P3 Group S.àr.l.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

P3 Bedburg, Germany

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Board of Managers' Report

For the period 1 January 2023 to 30 June 2023

P3 Group S.àr.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.

1.

INTERIM FINANCIAL STATEMENTS

The Group prepared condensed consolidated interim financial statements in accordance with the same closing procedures performed for the interim periods as those performed regularly at year-end, except for taxation where the taxes are calculated based on the effective tax rates derived from the prior year-end period. For the comparative figures, the Group closed the books and prepared interim financial statements on the same basis as those prepared at the year-end. Valuations of the investment properties for both interim periods were performed by external independent appraiser.

2.

ACTIVITIES AND REVIEW OF INVESTMENT AND DEVELOPMENT

The Company was incorporated on 27 August 2013. Since then, the Group has expanded across different European countries and as of 30 June 2023 operated in Germany, Czechia, Poland, Spain, Italy, France, Slovakia, Romania, the Netherlands, Austria, Belgium and Luxembourg.

During the first 6 months of 2023, the Group acquired additional gross lettable area ("GLA") of 216.3 thousand sqm combined in Poland, Germany and Spain. In the Netherlands, one forward funding project of 27.4 thousand sqm was started. The Group also purchased land plots in Poland and Italy and disposed of one land plot in Germany.

3.

FINANCING ACTIVITIES

The Group has funded its activities through external debt, equity and shareholder loans provided by its shareholder. External debt consists of unsecured bonds and unsecured and secured bank loans. According to the new financing strategy adopted in 2021, financing going forward will be on a non-recourse basis to the shareholder, but there are still two bank loans guaranteed by the shareholder outstanding.

- A €5.0 billion Euro Medium Term Note ("EMTN") program is in place since January 2022, approved by Luxembourg Stock Exchange. The Group has issued €1.0 billion Green Bonds in January 2022 and a Green Financing Framework was published at the same time.
- The Group has a BBB credit rating with stable outlook assigned by Standard & Poor's.
- On 23 January 2023, the Group signed a € 450 million secured loan agreement. The new secured loan was set at a floating rate but swapped to fixed rate with an interest rate swap for most part of the nominal value.
- In March 2023, a new €150 million 7.5-year senior unsecured non-recourse bilateral fixed rate term loan was signed and drawn.
- In March 2023, a new €140 million 6-year senior unsecured non-recourse bilateral floating rate term loan was signed and drawn. The loan was swapped to fixed rate with an interest rate swap.
- €1.05 billion of unsecured guaranteed bank loans were repaid before maturity in March 2023.
- In April 2023, a new €200 million 4-year senior unsecured non-recourse bilateral floating rate term loan was signed and drawn. The loan was swapped to fixed rate with an interest rate swap.

The Group experienced no liquidity constraints during 2023 and has a substantial liquidity buffer. The syndicated unsecured committed €750 million revolving credit facility ("RCF") was fully undrawn as of 30 June 2023. The facility ensures substantial and flexible liquidity for the Group, as funds can be drawn at a very short notice. In addition, the Group has €92.9 million cash and total of €40 million from two new cash pool overdraft limits signed in June 2023.

The Group LTV as of 30 June 2023 was at 46.3%, well below the financing policy target of <47.5%.

4.

FINANCIAL RESULTS

For the first six months of 2023, the Group generated net operating income of €204.9 million. The operating result was a loss of €86.5 million and loss before tax was €170.2 million. The result is primarily impacted by a decrease in the market value of investment properties and development land resulting in a revaluation loss of €269.7 million and by financial costs of €92.6 million.

5.

PROPERTY PORTFOLIO

As of 30 June 2023, the Group owned 322 yielding assets, 3.8 million sqm of land for further development and additional 15 assets under construction, all together valued at €8,306 million as "Total property value" reconciled per Note 5.3 (including asset held for sale as per Note 5.17). The Group's yielding assets are diversified across 11 European countries comprising 7.9 million sqm lettable space and further 423.4 thousand sqm under construction.

During the first six months of 2023, the Group completed 8 development projects adding an additional 167.6 thousand sqm to the portfolio and purchased 194.9 thousand sqm of land for further development with 118 thousand sqm GLA potential in Poland and Italy.

With regards to the investment activity in 2023 the Group completed 6 asset acquisitions adding 216.3 thousand sqm to the portfolio.

In March 2023, the Group disposed of a land covering 250 thousand sqm in Germany for € 134.6 million.

6.

RESEARCH AND DEVELOPMENT

The Group was not active in research and development.

7.

PURCHASE OF OWN SHARES

The Group has not purchased any of its own shares within the reported period.

8.

SUMMARY AND OUTLOOK

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

9.

RISK MANAGEMENT

The Group recognises that its ability to effectively manage risk remains a crucial component of success. The Group's approach to risk management is two-fold: firstly, the Group assesses, manages and, when possible, mitigates identified risks. Secondly, the Group carefully considers its appetite for controllable risks and, within the decision-making process, the Group balances uncertainty and opportunity against the need to create and protect its shareholder's and other stakeholders' value both in the short- and long-term.

Management of real estate market risks is one of the core competencies of the Group. Equally essential is the management of key financial risks. The Group's management of these risks is described in Note 7.

Based on assessment of risks associated with the current situation in Ukraine, the Group did not identify any imminent risks, which could materially impact our performance.

10.

SUBSEQUENT EVENTS

Financing activities

In August 2023, a new €500 million 12-year senior unsecured non-recourse bilateral fixed rate term loan was signed and drawn with a related party, an associate owned by GIC. Funds were used to refinance short-term debt.

In August 2023, €50 million 7-year senior unsecured non-recourse bilateral fixed rate term loan was signed. The loan was drawn in September 2023. In August 2023, €400 million of guaranteed external debt was paid down before the maturity.

During August and September 2023, the Group drew down €200 million of shareholder loan to finance new acquisitions.

Acquisitions and Disposals of assets

On 12 July 2023, the first phase of acquisition of 3 assets in France was completed, adding 103.4 thousand sqm to the French portfolio. Transaction value was €106.7 million. As part of second phase, additional 22.1 thousand sqm of GLA was added on 4 August 2023 with transaction value of €47.4million.

On 13 July 2023, the Group sold 3 properties in Belgium for €21 million.

In August the Group acquired two yielding assets in Germany adding additional 30.3 thousand sqm of GLA. Transaction value was €38.3million. Additional agreement to purchase three yielding assets adding 201 thousand sqm of GLA in Germany was signed in August, with two assets purchased on 12 September and the last one expected to be completed in Q4/2023. Transaction value is €213.1 million.

The Group acquired 2 land plots in Spain. The first acquisition of 66 thousand sqm was completed on 24 July 2023 for €9.2 million and a second plot of 111.2 thousand sqm was purchased for €22.4 million on 3 August 2023. On 14 September, the Group completed second phase of forward funding project in Spain and acquired a property for €5.8 million.

Changes in Management Board

The chairman of the Board, Goh Kok Huat, stepped down from his role on the 31 July 2023. Tay Lim Hock, took over the chairman role from 1 August 2023.

Luxembourg, 21 September 2023

Mr. Frank Pörschke
Management Board member

Mr. Tay Lim Hock
Management Board member

Building a better working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/en_lu

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Report on review of interim condensed consolidated financial statements

To the Board of Directors of P3 Group SARL,

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of P3 GROUP SARL as of 30 June 2023, which comprise the condensed consolidated interim statement of financial position as at 30 June 2023 and the related condensed consolidated interim statement of profit and loss and other comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Other Matters

On 24 March 2023, other auditors issued their audit report on the consolidated financial statements for the year ended 31 December 2022 in which they expressed an unmodified opinion.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jesus Orozco

Luxembourg, 21st September 2023

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A member firm of Ernst & Young Global Limited

P3 Bratislava Airport, Slovakia

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the six months ended

In € thousand	Note	30 June 2023	30 June 2022
Net rental income		208,301	172,004
Service charges		33,123	25,611
Net rental revenue	**4.1**	**241,424**	**197,615**
Property operating expenses	4.2	(36,498)	(28,706)
Net operating income		**204,926**	**168,909**
Net gains/(losses) from fair value adjustments on investment property	4.4	(269,723)	371,403
Gain/(loss) on disposal of investment property	4.5	12,495	45
Other income and expense, net	4.6	(1,805)	(267)
Administrative expenses	4.3	(28,925)	(25,956)
Depreciation and amortisation		(3,474)	(2,868)
Operating profit/(loss)		**(86,506)**	**511,266**
Financial income	4.7	8,889	13
Shareholder financing costs	4.8	(31,817)	(49,434)
External and other financial costs	4.8	(60,761)	(20,330)
Profit/(Loss) before tax		**(170,195)**	**441,515**
Current income tax expense	4.9	(9,305)	(6,494)
Deferred income tax expense	4.9	40,138	(78,273)
Profit/(Loss) for the period		**(139,362)**	**356,748**
Other comprehensive income which will be subsequently reclassified to profit or loss:			
Net gain/(loss) on cash flow hedges	5.11	33,428	1,351
Foreign currency translation adjustment		35,877	(504)
Total comprehensive income for the period		**(70,057)**	**357,595**
Profit/(Loss) attributable to:			
Non-controlling interests		305	274
Owners of the Group		(139,667)	356,474
Profit/(Loss) for the period		**(139,362)**	**356,748**
Total comprehensive income attributable to:			
Non-controlling interests		390	274
Owners of the Group		(70,447)	357,321
Total comprehensive income for the period		**(70,057)**	**357,595**

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.
The condensed consolidated interim financial statements were approved by the Board of Managers on the 21 September 2023 and were signed on their behalf by:

Mr. Frank Pörschke
Management Board member

Mr. Tay Lim Hock
Management Board member

P3 Group S.àr.l.

Condensed consolidated interim statement of financial position

In € thousand	Note	30 June 2023	31 December 2022
Assets			
Investment property	5.1	7,973,050	7,861,652
Investment property under construction	5.2	245,177	187,916
Property, plant and equipment		3,686	3,752
Right-of-use assets		6,103	5,929
Intangible assets		6,103	6,947
Derivative financial instruments	5.4	84,349	74,262
Deferred tax assets		18,492	23,814
Non-current restricted cash	5.10	1,590	971
Other non-current assets	5.5	114,772	107,746
Total non-current assets		**8,453,322**	**8,272,989**
Trade receivables	5.6	26,020	27,286
Tax receivables	5.9	110,632	102,482
Other current assets	5.7	57,778	49,060
Prepayments	5.8	21,956	9,672
Derivative financial instruments	5.4	-	-
Cash and cash equivalents	5.10	92,898	179,596
		309,284	**368,096**
Assets held for sale	5.17	178,017	368,028
Total current assets		**487,301**	**736,124**
TOTAL ASSETS		**8,940,623**	**9,009,113**
Equity			
Issued share capital	5.11	365	365
Share premium	5.11	3,816	3,816
Other capital funds	5.11	712,850	712,849
Other reserve		123,922	90,494
Retained earnings		1,682,537	1,822,297
Translation reserve		75,221	39,344
Equity attributable to owners of the Company		**2,598,711**	**2,669,165**
Non-controlling interest (NCI)	5.11	3,593	3,386
Total equity		**2,602,304**	**2,672,551**
Liabilities			
Shareholder borrowings	5.12	1,543,025	1,511,208
Bank long-term borrowings	5.12	2,330,631	2,445,565
Long-term bonds	5.12	993,576	992,437
Deferred tax liabilities		464,847	490,159
Long-term payables	5.13	180,925	173,244
Total non-current liabilities		**5,513,004**	**5,612,613**
Bank short-term borrowings	5.12	605,876	451,836
Short-term bonds	5.12	3,209	9,459
Trade payables	5.14	26,211	29,240
Accruals		65,549	56,096
Deferred income		35,013	33,556
Tax liabilities	5.15	63,027	80,497
Other payables	5.16	25,836	35,636
		824,720	**696,320**
Liabilities directly associated with assets held for sale	5.17	595	27,629
Total current liabilities		**825,315**	**723,949**
TOTAL EQUITY AND LIABILITIES		**8,940,623**	**9,009,113**

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.
The condensed consolidated interim financial statements were approved by the Board of Managers on the 21 September 2023 and were signed on their behalf by:

Mr. Frank Pörschke
Management Board member

Mr. Tay Lim Hock
Management Board member

Condensed consolidated interim statement of changes in equity

For the six months ended

In € thousand	Note	Issued share capital	Share premium	Other capital funds	Other reserve	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2023		**365**	**3,816**	**712,849**	**90,494**	**1,822,297**	**39,344**	**3,386**	**2,672,551**
Transaction with owners in their capacity as owners									
Contribution to other capital funds	5.11	—	—	—	—	—	—	—	—
Allocation to reserve fund		—	—	—	—	—	—	—	—
Total balance after contributions		**365**	**3,816**	**712,849**	**90,494**	**1,822,297**	**39,344**	**3,386**	**2,672,551**
Loss for the period		—	—	—	—	(139,752)	—	390	(139,362)
Reclassification and corrections		—	—	1	—	(8)	—	1	(6)
Minority interest		—	—	—	—	—	—	(184)	(184)
Other comprehensive income		—	—	—	33,428	—	35,877	—	69,305
Balance at 30 June 2023		**365**	**3,816**	**712,850**	**123,922**	**1,682,537**	**75,221**	**3,593**	**2,602,304**

€ thousand	Note	Issued share capital	Share premium	Other capital funds	Other reserve	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2022		**365**	**3,816**	**712,767**	**25,144**	**1,822,482**	**17,174**	**(762)**	**2,580,986**
Transaction with owners in their capacity as owners									
Contribution to other capital funds	5.11	—	—	—	—	—	—	—	—
Allocation to reserve fund		—	—	—	—	—	—	—	—
Total balance after contributions		**365**	**3,816**	**712,767**	**25,144**	**1,822,482**	**17,174**	**(762)**	**2,580,986**
Profit for the period		—	—	—	—	356,474	—	274	356,748
Reclassification and corrections		—	—	4	—	7	—	1	12
Minority interest		—	—	—	—	—	—	4,521	4,521
Other comprehensive income		—	—	—	1,351	—	(504)	—	847
Balance at 30 June 2022		**365**	**3,816**	**712,771**	**26,494**	**2,178,963**	**16,670**	**4,034**	**2,943,113**

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

P3 Group S.àr.l.

Condensed consolidated interim cash flow statement

For the six months ended

In € thousand	Note	30 June 2023	30 June 2022
Cash flows from operating activities			
Profit before taxation		(170,195)	441,515
Adjustment for:			
Depreciation and amortisation		3,474	2,868
Valuation net losses / (gains) on investment property	4.4	269,723	(371,403)
Valuation net losses / (gains) on derivatives	4.7, 4.8	(966)	3
Shareholder financing costs	4.8	31,817	49,434
Interest and other financial expense	4.8	55,471	13,917
(Profit) / loss on disposal of PPE /investment property	4.5	(12,495)	(45)
Other non-cash items	4.5	(11,352)	(1,805)
Foreign exchange differences		(8,565)	(151)
Operating cash flows before working capital changes		**156,912**	**134,333**
Decrease / (increase) in trade and other receivables		(5,893)	(21,862)
Decrease / (increase) in prepayments		(12,209)	(1,326)
Increase in trade and other payables		(6,782)	16,594
(Decrease) / increase in accrued expenditure		(5,801)	(4,173)
Cash generated from operations		**126,227**	**123.566**
Interest paid		(55,684)	(8,606)
Taxes paid		(7,988)	(6,266)
Net cash generated from operating activities		**62,555**	**108,694**
Cash flows from investing activities			
Acquisition of investment property and subsequent expenditure		(367,738)	(370,598)
Acquisition of tangible, intangible fixed assets and leased assets		(189)	(128)
Decrease / (increase) in restricted cash	5.10	(620)	(563)
Proceeds from disposal of shares	5.11	—	—
Proceeds from disposal of Investment Property and PPE	4.5	190,783	45
Net cash used in investing activities		**(177,764)**	**(371,244)**
Cash flow from financing activities			
Proceeds from shareholder borrowings	5.12	—	—
Repayment of shareholder borrowings	5.12	—	—
Proceeds from external borrowings	5.12	1,250,000	780,000
Repayment of external borrowings	5.12	(1,210,000)	(1,430,000)
Proceeds from bond issuance	5.12	-	1,000,000
Payment of transaction costs related to borrowings		(9,107)	(15,279)
Repayment of lease liabilities		(2,382)	(1,915)
Increase/(decrease) in other capital funds	5.11	—	—
Net cash generated from financing activities		**28,511**	**332,806**
Net increase in cash and cash equivalents		**(86,698)**	**70,256**
Foreign exchange differences		—	—
Cash and cash equivalents at the beginning of the year		**179,596**	**78,144**
Cash and cash equivalents at the end of the period	**5.10**	**92,898**	**148,400**

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

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

INTRODUCTION

P3 Group S.àr.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.àr.l. On 23 September 2013 the Company changed its name to P3 Group S.àr.l. On 22 December 2016, Euro Vitus Private Limited, a private limited company incorporated in Singapore became the sole owner of the Group. 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 Government of Singapore Investment Corporation ("GIC"), the sovereign wealth fund of the Government of Singapore.

MANAGEMENT BOARD

as at 30 June 2023:
Mrs. Chih Lin Du
Mr. Goh Kok Huat
Mr. Christopher Paul Jenner
Mr. Michael Robert Kidd
Mr. Mike McKeon
Mr. Frank Pörschke
Mrs. Tracy Stroh
Mr. Adnane Zahrane

as at 31 December 2022
Mrs. Chih Lin Du
Mr. Goh Kok Huat
Mr. Christopher Paul Jenner
Mr. Michael Robert Kidd
Mr. Mike McKeon
Mr. Frank Pörschke
Mrs. Tracy Stroh
Mr. Adnane Zahrane

EMPLOYEES

The Group had 262 average full-time equivalent employees for the 6-month period ended 30 June 2023 (31 December 2022: 238 average full-time equivalent employees).
All the employees were engaged in the core business activities of the Group.

FINANCIAL YEAR

The Group uses fiscal year as financial year from 1 January until 31 December. These condensed consolidated interim financial statements were prepared for the 6-month period ended 30 June 2023.

CONSOLIDATION GROUP

The Group prepares the condensed consolidated interim financial statements at the level of P3 Group S.àr.l. located in Luxembourg. The condensed consolidated interim financial statements are available at the seat of this company.

The Group is subsequently consolidated on GIC (Realty) Private Limited's level.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation of condensed consolidated interim financial statements

A) STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements were authorised for issue by the Board of Managers on 21 September 2023.

B) BASIS OF MEASUREMENT

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following material items in the condensed consolidated interim 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;
- 'Right-of-use assets' are measured at fair value;
- 'Derivative financial instruments' are measured at fair value; and
- 'Disposal groups held for sale 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 condensed consolidated interim financial statements have been prepared on a going concern basis. In concluding that this is the appropriate basis of preparation, management have taken the following into consideration:

Cash flow projections

The Group reported negative net working capital of €515.4 million as of 30 June 2023, which is mainly caused by a portion of a long-term loan being due within 12 months, hence becoming a short-term loan. However, based on the available types of funding mentioned below, there are sufficient resources to settle this short-term bank borrowing.

Availability of bank funding

The Group has a committed credit line of €750 million that provides substantial and flexible liquidity, which can be drawn at a very short notice. Major part of the revolving credit facility will be matured in December 2027. The full facility of €750 million was undrawn at the end of June 2023. In addition, the Group had €92.9 million in cash and additional total cash pool overdraft limits of €40 million. See note 5.12 for further details.

Availability of related party funding

The Group has funding from its shareholder (either via equity or loans) that could support investment and development activities.

Cash flow assessment shows that the Group has sufficient headroom and liquidity to meet all payment obligations related to development projects, operations and loan interest payments.

Conflict in Ukraine

The Group monitors the risks associated with the situation in Ukraine and the Group has not identified any imminent risks, which could materially impact the performance. As at the date of publication of these condensed consolidated interim financial statements, the management found minimal direct disruption although future indirect repercussions of economic sanctions and geopolitical instability are difficult to predict. The Group has no assets or operations in currently affected countries and is not aware of any material impact affecting our business with tenants. The Management constantly monitors potential adverse impact and takes appropriate mitigation measures.

Conclusion

Management remains confident that the condensed consolidated interim financial statements should continue to be prepared on a going concern basis for the reasons set out above.

D) PRESENTATION CURRENCY

These condensed consolidated interim 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 indicated otherwise.

E) CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of condensed consolidated interim financial statements in conformity with IFRS as adopted by the European Union requires the use of estimates, and the exercise of professional judgement by management. These estimates and judgements influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses reported. 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 changes in circumstances during the financial period in which these changes occur.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

The policy for recognizing and measuring income taxes in the interim period is based on an effective income tax rate taken from the previous year as described in the Note 4.9.

2.2. New accounting policy and changes in presentation

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022.

CHANGE IN TERMINOLOGY

The Group decided to align terminology used for management reporting with IFRS reporting and applied following changes since 2023:

Old terminology used till 31 December 2022	Newly used terminology from 1 January 2023
Rental income	Net rental income
Net rental income	Net operating income
Gross rental revenue	Net rental revenue

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IFRS

The Group has not adopted early any standard, interpretation or amendment that has been issued but is not effective yet. Several amendments apply for the first time in 2023, but do not have an impact on the condensed consolidated interim financial statements of the Group. For the preparation of these condensed consolidated interim financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning on 1 January 2023 (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 impact of each new standard/amendment is described below.

Changes in accounting policies and accounting pronouncements adopted since 1 January 2023

- IFRS 17 Insurance contracts including amendments: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The management has assessed and determined that the above amendments have no material impact on the Group's condensed consolidated interim financial statements.

Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's consolidated financial statements
There were several new Standards and amendments to Standards and Interpretations not yet effective as of 30 June 2023 which the Group has not applied in preparing these condensed consolidated interim financial statements. Of these pronouncements, potentially the following will be relevant for the Group and the Group plans to adopt these pronouncements once they become effective. The Group is in the process of analysing the potential impact, whilst the Group expects the impact should be limited at the date of preparing the consolidated financial statements.

Not yet effective and not yet endorsed by the EU:
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

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 non-performance risk related to a liability, at the measurement date.

The Group classifies 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.

For assets and liabilities that are recognised in the condensed consolidated interim financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

I. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION
An external, independent valuation company, having the 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 semi-annually. The fair values reflect the 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 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 cost 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 techniques 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. Assets held for sale are generally 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. Non-current assets that are accounted for in accordance with the fair value model in IAS 40 Investment Property continue to be recorded at market value based on valuation provided by independent appraiser (see Note 2.3.i). Following the definition of the fair value given by IFRS 13, the Group considers values provided by independent appraiser to be the best estimate of potential realised selling price upon an orderly transaction between market participants. Furthermore, the highest and best use, as defined under provisions of IFRS 13, takes into account only synergies, that would be available to regular market participants. In an event, when the Group can achieve more favourable price upon some specific circumstances, e.g. sale of property to the existing tenant, benefits from license ownership, or other synergies with limited access only for selected market participants, the Group measures such investment property held for sale based on existing fair value assessment performed by an independent appraiser and recognises subsequent gain or loss from sale, when the asset (disposal group) is sold. This principle is followed even in the situation, when the sale is realised after reporting period-end and before issuance of Financial statements.

2.4. Recurring EBITDA

Recurring EBITDA is not a defined performance measure in IFRS Standards. Recurring EBITDA is a non-GAAP measure used by the Group to monitor the Group's profitability performance. It is defined as net operating income less administrative expenses. It excludes impacts of changes in fair value, disposals, depreciation and other expenses primarily related to acquisitions or similar costs of one-off nature.

Reconciliation of recurring EBITDA to operating profit:

For the six months ended **In € thousand**	**Note**	**30 June 2023**	**30 June 2022**
Net rental income		208,301	172,004
Service charges		33,123	25,611
Net rental revenue	**4.1**	**241,424**	**197,615**
Property operating expenses	4.2	(36,498)	(28,706)
Net operating income		**204,926**	**168,909**
Administrative expenses	4.3	(28,925)	(25,956)
Recurring EBITDA		**176,001**	**142,953**
Recurring EBITDA to net rental income margin		84.5%	83.1%
Net gains/(losses) from fair value adjustments on investment property	4.4	(269,723)	371,403
Disposal of investment property	4.5	12,495	45
Other expense, net	4.6	(1,805)	(267)
Depreciation and amortisation		(3,474)	(2,868)
Operating profit		**(86,506)**	**511,266**

3. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographical Business Areas where the Group holds significant assets and reports to the Board as separate distinct Business Area. All geographical Business Areas which are insignificant to the overall portfolio are grouped together in the segment "Other".

As of 30 June 2023, there was only one tenant representing more than 10% of the Group's rental revenue from investment property. Total annualized rental income of this tenant is €51,023 thousand and it is coming from the German, Spanish and Italian segment.

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

Segmental analysis for the six months period ended 30 June 2023

In € thousand	Czech Rep	France	Germany
Condensed consolidated interim statement of profit or loss for the six months ended 30 June 2023			
Net rental revenue*	49,315	11,066	70,292
Property operating expenses	(6,287)	(2,672)	(6,708)
Net operating income	**43,028**	**8,394**	**63,584**
Net gains from fair value adjustments on investment property	(51,870)	(16,621)	(99,988)
Disposal of assets	–	–	11,674
Other income/Other expense	69	22	(1,641)
Administrative expenses	(5,231)	(1,165)	(8,453)
Depreciation and amortisation	–	(45)	(1,378)
Operating profit	**(14,004)**	**(9,415)**	**(36,202)**
Financial income	1,805	503	32
Shareholder financing costs	–	–	–
External and other financial costs	(8,851)	(4,797)	(16,687)
Profit before tax	**(21,050)**	**(13,709)**	**(52,857)**
Income tax expense	4,195	3,919	10,471
Profit for the period	**(16,855)**	**(9,790)**	**(42,386)**
Condensed consolidated interim statement of financial position as at 30 June 2023			
Investment property	1,710,474	349,527	2,595,109
Investment property under construction	28,125	22,949	99,421
Other assets	47,994	66,926	118,321
Total assets	**1,786,593**	**439,402**	**2,812,851**
Borrowings	592,326	312,097	1,302,844
Other liabilities	232,060	45,990	235,019
Total liabilities	**824,386**	**358,087**	**1,537,863**
Equity	**962,207**	**81,315**	**1,274,988**

Segmental analysis for the six months period ended 30 June 2022

In € thousand	Czech Rep	France	Germany
Condensed consolidated interim statement of profit or loss for the six months ended 30 June 2022			
Net rental revenue*	43,039	6,399	61,178
Property operating expenses	(5,200)	(2,017)	(6,177)
Net operating income	**37,839**	**4,382**	**55,001**
Net gains from fair value adjustments on investment property	184,628	3,812	54,728
Disposal of assets	–	–	145
Other income/Other expense	(46)	20	(52)
Administrative expenses	(4,580)	(860)	(7,859)
Depreciation and amortisation	–	(45)	(1,101)
Operating profit	**217,841**	**7,309**	**100,862**
Financial income	1	256	31
Shareholder financing costs	–	–	–
External and other financial costs	(7,675)	(2,431)	(14,383)
Profit before tax	**210,167**	**5,134**	**86,510**
Income tax expense	(44,069)	(890)	(13,468)
Profit for the period	**166,098**	**4,244**	**73,042**
Condensed consolidated interim statement of financial position as at 30 June 2022			
Investment property	1,733,534	239,604	2,627,836
Investment property under construction	58,951	6,824	44,676
Other assets	42,816	78,060	101,624
Total assets	**1,835,301**	**324,488**	**2,774,136**
Borrowings	575,897	171,551	1,231,960
Other liabilities	248,017	67,399	247,399
Total liabilities	**823,914**	**238,950**	**1,479,359**
Equity	**1,011,387**	**85,538**	**1,294,777**

* Revenues to external customers
** Comprises Serbia, Austria, Belgium and Group adjustments

Italy	Netherlands	Poland	Romania	Slovakia	Spain	Other**	Mgmt / Hold	Eliminations	Total
19,057	12,903	29,518	11,073	14,377	21,526	2,608	–	(311)	**241,424**
(4,794)	(1,637)	(10,139)	(2,670)	(3,619)	(990)	(210)	(6)	3,234	**(36,498)**
14,263	**11,266**	**19,379**	**8,403**	**10,758**	**20.536**	**2,398**	**(6)**	**2,923**	**204,926**
(17,083)	(3,472)	(67,433)	(291)	(4,635)	(5,756)	(2,574)	–	–	**(269,723)**
–	–	(202)	(35)	–	–	–	79	979	**12,495**
12	(2)	(191)	(203)	(5)	85	(3,298)	29,255	(25,908)	**(1,805)**
(1,923)	(1,272)	(2,763)	(962)	(1,298)	(2,542)	2,729	(24,499)	18,454	**(28,925)**
–	–	(94)	(48)	–	–	–	(1,909)	–	**(3,474)**
(4,731)	**6,520**	**(51,304)**	**6,864**	**4,820**	**12,323**	**(745)**	**2,920**	**(3,552)**	**(86,506)**
2	–	6,710	(246)	–	966	–	160,787	(161,670)	**8,889**
–	–	–	–	–	–	–	(31,817)	–	**(31,817)**
(5,669)	(3,922)	(7,229)	(3,678)	(2,246)	(8,367)	1,881	(150,812)	149,616	**(60,761)**
(10,398)	**2,598**	**(51,823)**	**2,940**	**2,574**	**4,922**	**1,136**	**(18,922)**	**(15,606)**	**(170,195)**
2,243	(904)	12,547	(598)	(662)	(78)	(43)	(257)	–	**30,833**
(8,155)	**1,694**	**(39,276)**	**2,342**	**1,912**	**4,844**	**1,093**	**(19,179)**	**(15,606)**	**(139,362)**
618,538	390,290	838,741	254,523	430,568	804,979	48,341	–	(68,040)	**7,973,050**
22,636	15,438	58,241	–	–	3,339	–	–	(4,972)	**245,177**
74,469	27,579	225,915	7,639	13,055	47,753	20,884	14,395,129	(14,323,268)	**722,396**
715,643	**433,307**	**1,122,897**	**262,162**	**443,623**	**856,071**	**69,225**	**14,395,129**	**(14,396,280)**	**8,940,623**
317,111	297,942	653,592	165,651	160,724	417,806	47,862	11,682,573	(10,474,211)	**5,476,317**
43,154	31,852	109,611	12,931	47,849	49,931	2,506	156,903	(105,804)	**862,002**
360,265	**329,794**	**763,203**	**178,582**	**208,573**	**467,737**	**50,368**	**11,839,476**	**(10,580,015)**	**6,338,319**
355,378	**103,513**	**359,694**	**83,580**	**235,050**	**388,334**	**18,857**	**2,555,653**	**(3,816,265)**	**2,602,304**

Italy	Netherlands	Poland	Romania	Slovakia	Spain	Other**	Mgmt / Hold	Eliminations	Total
10,474	10,068	22,489	10,301	13,604	18,533	1,800	–	(270)	**197,615**
(1,796)	(1,655)	(7,570)	(2,513)	(2,923)	(1,232)	(123)	(0)	2,500	**(28,706)**
8,678	**8,413**	**14,919**	**7,788**	**10,681**	**17,301**	**1,677**	**(0)**	**2,230**	**168,909**
4,268	13,889	64,966	1,628	21,424	25,897	(3,837)	–	–	**371,403**
–	–	–	–	–	–	–	–	(100)	**45**
23	–	(15)	48	(48)	70	(8)	21,270	(21,529)	**(267)**
(1,335)	(1,243)	(2,096)	(849)	(1,170)	(2,196)	2,283	(21,585)	15,534	**(25,956)**
–	–	–	(48)	–	–	–	(1,674)	–	**(2,868)**
11,634	**21,059**	**77,774**	**8,567**	**30,887**	**41,072**	**115**	**(1,989)**	**(3,865)**	**511,266**
–	–	–	13	–	–	–	329,452	(329,740)	**13**
–	–	–	–	–	–	–	(49,434)	–	**(49,434)**
(5,012)	(3,083)	(8,723)	(4,135)	(2,238)	(6,537)	655	(108,157)	141,389	**(20,330)**
6,622	**17,977**	**69,051**	**4,445**	**28,649**	**34,535**	**770**	**169,871**	**(192,216)**	**441,515**
(2,241)	(2,738)	(13,176)	(736)	(6,166)	(69)	(898)	(316)	–	**(84,767)**
4,380	**15,240**	**55,875**	**3,709**	**22,483**	**34,466**	**(128)**	**169,555**	**(192,216)**	**356,748**
664,507	409,453	670,721	262,913	450,720	788,436	40,260	–	(60,465)	**7,827,519**
–	32,473	21,940	–	16,420	28,072	7,263	–	(1,906)	**214,713**
64,033	14,589	208,726	9,110	16,654	87,639	21,734	14,055,649	(13,994,676)	**705,959**
728,540	**456,516**	**901,387**	**272,023**	**483,794**	**904,147**	**69,257**	**14,055,649**	**(14,057,047)**	**8,748,191**
308,241	262,919	438,902	169,454	174,043	392,436	47,298	11,494,140	(10,406,337)	**4,860,504**
68,004	38,026	79,780	14,625	53,937	50,916	3,441	136,733	(63,703)	**944,574**
376,245	**300,945**	**518,682**	**184,079**	**227,980**	**443,352**	**50,739**	**11,630,873**	**(10,470,040)**	**5,805,078**
352,295	**155,571**	**382,705**	**87,944**	**255,814**	**460,795**	**18,518**	**2,424,776**	**(3,587,007)**	**2,943,113**

4. ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

4.1. Net Rental Revenue

In € thousand For 6 months ended	30 June 2023	30 June 2022
Rental revenue from investment property (including investment property – right-of-use asset)	207,920	170,978
Straight-lining of lease incentives	381	1,026
Net rental income	**208,301**	**172,004**
Service charges	33,123	25,611
Net rental revenue	**241,424**	**197,615**

Net rental income from investment property increased due to new investment properties acquired and completed in 2022 and 2023 and strong rental growth of the existing portfolio driven by indexation and re-leasing.

4.2. Property Operating Expenses

In € thousand For 6 months ended	30 June 2023	30 June 2022
Utilities	(6,015)	(3,190)
Taxation	(12,570)	(10,242)
Insurance	(2,901)	(2,315)
Security	(4,669)	(3,987)
Property management fees	(4,870)	(4,018)
Repairs and maintenance	(4,511)	(3,369)
Other	(962)	(1,585)
Total	**(36,498)**	**(28,706)**

Majority of the property operating expenses presented above is related to investment property that generated net rental revenue during the year.

4.3. Administrative Expenses

In € thousand For 6 months ended	30 June 2023	30 June 2022
Property administrative expenses (1)	(7,470)	(6,938)
Employee and other administrative expenses (2)	(24,427)	(21,520)
Costs capitalised (3)	2,972	2,502
Total	**(28,925)**	**(25,956)**

(1) Property administrative expenses:

In € thousand For 6 months ended	30 June 2023	30 June 2022
Letting, marketing, legal, and professional fees	(6,700)	(6,247)
Impairment loss on trade receivables (ECL)	87	57
Other	(857)	(748)
Total	**(7,470)**	**(6,938)**

(2) Employee and other administrative expenses:

In € thousand For 6 months ended	30 June 2023	30 June 2022
Employee expenses	(19,968)	(17,735)
Audit fees*	(597)	(572)
Other	(3,862)	(3,213)
Total	**(24,427)**	**(21,520)**

*Comprise of Group's auditors and other external auditors' fees

Employee expenses

In € thousand For 6 months ended	30 June 2023	30 June 2022
Wages and salaries	(16,640)	(14,958)
Social security and health insurance	(2,249)	(1,754)
Other	(1,079)	(1,023)
Total	**(19,968)**	**(17,735)**

The average number of full-time equivalent employees for the six-month period ending 30 June 2023 was 262 and for the six-month period ended 30 June 2022 it was 239.

(3) Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.

4.4. Net gains/(losses) from fair value adjustments on investment property

In € thousand For 6 months ended 30 June 2023	Valuation gains	Valuation loss	Net change in market value
Investment property	34,293	(310,143)	(275,850)
Investment property under construction	23,034	(16,907)	6,127
Total	**57,327**	**(327,050)**	**(269,723)**
of which Assets held for sale	48	(12,365)	(12,317)

In € thousand For 6 months ended 30 June 2022	Valuation gains	Valuation loss	Net change in market value
Investment property	355,176	(47,631)	307,545
Investment property under construction	63,858	—	63,858
Total	**419,034**	**(47,631)**	**371,403**
of which Assets held for sale	4,916	(3,191)	1,725

4.5. Disposal of investment property

On 16 January 2023, the Group signed a sale and purchase agreement to dispose of land plot covering 250 thousand sqm in Germany for €134.6 million (excluding settlement of borrowings). In addition the Group received purchased price adjustment for disposals from 2021 and completed minor sales of equipment for €0.8million. The transaction was closed on 3 March 2023. Gains on disposal of investment property amounted to €12,495 thousand during the first six months in 2023 net of consideration received and net assets and liabilities disposed.

During the first six months of 2022, the Group completed only minor sales of some land and equipment resulting in gains on disposal of €45 thousand.

In € thousand	30 June 2023	30 June 2022
Investment property and property, plant and equipment	(199,167)	—
Trade and other receivables	(6,110)	—
Cash and cash equivalents	(256)	—
Deferred tax liabilities	24,194	—
Trade and other payables	2,795	—
Net assets and liabilities disposed	**(178,544)**	**—**
Consideration received	191,039*	45
Cash and cash equivalents disposed	(256)	—
Net cash inflows	**190,783**	**45**

*Consideration received included cash settlement of intercompany loan of € 55,641 thousand

For further reference on assets and liabilities held for sale see also Note 5.17.

4.6. Other Income/(Expense), Net

'Other Expense, Net' primarily includes transaction costs related to new acquisitions, other advisory costs related to the Group matters (transfer pricing, legal structuring, etc) and late fees paid by tenants.

4.7. Financial Income

In € thousand For 6 months ended	30 June 2023	30 June 2022
Interest income	—	—
Unrealised gains from derivatives and financial instruments	966	—
Other financial income	3	13
Net foreign exchange gains (1)	7,920	—
Total	**8,889**	**13**

(1) Net foreign exchange gains arise primarily from daily settlement of receivables and payables denominated in foreign exchange currency and revaluation of borrowings on land and early stage development from EUR to local functional currencies not yet included under the hedge model deferring FX gains and losses in OCI against future cash flow from net rental income.

4.8. Financial Costs

Shareholder financing costs

Interest expenses on shareholder loans and guarantee fee to shareholder amounted to €31,817 thousand (€49,434 thousand for the first six months in 2022). These expenses were not settled in cash and remained accrued for the first six months in 2022 and 2023. The reduction is mainly due to lower amount of the loans subject to guarantee fee.

External and other financial costs

Interest expenses on external borrowings increased clearly due to rising market interest rates, but also due to increased amount of debt and higher credit margins as loans with a guarantee from shareholder has been refinanced with new debt on a non-recourse basis.

In € thousand For 6 months ended	30 June 2023	30 June 2022
Interest expenses – external borrowings	(54,828)	(13,438)
Interest expenses – IFRS 16	(643)	(479)
Financing fees	(5,290)	(4,110)
Unrealised losses from derivatives and financial instruments	—	(3)
Net foreign exchange losses (1)	—	(2,300)
Total	**(60,761)**	**(20,330)**

(1) Net foreign exchange losses arise primarily from daily settlement of receivables and payables denominated in foreign exchange currency and revaluation of borrowings on land and early stage development from EUR to local functional currencies not yet included under the hedge model deferring FX gains and losses in OCI against future cash flow from net rental income.

4.9. Income Tax

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the actual effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2023 was 18.1% (six months ended 30 June 2022: 19.2%). The change in effective tax rate was mainly caused by the fact that, comparing 2023 to 2022, the net gain from fair value adjustment on investment property has affected more in countries with lower nominal tax rate.

5. ADDITIONAL INFORMATION ON THE CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

5.1. Investment property

Investment properties include both completed yielding assets and undeveloped land intended for future development. As at 30 June 2023 the Group owned 322 completed investment properties in eleven countries – Germany, France, Czech Republic, the Netherlands, Poland, Slovakia, Italy, Romania, Spain, Austria and Belgium (31 December 2022: 310 completed investment properties). 13 properties out of total 322 are presented under Assets held for sale.

For details related to 2023 acquisitions see Note 2 in Board of Managers' report and Note 9.

In € thousand	30 June 2023	30 June 2022
Investment property – yielding assets and land	7,825,249	7,721,372
Investment property – right-of-use asset	147,801	140,280
Investment property	**7,973,050**	**7,861,652**

Appraisals of market values as of 30 June 2023 and as of 31 December 2022 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 is categorised as a level 3 fair value (same as in 2022) based on the unobservable inputs used in the valuation.
Investment property also includes investment right-of-use asset, comprising of ground lease.

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 are 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 is incorporated implicitly in the opinion of yield. For assets under construction ("AUC"), 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.	— Rent value derived from lease agreements and subsequently based on market expectations — Void periods between 0-12 months after the end of each lease (31 December 2022: 0-15 months) — Rent-free periods: 0-16 months for new leases (31 December 2022: 0-12 months) — Weighted average Equivalent Yield for investments assets (both yielding and AUC) per country 4.75-7.91% (31 December 2022: 4.55-7.61%), weighted average for the Group 5.47% (2022: 5.19%) — ERV/area unit (both yielding and AUC) per country 30.61-73.53/sqm (31 December 2022: 30.61-72.92/sqm), weighted average for the Group 60.96/sqm (2022: 59.63/sqm) — Transaction costs 1% (2022: 1%) is the assumption that appropriately approximates the amount of acquisition costs for the whole investment property portfolio — For AUC costs to complete and developer's margins vary with each development project (due to size, specification, country, etc.).Assumptions are 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) The estimated fair value would increase (decrease) if: — Rent value derived from lease agreements was higher (lower) — Void periods after the end of each lease were shorter (longer) — Rent-free periods for new leases were shorter (longer) — Equivalent yields were lower (higher) — Transaction costs were lower (higher) — Estimated costs to complete for AUC were lower (higher)

For additional information about fair value measurement see Note 2.3.
For additional information about real estate market risk see Note 7.2.

5.1. Investment property – yielding asset movement table for the period ended 30 June 2023

In € thousand	Czech Rep	France	Germany	Italy	Netherlands	Poland	Romania	Slovakia	Spain	Other*	Total
At 1 January 2023	**1,677,181**	**361,665**	**2,550,326**	**620,152**	**388,379**	**631,688**	**252,527**	**426,866**	**765,732**	**46,856**	**7,721,372**
Acquisition	—	—	12,944	—	—	133,020	—	—	14,350	(3,332)	**156,982**
Additions	2,991	117	12,960	12,264	95	9,247	941	1,225	2,303	6,323	**48,466**
Disposals/change in asset held for sale	—	—	(11,067)	—	—	4,880	—	—	—	(71)	**(6,258)**
Transfer to investment properties under construction	—	—	(14,275)	(15,446)	—	(2,178)	—	—	(2,126)	—	**(34,025)**
Transfer from investment properties under construction	34,939	—	1,100	15,970	—	57,120	—	—	24,753	—	**133,882**
Valuation gains/(losses)	(49,039)	(15,701)	(100,870)	(18,955)	1,544	(79,516)	(291)	(4,635)	(5,813)	(2,574)	**(275,850)**
Translation difference	26,861	—	—	—	—	54,155	(815)	—	—	479	**80,680**
At 30 June 2023	**1,692,933**	**346,081**	**2,451,118**	**613,985**	**390,018**	**808,416**	**252,362**	**423,456**	**799,199**	**47,681**	**7,825,249**
Lease incentives and commissions**	12,223	1,621	23,049	1,608	4,456	12,582	729	4,304	2,652	164	**63,388**
Held for sale***	—	—	—	—	—	158,494	—	—	—	13,674	**172,168**
Total Property Value – yielding assets	**1,705,156**	**347,702**	**2,474,167**	**615,593**	**394,474**	**979,492**	**253,091**	**427,760**	**801,851**	**61,519**	**8,060,805**

5.1. Investment property – yielding asset movement table for the year ended 31 December 2022

In € thousand	Czech Rep	France	Germany	Italy	Netherlands	Poland	Romania	Slovakia	Spain	Other*	Total
At 1 January 2022	**1,504,808**	**237,318**	**2,373,586**	**423,677**	**372,057**	**511,322**	**256,796**	**405,924**	**692,403**	**38,397**	**6,816,288**
Acquisition	—	163,314	249,638	11,839	26,380	—	—	—	—	(23,769)	**427,402**
Additions	12,600	890	51,722	39,230	1,097	40,579	3,937	16,162	5,283	11,148	**182,648**
Disposals/change in asset held for sale	—	—	(188,278)	—	—	5,614	—	—	—	3,547	**(179,117)**
Transfer to investment properties under construction	(7,682)	(5,724)	(55,610)	(4,032)	—	(14,706)	—	—	—	(1,267)	**(89,021)**
Transfer from investment properties under construction	99,912	—	111,043	234,408	44,205	75,973	—	16,090	139,303	8,832	**729,766**
Valuation gains/(losses)	16,251	(34,133)	8,225	(84,970)	(55,360)	27,714	(8,279)	(11,310)	(71,257)	10,156	**(202,963)**
Translation difference	51,292	—	—	—	—	(14,808)	73	—	—	(188)	**36,369**
At 31 December 2022	**1,677,181**	**361,665**	**2,550,326**	**620,152**	**388,379**	**631,688**	**252,527**	**426,866**	**765,732**	**46,856**	**7,721,372**
Lease incentives and commissions**	10,444	1,895	21,392	1,464	4,525	10,981	838	3,898	2,773	376	**58,586**
Held for sale***	—	—	188,100	—	—	163,374	—	—	—	13,603	**365,077**
Total Property Value – yielding assets	**1,687,625**	**363,560**	**2,759,818**	**621,616**	**392,904**	**806,043**	**253,365**	**430,764**	**768,505**	**60,835**	**8,145,035**

* Other includes properties in Austria, Belgium, Serbia and group adjustments in both years.
** Included within other non-current assets and other current assets.
*** Includes Investment property, investment property under construction and tenant lease incentives within Assets held for sale.

Sensitivity analysis

		Effect on fair value	
In € thousand 30 June 2023	**Sensitivity used**	**Completed investment property**	**Investment property under construction**
Increase in ERV	10%	612,386	40,910
Rental growth (each calendar year till lease end)	1%	89,739	6,100
Vacancy allowance (% of Potential Gross Rent)	1%	(69,535)	(4,970)
Yield increase	0.25%	(351,432)	(20,550)
Outstanding costs increase	10%	—	(23,154)
Transaction cost increase	10%	(7,958)	(256)

Investment property right-of-use assets – Movement table for the period ended 30 June 2023

In € thousand	
At 1 January 2023	**140,280**
Additions	4,402
Modifications and disposals	4,538
Depreciation expense	(1,448)
Translation difference	29
At 30 June 2023	**147,801**

Investment property right-of-use is represented by the ground lease capitalised according to IFRS 16.
New addition in 2023 is primarily due to newly signed ground leases in Poland.
Impact from inflation increase was recognised as modification in 2023 and 2022.

In € thousand	
At 1 January 2022	**96,290**
Additions	38,318
Modifications and disposals	8,285
Depreciation expense	(2,613)
Translation difference	–
At 31 December 2022	**140,280**

5.2. Investment property under construction

In € thousand	30 June 2023	30 June 2022
At 1 January	**187,916**	**462,510**
Acquisition	20,453	32,473
Additions	128,080	271,856
Transfer from investment property	34,025	89,021
Transfer to investment property	(133,882)	(729,766)
Valuation gains	6,125	59,842
Translation difference	2,460	1,980
At 30 June 2023/ 31 December 2022	**245,177**	**187,916**

Investment property under construction comprises assets currently under development, i.e. where a construction permit has been obtained. Constructions are completed and transferred to investment property when occupancy permit is obtained.

As of 30 June 2023, the Group had 15 assets under construction in Germany, Poland, Spain, France, Italy, Czech Republic and the Netherlands (31 December 2022: 15 assets under construction in Germany, Poland, Spain, France, Italy and Czech Republic).

Fair value measurement for investment properties under construction has been categorised as a Level 3 fair value based on the unobservable inputs used in the valuation. There was no reclassification between Levels during the period.

5.3. Total property value

Property value is not a measure defined in IFRS Standards. Property value is a non-GAAP measure used by the Group to monitor the Group's unencumbered Property value for covenant compliance. Total property value includes value of assets held for sale, and lease incentives and commissions capitalised in fair value as shown in movement table in Note 5.1. above.

In € thousand	30 June 2023	31 December 2022
Investment property – yielding assets and land – total property value (Note 5.1.)	8,060,805	8,145,035
Investment property under construction (Note 5.2.)	245,177	187,916
Total Property Value	**8,305,982**	**8,332,951**
Market value of pledged properties	(991,709)	(101,686)
Unencumbered Property Value	**7,314,273**	**8,231,265**

5.4. Derivative financial instruments

In € thousand Maturity of derivatives	Type of contract	Notional amounts 30 June 2023	Fair Value 30 June 2023	Notional amounts 31 December 2022	Fair Value 31 December 2022
Up to 1 year	Interest Rate Cap	—	—	—	—
1 to 5 years	Interest Rate Cap Interest Rate Swap	1,260,495	49,176	650,000	39,025
Over 5 years	Interest Rate Swap	640,000	35,173	500,000	35,237
Total		**1,900,495**	**84,349**	**1,150,000**	**74,262**

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

	30 June 2023	31 December 2022
Short-term derivative – assets	—	—
Long-term derivative – assets	84,349	74,262
Short-term derivative – liabilities	—	—
Long-term derivative – liabilities	—	—
Total	**84,349**	**74,262**

The Group uses interest rate caps, interest rate swaps and forward starting interest rate swaps to manage the interest rate risk. Interest rate caps are carried at fair value through the profit and loss ("FVTPL"). Effective portion of interest rate swaps under cash flow hedge is recognised in other comprehensive income.

During the reporting period the Group entered into three new interest rate swaps to convert new floating rate loans to fixed rate. Cash flow hedge accounting is applied for the derivatives.

In addition an interest rate cap was contracted in order to hedge the interest rate risk of an existing secured loan. A positive fair value or settlement received is recognised in the income statement of the Group as hedge accounting is not applied for this particular derivative.

Interest payments relating to bank loans and other loans are recorded under interest expense in Note 4.8.

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 bank valuation reports. Similar contracts are traded in an active market and the quotes reflect transactions in similar instruments.

5.5. Other Non-Current Assets

In € thousand	30 June 2023	31 December 2022
Accrued income (1)	34,507	37,929
Capitalised costs on new projects (2)	20,122	20,258
Prepaid expense (3)	13,401	12,766
Other (4)	46,742	36,793
Total	**114,772**	**107,746**

(1) Accrued income represents the rent-free incentives the Group has granted to tenants.
(2) Capitalised costs on new acquisitions/development represents investments into IT projects being developed internally and transaction costs incurred as of the balance sheet date for future and not yet fully started projects. The amount capitalised is transferred to investment property upon completion of the acquisition or start of the development. Costs for IT projects are transferred to intangible assets and depreciated over useful life when they can be used to generate benefits.
(3) Prepaid expense is primarily made up from leasing commissions being amortised over the lease term.
(4) Other non-current assets represent prepayments on land paid primarily in Germany, Poland and Spain (€37,745 thousand) and long-term deposits paid in Spain (in 2023: €6,980 thousand, in 2022: €6,755 thousand).

5.6. Trade Receivables

In € thousand 30 June 2023	Receivables	Loss allowance	Current amount
Not yet due	18,877	—	18,877
< 30 days past due	4,226	—	4,226
30–60 days past due	1,019	—	1,019
60–90 days past due	700	—	700
90–180 days past due	230	(9)	221
180–360 days past due	823	(15)	808
> 360 days past due	1,451	(1,282)	169
Total	**27,326**	**(1,306)**	**26,020**

In € thousand 31 December 2022	Receivables	Loss allowance	Current amount
Not yet due	20,487	—	20,487
< 30 days past due	4,934	—	4,934
30–60 days past due	953	—	953
60–90 days past due	339	—	339
90–180 days past due	279	(50)	229
180–360 days past due	382	(38)	344
> 360 days past due	1,718	(1,718)	—
Total	**29,092**	**(1,806)**	**27,286**

There is no concentration of trade receivables.

5.7. Other Current Assets

In € thousand	30 June 2023	31 December 2022
Accrued income (1)	26,422	16,406
Prepaid expense (2)	16,929	10,447
Other (3)	14,427	22,207
Total	**57,778**	**49,060**

(1) Accrued income includes the short-term element of rent-free incentives granted to tenants, as well as accrued amounts from the service charge reconciliation.
(2) Prepaid expenses primarily relate to insurance, property taxes and leasing commissions paid in advance.
(3) The item "Other" is represented primarily by short-term receivables related to land acquisitions.

5.8. Prepayments

In € thousand	30 June 2023	31 December 2022
Deposits paid (1)	16,836	1,346
Advance payments (2)	5,120	8,326
Total	**21,956**	**9,672**

(1) Deposits paid are primarily represented by short-term payments on escrow accounts relating to new acquisitions mainly in France and Italy of €16,677 thousand (2022: France €1,137 thousand).
(2) Advance payments consist of recorded advances on utilities.

5.9. Tax Receivables

In € thousand	30 June 2023	31 December 2022
VAT and other tax receivable (1)	107,779	101,171
Income tax receivable	2,853	1,311
Total	**110,632**	**102,482**

(1) VAT receivable relates primarily to construction invoices on development projects and recent acquisitions.

5.10. Cash and cash equivalents and Restricted cash

In € thousand	30 June 2023	31 December 2022
Cash and cash equivalents	92,898	179,596
Non-current restricted cash	1,590	971
Current restricted cash	—	—
Total	**94,488**	**180,567**

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 the agreements with tenants 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 condensed consolidated interim cash flow statement.

5.11. Equity

Share capital and share premium
As of 30 June 2023, and as of 31 December 2022, the share capital of the Group consists of 36,505,930 ordinary shares with the nominal value of €0.01 each, fully paid in, 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 authorised share capital is amounting to €365 thousand.

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
"Other capital funds" is primarily made up of conversion of shareholder loans in prior periods.
There are no such transactions in 2023 nor in 2022.

In € thousand	Number of shares	Share capital	Share premium	Other capital funds
Balance at 1 January 2023	**36,505,930**	**365**	**3,816**	**712,849**
Contribution of the shareholder	—	—	—	—
Allocation to reserve fund	—	—	—	—
Reclassifications and corrections	—	—	—	1
Balance at 30 June 2023	**36,505,930**	**365**	**3,816**	**712,850**

In € thousand	Number of shares	Share capital	Share premium	Other capital funds
Balance at 1 January 2022	**36,505,930**	**365**	**3,816**	**712,767**
Contribution of the shareholder	—	—	—	—
Allocation to reserve fund	—	—	—	—
Reclassifications and corrections	—	—	—	82
Balance at 31 December 2022	**36,505,930**	**365**	**3,816**	**712,849**

The Company is required to transfer a minimum of 5% of its net statutory profit for each financial year to a legal reserve which is part of Other capital funds. This requirement ceases once the balance of the legal reserve reaches 10% of the issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net statutory profits must be allocated again toward the reserve. The legal reserve is not available for distribution to the shareholders.

Other reserve
The other reserve consists of the recognition effect from cash flow hedging made up by foreign exchange risk hedge accounting and interest rate risk hedge accounting (see Note 5.4 and 5.20).

In € thousand	31 December 2022	Movement	30 June 2023
Hedge accounting	43,154	34,307	77,461
Deferred tax	(8,280)	(6,527)	(14,807)
Interest swaps	74,101	7,525	81,626
Deferred tax	(18,481)	(1,877)	(20,358)
Other reserve	**90,494**	**33,428**	**123,922**

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.

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. During 2021, most of the options were extended and may be exercised in April 2024 with the selling price to be calculated based on the value of consolidated equity of entities included under Spain SOCIMI in 2017 as of future date.

The future liability arising from this option was recognised as a long-term financial liability in the Group condensed consolidated interim financial statements as at 30 June 2023 in the amount of €1,790 thousand (€1,606 thousand as at 31 December 2022) corresponding to discounted liability. Present-access method was applied due to the access of minority shareholders to returns and therefore the value of option was recognised as part of non-controlling interest (NCI). Subsequent to initial recognition, the group applies accounting policy, to recognise changes in the carrying amount of the put liability in equity.

The value of the overall obligation against minority shareholders has not materially changed since 2022 year-end. As of 30 June 2023, the total value of the obligation was €5,383 thousand (31 December 2022: €4,992 thousand, 30 June 2022: €5,899 thousand) consisting of NCI of €3,593 thousand and option obligation of €1,790 thousand presented in other payables (31 December 2022: NCI of €3,386 thousand and other payable of €1,606 thousand, 30 June 2022: NCI of €4,034 thousand and other payable of €1,865 thousand).

5.12. Borrowings

In € thousand Shareholder borrowings	30 June 2023	31 December 2022
Principal	1,407,687	1,407,687
Accrued interest and guarantee fee*	135,338	103,521
Total	**1,543,025**	**1,511,208**

* The Group has shareholder guarantees: a fixed fee guarantee on a €600 million bank loan and a variable fee guarantee on a €600 million bank loan.

The maturity of the shareholder borrowings falls into the maturity category "Over 5 years" as the tenors exceed 25 years.
The shareholder borrowings are subordinated to all external borrowings.

In 2022 the Group drew down €400 million.
In 2022 the Group converted €29.6 million from accrued interest to principal (in 2021: €334.1 million).
There was no change besides additional accrued interest and guarantee fee during first six months in 2023.

In € thousand **Net Debt**	30 June 2023	31 December 2022
Long-Term Bank Borrowings	**2,332,065**	**2,447,281**
Bank borrowings – principal	2,340,495	2,450,495
Deferred financial costs*	(8,430)	(3,214)
Short-Term Bank Borrowings	**606,439**	**452,400**
Bank borrowings – principal and accrued interest	612,292	453,006
Deferred financial costs*	(5,853)	(606)
Total Bank Borrowings	**2,938,504**	**2,899,681**
Long-Term Bonds	**993,576**	**992,437**
Bonds – principal	1,000,000	1,000,000
Deferred financial costs	(6,424)	(7,563)
Short-Term Bonds	**3,209**	**9,459**
Bonds – accrued interest	5,317	11,567
Deferred financial costs	(2,108)	(2,108)
Total Bonds	**996,785**	**1,001,896**
Total Borrowings	**3,935,289**	**3,901,577**
Cash and cash equivalents	(92,898)	(179,596)
Net Debt	**3,842,391**	**3,721,982**

* This overview does not include deferred financing costs associated with revolving credit facility which is undrawn as of June 2023 (long-term portion €1,434 and short-term portion €563).

In € thousand **External Borrowings by type** (excluding deferred financial costs)	30 June 2023	31 December 2022
Secured borrowings – mortgages	**506,374**	**50,844**
Unsecured Borrowings	**3,451,730**	**3,864,224**
Bank loans	2,446,413	2,852,657
Bonds	1,005,317	1,011,567
Total	**3,958,104**	**3,915,068**

Financing is provided through a combination of borrowings provided by banks, bond investors and loans provided by related parties. All financing is denominated in Euro.

The table below outlines the maturity profile of the external borrowings:

In € thousand **External Bank Borrowings** (excluding Deferred financial costs)	30 June 2023	31 December 2022
Up to 1 year	612,292	453,006
1 to 5 years	2,050,495	2,350,495
Over 5 years	290,000	100,000
Total	**2,952,787**	**2,903,501**

In € thousand **Bonds by maturity** (excluding Deferred financial costs)	30 June 2023	31 December 2022
Up to 1 year	5,317	11,567
1 to 5 years	500,000	500,000
Over 5 years	500,000	500,000
Total	**1,005,317**	**1,011,567**

Several financing related events took place in January 2022. Standard & Poor's published a BBB credit rating to the Group, a Green Financing Framework was published, and a €5.0 billion Euro Medium Term Note ("EMTN") bond program was established and approved by Luxembourg Stock Exchange. In January 2022, the Group successfully issued €1.0 billion Green Bonds. The Group issued two €500.0 million senior unsecured tranches across 4 and 7-year tenors, carrying a fixed coupon of 0.875% and 1.625% respectively. The bonds are traded on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange. In 2022, the Group also signed a total of €750 million senior unsecured non-recourse bilateral term loans.

During first six months in 2023:

— On 23 January 2023, the Group signed a € 450 million secured loan agreement. The new loan was set at a floating rate but swapped to fixed rate with two separate interest rate swaps for the most part of the nominal value.
— In February 2023, the Group drew down additional € 150 million from existing unsecured non-recourse loan facility.
— In March 2023, a new €140 million 6-year senior unsecured non-recourse bilateral fixed rate term loan was signed and drawn.

— In March 2023, a new €150 million 7.5-year senior unsecured non-recourse bilateral floating rate term loan was signed and drawn. The loan was swapped to fixed rate using interest rate swap.
— €1.05 billion of unsecured guaranteed bank loans were repaid before maturity in March 2023.
— In April 2023, a new €200 million 4-year senior unsecured non-recourse bilateral floating rate term loan was signed and drawn. The loan was swapped to fixed rate using interest rate swap.
— €160 million was drawn for one month from the €750 million RCF in March.

In June 2023 two new cash pool overdraft limits of in total €40 million were signed. The limits are uncommitted, unsecured and were unutilised at the end of June.

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

In € thousand Borrowings by interest rate (nominal excluding accrued interest)	30 June 2023	31 December 2022
TOTAL floating rate	**2,690,495**	**2,800,495**
Floating rate loans (Reference rate** +0.64 to 0.75% margin)	1,200,000	2,150,495
Floating rate loans hedged to fixed (Reference rate** +0.95% to 1.4% margin*)	1,490,495	650,000
TOTAL fixed rate	**1,250,000**	**1,100,000**
Fixed coupon bonds +0.875% and 1.625%	1,000,000	1,000,000
Fixed rate loans – 3.93% to 4.32%	250,000	100,000
Total external borrowings and bonds	**3,940,495**	**3,900,495**
Out of which fixed rate or swapped to fixed interest rates	2,650,495	1,750,000
TOTAL blended rate for shareholder's loan – 3.66%+ margin on profit	**1,407,687**	**1,407,687**
Total	**5,348,182**	**5,308,182**

* Hedged with all-in interest of 2.46–4.46%
** Reference rates are 1M, 3M and 6M EURIBOR

The weighted average interest rate for bank borrowings was 3.13% as of 30 June 2023 (December 2022: 1.61%).

As of 30 June 2023, bank borrowings of €1,200 million are guaranteed by Europe Realty Holdings Pte Ltd (parent company of the shareholder of the Group), the amount of €2,100 million was guaranteed at the end of 2022.

Liquidity
P3 Group S.àr.l. entered into a €750 million revolving facility agreement in December 2021. This facility is unsecured and non-recourse to the shareholder. It has a 5-year tenor with an extension approved for another year in December 2022 for most part of the facility, and with another extension option for 1 additional year. The Group utilised €160 million for one month in 2023 but drawings were repaid and as at 30 June 2023, this facility was fully undrawn.

Financial Covenants
The current outstanding guaranteed bank loans of the Group do not contain any quantitative financial covenants. The EMTN program, the non-recourse unsecured bank term loan agreements and the revolving credit facility include financial covenants for the Group. As of 30 June 2023, the Group is compliant with the covenants and had substantial headroom in all the covenants requested.

The financial covenants are regularly monitored, presented below as of 30 June 2023:
(1) Loan to Value should not exceed 60% as of 30 June or 31 December of each calendar year.
(2) Interest Cover should exceed 1.5x as of 30 June or 31 December of each calendar year
(3) Unencumbered Assets Ratio should exceed 1.5x as of 30 June or 31 December of each calendar year.
(4) Priority Debt Ratio should not exceed 40% of property value as of 30 June or 31 December of each calendar year.

In addition the secured loan agreements have separate financial covenants relating to the specific secured portfolio like Debt Yield Ratio, ICR and LTV. We are in compliance with these covenants.

Financial Covenants	June 2023	December 2022	Covenant Ratios
(1) Loan to Value ratio	46.3%	44.7%	< 60%
(2) Interest Cover ratio	3.9	6.9	> 1.5
(3) Unencumbered Assets ratio	2.2	2.2	> 1.5
(4) Priority Debt ratio	5.9%	0.6%	< 40%

5.13. Long-term payables

As at 30 June 2023, the Group had 'Long-term payables' of €180,925 thousand (31 December 2022: €173,244 thousand) which represent primarily a lease liability of €150,193 thousand (31 December 2022: €143,375 thousand) recognised from the application of IFRS 16 , and amounts received from tenants as security for their rental obligations and retentions from development projects.

5.14. Trade Payables

As at 30 June 2023, 'Trade payables' of €26,211 thousand (31 December 2022: €29,240 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 Poland, Germany, and Czech Republic.

5.15. Tax Liabilities

In € thousand	30 June 2023	31 December 2022
VAT	27,331	36,158
Income tax payable	8,969	7,956
Other tax payable (1)	26,727	36,383
Total	**63,027**	**80,497**

(1) Other tax payable comprises primarily outstanding real estate transfer tax resulting from acquisitions in Germany.

5.16. Other Current Payables

In € thousand	30 June 2023	31 December 2022
Tenant deposits	2,749	3,234
Advance payments received	767	1,433
Payables to employees	1,292	696
Lease liability	4,694	4,370
Other payables (1)	16,334	25,903
Total	**25,836**	**35,636**

(1) Other payables relate primarily to retentions on payments to contractors for developments.

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

In 2022, the Group initiated sale of shares in the entity owning land in Germany, which was completed in March 2023.

Assets and liabilities related to the portfolio held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The investment property classified as held for sale is measured in accordance with IAS 40. As at 30 June 2023, these assets and liabilities comprised three properties in Belgium, whose sale was completed in July 2023 and one park in Poland (details presented in Investment Property movement table in Note 5.1):

Assets held for sale

In € thousand	30 June 2023	31 December 2022
Investment property	172,168	365,077
Investment property under construction	—	—
Other non-current assets	—	2,500
Right-of-use assets	—	—
Deferred tax asset	5,458	—
Trade receivables	251	—
Tax receivables	2	451
Prepayments	—	—
Other current assets	138	—
Total	**178,017**	**368,028**

Liabilities directly associated with assets held for sale

In € thousand	30 June 2023	31 December 2022
Deferred rental income	216	—
Tenant deposits	1	—
Deferred tax liability	—	24,194
Trade payables	22	417
Accruals	53	3,018
Tax liabilities	303	—
Other long-term liabilities	—	—
Total	**595**	**27,629**

5.18. Contingent assets and liabilities

In 2021, as part of completion of the disposal deal, the Group has provided rent guarantee on selected properties for maximum compensation of €3,000 thousand, out of which €573.7 thousand was due in 2021 and the remaining amount of €2,426 thousand was recognised as the provision included in other payables and presented together with cost on asset sold. The provision was fully settled and released in the same amount as accrued in June 2023 against final purchase price agreement.

Bank guarantees

As of 30 June 2023, the Group had outstanding bank guarantees with third parties as beneficiary for a total amount of €7,320 thousand (€12,101 thousand as of 31 December 2022).

5.19. Commitments

As of June 2023 the Group was committed to acquire investment properties under the following contracts as defined by IAS 37:

In € thousand	30 June 2023
Commitments for Assets under construction	189,932
Forward funding deals	21,092
Forward purchase deals	9,090
Total	**220,114**

5.20. Cash flow hedge accounting using financial liabilities as hedging instruments

According to its financial policy, the Group's strategy is to protect its cash flows from interest rate and foreign exchange risk by minimising their impact on the Group Net Earnings and entering into either natural hedging or hedging through standard derivatives.

Lease contracts with customers are generally concluded in Euro, also in the Group's non-euro operating countries. To minimize foreign currency risk the Group has decided to finance its real estate acquisitions through EUR denominated loans (external loans provided by third parties that are consequently transferred to operating subsidiaries in non-EUR countries). This minimizes foreign currency risk resulting from movements of EUR in non-EUR countries (Czech Republic, Poland and Romania) in terms of collection of rental payments and instalments of loans being executed in EUR. To eliminate adverse impacts of foreign currency revaluation of loans used to finance subsidiaries in non-EUR countries (loan balances are revalued using the spot exchange rate, whereas the foreign currency risk related to rental income affects profit or loss only in the period when the income is recognised in the profit or loss) cash flow hedge models were introduced starting in January 2021. Part of the future rental income considered as highly probable is designated as the hedged item. The hedged item is designated only up to the amount of the designated hedging instrument.

The Group's risk management policy is to hedge all loans after completion of development stage of its estimated foreign currency exposure in respect of forecasted rental payments over the useful life of the asset.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item (prospective effectiveness) based on the currency, amount and timing of their respective cashflows/hedged periods. The Group further assesses whether the hedging instrument designated in each hedging relationship is highly effective (retrospective effectiveness) based on the comparison of the change in cash flows of the hedged item and the hedging instrument. In these hedging relationships, the following sources of ineffectiveness were identified:

- the effect of the counterparties' credit risk; however, the Group considers this risk as not significant;
- changes in the timing or amounts of the hedged transactions; the Group does not consider this source of ineffectiveness as substantive as only a part of the future net rental income is designated as the hedged item.

The movement in hedging reserve is presented in Note 5.11 Equity, section Other reserve.

Cash flow hedge accounting for interest rate risk
The strategy of the Group is to protect its cash flows from interest rate risk resulting from its external financing activity as well as from foreign exchange rate movements on the net rental income generated in Euro in non-EUR countries. The Group's risk management policy is to hedge 80% of its interest rate risk exposure.

Credit ratings of both Group entity and trading partner are investment grade, therefore credit risk does not materially affect the hedging relationship.

In May 2022 the Group implemented three new hedging programs to lock in the interest rates on recently contracted bilateral loans and implemented cash flow hedge accounting to hedge the volatility of the floating interest rates resulting from the new loans. The derivatives used as hedging instruments are interest rate swaps pay fixed/receive floating.

The Group launched also a fourth hedge program in order to hedge volatility in forecasted and highly probable new financing for €500 million nominal amount exposed to interest rate risk. The derivative used as hedging instruments is a flexi forward starting swap with a fixed rate.

During first six months in 2023, the Group implemented three new hedging programs to lock in the interest rates on recently contracted bilateral loans and implemented cash flow hedge accounting to hedge the volatility of the floating interest rates resulting from the new loans. The derivatives used as hedging instruments are interest rate swaps paying fixed and receiving floating.

The cash flows derived from all hedged liabilities over their lifetime represent the basis for determining the gain and loss on the effective portions of the derivatives designated as cash flow hedges.

At the reporting date as at 30 June 2023, derivatives under hedge accounting were assessed as highly effective, between 80-125% effectiveness over the life of the hedge. The following methods were used to assess effectiveness: critical terms method, dollar offset method with prospective and retrospective effectiveness testing. If any effectiveness arises outside the 80-125% effectiveness range, mark to market value is recognised in the income statement if the changes in fair value are material and hedge relationship is discontinued. Sources of ineffectiveness can be different terms and conditions between hedging instrument and hedged item, including settlement dates, currencies, maturities and counterparty risks.

The fair value of the derivatives resulting from the seven hedging programs is positive €83.3 million and the change of these fair values which sum up to €83.3 million total fair value is recognised under Other comprehensive income. See Note 5.4 and Note 5.11 Equity, section Other reserve, for further details. The Group has an interest rate cap with a positive fair value of €1.0 million which is not under hedge accounting.

6. RELATED PARTIES

In accordance with IAS 24, the Group identified the following related parties as relevant:
- The Managers of the Group and subsidiary companies
- All companies controlled by the Company (refer to Note 9 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 30 June 2023, the Group has loans from Euro Vitus Private Limited, with an outstanding balance of €1,472,579 thousand (2022: €1,447,030 thousand), of which €64,892 thousand (2022: €39,343 thousand) is accrued yield. These shareholder loans are in the form of interest-bearing loans and loans covered by total return swap. The shareholder borrowings are subordinated loans with tenors exceeding 20 years.

Further, as of 30 June 2023, the Group accounted for guarantee fee for 6 months of the year 2023 provided by related party Europe Realty Holdings Pte Ltd, the sole shareholder of the Group (for providing parental guarantee over the bank borrowings of the Group). The guarantee fee is amounting to €6,268 thousand (2022: €44,253 thousand). The total amount outstanding of €70,446 thousand (2022: €64,177 thousand) is presented under loans from related parties in Note 5.12.

Transactions with key management personnel
Any remuneration to the key management is provided and accounted for as standard compensation. The compensation of key management is included as part of the Employee Expenses disclosed in Note 4.3.

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 0.3616% out of the total external shareholding of 2.7588%. More details on this transaction can be found in Note 5.11.

The terms and conditions of these transactions described above were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's length basis.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

7.1. Overview

The primary business activity of the Group is ownership development and acquisition of real estate logistics properties, and the creation of value through active asset management.

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

7.2. 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.

7.3. 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. In line with its financial risk management policy, the Group aims to protect its cash flows from interest rate risk. The Group's exposure to the risk of changes in market interest rates relates primarily to its debt obligations with floating interest rates.

To manage its interest rate risk, the Group has, for a portion of its debt, entered into interest rate swaps and caps to secure the maximum amount of interest paid, calculated by reference to an agreed-upon notional principal amount. At end of June 2023, 81% of total Net Debt is fixed with either derivatives or fixed term financial instruments.

7.4. 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. For additional information about credit risk on Trade Receivables see Note 5.6.

Cash and cash equivalents
Credit risk arising from cash and cash equivalents relates to the default of a counterparty with a maximum exposure equal to the carrying amount of these instruments. The Group invests its liquidity in a manner which minimizes the risk and primarily placed on bank accounts and in short term deposits, in which the counterparties are commercial banks participating in the Group's credit agreements.

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 A-/A3 or higher. Therefore, the Group did not recognise impairment as of June 2023 or as of December 2022.

Derivatives
The derivates are entered with financial institutions, which are rated A-/A3 or higher.
The Group maximum exposure to credit risk, by class of financial instrument, is shown below:

	Carrying amount					
In € thousand	Fair value – hedging instruments		Financial assets at amortised costs		Maximum exposure	
30 June/31 December	2023	2022	2023	2022	2023	2022
Financial assets measured at fair value						
Derivatives (interest caps)	966	–	–	–	966	–
Derivatives (interest swaps)	83,383	74,262	–	–	83,383	74,262
Financial liability measured at fair value						
Derivatives (interest swaps)	–	–	–	–	–	–
Financial assets not measured at fair value						
Trade receivables	–	–	26,020	27,286	26,020	27,286
Other current assets	–	–	57,778	49,060	57,778	49,060
Prepayments	–	–	21,956	9,672	21,956	9,672
Restricted cash	–	–	1,590	971	1,590	971
Cash and cash equivalents	–	–	92,898	179,596	92,898	179,596

7.5. Liquidity risk

The Group monitors cash balances in all Group companies on both 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 Group Treasury is responsible for ensuring liquidity for future acquisitions, development projects, debt service and other ad hoc cash requirements. The Group has access to additional funding for new development projects through the committed revolving credit facility which remains unutilised as of 30 June 2023 as well as the overdraft facilities of EUR 40 million.

7.6. 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 after deducting unamortised financing costs as these are settled on an arm's length basis and interest rates are set with reference to market rates,
- Bonds: the fair value is determined using quoted market price in an active market as such the Group had included Bonds in Level 1 of fair value hierarchy.

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

In € thousand	Carrying amount				
30 June 2023	Fair value – hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Fair value
Financial assets measured at fair value					
Derivatives (interest caps)	966	–	–	966	966
Derivatives (interest swaps)	83,383	–	–	83,383	83,383
Financial assets not measured at fair value					
Rent and other receivables	–	337,203	–	337,203	337,203
Cash and short-term deposits	–	94,488	–	94,488	94,488
Financial liabilities measured at fair value					
Derivatives (interest swaps)	–	–	–	–	–
Financial liabilities not measured at fair value					
Bank borrowings	–	–	2,936,507	2,936,507	2,940,495
Bonds	–	–	996,785	996,785	827,975
Shareholder borrowings	–	–	1,543,025	1,543,025	1,407,687
Deposits from tenants	–	–	30,445	30,445	30,445
Trade and other payables	–	–	366,711	366,711	366,711

In € thousand	Carrying amount				
31 December 2022	Fair value – hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Fair value
Financial assets measured at fair value					
Derivatives (interest caps)	–	–	–	–	–
Derivatives (interest swaps)	74,262	–	–	74,262	74,262
Financial assets not measured at fair value					
Rent and other receivables	–	296,246	–	296,246	296,246
Cash and short-term deposits	–	180,567	–	180,567	180,567
Financial liabilities measured at fair value					
Derivatives (interest swaps)	–	–	–	–	–
Financial liabilities not measured at fair value					
Bank borrowings	–	–	2,897,401	2,897,401	2,900,495
Bonds	–	–	1,001,896	1,001,896	785,135
Shareholder borrowings	–	–	1,511,208	1,511,208	1,407,687
Deposits from tenants	–	–	2,347	2,347	2,347
Trade and other payables	–	–	433,551	433,551	433,551

7.7. Foreign currency risk

Approximately 63% of the Group's Investment property portfolio and operations are in the Eurozone, 20% in the Czech Republic, 12% in Poland and 5% 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.

8. SUBSEQUENT EVENTS

Financing activities
In August 2023, a new €500 million 12-year senior unsecured non-recourse bilateral fixed rate term loan was signed and drawn with a related party, an associate owned by GIC. Funds were used to refinance short-term debt.

In August 2023, €50 million 7-year senior unsecured non-recourse bilateral fixed rate term loan was signed. The loan was drawn in September 2023. In August 2023, €400 million of guaranteed external debt was paid down before the maturity.

During August and September 2023, the Group drew down €200 million of shareholder loan to finance new acquisitions.

Acquisitions and Disposals of assets
On 12 July 2023, the first phase of acquisition of 3 assets in France was completed, adding 103.4 thousand sqm to the French portfolio. Transaction value was €106.7 million. As part of second phase, additional 22.1 thousand sqm of GLA was added on 4 August 2023 with transaction value of €47.4 million.

On 13 July 2023, the Group sold 3 properties in Belgium for €21 million.

In August the Group acquired two yielding assets in Germany adding additional 30.3 thousand sqm of GLA. Transaction value was €38.3 million. Additional agreement to purchase three yielding assets adding 201 thousand sqm of GLA in Germany was signed in August, with two assets purchased on 12 September and the last one expected to be completed in Q4/2023. Transaction value is €213.1 million.

The Group acquired 2 land plots in Spain. The first acquisition of 66 thousand sqm was completed on 24 July 2023 for €9.2 million and a second plot of 111.2 thousand sqm was purchased for €22.4 million on 3 August 2023. On 14 September, the Group completed second phase of forward funding project in Spain and acquired a property for €5.8 million.

Changes in Management Board
The chairman of the Board, Goh Kok Huat, stepped down from his role on 31 July 2023.
Tay Lim Hock, took over the chairman role from 1 August 2023.

9. GROUP STRUCTURE

The following table outlines changes in the Group structure for the six months period ended as of 30 June 2023.

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 UK Holding 1 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 2 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 3 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 4 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 5 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 6 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 7 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 8 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 9 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 10 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 UK Holding 11 s.r.o.	incorporated in 2023	HC	100%	CZK	Czech Republic
P3 ProjectCo 1 Germany GmbH	acquired in 2023	AC	100%	EUR	Germany
P3 Picassent Park, S.L.U.	acquired in 2023	AC	97.42%	EUR	Spain
P3 Zigoitia Park, S.L.U.	acquired in 2023	AC	97.42%	EUR	Spain
P3 Logistic Parks Ltd	incorporated in 2023	MC	100%	GBP	United Kingdom

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

P3 Bratislava D2, Slovakia

P3 Logistic Parks
13-15, Avenue de la Liberté
Luxembourg

+420 225 987 400
info@p3parks.com

p3parks.com