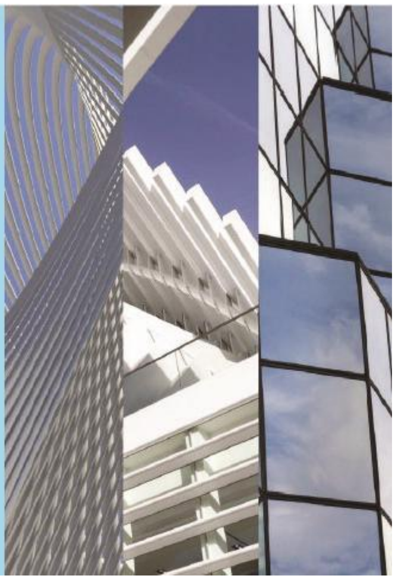
Real Assets

# AXA CoRE Europe Fund S.C.S., SICAV-SIF



An open-ended variable capital investment fund (*société d'investissement à capital variable-fonds d'investissement spécialisé*) incorporated as a common limited partnership (*société en commandite simple*) under the laws of the Grand Duchy of Luxembourg

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

R.C.S. Luxembourg B 202 722
2 - 4, rue Eugène Ruppert
L - 2453 Luxembourg
Grand Duchy of Luxembourg

## TABLE OF CONTENTS

## MANAGEMENT AND ADMINISTRATION

| | |
|---|---|
| **Registered Office:** | **c/o The Bank of New York Mellon SA/NV, Luxembourg Branch**<br>2 - 4, rue Eugène Ruppert<br>L-2453 Luxembourg<br>Grand Duchy of Luxembourg |
| **General Partner:** | **AXA CoRE Europe GP S.à r.l.**<br>21, boulevard Grande-Duchesse Charlotte<br>L-1331 Luxembourg<br>Grand Duchy of Luxembourg |
| **Board of Managers of the General Partner:** | **Tom Loesch**<br>**Sylvie Reisen**<br>**Keith Burman** |
| **Alternative Investment Fund Manager (the "AIFM"):** | **AXA Real Estate Investment Managers SGP**<br>Tour Majunga<br>6 place de la Pyramide<br>92908 Paris - La Défense Cedex<br>France |
| **Depositary and Paying Agent:** | **The Bank of New York Mellon SA/NV, Luxembourg Branch**<br>2 - 4, rue Eugène Ruppert<br>L-2453 Luxembourg<br>Grand Duchy of Luxembourg |
| **Central Administration, Registrar and Transfer Agent:** | **The Bank of New York Mellon SA/NV, Luxembourg Branch**<br>2 - 4, rue Eugène Ruppert<br>L-2453 Luxembourg<br>Grand Duchy of Luxembourg |
| **Auditor:** | **PricewaterhouseCoopers, Société Coopérative**<br>2 rue Gerhard Mercator, B.P. 1443<br>L-1014 Luxembourg<br>Grand Duchy of Luxembourg |
| **Legal Advisor:** | **Linklaters LLP**<br>35 avenue John F. Kennedy<br>L-1855 Luxembourg<br>Grand Duchy of Luxembourg |
| **Tax Advisor:** | **Linklaters LLP**<br>35 avenue John F. Kennedy<br>L-1855 Luxembourg<br>Grand Duchy of Luxembourg |
| **Real Estate Appraisers:** | **Jones Lang LaSalle Limited**<br>30 Warwick Street<br>London W1B 5NH<br>United Kingdom<br><br>**CBRE Limited**<br>Henrietta House<br>Henrietta Place<br>London W1G 0NB<br>United Kingdom |

**MANAGEMENT AND ADMINISTRATION (CONTINUED)**

**Real Estate Appraisers (continued):**

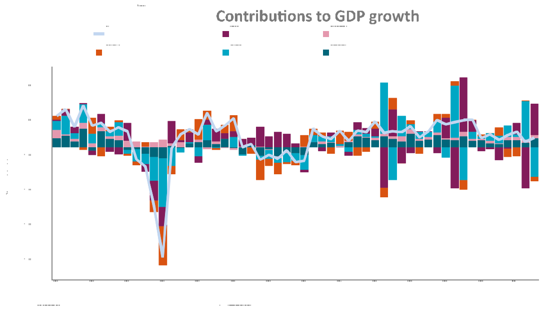
**Cushman & Wakefield Valuation France S.A.**
Tour Opus 12
77 Esplande du Generale du Galle
92801 Paris La defence Cedex
France

**C&W (U.K.) LLP – German Branch**
Rathenauplatz 1
60313 Frankfurt
Germany

## MANAGEMENT REPORT

### European economy

Eurozone GDP growth remained relatively weak in Q3 2019, expanding by 0.3% quarter-on-quarter (q-o-q) after growing by 0.2% q-o-q in Q2 2019. Household consumption, government spending and net trade supported the expansion, while fixed investment and inventory changes contributed negatively to GDP.

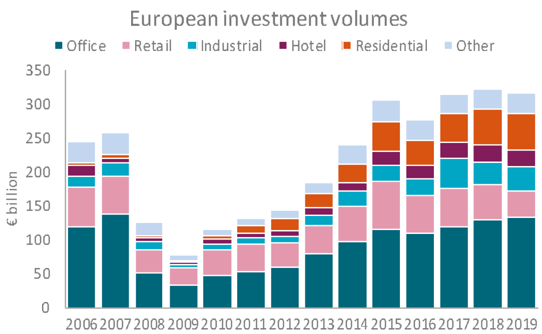



Although the Eurozone flash composite PMI remained stable in January 2020, its composition looked more encouraging. The manufacturing PMI rose and service sector expectations improved further. While the PMIs point to a weak start to 2020 in Southern Europe, strikes likely explain some of the weakness in French services. The German PMI strengthened significantly, especially in manufacturing. Growth accelerated sharply in the UK, expanding by 0.4% q-o-q in Q3 2019 after declining by 0.2% q-o-q in Q2 2019. Overall, strength in US housing, the recent pick-up in Chinese data, and somewhat diminished risks around both a global trade war and Brexit have caused uncertainty to moderate. A more expansionary fiscal policy in Germany should further support European growth in 2020. Nonetheless, AXA IM Research forecasts GDP to grow by a modest 0.7% in 2020.

Eurozone inflation has firmed in recent months, with year-on-year (y-o-y) core HICP inflation climbing to 1.3% in December 2019. While some of the recent uptick can be attributed to noisy price components, most of the increase in sequential core inflation came from more persistent and cyclically sensitive categories. Measures of underlying inflation have therefore moved up gradually and suggest that most of the recent core increase is likely to persist. The AXA IM Research inflation forecast remains below 2% across the forecast horizon. The ECB's Governing Council signalled rising confidence in the outlook, indicating that downside risks have receded, and that underlying inflation has increased "moderately." At the same time, President Lagarde highlighted the need for patience and again provided a favorable assessment of negative rates.

### European Investment

Total investment volumes in 2019 were €315 billion, down 1.9% y-o-y. However, the final quarter saw a significant uptick in most markets, with €118.4 billion transacted across all sectors. German investment volumes in 2019 were the highest on record, at €83.8 billion, €33.2 alone recorded in Q4. The UK recorded €60 billion for the year, down 18.8% over the previous year, but €23.8 billion in Q4 2019, reflecting a rise of 84% q-o-q. Elsewhere, France posted €15 billion in Q4, which brought the total for 2019 to €38.6 billion (also a new record for France), an 11.6% increase on 2018.




*Source: CBRE, AXA IM - Real Assets, data as at Q4 2019*

## MANAGEMENT REPORT (continued)

**European Investment (continued)**

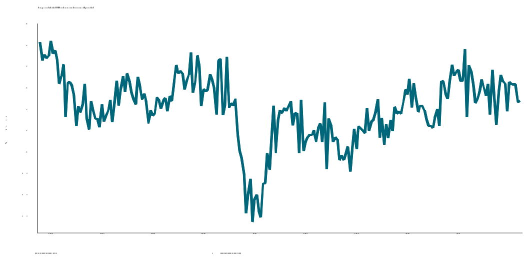
While offices and logistics remained the most popular traditional sectors recording modest transaction growth in 2019 of 3.4% and 2.9% y-o-y respectively, and net retail disposals continued, it was the residential sector that undershot expectations. Residential volumes declined 1.6% to €52.4 billion (ex-France) in 2019, having risen 27% in 2018: This possibly reflected a lack of stock in many markets during H1 2019, as investment volumes in the final quarter rose 3.3% versus the same period a year earlier.

From a city perspective, Paris (€7.8 billion) and London (€6 billion) offices accounted for the largest city volumes in Q4 2019. Milan, with c.€2.6 billion across all sectors in Q4, recorded the largest quarterly rise of all the cities (460%), also driven by offices. Of more than 15 deals in Milan, Galleria Passarella, acquired by DeA Capital from Goldman Sachs for €280 million, was the largest.

Average prime net initial yields were 3.5% for offices, 4.85% for logistics, 4.95% for shopping centres and 3.25% for residential at the end of 2019. Positive investor attitudes toward commercial real estate and expectations for interest rates to remain low for longer are expected to support further growth in transactions in 2020.

**European Retail**

European retail sales growth remained at a healthy level in 2019 but still decelerated from their 2017 peak to 2.8% y-o-y in November 2019.



Retailers continue to be selective about where they maintain a store presence as a result of structural changes in consumer habits and margin pressure amidst stiff competition and ever-demanding consumers. The best high streets are being targeted for flagship stores, which are increasingly used as showrooms, and experiential retail is becoming the cornerstone of strategies for shopping centre landlords, translating into an increased share of food & beverage and leisure activities in the tenant mix.

The best high streets of global and tourist-orientated mid-tier cities are still expected to outperform, while secondary locations should increasingly struggle. Dominant regional shopping centres should remain more resilient than secondary centres unable to cater for the new requirements. However, over the last few years, there has been a rising tone of caution around the number of schemes that are regarded as prime in the context of the retail landscape disruption.

On the supply side, the Western European shopping centre pipeline remains modest, with the development pipeline largely focused on extensions and refurbishments to build out the leisure offer required in the “Omni-channel” retail world.

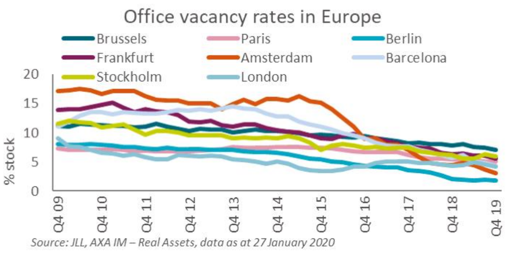
According to JLL, prime European high street retail rents saw varied conditions in 2019, but the year saw numerous pockets of downwards pressure, such as the UK, Benelux, but also in Oslo and Helsinki. Only Lisbon and Lyon saw rental growth over the year.

Prime yields for European high streets remained mostly stable in Q4 2019, but some markets, such as Brussels (+0.25%), experienced a yield increase. Some prime shopping centres are continuing to see yields moving out, with outward shifts reported in the UK, Italy, Spain and Sweden in Q4 2019. Retail investment activity remained subdued in 2019.

**MANAGEMENT REPORT (continued)**

## European Offices

Quarterly office take-up fell by 9% y-o-y in Q4 2019 to 3.6 million sq m, with 14 out of the 24 markets that are covered by the JLL European index showing a decline. Nevertheless, take-up in 2019 overall was, at 13.9 million sq m, 1% above the record figure for 2018. The top performers of the key markets in 2019 were Brussels (+45%), Dusseldorf (+33%), Madrid (+28%), Milan (+24%) and Berlin (+19%). In contrast, there were notable declines in Munich (-22%), Paris (-10%), Hamburg and London (both -9%).




Construction activity is rising and completions in 2019 in the key European markets were, at 1.1 million sq m of office space, 21% above 2018. The most notably rises were evident in Helsinki (+138%), Milan (+122%), London (+80%) and Madrid (+65%). For 2020 as a whole, JLL expects a significantly higher completion volume of 1.9 million sq m of office space, of which a third was still available at the end of 2019.

Nevertheless, in Q4 2019 the average European vacancy rate registered another 0.3% q-o-q fall, to 5.4%, its lowest level since Q2 2002. The strongest y-o-y falls across the key European markets were seen in Madrid (-1.8%), Barcelona and Amsterdam (both -1.4%). While no increases were recorded in any of the key markets, London saw the weakest development (-0.1%). The lowest city vacancy rates remained in Berlin (1.8%) and Munich (2.3%), while the highest rates of vacant space were registered in Milan (12.2%), Helsinki (11.3%) and Madrid (8.5%) in Q4 2019.

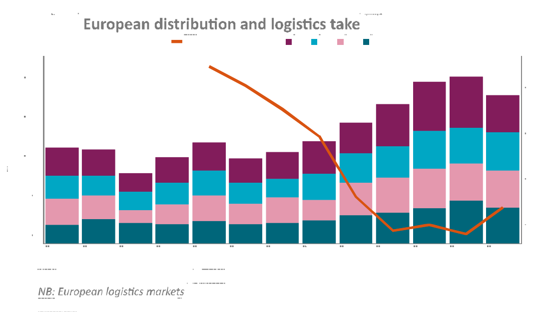
Strong demand, the improvement in vacancy rates and a general lack of available modern space has resulted in strong increases in prime rents in Europe over the last few years.

However, the rate of growth appears to have slowed, with most of the markets reporting stable rents in Q4 according to JLL. The weighted European average prime rent increased by 1.2% q-o-q in Q4 2019. At 4.1%, the annual rent increase in Europe was still well above the 10-year average (3.0%).

The strongest performers in 2019 were Barcelona (+8.9%) and Berlin (+8.8%).

## European Logistics

After a record 2018, data from JLL suggests European distribution and logistics take-up slowed marginally in 2019. Around 18.9 million sq m (units of 10,000+ sq m in the UK, 5,000+ sq m elsewhere) was taken-up, an 11% decline on 2018 but still the third strongest year on record (after 2017 and 2018). In some markets, a lack of suitable, available space has restrained take-up. Logistics take-up is expected to remain solid in the short to medium term, as growing e-commerce is forecast to remain a major area for business investment.



## MANAGEMENT REPORT (continued)

### European Logistics (continued)

JLL data suggests 13.3 million sqm was under construction in Europe at the end of 2019, equivalent to around 6.2% of stock. However, the majority of space was built-to-suit (BTS), with 24% estimated to be speculative. Robust take-up and modest speculative development have resulted in a scarcity of suitable, available space in many European logistics markets. However, the recent increase in development has pushed up the vacancy rate slightly in some markets, with data from JLL suggesting the overall European vacancy rate for modern warehousing units had risen to 4.6% in Q4 2019; there were considerable differences between markets, with the rate at 2.8% in Germany and 4.2% in France, but 9% in the UK.

Despite rising occupier demand and low availability, prime logistics rental growth has been modest on aggregate in Europe. This is partly because yield compression has enabled developers to offer competitive rental terms on BTS space, but also because some local authorities are more concerned about job growth and tax-take than profits when releasing land for development. However, JLL's data suggests five of Europe's 37 top logistics markets experienced rental growth over Q4. With yield compression expected to slow, capital growth is likely to increasingly rely on rental value growth. Prime rental growth is forecast in all major European logistics markets over the 2019-2023 period, driven by robust demand for logistics space as a result of structural changes, but also by the increasing cost of land and construction.

### European residential

Rental growth continued in 2019, with the strongest growth recorded in the cheaper, secondary cities, while the most expensive cities saw their growth rates decelerate. Barcelona recorded the strongest rental value growth in 2019, rising 9.6% y-o-y, followed by Vienna (8.9%) and Berlin (8.3%). Over the quarter, Milan posted the strongest rental growth, at 1.8% q-o-q, followed by Madrid (1.3%) and Munich (1.2%). London, the most expensive market, saw rental growth slow to 1% q-o-q.

Housing supply saw marginal improvements in some markets in 2019. Overall, Southern Europe continued to show the least construction activity, while patterns were less uniform elsewhere. Ireland saw a ramp up in completions, albeit from a low base, to reach around two-thirds of the annual demand of between 30-35,000 units/annum, while France and the UK also saw improvements, albeit they remained below their respective government's targets.

On 30 January 2020 Berlin's State Parliament voted through a five-year rent freeze. Rents are to be frozen on all properties built through 2013 and rents exceeding the cap (determined by property age) by more than 20% to be reduced by landlords nine months after the law is enacted. With the legislation proposed to take effect from the end of February 2020, rents will only be able to grow with inflation but not by more than 1.3% p.a. up to the rent cap. Elsewhere, Blackstone came under pressure in Denmark and decided to reduce rents across its 160 property/2,300 home portfolio. As a rule, in Denmark rents on pre-1992 dwelling stock are regulated but can be increased if 250,000 Kroner is invested in the apartment.

European residential volumes rose 3.3% y-o-y in Q4 2019 to reach €52.4 billion, according to CBRE, but this excludes France. Of the major markets, the UK saw the strongest increase in volumes over the quarter and year in Q4 2019, 38% and 66% respectively. Denmark recorded one of the strongest quarterly rises in Q4, 155% in the final quarter, including Invesco forward funding 124 apartments in Islands Brygge, central Copenhagen. Yields in Q4 2019 were on average 3.25%, with marginal compression of around 0.1% recorded in some markets during the final quarter.

### European hotels

Global tourist volumes, expected to grow at roughly 3.3% p.a. until 2030, continue to support European tourism, and, as a result, European hotel demand. European hotel supply pipelines generally appear to be strongest where occupancy rates are most significantly above their long-term averages. Some pockets of oversupply may, however, emerge in markets such as Edinburgh, Frankfurt, Manchester and Dublin, which are subject to double-digit annual percentage increases in hotel stock over the next two years.

Europe's hotel industry reported positive results in the three key performance metrics in 2019, according to data from STR. As at December 2019, European hotel RevPAR grew by 2.5% year-on-year (y-o-y), to €81.93. Hotel occupancy rates were up 0.4% y-o-y, while average daily rates (ADR) were up 2.1% y-o-y to €113.39. Real RevPAR remains above its 2008 peak in several key markets, including France and London, but below its 2008 peak in regional UK markets. At the country level, France (driven by the French regions) continues to be a positive surprise, seeing steady RevPAR growth (2.6% year-to-date (y-t-d)) during 2019. Belgian, Spanish and Italian markets also saw solid RevPAR growth, amounting to 5.5% y-t-d, 6.2% y-t-d and 3.3% y-t-d respectively. At the city level, Madrid, Barcelona, Milan, Brussels and Vienna outperformed.

## MANAGEMENT REPORT (continued)

**European hotels (continued)**

European hotel investment volumes remain robust in 2019, reaching, according to CBRE, close to €25.5 billion in 2019, up 4.5% compared to 2018. Investor appetite continues to be driven by international buyers deploying significant capital into the hotel sector, with Italian and German key cities driving European hotel transaction volumes. Some further yield compression was visible across the various operating structures in 2019, in part driven by increasing investor appetite for hotels, lack of stock and cheaper financing, which is particularly acute in German and Southern European markets. According to CBRE, prime hotel yields ranged from 4% in London to 6.75% in Athens on leased operating structures in Q3 2019. According to HVS, European capital values increased by 3% in 2018, compared to an average of 2.7% p.a. over 2009-2018. Particularly strong capital value performances were seen in Lisbon, Amsterdam, Madrid, Brussels, Berlin and Vienna.

**Portfolio as of December 31st 2019**

### 1. Transactions to date

The Fund acquired directly or indirectly 111 properties during the last financial year (3 Residential assets in Denmark, 5 offices in France, 2 offices in United Kingdom, 3 residential assets and 3 offices in Ireland, 16 logistic assets as part of the European logistic portfolio, 5 business parks in Germany, 6 offices in Germany, 55 residential assets in Portugal, 10 hotels as a part of pan European hotel portfolio, 2 hotels in Germany and 1 Shopping centre in France. One Dutch asset of the European logistic portfolio were sold during the year.

#### a) Residential in Copenhagen, Denmark

In the first half of the year, the Fund acquired 3 additional residential multi-family assets for a total price of c. €118m. The properties were completed in 2018 and April 2019 and comprise 283 modern apartments. The apartments built in 2019 are almost fully let. The acquisition price reflects an attractive Net Initial Yield (NIY) of c. 4%.

#### b) Pan-European Office and Hotel Portfolio (‘Nighthawk’)

Considering its size and complexity, this most significant transaction of the Fund since inception consists in the purchase of 100% of the shares in NorthStar Realty Europe Group (NRE), a NYSE listed REIT. This US structure was completely removed after the transaction. The property portfolio is of an excellent quality consisting of 12 office assets located across the three core European property markets of Germany, France and the United Kingdom and also includes two hotels situated in Berlin. The office assets are almost fully let and offer c.122,000 sqm of attractive, modern office space in sought after micro locations. The portfolio’s WALT of c. 5.5 years (from October 2019) ensures a solid income outlook with a Net Initial Yield (NIY) of 4.3% and has the capacity for rental up-side over time. The portfolio enables the Fund to enhance its office portfolio and country diversification while broadening its tenant and lease expiry profile. The portfolio can be summarized as follows:

France:

- Office asset in prime location: Paris CBD, 100% let with 5-year WALT, multi-tenant, 2013 full renovation, reversion potential, highly visible corner asset
- Office asset centrally located in Paris CBD near St. Lazare, 100% let with 5-year WALT, significant reversion potential through light capex, nice Hausmannian façade and lively neighborhood
- Office asset in Issy-les-Moulineaux built 2011, 15,400 sqm, with excellent fundamentals and specifications, HQ certificate, short WALT with expected good reletting opportunity
- Office asset built in 2012, 11,200 sqm with excellent fundamentals. Top tenant, located in emerging Paris sub-market with façade on ‘Périphérique’ Ring Road, upcoming improved public transportation, > 7 years WALT, potential lease up-side

MANAGEMENT REPORT (continued)

**b) Pan-European Office and Hotel Portfolio ('Nighthawk') (continued)**

Germany:

- 3 office assets in Hamburg in the Alster district near the Opera, excellent public transport links, total 34,300 sqm, excellent city location
- Berlin office 18,300 sqm, 15-year WALT but heavily under-rented, good location in sought-after western part of the city, excellent public transport connectivity
- 2 hotels in Berlin: One let to Accor (Ibis brand), lease contract, 136 rooms, healthy occupancy and ADR level, excellent location with respect to public and private transport in West Berlin; Airport hotel let to Steigenberger / InterCity with long 11-year WALT, 198 rooms
- Cologne, office asset with retail on ground floor, 10,000 sqm, top city center location near Cathedral and high street retail, strong anchor tenant
- Strong regional center in Münster, 5,400 sqm, long and secure lease terms with 12-year WALT, let to the University in established micro location

United Kingdom;

- Landmark and trophy asset in the city of London facing St. Paul's Cathedral, freehold, fully let office, high-end tenants including well established law firms, retail at ground floor with fantastic footfall, 6-year WALT, rent reversions with upside potential
- Grade A office property in Mayfair next to Selfridges, let to strong tenants, 7-year WALT, lease indexation upwards only, long leasehold.

**c) Titanium – Business Parks in Germany**

This portfolio of five business parks across Berlin and multiple performing regional cities allows diversification into the subsector with a strong operating and co-investment partner. The 65% joint venture increases the Fund's footprint in Germany and provides an attractive yield. The assets have a strong occupancy ratio, short WALT on small units to capture reversion and have a well-diversified tenancy schedule to small and medium sized companies and large corporates ensuring resilient income. The investment reflects a Net Initial Yield (NIY) of c. 5.4%.

**d) Residential and Offices in Dublin, Ireland**

The Fund straighten its position on the Irish residential market acquiring 3 additional assets through the existing Joint Venture with Kennedy Wilson. The transaction comprises 658 apartments at a targeted stabilized Net Initial Yield (NIY) of c. 4.50% with long term rental up-side potential at rent reviews (every five years). Through its local Irish partnership the Fund is now invested in a current portfolio and pipeline of 2,946 apartments located in Dublin and Cork.

In addition, the fund completed its first transaction in the growing Dublin office market. Three office assets of c. 36,000 sqm are let to two strong tenants with a long WALT of 18 years and Net Initial Yield (NIY) of c. 3.78%.

**e) Logistic acquisition and disposal, Pan European portfolio**

After completing the acquisition of two assets in January 2019 in a first phase, in the second quarter of the year the Fund completed through its 'OneLog' logistics joint venture (Fund share c. 32%) the acquisition of the remaining six assets of a portfolio of eight parcel delivery logistics assets in a second phase. The properties are all 100% let to a quality tenant, a subsidiary of the French Postal service with a long WALT of nine years, strategically located with more than 80% of rental income from assets in large urban areas. The acquisition price reflects a Net Initial Yield (NIY) of c. 6%.

**MANAGEMENT REPORT (continued)**

**e) Logistic acquisition and disposal, Pan European portfolio (continued)**

In October 2019, the Fund acquired a €175 million portfolio composed of six logistics properties located in Italy (2), France (3) and the Netherlands (1) for a total c. 275,000 sqm with Net Initial Yield (NIY) of 5.3%. The properties are in prime, established logistic markets such as Milan, Lyon, Paris and Eindhoven. They are all fully let to strong tenants with a WALT of more than six years. Following this portfolio acquisition, a non-strategic office property located in Rotterdam (NL) was sold for €15 million. The disposal, fully in line with the original business plan at acquisition in July 2017, was made at its last reported valuation.

**f) Residential Portfolio in Lisbon, Portugal**

The Fund acquired in December 2019 a 33% share in a €205 million Portuguese residential portfolio composed of 55 assets and 788 units (10 to 15 apartments per property) in total, all being located in the country's capital, Lisbon. The remaining part of the Joint-Venture is owned by other discretionary mandates managed by AXA IM – Real Assets. The acquisition reflects a Net Initial Yield (NIY) of 6.1% on market rents (ERV) and provides the Fund with a unique opportunity to launch a large-scale residential platform in Portugal. Its residential sector is growing fast thanks to good economic conditions and the lack of new housing supply following the financial crisis. The asset management strategy is to capture and stabilize the portfolio at ERV after light capital expenditure when tenants move.

**g) Pan-European Hotel Assets**

The Fund, together with AXA Group entities, has acquired in an off-market acquisition a large pan-European hotel portfolio across five countries (Fund share 40%). The transaction for a total amount of €437 million reflects a Net Initial Yield (NIY) of c. 4.3% and comprises eleven well established hotels with 2,339 rooms, totaling 124,000 sqm.

The hotels are located within dynamic markets in Germany Berlin, Cologne / 2 assets, Düsseldorf, Leipzig, Hannover and Kiel), the Netherlands (The Hague), Portugal (Lisbon) and Italy (Turin). The assets are held on lease contracts (14-year WALT) and some of the assets come with an operational upside through minimum guaranteed rental level and a turnover component.

**h) Shopping Centre in Paris, France**

The Fund took advantage in the weakness of the listed real estate retail sector to acquire a stake in an iconic shopping center "Italie 2" in central Paris. 'Italie 2' is a dominant scheme with more than 60,000 sqm of lettable area with 130 retail units, including important and well-known brands, with an annual footfall of c. 10.5 million visitors and a large catchment area of more than 750,000 people thanks to the excellent accessibility by public transport. Refurbishment works are on-going to create an additional 6,400 sqm and improve the visibility and visitor flow, enhancing the draw of this outstanding Parisian shopping destination. The acquisition reflects a Net Initial Yield (NIY) of c. 4.1% with further reversionary potential. This transaction, worth €576 million, is divided between the AXA CoRE Europe Fund (37.5%), the AXA Group (37.5%) and the shopping centre operator, Hammerson, keeping a stake in the asset of 25% and the role of shopping center manager

**i) Office in Paris, France**

The Fund purchased 'Grand Ecran', an office redevelopment part of the 'Italie 2' complex. This 15,500 sqm property, being entirely vacated in January 2020, will undergo significant refurbishment works until 2022 with a development budget of c. €60 million to restructure and extend the existing building surface by 10%. Beyond the natural fit of the property in the portfolio with the link to the shopping center, 'Grand Ecran' is well located in a strong office area in Paris with historically low vacancy and limited new supply.

The redevelopment of the office is only possible due to our ownership of the shopping center and owning both parts gives the Fund a key element of control over the scheme enhancing the overall value of the investment. The property was acquired in a Joint-Venture between the Fund and AXA Group (Fund share 50%) for a total acquisition volume of €119 million.

## 2 Compliance with the Fund's guidelines

As at today's report date, there are no breaches in investment guidelines of the fund.

## AIFM REPORT – RISK MANAGEMENT

**Risk profile**

**1. Risk profile of the portfolio**

The risk profile of the portfolio is in line with the management objective.

**2. Investment risks**

**a- Market risk**

Market risk is the risk of changes in market prices, such as real estate assets prices, foreign exchange rates, interest rates and equity prices, affecting the portfolio's income and/or the value of its holdings in real estate assets, financial instruments and assets held in currency.

The portfolio exposure to market risk comes mainly from movements in the value of its real estate assets, financial assets and non-euro denominated assets.

✓ **Market risk on commercial real estate assets**

The values of real estate assets mainly depend on:

- the real estate market situation which is subject to fluctuations particularly regarding rents and prices determined by the supply, the demand and the general economic conditions, and
- the specificities of each real estate asset. The portfolio is mainly composed of office, retail, residential and logistics premises located in Core areas across Europe (cf. Portfolio as of December 31st 2019).

A downturn of real estate market conditions may have an adverse effect on the value of the real estate assets in which the portfolio is invested.

While it is possible to identify the real estate sectors most exposed over the short term to COVID-19, there is no clear way to identify how significant the downside risks will be and therefore what the ultimate impact on real estate valuations will be. Property incomes during the disrupted period maybe impacted by closures and/or rent free period requests but until we have clarity on the ultimate severity of the virus the value impact will remain highly uncertain. Transaction and leasing activity is likely to be impaired due to the inability to enact site visits/due diligence as may lending activity which will further complicate valuation clarity. We understand that valuers will likely add a warning on material uncertainty to their valuations at end Q1 2020 regarding the impact of COVID which is not yet, if any, taken into account in their valuations.

✓ **Market risk on financial assets**

Financial derivative instruments, FX forwards respectively Interest Rate Swaps, are used to hedge the market risk linked to assets non-denominated in euro respectively fixed rate assets.

The valuation of derivative positions depends on various market parameters and a variation of these parameters may have a negative impact on the valuation of the portfolio

✓ **Currency risk**

The holding of real estate assets held in currencies other than euro creates a currency risk. In order to hedge this risk, the company uses derivatives instruments. At the reporting date, the portfolio's non-euro currency exposure is British Pound sterling and Danish Krone.

The following derivative instruments are used to partly hedge the currency risk generated by the non-euro denominated investments: FX Forwards

✓ **Credit and counterparty risk**

Credit and counterparty risk is the risk of financial loss if the issuer, the borrower or any counterparty fail to meet its obligations. For this fund, these risks may arise with banks providing cash deposit services, with financial counterparties to derivative transactions and with tenants.

## AIFM REPORT – RISK MANAGEMENT (CONTINUED)

✓ **Credit risk of issuers or borrowers**

No risk is identified at the end of 2019.

✓ **Counterparty risk**

The portfolio exposure to counterparty risk comes mainly from:

- the holding of derivatives products contracted with counterparties, and subject to the default risk on the contractual flows of the products. :

- *FX forwards*:Collateral agreements have been entered to in order to reduce the counterparty risk on financial derivative instruments.

- *Interest rate swap*:In case of external debt used to finance a property acquisition, the interest rate risk can be hedged by an OTC derivative such as an interest rate swap or cap. The swap is usually undertaken at the SPV level which is categorised by the regulation as “Non financial counterparties –“. Therefore, there is no obligation to collateralize the mark to market value of the position. Any potential loss resulting from a default of the OTC counterparty when the OTC has a positive value is a risk born by the investors.

- The default risk of tenants of the buildings that are physically held by the portfolio. In order to mitigate this risk, security deposit, bank security or first demand guarantee are systematically required from the tenants.

**b- Liquidity risk**

Liquidity risk represents the risk of not being able to dispose of the assets in the portfolio in a timely manner so that liquidity requirements can be met, such as:

- Investors redemptions within the limits and under the conditions set out in the offering memorandum,
- Operating losses or significant capital expenditures,
- Significant collateral cash payments linked to collateral agreements related to derivatives positions,
- Loans reimbursements (principal and interests).

Under normal market conditions, the quality and the current composition of the portfolio, the sale of the real estate assets should be carried out within a period of 6 to 9 months.

**c- Leverage**

The use of leverage (through derivatives instruments) increases the level of market, counterparty and liquidity risks.

### 3. Investment risk monitoring

The investment risks monitoring within AXA REIM SGP is shared between Portfolio and Asset Management teams, the Risk Department and the Compliance and Internal Control Department. It allows to identify, measure, manage and control the risks portfolios are subject to. The monitoring is operated through:

- The risk assessment allowing to ensure the risk level is aligned on the management strategy,
- The risk assessment related to specific management actions (investments and divestments),
- A process of identification of all investment risk types and definition of relevant risk indicators (KRIs) allowing to measure the level of risks of each portfolio, given the nature and composition of the portfolios,
- The stress-testing of potential changes in market conditions that might have an adverse impact on each asset during the due-diligence and investment process,

## AIFM REPORT – RISK MANAGEMENT (CONTINUED)

### 3. Investment risk monitoring (continued)

- A periodic review of :
  - investment guidelines (regulatory, contractual and internal) applying to each portfolio,
  - relevant risk indicators (KRIs) of each portfolio,
- Stress tests to evaluate the impact of market and normal/exceptional liquidity conditions on the portfolio. Each stress test is conducted on the basis of reliable and up to date quantitative and qualitative information. The stress tests include all constraints of the investment policy, potential redemptions, constraints related to period of assets sale and all the information regarding the real estate market movement.
- A back testing of the risk process to review the pertinence of the risk indicators used for the fund.

As of 31/12/2019, existing regulatory or contractual risk limits have not been exceeded. Risk indicators that are monitored on the portfolio do not reveal any alert or abnormal level of risk, except for the well documented counterparty risk linked to Sole 24h at Milano Office. This risk was assessed at acquisition and is closely monitor by Fund Management, Asset Management and Risk Management.

### 4. Operational risk

Operational risk means the risk of loss arising from:

- Inadequate or failed internal processes, people and systems,
- external events which include, but are not limited to, legal risk and documentation risk,
- negotiation, settlement and valuation procedures (the risk that the reported value of an asset may differ from its realizable value) applied to the AIF.

### 5. Operational risk monitoring:

The Company carries out an operational risk program to ensure operational risk is both appropriately measured and effectively managed. The monitoring of operational risks is mainly based on:

- the existence of procedures tailored to the nature of the Company's business,
- a control system that is independent of the business operations,
- a mapping of the operational risk sources and potential impacts on that basis.

## AIFM DIRECTIVE DISCLOSURE – LIQUIDITY ARRANGEMENT & REMUNERATION

### 1. Information related to redemption-related liquidity and "special arrangements" within the meaning of the AIFM Directive

#### a- Information on the redemption-related liquidity

The redemption of the AIF is subject to the limits and under the conditions set out in the offering memorandum.

#### b- « Special arrangements" within the meaning of the AIFM Directive :

Pursuant to the AIFM Directive, a "special arrangement" means an arrangement that arises as a direct consequence of the illiquid nature of the assets of an AIF which impacts the specific redemption rights of investors in a type of units or shares of the AIF and which is a bespoke or separate arrangement from the general redemption rights of investors.

None of the portfolio's assets are subject to such arrangements.

### 2. Information regarding the remuneration policy statement

According to regulatory requirements on remuneration disclosure applicable to asset management companies, this disclosure provides an overview of the approach on remuneration taken by AXA Investment Managers (hereafter "AXA IM"). Further information on the composition of the Remuneration Committee and driving principles of the Remuneration Policy is available on AXA IM website: www.axa-im.com/remuneration A copy of this information is available upon request free of charge.

**Governance** - AXA IM's Remuneration Policy, which is reviewed and approved by the AXA IM Remuneration Committee every year, sets out the principles relating to remuneration within all entities of AXA IM and takes into account AXA IM's business strategy, objectives, and risk tolerance, as well as the long-term interests of AXA IM's shareholders, clients and employees. The AXA IM Remuneration Committee, in line with the remuneration policies and procedures set and validated at AXA Group level, ensures consistency and fair application of the Remuneration Policy within AXA IM, as well as compliance with applicable regulations.

The central and independent review that the effective implementation of the AXA IM's Remuneration Policy complies with the procedures and policies adopted by AXA IM Group level, is performed by the AXA IM Internal Audit Department, who present each year its conclusions to the AXA IM Remuneration Committee to enable it to perform its diligences.

These conclusions did not mention any particular comments regarding the compliance of the effective implementation of the AXA IM's Remuneration Policy.

The result of the annual exam by the AXA IM Remuneration Committee is presented to the Board of Directors of AXA Real Estate Investment Managers SGP (hereafter "AXA REIM SGP") along with the amendments implemented into the AXA IM's Remuneration Policy.

The Global Remuneration Policy has been reviewed to ensure compliance with all governing regulations and alignment with the AXA IM business and Human Resource strategies, and, was revised on the proposed deferral structure and on the AXA IM Performance shares attribution.

**AIFM DIRECTIVE DISCLOSURE – LIQUIDITY ARRANGEMENT & REMUNERATION (CONTINUED)**

**2. Information regarding the remuneration policy statement (continued)**

**Quantitative information** – Data provided below are those of AXA Investment Managers covering all subsidiaries of the AXA IM Group and types of portfolios as at 31 December 2019 after application on remuneration data of the AXA CORE EUROPE FUND S.C.S., SICAV-SIF weighted Asset Under Management allocation key.

| **Total amount of remuneration paid and/or awarded to staff for the year ended December 31, 2019 (1)** | |
|---|---|
| Fixed Pay (2) ('000 EUR) | 1 599 |
| Variable Pay (3) ('000 EUR) | 1 829 |
| Number of employees (4) | 2530 among which 116 for AXA REIM SGP |

(1) Excluding social charges, after application of the fund's weighted Asset Under Management allocation key.

(2) Fixed Pay amount is based on Fixed Pay effective for all staff at AXA IM on January 1st, 2019.

(3) Variable Pay, composed of discretionary, upfront and deferred items, includes:
- Amounts awarded for the performance of the previous year and fully paid over the financial year under review (non-deferred variable pay)
- Amounts awarded for the performance of previous years and the performance of the year under review (deferred variable pay),
- Long-Term Incentives awarded by the AXA Group.

(4) Number of employees includes Permanent and Temporary contracts excluding interns as at 31/12/2019.

(5) Number of identified employees within AXA IM Group level and AXA REIM SGP as at 31/12/2019.

| **Aggregate amount of remuneration paid and / or awarded to risk takers and senior management whose activities have a significant impact on the risk profile of portfolios (1)** | |
|---|---|
| Fixed Pay and Variable Pay ('000 EUR) (2) (3) | 220 317 |
| Number of identified employees (5) | 325 among which 18 within AXA REIM SGP among which 3 Senior Managers |

## AIFM DIRECTIVE DISCLOSURE – LEVERAGE & MATERIAL CHANGES

### 1 . Leverage

AIFM, Articles 6 to 11 of the Regulation provide two methods for calculating the exposure of an AIF:

- the gross method,
- the commitment method

Leverage can be defined as:

$$Leverage = \frac{AIF\ Total\ Exposure}{AIF\ Net\ Asset\ Value}$$

- Total Exposure (gross method) =

  Σ (Total value of consolidated assets) = Bottom line of the consolidated AIF balance sheet

  – (Value of any cash and cash equivalents)

  + (Nominal value of derivatives)

- Total Exposure (commitment method) =

  Σ (Total value of consolidated assets) = Bottom line of the consolidated AIF balance sheet applying netting and hedging arrangements

The maximum AIFMD leverage as per the commitment method is equal to 200%

| **Method** | **Leverage as of 31/12/2019** |
|---|---|
| **Gross method** | **199%** |
| **Commitment method** | **178%** |

### 2 . Material Changes

No material change.

**Audit report**

To the Partners of
**AXA CoRE Europe Fund S.C.S., SICAV-SIF**

## Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AXA CoRE Europe Fund S.C.S., SICAV-SIF and its subsidiaries (the "Fund") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

*What we have audited*

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in net assets attributable to the partners for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

## Other information

The Fund's General Partner is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our audit report 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 identified above 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 that fact. We have nothing to report in this regard.

**Responsibilities of the Fund's General Partner for the consolidated financial statements**

The Fund's General Partner 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 Fund's General Partner 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 Fund's General Partner is responsible for assessing the Fund’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 Fund's General Partner either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

**Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism 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 Fund’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's General Partner;

- conclude on the appropriateness of the Fund's General Partner’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund 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 Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund 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.

**Restriction on Distribution and Use**

This report, including the opinion, has been prepared for and only for the Partners and the Fund's General Partner in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 April 2020


Amaury Evrard

| | Note | 31 December 2019<br>€ | 31 December 2018<br>€ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment property | 5 | 2,042,625,863 | 642,825,597 |
| Investments in associates and joint ventures | 6 | 693,506,045 | 491,183,527 |
| Loans to associates and joint ventures | 6 | 651,515,362 | 247,276,763 |
| Financial assets at fair value through profit or loss | 7 | 43,621,508 | 11,650,278 |
| Investment held at amortised cost | 8 | 5,000,000 | - |
| Derivatives at fair value through profit or loss | 10 | 405,433 | - |
| **Total non-current assets** | | **3,436,674,211** | **1,392,936,165** |
| **Current assets** | | | |
| Interest receivable | | 9,162,139 | 4,953,799 |
| Other receivables and prepayments | 9 | 42,316,216 | 32,252,599 |
| Derivatives at fair value through profit or loss | 10 | 1,721,727 | 2,303,595 |
| Cash and cash equivalents | 11 | 172,788,262 | 115,875,509 |
| **Total current assets** | | **225,988,344** | **155,385,502** |
| **Total assets** | | **3,662,662,555** | **1,548,321,667** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Derivatives at fair value through profit or loss | 10 | - | 1,858,310 |
| Deferred income | 18 | 12,231,511 | 1,967,942 |
| Taxation payable | 24 | 3,785,960 | 2,231,922 |
| Subscriptions received in advance | 23 | 607,904,470 | 33,800,000 |
| Trade and other payables | 12 | 64,977,003 | 14,369,099 |
| **Total current liabilities** | | **688,898,944** | **54,227,273** |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 807,225,469 | 207,549,470 |
| Deferred tax liabilities | 24 | 17,997,813 | 846,584 |
| Derivatives at fair value through profit or loss | 10 | 4,775,477 | - |
| **Non-controlling interests** | 20 | **30,468,927** | **7,655,280** |
| **Net assets attributable to the partners** | | **2,113,295,925** | **1,278,043,060** |
| **Total liabilities** | | **3,662,662,555** | **1,548,321,667** |
| Adjustments from net assets attributable to the partners to adjusted subscription net asset value | 4 | 79,147,073 | 55,233,026 |
| **Adjusted Subscription Net Asset Value** | | **2,192,442,998** | **1,333,276,086** |

The accompanying notes form an integral part of the consolidated financial statements

| | Note | Year ended 31 December 2019 € | Year ended 31 December 2018 € |
|---|---|---|---|
| **Revenue** | | | |
| Rental income | 13 | 59,953,064 | 21,928,767 |
| Dividend income | 25 | 6,008,311 | 6,356,363 |
| Net gain/(loss) from fair value adjustment on investment property | 5 | 78,256,288 | (18,645,172) |
| Net gain/(loss) on investments in associates and joint ventures held at fair value | 6 | 559,350 | (9,970,318) |
| Share of net profit of associates and joint ventures accounted for using the equity method | 6 | 11,558,113 | 39,324,588 |
| Net gain/(loss) on financial assets held at fair value | 7 | 2,356,236 | (662,459) |
| Operating expenses | 14 | (27,115,820) | (11,757,543) |
| **Operating profit** | | **131,575,542** | **26,574,226** |
| Finance income | 15 | 12,226,428 | 13,037,404 |
| Finance expense | 15 | (32,761,773) | (6,390,726) |
| **Finance result** | | **(20,535,345)** | **6,646,678** |
| **Profit before tax and distributions to the partners** | | **111,040,197** | **33,220,904** |
| Taxation expense | 24 | (2,876,275) | (1,999,106) |
| Deferred taxation | 24 | (17,151,229) | (761,585) |
| **Total tax** | | **(20,027,504)** | **(2,760,691)** |
| **Distribution to the partners** | 22 | **(56,250,169)** | **(26,247,436)** |
| **Profit for the year after tax** | | **34,762,524** | **4,212,777** |
| **Other comprehensive income** | | | |
| Foreign currency translation reserve | | 6,006,985 | - |
| **Total comprehensive income for the year** | | **40,769,509** | **4,212,777** |
| **Total comprehensive income for the year is attributable to:** | | | |
| Partners | | 27,084,534 | 3,900,585 |
| Non-controlling interests | 20 | 7,677,990 | 312,192 |
| **Net increase in net assets for the year** | | **27,084,534** | **3,900,585** |
| Adjustments from net assets attributable to the partners to adjusted subscription net asset value | | 23,914,047 | 28,108,989 |
| **Net increase in subscription net asset value** | | **57,005,566** | **32,009,574** |

The accompanying notes form an integral part of the consolidated financial statements

| | Note | Year ended 31 December 2019 € | Year ended 31 December 2018 € |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before tax and distributions to the partners | | 111,040,197 | 33,220,904 |
| **Adjustments** | | | |
| Net gain/(loss) from fair value adjustment on investment property | 5 | (78,256,288) | 18,645,172 |
| Net gain/(loss) on investments in associates and joint ventures held at fair value | 6 | (559,350) | 9,970,318 |
| Share of net profit of associates and joint ventures accounted for using the equity method | 6 | (11,558,113) | (39,324,588) |
| Net gain/(loss) on financial assets held at fair value | 7 | (2,356,236) | 662,459 |
| Finance result | 15 | 20,535,345 | (6,646,678) |
| **Increase/decrease in operating assets (excluding effect of acquisitions)** | | | |
| Decrease/(increase) in other receivables and prepayments | 9,16 | 6,455,120 | (15,322,125) |
| Increase in deferred income | 18 | 10,263,569 | 177,146 |
| (Decrease)/increase in trade and other payables | 12 | (78,838,468) | 4,928,876 |
| **Cash generated from operations** | | (23,274,224) | 6,311,484 |
| Taxation paid | | (1,322,237) | (1,486,701) |
| Interest received | | 8,018,088 | 7,903,855 |
| Interest and bank charges paid | | (9,894,250) | (3,612,074) |
| **Net cash generated from operating activities** | | **(26,472,623)** | **9,116,564** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries, net of cash acquired | 16 | (563,661,460) | 4,534 |
| Purchases of investment property | 5 | (121,059,720) | (306,417,985) |
| Capital expenditure on investment property | 5 | (405,907) | - |
| Investments in associates and joint ventures | 6 | (203,115,034) | (260,378,453) |
| Return of capital on investments in associates and joint ventures | 6 | 12,909,979 | 20,527,133 |
| Loans to associates and joint ventures issued | 6 | (406,319,013) | (56,973,375) |
| Purchase of financial assets | 7 | - | (1,675,987) |
| Loans to associates and joint ventures repaid | 6 | 2,080,414 | 5,077,369 |
| **Net cash used in investing activities** | | **(1,279,570,741)** | **(599,836,764)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Subscriptions received | | 754,850,000 | 484,225,000 |
| Redemptions paid | | (6,271,091) | (14,788,596) |
| Subscriptions received in advance | 23 | 607,904,470 | 33,800,000 |
| Loans received | 17 | 53,995,492 | 89,232,295 |
| Distribution to the partners | 22 | (36,467,732) | (16,734,281) |
| Credit facility drawn down | | 100,000,000 | - |
| Credit facility repaid | | (100,000,000) | - |
| Distribution to non-controlling interests | 20 | (375,000) | (375,000) |
| Net payment on hedging | | (12,734,834) | (941,006) |
| **Net cash provided by financing activities** | | **1,360,901,305** | **574,418,412** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **54,857,941** | **(16,301,788)** |
| Cash and cash equivalents at beginning of the year | | **115,875,509** | **133,656,542** |
| Net currency translation differences | | 2,054,812 | (1,479,245) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **172,788,262** | **115,875,509** |

The accompanying notes form an integral part of the consolidated financial statements

## AXA CoRE Europe Fund S.C.S., SICAV-SIF
## Consolidated Statement of Changes in Net Assets attributable to the partners for the year ended 31 December 2019

| | | Limited Partners * | | | | General Partner | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share Capital € | Retained Earnings € | Foreign Currency Translation Reserve € | Total Limited Partners € | Share Capital € | Retained Earnings € | Foreign Currency Translation Reserve € | Total General Partner € | Total € |
| **Net assets attributable to the Partners as at 31 December 2017 (IFRS)** | | **607,511,900** | **2,780,914** | **-** | **610,292,814** | **100** | **5** | **-** | **105** | **610,292,919** |
| Capital contributions | | 678,638,152 | - | - | 678,638,152 | - | - | - | - | 678,638,152 |
| Redemptions | | (14,788,596) | - | - | (14,788,596) | - | - | - | - | (14,788,596) |
| Profit for the year after tax | | - | 3,900,579 | - | 3,900,579 | - | 6 | - | 6 | 3,900,585 |
| **Net assets attributable to the Partners as at 31 December 2018 (IFRS)** | | **1,271,361,456** | **6,681,493** | **-** | **1,278,042,949** | **100** | **11** | **-** | **111** | **1,278,043,060** |
| Adjustments from net assets attributable to the Partners to adjusted subscription net asset value | 4 | - | 55,233,021 | - | 55,233,021 | - | 5 | - | 5 | 55,233,026 |
| **Net assets attributable to the Partners as at 31 December 2018 (Adjusted Subscription NAV)** | | **1,271,361,456** | **61,914,514** | **-** | **1,333,275,970** | **100** | **16** | **-** | **116** | **1,333,276,086** |
| Capital contributions | | 808,432,437 | - | - | 808,432,437 | - | - | - | - | 808,432,437 |
| Redemptions | | (6,271,091) | - | - | (6,271,091) | - | - | - | - | (6,271,091) |
| Profit for the year after tax | | - | 27,084,525 | - | 27,084,525 | - | 9 | - | 9 | 27,084,534 |
| Other comprehensive income | 2.4 | - | - | 6,006,985 | 6,006,985 | - | - | - | - | 6,006,985 |
| **Net assets attributable to the Partners as at 31 December 2019 (IFRS)** | | **2,073,522,802** | **33,766,018** | **6,006,985** | **2,113,295,805** | **100** | **20** | **-** | **120** | **2,113,295,925** |
| Adjustments from net assets attributable to the Partners to adjusted subscription net asset value | 4 | - | 79,147,068 | - | 79,147,068 | - | 5 | - | 5 | 79,147,073 |
| **Net assets attributable to the Partners as at 31 December 2019 (Adjusted Subscription NAV)** | | **2,073,522,802** | **112,913,086** | **6,006,985** | **2,192,442,873** | **100** | **25** | **-** | **125** | **2,192,442,998** |

* Limited Partners are presented as a liability in the consolidated Statement of Financial Position

The accompanying notes form an integral part of the consolidated financial statements

| NUMBER OF UNITS IN ISSUE (Expressed in units) | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Class A1 units | | |
| Units in issue at the beginning of the year | 1,454,370.04 | 424,074.18 |
| Units subscribed | 896,232.65 | 1,170,979.37 |
| Units redeemed | (59,758.82) | (140,683.51) |
| Switch to class A2 | (397,439.21) | - |
| **Class A1 units in issue at the end of the year** | **1,893,404.66** | **1,454,370.04** |
| Class A2 units | | |
| Units in issue at the beginning of the year | 971,873.52 | 644,535.23 |
| Units subscribed | 1,042,826.45 | 327,338.29 |
| Switch from class A1 | 396,487.37 | - |
| Switch to class A3 | (629,707.80) | - |
| **Class A2 units in issue at the end of the year** | **1,781,479.54** | **971,873.52** |
| Class A3 units | | |
| Units in issue at the beginning of the year | - | - |
| Units subscribed | 750,000.00 | - |
| Switch from class A2 | 672,312.84 | - |
| **Class A3 units in issue at the end of the year** | **1,422,312.84** | - |
| Class A4 units | | |
| Units in issue at the beginning of the year | - | - |
| Units subscribed | 675,359.32 | - |
| **Class A4 units in issue at the end of the year** | **675,359.32** | - |
| Class A6 units | | |
| Units in issue at the beginning of the year | 5,474,748.66 | 3,157,256.61 |
| Units subscribed | 3,253,096.86 | 2,317,492.05 |
| **Class A6 units in issue at the end of the year** | **8,727,845.52** | **5,474,748.66** |
| Class A7 units | | |
| Units in issue at the beginning of the year | 1,600,484.25 | 1,264,539.98 |
| Units subscribed | 128,509.06 | 335,944.27 |
| **Class A7 units in issue at the end of the year** | **1,728,993.31** | **1,600,484.25** |
| Class A8 units | | |
| Units in issue at the beginning of the year | 2,677,354.83 | 436,142.86 |
| Units subscribed | 787,081.72 | 2,241,211.97 |
| **Class A8 units in issue at the end of the year** | **3,464,436.55** | **2,677,354.83** |
| Class B units | | |
| Units in issue at the beginning of the year | 1.00 | 1.00 |
| **Class B units in issue at the end of the year** | **1.00** | **1.00** |

| NET ASSETS PER UNITS (IFRS NAV) Expressed in (€) | 31 December 2019 € | 31 December 2018 € | 31 December 2017 € |
|---|---|---|---|
| Class A1 units | 105.10 | 101.91 | 99.44 |
| Class A2 units | 105.36 | 102.16 | 99.56 |
| Class A3 units | 98.72 | - | - |
| Class A4 units | 98.76 | - | - |
| Class A6 units | 110.79 | 107.44 | 104.36 |
| Class A7 units | 110.41 | 107.06 | 104.00 |
| Class A8 units | 104.38 | 101.21 | 98.51 |
| Class B units | 120.08 | 110.89 | 107.86 |

As at 31 December 2019, Class A5 units have not been issued

## Note 1 - General

AXA CoRE Europe Fund S.C.S., SICAV-SIF (the "Fund") is an open-ended variable capital investment *fund (société 'investissement à capital variable-fonds d'investissement spécialisé)* domiciled and incorporated in Grand Duchy of Luxembourg on 17 December 2015. The Fund is established in the form of a common limited *partnership (société en commandite simple - SCS)* in accordance with the provisions of the Law of l0 August 1915 on commercial companies, as amended, and the Law on Specialised Investment Funds dated l3 February 2007, as amended. The subscription, sale and holding of shares of the Fund are restricted to Institutional Investors.

The Fund has been incorporated for an unlimited duration. It is registered with the Trade Register under number B 202 722.

The registered office is established at 2-4 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

The Fund is an alternative investment fund ("AIF") in accordance with the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers ("AIFM Directive"). For these purposes, AXA Real Estate Investment Managers SGP, as the legal person responsible for performing the portfolio and risk management of the Fund, has been identified as the Alternative Investment Fund Manager ("AIFM") of the Fund, as disclosed in the Offering Memorandum.

These consolidated financial statements present the consolidated financial position of the Fund and the Fund's subsidiaries (the "Group"). For details of all the consolidated entities, please refer to Note 26.

The financial year of the Fund starts on 1 January and ends on 31 December. The Group's accounts are prepared in Euro ("EUR" or "€").

The Investment Objective of the Group is to seek current income combined with long-term capital appreciation through investment in a diversified portfolio of primarily European Real Estate Assets and also, to a lesser extent, Cash and Securities in accordance with its Investment Policy and the Investment Guidelines.

The Investment Policy of the Group is to invest directly, or indirectly via subsidiaries, in a diversified portfolio of European Core Real Estate Assets across the office, retail, residential, logistics and hotels real estate sectors (for example as part of an operating company or a property company structure).

The Group's investment activities are managed by its General Partner, AXA CoRE Europe GP S.à r.l. (the 'General Partner'), a limited liability company incorporated under the law of Grand Duchy of Luxembourg (R.C.S. Luxembourg B 202 828) and a subsidiary of AXA Real Estate Investment Managers SGP, incorporated in France. The administration of the Group is managed by The Bank of New York Mellon SA/NV Luxembourg Branch.

The Group was incorporated on 17 December 2015 with an initial capital commitment drawdown on 29 February 2016.

The Fund issued a revised Offering Memorandum in March 2020. The most significant changes relate to updates to the investment guidelines limits for Tier 1, Tier 2 and Tier 3 countries as defined in the Offering Memorandum.

The consolidated financial statements of AXA CoRE Europe Fund S.C.S., SICAV-SIF were authorised for issue by the General Partner on 30 April 2020.

## Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

**(a) Statement of compliance**
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union and interpretations issued from the IFRS Interpretation Committee ("IFRIC") and adopted by the European Union.

**(b) Historical cost convention**
The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property at fair value, investments in associates and joint ventures, other financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Euro and the presentation currency of the consolidated information is Euro.

**Note 2 - Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**(b) Historical cost convention (continued)**
The consolidated statement of comprehensive income is presented by nature of expenses. The consolidated statement of cash flows from operating activities is presented using the indirect method. The acquisition of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities. See Note 2.3 for information on the Group's financial assets and liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the Board of Managers of the General Partner to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Board of Managers of the General Partner believe that the underlying assumptions are appropriate. Key estimates, assumptions and judgement that have significant risk of causing material adjustment to carrying amount of assets and liabilities within the next financial year are outlined in Note 2.2.

**(c) New and amended standards adopted by the Group**
The Group has adopted all standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB and as adopted by the European Union that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

The following is an overview of the significant relevant new standards and amendments which have been adopted during the year.

***IFRS 16 Leases***
IFRS 16 - *Leases* ("IFRS 16") was issued in January 2016. For lessees, it resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases was removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals will be recognised. The only exceptions are short-term and low-value leases. The accounting for lessors has not significantly changed. The standard is effective for annual periods beginning on or after 1 January 2019.

As a result of the adoption of IFRS 16, the Group recognised a lease liability and a corresponding right of use asset in relation to a ground lease which had previously been classified as an operating lease under IAS 17 – *Leases* ("IAS 17"). The leased land, in conjunction with the buildings located on the leasehold land are held solely for the purpose of capital appreciation, therefore the right of use assets are classified as investment property. IFRS 16 has not been applied retrospectively to the comparative period.

***IFRIC 23 Uncertainty over Income Tax Treatments***
In June 2017, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"), which clarifies the application of recognition and measurement requirements in IAS 12 - *Income Taxes* ("IAS 12"), when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The interpretation has not had a significant effect on the financial statements of the Group.

***IFRS 3 Business Combinations***
In December 2017, the IASB issued an amendment to IFRS 3 - *Business Combinations* ("IFRS 3") to clarify the definition of a business by providing a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendment is effective for annual periods beginning on or after 1 January 2020, with early adoption permitted. The Group has early adopted the amendment. The adoption of the amendment has not had a significant effect on the financial statements of the Group.

**(d) New standards and interpretations not yet adopted**

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**Note 2 - Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**(e) Changes in accounting policies**

The Group has adopted IFRS 16 retrospectively from 1 January 2019 using the simplified method permitted by the standard, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 January 2019. The adoption of the new standard did not result in any impact on the retained earnings of the Group. The new accounting policy is disclosed in Note 2.13.

On 31 December 2018, the Group had a long-term operating lease held as a lessee, relating to a long-term ground lease on an investment property held in Finland. Upon adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17.

The Group did not have any other leases held as a lessee which had previously been classified as operating leases under the principles of IAS 17.

These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as of 1 January 2019.

The associated right-of-use assets for land leases were measured at the amount equal to the lease liabilities.

Land lease payables as at 1 January 2019:

| **Lease Liability** | **31 December 2019** |
|---|---|
| | **€** |
| Current (Note 17) | - |
| Non-current (Note 17) | 2,700,000 |

**(f) Changes to comparative presentation and classification**

The presentation and classification of items in the financial statements from the prior financial year might be changed to be in line with the disclosures for the current year consolidated financial statements if it gives a more accurate presentation (Note 6).

**2.2 Significant accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

**Critical accounting estimates and assumptions**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

*(a) Financial instruments at fair value through profit or loss*
Where the fair value of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation methods and if the valuation method does not fairly represent the fair value, then such instruments or investments will be valued by the Group either at their cost basis or in good faith using methods it considers appropriate. Observable market data are used where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and other associated market risks. Changes in assumption about these factors could affect the reported fair value of financial instruments (see Note 7).

*(b) Fair value of derivatives and other financial instruments*
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See further disclosure in Note 10.

**Note 2 - Summary of significant accounting policies (continued)**

**2.2 Significant accounting estimates and judgements (continued)**

**Critical accounting estimates and assumptions (continued)**

*(c) Investment property*
The fair value of the investment property held is based on a valuation as performed by an independent valuer. Independent valuations may be indicative and not executable or binding. See Note 5 for further details of the judgements and assumptions made.

*(d) Income taxes*
The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

*(e) Functional and presentation currency*
The Board of Managers of the General Partner consider the Euro as the currency that represents the economic effect of the underlying transactions, events and conditions. The Group intends to invest mainly in activities which are denominated in Euro.

*(f) Business combinations*
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.).

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

When accounting for a business combination, the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is subject to an annual impairment test.

As the assessment of whether there is objective evidence of impairment may require significant management judgement and the estimates for impairment could change from period to period based on future events that may or may not occur, the Group considers this to be a critical accounting estimate.

*(g) Joint arrangements*
Under IFRS 11 - *Joint Arrangements* ("IFRS 11"), investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Under IAS 28 – *Investments in Associates* ("IAS 28"), an associate is an entity over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

In considering whether significant influence over an investee exists, the Group considers the voting rights held in the investee, representation on the board of directors of the investee, participation in the investee's policy making process and other relevant facts and circumstances.

**Note 2 - Summary of significant accounting policies (continued)**

**2.2 Significant accounting estimates and judgements (continued)**

**Critical accounting estimates and assumptions (continued)**

*(h) Investment entity*
The Board of Managers of the General Partner has determined that the Group does not qualify as an investment entity under IFRS 10 – *Consolidated Financial Statements* (“IFRS 10”), and is required to prepare consolidated financial statements.

The Group:
i) Does not obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
ii) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
iii) Does not measure and evaluate the performance of substantially all of its investments on a fair value basis.

The Board of Managers of the General Partner has determined that the entities that the Group has invested in are not structured entities.

The Group did not make any other material critical accounting judgements in the financial years ended 31 December 2019 or 31 December 2018.

**2.3 Financial assets and financial liabilities**

Financial assets and financial liabilities are classified and measured in accordance with IFRS 9 – *Financial instruments* (“IFRS 9”).

*Financial assets*
Financial assets are measured at fair value at initial recognition, and are subsequently classified and measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income on the basis of both:

- The Group’s business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost:
Loans to associates are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets, except for maturities less than 12 months after the statement of financial position date. These are classified as current assets.

Loans to associates and joint ventures and investment in receivable instruments are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group also includes short-term non-financing receivables including interest receivable, prepayments and other receivables in this category.

Financial assets measured at fair value through profit or loss:

A financial asset is measured at fair value through profit or loss if:

a. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding; or
b. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
c. At initial recognition, an equity instrument is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gain and loss on them on a different basis.

## Note 2 - Summary of significant accounting policies (continued)

### 2.3 Financial assets and financial liabilities (continued)

*Financial assets (continued)*

Due to the cash flow characteristics and the business model for managing the assets, the Group has classified the following as financial assets measured at fair value through profit or loss:

Equity instruments: included within equity instruments are investments in entities where the Group does not have significant control or influence.

Debt instruments: included within debt instruments are receivable instruments which are not held at amortised cost based on SPPI test.

Instruments held for trading: This category includes financial instruments, which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives in this category are classified as current assets. The Group does not apply hedge accounting.

The Group has not classified any financial assets as fair value through other comprehensive income.

*Financial liabilities*
Financial liabilities measured at fair value through profit or loss:
A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Group includes in this category, derivative contracts in a liability position.

Financial liabilities measured at amortised cost:
This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category, borrowings (see Note 2.15 for the accounting policy on borrowings), deferred income and trade and other payables.

*Recognition and measurement*
The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Regular purchases of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value minus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are recognised initially at fair value and subsequently carried at amortised cost.

*Transfer between levels of the fair value hierarchy*
Transfers between levels of the fair value hierarchy, if applicable, are deemed to have occurred at the end of the reporting period.

*Derecognition*
A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when the obligation specified in the contract is extinguished. Assets held-for-trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

*Impairment of financial assets*
The Group recognises an allowance for expected credit losses (“ECLs”) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

**Note 2 - Summary of significant accounting policies (continued)**

### 2.3 Financial assets and financial liabilities (continued)

*Impairment of financial assets (continued)*

For short-term receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Offsetting*
The Group only offsets financial assets and liabilities at fair value through profit or loss if the Group has a legally enforceable right to set off the recognised amounts and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.4 Foreign currency translation

*Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group operates with the following currencies: British Pound ("GBP" or "£"), Danish Krone ("DKK"), and Euro ("EUR"). The consolidated financial statements are presented in Euro, which is the parent company's functional currency.

*Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

*Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities in the consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
ii) income and expenses in the consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
iii) all resulting exchange differences are recognised as a separate component of net assets attributable to partners.

On the disposal of a foreign operation, (that is the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

### 2.5 Deferred income

Deferred income represents rental income received in advance in respect of future periods.

### 2.6 Cash and cash equivalents

Cash includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

### 2.7 Expenses

All expenses, including management fees, are recognised in the consolidated statement of comprehensive income on an accruals basis.

**Note 2 - Summary of significant accounting policies (continued)**

## 2.8 Interest income and expense

Interest income and expense are recognised within "interest income" and "finance costs" in the consolidated statement of comprehensive income using the effective interest rate method.

## 2.9 Group formation expenses

The Group's formation expenses are recognised as an expense when incurred.

## 2.10 Provisions

Provisions are recognised when there is a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligations; and the amount can be reliably measured. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost. Provisions are stated at their original amount if the effect of discounting is immaterial.

## 2.11 Consolidation

### *a. Subsidiaries*

*Control*
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated except where there are indications for impairment.

*Accounting for business combinations*
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

## Note 2 - Summary of significant accounting policies (continued)

### 2.11 Consolidation (continued)

#### *a. Subsidiaries (continued)*

*Accounting for asset acquisitions*
For the acquisition of a subsidiary that does not meet the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

*Associates*
Associated companies are those companies in which the Group generally has between 20% and 50% of the voting rights, or over which the Group exercises significant influence, but which it does not control. Investments in associated companies are accounted for under the equity method or the fair value method where certain criteria are met under IAS 28.

See Note 6 for further details on investments in associates and joint ventures.

*Joint arrangements*
Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement rather than the legal structure of the joint arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation and
- its expenses, including its share of any expenses incurred jointly.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated statement of financial position.

*Equity method*
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *b. Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## Note 2 - Summary of significant accounting policies (continued)

### 2.11 Consolidation (continued)

#### *c. Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 2.12 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, or with a view to disposal, the property continues to be held as an investment property.

Leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably but for which the Group expects that the fair value of the property will be reliably determinable when construction is complete, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier.

See Note 5 for details on valuation of investment properties.

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

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

### 2.13 Leases

**Accounting policy applicable from 1 January 2019**

a. Group is the lessee

*(i) At initial recognition*

The Group acting as lessee recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

**Note 2 - Summary of significant accounting policies (continued)**

**2.13 Leases (continued)**

**Accounting policy applicable from 1 January 2019 (continued)**

a. Group is the lessee (continued)

*(i) At initial recognition (continued)*

The lease liability is measured at the present value of the lease payments that are not paid at the date of the consolidated statement of financial position.

- Lease liabilities include the net present value of the following lease payments;
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Group is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(ii) Subsequent measurement
The Group measures the right-of-use assets that meet the definition of investment property using the fair value model applied to its investment property.

The lease liability is measured as follows:
a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b. Group is the lessor
Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet in accordance with their nature.

The Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis.

At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

**Accounting policy applicable until 31 December 2018**

*Operating lease*
Assets leased by the Group under operating lease are included in the consolidated statement of financial position, and rental income receivable under the operating lease is credited to the consolidated statement of comprehensive income. See Note 2.14 for the recognition of rental income.

**Note 2 - Summary of significant accounting policies (continued)**

**2.13 Leases (continued)**

**Accounting policy applicable until 31 December 2018 (continued)**

*Finance lease*
Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is treated as borrowing costs and expensed/capitalised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.

**2.14 Revenue recognition**

Revenue includes rental income, and service charges and management charges from properties.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from service and management charges is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Service and management charges are recognised in the accounting period in which the services are rendered. When the Group is acting as an agent, only the net service charge is recognised in the consolidated statement of comprehensive income.

**2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.

**Note 2 - Summary of significant accounting policies (continued)**

### 2.16 Taxation

Under the current legislation, the Group is not subject to any Luxembourg taxes on profits, income or capital gains. However, the Group is liable to subscription tax in Luxembourg at a rate of 0.01% per annum based on the net asset value ("NAV") of the Group at the end of each quarter. The Group may also incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the consolidated statement of comprehensive income. The entities of the Group are subject to taxation in the countries in which they operate.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or equity - in which case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated statement of financial position regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 Redeemable units

The Fund issues several classes of redeemable units, which are redeemable at the holder's option and do not have the same rights. Such units are classified as financial liabilities.

### 2.18 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**Note 2 - Summary of significant accounting policies (continued)**

### 2.19 Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's net assets therein. Non-controlling interests consist of the amount of those interests at the date of the acquisition and the non-controlling shareholder's share of net assets since the date of the acquisition.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

## Note 3 – Fair value estimation

Fair value measurement recognised in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair values of assets and liabilities:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the asset or liability that are not based on observable market data (unobservable input).

The following table provides an analysis of the Group's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value inputs are observable.

| | Level 1<br>€ | Level 2<br>€ | Level 3<br>€ | Total<br>€ |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| Investment property* | - | - | 2,042,625,863 | 2,042,625,863 |
| Investments in associates and joint ventures ** | - | - | 11,822,220 | 11,822,220 |
| Financial assets at fair value through profit or loss | 14,006,514 | - | 29,614,994 | 43,621,508 |
| Interest rate swaps/caps | - | (4,370,044) | - | (4,370,044) |
| Currency forward contracts | - | 1,721,727 | - | 1,721,727 |
| | | | | |
| **As at 31 December 2018** | | | | |
| Investment property* | - | - | 642,825,597 | 642,825,597 |
| Investments in associates and joint ventures ** | | - | 11,262,870 | 11,262,870 |
| Financial assets at fair value through profit or loss | 11,650,278 | - | - | 11,650,278 |
| Interest rate swaps | - | (1,711,755) | - | (1,711,755) |
| Currency forward contracts | - | 2,157,040 | - | 2,157,040 |

*See Note 5 for further information in relation to the fair value of investment properties.

**See Note 6 for further information in relation to the fair value of investments in associates and joint ventures.

There were no transfers between levels during the year ended 31 December 2019 or during the year ended 31 December 2018.

**Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

**Note 3 – Fair value estimation (continued)**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of currency forward contracts is determined using forward exchange rates at the consolidated statement of financial position date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the investments in associates and joint ventures are determined on the basis of the underlying properties (see Note 6).

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2019 but for which fair value is disclosed.

| | **Level 1** **€** | **Level 2** **€** | **Level 3** **€** | **Total** **€** |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| **Assets** | | | | |
| Investments in associates and joint ventures | - | - | 681,683,825 | 681,683,825 |
| Loans to associates and joint ventures | - | 651,515,362 | - | 651,515,362 |
| Investment held at amortised cost | - | 5,000,000 | - | 5,000,000 |
| Interest receivable | - | 9,162,139 | - | 9,162,139 |
| Other receivables and prepayments | - | 42,316,216 | - | 42,316,216 |
| Cash and cash equivalents | 172,788,262 | - | - | 172,788,262 |
| **Total** | **172,788,262** | **707,993,717** | **681,683,825** | **1,562,465,804** |
| **Liabilities** | | | | |
| Taxation payable | - | 3,785,960 | - | 3,785,960 |
| Subscriptions received in advance | 607,904,470 | - | - | 607,904,470 |
| Trade and other payables | - | 64,977,003 | - | 64,977,003 |
| Borrowings | - | 807,225,469 | - | 807,225,469 |
| **Total** | **607,904,470** | **875,988,432** | **-** | **1,483,892,902** |

## Note 3 – Fair value estimation (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2018 but for which fair value is disclosed.

| | Level 1<br>€ | Level 2<br>€ | Level 3<br>€ | Total<br>€ |
|---|---|---|---|---|
| **As at 31 December 2018** | | | | |
| **Assets** | | | | |
| Investments in associates and joint ventures | - | - | 479,920,657 | 479,920,657 |
| Loans to associates and joint ventures | - | 247,276,763 | - | 247,276,763 |
| Interest receivable | - | 4,953,799 | - | 4,953,799 |
| Other receivables and prepayments | - | 32,252,599 | - | 32,252,599 |
| Cash and cash equivalents | 115,875,509 | - | - | 115,875,509 |
| **Total** | **115,875,509** | **284,483,161** | **479,920,657** | **880,279,327** |
| **Liabilities** | | | | |
| Taxation payable | - | 2,231,922 | - | 2,231,922 |
| Subscriptions received in advance | 33,800,000 | - | - | 33,800,000 |
| Trade and other payables | - | 14,369,099 | - | 14,369,099 |
| Borrowings | - | 207,549,470 | - | 207,549,470 |
| **Total** | **33,800,000** | **224,150,491** | **-** | **257,950,491** |

## Note 4 - Financial risk management

The Board of Managers of the General Partner have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Managers of the General Partner supervises and maintains control of risk management and delegates the implementation of the day-to-day operation to the AIFM. The day-to-day investment risk measurement and management elements of risk management are undertaken by the risk management department of the AIFM. The functional and hierarchical separation of the risk management department of the AIFM is ensured throughout the hierarchical structure of the AIFM.

The risk management department of the AIFM implements and maintains risk management policies and procedures designed to identify, measure, manage and monitor (i) the material risks which have been identified relevant to the Group's investment strategies; and (ii) the positions in the Group and their contribution to the overall risk profile of the Group. Liquidity risk is monitored on an ongoing basis as part of the risk management system.

The Group has exposures to the following risks from its use of financial instruments:
- (a) Market risk (including foreign exchange risk, price risk and interest rate risk);
- (b) Credit risk; and
- (c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks.

### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, as well as (c) equity securities price movements, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk as well as security prices that may be accepted, which are monitored on a monthly basis (see details below). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

## Note 4 - Financial risk management (continued)

### a) Market risk (continued)

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rate and changes in foreign currency rates.

*i. Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the British Pound (“GBP”) and Danish Krone (“DKK”). Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

The Group’s policy is to enter into currency hedging transactions with currency forward contracts; however, it does not opt to use hedge accounting in accordance with the requirements of IFRS 9.

The Group has various financial assets and liabilities such as derivative financial instruments, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group’s principal financial liabilities, besides derivative financial liabilities, comprise bank loans and trade and other payables. The main purpose of these financial liabilities is to finance the Group’s operations.

The derivative transactions the Group enters into are primarily currency forward contracts. The purpose is to manage the currency risks arising from the Group’s operations and its sources of finance (economy hedges).

The tables below summarise the reports provided to key management personnel and used to monitor the Group’s exposure to foreign currency risk arising from financial instruments at 31 December 2019 and 31 December 2018 before hedging. The Group’s financial assets and liabilities are included in the table categorised by currency at their carrying amount.

| **As at 31 December 2019** | **Note** | **DKK** | **€** | **GBP** | **Total €** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans to associates and joint ventures | 6 | - | 651,515,362 | - | 651,515,362 |
| Financial assets at fair value through profit or loss | 7 | - | 14,006,514 | 29,614,994 | 43,621,508 |
| Interest receivable | | - | 9,162,139 | - | 9,162,139 |
| Investment held at amortised cost | 8 | - | 5,000,000 | - | 5,000,000 |
| Other receivables | 9 | 58,149 | 39,994,368 | 2,263,699 | 42,316,216 |
| Cash and cash equivalents | 11 | 3,148,318 | 158,607,256 | 11,032,688 | 172,788,262 |
| Derivatives at fair value through profit or loss | 10 | 12,424 | 346,415 | 1,768,321 | 2,127,160 |
| **Total financial assets** | | 3,218,891 | 878,632,054 | 44,679,702 | 926,530,647 |
| **Financial liabilities** | | | | | |
| Borrowings | 17 | - | 735,329,524 | 71,895,945 | 807,225,469 |
| Trade and other payables | 12 | 2,278,378 | 61,231,330 | 1,467,295 | 64,977,003 |
| Derivatives at fair value through profit or loss | 10 | - | 3,682,763 | 1,092,714 | 4,775,477 |
| **Total financial liabilities** | | 2,278,378 | 800,243,617 | 74,455,954 | 876,977,949 |

## Note 4 - Financial risk management (continued)

### a) Market risk (continued)

*i. Foreign exchange risk (continued)*

| **As at 31 December 2018** | **Note** | **€** | **GBP** | **Total €** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Loans to associates and joint ventures | 6 | 247,276,763 | - | 247,276,763 |
| Other receivables and prepayments | 7 | 11,650,278 | - | 11,650,278 |
| Interest receivable | | 4,953,799 | - | 4,953,799 |
| Other receivables | 9 | 28,717,816 | 3,534,783 | 32,252,599 |
| Cash and cash equivalents | 11 | 112,958,370 | 2,917,139 | 115,875,509 |
| Derivatives at fair value through profit or loss | 10 | 2,157,040 | 146,555 | 2,303,595 |
| **Total financial assets** | | 407,714,066 | 6,598,477 | 414,312,543 |
| **Financial liabilities** | | | | |
| Borrowings | 17 | 139,814,819 | 67,734,651 | 207,549,470 |
| Trade and other payables | 12 | 13,457,338 | 911,761 | 14,369,099 |
| Derivatives at fair value through profit or loss | 10 | 1,858,310 | - | 1,858,310 |
| **Total financial liabilities** | | 155,130,467 | 68,646,412 | 223,776,879 |

In order to efficiently manage foreign currency risk, Management monitors and hedges the Group's exposure to foreign currency at Group level, not at individual company level.

Nevertheless, the Group does not apply hedge accounting in accordance with IFRS 9. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. This is generally achieved by obtaining loan finance in the relevant currency and by entering into currency forward contracts.

The functional currency of the Group is the Euro; the functional currencies of the Group's principal subsidiaries are Euro, DKK and GBP. The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies.

The following paragraph presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective Group entities, with all other variables held constant.

As at 31 December 2019 GBP weakened/strengthened by 25% against the euro, post-tax profit for the year would have been €7,444,063 (2018: €15,539,816) higher/lower.

Foreign exchange risk arising from DKK exposure is not considered material to the Group and therefore sensitivity to DKK has not been presented.

*ii. Price risk*
The Group is exposed to price risks in respect of its investments in financial assets at fair value through profit and loss (Note 7).

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk (Note 5).

The values of real estate assets mainly depend on:

- the real estate market situation which is subject to fluctuations particularly regarding rents and prices determined by the supply, the demand and the general economic conditions, and
- the specificities of each real estate asset. The portfolio is mainly composed of office, retail and residential premises located in Core areas across Europe.

A downturn of real estate market conditions may have an adverse effect on the value of the real estate assets in which the portfolio is invested.

**Note 4 - Financial risk management (continued)**

**a) Market risk (continued)**

*iii. Interest rate risk*
The Group is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Group's interest bearing financial assets and liabilities include cash and cash equivalents which earns interest at short-term market rates and floating rate bank loans whose interests are linked to LIBOR and to EURIBOR.

As at 31 December 2019 and 31 December 2018, the Group held a number of interest rate swaps for the purpose of hedging the interest on the bank loans. Any gains or losses recognised on the open interest rate swaps is offset by changes in the interest rates charged on the bank loans. Further details of the interest rate swaps held by the Group can be found in Note 10.

As at 31 December 2019, had market interest rates increased by 100 basis points with all other variables held constant, the impact on the net assets would be a decrease of €3,077,676 (2018: €390,580). Had market interest rates decreased by 80 basis points or LIBOR interest rates decreased to zero with all other variables held constant, the impact on the net assets would be an increase of €1,841,618 (2018: €390,580).

The average effective interest rates of borrowings at the date of the consolidated statement of financial position, based on reports reviewed by key management personnel, were as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | € | GBP | € | GBP |
| Bank financing (see note 17) | 1.39% | 2.38% | 1.29% | 1.70% |

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees, rental guarantees, receivable instruments and derivatives. Credit risk is managed on a Group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review. The Group has policies in place to ensure that rental investment property contracts are entered into only with lessees with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis. Cash balances are held and derivatives are agreed only with financial institutions with a Moody's credit rating of A or better. The Group has policies that limit the amount of credit exposure to any financial institution. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Managers of the General Partner. The utilisation of credit limits is regularly monitored.

The Group's maximum exposure to credit risk by class of financial asset other than derivatives is as follows:

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Loans to associates and joint ventures | 651,515,362 | 247,276,763 |
| Financial assets at fair value through profit or loss | 29,614,994 | - |
| Investment held at amortised cost | 5,000,000 | - |
| Interest receivable | 9,162,139 | 4,953,799 |
| Other receivables | 42,316,216 | 32,252,599 |
| Cash and cash equivalents | 172,788,262 | 115,875,509 |
| | 910,396,973 | 400,358,670 |

There are no material financial assets that are past due or impaired. There are no collateral nor other credit enhancements held by the Group.

**Note 4 - Financial risk management (continued)**

### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of capital commitments and the ability to close out market positions.

An investment in the Fund may provide limited liquidity since the Fund may be restricted in its ability to liquidate its investments. This could also impair the Fund's ability to distribute redemption proceeds to a redeeming Unitholder in a timely manner. The Offering Memorandum of the Fund permits quarterly redemptions from the Fund at each quarter end, subject to Redemption Queue and suspension mechanism, subject to the following conditions:

a) All Redemption Notices accepted on the same Quarter End will be grouped into the same Redemption Vintage.

b) Investors' Units in a Redemption Vintage will be redeemed on a pro rata and pari passu basis in the same Redemption Vintage. If, at the General Partner's sole discretion, a portion or all of the redemption requests of the same Redemption Vintage cannot be satisfied on the relevant Quarter End, a queuing system shall be operated.

c) Each Redemption Vintage will be redeemed in turn before the next Redemption Vintage in the Redemption Queue. Redemptions may be suspended for a period not exceeding 18 months if (i) the outstanding redemptions requests in the Redemption Queue represent more than 15% of the NAV as at any given date, or (ii) the General Partner considers that there are special market or adverse conditions.

The Group has entered into loan facility agreements with the following banks (see Note 17 for further information on bank borrowings):

- ING Bank N.V.
- Santander and CaixaBank
- Société Générale
- Landesbank Hessen-Thueringen Girozentrale
- La Banque Postale, Helaba & Aareal bank.

The Group's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Managers of the General Partner. A summary table with maturity of financial liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position, as the impact of discounting is not significant.

The maturity analysis at 31 December 2019 is as follows:

| | On demand / < 1 month | 1 to 3 months | 3-12 months | 1 to 5 years | Later than 5 years | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Liabilities** | | | | | | |
| Derivatives at fair value through profit or loss | - | - | - | (1,562,509) | (3,212,968) | (4,775,477) |
| Trade and other payables | - | (64,977,003) | - | - | - | (64,977,003) |
| Borrowings (net of hedging) | - | (3,426,467) | (11,489,582) | (687,198,383) | (152,917,544) | (855,031,976) |
| | - | (68,403,470) | (11,489,582) | (688,760,892) | (156,130,512) | (924,784,456) |

The maturity analysis at 31 December 2018 was as follows:

| | On demand / < 1 month | 1 to 3 months | 3-12 months | 1 to 5 years | Later than 5 years | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Liabilities** | | | | | | |
| Derivatives at fair value through profit or loss | - | - | - | (424,072) | (1,434,238) | (1,858,310) |
| Trade and other payables | - | (14,369,099) | - | - | - | (14,369,099) |
| Borrowings (net of hedging) | - | (830,581) | (3,317,761) | (125,967,941) | (92,627,888) | (222,744,171) |
| | - | (15,199,680) | (3,317,761) | (126,392,013) | (94,062,126) | (238,971,580) |

The amount of contractual undiscounted cash flows related to bank financing is calculated after hedging with the interest rate swaps.

**Note 4 - Financial risk management (continued)**

**Capital risk management**

The capital of the Group is represented by the net assets attributable to the partners, which can change significantly on a quarterly basis because of Group's performance and market evolution (mainly property prices, foreign exchange and interest rate markets). The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for partners, provide benefits to other stakeholders and maintain a strong capital base to support the development of the investment activities of the Group.

In order to maintain the capital structure, the Group's policy is to perform the following:

- Monitor the level of cash held and required within one month and adjust the amount of distribution the Fund pays, in particular, in the context of share buy back
- Buy back and issue new shares in accordance with the constitutional documents of the Fund

The Board of Managers of the General Partner and the Alternative Investment Fund Manager monitor capital on the basis of the value of net assets attributable to the partners in accordance with the principles defined in the Offering Memorandum.

The subscription NAV is calculated as set out in clause 5.4.5 of the Offering Memorandum by performing adjustments compared to the IFRS NAV, including:

(i) The acquisition costs should be amortised over 10 years whereas these costs are fully expensed under IFRS.
(ii) The formation expenses should be amortised over a period of 10 years whereas these expenses are fully expensed under IFRS.
(iii) The tax adjustment corresponds mainly to discounts on latent capital gains tax and revaluations in case of exit on a share deal basis.
(iv) The 'Revaluation to Fair Value of indirect investments not consolidated' relates to an adjustment for fit outs costs paid to tenants which are not recoverable and are amortised over the life of the lease.
(v) The debt issuance cost adjustment relates to debt issuance costs associated with subsidiaries acquired which have been written off.

The table below shows the subscription NAV adjustments:

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| **Total net assets attributable to partners as per IFRS consolidated financial statements** | **2,113,295,925** | **1,278,043,060** |
| **Adjustments** | | |
| Formation expenses adjustment | 664,414 | 758,084 |
| Acquisition costs adjustment | 81,329,900 | 46,956,223 |
| Debt issue cost adjustment | (3,687,352) | 439,542 |
| Revaluation to fair value of indirect investment not consolidated | - | (5,206,901) |
| Tax adjustment and others | 840,111 | 12,286,078 |
| **Total adjustments** | **79,147,073** | **55,233,026** |
| **Subscription net asset value** | **2,192,442,998** | **1,333,276,086** |

## Note 5 - Investment property

The Group invests in commercial real estate investment properties.

The valuation of the Investment Properties was carried out by the External Valuers in accordance with the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors on the basis of Fair Value. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The table below shows the movement of investment properties held by the Group for the year ended 31 December 2019:

| | 1 January 2019 Fair value | Purchases | Capitalised expenditure | Unrealised gain/(loss) | Currency translation gain | Acquired through acquisition of subsidiaries | Sales | Right of use asset | 31 December 2019 Fair value |
|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € |
| Investment property | 642,825,597 | 121,059,720 | 405,907 | 78,256,288 | 15,373,947 | 1,182,004,404 | - | 2,700,000 | 2,042,625,863 |
| **Total** | **642,825,597** | **121,059,720** | **405,907** | **78,256,288** | **15,373,947** | **1,182,004,404** | **-** | **2,700,000** | **2,042,625,863** |

The table below shows the movement of investment properties held by the Group for the year ended 31 December 2018:

| | 1 January 2018 Fair value | Purchases | Capital expenditure | Unrealised gain/(loss) | Acquired through acquisition of subsidiaries | Sales | Right of use asset | 31 December 2018 Fair value |
|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € |
| Investment property | 357,241,772 | 304,228,997 | - | (18,645,172) | - | - | - | 642,825,597 |
| **Total** | **357,241,772** | **304,228,997** | **-** | **(18,645,172)** | **-** | **-** | **-** | **642,825,597** |

During the year ended 31 December 2019, the Fund's subsidiaries had acquired the following investment properties which are significant to the Group:

- A freehold apartment building in Copenhagen, Denmark was acquired for an amount between €30m - €35m (DKK 230m – DKK 250m) (excluding acquisition costs).
- The leasehold of a residential property in Lahti (Finland) was acquired for approximately €1m (excluding acquisition costs).
- Two apartment buildings in a development area south of inner city Copenhagen were acquired for an amount between €80m - €85m (DKK 600m – DKK 630m) (excluding acquisition costs).
- As part of the Dutch BVs transaction (an asset acquisition, see note 16), Five business parks/light industrial properties located in Germany were acquired with an initial fair value of between €155m - €160m.
- As part of the NRE Transaction (an asset acquisition, see Note 16), the Group acquired 12 high quality office assets located across three European Markets; Germany (6), France (4), UK (2) and 2 hotels in Germany. The initial fair value of the investment properties at the date of acquisition was an amount comprising between €1,000m - €1,050m.

### Valuation process

The Group's investment properties were valued as at 31 December 2019 by independent professionally qualified valuers who hold a recognised relevant professional qualification and relevant experience in the locations and segments of the investment properties valued. For all investment properties, their current use equals the highest and best use. The AIFM and the General Partner review the valuations performed by the independent valuer for financial reporting purposes. The AIFM has established a process through its Valuation Committee to identify and review material movements in assets and also to ensure valuation trends are in line with market expectations.

## Note 5 - Investment property (continued)

### Valuation process (continued)

As at 31 December 2019, the Group has invested in the following investment properties:

| Country | Valuation technique | Stabilised Yield | Estimated Rental Value € | Market Value € | Right of use asset - Ground Lease € | Fair Value € |
|---|---|---|---|---|---|---|
| United Kingdom | Income Capitalisation/Investment method | 3% - 6% | 29,900,000 | 520,635,408 | - | 520,635,408 |
| France | Income capitalisation/Hardcore method | 3% - 5% | 20,500,000 | 425,850,000 | - | 425,850,000 |
| Spain | Discounted cash flow | 5% - 6% | 7,900,000 | 112,019,000 | - | 112,019,000 |
| Luxembourg | Hardcore Method | 4% - 5% | 10,200,000 | 179,400,000 | - | 179,400,000 |
| Italy | Discounted cash flow | 4% - 5% | 1,300,000 | 24,850,000 | - | 24,850,000 |
| Finland | Discounted cash flow | 3% - 6% | 5,700,000 | 100,000,000 | 2,700,000 | 102,700,000 |
| Denmark | Discounted cash flow | 3% - 4% | 5,700,000 | 119,371,455 | - | 119,371,455 |
| Germany | Discounted cash flow | 2% - 6% | 30,200,000 | 557,800,000 | - | 557,800,000 |
| | | | | **2,039,925,863** | **2,700,000** | **2,042,625,863** |

As at 31 December 2019, the Group has classified the fair value of investment properties as Level 3.

As at 31 December 2018, the Group had invested in the following investment properties:

| Country | Valuation technique | Stabilised Yield | Estimated Rental Value € | Fair Value € |
|---|---|---|---|---|
| United Kingdom | Discounted cash flow | 4% - 7% | 8,800,000 | 152,076,597 |
| France | Income capitalisation approach | 4% - 6% | 4,400,000 | 80,500,000 |
| Spain | Discounted cash flow | 5% - 7% | 7,700,000 | 112,469,000 |
| Luxembourg | Income capitalisation approach | 4% - 6% | 10,200,000 | 176,830,000 |
| Italy | Discounted cash flow | 3% - 5% | 1,200,000 | 24,450,000 |
| Finland | Discounted cash flow | 3% - 5% | 5,600,000 | 96,500,000 |
| | | | | **642,825,597** |

**Note 5 - Investment property (continued)**

**Valuation process (continued)**

As at 31 December 2019, if rental yield rates had been 0.5% higher, with all other variables held constant, net assets attributable to the partners would have been €205,956,130 (2018: €58,234,118) lower. As at 31 December 2019, if rental yield rates had been 0.5% lower, with all other variables held constant, net assets attributable to partners would have been €275,919,763 (2018: €83,615,071) higher.

As at 31 December 2019, if rental income rates had been 5% lower, with all other variables held constant, net assets attributable to partners would have been €91,265,068 (2018: €34,591,892) lower. As at 31 December 2019, if rental income rates had been 5% higher, with all other variables held constant, net assets attributable to partners would have been €100,588,070 (2018: €28,828,531) higher.

**Valuation techniques underlying management's estimation of fair value**

Both the income capitalisation method and the discounted cash flow method are based on significant unobservable inputs including:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

## Note 6 – Investments in associates and joint ventures

| | 31 December 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **SCI IMMO C47 (1)** | **Avicdale Limited (1)** | **Iberubbo Imobilaria Lda (1)** | **Paunsdorf Center Luxco S.à r.l. (2)** | ***Logisitics Europe AXA Feeder S.C.A (formerly OneLog S.A.) (2)** | **Selectiv Core Italy SICAF (1)** | **SCI Backin (3)** |
| | € | € | € | € | € | € | € |
| Opening balance | 160,381,169 | 54,076,540 | 53,833,877 | 22,888,959 | 77,889,625 | 110,850,487 | 11,262,870 |
| Additions / disposals during the period: | | | | | | | |
| - Additions | 10,025,822 | 40,403,125 | - | - | - | - | - |
| - Disposals | - | - | - | - | (89,944,671) | - | |
| - Subsequent expenditure | - | - | - | - | 6,405,703 | - | - |
| - Subsequent reduction in acquisition price | (123,711) | - | - | (349,019) | - | - | - |
| Return of capital | - | - | - | - | - | (7,129,997) | - |
| Net profit / (loss) on investments in associates and joint ventures held at fair value | - | - | - | - | - | - | 559,350 |
| Dividends distributed | (4,409,980) | (750,000) | - | - | - | (620,002) | - |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | 11,316,291 | 323,781 | (10,092,500) | 2,165,344 | 5,649,343 | 7,441,399 | - |
| Closing balance | **177,189,591** | **94,053,446** | **43,741,377** | **24,705,284** | **-** | **110,541,887** | **11,822,220** |

| | 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Luxembourg Investment Company 327 S.à r.l. (1)** | **Luxembourg Investment Company 359 S.à r.l.(1)** | ****CoRE FR 14 SAS & CoRE FR 15 SAS (1)** | ***OneLog Invest (Lux) S.à r.l. (2)** | **Claypole Limited (1)** | **Total** |
| | € | € | € | € | € | € |
| Opening balance | - | - | - | - | - | 491,183,527 |
| Additions during the period: | | | | | | |
| - Additions | 15,982,203 | 13,928,711 | 88,666,300 | 96,172,787 | 21,947,784 | 287,126,732 |
| - Disposals | - | - | - | - | - | (89,944,671) |
| - Subsequent expenditure | - | - | - | - | - | 6,405,703 |
| - Subsequent reduction in acquisition price | - | - | - | - | - | (472,730) |
| Return of capital | - | - | - | - | - | (7,129,997) |
| Net profit / (loss) on investments in associates and joint ventures held at fair value | - | - | - | - | - | 559,350 |
| Dividends distributed | - | - | - | - | - | (5,779,982) |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | - | - | (17,216,382) | 9,786,515 | 2,184,322 | 11,558,113 |
| Closing balance | **15,982,203** | **13,928,711** | **71,449,918** | **105,959,302** | **24,132,106** | **693,506,045** |

** Same transaction

## Note 6 – Investments in associates and joint ventures (continued)

| | 31 December 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SCI IMMO C47 [1] | Avicdale Limited [1] | Iberubbo Imobilaria Lda [1] | Paunsdorf Center Luxco S.à r.l. [2] | *Logisitics Europe AXA Feeder S.C.A (formerly OneLog S.A.) [2] | Selectiv Core Italy SICAF [1] | SCI Backin [3] | Total |
| | € | € | € | € | € | € | € | € |
| Opening balance | - | - | (99,559) | 22,572,958 | 64,800,930 | 113,470,420 | 21,233,188 | 221,977,937 |
| Additions during the period: | | | | | | | | |
| - At cost | 166,192,900 | 49,667,108 | 45,379,125 | - | - | - | - | 261,239,133 |
| - Subsequent expenditure | | | - | - | - | - | - | - |
| - Subsequent reduction in acquisition price | - | - | - | (860,680) | - | - | - | (860,680) |
| Return of capital | (12,250,000) | - | - | - | (3,800,000) | - | - | (16,050,000) |
| Net loss on investments in associates | | | - | - | - | - | (9,970,318) | (9,970,318) |
| Dividends distributed | - | - | - | - | (1,192,924) | (3,284,210) | - | (4,477,134) |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | 6,438,269 | 4,409,432 | 8,554,311 | 1,176,681 | 18,081,619 | 664,277 | - | 39,324,588 |
| Closing balance | **160,381,169** | **54,076,540** | **53,833,877** | **22,888,959** | **77,889,625** | **110,850,487** | **11,262,870** | **491,183,527** |

[1] Joint venture accounted for using the equity method.

[2] Associate accounted for using the equity method.

[3] Associate accounted for using the fair value method.

(*) Pursuant to internal restructuring, the Group's investment in Logistics Europe AXA Feeder S.C.A. (formerly OneLog S.A.) was redeemed at cost plus share of net result up to the date of restructuring, and the Group received shares in OneLog Invest (Lux) S.à r.l. There was no gain or loss to the Group arising from this restructuring. Refer to non cash investing activities on page 54 for further detail.

## Note 6 – Investments in associates and joint ventures (continued)

Loans to associates and joint ventures are as follows:

| Borrower | Lender | Interest rate | Maturity | Maximum value of € | 31 December 2019 € | 31 December 2018 € |
|---|---|---|---|---|---|---|
| SCI Backin | ACEF SPPPICAV | 0.00% | 31/03/2026 | €100m | 59,630,500 | 59,630,500 |
| Logistics Europe AXA Feeder S.C.A (formerly OneLog S.A.) | ACEF Holdings S.C.A. | 6.00% | 19/04/2027 | €17.4m | - | 11,083,333 |
| Logistics Europe AXA Feeder S.C.A (formerly OneLog S.A.) | ACEF Holdings S.C.A. | 6.00% | 29/06/2027 | €109.8m | - | 109,810,000 |
| OneLog Invest (Lux) S.à r.l. | ACEF Holdings S.C.A. | 5.92% | 01/07/2032 | n/a | 173,727,435 | - |
| Paunsdorf Center Luxco S.à r.l. | ACEF Holdings S.C.A. | 0.50% | 31/03/2021 | €15.0m | 7,699,141 | 9,779,555 |
| Iberubbo Imobilaria, Lda. | ACEF Holdings S.C.A. | 5.40% | 08/01/2028 | €56.9m | 56,973,375 | 56,973,375 |
| CoRE FR 14 SAS | ACEF 2 SPPPICAV | 1.34% | 31/03/2026 | n/a | 162,133,800 | - |
| CoRE FR 15 SAS | ACEF 2 SPPPICAV | 1.34% | 31/03/2026 | n/a | 46,200,070 | - |
| Luxembourg Investment Company 327 S.à r.l. | ACEF Holdings S.C.A. | 3.55% | 06/12/2024 | €114m | 91,901,634 | - |
| Luxembourg Investment Company 327 S.à r.l. | ACEF Holdings S.C.A. | 0.00% | 19/03/2020 | €10.06 | 1,876,118 | - |
| Luxembourg Investment Company 359 S.à r.l. | ACEF Holdings S.C.A. | 2.70% | 02/12/2024 | €51.4m | 51,373,289 | - |
| | | | | | **651,515,362** | **247,276,763** |

**Note 6 – Investments in associates and joint ventures (continued)**

The fair values of the investments in associates and joint ventures are dependent on the fair values of the underlying properties held directly / indirectly by these entities. These properties are held at fair value in accordance with IAS 40 *Investment Property,* with changes in fair value being recognised in profit or loss.

Therefore the Group would classify the fair value of its investments in associates and joint ventures as Level 3 (see Note 3).

IAS 28 allows exemption from the equity method of accounting where an investment in an associate or joint venture is a mutual fund and can be accounted for at fair value in accordance with IFRS 9.

The Group has applied this exemption in the case of the following associate:

**SCI Backin**

The Group currently holds 16.67% of the share capital in SCI Backin, and the General Partner considers the Group to have significant influence in this associate because of the terms included in the Joint Venture Agreement entered between all the parties and therefore this associate is held at fair value.

SCI Backin is held by SPPICAV, a French regulated Fund i.e. a French OPCI.

As at 31 December 2019 and 31 December 2018, SCI Backin had invested in the following investment property:

| Country | Valuation technique | Stabilised Yield | Estimated Rental Value<br>€ | Fair Value 31 December 2019<br>€ |
|---|---|---|---|---|
| France | Income capitalisation approach | 3.0% - 5.0% | 41,915,824 | 840,000,000 |

| Country | Valuation technique | Stabilised Yield | Estimated Rental Value<br>€ | Fair Value 31 December 2018<br>€ |
|---|---|---|---|---|
| France | Income capitalisation approach | 3.5% - 5.5% | 41,915,624 | 834,000,000 |

As at 31 December 2019, if rental yield rates in relation to these investment properties had been 0.5% higher, with all other variables held constant, net assets attributable to the partners would have been €37,532,500 (2018: €14,833,333) lower. As at 31 December 2019, if rental yield rates in relation to these investment properties had been 0.5% lower, with all other variables held constant, net assets attributable to the partners would have been €45,240,000 (2018: €18,833,333) higher.

As at 31 December 2019, if rental income rates in relation to these investment properties had been 5% higher, with all other variables held constant, net assets attributable to the partners would have been €17,035,000 (2018: €7,000,000) higher.

As at December 2019, if rental income rates in relation to this investment properties had been 5% lower, with all other variables held constant, net assets attributable to the partners would have been €18,775,000 (2018: €7,000,000) lower.

See Note 21 for details of Group financial commitments towards associates and joint ventures.

The Group had no other contingent liabilities or contingent assets at 31 December 2019 or at 31 December 2018.

### Note 6 – Investments in associates and joint ventures (continued)

**Summarised information – joint ventures and associates**

The tables below provide summarised financial information for those joint ventures and associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the Group's share of those amounts.

| | SCI IMMO C47 | | Avicdale Limited | | Iberubbo Imobilaria Lda | | Paunsdorf Center Luxco S.à r.l. | | Logisitics Europe AXA Feeder S.C.A (formerly OneLog S.A.) | | Selectiv Core Italy SICAF | | SCI Backin | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | € | € | € | € | € | € | € | € | € | € | € | € | € | € |
| Non current assets | 369,900,000 | 353,200,000 | 289,130,888 | 217,533,516 | 316,150,290 | 276,009,266 | 259,763,000 | 257,963,000 | - | 1,002,478,960 | 214,000,000 | 210,000,000 | 433,565,276 | 429,891,078 |
| Current assets | 4,410,574 | 17,604,746 | 10,639,015 | 7,474,376 | 51,859,452 | 65,142,150 | 16,617,000 | 16,003,000 | - | 66,329,922 | 9,491,080 | 13,136,850 | 6,101,864 | 6,215,964 |
| **Total assets** | **374,310,574** | **370,804,746** | **299,769,903** | **225,007,892** | **368,009,742** | **341,151,416** | **276,380,000** | **273,966,000** | **-** | **1,068,808,882** | **223,491,080** | **223,136,850** | **439,667,140** | **436,107,042** |
| Non current liabilities | - | | 5,261,963 | 5,750,013 | 134,672,356 | 133,471,842 | - | - | - | 775,225,758 | - | - | - | - |
| Current liabilities | 12,699,164 | 43,496,234 | 1,684,281 | 2,951,720 | 136,134,324 | 88,048,735 | 166,333,000 | 172,054,000 | - | 23,580,699 | 2,407,306 | 1,435,877 | 368,733,825 | 368,529,827 |
| **Total liabilities** | **12,699,164** | **43,496,234** | **6,946,244** | **8,701,733** | **270,806,680** | **221,520,577** | **166,333,000** | **172,054,000** | **-** | **798,806,457** | **2,407,306** | **1,435,877** | **368,733,825** | **368,529,827** |
| **Net assets** | **361,611,410** | **327,308,512** | **292,823,659** | **216,306,159** | **97,203,062** | **119,630,839** | **110,047,000** | **101,912,000** | **-** | **270,002,425** | **221,083,774** | **221,700,973** | **70,933,315** | **67,577,215** |
| Group investment in associate / joint venture | 49.00% | 49.00% | 32.12% | 25.00% | 45.00% | 45.00% | 22.45% | 22.45% | 0.00% | 29.72% | 50.00% | 50.00% | 16.67% | 16.67% |
| Carrying amount | 177,189,591 | 160,381,169 | 94,053,446 | 54,076,540 | 43,741,377 | 53,833,877 | 24,705,284 | 22,888,959 | - | 77,889,625 | 110,541,886 | 110,850,487 | 11,822,219 | 11,262,870 |
| Total revenues | 25,546,061 | 3,232,943 | 1,944,736 | 26,423,202 | 42,026,027 | 47,838,123 | 16,457,000 | 18,229,000 | - | 113,000,958 | 16,262,405 | 12,201,696 | 34,925,856 | 27,416,037 |
| Total expenses | (2,704,386) | (518,443) | (2,224,759) | (2,202,918) | (39,473,795) | (15,763,906) | (7,316,000) | (13,621,000) | - | (43,302,754) | (1,378,109) | (10,895,744) | (36,017) | (45,436) |
| Profit / (loss) from continuing operations | 22,841,675 | 2,714,500 | (280,023) | 24,220,284 | 2,552,232 | 32,074,217 | 9,141,000 | 4,608,000 | - | 69,698,204 | 14,884,296 | 1,305,952 | 34,889,839 | 27,370,601 |
| Taxation | 325 | (10,787) | (508,749) | (6,582,556) | (24,980,010) | (9,167,827) | (960,000) | (718,000) | - | (14,348,879) | (1,496) | (686) | - | (127) |
| Profit / (loss) after taxation from continuing operations | 22,842,000 | 2,703,713 | (788,772) | 17,637,728 | (22,427,778) | 22,906,390 | 8,181,000 | 3,890,000 | - | 55,349,325 | 14,882,800 | 1,305,266 | 34,889,839 | 27,370,474 |

**Note 6 – Investments in associates and joint ventures (continued)**

**Summarised information – joint ventures and associates (continued)**

| | Luxembourg Investment Company 327 S.à r.l. | | Luxembourg Investment Company 359 S.à r.l. | | OneLog Invest (Lux) S.à r.l.* | | CoRE FR 14 SAS | | CoRE FR 15 SAS | | Claypole Limited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2019 € | 31 December 2018 € | 31 December 2019 € | 31 December 2018 € | 31 December 2019 € | 31 December 2018 € | 31 December 2019 € | 31 December 2018 € | 31 December 2019 € | 31 December 2018 € | 31 December 2019 € | 31 December 2018 € |
| Non current assets | 274,399,884 | - | 195,900,003 | - | 1,326,855,236 | - | 434,526,829 | - | 122,684,084 | - | 96,207,912 | - |
| Current assets | - | - | - | - | 107,089,556 | - | 1,274,990 | - | 2,605,100 | - | 1,455,009 | - |
| **Total assets** | **274,399,884** | - | **195,900,003** | - | **1,433,944,792** | - | **435,801,819** | - | **125,289,184** | - | **97,662,921** | - |
| Non current liabilities | 234,444,379 | - | 154,119,867 | - | 619,859,627 | - | 324,267,600 | - | 92,400,000 | - | 870,766 | - |
| Current liabilities | - | - | - | - | 483,169,170 | - | 723,625 | - | 799,942 | - | 263,731 | - |
| **Total liabilities** | **234,444,379** | - | **154,119,867** | - | **1,103,028,797** | - | **324,991,225** | - | **93,199,942** | - | **1,134,497** | - |
| **Net assets** | **39,955,505** | - | **41,780,136** | - | **330,915,995** | - | **110,810,594** | - | **32,089,242** | - | **96,528,424** | - |
| **Group investment in associate / joint venture** | **40.00%** | **n/a** | **33.33%** | **n/a** | **32.02%** | **n/a** | **50.00%** | **n/a** | **50.00%** | **n/a** | **25.00%** | **n/a** |
| **Carrying amount** | **15,982,203** | - | **13,928,711** | - | **105,959,302** | - | **55,405,298** | - | **16,044,620** | - | **24,132,106** | - |
| **Total revenues** | - | - | - | - | **120,195,883** | - | **184** | - | **48,896** | - | **10,197,509** | - |
| **Total expenses** | - | - | - | - | **(52,933,155)** | - | **(26,922,089)** | - | **(3,080,684)** | - | **(728,960)** | - |
| **Profit / (loss) from continuing operations** | - | - | - | - | **67,262,728** | - | **(26,921,905)** | - | **(3,031,788)** | - | **9,468,549** | - |
| **Taxation** | - | - | - | - | **(18,370,587)** | - | - | - | **(4,479,070)** | - | **(2,549,343)** | - |
| **Profit / (loss) after taxation from continuing operations** | - | - | - | - | **48,892,141** | - | **(26,921,905)** | - | **(7,510,858)** | - | **6,919,206** | - |

**Note 6 – Investments in associates and joint ventures (continued)**

**Investing activities including non-cash transactions**

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Disposal of investment in Logistics Europe AXA Feeder S.C.A (formerly OneLog S.A.) by means of cancellation of share capital and loan repayments | 230,273,890 | - |
| Investment in OneLog Invest (Lux) S.à r.l. through transfer of shares and loan as payment | (227,917,964) | - |
| **Cash transfer** | 2,355,926 | - |

Pursuant to internal restructuring, Logistics Europe AXA Feeder S.C.A. (formerly OneLog S.A), cancelled shares and share premium and repaid its shareholder loans to ACEF Holdings S.C.A, a Group entity. Payment was made mainly in kind by the transfer of shares in OneLog Invest (Lux) S.à r.l. to ACEF Holdings S.C.A. and the assignment of a shareholder loan. The remaining difference of €2,355,926 was paid in cash to ACEF Holdings S.C.A. There was no gain or loss to the Group arising from this restructuring.

**Note 7 – Financial assets at fair value through profit or loss**

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Opening balance | 11,650,278 | 10,636,750 |
| **Cegereal** | | |
| - Rights issue* | - | 1,675,987 |
| - Net gain/(loss) on shares held in Cegereal | 2,356,236 | (662,459) |
| **Receivable instruments** | | |
| - Acquired in asset acquisition | 29,614,994 | - |
| Closing balance | 43,621,508 | 11,650,278 |

The Group holds less than 5.00% investment in Cegereal REIT. This investment is treated as an investment in financial assets. Cegereal REIT owns interests in commercial properties in Paris, France. During the year ended 31 December 2018, the Group exercised a rights issue in Cegereal REIT, consisting of 46,750 shares at €35.85 per share.

As at 31 December 2019, the Group held an investment in receivable instruments through an underlying fully owned subsidiary, NRE Gresham II S.à r.l., treated as an investment in financial assets held at fair value.

As at 31 December 2019, if the fair value of financial assets had been 1.0% higher/lower, with all other variables held constant, net assets attributable to partners would have been €436,215 (2018: €116,503) higher/lower.

### Note 8 – Investment held at amortised cost

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Opening balance | - | - |
| Acquired in asset acquisition: | | |
| Receivable instruments | 5,000,000 | - |
| Closing balance | 5,000,000 | - |

As at 31 December 2019, the Group held an investment in receivable instruments through an underlying fully owned subsidiary, Symbol Holdco C-T S.à r.l. and is accounted for at amortised cost.

### Note 9 - Other receivables and prepayments

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Deposits held by notary | 5,880,000 | 16,170,000 |
| Receivable from associate | 244,951 | 5,390,000 |
| Collateral receivable on derivatives | 900,000 | - |
| Value added tax receivable | 7,021,252 | 2,648,975 |
| Cash held by property managers | 1,618,488 | 2,548,078 |
| Rent receivable | 13,432,598 | 894,308 |
| Tenant deposits | - | 1,079,141 |
| Accrued income | 2,626,566 | 377,202 |
| Other receivables and prepayments | 10,592,361 | 3,144,895 |
| | 42,316,216 | 32,252,599 |

### Note 10 - Derivatives at fair value through profit or loss

The Group uses currency forward contracts, which represent commitments to purchase domestic currency to hedge against foreign currency exposures. The Group also uses interest rate swaps, which relate to contracts taken out by the Group with major brokers in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. These derivatives are accounted for as trading instruments.

The notional/transaction amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to the terms. The aggregate transaction or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities, can fluctuate significantly from time to time.

**Note 10 - Derivatives at fair value through profit or loss (continued)**

The fair values of derivative instruments held are set out below:

| | Nominal value (in local currency) | | | Fair Value | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2019** | **€** | **GBP** | **DKK** | **Assets €** | **Liabilities €** | **Net €** |
| **Derivatives at fair value through profit or loss** | | | | | | |
| Interest rate swaps | 155,000,000 | 52,250,000 | - | - | (4,775,477) | (4,775,477) |
| Interest rate caps | 741,995,759 | 388,562,706 | - | 405,433 | - | 405,433 |
| Currency forward contracts | - | 229,497,824 | 887,000,000 | 1,721,727 | - | 1,721,727 |
| **Total derivatives at fair value through profit or loss** | 896,995,759 | 670,310,530 | 887,000,000 | 2,127,160 | (4,775,477) | (2,648,317) |

| | Nominal value (in local currency) | | | Fair Value | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2018** | **€** | **GBP** | **DKK** | **Assets €** | **Liabilities €** | **Net €** |
| **Derivatives at fair value through profit or loss** | | | | | | |
| Interest rate swaps | 110,000,000 | 85,250,000 | - | 146,555 | (1,858,310) | (1,711,755) |
| Currency forward contracts | - | 76,610,000 | - | 2,157,040 | - | 2,157,040 |
| **Total derivatives at fair value through profit or loss** | 110,000,000 | 161,860,000 | - | 2,303,595 | (1,858,310) | 445,285 |

Maturities for interest rate swaps held as at 31 December 2019 ranged from October 2021 to May 2026 (31 December 2018 range: October 2021 to October 2025).

All currency forward contracts held as at 31 December 2019 were due to mature in March 2020 (31 December 2018: February 2019).

**Note 11 – Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. The table below shows cash and cash equivalents by institution, and by the S&P credit ratings of those institutions.

| **Institution** | **31 December 2019 S&P Rating** | **31 December 2018 S&P Rating** | **31 December 2019 €** | **31 December 2018 €** |
|---|---|---|---|---|
| BNY Mellon | A | A | 107,609,354 | 86,584,804 |
| JP Morgan | A+ | N/a | 21,647,833 | - |
| BNP Paribas | A+ | A | 11,332,497 | 12,240,843 |
| Bank of America | A+ | N/a | 11,131,776 | - |
| Credit Agricole | A+ | A+ | 5,878,162 | 6,516,889 |
| Danske Bank | A | N/a | 3,148,318 | - |
| Santander | A | A | 3,145,681 | 5,734,747 |
| Nordea | AA- | AA- | 2,766,777 | 3,573,823 |
| State Street | A | A | 1,637,901 | 1,224,403 |
| Other | N/a | N/a | 4,489,963 | - |
| | | | 172,788,262 | 115,875,509 |

## Note 12 – Trade and other payables

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Accounting fees | 85,944 | 65,820 |
| Administration fees | 341,879 | 156,192 |
| Audit fees | 414,403 | 215,122 |
| Interest payable | 2,111,166 | 508,277 |
| Collateral payable on derivatives | 3,400,000 | 2,300,000 |
| Depositary fees accrued | 282,497 | 113,878 |
| Fixed asset and capital expenditure accruals | 1,427,372 | 904,119 |
| Legal fees | 38,643 | 79,029 |
| Management fees | 7,167,005 | 1,901,026 |
| Refundable deposits | 9,172,080 | 3,999,466 |
| Value added tax payable | 7,047,601 | - |
| Service charges in advance | 38,889 | 73,373 |
| Tax fees | 129,631 | 123,314 |
| Trade creditors | 31,205,012 | 2,531,737 |
| Valuation fees | 204,774 | 114,325 |
| Other payables and accrued expenses | 1,910,107 | 1,283,421 |
| | 64,977,003 | 14,369,099 |

## Note 13 – Rental income

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Rental income | 59,953,064 | 21,928,767 |
| | 59,953,064 | 21,928,767 |

At year-end the total contractually agreed rental income based on the leases in operation (excluding rental guarantees received) is as follows:

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Less than one year | 93,017,641 | 34,088,542 |
| Between one and five years | 182,720,539 | 65,712,505 |
| Over five years | 68,146,816 | 3,321,112 |
| Total | 343,884,996 | 103,122,159 |

## Note 14 - Operating expenses

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Accounting and professional fees | 1,832,974 | 562,638 |
| Administration fees | 378,924 | 358,206 |
| Audit fees | 782,571 | 295,774 |
| Legal fees | 479,161 | 252,535 |
| Management fees | 8,647,870 | 4,680,014 |
| Net service fee expense | 379,320 | 377,712 |
| Other property expenses | 5,876,042 | 3,179,120 |
| Real estate expenses | 1,885,761 | 1,196,071 |
| Tax fees | 187,279 | 154,344 |
| Valuation fees | 604,372 | 178,761 |
| Other operating expenses | 6,061,546 | 522,368 |
| | 27,115,820 | 11,757,543 |

## Note 15 - Finance result

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Unrealised gain on derivatives | - | 862,288 |
| Unrealised foreign exchange gains | - | 880,331 |
| Interest income from associates and joint ventures | 12,226,428 | 11,294,785 |
| **Finance income** | **12,226,428** | **13,037,404** |
| Unrealised foreign exchange losses | 1,252,146 | - |
| Realised foreign exchange losses on forward contracts | 12,734,834 | 941,006 |
| Realised foreign exchange losses | 4,332,774 | 1,259,235 |
| Interest expense on external loans | 7,130,217 | 2,777,871 |
| Bank charges | 1,066,019 | 382,335 |
| Interest expense on derivatives | 1,025,241 | 556,695 |
| Unrealised loss on derivatives | 3,316,769 | - |
| Other finance expense | 1,231,000 | - |
| Debt issue fees | 672,773 | 473,584 |
| **Finance expense** | **32,761,773** | **6,390,726** |
| **Finance result** | **(20,535,345)** | **6,646,678** |

## Note 16 – Acquisitions of subsidiaries

On 31 July 2019, the Group acquired 65% of the share capital of the following entities: DDS Edelweiss B.V., DDS Lime, DDS Maple B.V., Sirius Laburnum B.V., Sirius Orchid B.V. (together termed as "Dutch B.V.s"). Total purchase consideration amounted to cash of €18m (excluding acquisition related costs).

On 30 September 2019, the Group acquired 100% of the share capital of NorthStar Realty Europe Corp (hereafter referred as "NRE" and the transaction hereafter referred as "NRE Transaction"), a NYSE listed Real Estate Investment Trust ("REIT"), which held a portfolio of high quality office assets and hotels located across three European Markets: Germany, France and UK (see Note 5), through its various fully owned subsidiaries (hereafter referred to as "NRE entities"). See Note 26 for details of the entities acquired as part of the NRE Transaction. NRE held assets and operations through NorthStar Realty Europe Limited Partnership (NRE Partnership).

Subsequent to the acquisition by the Group, NRE entered into a merger agreement whereby NRE merged into a Nighthawk Merger SUB LLC (a US subsidiary company).

**Note 16 – Acquisitions of subsidiaries (continued)**

See Note 5 for details of the assets acquired as part of the NRE Transaction.

Further pursuant to internal restructuring, both Nighthawk Merger SUB LLC and NRE Partnership have been put into liquidation. Accordingly all underlying assets and operations were transferred / acquired by CoRE PANEURO 2019 13 S.à r.l. (a Luxembourg based company and 100% subsidiary of the Group).

Total purchase consideration amounted to a cash outflow of €552m.

The General Partner considers that at acquisition, NorthStar Realty Europe Corp and the Dutch B.V.s constituted groups of net assets, rather than businesses as defined in IFRS 3. As these acquisitions were not accounted for as business combinations and as neither accounting profit nor taxable profit were affected at the time of the transactions, the initial recognition exemption in IAS 12, 'Income taxes' applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

The assets and liabilities recognised in the consolidated statement of financial position on the dates of acquisition during 2019 were:

| | NRE entities | Dutch B.V.s | Total |
|---|---|---|---|
| | € | € | € |
| Investment property (Note 5) | 1,024,657,975 | 157,346,429 | 1,182,004,404 |
| Cash and cash equivalents | 28,636,187 | 2,664,000 | 31,300,187 |
| Borrowings (Note 17) | (479,473,646) | (45,046,000) | (524,519,646) |
| Other receivables | 50,969,731 | 164,000 | 51,133,731 |
| Other payables | (33,465,042) | (86,862,072) | (120,327,114) |
| Non-controlling interest (Note 20) | (5,333,428) | (10,177,229) | (15,510,657) |
| **Total purchase consideration** | 585,991,777 | 18,089,128 | 604,080,905 |
| Less cash and cash equivalents of subsidiary acquired | (28,636,187) | (2,664,000) | (31,300,187) |
| Less acquisition costs remaining payable | (5,600,000) | - | (5,600,000) |
| Less purchase consideration remaining payable | - | (3,519,258) | (3,519,258) |
| **Net outflow of cash and cash equivalents on acquisition** | 551,755,590 | 11,905,870 | 563,661,460 |

The assets and liabilities recognised in the consolidated statement of financial position on the dates of acquisition during 2018 were:

| | CoRE FR 2018 2 SCI | Total |
|---|---|---|
| | € | € |
| Other payables | (4,534) | (4,534) |
| Net inflow of cash and cash equivalents on acquisition | (4,534) | (4,534) |

**Note 17 - Borrowings**

The table below shows the Group borrowings as at 31 December 2019 and 31 December 2018:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | € | € |
| Bank borrowings | 789,190,577 | 208,395,475 |
| Loans from non-controlling interests | 22,384,677 | 1,950,000 |
| Debt issue costs | (14,309,658) | (3,107,565) |
| Amortisation of debt issue costs | 7,259,873 | 311,560 |
| Lease liabilities | 2,700,000 | - |
| | 807,225,469 | 207,549,470 |

The amortised cost of the borrowings approximates its fair value as at 31 December 2019 and as at 31 December 2018.

**Note 17 – Borrowings (continued)**

**Bank borrowings**

- On 31 October 2016, the Group, through its 100% subsidiary, CoRE UK 2016 1 S.à r.l., entered into a loan facility agreement with ING Bank N.V. for a principal amount of up GBP 38,750,000, to refinance the cost of acquisition of a property in London. The loan bears interest at a variable 3 month LIBOR floating rate plus a spread margin of 1.70% per annum and matures on 30 October 2023.
- On 13 June 2017, the Group, through its 85% subsidiary, Area Sur Shopping, S.L., entered into a loan facility agreement with Santander and CaixaBank for a principal amount of up EUR 50,000,000, to refinance the cost of acquisition of a property in Spain. The loan bears interest at a variable 6 month EURIBOR floating rate plus a spread margin of 1.80% per annum and matures on 13 June 2022.
- On 3 October 2017, the Group, through its 100% subsidiary, CoRE UK 2016 3 S.à r.l. entered into a loan facility agreement with ING Bank N.V., for a principal amount of up to GBP 22,640,000, to refinance the cost of acquisition of a property in London. The loan bears interest at a variable 3 month LIBOR rate plus a fixed margin of 1.70% per annum and matures on 30 October 2023.
- On 11 October 2018, the Group, through its 100% subsidiary, CoRE Lux 2018 7 S.à r.l. entered into a loan facility agreement with Société Générale, for a principal amount of up to EUR 90,000,000, to refinance the cost of acquisition of a property in Luxembourg. The loan bears interest at a variable 3 month EURIBOR rate plus a fixed margin of 1.00% per annum and matures on 11 October 2025.
- On 25 July 2019, the Group, through its 65% owned subsidiaries, the Dutch B.V.s, entered into a loan facility agreement with Landesbank Hessen-Thuringen Girozentrale for a principal amount of EUR 84,000,000, to refinance the cost of acquisition of properties in Germany. The loan bears interest at a fixed rate of 1.38% per annum and matures on 31 July 2024.
- The Group, through subsidiaries acquired as part of the NRE transaction, has entered into the following loan facility agreements:
    - Loan facility agreements with La Banque Postale for a principal amount of EUR 35,293,687 to refinance the cost of acquisition of properties in France. The loans bear floating interest of 3 month EURIBOR and fixed interest of 1.5%, 1.65% and 2% per annum and mature on 8 April 2022.
    - Loan facility agreements with Helaba for a principal amount of EUR 61,432,500, to refinance the cost of acquisition of properties in Germany. The loans bear floating interest of 3 month EURIBOR and a fixed interest of 1 % per annum and mature on 1 July 2025.
    - Loan facility agreements with Aareal bank for a principal amount of EUR 177,302,163 and GBP 185,917,278, to refinance the cost of acquisition of properties in France, Germany and the UK. The EUR loan bears interest at a fixed rate of 1.55% per annum and the GBP loan bears interest at a fixed rate of 1.55% per annum. All loans mature on 20 July 2024.

**Loans from non-controlling interests**

- On 9 June 2017, the Group, through its 85% subsidiary, Area Sur Shopping, S.L, entered into a loan facility agreement with Axnae Spain Holdings, S.L., for a principal amount of up to EUR 1,950,000 to refinance the cost of acquisition of a property in Spain (See Note 5). The loan bears interest at a fixed rate of 3.50% per annum and matures on 14 December 2027.
- As part of the acquisition of a 65% share in the five Dutch B.V.s, the Group has acquired a loan facility with Sirius Finance (Guernsey) Limited, for a principal amount of up to EUR 26,250,000. The loan bears interest at a fixed rate of 7% per annum and matures on 31 December 2024.
- As part of the NRE transaction, the Group has acquired asset linked preferred equity certificates issued by a Group entity, Trias Pool I-T S.à r.l. and subscribed to by Dietz Logistik. The certificates have a maturity date of 16 December 2045.

As at 31 December 2019 the balance of the loan facilities was €804,525,469 (2018: €207,549,470) with accrued interest payable of €2,111,116 (2018: €508,277). Interest expense for the year amounted to €7,130,217 (2018: €2,777,871).

**Lease Liability**

The Group has recognised a lease liability in respect of a Ground lease on assets held in Finland. The corresponding right of use asset has been recognised in investment property.

## Note 17 - Borrowings (continued)

### Reconciliation of liabilities arising from financing activities

| | | Cash flows | | Non cash changes | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 January 2019 | Loan drawdowns | Payments | Acquired on acquisition of subsidiaries | Lease liabilities | Amortisation of debt issue costs | Foreign exchange | 31 December 2019 |
| | € | € | € | € | € | € | € | € |
| Borrowings - bank financing | 208,375,475 | 53,995,492 | - | 508,905,357 | - | - | 17,914,253 | 789,190,577 |
| Borrowings - non-controlling interests | 1,950,000 | - | - | 20,434,677 | - | - | - | 22,384,677 |
| Debt issuance costs | (2,796,005) | - | - | (4,820,388) | - | 460,950 | 105,658 | (7,049,785) |
| Lease Liability | - | - | - | - | 2,700,000 | - | - | 2,700,000 |
| | 207,529,470 | 53,995,492 | - | 524,519,646 | 2,700,000 | 460,950 | 18,019,911 | 807,225,469 |

| | | Cash flows | | | Non cash changes | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 January 2018 | Loan drawdowns | Payments | Acquired on acquisition of subsidiaries | Lease liabilities | Amortisation of debt issue costs | Foreign exchange | 31 December 2018 |
| | € | € | € | € | € | € | € | € |
| Borrowings - bank financing | 119,126,444 | 90,000,000 | - | | | - | (730,969) | 208,375,475 |
| Borrowings - non-controlling interests | 1,950,000 | - | - | - | - | - | - | 1,950,000 |
| Debt issuance costs | (2,137,049) | (1,068,341) | 300,636 | - | - | 169,979 | (61,230) | (2,796,005) |
| | 118,939,395 | 88,931,659 | 300,636 | - | - | 169,979 | (792,199) | 207,529,470 |

## Note 18 - Deferred income

Deferred income represents rental income received in advance in respect of future periods.

## Note 19 - Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions or vice versa or where the Group and other parties are subject to common control or common significant influence. Related parties may be individuals or entities. The Group considers AXA Real Estate Investment Managers SGP, the General Partner and their Affiliates to be related parties.

Management fees
The Group appointed, as Alternative Investment Fund Manager, AXA Real Estate Investment Managers SGP (the “AIFM”), a French regulated management company, which is subject to French regulation and accordingly manages clients' portfolios on real estate investments, securities or other debt products which may be directly or indirectly secured by real estate assets, properties or rights, as advisor to source and to advise on the investment in Financial Assets owned by the Group and their sales and on the management of certain administrative services in relation with the Financial Assets of the Group.

The General Partner, the AIFM and their Affiliates shall receive from the Group an annual Management Fee in accordance with the table below and shared in such proportion among them as they shall determine by mutual agreement.

**Note 19 - Related party transactions (continued)**

The annual Management Fee to be paid by the Group in relation to each Class of Units shall be as follows:

| Class of Units | Capital Commitments of Investor | Management Fee |
|---|---|---|
| A1 | <EUR 30,000,000 | 1.15% of the Fund's NAV |
| A2 | ≥EUR 30,000,000<br><EUR 75,000,000 | 1.00% of the Fund's NAV |
| A3 | ≥EUR 75,000,000 <EUR150,000,000 | 0.85% of the Fund's NAV |
| A4 | ≥EUR150,000,000<EUR300,000,000 | 0.70% of the Fund's NAV |
| A5 | ≥EUR300,000,000 | 0.70% of the Fund's NAV |
| A6 | N/A | 0.45% of the Fund's NAV until the 1st of January 2026 and 0.70% of the Fund's NAV thereafter |
| A7 | N/A | 0.60% of the Fund's NAV |
| A8 | N/A | 0.60% of the Fund's NAV |

**Note 20 – Non-controlling interests**

During the financial year ended December 2019, the Group acquired a 65% interest in 5 business parks/light industrial assets located in Germany, via a 65% interest in five Dutch B.V.s (see Note 16 and 26). The remaining 35% interest is held by a third party who has a non-controlling interest in the investment.

As of 31 December 2019, out of a total of 58 NRE entities, there are thirty NRE entities in which a non-controlling interest is held by third parties. Non-controlling interests in respect of NRE entities are not material with respect to the sub-consolidated level at NRE entities or at the Group level and hence the summarised financial information of NRE entities which have a non-controlling interest has not been presented.

As at 31 December 2019, the Group held an 85% interest in Area Sur Shopping, S.L., in Jerez, Spain (see Note 26). The remaining 15% interest is held by third parties who have a non-controlling interest in the investment.

Movements in non-controlling interests in 2019 are detailed in the table below:

| | 31 December 2019 | | | |
|---|---|---|---|---|
| | NRE entities | Dutch B.V.s | Area Sur Shopping, S.L. | Total |
| | € | € | € | € |
| Opening balance | - | - | 7,655,280 | 7,655,280 |
| Additions during the year | 5,333,428 | 10,177,229 | - | 15,510,657 |
| Distributions during the year | - | - | (375,000) | (375,000) |
| Profit allocated during the year | 2,134,012 | 5,342,415 | 201,563 | 7,677,990 |
| Closing balance | 7,467,440 | 15,519,644 | 7,481,843 | 30,468,927 |

**Note 20 – Non-controlling interests (continued)**

Movements in non-controlling interests in 2018 are detailed in the table below:

| | 31 December 2018 | |
|---|---|---|
| | **Area Sur Shopping, S.L.** | **Total** |
| | **€** | **€** |
| Opening balance | 7,718,088 | 7,718,088 |
| Additions during the year | - | - |
| Distributions during the year | (375,000) | (375,000) |
| Profit allocated during the year | 312,192 | 312,192 |
| Closing balance | 7,655,280 | 7,655,280 |

Set out below is summarised financial information for each subsidiary (with the exception of the NRE entities) that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| | 31 December 2019 | | |
|---|---|---|---|
| **Summarised balance sheet** | **Dutch BVs** | **Area Sur Shopping, S.L.** | **Total** |
| | **€** | **€** | **€** |
| Non-current assets | 172,700,000 | 112,301,461 | 285,001,461 |
| Current assets | 7,367,960 | 7,887,132 | 15,255,092 |
| Current liabilities | 6,241,609 | 7,179,802 | 13,421,411 |
| Net current assets | 1,126,351 | 707,330 | 1,833,681 |
| Non-current liabilities | 129,484,513 | 63,130,494 | 192,615,007 |
| **Net assets** | **44,341,838** | **49,878,297** | **94,220,135** |
| **Accumulated non-controlling interest** | **15,519,644** | **7,481,843** | **23,001,487** |

| | 31 December 2019 | | |
|---|---|---|---|
| **Summarised statement of comprehensive income** | **Dutch B.V.s** | **Area Sur Shopping, S.L.** | **Total** |
| | **€** | **€** | **€** |
| **Revenue** | **21,486,398** | **7,893,701** | **29,380,099** |
| **Profit for the year** | **15,264,042** | **1,378,053** | **16,642,095** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | **15,264,042** | **1,378,053** | **16,642,095** |
| **Profit allocated to non-controlling interest** | **5,342,415** | **201,563** | **5,543,978** |

**Note 20 – Non-controlling interests (continued)**

| | 31 December 2018 | |
|---|---|---|
| **Summarised balance sheet** | **Area Sur Shopping, S.L. €** | **Total €** |
| Non-current assets | 112,469,000 | 112,469,000 |
| Current assets | 8,510,694 | 8,510,694 |
| Current liabilities | 6,945,159 | 6,945,159 |
| Net current assets | 1,565,535 | 1,565,535 |
| Non-current liabilities | 63,000,000 | 63,000,000 |
| **Net assets** | **51,034,535** | **51,034,535** |
| **Accumulated non-controlling interest** | **7,655,280** | **7,655,280** |

| | 31 December 2018 | |
|---|---|---|
| **Summarised statement of comprehensive income** | **Area Sur Shopping, S.L. €** | **Total €** |
| **Revenue** | 7,365,466 | **7,365,466** |
| **Profit for the period** | 2,034,449 | **2,034,449** |
| Other comprehensive income | - | - |
| **Total comprehensive income** | 2,034,449 | **2,034,449** |
| **Profit allocated to non-controlling interest** | 312,192 | **312,192** |

**Note 21 – Commitments**

As at 31 December 2019, the total commitment of the investors in the Fund (after redemptions) amounts to €3,143,200,152 (2018: €1,675,753,000). As at 31 December 2019 €490,597,152 (2018: €379,904,471), has not yet been called.

The Group has financial commitments of €40.4m, €7.3m and €30.8m towards SCI Backin, Paunsdorf Center Luxco S.à r.l., and Luxembourg Investment Company 327 S.à r.l. (2018: €40.3m, €5.2m and €nil) respectively, under their shareholder current account agreements.

**Note 22 – Distributions**

The following distributions were declared and paid by the Group during the year:

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Class A1 - 3.76 (2018: 3.25) EUR per unit | 5,059,447 | 1,927,193 |
| Class A2 - 3.93 (2018: 3.28) EUR per unit | 4,879,273 | 2,223,213 |
| Class A6 - 4.75 (2018: 3.45) EUR per unit | 27,065,227 | 12,679,050 |
| Class A7 - 4.56 (2018: 3.31) EUR per unit | 7,706,823 | 4,526,300 |
| Class A8 - 4.31 (2018: 3.57) EUR per unit | 11,539,399 | 4,891,680 |
| | 56,250,169 | 26,247,436 |

Included in the above distributions are amounts of €19,782,437 (2018:€9,513,155) which were re-invested into the Fund during the financial year ended 31 December 2019.

**Note 23 – Subscriptions received in advance**

Subscriptions received in advance at the year end represent cash amounts received from investors in advance of the issuance of units in the Fund. The relevant investors will be remain as an unsecured creditor of the Fund in respect of amounts paid until the issuance of the units has been completed.

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| Subscriptions received in advance | 607,904,470 | 33,800,000 |

## Note 24 - Taxation

The Fund is liable to subscription tax in Luxembourg as a rate of 0.01% per annum based on the net asset value of the Fund at the end of each quarter. The table below shows the total amount charged for the year amounting to €2,876,275 (2018: €1,999,106), and the amount payable at the year end amounting to €3,785,960 (2018: €2,231,922), split by type of taxation.

| | Charge for the year ended 31 December 2019 | Accrual 31 December 2019 | Charge for the year ended 31 December 2018 | Accrual 31 December 2018 |
|---|---|---|---|---|
| | € | € | € | € |
| Income tax * | 429,688 | 2,495,918 | 1,249,056 | 1,236,286 |
| Withholding tax | - | 4,396 | 411,849 | 5,216 |
| Non recoverable value added tax | 285,134 | - | 236,149 | 952,242 |
| Other tax | 2,161,453 | 1,285,646 | 102,052 | 38,178 |
| Taxation expense | 2,876,275 | 3,785,960 | 1,999,106 | 2,231,922 |
| Deferred tax | 17,151,229 | 17,997,813 | 761,585 | 846,584 |
| Total taxation | 20,027,504 | 21,783,773 | 2,760,691 | 3,078,506 |

* The tax on the Fund's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate on the applicable profits of the consolidated companies as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Profit before tax and distributions to the partners | 111,040,197 | 33,220,904 |
| Theoretical tax rate | 17.68% | 21.24% |
| Theoretical tax expense | 19,631,907 | 7,056,120 |
| Income not subject to taxes | (8,865,003) | (13,614,247) |
| Expenses not deductible | 2,186,000 | 1,387,192 |
| Income taxes not recognised | 7,387,000 | 8,798,818 |
| Other | (17,463,629) | (1,617,242) |
| Taxation expense | 2,876,275 | 2,010,641 |

The weighted average applicable tax rate was 17.68% (2018: 21.24%). This decrease was caused by a change in the locations in which the Group operates and an increase of exposure to assets located in countries with lower tax rates.

**Note 24 - Taxation (continued)**

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting purposes and their treatment for taxation purposes. The following table details the movement in deferred taxation during the period.

| **Deferred tax assets** | **31 December 2019** | **31 December 2018** |
|---|---|---|
| The balance comprises temporary timing differences attributable to: | | |
| *Other:* | | |
| Derivatives held for trading | 117,449 | 106,018 |
| Fair value of investment properties | 438,284 | - |
| Other | 165,012 | 105,330 |
| | 720,745 | 211,348 |
| Total deferred tax assets | 720,745 | 211,348 |
| Set-off of deferred tax liabilities | (720,745) | (211,348) |
| Net deferred tax assets | - | - |

| *Movements* | **Other** € | **Total** € |
|---|---|---|
| Balance as at 1 January 2019 | 211,348 | 211,348 |
| (Charged)/credited to profit or loss | 509,397 | 509,397 |
| Balance as at 31 December 2019 | 720,745 | 720,745 |

| **Deferred tax liabilities** | **31 December 2019** € | **31 December 2018** € |
|---|---|---|
| The balance comprises temporary timing differences attributable to: | | |
| *Other:* | | |
| Fair value of investment properties | 18,718,558 | 1,057,932 |
| | 18,718,558 | 1,057,932 |
| Total deferred tax liabilities | 18,718,558 | 1,057,932 |
| Set-off of deferred tax assets | (720,745) | (211,348) |
| Net deferred tax liabilities | 17,997,813 | 846,584 |

| *Movements* | **Other** € | **Total** € |
|---|---|---|
| Balance as at 1 January 2019 | 1,057,932 | 1,057,932 |
| Charged/(credited) to profit or loss | 17,660,626 | 17,660,626 |
| Balance as at 31 December 2019 | 18,718,558 | 18,718,558 |

### Note 25 – Dividend income

| | 31 December 2019 € | 31 December 2018 € |
|---|---|---|
| SCI Backin | 5,255,624 | 5,206,292 |
| Cegereal REIT | 752,687 | 1,150,071 |
| | 6,008,311 | 6,356,363 |

### Note 26 – Group information

The consolidated financial statements include the following entities material to the Group:

| Name of company | Registered office of the company | Nature of relationship | Effective ownership percentage 31 December 2019 | Effective ownership percentage 31 December 2018 | Consolidation method |
|---|---|---|---|---|---|
| AXA CoRE Europe Fund S.C.S., SICAV-SIF | Luxembourg | | | | |
| ACEF Holdings S.C.A. | Luxembourg | Subsidiary | 100.00% | 100.00% | Full consolidation |
| ACEF SPPPICAV | France | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE UK 2016 1 S.à r.l. | Luxembourg | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE UK 2016 3 S.à r.l. | Luxembourg | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE SP 2017 5, S.L. | Spain | Subsidiary | 100.00% | 100.00% | Full consolidation |
| Area Sur Shopping, S.L. | Spain | Subsidiary | 85.00% | 85.00% | Full consolidation |
| CORE Fin 2017 6 Oy | Finland | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE Regulated Italian Fund | Italy | Subsidiary | 100.00% | 100.00% | Full consolidation |
| ACEF 2 SPPPICAV | France | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE Lux 2018 7 S.à r.l. | Luxembourg | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE NL 2018 4 S.à r.l. | Luxembourg | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE FR 2018 2 SCI | France | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE FR 2018 8 SCI | France | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE DK GP ApS (*) | Denmark | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE DK 2018 9 K/S (*)(1) | Denmark | Subsidiary | 100.00% | 100.00% | Full consolidation |
| CORE DK 2019 11 K/S (*)(1) | Denmark | Subsidiary | 100.00% | n/a | Full consolidation |
| CORE DK 2019 12 K/S (*)(1) | Denmark | Subsidiary | 100.00% | n/a | Full consolidation |
| Luxembourg Investment Company 365 S.à r.l.(1) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Luxembourg Investment Company 366 S.à r.l.(1) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Luxembourg Investment Company 367 S.à r.l.(1) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| CORE PANEURO 2019 13 S.à r.l. | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Core DE 2019 10 S.à r.l. | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| DDS Edelweiss BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |
| DDS Lime BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |
| DDS Maple BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |
| Sirius Labarnum BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |
| Sirius Orchid BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |
| DDS Daisy BV | Netherlands | Subsidiary | 65.00% | n/a | Full consolidation |

(*) During the year ended 31 December 2019, CoRE DK 2018 9 KS, CoRE DK 2018 11 KS and CoRE DK 2018 12 KS have been put into liquidation and their assets have been transferred to their immediate parent companies, Luxembourg Investment Company 365 S.à r.l., Luxembourg Investment Company 366 S.à r.l., Luxembourg Investment Company 367 S.à r.l. respectively.

## Note 26 – Group information (continued)

The consolidated financial statements include the following entities material to the Group (continued):

| Name of company | Registered office of the company | Nature of relationship | Effective ownership percentage 31 December 2019 | Effective ownership percentage 31 December 2018 | Consolidation method |
|---|---|---|---|---|---|
| NRE Gresham I S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| NRE Gresham II S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Prime Holdco A-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Holdco B-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Holdco C-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool VII-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime UK Condor-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime UK Portman-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool I-T S.à r.l.(**) | Luxembourg | Subsidiary | 90.06% | n/a | Full consolidation |
| Prime GER Dammtorwall-T S.à r.l.(**) | Luxembourg | Subsidiary | 90.06% | n/a | Full consolidation |
| Prime GER Drehbahn-T S.à r.l.(**) | Luxembourg | Subsidiary | 90.06% | n/a | Full consolidation |
| Prime GER Valentinskamp-T S.à r.l.(**) | Luxembourg | Subsidiary | 90.06% | n/a | Full consolidation |
| Prime Pool II-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| OPCI Prime(**) | France | Subsidiary | 94.90% | n/a | Full consolidation |
| SCI Prime FRA Issy-T(**) | France | Subsidiary | 94.90% | n/a | Full consolidation |
| SCI Prime FRA Macdonald-T(**) | France | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool VI-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime NLD Rotterdam-T BV(**) | Netherlands | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool III A-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool III B-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Prime Pool III C-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Symbol Holdco C-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco A - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco B - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco C - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco D III/VIII -T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco E III/VIII -T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool VIII - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool III - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool III - TGP S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool III - TLP SCA(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| OPCI Trias(**) | France | Subsidiary | 100.00% | n/a | Full consolidation |
| TRIAS FRA JOUBERT - T SAS(**) | France | Subsidiary | 100.00% | n/a | Full consolidation |
| TRIAS FRA MARCEAU - T SCI(**) | France | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Holdco D VI -T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool VI - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias UK Centrium I-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias UK Delta-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias UK The Building-T S.à r.l.(**) | Luxembourg | Subsidiary | 94.90% | n/a | Full consolidation |
| Trias Pool I-T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Ludwigstrasse - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Holzwickede - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Munster - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Werl - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Kirchheide - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Uhlandstrasse - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Ibis Berlin - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER IC Berlin - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias GER Parexel - T S.à r.l.(**) | Luxembourg | Subsidiary | 89.80% | n/a | Full consolidation |
| Trias Holdco B II-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool V A-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool V B-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias ESP Leonor-T SL(*)(**) | Spain | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool IV A-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool IV B-T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool VII - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool IX S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |
| Trias Pool X - T S.à r.l.(**) | Luxembourg | Subsidiary | 100.00% | n/a | Full consolidation |

(**) Entities acquired as part of the NRE transaction

**Note 26 – Group information (continued)**

The following entities are included in the Group's consolidated financial statements as joint ventures:

| Name of company | Registered office of the company | Nature of relationship | Effective ownership percentage 31 December 2019 | Effective ownership percentage 31 December 2018 | Consolidation method |
|---|---|---|---|---|---|
| Selectiv CORE Italy SICAF | Italy | Joint venture | 50.00% | 50.00% | Equity method |
| Iberubbo Imobiliaria, Lda. | Portugal | Joint venture | 45.00% | 45.00% | Equity method |
| SCI IMMO C47 | France | Joint venture | 49.00% | 49.00% | Equity method |
| Avicdale Limited | Ireland | Joint venture | 32.12% | 25.00% | Equity method |
| Luxembourg Investment Company 327 S.à r.l. | Luxembourg | Joint venture | 40.00% | n/a | Equity method |
| Luxembourg Investment Company 359 S.à r.l. | Luxembourg | Joint venture | 33.33% | n/a | Equity method |
| CoRE FR 14 SAS | France | Joint venture | 50.00% | n/a | Equity method |
| CoRE FR 15 SAS | France | Joint venture | 50.00% | n/a | Equity method |
| Claypole Limited | Ireland | Joint venture | 25.00% | n/a | Equity method |

The following entities are included in the Group's consolidated financial statements as associates:

| Name of company | Registered office of the company | Nature of relationship | Effective ownership percentage 31 December 2019 | Effective ownership percentage 31 December 2018 | Consolidation method |
|---|---|---|---|---|---|
| SCI Backin | France | Associate | 16.67% | 16.67% | Fair value |
| Logistics Europe AXA Feeder S.C.A (formerly OneLog S.A.)(***) | Luxembourg | Associate | 0.00% | 29.72% | Equity method |
| OneLog Invest (Lux) S.à r.l.(***) | Luxembourg | Associate | 32.02% | n/a | Equity method |
| Paunsdorf Center Luxco S.à r.l. | Luxembourg | Associate | 22.45% | 22.45% | Equity method |

(***) Pursuant to internal restructuring, Logistics Europe AXA Feeder S.C.A. (formerly OneLog S.A), transferred shares and loans held in OneLog Invest (Lux) S.à r.l. mainly in exchange of the shares and loans held by the Group in Logistics Europe AXA Feeder S.C.A.

**Note 27 – Subsequent events**

The Fund issued a revised Offering Memorandum in March 2020.

<u>Acquisitions</u>

Since 31 December the Group indirectly acquired 40% in an hotel in Austria as part of the acquisition of its pan European hotel portfolio and the 65% stake of business park in Germany for the total amount of circa €77m.

<u>Covid-19 pandemic situation</u>

The outbreak of the novel coronavirus (Covid-19), declared by the World Health Organization as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

While it is possible to identify the real estate sectors most exposed over the short term to Covid-19 and in particular those in which the Group has interests (hospitality, retail) there is no clear way to identify how significant the downside risks will be and therefore what the ultimate impact on real estate valuations will be.

Property incomes during the disrupted period may be impacted by closures and/or rent free period requests but until we have clarity on the ultimate severity of the virus the value impact will remain highly uncertain.

**Note 27 – Subsequent events (continued)**

Covid-19 pandemic situation (continued)

Transaction and leasing activity is likely to be impaired due to the inability to enact site visits/due diligence as may lending activity which will further complicate valuation clarity.

However, as of today, the management of the Group is not aware of major events on the Group's portfolio that would impact materially Group liquidity.

The volatility incurred by financial markets over the past few weeks illustrates the difficulty of precisely quantifying the financial impact of current events and as a matter of fact, we understand that valuers will likely add a warning on material uncertainty to their valuations at end Q1 2020 regarding the impact of Covid-19 in line with the RICS Red Book Global which is not yet, if any, taken into account in their valuations at the end of Q4. Consequently, less certainty – and a higher degree of caution – shall be attached to these valuations than would normally be the case.

Properties which are priced on their trading potential with examples including hospitality and retail assets may experience a greater impact on pricing in comparison to other asset classes. It is advisable therefore that valuations for these assets should be reviewed with greater frequency and care relative to other property types. With regards to hospitality, there may be a risk to profitability (and potentially, therefore, value) caused by a fall in occupancy particularly where there is a high reliance on inbound tourism or meetings and events business.

In addition, some new regulations are about to be put in place in several European countries to protect tenants from insolvency. The Group will comply with these new regulations once officially released.

There were no other material events affecting the Group since the year end.