P3 Group S.à.r.l.

Consolidated Financial Statements

For the year ended 31 December 2019

BOARD OF MANAGERS' REPORT FOR THE PERIOD 1 JANUARY 2019 TO 31 DECEMBER 2019

P3 Group S.à r.l. ("the Company") is a limited liability company incorporated in Luxembourg.

The investment strategy of the Company and its subsidiaries ("the Group") is to build a world-class network of modern distribution facilities.

I. Activities and review of the development of the business

The Company was incorporated on 27 August 2013. On 14 October 2013 the Company acquired a portfolio of 48 yielding assets in seven countries across Europe along with land for future developments, and the companies responsible for the asset management of the portfolio.
In 2014, the Group acquired a portfolio of 4 yielding assets in Spain, a portfolio of land for future developments in Czech Republic, a portfolio of 5 yielding assets in Italy, and a portfolio of 47 yielding assets along with land for future development in Czech Republic.
In 2015, the Group acquired a portfolio of yielding assets in Poland and Romania with total lettable area of 467k sqm and 165 hectares of land for future developments.
In 2016, the Group acquired yielding assets in Spain and Slovakia and acquired land for future developments in Poland, Germany, Romania and the Czech Republic.
In 2017, the Group acquired yielding assets in Spain and Czech Republic and acquired land for future developments in Poland, Spain, Italy, Germany, Romania, Slovakia and the Czech Republic.
In 2018, the Group acquired yielding assets in France, Germany and Slovakia, acquired land for future developments in Spain, Germany, Italy and Romania and disposed 9 assets in France and the Czech Republic.
In 2019, the Group acquired land for future developments in Italy and Slovakia.

II. Financing activities

The Group funds its activities using a combination of standard bank financing and financing provided by its shareholder. During 2019 the management drew down additional €250.0 million under the existing bank facilities and €50.0 million under the shareholder agreement.

The Group experienced no liquidity issues during the year and has stable, long term financing arrangements.

III. Results and allocation

In 2019, the Group generated operating profit of €343.0m and IFRS profit before tax of €280,2m. The result is significantly influenced by an increase in the market value of investment properties and development land of €217.0m, offset by financial costs of €69.6m.

IV. Property portfolio

As of 31 December 2019, the Group had 205 yielding assets and development land valued at €3,710.6m and an additional 15 assets under construction valued at €381.0m.
The Group's yielding assets are diversified across nine European countries having 4.4m sqm lettable space with a further 613.8k sqm under construction.

In 2019, the Group completed 14 development projects adding an additional 302.7k sqm to the portfolio.

In 2019, the Group purchased 31k sqm of land for development in Italy and 14k sqm in Slovakia.

V. Research and development and purchase of own shares

The Group was not active in research and development and has not purchased any of its own shares within the reported period.

VI. Summary and Outlook

The focus of the Group is to optimise the performance of the existing portfolio and continue to grow the business both by developing new assets and acquiring new portfolios in strategically relevant countries in Europe.

VII. Risk management

Real estate market risk

The management of real estate market risk is one of the core competencies of the Group. Essentially, these risks comprise two specific categories – real estate market cycle risk and rental market risk. Real estate market cycle risks are related to fluctuations inherent to the overall commercial real estate market and the related impact on the valuations of the Group's investment portfolio. These risks are partially mitigated by the Group's strategy of geographical diversification. Risks in connection with a change in discount rates as well as market rents are risks that affect the entire property market.

Credit risk

The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is principally managed by requiring tenants to pay a deposit or provide a guarantee prior to occupying a property, and on an ongoing basis by paying rent in advance. Tenants are assessed according to their credit worthiness prior to entering into a lease agreement, and local asset managers monitor tenant receivables on a day to day basis.

Liquidity risk

Liquidity risk arises from the general funding of the Group's activities and from the management of its positions. The Group monitors cash balances in all Group companies on both the local and Group levels to ensure all Group companies have sufficient liquidity for day to day operations and to meet all liabilities as and when they fall due.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The current interest rate risk exposure for the Group is considered low and the Group manages the interest rate risk in combination with its investment strategy.

Foreign currency risk

The Group's exposure to foreign currency risk is primarily limited to translation risk as all borrowings are denominated in Euros and cash flows from rental contracts are agreed in Euros (but may be payable in local currency).

Cash flow risk
The risks and uncertainties that the board of Managers has deemed material are detailed in Note 8 of the consolidated financial statements.

VIII. Subsequent events

Financing activities

The Group drew down €600.0 million under a new bank facility agreement and €303.0 million funding from the shareholder in January 2020 for an acquisition of assets portfolio amounting to approximately of €950.0 million, which closed on 31.1.2020. The new portfolio represents 26 yielding assets and 995.7k sqm in Slovakia, Poland, Germany, Austria, Netherlands and Belgium.

The Group drew down €50.0 million in January and €300 million in March 2020 from the existing bank facility agreement, €300 million was used for repayment of the shareholder loan.

The Group signed refinancing of facility of €600.0 million being due in May 2020 (classified as Short-term borrowings as at 31 December 2019) by a new facility due in 2023.

Disposal of assets

In March 2020 the Group completed Mszczonow deal and sold 5 yielding assets for €84.2 million and sold land in Bulgaria for €1.7 million (both presented under Assets held for sale described in Note 5.21).

COVID-19 impact

The Group is closely monitoring the development of default risk on tenant receivables, evaluating status of major construction sites and assessing potential impact from changes in local regulations as a result of implementing COVID-19 measures. However, it is currently too early to assess full potential impact of COVID-19. The Management believes that logistics real estate is likely to prove resilient owing to its essential role in facilitating daily consumption. Having external debts guaranteed by the shareholder, sufficient finance resources from recently made draw downs and healthy liquidity from stable operating cash-flow, the Management is confident, that impact of COVID-19 will not be significant. The Group has been also taking different measures to mitigate the risk of infection on its employees. Despite the current COVID-19 impact, the Group management has concluded, that it does not influence its ability to continue as a going concern.

Luxembourg, 11 June 2020

Management Board member

Management Board member

To the Shareholders of
P3 Group S.à r.l.
13-15 avenue de la Liberté
L-1930 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of P3 Group S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated report including the board of managers' report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers 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, the Board of Managers 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 the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit 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 a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 by the Board of Managers.

— Conclude on the appropriateness of the Board of Managers' 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 report of the "Réviseur d'Entreprises agréé" 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 report of the "Réviseur d'Entreprises agréé". 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 and 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.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 11 June 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

P3 Group S.à r.l.
CONSOLIDATED INCOME STATEMENT
For the year ended

In € thousand	Note	31 December 2019	31 December 2018
Rental income		186,099	176,615
Service charges		29,249	29,668
Gross rental revenue	**4.1**	**215,348**	**206,283**
Property operating expenses	4.2	(36,575)	(36,285)
Net rental income		**178,773**	**169,998**
Net gains from fair value adjustments on investment property	4.4	216,961	298,832
Management fee income		270	33
Disposal of investment property	4.5	61	(616)
Other expense, net	4.6	(1,323)	(4,457)
Administrative expenses	4.3	(51,788)	(41,216)
Operating profit		**342,954**	**422,574**
Financial income	4.7	6,807	23
Financial costs	4.8	(69,566)	(133,238)
Profit/(Loss) before tax		**280,195**	**289,359**
Current income tax expense	4.9	(5,828)	(4,750)
Deferred income tax expense	4.9	(44,998)	(71,134)
Profit/(Loss) for the year		**229,369**	**213,475**
Other comprehensive income which will be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		6,182	(5,887)
Total comprehensive income for the year		**235,551**	**207,588**
Profit/(Loss) attributable to:			
Non-controlling interests		1,122	984
Owners of the Group		228,247	212,491
Profit/(Loss) for the year		**229,369**	**213,475**
Other comprehensive income attributable to:			
Non-controlling interests		-	-
Owners of the Group		(6,182)	(5,887)
Other comprehensive income for the year		**(6,182)**	**(5,887)**

The accompanying Notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Managers on the 11 June 2020 and were signed on their behalf by:

Management Board member

Management Board member

P3 Group S.à r.l.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In € thousand	**Note**	**31 December 2019**	**31 December 2018**
Assets			
Investment property	5.1	3,613,286	3,138,007
Investment property under construction	5.2	356,800	265,895
Property, plant and equipment	5.3	2,319	2,283
Right-of-use assets	6.1	4,434	0
Intangible assets	5.4	61	76
Derivative financial instruments	5.6	22	676
Deferred tax assets	5.5	1,667	741
Non-current restricted cash	5.12	2,521	2,637
Other non-current assets	5.7	37,535	27,360
Total non-current assets		**4,018,645**	**3,437,675**
Trade receivables	5.8	19,500	14,847
Tax receivables	5.11	40,072	27,600
Other current assets	5.9	12,106	12,747
Prepayments	5.10	55,935	4,314
Cash and cash equivalents	5.12	102,099	80,595
Assets held for sale	5.21	124,853	145,637
Total current assets		**354,565**	**285,740**
TOTAL ASSETS		**4,373,210**	**3,723,415**
Equity			
Issued share capital	5.13	365	365
Share premium	5.13	3,816	3,816
Other capital funds	5.13	293,467	206,589
Retained earnings	5.13	855,438	657,601
Translation reserve	5.13	17,092	10,910
Equity attributable to owners of the Company		**1,170,178**	**879,281**
Non-controlling interest (NCI)	5.13	5,403	4,213
Total equity		**1,175,581**	**883,494**
Liabilities			
Long-term borrowings	5.14	2,202,400	2,500,459
Deferred tax liabilities	5.5	268,066	220,342
Long-term payables	5.15	24,387	15,140
Total non-current liabilities		**2,494,853**	**2,735,941**
Short-term borrowings	5.14	599,659	
Trade payables	5.16	26,461	28,356
Accruals	5.17	24,834	25,944
Deferred income	5.18	16,249	9,612
Tax liabilities	5.19	14,500	15,909
Other payables	5.20	10,786	13,663
Liabilities directly associated with assets held for sale	5.21	10,287	10,496
Total current liabilities		**702,776**	**103,980**
TOTAL EQUITY AND LIABILITIES		**4,373,210**	**3,723,415**

The accompanying Notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Managers on the 11 June 2020 and were signed on their behalf by:

Management Board member

Management Board member

P3 Group S.à r.l.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousand	Note	Issued share capital	Share premium	Other capital funds	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2019		**365**	**3,816**	**206,589**	**657,601**	**10,910**	**4,213**	**883,495**
Transaction with owners in their capacity as owners								
Contribution to other capital funds	5.13	-	-	56,456	-	-	-	56,456
Allocation to reserve fund		-	-	30,422	(30,422)	-	-	-
Total balance after contributions		**365**	**3,816**	**293,467**	**627,179**	**10,910**	**4,213**	**939,951**
Profit for the period		-	-	-	228,247	-	1,122	229,369
Reclassification and corrections	5.13	-	-	-	48	-	-	48
Minority interest	5.13	-	-	-	(37)	-	68	31
Other comprehensive income		-	-	-	-	6,182	-	6,182
Balance at 31 December 2019		**365**	**3,816**	**293,467**	**855,438**	**17,092**	**5,403**	**1,175,581**

In € thousand	Note	Issued share capital	Share premium	Other capital funds	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2018		**365**	**3,816**	**168,891**	**464,486**	**16,797**	**3,287**	**657,643**
Transaction with owners in their capacity as owners								
Contribution to other capital funds*	5.13	-	-	18,360	-	-	-	18,360
Allocation to reserve fund		-	-	19,338	(19,338)	-	-	-
Total balance after contributions		**365**	**3,816**	**206,589**	**445,148**	**16,797**	3,287	**676,002**
Profit for the period		-	-	-	212,491	-	984	213,475
Reclassification and corrections	5.13	-	-	-	(54)	-	-	(54)
Minority interest	5.13	-	-	-	16	-	(58)	(43)
Other comprehensive income		-	-	-	-	(5,887)	-	(5,887)
Balance at 31 December 2018		**365**	**3,816**	**206,589**	**657,601**	**10,910**	**4,213**	**883,495**

* Contribution to other capital funds consists of €18,360 thousand non-cash contributions.

P3 Group S.à r.l.
CONSOLIDATED CASH FLOW STATEMENT
For the year ended

In € thousand	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Profit before taxation		280,195	289,359
Adjustment for:			
Depreciation and amortisation	5.3, 5.4	1,507	303
Valuation net gains on investment property	4.4	(216,961)	(298,832)
Valuation net gains on derivatives	4.7, 4.8	654	1,829
Interest expense and financial fees	4.8	68,912	116,573
Interest and other financial income	4.7	(49)	(23)
(Profit) / loss on disposal of PPE / subsidiaries	4.6	(61)	616
Other non-cash items		(104)	909
Foreign exchange differences		(6,622)	16,982
Operating cash flows before working capital changes		**127,471**	**127,716**
Decrease / (increase) in trade and other receivables		(10,190)	(199)
Decrease / (increase) in prepayments		311	3,190
Increase in trade and other payables		13,928	(1,000)
(Decrease) / increase in accrued expenditure		9,104	4,142
Cash generated from operations		**140,624**	**133,849**
Interest paid	5.14	(10,135)	(59,055)
Taxes paid		(6,102)	(1,360)
Net cash generated from / (used in) operating activities		**124,387**	**73,434**
Cash flows from investing activities			
Acquisition of investment property and subsequent expenditure	5.1	(400,028)	(310,274)
Acquisition of tangible, intangible fixed assets and leased assets	5.3,5.4	(2,369)	(420)
Decrease / (increase) in restricted cash	5.12	116	382
Proceeds from disposal of shares	5.13	-	-
Proceeds from disposal of Investment Property	4.5	106	88,235
Net cash used in investing activities		**(402,175)**	**(222,077)**
Cash flow from financing activities			
Proceeds from bank borrowings	5.14	250,000	130,000
Repayment of bank borrowings	5.14	-	-
Proceeds from related party borrowings	5.14	50,000	50,000
Repayment to related party borrowings	5.14	-	-
Payment of transaction costs related to borrowings	4.7	-	-
Increase/(decrease) in other capital funds	5.13	-	-
Net cash generated from financing activities		**300,000**	**180,000**
Net decrease in cash and cash equivalents		**22,112**	**31,357**
Foreign exchange differences		(708)	21
Cash and cash equivalents at the beginning of the year		80,595	49,217
Cash and cash equivalents at the end of the year	**5.12**	**102,099**	**80,595**

The accompanying Notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Introduction
P3 Group S.à r.l. (“the Company”) is a limited liability company incorporated in Luxembourg. The Company and its subsidiaries (together “the Group”) is a specialist investor, developer and asset manager of warehouse properties and comprises real estate investment companies, together with companies responsible for the management of those companies.

The Company was incorporated on 27 August 2013 as TPG Cent S.à r.l. On 23 September 2013 the Company changed its name to P3 Group S.à r.l. On 22 December 2016, the owner of the Group was changed to Euro Vitus Private Limited, a private limited company incorporated in Singapore. The Company’s registered address is 13-15, Avenue de la Liberté, Luxembourg.

Description of ownership structure
Euro Vitus Private Limited is ultimately owned by GIC, the sovereign wealth fund of the Government of Singapore.

Management Board

as at 31 December 2019:

Mr. Adnane Zahrane
Mrs. Madelaine Elizabeth Cosgrave
Mrs. Denise Grant
Mr. Christopher Paul Jenner
Mr. Michael Robert Kidd
Mr. Timothy Beaudin
Mr. Mike McKeon
Mr. Jose Rodriguez Lopez
Mr. Goh Kok Huat

as at 31 December 2018:

Mr. Ian Worboys
Mr. Adnane Zahrane
Mrs. Madelaine Elizabeth Cosgrave
Mrs. Denise Grant
Mr. Christopher Paul Jenner
Mr. Michael Robert Kidd
Mr. Timothy Beaudin
Mr. Mike McKeon
Mr. Jose Rodriguez Lopez

Employees
The Group had 159 employees as at 31 December 2019 (31 December 2018 – 140 employees).
All the above employees were engaged in the core business activities of the Group.

Acquisitions and changes to the Group
The Group entered into several acquisitions during 2018 and 2019. As a part of the IFRS closing process the Group evaluated whether these acquisitions are treated according to IFRS 3 Business combinations or as an asset acquisition under IAS 40 Investment property and IAS 16 Property, plant and equipment.

For each investment property acquired these key factors were considered as relevant:
- Inputs – being non-current assets (buildings and land) and contracts
- Processes – management with unique knowledge related to investment property in the area
- Outputs – the intended outputs being rental income from leases

As a result of this assessment transactions were treated as asset acquisition for IFRS purposes because no processes were acquired as part of any transaction. Therefore, all transaction costs related to acquisitions were capitalized.

In 2019, the Group acquired land for future developments in Italy and Slovakia.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation of consolidated financial statements

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The financial statements set out the Group's financial position as of 31 December 2019 and results of operations and cash flows for the year ended 31 December 2019.

The consolidated financial statements were authorized for issue by the Board of Managers on 11 June 2020.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position, which are measured as indicated below at each reporting date:

- 'Investment property' and 'Investment property under construction' are measured at fair value;
- 'Derivative financial instruments' are measured at fair value; and
- Disposal groups are measured at the lower of their carrying amount and fair value less costs to sell and investment property within the disposal groups are measured at fair value.

c) Going concern

The consolidated financial statements have been prepared on a going concern basis. In concluding that this is the appropriate basis of preparation Group management have taken the following into consideration:

Cash flow projections

Detailed quarterly cash flow projections have been prepared for the period to 31 December 2020, which demonstrate that the Group will generate sufficient cash flows from operations to meet its liabilities as they fall due, including operating expenses, interest on its borrowings and repayments of those borrowings which fall due within the period.

Availability of related party funding

The Group has funding from related parties.

Availability of bank debt

The Group has funding from several facilities with external banks which is repayable to varying maturity schedules. Facility of €600.0 million being due in May 2020 (classified as Short-term borrowings as at 31 December 2019) will be refinanced by a new facility due in 2023 (as described in Subsequent events). Cash flow projections show the Group can meet all loan amortisation and interest payments on all its facilities.

The Group also has access to additional bank financing to fund new development projects as and when required.

Conclusion

Group management remain confident that the consolidated financial statements should continue to be prepared on a going concern basis on the grounds that they consider sufficient funding will be available for the reasons set out above.

d) Presentation currency

These consolidated financial statements are presented in Euro, which is the functional currency of the Company. All financial information presented in Euro has been rounded to the nearest thousand (€'000), except where otherwise indicated.

e) Critical accounting estimates, judgements and assumptions

The preparation of consolidated financial statements in conformity with IFRS as adopted by the European Union requires the use of estimates, and the exercise of commercial judgement by management. These estimates and judgements affect the level and valuation of assets and liabilities reported. The disclosure of contingent liabilities, income and expenses in the reporting period, as well as other disclosures in the consolidated financial statements. Actual realisable values may diverge from assumptions and estimates that have been used. If they subsequently deviate from actual circumstances, the initial estimates and assumptions are revised to reflect such changed circumstances during the financial period in which these changes occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The primary discretionary decisions, estimates, judgements and assumptions impacting the consolidated financial statements of the Group relate to the following:

Valuation of Investment property and Investment property under construction
The fair value of Investment property and Investment property under construction is determined by real estate valuation experts using the hardcore/capitalisation method.

Current income taxes
The Group is subject to taxation in 14 countries within Europe. The determination of the provision for income taxes in these various jurisdictions requires judgement by management, as the ultimate determination of taxes for many transactions and calculations has not finally been set at the date of these consolidated financial statements.

Deferred income taxes
Assumptions are necessary for deferred tax assets from tax losses carried forward. These losses are only recognised when the use of the losses in the future is probable. The determination as to whether such losses can be offset in the future is based on estimates of future cash flows deriving from the property, together with estimates by Group management on the likelihood of utilisation against taxable profits in future periods. Based upon these factors, a probability is assigned to each potential asset and subsequently assessed.

Valuation of derivatives
Financial derivatives are recognised at fair value.

Assets held for sale
Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair value is determined by the estimated selling price of the assets less estimated costs to sell and investment property within the disposal groups are measured at fair value.

f) Application of new and revised International Financial Reporting Standards IFRS

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public-sector entities since they are not relevant to the Group).

The nature and the impact of each new standard/amendment are described below.

Changes in accounting policies and accounting pronouncements adopted since 1 January 2019

- *IFRS 16 Leases* – details about the impact from the adoption are described in the Note 6.1.
- *IFRIC 23 Uncertainty over Income Tax Treatments* – no material impact on the financial statements is expected as the Group does not have material uncertain tax positions;
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation* – no material impact on the financial statements is expected as the Group does not have prepayable financial assets with negative compensation.

Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

Several new standards, amendments to Standards and Interpretations are not yet effective as of 31 December 2019 and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will be relevant for the Group and the Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its consolidated financial statements.

Effective from 1 January 2020:

None

Not yet effective and not yet endorsed by the EU:

- *Amendments to IFRS 3 Business Combinations* – no material impact on the financial statements of the Group is expected;
- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* – no material impact on the financial statements of the Group is expected.
- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture* – no material impact on the financial statements is expected as the Group typically do not enter *into such transactions with its subsidiaries and has no associates / joint ventures.*
- *IFRS 17 Insurance Contracts* - no material impact is expected.

2.2. Significant accounting policies

Except for the changes described above in Note 2.1 (f) 'Application of new and revised International Financial Reporting Standards IFRS', the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the goodwill by reference to the cash generating units to which the goodwill is allocated. Estimation of the recoverable amount is by reference to the higher of fair value less costs to sell and 'value in use'. A value in use calculation requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

The interest of non-controlling shareholders at the date of the business combination is recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are determined at fair value. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

ii. Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the period presented. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

iii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iv. Transactions eliminated on consolidation

All intragroup assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

v. Property acquisitions

Where property is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises.

b) Foreign currency

Functional currencies

Functional currencies of the companies in the Group are the currency of the primary economic environment in which the entity operates, and most of its transactions are made in this currency.

Summary of countries and functional currencies:

Country	Functional currency
Luxembourg	EUR
Belgium	EUR
Czech Republic	CZK
Slovakia	EUR
Germany	EUR
France	EUR
Netherlands	EUR
Poland	PLN
Spain	EUR
Italy	EUR
Bulgaria	BGN
Serbia	RSD
UK	GBP
Romania	RON

Foreign subsidiaries

Assets and liabilities of foreign entities with functional currency different than Euros are translated into Euros at exchange rates ruling at the balance sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at the spot rate for significant items. Resultant exchange differences are booked in reserves and recognised into profit or loss when the operation is sold.

The following exchange rates were used during translations:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the year
31 December 2019	25.41	25.50
31 December 2018	25.73	25.64

Date	Closing exchange rate PLN/EUR	Average exchange rate PLN/EUR for the year
31 December 2019	4.26	4.27
31 December 2018	4.30	4.26

Date	Closing exchange rate RON/EUR	Average exchange rate RON/EUR for the year
31 December 2019	4.78	4.78
31 December 2018	4.66	4.65

Foreign subsidiaries in Bulgaria, Serbia and UK are not material to the consolidated financial statements.

c) Consolidated Statement of Financial Position

i. Investment property

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is recorded at market value in accordance with IAS 40. Appraisals of market values as of 31 December 2019 and as of 31 December 2018 were performed by external, independent appraisers certified by the Royal Institution of Chartered Surveyors (RICS). The appraisals were performed using the hardcore/capitalisation method. See also “Critical accounting estimates and judgements” and Note 5.1 for additional information on appraisal methodology.

Expenses incurred after the purchase of the property are only capitalised if they represent improvements to the property and if it is likely that future economic benefits will accrue to the Group and if acquisition or construction costs can be reliably measured. All other maintenance and repair costs are recognised immediately in profit or loss in the period in which they are incurred.

The net result arising from a change in the fair value of investment property is recognised in profit or loss in the period in which it arises.

Investment property is derecognised if either sold, no longer available for permanent use, or if no future economic benefit is anticipated. Gains and losses from the disposal of investment properties are recognised in profit or loss in the year of disposal.

ii. Investment property under construction

Investment property under construction is measured initially at cost and, to the extent that a fair value can be reliably determined, subsequently recorded at market value in accordance with IAS 40. The adjustment to the market value of investment property under construction is recorded in profit or loss from the point at which the construction permit is finalised and contract with general contractor signed and is included as part of the net change in market value of investment property in profit or loss.

Borrowing costs directly attributable to the acquisition or construction of an asset that takes a substantial period to prepare for its intended use or sale are capitalised as part of the cost of the asset. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

iii. Property, plant and equipment

Recognition and measurement

Property, plant and equipment consist primarily of office furnishings and leasehold improvements. Furnishings, fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use, capitalised borrowing costs and an appropriate proportion of production overheads.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.
The estimated useful lives for the current and comparative periods are as follows:

Assets	**31 December 2019**	**31 December 2018**
Property	30 – 50 years	30 – 50 years
Equipment	5 – 10 years	5 – 10 years
Motor vehicles	5 years	5 years
Fittings	3 – 5 years	3 – 5 years
Computers	3 years	3 years

Estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

iv. Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. The cost of software is straight-line amortised over 3 years.

v. Leased assets and lease liabilities

Recognition and measurement

A lease is defined as a contract, or part of a contract, that conveys the right to control the use (direct how and for what purpose the asset is used and obtain substantially all the economic benefits) a specifically identified asset for the period of time in exchange for consideration.

Exemption is applied to following contracts:
- Short-term leases (having lease term of 12 months and less),
- Leases for which the underlying asset is of low value (under USD 5,000).

Upon lease commencement a lessee recognises a right-of-use asset and a lease liability.

Lease liability is a present value of unavoidable future lease payments including following:
- Fixed payments less any lease incentives,
- Variable payments that depend on an index or a rate (e.g. linked to a consumer price index or market rental rates),
- The exercise price of a purchase option if the lessee is reasonably certain to exercise it,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising a termination option,
- Residual value guarantees.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for lease incentives or payments at or prior to commencement, restoration obligations at the end of the lease, plus any initial direct costs incurred by the lessee (incremental costs of obtaining a lease that would not otherwise have been incurred, e.g. commissions, legal fees, costs of negotiating lease terms, etc.).

Discount rate
If the interest rate implicit in the lease, cannot be readily determined, the interest rate from the latest bank financing before the beginning of the year is applied as incremental borrowing rate for particular year.

Subsequent measurement
After a commencement date, the right-of-use liability should be measured by:

- Increasing the carrying amount to reflect the interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made,
- Remeasuring the carrying amount to reflect any reassessment or lease modifications

Basis for right-of-use assets shall be consistent with the principles for property, plant and equipment, being depreciated over the lease term, or useful life if exercise option is reflected in the cost.

Lease modifications
The lease liability shall be remeasured if there is a change in the lease term, assessment of purchase option, or change in future payments resulting from changes in an index or a rate. The treatment of lease modifications depends on whether a modification increases the scope of the lease (when separate new lease is accounted for) and the consideration for the lease increases commensurately (lease liability is to be remeasured, revised lease payments discounted at the revised discount rate and corresponding adjustment made to the right-of-use asset).

vi. Impairment of assets

Non-derivative financial assets
A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost
The Group considers evidence of impairment for financial assets measured at amortised cost (provided loans, trade and other receivables, held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. This approach is in line with the newly introduced IFRS 9 that requires to assess expected credit loss related to financial asset and to incorporate forward looking information.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property, and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into cash generating units (CGU's), defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

vii. Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. This measurement requirement does not apply to investment property, which shall continue to be measured in accordance with IAS 40. However, the disposal group as a whole is measured in a manner consistent with the non-current assets that are held for sale (at the lower of carrying amount and fair value less costs to sell).

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

viii. Financial Instruments
Financial instruments include both financial assets and financial liabilities and are classified under the following primary categories:

- Financial instruments valued at fair value through the profit and loss
- Loans and receivables at amortised cost
- Financial liabilities at amortised cost
- Derivative financial instruments which are designated as non-hedged instruments
- Derivative financial instruments which are designated as hedging instruments

Recognition
Financial assets are recognised when the Group has a contractual right to receive cash or other financial assets from another party. Financial liabilities are recorded when there is a contractual obligation for a cash payment or the delivery of a financial asset.

Derecognition
Financial assets are derecognised if the contractual rights to payments arising from the financial assets expire or if the financial assets are transferred along with all key risks and rewards. Financial liabilities are derecognised when the liability is settled via payment or assignment of a financial asset.

Non-derivative financial assets
Loans and receivables at amortised cost
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not traded in an active market. Loans and receivables are initially measured at fair value and subsequently at amortised cost.

Interest from items in this category is calculated using the effective interest rate method. The following assets are allocated to this measurement category:

- Trade receivables

Trade receivables comprise receivables arising mainly from the leasing of investment properties.

- Other current assets

The fair value of other current assets due within one year approximates the carrying value disclosed in the consolidated financial statements, due to the short time in which these transactions are settled. The balance comprises receivables which do not arise from leasing of investment properties.

- Restricted cash

Restricted cash relates to cash balances maintained in designated bank accounts where the use of the cash is restricted by lenders, some tenant deposits which are held in segregated accounts and some deposits or amounts held in escrow required as security in relation to acquisitions or other transactions.

- Cash and cash equivalents

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

Non-derivative financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial instruments with fixed or determinable payments. Financial liabilities are initially measured at fair value and subsequent valuation is at amortised cost under the effective interest method. The following liabilities are classified under this measurement category:

- Borrowings

Long/short term borrowings include both bank loans which are concluded in order to purchase real estate as well as shareholder loans. The bank loan portfolio of the Group includes variable interest rate which is fixed via derivative instruments. A differentiation is made between long and short-term bank loans based on future repayments. Repayments due within twelve months or amounts that are callable within the next twelve months are classified as current, and the rest as non-current. Bank loans are concluded in the same currency as the underlying investments. In addition to bank loans, the Group has access to financing provided by its shareholder.

- Trade payables

Trade payables consist mainly of obligations that arise in connection with the investment properties, for example with leasing activities or renovation of a property, and in connection with administration of the companies.

- All other short and long-term liabilities

These include all other liabilities of the Group, lease payments received in advance, tenant deposits, VAT liabilities as well as various accruals and other items.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rates and as part of its active management of financing costs. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. All derivatives are carried at fair value through profit or loss.

ix. Share capital

Ordinary shares

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

x. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

d) Consolidated Statement of Comprehensive Income

i. Gross rental revenue

Revenue reported from real estate operations comprises exclusively rental income and income from service charges. Rental revenue from operating leases, less the Group's initial direct costs of entering into the leases, is accounted for according to IAS 17 Leases and is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are amortized on a straight-line basis over the lease term, even if the payments are not made on such a basis. Amounts received from tenants to terminate leases are recognised in profit or loss when they arise.

Service charges income is a fee enabling the Group to recover the costs of servicing and operating its properties from the tenants. It is dependent on the actual servicing/operating costs and the level of occupancy of the properties for the given period. The income is recognised based on the arrangements made with the tenants in the lease agreement – either as a direct charge to tenants or as a service charge reconciliation. In respect of utilities (energy, water, etc.) consumed by tenants, the Group acts as an agent to its tenants and recognises income through direct charge to tenants without any margin. The amounts received from tenants and paid to utilities providers do not gross up revenues and expenses. For the other property operating expenses such as repair and maintenance, insurance, property/facility management and external services, the Group acts as the principal when delivering these types of services to the tenants due to the following reasons:

- The Group is the contractual party to fulfil the services promised to the tenants via internal or third-party service providers;
- The Group obtains, or commits itself to obtain, the specified good or service before obtaining a contract with a tenant;
- The Group determines the rate to recover the services costs from the tenants;
- The Group bears the residual risk of services cost not recovered from the tenants.

For these types of services, the Group recognises the income through service charge reconciliation and presents both the service charge income and property operating expenses at gross basis.

ii. Property operating expenses

Property operating expenses include costs directly associated with the individual properties, and include costs for insurance, facility management, legal costs, taxes and other fees. Additionally, property operating expenses include the cost for maintenance and repairs of investment properties. The costs incurred during the reporting period are charged to profit or loss.

iii. Administrative expenses

All expenses that cannot be allocated directly to individual investment properties are recorded as administrative expenses. These costs include personnel expenses for the entire Group as well as fees for legal, tax (not directly related to the investment property), appraisal and audit services, bad debts as well as other expenses of an overhead nature. These costs are recorded on an accrual basis.

iv. Utilities

In respect of utilities (energy, water, etc.) consumed by tenants the Group acts as an agent to its tenants. The Group performs payments to utilities providers on behalf of tenants, receives advances paid by tenants and issues final settlements to tenants based on actual utilities consumption. Amounts received from tenants and paid to utilities providers are recognised as payables and receivables respectively until final settlement and do not gross up revenues and expenses.

v. Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans), net foreign exchange gains, gains on derivative instruments that are recognised in profit or loss and reclassifications of amounts (losses) previously recognised in other comprehensive income.
Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial costs primarily include interest expense on debt financing, including the interest impact and revaluation losses from derivative financial instruments. All financial costs are accrued and recognised in profit or loss based on the effective interest method. Borrowing costs directly attributable to borrowings used to finance development properties are removed from the profit or loss and capitalised as part of the acquisition cost of the development property. Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

vi. Income taxes

Income tax expenses comprise current and deferred income taxes. Income tax expenses are recorded directly in profit or loss unless they are incurred as part of a transaction included in other comprehensive income. In such cases, the income tax expenses are recorded directly in other comprehensive income in a manner consistent with the underlying transaction.

Current income tax

Current income taxes comprise taxes due on the taxable earnings of the Group calculated using the tax rate in effect as of the balance sheet date, together with capital gains tax on the sales of assets and adjustments to tax liabilities or receivables from previous periods.

The Group is subject to income and capital gains taxes in several jurisdictions. Judgement is required to determine the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain.

The Group recognises liabilities for current taxes based on estimates of whether taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made. Deferred tax assets and liabilities are recognised on a net basis to the extent they are relating to the same fiscal jurisdiction and are capable of direct offset.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is not recognised for:

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

Deferred tax assets from tax loss carry forwards are recognised only to the extent that it is probable that taxable profit will be available against which those losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

vii. Changes in accounting estimates

No changes in accounting estimates occurred in 2019 and 2018.

2.3. Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

i. Investment property and Investment property under construction

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at least annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time. The appraisals were performed using the hardcore/capitalisation method.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

Investment property measurements are classified within Level 3 of the fair value hierarchy.

ii. Derivative financial instruments

The fair values of derivative financial instruments are classified within Level 2 of the fair value hierarchy and are based on the use of relevant observable inputs available in active markets and some other unobservable inputs (i.e. credit risks) based on the best information available to the Group. Valuation technique include discounting of estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

iii. Assets and liabilities held for sale

The fair value of investment property included in the position "Assets held for sale" is classified within Level 3 of the fair value and is based on the expected selling price that is being negotiated with the potential purchaser. The expected selling price is compared with the fair value determined by the independent valuator as described in Note 2.3.i (as the provisions of IAS 40 should be followed in case of investment property). The lower of the two values is used.

3. SEGMENTAL ANALYSIS

Segment reporting is based upon the "management approach". The Group's reportable segments are asset owning companies and management/holding companies. Asset owning companies are further divided by geography.

Each of the segments are managed by Country Heads and reported to the Group's management team separately. For reporting purposes, the Group separately reports segments that are material, which it defines as representing approximately 10% of revenues and 10% of total assets. All other geographic locations are grouped together in the segment "Other".

No individual tenant makes up 10% or more of the Group's rental income.

Eliminations represent the elimination of intragroup transactions covering financing and leasing/development and asset management fees paid by asset companies to management/holding companies.

Segment as at 31 December 2019

In € thousand	Czech Republic	Poland	France	Romania	Germany	Spain	Slovakia	Italy	Netherlands	Other	Management / Holding companies	Eliminations	Total
CONSOLIDATED STATEMENT OF PROFIT OR LOSS													
Gross rental revenue	69,721	33,293	13,015	20,949	17,077	25,607	15,109	11,898	9,002	254	0	(576)	**215,348**
Property operating expenses	(9,488)	(11,022)	(4,598)	(5,237)	(2,749)	(1,967)	(2,768)	(1,577)	(1,152)	(26)	0	4,009	**(36,575)**
Net rental income	**60,233**	**22,271**	**8,417**	**15,711**	**14,328**	**23,639**	**12,341**	**10,321**	**7,849**	**228**	**0**	**3,433**	**178,773**
Net gains from fair value adjustments on investment property	50,936	9,423	13,408	1,086	66,333	34,784	12,013	15,806	5,892	7,279	0	0	**216,961**
Management fee income	0	0	0	0	0	0	182	0	0	0	35,769	(35,681)	**270**
Disposal of assets	36	0	0	0	0	0	0	0	0	0	25	0	**61**
Other income/Other expense	274	184	(1,016)	(22)	(21)	101	70	32	(13)	(10)	(893)	(7)	**(1,323)**
Administrative expenses	(7,416)	(3,738)	(2,280)	(1,669)	(2,611)	(3,037)	(1,175)	(1,254)	(778)	(813)	(51,979)	24,961	**(51,788)**
Operating profit	**104,063**	**28,141**	**18,529**	**15,106**	**78,029**	**55,487**	**23,431**	**24,905**	**12,950**	**6,684**	**(17,078)**	**(7,295)**	**342,954**
Financial income	8,087	3,291	484	(4,349)	1,069	168	(1)	593	0	(0)	230,178	(232,712)	**6,807**
Financial costs	(19,561)	(8,999)	(6,289)	(10,501)	(7,495)	(9,577)	(2,417)	(7,538)	(2,811)	(273)	(226,007)	231,902	**(69,566)**
Profit before tax	**92,589**	**22,432**	**12,724**	**256**	**71,604**	**46,077**	**21,012**	**17,961**	**10,138**	**6,411**	**(12,906)**	**(8,106)**	**280,195**
Income tax expense	(16,438)	(6,300)	(5,216)	508	(6,921)	581	(3,338)	(6,447)	(2,611)	(1,195)	(3,449)	0	**(50,826)**
Profit for the period	**76,151**	**16,132**	**7,508**	**765**	**64,683**	**46,659**	**17,674**	**11,513**	**7,527**	**5,216**	**(16,355)**	**(8,106)**	**229,369**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION													
Investment property	1,288,083	425,111	209,276	252,911	397,802	503,495	209,487	193,237	140,733	34,489	0	(41,338)	**3,613,286**
Investment property under construction	53,432	5,682	0	855	105,311	23,117	48,987	123,727	0	0	0	(4,312)	**356,800**
Other assets	25,899	130,732	62,170	10,713	36,674	28,912	10,391	56,002	4,087	14,092	7,819,050	(7,795,178)	**403,124**
Total assets	**1,367,414**	**561,525**	**271,445**	**264,479**	**539,787**	**555,524**	**268,865**	**372,966**	**144,819**	**48,581**	**7,819,050**	**(7,840,828)**	**4,373,210**
Borrowings	675,144	324,137	185,362	177,227	347,539	273,948	136,409	213,372	94,782	38,968	6,759,945	(6,424,774)	**2,802,059**
Other liabilities	135,269	48,139	39,922	8,979	33,135	28,700	26,802	37,982	17,180	3,169	54,205	(37,491)	**395,570**
Total liabilities	**810,413**	**372,276**	**225,284**	**186,205**	**380,673**	**302,648**	**163,211**	**251,354**	**111,962**	**42,137**	**6,814,150**	**(6,462,265)**	**3,197,629**
Equity	**557,001**	**189,249**	**46,161**	**78,274**	**159,114**	**252,876**	**105,654**	**121,613**	**32,857**	**6,444**	**1,004,900**	**(1,378,563)**	**1,175,581**

Segment as at 31 December 2018

In € thousand	Czech Republic	Poland	France	Romania	Germany	Spain	Slovakia	Italy	Netherlands	Other	Management / Holding companies	Eliminations	Total
CONSOLIDATED STATEMENT OF PROFIT OR LOSS													
Gross rental revenue	66,904	29,657	19,085	20,393	15,674	20,449	13,527	12,265	8,916	0	0	(586)	**206,283**
Property operating expenses	(9,666)	(9,355)	(6,415)	(5,491)	(2,362)	(1,829)	(2,310)	(1,397)	(1,323)	(10)	(0)	3,874	**(36,285)**
Net rental income	**57,238**	**20,302**	**12,670**	**14,902**	**13,312**	**18,620**	**11,217**	**10,868**	**7,592**	**(10)**	**(0)**	**3,287**	**169,998**
Net gains from fair value adjustments on investment property	98,270	36,444	3,701	7,022	32,981	55,905	17,476	31,127	11,656	4,250	0	0	**298,832**
Management fee income	0	0	0	0	0	0	0	0	0	0	29,907	(29,874)	**33**
Disposal of assets	(1,698)	15	(913)	0	0	0	0	0	0	0	1,980	0	**(616)**
Other income/Other expense	(903)	(433)	(3,439)	(94)	(307)	(186)	(306)	(76)	(55)	(45)	1,379	8	**(4,457)**
Administrative expenses	(7,127)	(4,162)	(2,192)	(1,606)	(3,915)	(2,592)	(972)	(1,523)	(1,121)	(297)	(37,059)	21,348	**(41,216)**
Operating profit	**145,779**	**52,167**	**9,827**	**20,224**	**42,071**	**71,746**	**27,415**	**40,396**	**18,072**	**3,899**	**(3,793)**	**(5,232)**	**422,574**
Financial income	0	105	554	49	1,077	177	0	595	0	0	238,576	(241,111)	**23**
Financial costs	(24,705)	(17,461)	(10,213)	(11,093)	(5,812)	(8,149)	(2,407)	(6,214)	(2,963)	(70)	(285,220)	241,070	**(133,238)**
Profit before tax	**121,074**	**34,811**	**168**	**9,181**	**37,336**	**63,774**	**25,009**	**34,776**	**15,109**	**3,829**	**(50,438)**	**(5,273)**	**289,359**
Income tax expense	(24,459)	(6,736)	(2,227)	(2,596)	(9,786)	(11,131)	(5,250)	(9,310)	(5,349)	(503)	1,462	0	**(75,884)**
Profit for the period	**96,615**	**28,075**	**(2,059)**	**6,584**	**27,551**	**52,643**	**19,759**	**25,467**	**9,760**	**3,326**	**(48,975)**	**(5,273)**	**213,475**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION													
Investment property	1,195,540	373,162	195,165	256,363	267,525	437,316	179,224	177,028	82,090	10,306	0	(35,713)	**3,138,007**
Investment property under construction	13,604	36,802	0	0	114,319	25,423	35,287	42,131	0	0	0	(1,670)	**265,895**
Other assets	29,663	109,451	62,226	12,449	46,038	24,889	4,369	34,051	58,620	2,940	8,719,339	(8,784,524)	**319,512**
Total assets	**1,238,807**	**519,416**	**257,391**	**268,812**	**427,881**	**487,629**	**218,881**	**253,210**	**140,710**	**13,246**	**8,719,339**	**(8,821,907)**	**3,723,415**
Borrowings	653,443	295,321	225,667	179,442	301,994	248,151	105,264	136,885	101,300	11,452	7,495,757	(7,254,217)	**2,500,459**
Other liabilities	111,190	52,950	65,164	9,943	32,469	31,313	25,639	25,675	14,079	1,334	65,630	(95,925)	**339,461**
Total liabilities	**764,634**	**348,271**	**290,831**	**189,385**	**334,463**	**279,463**	**130,903**	**162,559**	**115,379**	**12,786**	**7,561,387**	**(7,350,142)**	**2,839,919**
Equity	**474,173**	**171,145**	**(33,440)**	**79,428**	**93,418**	**208,166**	**87,977**	**90,651**	**25,330**	**460**	**1,157,952**	**(1,471,765)**	**883,494**

4. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4.1. Gross Rental Revenue

In € thousand

	2019	2018
Rental revenue from investment property	185,023	175,124
Straight-lining of lease incentives	1,076	1,491
Rental income	**186,099**	**176,615**
Service charges	29,249	29,668
Gross rental revenue	**215,348**	**206,283**

Rental income from investment property increased due to new investment properties acquired or completed in 2019.

4.2. Property Operating Expenses

In € thousand

	2019	2018
Letting, marketing, legal and professional fees	(64)	(60)
Utilities	(1,391)	(1,933)
Taxation	(14,912)	(14,547)
Insurance	(1,511)	(1,323)
Security	(6,139)	(5,898)
Property management fees	(4,423)	(4,145)
Repairs and maintenance	(6,603)	(7,706)
Other	(1,532)	(673)
Total	**(36,575)**	**(36,285)**

4.3. Administrative Expenses

In € thousand

	2019	2018
Employee expenses (1)	(31,668)	(20,122)
Travel and transport costs	(1,752)	(1,864)
Telecommunication and IT costs	(1,410)	(987)
Consultancy and advisory fees (2)	(9,830)	(10,792)
Audit fees	(682)	(602)
Office costs	(418)	(1,497)
Marketing	(1,905)	(2,270)
Impairment loss on trade receivables	(315)	(470)
Other (3)	(3,808)	(2,612)
Total	**(51,788)**	**(41,216)**

(1) The Group had 159 employees as of 31 December 2019 (31 December 2017: 140 employees). The increase is caused by higher number of employees and related recruitment costs, accrued costs for management incentive plan and termination costs incurred in 2019.

(2) Consultancy and advisory fees comprise letting fees, legal, accountancy, tax and valuation services as shown in the table below.

In € thousand

Consultancy and advisory fees	2019	2018
Leasing fees	(2,716)	(5,519)
Accounting and payroll fees	(2,679)	(2,415)
Other professional fees	(400)	(395)
Legal and Notary fees	(1,811)	(1,027)
Tax consulting and Compliance fees	(1,803)	(1,071)
Valuation fees	(421)	(365)
Total	**(9,830)**	**(10,792)**

(3) Other administrative expenses include also €899 thousand of written off business development costs (projects not realized; 31 December 2018: €677 thousand), €319 thousand of bank fees (31 December 2018: €260 thousand), €1,507 thousand of depreciation of furniture, equipment and leased assets (31 December 2018: €303 thousand), €358 thousand of non-recoverable VAT and withholding tax (31 December 2018: €596 thousand); and other corporate secretary costs.

In € thousand

Employee expenses	2019	2018
Wages and salaries	(23,358)	(15,972)
Social security and health insurance	(2,092)	(1,872)
Other	(6,218)	(2,278)
Total	**(31,668)**	**(20,122)**

4.4. Net gains from fair value adjustments on investment property

In € thousand

2019	Valuation gains	Valuation loss	Net change in market value
Investment property	155,611	(37,950)	117,661
Investment property under construction	101,323	(2,023)	99,300
Total	**256,934**	**(39,973)**	**216,961**

See segment analysis Note 3 and Note 5.1 for more details.

In € thousand

2018	Valuation gains	Valuation loss	Net change in market value
Investment property	215,747	(9,832)	205,916
Investment property under construction	119,327	(26,411)	92,916
Total	**335,075**	**(36,243)**	**298,832**

4.5. Disposal of investment property

In 2019 there were no disposals of investment property, only minor sales of other fixed assets.

In 2018, the Group disposed 8 assets in France (classified as held for sale as at 31 December 2017) and 1 asset in the Czech Republic which resulted in a loss of €616 thousand. The effect of the disposal on the Group consolidated financial statements is summarized in the table below.

In € thousand

	2019	**2018**
Investment property	-	(88,324)
Trade and other receivables	-	(2,906)
Cash and cash equivalents	-	(247)
Deferred tax liabilities	-	574
Trade and other payables	-	2,052
Net assets and liabilities	**-**	**(88,851)**
Consideration received	-	88,482
Cash and cash equivalents disposed of	-	(247)
Net cash inflows	**-**	**88,235**

For further reference on Assets and liabilities held for sale see also Note 5.21.

4.6. Other Expense, Net

As of 31 December 2019, 'Other Expense, Net' comprised primarily transaction costs related to new acquisitions and other advisory costs related to the Group matters (transfer pricing, structuring, IT systems, etc).

As of 31 December 2018, 'Other Expense, Net' comprised primarily transaction costs related to disposal of assets and new acquisitions and other advisory costs related to the Group matters (transfer pricing, structuring, IT systems, etc).

4.7. Financial Income

In € thousand

	2019	**2018**
Interest income	49	15
Realized gains from derivatives and financial instruments	-	-
Other financial income	-	7
Net foreign exchange gains (1)	6,758	-
Total	**6,807**	**23**

(1) Net foreign exchange gains arise primarily from revaluation of borrowings from EUR to local functional currencies.

4.8. Financial Costs

In € thousand

	2019	**2018**
Interest expenses and financing fees - non-related parties (1)	(11,029)	(9,720)
Interest expenses - related parties	(57,883)	(106,852)
Unrealized losses from derivatives and financial instruments	(654)	(1,829)
Net foreign exchange losses (2)	-	(14,836)
Total	**(69,566)**	**(133,238)**

(1) Interest expenses and financing fees – non-related parties include €10,326 thousand of bank interest (2018: €9,031 thousand) and financial fees of €690 thousand (2018: €689 thousand).
(2) Net foreign exchange losses arise primarily from revaluation of borrowings from EUR to local functional currencies.

4.9. Income Tax

In € thousand

	2019	**2018**
Current income tax expense	(5,828)	(4,750)
Deferred income tax expense (Note 5.5)	(44,998)	(71,134)
Total income tax expense	**(50,826)**	**(75,884)**

In € thousand

	2019	**Effective tax rate**	**2018**	**Effective tax rate**
Profit/(Loss) before tax	280,195		289,359	
Tax at the domestic tax rates applicable to profits in the country concerned (1)	(47,280)	17%	(53,370)	18%
Non-deductible expenses	(20,441)	7%	(35,208)	12%
Non-taxable revenues	27,535	-10%	18,097	-6%
Gains subject to tax but eliminated in consolidation (2)	1,468	-1%	(7,637)	3%
Recognition /(derecognition) of accumulated tax losses	(4,391)	2%	(7)	0%
Deferred tax not recognized (3)	(7,262)	3%	(2,860)	1%
Other effects (4)	(455)	0%	5,101	-2%
Income tax expense	**(50,826)**	**18%**	**(75,884)**	**26%**

(1) The theoretical tax is calculated as sum of tax expenses/income calculated from profits / losses in each country using the rate applicable in the country concerned.
(2) This line is a tax on gain arising on repayment of certain intercompany loans.
(3) Deferred tax not recognised represents mainly deferred tax assets from revaluation loss on investment property and trading losses that are not expected to be utilised in the near future.
(4) Other effects are primarily represented by effect of FX translation of DT balance between years.

The Group operates in multiple tax jurisdictions. The average prevailing tax rate for the period has been calculated on a weighted average basis by applying local statutory tax rates to accounting losses and profits arising in each location.

The main tax rules in the countries where the Group is active are as follows:

Luxembourg
The corporate income tax rate of 26.0% (2018: 26.0%) includes a 7% employment fund contribution (2018: 7%). Additionally, a municipal business tax is levied. Tax losses do not expire, so they can be carried forward for undefined time period.

Czech Republic
The corporate income tax rate is 19% (2018: 19%). Tax losses can be carried forward for five years. Losses may not be carried forward on a substantial (approximately 25%) change in the ownership of a company unless certain conditions are met.

Germany

The corporate income tax rate is 15.825% (2018: 15.825%). The overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.825% (5.5% of the corporate income tax), and local trade tax. Tax losses can be carried forward for indefinite period.

Netherlands

The corporate income tax rates are 20% (2018: 20%) on the profits up to €200,000 and 25% (2018: 25%) on the excess. The same rates also apply to capital gains. Losses may not be carried forward on a substantial (approximately 30%) change in the ownership of a company unless certain conditions are met. Otherwise tax losses may be carried forward for nine years.

France

The corporate income tax rate is 28% (2018: 28%) on the profits up to €500,000 and 31% (2017: 33,33%) on the excess. Tax losses may be carried forward for indefinite period. Tax losses can be offset against taxable profits up to €1 million plus 50% of the excess in each fiscal period.

Poland

The corporate income tax rate is 19% (2018: 19%). Tax losses may be carried forward for five years, the loss set off in each year is capped at the 50% of the tax loss.

Italy

The corporate tax rate is 27.9% (IRES at 24% plus IRAP ordinary at 3.9%) (2018: 27.9%). Tax losses can be used for indefinite period. Tax law recognizes tax losses unlimited (generated in the first three fiscal periods) and limited which amount to 80% of the tax base.

Slovakia

The corporate income tax rate for 2019 is 21% (2018: 21%). Tax losses may be carried forward for four years.

Romania

The corporate income tax rate for 2019 is 16% (2018: 16%). Tax losses may be carried forward for seven years.

Spain

The corporate income tax rate for 2019 is 25% (2018: 25%). Tax losses may be carried forward for indefinite period. Part of the Spanish portfolio of the Group is subject to SOCIMI regime where the income tax rate in 2019 is 0% (2018: 0%).

Foreign subsidiaries in Belgium, Bulgaria, Serbia and UK are not material to the consolidated financial statements.

5. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1. Investment property

Investment properties include both completed yielding assets and undeveloped land intended for future development. As at 31 December 2019 the Group owned 205 completed investment properties in nine countries - Germany, France, Czech Republic, Netherlands, Poland, Slovakia, Italy, Romania and Spain (31 December 2018: 191 completed investment properties). The investment properties in Serbia and Bulgaria are recorded under the column “Other” in Note 3.

For detail relating to 2019 acquisitions see Note 1.

Appraisals of market values as of 31 December 2019 and as of 31 December 2018 were performed by external, independent appraisers certified by the Royal Institution of Chartered Surveyors (RICS). The appraisals were performed using the hardcore/capitalisation method.

Fair value measurement for investment properties has been categorised as a level 3 fair value as in 2018 based on the inputs to the valuation used.

The table below explains the valuation technique followed and the significant assumptions / unobservable inputs used:

Valuation technique	**Significant assumptions / unobservable inputs**
The properties held for investment have been valued using the income approach, capitalising the income to arrive at a capital value net of Capex, R&M costs and purchaser’s costs. The method represents a quotient of dividing the annual net operating income (NOI) by the appropriate capitalisation rate (yield). NOI is calculated based on current rent payable to lease expiry (after expiry ERV is used for re-letting assumptions), allowances are made for voids and rent-free periods where appropriate and non-recoverable costs are deducted where applicable. Yield estimations consider the quality of a building, its location (prime vs. secondary), tenant credit quality, lease terms, and market conditions (take-up, vacancy in sub-region and investment volume). Future growth of rents has been accounted for implicitly in opinion of yield. For assets under construction (AUP), the asset is valued on an as if complete basis utilising the income approach, and then any outstanding costs to complete and proportion of developer’s profit are deducted. The land held for future development is valued utilising either the cost approach (residual method) or the market approach (comparison method) depending on the level of development being undertaken, the type of development and the local market practice. As a sense check the comparison method is often used in conjunction with this approach.	- Void periods between 0-15 months after the end of each lease - Rent free periods: 0-12 months for new leases - Weighted average Equivalent Yield for investments assets (both yielding and AUP) for country 4.64-8.02% (in 2018: 5.09-7.91%), weighted average for the Group 5.70% (2018: 5.97%) -Transaction costs 1% (2018: 1%) according to the most likely method of sale of the portfolio. - For AUP costs to complete and developer’s margins vary with each development project (due to size, specification, country, etc.) – assumptions based on actual progress of works and total construction costs forecasted (costs contracted with general contractor and other construction costs – compared by valuator with the market standard)

For additional information about fair value measurement see Note 2.3i.

Investment property movement table for the year ended 31 December 2019
In € thousand

	Germany	France	Czech Republic	Poland	Netherlands	Italy	Romania	Slovakia	Spain	Other	Total
At 1 January 2019	**265,359**	**195,165**	**1,184,296**	**358,499**	**82,090**	**176,780**	**254,112**	**174,746**	**436,644**	**10,316**	**3,138,007**
Acquisition	0	0	0	0	0	13,996	0	3,318	0	6,068	**23,382**
Additions	3,975	702	10,137	2,048	7	50	2,213	686	1,183	15,700	**36,701**
Disposals	0	0	0	0	0	0	0	(135)	0	0	**(135)**
Transfer to investment properties under construction	0	0	(14,204)	(1,564)	0	0	0	0	(6,676)	0	**(22,444)**
Transfer from investment properties under construction	100,093	0	51,546	46,679	0	0	0	12,610	49,652	0	**260,580**
Transfer to assets held for sale	0	0	0	(1,170)	52,743	0	0	0	0	(5,357)	**46,216**
Valuation gains/(losses)	24,824	13,408	28,466	747	5,892	2,163	530	13,147	21,298	7,279	**117,754**
Translation difference	0	0	14,953	4,415	0	0	(6,141)	(0)	0	(1)	**13,226**
At 31 December 2019	**394,251**	**209,275**	**1,275,194**	**409,654**	**140,732**	**192,989**	**250,714**	**204,371**	**502,101**	**34,005**	**3,613,286**
Tenant lease incentives*	2,114	2,200	8,355	683	788	1,107	1,997	2,293	500	0	**20,037**
Total valuation of investment property	**396,365**	**211,475**	**1,283,549**	**410,337**	**141,520**	**194,096**	**252,711**	**206,664**	**502,601**	**34,005**	**3,633,323**

* Included within other non-current assets and other current assets

Investment property movement table for the year ended 31 December 2018
In € thousand

	Germany	France	Czech Republic	Poland	Netherlands	Italy	Romania	Slovakia	Spain	Other	Total
At 1 January 2018	**226,987**	**158,961**	**1,025,856**	**412,002**	**123,112**	**150,928**	**224,734**	**172,293**	**298,040**	**2,760**	**2,795,676**
Acquisition	0	32,366	54	61	0	709	4,346	5,850	5,588	3,306	**52,280**
Additions	3,361	1,901	6,260	1,551	64	786	1,411	353	(635)	0	**15,053**
Disposals	0	(1,764)	(6,034)	(624)	0	0	0	(1,364)	0	0	**(9,786)**
Transfer to investment properties under construction	0	0	(7,029)	(358)	0	0	0	(11,057)	(5,690)	0	**(24,134)**
Transfer from investment properties under construction	13,871	0	74,373	32,260	0	21,347	14,127	2,383	109,514	0	**267,874**
Transfer to assets held for sale	0	0	0	(90,834)	(52,743)	0	0	0	0	0	**(143,578)**
Valuation gains/(losses)	21,140	3,701	98,667	17,672	11,656	3,009	9,706	6,288	29,827	4,250	**205,916**
Translation difference	0	0	(7,851)	(13,232)	0	0	(212)	0	0	(0)	**(21,295)**
At 31 December 2018	**265,359**	**195,165**	**1,184,296**	**358,499**	**82,090**	**176,780**	**254,112**	**174,746**	**436,644**	**10,316**	**3,138,007**
Tenant lease incentives*	1,072	1,975	7,305	1,087	1,059	1,006	2,434	2,517	535	0	**18,989**
Total valuation of investment property	**266,431**	**197,140**	**1,191,601**	**359,586**	**83,148**	**177,786**	**256,546**	**177,262**	**437,179**	**10,316**	**3,156,996**

* Included within other non-current assets and other current assets

5.2. Investment property under construction

In € thousand

	2019	2018
At 1 January	**265,895**	**192,297**
Acquisition	1,635	19,451
Additions	251,414	204,646
Transfer from investment property	22,444	24,134
Transfer to investment property	(260,580)	(267,874)
Transfer to assets held for sale	(24,198)	0
Valuation gains	99,300	92,916
Translation difference	890	324
At 31 December	**356,800**	**265,895**

Investment property under construction comprises assets currently under development, i.e. where a construction permit has been obtained.

As of 31 December 2019, the Group had 15 new assets under construction in the Czech Republic, Germany, Poland, Slovakia, Spain, Italy and Romania (31 December 2018: 17 new assets under construction in the Czech Republic, Germany, Poland, Slovakia, Spain and Italy).

Fair value measurement for investment properties under construction properties has been categorised as a Level 3 fair value based on the inputs to the valuation used. There was no movement among Levels 1, 2 and 3 during the period.

5.3. Property, Plant and Equipment

In € thousand

Cost	**2019**	**2018**
At 1 January	**3,396**	**2,964**
Acquisition	-	286
Additions	357	129
Disposals	(40)	19
Translation difference	(54)	(3)
At 31 December	**3,659**	**3,396**

In € thousand

Accumulated depreciation	**2019**	**2018**
At 1 January	**(1,113)**	**(923)**
Acquisition	-	-
Charge of the period	(357)	(236)
Eliminated on disposal	116	47
Translation difference	14	1
At 31 December	**(1,340)**	**(1,113)**
Net book value at 31 December	**2,319**	**2,283**

Net book value of Property, Plant and Equipment primarily represents furniture, office equipment including leasehold improvements of leased office space and a power station located within one of the Group’s logistic parks.

5.4. Intangible Assets

In € thousand

Cost	2019	2018
At 1 January	**505**	**522**
Acquisition	-	4
Additions	3	1
Disposals	(184)	(20)
Correction of presentation	2	(2)
At 31 December	**326**	**505**

Accumulated amortisation		
At 1 January	**(429)**	**(385)**
Acquisition	-	-
Charge for the period	(18)	(66)
Disposals	184	20
Correction of presentation	(2)	1
At 31 December	**(265)**	**(429)**

Net book value at 31 December	**61**	**76**

Intangible Assets consist of capitalised software costs.

5.5. Deferred Tax Assets and Liabilities

In € thousand

31 December 2019	Assets	Liabilities	Net
Investment property and investment property under construction	711	(311,818)	(311,107)
Tax losses	26,366	-	26,366
Other temporary differences	10,173	(713)	9,460
Gross deferred tax	**37,250**	**(312,531)**	**(275,281)**
Set-off of deferred tax	**(35,583)**	**35,583**	**-**
Net deferred tax	**1,667**	**(276,948)***	**(275,281)**

*The balance presented as Deferred tax liability on the face of balance sheet is €268,066 thousand as at 31 December 2019. The difference of €8.882 thousand is represented by deferred tax liability related to disposed assets and is therefore presented as part of Liabilities held for sale – please refer also to Note 5.21.

In € thousand

31 December 2018	Assets	Liabilities	Net
Investment property and investment property under construction	-	(260,665)	(260,665)
Tax losses	25,529	-	25,529
Other temporary differences	6,928	(727)	6,202
Gross deferred tax	**32,458**	**(261,392)**	**(228,934)**
Set-off of deferred tax	**(31,717)**	**31,717**	**-**
Net deferred tax	**741**	**(229,675)***	**(228,934)**

*The balance presented as Deferred tax liability on the face of balance sheet is €220,342 thousand as at 31 December 2018. The difference of €9,333 thousand is represented by deferred tax liability related to disposed assets and is therefore presented as part of Liabilities held for sale – please refer also to Note 5.21.

The movement in deferred tax assets and liabilities is analysed in the following table.

In € thousand

31 December 2019	**1 January 2019**	**Recognized in comprehensive income**	**Translation reserve**	**Other movements ***	**Net**
Investment property and Investment property under construction	(251,332)	(49,092)	(1,350)	(452)	(302,226)
Tax losses	25,529	837	-	-	26,366
Other temporary differences	6,202	3,257	-	-	9,459
Total deferred tax	**(219,601)**	**(44,998)**	**(1,350)**	**(452)**	**(266,399)**

* Other movements are represented by reclassification of deferred tax liability related to disposed assets to the position Liabilities held for sale.

In € thousand

31 December 2018	**1 January 2018**	**Recognized in comprehensive income**	**Translation reserve**	**Other movements**	**Net**
Investment property and Investment property under construction	(188,675)	(73,885)	1,896	9,333	(251,332)
Tax losses	23,696	1,833	-	-	25,529
Other temporary differences	5,283	918	-	-	6,202
Total deferred tax	**(159,696)**	**(71,134)**	**1,896**	**9,333**	**(219,601)**

The Group has significant tax loss carry forwards which it can use to offset taxable income in future periods. Deferred tax assets from these tax losses carry forwards are recognised only to the extent that it is probable that taxable profits will be available against which the losses can be utilised. As at 31 December 2019, the unrecognised deferred tax asset from tax losses, and other temporary differences amounted to €45,323 thousand (31 December 2018: €25,089 thousand).

As at 31 December 2019, deferred tax liabilities of €48,242 thousand (31 December 2018: €46,564 thousand), based on differences at the time of initial recognition arising from transactions treated as asset acquisitions have not been recorded, in accordance with IAS 12.

In € thousand

Tax losses	**31 December 2019**	**31 December 2018**
Total of tax losses carry forwards	**304,440**	**203,566**
there of:		
Expiration within 1 year	4,221	1,819
Expiration from 1-3 years	19,335	29,559
Expiration from 3-5 years	16,125	11,890
Expiration more than 5 years	6,646	19,271
Without time limitation	258,113	141,028

The tax losses stated above include also tax losses €2,681 thousand related to assets classified as Assets held for sale (31 December 2018: €4,931).

5.6. Derivative financial instruments

In € thousand

Maturity of derivatives	Notional amounts 31 December 2019	Fair Value 31 December 2019	Notional amounts 31 December 2018	Fair Value 31 December 2018
Up to 1 year	-	-	-	-
1 to 5 years	552,284	22	565,074	676
Over 5 years	-	-	-	-
Total	**552,284**	**22**	**565,074**	**676**

The classification below is based on the timing of cash flows of the underlying liability.

	31 December 2019	31 December 2018
Short-term derivative – assets	-	-
Long-term derivative – assets	22	676
Short-term derivative – liabilities	-	-
Long-term derivative – liabilities	-	-
Total	**22**	**676**

The Group uses interest rate caps. All derivatives are carried at fair value through profit or loss.

Interest payments relating to bank loans and other loans are recorded under interest expense in Note 4.7.

Interest rate of derivatives	31 December 2019	31 December 2018
0 - 2%	22	676
2 - 3%	-	-
Total	**22**	**676**

Fair value measurement for derivative financial instruments has been categorised as a level 2 fair value based on the inputs to the valuation used. There was no movement among Levels 1, 2 and 3 during the period. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect transactions in similar instruments.

5.7. Other Non-Current Assets

In € thousand

	31 December 2019	31 December 2018
Accrued income (1)	18,999	18,157
Capitalized costs on new acquisitions (2)	13,831	4,994
Prepaid expense	776	-
Other (3)	3,929	4,210
Total	**37,535**	**27,360**

(1) Accrued income represents the rent-free incentives the Group has granted to tenants.

(2) Capitalized costs on new acquisitions/development represents transaction costs incurred as of the balance sheet date for future projects. The amount capitalized is transferred to investment property upon completion of the acquisition or start of the development.

(3) Other non-current assets represent primarily long-term deposits paid in Spain (in 2019: €3,919 thousand, in 2018: €3,916 thousand).

5.8. Trade Receivables

In € thousand

31 December 2019	Receivables	Loss allowance	Current amount
Not yet due	11,764	(1)	11,763
< 30 days past due	3,418	(1)	3,417
30 - 60 days past due	1,404	(1)	1,403
60 - 90 days past due	382	(2)	380
90 - 180 days past due	2,990	(124)	2,866
180 - 360 days past due *	83	(14)	69
> 360 days past due *	4,028	(4,426)	(398)
Total	**24,069**	**(4,569)**	**19,500**

* Negative carrying amount is due to the credit notes included in the gross receivables.

In € thousand

31 December 2018	Receivables	Loss allowance	Current amount
Not yet due	11,002	(1)	11,001
< 30 days past due	3,369	(410)	2,959
30 - 60 days past due	1,290	(192)	1,098
60 - 90 days past due	130	(30)	100
90 - 180 days past due	45	(42)	3
180 - 360 days past due	(64)	-	(64)
> 360 days past due *	3,552	(3,802)	(250)
Total	**19,324**	**(4,477)**	**14,847**

* Negative carrying amount is due to the credit notes included in the gross receivables.

Movement in impairment allowance

In € thousand

31 December 2018	**(4,477)**
Currency translation difference	(36)
Reclassification to Assets held for sale	-
Allowance made/ (released)	439
Allowance utilised	(495)
31 December 2019	**(4,569)**

5.9. Other Current Assets

In € thousand

	31 December 2019	31 December 2018
Accrued income (1)	2,212	3,073
Prepaid expense (2)	4,743	2,777
Other (3)	5,151	6,897
Total	**12,106**	**12,747**

(1) Accrued income includes the short-term element of rent free incentives granted to tenants, as well as accrued amounts from the year-end service charge reconciliation.

(2) Prepaid expenses primarily relate to insurance and property taxes paid in advance.

(3) The item "Other" is represented primarily by short-term receivables related to land acquisitions. As of 31 December 2019 in Spain (€1,500 thousand), in Poland (€874 thousand) a Slovakia (€975 thousand) and Czech Republic (€394 thousand), in 2018 in Spain (€4,475 thousand).

5.10. Prepayments

In € thousand

	31 December 2019	31 December 2018
Deposits paid (1)	53,387	3,166
Advance payments (2)	2,548	1,148
Total	**55,935**	**4,314**

(1) Deposits paid are primarily represented by short-term payments on escrow accounts relating to new acquisitions – in 2019: in Italy (€3,522 thousand) and to project Maximus (€48,250 thousand, described in Subsequent events), in 2018: in Italy and Netherlands (€2,737 thousand).

(2) Advance payments consist of recorded advances on utilities.

5.11. Tax Receivables

In € thousand

	31 December 2019	31 December 2018
VAT and other tax receivable (includes WHT) (1)	39,275	25,616
Income tax receivable	797	1,938
Total	**40,072**	**27,600**

(1) Of the total €39,275 thousand of VAT receivable, €32,587 thousand relates to the investment property portfolio in Poland, Romania, Spain, Slovakia and Czech Republic (31 December 2018: €17,860 thousand relates to the investment property portfolio in Poland, Romania, Spain, Italy, Czech Republic and Germany mainly due to development projects). An additional €6,688 thousand relates to VAT from advisory invoices in holding companies (31 December 2018: €6,073 thousand).

5.12. Cash and cash equivalents and Restricted cash

In € thousand

	31 December 2019	31 December 2018
Cash and cash equivalents	102,099	80,595
Non-current restricted cash (1)	2,521	2,637
Current restricted cash	-	-
Total	**104,620**	**83,232**

(1) Non-current restricted cash comprises primarily tenant's deposits.

The Group operates bank accounts in all jurisdictions where it has land or investment properties.

In certain instances, the Group is required to hold cash in reserve in order to comply with restrictions under its loan agreements or in relation to acquisitions where cash may be held in escrow accounts. This is classified as restricted cash above and is excluded from cash and cash equivalents in the consolidated cash flow statement.

For further information on loss allowance according to IFRS 9 please refer to Note 8.3.

5.13. Equity

Share capital and share premium
As of 31 December 2019, and 2018, the share capital of the Group consists of 36,505,930 ordinary shares with the nominal value of €0.01 each, on which share premium of €3,816 thousand arose. Each ordinary share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights.

The share premium account comprises the amount received in excess of the nominal value of the shares issued by way of subsequent issue of ordinary shares predominantly in connection with consequential increases of share capital in 2016.

Other capital funds
Changes in 'Other capital funds" in 2019 are made up of allocation of profits of the previous year of €30,422 thousand and €56,456 thousand non-cash contributions made in December 2019 which represents capitalized shareholder loan.

In 2018 changes in 'Other capital funds" are made up of allocation of profits of the previous year of €19,338 thousand and €18,360 thousand non-cash contributions made in December 2018 which represents capitalized shareholder loan.

	Number of shares	Share capital	Share premium	Other capital funds
Balance at 31 December 2018	**36,505,930**	**365**	**3,816**	**206,589**
Contribution of the new shareholder	-	-	-	56,456
Allocation to reserve fund	-	-	-	30,422
Balance at 31 December 2019	**36,505,930**	**365**	**3,816**	**293,467**

In € thousand

	Number of shares	Share capital	Share premium	Other capital funds
Balance at 31 December 2017	**36,505,930**	**365**	**3,816**	**168,891**
Contribution of the new shareholder	-	-	-	18,360
Allocation to reserve fund	-	-	-	19,338
Balance at 31 December 2018	**36,505,930**	**365**	**3,816**	**206,589**

Translation reserve
The translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations from their functional to the presentation currency.

Non-controlling interest
On 13 December 2017, one of the entities belonging to the Group - P3 Spain Logistic Parks SOCIMI, S.A.U. ("Spain SOCIMI") – was listed on a public stock exchange in Spain. The entity owned 13 subsidiaries in Spain, all of them fully consolidated within the Group. As part of the listing procedure, the Group sold 6.6232 % of its shares in Spain SOCIMI to 25 external investors for €1,403 thousand. The corresponding non-controlling interest in the consolidated equity of Spain SOCIMI was recognised in the Group consolidated financial statements as of 31 December 2017 in the amount of €3,287 thousand.

During the year 2018, 6,300 of the shares were purchased back by the Group for €16 thousand which decreased the non-controlling interest to 6.5054% (and by €58 thousand) as at 31 December 2018. Profit for the year 2018 relating to the minority interest corresponds to €984 thousand.

During the year 2019, 10,330 of the shares were sold by the Group for €58 thousand and 4,730 of shares were purchased back by the Group for €55 thousand. Non-controlling interest increased to 6.6101% (and by €68 thousand) as at 31 December 2019. Profit for the year 2019 relating to the minority interest corresponds to €1,122 thousand. This portfolio contains 17 subsidiaries as at 31 December 2019.

Together with the shares, the external investors were granted an option which represents their right to sell these shares back to the Group on 28 February 2021. The possible selling price will be calculated based on the value of consolidated equity of Spain SOCIMI as of 28 February 2021. The option should be recognised as a long-term financial liability in the Group consolidated financial statements as of 31 December 2019. Given the total proceedings received from the sale of shares including the option (€2,618 thousand) and the expected selling price calculation, the Group considers the related liability would not be material, and therefore decided not to recognise it in its consolidated financial statements as of 31 December 2019 and rather to disclose it in Note 5.22 Contingent assets and liabilities. The same approach was taken for the consolidated financial statements as of 31 December 2018.

5.14. Borrowings

In € thousand

Borrowings	31 December 2019	31 December 2018
Long-Term Borrowings	**2,202,400**	**2,500,459**
Bank borrowings	1,450,000	1,800,000
Deferred financial costs	(602)	(1,116)
Loans from related parties*	753,002	701,575
Short-Term Borrowings (1)	**599,659**	**(673)**
Bank borrowings	600,173	16
Deferred financial costs	(514)	(689)
Total	**2,802,059**	**2,499,785**

Borrowings by type (excluding Deferred financial costs)	31 December 2019	31 December 2018
Secured borrowings - Mortgages	2,050,173	1,800,016
Loans from related parties	753,002	701,575
Total	**2,803,175**	**2,501,591**

* Long term loans from related parties are included in category “over 5 years” in maturity overview below.

(1) In 2018, for presentation purpose, the negative short-term borrowings are reclassified to the Other current assets on the face of the balance sheet.

Borrowings are provided through a combination of borrowing provided by banks and financing provided by related parties. Loans from related parties are in the form of interest-bearing loans provided by the parent entity.

The table below outlines the maturity profile of the Group’s borrowings:

In € thousand

Borrowings by maturity (excluding Deferred financial costs)	31 December 2019	31 December 2018
Up to 1 year	600,173	16
1 to 5 years	1,450,000	1,200,000
Over 5 years	753,002	1,301,575
Total	**2,803,175**	**2,501,591**

Facility of €600.0 million being due in May 2020 (classified as Short-term borrowings as at 31 December 2019) will be refinanced by a new facility due in 2023 (as described in Subsequent events).

The maturity of the loans from related parties is contractually tied to the repayments of the underlying loans provided to the companies within the Group. The timing of the repayment of these underlying loans is controlled by the Group. In the table above loans from related parties are presented in the ‘Over 5 years’ category based on the management’s expectation of the repayment. To support long term presentation the shareholder issued a written confirmation in December 2019, that they will not require full repayment of the loan in 2020.

In 2018 the Group drew down additional €50,000 thousand of the loan from its shareholder and later in 2018 repaid €50,000 thousand of accrued yield.
In December 2018 the Group entered into a new bank facility agreement. The first drawdown was made in 2019, in total of €250,000 thousand.

The loan facilities of €2,050,000 thousand are due from May 2020 till June 2024 and subject to interest rate using 3M/6M EURIBOR + margin rate hedged under cap from 0.5-2.0%.

All bank borrowings are denominated in Euro.

The following table outlines the interest rate profile of the Group's borrowings:

In € thousand

Borrowings by interest rate	31 December 2019	31 December 2018
TOTAL floating rate*	**2,050,173**	**1,800,016**
Reference rate + 0.4 to 0.7%	2,050,173	1,800,016
Reference rate + 1% to 2%	-	-
Reference rate + 2% to 3%	-	-
TOTAL blended rate for shareholder's loan** – 3,63% + margin on profit	**753,002**	**-**
TOTAL blended rate for shareholder's loan** – 5,5-7,7% + margin on profit	**-**	**701,575**
Total	**2,803,175**	**2,501,591**

* Portion of loans with variable interest are hedged against interest rate risk.
** A portion of the Group's borrowings from its shareholder are financed by a total return swap.

The average interest rate for bank borrowings was 0.54% (year 2018: 0.51%). Bank borrowings with variable interest rates are typically hedged by derivative financial instruments. Bank borrowings are fully secured by parental guarantee provided by Europe Realty Holdings Pte Ltd (parent company of the shareholder of the Group).

Covenants

The current bank financing of the Group does not contain any financial quantitative covenants.

Reconciliation of changes in liabilities arising from financing activities

The reconciliation between opening and closing balances in the statement of financial position for liabilities arising from financing activities is presented in the following table.

Reconciliation of changes in liabilities arising from financing activities

In € thousand

Borrowings	**Term loan facilities - long-term**	**Loans from related parties - long-term**	**Term loan facilities - short-term**	**Total**
At 1 January 2019	**1,800,000**	**701,575**	**16**	**2,501,591**
Proceeds from borrowings	250,000	50,000	-	300,000
Repayment of borrowings	-	-	-	-
ST/LT reclassifications	(600,000)	-	600,000	-
Interests charged	-	57,883	10,292	68,175
Interests paid	-	-	(10,135)	(10,135)
Reclassification to Other Capital Funds	-	(56,456)	-	(56,456)
Foreign exchange effect realized	-	-	-	-
Total changes from financing cash flows	**1,450,000**	**753,002**	**600,173**	**2,803,175**

Other borrowings related changes	**Deferred financial costs - long-term**		**Deferred financial costs - short-term**	**Total**
At 1 January 2019	**(1,116)**		**(689)**	**(1,805)**
Additions	-		-	-
Write-offs	-		-	-
DFC amotisation to P&L	514		175	689
Foreign exchange effect	-		-	-
Total other changes	**(602)**		**(514)**	**(1,116)**
Balance at 31 December 2019	**1,449,398**	**753,002**	**599,659**	**2,802,059**

Reconciliation of changes in liabilities arising from financing activities

In € thousand

Borrowings	Term loan facilities - long-term	Loans from related parties - long-term	Term loan facilities - short-term	Total
At 1 January 2018	**1,670,000**	**613,086**	**47**	**2,283,132**
Proceeds from borrowings	130,000	50,000	-	180,000
Repayment of borrowings	-	-	-	-
Interests charged	9,024	106,850	-	115,874
Interests paid	(9,024)	(50,000)	(31)	(59,055)
Reclassification to Other Capital Funds	-	(18,360)	-	(18,360)
Foreign exchange effect realized *	-	-	-	-
Total changes from financing cash flows	**1,800,000**	**701,575**	**16**	**2,501,591**

* The realised foreign exchange effects are presented under repayments in the consolidated cash flow.

Other borrowings related changes	Deferred financial costs - long-term		Deferred financial costs - short-term	Total
At 1 January 2018	**(1,805)**		**(689)**	**(2,494)**
Additions	-		-	-
Write-offs	-		-	-
DFC amotisation to P&L	689		-	689
Foreign exchange effect	-		-	-
Total other changes	**(1,116)**		**(689)**	**(1,805)**
Balance at 31 December 2018	**1,798,884**	**701,575**	**(673)**	**2,499,785**

5.15. Long-term payables

As at 31 December 2019, the Group had ‘Long-term payables’ of €24,387 thousand (31 December 2018: €15,140 thousand) which represent primarily amounts received from tenants as security for their rental obligations and retentions from development projects and lease liability of €3,135 newly recognised from application of IFRS 16 as described in Note 6.1.

5.16. Trade Payables

As at 31 December 2019 ‘Trade payables’ of €26,461 thousand (31 December 2018: €28,356 thousand) comprise payment obligations to third-party suppliers incurred in the normal course of business. The balance comprises primarily payables related to construction costs incurred from ongoing developments in Germany, Italy, Spain, Poland, Romania, Slovakia and the Czech Republic.

5.17. Accruals

In € thousand

	31 December 2019	31 December 2018
Operating expenses	5,356	3,985
Service charges	247	128
Accounting, audit and legal expenses	5,532	2,063
Other expenses (1)	13,699	19,768
Total	**24,834**	**25,944**

(1) Other expenses include primarily accrued construction costs in Germany, Spain, Poland, Italy and Czech Republic.

5.18. Deferred Income

As at 31 December 2019 ‘Deferred income’ of €16,249 thousand (31 December 2018: €9,612 thousand) primarily comprises rent paid in advance by tenants.

5.19. Tax Liabilities

In € thousand

	31 December 2019	31 December 2018
VAT	9,990	9,757
Income tax payable	2,526	4,389
Other tax payable	1,984	1,762
Total	**14,500**	**15,909**

5.20. Other Current Payables

In € thousand

	31 December 2019	31 December 2018
Tenant deposits	948	285
Advance payments received	886	565
Payables to employees	4,341	2,257
Lease liability	1,211	-
Other payables (1)	3,400	10,566
Total	**10,786**	**13,663**

(1) Other payables of €3,400 thousand as at 31 December 2019 relate primarily to retentions on payments to contractors for developments in German, Slovakia, Poland and Czech Republic of €2,082 thousand (31 December

2018: €4,275 thousand) and payables related to settlement in France of €1,000 thousand (31 December 2018: €5,735 thousand related to new acquisitions in Spain and Slovakia).

5.21. Assets held for sale and Liabilities directly associated with assets held for sale

In 2018, the Group committed to a plan to sell part of its portfolio in Poland and Netherlands comprising 7 yielding assets. Accordingly, the related part of portfolio was presented as assets and liabilities held for sale in the Group consolidated financial statements as of 31 December 2018.

None of these assets were sold in 2019. The Group is in the final stage to close the disposal assets in Poland, which is still presented as assets and liabilities held for sale together with land in Bulgaria and Germany. The Group changed its plans about the sale of assets in Netherlands, which is presented under ongoing portfolio as of 31 December 2019.

As at 31 December 2019, the assets and liabilities related to the disposed portfolio were stated at the lower of their carrying amount and fair value less costs to sell. The investment property classified as held for sale was measured in accordance with IAS 40. These assets and liabilities comprised the following:

Assets held for sale
In € thousand

	31 December 2019	31 December 2018
Investment property	97,362	143,578
Investment property under construction	24,198	-
Other non-current assets	535	638
Trade receivables	1,144	1,166
Tax receivables	1,047	-
Other current assets	567	255
Total	**124,853**	**145,637**

Liabilities directly associated with assets held for sale
In € thousand

	31 December 2019	31 December 2018
Deferred rental income	449	770
Tenant deposits	33	84
Deferred tax liability	8,882	9,333
Trade payables	472	-
Accruals	450	308
Other long-term liabilities	1	-
Total	**10,287**	**10,496**

5.22. Contingent assets and liabilities

In December 2017, the Group granted an option to 25 external investors of one of the Group's subsidiaries relating to the sale of shares described in Note 5.13. The option represents a right to sell back the shares to the Group on 28 February 2021. The future liability arising from this option was not recognised in the consolidated financial statements as at 31 December 2019 (and as at 31 December 2018) for the reasons described in Note 5.13, hence it constitutes a contingent liability for the Group.

6. OPERATING LEASES

6.1. The Group as a lessee

The Group did not enter any significant leases as a lessee and the leases are mainly related to offices and cars.

At the date of initial application, there are no differences in net assets or between operating commitments disclosed applying IAS 17 and new IFRS 16, as previously leases fell under operating leasing, when lease payments were recognised on straight-line basis over the lease term.

For transition to IFRS 16 cumulative catch-up approach was used measuring the right-of-use asset at an amount equal to the lease liability of €3,557 thousand as of 31 December 2018. The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application is 0.75% p.a.

If indexation applies, as a variable lease component in office lease agreements, modification is recognised if the impact from the new payment exceeds 5% from the latest recognised value.

Right-of-Use Asset

In € thousand

	Offices and parking	Cars	Office equipment	Total
At 1 January	2,706	851	-	**3,557**
Additions	1,303	701	5	**2,009**
Modifications	-	-	-	-
Depreciation Expense	(771)	(360)	(1)	(1,132)
At 31 December	**3,238**	**1,192**	**4**	**4,434**

Leased liability

In € thousand

	Under 1 year	1 – 5 years	Over 5 years	Total
Leased liability	**1,211**	**2,745**	**390**	**4,346**

6.2. The Group as a lessor

In € thousand

Operating leases	31 December 2019	31 December 2018
Repayable on demand, up to 1 year	193,896	177,955
1 to 5 years	473,995	422,083
Over 5 years	184,192	165,671
Total	**852,083**	**765,701**

Operating leases where Group acts as lessor represent leases of logistic properties which together with development and management represent its core business.

7. RELATED PARTIES

In accordance with IAS 24, related parties include:

- The Managers of the Group and subsidiary companies
- All companies controlled by the Company (refer to Note 10 outlining the Group Structure)
- The Parent entity (Euro Vitus Private Limited)

Balances and transactions within the Group have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

As of 31 December 2019, the Group has loans from Euro Vitus Private Limited, with an outstanding balance of €636,323 thousand (2018: €629,512 thousand) (see Note 5.14), of which €53,414 thousand (2018: €54,676 thousand) is accrued yield. These shareholder loans are in the form of interest-bearing loans and loans covered by total return swap. Shareholder loans bear yield which consists of fixed and variable yield determined by the Total Return Swaps Agreement.

In 2018 the Group drew down additional €50,000 thousand of the loan from its shareholder and later in 2018 repaid €50,000 thousand of accrued yield.

The maturity of the loans from related parties is contractually tied to the repayments of the underlying loans provided to the companies within the Group. The timing of the repayment of these underlying loans is controlled by the Group. The shareholder has confirmed there is no intention to redeem any of the loans within 12 months from the date of these consolidated financial statements.

Further, as of 31 December 2019, the Group accounted for guarantee fee for the year 2019 provided by related party Europe Realty Holdings Pte Ltd (for providing parental guarantee over the bank borrowings of the Group) in the amount of €44,616 thousand (2018: €47,748 thousand). The total amount outstanding of €116,679 thousand (2018: €72,063 thousand) is presented under loans from related parties in Note 5.14.

Transactions with key management personnel

Any remuneration to the key management is provided and accounted for as standard compensation costs that are shown in the table below.

In € thousand

	2019	**2018**
Compensation of key management	10,431	2,683

The compensation of key management is included as part of the Employee Expenses disclosed in Note 4.3.
The increase in 2019 is due to one-off termination cost and the introduction of the long-term incentive plan.

In addition to the above transactions with key management personnel, a few employees within the Group hold shares in one of the Group’s entities (P3 Spain Logistic Parks SOCIMI, S.A.U.). Total number of shares held by the employees is 0.9347% out of the total external shareholding of 6.6101%. More details on this transaction can be found in Note 5.13.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

8.1. Overview

The Group attaches significant importance to the active management of risks. The Group has an integrated approach to risk management through which the major risks facing the Group are identified, evaluated and weighed against all mitigating factors. The Management Team (the senior managers of the Group) are responsible for overseeing the Group's risk management activities and regularly review the status of all identified risks, together with actions to reduce or eliminate these risks.

The primary business activity of the Group is the construction and acquisition of real estate, and the creation of value through active asset management. To finance new acquisitions of real estate, new borrowings are taken out in Euros floating rate term loan facilities.

Business risks are those risks which are inherent to the business strategy and that may arise from core business activities. The primary risks impacting the Group and the approach to managing them are set out below.

Principal financial instruments
The principal instruments used by the Group, from which risks arise, are as follows:

- Trade receivables;
- Tax receivables;
- Restricted cash (non-current and current);
- Cash and cash equivalents;
- Borrowings (long term and short term);
- Derivatives (interest rate caps);
- Trade and other payables (non-current and current).

8.2. Real Estate Market risk

The management of real estate market risk is one of the core competencies of the Group. Essentially, these risks comprise two specific categories – real estate market cycle risk and rental market risk. Real estate market cycle risks are related to fluctuations inherent to the overall commercial real estate market and the related impact on the valuations of the Group's investment portfolio. These risks are partially mitigated by the Group's strategy of geographical diversification. Risks in connection with a change in discount rates as well as market rents are risks that affect the entire property market. The table below shows sensitivity analysis of the potential impact of market risk on property valuations in each country where the Group has invested.

Rental market risks relate to the use of the property, the tenant mix, the credit standing of the tenants, the vacancy rate, the ability to increase rents and the recoverability of running costs. Through its local internal asset management activities, the Group is constantly managing controllable risk factors, and is focused on proactively mitigating these risks where possible. The Group's Asset Management Committee meets monthly, and as part of its agenda evaluates the overall tenant structure, reviews any material changes to the credit standing of significant tenants, and analyses any current or pending changes in vacancy rates in each market.

The analysis below shows the potential change in value of the Group's portfolio based on changes in capital yields in each country where the Group owns investment property. The analysis shows the increase/decrease in portfolio value if capital yields decrease/increase by 25 and 50 basis points. The calculation is performed separately for each property and the table shows the aggregate potential change by country in absolute figures. The average capital yield in the Group is approximately 5.7%, and the individual capital yields vary from 3.8% to 8.5% in accordance with market conditions in each country.

Table below shows by how much changes fair value of investment properties and investment properties under construction as of 31 December 2019 and 2018 if the yield is +/– 50 basis points and +/- 25 basis points (b.p.). Other locations (Bulgaria, Serbia) were not considered due to immateriality.

In € thousand

Equivalent yield - sensitivity 31 December 2019	**-50b.p.**	**-25b.p.**	**+25b.p.**	**+50b.p.**
Czech Republic	130,892	62,371	(57,014)	(109,333)
Germany	64,091	30,223	(27,135)	(51,633)
France	21,410	10,189	(9,294)	(17,805)
Italy	33,207	15,744	(14,268)	(27,258)
Netherlands	15,238	7,230	(6,559)	(12,538)
Poland	39,787	19,126	(17,757)	(34,286)
Slovakia	20,659	9,919	(9,188)	(17,723)
Spain	54,807	26,034	(23,667)	(45,276)
Romania	15,934	7,711	(7,244)	(14,063)
Investment property under construction	9,068	4,316	(3,938)	(7,545)
Total	**405,093**	**192,862**	**(176,064)**	**(337,460)**

Equivalent yield – sensitivity 31 December 2018	**-50b.p.**	**-25b.p.**	**+25b.p.**	**+50b.p.**
Czech Republic	111,121	53,018	(48,572)	(93,236)
Germany	38,050	18,043	(16,355)	(31,248)
France	18,712	8,932	(8,190)	(15,726)
Italy	21,122	10,068	(9,209)	(17,664)
Netherlands	13,996	6,655	(6,062)	(11,606)
Poland	36,002	17,310	(16,076)	(31,045)
Slovakia	16,901	8,126	(7,546)	(14,572)
Spain	44,552	21,224	(19,392)	(37,180)
Romania	16,368	7,917	(7,432)	(14,422)
Investment property under construction	15,574	7,405	(6 744)	(12 912)
Total	**332,398**	**158,699**	**(145,577)**	**(279,609)**

Tables below shows by how much changes Fair value of Investment properties as of 31 December 2019 and 2018 if the market rent is fluctuating between +8% to -8%.

In € thousand

Market rent sensitivity 31 December 2019	**+8%**	**+6%**	**+4%**	**+2%**	**-2%**	**-4%**	**-6%**	**-8%**
Czech Republic	106,205	79,654	53,103	26,551	(26,551)	(53,103)	(79,654)	(106,205)
Germany	42,499	31,875	21,250	10,625	(10,625)	(21,250)	(31,875)	(42,499)
France	16,918	12,689	8,459	4,230	(4,230)	(8,459)	(12,689)	(16,918)
Italy	24,348	18,261	12,174	6,087	(6,087)	(12,174)	(18,261)	(24,348)
Netherlands	11,322	8,491	5,661	2,830	(2,830)	(5,661)	(8,491)	(11,322)
Poland	39,676	29,757	19,838	9,919	(9,919)	(19,838)	(29,757)	(39,676)
Slovakia	19,953	14,965	9,977	4,988	(4,988)	(9,977)	(14,965)	(19,953)
Spain	41,657	31,243	20,829	10,414	(10,414)	(20,829)	(31,243)	(41,657)
Romania	19,166	14,375	9,583	4,792	(4,792)	(9,583)	(14,375)	(19,166)
Investment property under construction	7,190	5,392	3,595	1,797	(1,797)	(3,595)	(5,392)	(7,190)
Total	**328,935**	**246,701**	**164,467**	**82,234**	**(82,234)**	**(164,467)**	**(246,701)**	**(328,935)**

Market rent sensitivity 31 December 2018	**+8%**	**+6%**	**+4%**	**+2%**	**-2%**	**-4%**	**-6%**	**-8%**
Czech Republic	92,685	69,513	46,342	23,171	(23,171)	(46 342)	(69,513)	(92,685)
Germany	27,965	20,974	13,983	6,991	(6,991)	(13 983)	(20,974)	(27 965)
France	15,771	11,828	7,886	3,943	(3,943)	(7 886)	(11,828)	(15 771)
Italy	17,266	12,949	8,633	4,316	(4,316)	(8 633)	(12,949)	(17 266)
Netherlands	10,871	8,154	5,436	2,718	(2,718)	(5 436)	(8,154)	(10 871)
Poland	36,076	27,057	18,038	9,019	(9,019)	(18 038)	(27,057)	(36 076)
Slovakia	16,916	12,687	8,458	4,229	(4,229)	(8 458)	(12,687)	(16 916)
Spain	35,950	26,962	17,975	8,987	(8,987)	(17 975)	(26,962)	(35 950)
Romania	19,404	14,553	9,702	4,851	(4,851)	(9 702)	(14,553)	(19 404)
Investment property under construction	12,083	9,062	6,041	3,021	(3,021)	(6,041)	(9,062)	(12 083)
Total	**284,988**	**213,741**	**142,494**	**71,247**	**(71,247)**	**(142,494)**	**(213,741)**	**(284,988)**

8.3 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters interest rate caps to secure maximum amount of interest paid, calculated by reference to an agreed-upon notional principal amount.

At 31 December 2019, 32% of the Group's bank borrowings are hedged under caps (31 December 2018: 32% were hedged by caps). The Group constantly monitors its exposure to interest rate risk and adjusts its hedging strategy accordingly.

The analysis below shows the potential impact on the consolidated statement of comprehensive income of the Group from a change in interest rates of +/- 10 basis points. This analysis is prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates on the debt and derivatives is constant and using the hedge designations in place at the reporting date. The impact on the consolidated statement of comprehensive income arises from the effect of the assumed changes in interest rates on finance income less finance costs for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments:

In € thousand	**Increase / (decrease) in basis points**	**Effect on profit**
Year ended 31 December 2019		
EURIBOR	+10	2,050
EURIBOR	-10	(2,050)

In € thousand	**Increase / (decrease) in basis points**	**Effect on profit**
Year ended 31 December 2018		
EURIBOR	+10	1,800
EURIBOR	-10	(1,800)

8.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives.

Trade receivables
Credit risk is principally managed by requiring tenants to pay a deposit or provide a guarantee prior to occupying a property, and on an ongoing basis by paying rent in advance. Tenants are assessed according to their credit worthiness prior to entering into a lease agreement, and local asset managers monitor tenant receivables on a day to day basis. Where necessary, a value adjustment may be applied to overdue tenant receivables in accordance with internal guidelines, and an impairment charge made where there is a high probability that part or all of the receivable will not be collected.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECLs') to trade receivables which uses a lifetime expected loss allowance for all trade receivables (IAS 39 was applied at 31 December 2017). To measure ECLs trade receivables have been grouped by portfolios to reflect the shared credit risk characteristics. Expected loss rates are based on the historic credit loss experienced for each portfolio and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. The split of the loss allowance recorded as at the balance sheet date is included in Note 5.8. The adoption of IFRS 9 did not result in a material change in the loss allowance and impairments recognised under IFRS 9 compared to that held under IAS 39.

Cash and cash equivalents
Credit risk arising as part of the investment of cash and cash equivalents and restricted cash is managed by the fact that the Group only works with banking partners with strong credit ratings, which are rated A1 to Baa1 according to Moody's ratings.

The Group applies the IFRS 9 general approach to measuring expected credit losses ('ECLs') to cash balances which requires recognition of ECLs based on stages of credit risk. Based on the risk assessment performed by the Group, no significant increase of credit risk has occurred since initial recognition. Therefore, a 12-months expected loss allowance for all cash balances held in banks was applied and no impairment losses were identified.

Derivatives
The derivates are entered into with financial institution, which has stable high rating (A1) according to Moody's ratings.

The Group maximum exposure to credit risk, by class of financial instrument, is shown below:

In € thousand

	Carrying amount				Maximum exposure	
	Fair value - hedging instruments		Financial assets at amortized costs			
31 December	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial assets measured at fair value						
Derivatives	22	676	-	-	22	676
Financial assets not measured at fair value						
Trade receivables	-	-	19,500	14,847	19,500	14,847
Tax receivables	-	-	40,072	27,600	40,072	27,600
Restricted cash	-	-	2,521	2,637	2,521	2,637
Cash and cash equivalents	-	-	102,099	80,595	102,099	80,595

8.5 Liquidity risk

The Group monitors cash balances in all Group companies on both the local and Group levels to ensure all Group companies have sufficient liquidity for day to day operations and to meet all liabilities as and when they fall due. The Corporate Finance team is responsible for managing Group treasury requirements including ensuring sufficient liquidity is available for future acquisitions, development projects, debt service and other ad hoc cash requirements. The Group also has access to additional borrowing facilities to fund new development projects.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In € thousand

31 December 2019	Under 1 year	1 - 5 years	Over 5 years	Total
Non-derivative financial liabilities:				
Trade and other payables	506,159	46,141	-	**552,301**
Interest-bearing loans and borrowings*	626,053	1,538,527	753,002	**2,917,582**
Derivative financial instruments:				
Financial derivatives	-	-	-	-
Total	**1,132,212**	**1,584,669**	**753,002**	**3,469,883**

* Interest-bearing loans and borrowings include expected interest payments based on the maturity schedules. For purposes of liquidity risk disclosure, loans from related parties are forecasted to be paid after 5 years, the same as bank borrowings.

In € thousand

31 December 2018	Under 1 year	1 - 5 years	Over 5 years	Total
Non-derivative financial liabilities:				
Trade and other payables	445,325	33,658	-	**478,983**
Interest-bearing loans and borrowings*	40,374	1,348,189	1,318,895	**2,707,459**
Derivative financial instruments:				
Financial derivatives	-	-	-	**-**
Total	**485,700**	**1,381,847**	**1,318,895**	**3,186,442**

* Interest-bearing loans and borrowings include expected interest payments based on the maturity schedules. For purposes of liquidity risk disclosure, loans from related parties are forecasted to be paid after 5 years, the same as bank borrowings.

Trade and other payables include also committed construction works on the current developments of value €435,083 thousand (31 December 2018: €370,360 thousand).

8.6 Fair values of Financial Instruments

The fair values of financial assets and liabilities are an estimate of the amount at which an instrument could be exchanged in a current arm’s length transaction, between knowledgeable and willing parties. Fair values are obtained, as appropriate, from quoted market prices, discounted cash flow projections and other valuations models.

The following methods and assumptions are used to estimate fair values of financial instruments:

- Cash, cash equivalents, short term deposits, trade receivables, trade payables, other current assets and other current liabilities: the carrying value of these assets and liabilities is the same as the fair value due to the short-term maturity of these instruments;
- Derivatives: the fair value of derivative instruments is determined using observable market inputs based on valuations provided by brokers and as such the Group had included derivatives in Level 2 of fair value hierarchy; and
- Borrowings: the carrying amount of variable rate bank borrowings corresponds with their fair market value as these are settled on an arm’s length basis and interest rates are set with reference to market rates.

The table below shows a comparison by class of the carrying amounts and fair value of the financial instruments in the Group's consolidated statement of financial position:

In € thousand

	Carrying amount				Fair value
	Fair value - hedging instruments	**Financial assets at amortized costs**	**Other financial liabilities**	**Total**	
31 December 2019					
Financial assets measured at fair value					
Derivatives	22	-	-	22	22
Financial assets not measured at fair value					
Rent and other receivables	-	165,149	-	165,149	165,149
Cash and short-term deposits	-	104,620	-	104,620	104,620
Financial liabilities measured at fair value					
Derivatives	-	-	-	-	-
Financial liabilities not measured at fair value					
Interest-bearing loans and borrowings	-	-	2,802,058	2,802,058	2,802,058
Deposits from tenants	-	-	15,627	15,627	15,627
Trade and other payables	-	-	111,878	111,878	111,878

In € thousand

	Carrying amount				Fair value
	Fair value - hedging instruments	Financial assets at amortized costs	Other financial liabilities	Total	
31 December 2018					
Financial assets measured at fair value					
Derivatives	676	-	-	676	676
Financial assets not measured at fair value					
Rent and other receivables	-	86,867	-	86,867	86,867
Cash and short-term deposits	-	83,232	-	83,232	83,232
Financial liabilities measured at fair value					
Derivatives	-	-	-	-	-
Financial liabilities not measured at fair value					
Interest-bearing loans and borrowings	-	-	2,500,459	2,500,459	2,500,459
Deposits from tenants	-	-	14,228	14,228	14,228
Trade and other payables	-	-	104,891	104,891	104,891

8.7 Foreign currency risk

Approximately 42% of the Group's Investment property portfolio and operations are in the Eurozone, 32% in the Czech Republic, 15% in Poland and 10% in Romania. The Group's exposure to foreign currency risk is primarily limited to translation risk as all borrowings are denominated in Euros and cash flows from rental contracts are agreed in Euros (but may be payable in local currency). There is equity translation exposure as balance sheets of all entities are maintained in local currency therefore movements in exchange rates can result in translation adjustments.

The Group does not use derivative financial instruments to hedge against foreign currency risk.

9. SUBSEQUENT EVENTS

Financing activities

The Group drew down €600.0 million under a new bank facility agreement and €303.0 million funding from the shareholder in January 2020 for an acquisition of assets portfolio amounting to approximately of €950.0 million, which closed on 31.1.2020. The new portfolio represents 26 yielding assets and 995.7k sqm in Slovakia, Poland, Germany, Austria, Netherlands and Belgium.

The Group drew down €50.0 million in January and €300 million in March 2020 from the existing bank facility agreement, €300 million was used for repayment of the shareholder loan.

The Group signed refinancing of facility of €600.0 million being due in May 2020 (classified as Short-term borrowings as at 31 December 2019) by a new facility due in 2023.

Disposal of assets

In March 2020 the Group completed Mszczonow deal and sold 5 yielding assets for €84.2 million and sold land in Bulgaria for €1.7 million (both presented under Assets held for sale described in Note 5.21).

COVID-19 impact

The Group is closely monitoring the development of default risk on tenant receivables, evaluating status of major construction sites and assessing potential impact from changes in local regulations as a result of implementing COVID-19 measures. However, it is currently too early to assess full potential impact of COVID-19. The Management believes that logistics real estate is likely to prove resilient owing to its essential role in facilitating daily consumption. Having external debts guaranteed by the shareholder, sufficient finance resources from recently made draw downs and healthy liquidity from stable operating cash-flow, the Management is confident, that impact of COVID-19 will not be significant. The Group has been also taking different measures to mitigate the risk of infection on its employees. Despite the current COVID-19 impact, the Group management has concluded, that it does not influence its ability to continue as a going concern.

10. GROUP STRUCTURE

The following table outlines the Group structure as of 31 December 2019

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Prague D8 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague D1 s.r.o.		AC	100%	CZK	Czech Republic
P3 Logistic Parks s.r.o		MC	100%	CZK	Czech Republic
P3 Prague D11 s.r.o.		AC	100%	CZK	Czech Republic
P3 Czech HoldCo a.s.	change of a legal form and sucessor entity of merged entites	HC	100%	CZK	Czech Republic
~~P3 HoldCo II s.r.o.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
~~P3 HoldCo I s.r.o.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
P3 Prague Horní Počernice 1 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Horní Počernice 2 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Blue Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Green Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Příšovice s.r.o.		AC	100%	CZK	Czech Republic
P3 Turnov s.r.o.		AC	100%	CZK	Czech Republic
~~P3 Parks s.r.o.~~	demerged in 2019	~~AC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
P3 Hradec Králové Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Liberec Park I s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Liberec Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Mladá Boleslav Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Olomouc Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Plzeň Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Předlice Park s.r.o.	new entity from demerger of P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Lovosice Park s.r.o.	surviving entity from P3 Parks s.r.o.	AC	100%	CZK	Czech Republic
P3 Lovosice s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague D6 s.r.o.	new entity	AC	100%	CZK	Czech Republic
P3 Ostrava s.r.o.	new entity	AC	100%	CZK	Czech Republic
P3 Liberec Park II s.r.o.	new entity	AC	100%	CZK	Czech Republic
~~P3 Italy HoldCo s.r.o.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
~~P3 FinCo II s.r.o.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Spain a.s.		HC	100%	CZK	Czech Republic
P3 Czech&Slovakia a.s.		HC	100%	CZK	Czech Republic
~~P3 Romania s.r.o.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
~~P3 Poland II a.s.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
P3 Poland I a.s.		HC	100%	CZK	Czech Republic
P3 France I a.s.		HC	100%	CZK	Czech Republic
~~P3 Italy a.s.~~	merged in 2019	~~HC~~	~~100%~~	~~CZK~~	~~Czech Republic~~
P3 Spain II a.s.		HC	100%	CZK	Czech Republic
P3 Poznań Park Sp. z o.o.		AC	100%	PLN	Poland
P3 Mszczonów Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Blonie Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Piotrkow Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Logistic Parks Sp.Z. o o		MC	100%	PLN	Poland
P3 Poznań II sp. z o.o.	renamed in 2019 from Mem Poland Sp. Z o.o.	AC	100%	PLN	Poland
P3 Zabrze sp. z .o.o.	new entity in 2019	AC	100%	PLN	Poland
P3 Warsaw sp. z o.o.	new entity in 2019	AC	100%	PLN	Poland
P3 Park Bucharest Alpha S.A.		AC	100%	RON	Romania
P3 Park Bucharest Beta S.A.		AC	100%	RON	Romania
P3 Park Bucharest Gamma S.A.		AC	100%	RON	Romania
P3 Bucharest Delta S.A.		AC	100%	RON	Romania
P3 Park Bucharest Infrastructura S.A.		IC	100%	RON	Romania
P3 Logistic Parks Romania Management SRL		MC	100%	RON	Romania
FE IPF Kamen GmbH		AC	100%	EUR	Germany
FE IPF Mörfelden GmbH		AC	100%	EUR	Germany
FE IPF Bedburg GmbH		AC	100%	EUR	Germany
Kamen Intermediate GmbH		HC	100%	EUR	Germany
Morfelden Intermediate GmbH		HC	100%	EUR	Germany
Bedburg Intermediate GmbH		HC	100%	EUR	Germany
Euro First Industrial Properties GmbH (Hold Co)		HC	100%	EUR	Germany
FE IPF Kamen Betriebsgesellschaft GmbH (Fixture Co)		HC	100%	EUR	Germany
P3 Logistic Parks GmbH		MC	100%	EUR	Germany
P3 Real Estate Holding GmbH & Co. KG		HC	100%	EUR	Germany
P3 Real Estate General Partner GmbH		HC	100%	EUR	Germany
K Company EOOD		AC	100%	BGN	Bulgaria
P3 Logistic Parks Iberia S.L.U.		MC	100%	EUR	Spain
P3 Spain Investments SL		AC	100%	EUR	Spain

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Abrera Park S.L.	renamed in 2019 from Badesi Investments SL	AC	100%	EUR	Spain
P3 Spain Logistic Parks SOCIMI, S.A.U.		HC	93%	EUR	Spain
P3 Villanueva Park, S.L.U.		AC	93%	EUR	Spain
P3 Zaragoza Plaza Park, S.L.U.		AC	93%	EUR	Spain
P3 Quer Park, S.L.U.		AC	93%	EUR	Spain
P3 Seseña Park, S.L.U.		AC	93%	EUR	Spain
P3 Massalaves Park, S.L.U.		AC	93%	EUR	Spain
P3 CLA Park, S.L.U.		AC	93%	EUR	Spain
P3 Loeches Park, S.L.U.		AC	93%	EUR	Spain
P3 Toledo Benquerencia Park, S.L.U.		AC	93%	EUR	Spain
P3 San Marcos Park, S.L.U.		AC	93%	EUR	Spain
P3 Bilbao Park, S.L.U.		AC	93%	EUR	Spain
P3 Villanueva Park Solar Electric, S.L.U.		AC	93%	EUR	Spain
P3 Getafe Los Olivos Park, S.L.U.		AC	93%	EUR	Spain
P3 Illescas Park S.L.U.		AC	100%	EUR	Spain
P3 Illescas La Sagra Park, S.L.		AC	100%	EUR	Spain
P3 Algemesí Park, S.L.		AC	100%	EUR	Spain
P3 Illescas Sky S.L.U.		AC	100%	EUR	Spain
P3 Onda Park, S.L.	new entity in 2019	AC	100%	EUR	Spain
P3 Bratislava Park s.r.o.		AC	100%	EUR	Slovakia
P3 Bratislava Airport s.r.o.		AC	100%	EUR	Slovakia
P3 Bratislava Cargo s.r.o.	renamed in 2019 from Airport Park s.r.o.	AC	100%	EUR	Slovakia
P3 Logistic Parks Slovakia s.r.o.		MC	100%	EUR	Slovakia
P3 Žilina s.r.o.		AC	100%	EUR	Slovakia
Second Euro Ridderkerk Real Estate BV		AC	100%	EUR	The Netherlands
Second Euro Westpoint Real Estate BV		AC	100%	EUR	The Netherlands
Second Euro B+W Real Estate BV		AC	100%	EUR	The Netherlands
P3 Roosendaal B.V.		AC	100%	EUR	The Netherlands
Second Euro Netherlands Holding BV		HC	100%	EUR	The Netherlands
P3 Group S.à r.l.		HC	Parent	EUR	Luxembourg
AEID II (Lux) Holding Company S.à r.l.		HC	100%	EUR	Luxembourg
P3 Logistic Parks Sarl		HC	100%	EUR	Luxembourg
Point Parks Bulgaria S.à r.l.		HC	100%	EUR	Luxembourg
~~P3 European Developments S.à r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
~~P3 France Developments S.á r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
AFD Saint Martin C S.à r.l.		AC	100%	EUR	Luxembourg

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
AFD Rivesaltes A S.à r.l.		AC	100%	EUR	Luxembourg
AFD Le Pouzin A S.à r.l.		AC	100%	EUR	Luxembourg
Second Euro Industrial Properties S.à r.l.		HC	100%	EUR	Luxembourg
Second Euro Industrial Unna S.à r.l.		AC	100%	EUR	Luxembourg
Second Euro Industrial Dreieich S.à r.l.		AC	100%	EUR	Luxembourg
First Euro Industrial Properties S.à r.l.		HC	100%	EUR	Luxembourg
First Euro Industrial Properties III S.à r.l.		AC	100%	EUR	Luxembourg
LP One Hallbergmoos S.à r.l.		AC	100%	EUR	Luxembourg
LP Three Darmstadt S.à r.l.		AC	100%	EUR	Luxembourg
Second Euro Industrial Thouars S.à r.l.		AC	100%	EUR	Luxembourg
~~Second Euro Industrial Dombassle S.à r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
~~Second Euro Industrial Finance S.à r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
~~P3 Lux Holdco S.à r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
~~P3 FinCo II S.à r.l.~~	merged in 2019	~~HC~~	~~100%~~	~~EUR~~	~~Luxembourg~~
P3 Rieste S.à r.l.		AC	100%	EUR	Luxembourg
P3 Gottfrieding S.à r.l.		AC	100%	EUR	Luxembourg
P3 Bedburg S.à r.l.		AC	100%	EUR	Luxembourg
P3 Kamen S.à r.l.		AC	100%	EUR	Luxembourg
Re Alpha S.à r.l.		HC	100%	EUR	Luxembourg
P3 Obertraubling S.á r.l.		AC	100%	EUR	Luxembourg
P3 Horb S.á r.l.		AC	100%	EUR	Luxembourg
P3 Pfungstadt S.á r.l.		AC	100%	EUR	Luxembourg
P3 Hanau S.á r.l.		AC	100%	EUR	Luxembourg
P3 Friedrichsdorf S.á r.l.		AC	100%	EUR	Luxembourg
P3 Urban HoldCo S.á r.l.		HC	100%	EUR	Luxembourg
P3 Urban Germany S.á r.l.		AC	100%	EUR	Luxembourg
P3 Allersberg S.á r.l.	new entity in 2019	AC	100%	EUR	Luxembourg
P3 HoldCo IV S.á r.l.	new entity in 2019	HC	100%	EUR	Luxembourg
P3 Park Hamburg North S.á r.l.	new entity in 2019	AC	100%	EUR	Luxembourg
~~Second Euro Industrial Properties SPRL~~	liquidated	~~HC~~	~~100%~~	~~EUR~~	~~Belgium~~
P3 Belgium HoldCo S.A.	renamed in 2019 from Second Euro Industrial Properties I SCA	HC	100%	EUR	Belgium
Borgo Reno S.R.L.		AC	100%	EUR	Italy
Fagnano S.R.L.		AC	100%	EUR	Italy
P3 Brignano Societa´a Responsabilita´ Limitata		AC	100%	EUR	Italy
P3 Calvenzano Societa´a Responsabilita´ Limitata		AC	100%	EUR	Italy

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Castel San Giovanni Societa´a Responsabilita´ Limitata		AC	100%	EUR	Italy
P3 Castelguglielmo S.R.L.		AC	100%	EUR	Italy
P3 Sala Bolognese S.R.L.		AC	100%	EUR	Italy
P3 Ardea S.r.l.	new entity in 2019	AC	100%	EUR	Italy
P3 Altedo S.r.l.	new entity in 2019	AC	100%	EUR	Italy
P3 Fiano S.r.l.	new entity in 2019	AC	100%	EUR	Italy
P3 Logistic Parks S.R.L.		MC	100%	EUR	Italy
SEIP Immo SCI		AC	100%	EUR	France
Second Euro Industrial Properties - Bondoufle SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Challenge SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Bretigny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Eragny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Savigny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Savigny II SAS		AC	100%	EUR	France
SPV IBE SAS		HC	100%	EUR	France
P3 Logistic Parks S.A.S.		MC	100%	EUR	France
Montpellier SAS		AC	100%	EUR	France
P3 Logistic Parks Limited		MC	100%	GBP	United Kingdom
P3 Parks DOO Beograd		AC	100%	RSD	Serbia

Legend:
HC = Holding company
AC = Asset company
IC = Infrastructure company
MC = Management Company