	**53,030**	**(20,665)**	**464,878**	**497,255**	**477,498**	**974,753**

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

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 2021 was EUR 12,002 (2020: EUR 12,002) divided into 12,002 shares (2020: 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.

Vivion is a commercial real estate group, focusing on the ownership, management, improvement and selective acquisition and disposal of properties primarily in Germany and in the United Kingdom ("**UK**"). As at 30 June 2021 ("**Reporting date**") the Company indirectly holds 51.5% (2020: 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 2021 the Group owned 35 properties (2020: 36 properties) in Germany, which were classified as investment property.

Vivion holds 100% interest in Luxembourg Investment Company 210 S.à r.l. ("LIC 210") that focuses its business activities on investing in hotel properties located in the United Kingdom. As at 30 June 2021, LIC 210 indirectly held a portfolio of 56 hotels (2020: 56 hotels) in the United Kingdom. Although the Group operated 2 hotels as at the Reporting date, its involvement in their operation ended in July 2021 as the operation of the hotels were transferred outside of the Group to affiliated operating companies. Therefore, these 2 hotels are classified as investment property as at 30 June 2021.

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

The company's rating remained unchanged with a long-term corporate rating of 'BB' with stable outlook and a 'BB+' rating for the two Senior Unsecured Bonds as at 30 June 2021.

NOTE 2 – BASIS OF PREPARATION

A. Statement of compliance

These condensed consolidated interim financial statements (the "**Financial Statements**") as at 30 June 2021 (the "**Report Date**") and for the six-month period then ended (the "**Reporting Period**") have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union, and do not include all information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended 31 December 2020 (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.

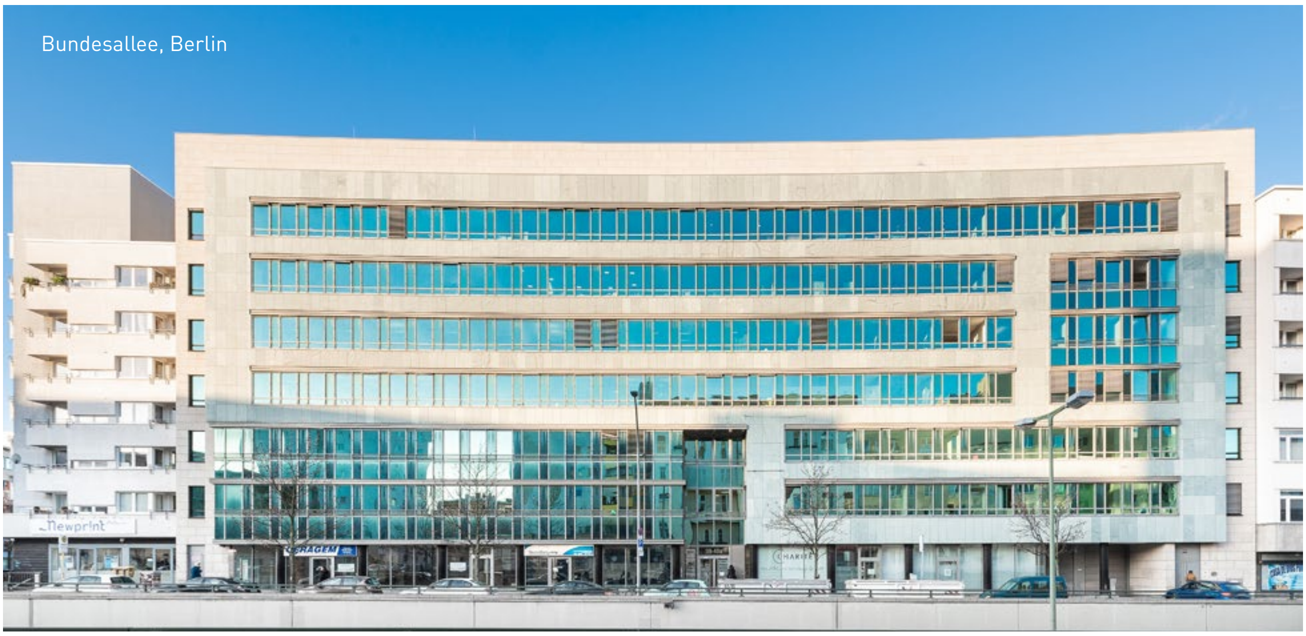
B. Use of estimates, judgments and fair value measurement

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.

C. Functional and presentation currency

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


Bundesallee, Berlin

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The Welcombe, Stratford upon Avon

NOTE 4 – INVESTMENT PROPERTY

Reconciliation of investment property, according to its predominant use

	Germany[1]				UK	Totals
	Office	Hotels	Other	Subtotal	Hotels	
	EUR thousands					
Balance as at 1 January 2021 (incl. held for sale assets)	**2,071,407**	**146,959**	**93,338**	**2,311,704**	**1,892,993**	**4,204,697**
Acquisitions of investment property and investment in capex during the year, net	19,949	1,540	6,524	**28,012**	2,217	**30,230**
Fair value adjustments	11,287	(2,782)	610	**9,116**	-	**9,116**
Foreign currency revaluation effect	-	-	-	**-**	90,419	**90,419**
Disposal of subsidiaries	(951,450)	-	(24,750)	**(976,200)**	-	**(976,200)**
Other adjustments	3,009	1,620	-	**4,719**	(145)	**4,574**
Total	**1,154,292**	**147,336**	**75,722**	**1,377,350**	**1,985,485**	**3,362,835**
Less: classified as held for sale (note 6)	(55,387)	-	(14,501)	**(69,888)**	-	**(69,888)**
At 30 June 2021	**1,098,905**	**147,336**	**61,221**	**1,307,462**	**1,985,485**	**3,292,947**

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

[1] The investment property table for Germany contains two properties in another EU jurisdiction (31 December 2020: 1).

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

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

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

NOTE 5 – LOSS OF CONTROL IN SUBSIDIARIES

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

As a result of the loss of control, the Group recognized a profit from loss of control in the amount of EUR 32 million which was recognized under Profit on disposal of investment property.
These subsidiaries were already recognized under Assets and Liabilities of disposal groups classified as held-for-sale, as at 31 December 2020.

Identifiable assets and liabilities sold:

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

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


Völklinger Straße, Düsseldorf


Holiday Inn, London Heathrow

NOTE 6 – ASSETS AND LIABILITIES HELD FOR SALE

The Company expects to sell non-core properties being held by subsidiaries of the Group within the next 12 months. The Group has initiated selling activities and is in advanced negotiations with potential buyers. The Company classified the investment properties with fair value of EUR 69 million as Assets Held for Sale.

NOTE 7 – LOANS AND BORROWINGS

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

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

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

As described in Note 29(B) to the Group's Consolidated Financial Statements as at 31 December 2020, the Group obtained an extension for the covenant waiver for one of its loan facilities in the UK. The extension is for a period up to but excluding the interest payment date falling on 13 July 2022.

NOTE 8 – FINANCE LEASE LIABILITIES

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


Potsdamer Straße, Berlin


Gustav-Heinemann-Ring, Ismaning (Munich)

NOTE 9 – OPERATING SEGMENTS

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

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

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

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

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

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

	United Kingdom	Germany*	Total Consolidated
		EUR thousands	
For the six months period ended 30 June 2021			
Revenues	58,666	37,509	96,175
Operating expenses	(746)	(8,828)	(9,574)
Reportable segment gross profit	**57,920**	**28,681**	**86,601**
Selling and administrative expenses	(2,074)	(7,849)	(9,923)
Changes in fair value of investment property	-	9,116	9,116
Reportable segment operating profit (loss)	**55,846**	**29,948**	**85,794**
Profit on disposal			33,993
Share in result from equity-accounted investee			(1,080)
Net finance expenses			(68,114)
Profit (loss) before tax	**55,846**	**29,948**	**50,593**

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

	United Kingdom	Germany	Total Consolidated
		EUR thousands	
For the six months period ended 30 June 2020			
Revenues	63,796	32,005	95,801
Operating expenses	(4,655)	(9,164)	(13,819)
Reportable segment gross profit	**59,141**	**22,841**	**81,981**
Selling and administrative expenses	(12,070)	(9,698)	(21,767)
Changes in fair value of investment property	(68,170)	(9,630)	(77,800)
Reportable segment operating profit (loss)	**(21,099)**	**3,514**	**(17,586)**
Bargain purchase gain			28,164
Share in result from equity-accounted investee			(1,800)
Net finance expenses			(62,325)
Profit (loss) before tax			**(53,546)**

NOTE 10 – TAXATION

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

NOTE 11 – RELATED PARTIES

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

	30 June 2021	31 December 2020
	EUR thousands	
Receivables from related parties	21,562	18,903
Loans to equity-accounted investee	18,776	15,755
Payables to related parties	373	18,183
Loans from related parties	780,204	828,414

	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
	EUR thousands	
Consolidated statement of profit or loss		
Rental and service charges income	49,328	47,111
Interest income on loans to equity-accounted investee	929	770
Services and management fee charges	(1,735)	(553)
Interest on loans from related parties	(19,332)	(20,219)

The terms and conditions of the related parties loans and services are as mentioned in note 15 to the Consolidated Financial Statements of the Company as at 31 December 2020.

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NOTE 12 – FINANCIAL INSTRUMENTS

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

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

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

	31 June 2021				31 December 2020			
	Fair value measurement using EUR thousands							
	Total fair value	**Quoted prices in active market (level 1)**	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	**Total fair value**	**Quoted prices in active market (level 1)**	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**
Financial assets								
Financial assets at fair value through profit and loss	**705,600**	**220,000**	**-**	**485,600**	15,135	-	-	15,135
Derivatives financial instruments	**12**	**-**	**12**	**-**	7	-	7	-
Total	**705,612**	**220,000**	**12**	**485,600**	**15,142**	**-**	**7**	**15,135**
Financial liabilities								
Derivatives financial liabilities	**31,960**	**-**	**175**	**31,785**	31,569	-	597	30,972
Total	**31,960**	**-**	**175**	**31,785**	**31,569**	**-**	**597**	**30,972**

The Group holds financial assets measured at fair value through profit and loss of EUR 705.6 million as of 30 June 2021. The fair value of the financial assets which are classified as level 3 were measured by external valuators. The methodology used by the external valuator was based on discounting the cash flows from the notes received in accordance with a Discounted Cash Flow (DCF) model, using a discount rate of 6.5%.

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

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

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

	31 June 2021		31 December 2020	
	Fair value measurement using EUR thousands			
	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities				
Bonds	**982,238**	**998,900**	980,094	927,741
Convertible Bonds	**173,887**	**174,209**	168,706	171,341
	1,156,125	**1,173,109**	**1,148,800**	**1,099,082**

NOTE 13 – SUBSEQUENT EVENTS

A. In July the Group completed the disposal of the hotels operations related to the two London hotels it acquired in January 2020. The Group entered into index linked lease agreements with the respective tenants of the properties for a period of 20 years.

B. In July the Group tapped its original EUR 300 million 2025 Senior Notes by placing an additional EUR 340 million. The New 2025 Notes have the same terms and conditions as the existing 2025 Notes and will form a single consolidated series with the existing 2025 Notes. Following settlement, the aggregate nominal amount of the 2025 Notes in issue increased to EUR 640 million.

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