

# Primecity Investment PLC

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Condensed interim consolidated financial statements  
for the six month period ended June 30, 2018

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2018


# Primecity Investment PLC

Condensed interim consolidated financial statements  
for the six month period ended June 30, 2018

## 2018

# 2018

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**MANAGEMENT REPORT****KEY FINANCIALS**

<b>REVENUE</b>	<b>1-6 2018</b>	<b>change</b>	<b>1-6 2017</b>
(In thousands of euro)	<b>31,570</b>	<b>7%</b>	<b>29,586</b>
<b>NET PROFIT</b>	<b>1-6 2018</b>	<b>change</b>	<b>1-6 2017</b>
(In thousands of euro)	<b>56,431</b>	<b>-57%</b>	<b>130,708</b>
<b>EPS (BASIC)</b>	<b>1-6 2018</b>	<b>change</b>	<b>1-6 2017</b>
(In euro)	<b>0.38</b>	<b>-52%</b>	<b>0.79</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1-6 2018</b>	<b>change</b>	<b>1-6 2017</b>
(In thousands of euro)	<b>22,693</b>	<b>10%</b>	<b>20,680</b>

<b>TOTAL ASSETS</b>	<b>Jun-18</b>	<b>change</b>	<b>Dec-17</b>
(In thousands of euro)	<b>1,305,023</b>	<b>3%</b>	<b>1,265,337</b>
<b>TOTAL EQUITY</b>	<b>Jun-18</b>	<b>change</b>	<b>Dec-17</b>
(In thousands of euro)	<b>894,157</b>	<b>7%</b>	<b>839,042</b>
<b>EQUITY RATIO</b>	<b>Jun-18</b>	<b>Dec-17</b>	<b>Dec-16</b>
	<b>69%</b>	<b>66%</b>	<b>50%</b>
<b>LOAN-TO-VALUE</b>	<b>Jun-18</b>	<b>Dec-17</b>	<b>Dec-16</b>
	<b>18%*</b>	<b>19%*</b>	<b>26%*</b>

\*including shareholder loans

## THE COMPANY

Primecity Investment PLC (“PCI” or the “Company”) and its investees (the “Group”) Board of Directors hereby submits the condensed interim report as of June 30, 2018. The figures presented in this Board of Directors Report are based on the condensed interim consolidated financial statements as of June 30, 2018, unless stated otherwise.

PCI is a specialist hotel investment company with main focus on investing in, and repositioning of hotel properties.

As of June 2018, PCI holds €1.2 billion of investment properties. The hotel properties are located primarily in key German locations which benefit from strong demand through tourism, business and exhibitions.

## NOTES ON BUSINESS PERFORMANCE

### REVENUE

	<b>Six month ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>In thousands of euro</b>	
<b>Revenue</b>	<b>31,570</b>	<b>29,586</b>

Revenue in the first half of 2018 was €32 million compared to €30 million for the same period in 2017. The increase in revenue derives from rent generated from newly acquired properties as well as operational improvements.

### PROPERTY REVALUATIONS, CAPITAL GAINS, AND OTHER INCOME

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>in € thousands</b>	
<b>Property revaluations, capital gains, and other income</b>	<b>43,321</b>	<b>134,571</b>

Property revaluations, capital gains, and other income are primarily affected by changes in the fair value of the portfolio. The fair values of the portfolio are appraised by external, independent valuers. In the first six months of 2018, Property revaluations, capital gains, and other income amounted to €43 million, compared to €135 million in the same period in 2017.

## NOTES ON BUSINESS PERFORMANCE

### PROPERTY OPERATING EXPENSES

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>in € thousands</b>	
<b>Property operating expenses</b>	<b>(2,517)</b>	<b>(2,877)</b>

Property operating expenses refer to the expenses from the asset management of the hotel assets as the tenants conduct the operations. In the first half of 2018 property operating expenses slightly decreased to €2.5 million from €2.9 million in the first half of 2017, highlighting the Company's strong operational platform which enables the Company to continuously benefit from economies of scale and generates cost efficiencies.

### ADMINISTRATIVE & OTHER EXPENSES

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>in € thousands</b>	
<b>Administrative and other expenses</b>	<b>(955)</b>	<b>(1,337)</b>

Administrative and other expenses amounted to €1.0 million in the first half of 2018, decreasing from €1.3 million in the comparable period of 2017, resulting from the Company's scalable platform and economies of scale.

### FINANCE EXPENSES

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>in € thousands</b>	
<b>Finance expenses</b>	<b>(3,818)</b>	<b>(3,586)</b>

Due to the Company's low leverage the finance expenses remained low at €3.8 million in the first six months of 2018, compared to €3.6 million in the first six months of 2017.

## NOTES ON BUSINESS PERFORMANCE

### OTHER FINANCIAL RESULTS

<b>Six months ended</b>	
<b>June 30,</b>	
<b>2018</b>	<b>2017</b>
<b>in € thousands</b>	

<b>Other financial results</b>	<b>(2,313)</b>	<b>252</b>
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Other financial results are largely impacted by non-cash and one-time items such as changes in financial derivatives as well as from bank and financing fees. In the first half of 2018, other financial results amounted to an expense of €2.3 million, compared to a slight gain of €0.3m in the same period of 2017.

### TAXATION

<b>Six months ended</b>	
<b>June 30,</b>	
<b>2018</b>	<b>2017</b>
<b>in € thousands</b>	

Current tax expenses	(3,320)	(3,057)
Deferred tax expenses	(5,537)	(22,844)
<b>Total</b>	<b>(8,857)</b>	<b>(25,901)</b>

In the first half of 2018, tax expenses reduced to €9 million, compared to €26 million in the first half of 2017. This reduction is attributable to a lower amount of deferred tax expenses, which is a non-cash item directly related to the revaluation gains on investment property. The current tax expenses increased slightly to €3.3 million compared to €3.1 million during the first half of 2017 due to higher recurring operational profits.

### PROFIT FOR THE PERIOD

<b>Six months ended</b>	
<b>June 30,</b>	
<b>2018</b>	<b>2017</b>
<b>in € thousands</b>	

<b>Profit for the period</b>	<b>56,431</b>	<b>130,708</b>
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In the first half of 2018 the Company recorded a profit of €56 million, compared to €131 million in the first half of 2017. The decrease resulted from the lower amount of revaluation gains but was offset through higher recurring operational profits.

**NOTES ON BUSINESS PERFORMANCE**

**EARNINGS PER SHARE**

	Six months ended June 30,	
	2018	2017
Basic earnings per share in €	0.38	0.79
Diluted earnings per share in €	0.38	0.75

**CASH FLOWS**

	Six month ended June 30,	
	2018	2017
In thousands of euro		
Net cash provided by operating activities	22,693	20,680
Net cash used in investing activities	(31,409)	(4,577)
Net cash provided by / (used in) financing activities	659	(20,546)
<b>Net change in cash and cash equivalents</b>	<b>(8,057)</b>	<b>(4,443)</b>

The net change in cash and cash equivalents amounted to an outflow of €8.1 million in the first six months of 2018, compared to €4.4 million in the same period of 2017. This resulted in a balance of cash and cash equivalents of €17 million at the end of June 2018. The decrease is mainly related to a higher amount of net cash used in investing activities, which amounted to €31 million in the first half of 2018, compared to €4.6 million in the same period of 2017. The outflow was offset by a higher net cash provided by operating activities, which increased to €23 million in the first half of 2018 from €21 million in the first half of 2017 as well as a net cash provided by financing activities, which amounted to €0.7 million for the period, compared to a use of €21 million in the first six months of 2017.

**ASSETS**

	<u>Jun-18</u>	<u>Dec-17</u>
	In thousands of euro	
<b>Non-current assets</b>	<b>1,238,098</b>	<b>1,230,146</b>
Investment property	1,235,195	1,222,000
<b>Current assets</b>	<b>66,925</b>	<b>35,191</b>
<b>Total assets</b>	<b>1,305,023</b>	<b>1,265,337</b>

As of June 2018, total assets amounted to €1,305 million, an increase of 3% from year-end 2017. As at June 2018, non-current assets increased to €1,238 million from €1,230 million and current assets increased to €67 million from €35 million as at year-end 2017.

**NOTES ON BUSINESS PERFORMANCE**

**LIABILITIES**

	<b><u>Jun-18</u></b>	<b><u>Dec-17</u></b>
	<b><u>In thousands of euro</u></b>	
Total loans and borrowings*	74,185	75,015
Deferred tax liabilities	142,034	139,865
Other long term liabilities	185,754	183,073
Other current liabilities**	8,893	28,342
<b>Total Liabilities</b>	<b>410,866</b>	<b>426,295</b>

\* includes short term loans and borrowings

\*\* excludes short term loans and borrowings

Total liabilities amounted to €411 million as of June 2018, compared to €426 million at year-end 2017. The decrease is mainly attributable to a lower other current liabilities, resulting from a lower balance in trade and other payables.

**NET DEBT**

	<b><u>Jun-18</u></b>	<b><u>Dec-17</u></b>
	<b><u>In thousands of euro</u></b>	
Total loans and borrowings	74,185	75,015
Shareholder loans	174,612	182,991
minus: Cash and liquid assets	(20,310)	(29,960)
<b>Net Debt (including shareholders loans)</b>	<b>228,487</b>	<b>228,046</b>
minus: Shareholder loans	(174,612)	(182,991)
<b>Net Debt (excluding shareholders loans)</b>	<b>53,875</b>	<b>45,055</b>

Net debt increased to €54 million as of June 2018 compared to €45 million as of year-end 2017, due to the lower cash balance. The increase was offset by lower loan balance.



**NOTES ON BUSINESS PERFORMANCE**

**LOAN-TO-VALUE**

	<b><u>Jun-18</u></b>	<b><u>Dec-17</u></b>
	<b><u>In thousands of euro</u></b>	
Investment property	1,235,195	1,222,000
Net Debt (excluding shareholders loans)	53,875	45,055
<b>LTV (excluding shareholders loans)</b>	<b>4%</b>	<b>4%</b>
Net Debt (including shareholders loans)	228,487	228,046
<b>LTV (including shareholders loans)</b>	<b>18%</b>	<b>19%</b>

PCI maintains a conservative financial approach which is underlined by the Company's low Loan-to-Value ("LTV"), which as of June 2018 remained stable at 4% compared to year-end 2017. During 2017, PCI received loans from shareholders with the purpose of repaying shortly maturing bank debt and as such optimizing the debt structure. When including these shareholders loans, the LTV stood at 18% as of June 2018, compared to 19% as of December 2017.

**EQUITY**

	<b><u>Jun-18</u></b>	<b><u>Dec-17</u></b>
	<b><u>In thousands of euro</u></b>	
<b>Total Equity</b>	<b>894,157</b>	<b>839,042</b>
of which non-controlling interests	122,366	119,252

As of June 2018, total equity amounted to €894 million, increasing from €839 million as of year-end 2017, resulting in an equity ratio of 69%, up from 66%. The increase is mainly a result of the profit for the period.

**DISCLAIMER**

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors,  
October 29, 2018



.....  
Oschrie Massatschi  
Director, Interim CEO



.....  
Elena Koushos  
Director

## PRIMECITY INVESTMENT PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended		Three months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	In thousands of euro			
<b>Revenue</b>	<b>31,570</b>	<b>29,586</b>	<b>16,333</b>	<b>14,659</b>
Property revaluations, capital gains, and other income	43,321	134,571	49,472	130,348
Property operating expenses	(2,517)	(2,877)	(1,265)	(1,527)
Administrative and other expenses	(955)	(1,337)	(393)	(608)
<b>Operating profit</b>	<b>71,419</b>	<b>159,943</b>	<b>64,147</b>	<b>142,872</b>
Finance expenses	(3,818)	(3,586)	(1,998)	(1,756)
Other financial results	(2,313)	252	(2,075)	(324)
<b>Profit before tax</b>	<b>65,288</b>	<b>156,609</b>	<b>60,074</b>	<b>140,792</b>
Current tax expenses	(3,320)	(3,057)	(1,702)	(1,376)
Deferred tax expenses	(5,537)	(22,844)	(5,897)	(21,585)
<b>Tax and deferred tax expenses</b>	<b>(8,857)</b>	<b>(25,901)</b>	<b>(7,599)</b>	<b>(22,961)</b>
<b>Profit for the period</b>	<b>56,431</b>	<b>130,708</b>	<b>52,475</b>	<b>117,831</b>
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>56,431</b>	<b>130,708</b>	<b>52,475</b>	<b>117,831</b>

The notes on pages 16 to 22 form an integral part of these interim consolidated financial statements

## PRIMECITY INVESTMENT PLC

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

	Six months ended June 30,		Three months ended June 30,	
	2018	2017	2018	2017
	<b>In thousands of euro</b>			
<b>Profit attributable to:</b>				
Shareholders of the Company	54,426	112,204	49,683	100,383
Non-controlling interests	2,005	18,504	2,792	17,448
<b>Profit for the period</b>	<b>56,431</b>	<b>130,708</b>	<b>52,475</b>	<b>117,831</b>
<b>Net earnings per share attributable to the shareholders of the Company (in euro):</b>				
Basic earnings per share	0.38	0.79	0.35	0.70
Diluted earnings per share	0.38	0.75	0.35	0.70

The notes on pages 16 to 22 form an integral part of these interim consolidated financial statements

## PRIMECITY INVESTMENT PLC

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>June 30</b>	<b>December 31</b>
		<b>2018</b>	<b>2017</b>
		<b>Unaudited</b>	<b>Audited</b>
	<b>Note</b>	<b>In thousands of euro</b>	
<b>Assets</b>			
Equipment and intangible assets		811	901
Investment property	4	1,235,195	1,222,000
Advance payments for real estate transactions and other investments		568	5,744
Derivative financial instruments		-	339
Deferred tax assets		1,524	1,162
<b>Non-current assets</b>		<b>1,238,098</b>	<b>1,230,146</b>
Cash and cash equivalents		17,436	25,494
Short term deposits		2,874	4,466
Trade and other receivables		44,642	(*) 3,158
Assets held for sale		1,973	2,073
<b>Current assets</b>		<b>66,925</b>	<b>35,191</b>
<b>Total assets</b>		<b>1,305,023</b>	<b>1,265,337</b>

(\*) Reclassified

## PRIMECITY INVESTMENT PLC

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

		<b>June 30</b>	<b>December 31</b>
		<b>2018</b>	<b>2017</b>
		<b>Unaudited</b>	<b>Audited</b>
	<b>Note</b>	<b>In thousands of euro</b>	
<b>Equity</b>			
Share capital	5	1,429	1,429
Share premium		127,966	127,966
Retained earnings	5	642,396	590,395
<b>Equity attributable to the shareholders of the Company</b>		<b>771,791</b>	<b>719,790</b>
Non-controlling interests		122,366	119,252
<b>Total equity</b>		<b>894,157</b>	<b>839,042</b>
<b>Liabilities</b>			
Loans and borrowings		72,373	73,247
Other non-current liabilities		185,674	183,073
Derivative financial instruments		80	-
Deferred tax liabilities		142,034	139,865
<b>Non-current liabilities</b>		<b>400,161</b>	<b>396,185</b>
Loans and borrowings		1,812	1,768
Trade and other payables		6,259	26,018
Provisions and current liabilities		2,285	1,980
Liabilities held for sale		349	344
<b>Current liabilities</b>		<b>10,705</b>	<b>30,110</b>
<b>Total liabilities</b>		<b>410,866</b>	<b>426,295</b>
<b>Total equity and liabilities</b>		<b>1,305,023</b>	<b>1,265,337</b>

The Board of Directors of Primecity Investment PLC authorized these consolidated financial statements for issuance on October 29, 2018



.....  
Oschrie Massatschi  
Director, Interim CEO



.....  
Elena Koushos  
Director

The notes on pages 16 to 22 form an integral part of these interim consolidated financial statements

## PRIMECITY INVESTMENT PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the period ended June 30, 2018**

	Attributable to the shareholders of the Company					Total equity
	Share capital	Share Premium and other capital reserves	Retained earnings in € thousands	Total	Non-controlling interests	
<b>Balance as at December 31, 2017 (Audited)</b>	<b>1,429</b>	<b>127,966</b>	<b>590,395</b>	<b>719,790</b>	<b>119,252</b>	<b>839,042</b>
Profit for the period	-	-	54,426	54,426	2,005	56,431
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>54,426</b>	<b>54,426</b>	<b>2,005</b>	<b>56,431</b>
Deconsolidations and other transactions	-	-	(2,424)	(2,424)	1,108	(1,316)
<b>Balance as at June 30, 2018 (Unaudited)</b>	<b>1,429</b>	<b>127,966</b>	<b>642,397</b>	<b>771,792</b>	<b>122,365</b>	<b>894,157</b>
<b>Balance as at December 31, 2016 (Audited)</b>	<b>1,402</b>	<b>119,663</b>	<b>373,863</b>	<b>494,928</b>	<b>124,215</b>	<b>619,143</b>
Profit for the period	-	-	112,204	112,204	18,504	130,708
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>112,204</b>	<b>112,204</b>	<b>18,504</b>	<b>130,708</b>
Issuance of shares related to conversion of convertible bond	27	8,303	-	8,330	-	8,330
Deconsolidations and other transactions	-	-	-	-	(18,523)	(18,523)
<b>Balance as at June 30, 2017 (Unaudited)</b>	<b>1,429</b>	<b>127,966</b>	<b>486,067</b>	<b>615,462</b>	<b>124,196</b>	<b>739,658</b>

The notes on pages 16 to 22 form an integral part of these interim consolidated financial statements

## PRIMECITY INVESTMENT PLC

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>in € thousands</b>	
<b><u>Cash flows from operating activities</u></b>		
Profit for the period	56,431	130,708
<b><u>Adjustments for the profit:</u></b>		
Depreciation and amortization	191	381
Fair value adjustments, capital gains and other income	(45,644)	(136,023)
Finance expenses, net	6,132	3,334
Tax and deferred tax expenses	8,858	25,901
	<u>25,968</u>	<u>24,301</u>
<b><u>Changes in:</u></b>		
Trade and other receivables	(1,600)	469
Trade and other payables	1,167	(1,011)
Provisions and current liabilities	271	(953)
	<u>25,806</u>	<u>22,806</u>
Tax paid	(3,113)	(2,126)
<b>Net cash provided by operating activities</b>	<b><u>22,693</u></b>	<b><u>20,680</u></b>
<b><u>Cash flows from investing activities</u></b>		
Investments and acquisitions of investment property, capex and advances paid, net	(29,465)	(3,883)
Proceeds from/(investments in) traded securities and other financial assets, net	(1,944)	(694)
<b>Net cash used in investing activities</b>	<b><u>(31,409)</u></b>	<b><u>(4,577)</u></b>
<b><u>Cash flows from financing activities</u></b>		
Redemption of convertible bond	-	(21,142)
Proceeds (repayments) from/(of) loans from financial institutions and others, net	2,612	10,728
Amortization of loans from financial institutions	(833)	(4,196)
Interest and other financial expenses paid, net	(1,120)	(5,936)
<b>Net cash provided by / (used in) financing activities</b>	<b><u>659</u></b>	<b><u>(20,546)</u></b>
<b>Net change in cash and cash equivalents</b>	<b><u>(8,057)</u></b>	<b><u>(4,443)</u></b>
Cash and cash equivalents at January 1	25,494	34,619
<b>Cash and cash equivalents at June 30</b>	<b><u>17,437</u></b>	<b><u>30,176</u></b>

The notes on pages 16 to 22 form an integral part of these interim consolidated financial statements



## PRIMECITY INVESTMENT PLC

Condensed notes to the interim consolidated financial statements  
for the six month period ended June 30, 2018

### 1. GENERAL

#### a. Incorporation and principal activities

Primecity Investment PLC (“the Company”) was incorporated on August 10, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Scanner Avenue Tower, Artemidos & Nikou Dimitriou corner 54B, 6027, Larnaca, Cyprus.

The Company is a holding company which holds, together with its investees (hereinafter “the Group”) real estate properties.

These condensed interim consolidated financial statements for the six months period ended June 30, 2018 consist of the financial statements of the Group.

#### b. Listing on the Paris Stock Exchange

The Company was publicly listed in October 2014, and is traded on the stock market segment Alternext on the Paris Stock Exchange Euronext. The Company registered 200,000,000 ordinary shares with a par value of €0.01 per share, out of which 100,000,000 and additional amounts from conversions of convertible bond units were fully paid (see note 5).

#### c. Definitions

In these interim consolidated financial statements:

The Company	Primecity Investment PLC
The Group	The Company and its investees
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24
The reporting period	The six months ended on June 30, 2018

**PRIMECITY INVESTMENT PLC**

Condensed notes to the interim consolidated financial statements  
for the six month period ended June 30, 2018

**2. BASIS OF PREPARATION****(a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 interim financial reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2017. These condensed interim consolidated financial statements have not been reviewed by an auditor.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2017, which are the basis for these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on October 29, 2018.

**(b) Judgments and estimates**

In preparing these condensed interim consolidated financial statements, management applies judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements as at and for the year ended December 31, 2017.

**(c) Operating segments**

The Group meets the definition of operating in one operating segment. An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- Whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

**(d) Seasonality of operations**

Rental income, other revenues and costs are received and incurred smoothly over the accounting period. Therefore no additional disclosures are made in the condensed interim consolidated financial statements.

**(e) Going concern**

These condensed interim consolidated financial statements are prepared on a going concern basis.

**PRIMECITY INVESTMENT PLC**

Condensed notes to the interim consolidated financial statements  
for the six month period ended June 30, 2018

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards, amendments to standards and interpretations effective as at January 1, 2018.

**(I) IFRS 9 - Financial Instruments (2009, 2010)**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The application of the new standard does not have material impact on the Group's consolidated financial statements.

**(II) IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Lease contracts are scoped out of IFRS 15, and are accounted for under IAS 17 (from 2019: IFRS 16), and therefore the application of the new standard does not have any impact in terms of amounts on the recognition of rental income.

**(III) IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any material impact on the Group's consolidated financial statements.

**(IV) Amendments to IAS 40 – Transfers of Investments Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

**(V) IFRS 2 - Classifications and Measurement of Share-based Payment Transaction**

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

**PRIMECITY INVESTMENT PLC**

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**3. ACCOUNTING POLICIES (continued)**

The following new standard has been endorsed by the EU but is not yet effective for these financial statements:

**(VI) IFRS 16 - Leases**

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Group plans to apply IFRS 16 initially on January 1, 2019.

**4. INVESTMENT PROPERTY**

	<b>June 30</b>	<b>December 31</b>
	<b>2018</b>	<b>2017</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>In thousands of euro</b>	
Balance at the beginning of the reporting period / year	1,222,000	959,150
Additions (disposals) and adjustments, net during the period / year	13,195	262,850
Balance at the end of the reporting period / year	1,235,195	1,222,000

The fair value of the investment property of the Group is determined at least once a year by external, independent and certified valuers, who are considered as leading appraisers in the European real estate market.

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

**PRIMECITY INVESTMENT PLC**

Condensed notes to the interim consolidated financial statements  
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**5. EQUITY**

**A. Share capital**

	June 30, 2018		December 31, 2017	
	Unaudited		Audited	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
<b>Authorized</b>				
Ordinary shares of euro 0.01 each	200,000,000	2,000	200,000,000	2,000
<b>Issued and fully paid</b>				
Balance as at January 1	142,899,979	1,429	140,166,647	1,402
Conversion bond units to shares	-	-	2,733,332	27
Balance at the end of the period / year	142,899,979	1,429	142,899,979	1,429

**B. Issued capital**

During the years 2014 and 2015, the Company successfully placed €150 million nominal value of convertible bond, convertible into ordinary shares of the Company. A total amount of €128,700 thousand nominal value of the convertible bond was converted into 42.9 million new shares by March 2017, followed by full redemption of the outstanding unconverted nominal amount.

**C. Share premium**

Comprised of the premium on ordinary shares arises from conversions of the convertible bond.

**PRIMECITY INVESTMENT PLC**

Condensed notes to the interim consolidated financial statements  
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**6. RELATED PARTY TRANSACTIONS**

The transactions and balances with related parties are as follows:

	<u>June 30</u>	<u>December 31</u>
	<u>2018</u>	<u>2017</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>In thousands of euro</u>	
(I) Loans from shareholders and related companies (*)	<u>174,612</u>	<u>182,991</u>

(\*) Presented as part of the other non-current liabilities in the consolidated statement of financial position.

	<u>For the six months</u>	
	<u>ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
	<u>In thousands of euro</u>	
(II) Interest expenses on loans from shareholders and related companies	(2,928)	(238)
(III) Rental and operating expenses to related parties	<u>(71)</u>	<u>(71)</u>

## PRIMECITY INVESTMENT PLC

Condensed notes to the interim consolidated financial statements  
for the six month period ended June 30, 2018

### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	In thousands of euro			
<b><u>June 30, 2018 (Unaudited)</u></b>				
Derivative financial instruments	-	(80)	-	(80)
<b>Total liabilities</b>	<b>-</b>	<b>(80)</b>	<b>-</b>	<b>(80)</b>
 <b><u>December 31, 2017 (Audited)</u></b>				
Derivative financial instruments	-	339	-	339
<b>Total Assets</b>	<b>-</b>	<b>339</b>	<b>-</b>	<b>339</b>

### 8. COMMITMENTS

The Group had no significant commitments as at June 30, 2018.

### 9. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at June 30, 2018.

### 10. EVENTS AFTER THE REPORTING PERIOD

On August 31, 2018, Mr. Philipp von Bodman resigned from being a director and the CEO of the Company. Mr. Oschrie Massatschi was appointed as a director and interim CEO of the Company, replacing Mr. Philipp von Bodman.