

P3 Group S.à.r.l.

Consolidated Financial Statements

For the year ended 31 December 2020



BOARD OF MANAGERS' REPORT FOR THE PERIOD 1 JANUARY 2020 TO 31 DECEMBER 2020

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

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

I. Activities and review of investment and development

The Company was incorporated on 27 August 2013. On 14 October 2013 the Company acquired a portfolio of 48 yielding assets in seven countries across Europe along with land for future developments, and the companies responsible for the asset management of the portfolio.

Throughout the years, the Group has expanded across different European countries and now operates in Czech Republic, Slovakia, Austria, Spain, Germany, Romania, France, Italy, Netherlands, Belgium, Serbia and Luxembourg. In 2019, the Group acquired land for future developments in Italy and Slovakia.

In 2020, the Group purchased land for future developments in Poland, Czech Republic and Italy.

In 2020, the Group finished acquisition of two portfolios consisting of 59 assets in Germany, Poland, Netherlands, Slovakia, Austria and Belgium.

II. Financing activities

The Group funds its activities using a combination of standard bank financing and financing provided by its shareholder. During 2020 the management drew down additional €950.0 million under the existing bank facilities and €1,105.0 million under the shareholder agreement. Amount of €300.0 million from the total drawn down bank borrowings was used for repayment of the shareholder loan. The Group signed refinancing of facility of €600.0 million, which was due in May 2020 (classified as Short-term borrowings as at 31 December 2019) by a new facility due in 2023.

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

III. Results and allocation

In 2020, the Group generated operating profit of €432.5 million and IFRS profit before tax of €261.2 million. The result is significantly influenced by an increase in the market value of investment properties and development land of €255.0 million, offset by financial costs of €171.4 million.

IV. Property portfolio

As of 31 December 2020, the Group had 280 yielding assets and development land of 3.15 million sqm together valued at €5,967.3 million and an additional 9 assets under construction valued at €237.7 million. The Group's yielding assets are diversified across 11 European countries having 6.4 million sqm lettable space with a further 292.9 thousand sqm under construction.

In 2020, the Group completed 20 development projects adding an additional 547.2 thousand sqm to the portfolio and purchased additional 757.6 thousand sqm of land with 308 thousand sqm GLA potential in Poland, Czech Republic and Italy.

From the investment acquisition side, in 2020 the Group completed two acquisitions adding additional 1.68 million sqm to the portfolio.

V. Research and development and purchase of own shares

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

VI. Summary and Outlook

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

VII. Risk management

Real estate market risk

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Cash flow risk

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

Further details quantifying the above risks are described in chapter 8.

VIII. COVID-19 - impact

Since the COVID-19 outbreak, the Group has been closely monitoring the development of default risk on tenant receivables, evaluating status of major construction sites and assessing potential impact from changes in local regulations granting rent relief measures. We have however noted positive development in the real estate logistic sector in particular the e-commerce tenants, owing to its essential role in facilitating daily consumption. Management has assessed the impact of COVID-19 as low, which is evident from our healthy liquidity from stable operating cash-flow, better business and financial result and uplift in the fair market value of the investment properties. In terms of business continuity, the Group has also been taking different measures to mitigate the risk of infection in its employees.

Having external debts guaranteed by the shareholder, sufficient finance resources and healthy liquidity from stable operating cash-flow, the Group is confident, that impact of COVID-19 will not be significant. As a result, the Group has concluded that it does not influence its ability to continue as a going concern.

IX. Subsequent events

Financing activities

The Group drew down a short-term bank debt of €400.0 million in March 2021 and used the full amount to repay the shareholder loan.

Disposal of assets

In 2020, the Group initiated a disposal process for a pan-European portfolio of 16 assets. On 18 May 2021, the Group has signed sale and purchase agreements with a buyer for an aggregate property value of €255.6 million. The completion is expected by end of Q2 or early Q3 2021.

In March 2020, the Group also completed the sale of the land in Romania, which was sold for €5.8 million.

More details about both disposals are presented under “Assets held for sale” described in Note 5.22.

Acquisitions

In March 2020 the Group completed acquisition of an entity owning land in the Czech Republic.

Change in Management Board

In April 2021, Frank Pörschke was appointed as the new member of the Management Board and at the same time Timothy Beaudin resigned and Jose Rodriguez Lopez was recalled from the Board.

Luxembourg, 17 June 2021

Management Board member

Management Board member

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of P3 Group S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Managers and Those Charged with Governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on other legal and regulatory requirements

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

Luxembourg, 17 June 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria

Partner

P3 Group S.à r.l.
CONSOLIDATED INCOME STATEMENT

For the year ended

In € thousand	Note	31 December 2020	31 December 2019
Rental income		249,102	186,099
Service charges		37,965	29,249
Gross rental revenue	4.1	287,067	215,348
Property operating expenses	4.2	(46,185)	(36,575)
Net rental income		240,882	178,773
Net gains from fair value adjustments on investment property	4.4	255,037	216,961
Management fee income		3	270
Disposal of investment property	4.5	5,027	61
Other expense, net	4.6	(10,232)	(1,323)
Administrative expenses	4.3	(58,204)	(51,788)
Operating profit		432,513	342,954
Financial income	4.7	48	6,807
Financial costs	4.8	(171,374)	(69,566)
Profit/(Loss) before tax		261,187	280,195
Current income tax expense	4.9	(16,439)	(5,828)
Deferred income tax expense	4.9	(58,900)	(44,998)
Profit/(Loss) for the year		185,848	229,369
Other comprehensive income which will be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		(33,822)	6,182
Total comprehensive income for the year		152,026	235,551
Profit/(Loss) attributable to:			
Non-controlling interests		152	1,122
Owners of the Group		185,696	228,247
Profit/(Loss) for the year		185,848	229,369
Other comprehensive income attributable to:			
Non-controlling interests		-	-
Owners of the Group		(33,822)	(6,182)
Other comprehensive income for the year		(33,822)	(6,182)

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

The consolidated financial statements were approved by the Board of Managers on the 17 June 2021 and were signed on their behalf by:

Management Board member

Management Board member

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

In € thousand	Note	31 December 2020	31 December 2019
Assets			
Investment property	5.1	5,762,243	3,613,286
Investment property under construction	5.2	148,939	356,800
Investment property - right-of-use asset	5.3	94,728	0
Property, plant and equipment	5.4	2,225	2,319
Right-of-use assets	6.1	5,779	4,434
Intangible assets	5.5	46	61
Derivative financial instruments	5.7	8	22
Deferred tax assets	5.6	20,161	1,667
Non-current restricted cash	5.13	3,567	2,521
Other non-current assets	5.8	63,539	37,535
Total non-current assets		6,101,235	4,018,645
Trade receivables	5.9	29,051	19,500
Tax receivables	5.12	70,920	40,072
Other current assets	5.10	23,030	12,106
Prepayments	5.11	10,307	55,935
Cash and cash equivalents	5.13	151,979	102,099
Assets held for sale	5.22	266,843	124,853
Total current assets		552,130	354,565
TOTAL ASSETS		6,653,365	4,373,210
Equity			
Issued share capital	5.14	365	365
Share premium	5.14	3,816	3,816
Other capital funds	5.14	324,506	293,467
Retained earnings	5.14	1,039,245	855,438
Translation reserve	5.14	(16,731)	17,092
Equity attributable to owners of the Company		1,351,201	1,170,178
Non-controlling interest (NCI)	5.14	5,807	5,403
Total equity		1,357,008	1,175,581
Liabilities			
Long-term borrowings	5.15	4,627,671	2,202,400
Deferred tax liabilities	5.6	330,641	268,066
Long-term payables	5.16	114,898	24,387
Total non-current liabilities		5,073,210	2,494,853
Short-term borrowings	5.15	-	599,659
Trade payables	5.17	22,395	26,461
Accruals	5.18	40,946	24,834
Deferred income	5.19	20,339	16,249
Tax liabilities	5.20	91,693	14,500
Other payables	5.21	12,005	10,786
Liabilities directly associated with assets held for sale	5.22	35,769	10,287
Total current liabilities		223,147	702,776
TOTAL EQUITY AND LIABILITIES		6,653,365	4,373,210

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

The consolidated financial statements were approved by the Board of Managers on the 17 June 2021 and were signed on their behalf by:

Management Board member

Management Board member

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

In € thousand	Note	Issued share capital	Share premium	Other capital funds	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2020		365	3,816	293,467	855,438	17,092	5,403	1,175,581
<i>Transaction with owners in their capacity as owners</i>								
Contribution to other capital funds	5.14	-	-	29,390	-	-	-	29,390
Allocation to reserve fund		-	-	1,629	(1,629)	-	-	-
Total balance after contributions		365	3,816	324,486	853,809	17,092	5,403	1,204,971
Profit for the period		-	-	-	185,696	-	152	185,848
Reclassification and corrections	5.14	-	-	19	(19)	-	-	-
Minority interest	5.14	-	-	-	(241)	-	252	11
Other comprehensive income		-	-	-	-	(33,822)	-	(33,822)
Balance at 31 December 2020		365	3,816	324,506	1,039,245	(16,731)	5,807	1,357,008

In € thousand	Note	Issued share capital	Share premium	Other capital funds	Retained earnings	Translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2019		365	3,816	206,589	657,601	10,910	4,213	883,495
<i>Transaction with owners in their capacity as owners</i>								
Contribution to other capital funds	5.14	-	-	56,456	-	-	-	56,456
Allocation to reserve fund		-	-	30,422	(30,422)	-	-	-
Total balance after contributions		365	3,816	293,467	627,179	10,910	4,213	939,951
Profit for the period		-	-	-	228,247	-	1,122	229,369
Reclassification and corrections	5.14	-	-	-	48	-	-	48
Minority interest	5.14	-	-	-	(37)	-	68	31
Other comprehensive income		-	-	-	-	6,182	-	6,182
Balance at 31 December 2019		365	3,816	293,467	855,438	17,092	5,403	1,175,581

P3 Group S.à r.l.
CONSOLIDATED CASH FLOW STATEMENT

For the year ended

In € thousand	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit before taxation		261,187	280,195
Adjustment for:			
Depreciation and amortisation	5.4, 5.5	2,623	1,507
Valuation net gains on investment property	4.4	(255,037)	(216,961)
Valuation net gains on derivatives	4.7, 4.8	14	654
Interest expense and financial fees	4.8	117,424	68,912
Interest and other financial income	4.7	(48)	(49)
(Profit) / loss on disposal of PPE / subsidiaries	4.6	(5,027)	(61)
Other non-cash items		(27,347)	(104)
Foreign exchange differences		58,025	(6,622)
Operating cash flows before working capital changes		151,814	127,471
Decrease / (increase) in trade and other receivables		(17,230)	(10,190)
Decrease / (increase) in prepayments		900	311
Increase in trade and other payables		12,141	13,928
(Decrease) / increase in accrued expenditure		8,970	9,104
Cash generated from operations		156,595	140,624
Interest paid	5.15	(17,439)	(10,135)
Taxes paid		(11,281)	(6,102)
Net cash generated from / (used in) operating activities		127,875	124,387
Cash flows from investing activities			
Acquisition of investment property and subsequent expenditure	5.1	(1,993,387)	(400,028)
Acquisition of tangible, intangible fixed assets and leased assets	5.4,5.4	(371)	(2,369)
Decrease / (increase) in restricted cash	5.13	(1,046)	116
Proceeds from disposal of shares	5.14	-	-
Proceeds from disposal of Investment Property	4.5	161,790	106
Net cash used in investing activities		(1,833,014)	(402,175)
Cash flow from financing activities			
Proceeds from bank borrowings	5.15	1,550,000	250,000
Repayment of bank borrowings	5.15	(600,000)	-
Proceeds from related party borrowings	5.15	1,105,000	50,000
Repayment to related party borrowings	5.15	(300,000)	-
Payment of transaction costs related to borrowings	4.7	-	-
Increase/(decrease) in other capital funds	5.14	-	-
Net cash generated from financing activities		1,755,000	300,000
Net decrease in cash and cash equivalents		49,861	22,112
Foreign exchange differences		19	(708)
Cash and cash equivalents at the beginning of the year		102,099	80,595
Cash and cash equivalents at the end of the year	5.13	151,979	102,099

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Introduction

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

The Company was incorporated on 27 August 2013 as TPG Cent S.à r.l. On 23 September 2013 the Company changed its name to P3 Group S.à r.l. On 22 December 2016, Euro Vitus Private Limited, a private limited company incorporated in Singapore became the 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 GIC, the sovereign wealth fund of the Government of Singapore.

Management Board

as at 31 December 2020:

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

as at 31 December 2019:

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

Employees

The Group had 192 employees as at 31 December 2020 (31 December 2019 – 159 employees). All the above employees were engaged in the core business activities of the Group.

Financial year

The Group uses fiscal year as financial year from 1 January till 31 December.

Acquisitions and changes to the Group

The Group completed several acquisitions during 2019 and 2020. The Group assessed these acquisitions and evaluated whether these acquisitions are treated according to IFRS 3 Business Combinations or as an asset acquisition under IAS 40 Investment Property and IAS 16 Property, Plant and Equipment.

For each investment property acquired, the Group considered these relevant factors:

- Inputs – being non-current assets (buildings and land) and contracts;

- Processes – management with unique knowledge related to investment property in the area, or unique processes;
- Outputs – the intended outputs being rental income from leases.

As a result of the assessment the acquisitions should be treated as asset acquisition under IFRS. It is due to the fact, that no processes were acquired as part of the acquisition. Therefore, all directly attributable costs related to the acquisitions were distributed among the acquired identifiable assets and liabilities, and no goodwill is recognized as a result of the acquisitions.

Consolidation Group

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation of consolidated financial statements

a) Statement of compliance

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

The financial statements set out the Group’s financial position as of 31 December 2020 and results of operations and cash flows for the year ended 31 December 2020.

The consolidated financial statements were authorized for issue by the Board of Managers on 17 June 2021.

b) Basis of measurement

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

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

c) Going concern

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

Cash flow projections

Detailed quarterly cash flow projections have been prepared for the period to 31 December 2021, which demonstrate that the Group will generate sufficient cash flows from operations to meet its liabilities as they fall due, including operating expenses, interest on its borrowings and repayments of those borrowings which fall due within the period.

Availability of related party funding

The Group has funding from related parties that could support investment and development activities.

Availability of bank debt

The Group has several credit facilities with external banks which are repayable to varying maturity schedules. Cash flow projections show the Group can meet all loan amortisation and interest payments on all its facilities.

COVID-19 - impact

Since the COVID-19 outbreak, the Group has been closely monitoring the development of default risk on tenant receivables, evaluating status of major construction sites and assessing potential impact from changes in local regulations granting rent relief measures. We have however noted positive development in the real estate logistic sector in particular the e-commerce tenants owing to its essential role in facilitating daily consumption. Management has assessed the impact of COVID-19 as low, which is evident from our healthy liquidity from stable operating cash-flow, better business and financial result and uplift in the fair market value of the investment properties. In terms of business continuity, the Group has also been taking different measures to mitigate the risk of infection on its employees.

Having external debts guaranteed by the shareholder, sufficient finance resources and healthy liquidity from stable operating cash-flow, the Group is confident, that impact of COVID-19 will not be significant. As a result, the Group has concluded that it does not influence its ability to continue as a going concern.

Conclusion

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

d) Presentation currency

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

e) Critical accounting estimates, judgements and assumptions

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

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

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

Valuation of Investment property and Investment property under construction

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

Current income taxes

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

Deferred income taxes

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

Valuation of derivatives

Financial derivatives are recognised at fair value.

Assets held for sale

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

New acquisitions

The determination whether the acquisition meets the definition of IFRS 3 – Business combination or it is an asset acquisition under IAS 40.

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

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2020 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public-sector entities since they are not relevant to the Group).

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

Changes in accounting policies and accounting pronouncements adopted since 1 January 2020

- *Amendments to IFRS 16 Leases - COVID-19-Related Rent Concessions* - no material impact on the financial statements.
- *Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform* – no material impact on the consolidated financial statements
- *Amendments to IAS 1 and IAS 8: Definition of Material* – no material impact on the consolidated financial statements

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

Several new standards, amendments to Standards and Interpretations are not yet effective as of 31 December 2020 and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will be relevant for the Group and the Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its consolidated financial statements.

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* – no material impact on the financial statements is expected as the Group typically does not enter into such transactions with its subsidiaries and has no associates / joint ventures.
- *Amendments to IAS 1 Presentation of Financial Statements* – no material impact on the financial statements of the Group is expected
- *Amendment to IAS 16 Property, Plant and Equipment* – no material impact on the financial statements of the Group is expected as no proceeds before use are received
- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Onerous contracts – Cost of Fulfilling a Contract* - no material impact on the financial statements of the Group is expected
- *Amendments to IFRS 3 Business Combination* - no material impact on the consolidated financial statements of the Group is expected
- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* - no material impact on the consolidated financial statements of the Group is expected
- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021* - no material impact on the consolidated financial statements of the Group is expected
- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* - no material impact on the consolidated financial statements of the Group is expected

2.2. Significant accounting policies

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

a) Basis of consolidation

i. Business combinations

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

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

of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

ii. Business combinations involving entities under common control

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

iii. Subsidiaries

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

iv. Transactions eliminated on consolidation

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

v. Property asset acquisitions

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

b) Foreign currency

Functional currencies

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

Summary of countries and functional currencies:

Country	Functional currency
Luxembourg	EUR
Belgium	EUR
Czech Republic	CZK
Slovakia	EUR
Germany	EUR
France	EUR
Netherlands	EUR
Poland	PLN
Spain	EUR
Italy	EUR

Bulgaria	BGN
Serbia	RSD
Romania	RON

Foreign subsidiaries

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

The following exchange rates were used during translations:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the year
31 December 2020	26.25	26.45
31 December 2019	25.41	25.50

Date	Closing exchange rate PLN/EUR	Average exchange rate PLN/EUR for the year
31 December 2020	4.61	4.44
31 December 2019	4.26	4.27

Date	Closing exchange rate RON/EUR	Average exchange rate RON/EUR for the year
31 December 2020	4.87	4.84
31 December 2019	4.78	4.78

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

c) Consolidated Statement of Financial Position

i. Investment property

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is recorded at market value in accordance with IAS 40. Appraisals of market values as of 31 December 2020 and as of 31 December 2019 were performed by external, independent appraisers certified by the Royal Institution of Chartered Surveyors (RICS). The appraisals were performed using the hardcore/capitalisation method. See also “Critical accounting estimates and judgements” and Note 5.1 for additional information on appraisal methodology.

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

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

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

The Group holds investment properties that are located on leased land, and these ground leases are often for long periods of time. The Group is a lessee in respect of the ground lease, and under IFRS 16, it must recognize a right-of-use asset and lease liability in relation to these leases. The Group applies IAS 40 to account for a right-of-use asset as the

underlying asset otherwise meets the definition of investment property and thus the right-of-use asset is classified as an investment property. This is supported by the fact that the leased land is held solely for the purpose of holding the related investment property building.

The right-of-use asset is measured on initial recognition in accordance with IFRS 16. IFRS 16 requires a right-of-use asset to be measured at the amount of the initial measurement of the lease liability. On subsequent measurement of the right-of-use asset at fair value, valuation model for investment property includes ground lease payments as cash outflow and present fair value on net basis. However, based on IFRS 16 requirement, the lease liability and the right-of-use investment property needs to be presented on a gross basis on the balance sheet. Thus based on IAS 40, the amount of the recognized lease liability, calculated in accordance with IFRS 16, is added back to the amount determined under the net valuation model, to arrive at the carrying amount of the investment property under fair value model.

ii. Investment property under construction

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

iii. Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent expenditure

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

Depreciation

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

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	31 December 2020	31 December 2019
Property	30 – 50 years	30 – 50 years
Equipment	5 – 10 years	5 – 10 years
Motor vehicles	5 years	5 years
Fittings	3 – 5 years	3 – 5 years
Computers	3 years	3 years

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

iv. Intangible assets

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

v. Leased assets and lease liabilities

Recognition and measurement

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

Exemption is applied to following contracts:

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

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

Lease liability is a present value of unavoidable future lease payments including following:

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

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

Discount rate

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

Subsequent measurement

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

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

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

Lease modifications

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

vi. Impairment of assets

Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

Non-financial assets

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

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

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

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

vii. Assets held for sale

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

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

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

viii. Financial Instruments

Financial instruments include both financial assets and financial liabilities, considering the nature of the business and the overall business model, these are further classified under the following primary categories:

- Financial instruments valued at fair value through the profit and loss
- Loans and receivables at amortised cost

- Financial liabilities at amortised cost
- Derivative financial instruments which are designated as non-hedged instruments
- Derivative financial instruments which are designated as hedging instruments

Recognition

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

Derecognition

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

Non-derivative financial assets

Loans and receivables at amortised cost

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not traded in an active market. Loans and receivables are initially measured at fair value and subsequently at amortised cost. Interest from items in this category is calculated using the effective interest rate method. The following assets are allocated to this measurement category:

- Trade receivables

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

- Other current assets

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

- Tax receivables

Tax receivables represent primarily amount of taxes paid in prior years that are refundable due to a carry back.

- Restricted cash

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

- Cash and cash equivalents

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

Non-derivative financial liabilities

Financial liabilities at amortised cost

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

- Borrowings

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

- Trade payables

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

- All other short and long-term liabilities

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

Derivative financial instruments

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

ix. Share capital

Ordinary shares

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

x. Provisions

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

d) Consolidated Statement of Comprehensive Income

i. Gross rental revenue

Revenues are recognized in compliance with IFRS 15 Revenue from Contracts with Customers. Revenue reported from real estate operations comprises exclusively rental income and income from service charges. Rental revenue from operating leases, less the Group's initial direct costs of entering into the leases, is accounted for according to IFRS 16 Leases, and it is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are amortized on a straight-line basis over the lease term, even if the payments are not made on such a basis. Amounts received from tenants to terminate leases are recognised in profit or loss when they arise.

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

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

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

ii. Property operating expenses

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

iii. Administrative expenses

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

iv. Utilities

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

v. Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans), net foreign exchange gains.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

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

vi. Income taxes

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

Current income tax

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

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

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

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

Deferred tax

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

vii. Changes in accounting estimates

No changes in accounting estimates occurred in 2020 and 2019.

2.3. Fair value measurement

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

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

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

i. Investment property and Investment property under construction

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

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

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

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

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

ii. Derivative financial instruments

The fair values of derivative financial instruments are classified within Level 2 of the fair value hierarchy and are based on the use of relevant observable inputs available in active markets and some other unobservable inputs (i.e. credit risks) based on the best information available to the Group. Valuation 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 and is based on the expected selling price that is being negotiated with the potential purchaser. The expected selling price is compared with the fair value determined by the independent valuator as described in Note 2.3.i (as the provisions of IAS 40 should be followed in case of investment property). The lower of the two values is used.

3. SEGMENTAL ANALYSIS

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

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

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

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

Segment as at 31 December 2020

In € thousand	Czech Republic	Poland	France	Romania	Germany*	Spain	Slovakia	Italy	Netherlands	Other	Management / Holding companies	Eliminations	Total
CONSOLIDATED STATEMENT OF PROFIT OR LOSS													
Gross rental revenue	78,648	39,880	12,041	18,528	52,859	27,608	21,865	14,605	15,432	6,178	0	(575)	287,067
Property operating expenses	(9,816)	(13,677)	(3,515)	(5,537)	(6,577)	(2,262)	(4,985)	(2,185)	(1,609)	(451)	5	4,424	(46,185)
Net rental income	68,831	26,203	8,526	12,991	46,282	25,346	16,880	12,420	13,824	5,726	5	3,848	240,882
Net gains from fair value adjustments on investment property	33,626	59,503	14,343	824	74,273	33,932	(11,939)	20,683	1,795	27,997	0	0	255,037
Management fee income	0	(0)	0	0	0	0	2	0	0	0	53,807	(53,807)	3
Disposal of assets	(8)	3,040	0	10	(156)	0	0	0	0	514	28	1,598	5,027
Other income/Other expense	131	(691)	1,167	(80)	105	74	166	3	3	(151)	(10,954)	(5)	(10,232)
Administrative expenses	(10,432)	(6,544)	(2,060)	(2,264)	(11,191)	(3,409)	(2,391)	(2,926)	(2,118)	(2,169)	(57,194)	44,494	(58,204)
Operating profit	92,148	81,511	21,975	11,481	109,314	55,943	2,719	30,179	13,504	31,917	(14,308)	(3,873)	432,513
Financial income	0	0	473	49	423	177	(0)	213	0	0	249,946	(251,233)	48
Financial costs	(41,743)	(37,094)	(5,339)	(13,048)	(17,017)	(10,120)	(4,804)	(9,372)	(4,443)	(2,595)	(280,918)	255,120	(171,374)
Profit before tax	50,406	44,418	17,109	(1,517)	92,719	46,000	(2,086)	21,020	9,062	29,322	(45,280)	14	261,187
Income tax expense	(15,316)	(8,204)	(7,175)	(600)	(22,486)	(6,142)	675	(6,354)	(2,147)	(4,385)	(3,203)	0	(75,339)
Profit for the period	35,090	36,213	9,934	(2,117)	70,232	39,858	(1,411)	14,666	6,914	24,937	(48,484)	14	185,848
CONSOLIDATED STATEMENT OF FINANCIAL POSITION													
Investment property	1,300,849	565,846	170,308	244,641	1,919,496	530,322	290,333	347,924	231,888	167,675	0	(7,039)	5,762,243
Investment property under construction	(0)	242	0	1,556	30,211	49,443	45,144	0	0	24,673	0	(2,330)	148,939
Other assets	131,005	72,579	120,046	14,940	249,375	52,448	29,599	75,508	33,992	30,240	13,241,237	(13,240,836)	742,183
Total assets	1,431,854	638,667	290,354	265,467	2,199,082	632,213	365,076	423,432	265,881	222,588	13,241,237	(13,322,486)	6,653,365
Borrowings	684,922	348,861	183,777	180,563	1,109,476	282,453	175,600	218,201	156,926	136,718	11,349,834	(10,199,661)	4,627,671
Other liabilities	143,008	56,507	49,814	10,253	177,036	38,512	29,564	36,449	33,970	19,705	178,605	(104,736)	668,686
Total liabilities	827,930	405,368	233,590	190,816	1,286,512	320,964	205,165	254,649	190,896	156,423	11,528,440	(10,304,398)	5,296,357
Equity	603,923	233,299	56,764	74,651	912,570	311,249	159,911	168,783	74,985	66,164	1,712,797	(3,018,089)	1,357,008

- without Urban segment

Segment as at 31 December 2019

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

4. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4.1. Gross Rental Revenue

In € thousand

	2020	2019
Rental revenue from investment property	251,424	185,023
Straight-lining of lease incentives	(2,322)	1,076
Rental income	249,102	186,099
Service charges	37,965	29,249
Gross rental revenue	287,067	215,348

Rental income from investment property increased due to new investment properties acquired or completed in 2020.

4.2. Property Operating Expenses

In € thousand

	2020	2019
Letting, marketing, legal and professional fees	(85)	(64)
Utilities	(1,925)	(1,391)
Taxation	(18,171)	(14,912)
Insurance	(2,792)	(1,511)
Security	(6,932)	(6,139)
Property management fees	(6,691)	(4,423)
Repairs and maintenance	(7,612)	(6,603)
Other	(1,977)	(1,532)
Total	(46,185)	(36,575)

4.3. Administrative Expenses

In € thousand

	2020	2019
Employee expenses (1)	(27,258)	(31,668)
Travel and transport costs	(1,156)	(1,752)
Telecommunication and IT costs	(2,276)	(1,410)
Consultancy and advisory fees (2)	(18,562)	(9,830)
Audit fees	(956)	(682)
Office costs	(293)	(418)
Marketing	(1,368)	(1,905)
Impairment loss on trade receivables	(45)	(315)
Other (3)	(6,290)	(3,808)
Total	(58,204)	(51,788)

(1) The decrease is caused by recognition of various phases of accrued costs for management incentive plan.

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

In € thousand

Consultancy and advisory fees	2020	2019
Leasing fees	(10,538)	(2,716)
Accounting and payroll fees	(3,314)	(2,679)
Other professional fees	(349)	(400)
Legal and Notary fees	(1,573)	(1,811)
Tax consulting and Compliance fees	(2,276)	(1,803)
Valuation fees	(512)	(421)
Total	(18,562)	(9,830)

- (3) Other administrative expenses are higher in 2020 primarily due to Asset management fee charged for newly acquired Maximus portfolio for services provided externally during transition period for €1,135 thousand. In addition, the expenses include also €649 thousand of written off business development costs (projects not realized; 31 December 2019: €899 thousand), €562 thousand of bank fees (31 December 2019: €319 thousand), €2,627 thousand of depreciation of furniture, equipment and leased assets (31 December 2019: €1,507 thousand), €579 thousand of non-recoverable VAT, withholding tax and penalties (31 December 2019: €358 thousand); and other corporate secretary costs.

In € thousand

Employee expenses	2020	2019
Wages and salaries	(23,886)	(23,358)
Social security and health insurance	(2,372)	(2,092)
Other	(1,000)	(6,218)
Total	(27,258)	(31,668)

4.4. Net gains from fair value adjustments on investment property

In € thousand

2020	Valuation gains	Valuation loss	Net change in market value
Investment property	348,582	(125,627)	222,955
Investment property under construction	32,082	-	32,082
Total	380,664	(125,627)	255,037

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

In € thousand

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

4.5. Disposal of investment property

In 2020 the Group completed the sale of Mszczonow in Poland selling 6 yielding assets for €113.5 million, sold land in Germany for €6.1 million and land in Bulgaria for €1.7 million (all these assets were presented under Assets held for sale as at 31 December 2019). In addition, the Group also sold one of the assets acquired as part of Maximus project for €40.4 million post completion.

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

In € thousand

	2020	2019
Investment property	(156,763)	-
Net assets and liabilities	(156,763)	-
Consideration received	161,790	-
Cash and cash equivalents disposed of	-	-
Net cash inflows	161,790	-

For further reference on Assets and liabilities held for sale see also Note 5.22.

4.6. Other Expense, Net

As of 31 December 2020, as well as of 31 December 2019, 'Other Expense, Net' comprised primarily transaction costs related to new acquisitions, other advisory costs related to the Group matters (transfer pricing, structuring, IT systems, etc) and late fees paid by tenants.

4.7. Financial Income

In € thousand

	2020	2019
Interest income	36	49
Realized gains from derivatives and financial instruments	-	-
Other financial income	12	-
Net foreign exchange gains (1)	-	6,758
Total	48	6,807

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

4.8. Financial Costs

In € thousand

	2020	2019
Interest expenses and financing fees - non-related parties (1)	(18,277)	(11,029)
Interest expenses - related parties	(99,147)	(57,883)
Unrealized losses from derivatives and financial instruments	(14)	(654)
Net foreign exchange losses (2)	(53,937)	-
Total	(171,374)	(69,566)

(1) Interest expenses and financing fees – non-related parties include €17,718 thousand of bank interest (2019: €10,326 thousand) and financial fees of €559 thousand (2019: €690 thousand).

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

4.9. Income Tax

In € thousand

	2020	2019
Current income tax expense	(16,439)	(5,828)
Deferred income tax expense (Note 5.6)	(58,900)	(44,998)
Total income tax expense	(75,339)	(50,826)

In € thousand

	2020	Effective tax rate	2019	Effective tax rate
Profit/(Loss) before tax	261,187		280,195	
Tax at the domestic tax rates applicable to profits in the country concerned (1)	(35,742)	14%	(47,280)	17%
Non-deductible expenses	(14,080)	5%	(20,441)	7%
Non-taxable revenues	10,495	-4%	27,535	-10%
Gains subject to tax but eliminated in consolidation (2)	(-1,982)	1%	1,468	-1%
Recognition /(derecognition) of accumulated tax losses	(7,603)	3%	(4,391)	2%
Deferred tax not recognized (3)	(24,092)	9%	(7,262)	3%
Other effects (4)	(2,337)	1%	(455)	0%
Income tax expense	(75,339)	29%	(50,826)	18%

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

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

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

Luxembourg

The corporate income tax rate of 24.94% (2019: 24.94%) includes a 7% employment fund contribution (2019: 7%). Additionally, a municipal business tax is levied. Tax losses do not expire, so they can be carried forward for undefined time period.

Czech Republic

The corporate income tax rate is 19% (2019: 19%). Tax losses can be carried forward for five years. Losses may not be carried forward on a substantial (approximately 25%) change in the ownership of a company unless certain conditions are met.

Germany

The corporate income tax rate is 15.825% (2019: 15.825%). The overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.825% (5.5% of the corporate income tax), and local trade tax. Tax losses can be carried forward for indefinite period.

Netherlands

The corporate income tax rates are 20% (2019: 20%) on the profits up to €200,000 and 25% (2019: 25%) on the excess. The same rates also apply to capital gains. Losses may not be carried forward on a substantial (approximately 30%)

change in the ownership of a company unless certain conditions are met. Otherwise tax losses may be carried forward for nine years.

France

The corporate income tax rate is 28% (2019: 28%) on the profits up to €500,000 and 31% (2019: 31%) on the excess. Tax losses may be carried forward for indefinite period. Tax losses can be offset against taxable profits up to €1.0 million plus 50% of the excess in each fiscal period.

Poland

The corporate income tax rate is 19% (2019: 19%). Tax losses may be carried forward for five years, the loss set off in each year is capped at the 50% of the tax loss.

Italy

The corporate tax rate is 27.9% (IRES at 24% plus IRAP ordinary at 3.9%) (2019: 27.9%). Tax losses can be used for indefinite period. Tax law recognizes tax losses unlimited (generated in the first three fiscal periods) and limited which amount to 80% of the tax base.

Slovakia

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

Romania

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

Spain

The corporate income tax rate is 25% (2019: 25%). Tax losses may be carried forward for indefinite period. Part of the Spanish portfolio of the Group is subject to SOCIMI regime where the income tax rate in 2020 is 0% (2019: 0%).

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

5. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1. Investment property

Investment properties include both completed yielding assets and undeveloped land intended for future development. As at 31 December 2020 the Group owned 280 completed investment properties in eleven countries - Germany, France, Czech Republic, Netherlands, Poland, Slovakia, Italy, Romania, Spain, Austria and Belgium (31 December 2019: 205 completed investment properties). The investment properties in Serbia and Bulgaria are recorded under the column "Other" in Note 3.

For detail relating to 2020 acquisitions see Note 1.

Appraisals of market values as of 31 December 2020 and as of 31 December 2019 were performed by external, independent appraisers certified by the Royal Institution of Chartered Surveyors (RICS). The appraisals were performed using the hardcore/capitalisation method.

Fair value measurement for investment properties has been categorised as a level 3 fair value as in 2019 based on the inputs to the valuation used.

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

Valuation technique	Significant assumptions / unobservable inputs
<p>The properties held for investment have been valued using the income approach, capitalising the income to arrive at a capital value net of Capex, R&M costs and purchaser's costs. The method represents a quotient of dividing the annual net operating income (NOI) by the appropriate capitalisation rate (yield).</p> <p>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.</p> <p>Yield estimations consider the quality of a building, its location (prime vs. secondary), tenant credit quality, lease terms, and market conditions (take-up, vacancy in sub-region and investment volume). Future growth of rents has been accounted for implicitly in opinion of yield.</p> <p>For assets under construction (AUP), the asset is valued on an as if complete basis utilising the income approach, and then any outstanding costs to complete and proportion of developer's profit are deducted.</p> <p>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.</p>	<ul style="list-style-type: none"> - Rent value derived from particular lease agreements - Void periods between 0-15 months after the end of each lease - Rent free periods: 0-12 months for new leases - Weighted average Equivalent Yield for investments assets (both yielding and AUP) for country 4.45-7.91% (in 2019: 4.64-8.02%), weighted average for the Group 5.3% (2019: 5.70%) - Transaction costs 1% (2019: 1%) according to the most likely method of sale of the portfolio. - For AUP costs to complete and developer's margins vary with each development project (due to size, specification, country, etc.) – assumptions based on actual progress of works and total construction costs forecasted (costs contracted with general contractor and other construction costs – compared by valuator with the market standard)

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

Investment property movement table for the year ended 31 December 2020

In € thousand

	Germany	France	Czech Rep	Poland	Netherlands	Italy	Romania	Slovakia	Spain	Other*	Total
At 1 January 2020	394,251	209,275	1,275,194	409,654	140,732	192,989	250,714	204,371	502,101	34,005	3,613,286
Acquisition	1,346,643	0	10,885	117,030	101,574	0	0	92,975	0	102,912	1,772,019
Additions	14,439	747	28,578	18,675	1,214	15,760	2,807	577	16,953	306	100,056
Disposals	0	0	0	(108,585)	0	0	(42)	(125)	0	(47,699)	(156,451)
Transfer to investment properties under construction	0	0	0	0	0	0	0	0	(16,511)	(244)	(16,755)
Transfer from investment properties under construction	133,047	0	56,650	38,209	0	135,232	221	6,874	35,286	71,677	477,196
Change in assets held for sale	(42,630)	(54,057)	(66,651)	71,314	(13,427)	(24,914)	(4,950)	0	(24,617)	5,368	(154,564)
Valuation gains/(losses)	68,773	14,343	38,262	68,310	1,795	28,858	565	(14,339)	17,110	(722)	222,955
Translation difference	0	0	(42,069)	(48,761)	0	0	(4,674)	(0)	0	6	(95,498)
At 31 December 2020	1,914,523	170,308	1,300,849	565,846	231,888	347,924	244,641	290,333	530,322	165,610	5,762,243
Tenant lease incentives**	19,087	2,010	8,647	6,987	630	608	(11)	2,309	472	48	40,787
Total valuation of investment property	1,933,610	172,318	1,309,496	572,833	232,518	348,532	244,630	292,642	530,794	165,610	5,803,030

Investment property movement table for the year ended 31 December 2019

In € thousand

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

* Other includes properties in Austria, Belgium, Serbia, Bulgaria and Urban segment in Germany (in 2019 properties in Serbia, Bulgaria and Urban segment in Germany)

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

5.2. Investment property under construction

In € thousand

	2020	2019
At 1 January	356,800	265,895
Acquisition	0	1,635
Additions	197,018	251,414
Transfer from investment property	16,755	22,444
Transfer to investment property	(477,196)	(260,580)
Change in assets held for sale	24,198	(24,198)
Valuation gains	32,082	99,300
Translation difference	(718)	890
At 31 December	148,939	356,800

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

As of 31 December 2020, the Group had 9 new assets under construction in Germany, Poland, Slovakia, Spain, and Romania (31 December 2019: 15 new assets under construction in Czech Republic, Germany, Poland, Slovakia, Spain, Italy and Romania).

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

5.3. Investment property – right-of-use asset

Investment property -right-of-use asset comprise ground lease, which was primarily created from acquisitions made during 2020.

5.4. Property, Plant and Equipment

In € thousand

Cost	2020	2019
At 1 January	3,659	3,396
Acquisition	-	-
Additions	366	357
Disposals	-	(40)
Translation difference	(63)	(54)
At 31 December	3,962	3,659

In € thousand

Accumulated depreciation	2020	2019
At 1 January	(1,340)	(1,113)
Acquisition	-	-
Charge of the period	(417)	(357)
Eliminated on disposal	-	116
Translation difference	20	14
At 31 December	(1,737)	(1,340)
Net book value at 31 December	2,225	2,319

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

5.5. Intangible Assets

In € thousand

Cost	2020	2019
At 1 January	326	505
Acquisition	-	-
Additions	5	3
Disposals	-	(184)
Correction of presentation	4	2
At 31 December	335	326
Accumulated amortisation		
At 1 January	(265)	(429)
Acquisition	-	-
Charge for the period	(32)	(18)
Disposals	-	184
Correction of presentation	8	(2)
At 31 December	(289)	(265)
Net book value at 31 December	46	61

Intangible Assets consist of capitalised software costs.

5.6. Deferred Tax Assets and Liabilities

In € thousand

31 December 2020	Assets	Liabilities	Net
Investment property and AUC	5,678	(377,666)	(371,988)
Tax losses	26,993	-	26,993
Other temporary differences	15,781	(854)	14,927
Gross deferred tax	48,453	(378,520)	(330,067)
Set-off of deferred tax	(27,870)	27,870	-
Net deferred tax	20,583	(350,650)*	(330,067)

*The balance presented as Deferred tax liability on the face of balance sheet is €330,641 thousand and Deferred tax asset is €20,161 as at 31 December 2020. The difference of €19,586 thousand is represented by deferred tax liability of €20,008 and deferred tax asset of €422 related to disposed assets and is therefore presented as part of Liabilities held for sale – please refer also to Note 5.22.

In € thousand

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

*The balance presented as Deferred tax liability on the face of balance sheet is €268,066 thousand as at 31 December 2019. The difference of €8.882 thousand is represented by deferred tax liability related to disposed assets and is therefore presented as part of Liabilities held for sale – please refer also to Note 5.22.

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

In € thousand

31 December 2020	1 January 2020	Recognized in comprehensive income	Translation reserve	Other movements *	Net
Investment property and Investment property under construction	(302,226)	(64,995)	4,114	10,705	(352,402)
Tax losses	26,366	627	-	-	26,993
Other temporary differences	9,459	5,469	-	-	14,928
Total deferred tax	(266,399)	(58,899)	4,114	10,705	(310,481)

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

In € thousand

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

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

As at 31 December 2020, deferred tax liabilities of €144,636 thousand (31 December 2019: €48,242 thousand), based on differences at the time of initial recognition arising from transactions treated as asset acquisitions have not been recorded, in accordance with IAS 12.

In € thousand

Tax losses	31 December 2020	31 December 2019
Total of tax losses carry forwards	422,226	304,440
there of:		
Expiration within 1 year	4,364	4,221
Expiration from 1-3 years	13,676	19,335
Expiration from 3-5 years	33,782	16,125
Expiration more than 5 years	5,852	6,646
Without time limitation	364,552	258,113

The Group has significant tax loss carry forwards which it can use to offset taxable income in future periods. Deferred tax assets from these tax losses carry forwards are recognised only to the extent that it is probable that taxable profits will be available against which the losses can be utilised. As at 31 December 2020, the unrecognised deferred tax asset from tax losses, and other temporary differences amounted to €71,055 thousand (31 December 2019: €45,323 thousand).

The tax losses stated above include also tax losses €9,511 thousand related to assets classified as Assets held for sale (31 December 2019: €2,681).

5.7. Derivative financial instruments

In € thousand

Maturity of derivatives	Notional amounts 31 December 2020	Fair Value 31 December 2020	Notional amounts 31 December 2019	Fair Value 31 December 2019
Up to 1 year	-	-	-	-
1 to 5 years	541,309	8	552,284	22
Over 5 years	-	-	-	-
Total	541,309	8	552,284	22

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

	31 December 2020	31 December 2019
Short-term derivative – assets	-	-
Long-term derivative – assets	8	22
Short-term derivative – liabilities	-	-
Long-term derivative – liabilities	-	-
Total	8	22

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

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

Interest rate of derivatives	31 December 2020	31 December 2019
0 - 2%	8	22
2 - 3%	-	-
Total	8	22

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

5.8. Other Non-Current Assets

In € thousand

	31 December 2020	31 December 2019
Accrued income (1)	37,416	18,999
Capitalized costs on new acquisitions (2)	20,110	13,831
Prepaid expense	728	776
Other (3)	5,285	3,929
Total	63,539	37,535

- (1) Accrued income represents the rent-free incentives the Group has granted to tenants.
- (2) Capitalized costs on new acquisitions/development represents transaction costs incurred as of the balance sheet date for future projects. The amount capitalized is transferred to investment property upon completion of the acquisition or start of the development.
- (3) Other non-current assets represent primarily long-term deposits paid in Spain (in 2020: €4,332 thousand, in 2019: €3,919 thousand).

5.9. Trade Receivables

In € thousand

31 December 2020	Receivables	Loss allowance	Current amount
Not yet due	14,744	-	14,745
< 30 days past due	7,708	-	7,708
30 - 60 days past due	805	-	805
60 - 90 days past due	183	-	183
90 - 180 days past due	744	(113)	631
180 - 360 days past due *	5,149	(25)	5,124
> 360 days past due **	2,254	(2,399)	(145)
Total	31,587	(2,537)	29,051

*The amount is primarily related to ASTI works for a tenant in Slovakia (€3.9 million) where the settlement was agreed to be postponed due to delay with occupancy permit.

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

In € thousand

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

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

Movement in impairment allowance

In € thousand

31 December 2019	(4,569)
Currency translation difference	163
Reclassification to Assets held for sale	7
Allowance made/ (released)	1,862
31 December 2020	(2,537)

5.10. Other Current Assets

In € thousand

	31 December 2020	31 December 2019
Accrued income (1)	5,948	2,212
Prepaid expense (2)	5,809	4,743
Other (3)	11,273	5,151
Total	23,030	12,106

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

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

(3) The item “Other” is represented primarily by short-term receivables related to land acquisitions.

5.11. Prepayments

In € thousand

	31 December 2020	31 December 2019
Deposits paid (1)	8,307	53,387
Advance payments (2)	2,000	2,548
Total	10,307	55,935

(1) Deposits paid are primarily represented by short-term payments on escrow accounts relating to new acquisitions – in 2020: in Italy (€3,221 thousand) and Netherlands (€3,900 thousand), in 2019: in Italy (€3,522 thousand) and to project Maximus (€48,250 thousand).

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

5.12. Tax Receivables

In € thousand

	31 December 2020	31 December 2019
VAT and other tax receivable (includes WHT) (1)	68,703	39,275
Income tax receivable	2,217	797
Total	70,920	40,072

(1) Of the total €68,703 thousand of VAT receivable, €62,245 thousand relates to the investment property portfolio in Poland, Romania, Spain, Slovakia and Czech Republic (31 December 2019 €39,275 thousand of VAT receivable, €32,587 thousand relates to the investment property portfolio in Poland, Romania, Spain, Slovakia and Czech Republic mainly due to development projects). An additional €6,458 thousand relates to VAT from advisory invoices in holding companies (31 December 2019: €6,688 thousand).

5.13. Cash and cash equivalents and Restricted cash

In € thousand

	31 December 2020	31 December 2019
Cash and cash equivalents	151,979	102,099
Non-current restricted cash (1)	3,567	2,521
Current restricted cash	-	-
Total	155,546	104,620

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

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

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

For further information on loss allowance according to IFRS 9 please refer to Note 8.4.

5.14. Equity

Share capital and share premium

As of 31 December 2020, and 2019, the share capital of the Group consists of 36,505,930 ordinary shares with the nominal value of €0.01 each, on which share premium of €3,816 thousand arose. Each ordinary share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights.

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

Other capital funds

Changes in ‘Other capital funds’ in 2020 are made up of allocation of profits of the previous year of €1,629 thousand and €29,390 thousand non-cash contributions made in December 2020 which represents capitalized shareholder loan.

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

	Number of shares	Share capital	Share premium	Other capital funds
Balance at 31 December 2019	36,505,930	365	3,816	293,467
Contribution of the new shareholder	-	-	-	29,390
Allocation to reserve fund	-	-	-	1,629
Reclassifications and corrections	-	-	-	19
Balance at 31 December 2020	36,505,930	365	3,816	324,506

In € thousand

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

Translation reserve

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

Non-controlling interest

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

During the year 2018, 6,300 of the shares were purchased back by the Group for €16 thousand which decreased the non-controlling interest to 6.5054%. During the year 2019, 10,330 of the shares were sold by the Group for €58 thousand and 4,730 of shares were purchased back by the Group for €55 thousand. Non-controlling interest increased to 6.6101% (and by €68 thousand) as at 31 December 2019. Profit for the year 2019 relating to the minority interest corresponds to €1,122 thousand.

During the year 2020, 400 of the shares were sold by the Group for €2 thousand and 1,787 of shares were purchased back by the Group for €10 thousand. Non-controlling interest increased to 6.918% (and by €252 thousand) as at 31 December 2020. In addition, Spain SOCIMI purchased 17,857 of owned shares for EUR 100 thousand. Profit for the year 2020 relating to the minority interest corresponds to €152 thousand. This portfolio contains 17 subsidiaries as at 31 December 2020 (same as at 31 December 2019).

Together with the shares, the external investors were granted an option which represents their right to sell these shares back to the Group on 28 February 2021. The possible selling price will be calculated based on the value of consolidated equity of Spain SOCIMI as of 28 February 2021. The option should be recognised as a long-term financial liability in the Group consolidated financial statements as of 31 December 2020. Given the total proceedings received from the

sale of shares including the option (€2,618 thousand) and the expected selling price calculation, the Group considers the related liability would not be material, and therefore decided not to recognise it in its consolidated financial statements as of 31 December 2020 and rather to disclose it in Note 5.23 Contingent assets and liabilities. The same approach was taken for the consolidated financial statements as of 31 December 2019.

During the year 2021, most of the options were extended and may be exercised from 1.4.2024 to 30.4.2024 with the selling price to be calculated in accordance with the amended options.

5.15. Borrowings

In € thousand

Borrowings	31 December 2020	31 December 2019
Long-Term Borrowings	4,627,671	2,202,400
Bank borrowings	3,000,000	1,450,000
Deferred financial costs	(87)	(602)
Loans from related parties*	1,627,758	753,002
Short-Term Borrowings	0	599,659
Bank borrowings	0	600,173
Deferred financial costs	0	(514)
Total	4,627,671	2,802,059
Borrowings by type (excluding Deferred financial costs)	31 December 2020	31 December 2019
Secured borrowings - Mortgages	3,000,000	2,050,173
Loans from related parties	1,627,758	753,002
Total	4,627,758	2,803,175

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

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

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

In € thousand

Borrowings by maturity (excluding Deferred financial costs)	31 December 2020	31 December 2019
Up to 1 year	0	600,173
1 to 5 years	3,000,000	1,450,000
Over 5 years	1,627,758	753,002
Total	4,627,758	2,803,175

During 2020, a bank borrowing of €600,000 thousand, which was due in May 2020 (classified as Short-term borrowings as at 31 December 2019) was refinanced by a new bank debt due in 2023.

The maturity of the loans from related parties is contractually tied to the repayments of the underlying loans provided to the companies within the Group. The timing of the repayment of these underlying loans is controlled by the Group. In the above table, the loans from related parties are presented in the ‘Over 5 years’ category based on the management’s expectation of the repayment. To support long term presentation the shareholder issued a written confirmation in December 2020, that they will not require full repayment of the loan in 2021.

During 2020 the management drew down additional €950,000 thousand under the existing bank facilities and €1,105,000 thousand under the shareholder agreement. Amount of €300,000 from the total drawn down bank borrowings, was used for repayment of the shareholder loan.

The loan facilities of €3,000,000 thousand are due from May 2022 till January 2025 and subject to interest rate using 3M/6M EURIBOR + margin rate hedged under cap from 0.35-0.75%.

All bank borrowings are denominated in Euro.

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

In € thousand

Borrowings by interest rate	31 December 2020	31 December 2019
TOTAL floating rate - reference rate + 0.35% to 0.75% *	3,000,000	2,050,173
TOTAL blended rate for shareholder's loan** – 2.71% to 3.72%+ margin on profit	1,627,758	753,002
Total	4,627,758	2,803,175

* Portion of loans with variable interest are hedged against interest rate risk.

** A portion of the Group's borrowings from its shareholder are financed by a total return swap.

The average interest rate for bank borrowings was 0.60% (year 2019: 0.54%). Bank borrowings are fully secured by parental guarantee provided by Europe Realty Holdings Pte Ltd (parent company of the shareholder of the Group).

Covenants

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

Reconciliation of changes in liabilities arising from financing activities

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

Reconciliation of changes in liabilities arising from financing activities

In € thousand

Borrowings	Term loan facilities - long-term	Loans from related parties - long-term	Term loan facilities - short-term	Total
At 1 January 2020	1,450,000	753,002	600,173	2,803,175
Proceeds from borrowings	1,550,000	1,105,000	-	2,655,000
Repayment of borrowings	-	(300,000)	(600,000)	(900,000)
ST/LT reclassifications	-	-	-	-
Interests charged	-	99,147	17,266	116,413
Interests paid	-	-	(17,439)	(17,439)
Reclassification to Other Capital Funds	-	(29,392)	-	(29,392)
Foreign exchange effect realized	-	-	-	-
Total changes from financing cash flows	3,000,000	1,627,757	-	4,627,757

Other borrowings related changes	Deferred financial costs - long-term	Deferred financial costs - short-term	Total
At 1 January 2020	(602)	-	(514)
Additions	-	-	-
Write-offs	-	-	-
DFC amortisation to P&L	514	-	514
Foreign exchange effect	-	-	-
Total other changes	(88)	-	(88)

Balance at 31 December 2020	2,999,912	1,627,757	-	4,627,669
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Reconciliation of changes in liabilities arising from financing activities

In € thousand

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

Other borrowings related changes	Deferred financial costs - long-term	Deferred financial costs - short-term	Total
At 1 January 2019	(1,116)	(689)	(1,805)
Additions	-	-	-
Write-offs	-	-	-
DFC amortisation to P&L	514	175	689
Foreign exchange effect	-	-	-
Total other changes	(602)	(514)	(1,116)

Balance at 31 December 2019	1,449,398	753,002	599,659	2,802,059
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5.16. Long-term payables

As at 31 December 2020, the Group had 'Long-term payables' of €114,898 thousand (31 December 2019: €24,387 thousand) which represent primarily lease liability of €97,004 thousand (31 December 2019: €3,135 thousand) recognised from application of IFRS 16 as described in Note 6.1. and amounts received from tenants as security for their rental obligations and retentions from development projects.

5.17. Trade Payables

As at 31 December 2020 'Trade payables' of €22,395 thousand (31 December 2019: €26,461 thousand) comprise payment obligations to third-party suppliers incurred in the normal course of business. The balance comprises primarily payables related to construction costs incurred from ongoing developments in Germany, Italy, Spain and Poland.

5.18. Accruals

In € thousand

	31 December 2020	31 December 2019
Operating expenses	10,291	5,356
Service charges	70	247
Accounting, audit and legal expenses	9,322	5,532
Other expenses (1)	21,263	13,699
Total	40,946	24,834

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

5.19. Deferred Income

As at 31 December 2020 'Deferred income' of €20,339 thousand (31 December 2019: €16,249 thousand) primarily comprises rent paid in advance by tenants.

5.20. Tax Liabilities

In € thousand

	31 December 2020	31 December 2019
VAT	18,198	9,990
Income tax payable	5,393	2,526
Other tax payable (1)	68,102	1,984
Total	91,693	14,500

(1) The increase in 2020 is primarily caused by real estate transfer tax resulting from new acquisitions in Germany (€68.0 million)

5.21. Other Current Payables

In € thousand

	31 December 2020	31 December 2019
Tenant deposits	1,127	948
Advance payments received	660	886
Payables to employees	3,124	4,341
Lease liability	3,192	1,211
Other payables (1)	3,902	3,400
Total	12,005	10,786

- (1) Other payables of €3,902 thousand as at 31 December 2020 relate primarily to retentions on payments to contractors for developments in German, Poland and Czech Republic of €1,771 thousand (31 December 2019: €2,082 thousand) and payables related to settlement in France of €500 thousand (31 December 2019: €1,000 thousand related to settlement in France).

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

In 2019, the Group was committed to sell part of its portfolio in Poland comprising 6 yielding assets and land in Germany and Bulgaria. Accordingly, the related part of portfolio was presented as assets and liabilities held for sale in the Group consolidated financial statements as of 31 December 2019. All of these expected sales were realized in 2020 and resulted in an accounting gain of €5,027 thousand and generated cash proceeds of €161,790 thousand. For further information please refer to Note 4.5.

In 2020, the Group initiated sale of 16 assets in 7 countries (Germany, Czech Republic, Spain, Poland, Italy, France and Netherland). The Group is in the final stage to close the disposal of assets, which is presented as assets and liabilities held for sale together with land in Romania.

As at 31 December 2020, the assets and liabilities related to the disposed portfolio were stated at the lower of their carrying amount and fair value less costs to sell. The investment property classified as held for sale was measured in accordance with IAS 40. These assets and liabilities comprised the following:

Assets held for sale

In € thousand

	31 December 2020	31 December 2019
Investment property	251,938	97,362
Investment property under construction	-	24,198
Other non-current assets	1,073	535
Right-of-use assets	11,061	-
Deferred tax asset	422	-
Trade receivables	1,688	1,144
Tax receivables	160	1,047
Prepayments	228	-
Other current assets	273	567
Total	266,843	124,853

Liabilities directly associated with assets held for sale

In € thousand

	31 December 2020	31 December 2019
Deferred rental income	902	449
Tenant deposits	651	33
Deferred tax liability	20,008	8,882
Trade payables	460	472
Accruals	631	450
Tax liabilities	901	-
Other long-term liabilities*	12,216	1
Total	35,769	10,287

* Other long-term liabilities include Lease liability of €11,101 thousand in 2020.

5.23. Contingent assets and liabilities

In December 2017, the Group granted an option to 25 external investors of one of the Group's subsidiaries relating to the sale of shares described in Note 5.14. The option represents a right to sell back the shares to the Group on 28 February 2021. The future liability arising from this option was not recognised in the consolidated financial statements as at 31 December 2020 (and as at 31 December 2019) for the reasons described in Note 5.14, hence it constitutes a contingent liability for the Group.

6. LEASES

6.1. The Group as a lessee

The Group have following types of leases as a lessee: ground lease (primarily from the new acquisitions in 2020), offices and cars.

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

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

Right-of-Use Asset and Investment property Right-of-Use Assets

In € thousand

	Ground lease	Offices and parking	Cars	Office equipment	Total
At 1 January 2020	0	3,238	1,192	4	4,434
Additions	106,502	2,390	568	-	109,460
Modifications	-	(114)	-	-	(114)
Depreciation Expense	(713)	(917)	(541)	(2)	(2,173)
Transfer to Assets held for sale	(11,061)	-	-	-	(11,061)
Translation Difference	-	(39)	-	-	(39)
At 31 December 2020	94,728	4,558	1,219	2	100,507

In € thousand

	Offices and parking	Cars	Office equipment	Total
At 1 January 2019	2,706	851	-	3,557
Additions	1,303	701	5	2,009
Modifications	-	-	-	-
Depreciation Expense	(771)	(360)	(1)	(1,132)
At 31 December 2019	3,238	1,192	4	4,434

Leased liability

In € thousand

	Under 1 year	1 – 5 years	Over 5 years	Total
Leased liability	3,192	9,936	87,068	100,196
Leased liability – held for sale	462	1,883	8,756	11,101
As at 31 December 2020	3,654	11,819	95,824	111,297
As at 31 December 2019	Under 1 year	1 – 5 years	Over 5 years	Total
Leased liability	1,211	2,745	390	4,346

6.2. The Group as a lessor

In € thousand

Operating leases	31 December 2020	31 December 2019
Repayable on demand, up to 1 year	262,404	193,896
1 – 2 years	217,035	167,689
2 – 3 years	172,282	134,496
3 – 4 years	132,003	101,124
4 to 5 years	102,207	70,686
Over 5 years	370,192	184,192
Total	1,256,123	852,083

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

7. RELATED PARTIES

In accordance with IAS 24, related parties include:

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

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

As of 31 December 2020, the Group has loans from Euro Vitus Private Limited, with an outstanding balance of €1,441,023 thousand (2019: €636,323 thousand) (see Note 5.15), of which €59,579 thousand (2019: €53,414 thousand) is accrued yield. These shareholder loans are in the form of interest-bearing loans and loans covered by total return swap. Shareholder loans bear yield which consists of fixed and variable yield determined by the Total Return Swaps Agreement.

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

Further, as of 31 December 2020, the Group accounted for guarantee fee for the year 2020 provided by related party Europe Realty Holdings Pte Ltd (for providing parental guarantee over the bank borrowings of the Group) in the amount of €70,056 thousand (2019: €44,616 thousand). The total amount outstanding of €186,735 thousand (2019: €116,679 thousand) is presented under loans from related parties in Note 5.15.

Transactions with key management personnel

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

In € thousand

	2020	2019
Compensation of key management	6,227	10,431

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

In addition to the above transactions with key management personnel, a few employees within the Group hold shares in one of the Group's entities (P3 Spain Logistic Parks SOCIMI, S.A.U.). Total number of shares held by the employees is 0.93082% out of the total external shareholding of 6.918%. More details on this transaction can be found in Note 5.14.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

8.1. Overview

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

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

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

Principal financial instruments

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

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

8.2. Real Estate Market risk

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

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

The analysis below shows the potential change in value of the Group's portfolio based on changes in capital yields in each country where the Group owns investment property. The analysis shows the increase/decrease in portfolio value if capital yields decrease/increase by 25 and 50 basis points. The calculation is performed separately for each property and the table shows the aggregate potential change by country in absolute figures. The average capital yield in the Group is approximately 7.9%, and the individual capital yields vary from 3.35% to 8.5% in accordance with market conditions in each country.

Table below shows by how much changes fair value of investment properties and investment properties under construction as of 31 December 2020 and 2019 if the yield is +/- 50 basis points and +/- 25 basis points (b.p.). Other locations (Bulgaria, Serbia) were not considered due to immateriality.

In € thousand

Equivalent yield – sensitivity				
31 December 2020	-50b.p.	-25b.p.	+25b.p.	+50b.p.
Czech Republic	131,191	62,537	(57,202)	(109,724)
Germany	270,849	127,370	(113,830)	(216,170)
France	25,061	11,873	(10,746)	(20,518)
Italy	40,227	19,017	(17,147)	(32,687)
Netherlands	26,127	12,405	(11,268)	(21,549)
Poland	46,666	22,381	(20,692)	(39,879)
Slovakia	27,751	13,318	(12,328)	(23,773)
Spain	66,063	31,311	(28,357)	(54,160)
Romania	16,001	7,739	(7,265)	(14,098)
Investment property under construction	12,559	5,957	(5,403)	(10,324)
Total	662,495	313,908	(284,238)	(542,882)

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

Tables below shows by how much changes Fair value of Investment properties as of 31 December 2020 and 2019 if the market rent is fluctuating between +8% to -8%.

In € thousand

Market rent sensitivity								
31 December 2020	+8%	+6%	+4%	+2%	-2%	-4%	-6%	-8%
Czech Republic	107,289	80,467	53,644	26,822	(26,822)	(53,644)	(80,467)	(107,289)
Germany	171,324	128,493	85,662	42,831	(42,831)	(85,662)	(128,493)	(171,324)
France	18,110	13,583	9,055	4,528	(4,528)	(9,055)	(13,583)	(18,110)
Italy	27,903	20,927	13,951	6,976	(6,976)	(13,951)	(20,927)	(27,903)
Netherlands	19,676	14,757	9,838	4,919	(4,919)	(9,838)	(14,757)	(19,676)
Poland	43,871	32,903	21,935	10,968	(10,968)	(21,935)	(32,903)	(43,871)
Slovakia	26,536	19,902	13,268	6,634	(6,634)	(13,268)	(19,902)	(26,536)
Spain	48,097	36,073	24,048	12,024	(12,024)	(24,048)	(36,073)	(48,097)
Romania	18,972	14,229	9,486	4,743	(4,743)	(9,486)	(14,229)	(18,972)
Investment property under construction	9,280	6,960	4,642	2,320	(2,320)	(4,642)	(6,960)	(9,280)
Total	491,058	368,294	245,529	122,765	(122,765)	(245,529)	(368,294)	(491,058)

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

8.3 Interest rate risk

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

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

At 31 December 2020, 18% of the Group's bank borrowings are hedged under caps (31 December 2019: 32% were hedged by caps). The Group constantly monitors its exposure to interest rate risk and adjusts its hedging strategy accordingly.

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

In € thousand	Increase / (decrease) in basis points	Effect on profit
Year ended 31 December 2020		
EURIBOR	+10	3,000
EURIBOR	-10	(3,000)

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

8.4 Credit risk

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

Trade receivables

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECLs') to trade receivables which uses a lifetime expected loss allowance for all trade receivables. To measure ECLs trade receivables have been grouped by portfolios to reflect the shared credit risk characteristics. Expected loss rates are based on the historic credit loss experienced for each portfolio and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. The split of the loss allowance recorded as at the balance sheet date is included in Note 5.9.

Cash and cash equivalents

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

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

Derivatives

The derivatives are entered into with financial institutions, which have stable high rating (A1) according to Moody's ratings.

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

In € thousand

	Carrying amount				Maximum exposure	
	Fair value - hedging instruments		Financial assets at amortized costs		2020	2019
	2020	2019	2020	2019		
31 December						
Financial assets measured at fair value						
Derivatives	8	22	-	-	8	22
Financial assets not measured at fair value						
Trade receivables	-	-	29,051	19,500	29,051	19,500
Other current assets			23,030	12,106	23,030	12,106
Prepayments			10,307	55,935	10,307	55,935
Tax receivables	-	-	70,920	40,072	70,920	40,072
Restricted cash	-	-	3,567	2,521	3,567	2,521
Cash and cash equivalents	-	-	151,979	102,099	151,979	102,099

8.5 Liquidity risk

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

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

In € thousand

31 December 2020	Under 1 year	1 - 5 years	Over 5 years	Total
Non-derivative financial liabilities:				
Trade and other payables	587,534	135,959	-	723,493
Interest-bearing loans and borrowings*	65,367	3,226,246	1,627,758	4,919,371
Derivative financial instruments:				
Financial derivatives	-	-	-	-
Total	652,901	3,362,205	1,627,758	5,642,864

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

In € thousand

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

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

Trade and other payables include also committed construction works on the current developments of value €421,217 thousand (31 December 2019: €435,083 thousand).

8.6 Fair values of Financial Instruments

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

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

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

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

In € thousand

	Carrying amount			Fair value	
	Fair value - hedging instruments	Financial assets at amortized costs	Other financial liabilities	Total	
31 December 2020					
Financial assets measured at fair value					
Derivatives	8	0	0	8	8
Financial assets not measured at fair value					
Rent and other receivables	0	196,848	0	196,848	196,848
Cash and short-term deposits	0	155,546	0	155,546	155,546
Financial liabilities measured at fair value					
Derivatives	0	0	0	0	0
Financial liabilities not measured at fair value					
Interest-bearing loans and borrowings	0	0	4,627,671	4,627,671	4,627,671
Deposits from tenants	0	0	4,520	4,520	4,520
Trade and other payables	0	0	333,527	333,527	333,527

In € thousand

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

8.7 Foreign currency risk

Approximately 52% of the Group's Investment property portfolio and operations are in the Eurozone, 27% in the Czech Republic, 14% in Poland and 6% in Romania. The Group's exposure to foreign currency risk is primarily limited to translation risk as all borrowings are denominated in Euros and cash flows from rental contracts are agreed in Euros (but may be payable in local currency). There is equity translation exposure as balance sheets of all entities are maintained in local currency therefore movements in exchange rates can result in translation adjustments.

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

9. SUBSEQUENT EVENTS

Financing activities

The Group drew down a short-term bank debt of €400.0 million in March 2021 and used the full amount to repay the shareholder loan.

Disposal of assets

In 2020, the Group initiated a disposal process for a pan-European portfolio of 16 assets. On 18 May 2021, the Group has signed sale and purchase agreements with a buyer for an aggregate property value of €255.6 million. The completion is expected by end of Q2 or early Q3 2021.

In March 2020, the Group completed also the sale of the land in Romania, which was sold for €5.8 million.

More details about both disposals are presented under “Assets held for sale” described in Note 5.22.

Acquisitions

In March 2020 the Group completed acquisition of the entity owning land in the Czech Republic.

Change in Management Board

In April 2021 Frank Pörschke was appointed as the new member of the Management Board and at the same time Timothy Beaudin resigned and Jose Rodriguez Lopez was recalled from the Board.

10. GROUP STRUCTURE

The following table outlines the Group structure as of 31 December 2020

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Prague D8 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague D1 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Horní Počernice 1 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Horní Počernice 2 s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Blue Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague Green Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Příšovice s.r.o.		AC	100%	CZK	Czech Republic
P3 Turnov s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague D11 s.r.o.		AC	100%	CZK	Czech Republic
P3 Czech HoldCo a.s.		HC	100%	CZK	Czech Republic
P3 Czech&Slovakia a.s.		HC	100%	CZK	Czech Republic
P3 Poland I a.s.		HC	100%	CZK	Czech Republic
P3 Spain a.s.		HC	100%	CZK	Czech Republic
P3 France I a.s.		HC	100%	CZK	Czech Republic
P3 Spain II s.r.o.		HC	100%	CZK	Czech Republic
P3 Lovosice s.r.o.		AC	100%	CZK	Czech Republic
P3 Prague D6 s.r.o.		AC	100%	CZK	Czech Republic
P3 Logistic Parks s.r.o.		MC	100%	CZK	Czech Republic
P3 Hradec Králové Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Liberec Park I s.r.o.		AC	100%	CZK	Czech Republic
P3 Liberec Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Mladá Boleslav Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Olomouc Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Píseň Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Předlice Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Lovosice Park s.r.o.		AC	100%	CZK	Czech Republic
P3 Ostrava s.r.o.		AC	100%	CZK	Czech Republic
P3 Liberec Park II s.r.o.		AC	100%	CZK	Czech Republic
P3 Bratislava Park s.r.o.		AC	100%	EUR	Slovak Republic
P3 Žilina s.r.o.		AC	100%	EUR	Slovak Republic
P3 Bratislava Airport s.r.o.		AC	100%	EUR	Slovak Republic
P3 Logistic Parks Slovakia s.r.o.		MC	100%	EUR	Slovak Republic
P3 Bratislava Cargo s.r.o.		AC	100%	EUR	Slovak Republic
P3 Senec I s.r.o.	Maximus	AC	100%	EUR	Slovak Republic
P3 Senec II s.r.o.	Maximus	AC	100%	EUR	Slovak Republic
P3 Poznań Park Sp. z o.o.		AC	100%	PLN	Poland
P3 Mszczonów Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Piotrkow Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Blonie Park Sp. Z o.o.		AC	100%	PLN	Poland
P3 Poznań II sp. z o.o.		AC	100%	PLN	Poland

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Warsaw sp. z o.o.		AC	100%	PLN	Poland
P3 Logistic Parks sp. z o.o.		MC	100%	PLN	Poland
P3 Zabrze sp. z .o.o.		AC	100%	PLN	Poland
P3 Last Mile TRI Sp.z.o.o.	Maximus	AC	100%	PLN	Poland
Junius Sp.z.o.o.	Maximus	AC	100%	PLN	Poland
P3 Warsaw III Sp.z.o.o.	Maximus	AC	100%	PLN	Poland
P3 Łódź I Sp.z.o.o.	Maximus	AC	100%	PLN	Poland
P3 Warsaw IV Sp.z.o.o.		AC	100%	PLN	Poland
K Company EOOD		AC	100%	BGN	Bulgaria
P3 Bucharest Alpha S.A.		AC	100%	RON	Romania
P3 Bucharest Beta S.A.		AC	100%	RON	Romania
P3 Bucharest Gamma S.A.		AC	100%	RON	Romania
P3 Bucharest Delta S.A.		AC	100%	RON	Romania
P3 Bucharest Infrastructura S.A.		AC	100%	RON	Romania
P3 Logistic Parks Romania Management SRL		MC	100%	RON	Romania
FE IPF Kamen GmbH		AC	100%	EUR	Germany
FE IPF Mörfelden GmbH		AC	100%	EUR	Germany
FE IPF Bedburg GmbH		AC	100%	EUR	Germany
Kamen Intermediate GmbH		HC	100%	EUR	Germany
Mörfelden Intermediate GmbH		HC	100%	EUR	Germany
Bedburg Intermediate GmbH		HC	100%	EUR	Germany
Euro First Industrial Properties GmbH		HC	100%	EUR	Germany
FE IPF Kamen Betriebsgesellschaft mbH		HC	100%	EUR	Germany
P3 Real Estate General Partner GmbH		HC	100%	EUR	Germany
P3 Real Estate Holding GmbH & Co. KG		HC	100%	EUR	Germany
P3 Logistic Parks GmbH		MC	100%	EUR	Germany
P3 HoldCo IV DE III GmbH	Maximus	HC	100%	EUR	Germany
P3 Rastatt GmbH & Co. KG	Maximus	AC	100%	EUR	Germany
Second Euro Ridderkerk Real Estate B.V.		AC	100%	EUR	Netherlands
Second Euro Westpoint Real Estate B.V.		AC	100%	EUR	Netherlands
Second Euro B+W Real Estate B.V.		AC	100%	EUR	Netherlands
P3 Roosendaal B.V.		AC	100%	EUR	Netherlands
Second Euro Netherlands Holding B.V.		HC	100%	EUR	Netherlands
P3 HoldCo IV PL I B.V.	Maximus	HC	100%	PLN	Poland
P3 HoldCo IV NL Support B.V.	Maximus	HC	100%	EUR	Netherlands
P3 HoldCo IV PL II B.V.	Maximus	HC	100%	PLN	Poland
P3 HoldCo IV DE I B.V.	Maximus	HC	100%	EUR	Germany
P3 HoldCo IV DE II B.V.	Maximus	HC	100%	EUR	Germany
Calisto Blue 1 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 2 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 3 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 4 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 5 B.V.	Matrix	AC	100%	EUR	Netherlands

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
Calisto Blue 6 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 8 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 9 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 10 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 11 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 12 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 14 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 15 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 17 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 20 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 21 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 22 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 25 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 26 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 27 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 28 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 29 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 30 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 31 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 33 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 34 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 35 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 36 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 37 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 38 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 39 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 40 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue 41 B.V.	Matrix	AC	100%	EUR	Netherlands
Calisto Blue Holding 3 B.V.	Matrix	HC	100%	EUR	Netherlands
Calisto Blue Holding 2 B.V.	Matrix	HC	100%	EUR	Netherlands
P3 Belgium HoldCo S.A.		HC	100%	EUR	Belgium
P3 Hanau S.à r.l.		AC	100%	EUR	Germany
P3 Friedrichsdorf S.à r.l.		AC	100%	EUR	Germany
AEID II (Lux) Holding Company S.à r.l.		HC	100%	EUR	Luxembourg
P3 Logistic Parks S.à r.l.		MC	100%	EUR	Luxembourg
Point Parks Bulgaria S.à r.l.		HC	100%	EUR	Luxembourg
AFD Saint Martin C S.à r.l.		AC	100%	EUR	France
AFD Rivesaltes A S.à r.l.		AC	100%	EUR	France
AFD Le Pouzin A S.à r.l.		AC	100%	EUR	France
Second Euro Industrial Properties S.à r.l.		HC	100%	EUR	Luxembourg
Second Euro Industrial Unna S.à r.l.		AC	100%	EUR	France
Second Euro Industrial Dreieich, S.à r.l.		AC	100%	EUR	Germany
Second Euro Industrial Thouars S.à r.l.	merged into Second Euro Industrial Properties S.à r.l.	HC	100%	EUR	Luxembourg

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
First Euro Industrial Properties S.à r.l.		HC	100%	EUR	Luxembourg
First Euro Industrial Properties III S.à r.l.		AC	100%	EUR	Germany
LP ONE HALBERGMOOS SARL		AC	100%	EUR	Germany
LP THREE DARMSTADT SARL		AC	100%	EUR	Germany
P3 Group S.à r.l.		HC	100%	EUR	Luxembourg
P3 Rieste S.à r.l.		AC	100%	EUR	Germany
P3 Gottfrieding S.á r.l.		AC	100%	EUR	Germany
P3 Bedburg S.á r.l.		AC	100%	EUR	Germany
P3 Kamen S.á r.l.		AC	100%	EUR	Germany
RE Alpha S.á r.l.		HC	100%	EUR	Luxembourg
P3 Obertraubling S.á r.l.		AC	100%	EUR	Germany
P3 Horb S.á r.l.		AC	100%	EUR	Germany
P3 Pfungstadt S.á r.l.		AC	100%	EUR	Germany
P3 Urban HoldCo S.á r.l.		HC	100%	EUR	Luxembourg
P3 Urban Germany S.á r.l.		AC	100%	EUR	Germany
P3 Park Hamburg North S.á r.l.		AC	100%	EUR	Germany
P3 Allersberg S.á r.l.		AC	100%	EUR	Germany
P3 HoldCo IV S.á r.l.	Maximus (not from acquisition)	HC	100%	EUR	Luxembourg
P3 HoldCo IV Holding II S.á r.l.	Maximus	HC	100%	EUR	Luxembourg
P3 HoldCo IV Holding I S.á r.l.	Maximus	HC	100%	EUR	Luxembourg
P3 HoldCo IV SK S.á r.l.	Maximus	HC	100%	EUR	Slovak Republic
P3 Aschaffenburg S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Berlin West II S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Berlin West I S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Bergkamen S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Osnabrück S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Cologne S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 HoldCo IV LUX S.á r.l.	Maximus	HC	100%	EUR	Luxembourg
P3 Reichenbach S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Regensburg North S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Bruck an der Leitha S.á r.l.	Maximus	AC	100%	EUR	Austria
P3 Hannover S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Spijkenisse S.á r.l.	Maximus	AC	100%	EUR	Netherlands
P3 Antwerp S.á r.l.	Maximus	AC	100%	EUR	Belgium
P3 Graz S.á r.l.	Maximus	AC	100%	EUR	Austria
P3 Waalhaven S.á r.l.	Maximus	AC	100%	EUR	Netherlands
P3 Wemding S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Kaiserslautern S.á r.l.	Maximus	AC	100%	EUR	Germany
AEPF III 49 S.á r.l. S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Waghäusel S.á r.l.	Maximus	AC	100%	EUR	Germany
P3 Fos S.á r.l.	Maximus (used for another project)	AC	100%	EUR	Austria
P3 Echt S.á r.l.		AC	100%	EUR	Netherlands
P3 Ansbach S.á r.l.	incorporated in 2020	AC	100%	EUR	Germany
P3 SPV I S.á r.l.	incorporated in 2020	AC	100%	EUR	Germany

Name of company	Note	Function (code)	Participation %	Functional Currency	Country
P3 Fagnano S.r.l.		AC	100%	EUR	Italy
P3 Brignano Societa' a Responsabilita' Limitata		AC	100%	EUR	Italy
P3 Calvenzano Societa' a Responsabilita' Limitata		AC	100%	EUR	Italy
P3 Castel San Giovanni Societa' a Responsabilita' Limitata		AC	100%	EUR	Italy
P3 Borgo Reno S.r.l.		AC	100%	EUR	Italy
P3 Sala Bolognese S.r.l.		AC	100%	EUR	Italy
P3 Castelguglielmo S.r.l.		AC	100%	EUR	Italy
P3 Logistic Parks S.r.l.		MC	100%	EUR	Italy
P3 Ardea S.r.l.		AC	100%	EUR	Italy
P3 Fiano S.r.l.		AC	100%	EUR	Italy
P3 Altedo S.r.l.		AC	100%	EUR	Italy
SEIP Immo SCI		AC	100%	EUR	France
Second Euro Industrial Properties - Bondoufle SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Challenge SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Bretigny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Eragny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Savigny SAS		AC	100%	EUR	France
Second Euro Industrial Properties - Savigny Two SAS		AC	100%	EUR	France
SPV IBE		HC	100%	EUR	France
P3 Montpellier		AC	100%	EUR	France
P3 Logistic Parks S.A.S.		MC	100%	EUR	France
P3 Illescas Sky S.L.U.		AC	100%	EUR	Spain
P3 Spain Investments S.L.U.		AC	100%	EUR	Spain
P3 Abrera Park S.L.		AC	100%	EUR	Spain
P3 Spain Logistic Parks SOCIMI, S.A.U.		HC	100%	EUR	Spain
P3 Villanueva Park, S.L.U.		AC	100%	EUR	Spain
P3 Zaragoza Plaza Park, S.L.U.		AC	100%	EUR	Spain
P3 Quer Park, S.L.U.		AC	100%	EUR	Spain
P3 Seseña Park, S.L.U.		AC	100%	EUR	Spain
P3 Massalaves Park, S.L.U.		AC	100%	EUR	Spain
P3 CLA Park, S.L.U.		AC	100%	EUR	Spain
P3 Loeches Park, S.L.U.		AC	100%	EUR	Spain
P3 Toledo Benquerencia Park, S.L.U.		AC	100%	EUR	Spain
P3 San Marcos Park, S.L.U.		AC	100%	EUR	Spain
P3 Bilbao Park, S.L.U.		AC	100%	EUR	Spain
P3 Villanueva Park Solar Electric, S.L.U.		AC	100%	EUR	Spain
P3 Getafe Los Olivos Park, S.L.U.		AC	100%	EUR	Spain
P3 Illescas Park S.L.U.		AC	100%	EUR	Spain
P3 Algemesi Park, S.L.U.		AC	100%	EUR	Spain
P3 ILLESCAS LA SAGRA PARK, S.L.		AC	100%	EUR	Spain
P3 Logistic Parks Iberia S.L.U.		MC	100%	EUR	Spain
P3 Onda Park, S.L.		AC	100%	EUR	Spain
P3 Parks d.o.o. Beograd		MC	100%	RSD	Serbia

P3 Logistic Parks Limited		MC	100%	GBP	United Kingdom
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Legend:

HC = Holding company

AC = Asset company

IC = Infrastructure company

MC = Management Company