

Årsredovisning
för
PPFE Gothenburg BidCo AB
559274-7041

Räkenskapsåret
2020-10-02 – 2021-12-31

Undertecknad styrelseledamot/VD i PPFE Gothenburg BidCo AB intygar, dels att denna kopia av årsredovisningen stämmer överens med originalet, dels att resultaträkningen och balansräkningen fastställts på årsstämma den 30 juni 2022

Årsstämman beslöt att godkänna styrelsens förslag till vinstdisposition.

.....STOCKHOLM..... den 30 - 06 - 2022

.....
Namnförtydligande CARL-AXEL ÅFORS

Styrelsen för PPFE Gothenburg BidCo AB avger följande årsredovisning för räkenskapsåret 2021.

Förvaltningsberättelse

Information om verksamheten

Bolaget bildades 2020-09-21 och är ett holdingbolag som ägs i sin helhet av PPFE Holdings S.a.r.l (Luxembourg) och har som verksamhet att direkt eller indirekt, genom hel- eller delägda bolag äga, utveckla och förvalta fast egendom. Bolaget äger samtliga aktier i fastighetsbolagen L1 LC Landvetter AB (559175-9823), L2 LC Landvetter AB (559175-9807), L3 LC Landvetter AB (559175-9849), Viareds LC AB (559174-8339), Tistlarna LC S3 AB (559058-9221) samt Hätteberget LC S1 AB (559058-9247).

Bolaget har sitt säte i Göteborg.

Bolaget har inte haft några anställda och några löner eller ersättningar har inte betalats ut.

Väsentliga händelser under räkenskapsåret

Bolaget har förlängt räkenskapsår från bildandet.

I november tog Newsec PAM Sweden AB i Göteborg över både den ekonomiska och tekniska förvaltningen från BSGR i Borås.

Styrelsen utvärderar noggrant de potentiella ekonomiska effekterna av den globala pandemin (Covid-19) som uppstod under de första månaderna 2020.

Det är svårt att bedöma med rimlig säkerhet den fullständiga omfattningen av pandemin på företaget och dess verksamhet. Styrelsen kan dock vid undertecknandet av denna årsredovisning konstatera att bolagets framtida verksamhet inte kommer påverkas i någon väsentlig utsträckning.

Ägarförhållanden

PPFE Gothenburg BidCo AB är ett helägt dotterbolag till av PPFE Holdings S.a.r.l (Luxembourg) - reg nr B247385 som ingår i Prime Property Fund Europé S.A., SICAV-RAIF (B257218). Bolaget omfattas av den koncernredovisning som avlämnas av koncernmoderföretaget Prime Property Fund Europé SCSp (B231194) varför någon koncernredovisning inte upprättas i enlighet med undantagsregeln i Årsredovisningslagen 7 kap 2 §.

Flerårsöversikt	2021	2020
Nettoomsättning	1	-
Resultat efter finansiella poster	-20 179 072	-
Balansomslutning	1 251 001 598	-

Bolaget bildades 2020-09-21 och har förlängt räkenskapsår. Därmed inga ingående värden.

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

Balanserat resultat	-
Årets förlust	-19 223 826
	-19 223 826
Disponeras så att i i ny räkning överföres	-19 223 826

Resultaträkning	Not	2020-10-02 - 2021-12-31
Rörelsens intäkter		
Nettoomsättning		1
Övriga rörelseintäkter		0
		1
Rörelsens kostnader		
Övriga externa kostnader		-955 247
Av- och nedskrivningar av materiella och immateriella anläggningstillgångar		0
		-955 247
Rörelseresultat		-955 246
Resultat från finansiella poster		
Ränteintäkter och liknande resultatposter		21 168 941
Räntekostnader och liknande resultatposter	2	-39 075 513
Nedskrivning andelar i koncernföretag		-1 317 254
		-19 223 826
Resultat efter finansiella poster		-20 179 072
Bokslutsdispositioner		
Mottagna koncernbidrag		955 246
		955 246
Resultat före skatt		-19 223 826
Skatt på årets resultat		0
Uppskjuten skatt		0
Årets resultat		-19 223 826

Balansräkning

Not 2021-12-31

TILLGÅNGAR

Anläggningstillgångar

Finansiella anläggningstillgångar

Aktier och andelar i koncernföretag	874 281 983
Lånefordran	370 760 548

Summa anläggningstillgångar 1 245 042 531

Omsättningstillgångar

Kortfristiga fordringar

Övriga kortfristiga fordringar	1 538 563
Förutbetalda kostnader och upplupna intäkter	4 414 056
	5 952 619

Kassa och bank 6 449

Summa omsättningstillgångar 5 959 067

SUMMA TILLGÅNGAR 1 251 001 598

Balansräkning

Not 2021-12-31

EGET KAPITAL SKULDER

Eget kapital

Bundet eget kapital

Aktiekapital	25 000
	25 000

Fritt eget kapital

Balanserad vinst eller förlust	0
Erhållna aktieägartillskott	468 317 845
Årets resultat	-19 242 721
	449 075 124
Summa eget kapital	449 100 124

Långfristiga skulder

7

Skulder till koncernföretag	779 141 881
Summa långfristiga skulder	779 141 881

Kortfristiga skulder

Leverantörsskulder	0
Skulder till koncernföretag	1 043 065
Aktuella skatteskulder	0
Övriga skulder	0
Upplupna kostnader och förutbetalda intäkter	21 716 528
Summa kortfristiga skulder	22 759 593

SUMMA EGET KAPITAL OCH SKULDER

1 251 001 598

Rapport över förändringar i eget kapital

	Aktie- kapital	Uppskrivn fond	Aktieägar- tillskott	Balanserat resultat	Årets resultat	Summa eget kapital
Ingående eget kapital 200101	-	-	-	-	-	0
Bolagets bildande	25 000	-	-	-	-	25 000
Disposition enligt årsstämma	-	-	-	-	-	0
Aktieägartillskott, ovillkorat	-	-	333 673 177	-	-	333 673 177
Uppskrivningsfond fastighet	-	-	-	-	-	0
Årets resultat	-	-	-	-	-	0
Utgående eget kapital 201231	25 000	0	333 673 177	0	0	333 698 177
Disposition enligt årsstämma	-	-	-	-	-	0
Aktieägartillskott, ovillkorat	-	-	134 644 668	-	-	134 644 668
Fusionsresultat	-	-	--	-	-18 895	-18 895
Årets resultat	-	-	-	-	-19 223 826	-19 223 826
Utgående eget kapital 211231	25 000	0	468 317 845	0	-19 242 721	449 100 124

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning

Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Hysesintäkter från förvaltningsfastigheter intäktsredovisas i resultaträkningen linjärt över hyresperioden. Förskotts-
betalda hyror redovisas som förutbetalda intäkter. Eventuella hyresrabatter periodiseras linjärt över hyresperioden, även om betalning inte sker på samma sätt.

Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blivit part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Låneskulder och övriga skulder

Låneskulder och övriga skulder redovisas till upplupet anskaffningsvärde.

Kvittning av finansiell fordran och finansiell skuld

En finansiell tillgång och finansiell skuld kvittas och redovisas med ett nettobelopp i balansräkningen endast då legal kvittningsrätt föreligger samt då en reglering med ett nettobelopp avses ske eller då en samtida avyttring av tillgången och reglering av skulden avses ske.

Nedskrivningsprövning av finansiella tillgångar

Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

Not 2 Räntekostnader och liknande resultatposter

	2021	2020
Räntekostnader till koncernföretag	38 607 215	-
	38 607 215	-

Not 3 Aktier och andelar i koncernföretag

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	0	-
Förvärv	875 599 237	-
Utgående ackumulerade anskaffningsvärden	875 599 237	-
Ingående nedskrivningar	0	-
Årets nedskrivningar	-1 317 254	-
Utgående ackumulerade nedskrivningar	-1 317 254	-
Utgående redovisat värde	874 281 983	-

PPFE Gothenburg BidCo AB	Org nr	Kapitalandel %
L1 LC Landvetter AB	559175-9823	100
L2 LC Landvetter AB	559175-9807	100
L3 LC Landvetter AB	559175-9849	100
Viareds LC AB	559174-8339	100
Tistlarna LC S3 AB	559058-9221	100
Hätteberget LC S1 AB	559058-9247	100

Andelar i koncernföretag	Rösträttsandel %	Antal aktier	Bokfört värde
L1 LC Landvetter AB	100	50 000	254 636 564
L2 LC Landvetter AB	100	50 000	138 288 573
L3 LC Landvetter AB	100	50 000	113 153 310
Viareds LC AB	100	50 000	179 619 776
Tistlarna LC S3 AB	100	50 000	69 786 598
Hätteberget LC S1 AB	100	50 000	118 797 161
Summa			874 281 983

Not 4 Långfristiga skulder

	2021-12-31	2020-12-31
Skulder till koncernbolag	-779 141 881	-
Skulder som förfaller till betalning senare än fem år efter balansdagen	0	-
	-779 141 881	-

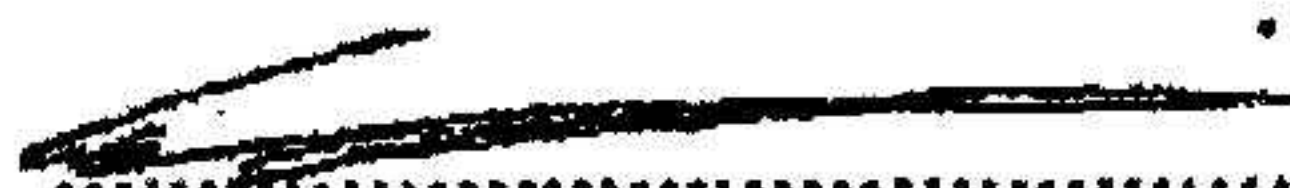
Not 5 Ställda säkerheter


	2021-12-31	2020-12-31
Andra ställda säkerheter	874 288 431	-
	874 288 431	-

Not 6 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter balansdagen som påverkar resultat- och balansräkningen för räkenskapsåret 2021.

Göteborg 2022-06-27


.....
Carl-Axel Åfors
Ordförande


.....
Simon Walker
Styrelseledamot

Certified to be a true copy of the original

Sign: *Rebecca Thendler*
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Tel: +46 734 157 329

March 2022

Annual AIFMD Regulatory Report Supplement PRIME PROPERTY FUND EUROPE SCSp

A. Introduction

The Alternative Investment Fund Managers Directive (2011/61/EU) ("AIFMD") is European Union ("EU") legislation aimed at increasing investor protection and reducing systemic risk by seeking to regulate managers of alternative investment funds ("AIFs") in the EU. To increase transparency to investors and regulators, AIFMD requires alternative investment fund managers ("AIFMs") to meet certain organizational, reporting and disclosure requirements, including the preparation of an annual report supplement.

This annual regulatory report supplement (the "Regulatory Supplement") together with the quarterly fund report constitutes the annual report of Prime Property Fund Europe SCSp (the "Fund") for the period of January 1, 2021 through December 31, 2021 for the purposes of Article 22 of the AIFMD.

References herein to:

- a. the 'Audited Report' are references to the Fund's audited annual report of January 1 through December 31, 2021, distributed on March 8, 2022; and
- b. the 'Offering Memorandum' are references to the Fund's offering memorandum dated July 2021 as updated by the supplement to the offering memorandum dated March 2022 (together, the "Offering Memorandum").

B. Accessing the Audited Report

To access the documents from our Investor Portal:

- Please type <https://matrix.ms.com/> in your browser and log into your Matrix account
- Click "Launch" on the North Haven & PRIME Funds tile
- From the Investor Portal home page, select the large Real Estate Investing button in the middle of the screen to access your December 31, 2021 documents.

C. Disclosures

Please note that all page numbers referred to in this Regulatory Supplement reflect the corresponding page numbers from the Audited Report. To access the Audited Report, please follow the instructions listed in Section B above.

I. Balance sheet or statement of assets and liabilities

The Consolidated Statements of Financial Position as of December 31, 2021 are in the Audited Report on page 8.

II. Income and expenditure account

The Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2021 is in the Audited Report on page 9.

III. Report on the activities of the financial year

The Combined Schedule of Investments as of December 31, 2021 is reported in Note 4 on page 29 of the Audited Report.

IV. Material changes in AIFMD pre-investment disclosure information

For the purposes of Article 22(2)(d) of the AIFMD, there are no further material changes to disclose with respect to the information previously disclosed to limited partners in the Fund's Offering Memorandum pursuant to Article 23 of the AIFMD.

V. Remuneration matters

1. Legal background

This remuneration disclosure has been prepared as required by, and in accordance with, the guidance provided in (1) EU Commission Recommendation on remuneration policies in the financial services sector (2009/384 EC) dated April 30, 2004; (2) EU Directive 2011/61/EU ("AIFMD"); and (3) the European Securities and Markets Authority's "Guidelines on sound remuneration policies under the AIFMD, 2013/232", (the "Guidelines") and in particular with section XIII.I (headed "External Disclosure").

The data used in the analysis for this disclosure relates to the financial year ending December 31, 2021 of Morgan Stanley ("the Firm") and to the remuneration of staff of Morgan Stanley Fund Management Ireland Limited (FMIL) Limited ("the AIFM") and its senior management team and other members of its staff whose actions have a material impact on the risk profile of the AIFs it manages or on the AIFM itself.

2. The "Identified Staff" for the purposes of this disclosure letter

The Guidelines define "Identified Staff" as follows:

- a) "categories of staff, including senior management, risk takers, control functions, staff responsible for heading the investment management, administration, marketing, human resources and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the AIFM's risk profile or the risk profiles of AIF that the AIFM manages" ("**Group A**"); and
- b) "categories of staff of the entity(ies) to which portfolio management or risk management activities have been delegated by the AIFM, whose professional activities

have a material impact on the AIFM's risk profile or the risk profiles of AIF that the AIFM manages ("**Group B**").

References in this disclosure letter to "Identified Staff" or to staff in Group A or Group B, should be construed accordingly.

No Identified Staff are employed or paid by the AIFM itself (as it has no employees). All of the Identified Staff are employees of other Morgan Stanley entities whose professional activities are considered to have a material impact on the risk profile of the AIFM or the AIFs that the AIFM manages, taking into consideration the internal organisation, nature, scope and complexity of the AIFM and the AIFs it manages.

The Identified Staff within Group A are staff who have been seconded to the AIFM and who are therefore subject to the Guidelines as adopted by the Central Bank of Ireland (CBI).

The Identified Staff in Group B are staff of one of the Morgan Stanley group entities to which the portfolio management of one or more of the AIFM's AIFs has been delegated pursuant to Article 20 of the AIFMD. They are not seconded to, or performing a function of, the AIFM. Accordingly they are not staff of the AIFM. They are subject to applicable rules on remuneration which are deemed "equally as effective" as those which apply to Group A or appropriate contractual arrangements are in place in line with paragraph 18(b) of the Guidelines and in line with the CBI AIFMD Questions and Answers.

3. Process for determining remuneration policies and principles

The AIFM, as an affiliate of Morgan Stanley, benefits from the resources available within the Firm and is subject to the remuneration policies and practices that are applied to all regulated entities of the Firm.

In determining, maintaining and implementing remuneration policies and practices applicable to the AIFM, including Identified Staff, the AIFM is subject to the remuneration policies and practices that apply to all Morgan Stanley International Limited (MSI) Group entities as well as those applying to Morgan Stanley globally and may consult, or receive guidance from, the Firm's control functions and relevant remuneration committees to ensure consistency. Remuneration policy is designed to satisfy four key Firm-wide remuneration objectives: (i) deliver pay for sustainable performance, (ii) align remuneration with shareholders' interests, (iii) attract and retain top talent, and (iv) mitigate excessive risk-taking.

In support of these objectives, annual compensation (i.e. remuneration) for the majority of the Firm's employees, including Identified Staff, is comprised of two key elements: fixed remuneration and variable remuneration (variable incentive remuneration) that is discretionary based on, among other factors, Firm performance measured against risk-adjusted metrics and individual and business segment performance.

The committee that manages remuneration for the Firm is the Compensation, Management Development and Succession Committee (CMDS Committee) of the Morgan Stanley Board of Directors. As of December 31, 2021, it consisted of four directors, all of whom are independent under the New York Stock Exchange listing standards. Each year, the CMDS Committee's mandate is to review the Firm-wide aggregate variable remuneration pool for variable incentive remuneration and to review and approve the design and structure of Morgan Stanley's Firm-wide deferred incentive remuneration programs, including the form of deferred incentive

remuneration awards to be granted, the portion of variable incentive remuneration to be deferred, and the vesting, payment, cancellation and clawback provisions of deferred incentive remuneration awards. The CMDS Committee has adopted the Global Incentive Compensation Discretion Policy, which applies to all Firm entities worldwide and sets forth guidance for managers on the use of discretion and considerations for assessing risk management and outcomes when making variable incentive remuneration decisions, and considerations for assessing risk management and outcomes. It has also approved the Global Compensation Policy which covers compensation philosophy and objectives, framework and governance.

In addition, the Board of the AIFM has adopted a remuneration policy (the “MSIM Fund Management (Ireland) Limited Remuneration Policy”) in compliance with AIFMD and the Guidelines as adopted by the CBI.

The policy is also appropriate to the AIFM’s size, internal organization and the nature, scope and complexity of its activities. As well as complying with all of the AIFM’s legal obligations, the principles of the MSIM Fund Management (Ireland) Limited Remuneration Policy support the business strategy, objectives, values and long-term interests of its clients, including the Fund. In particular, the MSIM Fund Management (Ireland) Limited Remuneration Policy is designed to ensure that remuneration is consistent with and promotes sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profile of the AIFs managed by the AIFM.

When determining its own remuneration decisions or influencing the decisions made by other Morgan Stanley entities, the AIFM takes fully into account and complies with (1) Irish, UK and EU legislation; (2) the MSIM Fund Management (Ireland) Limited Remuneration Policy and CBI requirements; and (3) the requirements of other remuneration policies set by the Firm. In doing so, it applies consistent principles with the objective of aligning the incentivisation of Identified Staff with business objectives, supporting the delivery of the AIFM’s business plans and corporate values, avoiding conflicts of interest and enabling the right calibre of staff to be recruited. The AIFM always seeks to ensure, therefore, that the remuneration principles applied by it and the Firm are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the AIFs managed by the AIFM.

The following considerations are taken into account in the design, implementation and oversight of the AIFM’s remuneration policies and practices:

- Overall corporate governance principles and structures as well as their interactions with the remuneration system;
- The inputs provided by all control functions (i.e. human resources, risk management, compliance, internal audit, etc.), which will be properly involved in the design of the Remuneration Policy, as further described below; and
- The clear distinction between operating and control functions, the safeguards for preventing conflicts of interests and the internal reporting system.

4. Involvement of control functions in risk management and remuneration of control functions

The control functions of the Firm assist the AIFM in implementing its overall remuneration strategy, having regard to operational, liquidity, market and counterparty risks.

In particular:

- a. The Risk Management function helps to ensure that the structure and design of remuneration arrangements does not encourage risk taking that is inconsistent with the risk profile of the AIFs managed by the AIFM;
- b. The Human Resources and Compliance functions analyse how the remuneration structure affects the AIFM's compliance with legislation, regulations and internal policies;
- c. The Internal Audit function periodically carries out an independent audit of the design, implementation and effects of the Morgan Stanley's remuneration policies;
- d. The EMEA Remuneration Oversight Committee (EROC) provides formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The membership of the EROC is made up of the EMEA control function heads as well as the EMEA Chief Executive Officer. The EROC reviews activities of the AIFM that may lead to individual or collective adjustments of remuneration for its employees; and
- e. The MSI Remuneration Committee was established with effect from 1 January 2017. It is appointed by the Board of Directors of MSI to assist in discharging its obligations in relation to remuneration matters of MSI and its subsidiaries (the MSI Group) and identified material risk takers. Its remit includes reviewing the remuneration policies and practices of the AIFM in accordance with the Remuneration Code.

The Control Functions, including Risk Management, Compliance, Finance, Internal Audit, and Human Resources, along with Legal, are independent from the businesses they monitor. Those engaged in control functions are remunerated in accordance with objectives linked to their functions. Their objectives are independent of the financial performance of the AIFs of the AIFM. Potential conflicts that may arise in relation to individual remuneration decisions are mitigated by the independent role of Human Resources in the year end remuneration process.

5. Design and structure of remuneration

Remuneration paid to Identified Staff of the AIFM is awarded in accordance with Morgan Stanley principles relating to remuneration. Annual remuneration is comprised of two key elements: fixed remuneration and variable remuneration. Staff eligibility for annual incentive compensation (variable remuneration) is discretionary and subject to a multi-dimensional performance measurement, which considers, as applicable, the performance of the individual, the AIFM, the business segment and the Firm.

Identified Staff receive a total annual remuneration package consisting of fixed pay that is comprised of base salary and, in certain circumstances, one or more allowances that are

reviewed at least annually; and variable remuneration¹, payable partially as a cash bonus and partially in the form of deferred incentive remuneration awards. The amount of variable incentive remuneration is discretionary and is determined on the basis of, but not limited to, a variety of factors, including performance measured against risk-adjusted metrics and individual performance. It is possible that an individual could be awarded no variable incentive remuneration. Deferred incentive remuneration awards are typically subject to vesting over a multi-year period and are subject to cancellation until the payment date for competition, cause (i.e., any act or omission that constitutes a breach of obligation to the Company, including failure to comply with internal compliance, ethics or risk management standards, and failure or refusal to perform duties satisfactorily, including supervisory and management duties), disclosure of proprietary information, and solicitation of employees or clients. Awards are also subject to malus until the payment date if an employee's act or omission (including with respect to direct supervisory responsibilities) causes a restatement of the Firm's consolidated financial results, constitutes a violation of the Firm's global risk management principles, policies and standards, or causes a loss of revenue associated with a position on which the employee was paid and the employee operated outside of internal control policies.

The AIFM competes for access to talent globally with investment management firms, private equity firms, hedge funds, investment banks, brokerage firms and other companies offering financial services, and the AIFM's ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract and retain the most qualified individuals. In support of the AIFM's recruitment and retention objectives, the Firm continually monitors competitive pay levels and structures its incentive awards to include, among other things, vesting, deferred payment and cancellation provisions that protect the AIFM's interests and align the interests of Identified Staff with those of the AIF's investors.

The Firm's Global Incentive Compensation Discretion Policy requires compensation managers to consider only legitimate, business related factors when exercising discretion in determining variable incentive remuneration, including adherence to Morgan Stanley's core values, conduct, disciplinary actions in the current performance year, risk management and risk outcomes. The policy specifically provides that all managers must consider whether or not an individual managed risk appropriately and effectively managed and supervised the risk control practices of his or her reports during the performance year. Compensation managers are trained on the Global Incentive Compensation Discretion Policy and are required to certify that they have followed the requirements of that policy and have escalated situations potentially requiring attention.

Other performance criteria that may be taken into account in deciding whether to award, and the amount of any variable incentive compensation to award, includes (but is not limited to):

- business and market conditions;
- individual conduct, including but not limited to, adherence to Morgan Stanley's code of conduct and policies;
- contribution to the performance and profitability of the business unit, the AIFM and Morgan Stanley;
- contribution to the strategic objectives of the AIFM, business unit, the Firm and the team;
- revenue and profitability of funds managed by a portfolio manager;

¹ The Firm does not award variable remuneration to a non-executive director for their non-executive director role.

- assets managed by a portfolio manager; and
- contribution to client objectives.

6. Quantitative remuneration disclosure²: scope of disclosure

We are required to disclose and include in this report certain aggregate remuneration details for (1) the entire staff of the AIFM³ and (2) the AIFM's senior management team and other members of its staff whose actions have a material impact on the risk profile of the AIFs the AIFM manages or on the AIFM itself⁴.

As explained above, however, the AIFM has no employees. Its staff are all secondees.

We have included in our disclosure the relevant remuneration information details for all Identified Staff – i.e. for those in Group A and Group B (defined above).

² Identified Staff and their associated remuneration are not allocated to individual AIFs so a breakdown by AIF does not exist and is not readily available.

³ Article 22 (2) (e) of AIFMD.

⁴ Article 22 (2) (f) of AIFMD and paragraph 161 of the Guidelines.

To the Partners of
Prime Property Fund Europe SCSp
12E, rue Guillaume Kroll
L-1882 Luxembourg
Luxembourg

REPORT OF THE *REVISEUR D'ENTREPRISES AGREE*

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Prime Property Fund Europe SCSp (the "Fund"), which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statements of comprehensive income, consolidated statement of changes in net assets and consolidated statements of cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prime Property Fund Europe SCSp as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audits in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs) as adopted by the *Commission de Surveillance du Secteur Financier*. Our responsibilities under those standards and the Law of 23 July 2016 are further described in the "Responsibilities of the *réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Fund, and we have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Responsibilities of the Board of Managers of the General Partner for the Consolidated Financial Statements

The Board of Managers of the General Partner is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern at least, but not limited to, 12 months [one year] from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Managers of the General Partner is responsible for overseeing the Fund's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016, GAAS and ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could influence the judgment made by a reasonable user based on the consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016, GAAS and ISAs as adopted for Luxembourg by the CSSF, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.
- 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.

Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 group audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other information included in the Annual Report

The Board of Managers of the 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 report of the "réviseur d'entreprises agréé" thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an opinion or any form of assurance conclusion thereon.

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

For Deloitte Audit, *Cabinet de révision agréé*

Lize Griffiths, *Réviseur d'entreprises agréé*
Partner

March 8, 2022

Prime Property Fund Europe SCSp

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets	Note		
Non-current assets			
Investments properties, at fair value	2,4	€ 1,052,247,254	€ 313,475,315
Deferred rent	2	2,717,079	-
Derivative financial assets	2,7	215,856	-
Total non-current assets		<u>1,055,180,189</u>	<u>313,475,315</u>
Current assets			
Cash and cash equivalents	2	109,981,585	62,799,084
Accounts receivable	2,5	7,475,909	343,085
Other assets	2	5,028,073	5,245,639
Prepaid expenses		1,853,365	895,225
Due from affiliated entity	2	359,027	-
Total current assets		<u>124,697,959</u>	<u>69,283,033</u>
Total assets		<u>1,179,878,148</u>	<u>382,758,348</u>
Liabilities			
Non-current liabilities			
Loans payable	2,6	(298,310,655)	(95,502,391)
Derivative financial liabilities	2,7	-	(1,950,041)
Deferred tax liabilities	2,22	(14,985,200)	(791,249)
Total non-current liabilities		<u>(313,295,855)</u>	<u>(98,243,681)</u>
Current liabilities			
Accounts payable and accrued expenses	2,8	(16,662,433)	(7,357,172)
Loan Payable	2,6	(10,000,000)	-
Other liabilities	2,9	(5,355,085)	(2,161)
Management fees payable	2,16	(1,761,564)	(76,953)
Accrued capital expenditures		(1,274,927)	-
Due to affiliated entity	2	-	(1,201,370)
Total current liabilities		<u>(35,054,009)</u>	<u>(8,637,656)</u>
Total liabilities		<u>(348,349,864)</u>	<u>(106,881,337)</u>
Total net assets		<u>831,528,284</u>	<u>275,877,011</u>
Less: Net assets attributable to non-controlling interests	2	(1,907,473)	(831,675)
Net assets attributable to controlling interests		<u>€ 829,620,811</u>	<u>€ 275,045,336</u>

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

Prime Property Fund Europe SCSp

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2021 and 2020

	Note	December 31, 2021	December 31, 2020
Income			
Rental income and revenue from contracts with customers	2,11	€ 28,800,802	€ 677,351
Net change in unrealized gain (loss) on investment properties through profit or loss	2,10	43,363,171	(2,560,483)
Net realized and unrealized gain (loss) on derivative financial instruments	2,7	1,463,931	(1,950,041)
Total income		73,627,904	(3,833,173)
Expenses			
Real estate operating expenses	2,13	(4,637,864)	(32,009)
Real estate taxes		(1,519,386)	(14,773)
Other non-operating expenses	2,12	(8,305,434)	(3,069,612)
Investment management fees	2,16	(1,761,564)	(76,953)
Foreign currency loss		-	(915,500)
Total expenses		(16,224,248)	(4,108,847)
Interest expense on loans payable	2,6	(1,796,024)	(118,312)
Distribution to holders of redeemable units	2	(7,194,747)	-
Finance costs		(8,990,771)	(118,312)
Changes in net assets attributable to partners, before tax		48,412,885	(8,060,332)
Total income tax	2,22	(14,657,207)	(791,249)
Changes in net assets attributable to partners, after tax		33,755,678	(8,851,581)
Attributable to:			
Controlling interests		33,762,932	(7,843,864)
Non-controlling interests		(7,254)	(1,007,717)
Changes in net assets attributable to partners, after tax		33,755,678	(8,851,581)
Other comprehensive gain			
Foreign currency translation reserve		1,641,280	22,722
Total other comprehensive gain		1,641,280	22,722
Total comprehensive income (loss)		35,396,958	(8,828,859)
Attributable to:			
Controlling interests		35,404,212	(7,821,142)
Non-controlling interests		(7,254)	(1,007,717)
Total comprehensive income (loss)		€ 35,396,958	€ (8,828,859)

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

Prime Property Fund Europe SCSp

Consolidated Statements of Changes in Net Assets

For the years ended December 31, 2021 and 2020

	Partners' capital	Retained earnings	Other comprehensive gain	Net assets attributable to controlling interests	Net assets attributable to non-controlling interests	Total net assets
	€	€	€	€	€	€
As of January 1, 2020	-	(2,633,522)	-	(2,633,522)	-	(2,633,522)
Capital contributions	285,500,000	-	-	285,500,000	1,839,392	287,339,392
Foreign currency translation reserve	-	-	22,722	22,722	-	22,722
Total comprehensive loss	-	(7,843,864)	-	(7,843,864)	(1,007,717)	(8,851,581)
As of December 31, 2020	285,500,000	(10,477,386)	22,722	275,045,336	831,675	275,877,011
Capital contributions	514,500,000	-	-	514,500,000	1,083,052	515,583,052
Reinvested distributions	4,671,263	-	-	4,671,263	-	4,671,263
Foreign currency translation reserve	-	-	1,641,280	1,641,280	-	1,641,280
Total comprehensive income (loss)	-	33,762,932	-	33,762,932	(7,254)	33,755,678
As of December 31, 2021	804,671,263	23,285,546	1,664,002	829,620,811	1,907,473	831,528,284

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

Prime Property Fund Europe SCSp

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	Note	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash flow from operating activities			
Total comprehensive income (loss)		€ 35,396,958	€ (8,828,859)
Adjustments to reconcile total comprehensive income (loss) to net cash used in operating activities:			
Net change in unrealized (gain) loss on investment properties through profit or loss	10	(43,363,171)	2,560,483
Realized foreign currency gain		-	891,113
Unrealized gain (loss) on derivative financial instruments		(2,165,897)	1,950,041
Deferred rent		(2,470,995)	-
Deferred income tax	2,22	14,193,951	791,249
Interest expense on loans payable		3,764,363	118,312
Distribution to holders of redeemable units		7,194,747	-
Purchase of investment properties, including capitalized transaction costs and expenses	4	(681,934,946)	(316,035,798)
Additions to investment properties	4	(12,198,894)	-
Adjustments for:			
Prepaid expenses		(958,140)	(895,225)
Accounts receivable		(7,132,824)	(343,085)
Other assets	2	(28,518)	(5,245,639)
Accounts payable and accrued expenses	2	8,597,215	6,698,402
Other liabilities		5,352,924	2,161
Management fees payable	2,16	1,684,611	76,953
Due to affiliated entity	2	(1,560,397)	(873,978)
Net cash flow used in operating activities		<u>(675,629,013)</u>	<u>(319,133,870)</u>
Cash flow from financing activities			
Proceeds from capital contributions		514,500,000	285,500,000
Contributions from non-controlling interests	2	1,083,052	1,839,392
Distributions paid to holders of redeemable units, net		(2,510,220)	-
Distributions paid to non-controlling interests	2	(13,264)	-
Proceeds from loans payable		330,316,333	96,079,951
Repayments on loans payable		(114,669,720)	-
Interest paid on loans payable		(2,405,294)	(6,783)
Financing cost paid on loans payable		(1,521,035)	(1,245,436)
Net cash flow provided by financing activities		<u>724,779,852</u>	<u>382,167,124</u>
Net change in cash and cash equivalents		49,150,839	63,033,254
Effect of foreign exchange rate changes		(1,968,338)	(234,518)
Cash and cash equivalents - beginning of year		<u>62,799,084</u>	<u>348</u>
Cash and cash equivalents - end of year		<u>€ 109,981,585</u>	<u>€ 62,799,084</u>
Supplemental non cash flows during the year			
Reinvested distributions		€ 4,671,263	€ -
Capital expenditures accrued but not yet paid		€ 1,274,927	€ -

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

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

1. General Information

Prime Property Fund Europe SCSp (the “Fund”) is a Luxembourg special limited partnership established under the laws of the Grand Duchy of Luxembourg. The Fund was constituted on January 17, 2019 and commenced operations on November 1, 2019 (First Closing Date). The Fund invests all of its investible capital into Prime Property Fund Europe S.A., SICAV-RAIF (the “Master Fund” and together with the Fund further referred to herein as “PRIME Europe” or the “Fund”). The Master Fund was constituted on July 9, 2021.

The registered office of the Fund is at 12E, rue Guillaume Kroll L-1882 Luxembourg, Grand Duchy of Luxembourg.

The purpose of the Fund is to (i) identify potential investments, (ii) acquire, hold, improve, develop, re-develop, construct, maintain, operate, manage, lease, mortgage, finance, refinance, sell, exchange, dispose of and otherwise deal in and exercise control over the property or other assets, instruments or interests relating to the underlying investments and (iii) pending utilization or disbursement of funds, invest such funds in accordance with the terms of the Limited Partnership Agreement.

Prime Property Fund Europe GP S.à r.l. (the “General Partner”), a Luxembourg private limited liability company incorporated under the laws of the Grand Duchy of Luxembourg, is the general partner of the Fund. The Master Fund has appointed MSIM Fund Management (Ireland) Limited, an Irish limited liability company, as the alternative investment fund manager of the Fund (the “AIFM”). The AIFM has delegated the portfolio management with respect to the Fund to MSREF Real Estate Advisor, Inc., a Delaware corporation as the investment adviser to the Fund (the “Adviser”). The AIFM retains the risk management function with respect to the Fund. The General Partner has no economic interest in the Fund. The articles of incorporation of the General Partner were published in the Recueil Electronique des Sociétés et Associations (RESA) on 11-13, boulevard de la Foire L-1528, Luxembourg Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Registry section B under number B231.126. The registered office of the General Partner is located at 12E, rue Guillaume Kroll L-1882 Luxembourg, Grand Duchy of Luxembourg.

All terms not defined herein shall have the meaning ascribed to them in the Limited Partnership Agreement.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements and notes of the Fund 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.

The consolidated financial statements have been prepared in accordance with the amended *IFRS 10, Consolidated Financial Statements*.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

In accordance with *IAS 32 Financial Instruments: Presentation*, since the Fund is an indefinite life entity, the Partners' are holders of redeemable units and the distributions of Partners' capital are not considered to be pro rata at liquidation, the investments made by Partners do not meet the criteria for equity classification and are considered to be financial liabilities of the Fund.

Standards and Amendments Issued and Effective

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the consolidated financial statements of the Fund.

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Fund's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date. The Fund intends to adopt those standards when they become effective.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.

There are a number of new pronouncements and standards as of December 31, 2021 that are not yet effective which the Fund is still evaluating and does not know the impact. These pronouncements are as follows:

- Annual improvements to IFRSs 2018-2020 cycle (effective 1 January 2022);
- Amendments to IAS 16, 'Property, plant and equipment' on proceeds before intended use (effective 1 January 2022);
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' on costs of fulfilling a contract (effective 1 January 2022);
- IFRS 17, 'Insurance Contracts', which replaces IFRS 4 ('IFRS17') (effective 1 January 2023);
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting Policies, changes in accounting estimates and errors', on accounting policy disclosures; changes in estimates vs accounting policies (effective 1 January 2023);
- Amendments to IAS 12, 'Income taxes on deferred taxes related to assets and liabilities arising from a single transaction (effective 1 January 2023); and
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' to address the sale or contribution of assets between an investor and its associate or joint venture) effective date deferred indefinitely).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. Specifically, the Fund controls an investee if, and only if, it has:

- Power over the investee (*i.e.*, existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affects its returns.

The Fund re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Fund gains control until the date it ceases to control the subsidiary.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Profit or loss and each component of other comprehensive income (loss) are attributed to the members of the Fund and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Fund obtains control, and continue to be consolidated until the date that such control ceases.

Inter-entity transactions, balances and unrealized gains (losses) on transactions between the Fund entities are eliminated.

Investment Transactions

The Fund acquires subsidiaries that own real estate. At the time of acquisition, the Fund considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Fund 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. This is generally the case if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets such as investment properties. 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 recognized. The Fund marks its investment properties to fair value each reporting period.

Any adjustments are recorded on the accompanying consolidated statements of comprehensive income (loss) in unrealized gain (loss) on investment properties through profit or loss.

Real estate property acquisitions, sales and dispositions are recorded as of the date of closing. Mortgage loans receivable are recorded as of the date funds are advanced. Principal repayments of mortgage loans receivable are recorded as of the date funds are received.

Expenditures that extend the economic life of the property or directly relate to revenues of future periods are capitalized.

Capitalized amounts are not depreciated or amortized since appraisals take into account the estimated effect of physical depreciation.

The Fund determines realized gain (loss) by comparing net proceeds from the sale or disposition of investments to the cost of the investments sold. The unrealized gain (loss) previously recorded for these investments is then reversed and reported as realization of gain (loss) on investments sold or disposed of in the accompanying consolidated statements of comprehensive income (loss) and changes in net assets.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Foreign Currency

Functional and presentation currency

The consolidated financial statements are presented in Euro (“EUR” or “€”), which is also the Fund’s functional currency. All values are rounded to the nearest EUR except where otherwise indicated. Each entity in the Fund determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that 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 recognized in the consolidated statements of comprehensive income (loss), except when they are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income (loss), within finance costs and interest expense.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income (loss) on a gross basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the unrealized gain (loss) on investment properties through profit or loss.

Translation of foreign operations

The monetary assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to EUR at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities are translated to EUR at the foreign currency exchange rate at the date of the transaction. The income and expenses of foreign operations are translated to EUR at the average foreign exchange rate for the period. Foreign exchange differences arising on retranslation are recognized as other comprehensive income.

Investment Properties

Investment properties are properties that are owned by the Fund and are either held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or in the ordinary course of business.

Investment properties comprise developed investment properties and properties that are being constructed or developed for future use as investment properties.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. In the circumstances where the Adviser is required to obtain an Acquisition Appraisal for regulatory requirements, the Acquisition Appraisal will form the basis of valuation of the quarter in which the investments are acquired. Unrealized gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of comprehensive income (loss) in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income (loss) in the year of retirement or disposal.

The Fund's investment properties are all freehold in nature except for PPFE Office Cambridge Sarl which has a ground lease contract. This ground lease has been accounted for in accordance with *IFRS 16, Leases*.

Derivative Financial Instruments

The Fund may use forward currency contracts and interest rate swaps to manage the risks associated with movement in foreign currency rates and interest rates, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Change in unrealized gains or losses on derivative financial instruments is recorded in unrealized gain (loss) on derivative financial instruments in the consolidated statements of comprehensive income (loss).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair Value

Fair value measurement – definition and hierarchy

In determining fair value, the Fund uses various valuation approaches. *IFRS 13 Fair Value Measurements* ("IFRS 13") establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

that reflect the Fund's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination for fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Valuation policy and controls

The General Partner must approve the engagement of the independent appraisers and a third-party reviewer on behalf of the Fund. The independent appraiser will perform quarterly appraisals of the Fund's underlying properties, as described in "Valuation Techniques" below. Asset managers of the Adviser review underlying property related information provided to the appraisers for accuracy and also review the appraisal model for reasonableness and accuracy. The appraisers will generally begin appraising an investment in the first complete quarter following the acquisition of the investment. The Adviser determines individual investment values based on such appraisals and reviews received from the third-party reviewer. These processes are designed to assure that the valuations used for financial reporting are based on

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

observable inputs wherever possible. In the event that observable inputs are not available, the processes are designed to assure that the valuation is prepared using reasonable inputs and assumptions which are consistent with market data or with assumptions that would be used by a third-party participant and assume highest and best use of the investment properties.

The Adviser has created a valuation committee to oversee the valuation process. The valuation committee seeks to ensure that best practices are adopted and adhered to in carrying out the valuation process and that the valuation policy is applied on a consistent basis among all of the Fund's investment properties. The valuation committee is comprised of representatives of the Adviser that are not officers of the Fund. The Adviser reserves the right to appoint and remove members of the committee, change the scope of the committee's responsibilities, and to disband the committee at any time, in its discretion. Valuations are approved by management of the Adviser.

On a quarterly basis, the Adviser furnishes the Board of the General Partner (the "Board") with a list of individual investment values, together with a summary of any adjustments made to the appraisals by the Fund. The Board has the right to inspect all appraisals and supporting materials upon reasonable notice to the Adviser.

Valuation techniques

Investment properties

The values of investment properties held in underlying subsidiaries, partnerships or by operating companies have been prepared giving consideration to the traditional income approaches. Secondary consideration has been given to either the cost or sales comparison approaches of estimating property value.

The income approaches include both the capitalization approach and the discounted cash flow approach.

- Capitalization approach

An investment approach whereby the estimated gross passing income (on both a contract and market rent basis) has been adjusted to reflect anticipated operating costs, potential future income from existing vacancies and an ongoing vacancy and bad debts allowance (based on market rent) to produce a net income on a fully leased basis.

The adopted fully leased net income is capitalized over the remaining term of the lease from the valuation date at an appropriate investment yield. The adopted yield reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by the sales evidence previously detailed. Thereafter, various capital adjustments are made to the calculated core value.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

- Discounted cash flow analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, sale price of the property at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal at the end of the investment period. Having regard to these factors, a discounted cash flow analysis over a 10-year investment horizon is adopted whereby the property is assumed to be sold at the commencement of the eleventh year of the cash flow. The analysis proceeds on a before tax basis, and whilst any potential taxation benefits associated with the property have not been qualified, it is considered that these are an issue which a prospective purchaser would reflect in its consideration. The analysis is predicated on the assumption of a cash purchase. No allowance for interest and other funding costs have been made. The net income has been discounted at each year of the cash flow on a midpoint basis which assumes an income of six months in arrears and six months in advance.

- Cost approach

The cost approach estimates the replacement cost of the building less physical depreciation plus the land value.

- Direct (sales) comparison approach

A process of compiling sales of similar properties and related market data that have been transacted in the market and applying processes involving comparison. This is adopted on the principal of substitution and assumes that the market value bears a close relationship to the values of similar properties which have been recently transacted.

Derivative instruments

The Fund uses third party valuations which utilize models that depend on the contractual terms of, and specific risks inherent in, the instrument as well as certain other observable inputs. Such inputs include yield and credit curves, measures of volatility, agreed-upon terms and rates for a specific contract, and the correlation of these inputs. Since these derivatives are valued by inputs which can generally be corroborated by market data, they are classified as Level 2. All valuations incorporate credit valuation adjustments to appropriately reflect both the Fund's nonperformance risk along with the respective counterparty's risk of nonperformance.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

- Equity instruments

The Fund subsequently measures all equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Fund may

irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognized in profit or loss when the Fund's right to receive payment is established.

Changes in fair value of financial assets are recognized through unrealized gains and losses on the consolidated statements of comprehensive income (loss).

De-recognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income for debt instruments is recognized in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Subsequent measurement

- Debt instruments

Financial liabilities that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Cash and Cash Equivalents

The Fund classifies short-term, highly liquid investments purchased with maturities of 90 days or less and money market accounts, as cash equivalents.

Other Assets

Other assets is comprised of a deposit for a future acquisition for which ownership has not transferred.

Due from (Due to) Affiliated Entity

Represents amounts due from investment management of the fund and to an affiliated entity of the Adviser for expenses paid on behalf of the Fund.

Loans Payable

Represents the remaining principal due on secured and unsecured loans net of unamortized debt issuance costs. Debt issuance costs are capitalized and amortized over the term of the loan which approximates the effective interest method. These costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income (loss), except to the extent that it relates to items recognized directly in other comprehensive income or equity – in which case, the tax is also recognized 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 Fund 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 substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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 Fund and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying value of the Fund's investment property is assumed to be realized 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 Fund 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 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 tax 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.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

The Fund is subject to income tax in different jurisdictions. Significant estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Fund recognizes liabilities for anticipated tax consequences 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 and deferred income tax assets and liabilities in the period in which such determination is made. The carrying values of these estimates are presented on the face of the consolidated statement of financial position.

Accounts Payable and Accrued Expenses

The amount primarily consists of accrued professional fees, administration fees, closing fees and value added taxes ("VAT") payable to Luxembourg VAT authorities.

Non-Controlling Interests

Non-controlling interests in earnings of consolidated entities in the consolidated statements of comprehensive income (loss) represents earnings allocated to non-controlling interests based on the economic ownership percentage of the consolidated partnerships held by third parties throughout the year.

Non-controlling interest in the accompanying consolidated statements of financial position represents the economic equity interests of consolidated partnerships that are not owned by the Fund.

Fair Value of Financial Instruments

The carrying value of financial instruments, generally including cash and cash equivalents, prepaid expenses, accounts receivable, other assets, accounts payable and accrued expenses, other liabilities, management fees payable, due from and (due to) affiliated entity and accrued capital expenditures approximates their fair value due to their short maturity.

Income and Expenses

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in rental income and revenue from contracts with customers in the consolidated statements of comprehensive income (loss) due to its operating nature, except for contingent rental income which is recognized when it arises. Straight-lining of rent is recorded on the balance sheet as deferred rent. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

inception of the lease, the directors of the General Partner are reasonably certain that the tenant will exercise that option.

The costs to enter into lease agreements, which include leasing commissions, are added to the carrying amount of the leased asset. Additional rents, which are provided for in individual tenant leases primarily relate to the reimbursement of certain operating expenses of the real estate properties, parking income, and rents based on a percentage of the tenants' revenues. The Fund recognizes such reimbursement of expenses by tenants and percentage rents as revenue when earned and the amounts can be reasonably estimated.

Other expenses are recognized when incurred.

Principal versus agent considerations – services to tenants

The Fund arranges for certain services provided to tenants of investment property included in the contract the Fund enters into as a lessor, to be provided by third parties. The Fund has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Fund has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Fund has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Fund has concluded that it is the principal in these contracts. In addition, the Fund has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

Capital Contributions and Redemptions

Capital contributions to the Fund from clients are recorded when due. Capital redemptions will become payable when it is requested to be redeemed by the Limited Partners ("LP") in accordance with the Redemption Deadline (at least three months before the relevant Redemption Day) and subject to the General Partner's approval of whether there is sufficient cash to redeem in that quarter. If the LP withdraws its redemption request within the same quarter, no redemption payable will be recorded.

Distributions

The Fund shall pay to the LP, in proportion to such LP's percentage interest, cash which the General Partner determines, in its sole discretion, is available for distribution, on a quarterly basis (or in the sole discretion of the General Partner, more or less frequently), subject to the sole discretion of the General Partner to reserve cash to honor redemption requests, reduce any outstanding Indebtedness of the Fund, make Investments, pay partnership expenses or for any other purpose contemplated by the Limited Partnership Agreement. The General Partner expects to reinvest any proceeds received by the Fund in connection with the disposition of an

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Investment or use such proceeds for any other purpose contemplated by the Limited Partnership Agreement; provided, that such proceeds may be distributed to the LP in proportion to their respective Percentage Interests and at such times as determined by the General Partner in its sole discretion.

Significant Accounting Judgements and Estimates

The preparation of the Fund's consolidated financial statements requires the General Partner to make judgements, estimates and assumptions that affect the amounts recognized in the consolidated financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Acquisition accounting

While the Fund made acquisitions of share deals, management determined that these did not represent the acquisitions of businesses as there were no inputs, outputs, and processes present.

Consolidation of joint ventures

Management determined that the joint venture acquisitions met the concept of control over the non-controlling partners under IFRS 10 and thus has consolidated the financial statements of the subsidiaries into the Fund.

Risk and Uncertainty

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) a "Public Health Emergency of International Concern". Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the business could be materially and possibly adversely affected by the risks, or the public perception of the risks, related to the recent outbreak of COVID-19. In addition, there have been numerous steps taken in various countries, states and local authorities regarding closures which could negatively impact the Fund's business.

The COVID-19 pandemic, or a future pandemic, could have material and adverse effects on our ability to successfully operate and on our financial condition, results of operations and cash flows due to, among other factors:

- a decline in the fair value of investments in real estate assets, which could materially and adversely impact our results of operations
- prolonged economic, market and other disruptions worldwide
- prolonged complete or partial closure of, or other operational issues at, one or more of our properties resulting from government or tenant action

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

- the reduced economic activity could result in a prolonged recession, which could negatively impact our prospects for leasing additional space and/or renewing leases with existing tenants
- delay the decision making of our future tenants or customers, lengthen payment terms and increase rent modifications, all of which could adversely affect our future sales, operating results, cash flows and overall financial performance

The extent of the impact of COVID-19 on the Fund's operational and financial performance will depend on future developments, including the duration and spread of the outbreak. Additionally, the impact could vary by geographic region and property type.

The real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. As a result, determining real estate investment values involves many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair values presented in these consolidated financial statements.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

3. Subsidiaries

The Fund has the following subsidiaries:

Name	Principal place of business	Principal activities	Proportion of ownership interest December 31, 2021 %	Proportion of ownership interest December 31, 2020 %
Direct subsidiary				
PPFE S.A. SICAV-RAIF	Luxembourg	Investment holding	100.0	-
PPFE Holdings Sarl	Luxembourg	Investment holding	100.0	100.0
PPFE Cooperatief. UA ⁽¹⁾	Netherlands	Investment holding	-	100.0
Indirect subsidiary				
PPFE Shark BV.	Netherlands	Investment holding	100.0	100.0
Ostium				
PPFE Gothenburg BidCo AB	Sweden	Investment holding	100.0	100.0
L1 LC Landvetter AB	Sweden	Investment holding	100.0	100.0
L2 LC Landvetter AB	Sweden	Investment holding	100.0	100.0
L3 LC Landvetter AB	Sweden	Investment holding	100.0	100.0
Tistlarna LC S3 AB ⁽²⁾	Sweden	Investment holding	100.0	100.0
Hatteberget LC S1 AB ⁽²⁾	Sweden	Investment holding	100.0	100.0
Viareds LC AB	Sweden	Investment holding	100.0	100.0
Torcolato				
PPFE Logistics Nogarole Rocca Sarl	Luxembourg	Investment holding	100.0	100.0
Italian REIF Emerald Fund	Italy	Investment holding	100.0	100.0
Akos				
PPFE Akos Berlin Sarl	Germany	Investment holding	88.2	88.2
PPFE Akos Freiburg Sarl	Germany	Investment holding	88.2	88.2
PPFE Akos Rieselfeld Sarl	Germany	Investment holding	88.2	88.2
PPFE Akos Sarl	Germany	Investment holding	88.2	88.2
Alice				
PPFE Haukilahti Oy	Finland	Investment holding	100.0	-
Asunto Oy Kokkivuori	Finland	Investment holding	100.0	-
Cambridge				
PPFE Office Cambridge Sarl	United Kingdom	Investment holding	100.0	-
Baker				
PPFE Office Piludski Square sp z.o.o.	Poland	Investment holding	100.0	-
Cross				
PPFE France Sarl	France	Investment holding	100.0	-
PPFE Logistics Croissy-Beaubourg	France	Investment holding	100.0	-
Museum				
PPFE Museokatu Oy	Finland	Investment holding	100.0	-
Kiinteistö Oy Kansanvalistus	Finland	Investment holding	100.0	-
Park Kolonnaden				
PPFE Office Berlin HoldCo Sarl	Germany	Investment holding	89.9	-
PPFE Office Berlin PropCo Sarl	Germany	Investment holding	89.9	-
Lake Park ⁽³⁾				
PPFE Residential Cologne Krohstrasse Sarl	Germany	Investment holding	88.2	-
PPFE Residential Cologne Klerschweg Sarl	Germany	Investment holding	88.2	-
PPFE Residential Cologne Goltsteinstrasse Sarl	Germany	Investment holding	88.2	-
PPFE Residential Cologne Alteburger Strasse Sarl	Germany	Investment holding	88.2	-
PPFE Residential Cologne Bayenthal Sarl	Germany	Investment holding	88.2	-

(1) Dissolved as of December 31, 2021

(2) Holdco III and IV entities merged into Tistlarna and Hatteberget

(3) Formed prior to year-end for a subsequent event acquisition

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

4. Investments

Real Estate Investments

The following tables summarize the investments held by the Fund at fair value as of December 31, 2021 and 2020, respectively:

December 31, 2021

Name	Country	Type	Cost of Real Estate Investment	Fair Value of Real Estate Investment	Accumulated Unrealized Gain (Loss) on Investment	% of Net Assets	Date Acquired
Ostium	Sweden	Industrial	€ 240,888,972	€ 273,583,856	€ 32,694,884	32.94%	December 1, 2020 & April 15, 2021
Torcolato	Italy	Industrial	57,784,222	62,606,025	4,821,803	7.54%	December 10, 2020 & April 26, 2021
Akos	Germany	Residential	120,504,680	125,500,000	4,995,320	15.11%	December 31, 2020
Alice	Finland	Residential	51,280,628	54,750,000	3,469,372	6.59%	January 4, 2021
Cambridge	United Kingdom	Office	61,709,973	60,818,939	(891,034)	7.32%	June 2, 2021
Cross	France	Industrial	25,171,352	29,999,993	4,828,641	3.61%	July 5, 2021
Museum	Finland	Residential	15,469,370	14,825,000	(644,370)	1.79%	July 7, 2021
Baker	Poland	Office	240,905,163	246,463,441	5,558,278	29.68%	July 9, 2021
Park Kolonnaden	Germany	Office	197,730,205	183,700,000	(14,030,205)	22.12%	October 4, 2021
Total			€ 1,011,444,565	€ 1,052,247,254	€ 40,802,689		

December 31, 2020

Name	Country	Type	Cost of Real Estate Investment	Fair Value of Real Estate Investment	Accumulated Unrealized Gain (Loss) on Investment	% of Net Assets	Date Acquired
Ostium	Sweden	Industrial	€ 143,709,560	€ 148,605,785	€ 4,896,225	53.87%	December 1, 2020
Torcolato	Italy	Industrial	51,500,842	52,469,530	968,688	19.02%	December 10, 2020
Akos	Germany	Residential	120,825,396	112,400,000	(8,425,396)	40.74%	December 31, 2020
Total			€ 316,035,798	€ 313,475,315	€ (2,560,483)		

The following tables illustrate the rollforward of the cost of real estate investments for the years ended December 31, 2021 and 2020, respectively:

January 1, 2021	€ 316,035,798
Acquisitions of investment properties	658,417,190
Acquisition costs	23,517,756
Improvement costs	13,473,821
December 31, 2021	€ 1,011,444,565
January 1, 2020	€ -
Acquisitions of investment properties	304,845,386
Acquisition costs	11,190,412
December 31, 2020	€ 316,035,798

5. Accounts Receivable

Accounts receivables as of December 31, 2021 and 2020 were €7,475,909 and €345,085, respectively, and comprised of tenant receivables (net of allowance for doubtful accounts of €30,597 and €0, respectively) and other receivables. Approximately ninety percent of tenant receivables are less than sixty days outstanding.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

6. Loans Payable

Loans payable as of December 31, 2021 and 2020, respectively consists of the following:

	<u>Secured vs. Unsecured</u>	<u>Scheduled Maturity</u>	<u>Contractual Interest Rate</u>	<u>2021 Principal Outstanding</u>	<u>2020 Principal Outstanding</u>
Loans payable:					
Santander Line of Credit ⁽⁶⁾⁽⁷⁾	Unsecured	November 2022	3M EURIBOR + 140bps ⁽¹⁾	€ 10,000,000	€ -
Cambridge ⁽⁸⁾	Secured ⁽⁹⁾	June 2023	SONIA + 190bps ⁽²⁾	29,791,965	-
Ostium	Secured ⁽⁹⁾	November 2025	Blended ⁽³⁾⁽⁴⁾	118,122,856	36,748,441
Park Kolonnaden	Secured ⁽⁹⁾	September 2028	0.94%	92,500,000	-
Akos	Secured ⁽⁹⁾	December 2030	Blended ⁽⁵⁾	60,000,000	60,000,000
Total				<u>€ 310,414,821</u>	<u>€ 96,748,441</u>
Less unamortized debt issuance costs:				<u>(2,104,166)</u>	<u>(1,246,050)</u>
Total loans payable less unamortized debt issuance costs				<u>€ 308,310,655</u>	<u>€ 95,502,391</u>

(1) The EURIBOR (-0.57%) + 140bps.

(2) The SONIA rate at December 31, 2021 was 0.19%.

(3) 30% and 70% of the debt has a fixed interest rate of 1.60% and 1.78% respectively for the year ended December 31, 2021.

(4) The fixed interest rate for the debt outstanding as of December 31, 2020 was 1.60%.

(5) 80% of the debt has a fixed interest rate of 0.77% and 20% has a variable rate of the EURIBOR (-0.57%) + 103bps at December 31, 2021 and EURIBOR (-0.545%) + 103bps at December 31, 2020.

(6) The Fund has a €100 million Line of Credit.

(7) The Fund has an option for a one year extension subject to compliance with all required covenants.

(8) The Fund has an option for a two year extension subject to compliance with all required covenants.

(9) These loans are secured by the underlying properties.

The amount of debt issuance costs capitalized during the years ended December 31, 2021 and 2020 were €1,521,035 and €1,257,331, respectively, as described in Note 2. The amount of debt issuance costs amortized for the years ended December 31, 2021 and 2020 were €651,022 and €44,462, respectively.

Interest expense for the years ended December 31, 2021 and 2020 is €1,796,024 and €118,312, respectively, including an unrealized foreign currency gain on borrowings of €1,968,338 and €111,529, respectively, and is reflected through profit or loss on the consolidated statements of comprehensive income (loss).

As of December 31, 2021 and 2020, the Fund was in compliance with its financial covenants related to loan-to-value ratio, net yield on debt, interest cover ratio and debt yield calculations.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

7. Derivative Financial Instruments

The following tables show the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts as of December 31, 2021 and 2020 respectively:

Instrument	Counterparty	Maturity Date	Notional Amount		Fair Value as of December 31, 2021		
			Foreign Currency	In Exchange for EUR	Assets	Liabilities	Net Amount
Swedish Krona							
Forward Contract	Commonwealth Bank of Australia	11/27/2023	1,112,244,000	106,811,996	€ -	€ (10,140)	€ (10,140)
Forward Contract	Commonwealth Bank of Australia	11/27/2023	51,600,000	4,984,303	28,267	-	28,267
Forward Contract	Commonwealth Bank of Australia	11/27/2023	283,700,000	28,121,128	867,132	-	867,132
British Pound Sterling							
Forward Contract	Commonwealth Bank of Australia	5/7/2024	5,010,000	5,627,317	-	(120,286)	(120,286)
Forward Contract	Commonwealth Bank of Australia	5/7/2024	23,000,000	25,837,181	-	(549,117)	(549,117)
Total					€ 895,399	€ (679,543)	€ 215,856

Instrument	Counterparty	Maturity Date	Notional Amount		Fair Value as of December 31, 2020		
			Foreign Currency	In Exchange for EUR	Assets	Liabilities	Net Amount
Swedish Krona							
Forward Contract	Commonwealth Bank of Australia	11/27/2023	1,112,244,000	106,811,996	€ -	€ (1,950,041)	€ (1,950,041)
Total					€ -	€ (1,950,041)	€ (1,950,041)

The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial period but are indicative of neither the market risk nor the credit risk.

During the year ended December 31, 2021, the Fund terminated forward contracts hedging the Swedish Krona which resulted in a realized loss of the unwind of €701,966.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

8. Accounts payable and accrued expenses

For the years ended December 31, 2021 and 2020, respectively, accounts payable and accrued expenses consists of the following:

	December 31, 2021	December 31, 2020
Accounts Payable	€ (2,942,706)	€ (1,108,456)
Tax Consulting Fees Payable	(35,382)	(503,100)
Accrued Operating Expenses	(9,301,274)	(1,759,425)
Accrued Real Estate Taxes	-	(960,000)
Accrued Corporate Tax	(1,609)	-
Accrued Exp	(1,482)	(9,360)
Accrued Expenses-Other	(1,541,524)	(791,136)
Accrued Legal Fee	(1,109)	(125,497)
VAT Input Account	1,494,922	11,037,327
VAT Output Account	(2,130,636)	(11,317,534)
VAT Control Account	(478,629)	-
Accrued Payroll & Taxes	(6,263)	-
Payable for Sales & Use Tax	(604,486)	(122,089)
Accrued Admin Acctg Exp	(304,663)	(1,598,355)
Accrued Int Expense	(807,592)	(99,547)
Total accounts payable and accrued expenses	<u>€ (16,662,433)</u>	<u>€ (7,357,172)</u>

9. Other liabilities

Other liabilities as of December 31, 2021 and 2020 were €5,355,085 and €2,161, respectively, and comprised of tenant security deposits and unearned rental income.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

10. Fair Value Disclosures

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with IFRS 13. See Note 2 for a discussion of the Fund's policies regarding this hierarchy.

The following fair value hierarchy tables present information about the Fund's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively:

	Level 1	Level 2	Level 3	Balance as of December 31, 2021
Investments properties, at fair value	€ -	€ -	€ 1,052,247,254	€ 1,052,247,254
Derivative financial assets, net	-	215,856	-	215,856
	€ -	€ 215,856	€ 1,052,247,254	€ 1,052,463,110

	Level 1	Level 2	Level 3	Balance as of December 31, 2020
Investments properties, at fair value	€ -	€ -	€ 313,475,315	€ 313,475,315
Derivative financial liabilities	-	(1,950,041)	-	(1,950,041)
	€ -	€ (1,950,041)	€ 313,475,315	€ 311,525,274

The following tables present a reconciliation of the Level 3 instruments at fair value for the years ended December 31, 2021 and 2020, respectively:

	December 31, 2021
Beginning balance	€ 313,475,315
Purchases	681,934,947
Capital expenditures	13,473,821
Unrealized gains, net of foreign currency	43,363,171
Ending balance	€ 1,052,247,254

The change in unrealized gains, net related to investment properties still held as of December 31, 2021 is €43,363,171, including an unrealized foreign currency loss of €3,592,928 and is reflected in unrealized gain (loss) on investment properties through profit or loss on the consolidated statements of comprehensive income (loss).

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

10. Fair Value Disclosures (continued)

	December 31, 2020
Beginning balance	€ -
Purchases	316,035,798
Unrealized losses, net	(2,560,483)
Ending balance	<u>€ 313,475,315</u>

The change in unrealized losses related to investment properties still held as of December 31, 2020 is €2,560,483 and is reflected in net change in unrealized loss on investment properties through profit or loss on the consolidated statements of comprehensive income (loss).

The classification of assets and liabilities subject to the fair value hierarchy is reviewed on a quarterly basis. Transfers between levels are recognized at the end of the quarter in which the transfer occurred.

The tables below provide information on the significant Level 3 unobservable inputs used in the discounted cash flow analysis to measure fair value for each major asset type of investment properties. In each case, unless otherwise noted, the valuation technique used for investment properties is net cash flows ("NCF") and the net average NCF term is 10 years. The valuation technique used for under development is day 1. The weighted average of such inputs as of December 31, 2021 and 2020, respectively, are as follows:

Investment properties - 2021	Fair Value ⁽¹⁾	Discount Rate	Exit Cap Rate	Market Rent ⁽³⁾
Industrial	€ 366,189,874	5.83%	3.98%	€ 53
Residential	183,425,000	4.24%	2.86%	€ 190
Office	307,282,380	5.84%	4.10%	€ 254
Park Kolonnaden	183,700,000 ⁽²⁾	-	-	-
Total	<u>€ 1,040,597,254</u>			

1) Fair values herein exclude future land development of €11,650,000.

2) Investment properties were appraised at fair value other than one office building, Park Kolonnaden, which was held at cost because Portfolio Management believes that cost, net of acquisition costs, approximates fair value as of December 31, 2021.

3) Market rent is expressed on a per square meter basis.

Investment properties - 2020	Fair Value ⁽¹⁾	Discount Rate	Exit Cap Rate
Industrial	€ 52,469,530	5.29%	5.10%

1) The only investment properties appraised in 2020 were the Torcolato assets. The other investment properties were held at cost because Portfolio Management believed that cost, net of acquisition costs, approximated fair value as of December 31, 2020.

All other factors being equal, a higher exit cap rate or discount rate would lead to a decrease in the valuation of an investment and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would have an impact on these changes. For example, if the unobservable inputs move in the same direction, the valuation impact may be magnified, whereas if the unobservable inputs move in opposite directions, the valuation impact may be mitigated.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

10. Fair Value Disclosures (continued)

Sensitivity analysis for investment properties

The following table shows the impact on fair value measurement of assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The sensitivity analysis was deemed to be not meaningful as of December 31, 2020.

	Fair value at December 31, 2021 ⁽¹⁾	Sensitized inputs	Movement in input value	Effect on fair value (€'000)
<u>Investment properties held by the group (by property type):</u>				
Industrial	€ 366,189,874	Discount rate	- 25 bps + 25 bps	7,521 (7,526)
		Cap rate	- 25 bps + 25 bps	17,880 (15,902)
		Market rent	- 5 bps + 5 bps	(23,392) 29,162
Residential	183,425,000	Discount rate	- 25 bps + 25 bps	15,897 (13,247)
		Cap rate	- 25 bps + 25 bps	15,685 (11,414)
		Market rent	- 5 bps + 5 bps	(6,822) 6,851
Office	307,282,380	Discount rate	- 25 bps + 25 bps	6,789 (6,463)
		Cap rate	- 25 bps + 25 bps	15,490 (13,922)
		Market rent	- 5 bps + 5 bps	(13,219) 16,217
Park Kolonnaden ⁽²⁾	183,700,000	NM	NM	NM
Total	€ 1,040,597,254			

1) Fair values herein exclude future land development of €11,650,000.

2) The Fund's investment in Park Kolonnaden was held at cost because Portfolio Management believed that cost, net of acquisition costs, approximated fair value as of December 31, 2021. Therefore, the sensitivity analysis for this investment was deemed not meaningful.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

11. Rental income and Revenue from Contracts with Customers

For the years ended December 31, 2021 and 2020, respectively, rental income and revenue from contracts with customers were, as follows:

	December 31, 2021	December 31, 2020
Rental income	€ 21,551,755	€ 411,079
Straight-line rent	2,470,995	243,191
Reimbursable expenses	4,114,252	23,081
Parking income	663,800	-
Total rental income and revenue from contracts with customers	<u>€ 28,800,802</u>	<u>€ 677,351</u>

12. Other Non-Operating Expenses

For the years ended December 31, 2021 and 2020, respectively, other non-operating expenses consists of the following:

	December 31, 2021	December 31, 2020
Legal fees	€ 3,571,551	€ 1,005,260
Third party administrative fees	1,844,100	773,595
Tax advisory fees	342,606	356,637
Salaries	363,407	-
Non-recoverable VAT	321,770	-
Directors fees	276,318	264,301
Appraisal fees	253,728	-
Bank fees	228,590	53,028
Audit fees	224,231	138,164
T&E reimbursable expenses	179,044	219,876
Miscellaneous expenses	170,122	-
Other non-operating expenses	147,281	-
Other services	382,686	258,751
Total other non-operating expenses	<u>€ 8,305,434</u>	<u>€ 3,069,612</u>

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

13. Real estate operating expenses

For the years ended December 31, 2021 and 2020, respectively, real estate operating expenses consists of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cleaning-Recoverable	€ 271,348	€ -
Repairs & Maint-Recoverable	256,634	281
Security-Recoverable	163,470	-
Landscape-Recoverable	76,177	-
Utilities-Recoverable	160,215	100
Utilities-Recoverable-Electricity	1,055,355	8,293
Utilities-Recoverable-Water & Sewer	67,715	-
Administrative-Recoverable	251,927	-
Advertising & Promo-Recoverable	653	-
Insurance Expense-Recoverable	115,599	-
Property Management Fees - Recoverable	125,598	1,230
Other Operating Expense-Recoverable	-	13,295
Cleaning-Non-Recoverable	26,446	-
Repairs & Maint-Non-Recoverable	469,533	-
Landscape Non-Recoverable	18,089	-
Utilities-Non-Recoverable	300,323	-
Leasing Expense	1,202	-
Leasing Commissions	107,463	-
Admin-Non-Recoverable	95,856	217
Admin-General	25,910	-
Annual General Meeting Expense	77	-
Advertising & Promo-Non-Recoverable	5,827	-
Insurance Exp-Non-Recoverable	126,159	6,586
Bank Fee Expenses - NOI	448	-
Property Management Fees - Non-recoverable	867,177	11,352
Other Taxes	16,834	(9,345)
Professional Fees-Legal	31,829	-
Total real estate operating expenses	<u>€ 4,637,864</u>	<u>€ 32,009</u>

14. Redemptions

The ability of a client to redeem funds from the Fund is subject to the availability of cash arising from net operating profit (loss), purchases and the sale of investments in the normal course of business after the expiration of the Lock-Up Period date of November 1, 2022 (thirty-six months after the first Capital Commitments were accepted by the General Partner). To the extent that redemption requests exceed such available cash, the Adviser has uniform procedures to provide for cash payments, which may be deferred for such period as the Adviser considers necessary to protect the interests of other clients in the Fund or to obtain the funds to be redeemed.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

15. Related Party Transactions

For the years ended December 31, 2021 and 2020, the Fund incurred fees payable to the directors of the General Partner of €276,318 and €264,301, respectively. As of December 31, 2021 and 2020, €81,805 and €60,000, respectively, remained payable.

16. Investment Management Fees

The Fund pays the Adviser base management fees (the “Base Fees”) on a quarterly basis and the Base Fees are reimbursable from the LP. The Base Fees have been attributed to each individual LP in the Fund based on its respective fee rates multiplied by the Fund’s net asset value (“NAV”) attributable to the LP’s units at the beginning of each quarter. In the case of the first calendar quarter fees, the rates were multiplied by the amount of the capital contributions made by each LP in respect of the first drawdown notice pro-rated by the number of days remaining in such calendar quarter as provided for in the Limited Partnership Agreement. The Base Fees payable to the Adviser are charged in profit and loss on a quarterly basis.

For the years ended December 31, 2021 and 2020, the Fund incurred management fees of €1,761,564 and €76,953, respectively. As of December 31, 2021 and 2020, €1,761,564 and €76,953, respectively, were payable to the Adviser. Base fees were reimbursed by the limited partners from the distribution declared of which a portion of the net amount was reinvested in the Fund.

17. Financial Risk and Management Objectives and Policies

The Fund’s activities expose it to credit risk, liquidity risk and market risk in the normal course of its business. The Fund’s overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Fund’s financial performance. The Fund is considering the use of financial instruments such as forward currency contract, interest rate swap and cross currency swap to hedge certain financial risk exposures.

The General Partner is responsible for setting the objectives and underlying principles of financial risk management for the Fund. This is supported by comprehensive internal processes and procedures which are formalized in the Adviser’s organizational and reporting structure, operating manuals and delegation of authority guidelines.

The Adviser oversees how management monitors compliance with the Fund’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Adviser is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Fund.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

17. Financial Risk and Management Objectives and Policies (continued)

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligations. The Fund's exposure to credit risk arises primarily from accounts receivable.

For other financial assets (including cash and cash equivalents and derivative financial instruments), the Fund minimizes credit risk by dealing exclusively with high credit rating counterparties.

The Fund's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. Credit evaluations are performed by the Fund before lease agreements are entered into with lessees. In addition, the Fund requires lessees to provide tenancy security deposits. Cash and short-term deposits are placed with financial institutions which are regulated.

At the end of reporting period, the maximum exposure to credit risk is represented by the net carrying amount of that class of financial instruments.

The Fund considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Fund compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Fund considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal and external credit rating.
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Fund and changes in the operating results of that debtor.

The Fund has determined the default event on a financial asset to be when the debtor fails to make payments, within 90 days when they fall due, which are derived based on the Fund's historical information, adjusted for forward-looking factors specific to the debtor and the economic environment.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

17. Financial Risk and Management Objectives and Policies (continued)

Where a full provision has been provided for a receivable, the Fund continues to engage enforcement activity to attempt to recover the receivable due.

The Fund categorizes a receivable for write-off when the Fund has no reasonable expectation of recovering the receivable in its entirety or a portion thereof. When recoveries are made, these are recognized in profit or loss.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations due to shortage of funds. The Fund's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Fund's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Fund monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Fund's operations. In addition, the Fund also monitors and observes the bank covenants imposed by the banks on the various borrowings. As of December 31, 2021, the Fund had unfunded commitments totaling €70.0 million.

Market Risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. The financial instruments held by the Fund that are affected by market risk are principally the derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate risk arises primarily from its borrowings.

The Fund constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities.

Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through the use of interest rate swaps. As of December 31, 2021 and 2020, the Fund had no outstanding interest rate swaps.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

17. Financial Risk and Management Objectives and Policies (continued)

Foreign currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Fund and impact the Fund's total return for the period.

The Fund's foreign currency risk relates mainly to its distribution to unitholders in EUR. The Fund monitors its foreign currency exposure on an on-going basis and manages its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

See Note 7 for more detail on the Fund's current position in foreign currency instruments.

18. Leases

The following tables present minimum future rentals scheduled to be received on real estate properties, excluding apartment properties, under noncancelable operating leases in effect for the years ended December 31, 2021 and 2020, respectively, are as follows (in thousands):

Year Ended December 31,	
2022	€ 27,652
2023	27,434
2024	25,660
2025	21,091
2026	17,109
Thereafter	41,423
Total	<u>€ 160,369</u>

Year Ended December 31,	
2021	€ 7,710
2022	8,498
2023	8,388
2024	8,215
2025	6,260
Thereafter	26,782
Total	<u>€ 65,853</u>

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

19. Reconciliation of NAV

Organizational expenses are written off in accordance with IFRS on the consolidated statements of comprehensive income (loss). In accordance with the Limited Partnership Agreement, organizational expenses are amortized over a period of 60 months commencing on October 1, 2020 to June 30, 2021 and thereafter, based upon an amendment to the Limited Partnership Agreement, are amortized over a period of 120 months on a straight-line basis.

Acquisition costs are capitalized and subsequently factored into the fair value adjustment each reporting period through unrealized gain (loss) on investment properties through profit and loss. In accordance with the Limited Partnership Agreement, acquisition costs are capitalized and amortized over a period of 120 months commencing on the acquisition date of each investment property.

Also, per the Limited Partnership Agreement, an adjustment may be required for a provision related to deferred taxation at fair value that has been recorded in accordance with IFRS, based on the Adviser's expected manner of disposition of each investment.

The restructuring expenses of the Fund and the Master Fund incurred from January 1, 2021 until the Restructuring Effective Date (as defined in the Partnership Agreement), is to be amortized on a straight line basis over a period of 120 months commencing on the Restructuring Effective Date.

The difference between the NAV per the Limited Partnership Agreement and that shown on the consolidated statements of financial position is attributable to the expensing of organizational expenses, the capitalization of certain acquisition costs and a deferred tax adjustment.

This will not impact the ongoing net asset valuations produced by the Fund, the related subscription and redemption pricing or the calculation of fees based on NAV.

	December 31, 2021	December 31, 2020
NAV of controlling interests per Partnership Agreement	€ 865,781,577	€ 284,669,445
Adjustments to certain acquisition costs	(30,478,581)	(10,151,741)
Adjustments to organizational expenses	(2,010,136)	(2,375,000)
Adjustments for deferred taxes ⁽¹⁾	(3,038,813)	2,902,632
Adjustments to restructuring costs	(633,236)	-
NAV of controlling interests per consolidated statement of financial position	<u>€ 829,620,811</u>	<u>€ 275,045,336</u>

⁽¹⁾ During several acquisitions, the Fund acquired a deferred tax asset/liability that reduces or increases the cost of the purchase price. In the event that the Fund sells these acquisitions, the deferred tax asset/liability would increase or reduce the sale price.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

20. Capital Management

The capital of the Fund is represented by the net assets attributable to controlling interests. The amount of net assets attributable to controlling interests can change significantly on a quarterly basis, as the Fund is subject to quarterly subscriptions and redemptions (subject to Note 14) at the discretion of the Adviser, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the LP, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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

- Monitor the level of quarterly subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of distributions the Fund pays to the LP.
- Redeem and issue new units in accordance with the Limited Partnership Agreement, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Adviser monitor capital on the basis of the value of net assets attributable to the LP.

21. Commitments and Contingencies

In the normal course of business, the Fund may encounter certain litigation that could arise. However, the Fund does not currently have any pending litigation but would expect the risk of loss to be remote and not materially affect the financial position or results of operations of the Fund pursuant to any claims.

In November 2021, the Fund committed to invest €76,316,993 to acquire an 88.2% interest in a residential building located in Cologne, Germany. As of December 31, 2021, the Fund had deposited €5,000,000 towards that commitment.

Prime Property Fund Europe SCSp

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

22. Income Tax

	December 31, 2021	December 31, 2020
Current income tax charge / (credit)	€ 403,097	€ -
Deferred income tax charge / (credit)	14,193,951	791,249
Fund Subscription tax charge / (credit)	60,159	-
Income tax reported in consolidated statement of comprehensive income (loss)	€ 14,657,207	€ 791,249

The reconciliation between tax expense and amount arrived at by applying the Luxembourg domestic tax rate of 24.94% for the years ended December 31, 2021 and 2020 respectively to the net income before tax is as follows:

	December 31, 2021	December 31, 2020
Income attributable to partners, before tax	€ 57,232,221	€ (8,060,332)
Tax charge / (credit) calculated at the Luxembourg domestic tax rate of 24.94% (2020: 24.94%)	€ 14,273,716	€ (2,010,247)
Adjusted for the effects of:		
- Income and losses not subject to tax	€ (544,213)	€ 814,347
- Non-deductible expenses	2,456,537	-
- Impact of differences in local tax rates	(2,320,366)	(114,145)
- Tax losses for which no deferred tax asset recognised	1,038,512	2,101,294
- Utilisation of previously unrecognized tax losses	(249,932)	-
- Deferred tax initial exemption	-	-
- Other	(57,206)	-
- Fund Subscription tax	60,159	-
Income tax charge / (credit) reported in statement of comprehensive income	€ 14,657,207	€ 791,249

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

22. Income Tax (continued)

The Fund is subject to income tax in different jurisdictions. The tax rates applicable in the different countries are as follows:

	December 31, 2021	December 31, 2020
Luxembourg ⁽¹⁾⁽²⁾⁽³⁾	24.94%	24.94%
Netherlands	25.00%	25.00%
Sweden ⁽⁴⁾	20.60%	21.40%
Italy ⁽⁵⁾	0.00%	0.00%
Germany	15.83%	15.83%
Finland	20.00%	-
UK	19.00%	-
Poland	19.00%	-
France	26.50%	-

(1) The Feeder entity, being a Luxembourg SCSp, is not subject to tax in Luxembourg as it is fiscally transparent in nature. The entities held by the SCSp are subject to taxation in their various jurisdictions, unless where otherwise described.

(2) The Master Fund, a Luxembourg SA SICAV-RAIF, is not subject to corporate income tax in Luxembourg and instead pays subscription tax of 0.01% on its Net Asset Value.

(3) The Luxembourg domestic tax rate was considered the most meaningful rate to use in the tax reconciliation on the basis that:

- the profits are earned across several jurisdictions and none of those jurisdictions dominates the Fund's portfolio; and
- the majority of the foreign subsidiaries are held by Luxembourg intermediate holding companies

(4) In Sweden, taxable income is subject to corporate tax at a flat rate of 20.6% applicable as from January 1, 2021 (21.4% for the year ended December 31, 2020)

(5) The Italian asset is held through an Italian Real Estate Investment Fund ("REIF"). Under the special tax regime which applies to REIFs, the REIF is exempt from corporate income tax and thus no tax is payable on capital gains realised on investment assets.

The total deferred tax balance comprised of deferred tax liabilities and assets as at December 31, 2021 and 2020, respectively:

	Deferred tax liability as at 1 January 2021	Deferred tax charged / (credited) to the income statement	Deferred tax liability as at 31 December 2021
Deferred tax liabilities			
Unrealised gains on investment properties	€ 791,249	€ 14,963,164	€ 15,754,413
	<u>€ 791,249</u>	<u>€ 14,963,164</u>	<u>€ 15,754,413</u>
	Deferred tax asset as at 1 January 2021	Deferred tax charged / (credited) to the income statement	Deferred tax asset as at 31 December 2021
Deferred tax assets			
Temporary differences	€ -	€ (769,213)	€ (769,213)
	<u>€ -</u>	<u>€ (769,213)</u>	<u>€ (769,213)</u>

Deferred tax assets in respect to tax losses carried forward totaling €2,553,814 and €213,627 have not been recognized for the years ended December 31, 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

23. IFRS to US GAAP Reconciliation

IFRS may vary in certain respects from accounting principles generally accepted in the United States (“US GAAP”). The following table reconciles the Fund’s Consolidated Statements of Financial Position as of December 31, 2021 and 2020, respectively, between IFRS and US GAAP:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net assets attributable to controlling interests as reported under IFRS	€ 829,620,811	€ 275,045,336
Difference in:		
Adjustments for deferred taxes	(32,648,837)	(2,902,632)
Net assets attributable to controlling interests as reported under US GAAP	<u>€ 796,971,974</u>	<u>€ 272,142,704</u>

The following table presents US GAAP financial highlights attributable to limited partners for the years ended December 31, 2021 and 2020, respectively:

Per unit operating performance	<u>2021</u>	<u>2020</u>
Net asset value, beginning of period	€ 9,964.73	€ 10,000.00
Income from investment operations:		
Net investment loss, after fees	(754.50)	(113.13)
Unrealized gain (loss) on investment transactions	927.09	(268.58)
Foreign currency gain (loss), net of hedging impact	31.90	(122.08)
Non-controlling interests	18.01	43.27
Net asset value, end of period	€ 10,187.23	€ 9,539.48
Trading NAV adjustments	-	425.25
Net asset value, adjusted	€ 10,187.23	€ 9,964.73
Total return, after fees	2.24%	(4.61%)
Total return, before fees	2.52%	(4.57%)
Ratio to average net assets:		
Operating expenses	2.61%	1.39%
Investment management fees	0.28%	0.03%
Total expenses	2.89%	1.42%
Net investment loss	(5.63%)	(1.13%)

(1) December 31, 2020 beginning unit value was the initial value assigned to the first capital call from investors on November 24, 2020 per the Limited Partnership Agreement.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

24. Subsequent Events

The Fund has evaluated all subsequent events through the date that the consolidated financial statements were approved by the General Partner and available for issuance (March 8, 2022).

On January 4, 2022, the Fund entered into a joint venture agreement with d.i.i. Invest AK GMBH (“d.i.i.”) at 88.2% and 11.8% respectively, to acquire an interest in Project Lake Park, a residential building located in Cologne, Germany. The total acquisition amount was €154,983,093, of which €76,316,993 was contributed by the Fund, €2,344,101 from d.i.i. and €76,321,999 was received as an external loan.

On January 27, 2022, the Fund drew on their line of credit from Banco Santander in the amount of €20,000,000.

On January 27, 2022, the Fund acquired a 100% interest in Project Tolo, a residential building located in Helsinki, Finland in the amount of €15,673,000, which was funded with proceeds drawn from the line of credit.

On February 15, 2022, the Fund drew on their line of credit from Banco Santander in the amount of €20,000,000.

On February 15, 2022, the Fund acquired a 100% interest in Project Cross II, a logistics asset located near Lyon, France in the amount of €22,500,000, which was funded with proceeds drawn on the line of credit.

No other material events have occurred subsequent to December 31, 2021.

March 2022

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**UNAUDITED
INFORMATION**

Annual AIFMD Regulatory Report Supplement

PRIME PROPERTY FUND EUROPE SCSp

1. Quantitative remuneration disclosure: financial information

On the basis of (1) our own financial records for staff in Group A and (2) the financial information supplied to us (pursuant and subject to their respective sectoral and jurisdictional obligations, both legal and regulatory) by entities to which relevant investment management activities have been delegated (the “**Delegate Companies**”), the requisite remuneration information in respect of the 2021 financial year ending December 31, 2021 was as follows:

- a. The total fixed remuneration paid to all staff of the AIFM (including for these purposes Identified Staff) was USD \$19.7 Million.
- b. The total variable remuneration (variable incentive compensation) paid to all staff of the AIFM (including for these purposes Identified Staff) was USD \$38.1 Million.
- c. The number of individuals included as the AIFM’s staff (including for these purposes Identified Staff) was 80.
- d. The total remuneration (fixed and variable combined) paid to senior management and members of staff whose actions have a material impact on the risk profile of the AIFs (the Identified Staff) was USD \$57.5 Million.
- e. There were no Carried Interest or Incentive Fees paid or accrued by the Fund to the Active Deal Team.

2. Quantitative remuneration disclosure: rationale for apportionment

In calculating the "remuneration paid" to the staff in a) to d) above, we have, in accordance with the AIFMD and the Guidelines, adopted a proportionate approach and included a relevant proportion of staff’s total remuneration. The apportionment method takes in to account a number of factors including, but not limited to; number of accounts managed by investment managers, number of accounts of the contracting entity, headcount of the Investment Management business as a proportion of the Institutional Securities Group and Investment Management Group overall headcount.

3. Periodic Disclosures

Liquidity

On May 5, 2021, the Fund entered in to a credit facility agreement with Banco Santander, S.A., in the amount of €100,000,000, to manage liquidity issues during the course of operations.

Special Arrangements

There are no material changes to disclose with regard to special arrangements in respect of the Fund's liquidity.

Risk Profile

The current risk profile of the Fund accords with the risk profile described on page 87 in Section VII – Risk Factors of the Offering Memorandum.

Leverage

As at December 31, 2021, the Fund leverage (as defined by AIFMD) is as follows:

- Gross method: 1.51 x
- Commitment method: 1.42 x

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