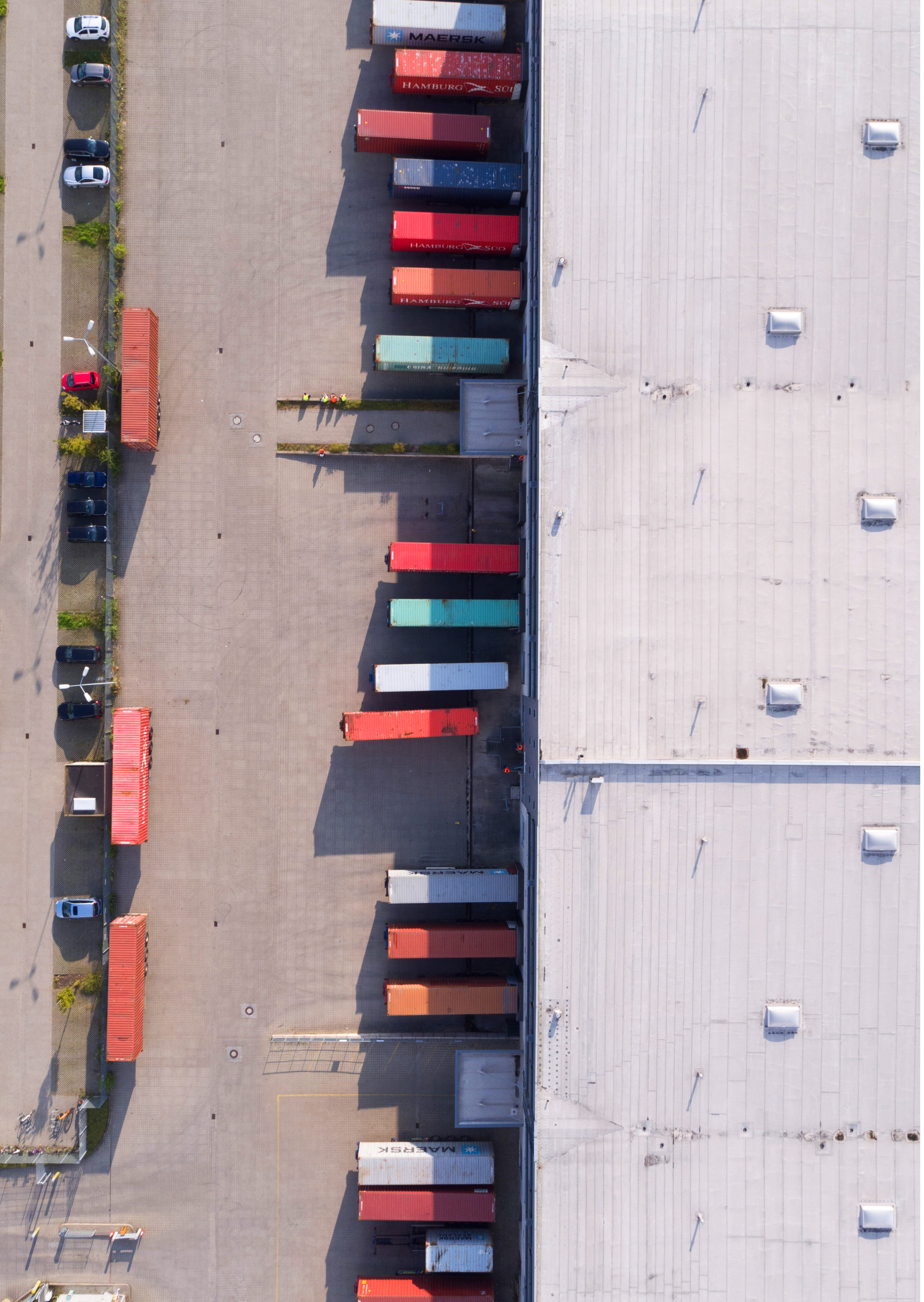
Blackstone

2018 Annual Report

Blackstone Property Partners Europe Holdings S.à r.l.

Contents



Management Statement

Dear Investors,

We are pleased to present the Blackstone Property Partners Europe Holdings S.à r.l. ("BPPEH") 2018 Annual Report. In our first year, we have successfully delivered on our key objective of assembling a high-quality, diversified portfolio of substantially stabilised assets concentrated in Europe's best performing markets. We have done so by focusing on our areas of highest conviction – logistics, residential, and office – and leveraging the scale and expertise of Blackstone's $136 billion global real estate business.

Our portfolio grew to a total GAV of €4 billion and continues to expand, with our most recent acquisitions strengthening our presence in Europe's most dynamic and innovation-focused cities. Since inception, we closed on 22 individual acquisitions and grew the portfolio to 240 assets spanning six countries. Operating performance across our asset base has been strong, with our portfolio 98% leased on a five-year WALL (excluding residential) as of 31 December 2018. As we acquired our portfolio primarily throughout 2018, we expect to report like-for-like data and related performance metrics in our 2019 Annual Report.

As our portfolio has grown in scale, we have maintained a conservative debt profile. During 2018, we established an EMTN programme and subsequently issued €1.25 billion of unsecured notes, followed by a €500 million issuance in February 2019. The proceeds were primarily used to repay existing bank debt, which resulted in a more flexible, longer duration capital structure.

BPPEH was awarded a BBB- rating with a positive outlook by Standard & Poor's, noting the potential for an upgrade as the business expands and diversifies further. We also increased our funding flexibility by closing on a revolving credit facility, which was upsized to €230 million in January 2019.

Following what has been a successful first year, we look forward to carrying our momentum into 2019. We thank you for your continued support.

Frank Cohen
Global Head of Core+ Real Estate
Blackstone

James Seppala
Head of Real Estate Europe
Blackstone

Jean-Francois Bossy
Board Member
BPPEH

Diana Hoffmann
Board Member
BPPEH

Business Overview & Strategy

BPPEH seeks to acquire high-quality, substantially stabilised real estate assets across Europe. Investments are concentrated in the logistics, residential, and office sectors, with a focus on major European markets and key gateway cities. BPPEH is 100% owned by Blackstone Property Partners Europe, an open-ended core+ real estate fund managed by Blackstone.

Blackstone is the largest real estate asset manager in the world, with $136 billion of equity under management as of 31 December 2018. In addition, Blackstone is one of the largest owners of real estate in Europe, managing a €69 billion portfolio across 24 countries.

Blackstone's access to proprietary information from its global portfolio coupled with the breadth and expertise of its team enable BPPEH to identify attractive investment themes on which it can execute in scale.

The Blackstone platform allows BPPEH to source and evaluate investment opportunities that others may not be able to pursue. Blackstone has developed an unrivaled network of relationships with real estate owners, operating partners and agents, which provide BPPEH with access to off-market transactions. In addition, we target opportunities where our ability to navigate complexity and transact quickly allows us to invest at an attractive basis.

BPPEH is focused on value creation through active asset management, including leasing, physical renovations, and expense management. This is driven by Blackstone's dedicated asset management professionals and over 2,800 employees within Blackstone's portfolio companies and operating partners across Europe who have a deep-rooted expertise in all our major markets.

BPPEH seeks to finance its investments with moderate leverage, targeting 45-50% LTV. BPPEH aims to have a principally unsecured capital structure with fixed interest rates and a staggered debt maturity profile. Combined with BPPEH's focus on a high-quality, diversified asset base, we believe our financing strategy results in an attractive, low-risk investment profile.

Key Highlights

Key Highlights

Large, Diversified Portfolio

6 Countries

€4.0B GAV

240 Assets

Stable Cash Flows with Operational Upside

98% Occupancy

5-Year WALL

15% Below market rents

Strong Credit Profile

48% Net LTV

1.7% Weighted average interest rate

59% Fixed rate debt

Blackstone's European Management Platform

€69B Real estate portfolio

2,800+ Employees[1]

22 Years of investing experience in Europe

Note: All BPPEH metrics in this Annual Report are calculated at 100% share (including the portion attributable to minority owners). See definitions on page 70.

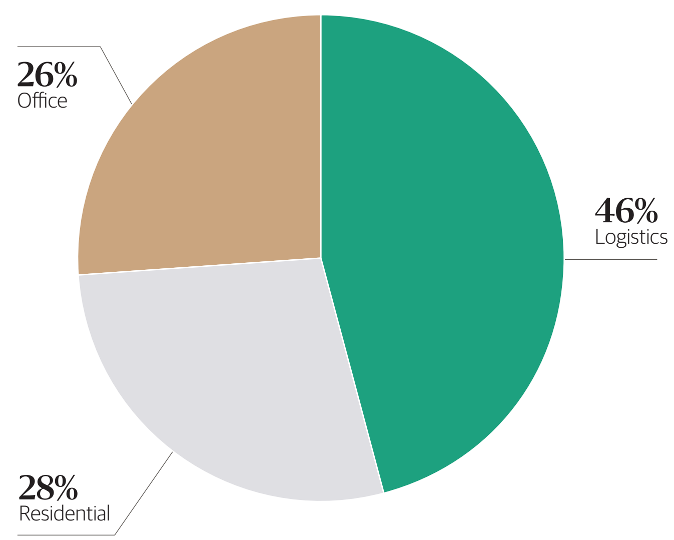
1. Includes Blackstone's operating partners and portfolio companies.

Portfolio Overview

BPPEH owns a diversified portfolio of high-quality, well-located properties in the logistics, residential, and office sectors. The portfolio consists of 240 assets spanning 2.6 million square metres across six countries, with a GAV of €4.0 billion as of 31 December 2018.

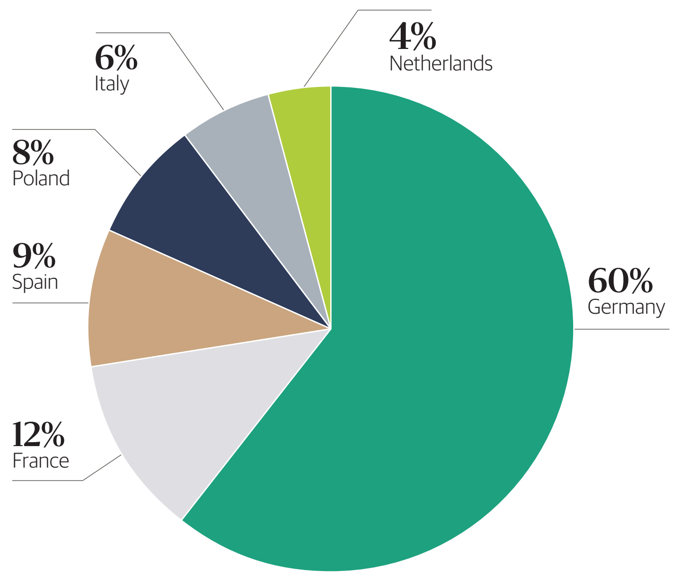
Sector Allocation

(% of GAV)



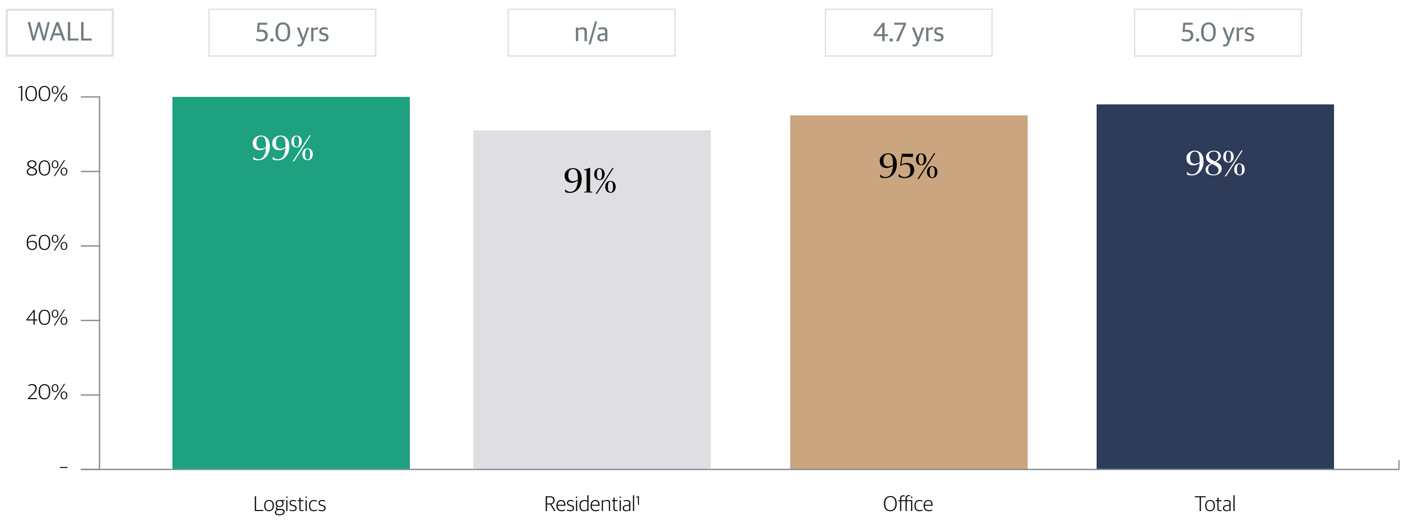
Geographic Allocation

(% of GAV)



Note: Pie chart totals may not sum due to rounding.

Occupancy and WALL by Sector



Acquisitions

BPPEH follows a disciplined investment approach, with a focus on acquiring high-quality assets in growth markets at attractive pricing. BPPEH's portfolio has been assembled through 22 transactions with an all-in cost of €3.8 billion since its inception in December 2017. Individual transaction sizes range from €31 million to €659 million, illustrating the breadth of investment opportunities BPPEH evaluates.

Logistics: BPPEH acquired seven portfolios comprising 55 properties and 2.1 million square metres. These portfolios were purchased from a variety of sellers, including publicly-listed real estate companies and closed-end funds nearing the end of their fund life. Many of these portfolios spanned multiple jurisdictions, which narrowed the field of potential buyers.

Residential: BPPEH acquired seven portfolios comprising 176 properties and 4.6k residential units. Two large acquisitions, one of which was a take-private of an AIM-listed company, represent approximately 80% of our investments in the sector to date. The remaining units were acquired primarily through smaller, off-market transactions.

Office: BPPEH acquired nine properties comprising 148k square metres across five major European cities – Berlin, Barcelona, Paris, Munich, and Rome. BPPEH is able to efficiently source, underwrite, and manage a geographically diverse portfolio due to Blackstone's long-standing presence in each of these markets.

Dispositions

To maximise the value of its portfolio, BPPEH may seek to selectively dispose of non-core assets. We currently have two long-leased logistics assets in Poland, comprising 163k square metres, that are held for sale. The assets are expected to be sold in 2019.

1. Represents occupancy of residential units only. Adjusting for vacancy due to refurbishment, average residential occupancy would be 97%.

Logistics

BPPEH owns a €1.9 billion pan-European portfolio of high-quality logistics assets located in key distribution corridors. The portfolio consists of 55 properties comprising 2.1 million square metres across six countries. The portfolio is 99% occupied on a 5.0-year WALL.

GAV
€1.9B

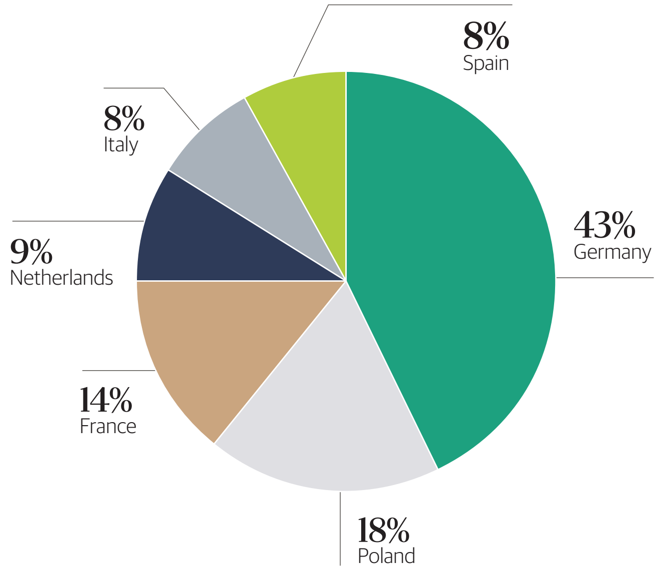
Square Metres
2.1M

Occupancy
99%

WALL
5.0 Years

Geographic Allocation

(% of GAV)



Logistics Portfolio Summary

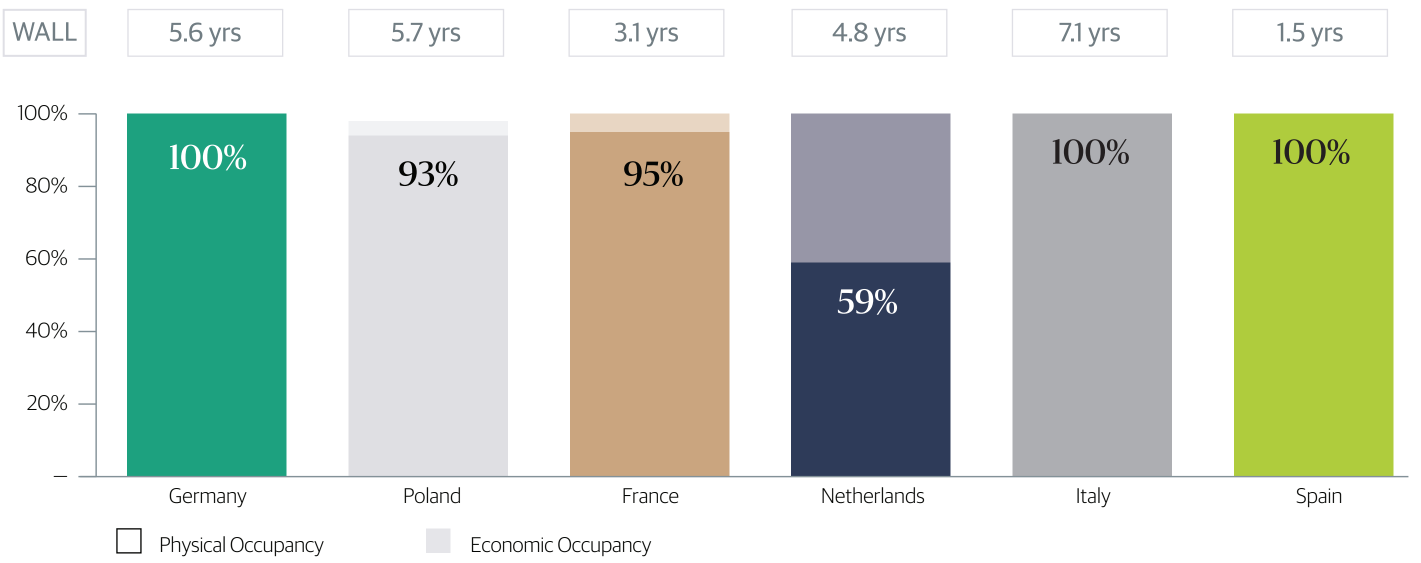
Logistics assets represent approximately 46% of BPPEH's GAV as of 31 December 2018. We continue to see strong fundamentals in the logistics space, driven by positive e-commerce trends combined with limited new supply. Increased demand has caused vacancy across our key markets to drop below 5%, resulting in accelerating rental growth.

Our logistics portfolio is well-positioned to capitalise on these trends given the strong locations and high quality of our properties. Over half of the portfolio (on a GAV basis) is located in Germany and France. While Poland is our second largest market today, our exposure is expected to decline following the planned sale of two long-leased assets expected to close in 2019.

The portfolio is well-leased, with 99% economic occupancy and a 5.0-year WALL as of 31 December 2018. Of the 113k square metres of physical vacancy, approximately 90% is supported by rental guarantees. The majority of the vacancy is centralised in newly-built assets in prime locations in the Netherlands, where we are seeing positive leasing momentum.

Country	GAV (€m)	Number of Assets	Area ('000 sqm)	Occupancy Economic	Occupancy Physical	WALL (years)	Passing Rent (€/sqm/year)
Germany	799	20	790	100%	100%	5.6	51
Poland	341	11	514	97%	93%	5.7	46
France	253	9	302	100%	95%	3.1	47
Netherlands	177	5	155	100%	59%	4.8	65
Italy	151	5	147	100%	100%	7.1	58
Spain	143	5	162	100%	100%	1.5	40
Total / Weighted Avg.	**1,864**	**55**	**2,071**	**99%**	**95%**	**5.0**	**50**

Occupancy and WALL by Country



Tenant Overview

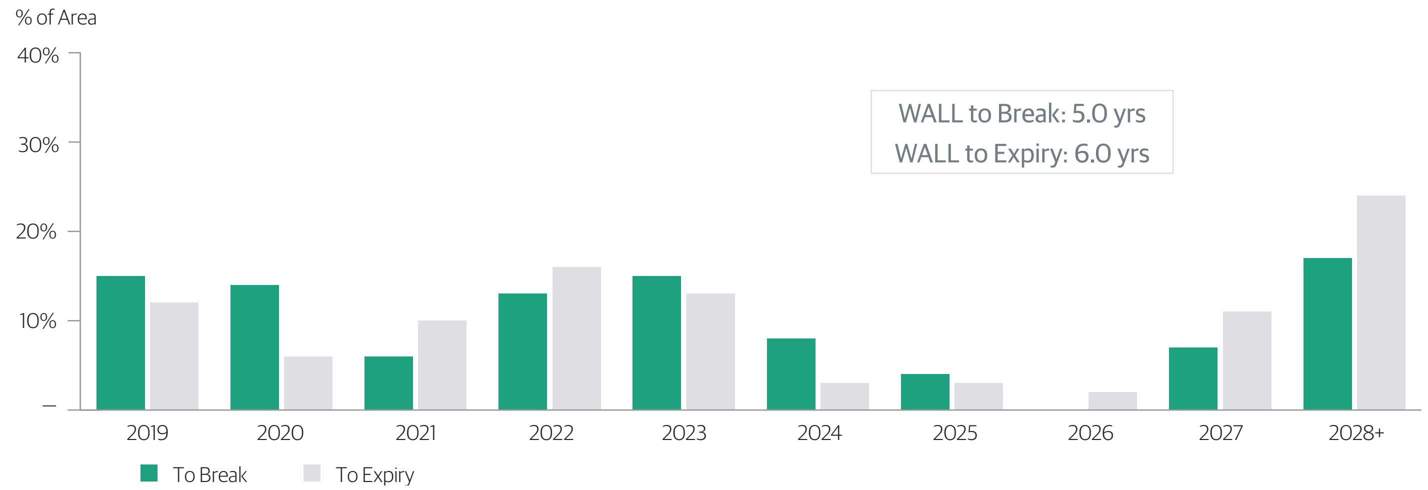
BPPEH's logistics portfolio benefits from a high-quality, diversified tenant base comprised primarily of large corporates and major third party logistics providers. As of 31 December 2018, the top ten tenants represented 51% of passing rent. Major tenants include:

amazon
Carrefour
DHL
DSV
KUEHNE+NAGEL
RHENUS LOGISTICS
Simon Hegele Logistics and Service
Staples
XPO

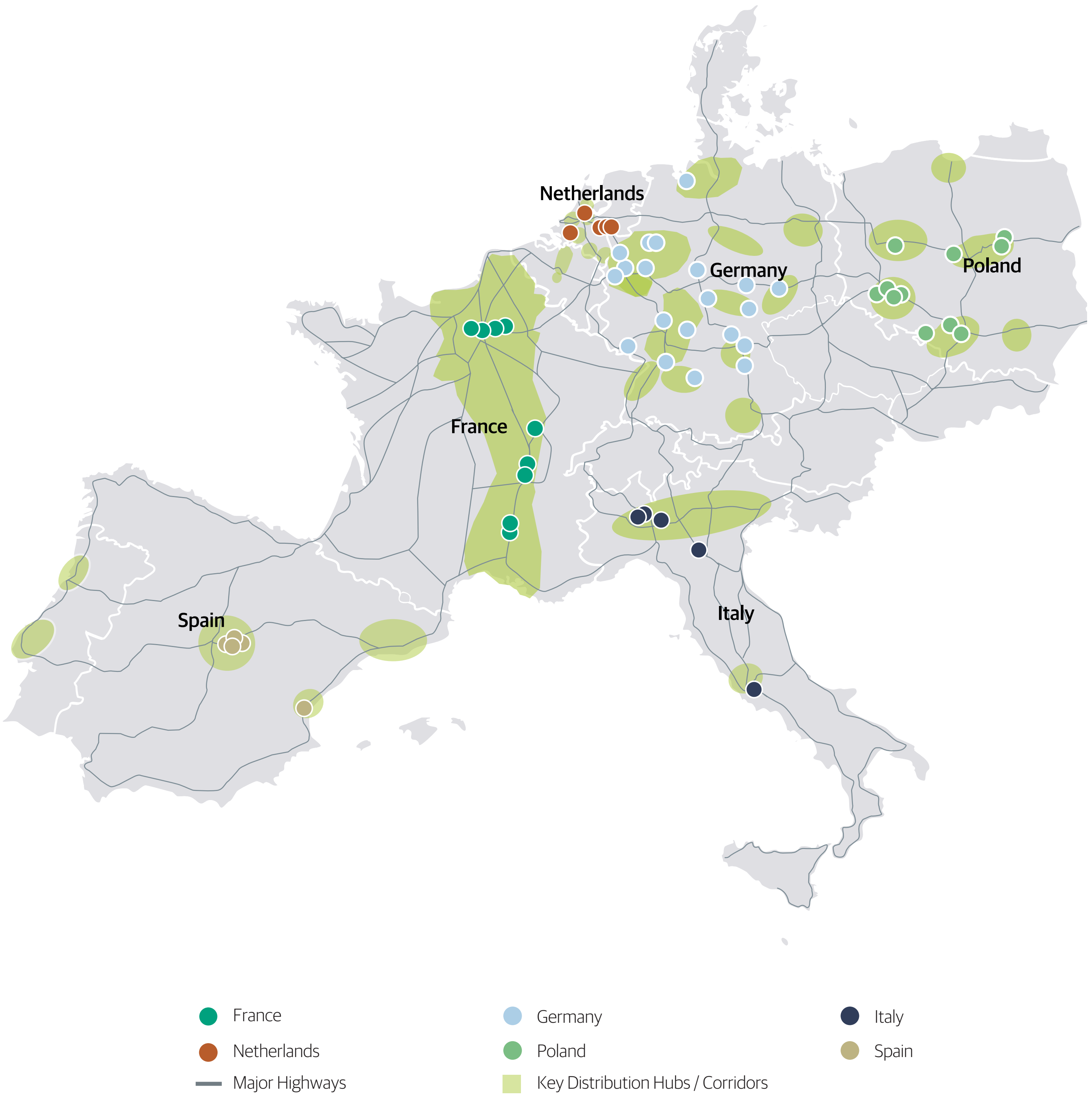
Leasing Activity

In 2018, we signed lease agreements amounting to 132k square metres across our logistics portfolio, including 37k square metres of new leases and 95k square metres of renewals. BPPEH achieved an average releasing spread of 4% across all renewals. Leases with break options or expiries during the year totaled 107k square metres, for which we achieved a retention ratio of 100%.

Lease Maturity Profile



Logistics Portfolio Map



Portfolio Overview — Logistics

Logistics Asset List

Asset Name	Country	Area (sqm)	Occupancy
Dijon	France	38,100	100%
Lyon - Belleville	France	50,500	100%
Lyon - Macon-Nord	France	22,200	100%
Paris - Lagny-le-Sec	France	61,100	100%
Paris - Mitry	France	12,400	100%
Paris - Rosny-sur-Seine	France	19,300	100%
Paris - Soissons	France	37,800	100%
Rhone Alpes - Portes de Provence I	France	25,300	100%
Rhone Alpes - Portes de Provence II	France	35,800	100%
Total France (9)		**302,500**	**100%**
Bremerhaven	Germany	20,400	100%
Dortmund - Hamm	Germany	45,200	100%
Dortmund - Lindnerstrasse	Germany	21,600	100%
Dortmund - Werne	Germany	16,900	100%
Duisburg	Germany	62,900	99%
Dusseldorf - Huckelhoven	Germany	123,900	100%
Dusseldorf - Viersen	Germany	10,900	100%
Erfurt	Germany	88,500	100%
Frankfurt - Linsengericht	Germany	21,800	100%
Frankfurt - Waldlaubersheim	Germany	47,000	100%
Hassfurt	Germany	10,400	100%
Karlsruhe	Germany	37,600	100%
Kassel - Bad Hersfeld	Germany	73,300	100%
Kassel - Borken	Germany	40,500	100%
Kassel - Michelsrombach	Germany	38,700	100%
Leipzig - Halle	Germany	27,900	100%
Neunkirchen	Germany	13,000	100%
Nuremberg - Feucht	Germany	19,000	100%
Nuremberg - Rittigfeld	Germany	55,700	100%
Stuttgart - Schwabisch Gmund	Germany	15,100	100%
Total Germany (20)		**790,300**	**100%**

Asset Name	Country	Area (sqm)	Occupancy
Bologna - Modena	Italy	21,000	100%
Milan - Linate	Italy	10,900	100%
Milan - Pozzuolo	Italy	36,800	100%
Milan - via Dante	Italy	46,100	100%
Rome - Aprilia	Italy	32,300	100%
Total Italy (5)		**147,100**	**100%**
Amsterdam - Schiphol	Netherlands	37,800	100%
Dordrecht	Netherlands	33,600	100%
Tiel	Netherlands	22,600	100%
Vianen - Laanakkerweg	Netherlands	37,100	100%
Vianen - Randweg	Netherlands	23,700	100%
Total Netherlands (5)		**154,800**	**100%**
Katowice - Bedzin	Poland	54,500	87%
Katowice - Raciborz	Poland	21,800	100%
Katowice - Sosnowiec	Poland	46,900	90%
Lodz	Poland	39,700	100%
Poznan	Poland	45,400	100%
Warsaw - Annopol	Poland	33,100	100%
Warsaw - Okecie	Poland	38,400	94%
Wroclaw - Kepinska	Poland	46,300	100%
Wroclaw - Kieczowska	Poland	38,800	100%
Wroclaw - Logistyczna	Poland	123,500	100%
Wroclaw - Przedwiosnie	Poland	25,900	100%
Total Poland (11)		**514,300**	**97%**
Madrid - Avenida del Río Henares I	Spain	84,000	100%
Madrid - Avenida del Río Henares II	Spain	35,200	100%
Madrid - Avenida la Ballestera	Spain	8,600	100%
Madrid - Calle los Corrales	Spain	14,900	100%
Valencia	Spain	19,200	100%
Total Spain (5)		**161,900**	**100%**
Total BPPEH (55)		**2,070,900**	**99%**

Residential

BPPEH owns a €1.1 billion portfolio of high-quality German residential assets with over 90% of GAV concentrated in Berlin. The portfolio consists of 176 properties with 4.6k residential units.

GAV

€1.1B

Residential Units

4.6K

Occupancy[1]

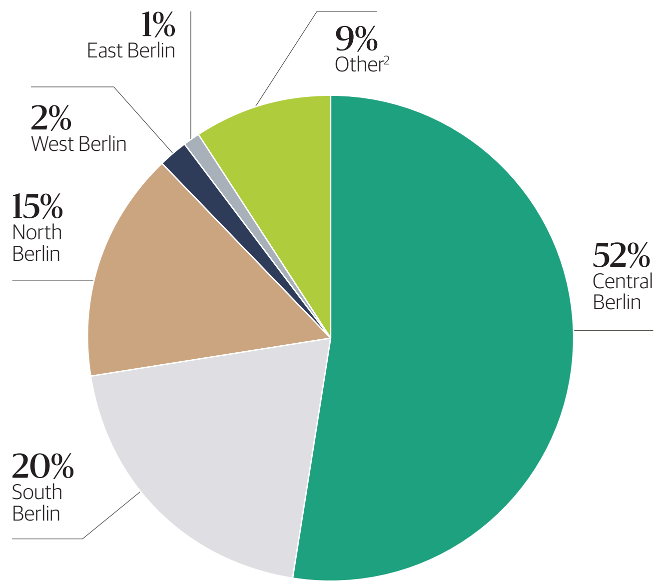
91%

Properties

176

Geographic Allocation

(% of GAV)



1. Represents occupancy of residential units only. Adjusting for vacancy due to refurbishment, average residential occupancy would be 97%.
2. Includes Brandenburg, Dresden, Magdeburg, and Potsdam.

Residential Portfolio Summary

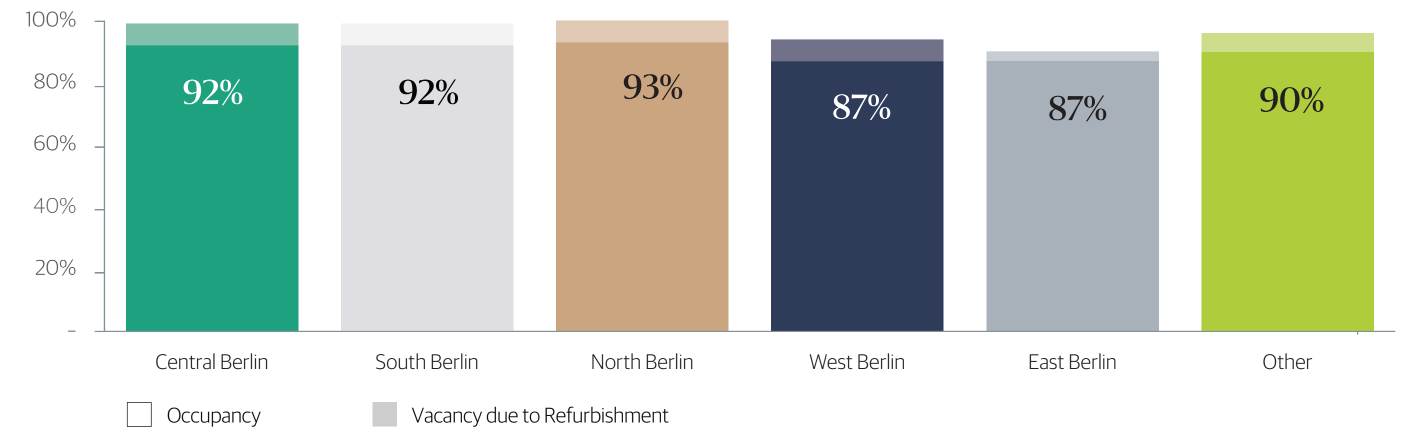
Residential assets represent approximately 28% of BPPEH's GAV as of 31 December 2018. Our entire residential portfolio is located in Germany, with over 90% of value concentrated in Berlin. Berlin's population and economy have seen outsized growth in recent years, resulting in increasing demand which we are helping to accomodate. Residential vacancy in Berlin stands at frictional levels today.

Over half of our portfolio is located in the prime districts of Mitte, Charlottenburg-Wilmersdorf, and Friedrichshain-Kreuzberg, with the remainder concentrated in attractive neighbourhoods with strong demographic and economic fundamentals. Our Berlin portfolio has an average Walk Score of 83 (out of 100), illustrating our properties' strong micro-locations. Altbau[1] properties account for 76% of GAV.

Our portfolio is reversionary, with in-place rents considerably below market levels. We are focused on upgrading and maintaining the units in our portfolio to a high standard. We have refurbished and released 203 units and invested €11 million of capex into our portfolio during 2018. The large majority of our vacancy is driven by ongoing refurbishment works.

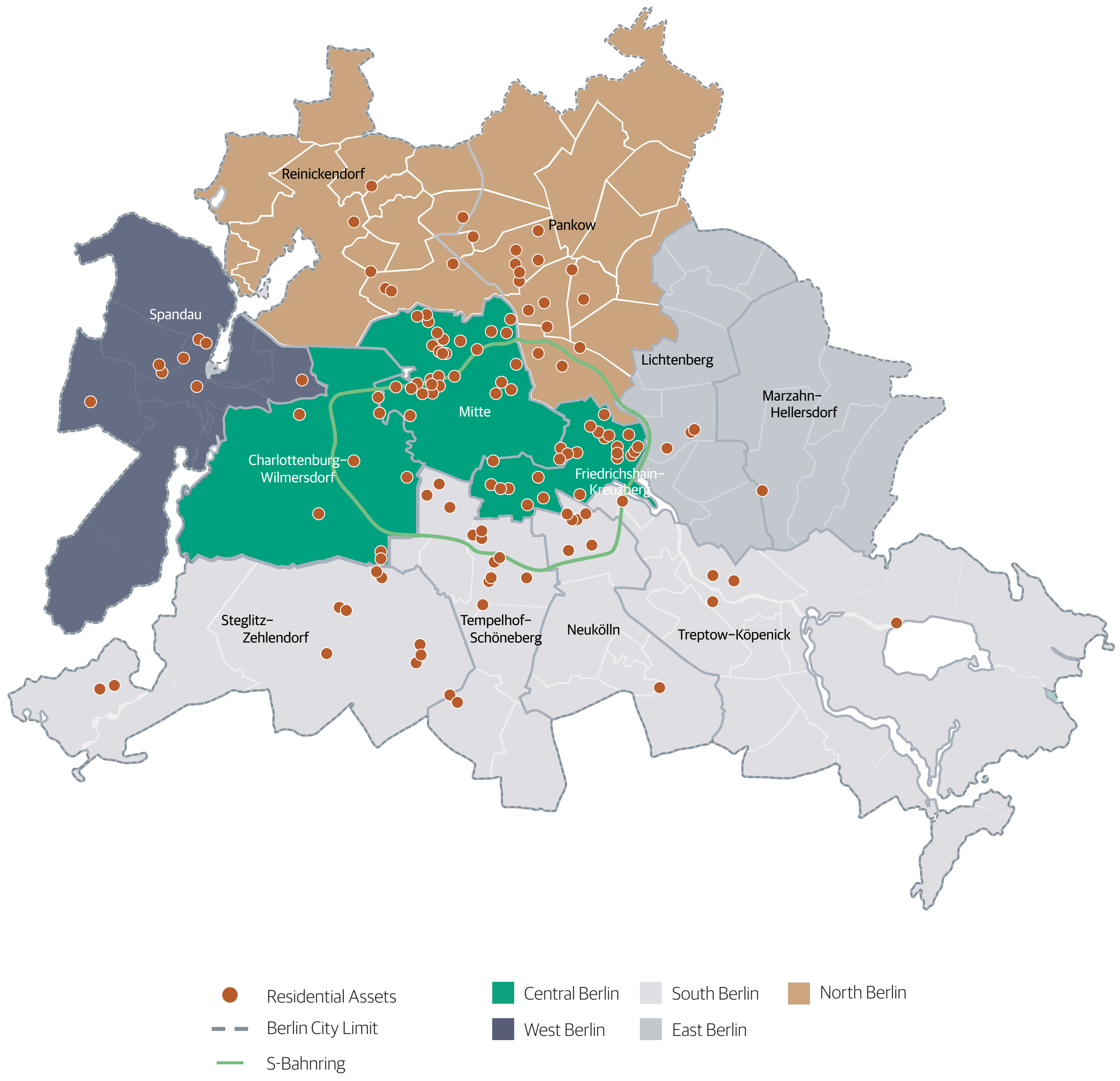
Submarket	GAV (€m)	Number of Assets	Number of Units			Occupancy[2]	Passing Rent (€/sqm/month)
			Residential	Commercial	Total		
Central Berlin	587	59	2,190	151	2,341	92%	8.0
South Berlin	230	36	828	77	905	92%	7.8
North Berlin	164	22	485	44	529	93%	8.5
West Berlin	28	8	131	20	151	87%	6.6
East Berlin	16	4	83	2	85	87%	8.3
Other[3]	99	47	874	62	936	90%	6.6
Total / Weighted Avg.	**1,125**	**176**	**4,591**	**356**	**4,947**	**91%**	**7.7**

Occupancy by Submarket



1. Altbau refers to properties built before 1930.
2. Represents occupancy of residential units only. Adjusting for vacancy due to refurbishment, average residential occupancy would be 97%.
3. Includes Brandenburg, Dresden, Magdeburg, and Potsdam.

Berlin Residential Portfolio Map



BPPEH owns a €1.1 billion portfolio of nine high-quality office properties located in Berlin, Barcelona, Paris, Munich, and Rome. The portfolio is 95% occupied on a 4.7-year WALL at rents that are 30% below market on average.

GAV

€1.1B

Square Metres

148K

Occupancy

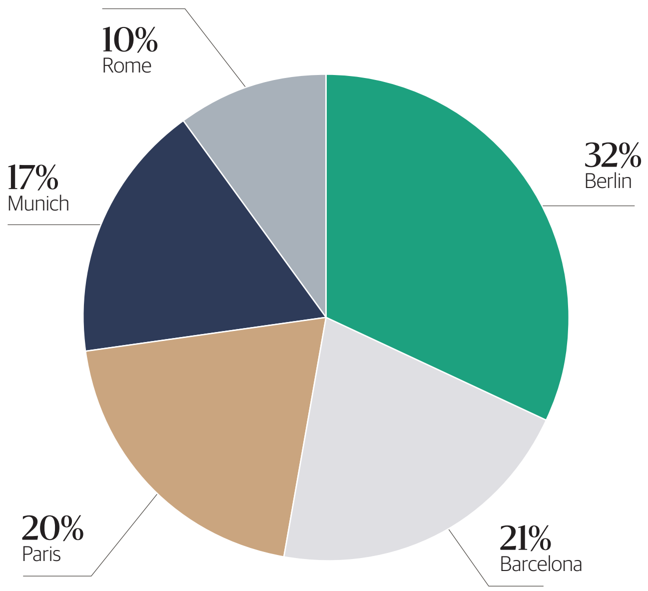
95%

WALL

4.7 Years

Geographic Allocation

(% of GAV)



Office Asset List

Pariser Platz
Berlin, Germany: 9k SQM

Leibniz Kolonnaden
Berlin, Germany: 14k SQM

Leipziger Strasse
Berlin, Germany: 10k SQM

Avenida Diagonal
Barcelona, Spain: 28k SQM

Ilot Panhard
Paris, France: 22k SQM

Arabella
Munich, Germany: 44k SQM

Quirinale
Rome, Italy: 9k SQM

Quattro Fontane
Rome, Italy: 2k SQM

Palazzo Luigi Sturzo
Rome, Italy: 10k SQM

Portfolio Overview — Office

Office Portfolio Summary

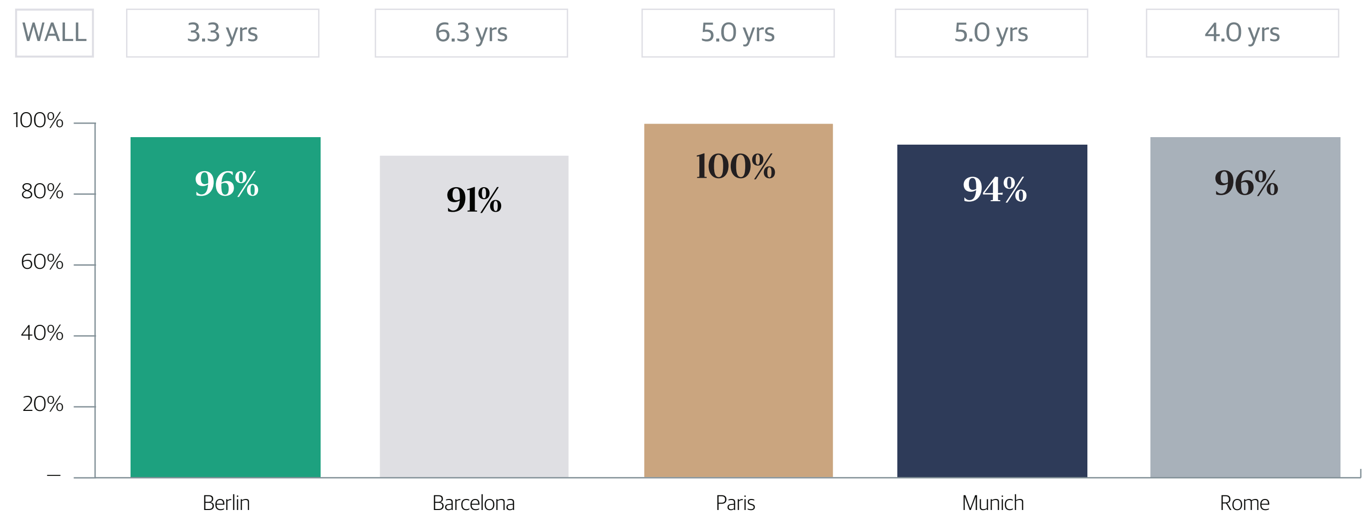
Office assets represent approximately 26% of BPPEH's GAV as of 31 December 2018. We are focused on acquiring high-quality office assets located in dynamic, innovation-focused cities across Europe, which are benefitting from attractive fundamentals and favourable urbanisation trends.

Approximately one-third of our office portfolio is located in Berlin, where we own three prime assets in trophy locations on Pariser Platz, Leipziger Strasse and Leibnizstrasse just off of Kurfürstendamm. We also own high-quality assets located in Paris' 13th arrondissement, on Avenida Diagonal in Barcelona, in the Arabella submarket of Munich, and in Rome's CBD and EUR submarkets.

Our office portfolio was 95% occupied on a 4.7-year WALL as of 31 December 2018. In-place rents are 30% below market, offering meaningful embedded NOI growth over time.

City	GAV (€m)	Number of Assets	Area ('000 sqm)	Occupancy		WALL (years)	Passing Rent (€/sqm/year)
				Economic	Physical		
Berlin	335	3	33	96%	96%	3.3	239
Barcelona	218	1	28	91%	91%	6.3	287
Paris	213	1	22	100%	100%	5.0	365
Munich	176	1	44	94%	94%	5.0	181
Rome	110	3	21	96%	96%	4.0	254
Total / Weighted Avg.	**1,052**	**9**	**148**	**95%**	**95%**	**4.7**	**261**

Occupancy and WALL by City



Tenant Overview

BPPEH's office portfolio is comprised of institutional grade occupiers. As of 31 December 2018, the top five tenants represented 53% of passing rent and had a WALL of five years. Major tenants include:

AREP

Bloomberg

Grupo Planeta

IVASS ISTITUTO PER LA VIGILANZA SULLE ASSICURAZIONI

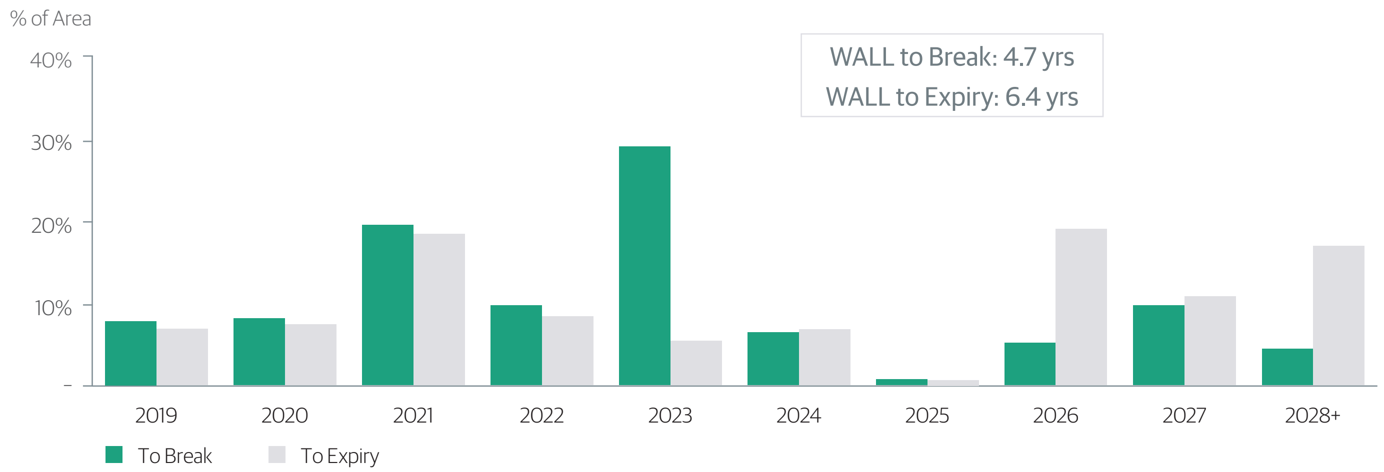
PULS

REWE

Leasing Activity

BPPEH's office assets are well-leased, with limited near-term expiries. We had 3k square metres of expiries in Q4 2018 in our Barcelona and Munich properties and are currently in advanced discussions to release this space.

Lease Maturity Profile



Portfolio Valuation

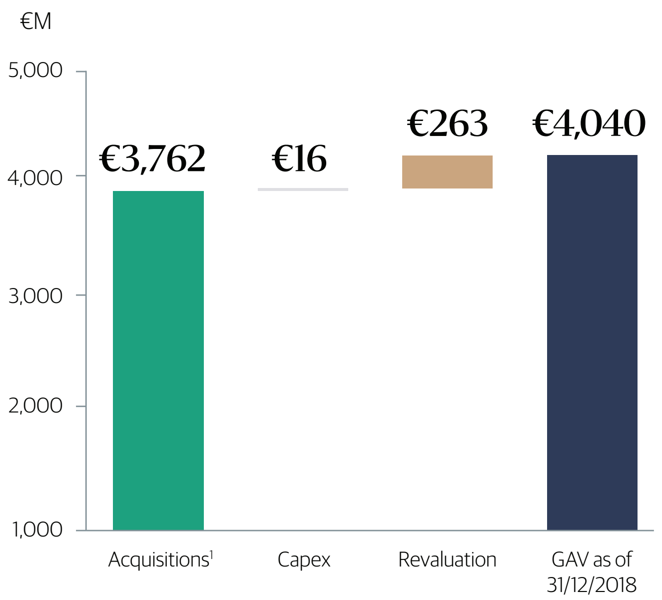
BPPEH's portfolio had a total value of €4.0 billion as of 31 December 2018, representing a weighted average NOI yield of 4.0%.

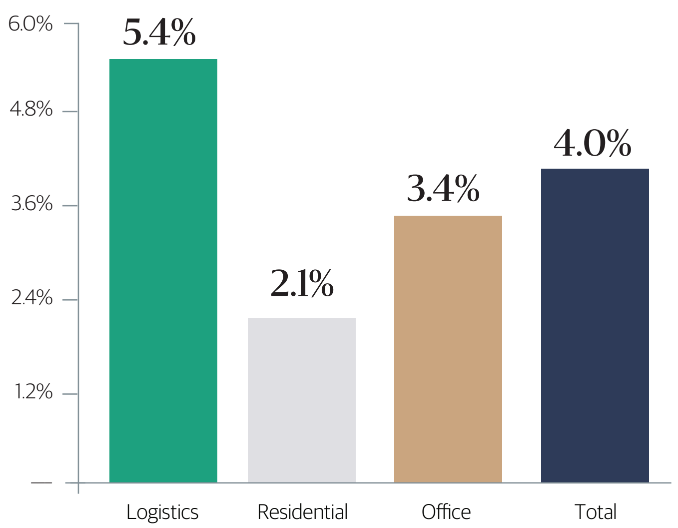
GAV Bridge

Since inception, BPPEH has acquired assets for an all-in cost of €3.8 billion. We invested approximately €16 million of capex during 2018, predominantly in our residential assets. The portfolio value increased by €263 million since acquisition, resulting in a total value of €4.0 billion as of 31 December 2018. This revaluation is a result of acquiring assets at an attractive basis, realised NOI growth, increasing mark-to-market spreads given favourable market fundamentals and, to a lesser extent, some capitalisation rate compression during our ownership.

NOI Yields

NOI yields in our portfolio vary by sector. Our logistics assets are higher yielding, with an NOI yield of 5.4%. Our residential and office portfolios, which are leased significantly below market, reflect lower in-place yields of 2.1% and 3.4%, respectively. BPPEH benefits from a combination of robust cash flow and embedded NOI growth within our portfolio, resulting in an overall NOI yield 4.0%.





1. Investment cost adjusted for latent capital gains tax liability.

Capital Structure

Capital Structure

BPPEH has a strong capital structure, with primarily unsecured debt and a staggered maturity profile. During 2018, BPPEH secured an investment grade rating from Standard & Poor's and successfully issued €1.25 billion of unsecured notes under its EMTN programme.

Net LTV

48%

Credit Rating from S&P

BBB-

(Positive Outlook)

Weighted Average Interest Rate

1.7%

Weighted Average Maturity

4.1 Years

Overview

BPPEH employs a prudent financial policy, including a target LTV of 45-50%. As of 31 December 2018, BPPEH had €2.2 billion of debt outstanding at a weighted average interest rate of 1.7% and a weighted average maturity of 4.1 years. Net debt totaled €1.9 billion, implying a net LTV of 48%.

BPPEH has access to diversified debt financing sources and currently employs a mix of unsecured notes, bank facilities, and secured mortgage debt. The bank facilities we have put in place enable us to continue our growth while accessing the bond markets in a disciplined manner.

BPPEH has a staggered debt maturity profile, with no maturities in 2019 and only €68 million (3% of total debt) maturing through 2020. In addition, BPPEH has a robust liquidity position with total available funds of €437 million as of 31 December 2018. This is comprised of €259 million of unrestricted cash and €178 million of availability under BPPEH's revolving credit facility.

As a wholly-owned subsidiary of BPPE, Blackstone's open-ended European core+ real estate fund, BPPEH benefits from excellent access to new growth capital. The fund is supported by a strong institutional investor base and expects to have quarterly closings going forward. Importantly, there is no obligation for BPPE to sell assets to meet any redemption requests. In addition, neither BPPE nor BPPEH have any pre-defined dividend commitments, providing further financial flexibility.

Debt Financing Sources

Unsecured Notes

BPPEH established an EMTN programme on 21 June 2018. On 6 July 2018, BPPEH completed its inaugural issuance of €600 million 4-year unsecured notes with an annual coupon of 1.4%. On 24 July 2018, BPPEH issued €650 million 7-year unsecured notes with an annual coupon of 2.2%. On 15 February 2018, BPPEH issued €500 million 5-year unsecured notes with an annual coupon of 2.0%. Net proceeds from these offerings were used to repay existing bank facilities, to finance acquisitions, and for general corporate purposes.

BPPEH's unsecured notes have a robust financial covenant package[1], including:

- Total debt to total assets < 60%
- Secured debt to total assets < 40%
- Interest coverage ratio > 1.5x
- Unencumbered assets to unsecured debt > 150%

BPPEH was in compliance with all of its financial covenants as of 31 December 2018.

Acquisition Facilities

BPPEH generally finances acquisitions with borrowings under an acquisition facility at closing. The company has secured soft commitments from a group of banks to provide €1.5 billion of unsecured term loans in order to finance new acquisitions at up to 50% loan-to-cost. The unsecured acquisition facilities have an interest rate of Euribor + 1.40% and a maturity of three years without prepayment limitations. The company previously utilised an acquisition facility that was secured by share pledges.

Acquisition facilities allow BPPEH the flexibility to close on investments quickly while maintaining a prudent capital structure. BPPEH intends to repay these facilities periodically with proceeds from additional issuances under its EMTN programme. The medium term maturity of the acquisition facilities provides BPPEH the ability to access the bond markets in an orderly manner.

BPPEH had €831 million outstanding under its acquisition facilities as of 31 December 2018, of which €621 million was secured and the remainder unsecured. The secured facility was fully repaid subsequent to year end.

Revolving Credit Facility

BPPEH entered into a revolving credit facility agreement on 9 October 2018. The facility had a total size of €180 million as of 31 December 2018, of which €2 million was drawn. The facility bears an interest rate of Euribor + 1.05% and has an initial maturity in 2021, with two one-year extension options subject to lenders' consent. Subsequent to year end, BPPEH secured additional commitments and upsized the facility to €230 million.

Mortgage Loans

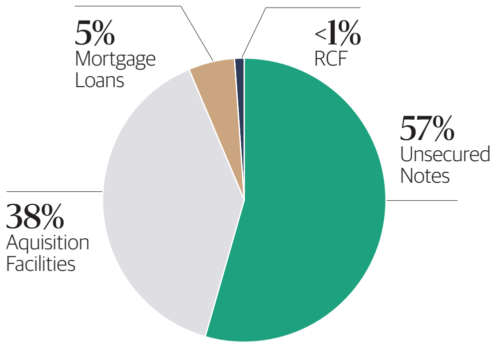
While BPPEH intends to primarily utilise unsecured debt going forward, there may be certain instances where we use mortgage financing. As of 31 December 2018, BPPEH had mortgage loans totalling €119 million that were assumed as part of the acquisitions of the underlying properties. Our intention is to refinance these loans with unsecured debt upon their maturity.

1. BPPEH's bank facilities also include the same covenant package.

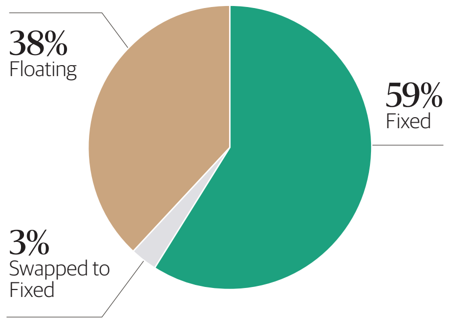
Debt Summary as of 31 December 2018

As of 31 December 2018, BPPEH's debt consisted primarily of unsecured notes and acquisition facilities. Taking into account interest rate swaps, approximately 62% of our debt was fixed. Approximately 66% of our debt was unsecured, with 28% secured by share pledges and the remaining 5% secured by mortgages.

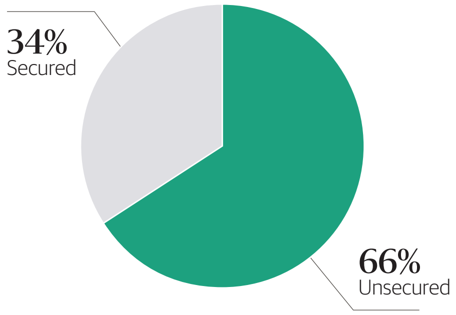
Debt by Type



Fixed vs. Floating

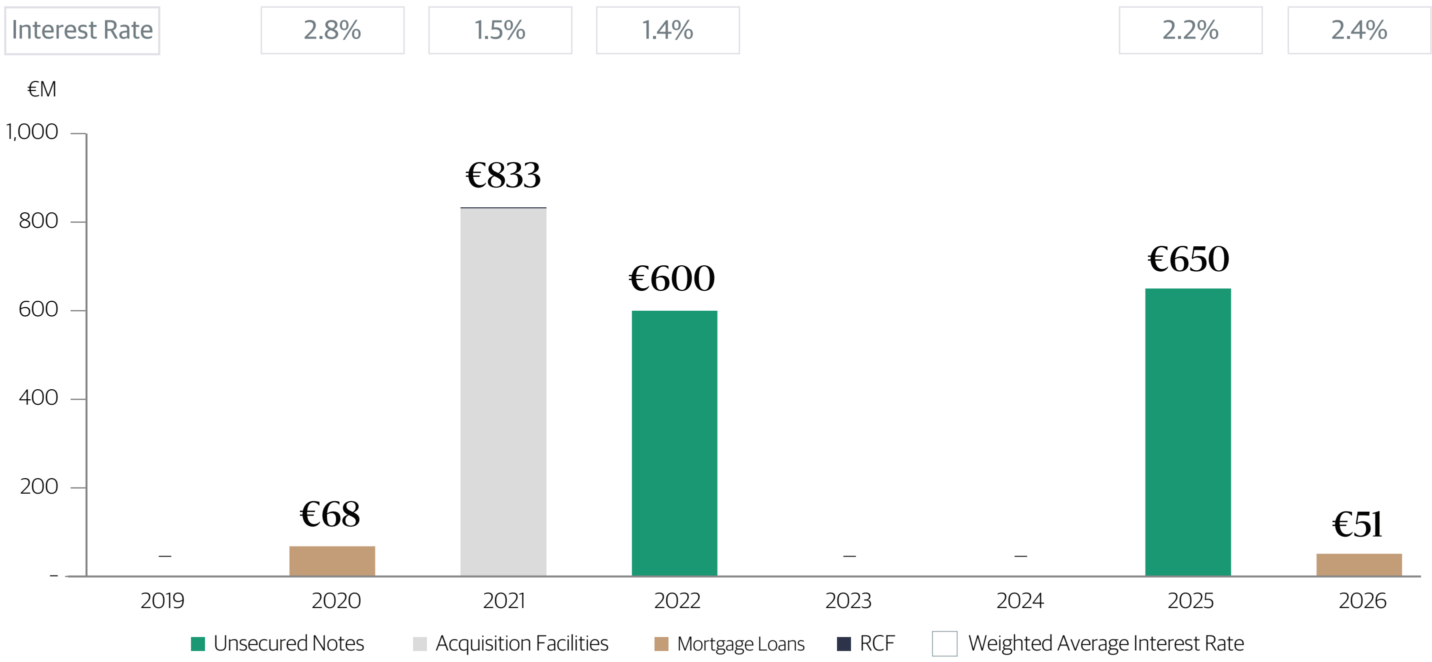


Secured vs. Unsecured



Debt Maturity Profile[1]

As of 31 December 2018, BPPEH's debt had a 4.1-year weighted average maturity, with no debt maturities until December 2020. BPPEH's weighted average interest rate was 1.7%.

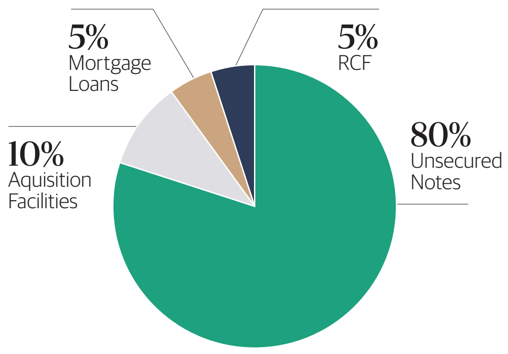


1. Debt maturity profile reflects fully-extended maturity dates and excludes principal amortisation. The portion of the acquisition facility with initial maturity in 2019 (and fully-extended maturity in 2021) that was repaid subsequent to year end is categorised as short-term debt in the Consolidated Annual Accounts.

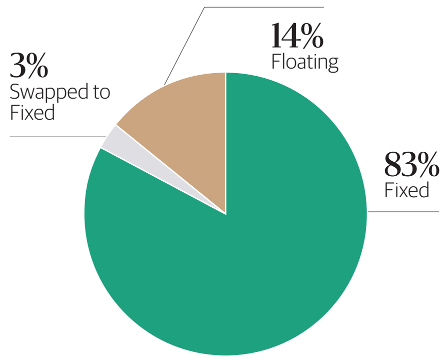
Pro Forma Debt Summary[1]

In February 2019, BPPEH issued €500 million of 5-year unsecured notes. Net proceeds from the offering, along with borrowings under our revolving credit facility and cash at hand, were used to repay €621 million of secured acquisition facility debt. As a result, BPPEH's capital structure now consists primarily of unsecured notes, with approximately 86% fixed rate debt (taking into account interest rate swaps) and only 5% secured debt.

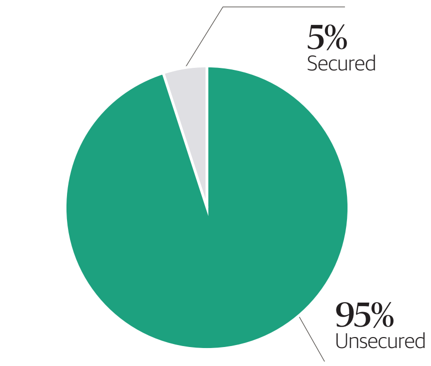
Debt by Type



Fixed vs. Floating

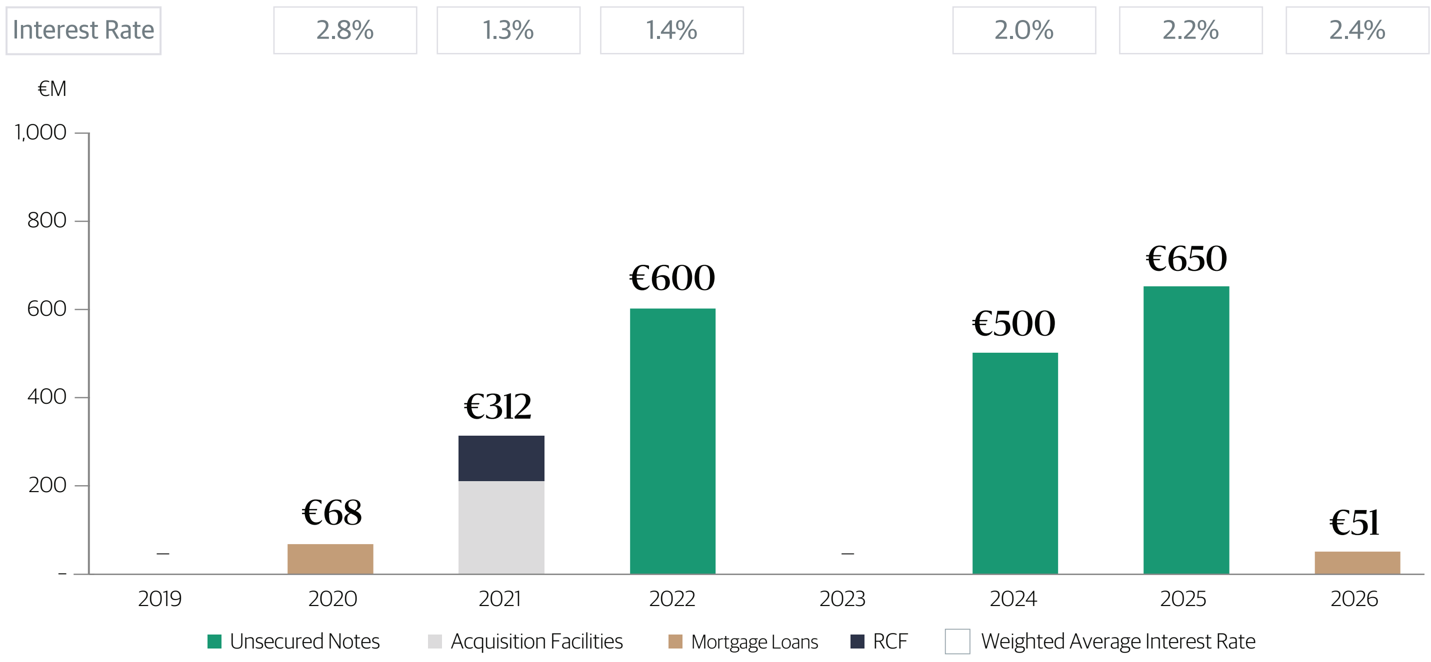


Secured vs. Unsecured



Debt Maturity Profile[2]

BPPEH's weighted average debt maturity has been extended to 4.8 years. BPPEH's weighted average interest rate has increased slightly given the longer duration, and now stands at 1.8%.



1. Pro forma for €500 million unsecured notes issuance, €100 million RCF draw, and paydown of €621 million acquisition facility debt in February 2019.
2. Debt maturity profile reflects fully-extended maturity dates and excludes principal amortisation.

Capital Structure Summary

	As of 31 December 2018			Pro Forma[1]		
	€m	Interest Rate[2]	WAM[3] (years)	€m	Interest Rate[2]	WAM[3] (years)
Unsecured Notes	€1,250	1.8%	5.1	€1,750	1.9%	5.1
Acquisition Facilities	831	1.5%	2.5	210	1.4%	2.9
Mortgage Loans	119	2.6%	4.5	119	2.6%	4.5
Revolving Credit Facility	2	1.1%	2.9	102	1.1%	2.9
Total Debt	**€2,202**	**1.7%**	**4.1**	**€2,181**	**1.8%**	**4.8**
Less: Cash	(269)			(247)		
Net Debt	**€1,933**			**€1,934**		
GAV	**€4,040**			**€4,040**		
Net LTV	**48%**			**48%**		

1. Pro forma for €500 million unsecured notes issuance, €100 million RCF draw, and paydown of €621 million acquisition facility debt in February 2019.
2. Weighted average all-in interest rate.
3. Weighted average debt maturity.

Key Financial Metrics

KPIs

Number of Assets	240
GLA	2.6m sqm
Occupancy	98%
WALL	5 years
Below Market Rents	15%

Balance Sheet Highlights

	€m
GAV	4,040
Total Debt	2,202
Cash	269
Net Debt	1,933
LTV	48%

Profit & Loss Summary by Sector

€m	Logistics	Residential	Office	Total
Net Turnover	**42.4**	**21.3**	**16.1**	**79.8**
- Net Operating Expenses	(2.5)	(6.0)	(0.5)	(9.0)
- Straight Line Rent Adjustment	(4.9)	–	(2.5)	(7.4)
NOI	**35.0**	**15.3**	**13.1**	**63.4**
- Other Expenses				(19.0)
+ Straight Line Rent Adjustment				7.4
EBITDA				**51.8**

Profit & Loss Summary by Country

€m	Germany	France	Spain	Italy	Poland	Netherlands	Total
Net Turnover	**46.6**	**11.7**	**6.1**	**6.0**	**5.8**	**3.6**	**79.8**
- Net Operating Expenses	(6.6)	(1.1)	(0.2)	(0.4)	(0.1)	(0.5)	(9.0)
- Straight Line Rent Adjustment	(1.5)	(2.7)	–	–	(0.4)	(2.9)	(7.4)
NOI	**38.5**	**7.9**	**5.9**	**5.6**	**5.2**	**0.2**	**63.4**
- Other Expenses							(19.0)
+ Straight Line Rent Adjustment							7.4
EBITDA							**51.8**

Note: KPIs and balance sheet data as of 31 December 2108. Profit & loss data for the period from 7 December 2017 (inception) to 31 December 2018. See definitions on page 70.

Subsequent Events

On 16 January 2019, BPPEH increased the size of its revolving credit facility from €180 million to €230 million, further enhancing its liquidity position.

On 15 February 2019, BPPEH issued €500 million of unsecured notes under its EMTN Programme. The notes have an annual coupon of 2.0% and a maturity date of 15 February 2024. The net proceeds of the issuance, along with cash and borrowings under our revolving credit facility, were used to repay €621 million of secured bank debt. The refinancing further improved BPPEH's credit profile by increasing its fixed rate debt percentage from 59% to 83% and reducing its secured debt exposure from 34% to 5%.

On 1 April 2019, BPPEH acquired a 94-asset (496-unit) Dutch residential portfolio. The properties are 92% leased and are located in the city centres of Amsterdam and Rotterdam. This transaction is a continuation of BPPEH's strategy of acquiring high-quality, well-located multifamily assets in innvoation cities. BPPEH secured the portfolio off-market by offering a one-stop solution and execution certainty to private sellers.

Risk Factors

Risk Factors

The following are certain risk factors that could affect our business, net assets, financial condition, cash flows and results of operations. For further details of these risk factors and for additional risk factors that relate to us, please refer to the offering circular dated 21 June 2018 as most recently supplemented on 5 February 2019 (the "Offering Circular").

In addition to the risk factors presented below and in the Offering Circular, risks and uncertainties that are not presently known to us or are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, and results of operations in the future. Although we have attempted to identify some of the significant risks and factors that could cause actual actions, events or results to differ materially from those described in or implied by our forward-looking statements, other factors and risks may cause actions, events or results to differ materially from those anticipated, estimated or intended.

The order in which the risks are presented is not an indication of the likelihood of the risks actually materialising, or the significance or degree of the risks or the scope of any potential harm to our business, net assets, financial condition, cash flows or results of operations. The risks mentioned herein may materialise individually or cumulatively.

Risks Related to the Market

- Our operating results will be affected by economic and regulatory changes that impact the real estate market in general, including market risks generally attributable to the ownership of real property.
- The continuing uncertainty regarding the development of the global economy due to a number of factors, such as the continuing impact and repercussions of the sovereign debt crises in Europe and the uncertainty regarding the United Kingdom's withdrawal from the European Union, may result in economic instability and possible defaults by our counterparties.
- The current economic environment is characterised by low interest rates, and any rise in interest rates could place upward pressure on real estate capitalisation rates and decrease interest in real estate investments, thereby having a material adverse effect on asset valuations, the real estate market and on us.
- Higher vacancy rates and our inability to charge rents at expected levels or on favourable terms could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.
- Our portfolio may be concentrated in a limited number of geographies or sectors and as a result our portfolio may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular sector or geography.
- We depend on tenants for our revenue, and therefore our revenue is dependent on the success and economic viability of our tenants. Further, our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space, as these buildings may be suited to the particular or unique needs of such tenants.
- Competition in the real estate market, including competition from similar properties in the same market, and in case of our residential assets, competitive housing alternatives, may adversely affect our financial performance.
- Consistent increases in rents and strong market fundamentals may increase development of new assets in the logistics sector and expose us to heightened competition for tenant demand.
- We may be adversely affected by trends in the office real estate industry, such as possible reduction in office space requirements due to employee telecommuting, flexible work schedules and open workplaces.
- Short-term leases associated with our residential properties may expose us to the potential impact of declining market rent.

Risks Related to Our Investment Strategy and Business

- We face risks associated with property acquisitions, such as risk that the acquired properties may fail to perform as expected or that we may be unable to quickly and efficiently integrate new acquisitions.
- Competition in acquiring properties may result in an increase in purchase prices and reduce yields, thereby reducing our profitability.
- Certain properties may require an expedited transaction, which may result in limited information being available before we decide to purchase an asset.
- In our due diligence review of potential investments, we may rely on third-party consultants and advisors and representations made by sellers of potential portfolio properties, and we may not identify all relevant facts that may be necessary or helpful in evaluating potential investments.
- There can be no assurance that Blackstone will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during our efforts to monitor the investment on an ongoing basis or that any risk management procedures implemented by us will be adequate.
- Acquisitions of properties may expose us to undisclosed defects and obligations, resulting in additional costs, and could have a material adverse effect on the rental income and proceeds from sales of the relevant properties.
- We may have difficulty selling our properties, including on account of adverse conditions in the state of the investment markets and market liquidity, which may limit our flexibility and ability to service our debt.
- We rely on property managers to operate our properties and leasing agents to lease vacancies in our properties, and as a result our ability to direct and control how our properties are managed on a day-to-day basis may be limited.
- We depend on the availability of public utilities and services, especially for water and electric power. Any reduction, interruption or cancellation of these services may adversely affect us.
- We may incur significant capital expenditures and other fixed costs, including property taxes, maintenance costs, insurance costs and related charges, which we may not be able to pass on to our tenants.
- We may experience material losses or damage related to our properties arising from natural disasters, vandalism or other crime, faulty construction or accidents, fire, war, acts of terrorism or other catastrophes, and such losses may not be covered by insurance.
- We will face risks in effecting operating improvements and in any failure to do so, could affect the profitability of certain of our investments.
- Our information technology systems could malfunction or become impaired, resulting in delays or interruptions in our business processes.
- Operational risks, including the risk of cyberattacks, in relation to our operations or in relation to the operations at Blackstone's headquarters in New York City, may disrupt our business, result in losses or limit our growth.

Risk Factors (cont'd)

Risks Related to Our Organisational Structure

- As we are a holding company, our cash flows are dependent on the distributable capital and annual profit and profitability of our subsidiaries.
- Blackstone manages our portfolio pursuant to broad investment guidelines and there can be no assurance that Blackstone will be successful in applying any strategy or discretionary approach to our investment activities.
- We depend on Blackstone and its employees for their services in relation to managing our business, and do not have control of the staff employed by them.
- We may enter into various types of investment arrangements such as joint ventures, including with Blackstone affiliates, which could be adversely affected by our lack of sole decision-making authority and our reliance on the financial condition of third parties as well as disputes between us and such third parties.
- Insolvency proceedings with respect to BPPEH would be subject to Luxembourg insolvency rules, which may not be favourable and comparable to creditors' interests in other jurisdictions.

Legal and Regulatory Risks

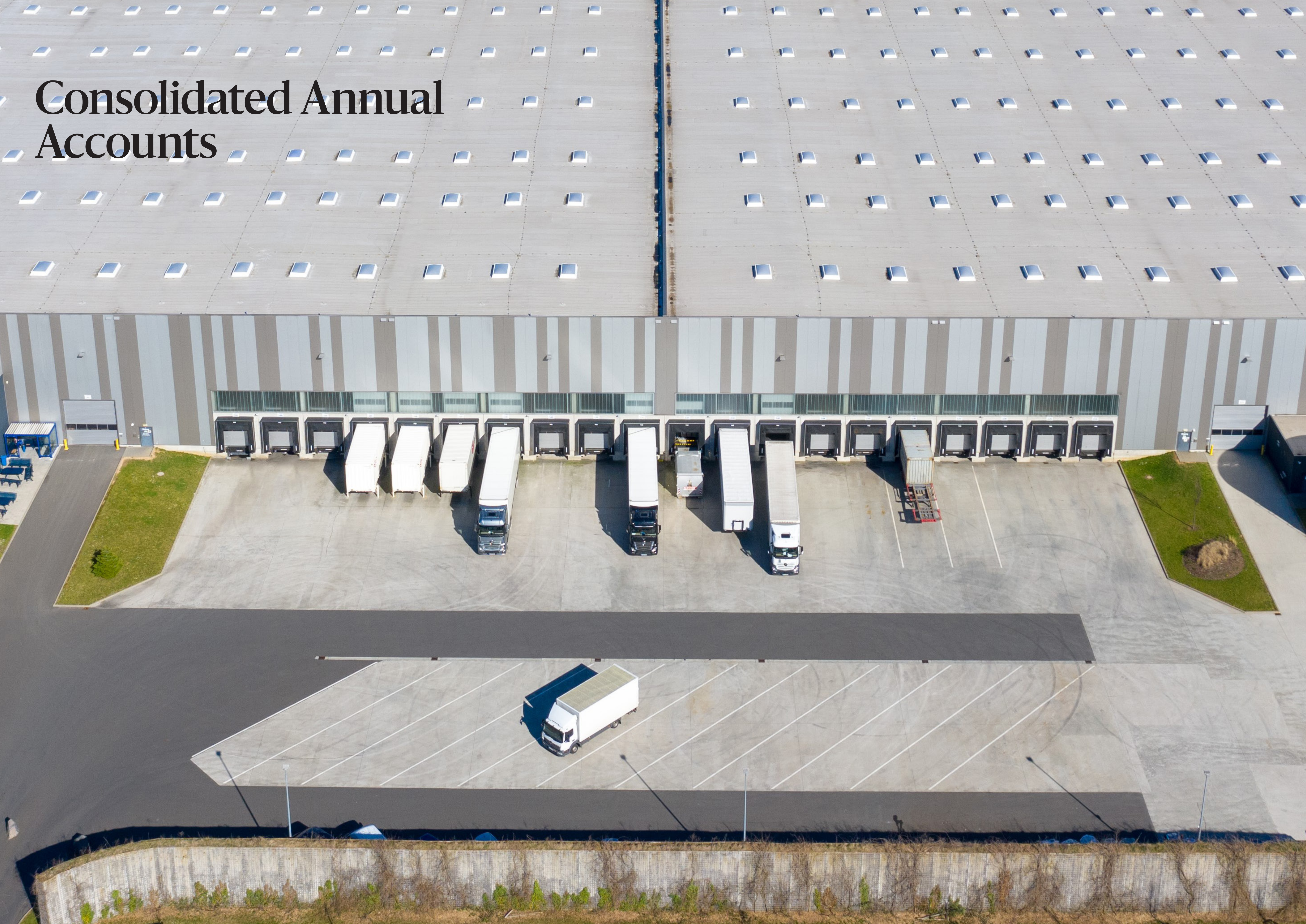
- We may face legal risks, including the risk of dispute over interpretation or enforceability of legal documents and contracts, when making investments.
- The acquisition and disposition of real properties carry certain litigation risks at the property level, such as in relation to activities that took place prior to our acquisition of such property, that may reduce our profitability.
- Certain of our investments may be in the form of ground leases, which provide limited rights to the underlying property, and we may be exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease.
- Certain properties may require permits or licenses and there can be no guarantee of when and if such a license or permit will be obtained.
- We could become subject to liability in the form of fines or damages for non-compliance with environmental laws and regulations in the jurisdictions where our properties are located, regardless of whether we caused such violations.
- Changes in government regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters may affect our investments.
- Regulatory requirements may limit a future change of use for some properties and this may therefore inhibit our ability to re-let vacant space to subsequent tenants or may adversely affect our ability to sell the affected properties.
- Increased rent restrictions could adversely affect our results of operations.
- Our business is subject to the general tax environment in the jurisdictions where our properties are located and also to possible future changes in the taxation of enterprises which may change to our detriment.
- Changes in international tax rules in the European Union, for instance, an increase in withholding taxes on dividends or interest, may adversely affect our cash flows and financial condition.
- Our properties are, and any properties we acquire in the future will be, subject to property taxes that may increase in the future, which could adversely affect our cash flow.
- We could be required to pay additional taxes, for instance in relation to the non-deductibility of intragroup payments for services or loans or interest and/or requalification of intragroup payments for services or loans, following tax audits.
- BPPEH and some of the guarantors under the EMTN programme established by us may qualify as an alternative investment fund, which imposes additional requirements, among others, relating to risk management, minimum capital requirements, the provision of information, governance and compliance requirements, with consequent increase in governance and administration expenses.

Risks Related to Conflicts of Interest

- We depend on Blackstone to select our investments and otherwise conduct our business, and any material adverse change in its financial condition or our relationship with Blackstone could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations, and our ability to achieve our investment objectives.
- We may purchase assets from or sell assets to Blackstone and its affiliates or their clients, and even though negotiated in good faith and on an arm's length basis, such transactions may cause conflicts of interest.
- Certain principals and employees of Blackstone may be involved in and have a greater financial interest in the performance of other Blackstone funds or accounts, and such activities may create conflicts of interest in managing our investments.
- Blackstone's relationships with third-party corporations or portfolio companies may reduce the opportunities available to us as Blackstone is under no obligation to decline any engagements or investments in order to make an investment opportunity available to us.
- Blackstone may raise and/or manage other investment funds, real estate investment trusts, vehicles, accounts, products and/or other similar arrangements, which could result in the reallocation of Blackstone personnel and the direction of potential investments from us to such other Blackstone accounts.
- Blackstone's potential involvement in financing a third-party's purchase of assets from us could lead to potential or actual conflicts of interest.
- Blackstone may face conflicts of interest in choosing our service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, title agents, property managers and investment or commercial banking firms), and certain service providers may provide services to Blackstone on more favourable terms than those payable by us.

Although we have attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in or implied by our forward-looking statements, other factors and risks may cause actions, events or results to differ materially from those anticipated, estimated or intended.

Consolidated Annual Accounts



To the sole Shareholder of
Blackstone Property Partners Europe Holdings S.à r.l.
2-4, rue Eugène Ruppert
L-2453 Luxembourg

Report of the Réviseur d'Entreprises Agréé

Opinion

We have audited the consolidated annual accounts of Blackstone Property Partners Europe Holdings S.à r.l. (the "Company") and its subsidiaries (together — the "Group"), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated profit and loss account and consolidated statement of cash flows for the period from inception on 7 December 2017 to 31 December 2018, and the notes to the consolidated annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated annual accounts give a true and fair view of the consolidated financial position of Blackstone Property Partners Europe Holdings S.à r.l. as at 31 December 2018, and of the consolidated results of its operations and its consolidated cash flows for the period from inception on 7 December 2017 to 31 December 2018 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated annual accounts.

Basis for Opinion

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

Other Information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report but does not include the consolidated annual accounts and our report of the "Réviseur d'Entreprises Agréé" thereon.

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

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

Responsibilities of the Board of Managers

The Board of Managers is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated annual accounts, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Annual Accounts

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

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

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

/s/ Deloitte Audit S.à r.l., *Cabinet de Révision Agréé*

Christian van Dartel, *Réviseur d'Entreprises Agréé*
Partner

26 April 2019

Consolidated Balance Sheet

As at 31 December 2018

Assets

	Notes	€m
Fixed assets		**3,618.7**
Tangible fixed assets	4	3,618.7
Land and buildings		3,618.7
Current assets		**610.7**
Inventories	5	117.3
Land and buildings held for resale		117.3
Debtors	6	224.0
Trade debtors	6.1	19.5
becoming due and payable within one year		19.5
Amounts owed by affiliated undertakings	6.2	184.1
becoming due and payable after more than one year		70.9
becoming due and payable within one year		113.2
Other debtors	6.3	20.4
becoming due and payable after more than one year		2.1
becoming due and payable within one year		18.3
Cash at bank and in hand	7	269.4
Prepayments	8	**25.4**
Total assets		**4,254.8**

Note: The accompanying notes on pages 52 to 69 form an integral part of these consolidated annual accounts.

Capital, Reserves and Liabilities

	Notes	€m
Capital and reserves	9	**682.1**
Subscribed capital	9.1	1.4
Share premium account	9.2	550.8
Profit or loss for the financial year		(27.5)
Non-controlling interests	9.4	170.4
Loss attributable to non-controlling interests		(13.0)
Provisions	10	**0.5**
Provisions for taxation	10 .1	0.5
Creditors	11	**3,567.3**
Bonds	11.1	1,260.4
becoming due and payable after more than one year		1,250.0
becoming due and payable within one year		10.4
Amounts owed to credit institutions	11.2 / 11.4	926.9
becoming due and payable after more than one year		331.6
becoming due and payable within one year		595.3
Trade creditors		35.2
becoming due and payable within one year		35.2
Amounts owed to affiliated undertakings	11.3	1,280.0
becoming due and payable after more than one year		1,180.9
becoming due and payable within one year		99.1
Other creditors	11.5	64.8
tax authorities		12.8
becoming due and payable after more than one year		7.3
becoming due and payable within one year		44.7
Deferred income	12	**4.9**
Total capital, reserves and liabilities		**4,254.8**

Note: The accompanying notes on pages 52 to 69 form an integral part of these consolidated annual accounts.

Consolidated Profit & Loss Account

For the period from 7 December 2017 (inception) to 31 December 2018

	Notes	€m
Net turnover	13	79.8
Other operating income	14	19.8
Raw materials and consumables and other external expenses		(13.0)
Other external expenses	15	(13.0)
Staff costs	16	(0.7)
Wages and salaries		(0.6)
Other staff costs		(0.1)
Value adjustments		(41.8)
in respect of formation expenses and of tangible and intangible fixed assets	4	(39.9)
in respect of current assets		(1.9)
Other operating expenses	17	(32.2)
Other interest receivable and similar income		0.6
other interest and similar income		0.1
derived from affiliated undertakings		0.5
Interest payable and similar expenses	18	(49.7)
other interest and similar expenses		(29.7)
concerning affiliated undertakings		(20.0)
Tax on profit or loss		(2.3)
Loss after taxation		(39.5)
Other taxes not included in the previous captions		(1.0)
Loss for the period		(40.5)
Loss attributable to:		
Owners of BPPEH		(27.5)
Non-controlling interests		(13.0)

Note: The accompanying notes on pages 52 to 69 form an integral part of these consolidated annual accounts.

Consolidated Annual Accounts

Consolidated Statement of Cash Flows

For the period from 7 December 2017 (inception) to 31 December 2018

	Notes	€m
Cash flows from operating activities		
Loss before tax		(37.2)
Adjustments for:		
Interest expense	18	47.5
Depreciation and amortisation	4	39.9
Unrealised loss on derivative financial instruments	11.2 / 18	2.2
Provision for allowance for bad debts[1]		1.9
Interest income		(0.6)
Changes in working capital		
Increase in trade debtors[1]	6.1	(27.6)
Increase in other debtors[1]	6.3	(21.6)
Increase in prepayments[1]	8	(19.9)
Increase in trade creditors[1]		17.1
Increase in other creditors[1]	11.5	24.4
Increase in deferred income[1]	12	4.3
Net cash generated from operations		**30.4**
Interest paid		(13.6)
Tax paid		(2.3)
Net cash inflow from operating activities		**14.5**
Cash flows from investing activities		
Additions to tangible fixed assets[1]	4 / 5	(2,831.8)
Loans to affiliated undertakings	6.2	(297.4)
Interest received		0.6
Net cash outflow from investing activities		**(3,128.6)**
Cash flows from financing activities		
Proceeds from:		
Share premium and capital contribution	9	525.2
Non-controlling interests	9	140.0
Proceeds from:		
Bonds (unsecured notes issuance)	11.1	1,250.0
Bank loans	11.2	1,340.0
Repayment of bank loans		(1,134.1)
Loans from affiliated undertakings	11.3	1,315.3
Repayment to affiliated undertakings	11.3	(52.9)
Net cash inflow from financing activities		**3,383.5**
Net increase in cash and cash equivalents		**269.4**
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period		**269.4**

Note: The accompanying notes on pages 52 to 69 form an integral part of these consolidated annual accounts.
1. Includes the effect of non-cash items as a result of acquisition of subsidiaries.

Notes to the Consolidated Annual Accounts

Note 1 – General information

1.1. Corporate matters

Blackstone Property Partners Europe Holdings S.à r.l. (“BPPEH”) was incorporated on 7 December 2017 (“inception”) as a “Société à responsabilité limitée” in accordance with the Luxembourg Law of 10 August 1915, as subsequently amended. The registered office of BPPEH is established at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. BPPEH is registered with the “Registre de Commerce et des Sociétés” under R.C.S. B 220.526. BPPEH’s immediate parent is Master Unsecured Topco S.à r.l.

Initially, BPPEH was incorporated under the name of Unsecured Topco S.à r.l., changing its name to BPPE Holdings S.à r.l. on 11 May 2018 and adopting its current name, Blackstone Property Partners Europe Holdings S.à r.l., on 14 June 2018.

1.2. Nature of the business

The primary business objective of BPPEH and its direct and indirect consolidated subsidiaries (collectively the “Group”) is to acquire high-quality substantially stabilised real estate assets across Europe with a focus on major European markets and key gateway cities.

1.3. Financial year

The reporting period for the consolidated annual accounts is for the period from 7 December 2017 to 31 December 2018. In subsequent years, the reporting period will be for the calendar year ended 31 December. Group entities included in the scope of consolidation are presented from the earlier of the date of inception, the date of acquisition or the date control was obtained by BPPEH through the earlier of the date that control ceases or the end of the financial year.

Significant events

Acquisitions

Since inception, BPPEH, through its subsidiaries and affiliates, completed the acquisition of logistics, residential and office assets in Germany, France, Spain, Italy, Poland and the Netherlands for approximately €3.8 billion, including closing costs of approximately €105.9 million.

Financing and capital transactions

Since inception, BPPEH entered into a number of secured and unsecured financing arrangements of which approximately €2.2 billion was outstanding and payable as at 31 December 2018 (see Note 11).

Unsecured notes

In June 2018, BPPEH successfully launched its €5 billion Euro Medium Term Note Programme (“EMTN Programme”). In July 2018, BPPEH issued two tranches of unsecured notes totalling €1.25 billion. In February 2019, BPPEH issued its third tranche of unsecured notes of €500 million, for a total of €1.75 billion.

Acquisition facility I

On 8 March 2018, BPPEH’s subsidiaries entered into a senior acquisition facility agreement (“Acquisition Facility I”) to finance and/or refinance the purchase price for the acquisition of certain investment properties in BPPEH’s portfolio. On 15 February 2019, Acquisition Facility I was repaid in full.

Acquisition facility II

On 25 October 2018, BPPEH entered into a senior acquisition facility agreement (“Acquisition Facility II”) to finance and/or refinance the purchase price for the acquisition of certain investment properties in BPPEH’s portfolio.

Revolving credit facility

On 9 October 2018, BPPEH entered into a senior revolving credit facility agreement (“RCF”). As at 31 December 2018, the total size of the RCF was €180 million of which €2 million was drawn. BPPEH secured additional commitments and upsized the facility to €230 million on 16 January 2019.

Subscribed capital

Since inception, BPPEH issued 1,370,000 shares with a nominal value of one Euro, which was received in full and divided into classes of shares. BPPEH also recognised proceeds in excess of the nominal value representing the share premium of approximately €550.8 million.

Note 2 – Basis of preparation, scope of consolidation and consolidation policies

2.1 Basis of preparation

The consolidated annual accounts are prepared on a going concern basis, using the historical cost method, in accordance with the laws and regulations of the Grand Duchy of Luxembourg and with generally accepted accounting principles in Luxembourg according to the Law of 19 December 2002, as subsequently amended.

The preparation of consolidated annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers to exercise its judgment in applying the accounting policies. Changes in assumptions may have a significant impact on the consolidated annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the consolidated annual accounts therefore present the financial position and results fairly.

BPPEH makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Scope of consolidation

The consolidated annual accounts of BPPEH as at 31 December 2018 include its stand-alone annual accounts and those of all directly or indirectly majority owned subsidiaries adjusted for non-controlling interests. Subsidiaries are all entities over which BPPEH exercises control, which is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from activities. The existence and effect of potential voting rights of other entities is considered when assessing whether BPPEH controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control is lost.

The Group and non-controlling interests’ share of profit and losses or changes in the net equity of subsidiaries are generally determined based on existing ownership interests, without considering the effects of securities that are exercisable or convertible into ownership interests.

Entities included in the scope of consolidation of the Group are disclosed in Note 22.

2.3 Consolidation policies

2.3.1 General

The consolidated annual accounts include the consolidated balance sheet, consolidated profit and loss account and consolidated statement of cash flows of the Group, as well as the present accompanying notes.

The accounts of the Group entities are adjusted when necessary in order to comply with the Group’s accounting policies.

2.3.2 Consolidation method

All investments in subsidiaries are fully consolidated.

2.3.3 Transactions eliminated on consolidation

All intra-group balances and transactions are eliminated.

2.3.4 Foreign currency translation

Items included in the annual accounts of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of BPPEH and the consolidated subsidiaries is Euros.

Transactions in foreign currencies are translated into Euros at the exchange rate prevailing at the date of the transaction.

The assets and liabilities of the Group’s foreign operations are shown in Euro using the exchange rates prevailing at the balance sheet date. Capital transactions are translated in Euros at the exchange rate prevailing at the date of the transaction. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising are presented in “Capital and reserves” and recognised in the Group’s foreign currency translation reserve.

2.3.5 Non-controlling interests

The Group recognises any non-controlling interest (“NCI”) in the acquiree on an acquisition-by-acquisition basis, at the NCI’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI’s share of subsequent changes in equity.

The share of NCI shareholders in the net equity and in the net profit for the period of subsidiaries is shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.3.6 Property acquisitions and business combinations

Management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether BPPEH will be identified as the acquirer,

Consolidated Annual Accounts

Notes to the Consolidated Annual Accounts (cont'd)

(b) determination of the acquisition date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any NCI in the acquiree and (d) recognition and measurement of goodwill.

Acquisition costs are measured as the aggregate fair value of the consideration transferred plus the amount of any NCI in the acquiree. For each business combination, BPPEH measures the NCI in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the costs and expenses.

Asset acquisitions are not treated as business combinations. Acquisition costs are allocated among identifiable assets and liabilities of the entity acquired based on the purchase price at the acquisition date. Accordingly, no goodwill or additional deferred taxes arise and acquisition costs are capitalised and are amortised over the life of the property acquired.

All of BPPEH's acquisitions during the period were determined to be asset acquisitions.

2.3.7 Profit and loss account

The figures in the profit and loss account for the acquired companies are reflected on a pro-rata basis to recognise the results of operations from the earlier of the date of inception, the date of acquisition or the date control was obtained by BPPEH through the earlier of the date that control ceases or the end of the financial year.

Note 3 – Significant accounting policies

3.1 Formation expenses

Formation expenses are charged to the profit and loss account in the period in which they are incurred.

3.2 Tangible fixed assets

Tangible fixed assets are investment properties held for long-term income or for capital appreciation or both, which are not occupied by the Group and are classified as "Land and buildings" in the consolidated balance sheet. Tangible fixed assets may also include properties under construction or developed for future use. Tangible fixed assets are carried at cost, including related transaction costs (unless acquired in a business combination), less accumulated depreciation, amortisation and any accumulated impairment in value.

Properties are considered acquired when the Group assumes the significant risks and rewards of ownership. Properties are treated as disposed when the significant risks and rewards of ownership are transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the risks and rewards will not usually transfer to the buyer until completion.

The purchase price of the acquired investment property is allocated between land and building in accordance with the Group's accounting policies. Depreciation and amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as summarised in the table below (land is not depreciated):

	Useful lives
Office buildings	40 years
Residential buildings	40 years
Logistics buildings	30 years
Building improvements[1]	10 - 20 years
Other fixtures and fittings	5 years
Tenant improvements	Remaining term of the lease

Construction costs incurred are capitalised and included in tangible fixed assets. This includes cost of construction, property and equipment, and other direct costs as well as interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until the development is substantially completed.

Expenditures incurred in relation to the operation of the investment property, such as repairs and maintenance costs, are expensed.

Where the Group considers that a tangible fixed asset suffered a decline in value in excess of the accumulated depreciation recognised, an additional write-down is recorded to reflect this impairment. These value adjustments are reversed if the reasons for which the value adjustments were made no longer apply.

3.3 Inventories

Tangible fixed assets which are under an active disposition plan or programme are considered to be held for sale and are separately presented on the consolidated balance sheet within "Inventories". Such assets are recorded at the lower of their carrying value or estimated fair value less the cost to sell. Once an investment property is determined to be held for sale, depreciation is no longer recorded.

3.4 Borrowing costs

Borrowing costs are capitalised as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset under development. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use and when it is probable that it will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred.

3.5 Tenants' deposits

Tenants' deposits are measured at cost and represent rental security deposits received from the lessee upon inception of the respective lease contract. At the termination of the lease contracts, the deposits held by the Group are returned to tenants, reduced by unpaid rental fees, expense recoveries, penalties and/or deductions for damages and repairs, if any. The related lease contracts usually have a term of more than twelve months (see Notes 6.3, 7 and 11.5).

3.6 Debtors

Debtors balances are carried at their nominal value and stated net of allowances for doubtful accounts. When there is an indication that the Group will not be able to collect all amounts due according to the original terms of the receivable the amount is recorded in the allowance for doubtful accounts. These value adjustments are reversed in the period in which the reasons for the value adjustments cease to apply.

3.7 Cash at bank and in hand

Cash includes cash on hand and money held on demand in banks and other financial institutions with maturities of three months or less that are subject to an insignificant risk of change in value.

Restricted cash primarily consists of amounts related to operating real estate such as escrows for taxes, insurance, capital expenditures, tenant security deposits and payments required under certain lease and borrowing arrangements of the Group.

3.8 Prepayments

Prepayments are carried at their nominal value and represent expenditures incurred for the benefit of future periods and are amortised over such period.

Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortised on a straight-line basis over the remaining term of the lease and are recorded to depreciation and amortisation.

3.9 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provisions may also be created to cover charges that originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

3.10 Provision for taxation

Current tax provision

The provision corresponding to the tax liability estimated by the Group for the financial year is recorded under the caption "Other creditors – Tax authorities" on the consolidated balance sheet. The advance payments for tax are shown as an asset on the consolidated balance sheet under "Other debtors".

Deferred tax provision

Deferred tax assets and/or liabilities are recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the consolidated annual accounts. However, deferred income tax does not arise 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 and loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the date of the consolidated balance sheet and are expected to apply when the deferred income tax asset and/or liability is settled.

3.11 Debts

Debts are recorded at their reimbursement value. Loan arrangement fees and other debt issue costs are capitalised and subsequently amortised over the term of the related borrowings using the effective interest method and are shown in the assets of the consolidated balance sheet under "Prepayments". Early repayment of debts result in accelerated write-off of capitalised fees and costs related to such debts.

3.12 Deferred income

Income received during the reporting period but relating to a subsequent reporting period represents a liability of the Group.

1. Shorter of useful life or remaining life of the building.

Consolidated Annual Accounts

Notes to the Consolidated Annual Accounts (cont'd)

3.13 Subscribed capital and share premium

Subscribed capital is stated at nominal value for all shares issued. The difference between the proceeds and the nominal value of the shares issued is presented in the "Share premium" account. Shares issued for consideration other than cash are measured at fair value of the consideration received. In case the shares are issued to extinguish or settle a liability of BPPEH, the shares shall be measured either at fair value of the shares issued or fair value of the liability settled, whichever is more determinable.

3.14 Net turnover

Net turnover is comprised of rental income from investment property and is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution are recognised as a reduction of rental income on a straight-line basis over the term of the lease.

Service charge income is recognised separately from rental income and is presented in the consolidated profit and loss account as "Other operating income". Service charge income relates to any service charge recoverable from tenants, whereas corresponding expenses are recorded in "Other operating expenses". Service charge income is recognised on an accrual basis and recorded as income in the period in which it is earned.

3.15 Interest income and interest expenses

Interest income and interest expenses are accrued at the nominal interest rate applicable.

3.16 Expenses

Expenses are recognised as incurred.

3.17 Promote fees

Promote fees payable to third-party operating partners are recognised in accordance with the governing documents when the fee amount can be readily and reliably estimated. Promote fees are determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles. As at 31 December 2018, the Group had not triggered any promote fees.

3.18 Derivative financial instruments

BPPEH may enter into derivative financial instruments such as options, swaps, futures or foreign exchange contracts. Derivative financial instruments are recognised at fair value at the origination date and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss.

A derivative financial instrument with a positive fair value is recognised as a financial asset whereas a derivative financial instruments with a negative fair value is recognised as a financial liability. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques taking into account market conditions existing at the end of each reporting period.

3.19 Contingencies

Contingent liabilities are recognised in the consolidated annual accounts unless the possibility of economic loss is remote. Contingent assets are recognised if economic benefits are probable.

3.20 Subsequent events

Material post year end events that would result in a significant change to the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated annual accounts. Post year end events that are not adjusting events are disclosed in the notes to the consolidated annual accounts, when material.

Note 4 - Tangible fixed assets

The following table reconciles the gross book value of the tangible fixed assets to the net carrying value for the period from inception through 31 December 2018:

€m	Land	Buildings	Total
Gross book value at inception	–	–	–
Additions	1,209.1	2,566.8	**3,775.9**
Transfers to inventories (Note 5)	(17.8)	(101.8)	**(119.6)**
Gross book value - closing balance	**1,191.3**	**2,465.0**	**3,656.3**
Accumulated value adjustments at inception	–	–	–
Accumulated depreciation and amortisation	–	(39.9)	**(39.9)**
Transfers to inventories (Note 5)	–	2.3	**2.3**
Accumulated value adjustments - closing balance	–	**(37.6)**	**(37.6)**
Net book value - closing balance	**1,191.3**	**2,427.4**	**3,618.7**
Net book value at inception	–	–	–

Note 5 - Inventories

In December 2018, BPPEH, through its subsidiaries, entered into a preliminary letter of intent to dispose of two logistics assets in Poland. As at 31 December 2018, €117.3 million was transferred from tangible fixed assets, net of related accumulated depreciation and amortisation, to inventories (see Note 4).

Note 6 - Debtors

6.1 Trade debtors

The following table summarises trade debtors amounts:

€m	31 December 2018
Rental income and service charges receivable	17.5
Accrued rental income and service charges	4.1
Allowance for bad debts	(2.1)
Total	**19.5**

Notes to the Consolidated Annual Accounts (cont'd)

6.2 Amounts owed by affiliated undertakings

The following table summarises amounts owed by affiliated undertakings, including BPPEH's parent entity and NCI shareholders:

€m	Interest rate	Term	31 December 2018
Becoming due and payable after more than one year			
Related party loans receivable	1.05% - 1.82%	2022 - 2025	70.9
			70.9
Becoming due and payable within one year			
Related party loans receivable - interest free	–	2019	81.3
Other amounts receivable	–	2019	31.9
			113.2
Total			**184.1**

6.3 Other debtors

Other debtors is primarily comprised of VAT of €12.8 million and various cash deposits held by third parties on behalf of the Group of €5.7 million.

Note 7 – Cash at bank and in hand

The following table represents cash at bank and in hand including €10.0 million of restricted cash which primarily relates to tenant security deposits held in the Group's bank accounts:

€m	31 December 2018
Cash at bank and in hand	259.4
Restricted cash	10.0
Total	**269.4**

Note 8 – Prepayments

Prepayments are comprised of the following amounts:

€m	31 December 2018
Deferred financing fees, net	15.7
Other assets	9.7
Total	**25.4**

Deferred financing fees are related to the bonds (unsecured notes) and amounts owed to credit institutions (see Notes 11.1 and 11.2). Other assets include insurance, real property taxes and other prepaid expenses.

Note 9 – Capital and reserves

The following table summarises the movement in capital and reserves for the period from inception through 31 December 2018:

	Attributable to the owners of BPPEH					
€m	Subcribed capital	Share premium and capital contribution	Retained earnings / (losses)	Loss for the period	Non-controlling interests	Total
Balance at inception	–	–	–	–	–	–
Loss for the period	–	–	–	(27.5)	(13.0)	**(40.5)**
Total	–	–	–	**(27.5)**	**(13.0)**	**(40.5)**
Transactions with owners						
Contributions by owners of BPPEH	1.4	550.8	–	–	–	**552.2**
Acquisition on non-controlling interests	–	–	–	–	170.4	**170.4**
Closing balance	**1.4**	**550.8**	–	**(27.5)**	**157.4**	**682.1**

9.1 Subscribed capital

The following table summarises the number of shares issued from inception through 31 December 2018:

		Number of shares						
	Value €m	Ordinary shares	Class A	Class B	Class C	Class D	Class E	Total
Subscribed capital at inception	**–**	**12,000**	–	–	–	–	–	**12,000**
New shares issued for the period	1.4	–	330,000	329,000	329,000	270,000	100,000	**1,358,000**
Subscribed capital - closing balance	**1.4**	**12,000**	**330,000**	**329,000**	**329,000**	**270,000**	**100,000**	**1,370,000**

Each class of shares issued is related to a single or multiple investment properties, as defined in the articles of incorporation of BPPEH.

9.2 Share premium

During 2018, Master Unsecured Topco S.à r.l. contributed €524.1 million in cash and €26.7 million of contribution in kind of shares held in SF German Master Top Co S.à r.l. to the share premium account of BPPEH for a total of €550.8 million.

9.3 Legal reserve

Luxembourg companies are required to transfer a minimum of 5% of the annual net income, after deducting any losses brought forward, to the legal reserve until this reserve equals 10% of the subscribed capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of BPPEH.

9.4 Non-controlling interest

The NCI of the Group is comprised of equity in various investment properties that is owned by affiliates of BPPEH.

Note 10 – Provisions

10.1 Current taxation

The Group is subject to income taxes in numerous jurisdictions. The Group recognises liabilities for anticipated tax assessments based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Consolidated Annual Accounts

Notes to the Consolidated Annual Accounts (cont'd)

10.2 Deferred taxation

The deferred tax liability recognised as at 31 December 2018 was €0.5 million.

Note 11 – Creditors

The following table summarises the movement in the amounts owed to credit institutions and bonds (unsecured notes) for the period from inception through 31 December 2018:

€m	Amounts owed to credit institutions	Bonds (unsecured notes)	Total
Principal balance at inception	–	–	–
Proceeds from borrowings	1,340.0	1,250.0	**2,590.0**
Acquired debt	717.0	–	**717.0**
Repayments during the period	(1,134.1)	–	**(1,134.1)**
Fair value of derivative financial instruments	2.2	–	**2.2**
Closing balance	**925.1**	**1,250.0**	**2,175.1**
Deferred financing fees at inception	–	–	–
Capitalised financing fees in relation to drawn borrowings	7.6	9.9	**17.5**
Amortisation of deferred financing fees during the period	(1.4)	(0.4)	**(1.8)**
Closing balance	**6.2**	**9.5**	**15.7**

11.1 Bonds (unsecured notes)

On 21 June 2018, BPPEH established its €5 billion EMTN Programme listed on The International Stock Exchange ("TISE") in Guernsey, Channel Islands. BPPEH issued two tranches of unsecured and non-convertible bonds totalling €1.25 billion to fund its investment activity. The notes are subject to redemption at the option of BPPEH and are fully and unconditionally guaranteed, jointly and severally, by certain subsidiaries of BPPEH. The notes are pari passu with the Group's other unsecured indebtedness and are subordinated to any secured indebtedness of the Group and/or other secured liabilities.

The following table summarises the key terms of the unsecured notes outstanding as at 31 December 2018:

€m	Interest rate	Maturity	Payable within one year	Payable after one year and within five years	Payable after more than five years	Total principal	Accrued interest payable
Unsecured notes - Series I	1.40%	06-Jul-22	4.1	600.0	-	600.0	4.1
Unsecured notes - Series II	2.20%	24-Jul-25	6.3	-	650.0	650.0	6.3
Total			**10.4**	**600.0**	**650.0**	**1,250.0**	**10.4**

11.2 Amounts owed to credit institutions

The following table summarises the key terms of the amounts owed to credit institutions as at 31 December 2018:

€m	Interest rate	Maturity[1]	Payable within one year	Payable after one year and within five years	Payable after more than five years	Total principal	Accrued interest payable
Acquisition facility I	1.50%	15-May-21	592.6	–	–	591.5	1.1
Acquisition facility II	1.40%	15-Nov-21	0.3	210.4	–	210.4	0.3
Mortgage loans	1.37% - 2.39%	2020 - 2026	2.2	57.3	59.7	119.0	0.2
RCF	1.05%	15-Nov-21	–	2.0	–	2.0	–
Derivative financial instruments	1.41%	30-Dec-20	0.2	2.2	–	2.2	0.2
Total			**595.3**	**271.9**	**59.7**	**925.1**	**1.8**

Acquisition facility I

On 8 March 2018, Azurite Topco S.à r.l., a subsidiary of the BPPEH, entered into Acquisition Facility I with Bank of America and Morgan Stanley Bank. Acquisition Facility I is secured by pledges of shares of certain subsidiaries of BPPEH.

Acquisition Facility I has an initial maturity of 15 May 2019, subject to two one-year extension options, and an interest rate of Euribor + 1.5% per annum. As at 31 December 2018, qualifying conditions for extension of maturity were met, resulting in a final maturity date of 15 May 2021.

Acquisition Facility I lenders committed €1.2 billion of which €1.1 billion was drawn. During 2018, €478.4 million was repaid while the remaining outstanding principal balance of €591.5 million, together with accrued interest and fees, was repaid in full on 15 February 2019 (see Note 21).

Acquisition facility II

On 25 October 2018, BPPEH entered into Acquisition Facility II, an unsecured borrowing arrangement with Royal Bank of Canada, Crédit Agricole Corporate & Investment Bank, HSBC France and Société Générale.

Acquisition Facility II has an initial maturity date of 15 November 2020, subject to a one-year extension option, and an interest rate of Euribor + 1.4% per annum. As at 31 December 2018, qualifying conditions for extension of maturity were met, resulting in a final maturity date of 15 November 2021.

As at 31 December 2018, the total available commitment of €210.4 million under Acquisition Facility II was drawn by BPPEH.

RCF

On 9 October 2018, BPPEH entered into a senior revolving credit facility agreement with Royal Bank of Canada. Subsequently, Crédit Agricole Corporate & Investment Bank, HSBC France, Société Générale and Banco Santander made additional commitments to the RCF. As at 31 December 2018, the total size of the RCF was €180 million of which €2 million was drawn. BPPEH upsized the facility to €230 million on 16 January 2019.

The RCF has an initial maturity date of 15 November 2021, subject to two one-year extension options upon lenders' consent, and an interest rate of Euribor + 1.05%.

Mortgage loans

As at 31 December 2018, BPPEH had two mortgage loans, secured by investment properties, totalling €119 million and maturing in December 2020 and October 2026.

1. Represents extended maturity dates.

Notes to the Consolidated Annual Accounts (cont'd)

Covenants

As at 31 December 2018, the Group was in compliance with all of its financial covenants.

11.3 Amounts owed to affiliated undertakings

The following table summarises the key terms of the amounts owed to affiliated undertakings as at 31 December 2018, including BPPEH's parent entity and NCI shareholders:

€m	Interest rate	Maturity	Payable within one year	Payable after one year and within five years	Payable after more than five years	Total principal	Accrued interest payable
Related party loans payable	1.00% - 7.93%	2020 - 2033	12.0	25.2	1,155.1	1,180.3	12.0
Related party loans payable - interest free	–	2019	82.2	–	–	82.2	–
Other amounts payable			4.9	0.6	–	5.5	–
Total			**99.1**	**25.8**	**1,155.1**	**1,268.0**	**12.0**

11.4 Derivative financial instruments

In connection with a mortgage loan assumed on acquisition of an investment property, the Group also assumed an interest rate swap contract maturing on 30 December 2020. As at 31 December 2018, BPPEH recognised €2.2 million of unrealised losses relating to the fair value revaluation of the derivative (see Note 11.2).

11.5 Other creditors

The following table summarises amounts owed to other creditors as at 31 December 2018 and includes deferred purchase price payables of €37.5 million:

€m	Tax authorities	Becoming due and payable within one year	Becoming due and payable after more than one year	Total
Tenant deposits payable	–	4.5	7.3	**11.8**
Other payables	–	2.7	–	**2.7**
Acquisition of tangible fixed assets	–	37.5	–	**37.5**
Tax payables	12.8	–	–	**12.8**
Total	**12.8**	**44.7**	**7.3**	**64.8**

Note 12 – Deferred income

Deferred income is comprised of rent and service charges paid in advance by tenants.

Note 13 – Net turnover

The following table reflects net turnover of the Group's investment properties summarised by asset class and country for the period from 7 December 2017 to 31 December 2018:

€m	Logistics	Residential	Office	Total
Germany	17.4	21.3	7.9	**46.6**
France	6.8	–	4.9	**11.7**
Spain	2.9	–	3.2	**6.1**
Italy	5.9	–	0.1	**6.0**
Poland	5.8	–	–	**5.8**
Netherlands	3.6	–	–	**3.6**
Total	**42.4**	**21.3**	**16.1**	**79.8**

Note 14 – Other operating income

Other operating income of the Group consists of the following:

€m	Period from 7 December 2017 to 31 December 2018
Service charge income	18.7
Other income	1.1
Total	**19.8**

Note 15 – Other external expenses

The following table summarises other external expenses comprised of general and administrative expenses, external audit fees, legal and advisory fees and other corporate costs incurred by the Group:

€m	Period from 7 December 2017 to 31 December 2018
Administrative expenses	5.1
Legal fees	2.3
Advisory fees	2.2
Audit fees	1.5
Accounting fees	1.1
Other fees	0.8
Total	**13.0**

Note 16 – Staff costs

As at 31 December 2018, the Group had 19 full-time employees. There are no loans or incentives to management of the Group.

Consolidated Annual Accounts

Notes to the Consolidated Annual Accounts (cont'd)

Note 17 – Other operating expenses

The following table summarises other operating expenses which primarily consist of service charge expenses and asset management fees incurred in connection with the operations of the Group's investment properties:

€m	Period from 7 December 2017 to 31 December 2018
Service charges and other expenses	26.9
Asset management fees	5.3
Total	**32.2**

Note 18 – Interest payable and similar expenses

The following table summarises interest expense incurred in connection with the Group's external and affiliated borrowings as well as fees related to originating such borrowings:

€m	Period from 7 December 2017 to 31 December2018
Other interest and similar expenses	
Interest on bonds	10.3
Interest on amounts owed to credit institutions	9.8
Change in fair value of derivative financial instruments (Notes 11.2, 11.4)	2.2
Deferred financing fees amortisation (Note 11)	1.8
Other financial expenses and bank fees	5.6
	29.7
Concerning affiliated undertakings	
Interest on amounts owed to affiliated undertakings	20.0
	20.0
Total	**49.7**

Note 19 – Related party transactions

Parties, whether individuals or corporate entities, that (i) have the direct or indirect ability to control or exercise significant influence over the other party in making financial and operating decisions or (ii) are subject to common control are considered related.

The related party transactions are related to financing activities and management fees (see Notes 1, 6.2, 11.3 and 18).

A number of German residential and office investment properties are asset managed by related parties. As at 31 December 2018, the Group incurred €1.1 million of related party asset management fees.

Note 20 – Off balance sheet commitments and contingencies

Litigation and claims

The Group may be involved in litigation and claims in the ordinary course of business. As at 31 December 2018, the Group was not involved in any legal proceedings that are expected to have a material adverse effect on the Group's operations, financial position or liquidity.

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

Note 21 – Subsequent events

New acquisitions

On 1 April 2019, the Group acquired a 94-asset (496-unit) Dutch residential portfolio. The properties are located in the city centres of Amsterdam and Rotterdam.

Financing

On 16 January 2019, the total size of the RCF increased from €180 million to €230 million (see Note 11.2).

On 15 February 2019, BPPEH issued €500 million of unsecured notes under its EMTN Programme. The notes have an annual coupon of 2.0% and a maturity date of 15 February 2024. The net proceeds of the issuance, along with cash and borrowings under the RCF, were used to repay Acquisition Facility I in full (see Note 11.2).

Notes to the Consolidated Annual Accounts (cont'd)

Note 22 – List of consolidated entities

Name	BPPEH's effective ownership as at 31 December 2018	Country	Consolidation method
Blackstone Property Partners Europe Holdings S.à r.l.	n/a	Luxembourg	Parent company
LZ German Super Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Alpha German Super Topco S.à r.l.	55.96%	Luxembourg	Full consolidation
Alpha German Topco S.à r.l.	55.96%	Luxembourg	Full consolidation
SF German Master Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Azurite Master Topco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Topco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Unsecured Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
German Unsecured Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Azurite German Majority Topco S.à r.l.	58.68%	Luxembourg	Full consolidation
Azurite German Majority Midco S.à r.l.	58.68%	Luxembourg	Full consolidation
Azurite German Majority Holdco S.à r.l.	58.68%	Luxembourg	Full consolidation
Gemini Unsecured Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gemini Master Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gemini Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Thesaurus Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Thesaurus Investment S.à r.l.	100.00%	Luxembourg	Full consolidation
Alpha German Pledgeco S.à r.l.	50.37%	Luxembourg	Full consolidation
Alpha German Holdco S.à r.l.	50.37%	Luxembourg	Full consolidation
KC Chris GmbH	50.37%	Germany	Full consolidation
KC Valentina GmbH	50.37%	Germany	Full consolidation
KC Isabella GmbH	50.37%	Germany	Full consolidation
KC Carolina GmbH	50.37%	Germany	Full consolidation
KC Louise GmbH	50.37%	Germany	Full consolidation
KC Berlin 1 GmbH	50.37%	Germany	Full consolidation
KC Berlin 2 GmbH	50.37%	Germany	Full consolidation
KC Berlin 3 GmbH	50.37%	Germany	Full consolidation
KC Berlin 4 GmbH	50.37%	Germany	Full consolidation
LZ German Topco S.à r.l.	84.00%	Luxembourg	Full consolidation
LZ German Holdco S.à r.l.	84.00%	Luxembourg	Full consolidation
Leipziger Strasse S.à r.l.	75.60%	Luxembourg	Full consolidation
Peninsula Bidco BV	100.00%	Netherlands	Full consolidation
Peninsula Pledgeco BV	100.00%	Netherlands	Full consolidation
OPPCI Dyna Sppicav	100.00%	France	Full consolidation
Peninsula Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Peninsula Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Peninsula Bidco S.à r.l.	100.00%	Luxembourg	Full consolidation
SCI Dynavia SCI	100.00%	France	Full consolidation
Perceval Topco S.à r.l.	52.81%	Luxembourg	Full consolidation

Name	BPPEH's effective ownership as at 31 December 2018	Country	Consolidation method
Perceval Investment S.à r.l.	52.81%	Luxembourg	Full consolidation
Ermes Fund	52.81%	Italy	Full consolidation
Logan (Bad Hersfeld) Propco BV	52.81%	Netherlands	Full consolidation
Logan (Borken 1) Propco BV	52.81%	Netherlands	Full consolidation
Logan (Borken 2) Propco BV	52.81%	Netherlands	Full consolidation
Logan (Bremerhaven) Propco BV	52.81%	Netherlands	Full consolidation
Logan (Hassfurt) Propco BV	52.81%	Netherlands	Full consolidation
Logan (Neunkirchen) Propco BV	52.81%	Netherlands	Full consolidation
Jago European Club II S.à r.l.	52.81%	Luxembourg	Full consolidation
Tanzanite Topco BV	52.81%	Netherlands	Full consolidation
Tanzanite Dordrecht BV	52.81%	Netherlands	Full consolidation
Tanzanite Holdco BV	52.81%	Netherlands	Full consolidation
Tanzanite Vianen I BV	52.81%	Netherlands	Full consolidation
Tanzanite Vianen II BV	52.81%	Netherlands	Full consolidation
Tanzanite Schiphol BV	52.81%	Netherlands	Full consolidation
Tanzanite Tiel BV	52.81%	Netherlands	Full consolidation
Canary Pledgeco S.à r.l.	55.96%	Luxembourg	Full consolidation
Canary Holdco S.à r.l.	55.96%	Luxembourg	Full consolidation
Taliesin Managing-Partner GmbH	52.61%	Germany	Full consolidation
Taliesin I GmbH	50.37%	Germany	Full consolidation
Taliesin II GmbH	50.37%	Germany	Full consolidation
Phoenix B2 -Glatzerstrasse S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix D1 - Hohenstaufenstrasse S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix II Mixed H S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix II Mixed I S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix II Mixed J S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix II Mixed K S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix II Mixed N S.à r.l.	50.37%	Luxembourg	Full consolidation
Phoenix III Mixed O S.à r.l.	50.37%	Luxembourg	Full consolidation
Adamma Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Adamma Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Adamma Home GmbH	90.00%	Germany	Full consolidation
Arabella Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Arabella Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Arabella Propco S.à r.l.	90.00%	Luxembourg	Full consolidation
Azurite Mezzco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Pledgeco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Bidco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite France Propco I SNC	52.81%	France	Full consolidation

Notes to the Consolidated Annual Accounts (cont'd)

Name	BPPEH's effective ownership as at 31 December 2018	Country	Consolidation method
Azurite France Bidco SAS	52.81%	France	Full consolidation
Azurite France Propco II SNC	52.81%	France	Full consolidation
Azurite France Propco III SNC	52.81%	France	Full consolidation
Azurite Montélimar (France) SAS	52.81%	France	Full consolidation
Azurite Mitry (France) S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Immobilier EURL	52.81%	France	Full consolidation
Azurite Properties Germany BV	52.81%	Netherlands	Full consolidation
Azurite Werne Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Viersen Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Halle Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Michelsrombach Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Hamm Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Schwäbisch Gmünd Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Linsengericht Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Waldlaubersheim Logistics S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Poland Holdco S.à r.l.	52.81%	Luxembourg	Full consolidation
Azurite Poland Propco I Sp.z o.o.	52.81%	Poland	Full consolidation
Azurite Poland Propco II Sp.z o.o.	52.81%	Poland	Full consolidation
Azurite Poland Propco III Sp.z o.o.	52.81%	Poland	Full consolidation
Azurite Poland Propco IV Sp.z o.o.	52.81%	Poland	Full consolidation
Azurite Poland Propco V Sp.z o.o.	52.81%	Poland	Full consolidation
Azurite Poland Propco VI Sp.z o.o.	52.81%	Poland	Full consolidation
Gamma Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gamma Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Wackenida GmbH	90.00%	Germany	Full consolidation
St. Bonifatius Wohnungsbaugesellschaft mbH	90.00%	Germany	Full consolidation
Speyerer Straße 3 Immobilienverwaltung GmbH	90.00%	Germany	Full consolidation
Oldenburger Straße Betreuungs GmbH	90.00%	Germany	Full consolidation
SK 96 - Wohnungsbaukombinat GmbH	90.00%	Germany	Full consolidation
Richardstraße 60, 61 Berlin-Neukölln GmbH	90.00%	Germany	Full consolidation
Ravenna Lodging GmbH	90.00%	Germany	Full consolidation
Wustermarker St. 38/39 Objekt GmbH	90.00%	Germany	Full consolidation
Laser Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Laser Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Laser (Spain) Holdco, S.L.U.	100.00%	Spain	Full consolidation
Laser (Spain) Propco II, S.L.U.	100.00%	Spain	Full consolidation
Laser (Spain) Propco I, S.L.U.	100.00%	Spain	Full consolidation
Laser (Spain) Propco III S.L.U.	100.00%	Spain	Full consolidation
Garden Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Garden Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation

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Name	BPPEH's effective ownership as at 31 December 2018	Country	Consolidation method
Garden (Spain) Holdco S.L.U.	100.00%	Spain	Full consolidation
Garden (Spain) Propco S.L.U.	100.00%	Spain	Full consolidation
Pariser Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Pariser Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Platz Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Pariser Platz ZwischenHoldCo GmbH	90.00%	Germany	Full consolidation
Pariser Platz Propco S.C.S	90.00%	Luxembourg	Full consolidation
Pariser Platz (Propco) GP S.à r.l.	90.00%	Luxembourg	Full consolidation
Gemini Poland Topco S.à r.l.	90.00%	Luxembourg	Full consolidation
Gemini Poland Holdco S.à r.l.	90.00%	Luxembourg	Full consolidation
Gemini (Poland) Propco I Sp.z o.o.	90.00%	Poland	Full consolidation
Gemini (Poland) Propco II Sp.z o.o.	90.00%	Poland	Full consolidation
Gemini (Poland) Propco III Sp.z o.o.	90.00%	Poland	Full consolidation
Gemini (Poland) Propco IV Sp.z o.o.	90.00%	Poland	Full consolidation
Gemini (Poland) Propco V Sp.z o.o.	90.00%	Poland	Full consolidation
Gemini German Majority Midco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gemini German Majority Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gemini German Majority Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Gemini Forchheim Logistics LLC	90.00%	Delaware	Full consolidation
Gemini Sulzenbrucker Strasse 7 LLC	90.00%	Delaware	Full consolidation
Gemini Karlsdorf LLC	90.00%	Delaware	Full consolidation
Gemini Duisburg LLC	90.00%	Delaware	Full consolidation
Gemini Nuremburg LLC	90.00%	Delaware	Full consolidation
Summer Pledgeco S.à r.l.	100.00%	Luxembourg	Full consolidation
Summer Holdco S.à r.l.	100.00%	Luxembourg	Full consolidation
Summer Propco 1 GmbH	90.00%	Germany	Full consolidation
Summer Propco 2 GmbH	90.00%	Germany	Full consolidation
Leiko Investments S.à r.l.	90.00%	Luxembourg	Full consolidation
Leiko Super Topco S.à r.l.	100.00%	Luxembourg	Full consolidation
Leiko Topco S.à r.l.	90.00%	Luxembourg	Full consolidation
Leiko Holdco S.à r.l.	90.00%	Luxembourg	Full consolidation
Spring Topco S.à r.l.	90.00%	Luxembourg	Full consolidation
Spring Pledgeco S.à r.l.	90.00%	Luxembourg	Full consolidation
Spring Investment S.à r.l.	90.00%	Luxembourg	Full consolidation
Star Pledgeco S.à r.l.	90.00%	Luxembourg	Full consolidation
Star Holdco S.à r.l.	90.00%	Luxembourg	Full consolidation
Projekt Itaca GmbH	90.00%	Germany	Full consolidation
Thesaurus Fund	100.00%	Italy	Full consolidation
Honos Fund	100.00%	Italy	Full consolidation

Definitions

Adjusted NOI[1]	NOI annualised for investments acquired during the year and including rental guarantees and rent abatement credit provided by sellers
Blackstone	The Blackstone Group L.P. or, as the context may require, one or more funds, managed accounts or limited partnerships managed or advised by The Blackstone Group L.P. or any of its affiliates or direct or indirect subsidiaries from time to time
BPPE	Blackstone Property Partners Europe, an open-ended fund focused on core+ real estate investments in Europe (Legal entities: Blackstone Property Partners Europe L.P., Blackstone Property Partners Europe F L.P., and Blackstone Property Partners Europe (Lux) SCSp)
BPPEH	Blackstone Property Partners Europe Holdings S.à r.l., a wholly-owned subsidiary of BPPE
EBITDA	The profit/(loss) for the financial period, adjusted to add back net finance costs, taxation, depreciation and amortisation
EMTN Programme	€5,000,000,000 Euro Medium Term Note Programme established by BPPEH
GAV	Gross asset value calculated as the total market value of the properties under management, including the total value of related equity positions, debt positions as well as joint venture and co-investment ownership positions
GLA	Gross leasable area
Net LTV	Net loan-to-value ratio, calculated as the amount of interest bearing debt (excluding shareholder loans) less cash, divided by GAV
NOI	Net operating income, calculated as total property and related revenues less property operating expenses
NOI Yield	Adjusted NOI divided by GAV
Occupancy	Occupancy based on GLA, including rental guarantees unless otherwise noted; where specified, economic occupancy includes rental guarantees and physical occupancy excludes rental guarantees
Passing Rent	The rent at which an asset is rented at a point in time
RCF	Revolving credit facility
Releasing Spread	Difference between the new rent signed and the old prevailing rent on renewals (same space, same tenant) or new leases (same space, different tenant)
sqm	Square metres
WALL	Weighted average unexpired lease term, based on rent; calculated to first break unless otherwise noted

Note: All BPPEH metrics in this Annual Report are calculated at 100% share (including the portion attributable to minority owners).

1. Total property and related revenues (adjusted for straight line rent, if any) less property operating expenses (excluding, for the avoidance of doubt, general and administrative costs, interest expense, transaction costs, depreciation and amortisation expense, realised gains (losses) from the sale of properties and other capital expenditures and leasing costs necessary to maintain the operating performance of the properties).

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