EPIC Suisse AG

Audited Consolidated Financial Statements

For the years ended 31 December 2020 and 2019

EPIC Suisse AG, Zurich

Statutory Auditor's Report on the Audit of the Consolidated Financial Statements to the General Meeting

Consolidated Financial Statements 2020

KPMG AG
Zurich, 18 March 2021

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Independent Auditor's Report to the Board of Directors of EPIC Suisse AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EPIC Suisse AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2020, the consolidated statement of cash flows for the year then ended and the consolidated statement of changes in equity, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG AG

Reto Benz Licensed Audit Expert Auditor in Charge	Andreas Marti Licensed Audit Expert

Zurich, 18 March 2021

Enclosure:
- Consolidated financial statements, which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of profit or loss

CHF ('000)	Notes	2020	2019
Rental income from real estate properties	8	54'612	52'461
Other income		1'889	1'142
Total income		**56'501**	**53'603**
Gains from revaluation of properties	16	32'565	41'564
Losses from revaluation of properties	16	(24'149)	(4'500)
Net gain (loss) from revaluation		**8'416**	**37'064**
Direct expenses related to properties	9	(7'159)	(7'315)
Personnel expenses	10	(3'033)	(2'898)
Operating expenses	11	(777)	(562)
Administrative expenses	12	(4'668)	(3'564)
Total operating expenses		**(15'637)**	**(14'339)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**49'280**	**76'328**
Depreciation		(178)	(199)
Earnings before interest and tax (EBIT)		**49'102**	**76'129**
Financial income	13	813	3'050
Financial expenses	13	(9'252)	(11'115)
Financial result		**(8'439)**	**(8'065)**
Earnings before tax (EBT)		**40'663**	**68'064**
Income tax expenses	14	(6'281)	(7'134)
Profit		**34'382**	**60'930**
EBITDA excl. revaluation on properties		40'864	39'264
EBT excl. revaluation on properties and derivatives		34'188	32'370
Number of shares (in '000)	23	7'500	7'500
Basic and diluted earnings per share (in CHF)	24	4.58	8.12

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of comprehensive income

CHF (‘000)	Notes	2020	2019
Profit		**34'382**	**60’930**
Items that will not be reclassified subsequently to profit and loss			
- Remeasurement of defined benefit obligations (net of taxes)	**10, 14**	(20)	(177)
Total comprehensive income		**34'362**	**60’753**

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of financial position

CHF ('000)	Notes	31 Dec 2020	31 Dec 2019
ASSETS			
Current assets			
Cash and cash equivalents		23'217	14'062
Tenant receivables	**15**	1'135	844
Other receivables		1'741	1'802
Current derivative financial assets		-	457
Accrued income and prepaid expenses		4'465	732
Total current assets		**30'558**	**17'897**
Non-current assets			
Real estate properties			
- Investment properties in operation	**16**	1'316'759	1'172'860
- Investment properties under development / construction	**16**	12'932	113'904
Total real estate properties		**1'329'691**	**1'286'764**
Other intangible assets		9	9
Other tangible assets		324	358
Other non-current financial assets		774	885
Other non-current assets	**17**	5'204	4'740
Deferred tax assets	**14**	1'041	839
Total other non-current assets		**7'352**	**6'831**
Total non-current assets		**1'337'043**	**1'293'595**
Total assets		**1'367'601**	**1'311'492**

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of financial position

CHF (‘000)	Notes	31 Dec 2020	31 Dec 2019
LIABILITIES			
Current liabilities			
Current financial liabilities	**19**	120'766	59’223
Current derivative financial liabilities	**21**	1'003	959
Trade payables		1'636	1’116
Current income tax liabilities		7'187	10’859
Other payables		190	-
Shareholders’ payables	**18**	-	404
Accrued expenses and deferred income	**20**	12'888	13’568
Total current liabilities		**143'670**	**86’129**
Non-current liabilities			
Shareholders’ loans payables	**18**	5'093	32’358
Non-current financial liabilities	**19**	608'674	618’370
Non-current derivative financial instruments	**21**	3'423	1’984
Pension obligations	**10**	815	748
Deferred tax liabilities	**14**	102'690	95’019
Total non-current liabilities		**720'695**	**748’479**
Total liabilities		**864'365**	**834’608**
EQUITY			
Share capital	**23**	300	300
Share premium	**23**	282'117	290’127
Retained earnings		220’819	186’457
Total equity		**503'236**	**476’884**
Total liabilities and equity		**1'367'601**	**1'311’492**
Number of shares (in ‘000)	**23**	7'500	7’500
Net asset value (“NAV”) per share (in CHF)	**24**	67.10	63.58

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of cash flows

CHF (‘000)	Notes	2020	2019
A – Operating activities			
Earnings before tax (EBT)		**40'663**	**68’064**
Adjustments for:			
- Financial result	**13**	8'439	8’065
- Revaluations on properties	**16**	(8'416)	(37'064)
- Depreciation		178	199
- Other		69	1
Changes:			
- Tenant net receivables		(291)	3
- Other receivables, accrued income and prepaid expenses		(2'768)	(473)
- Trade payables		227	123
- Other payables, accrued expenses and deferred income		318	480
Income tax paid		(2'943)	(1'244)
Net cash flows from operating activities		**35'476**	**38’154**
B – Investment activities			
Investments in tangible assets / leasing of cars		(1)	-
Investments in real estate properties	**16**	(36'400)	(45'706)
Net cash flows used in investment activities		**(36'401)**	**(45’706)**
C – Financing activities			
Proceeds from bank debt		57'406	41’290
Repayment of bank debt		(4'666)	(12'953)
Bank interest paid		(6'154)	(6'276)
Lease payments		(127)	(127)
Other finance costs paid		(369)	(97)
Repayment of shareholders’ loans	**18**	(18'653)	(406)
Interest in relation to shareholders’ loans	**18**	(9'347)	(27)
Dividends paid to shareholders		(8'010)	(6’000)
Net cash flows from financing activities		**10'080**	**15’404**
Net change in cash		**9'155**	**7’852**
Net cash at the beginning of the year		**14'062**	**6’210**
Net cash at the end of the year		**23'217**	**14’062**

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG - Consolidated financial statements

For the years ended 31 December 2020 and 2019

Consolidated statement of changes in equity

CHF ('000)	Notes	Share capital	Share premium	Retained earnings	Total equity
As at 31 December 2018		**300**	**296'127**	**125'704**	**422'131**
Profit				60'930	60'930
Other comprehensive income				(177)	(177)
Total comprehensive income				**60'753**	**60'753**
Dividend distribution	**23**		(6'000)	-	(6'000)
As at 31 December 2019		**300**	**290'127**	**186'457**	**476'884**
Profit				34'382	34'382
Other comprehensive income				(20)	(20)
Total comprehensive income				**34'362**	**34'362**
Dividend distribution	**23**		(8'010)	-	(8'010)
As at 31 December 2020		**300**	**282'117**	**220'819**	**503'236**

The disclosures in the notes form part of the consolidated financial statements

EPIC Suisse AG – Notes to the consolidated financial statements

For the years ended 31 December 2020 and 2019

Notes to the Consolidated financial statements

1 Reporting entity

EPIC Suisse AG (hereafter "the Company") was incorporated on 5 December 2016 and is organised under the laws of Switzerland for an unlimited period. The Company and its direct and indirect subsidiaries together are referred to as (the) "EPIC Group".

The registered office of the Company is established in Zurich, Switzerland.

EPIC Group operates in the real estate sector and its activities generally include the investment in the holding and management of investment properties. The strategy is to hold investment properties with the view to generate stable and sustainable results for the long term.

The Company holds 20 subsidiaries which own 24 properties. All entities are ultimately controlled by the majority shareholder Alrov Properties & Lodgings Ltd ("Alrov"), which prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

2 Accounting framework

The consolidated financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB).

Except for the early adoption of Amendments to IAS 1 "Classification of Liabilities as Current or Non-current", the same consolidation, accounting and valuation principles have been applied as for the 2019 consolidated annual financial statements. Due to the Amendments to IAS 1, the classification of liabilities as current or non-current is based on substantive rights only and does not consider management's expectation. Hence, liabilities that are expected to be settled within the next twelve months, but where settlement can be deferred beyond that point as at the reporting date, will be presented as non-current.

The Company's financial year starts on 1 January and ends on 31 December.

The consolidated financial statements were authorised for issue for the years ended 31 December 2020 by the Company's board of directors on 16 March 2021.

3 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Swiss Francs (CHF), which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand Swiss Francs unless otherwise stated. Transactions denominated in foreign currencies are immaterial.

4 Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company 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 influence over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. All of EPIC Group's companies have 31 December as their year-end.

Intercompany transactions, balances and unrealised gains and losses on transactions between EPIC

Group's companies are eliminated. A list of the consolidated entities is set out below:

Legal entity name	Domicile	Share capital	Capital and voting interests	
		As at 31 Dec 20	2020	2019
		CHF	%	%
EPIC Suisse AG	CH	300'000		
P.I.H. Property Investment Holdings Luxembourg S.A. ("PIH")	LU	40'762	100%	100%
EPiC ONE Property Investment AG ("EPiC 1")	CH	100'000	100%	100%
EPiC TWO Property Investment AG ("EPiC 2")	CH	100'000	100%	100%
EPiC THREE Property Investment AG ("EPiC 3")	CH	110'000	100%	100%
EPiC FOUR Property Investment AG ("EPiC 4")	CH	100'000	100%	100%
EPiC FIVE Property Investment AG ("EPiC 5")	CH	100'000	100%	100%
EPiC SEVEN Property Investment AG ("EPiC 7")	CH	100'000	100%	100%
EPiC NINE Property Investment AG ("EPiC 9")	CH	206'100	100%	100%
EPiC TEN Property Investment AG ("EPiC 10")	CH	100'000	100%	100%
EPiC ELEVEN Property Investment AG ("EPiC 11")	CH	100'000	100%	100%
EPiC TWELVE Property Investment AG ("EPiC 12")	CH	100'000	100%	100%
EPiC FIFTEEN Property Investment AG ("EPiC 15")	CH	100'000	100%	100%
EPiC SIXTEEN Property Investment AG ("EPiC 16")	CH	200'000	100%	100%
EPiC EIGHTEEN Property Investment AG ("EPiC 18")	CH	100'000	100%	100%
EPiC NINETEEN Property Investment AG ("EPiC 19")	CH	100'000	100%	100%
EPiC TWENTY Property Investment AG ("EPiC 20")	CH	100'000	100%	100%
EPiC TWENTY-ONE Property Investment AG ("EPiC 21")	CH	100'000	100%	100%
EPiC TWENTY-TWO Property Investment AG ("EPiC 22")	CH	100'000	100%	100%
EPiC TWENTY-THREE Property Investment AG ("EPiC 23")	CH	100'000	100%	100%
EPIC Suisse Property Management GmbH ("EPIC SPM")	CH	20'000	100%	100%
CH = Zurich, Switzerland, LU = Luxembourg City, Luxembourg				

In the text, the Swiss subsidiaries' name will be abbreviated as follows: "EPiC 1" for EPiC ONE Property Investment AG etc. and EPIC SPM for EPIC Suisse Property Management GmbH, the management company.

PIH serves as holding company of most of the Swiss entities (except EPiC 20 and EPiC 21 directly held by the Company). The purpose of the Swiss property entities (EPiC 1 to EPiC 23) is to acquire, hold, lease and sell commercial premises.

5 Critical accounting judgments and key sources of estimation uncertainty

IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Revisions to the accounting estimates are recognised in the year in which the estimates are revised if the revisions affect only that period, or in the year of the revisions and future periods if the revisions affect both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the following financial year is included in the following notes:
- Note 16 – Real estate properties – determining the fair value of the investment properties in operation and investment properties under development / construction requires the application of valuation techniques and the use of various estimates and assumptions.
- Note 14 – Income tax expenses – the determination of tax liabilities is based on estimates.

6 Standards and interpretations issued but not yet effective

Certain new or amended standards and interpretations have been published that have to be applied in future financial periods, but are not yet adopted. These new or amended standards issued but not yet effective are not expected to have a significant impact on EPIC Group's consolidated financial statements.

The following new and amended standards and interpretations have not been adopted in advance:

Standard	Effective date	Planned application by EPIC Group in reporting year
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020	1 Jan 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 Jan 2021	1 Jan 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)	1 Jan 2022	1 Jan 2022
Annual Improvements to IFRS Standards 2018-2020	1 Jan 2022	1 Jan 2022
Property, Plant and Equipment: Proceeds before intended Use (Amendments to IAS 16)	1 Jan 2022	1 Jan 2022
Reference to the Conceptual Framework (Amendment to IFRS 3)	1 Jan 2022	1 Jan 2022
IFRS 17, 'Insurance contracts' (Amendments to IFRS 17)	1 Jan 2023	1 Jan 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional	Undefined

7 Segment reporting

Two operating and reporting segments have been identified based on management's approach to and monitoring of the business. EPIC Group's primary decision-making authority is the Company's board of directors. The group's operating activities are divided in accordance to the real estate properties' classification: (i) Investment properties in operation and (ii) Investment properties under development / construction. Investment properties categorised under "Development / construction" are to be held thereafter by the group for renting (i.e. no intention to be sold). An additional description of the two segments is included in the accounting policy for real estate properties in note 29.

Each property is classified under one category, with the exception of one property owned by EPiC 19, which is undergoing various phases of development as at 31 December 2020 (see further below). A property under development / construction will move to the category Investment properties in operation once the development or construction (for all or part of the property in case of construction undertaken in phases) has been completed. Expenses are only allocated to the segments down to "Net operating income" which is defined as rental income and other income minus direct expenses related to the properties. This is the measure of profit or loss used by the board of directors to review the performance of the segments. Segment assets and liabilities reported to the board of directors only include real estate properties and mortgage-secured debt as well as the derivative financial assets and liabilities. Since EPIC Group operates exclusively in Switzerland, no information on geographical areas is presented.

Following (close to) completion of some developments in 2020, buildings A&B in EPiC 19 (phase 1) as well as the property Biopôle SB-A in EPiC 20 were moved from investment properties under development / construction to investment properties in operation as at 31 December 2020. For segment and key performance indicator reporting purposes, those two properties remained in the development / construction segment for consistency reasons. The transfer between categories is only effective at year end. Buildings

C&D of EPiC 19 (phases 2 & 3) remained in investment properties under development / construction at year end.

CHF ('000)	Invest. prop in operation	Invest. prop under D / C[1]	Total segments	Reconciliation	Total Group
	2020				
Rental income	51'914	2'698	54'612		54'612
Other income	1'866	13	1'879	10	1'889
Total income	**53'780**	**2'711**	**56'491**	**10**	**56'501**
Direct expenses related to the properties	(6'883)	(276)	(7'159)	-	(7'159)
Net operating income	**46'897**	**2'435**	**49'332**	**10**	**49'342**
Personnel expenses				(3'033)	(3'033)
Operating expenses				(777)	(777)
Administrative expenses				(4'668)	(4'668)
Total other operating expenses				**(8'478)**	**(8'478)**
EBITDA before portfolio revaluation					**40'864**
Net gain (loss) from revaluation	3'484	4'932	8'416	-	8'416
EBITDA after portfolio revaluation	**50'381**	**7'367**	**57'748**	**(8'468)**	**49'280**
Depreciation				(178)	(178)
EBIT					**49'102**
	31 Dec 2020				
Assets					
Real estate properties fair value	1'195'049	134'642	1'329'691	-	1'329'691
Total segment assets					**1'329'691**
Transfers between categories ("TbC")	121'710	(121'710)	-	-	-
Total segment assets after TbC	**1'316'759**	**12'932**	**1'329'691**	**-**	**1'329'691**
Assets not split between segments				37'910	37'910
Total assets	**1'316'759**	**12'932**	**1'329'691**	**37'910**	**1'367'601**
Liabilities					
Mortgage-secured debt	624'444	62'845	687'289	28'000	715'289
Derivative financial liabilities	4'426	-	4'426	-	4'426
Total segment liabilities					**719'715**
Transfers between categories ("TbC")	62'845	(62'845)	-		-
Total segment liabilities after TbC	**691'715**	**-**	**691'715**	**28'000**	**719'715**
Liabilities not split between segments				144'650	144'650
Total liabilities	**691'715**	**-**	**691'715**	**172'650**	**864'365**

[1] Invest. prop. under D / C stands for Investment properties under development / construction

CHF (‘000)	Invest. prop in operation	Invest. prop under D / C[2]	Total segments	Reconciliation	Total Group
	2019				
Rental income	52’461	-	52’461	-	52’461
Other income	1’137	-	1’137	5	1’142
Total income	**53’598**	**-**	**53’598**	**5**	**53’603**
Direct expenses related to the properties	(7’119)	(177)	(7’296)	(19)	(7’315)
Net operating income	**46’479**	**(177)**	**46’302**	**(14)**	**46’288**
Personnel expenses				(2'898)	(2'898)
Operating expenses				(562)	(562)
Administrative expenses				(3'564)	(3'564)
Total other operating expenses				**(7'024)**	**(7'024)**
EBITDA before portfolio revaluation					**39’264**
Net gain (loss) from revaluation	26’768	10’296	37’064	-	37’064
EBITDA after portfolio revaluation					**76’328**
Depreciation				(199)	(199)
EBIT					**76’129**
	31 Dec 2019				
Assets					
Real estate properties fair value	1’172’860	113’904	1’286’764	-	1’286’764
Derivative financial assets	457	-	457	-	457
Total segment assets					**1’287’221**
Assets not split between segments				24’271	24’271
Total assets	**1’173’317**	**113’904**	**1’287’221**	**24’271**	**1’311’492**
Liabilities					
Mortgage-secured debt	619’331	43’790	663’121	-	663’121
Derivative financial liabilities	2’943	-	2’943	-	2’943
Total segment liabilities					**666’064**
Liabilities not split between segments				168’544	168’544
Total liabilities	**622’274**	**43’790**	**666’064**	**168’544**	**834’608**

There are no differences between the accounting and valuation principles used for segment reporting and those used for the preparation of the consolidated financial statements. For details about the amounts invested in the segments during the year, please refer to note 16.

8 Rental income from real estate properties

[2] Invest. prop. under D / C stands for Investment properties under development / construction

EPIC Suisse AG – Notes to the consolidated financial statements

For the years ended 31 December 2020 and 2019

CHF ('000)	2020	2019
Investment properties in operation	51'914	52'461
Investment properties under development / construction	2'698	-
Total rental income from real estate properties	**54'612**	**52'461**

The pandemic coronavirus / COVID-19 that broke out in the first quarter of 2020 had an impact on the Company's balance sheet and income statement as at 31 December 2020. The EPIC Group remained in close contact throughout the year with its tenants. For those especially affected by the crisis, the EPIC Group strove to find solutions by granting rent free periods, in exchange, where possible and appropriate, for an extension of the tenants' lease agreement.

The EPIC Group makes the distinction between rent free periods granted with or without an extension of the lease. In the absence of lease extension, the rent-free period granted is considered as a pure "Covid-19" effect. If an extension of the lease was obtained, the first month of free rent is considered as a pure "Covid-19" effect, the remainder is considered as a benefit granted in exchange of the extension ("Extension triggered by Covid-19" effect).

Deducted from the 2020 rental income are CHF 0.8 million of free rent as a pure "Covid-19" effect and CHF 0.4 million as an "Extension triggered by Covid-19" effect. Those two effects represented respectively 1.3% and 0.7% of the 2020 group's target rental income.

The real estate properties are leased to tenants under operating leases with rents payable monthly or quarterly. Rentals are mainly fixed and linked to the development of a consumer price index. Rental agreements generally contain an index clause stating that rents may be increased on the basis of the consumer price index. As at 31 December 2020, 67.5% of the rent agreements are 100% linked to indexation based on the consumer price index, 21.9% linked to 75% to 99% of the index and the remaining 10.6% is linked to 74% or less of the index.

Over the two periods presented, variable rent depending on the tenant's sales represented less than 1% of the rental income.

The table below indicates the future rental income expected to be generated from rental agreements in place at year end.

CHF ('000)	2020	2019
Within one year	53'792	57'195
1 - 2 years	50'587	52'761
2 - 3 years	45'520	47'861
3 - 4 years	38'743	42'988
4 - 5 years	31'721	36'491
In more than 5 years	224'615	229'119
Total	**444'978**	**466'415**

The group is exposed to changes in the residual value at the end of the current leases. However, because the group typically enters into new operating leases, it will not immediately realise any reduction in residual value at the end of these leases. Nevertheless, expectations about the future residual values are reflected in the fair value of the properties which impacts the group's profit.

The five largest tenants (tenants belonging to the same group are shown under the group's name) measured according to their annual 2020 rental income are shown in the below table:

In %	2020
Coop group	21.2%
CHUV	9.2%
Migros group	8.6%
Hitachi Zosen Inova AG	5.7%
Incyte Biosciences International S.à r.l.	4.8%
The five largest tenants	**49.5%**

9 Direct expenses related to properties

CHF (‘000)	2020	2019
Maintenance costs for real estate	2’710	3’007
Energy and ancillary costs	864	1’198
Insurances	549	806
Management costs for real estate	485	522
Property tax expenses	1'029	988
Other direct costs	1'522	794
Total direct expenses related to properties	**7’159**	**7’315**

10 Personnel expenses

CHF (‘000)	2020	2019
Salaries	2'505	2’247
Social security contributions	189	171
Expenses for defined benefit plans	158	118
Other personnel expenses	(39)	67
Board member expenses	220	295
Total personnel expenses	**3'033**	**2’898**
Number of employees (#)		
Number of employees at year end	19.0	19.0
Full-time equivalents at year end	16.6	15.2
Number of board members (#)		
Number of board members receiving a fee at year end	3.0	3.0

For more information about related parties, please refer to note 26.

EPIC Group is affiliated to three independent collective foundations administrating the pension plans of various employers. The employees, their spouses and children are insured against the financial consequences of old age, death and disability. Retirement benefits are based on the accumulated retirement savings capital made up of contributions by employers and the employees and interest thereon and can either be drawn as a life-long pension or as a lump sum payment.

For the years ended 31 December 2020 and 2019

The pension liabilities (in relation to the employees located in Switzerland) are included on a net basis under pension obligations in the balance sheet and can be split as follows:

CHF (‘000)	2020	2019
Defined benefit obligations at 31 December	2'677	2’438
Fair value of plan assets at 31 December	(1'862)	(1’690)
Deficit / (surplus) at 31 December	**815**	**748**

Defined benefit expenses for these plans recognised in the statement of profit or loss can be split as per the below table. Current service costs and administration costs are included in personnel expenses and interest expense and interest income on plan assets in financial result.

CHF (‘000)	2020	2019
Current service costs	157	130
Past service	-	(13)
Interest expense	5	19
Interest (income) on plan assets	(4)	(14)
Administration costs	1	1
Net defined benefit expenses	**159**	**123**

The defined benefit expenses recognised in the statement of comprehensive income are detailed below.

CHF (‘000)	2020	2019
Actuarial (gain) / loss on defined benefit obligation	-	237
Return on plan assets (excl. interest income)	25	(16)
Deferred tax	(5)	(44)
Net re-measurement of defined benefit obligations	**20**	**177**

The reconciliations to the defined benefit obligations and fair value of the plan assets are shown in the following two tables.

CHF (‘000)	2020	2019
Defined benefit obligations as at 1 January	2'438	1’961
Interest expense on defined benefit obligation	5	19
Current service costs (employer)	157	130
Contributions by plan participants	117	110
Benefits (paid) / deposited	(41)	(7)
Past service cost	-	(13)
Administration costs	1	1
Actuarial (gain) loss on defined benefit obligations	-	237
Defined benefit obligations as at 31 December	**2'677**	**2’438**

For the years ended 31 December 2020 and 2019

CHF ('000)	2020	2019
Fair value of plan assets at 1 January	1'690	1'446
Interest income on plan assets	4	14
Contributions by the employer	117	111
Contributions by plan participants	117	110
Benefits (paid) / deposited	(41)	(7)
Return on plan assets (excl. interest income)	(25)	16
Fair value of plan assets as at 31 December	**1'862**	**1'690**

The main parameters used for the valuation are described below:

CHF % / #	31 Dec 2020	31 Dec 2019
Discount rate	0.2%	0.2%
Long-term expected rate of salary increase	1% flat	1% flat
Long-term expected benefit increase	0.0%	0.0%
Long-term expected inflation	0.5%	0.5%
Long-term expected interest on retirement capital	0.5%	0.5%
Expected age of retirement	F – 64 years M – 65 years	F – 64 years M – 65 years

11 Operating expenses

CHF ('000)	2020	2019
Rent	80	65
Travel and representation expenses	92	101
Other operating expenses (such as IT, general office expenses, non-recoverable VAT, capital taxes)	605	396
Total operating expenses	**777**	**562**

12 Administrative expenses

CHF ('000)	2020	2019
Legal fees	792	403
Tax consultancy fees	552	536
Other consultancy fees	2'318	1'728
Accounting and audit fees	1'000	897
Transaction costs	6	-
Total administrative expenses	**4'668**	**3'564**

For the years ended 31 December 2020 and 2019

In Other consultancy fees are also included business development costs for investment properties such as for example planning costs relating to potential developments and compilation of feasibility studies for projects subject to external influences (outside EPIC Group's control) which makes it uncertain whether they will be at all realised. For this reason, these costs have been charged to "Other consultancy fees" until there is certainty about the realisation of the projects in question. In 2020, IPO costs for CHF 1.6 million are included in various captions of the administrative expenses, while CHF 0.1 million are capitalised under "Accrued income and prepaid expenses".

13 Financial result

CHF ('000)	2020	2019
Financial income		
Revaluation gain from financial instruments (derivatives)	-	1'083
Derivatives income	240	1'179
Other financial income	573	788
Total financial income	**813**	**3'050**
Financial expenses		
Interest expenses on current accounts and loans from shareholders	(330)	(691)
Loan interest expenses	(5'463)	(5'361)
Derivatives expenses	(909)	(1'756)
Interest expenses on lease liabilities	(537)	(549)
Revaluation loss from financial instruments (derivatives)	(1'941)	(2'453)
Other financial expenses	(72)	(305)
Total financial expenses	**(9'252)**	**(11'115)**
Financial result	**(8'439)**	**(8'065)**

14 Income tax expenses

EPIC Group is subject to income taxes on federal, cantonal and municipal levels. Significant estimates are required in determining the liabilities for income and deferred taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax liabilities.

The taxation of gains from the disposal of properties is subject to a special property gains tax in cantons with the monistic tax system. The tax rates depend on the length of time the property is held and can vary significantly. In the calculation of deferred taxes on investment properties, a residual holding period is estimated for each property that reflects EPIC Group's strategy. The tax payable on these properties is calculated on the basis of a holding period of a further 10 years after the balance sheet date. Should the actual holding period for a property deviate from the estimated holding period, the amount of tax applicable at the time the property is sold may vary considerably from the deferred tax estimated.

CHF ('000)	2020	2019

Current tax expenses	1'192	(2'396)
Change in deferred net tax liabilities	(7'473)	(4'738)
Total income tax expenses	**(6'281)**	**(7'134)**

The amount of current tax expenses includes the annual change in refund of complementary property tax in Vaud (464k in 2020 and 466k in 2019).

The table below provides a reconciliation to tax expenses:

CHF ('000)	**2020**	**2019**
EBT	40'663	68'064
Applicable tax rate (%)	*16.5*	*16.5*
Tax expense at applicable tax rate	(6'709)	(11'231)
Non capitalized tax losses	(525)	-
Adjustments for current income taxes for other periods	(6)	(171)
Impact of changes in tax rates deferred tax	522	4'324
Other effects	437	(56)
Total tax expenses	**(6'281)**	**(7'134)**

The applicable tax rate in the periods under review is a mixed rate of approximately 16.5% over the last two years. In 2020, it takes into account the fact that profit subject to federal, cantonal and municipal income taxes is taxed at an average rate of approximately 16%, while property gains subject to property gains tax and federal income tax are taxed at rates from approximately 21% of up to 24% depending on the duration of the holding period and the location of the property. As the holding period increases, the average tax rate will be further reduced during the next years.

The real estate companies owned by the group are subject to the tax laws of the cantons in which the properties are located. Under IFRS, the reduced tax rates have been taken into account for the deferred tax liabilities as soon as they were "substantially enacted" (IAS 12), since the deferred taxes in IFRS are based on an assumed holding period of 10 years. The corporate income tax rates on the property income have been reduced significantly in various cantons under the corporate tax reform as per 1 January 2020 (Geneva, Glarus and St Gallen) and will be as per 1 January 2021 (Zurich) (already implemented in Vaud in 2019). These reduced rates were taken into account for the deferred taxes and resulted in a positive effect of CHF 522k in 2020.

The deferred tax liabilities and assets are allocated to the following balance sheet items:

CHF ('000)	**2020**		**2019**	
	Assets	Liabilities	Assets	Liabilities
Real estate properties	-	97'181	-	90'190
Provisions for major renovations	-	5'788	-	5'092
Financial derivative instruments	802	-	523	58
CIT on refund of CPT[3]	-	716	-	651
Accrued free rent	-	334	-	-
Pension schemes	168	-	155	-

[3] CIT = Corporate income tax and CPT = Complementary property tax

Arrangement fees for credit facilities	-	11	-	16
Tax losses carried forward	1’411	-	1’149	-
Tax assets / liabilities before set-off	**2’381**	**104’030**	**1’827**	**96’007**
Set-off of tax losses carried forward	(1'340)	(1'340)	(988)	(988)
Total tax assets / liabilities	**1’041**	**102’690**	**839**	**95’019**

EPIC Group has deferred tax assets and tax liabilities of CHF 1.0 million and CHF 102.7 million respectively as per 31 December 2020 (CHF 0.8 million / CHF 95.0 million by the end of 2019). Deferred taxes are substantially attributable to valuation differences in respect of investment properties, derivatives, recaptured depreciation and renovation provisions. Deferred tax assets from tax losses are (partially) off-set with deferred tax liabilities related to valuation.

Applying the property gains tax rates that would be applicable in the event of a theoretical sale of all properties on 31 December 2020 (asset deal), the deferred tax liabilities would be CHF 8.7 million higher than the deferred tax liabilities reported as per 31 December 2020 (assuming an exit as per 31 December 2030). Significant tax savings may be achieved in a share deal exit.

The other comprehensive income has been presented net of tax. The tax effect amounted to CHF 5k in 2020 and 43k in 2019.

15 Tenant receivables

CHF (‘000)	31 Dec 2020	31 Dec 2019
Rent and ancillary costs receivables	1'301	967
Doubtful debt allowances	(166)	(123)
Total tenant receivables	**1'135**	**844**

Due to the Covid-19 situation, the rent and ancillary cost receivable balance as at 31 December 2020 increased by CHF 0.3 million compared to 31 December 2019.

For tenants with an outstanding balance due to Covid-19 and with whom no agreement had yet been found at period end, the EPIC Group distinguished between tenants with whom the EPIC Group reasonably believes that an extension of the lease can be achieved and those with whom an extension is unlikely to be achieved. For the first group, a doubtful debt provision of one month rent was recorded. For the second group, the doubtful debt provision was considered on a case-by-case basis. The provisions triggered by the Covid-19 situation (i.e. rent free periods expected to be granted in the future but related to 2020 due to Covid-19) amounted to CHF 28k in total at period end. The normal receivable balance on the other hand contributes to CHF 138k of the doubtful debt allowances.

The age structure of the tenant receivables can be split as follows:

CHF (‘000)	31 Dec 2020	31 Dec 2019
Balance not yet due	860	299
Balance overdue by up to 30 days	94	450
Balance overdue between 30 to 120 days	77	66
Balance overdue between 120 to 365 days	146	83
Balance overdue by more than 365 days	124	69
Total tenant receivables	**1'301**	**967**

For the years ended 31 December 2020 and 2019

16 Real estate properties

CHF ('000)	Invest. prop in operation	Invest. prop under D / C[4]	Total Group
Market value as at 31 December 2018	**1'128'350**	**69'991**	**1'198'341**
Acquisition costs as at 1 January 2019	931'033	46'450	977'483
Subsequent expenditures	17'742	33'617	51'359
Acquisition costs as at 31 December 2019	948'775	80'067	1'028'842
Revaluation as at 1 January 2019	197'317	23'541	220'858
Revaluation gains	30'214	11'350	41'564
Revaluations losses	(3'446)	(1'054)	(4'500)
Revaluation as at 31 December 2019	224'085	33'837	257'922
Market value as at 31 December 2019	**1'172'860**	**113'904**	**1'286'764**
Acquisition costs as at 1 January 2020	948'775	80'067	1'028'842
Subsequent expenditures	18'705	16'188	34'893
Adjustment of lease cost	-	(382)	(382)
Acquisition costs as at 31 December 2020 before TbC	967'480	95'873	1'063'353
Transfer between categories ("TbC")	88'627	(88'627)	-
Acquisition costs as at 31 December 2020 after TbC	1'056'107	7'246	1'063'353
Revaluation as at 1 January 2020	224'085	33'837	257'922
Revaluation gains	26'894	5'671	32'565
Revaluations losses	(23'410)	(739)	(24'149)
Revaluation as at 31 December 2020 before TbC	227'569	38'769	266'338
Transfer between categories ("TbC")	33'083	(33'083)	-
Revaluation as at 31 December 2020 after TbC	260'652	5'686	266'338
Market value as at 31 December 2020 before TbC	**1'195'049**	**134'642**	**1'329'691**
Market value as at 31 December 2020 after TbC	**1'316'759**	**12'932**	**1'329'691**

CHF ('000)	31 Dec 2020	31 Dec 2019
Market value as estimated by the external valuer	1'318'621	1'273'240
Accrued operating lease income	(2'435)	-
Sub-total	**1'316'186**	**1'273'240**
Right-of-use of the land recognised separately	13'505	13'524
Fair value for financial reporting purposes	**1'329'691**	**1'286'764**

During 2020, no acquisitions or disposals occurred. The group invested CHF 34.9 million in its portfolio, primarily in the property held by EPiC 4 in relation to the renovation of the shopping centre (CHF 15.9 million),

[4] Invest. prop. under D / C stands for Investment properties under development / construction

the property in EPiC 20 for the finalisation of the construction of the building (CHF 10.7 million) and the property in EPiC 19 mainly for the completion of building A&B (CHF 5.0 million).

During 2019, the group invested CHF 51.4 million in its portfolio. In relation to its properties under development, CHF 19.4 million and CHF 13.3 million were allocated respectively to EPiC 19 and EPiC 20. With regard to the other properties, mainly EPiC 4 benefited from a capital injection of CHF 9.8 million.

The revaluation of the properties as at 31 December 2020 resulted in a net unrealised value increase of CHF 8.4 million (CHF 37.1 million in 2019). This was mainly driven by value increases in all sectors except the retail sector due to higher uncertainties in relation to this specific market, partially triggered or reinforced by the Covid-19 situation (average weighted real discount rate was 3.55% as at 31 December 2019 and 3.44% as at 31 December 2020).

The differences between capitalised costs (CHF 34.9 million in 2020 and CHF 51.4 million in 2019) and the amounts paid under investments in real estate properties in the consolidated statement of cash flows used in investment activities (CHF 36.4 million in 2020 and CHF 45.7 million in 2019) correspond to variations in accrued expenses, payables or receivables for VAT purposes.

Further information on the individual properties can be found at the end of the reporting under “Property details” in the annexes.

Details on valuation

The valuation of investment properties is carried out in accordance with the provisions of IFRS 13, under which fair value is defined as the price that would be received when selling an asset or that would be paid when transferring a liability in an orderly transaction between market participants on the measurement date. Under IFRS 13, valuation techniques are categorised into three levels in a fair value hierarchy depending on the extent to which fair value is based on observable input factors.

Fair value hierarchy	
Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable (usually determined based on management assumptions)

The valuation of investment properties is carried out using the discounted cash flow method (DCF), according to which a property’s fair value is determined by calculating the projected future net income (rental income less operating, maintenance and rebuilding costs), discounted to the reporting date. No allowance is made for any possible transaction cost (such as taxes or transaction fees for example). Furthermore the valuation does not account for any taxation (except of mandatory property taxes) or financing cost. The net income of operations is discounted individually for each property with due allowance for specific opportunities and threats, and with adjustments in line with prevailing market conditions and risks.

The expected capital expenditures for preserving the building and its structure are calculated by means of a lifecycle analysis of the individual building elements. The building structure's remaining lifespan is estimated and periodic refurbishments modelled based on the general condition of building elements as determined during the property inspection. Appropriate annual repair costs are calculated accordingly, and plausibility tested using comparables and Wüest Partner's own benchmarks. The calculation factors in 100% of expected repair costs in the first 10 years; the proportion applied from year 11 onwards is limited to the value-preserving investments.

In the case of properties under construction, the construction costs still to be incurred until completion are considered.

The discount rate applied to each property is market-derived and risk-adjusted and is dependent on individual opportunities and risks. Valuations are performed as of the balance sheet date (or during the year in case of significant value changes), by Wüest Partner AG, an external, independent and certified real estate appraiser having recent experience in the location and type of the investment property being valued.

As at 31 December 2020 and 2019, all properties have been individually valued by Wüest Partner AG.

As input factors with a material impact, such as discount rates, market rents and structural vacancy rates, generally have to be derived from information from less active markets, the valuations of all properties were categorised under level 3.

Significant inputs

The following table explains how the significant inputs used in the valuation are determined:

Rental income	Rents are factored into valuations based on contractually agreed conditions. For rental agreements of limited duration, the potential rental income attainable over the long term, from the current perspective, is applied in the valuation on expiry of the contractually agreed rental period. Potential rental income that is in line with the market is determined on the basis of the most recent rental agreements concluded either for the property concerned or for comparable properties in its immediate vicinity, and of the comprehensive real estate market research carried out by Wüest Partner AG. The plausibility of potential rental income from retail space is checked using calculations of market-standard turnover figures. For those existing leases, which include several different uses, the potential rents are calculated separately for each individual use. Genuine tenants' options to extend a lease are considered when actual rents are less than the market rents determined. Non-genuine options where provisions are in place for rents to be adjusted in line with market rents prevailing at a specific time are incorporated into the valuations as fixed-term rental agreements, as described above. For rental agreements of unlimited duration, adjustments in line with the potential rental income calculated take account of general conditions under rental law and property-specific fluctuations.
Operating and maintenance costs	In the case of operating costs, it was assumed that separate ancillary cost statements are issued and that the ancillary costs are consequently passed on in full or in part to tenants in line with the lease agreements. Maintenance (servicing and repairs) and rebuilding costs are calculated using a building analysis tool that determines the residual life of the individual construction components based on an analysis of the building's current condition, models periodic renovations and calculates the associated annuities. The values arrived at are plausibility tested using the cost benchmarks compiled by Wüest Partner AG.
Construction costs (investment under constructions)	The construction cost estimates are based on the financial forecasts for the individual projects (where available) and are independently evaluated. Where the construction costs are already secured by means of service contracts with general and full-service contractors, these are used in the measurement.
Discount rate	Discounting is undertaken for each property in accordance with location and property-specific criteria. These reflect both the location-relevant features of the macro and micro situation and the fundamental parameters of the current management situation. The discount rates applied are verified empirically based on known changes of ownership and transaction data.

Non-observable inputs

Market rents, vacancy rates and discount rates have been identified as the non-observable input factors with a material impact. They are summarised in the table below.

Category / level / Valuation method	Year	Fair value CHF '000	Non observable Input factor	Ranges (weighted average) 2020	Ranges (weighted average) 2019
Retail Level 3 DCF	2020 2019	575'680 570'160	Discount rate (real) (%)	2.95% - 3.85% (3.46%)	3% - 3.9% (3.52%)
			Achievable long-term market rents per sqm and year	CHF 173 - CHF 360 (CHF 246 per sqm and year)	CHF 176 - CHF 362 (CHF 249 per sqm and year)
			Structural vacancy rate (%)	3.5% - 5.3% (4.8%)	3% - 5.4% (4.6%)
Offices Level 3 DCF	2020 2019	612'279 492'000	Discount rate (real) (%)	2.85% - 4.0% (3.33%)	3% - 3.9% (3.46%)
			Achievable long-term market rents per sqm and year	CHF 266 – CHF 359 (CHF 297 per sqm and year)	CHF 271 – CHF 364 (CHF 299 per sqm and year)
			Structural vacancy rate (%)	5.0% - 7.3% (5.7%)	5% - 7.5% (5.7%)
Logistics / industrial Level 3 DCF	2020 2019	117'730 110'700	Discount rate (real) (%)	3.55% - 4.05% (3.82%)	3.7% - 4.2% (4.1%)
			Achievable long-term market rents per sqm and year	CHF 94 – CHF 145 (CHF 106 per sqm and year)	CHF 94 – CHF 156 (CHF 106 per sqm and year)
			Structural vacancy rate (%)	5.0% - 6.2% (5.5%)	5% - 6.5% (5.6%)
Under development / construction Level 3 DCF	2020 2019	12'932 100'380	Discount rate (real) (%)	4.0% - 4.4% (4.23%)	3.3% - 4.4% (3.54%)
			Achievable long-term market rents per sqm and year	CHF 179 – CHF 179 (CHF 179 per sqm and year)	CHF 179 – CHF 294 (CHF 216 per sqm and year)
			Structural vacancy rate (%)	5% - 5% (5%)	5% - 5% (5%)

Total portfolio Level 3 DCF	2020	1'318'621
	2019	1'273'240

Sensitivity of input factors

As a result of the second wave of the COVID 19 pandemic, with high infection rates as of 31 December 2020, drastic measures have again been put into force, have been tightened or are expected to be tightened in many countries. The consequences of these measures for the real estate market cannot yet be fully anticipated and remain difficult to quantify at the moment due to the still limited amount of available comparative transactions carried out in the context of the second wave. As a result, valuation results include currently a higher level of uncertainty.

Fair value increases with lower discount rates and structural vacancy rates and with higher market rents. The economic environment can be considered as exerting the greatest influence on input factors, with the factors outlined above influenced to varying degrees by market developments. Any intensification of pressure on market rents by negative economic sentiment is usually accompanied by a rise in property vacancy rates. Low interest rates usually prevail in such market circumstances, which have a positive impact on discount rates (as long as the property market maintains its attractiveness in comparison to the bond market). To an extent, therefore, changes to input factors may offset each other.

The following sensitivity analysis shows the impact of an increase or decrease in the discount rates used in the DCF valuation. As illustrated in the below table, a general reduction of 10 percentage points in the discount rate would increase the current fair value of the investment properties as at 31 December 2020 by 2.95 % or CHF 38.9 million. A general increase of 10 percentage points in the discount rate would reduce the current fair value of the investment properties as at 31 December 2020 by 2.86 % or CHF 37.8 million.

Weighted average discount rate (real) Change in basis points		Change in market value in CHF ('000)	Change in market value in %	Market value in CHF ('000)
+ 50	3.94%	(167'850)	(12.73%)	1,150,771
+ 40	3.84%	(137'847)	(10.45%)	1,180'774
+ 30	3.74%	(106'284)	(8.06%)	1,212'337
+ 20	3.64%	(72'962)	(5.53%)	1,245'659
+ 10	3.54%	(37'773)	(2.86%)	1,280'848
	3.44%			**1'318'620**
- 10	3.34%	38'919	2.95%	1,357'540
- 20	3.24%	80'799	6.13%	1,399'420
- 30	3.14%	125'359	9.51%	1,443'980
- 40	3.04%	172'819	13.11%	1,491'440
- 50	2.94%	223,549	16.95%	1,542'170

17 Other non-current assets

CHF ('000)	31 Dec 2020	31 Dec 2019
Refund from complementary property tax	5'204	4'740
Total other non-current assets	**5'204**	**4'740**

In case of an asset deal, the complementary property taxes (impôt complémentaire or "CPT") paid by EPIC Group in the canton of Vaud will be repaid according to the Vaud tax law (art. 129 LI). However, the total amount to be refunded by the Vaud Tax Administration will be a maximum of fifteen times the annual property tax (in any case the amount to be refunded must not exceed the real estate transfer tax to be paid in connection with the asset deal).

18 Shareholders' balances

CHF ('000)	31 Dec 2020	31 Dec 2019
Due within 12 months	-	404
Due 1 - 5 years	5'093	32'358
Due after 5 years	-	-
Total shareholders' payables	**5'093**	**32'762**

All current and long-term shareholders' balances are with Alrov, denominated in CHF and unsecured. The interest cost corresponds to the finance costs borne by the shareholder plus a margin of 0.5%.

On 19 June 2020, the Company signed a new mortgage-secured bank loan agreement for a total facility of CHF 32.9 million, of which CHF 28 million were drawn on 23 June 2020 and used to repay shareholders loans including interest (see note 13 for the current interest expenses on loans from shareholders and the financing activities in the consolidated statement of cash flows). The remaining CHF 4.9 million were available for drawdown until 30 June 2021 and in fact were drawn in January 2021 to repay shareholder loans. The facility has a final maturity date of 30 June 2027. However, it becomes fully repayable upon a potential IPO.

19 Current and non-current financial liabilities

CHF ('000)	31 Dec 2020	31 Dec 2019
Mortgage-secured bank amortisation due within 12 months	7'065	12'761
Mortgage-secured bank loans due for extension or repayment	112'795	45'821
Directly attributable financing costs	(61)	(31)
Accrued mortgage and swap interest	127	148
Lease liabilities	840	524
Total current financial liabilities	**120'766**	**59'223**
Mortgage-secured bank loans	595'429	604'539
Directly attributable financing costs	(224)	(68)
Lease liabilities	13'469	13'899
Total non-current financial liabilities	**608'674**	**618'370**
Total financial liabilities	**729'440**	**677'593**

Some of the contracts with the banks contain clauses concerning financial covenants at the level of the Swiss subsidiaries such as loan to value ratio and interest coverage ratios. As at the reporting dates (and during the periods), EPIC Group was in compliance with its banks' obligations.

CHF ('000) / %	31 Dec 2020	31 Dec 2019
Total mortgage-secured bank loans	715'289	663'121
Interest expenses (mortgage and swaps)	6'372	5'938
Average %	*0.89%*	*0.90%*

The vast majority of the variable bank debt is based on a 1 to 3-month variable CHF-LIBOR rate. On the variable loans, which represent 80% of the total mortgage-secured bank liabilities as at 31 December 2020, the margins vary between 0.75% and 1.05%, and 1.1% for the construction loan with no defined maturity. Of the variable loans, 22% was hedged with swaps as at 31 December 2020. On the borrowing with fixed interest rates, those rates range between 0.95% and 1.2%.

The below table indicates the maturity profile of the mortgage-secured bank liabilities (future interests have been ignored for construction loan amounts without a defined maturity).

CHF ('000) / %	31 Dec 2020	31 Dec 2019
Due within 12 months	126'042	63'927
Due 1 to 5 years	302'910	402'880

Due 6 to 10 years	297'205	212'030
Due after 10 years	-	-
Construction loan without fixed maturity	18'546	8'290
Total mortgage-secured bank liabilities including future interest	**744'703**	**687'127**

The following table shows the maturity profile of the lease liabilities.

CHF ('000)	31 Dec 2020	31 Dec 2019
Due within 12 months	851	537
Due 1 to 5 years	3'412	3'395
Due 6 to 10 years	3'757	3'971
Due after 10 years	14'989	15'894
Total lease liabilities including future interest	**23'009**	**23'797**

The tables below break down the changes in current and non-current financial liabilities between cash and non-cash effects.

	31 Dec 19	Cash		Non-cash					31 Dec 20
CHF ('000)		**Inflow**	**Outflow**	**Accrued interest**	**FX impact**	**Changes lease**	**Additions Disposals**	**Reclassifi cation**	**Total**
	2020								
Non-derivative financial liabilities									
Current financial liabilities	**59'223**	-	(11'284)	6'171	(571)	-	(17)	67'244	**120'766**
Non-current financial liabilities	**618'370**	57'406	-	551	-	(382)	(27)	(67'244)	**608'674**
Shareholders' loans	**32'762**	-	(28'000)	331	-	-	-	-	**5'093**

	31 Dec 18	Cash		Non-cash					31 Dec 19
CHF ('000)		**Inflow**	**Outflow**	**Accrued interest**	**FX impact**	**Changes lease**	**Additions Disposals**	**Reclassifi cation**	**Total**
	2019								
Non-derivative financial liabilities									
Current financial liabilities	**14'012**	-	(19'252)	5'938	-	-	106	58'419	**59'223**
Non-current financial liabilities	**634'966**	41'290	-	584	(786)	-	735	(58'419)	**618'370**
Shareholders' loans	**32'504**	-	(433)	691	-	-	-	-	**32'762**

20 Accrued expenses and deferred income

CHF ('000)	31 Dec 2020	31 Dec 2019
Accruals for property expenditures	8'131	9'230
Accruals for general expenses	1'260	1'240
Total accrued expenses	**9'391**	**10'470**
Rents received in advance	1'893	2'260
Down payments for ancillary costs	1'604	838
Total deferred income	**3'497**	**3'098**
Total accrued expenses and deferred income	**12'888**	**13'568**

21 Derivative financial instruments

The fair value of derivative financial instruments (interest rate swaps) is calculated as the present value of future cash flows. The interest rate swaps are used for hedging existing and future loans against rising interest rate. The table below summarises the fair value and maturities of the swaps.

CHF ('000)	31 Dec 2020	31 Dec 2019
Within 12 months	(1'003)	(501)
Within 1 to 4 years	(2'920)	(2'261)
After 5 years	(503)	276
Total net negative fair value	**(4'426)**	**(2'486)**
Total contract value	**126'915**	**174'265**

The variable interest rate is based on 3 months CHF–Libor. As at 31 December 2020, CHF 126.9 million of swaps have a fixed interest leg of 0.0% (on top of which the margins of the variable loans are to be added).

22 Financial risk management

The group's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of those are to finance the acquisition and development of the group's property portfolio. In addition, short term receivables, payables and cash balances arise from day to day operations.

Through its activities, EPIC Group is exposed to various financial risks, the main ones being: market risk (interest rate), credit risk and liquidity risk. Risks are monitored regularly and risk management is carried out by the board of directors.

EPIC Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on EPIC Group's financial performance. EPIC Group reviews and monitors its exposure and risks related to solvency, liquidity and interest rates.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. This risk concerns the group's open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

The **interest rate risk** can impact (a) the market value of financial instruments which are interest rate sensitive (fair value interest rate risk) and (b) future interest payments, as a result of fluctuations in the market interest rates (cash flow interest rate risk). The group's exposure to this risk relates primarily to its long-term debt obligations with floating interest rates. As at 31 December 2020, 38% of the total bank debt was hedged on the long-term against interest fluctuations using swaps and fixed interest loans.

A change in interest rates by 0.1% would only have an insignificant impact on the profit or loss.

The **currency risk** is limited as the group is only active in Switzerland and almost all the transactions are carried out in CHF, the functional currency of the EPIC Group.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil its obligation. Credit risk mainly arises from cash and cash equivalents held at banks, tenant receivables and derivatives.

Credit risk in connection with cash and cash equivalents held at banks is minimised by having those with several first rank institutions. With regard to rental agreements, credit risk is reduced via creditworthiness checks and by monitoring the age structure of outstanding amounts.

The maximum exposure corresponds to the carrying amounts of the individual financial assets including derivative financial assets as shown in the table below (CHF 26.1 million in 2020 and CHF 17.2 million in 2019).

CHF ('000)	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	23'217	14'062
Tenant receivables	1'135	844
Other receivables	1'741	1'802
Other non-current financial assets	50	50
Total financial assets measured at amortised cost	**26'143**	**16'758**
Current derivative financial assets	-	457
Non-current derivative financial assets	-	-
Total financial assets measured at fair value	**-**	**457**
Total financial assets	**26'143**	**17'215**

The carrying amount of the financial assets measured at amortised cost is a reasonable approximation of fair value.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations when becoming due. Investment properties are refinanced when necessary via medium to long-term loans. Liquidity is monitored on a regular basis and the group benefits from the main shareholder's credit facility lines when needed.

The table below sets out the contractual maturities of the main financial liabilities held by the group.

CHF ('000)	Carrying Amount	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Not defined	Contractual total

		2020					
Non-derivative financial liabilities ***(at amortised cost)***							
Trade payables	**1’636**	1’636	-	-	-	-	**1’636**
Other payables	**190**	190	-	-	-	-	**190**
Accrued expenses	**9’391**	9’391	-	-	-	-	**9’391**
Financial liabilities (excluding lease liabilities)	**715’131**	6’695	119’413	302’736	297’155	18’546	**744’545**
Lease liabilities	**14’309**	425	426	3’412	18’746	-	**23’009**
Shareholder loans	**5’093**	-	-	5’093	-	-	**5’093**
Total non-derivative financial liabilities	**745’750**	**18’337**	**119’839**	**311’241**	**315’901**	**18’546**	**783’864**
Derivative financial liabilities ***(classified as held for trading)***							
Interest rate swaps	**4’426**	504	499	2’920	503	-	**4’426**
		2019					
Non-derivative financial liabilities ***(at amortised cost)***							
Trade payables	**1’116**	1’116	-	-	-	-	**1’116**
Other payables	**-**	-	-	-	-	-	**-**
Accrued expenses	**10’470**	10’470	-	-	-	-	**10’470**
Financial liabilities (excluding lease liabilities)	**663’170**	54’909	9’135	402’812	212’030	8’290	**687’176**
Lease liabilities	**14’423**	71	466	3’395	19’864	-	**23’796**
Shareholder loans	**32’762**	404	-	32’358	-	-	**32’762**
Total non-derivative financial liabilities	**721’941**	**66’970**	**9’601**	**438’565**	**231’894**	**8’290**	**755’320**
Derivative financial liabilities ***(classified as held for trading)***							
Interest rate swaps	**2’943**	491	467	2’261	(276)	-	**2’943**

Fair value of financial instruments

EPIC Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

Derivative financial instruments are the only financial instruments measured at fair value. The fair value of the interest rate swaps is calculated as the present value of future cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties. It can be allocated to level 2 according to the fair value hierarchy described in note 16.

The carrying value of short-term receivables (including trade and other receivables and accrued income) and payables (trade and other) approximate their fair values as discounting is not material.

The fair value of the interest-bearing loan approximates its carrying value excluding issue costs. The group has no fixed-rate financial assets or liabilities that are classified at fair value through profit or loss. Fixed-rate financial instruments are measured at amortised costs.

Changes in the fair value of interest rate swaps are recognised in the Financial result.

Capital management

With total equity of CHF 503.2 million as at 31 December 2020, the group has a solid capital base (equity ratio of 36.8% in 2020 and 36.4% in 2019). Mortgage bank loans (including interest) account for 52.3% of total assets as at year end 2020 (50.6% in 2019). Covenants are monitored on a regular basis and reported on quarterly.

EPIC Group aims to achieve a long-term loan to value ratio (as defined in note 30) of 45% (this ratio equalled 52.4% as at 31 December 2020 and 53.0% as at 31 December 2019). The adjusted loan to value ratio (as defined in note 30) amounts to 53.0% in 2020 and 53.6% in 2019.

23 Share capital

As at 31 December 2020 and 31 December 2019, the Company's share capital amounts to CHF 300'000, represented by 7'500'000 shares with a par value of CHF 0.04 fully paid in.

The Company paid a dividend of CHF 8.0 million in 2020 (CHF 1.068 per share) and of CHF 6.0 million in 2019 (CHF 0.8 per share) from the share premium.

The share premium of CHF 282.1 million as per the statutory balance sheet 2020 constitute foreign capital contribution reserves according to art. 5 para. 1quater lit. a of the Swiss Federal Law on Withholding Tax (effective as of 1 January 2020), which are unconditionally free of withholding tax upon distribution.

24 Earnings per share ('EPS') and NAV per share

Earnings per share and NAV per share is calculated by dividing the reported income and shareholders' equity respectively, by the weighted-average number of ordinary shares outstanding during the period.

CHF ('000) / ***in CHF***	**2020**	**2019**
Profit	34'382	60'930
Number of average outstanding shares (in '000)	7'500	7'500
Basic EPS	*4.58*	*8.12*
Shareholders' equity	503'236	476'884
NAV per share	*67.10*	*63.58*

25 Shareholders

As at the reporting date, the following two shareholders held the following quota (%) of the Company's share capital:

77.8% - Alrov Properties & Lodgings Ltd, Tel-Aviv, Israel ('Alrov')
22.2% - EPIC LUXEMBOURG S.A., Luxembourg City, Grand Duchy of Luxembourg ('EPIC LUX')

EPIC LUX is controlled by a Jersey trust whose beneficiary is the Greenbaum family.

26 Related parties

The related parties encompass the key management personnel (being the members of the board of directors, CEO, CFO and Portfolio Director), the Alrov Group and companies controlled by members of the key management personnel.

Information on payables with shareholders are included in note 18. Interest charges accrued to Alrov during the periods amounted to CHF 0.3 million for 2020 and CHF 0.7 million for 2019 (see note 13).

Among the companies controlled by members of the board of directors is European Property Investment Corporation Ltd (London) (‘EPIC UK’) (which at the same time is also indirectly held by Alrov and EPIC LUX).

Stefan Breitenstein, Stephan Pfenninger and Ron Greenbaum became board members of the Company with effective date from 1 October 2017 on and Andreas Schneiter with effective date 1 April 2020. Stephan Pfenninger stepped down with effective date 29 February 2020. Tax Partner AG, co-owned by Stephan Pfenninger, invoiced fees for advisory services in the amount of 159k during January and February 2020.

The total compensation invoiced by the related parties for consulting fees and expenses, board members’ and management remuneration can be broken down as follows:

CHF (‘000)	Type of services	2020	2019
EPIC UK	Advisory services	494	553
Tax Partner AG	Tax consultancy services	159	466
Total services invoiced by related parties		**653**	**1’019**
Ron Greenbaum	Chairman of the board	85	85
Other external board members		124	194
Social security		11	15
Total remuneration of the board of directors		**220**	**294**
Short-term employee benefits		1’411	1’374
Total remuneration of management		**1’411**	**1’374**

As at 31 December 2020 and 31 December 2019, the outstanding balances for services invoiced by related parties amounted to CHF 28k and CHF 0.3 million respectively.

EPIC UK, of which Ron Greenbaum is a director, rendered strategic management and IPO services to the group and charged a fee of CHF 0.46 million for 2020 plus travel expenses.

Management does not benefit from post-employment, other long-term, termination or share-based payment benefits.

27 Contingencies and commitments

As at 31 December 2020, capital commitments from concluded contracts for future developments and construction investments as well as investment properties under renovation totalled about CHF 3.0 million.

The guarantee of CHF 12.2 million provided by EPiC 7 to the Commune of Tolochenaz was cancelled in July 2020.

Apart from as disclosed elsewhere in the consolidated financial statements, EPIC Group has no other contingencies.

28 Events after the reporting date

On 4 January 2021, EPiC 21 signed a conditional sale and purchase agreement to purchase a logistic property located in Roggwil, Bern, for a total consideration of CHF 76 million, excluding VAT and transaction costs. Closing took place on 11 March 2021.

29 Significant accounting policies

Real estate properties

Real estate properties (reported under non-current assets) are owned properties and properties held under a lease which are held and managed for long term rental yields and capital appreciation. They are classified as investment properties under IAS 40, including properties that are being constructed or developed for future use as investment property.

During 2020, the group owned 24 properties, which were the object of 25 separate valuations as at 31 December 2020, following the split of one property (EPiC 19) into two categories, in line with the stage of completion of the various phases of development (see annexes).

EPIC's Group's portfolio can be divided into four categories.

- Retail properties

This category encompasses properties whose main source of income relates to retail and shopping centres. They consist of 8 properties as at 31 December 2020 (8 in 2019).

- Office properties

Those properties mainly generate revenues from the rental of offices. With the exception of one building constructed in 1992, all other properties are recent with construction's years after 2002. During the year 2020, this category comprised 10 properties (10 in 2019).

As at 31 December 2020, EPiC 20 and the buildings A&B of EPiC 19 were transferred from investment properties under development / construction in this category, the number of office properties totalling then 12 versus 10 by the end of 2019.

- Logistics / industrial properties

This category (3 in both years) includes logistics or light industrial buildings.

- Properties under development / construction

Properties classified as properties under development / construction are generally non-yielding properties (i.e. no material income is generated throughout the construction / development phase), which require substantial work either for construction, renovation or conversion purposes or have been granted a building permission with construction to start in the near future. Following completion, the property is reclassified as either retail, offices, logistics / industrial. During the year 2020, there were three properties in this category (3 as well during and as at 31 December 2019). As at 31 December 2020, EPiC 20 and the buildings A&B of EPiC 19 moved to the category office properties. The buildings C&D of EPiC 19 remain in investment properties under development / construction.

A property initially classified under one category might be moved to another category if its purpose has changed, following renovation or investment.

Investment properties are initially valued at cost at the time of initial recognition including directly attributable transaction costs. After initial recognition, they are recognised at fair value and the changes in value are recognised as revaluation gains or losses, respectively, in the consolidated statement of profit or loss.

Subsequent expenditures are capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other costs (including repairs and maintenance) are expensed when incurred. When part of an investment is replaced, the carrying amount of the replaced part is derecognised.

The fair value of the properties as at the reporting date is determined by recognised external real estate valuation experts using recognised valuation techniques and the principles of IFRS 13. These valuations form the basis for the carrying amounts in the consolidated financial statements. Properties that are being redeveloped for continuing use as investment property continue to be measured at fair value.

A property is derecognised upon disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets or liabilities at fair value through profit or loss. They comprise interest rate swaps for hedging purposes (economic hedge). They are derecognised when the obligation under liability is discharged, cancelled or expires.

EPIC Group does not apply hedge accounting in accordance with IFRS. Recognition of the derivative financial instruments takes place when the contracts are entered into. They are measured initially and subsequently at fair value. Gains or losses on derivatives in relation to fair value changes are recognised in the profit or loss under Financial Result.

Rental income

The group is the lessor in operating leases. Rental income from operating leases of investment property is recognized in profit or loss on a straight-line basis over the term of the lease and presented as rental income in the consolidated statement of profit or loss. Rental income which is based on the lessee’s revenue is recognised when it arises.

If the tenants are provided with significant incentives (e.g. long rent free periods), the cost of such incentives is recognised over the lease term on a straight-line basis as an adjustment of the rental income.

The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where management expects that it is reasonably certain that the tenant will exercise that option. The lease term includes also periods covered by an option to terminate the lease if management expects that it is reasonably certain that the tenant will not exercise that option. Initial direct costs incurred in relation to the negotiation and arrangement of an operating lease are added to the carrying amount of the underlying asset.

At present, EPIC Group has no rental agreements considered as finance leases.

Direct expenses related to investment properties

Direct expenses contain all costs which can be directly attributed to the investment properties. They mainly relate to maintenance, ancillary and energy, external property management, insurance and property taxes that cannot be passed on to the tenants.

Financial result

Finance income comprises interest income on loans granted, foreign currency gains and revaluation gains on derivatives that are recognised in the consolidated statement of profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and lease liabilities, revaluation losses on derivatives, foreign currency losses and other finance costs. Interest on loans taken out to finance investment properties under construction is not capitalised over the construction period because such investment properties are measured at fair value.

Tenant receivables

The tenant receivables are classified as financial assets at amortized cost, because they meet the solely payments of principal and interest criterion in IFRS 9 and the objective is to hold the receivables and collect the contractual cash flows. Their amortized costs equal their nominal value.

Impairment is recognised for expected credit losses. The expected credit losses are determined by an analysis of each individual tenant.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, cash at bank and short-term deposits with an original term of less than three months. These are recognised at nominal value and classified as financial assets at amortized costs under IFRS 9. The cash funds in the consolidated statement of cash flows are defined according to the above definition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the calculated expected credit loss was immaterial and therefore no valuation allowance has been recognised.

Other tangible assets

Other tangible assets include property, plant and equipment and are recognised at acquisition cost less accumulated depreciation and any accumulated impairment losses. Expenses for repairs and maintenance are charged directly to the consolidated statement of profit or loss. Depreciation is calculated according to the straight-line method based on the economic useful life.

Non-derivative financial liabilities

Non-derivative financial liabilities consist of outstanding mortgage-secured bank loans, temporary bank overdrafts, accrued mortgage interests, trade payables and other payables which are financial instruments and classified as subsequently measured at amortised cost under IFRS 9. A long-term financial liability is one on which the agreed residual maturity is longer than twelve months. All other agreements are classified as short-term, including amortisation payments that are due within twelve months of the reporting date.

The initial recognition is at fair value less directly attributable transaction costs for the bank loans. No borrowing costs were capitalised in the reporting period. Subsequently, financial liabilities are measured at amortised cost using the effective interest method, with the difference between the amount to be repaid and the carrying amount being amortised over the term and recognised in the profit and loss.

The real estate properties are collateralised as security for the amount of the remaining balance of the mortgages.

Income tax expenses

Income tax expenses comprises both the current and deferred tax. They are recognised in profit or loss, except to the extent that they relate to items recognised directly in equity or in other comprehensive income, in which case the corresponding expense is recognised directly in equity or other comprehensive income. Annual capital taxes and property taxes are not income taxes and are recognised in operating expenses and direct expenses related to properties respectively.

Current income taxes include the expected taxes payable on the relevant taxable result, calculated using the relevant tax rates, capital gains taxes on property sales effected and any adjustments to tax liabilities or assets from previous years.

Deferred taxes are recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases in the tax balance sheet. Measurement of deferred taxes takes account of the point in time when the asset or liability is expected to be realised or settled and the manner in which carrying amounts are expected to be recovered or settled. The tax rates used are those that are enacted or substantially enacted at the reporting date.

Deferred capital gains on investment properties, depending on the canton, are subject to corporate income tax or real estate capital gains tax at the cantonal level. Recaptured depreciation is always subject to corporate income tax. The real estate capital gains taxes are calculated using the actual current tax rates applicable at balance sheet date (or the tax rates applicable in 2020 or the near future as confirmed by the respective canton) and the estimated holding period.

Furthermore, the capital gains are subject to ordinary income tax at the federal level.

In the calculation of deferred taxes on investment properties, a residual holding period is estimated for each property that reflects EPIC Group’s strategy. The tax payable on these properties is calculated on the basis of a holding period of further 10 years after the balance sheet date. Should the actual holding period for a property deviate from the estimated holding period, the amount of tax applicable at the time the property is sold may vary considerably from the deferred tax estimated.

Deferred tax assets arising from deductible temporary differences and tax losses are only recognised to the extent that it is probable that future taxable profits will be available against which they can be used. 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 offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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.

Equity

Share capital consists of ordinary shares and is reported as equity since there is no repayment obligation and no dividend guarantee. External costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, in equity from the proceeds. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company.

Share premium is recognised when new shares are being issued and represent the difference between the nominal value and issuing value of shares.

Retained earnings include amounts which were formed from the undistributed net profit in the financial year or in previous financial years and other comprehensive income.

Dividends are recognised as a liability as soon as they are approved by the General Meeting and become then due.

Pension

The defined benefit liability is calculated by an independent actuary using the projected unit credit method. The discount rate used for the calculation is based on interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Re-measurement gains or losses are recognized in other comprehensive income. Pension costs relating to services rendered in the reporting period are recognized in profit or loss as current service costs. The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. The fair value of plan assets is deducted from the defined benefit obligation.

30 Definition of Non-GAAP measures

EBIT (Earnings before interest and tax) as a subtotal includes the result generated from the continuing principal revenue producing activities of the EPIC Group as well as other income and expenses related to operating activities before addition/deduction of financial income and financial expenses and income taxes.

EBITDA (Earnings before interest, tax, depreciation and amortisation) as a subtotal includes EBIT before deduction of depreciation and impairment of tangible assets.

Loan to value ratio represents the ratio of the mortgage-secured bank debts and the shareholders' loans net of cash and cash equivalents to the market value of the real estate properties.

Adjusted loan to value ratio represents the ratio of the mortgage-secured bank debts and the shareholders' loans net of cash and cash equivalents to the market value of the real estate properties excluding the value of the right-of-uses.

Annexes

EPIC Suisse AG – Property details before transfers between categories

For the year ended 31 December 2020

Legal entity	Property name	Address	Zip	City	Canton	Ownership	Construction Year	Renovation Year	Last renovation Year	Land Area (m²)	Retail (m²)	Office (m²)	Logisitics / industrial (m²)	Other (m²)	Total Rentable Area (m²)	Parking Unit (#)
Retail																
EPiC 1	Le Forum	Place du Marché 6	1820	Montreux	Vaud	P by F – 50%	2000	-	-	5'897	9'743	-	-	1'585	11'328	193
EPiC 2	Uster West	Winterthurerstrasse 18	8610	Uster	Zurich	Sole owner	1914	-	2004	11'545	4'320	2'907	-	1'110	8'337	163
EPiC 3	Wiggis-Park	Molliserstrasse 41	8754	Netstal	Glarus	Sole owner	1996	2002	2008 / 2014	37'368	18'506	5'123	-	6'418	30'047	628
EPiC 3	Florapark	Florastrasse 1	8800	Thalwil	Zurich	P by F – 48%	1993	-	2006	4'913	7'562	-	-	50	7'612	183
EPiC 4	"Zänti" Volketswil	Im Zentrum 18	8604	Volketswil	Zurich	Sole owner	1973	2020	-	20'803	11'530	956	-	2'366	14'852	548
EPiC 5	Tägipark	Jurastrasse 42	5430	Wettingen	Aargau	Sole owner	2003	-	2012	25'405	22'992	-	-	-	22'992	531
EPiC 7	Markt am Bohl	Bohl 9	9000	St. Gallen	St. Gallen	Sole owner	1989	-	-	1'086	2'190	240	-	1'016	3'446	-
EPiC 16	En Noyer-Girod	En Noyer-Girod 2-12	1063	Etoy	Vaud	Sole owner	2002	-	-	20'506	6'746	-	-	-	6'746	219
										127'523	**83'589**	**9'226**	**-**	**12'545**	**105'360**	**2'465**
Offices																
EPiC 7	Lake Geneva Center B	Route de la Longeraie 7	1110	Morges	Vaud	Sole owner	2006	-	-	5'157	-	5'364	-	1'334	6'698	152
EPiC 9	Provencenter	Avenue de Provence 82	1007	Lausanne	Vaud	Sole owner	1992	2015	-	1'980	-	6'404	-	478	6'882	84
EPiC 9	Office Building Lutry	Rue de Remparts 2	1095	Lutry	Vaud	Owner of building Parking – P by F	2002	-	-	468	-	1'348	-	87	1'435	18
EPiC 9	com.West	Hardturmstr. 123/125/127/129 Förrlibuckstr. 70/72	8005	Zürich	Zürich	Sole owner	2002	-	-	9'938	404	21'396	-	2'752	24'552	154
EPiC 11	Biopôle SC-A & SC-B	Route de la Corniche 2-4	1066	Epalinges	Vaud	Land lease – P by F 96.5 %	2008	-	-	4'462	646	4'847	-	816	6'309	84
EPiC 12	Lake Geneva Center A	Route de la Longeraie 9	1110	Morges	Vaud	Sole owner	2008	-	-	6'508	-	5'531	-	1'133	6'664	144
EPiC 15	Biopôle SV-A	Route de la Corniche 10	1010	Lausanne	Vaud	Land lease	2012	-	-	1'776	-	3'127	-	482	3'609	17
EPiC 16	Vennes III	Chemin des Roches 1a et 1b	1010	Lausanne	Vaud	Sole owner	2013	-	-	4'891	-	5'165	-	380	5'545	76
EPiC 18	Rue du Tunnel	Rue due Tunnel 6, 8, 10 & 12	1227	Carouge	Geneva	P by F – 13.3%	2017	-	-	3'799	-	1'216	-	163	1'379	14
EPiC 22	Lancy Office Center	Avenue des Morgines 8/10	1213	Petit-Lancy	Geneva	Sole owner	2002	-	-	7'775	1'225	8'212	-	3'598	13'035	191
										46'754	**2'275**	**62'610**	**-**	**11'223**	**76'108**	**934**
Logistics / industrial																
EPiC 7	En Molliau	Route du Molliau 30	1131	Tolochenaz	Vaud	Sole owner	1972	-	-	73'618	-	-	40'079	-	40'079	320
EPiC 9	Vuarpillière	Chemin de la Vuarpillière 27/29	1260	Nyon	Vaud	Sole owner	1987	2019	2015	6'007	-	276	7'560	-	7'836	65
EPiC 10	Fegistrasse	Fegistrasse 9	8957	Spreitenbach	Aargau	Sole owner	1989	-	-	11'132	482	2'135	15'549	138	18'304	154
										90'757	**482**	**2'411**	**63'188**	**138**	**66'219**	**539**
SUBTOTAL										**265'034**	**86'346**	**74'247**	**63'188**	**23'906**	**247'687**	**3'938**
Under development / construction																
EPiC 19	Campus Leman	Rue du Doctor Yersin 10	1110	Morges	Vaud	Sole owner	1950	2020	-	9'049	n/a	n/a	n/a	n/a	n/a	n/a
EPiC 20	Biopôle SB-A	Route de Berne 200	1066	Epalinges	Vaud	Land lease	2020	-	-	2'075	n/a	n/a	n/a	n/a	n/a	n/a
EPiC 23	En Châtelard	Chemin du Châtelard	1033	Cheseaux-sur-Lausanne	Vaud	Sole owner	-	-	-	31'879	n/a	n/a	n/a	n/a	n/a	n/a
										43'003						
TOTAL PORTFOLIO										**308'037**						

Legend:

EPiC 3 and EPiC 4 have land lease rights of 605 m² and 3'381 m² respectively which are not included in the table
P by F – Property by floor

EPIC Suisse AG – Property details after transfers between categories

As at year ended 31 December 2020

Legal entity	Property name	Address	Zip	City	Canton	Ownership	Construction Year	Renovation Year	Last renovation Year	Land Area	Retail	Office	Logisitics / industrial	Other	Total Rentable Area	Parking Unit
										(m²)	(m²)	(m²)	(m²)	(m²)	(m²)	(#)
Retail																
EPiC 1	Le Forum	Place du Marché 6	1820	Montreux	Vaud	P by F – 50%	2000	-	-	5'897	9'743	-	-	1'585	11'328	193
EPiC 2	Uster West	Winterthurerstrasse 18	8610	Uster	Zurich	Sole owner	1914	-	2004	11'545	4'320	2'907	-	1'110	8'337	163
EPiC 3	Wiggis-Park	Molliserstrasse 41	8754	Netstal	Glarus	Sole owner	1996	2002	2008 / 2014	37'368	18'506	5'123	-	6'418	30'047	628
EPiC 3	Florapark	Florastrasse 1	8800	Thalwil	Zurich	P by F – 48%	1993	-	2006	4'913	7'562	-	-	50	7'612	183
EPiC 4	"Zänti" Volketswil	Im Zentrum 18	8604	Volketswil	Zurich	Sole owner	1973	2020	-	20'803	11'530	956	-	2'366	14'852	548
EPiC 5	Tägipark	Jurastrasse 42	5430	Wettingen	Aargau	Sole owner	2003	-	2012	25'405	22'992	-	-	-	22'992	531
EPiC 7	Markt am Bohl	Bohl 9	9000	St. Gallen	St. Gallen	Sole owner	1989	-	-	1'086	2'190	240	-	1'016	3'446	-
EPiC 16	En Noyer-Girod	En Noyer-Girod 2-12	1063	Etoy	Vaud	Sole owner	2002	-	-	20'506	6'746	-	-	-	6'746	219
										127'523	**83'589**	**9'226**	**-**	**12'545**	**105'360**	**2'465**
Offices																
EPiC 7	Lake Geneva Center B	Route de la Longeraie 7	1110	Morges	Vaud	Sole owner	2006	-	-	5'157	-	5'364	-	1'334	6'698	152
EPiC 9	Provencenter	Avenue de Provence 82	1007	Lausanne	Vaud	Sole owner	1992	2015	-	1'980	-	6'404	-	478	6'882	84
EPiC 9	Office Building Lutry	Rue de Remparts 2	1095	Lutry	Vaud	Owner of building Parking – P by F	2002	-	-	468	-	1'348	-	87	1'435	18
EPiC 9	com.West	Hardturmstr. 123/125/127/129 Förrlibuckstr. 70/72	8005	Zürich	Zürich	Sole owner	2002	-	-	9'938	404	21'396	-	2'752	24'552	154
EPiC 11	Biopôle SC-A & SC-B	Route de la Corniche 2-4	1066	Epalinges	Vaud	Land lease – P by F 96.5 %	2008	-	-	4'462	646	4'847	-	816	6'309	84
EPiC 12	Lake Geneva Center A	Route de la Longeraie 9	1110	Morges	Vaud	Sole owner	2008	-	-	6'508	-	5'531	-	1'133	6'664	144
EPiC 15	Biopôle SV-A	Route de la Corniche 10	1010	Lausanne	Vaud	Land lease	2012	-	-	1'776	-	3'127	-	482	3'609	17
EPiC 16	Vennes III	Chemin des Roches 1a et 1b	1010	Lausanne	Vaud	Sole owner	2013	-	-	4'891	-	5'165	-	380	5'545	76
EPiC 18	Rue du Tunnel	Rue due Tunnel 6, 8, 10 & 12	1227	Carouge	Geneva	P by F – 13.3%	2017	-	-	3'799	-	1'216	-	163	1'379	14
EPiC 22	Lancy Office Center	Avenue des Morgines 8/10	1213	Petit-Lancy	Geneva	Sole owner	2002	-	-	7'775	1'225	8'212	-	3'598	13'035	191
EPiC 19	Campus Leman – A&B	Rue du Doctor Yersin 10	1110	Morges	Vaud	Sole owner	1950	2020	-	6'920	928	8'792	-	1'875	11'595	125
EPiC 20	Biopôle SB-A	Route de Berne 200	1066	Epalinges	Vaud	Land lease	2020	-	-	2'075	-	7'850	-	866	8'716	-
										55'749	**3'203**	**79'252**	**-**	**13'964**	**96'419**	**1'059**
Logistics / industrial																
EPiC 7	En Molliau	Route du Molliau 30	1131	Tolochenaz	Vaud	Sole owner	1972	-	-	73'618	-	-	40'079	-	40'079	320
EPiC 9	Vuarpillière	Chemin de la Vuarpillière 27/29	1260	Nyon	Vaud	Sole owner	1987	2019	2015	6'007	-	276	7'560	-	7'836	65
EPiC 10	Fegistrasse	Fegistrasse 9	8957	Spreitenbach	Aargau	Sole owner	1989	-	-	11'132	482	2'135	15'549	138	18'304	154
										90'757	**482**	**2'411**	**63'188**	**138**	**66'219**	**539**
SUBTOTAL										**274'029**	**87'274**	**90'889**	**63'188**	**26'647**	**267'998**	**4'063**
Under development / construction																
EPiC 19	Campus Leman – C&D	Rue du Doctor Yersin 10	1110	Morges	Vaud	Sole owner				2'129	n/a	n/a	n/a	n/a	n/a	n/a
EPiC 23	En Châtelard	Chemin du Châtelard	1033	Cheseaux-sur-Lausanne	Vaud	Sole owner				31'879	n/a	n/a	n/a	n/a	n/a	n/a
										34'008						
TOTAL PORTFOLIO										**308'037**						

Legend:

EPiC 19 Buildings A&B and EPiC 20 (in blue) were moved from properties under development / construction to offices
EPiC 3 and EPiC 4 have land lease rights of 605 m² and 3'381 m² respectively which are not included in the table
P by F – Property by floor

EPIC Suisse AG – Property details

For the year ended 31 December 2020

Additional information about investment properties under development / construction

EPiC 19 – Campus Leman Buildings C & D	**Rue du Doctor Yersin 10, 1110 Morges**	
Description	**Status of the project**	**Completion**
Complete renovation and construction in 3 phases, phase 1 (buildings A&B) was completed by the end of 2020		
Phase 2: New construction of a new Building C	Tenant of Building B has an option to rent this building. Option has to be exercised by June 2021 or December 2021 with a penalty of CHF 500k for the 6-month extension of the option. Once the tenant's plans are known, either the building will be planned together with the tenant, or the development will be carried out alone and the building offered for rent in the open market.	Estimated 2023
Phase 3: New construction of a new Building D	Tenant of Building B has an option to rent this building. Option has to be exercised by December 2023. Once the tenant's plans are known, either the building will be planned together with the tenant, or the development will be carried out alone and the building offered for rent in the open market.	Estimated 2026

EPiC 23 - En Châtelard	**Chemin du Châtelard, 1033 Cheseaux-sur-Lausanne**	
Description	**Status of the project**	**Completion**
Construction of new activity building	Building permit approved in November 2020. In parallel further investigations are being carried out to assess in the most efficient way the depollution.	Estimated End 2024

Expiry of lease contracts based on 2020 target rent

Year	No option exercised
2021	8.7%
2022	6.2%
2023	13.6%
2024	10.7%
2025	10.2%
2026	6.4%
2027	1.3%
2028	7.3%
2029	5.3%
2030	2.5%
2031+	27.8%
TOTAL	**100.0%**

EPIC Suisse AG – Property details

For the year ended 31 December 2020

Key information by category[i]

Category	Market value	Rental income	Net rental operating income	Target rent 2020	Implied yield based on target rent	Vacancy as a % of target rent	Vacancy As at 31 Dec 2020
	CHF '000	CHF '000	CHF '000	CHF '000	%	%	m^2
Retail	575'680	23'936	20'909	25'927	4.5%	5.3%	5'364
Offices	501'639	22'051	18'787	24'517	4.9%	8.2%	7'975
Logistics / industrial	117'730	5'927	5'335	6'173	5.2%	3.3%	1'856
TOTAL	**1'195'049**	**51'914**	**45'031**	**56'617**	**4.7%**	**6.3%**	**15'195**

Category	Market value	Rental income	Other income	Total income	Net operating income (NOI)	Yield based on achieved rent
	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	%
Retail	575'680	23'936	758	24'694	21'667	4.2%
Offices	501'639	22'051	1'075	23'126	19'862	4.4%
Logistics / industrial	117'730	5'927	33	5'960	5'368	5.0%
TOTAL	**1'195'049**	**51'914**	**1'866**	**53'780**	**46'897**	**4.3%**

[i] The key information is based on the category to which the properties belonged during the financial year