



# PrimeCity

INVESTMENT

Primecity Investment Plc.  
Au capital de €1,026,333.28 euros  
Siège social : Spyros Thalassines Alkyonides - Shop 2 Faros Avenue - 7560 Pervolia, Larnaca - Cyprus

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## DOCUMENT D'INFORMATION

### TRANSFERT SUR ALTERNEXT PARIS

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**Par admission directe**

#### AVERTISSEMENT

Ce Document d'Information est réalisé par Primecity Investment Plc dans le cadre d'un transfert sur Alternext Paris par admission directe. **Cette opération ne constitue pas une offre au public et ne donne pas lieu à un prospectus soumis au visa de l'AMF.**

#### Disclaimer

This Information Document has been prepared by Primecity Investment Plc in connection with the transfer by direct admission to Alternext Paris. **This transaction does not constitute a public offering and will not give rise to a prospectus subject to the approval of the French *Autorité des marchés financiers*.**

Invest *Securities*  
Corporate Finance

**Listing Sponsor**

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Originals of the following document are available at first request and without cost at the registered office of Primecity Investment Plc, on the website [www.prime-city.com](http://www.prime-city.com) as well as on the Alternext website ([www.euronext.com](http://www.euronext.com)).

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# 1 Persons responsible for the document

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## 1.1 Persons responsible for the Information Document

Mrs. Elena Koushos

Mrs. Jelena Afxentiou

Mr. Johann Philipp Wilderich Hubertus Lothar Freiherr von Bodman

The persons responsible for this Information Document are members of the board of Primecity Investment Plc (the “**Company**” or “**PCI**” and together with its consolidated subsidiaries and/or investees, the “**PCI Group**” or the “**Group**”)

## 1.2 Declaration by the persons responsible for the Information Document

The persons responsible for the Information Document declare:

Having taken all reasonable measures to this effect, we hereby certify that the information contained within this Information Document is, to the best of our knowledge, accurate and contains no omissions of a kind likely to alter its substance.

## 2 FORWARD LOOKING STATEMENTS

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This Information Document contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*intend*”, “*may*”, “*plan*”, “*predict*”, “*project*”, “*will*” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Information Document containing information on future earning capacity, plans and expectations regarding the PCI Group’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Information Document are based on current estimates and assumptions that the Company makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the PCI Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The PCI Group’s business is also subject to a number of risks and uncertainties that could cause a forward looking statement, estimate or prediction in this Information Document to become inaccurate. In light of these risks, uncertainties and assumptions, future events described in this Information Document may not occur. In addition, the Company assumes no obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

### 3 STATUTORY AUDITORS

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As at the date of this Information Document the statutory auditor of the Company is:

KPMG Limited ("**KPMG**"), Certified Accountants and Registered Auditors, Millenium Lion House,  
P.O. Box 40075, 6300 Larnaca, Cyprus.

KPMG is registered as a corporate body with the official table of company auditors drawn up by the Institute of Certified Public Accountants of Cyprus.

The consolidated financial statements of the Company (formerly named: Stileforce Enterprises Limited) prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**") as at and for the year ended 31 December 2013 and the consolidated financial statements of the Company prepared in accordance with IFRS as at and for the year ended 31 December 2014 have been audited by KPMG, which provided an unqualified auditor's report for each of these statements.

## 4 General information

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### 4.1 Incorporation, commercial register, duration, registered office

The Company is a public limited company duly incorporated under the laws of the Republic of Cyprus (“Cyprus”) and registered with the office of the registrar with registration number HE 151151. The Company was founded on the 10 August 2004 under the name Stileforce Enterprises Limited. The duration of the Company is for unlimited time.

The address and registered office of the Company is at Shop 2 Faros Avenue Spyros Thalassines Alkyonides, 7560 Pervolia, Larnaca, Cyprus. The telephone number of its registered office is Tel.: 0035 (7) 24 427861.

### 4.2 Corporate object

The Company is a specialist real estate company focused on investing in and repositioning underperforming hotel properties, primarily in Germany. In Section 3 of its articles of association, the objects of the Company are described in detail. Generally, the Company is entitled to all actions or measures required to operate its business. *Inter alia*, the Company is entitled to the following activities (non-exhaustive summary from the articles): carry on the business of commerce, general trade business and works, import, export; carry on activities as business consultants and management consultants; purchase or otherwise acquire or possess any estate or interest in lands or buildings; maintain, manage, improve and repair flats, shops or offices; improve manage, let on lease or otherwise deal with all or any part of the property, assets and rights of the Company; engage, hire and train staff and workers; purchase or otherwise acquire other companies or partnerships; apply for, purchase or otherwise acquire trademarks, patents or copyrights or licenses therefore; borrow, lend or raise money or secure obligations (whether of the Company or others); establish, regulate and discontinue branch offices, regional offices and local boards and to acquire or purchase shares or securities.

### 4.3 Fiscal year

The fiscal year of the Company is the calendar year.

### 4.4 Corporate History

The Company was founded on 10 August 2004 as a private limited liability company under the name Stileforce Enterprises Limited.

On 16 September 2014 the legal form of the Company was changed to a public limited liability company under the name Primecity Investment Plc.

Since 31 October 2014 the shares of the Company are included for trading on the Marché Libre at Euronext, Paris. The Shares have been assigned the ISIN CY0104972217.

In November 2014 the Company issued Convertible Bonds with a total nominal amount of €100 million. In February 2015, the Company issued further Convertible Bonds with a total nominal amount of €50 million to form a single series with the Convertible Bonds issued in November 2014 (see “*Business Overview of the Group - Convertible Bonds*”).

# 5 Business overview of the Group

## 5.1 Overview

The PCI Group is a specialist real estate company focused on investing in and repositioning of distressed hotel properties, with a focus on Germany. As of April 2015, the PCI Group’s portfolio comprises 42 hotel properties with approximately 6,200 hotel rooms. The Group believes that its hotel properties are located in attractive locations in Germany which enjoy high business, meetings, exhibitions or tourism demand such as Berlin, Frankfurt, Düsseldorf, Dresden and Leipzig.

PCI’s business model is focused to acquire hotel properties from distressed situations or hotel properties which are mismanaged and to reposition the properties through active asset management such as developing a tailor-made strategy and business plan, targeted modernisation and refurbishment, optimal branding and market positioning. The PCI Group generates its revenues from the income of the lease agreements it enters into with its tenants, the operators of the hotels.

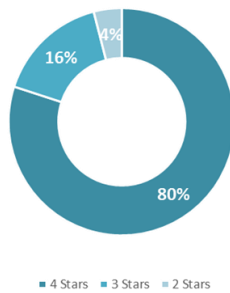
## 5.2 Property Portfolio

As of 31 December 2014, the PCI Group held 34 hotel properties with more than 5,000 hotel rooms in Germany. According to its consolidated financial statements as of 31 December 2014, the total market value of the PCI Group’s portfolio was € 442.13 million (including advanced payments for investment properties). The PCI Group’s portfolio predominantly consists of properties held through fully consolidated subsidiaries of the Issuer. All property valuations have been determined by independent external valuers. As of April 2015, PCI Group’s portfolio consist of 42 hotels with approx.6,200 hotel rooms.

The following map provides an overview of the major locations of the Group’s portfolio as of April 2015:



The hotels operated by the PCI Group’s tenants are positioned mainly in the 3 to 4 star market segments. Hotel stars in Germany are awarded by the German hotel and restaurant association DEHOGA. The following chart shows the composition of the portfolio by hotel stars as of April 2015:



The hotels operated by the PCI Group’s tenants are branded with well-known international brands such as Wyndham Hotel Group, Accor, Rezidor, Intercontinental Hotel Group and Best Western. In particular the PCI Group’s hotels are branded with the following brands:



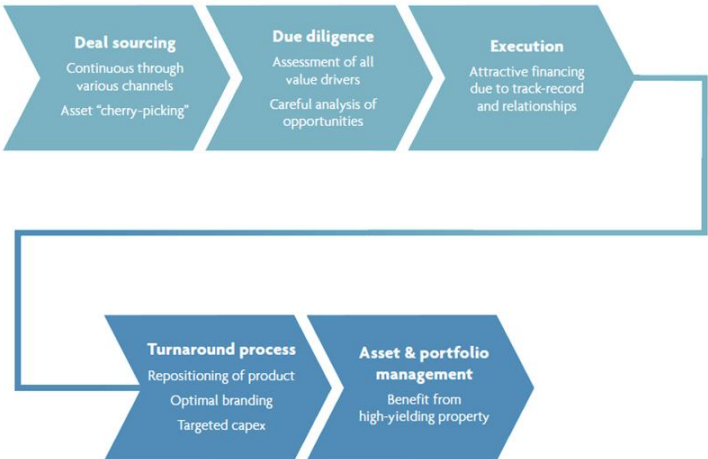
For more information on the properties, see section “ Discussion and Analysis of selected financial information”

### 5.3 Business operations

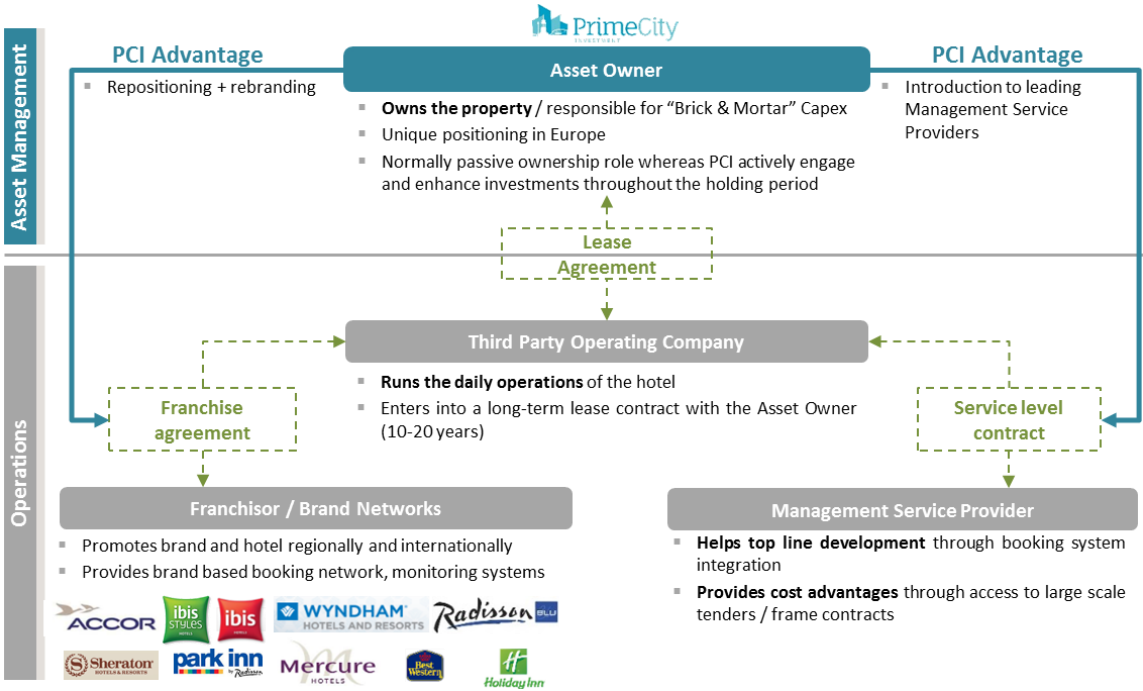
PCI’s business model is mainly focused on the acquisition of hotel properties from distressed situations which are undermanaged and/or underperforming, and turning them around with the aim to increase the long-term lease potential of each property.



The following chart provides an overview on the business model of the PCI Group:



PCI Group leases its hotel properties to tenants, which operate the hotel. With more than 20 employees at the date of this Information Document, the PCI Group covers the full spectrum of the turn-around process as well as asset and portfolio management, which are primarily provided by the PCI's Groups subsidiary Prime City Asset Management GmbH with headquarters in Berlin. The following overview summarises the contractual relationships between the PCI Group and its tenants, the franchisors and the management service providers.



The operational activities of the PCI Group can be summarised as follows:

### Deal Sourcing and Acquisition

The Company has established a sourcing network and the reputation of a reliable counter party in real estate transactions. The sourcing network includes among others, banks, investment funds, institutional investors and other real estate companies as well as hotel chains and a large broker network. Over the years of activity in the market, the Company has positioned itself as a preferred buyer for some counterparties, resulting in a vivid and diverse deal flow of transactions which are offered to the PCI Group often before they are offered to a wider group of potential buyers.

For its acquisitions, the Company is applying the following criteria:

- Low acquisition price (below market value and below replacement cost)
- Significant upside potential assessed by the Company
- Prospects of high cash flow generation
- Repositioning potential
- Branding opportunities

### Due Diligence and Execution

As part of the due diligence phase, the PCI Group measures and analyses the compatibility of the potential acquisition with the entire portfolio and seeks for synergy effects. In parallel, the due diligence team examines carefully and thoroughly all aspects of the potential acquisition, such as financial, legal, technical and tax related details. Hereby the PCI Group focuses on the analysis of the long-term lease potential, the necessary investments for modernisation and refurbishment as well as further value-add opportunities, such as re-branding opportunities. Once the PCI Group decides to contemplate the acquisition, it puts strong efforts on a rapid and smooth execution including the takeover of the respective property.

### Turnaround process

After the takeover stage, the PCI Group repositions the asset, by fitting each property with a detailed tailor-made business plan for each asset individually. The PCI Group has a management team comprising more than 20 employees and a long-standing expertise in modernisation application and optimal brand repositioning of hotels. Thus the turnaround process starts with selecting the ideal market position such as the brand, star classification and product quality and offer, all in view of a comprehensive demand and supply analysis of the specific market. The turnaround process further includes targeted modernisation and refurbishment activities, which on one hand support implementation of the repositioning plan and on the other enables reduction of non-recoverable costs in the future.

During the repositioning phase, PCI integrates the properties into its management platform and PCI's team is very closely monitoring market activities and demand pattern by using proprietary IT software and benchmark systems in order to adapt for every asset's specific need. The market knowledge and experience as well as the proven business model are deciding components in the asset management capabilities geared towards enabling the tenant to exceed market averages in revenue generation, cost savings and thus profitability.

### Asset & portfolio management

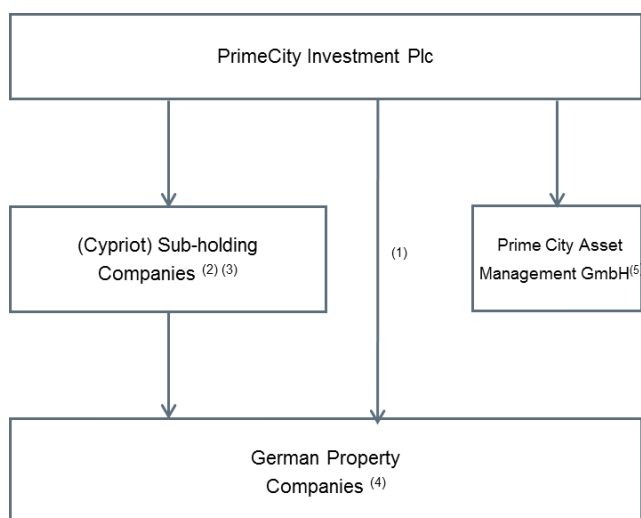
The Company creates its value by increasing the long-term lease paying capacity of each asset. During the repositioning and turnaround phases, the Company enters into short-term lease agreements with the operators in order to benefit from the value creation in the turnaround phase. Once the hotel operation has reached a stabilized level, then the PCI Group enters into long-term lease agreements with the tenants. Those lease agreements have fixed lease income and fixed annual increases. Long term fixed rental lease contracts increase the cash flows for the PCI Group and decrease the dependency on the operational business. The tenants operating the hotels are carefully selected by the PCI Group according to their capabilities and track record.

During the long-term lease agreements, PCI offers its support to the operators with cost saving measures, mainly derived from the economy of scale benefits and bargaining power of the Group.

## **5.4 Group Structure**

The Company is the holding company of the PCI Group, which consists of approximately 60 companies in Germany, Luxembourg and Cyprus. The primary role of the Company within the PCI Group is to function as a management and finance holding company. The business (with respect to the PCI Group's property portfolio) is conducted primarily by its subsidiaries.

The chart below shows the current structure of the PCI Group in a simplified form:



<sup>(1)</sup> The Company also holds directly shares in property companies.

<sup>(2)</sup> Sub-holding companies are mainly limited liability companies organised under the laws of Cyprus. In addition, the PCI Group also consists of some sub-holding companies which are limited liability companies organised under the laws of Luxembourg and Germany.

<sup>(3)</sup> The sub-holding companies are fully consolidated subsidiaries.

<sup>(4)</sup> PCI Group's hotel properties are held by property companies established under the laws of Germany.

<sup>(5)</sup> Prime City Asset Management GmbH, a limited liability company under the laws of Germany, provides the asset management services within the PCI Group to the property companies.

## 5.5 Share Capital

**As of the date of this Information Document, the Company has a stated share capital in the amount of €1,026,333.28. The share capital is divided into 102,633,328 shares with par value of €0.01 per share (the "Shares").**

The share capital has been fully paid up. The shares are in global form and deposited with Euroclear. Outstanding conversion rights under the Convertible Bonds (as defined below) may increase the share capital to up to €1,500,000 (based on the assumption all outstanding Convertible Bonds were converted into shares of the Company).

The Company has an authorised capital. The authorised capital (including the subscribed capital) amounts to €2,000,000.00 (i.e. the corporate share capital of the Issuer may be increased by the board of directors from its present amount to €2,000,000.00 by creation and issuance of new shares with a par value of €0.01 each).

The Shares of the Company are included for trading on the Marché Libre at Euronext, Paris. The Shares have been assigned the ISIN CY0104972217.

## 5.6 Convertible Bonds

In November 2014 and February 2015, the Company has issued senior, secured convertible bonds in the aggregate principal amount of €150,000,000 (the "**Convertible Bonds**"), convertible into new shares of the Company with a par value of €0.01. The Convertible Bonds have a fixed coupon of 4.00% p.a., payable semi-annually in arrears. The initial conversion price was fixed at €3.00. The conversion price is subject to customary conversion price adjustments in the event of certain measures, e.g. capital increase of the Company's share capital. The Convertible Bonds were issued in denominations of €100,000 each. The Convertible Bonds mature on 13 November 2019 and will be redeemed at maturity at 110% of their principle amount. The Convertible Bonds are listed on the Open Market segment of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and have been assigned the ISIN XS1137260086.

**Convertible bonds with a principal amount of €7.9 million have been converted into ordinary shares of the Issuer.**

**As of the date of this Information Document, convertible bonds with a total nominal amount of EUR 142,100,000.00 remain outstanding.**

## 6 Information on cash situation

### 6.1 Cash situation (less than three month old)

in 000.€	As at 28/02/2015
<b>Current financial liabilities</b>	
<i>With guarantees</i>	6 892
<i>Secured by a lien</i>	6 892
<i>Unsecured and without guarantees</i>	0
<b>Non current financial liabilities</b>	
<i>With guarantees</i>	283 617
<i>Secured by a lien</i>	137 367
<i>Unsecured and without guarantees</i>	589
<b>Equity capital as at 31/12/2014 (excluding income)</b>	
<i>Share capital</i>	N/A
<i>Premium and other capital reserves</i>	N/A
<i>Retained earnings</i>	N/A
<i>Result for the financial year</i>	N/A

<b>Net cash position of the company in euros</b>	
<i>(A) Available cash</i>	50 523
<i>(B) Cash equivalent</i>	1 718
<i>(C) Investment securities</i>	67 471
<b>(D) Available liquidity (A)+(B)+(C)</b>	<b>119 712</b>
<b>(E) Short term financial receivables</b>	
<i>(F) Short-term borrowings</i>	0
<i>(G) Current portion of non-current financial debts</i>	6 892
<i>(H) Other short-term financial liabilities</i>	0
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>6 892</b>
<b>(J) Net current financial debt (I)-(E)-(D)</b>	<b>-112 820</b>
<i>(K) Non current financial debts</i>	137 367
<i>(L) Bonds issued</i>	146 250
<i>(M) Other non-current financial debts</i>	0
<b>(N) Net non-current financial debt (K)+(L)+(M)</b>	<b>283 617</b>
<b>(O) Net Financial debts curret and non-current (J)+(N)</b>	<b>170 797</b>

## 7 Shareholder structure

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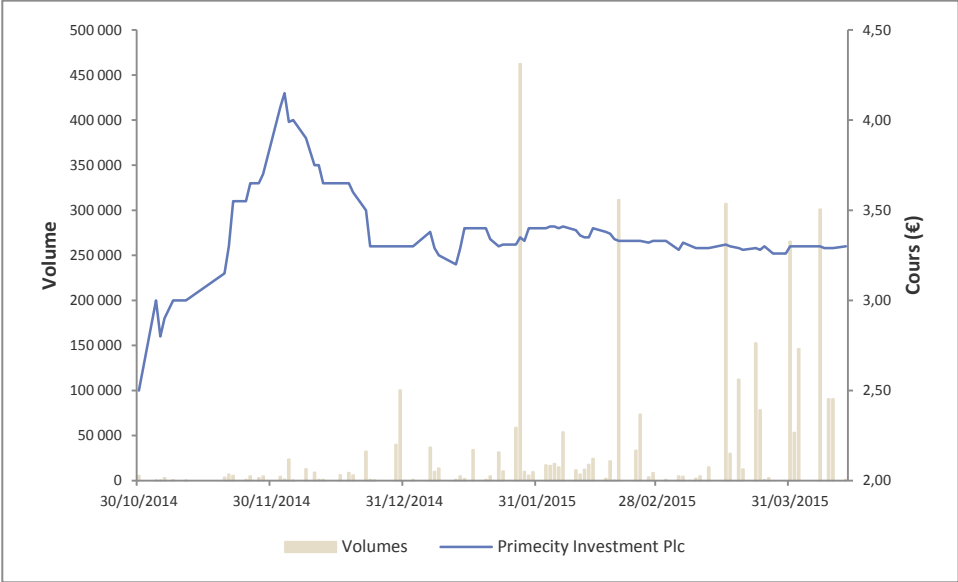
The table below sets out the information known to the Company with respect to the shareholding structure as of the date of this Information Document. The shareholdings may have changed since the date on which the Company obtained knowledge of the shareholding.

<b>Shareholder</b>	<b>Direct ownership in %</b>
Alfortia Ltd.	28%
Bluestyle Ltd.	28%
Freefloat*	44%
<b>Total</b>	<b>100%</b>

Alfortia Ltd., Cyprus and Bluestyle Ltd., Cyprus, are controlled by and belong to the group of companies of Aroundtown Property Holdings Plc (“**Aroundtown**”). Aroundtown is a specialist real estate company investing in residential and commercial properties including hotel properties since 2004 with a focus on Germany.

# 8 Share price performance

Share price evolution since the first listing day (30 October 2014)



## 9 Additional information

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### 9.1 Press release

1. 01 April 2015: PCI announces 2014 figures, showing a strong operational and financial performance
2. February 2015: PCI successfully places EUR 50 million tap convertible bond offering
3. February 2015: PCI launches EUR 50 million tap issue of convertible bonds
4. 05 February 2015: PCI proposed tap issue of convertible bonds by EUR 50 million
5. 02 January 2015: PCI successfully completes acquisition and disposal transactions
6. 07 November 2014: PCI launches convertible bond offering
7. 07 November 2014: PCI successfully places convertible bond offering

### **Primecity Investment Plc announces 2014 figures, showing a strong operational and financial performance**

- EPRA NAV at €362 million, + 251% YOY
- FFO I amounted to €13.6 million, + 348% YOY
- FFO I per share at €0.14, + 367%
- FFO II of €36.6 million
- Revenue increased to €25.6 million, +159% YOY
- Adjusted EBITDA at €21.7 million, +190% YOY
- Net Profit increased to €104 million, + 247% YOY
- EPS up by 223% to €0.97, 223% YOY
- LTV of 40% (18% assuming conversion)
- Interest Coverage Ratio of 4.2

**April 01, 2015** - Primecity Investment plc (the "Company") announces the full year results for 2014. The results illustrate the successful implementation of the Company's growth strategy with strong operational and financial improvements to support its continuous growth ambitions.

### **Strong portfolio growth and excellent growth prospects**

The portfolio grew from 16 hotels in 2013 to 34 by December 2014 and further rose to 42 as of April 2015. Hotels room figures were 2,700, 5,000 and 6,200 respectively. This strong growth combined with rental lease increases led to a sharp revenue rise of 159% YOY to €25.6 million. The effect of the acquisitions at the end of the year, together with further acquisitions in 2015 is reflected in April 2015's lease revenue run rate of €36 million. The operational performance strongly impacted the bottom line, with net profit rising by 247% to €104 million, in comparison to 2013 and an increase in Earnings per Share of 223%.

### **Profitability rise based on improved financial fundamentals**

The strong operational and financial performances are reflected in an FFO I of €13.6 million (€ 0.14 per share) and an adjusted EBITDA of €21.7 million. FFO II amounted to €36.6 million, due to strong results from realized disposal gains at the end of year and illustrating PCI's sourcing abilities and conservative valuation stance. EPRA NAV rose in 2014 to €362 million, reflecting an increase of 251%.

### **Successful capital market access supported by conservative financing structure**

The Company's growth and strong financial position led to a successful listing on the Euronext Paris Stock Exchange in November 2014. To fund its portfolio growth Primecity issued convertible bonds at €100 million in principal amount at the end of 2014, with a €50 million tap up in February 2015. This proven access to capital markets underlines PCI's ability to maintain its strong growth momentum. Throughout the exponential portfolio growth PCI maintained a conservative capital structure with an LTV of 40% (18% assuming conversion of the convertible bond) and an Interest Coverage Ratio of 4.2.

The full 2014 annual report is available on the Company's website:

<http://www.prime-city.com/downloads.html>

### **About Primecity Investment**

The Company (ISIN: CY0104972217) is a public limited liability company incorporated under the laws of Cyprus, having its registered office at Faros Avenue, Spyros Thalassines Alkyonides - Pervolia 7560, Larnaca, Cyprus and being registered with the registrar of companies in Cyprus under number HE 151151.

The Company is a specialist hotel investment company focused on investing in and repositioning mismanaged Hotel portfolios primarily in Germany. The hotel properties are located in key locations which enjoy high tourism, business and exhibitions, such as Berlin, Hamburg, Bremen, Frankfurt, Dresden, Düsseldorf, Baden-Baden and Leipzig. For more information please refer to the Company's website [www.prime-city.com](http://www.prime-city.com).

### **Contact:**

Christian Hupfer (CFO)  
Primecity Investment Plc  
Faros Avenue  
Spyros Thalassines Alkyonides  
Pervolia 7560, Larnaca - CYPRUS  
[www.prime-city.com](http://www.prime-city.com)



## **Primecity Investment Plc successfully places EUR 50 million tap convertible bond offering**

February 10, 2015 – Primecity Investment Plc (the “Company”) announces the successful placement of a EUR 50 million tap issue of the Company’s 4%, senior, secured convertible bonds (the “Further Convertible Bonds”) convertible into new ordinary shares having a par value of EUR 0.01 (the “Shares”) of the Company.

The total aggregate principal amount of the convertible bonds will thereby increase to EUR 150 million. The Further Convertible Bonds will be issued with a nominal value of EUR 100,000 per bond.

The issue price for the Further Convertible Bonds was set to 105% of the nominal value following an accelerated bookbuilding process the conversion price remains at EUR 3.00 per share.

The offer was oversubscribed. The net proceeds from the placement of the Further Convertible Bonds will be used by the Company to fund acquisitions as well as further investments into its current hotel portfolio.

Settlement is expected to take place on February 13, 2015. The Further Convertible Bonds will be listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

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### Contact:

Christian Hupfer (CFO)

PrimeCity Investment Plc

Shop2, Faros Avenue

Spyros Thalassines Alkyonides

Percolia PC 7560, Larnaca - CYPRUS

[www.prime-city.com](http://www.prime-city.com)

## **PrimeCity Investment plc launches EUR 50 million tap issue of convertible bonds**

February 10, 2015 - The Board of Directors of PrimeCity Investment plc (the "Company") has decided to carry out a tap issue of the Company's 4.00%, senior, secured convertible bonds convertible into new and/or existing ordinary shares having a par value of EUR 0.01 (the "Shares") of the Company (the "Convertible Bonds") by issuing additional Convertible Bonds with a total nominal value of EUR 50 million (the "Further Convertible Bonds"). The total aggregate principal amount of the Convertible Bonds will thereby increase to EUR 150 million. The Further Convertible Bonds will be issued, with nominal value of €100,000 per bond, at an offer price to be determined by a bookbuilding process. The offer price is expected to be determined today with settlement on or around 13 February 2015.

The net proceeds will be used to fund the Company's acquisitions and investment into the existing hotel portfolio. The Company intends to apply for the inclusion of the Further Convertible Bonds to trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

### About PrimeCity Investment

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### Contact:

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Percolia PC 7560, Larnaca - CYPRUS  
[www.prime-city.com](http://www.prime-city.com)

## **PrimeCity Investment plc**

### **Proposed tap issue of convertible bonds by EUR 50 million**

February 5, 2015 - PrimeCity Investment plc (the "Company") announces today that it is considering, subject to market condition, carrying out a tap issue of the Company's 4%, senior, secured convertible bonds convertible into new and/or existing ordinary shares having a par value of EUR 0.01 (the "Shares") of the Company ("Convertible Bonds") by issuing additional Convertible Bonds with a total nominal value of EUR 50 million ("Further Convertible Bonds"). The total aggregate principal amount of the Convertible Bonds will thereby increase to EUR 150 million. The Further Convertible Bonds will be issued at an offer price to be determined by a bookbuilding process.

The net proceeds will be used to fund the Company's acquisitions and investment into the existing hotel portfolio. The Company intends to apply for the inclusion of the Further Convertible Bonds to trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. The Further Convertible Bonds will be placed only to institutional investors in selected European countries in reliance on Regulation S of the US Securities Act 1933, as amended, by way of a private placement. There will be no public offering. The Further Convertible Bonds will be merged with the existing Convertible Bonds and will form a single series under the existing ISIN XS1137260086.

#### About PrimeCity Investment

The Company (ISIN: CY0104972217) is a public limited liability company incorporated under the laws of Cyprus, having its registered office at Faros Avenue, Spyros Thalassines Alkyonides - Percolia PC 7560 Larnaca, Cyprus and being registered with the registrar of companies in Cyprus under number HE 151151.

The Company is a specialist hotel investment company focused on investing in and repositioning mismanaged Hotel portfolios primarily in Germany. The hotel properties are located in key locations which enjoy high tourism, business and exhibitions, such as Berlin, Frankfurt, Dresden, Düsseldorf, Baden-Baden and Leipzig. For more information please refer to the Company's website [www.prime-city.com](http://www.prime-city.com).

#### Contact:

Christian Hupfer (CFO)  
PrimeCity Investment Plc  
Shop2, Faros Avenue  
Spyros Thalassines Alkyonides  
Percolia PC 7560, Larnaca - CYPRUS  
[www.prime-city.com](http://www.prime-city.com)

## **Primecity Investment Plc successfully completes acquisition and disposal transactions**

January 2, 2015 – Primecity Investment Plc (the “Company”) announces the completion of disposal of 4 hotels properties, comprising 500 rooms. The total value of the disposed properties amounts to €53 million.

Additionally, the Company has successfully completed the acquisition of 12 hotel properties, comprising of over 1,400 rooms. The acquired hotels assets meet the acquisition criteria and are in line with the Company’s strategy. The hotels are categorized in the range of 3 to 4 stars are located in strong locations, such as Berlin, Frankfurt, Bremen, Mannheim and Dortmund. The NOI of the acquired assets are expected to be € 5.5 million per annum. As of December 2014, following the described transactions, the Company’s portfolio includes 5,000 rooms in 34 hotels.

### About Primecity Investment

Primecity is a specialist real estate company focused on investing in and repositioning mismanaged Hotel properties primarily in Germany. The hotel properties are located in key German locations which enjoy high tourism, business and exhibitions, such as Berlin, North Rhine Westphalia, Frankfurt and Dresden. Primecity Investment (ISIN: CY0104972217) is a public limited liability company incorporated under the laws of Cyprus (HE 151151), having its registered office at 2, Faros Avenue, Spyros Thalassines Alkyonides - Pervolia PC 7560 Larnaca, Cyprus. For more information please refer to the Company’s website [www.prime-city.com](http://www.prime-city.com).

#### Contact:

Christian Hupfer (CFO)  
Primecity Asset management GmbH  
Lietzenburger Straße 82 - 84,  
10719 Berlin  
[www.prime-city.com](http://www.prime-city.com)

## **Primecity Investment Plc launches convertible bond offering**

November 7, 2014 – The Board of Directors of Primecity Investment Plc (the “Company”) has decided to issue senior, secured convertible bonds (the “Bonds”) convertible into new ordinary shares in the capital of the Company having a par value of EUR 0.01 (the “Shares”). The Bonds (each with a denomination of EUR 100,000) will be offered to institutional investors outside the US, Canada, Australia, Japan or any other jurisdiction in which offers or sales of the securities would be prohibited by applicable law.

Bonds with a total placement volume of up to EUR 100 million and initially convertible into up to approximately 32.3 million Shares representing up to approximately 24.4% of the fully diluted share capital of the Company (subject to any adjustment of the conversion ratio pursuant to the terms and conditions of the Bonds), are to be placed.

The Bonds will have a maturity of five years. The Bonds will be issued at 100% of their principal amount. The Bonds will carry a nominal coupon of 4.00% p. a., payable semi-annually in arrear, and will be redeemed at maturity at a price between 108.62% and 111.58% of their principal amount. The proposed conversion price is EUR 3.10 per ordinary share. Pricing for the Bonds will be set through an accelerated bookbuilding and is expected to take place today with settlement on or around 13 November, 2014.

The Company intends to apply for the inclusion of the Bonds to trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

The net proceeds will be used to fund the Company’s acquisition pipeline and investment into the existing hotel portfolio. The Company is in advanced acquisition processes for hotel assets with a total volume of more than EUR 50 million.

Anoa Capital is acting as Sole Bookrunner and KNG Securities as Co-manager in relation to the transaction.

### About Primecity Investment

Primecity is a specialist real estate company focused on investing in and repositioning mismanaged hotel properties primarily in Germany. The hotel properties are located in key German locations which enjoy high tourism, business and exhibitions, such as Berlin, North Rhine Westphalia, Frankfurt and Dresden. Primecity Investment (ISIN: CY0104972217) is a public limited liability company incorporated under the laws of Cyprus (HE 151151), having its registered office at 2, Faros Avenue, Spyros Thalassines Alkyonides - Pervolia PC 7560 Larnaca, Cyprus. For more information please refer to the Company’s website [www.prime-city.com](http://www.prime-city.com).

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Christian Hupfer (CFO)  
Primecity Asset Management GmbH  
Lietzenburger Straße 82 - 84,  
10719 Berlin  
[www.prime-city.com](http://www.prime-city.com)

## **Primecity Investment Plc successfully places convertible bond offering**

November 7, 2014 – Primecity Investment Plc (the “Company”) announces the successful placement of EUR 100 million senior, secured convertible bonds (the “Bonds”) convertible into new ordinary shares having a par value of EUR 0.01 (the “Shares”) of the Company.

Following an accelerated book building process, the Company fixed the nominal coupon at 4.00 % p. a., payable semi-annually in arrear. The initial conversion price was fixed at EUR 3.00. The Bonds will be issued at 100% of their principal amount and will be redeemed at maturity at 110 % of their principal amount.

The offer was oversubscribed. The net proceeds from the placement of the Bonds will be used by Primecity to fund the Company’s acquisitions pipeline as well as further investments into its current hotel portfolio. The Company is in advanced acquisition processes for hotel assets with a total volume of more than EUR 50 million.

Settlement is expected to take place on or around November 13, 2014. The Bonds will be listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

Anoa Capital is acting as Sole Bookrunner and KNG Securities as Co-manager in relation to the transaction.

### About Primecity Investment

Primecity is a specialist real estate company focused on investing in and repositioning mismanaged Hotel properties primarily in Germany. The hotel properties are located in key German locations which enjoy high tourism, business and exhibitions, such as Berlin, North Rhine Westphalia, Frankfurt and Dresden. Primecity Investment (ISIN: CY0104972217) is a public limited liability company incorporated under the laws of Cyprus (HE 151151), having its registered office at 2, Faros Avenue, Spyros Thalassines Alkyonides - Pervolia PC 7560 Larnaca, Cyprus. For more information please refer to the Company’s website [www.prime-city.com](http://www.prime-city.com).

### Contact:

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[www.prime-city.com](http://www.prime-city.com)

## **10 Financial information**

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**Audited consolidated financial statement for the year ended 31 December 2014**





PrimeCity  
INVESTMENT

FOR THE YEAR ENDED  
DECEMBER 31, 2014

2014



CONSOLIDATED  
FINANCIAL STATEMENTS





# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF PRIMECITY INVESTMENT PLC

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Primecity Investment PLC ("the Company") and its subsidiaries (together with the Company, "the Group") on pages 24 to 55 which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

#### OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Antoniades Panicos, FCCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Accountants and Registered Auditors

Larnaca, March 31, 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,	
		2014	2013
		In thousands of euro	
<b>Revenue</b>		<b>25,563</b>	<b>9,873</b>
Capital gains, property revaluations and other income	5	102,758	26,768
Property operating expenses	6	(1,854)	(1,262)
Administrative and other expenses	7	(1,973)	(1,119)
<b>Operating profit</b>		<b>124,494</b>	<b>34,260</b>
Finance expenses	8a	(5,287)	(3,770)
Other financial results	8b	(5,789)	(76)
<b>Net finance expenses</b>		<b>(11,076)</b>	<b>(3,846)</b>
<b>Profit before tax</b>		<b>113,418</b>	<b>30,414</b>
Current tax expenses	9b	(2,897)	(696)
Deferred tax expenses	9c	(6,527)	274
<b>Tax and deferred tax expenses</b>		<b>(9,424)</b>	<b>(422)</b>
<b>Profit for the year</b>		<b>103,994</b>	<b>29,992</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>103,994</b>	<b>29,992</b>
<b>Profit attributable to:</b>			
Owners of the Company		96,832	29,937
Non-controlling interests		7,162	55
		<b>103,994</b>	<b>29,992</b>
<b>Net earnings per share attributable to the owners of the Company (in euro):</b>			
Basic earnings per share	10a	0.97	0.30
Diluted earnings per share	10b	0.93	0.30

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	As at December 31,	
		2014	2013
In thousands of euro			
Equipment and intangible assets		4,479	-
Investment property	11	421,995	152,870
Advanced payment for investment property		20,133	3,515
Equity-accounted investees	12	-	25,372
Deferred tax assets	9C	902	678
Other long term financial assets		665	775
<b>Non-current assets</b>		<b>448,174</b>	<b>183,210</b>
Cash and cash equivalents		4,692	1,119
Short term deposits		1,718	1,588
Trade securities at fair value through profit and loss		56,994	-
Trade and other receivables	13	1,090	(*) 694
Other financial assets		576	(*) 51
<b>Current assets</b>		<b>65,070</b>	<b>3,452</b>
<b>Total assets</b>		<b>513,244</b>	<b>186,662</b>

(\*) Reclassified.

As at December 31,

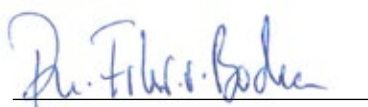
Equity	Note	2014		2013
		In thousands of euro		
Share capital	14	1,002		9
Premium and other capital reserves	14	1,747		-
Retained earnings		176,625		78,319
<b>Equity attributable to the owners of the Company</b>		<b>179,374</b>		<b>78,328</b>
Non-controlling interests		33,705		6,172
<b>Total equity</b>		<b>213,079</b>		<b>84,500</b>
<b>Liabilities</b>				
Loans and borrowings	15	137,689		57,309
Convertible bonds	15B	96,728		-
Derivative financial instruments	16	4,995		3,096
Deferred tax liabilities	9C	46,614		15,448
Other long term liabilities		1,343		(*) 22,204
<b>Non-current liabilities</b>		<b>287,369</b>		<b>98,057</b>
Current portion of long term loans	15	6,855		2,953
Trade and other payables	17	3,313		892
Provisions and current liabilities		2,628		260
<b>Current liabilities</b>		<b>12,796</b>		<b>4,105</b>
<b>Total liabilities</b>		<b>300,165</b>		<b>102,162</b>
<b>Total equity and liabilities</b>		<b>513,244</b>		<b>186,662</b>

(\*) Reclassified.

The Board of Directors of Primecity Investment PLC authorized these consolidated financial statements for issuance on March 31, 2015



Elena Koushos  
Director



Philipp von Bodman  
Director, CEO



Jelena Afxentiou  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Attributable to the owners of the Company			Total	Non-controlling interests	Total equity
	Share capital	Premium and other capital reserves	Retained earnings			
	In thousands of euro					
<b>Balance as at December 31, 2013</b>	<b>9</b>	<b>-</b>	<b>78,319</b>	<b>78,328</b>	<b>6,172</b>	<b>84,500</b>
Profit for the year	-	-	96,832	96,832	7,162	103,994
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	96,832	96,832	7,162	103,994
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	1,474	1,474	20,371	21,845
Issuance of shares and changing nominal par value	991	-	-	991	-	991
Equity component related to convertible bonds	-	1,067	-	1,067	-	1,067
Issuance of shares related to conversion of convertible bonds	2	680	-	682	-	682
<b>Balance as at December 31, 2014</b>	<b>1,002</b>	<b>1,747</b>	<b>176,625</b>	<b>179,374</b>	<b>33,705</b>	<b>213,079</b>
<b>Balance at December 31, 2012</b>	<b>9</b>	<b>-</b>	<b>48,382</b>	<b>48,391</b>	<b>1,635</b>	<b>50,026</b>
Profit for the year	-	-	29,937	29,937	55	29,992
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	29,937	29,937	55	29,992
Non-controlling interests arising from initially consolidate companies	-	-	-	-	4,482	4,482
<b>Balance as at December 31, 2013</b>	<b>9</b>	<b>-</b>	<b>78,319</b>	<b>78,328</b>	<b>6,172</b>	<b>84,500</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31,	
	2014	2013
	In thousands of euro	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	103,994	29,992
Adjustments for the profit:		
Capital gains, property revaluations and other income	(102,758)	(26,768)
Finance expenses, net	11,076	3,846
Tax and deferred tax expenses	9,424	422
	21,736	7,492
Changes in:		
Trade and other receivables	1,052	(364)
Trade and other payables	(1,441)	(1,262)
Provisions for other liabilities and charges	275	(15)
	21,622	5,851
Tax paid	(1,857)	(697)
<b>Net cash provided by operating activities</b>	<b>19,765</b>	<b>5,154</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of (investments in) investment property, net	35,491	(3,788)
Acquisition of subsidiaries, net of cash acquired	(41,608)	(24,070)
Proceeds from / (purchase of) investment in trade securities and other financial assets	(60,966)	(1,572)
<b>Net cash used in investing activities</b>	<b>(67,083)</b>	<b>(29,430)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of convertible bonds, net	98,218	-
Amortization of loans from financial institutions	(9,091)	(2,358)
Repayment of loans from financial institutions	(34,816)	-
Proceeds of loans from related companies and shareholders, net	1,482	27,666
Finance expenses paid, net	(4,902)	69
<b>Net cash provided by financing activities</b>	<b>50,891</b>	<b>25,377</b>
<b>Increase in cash and cash equivalents</b>	<b>3,573</b>	<b>1,101</b>
Cash and cash equivalents at the beginning of the year	1,119	18
<b>Cash and cash equivalents at the end of the year</b>	<b>4,692</b>	<b>1,119</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. GENERAL

### (A) INCORPORATION AND PRINCIPAL ACTIVITIES

Primecity Investment PLC (“the Company”) (ex: “Primecity Investment Limited”) was incorporated on August 10, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Faros Avenue, Spyros Thalassines Alkyonides, Pervolia 7560, Larnaca, Cyprus.

On June 18, 2014, the company’s name was changed from “Stileforce Enterprises Limited” to “Primecity Investment Limited”. Following that, on September 16, 2014, the name of the Company was changed to “Primecity Investment PLC”.

The Company is a holding company which holds, together with its investees (hereinafter “the Group”) real estate properties in Germany. Its vision is buying, redeveloping, turning around and optimizing the real estate properties. As of December 31, 2014 the Group’s portfolio consists of more than 5,000 hotel rooms.

These consolidated financial statements for the year ended December 31, 2014 consist of the financial statements of the Group.

### (B) LISTING ON THE PARIS STOCK EXCHANGE

On October 31, 2014, the Company was listed on the NYSE Euronext Paris Stock Exchange in the Marché Libre - XMLI stock market segment. The Company registered 200,000,000 ordinary shares with a par value of euro 0.01 per share, out of which 100,000,000 and an additional amount from converted bond units were fully paid.

## 2. BASIS OF PREPARATION

### (A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

Certain balance sheet items related to the year ended December 31, 2013 have been reclassified to enhance comparability with 2014 figures and to better present the Company’s results, and are shown with the comment “reclassified”.

The consolidated financial statements were authorized to be issued by the Board of Directors on March 31, 2015.

### (C) CAPITAL AND BONDS INCREASES

In July 2014, the Company increased its registered and fully paid share capital from 5,000 shares of euro 1.71 to euro 100,000,000 shares of euro 0.01 per share (see note 14).

On November 13, 2014, the Company successfully completed the placement of convertible bonds, convertible into ordinary shares of the Company for an aggregate principal amount of euro 100 million (see note 15B).

### (D) DEFINITIONS

In these financial statements:

<b>The Company</b>	Primecity Investment PLC
<b>The Group</b>	The Company and its investees
<b>Subsidiaries</b>	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
<b>Associates</b>	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company’s investment therein is included in the consolidated financial statements of the Company using equity method of accounting
<b>Investees</b>	Subsidiaries, jointly controlled entities and associates
<b>Related parties</b>	As defined in IAS 24

### (B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Investment properties are measured at fair value;
- Investments in equity accounted investees;
- Trade securities at fair value through profit and loss;
- Derivative financial instruments;
- Deferred tax assets and liabilities.

## 2. BASIS OF PREPARATION

### (C) USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described below:

- **Fair value of investment property**

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in the consolidated statement of comprehensive income.

- **Impairment of investments in associates**

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

- **Tax and deferred tax expenses**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of intangible asset**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

- **Legal claims**

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

- **Fair value hierarchy**

Please see note 11(b) and 19(iv).

### (D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, rounded to the nearest thousand (euro '000), except when otherwise indicated.



# 3. SIGNIFICANT ACCOUNTING POLICIES

## (A) BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company, Primacity Investment PLC and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

## Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.



# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (B) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (C) INVESTMENTS IN ASSOCIATES AND EQUITY – ACCOUNTED INVESTEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statements and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

## (D) REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### • Rental income

Rental income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease.

## (E) NET FINANCE EXPENSES

### • Finance income and expenses

Finance income comprises interest income on funds invested. Finance expenses comprise interest expense on loans and borrowings, bonds and loans from third parties.

### • Other financial results

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees and other one-time payments.

Net finance expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

## (F) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## (G) CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.





# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (H) DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The Company estimates such utilization of the deferred tax assets to be taken in place within the period of 1-5 years from the balance sheet date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## (I) EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss using the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

Furniture, fixtures and office equipment:  $\frac{\%}{10-50}$

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

## (J) INVESTMENT PROPERTY

An investment property is property comprising real estate held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (K) FINANCIAL INSTRUMENTS

### 1. Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

#### a) Traded securities at fair value through profit or loss

Traded securities are classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss. Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

#### b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

#### c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### 2. Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### 3. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### 4. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to the initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

### 5. Derivative financial instruments

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated comprehensive income statement.

### 6. Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

### 7. Trade payables

Trade payables are initially measured at fair value.

# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (L) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

### (i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

### (ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

## (M) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## (N) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

## (O) PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the consolidated income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.



# 3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

## (P) 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.

## (Q) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

## (R) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

## (S) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

### (I) IFRS 9 – Financial Instruments (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

### (II) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

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.





## 4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

During the year the Group obtained control on several companies through business combinations. The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the Group are as follows:

In thousands of euro

Investment property	289,383
Investment in equity-accounted investees	(21,968)
Working capital and other assets, net	5,868
Other assets, net	5,767
Cash and Cash equivalents	4,890
	<b>278,173</b>
Loans from banks	(128,623)
<b>Total identifiable net assets</b>	<b>149,550</b>
Non-controlling interests arising from initial consolidation	(21,841)
Consideration paid regarding acquisition of subsidiaries	(46,498)
<b>Goodwill recognized</b>	<b>4,460</b>
<b>Profit arising from business combination</b>	<b>85,671</b>





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

	For the yearended December 31,	
	2014	2013
	In thousands of euro	
Profit arising from business combinations (Bargain purchase – see note 4)	85,671	33,273
Capital gains and change in fair value in investment property	17,087	(6,505)
	102,758	26,768

## 7. ADMINISTRATIVE & OTHER EXPENSES

	For the year ended December 31,	
	2014	2013
	In thousands of euro	
Payroll and administrative expenses	(1,608)	(*) (1,050)
Year-end closing, accounting and audit expenses	(210)	(50)
Legal and professional fees	(66)	(7)
Marketing and other expenses	(89)	(12)
	(1,973)	(1,119)

(\*) Reclassified.

## 6. PROPERTY OPERATING EXPENSES

	For the year ended December 31,	
	2014	2013
	In thousands of euro	
Purchased services	(999)	(248)
Maintenance and refurbishment	(745)	(427)
Other operating costs	(46)	(38)
One-time expenses	(64)	(549)
	(1,854)	(1,262)

## 8. NET FINANCE EXPENSES

	For the year ended December 31,	
	2014	2013
	In thousands of euro	
<b>a. Finance expenses</b>		
Finance expenses to credit institutions and third parties, net	(4,416)	(2,492)
Finance expenses from bond	(527)	
Other finance expenses	(344)	(1,278)
	(5,287)	(3,770)
<b>a. Other financial results</b>		
Changes in fair value of financial assets and liabilities, net	(3,488)	1,416
Finance related expenses	(2,301)	(1,492)
	(5,789)	(76)

## 9. TAXATION

### A. TAX RATE APPLICABLE TO THE GROUP

The Company and some of its subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies in 2014 is 12.5% (2013: 12.5%).

Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30% (2013: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013, and 17% for 2014 and thereafter.

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2014, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

German property taxation includes taxes on the holding of real estate property.

The Luxemburgish subsidiaries are subject to taxation under the laws of Luxemburg. Corporate tax rate in Luxemburg stands on 29.22% as of December 31, 2014 (2013: 29.22%).

### B. CURRENT TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2014	2013
	In thousands of euro	
Corporation tax	(2,148)	(410)
Property tax	(749)	(286)
	(2,897)	(696)

### C. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

#### Deferred tax liability

	Fair value gains on investment property	Other deferred tax liability	Total
	In thousands of euro		
Balance as at December 31, 2012	5,613	-	5,613
Charged to:			
Deferred tax income	(328)	-	(328)
Initial consolidation	10,163	-	10,163
Balance as at December 31, 2013	15,448	-	15,448
Charged to:			
Deferred tax expense	2,806	3,328	6,134
Initial consolidation	25,032	-	25,032
Balance as at December 31, 2014	43,286	3,328	46,614

#### Deferred tax assets

	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	In thousands of euro		
Balance as at December 31, 2012	557	38	595
Charged to:			
Deferred tax income (expense)	(185)	131	(54)
Initial consolidation	138	(1)	137
Balance as at December 31, 2013	510	168	678
Charged to:			
Deferred tax income (expense)	114	(507)	(393)
Initial consolidation	278	339	617
Balance as at December 31, 2014	902	-	902



# 10. NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

## A. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as at December 31, 2014 is based on the profit attributable to ordinary shareholders of euro 96,832 thousand (2013: euro 29,937 thousand), and a weighted average number of ordinary shares outstanding of 100,008 thousand (2013: 100,000 thousand), calculated as follows:

### 1. Profit attributed to ordinary shareholders (basic)

	Year ended December 31,	
	2014	2013
	In thousands of euro	
Profit for the year, attributable to the owners of the Company	96,832	29,937

### 2. Weighted average number of ordinary shares (basic)

	Note	Year ended December 31,	
		2014	2013
		In thousands of euro	
Issued ordinary shares at January 1	13	(*) 100,000	(*) 100,000
Effect of exercise of convertible bond		8	-
<b>Weighted average number of ordinary shares for the year</b>		100,008	100,000
<b>Basic earnings per share (euro)</b>		<b>0.97</b>	<b>0.30</b>

(\*) The number of shares during the year 2013 and until July 2014 was 5,000 shares. In July 2014 the number of shares increased to 100,000,000 without a correspondence change in resources, thus in order to keep a high level of comparability, the original amount of shares related to these periods was amended accordingly.

## B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2014 is based on profit attributable to ordinary shareholders of euro 97,407 thousand (2013: euro 29,937 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 104,396 thousand (2013: 100,000 thousand), calculated as follows:

### 1. Profit attributed to ordinary shareholders (diluted)

	Year ended December 31,	
	2014	2013
	In thousands of euro	
Profit for the year, attributable to the owners of the Company (basic)	96,832	29,937
Interest expense on convertible bonds, net of tax	575	-
<b>Profit for the year, attributable to the owners of the Company (diluted)</b>	<b>97,407</b>	<b>29,937</b>

### 2. Weighted average number of ordinary shares (diluted)

	Note	Year ended December 31,	
		2014	2013
		In thousands of euro	
Weighted average number of ordinary shares for the year (basic)	13	100,008	100,000
Effect of full conversion of convertible bonds		4,388	-
<b>Weighted average number of ordinary shares for the year (diluted)</b>		104,396	100,000
<b>Diluted earnings per share (euro)</b>		<b>0.93</b>	<b>0.30</b>

## 11. INVESTMENT PROPERTY

### A. COMPOSITION

	2014	2013
	In thousands of euro	
Balance as at January 1	152,870	56,280
Additions, disposals and adjustments during the year	(20,258)	(2,836)
Investment property arising from initial consolidations	289,383	99,426
Balance as at December 31	421,995	152,870

### B. MEASUREMENT OF FAIR VALUE

#### Fair value hierarchy

The fair value of the investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio at least once a year.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 6.25%-8%.

All the investment property in the group in total fair value amount of euro 421,995 thousand (2013: euro 152,870 thousand) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

## 12. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

### COMPOSITION

	2014	2013
	In thousands of euro	
Balance as at January 1	25,372	23,630
Additions, disposals and changes in equity accounted investees	(26,034)	2,576
Loans granted to (repaid by) equity accounted investees	662	(834)
Balance as at December 31	-	25,372

## 13. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2014	2013
	In thousands of euro	
Trade and other receivables	529	31
Prepaid expenses	151	599
Current tax assets	410	64
	1,090	(*) 694

(\*) Reclassified

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.





# 14. EQUITY

## A. SHARE CAPITAL

	2014		2013	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
<b>Authorized</b>				
Ordinary shares of euro 0.01 each (2013: euro 1.71 each)	200,000,000	2,000	5,000	9
<b>Issued and fully paid</b>				
Balance as at January 1 (euro 1.71 each)	5,000	9	5,000	9
Conversion of shares to nominal value Euro 0.01 per share	850,000	-	-	-
Issuance and payment on authorized shares in July 2014	99,145,000	991	-	-
Conversion bond units to shares	233,333	2	-	-
Balance on December 31	100,233,333	1,002	5,000	9

## B. ISSUED CAPITAL

1. Upon incorporation on August 10, 2004, the total authorized, issued and fully paid ordinary share capital amounted to 5,000 units with a par value of euro 1.71 each.
2. In July 2014, as a part of capital restructuring process, the Company increased its authorized ordinary shares to 200,000,000, out of which the issued and fully paid totaled to 100,000,000, with an adjusted par value of euro 0.01 for each share.
3. On November 13, 2014, the Company successfully placed bond series, convertible into ordinary shares of the Company. For the convertible bonds' terms and conditions – see note 15B.
4. Until December 31, 2014, a total amount of euro 700 thousand nominal values of the convertible bonds were converted to shares. According to the convertible bonds terms, 233,333 shares were issued.

## C. PREMIUM AND OTHER RESERVES

Comprised of the premium on ordinary shares from conversions of convertible bonds. The other reserve comprised of the equity component related to the convertible bonds.



# 15. LOANS AND BORROWINGS

## A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31,	
			2014	2013
			In thousands of euro	
<b>Long term liabilities</b>				
Bank loans	3%	2016-2028	137,689	57,309
Convertible bonds (B)	4%	2019	96,728	-
<b>Total long term liabilities</b>			<b>234,417</b>	<b>57,309</b>
<b>Short term liabilities</b>				
Bank loans	3%	2015	6,855	2,953

## B. CONVERTIBLE BONDS

On November 13, 2014, the Company has successfully completed with the placement of euro 100 million convertible bonds maturing in 2019, convertible into ordinary shares of the Company. The convertible bonds bear a coupon of 4 % p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 3.00. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 110% of their principle amount.

	As at December 31,	
	2014	2013
In thousands of euro		
Proceeds from issuance of convertible bonds (1,000 notes at euro 100,000 par value each)	100,000	-
Transaction costs	(1,782)	-
Net proceeds during the year	98,218	-
Amount classified as equity (a)	(1,067)	-
Expenses for the year	803	-
Conversion to ordinary shares (b)	(700)	-
Carrying amount of liability at the end of the year	97,254	-
Non-current portion of Convertible bonds	96,728	-
Accrued interest	526	-
<b>Total Convertible bonds</b>	<b>97,254</b>	<b>-</b>

(a) The euro 1 million was allocated as an equity component according to external economic valuer.

(b) For more information see note 14B(4).

## C. (1) SECURITY, NEGATIVE PLEDGE

The obligations of the Company under the Bonds and any Further Secured Bonds are secured in favour of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

(a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Zaplino Limited ("Zaplino");

(b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Lux Primecity Account");

(c) a first-ranking account pledge, governed by the laws of Cyprus, over the bank account held by the Company with Bank of Cyprus Public Co Ltd. (the "Cyprus Primecity Account");

(d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by Zaplino with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Zaplino Luxembourg Accounts"); and

(e) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Zaplino for payment of principal and interest under, the loan agreements between the Company and Zaplino in an aggregate principal amount equal to the net issuance proceeds of the Bonds ("Primecity Loans") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by the Company to Zaplino of the net issuance proceeds in respect of any Further Secured Bonds.

## 15. LOANS AND BORROWINGS

(CONTINUED)

### (2) COVENANTS

- procure that Net Debt shall not exceed (i) at any time, 65% of the Portfolio Value and (ii) 60% of the Portfolio Value for a period of more than six (6) months;
- not pay a dividend as long as the Net Debt of the Group exceeds 50% of the Portfolio value;
- not open, maintain or hold any interest in, and will procure that Zaplino will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the Charged Accounts, unless the Issuer or Zaplino, respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favour of the Trustee, for the benefit of the Trustee and the Bondholders; and
- not, and will not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Subsidiaries or grant to the Company or any of the Company's other Subsidiaries any other interest or participation in itself or (ii) (a) pay any indebtedness owed to the Company or any of the Company's other Subsidiaries (b) make loans or advances to the Company or any of the Company's other Subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's other Subsidiaries.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2014	2013
In thousands of euro		
<b>Liabilities</b>		
Non current portion	4,995	3,096

The Group uses interest rate swaps, collars and caps ("hedging instruments") to manage its exposure to interest rate movements on its bank borrowings. All of the Group's derivatives financial instruments are linked to the bank loans maturity. The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

## 17. TRADE AND OTHER PAYABLES

	As at December 31,	
	2014	2013
In thousands of euro		
Trade and other payables	2,324	(*) 661
Authoritiesd	629	(*) 203
Prepayments received	280	-
Other short term payables	80	28
	<b>3,313</b>	<b>892</b>

(\*) Reclassified

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.





## 18. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

### (I) Loans from shareholders and related companies (\*)

As at December 31,	
2014	2013
In thousands of euro	
589	22,204

### (II) Interest on loans from shareholders and related companies

For the year ended December 31,	
2014	2013
In thousands of euro	
344	1,278

(\*) Presented as part of the other long term liabilities in the consolidated statement of financial position.





# 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

## FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Operating risk
- Other risks

The Group is not exposed to currency risk as all its investments and financing arrangements are in euro.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

## (I) CREDIT RISKS

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

### Cash and cash equivalents

The Group held cash and cash equivalents of euro 4,692 thousand as at December 31, 2014 (December 31, 2013: euro 1,119 thousand), which represents its maximum credit exposure on these assets.

## (II) LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2014 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

Contractual cash flows including interest as at December 31, 2014

	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
In thousands of euro							
<b>Non-derivative financial liabilities</b>							
Bank loans	144,544	162,964	931	9,661	49,400	5,078	97,894
Convertible bonds	97,254	129,090	-	3,972	3,972	3,972	117,174
Trade payables	2,324	2,324	852	1,472	-	-	-
<b>Total</b>	<b>244,122</b>	<b>294,378</b>	<b>1,783</b>	<b>15,105</b>	<b>53,372</b>	<b>9,050</b>	<b>215,068</b>

Contractual cash flows including interest as at December 31, 2013

	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
In thousands of euro							
<b>Non-derivative financial liabilities</b>							
Bank loans	60,262	72,767	473	4,492	7,083	26,943	33,776
Trade payables	892	892	172	720	-	-	-
<b>Total</b>	<b>61,154</b>	<b>73,659</b>	<b>645</b>	<b>5,212</b>	<b>7,083</b>	<b>26,943</b>	<b>33,776</b>

# 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

## (III) OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

## (IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

### 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

	Level 1	Level 2	Level 3	Total
In thousands of euro				
<b>December 31, 2014</b>				
Trade securities at fair value through profit and loss	56,994	-	-	56,994
<b>Total assets</b>	<b>56,994</b>	-	-	<b>56,994</b>
Derivative financial instruments	-	4,995	-	4,995
<b>Total liabilities</b>	-	<b>4,995</b>	-	<b>4,995</b>
<b>December 31, 2013</b>				
Derivative financial instruments	-	3,096	-	3,096
<b>Total liabilities</b>	-	<b>3,096</b>	-	<b>3,096</b>

## (V) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.



## 20. COMMITMENTS

The Group does not have significant commitments as at December 31, 2014.

## 21. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2014.

## 22. EVENTS AFTER THE REPORTING PERIOD

On February 10, 2015, the Company successfully placed additional euro 50 million tap issue of its 4% coupon Convertible bonds. The issue price for the further Convertible bonds was set to 105% of the nominal value. The further Convertible bonds are also convertible into ordinary shares of the Company for a conversion price of euro 3.00, and the total aggregate principal amount of the Convertible bonds was thereby increased to euro 150 million. After the reporting period, an additional euro 6.9 million principal amount of convertible bonds was converted into 2.3 million shares in accordance with the Convertible bond's terms.

## 23. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group are as follows:

	Place of incorporation	Principal activities	December 31,	
			2014 Holding %	2013 Holding %
<b>Subsidiaries held directly by the Company</b>				
Gestona Limited	Cyprus	Holding of investments	100%	100%
Atractova Holdings Limited	Cyprus	Holding of investments	100%	100%
Tangorial Limited	Cyprus	Holding of investments	100%	100%
Triverdam Limited	Cyprus	Holding of investments	100%	-
Salofico Limited	Cyprus	Holding of investments	100%	-
Olgide Limited	Cyprus	Holding of investments	100%	-
Parkhotel Dresden Grundstücks GmbH	Germany	Investing in real estate properties	50%	50%
<b>Subsidiaries held indirectly by the Company</b>				
Hotels Dortmund Düsseldorf Bonn Grundstücks GmbH	Germany	Investing in real estate properties	94%	94%
Hotel Duisburger Hof GmbH	Germany	Investing in real estate properties	89%	89%
City West Hotel Berlin Grundstücks GmbH	Germany	Investing in real estate properties	94%	50%
Mayrole 14. Grundstücks GmbH	Germany	Investing in real estate properties	94%	-
DETA REAL ESTATE GmbH	Germany	Investing in real estate properties	94%	-
Hotel Badischer Hof Grundstücks GmbH	Germany	Investing in real estate properties	94%	-

(a) Details of the most significant Group entities referring to investing in real estate properties in Germany and their mother companies.