LOOK

ANNUAL REPORT

AT 2014

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ANNUAL REPORT 2014

HB REAVIS
REAL ESTATE

139,000
SQ M OF GLA LEASED

RETURN TO SHAREHOLDERS
10.8%

€100.2m
PROFIT BEFORE TAX

400
EMPLOYEES

3 DISPOSALS WITH TOTAL VALUE OF
€282.0 MILLION

1.4
MILLION SQ M OF GLA IN DEVELOPMENT PIPELINE

NET OPERATING PROFIT
INCREASED BY
29%

110
MILLION EUR INVESTED IN CONSTRUCTION
OF OUR PROJECTS

REVALUATION GAIN
108.6
MILLION EUR

26.5%
NET DEBT LEVERAGE RATIO

NAV €963.7 MILLION

CONTENTS

CORPORATE OVERVIEW

WHO WE ARE

Eurobuild Awards

Best Office Developer of 2014
in Central & Eastern Europe

CEEQA – Central & Eastern European Real Estate Quality Awards

Best Developer of 2014
in Central & Eastern Europe

Founded in 1993, the HB Reavis Group is a private real estate company headquartered in Bratislava, Slovakia and Luxembourg. Over more than 20 years, we have become one of Europe's leading commercial real estate developers, operating in the United Kingdom, Poland, the Czech Republic, Slovakia and Hungary and have recently launched development activities in Turkey. We have completed 28 large-scale projects in Central Europe.

CORPORATE OVERVIEW

GROUP AT A GLANCE

Figures based on external expert valuations and management report.

UNITED KINGDOM

7	professionals
€148.3m	in investment property
€15.1m	operating profit
28,722 m²	GLA under preparation

POLAND

75	professionals
€454.1m	in investment property
€66.3m	operating profit
254,607 m²	GLA under preparation
95,405 m²	GLA developed

CZECH REPUBLIC

48	professionals
€183.7m	in investment property
€9.8m	operating profit
435,039 m²	GLA under preparation
103,933 m²	GLA developed

SLOVAKIA

254	professionals (including HQ)
€546.2m	in investment property
€34.3m	operating profit
539,991 m²	GLA under preparation
533,304 m²	GLA developed

HUNGARY

13	professionals
€41.3m	in investment property
€8.3m	operating profit
118,878 m²	GLA under preparation
22,069 m²	GLA developed

TURKEY

2 professionals on staff

WHAT WE DO

Our mission is to bring remarkable experiences to people's lives through our real estate solutions.

development pipeline 1.38 million m^2 of GLA

In delivering our projects, we always aim to create something unique and innovative, something our clients and the communities we serve do not expect from a real estate developer. That is what we bring to our specialized development and management of class-A office space solutions and modern shopping and entertainment centers (under the Aupark brand).

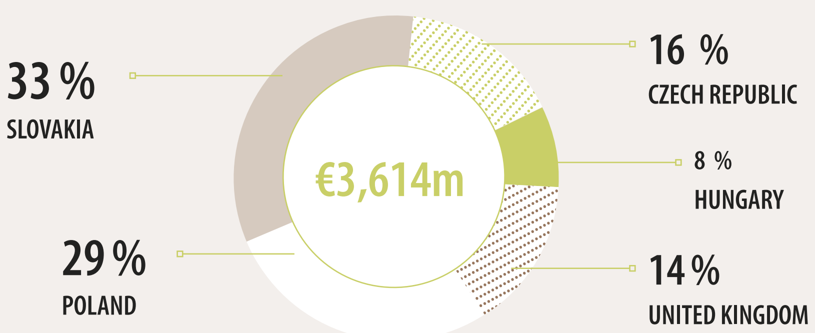
As a developer, the Group has a track record of successfully delivering over 750,000 m^2 of Gross Leasable Area (GLA) of commercial space. At year-end 2014, our development pipeline included 1.38 million m^2 of GLA, of which about 230,000 m^2 of GLA in nine projects was under construction.

As an asset and investment manager, the Group has successfully divested 17 of our completed projects with a total exit value of about €1.2 billion. At the end of 2014, HB Reavis was managing a portfolio of around 557,000 m^2 of GLA, of which some 100,000 m^2 of GLA is owned by HB Reavis CE REIF, Fund managed by us, and about 102,000 m^2 of GLA by other institutional investors.

We are one of the few fully integrated real estate players in the CE region. We believe in our unique, "perpetual" approach to our projects and solutions - an approach that has proved eminently successful for over 20 years. Thanks to our 400-strong professional team, we are able to manage and execute every aspect of creating commercial real estate solutions, from land acquisition, through in-house concept design and construction management, all the way to client-focused space delivery.

PROPERTY
UNDER DEVELOPMENT

MARKET VALUE UPON COMPLETION
BY SEGMENT



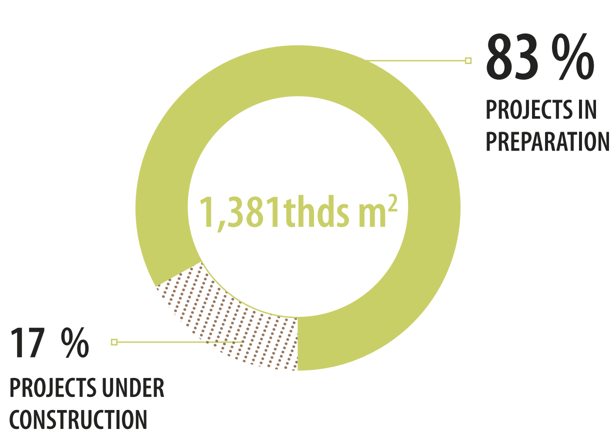
MARKET VALUE UPON COMPLETION
BY COUNTRY

PORTFOLIO OF PROPERTIES UNDER DEVELOPMENT

Country	No. of projects	Planned GLA m²	Market value upon completion €m*
United Kingdom	2	28,722	483.0
Office	2	28,722	483.0
Poland	7	301,822	1,044.3
Office	7	301,822	1,044.3
Czech Republic	7	383,214	592.0
Retail	3	94,606	306.6
Office	2	58,131	146.4
Logistics	2	230,477	138.9
Slovakia	11	548,165	1,206.4
Retail	1	95,349	209.7
Office	10	452,816	996.7
Hungary	1	118,878	288.2
Office	1	118,878	288.2
Total	**28**	**1,380,801**	**3,614**

* Figures based on external expert valuations and management report.

PLANNED GLA



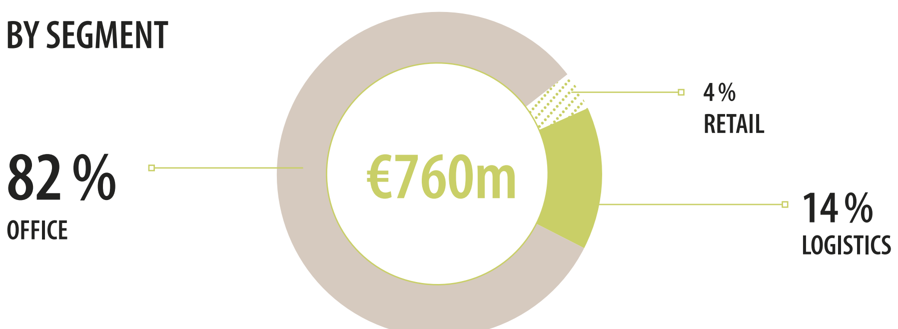
ASSET MANAGEMENT
PORTFOLIO

ASSET MANAGEMENT PORTFOLIO

Country	No. of projects	Developed GLA m²	Market value €m*
Owned income-producing assets	**12**	**354,421**	**594.0**
Poland	3	95,404	244.0
Office	3	95,404	244.0
Czech Republic	4	90,755	105.1
Office	2	32,759	66.7
Logistics	2	57,996	38.4
Slovakia	4	146,194	211.0
Office	3	76,884	175.6
Logistics	1	69,310	35.4
Hungary	1	22,069	33.9
Office	1	22,069	33.9
Assets managed for HB Reavis CE REIF	**5**	**101,110**	**166.1**
Assets managed for 3rd parties	**3**	**101,960**	**-**
Total	**20**	**557,491**	**760.1**

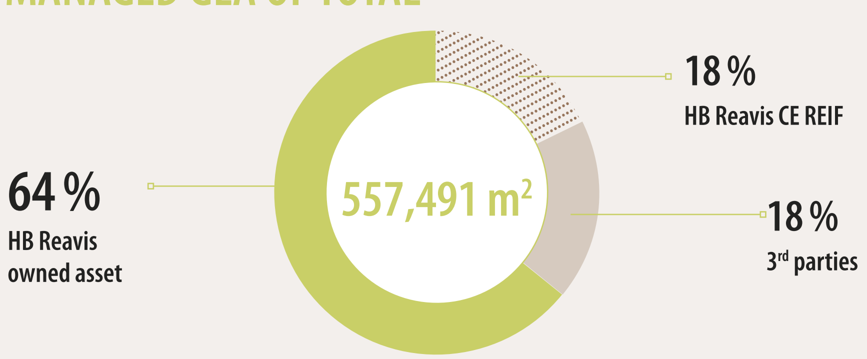
* Figures based on external expert valuations and management report.

MARKET VALUE OF OWNED ASSETS
BY SEGMENT



MARKET VALUE OF OWNED ASSETS
BY COUNTRY

MANAGED GLA OF TOTAL



CORPORATE OVERVIEW

HOW WE PERFORMED IN 2014

GDV* of projects under construction up by 115 %

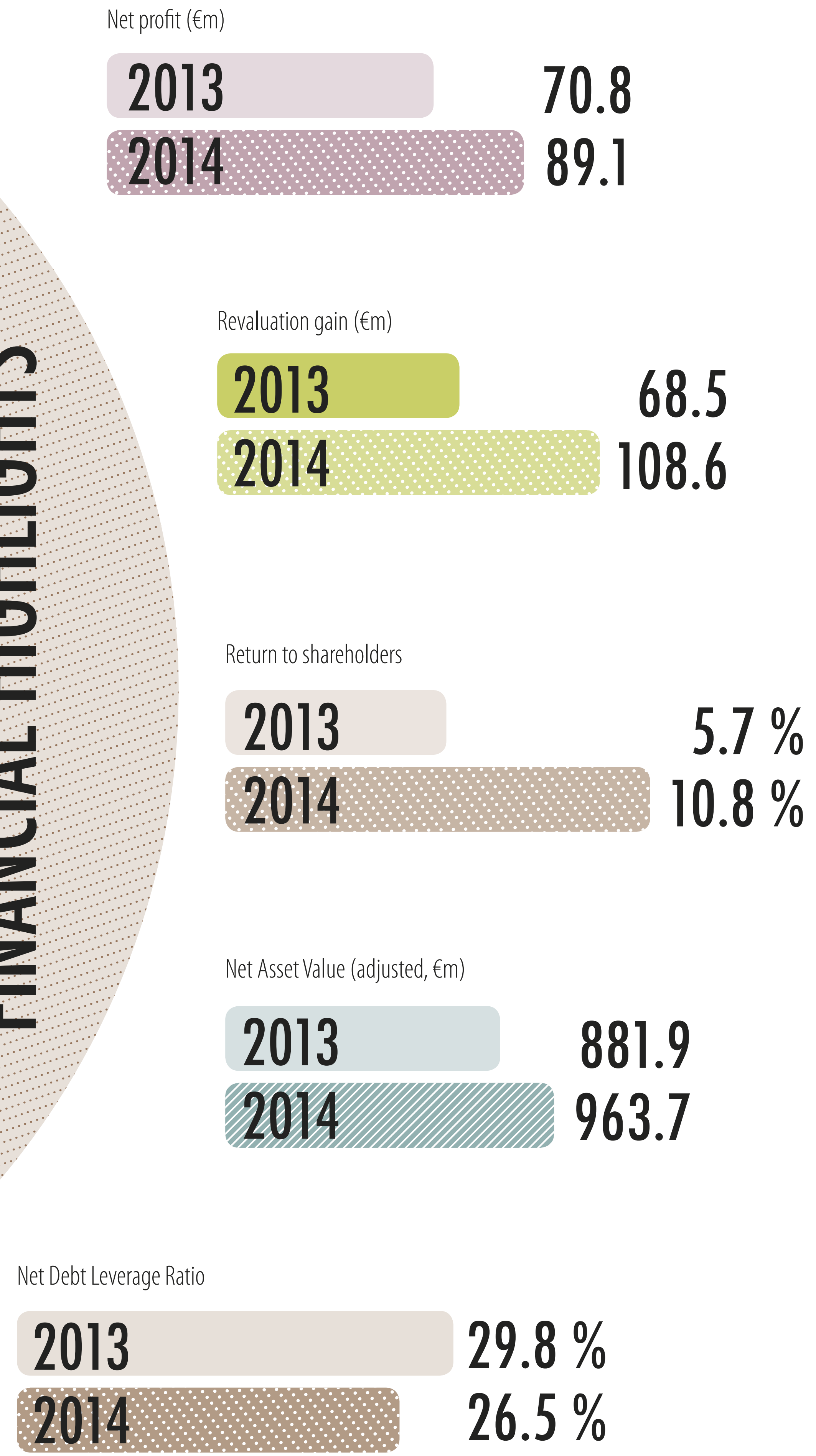
2013
€445m

2014
€957m

*Gross Development Value

In 2014, the Group further improved its underlying performance across all countries and achieved solid financial results, generating net profit of €89.1 million (€70.8 million in 2013). The result translates into 10.8 % return on shareholders' equity (5.7 % in 2013). The HB Reavis Group has grown a robust balance sheet of €1.8 billion and Net Asset Value reached around €964 million at the end of 2014. At 26.5 % the Group's net debt leverage remained below targeted level as we finalize restructuring of our balance sheet.

RESULTS UP
FINANCIAL HIGHLIGHTS



OUR HISTORY IN NUMBERS

HB Reavis has demonstrated a sustainable, above average return to shareholders since its foundation in 1993.

Year*	NAV €m	NAV growth €m	Dividend €m	Dividend yield	Net debt ratio	Total return A	Benchmark Index** B	Relative result C
1993	0.1							
1994	0.3	0.2	0.0	11.9 %	0.0 %	224.8 %	-12.5 %	237.3 %
1995	0.9	0.6	0.0	10.4 %	0.0 %	202.8 %	5.8 %	197.0 %
1996	3.6	2.7	0.1	7.9 %	3.8 %	295.3 %	17.8 %	277.5 %
1997	8.2	4.6	0.1	3.4 %	4.3 %	132.4 %	15.2 %	117.3 %
1998	15.8	7.6	0.2	2.2 %	0.0 %	94.8 %	9.6 %	85.2 %
1999	29.3	13.5	0.9	5.4 %	0.0 %	90.9 %	13.2 %	77.7 %
2000	77.4	48.1	0.6	1.9 %	0.0 %	166.0 %	13.0 %	153.0 %
2001	75.8	-1.6	2.5	3.2 %	26.5 %	1.1 %	1.9 %	-0.8 %
2002	118.9	43.1	0.6	0.8 %	13.9 %	57.7 %	12.5 %	45.2 %
2003	157.5	38.6	6.3	5.3 %	15.1 %	37.7 %	18.4 %	19.3 %
2004	240.7	83.2	1.8	1.2 %	24.2 %	54.0 %	35.7 %	18.3 %
2005	307.0	66.3	3.5	1.5 %	25.1 %	29.0 %	28.2 %	0.8 %
2006	450.4	143.4	3.7	1.2 %	5.5 %	47.9 %	45.7 %	2.2 %
2007	643.4	193.0	29.3	6.5 %	19.1 %	49.3 %	-21.1 %	70.4 %
2008	689.4	46.0	-4.5	-0.7 %	20.6 %	6.5 %	-37.0 %	43.4 %
2009	601.3	-88.1	19.0	2.8 %	20.9 %	-10.0 %	37.0 %	-47.0 %
2010	761.3	160.0	21.2	3.5 %	25.1 %	30.1 %	19.6 %	10.5 %
2011	795.1	33.8	19.7	2.6 %	16.6 %	7.0 %	-10.5 %	17.5 %
2012	843.6	48.5	13.8	1.7 %	28.8 %	7.8 %	22.8 %	-15.0 %
2013	881.9	38.3	9.4	1.1 %	29.8 %	5.7 %	4.9 %	0.8 %
2014	963.7	81.8	13.3	1.5 %	26.5 %	10.8 %	21.7 %	-10.9 %

CAGR	NAV CAGR	Avg dividend yield	NAV CAGR (incl. dividend)	Benchmark Index	Relative result
1993-2014	54.7 %	3.6 %	58.2 %	9.4 %	48.7 %

* From 2005, results based on consolidated financial statements audited by PricewaterhouseCoopers; information for the period 1993-2004 provided by management
**Total return of EPRA Average Europe Ex-UK Index, including dividend return

WHAT WE DID IN 2014
BUSINESS HIGHLIGHTS

Q1

TATRA ASSET MANAGEMENT ACQUIRES CITY BUSINESS CENTER III-V

In March, HB Reavis was able to complete the disposal process of the City Business Center III-V in Bratislava, Slovakia. The project was sold to the real estate fund managed by Tatra Asset Management, a member of the Raiffeisen Group, at a transaction value of €65.7 million.

FINANCE FOR VACI CORNER OFFICES

In March, we secured development financing for our first Hungarian office scheme - Vaci Corner Offices - in the amount of €21 million with Raiffeisen Hungary.

HB REAVIS - MAJOR EUROPEAN DEVELOPER

According to Property EU (March 2014), HB Reavis ranks 16th among leading European commercial real estate developers.

Q2

GDANSKI BUSINESS CENTER I COMPLETION AND FINANCING

In April, the Group signed a loan agreement with a consortium of banks comprising BZWBK (Santander Group) and BNP Paribas for financing of the A building in Gdanski Business Center I in the amount of €46.8 million.

2

COMPLETED PROJECTS IN QUARTER 2

Both the "A" and "B" buildings came into operation in March and June, respectively, and have already attracted an international tenant roster including KPMG, Provident, SNC Lavalin.

SLOVAK TELEKOM LEASES MORE

In June, Slovak Telekom (Deutsche Telekom Group) rented 3,169 m² of GLA of additional space in Bratislava's Forum Business Center I, increasing its total leased area in this office complex to 18,435 m² of GLA and becoming the exclusive tenant of the office space in the building and the Group's largest office client.

GDANSKI BUSINESS CENTER II CONSTRUCTION STARTS

Just a few weeks after the successful completion of the first phase of the Gdanski Business Center, we launched construction of the second phase - Gdanski Business Center II (51,820 m² of GLA) with expected completion and delivery of the "C" building before year-end 2015 and building "D" in the first quarter of 2016.

COMPLETION OF RIVER GARDEN OFFICE II-III

Our second office development in Prague with 25,548 m² of GLA was completed in June and has been occupied by clients like Philips, NCR, JCDecaux, Ceska Energie and Hills.


Gdanski Business Center I, Warsaw

LAUNCH OF TWO CONSTRUCTIONS 33 CENTRAL AND TWIN CITY

In July, HB Reavis launched construction of 33 Central, our first project in the United Kingdom. Completion of the redevelopment of this office complex at an excellent location in the City of London and just 100 meters from the River Thames is planned for year-end 2016. Following completion, the project will offer 21,151 m² of GLA over nine storeys.

In August, after several challenging years to acquire relevant permits, we launched the construction of the first phase of Twin City, our landmark project in Bratislava. The two buildings under construction will offer 39,921 m² of GLA.

OUR LANDMARK PROJECT IN BRATISLAVA, TWIN CITY A-B WILL OFFER

39,921

SQ M OF GLA

Q3

REMARKABLE LEASING PROGRESS

During the third quarter, the Group was able to sign a number of significant rental contracts with top-class tenants, such as Agencja Nieruchomosci Rolnych for 5,600 m² of GLA in Gdanski Business Center I, Warsaw; MoneyGram for 7,354 m² of GLA in Konstruktorska Business Center, Warsaw; NCR for 3,533 m² of GLA in River Garden Offices II-III, Prague.

PROGRESS IN FUNDING

We continued our cooperation with the BZWBK (Santander Group) in July, when we signed development financing for building B of Gdanski Business Center I in the amount of €25 million.

In August, the Group continued to diversify funding sources through our first corporate bond issue in the Slovak financial market in the amount of €30 million, achieving strong demand by institutional investors.

In September, we secured €70 million in refinancing for the Apollo Business Center II in Bratislava by Tatra Banka (Raiffeisen Group) and achieved €51 million in development financing for the Metronom Business Center in Prague with VUB bank (Intesa Group).

DISPOSAL OF RIVER GARDEN OFFICE I

In August, we completed our first disposal in the Czech Republic. We sold our debut office scheme, River Garden Office I, to IAD at a transaction value of €51.5 million.

NEW PRAGUE ACQUISITION (VINOHRADSKA 8)

Almost simultaneously, the Group completed the acquisition of our fourth office project in Prague, Czech Republic. We plan to redevelop the top located project at Vinohradska Street just opposite the National Museum into a flagship office complex with 24,109 m². Construction is expected to start in the first quarter of 2017.

Q4

NEW LONDON ACQUISITION 20 FARRINGDON DEVELOPMENT

In line with our strategy to strengthen our presence in one of the world's prime real estate markets, the Group completed the acquisition of the office project at 20 Farringdon Street in London's Midtown in October. The value of the transaction was £29 million. This well-located building has valid planning consent and after some fine-tuning of the design concept, we plan to start construction before the end of 2015.

WEST STATION BUSINESS CENTER I CONSTRUCTION STARTS

In October, HB Reavis launched the construction of the first phase of the West Station Business Center, (30,160 m² of GLA) our fifth office project in the Polish capital Warsaw. The project is a joint-venture scheme with Polskie Koleje Panstwowe, the major future tenant of the building. Completion is expected in September 2016 and as part of the development we will build the new "Warszawa Zachodnia" railway station hall.

NEW CHIEF FINANCIAL OFFICER

Marian Herman took over from Jiri Hrbacek as Chief Financial Officer in November 2014. Marian joined HB Reavis in 2010. Before taking up his new role, he was member of senior management and Head of Investment Management and Divestments, responsible for our real estate fund business and for the disposals of the Group's completed assets.

1ha

OF PRIME-LOCATION LAND AT THE VACI AND ROBERT KAROLY STREET INTERSECTION ACQUIRED FOR OUR SECOND BUDAPEST PROJECT

ACQUISITION OF BUDAPEST CENTRAL TOWERS

As the Group intensifies its focus on building the office project pipeline in Central Europe, we acquired parts of the new site, 1ha of prime-location land at the Vaci and Robert Karoly Street intersection, two of Budapest's most important arteries. The adjacent second parcel of the land was acquired in April 2015. Upon consolidation of the plots, we plan to develop a major mixed-used project in Budapest with around 120,000 m² of GLA of office and retail space.

SUCCESSFUL LEASING FOR TWIN CITY

In December, HB Reavis was able to sign a new, major rental contract with reinsurance giant Swiss Re, currently one of our largest tenants, for our new Twin City flagship in Bratislava. The contract, including expansion options, covers more than 20,300 m² of GLA, representing almost the whole of building B.

AUPARK SHOPPING CENTER KOSICE HB REAVIS' BIGGEST EVER EXIT TRANSACTION

Just before Christmas the Group reached agreement with NEPI on the sale of our Kosice portfolio of assets – completed developments of Aupark Shopping Center and Aupark Tower and Malinovsky Barracks, a development plot we only acquired in April 2014 as a pipeline for our future mixed-use project in the city. With a transaction value at €165 million, this is the largest ever exit transaction in HB Reavis' history. The full purchase price was received as an advance payment at the time of signing, however, the transaction's legal closing took place in February 2015, following approval by the Slovak antimonopoly office.


West Station Business Center I, Warsaw

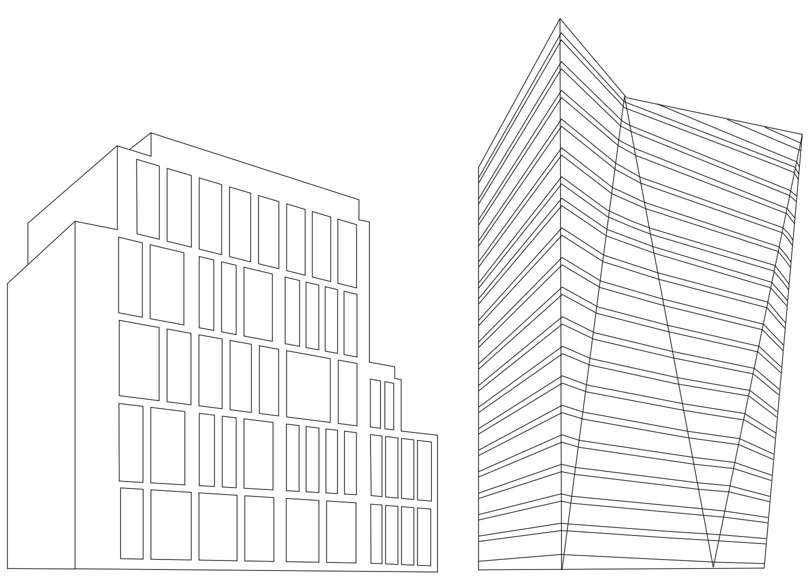
OUR NEWBORNS

COMPLETED PROJECTS

GDANSKI BUSINESS CENTER I, WARSAW, POLAND

Valuation at year-end €136.0m

47,194 m^2 of GLA



Note: Figures based on external expert valuations and management report. The external valuations are not adjusted for IFRS adjustments that are taken into account in IFRS financial statements.

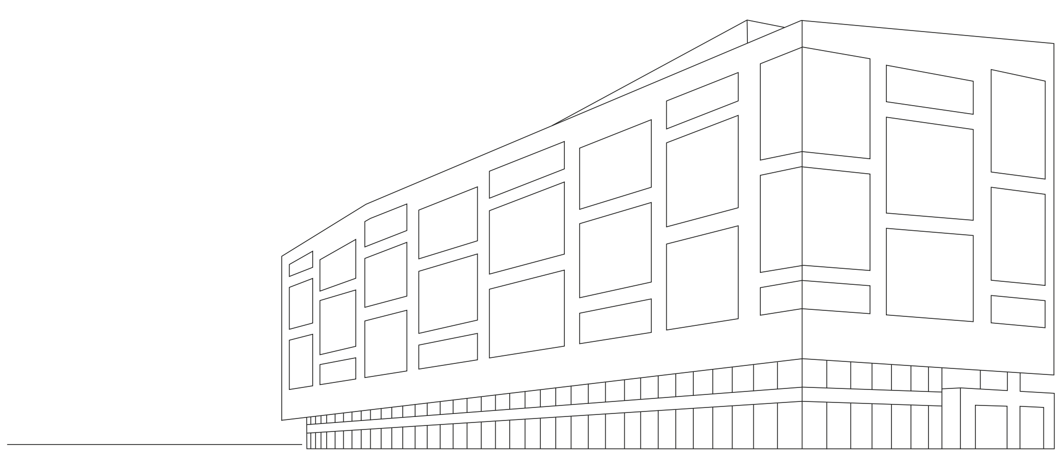
*Occupancy as of April 2015

53% OCCUPANCY*

RIVER GARDEN OFFICE II-III, PRAGUE, CZECH REPUBLIC

Valuation at year-end €55.7m

25,548 m² of GLA

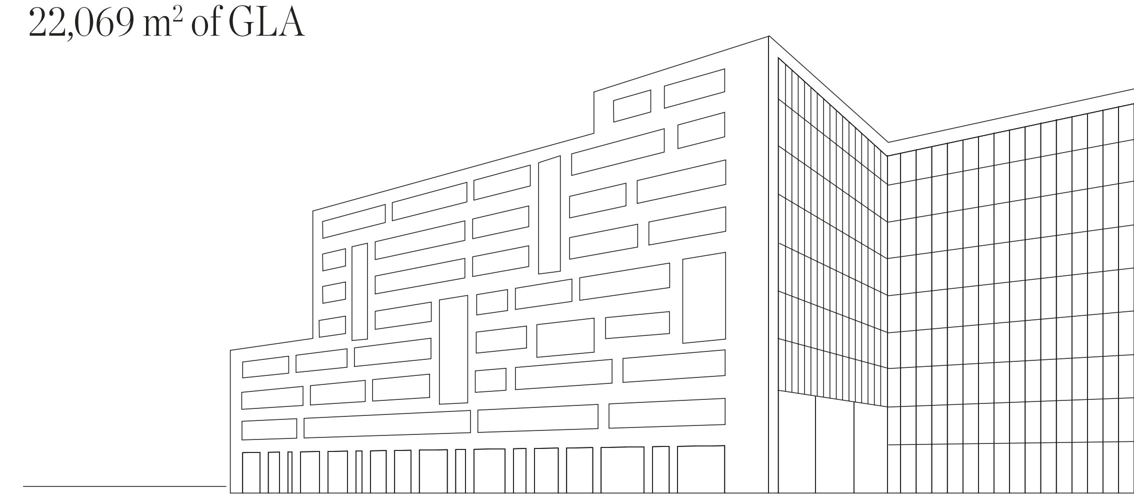


70% OCCUPANCY*

VACI CORNER OFFICES, BUDAPEST, HUNGARY

Valuation at year-end €33.9m

22,069 m² of GLA



Note: Figures based on external expert valuations and management report. The external valuations are not adjusted for IFRS adjustments that are taken into account in IFRS financial statements.
*Occupancy as of April 2015, including head of terms

EXPECTED
PROJECTS UNDER CONSTRUCTIONS

Q2/2015

POSTEPU 14, WARSAW, POLAND
Valuation at completion €93.5m

34,445 m² of GLA

Q3/2016

WEST STATION BUSINESS CENTER I, WARSAW, POLAND
Valuation at completion €78.0m

30,160 m² of GLA

Q2/2015

METRONOM BUSINESS CENTER, PRAGUE, CZECH REPUBLIC
Valuation at completion €68.4m

34,022 m² of GLA

C Q4/2015
D Q1/2016

GDANSKI BUSINESS CENTER II, WARSAW, POLAND
Valuation at completion €177.2m

51,820 m² of GLA

TWIN CITY A-B, BRATISLAVA, SLOVAKIA
Valuation at completion €94.3m

39,921 m² of GLA

A Q4/2015
B Q1/2016

AUPARK SHOPPING CENTER HRADEC KRALOVE, CZECH REPUBLIC
Valuation at completion €72.7m

22,076 m² of GLA

Q4/2016

Q4/2016

33 CENTRAL, LONDON, UNITED KINGDOM
Valuation at completion £280.0m

21,151 m² of GLA

Note: Figures based on external expert valuations and management report. The external valuations are not adjusted for IFRS adjustments that are taken into account in IFRS financial statements.

FROM PAVEL TRENKA

Dear clients and partners,

Let me start by thanking you. You have again given us an opportunity to serve your needs and work with you to record one of the most exciting years in HB Reavis history. The reporting year, 2014, was a very special one for us in many ways and raises the bar for the years to come. What was so special about it?

First of all, our business model seems to flourish, despite the challenging environment in our core Warsaw and Prague office markets. Both of these markets evolved to see a significantly higher new supply than demand for workspace, generating a visible increase in vacancy and we expect these conditions to continue for the next couple of years. However, a combination of strong product quality in our recently delivered projects and team efforts led to significant occupancy progress. Additionally, demand in the London, Bratislava and Budapest office markets is rebounding while supply is limited, providing an important diversification for our growth in 2014 and going forward as well.

Secondly, the Group is continuously strengthening its capabilities across all areas of business and performed well in most of the strategic directions that we set out in previous years. Most notable events or achievements include:

The restructuring of the asset side of the balance sheet to give greater focus to development than to asset management is now pretty much complete. Back in 2011 we set a target to bring the ratio of assets under development to income-producing assets from around 30:70 to 50:50. With more than €460 million divested in the last three years and new development acquisitions totalling €242 million in the same period, we are much better positioned to increase returns and engage in more exciting activities. In 2014 alone, we divested three completed projects releasing about €133 million in equity, including River Garden Office I, our first divestment in the Czech Republic. Released cash was actively invested in London, Budapest and a city centre project in Prague.

In the development of our land bank, we achieved a major breakthrough in a few of our long-standing projects, most notably our mixed-use landmark Twin City project in Bratislava and Aupark Shopping Center in Hradec Kralove (Czech Republic). With building permits in place after more than seven years of working with the authorities, it is pretty exciting now to see construction activity on both plots. In Poland, the Chmielna office complex in the heart of the Warsaw's CBD received zoning permits and is on the right track to change the capital's skyline with the planned high-rise office tower.

We had a record year working with our clients. More than 100 clients gave us their trust by occupying almost 140,000 m² of newly leased space. What is also very important is that the continuous efforts and focus of our teams to improve the client experience is really starting to pay off. Unprompted feedback from clients like MoneyGram, Procter & Gamble and Philips is something that makes us very proud and encourages our teams to be even better. Thank you!

Our financing and cash flow management went hand-in-hand with the progress of our projects. Our financing partners and our team exceeded expectations with almost €300 million in new loans, bonds and re-financings, making 2014 another record in the company history. That said, key risk management parameters of our financial strategy (net debt leverage, cash reserve) were maintained throughout the year and our leverage actually decreased.

Our profit before taxes reached

€100.2m

I am very proud of the HB Reavis team for the progress that we made throughout 2014. What makes it even more special is the "Best Office Developer in Central & Eastern Europe" award from Eurobuild and "Best Developer in CEE" award by CEE Quality Awards jury in association with the Financial Times and Deloitte - true recognition from the real estate community in the region. Progress also translated into improved financial results for the Group. Our profit before taxes reached €100.2 million (vs. €78.9 in 2013) and the 10.8 % return for shareholders (vs. 5.7 % in 2013) moved us closer to our long-term target.

Our team has made significant improvements and we need to make sure that we properly recognize each individual contribution. Our key ambition for this year is to review our performance management philosophy in order to attract, motivate and retain high quality talent. This is one of the three pillars of our Vision 2018 to provide a differentiated value proposition for our clients and users of our real estate, to build long-term relationships with our partners based on mutual trust and ensure the continuous prosperity of the firm.

Pavel Trenka, Chief Executive Officer

FROM MAARTEN J. HULSHOFF

HB Reavis' 21st year of operations has been a splendid one. In the fall of 2013, HB Reavis celebrated its first 20 years by announcing its maiden acquisition in the City of London. A year later and a second project in the Midtown made headlines for the Group. It is clear that HB Reavis has come a long way since this family firm began as a local player and quickly established itself as the top developer in Slovakia's capital Bratislava. Today, HB Reavis is a professionally managed, multi-national and award-winning integrated real estate developer active in five countries.

What remains the same is the focus on local knowledge. The Group has been able to replicate its success in Slovakia through its focus on understanding the markets in which it operates. HB Reavis builds local teams because real estate is a local business. At the same time, the business model that ensures smooth operation from property acquisition through design, construction and management allows for centralized functions where appropriate and efficient. This is the key to HB Reavis' ongoing success. For most real estate players, the move into a brand new market like the City of London in late 2013 would have been a huge step. The HB Reavis team was able to hit the ground running because it brought with it long-standing Group best practices and a firm commitment to the value of local expertise. It is a testimony to the skill, professionalism and dedication of HB Reavis' people that they all - whatever their location - are able to put this successful business model to work in all markets. They are an inspiration.

From my perspective as a member of HB Reavis' Non-Executive Board, I continue to be impressed by this extraordinary and disciplined process. I take the view that much of its success is due to strong and sound leadership. Pavel Trenka took over as CEO in 2013 and, given the performance the Group has delivered in his first full year in that role, he is a worthy successor to Ivan Chrenko. Now chair of the Board and supported by co-founder Viliam Pancik, Ivan's analytical, expert and entrepreneurial insights coupled with fast decision-making has become an integral part of the approach. Again, what remains the same is the disciplined manner in which HB Reavis works. As Pavel has pointed out, the Group continues to set targets and stick to them. I am thinking here about the crucial elements of sound financial management, such as leverage. HB Reavis will always remain within its pre-set bandwidths because this makes good business sense.

Maintaining discipline is especially important when underlying markets are challenging. The Group has brought in sound results even at a time when many of its main markets are dogged by oversupply. This is where local knowledge is ndispensable. Selecting sites is an art in itself, an art that HB Reavis understands. The vast majority of Group assets not only meet the highest standards in terms of construction and facilities, with no corner-cutting even when markets are tough. They also occupy top locations. Transport hubs are favoured sites. The reward is the Group's ability to attract equally high quality tenants, especially multinationals. They are looking for the highest standards and BREEAM ratings. HB Reavis is looking for the same.

Following a top year for the Group, 2015 is looking very promising for HB Reavis. European Union economies are showing clearer signs of positive growth following a long drawn out recovery from the 2008 crisis. The application of quantitative easing should further stimulate growth through the availability of cheaper money. This will certainly contribute to more positive sentiment is some of the Group's slower markets. London is a very different story. The office market there continues to boom. In spite of a lot of construction, there is still strong demand, especially for space of the highest standard. So the timing of the second acquisition, 20 Farringdon Street in the Midtown, in the fall of 2014 was excellent. With two top assets in this buoyant market, HB Reavis has followed its tried and tested strategy of learning a market, identifying assets with major potential and making the acquisition at exactly the right time. Long may it continue.

Maarten J. Hulshoff, Non-executive Director

OUR VISION AND STRATEGY

The reporting year, 2014, was the first when the company was steered under the leadership of the newly composed Executive Board. As part of the transition, we undertook a review of HB Reavis' fundamental building blocks, especially reflecting on our reasons for doing this business (our Company Mission), key principles of our conduct (our Core Values) and our common vision on where we want to be in the next four to five years (our Vision 2018). While still in the early stages of the change program, we believe we are taking the right steps to fulfilling our vision.

THREE PILLARS OF OUR VISION 2018

HB REAVIS IS THE TRENDSETTER

IN OFFICE SPACE SOLUTIONS IN CENTRAL EUROPE

Since 2010, HB Reavis has established a leadership position in volume of top quality office space delivered to the market in the capitals of the Visegrad-4 countries. In the last two years, HB Reavis' share in the total office leasable area under construction exceeded 15 %. This leadership position has been achieved in part through price leadership but most importantly through high quality delivery and equity intensive speculative developments that most of our competitors cannot afford. However, going forward we aim to be an even more unique player and differentiate HB Reavis' projects by setting industry standards for all our developments. We believe that continuing to specialize in sustainable office space will help us to consistently deliver properties above our clients' and community expectations. And we believe this will allow us to generate the highest value added while setting HB Reavis apart from the competition. Growth of our personnel has been incredibly fast in the last five years. During 2010-2014, the annual growth rate exceeded 15 % and at year-end 2014 HB Reavis had around 400 employees in six countries. In hindsight, the Group was not prepared for such a huge increase and we feel there has been a price to pay for bringing in more than 250 new professionals in this short period. Our culture and the values that define us became less clear. Our operating models and processes, always based on short lines of and even informal communication, could not keep pace with the rapid expansion in a multi-country environment. Another dimension was the shift from our position as the top Slovak commercial developer to that of an international Group. That is why we are redefining the value proposition to our existing and potential professionals. We have restated our mission and core values to blend our entrepreneurial history with our passions and working principles for the future. Based on these values, professionals have an opportunity to work on the most advanced real estate solutions, not only in Central Europe, but also elsewhere. And we are codifying a competitive, performance-based compensation structure to ensure their commitment is rewarded appropriately.

HB REAVIS IS THE MOST ATTRACTIVE

CE-BASED REAL ESTATE COMPANY FOR INDUSTRY PROFESSIONALS

HB REAVIS IS A RESPECTED DEVELOPER

IN OFFICE SPACE SOLUTIONS IN EUROPE

After the first acquisition outside of Central Europe (33 King William Street, City of London, United Kingdom) in 2013, we acquired a second development project in London. In Turkey we are making reasonable progress in preparing an effective entry into this market and at the same time we are analysing other developed office markets, both in and outside Europe. However, in the mid-term we want more than just to enter markets. We aim to build a successful track record in our selected markets by delivering one or two projects in each and achieving appropriate project pipeline to become one of the leaders in office solutions in these markets.

To achieve our Vision 2018 and meet the performance expectations of our shareholders, we pursue our strategy primarily through three components - new project acquisitions, our financial framework and delivery of our business model.

NEW PROJECTS SELECTION

In Central Europe, we focus on building up our office-project pipeline in strategically selected business districts to:

a) Ensure continuity of the Group's high-quality space offering to our expanding client base
b) Develop a product that has the potential to differentiate our offering from the competition
c) Secure projects earlier in the development chain so that we move up the permitting risk curve in search of greater added value

Acquisitions of retail projects shall be carried out on an opportunistic basis. It is our ambition to allocate about 20-30 % of acquisition capital to Central Europe.

In London, we aim to add a further two or three projects over the course of the next two years. The pipeline portfolio should be diversified across expected timing of delivery, type of development and the submarkets. The ambition is to allocate about 50 % of our new investment capital to the United Kingdom and partially replicate our Polish story.

Istanbul and one additional new market should represent the next growth vehicle beyond 2017-2018. By this time, we believe that our strong exposure to Central Europe and London will require us to be ready to invest significantly elsewhere. In the near term, we aim to allocate about 20-30 % of capital to these new markets so that we can apply our tried and tested approach of thoroughly exploring and learning new markets.

What we achieved in 2014

At the beginning of 2014 and compared to market potential, our existing pipeline was relatively underrepresented in Prague and Budapest. During 2014, we changed that satisfactorily in Budapest and to a certain extent in Prague as well.

Central Europe
In the summer we succeeded in acquiring one mid-sized office project in the center of Prague, Czech Republic. That said, the Prague office market is still challenging in terms of building the kind of robust pipeline we have in Warsaw or Bratislava. At the turn of the 2014-2015, we achieved our target of building a reasonable pipeline in Budapest through the acquisition of the first two parcels of the land at the Vaci corridor - the consolidated parcel would allow for about 120,000 m^2 of GLA mixed-use development. Both acquisitions fit perfectly our ambition to develop unique projects in their respective markets.

London, United Kingdom
In November, the Group acquired our second office development, the well-located 20 Farringdon Street in London's Midtown and we continue the exploration of other suitable acquisition opportunities in the United Kingdom capital.

In Turkey we have made significant progress in understanding local market conditions and are building our team infrastructure. We are now better prepared to step in if an appropriate acquisition opportunity arises.

FINANCIAL FRAMEWORK

First, we are continuing our move to increase the share of development on our balance sheet. The aim is to achieve a 50:50 share of development and income-producing assets. Since 2010, we have been able to increase this share of development from 33 % to 47 % at the end of 2014. As we plan to rotate out our remaining mature income-producing assets, there may be a temporary overrun in the share of development, however, in the long run, we believe a 50:50 share is the right balance on the risk/return curve.

Secondly, as we grow in size and our asset base diversifies across countries and development stages, we have opted to soften our conservative external financing strategy slightly. We decided to change our former target of net debt leverage between 25-35 % and increase it to closer to 30-35 %.

While both changes will certainly increase our risk profile, we believe our balance-sheet policy remains fairly conservative while providing us with more room to seize interesting opportunities in bottoming out/improving market environments.

CORPORATE OVERVIEW

DELIVERY BUSINESS MODEL

To improve our delivery business model, we launched or continued with a set of initiatives to fulfil our ambition of becoming the trendsetter in the CE office segment and to provide the best value proposition to existing and potential staff.

Initiatives in our markets are wide ranging but have one common driver: to help us exceed client and community expectations. They include

a) Innovation of product design
b) Occupancy cost leadership, pricing and contracting innovation
c) Upgrade in the quality and scope of services and solutions provided

The initiatives to become the most attractive CE-based employer include:

a) Broad-based alignment, communication and embedding of key building blocks of our corporate culture
b) Redesign of our operating model (i.e. processes) to facilitate our entrepreneurial and professional principles of business conduct
c) Redesign of our compensation strategy and performance management philosophy

All of these initiatives have a two to three-year horizon to ensure smooth short-term transition but long-term impact. It goes without saying that the emphasis on our teams and their motivation has become the management's central focus. The whole Board is convinced long-term differentiation and success lie in creating an aligned environment that helps motivate our people to get behind our strategic goals.

What we achieved in 2014

In terms of clients and communities, we prioritized product design innovations. As of 2014, we have applied stricter environmental footprint limits for our technical solutions that will meet the high EU standards that will become effective from 2020. Additionally, since last year, all our projects are designed in 3D to improve quality and efficiency of our solutions. Lastly, many of our clients recognized that greater focus on quality of delivery of final fit-out space is already trendsetting.

In terms of our people, during the year we worked hard to progress the initiatives to redesign/improve our operating model and its key processes in the development chain, from the pre-acquisition phase to handover of the completed and leased project to the property management team. At the end of the year, we had reached the final fine-tuning phase before the hard rollout to the whole organisation, which started in March of 2015.

For our enhanced compensation strategy, the Group hired a reputable external agency to help us thoroughly benchmark HB Reavis against our peer group. At the same time, all aspects of employee compensation were identified and reviewed. Based on the findings, we started to implement some changes from January 2015 and plan further adjustments to our compensation and performance management model where needed.

33 Central, London

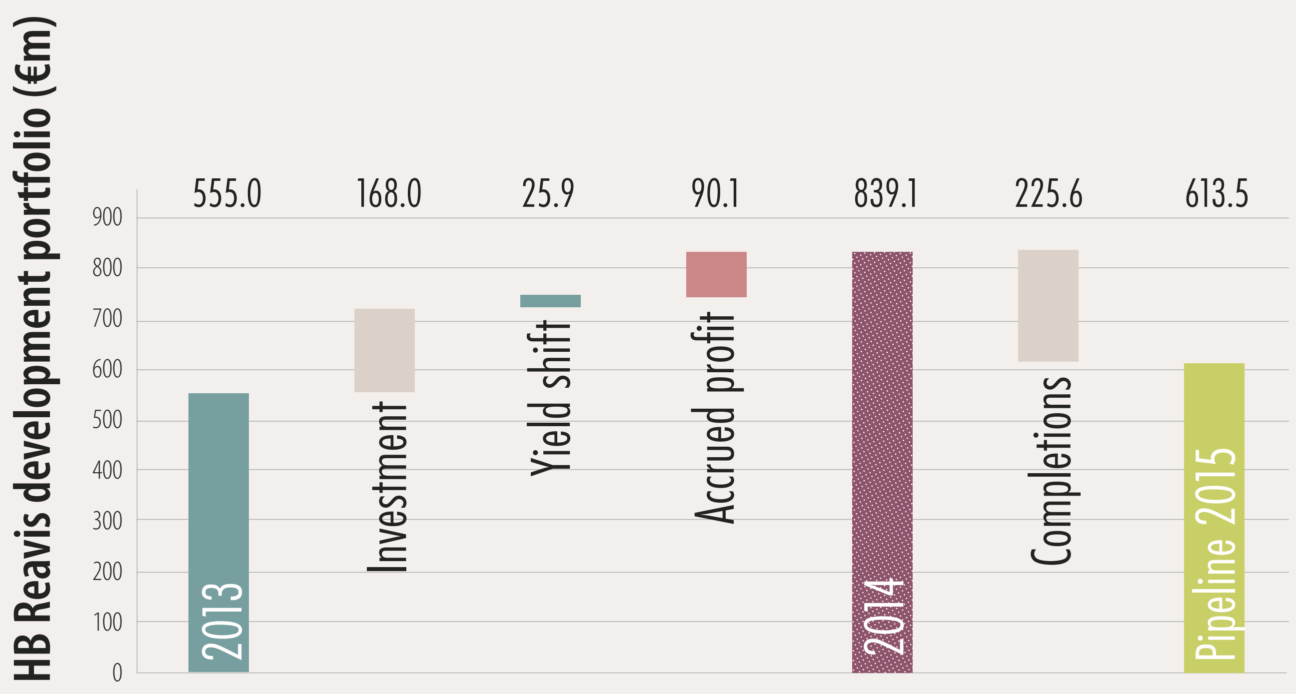
BUSINESS REVIEW

REAL ESTATE DEVELOPMENT

View from the roof of 33 Central, London

Real estate development – in all its complexity - is hardwired into our DNA. HB Reavis has always been a gifted developer – in every sense. One of Central Europe's few fully integrated developers, our vision is to set trends in office space solutions in Central Europe and take it from there to other markets. We want to evoke positive emotions in the people using, working and living in or near our buildings. That can only be achieved if we continue to deliver remarkable and exceptional products. If we can achieve that, then we are fulfilling our mission. We are convinced this is the right and sustainable way to achieve projected growth and desired return to shareholders.

> Real estate development - in all its complexity - is hardwired into our DNA.



*Total Development value 2014 includes properties completed in 2014 before their transfer to the Asset management arm; In IFRS financial statements, the value of completed properties is included under Asset management.

THE DEVELOPMENT LANDSCAPE

Although there was no significant change in the overall development landscape during 2014, no two Group markets were the same in the reporting year. London is still on the rise while Budapest and Bratislava were relatively stable with some positive signs for the near future. In contrast, both Warsaw and Prague were even tougher than the previous year. Overall, we were able to increase the share of development in our total investment property close to the targeted 50 % share of all our real estate properties. In 2014, we focused on speeding up and growing the share of developments in the permitting stage as well as progressing our projects in the construction phase. It took significant effort, but we also continued to build up our robust development pipeline for the coming years. During 2014, the portfolio value of core development property increased by €59 million (2013: €96 million) and at year-end achieved a value of €614 million, up from €555 million in 2013. This 10 % increase was driven by investment of €110 million in construction of our current projects, and investments of €65 million (core portfolio only) to securing our development pipeline.

SEVERAL FACTORS CONTRIBUTED TO THIS RESULT:

International expansion and ability to generate value continued to be a major contributor. In the reporting year, we worked hard on creating value in the assets acquired since 2012. With the new acquisitions in 2014, this again resulted in a significant increase in value, mainly in the United Kingdom and the Czech Republic (€69 million and €52 million, respectively).

DURING 2014, THE PORTFOLIO VALUE OF CORE DEVELOPMENT PROPERTY INCREASED BY

€59 million

Progress in the permitting process
In recent years, permitting has not made a material contribution to value creation in our development activities. However, we also made considerable progress here in 2014. We took major steps forward on our Aupark Shopping Center in Hradec Kralove, Czech Republic; on Twin City, our flagship project in our original home country, Slovakia; and also on Chmielna and West Station Business Center in Warsaw. This progress helped to materially increase the value of the development portfolio in the reporting year.

Know-how and its effective international transfer with special focus on project optimization and construction cost efficiency. HB Reavis has gathered significant know-how during its history. We deploy this expertise to continuously improve our business model. We have a dedicated product design team of more than 20 professionals working exclusively on innovation and the commercial and technical design of our products.

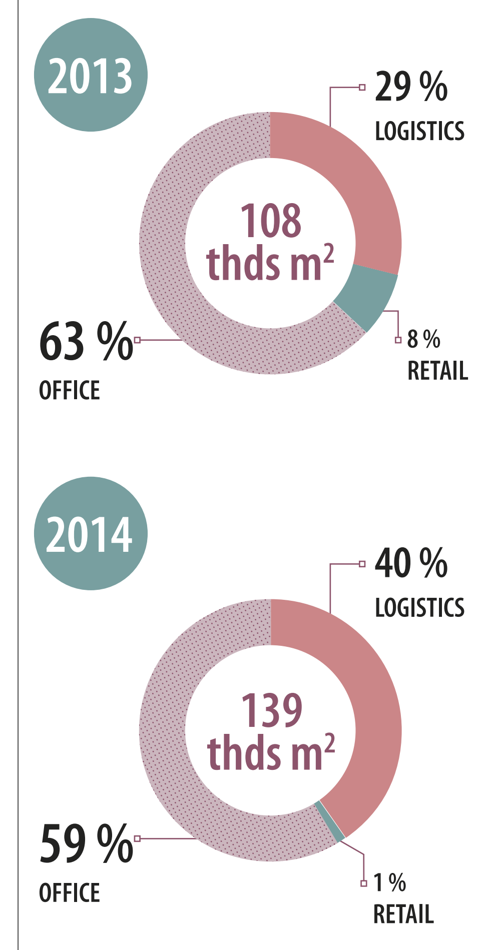
- When developing our projects, we consistently analyse and evaluate how the potential design will impact future construction costs, timing of delivery to tenants, quality of operation following delivery, but also how the project will be perceived by tenants and the immediate community. We believe this is the right approach as our design team has demonstrated in recent years in a number of office projects acquired by the Group. The product design team was able to increase GLA within the limitations of existing and valid construction permits by almost 9 % in Gdanski Business Center I-II; in West Station Business Center from 54,000 to 67,000 m² of GLA (or by some 24 %); and in Chmielna from 96,000 to 128,000 m² of GLA (permitted in 2014).

- Fine-tuning our construction efficiency is another crucial point. We systematically reduce costs through ever-greater cooperation between our specialized procurement team and local construction management, all without compromising on the quality of the project. Robust international expansion in Central Europe did encounter some challenges, such as differences in local technical requirements, different approaches to sub-contractors, management of secondary payment discipline or deeper involvement of external experts in our concept design. We believe that by focusing on resolving these issues we were able to enhance our competitiveness and value creation. Last year saw the launch of new levels of cooperation with our long-term sub-contractors. Through a strategic project of supply chain integration of selected partners we piloted collaborative value creation from product design (via 3D project documentation as well) through delivery to construction site.

Enhanced Group-wide leasing capabilities and improved performance.
As we continually increase the number of projects under construction and grow the pipeline, we have consistently strengthened leasing teams in Poland, the United Kingdom, the Czech Republic and Hungary. With over 20 years of successful development in Bratislava's office sector, we have accumulated considerable leasing know-how. Now, we are transferring that know-how to our other markets in order to achieve the expected occupancy as quickly as possible. And the record-breaking result in 2014 shows our leasing teams are at the top of their game. In total, we signed lease contracts for 139,041 m² of GLA, up by 28 % compared to 2013. Renewals over the whole portfolio achieved 36,875 m² of GLA, representing less than a quarter of all contracts signed.

In retail leasing, the signing of 2,000 m² of new GLA further optimized occupancy in our regional Aupark Shopping Centers in Kosice and Piestany. The logistics portfolio again went through tenant rotation. Consequently, we signed lease agreements for 55,815 m² of GLA, of which 24,703 m² of new leases and 31,112 m² of renewals. This represents an 80 % increase compared to 2013 (2013: 31,137 m² of GLA). In the office segment we signed lease agreements for 81,304 m² of GLA (renewals of 5,763 m² of GLA), up by 19 % compared to 2013. In view of the challenging market situation, we consider this year-on-year increase in Prague and Warsaw office leasing performance as a reasonable achievement and as a good base for even better performance in the coming years. In 2014 we delivered to the market office projects with more than 92,000 m² of GLA; in 2015 we want to deliver 106,000 m² of office GLA and the plan for 2016 and 2017 is between 100,000 and 130,000 m² of office GLA annually. The message is clear, our leasing capability and performance continues to be a crucial factor in our potential success for the coming years.

Group total leasing activity (thds m²)




Chmielna Business Center, Warsaw

DEVELOPMENT PORTFOLIO STRUCTURE

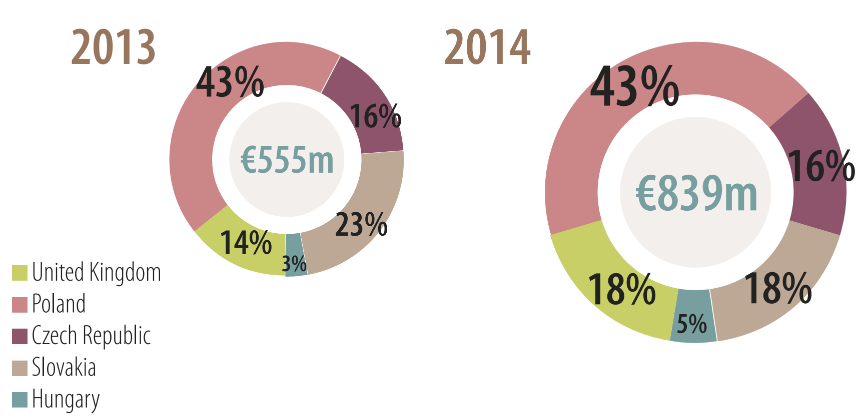
As an outcome of our strategy, our "geographical and segment structure" changed as a consequence of our international expansion and primary focus on the office segment.

Geographically, the share of international assets in the whole development portfolio further increased. At year-end 2014, the share of international assets in the whole development portfolio (€613.5m after transfer of completed projects to property in use) was 76 % (United Kingdom 24 %, Poland 37 %, Czech Republic 14 % and Hungary 1 %).

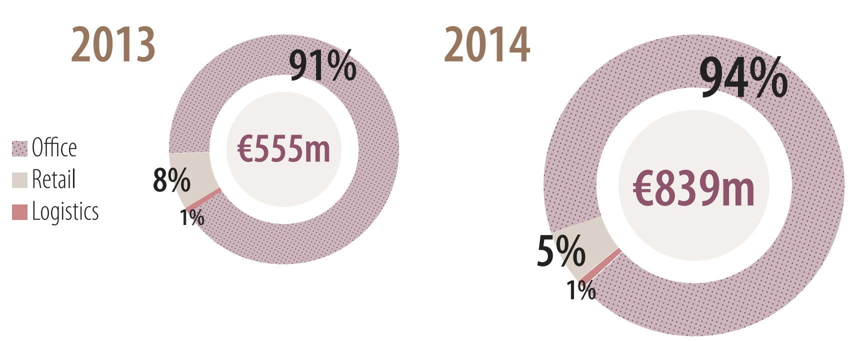
As far as segments are concerned, there were no significant changes in 2014 and these remained similar to the previous year. Our strategic focus is on office development and this is mirrored in the value and share of the segments. Office developments represented 94 % of our development portfolio value, while retail and logistics stagnated and achieved 5 % and 1 %, respectively.

The growth of office segment developments speeded up significantly, adding more than €280 million and reaching a total of €839 million (including completed projects before transfer to property in use). In terms of the creation of the value net of the required investment to achieve the value growth, office properties contributed €89 million (net of the yield shift).

VALUE OF DEVELOPMENT PORTFOLIO BY COUNTRY (€m)
before transfer of completed projects



VALUE OF DEVELOPMENT PORTFOLIO BY SEGMENTS (€m)
before transfer of completed projects



United Kingdom	Poland	Czech Republic	Slovakia	Hungary
24%	37%	14%	24%	1%

DEVELOPMENT UP TO 47 % AT THE END OF 2014

PERFORMANCE OF DEVELOPMENT ACTIVITIES

We continue to pursue planned strategic rebalancing of the HB Reavis balance sheet by gradually increasing the weight of the development portfolio in total investment property and this brings significant growth in the value. This weight grew from 45 % in 2013 to 47 % at the end of 2014 and it is much closer to our long-term target of 50 %.

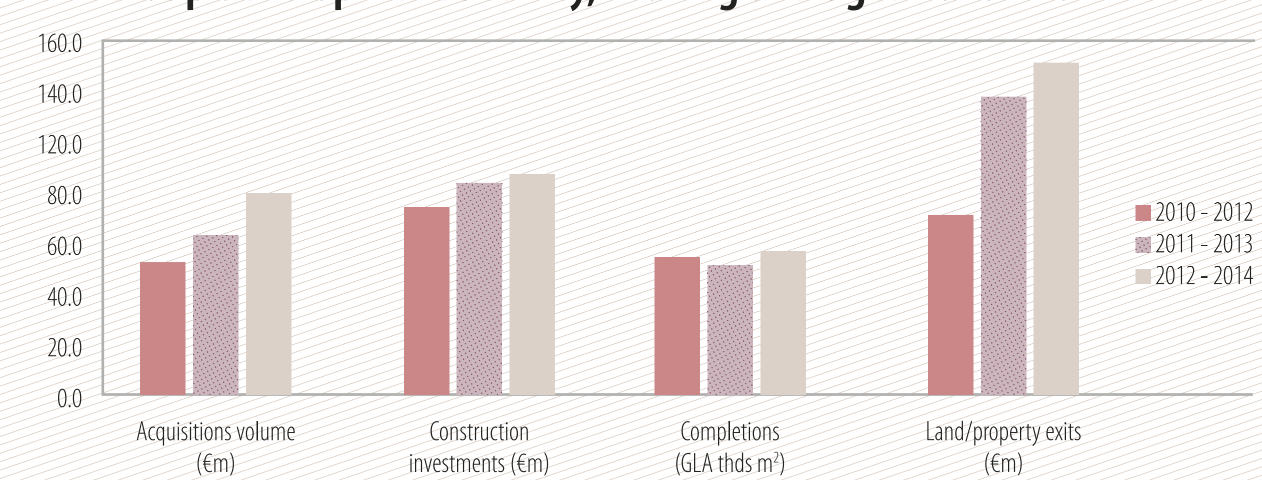
HB Reavis Development Total (€m)	GLA m²	ERV	GDV	Value change	Investment
Retail	189,955	28.4	516.3	4.6	2.6
Office	904,622	174.0	2,766.1	221.9	108.7
Logistics	230,477	11.8	138.9	-0.2	0.0
Total Development 2014 (like-for-like)	**1,325,054**	**214.2**	**3,421.3**	**226.4**	**111.4**
Additions to porfolio 2014	150,558	32.9	475.9	57.7	56.7
Completions 2014	94,811	18.8	283.2	61.1	27.4
Retail	189,955	28.4	516.3	4.6	2.6
Office	960,369	188.1	2,958.7	218.5	137.9
Logistics	230,477	11.8	138.9	-0.2	0.0
Total Pipeline for 2015	**1,380,801**	**228.3**	**3,613.9**	**223.0**	**140.6**

* Figures based on external expert valuations and management report. All figures in €m, except GLA.

The growing share of development property is also clearly visible in the overview of three-year moving averages of significant indicators, such as volume of acquisitions, construction investment and property exits, to further finance our expansion.

With the exception of value of completions (driven down by 2012, when completions represented only €65.4 million), moving averages have shown continuous growth since 2009.

Group development activity, moving averages 2010 - 2014



COUNTRY REVIEW 2014

HB Reavis currently has operations and projects in five countries. We have a strong position in the top Central European markets - Poland, the Czech Republic, Hungary and our original domestic market, Slovakia. In late 2013, we began building a presence in the City of London, United Kingdom, and we currently have a team on the ground to explore the Turkish market, specifically in Istanbul.

COUNTRY REVIEW

THE UNITED KINGDOM

Tomas Jurdak

A very, very new player in the London market, HB Reavis is using our integrated development model to distinguish our properties and enhance value added. We believe it gives us an edge in delivering top product for the tenant and the right balance between highly desirable cost-efficiency and life-cycle building performance. Following our debut acquisition, 33 Central, in the heart of the City, in 2014 we made our second acquisition: 20 Farringdon Street in London's Midtown. We will be targeting a BREEAM "Excellent" for both developments.

ECONOMIC TRENDS IN THE UNITED KINGDOM

The British economy is in a healthy recovery phase and real GDP growth reached 2.6 % in 2014. This is the strongest calendar year figure since 2007; from 2013, GDP has grown steadily, exceeding its pre-downturn peak in Q3 2013. Despite the sustained economic recovery, price inflation has subsided to a ten-year low as a result of falling oil prices and the impact of recent sterling appreciation especially on the cost of imports from the eurozone. From the perspective of much of Europe, unemployment figures were at an enviable 6 % and employment rates in the United Kingdom are close to record highs. Recent parliamentary elections returning a majority Conservative government could affect the UK's future relationship with EU.

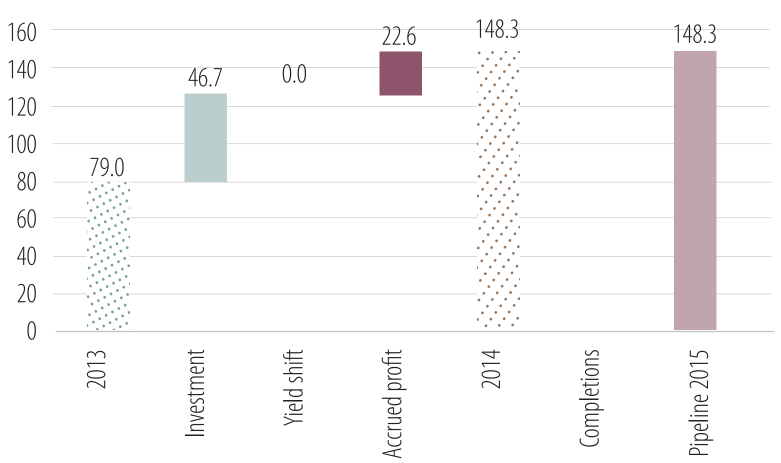
MARKET TRENDS

The United Kingdom economy - around the sixth largest globally - is one of the most open, and remains a highly attractive destination for both domestic and foreign direct investment. As a result, the real estate, hospitality and construction markets have received significant capital in recent years. In addition, London's standing as a global financial center has helped it remain one of the world's leading cities with a real estate investment market to match. Investment activity outside Central London has also been increasing. Transaction volumes continue to recover, with the strength and depth of investor demand supporting pricing. According to a Knight Frank report, rental growth is expected to accelerate in 2015 as the economy continues to improve. Towards the end of 2014, the City vacancy rate fell by 0.8 % to 6.5 %, the lowest for seven years; vacancy rates are expected to continue to fall due to constrained development pipeline to satisfy the demand. Availability is at its lowest level since 2011, with an active demand increase of 10 % year-on-year to 9.2 million square feet, exceeding current available stock offers by 270 %. In 2014, over 50 % of new City projects under construction were pre-let.

50%

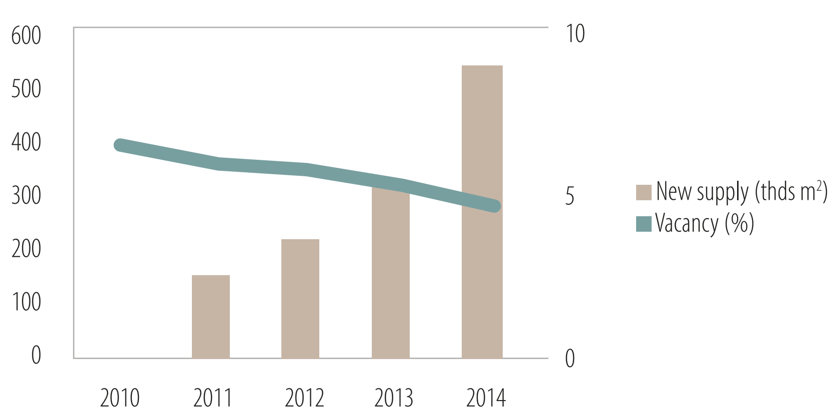
OF NEW CITY PROJECTS UNDER CONSTRUCTION WERE PRE-LET

CHANGES IN UK DEVELOPMENT PROPERTY VALUE (€m)



AS WE BELIEVE IN THE CITY OF LONDON'S STRONG PROPERTY MARKET FUNDAMENTALS, WE AIM TO REPLICATE OUR SUCCESS STORY IN POLAND. SO WE ARE WORKING INTENSIVELY TO IDENTIFY ATTRACTIVE DEVELOPMENT OPPORTUNITIES TO CREATE AN INTERESTING DEVELOPMENT PIPELINE HERE.

Central London



Source: CB Richard Ellis, Jones Lang LaSalle

HB REAVIS IN THE UK MARKET

We took a strategic decision to enter the London market back in 2012. Our focus will be on our core business - integrated development in the office segment. As always, we thoroughly explored and built knowledge of the market before making our debut acquisition in late 2013 and quickly following it up with a second. We know that the City market is not short of players. Many have a long history there and their main advantage is a strong position on the market, easy access to funding and top professionals with deep market knowledge. Our advantage is our very entrepreneurial approach, our trademark high level of flexibility, healthy level of boldness and ability to deliver top quality properties to a demanding market. Challenges remain though, from acquiring appropriately priced properties to complying with the increasing regulation created in the wake of the global economic crisis. Yet, we aim to replicate our success story in Poland.

PROJECT UNDER CONSTRUCTION

33 Central
London
The acquisition of an existing old office building at 33 King William Street in the City was undoubtedly an exceptional milestone in HB Reavis' history. With views of the River Thames, St Paul's Cathedral and the Shard and a location only meters away from the Bank of England and right on London Bridge, this will be one of our landmark projects. The original building was leased to BlackRock until June 2014. Immediately after the lease expired we started with the demolition. In the meantime we were optimising the project's concept and have also decided on a "rebranding" - it has now been renamed 33 Central (21,151 m² of GLA). As the project enters its construction phase, feedback from the market is very positive and we are receiving significant attention from potential tenants. We expect the project will be 60 % leased at the end of 2015.

HB REAVIS DEVELOPMENT UNITED KINGDOM

HB Reavis Development United Kingdom (€m)	GLA m²	Valuation			ERV	GDV
		2012	2013	2014		
Projects completed	0	0.0	0.0	0.0	0.0	0.0
Projects under construction	21,151	0.0	79.0	109.1	17.1	373.3
Projects in preparation	7,571	0.0	0.0	39.2	5.6	109.6
Total 2014	28,722	0.0	79.0	148.3	22.7	483.0
Total Pipeline for 2015	28,722	0.0	79.0	148.3	22.7	483.0

BUSINESS REVIEW

PROJECT IN PREPARATION

20 Farringdon Street
London
HB Reavis aims to strategically build and strengthen its presence in London. That is why we continued our thorough exploration of the market and, as a result, we decided to secure another acquisition - an existing office building at 20 Farringdon Street that already has a valid planning consent in place for the redevelopment of 6,800 m² of new office GLA. We were successful and in October we completed this transaction valued at £29 million. The project has an excellent location in London's Midtown, just a few steps from the headquarters of international companies such Goldman Sachs, Deloitte, Amazon or Mizuho. We are currently working on the optimization of the concept, focusing on potential resizing and quality of floor space. Once this optimization is completed, we will start with demolition before year-end 2015. Upon completion expected in October 2017, the 20 Farringdon Street project will enable us to bring to the market a modern office building with around 8,000 m² of GLA.

As we believe in the City of London's strong property market fundamentals, we aim to replicate our success story in Poland. So we are working intensively to identify attractive development opportunities to create an interesting development pipeline here.

20 Farringdon Street, London

POLAND

COUNTRY REVIEW

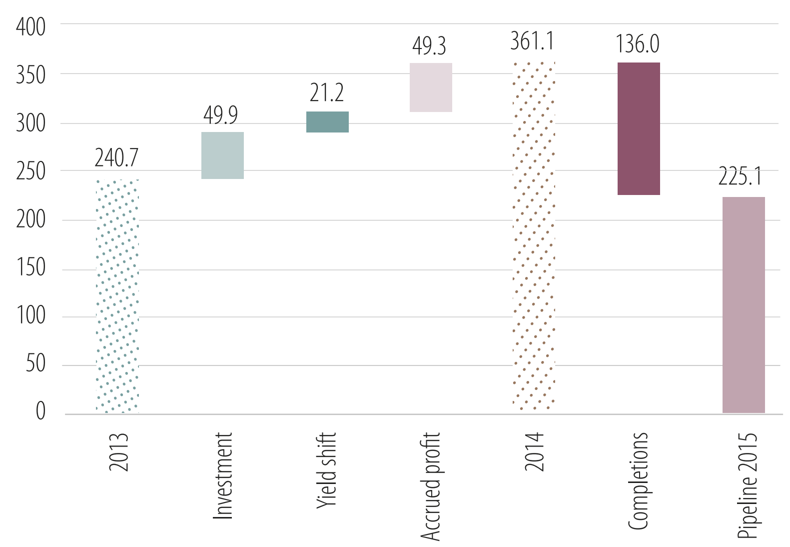
Stanislav Frnka

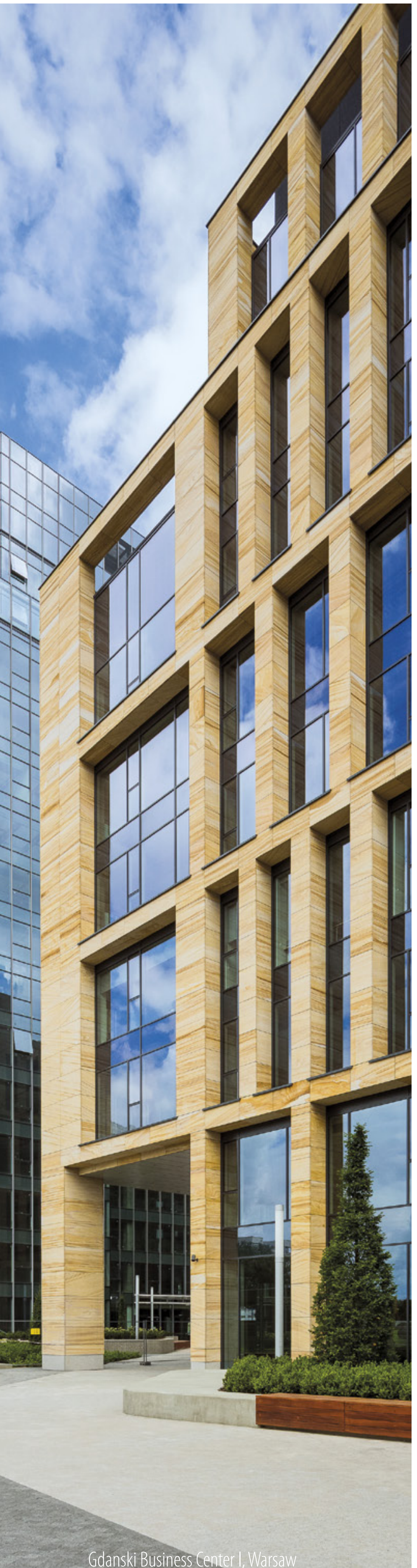
In a very short period of time, five years, HB Reavis in Poland has built a remarkable top three position in the Warsaw office market. In 2014, we delivered the capital's largest office project - the award-winning Gdanski Business Center I with 47,194 m² of GLA. One of the country's most active office developers, we are perceived as a provider of well-located, top-of-the-range business space noted for its functional, cost-effective and employee-friendly solutions. In a market equally noted for its current oversupply, one of our most significant achievements was the full occupancy we achieved for our Konstruktorska Business Center (as of January 2015) and the leasing of an additional 20,000 m² of office GLA to premium tenants in 2014.

ECONOMIC TRENDS IN POLAND

In 2014, the Polish economy expanded more robustly than in the previous three years. Growth in GDP reached 3.4 % through a notable increase in fixed investments and is considerably higher than the EU average of 1.3 %. Domestic demand is an additional main driver, fuelled by improving purchasing power. This was recorded on the back of unemployment rates falling every month through the first three quarters of 2014 to 8.2 % (EU average: 9.9 % over 2014) at year-end. Unemployment is expected to further decline in the coming years to around 7.7 % in 2016. In recent years, the region's commercial real estate segment has benefitted significantly from growing demand for office space across all major Polish cities. Obviously, all eyes are on political developments throughout the region, but provided favorable economic conditions continue and the stable political situation is maintained, there is little threat of slowdown in the commercial property sector.

CHANGES IN POLISH DEVELOPMENT PROPERTY VALUE (€m)





Gdanski Business Center I, Warsaw

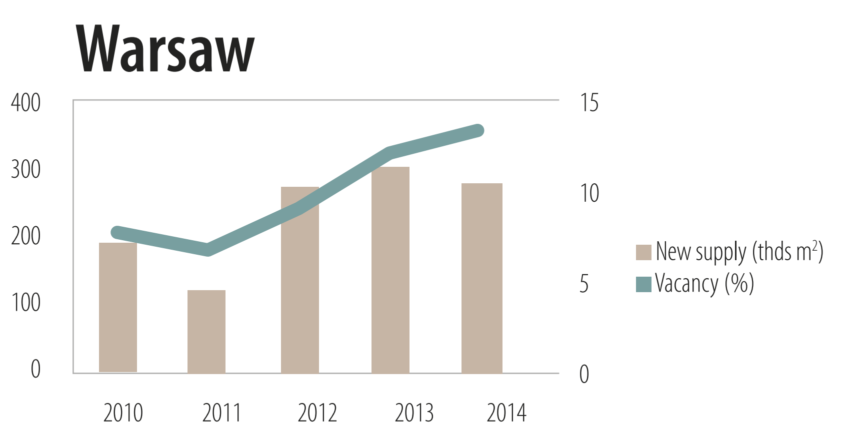
MARKET TRENDS

Warsaw remains the top investment destination, not only in Poland but also in the whole region. Although there is still a lot of room for new investment, the office market in Poland has certainly become more complicated and demanding over the past few years. The increasing supply of new office space – according to CBRE, 42 new office projects have been delivered in Warsaw since 2013 - and the rising vacancy rate, up to 13.3 % at year-end 2014, have put tenants in a comfortable position, forcing developers to lower the effective rents. While there is still strong tenant demand for space in new buildings, we expect the total net take-up rate in 2015 to be down on 2014, which produces downward pressure on rents. In recent years, the office market has clearly become a tenant's market. As a result, companies looking for office space are becoming more and more demanding, especially in terms of work-life balance for their employees. They expect a more inspiring and innovative work environment where the space around the building and space plan of their premises play a crucial role. Sustainability is just as important, especially with the imminent implementation of new energy standards as from 2017.

HB REAVIS IN THE POLISH MARKET

HB Reavis was one of the leading developers in Warsaw to identify tenant trends and, in line with our long-standing approach to development, incorporated work-life balance and top rated sustainable components into our projects. We currently have more than 116,000 m^2 of office space under construction, including Gdanski Business Center II, West Station in a joint venture with future tenant Polish Railways, and Postepu 14, one of the few office buildings in Warsaw that has obtained "Excellent" rating in BREEAM environmental pre-assessment.

Completion of Gdanski Business Center I - a multiple award-winning office development of the year - is real proof of our differentiated approach to office development. As Warsaw city representatives put in: "this is probably the first project that looks better upon completion than in marketing materials". But the most important judges of our philosophy are our clients. We believe reaching more than 50 % occupancy at the opening with clients like KPMG, Provident, SNC Lavalin and ANR reflects their approval of our value proposition.



Source: CB Richard Ellis, Jones Lang LaSalle

COMPLETED PROJECTS

Gdanski Business Center I
Warsaw
In 2014, the Group completed the first phase of the Gdanski Business Center. We acquired the whole project in 2012. Although Gdanski was not a proven business district that time, we believed the location directly at the subway station has a great potential and can be very promising for the future. After a major redesign we started construction of this phase (47,194 m^2 of GLA) in June 2012. In March 2014, right on schedule, the first tenant moved into the "B" building (15,378 m^2 of GLA) and in May, we completed the larger "A" building (31,816 m^2 of GLA). In the meantime, clients proved us right. We developed the Gdanski Business Center I to exceptionally high quality standards (BREEAM "Excellent" certification) and was recognized with a prestigious "Office Development of the Year" Award from CIJ and the "Best Office Developer in Central & Eastern Europe" award from Eurobuild. It has attracted top tenants, such as SNC Lavalin (2,065 m^2 of GLA), KPMG (10,234 m^2 of GLA), Provident Financial (4,160 m^2 of GLA) and Agencja Nieruchomosci Rolnych (5,600 m^2 of GLA). In April 2015, occupancy has reached 79 %.

PROJECTS UNDER CONSTRUCTION

Postepu 14
Warsaw
Construction of Postepu 14 (34,245 m^2 of GLA) progressed well during 2014. After the demolition of the old building in late fall 2013, construction started immediately and the project is now well on its way to completion on schedule in June 2015. Leasing has proved more challenging than expected. The situation in the office market in the Mokotow Business District is difficult. However, after completion of leasing activities for our Konstruktorska Business Center in the first quarter of 2015 (this scheme is now fully occupied), we will be relocating our own offices to Postepu 14 as a first tenant. And we are convinced that given the project's prime location and excellent visibility in Warsaw's Mokotow, other tenants will soon follow.

Gdanski Business Center II
Warsaw
The construction of second phase of the Gdanski Business Center (C-D buildings with 51,820 m^2 of GLA) started right on schedule in June 2014. This second phase also confirms this is a perfect office location. Due to a significant demand for office premises, construction is now being expedited at the highest possible speed so that we can deliver the "C" building (22,716 m^2 of GLA) to its first tenant before the end of 2015. The delivery of the "D" building will follow three months later in March 2016.

West Station Business Center I
Warsaw
In December, our joint venture with PKP to develop Zachodnia Railway Station and adjacent West Station Business Center got under way. The project received its construction permit in fall 2014 and shortly thereafter we started construction of the train station hall "Warsawa Zachodnia" and first phase of the West Station Business Center (30,160 m^2 of GLA). With a current prelease rate of more than 50 % we believe we will finalize development financing in the near future. The completion and delivery of the project to its tenants is expected in 3Q/2016.

Postepu 14, Warsaw

PROJECTS IN PREPARATION

Chmielna Business Center
Warsaw
There is no doubt that the Chmielna Business Center (134,760 m^2 of GLA) is our landmark project in Warsaw's CBD. In 2014, we obtained zoning permits for the whole project (three phases) including the 143 meter-high office tower. However, we want Chmielna to become not only our landmark project but also Warsaw's. As this ambition is supported by the city's urban planners, we are working on the redesign to develop a new high-rise city landmark topping 200 meters in height. We continue to work closely with one of the world's best architectural studios on the optimization of the tower's concept and design so that we can obtain the zoning and construction permit during 2015.

West Station Business Center II
Warsaw
This is the second phase of the project. West Station Business Center II (37,220 m^2 of GLA) already has a construction permit and we expect to start construction in the first half of 2016, subject to overall market conditions and the status of leasing on the first phase.

HB REAVIS DEVELOPMENT POLAND

HB Reavis Development Poland (€m)	GLA m^2	Valuation			ERV	GDV
		2012	2013	2014		
Projects completed	47,194	53.0	103.6	136.0	10.4	165.0
Projects under construction	116,425	42.0	64.0	109.0	24.7	348.7
Projects in preparation	185,397	57.0	73.1	116.1	34.8	695.6
Total 2014	349,016	152.0	240.7	361.1	69.9	1,209.3
Total Pipeline for 2015	301,822	99.0	137.1	225.1	59.5	1,044.3

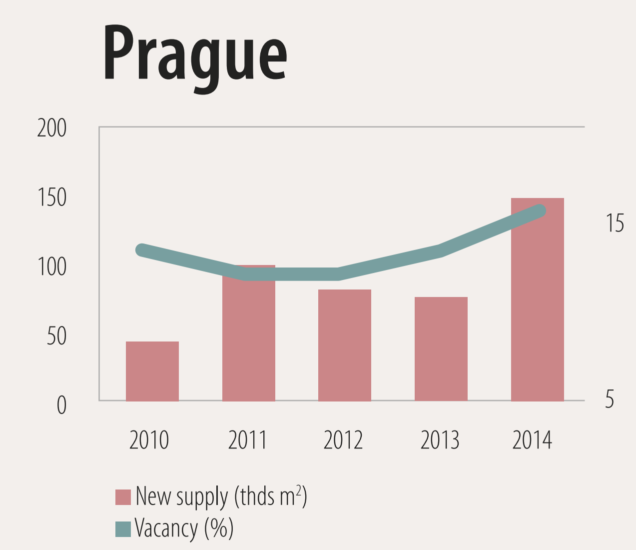
COUNTRY REVIEW
CZECH REPUBLIC

Olga Humlova

We may be the youngest player in the Czech market, but we already rank in the top three thanks to our track record in successful, quality office developments. Seen as a dynamic specialist developer, our projects attract premium (international) tenants. We are also a trusted and respected partner for local authorities, building long-term relationships while maintaining high standards, both professionally and ethically. In 2014, we made our first divestment in Prague. Located in one of the city's fast developing areas, our River Garden Office project helped us build our reputation for setting new standards for A-class offices in Prague. In parallel, we expanded our pipeline with the acquisition of a new office project in the vicinity of the city's heart - Wenceslas square.

ECONOMIC TRENDS IN THE CZECH REPUBLIC

Following years of negative growth, the Czech economy made a promising move to positive GDP growth of 2.4 %, up from -1.1 % in 2013. Forecasts for 2015 seem equally optimistic. Like elsewhere in the CE region, growth is being stimulated by domestic demand. With an average inflation rate of only 0.4 % in 2014, consumer prices are growing very slowly, especially due to the slump in oil prices. The labor market outlook has improved slightly, with a modest increase in jobs, although the unemployment rate is already one of the lowest in EU. With no elections in the near future, the political situation is stable which supports a relatively positive outlook for the coming two years.

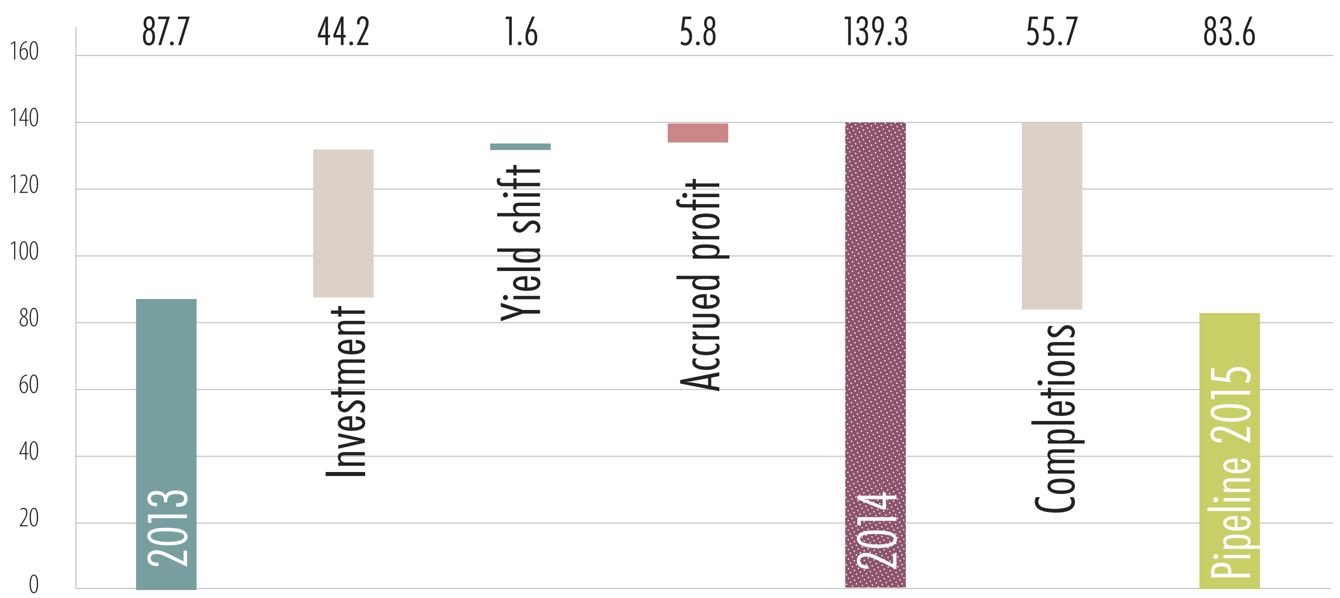


Source: CB Richard Ellis, Jones Lang LaSalle

MARKET TRENDS

In 2014, the Prague office market reached a milestone as the office stock exceeded 3 million m² for the first time. Altogether, almost 149,000 m² of office space was completed in 2014, representing the largest inflow of new supply since 2009 and an almost 90 % increase compared to last year's volume. The share of A-class projects stood at 68 % with top quality or AAA class projects reaching around 11 % of the total stock. Over 181,000 m² is due to come into operation in 2015 and more than 200,000 m² were under construction at the end of the year. Although the strongest-ever quarterly demand for office space was registered in the final months of 2014, the expected significant increase in vacancy is a reality at over 15 % for the year. Although this vacancy is expected to be absorbed gradually over the coming 12 to 18 months, unsurprisingly, this is a tenant's market. Competition between landlords is intense and tenants are demanding more and more. Many no longer want open-plan work spaces but are expecting areas arranged according to specific activities, such as quiet or relaxation spaces, meeting areas and so on. Tenants also require more amenities in the vicinity and more parking. We had already picked up on these trends and are incorporating them into future design plans for our projects.

CHANGES IN CZECH DEVELOPMENT PROPERTY VALUE (€m)



HB REAVIS IN THE CZECH MARKET

The successful disposal of our first-ever Prague office project was a real milestone for HB Reavis in 2014. In line with our strategic exit policy for mature assets, we were able to divest River Garden Office I to IAD, local asset manager, at a transaction value of €51.5 million. We invested in the market through our fourth acquisition of a prime project at a top location. Vinohradska 8 Street is just opposite the National Museum and we will transform it into a flagship office complex with 24,109 m². We expect to start construction in first quarter of 2017. With two office projects under construction in 2014, we were most active developer in the market. In retail and after six years of planning and permitting, we finally began construction on our Aupark Shopping Center Hradec Kralove, one of the country's largest regional cities with a population of over 100,000. This project is our first Aupark outside Slovakia.

Our biggest challenge in 2014 was the leasing of our office schemes in the oversupplied market. While our second project River Garden Office II-III proved attractive, the Metronom Business Center still has to find its anchor office tenants.

HB REAVIS DEVELOPMENT CZECH REPUBLIC

HB Reavis Development Czech Republic (€m)	GLA m²	Valuation			ERV	GDV
		2012	2013	2014		
Projects completed	25,548	16.4	41.6	55.7	5.2	74.9
Projects under construction	56,098	13.5	24.2	53.5	10.3	141.1
Projects in preparation	327,116	23.4	21.9	30.1	24.1	450.9
Total 2014	408,762	53.3	87.7	139.3	39.6	666.8
Total Pipeline for 2015	383,214	37.0	46.1	83.6	34.4	592.0

COMPLETED PROJECTS

River Garden Office II-III
Prague
We acquired River Garden Office II-III (25,548 m² of GLA) in May 2012 with an existing construction permit. We redesigned this project, adjacent to our River Garden Office I, in a very short time and began construction in late 2012. Construction activities went well and we completed the project on schedule in June 2014 when the Grand Opening took place. As the office market in Prague has been very challenging at the time of delivery, by the end of 2014 we had achieved 33 % and currently the scheme is well on track to full occupancy at the end of 2015.

PROJECTS UNDER CONSTRUCTION

Metronom Business Center
Prague
We acquired this project with a valid zoning permit in the second quarter of 2012. It received its building permit in mid-way 2013. The construction of Metronom Business Center (34,022 m² of GLA), our third office scheme in Prague's western business district started in summer 2013. The project is built to BREEAM "Excellent" standards and completion is planned for Q2 2015. However, due to significant over supply and tough conditions on the leasing market, occupancy will probably not exceed 25 % on completion.

Aupark Shopping Center Hradec Kralove
After lenghty and challenging permitting process, the Group finally succeeded - we obtained a valid construction permit for Aupark Shopping Center in Hradec Kralove (22,076 m² of GLA) in the summer 2014. Construction started in the final quarter of 2014 and we aim to complete and open before the 2016 Christmas season. The project already has preleasing commitments for 22 % of retail space and we expect preleases to reach 50 % by the end of 2015.

PROJECTS IN PREPARATION

Vinohradska 8
Prague
In line with our strategy of growth in Central Europe, the Group decided to acquire our fourth office project in Prague, Czech Republic. The acquisition of an existing older office scheme from CEZ Group was completed in August 2014. We plan to redevelop this top located project at Vinohradska Street, just opposite the National Museum, into a flagship office scheme with 24,109 m² of GLA. Currently, we are finalizing the concept and design of the future Vinohradska Office and launching initial permitting steps. We plan to start with the demolition and construction in first quarter of 2017.

Aupark Shopping Center
Brno
Our second retail scheme in the Czech Republic, the Aupark Shopping Center in Brno, is still struggling with permitting. We are awaiting a positive change in the city's master plan for the zone.

Logistics development zone Ostrava-Mosnov
Adjacent to our existing Logistic Center, we have in preparation an additional 230,477 m² of GLA.

Aupark Shopping Center Hradec Kralove

COUNTRY REVIEW
SLOVAKIA

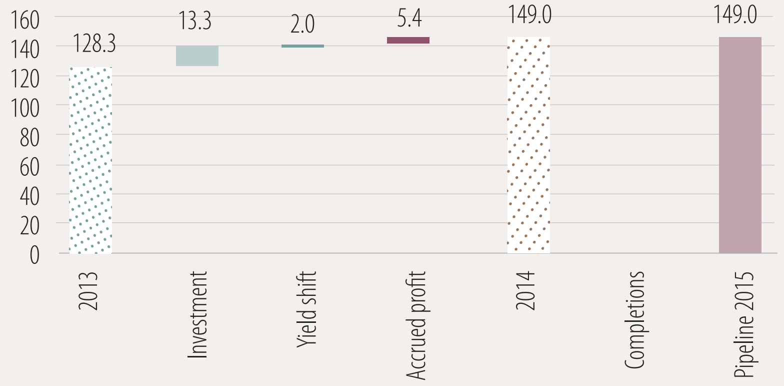
Adrian Rac

In our original home market, HB Reavis is a top player in the property development sector. We ended the year with total investments of €13 million. With a strong track record of developing state-of-the-art and award-winning retail and office properties, the Group began construction on its latest addition to Bratislava's skyline: the multi-functional Twin City complex near the heart of the old capital. In line with our aim to create extraordinary and sustainable buildings, we are working towards a BREEAM "Outstanding" rating and a class A1 energy certification for this new project.

ECONOMIC TRENDS IN SLOVAKIA

The Slovak economy picked up in 2014, after a mild slowdown in the previous year. Domestic demand was the main growth driver as both private consumption and fixed investment improved following several years of decline. Real GDP grew by 2.4 % (source: Statistical Office of the Slovak Republic), up from 1.4 % in the previous year and making Slovakia one of the better performers in the eurozone. Private consumption grew for the first time in four years, underpinned by increased household income and improving labor market conditions and fuelled by a fall in the unemployment during the year. However, at just under 13 %, the unemployment total is still above EU averages of 9.9 % at year-end 2014. Forecasts for 2015 indicate accelerated GDP performance of 2.7 %, well above the expected EU average on the back of increased household consumption.

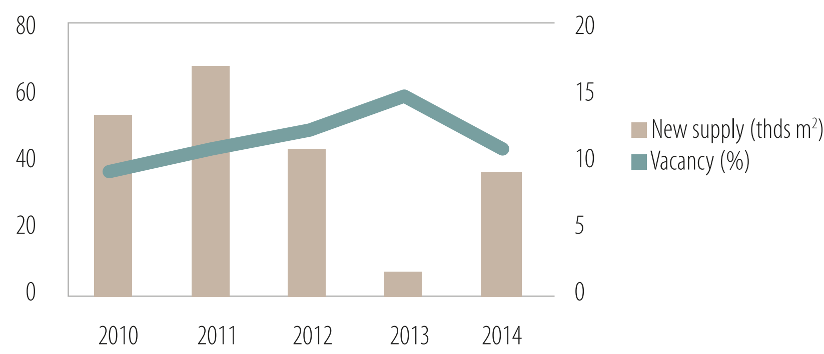
CHANGES IN SLOVAK DEVELOPMENT PROPERTY VALUE (€m)



HB REAVIS IN THE SLOVAK MARKET

After couple of years of limited development progress in our portfolio, 2014 marked the turning point for HB Reavis to return to market leadership in Bratislava's office segment. The Bratislava office market improved in 2014, driven by an expanding economy that stimulated the business environment. Total office stock grew by around 4.6 % although this is primarily the result of refurbishments rather than new developments coming into operation. This situation is expected to change in 2015 as a number of larger projects, including the first phase of our own Twin City development, come on stream. At year-end 2014, we had 35 % of the total class-A office stock and 453,000 m² of office GLA under construction or in preparation. During 2014 the demand for offices showed a significant increase, up 140 % on the previous year driven primarily by relocation behavior among tenants or renegotiation of lease contract. Vacancy has declined from 15 % in 2013 to around 11.2 % at year-end 2014. Our team has benefited from the demand pickup, reaching a 65 % prelease of our A and B Twin City office buildings.

Bratislava



Source: CB Richard Ellis, Jones Lang LaSalle

140 % DURING 2014 THE DEMAND FOR OFFICES SHOWED A SIGNIFICANT INCREASE, UP 140 % ON THE PREVIOUS YEAR DRIVEN PRIMARILY BY RELOCATION BEHAVIOR AMONG TENANTS OR RENEGOTIATION OF LEASE CONTRACT

Nivy Mall & Bus Station, Bratislava

PROJECTS UNDER CONSTRUCTION

Twin City
Bratislava
In July, and in line with the original schedule, HB Reavis started construction of the first two Twin City office buildings - "A" and "B" with 16,278 m² and 23,643 m² of GLA. The construction is progressing according to expectations and we are gratified to report that the project is already proving its appeal to clients. In A building, we have already signed the rental contracts for 2,078 m² of GLA, and the building is on its way to be delivered to the first tenant as early as October 2015. For the B building, we have signed a rental contract with our long-time tenant and reinsurance giant, Swiss Re. The signed contract is for 20,300 m² of GLA including options for future expansion. That said Swiss Re is already taking almost all the office space in this building.

The building will be delivered in March 2016. In order to meet the strong demand from potential tenants, we decided to commence construction of the third, "C" building ahead of the schedule, at the end of the first quarter of 2015. This 24,202 m² of GLA office scheme is expected to be completed in the fourth quarter of 2016. We aim to achieve the highest possible BREEAM "Outstanding" standard for the whole complex. This will be a "first" for both HB Reavis and for Slovakia. Given the quality standard and successful leasing so far, we believe the whole scheme will be fully leased at the time of completion.

PROJECTS IN PREPARATION

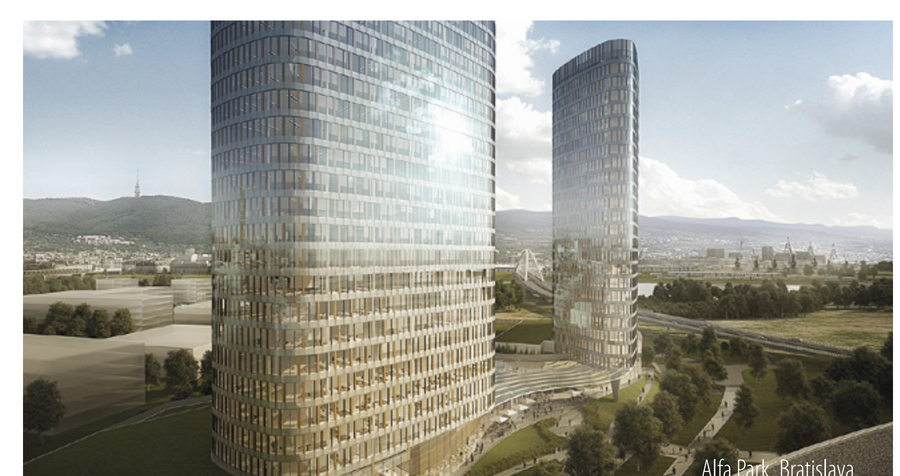
We continued the permitting process for this large-scale multifunctional complex with new Bus Station Nivy in the city center. At the same time we are optimizing the project concept and timing for the respective phases. In the Twin City South area, we are planning development of a further 165,000 m² of office GLA, including two towers located in both the west and east corners of the South adjacent to Mlynske Nivy Street. We expect construction of the next phase could start before the end of 2015/start of 2016, subject to permits and leasing progress, of course. At Twin City North we plan to develop a large-scale Nivy Mall with a new bus station of around 60,000 m² of retail GLA and an Nivy Tower with around 30,000 m² of GLA. We aim to start construction in 2016.

With the additional two office schemes in Bratislava that are in the permitting stage - the large-scale Alfa Park on the right bank of the River Danube with 173,600 m² of GLA and the Forum Business Center II, 16,174 m² of office GLA, an adjacent project to our Forum Business Center I - the Group has a substantial pipeline in Slovakia and will clearly continue to be Slovakia's leading developer.

2016
PLANNED START OF CONSTRUCTION OF NIVY MALL & BUS STATION

HB REAVIS DEVELOPMENT SLOVAKIA

HB Reavis Development Slovakia (€m)	GLA m²	Valuation			ERV	GDV
		2012	2013	2014		
Projects completed	0	0.0	0.0	0.0	0.0	0.0
Projects under construction	39,921	9.7	10.6	23.1	7.0	94.3
Projects in preparation	508,244	106.5	117.7	125.9	82.3	1,112.1
Total 2014	548,165	116.1	128.3	149.0	89.3	1,206.4
Total Pipeline for 2015	548,165	116.1	128.3	149.0	89.3	1,206.4



Alfa Park, Bratislava

Forum Business Center II, Bratislava

BUSINESS REVIEW

HUNGARY

COUNTRY REVIEW

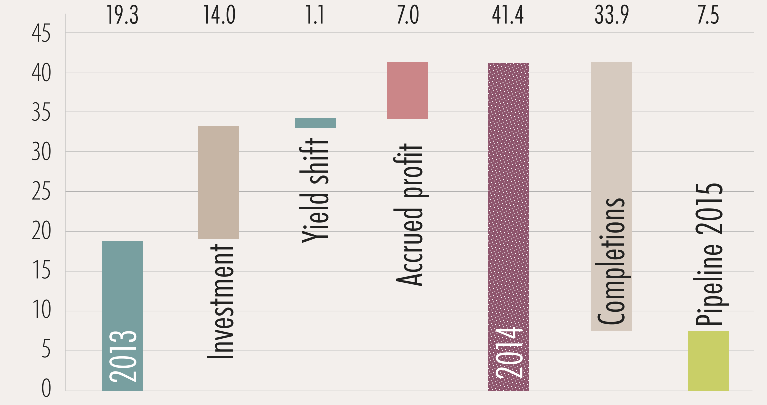
Zoltan Radnoty

Although we have only just completed our debut A-class office project, Vaci Corner Offices, HB Reavis already ranks among the top developers in the Hungarian market. The fact that we expect to achieve full occupancy by mid-2015 has added to our growing reputation for reliability and the high quality of our developments. This position will be further reinforced through the new development acquired in 2014 on the so-called Vaci Office Corridor.

ECONOMIC TRENDS IN HUNGARY

Hungary's economy is growing. In 2014, GDP grew to 3.2 %, well above the EU average. Major contributors are a comparatively stable political environment and increased foreign investment as confidence returns. Unemployment rate improved significantly, reaching 7.1 % at year-end 2014. The strong economic performance is also impacting the real estate sector positively. Further growth in the sector is expected but it will depend on continued predictability in economic policies.

CHANGES IN HUNGARIAN DEVELOPMENT PROPERTY VALUE (€m)



HUNGARY'S ECONOMY IS GROWING. IN 2014, GDP GREW BY

3.2%

MARKET TRENDS

After several years of poor performance, Hungary is currently experiencing a revival of its economic performance that is translating into an impressive recovery of the Budapest office market. Foreign investors and corporations have more confidence in the market and are looking for modern, high-quality office buildings. General Motor's new shared service center (SSC) in our Vaci Corner Offices project is just one example. One of the main drivers of the office market is the SSC/Business Process Outsourcing (BPO) sector, which continues to grow in Budapest as well as in secondary cities of Hungary. With an apparent revival in the Hungarian economy, tenants are looking to expand operations and are looking for new office space. Large offices, especially, are in demand. The growing demand – 2014 was the record year in Budapest's office market history in terms of the take-up - has significantly reduced vacancy to 16 % (from 19 % a year ago). This vacancy is tied primarily to aging, out-of-town stock as new supply was limited. In fact, our office scheme, Vaci Corner Offices, was the only newly delivered project in the market in 2014.

HB REAVIS IN THE HUNGARIAN MARKET

At the beginning of 2014, our first-ever project in Budapest, Vaci Corner Offices with 22,069 m² of GLA, was just weeks away from completion. Construction was finished on time and on budget in February 2014. The occupancy permit was received in March and the Grand Opening of the BREEAM "Excellent" scheme was held in June. In April 2015 it was leased at 70 % and the building is on track for achieving full occupancy by mid-2015. The client list includes incumbent energy sector leader MVM, international companies such as General Motors and Intrum Justitia, and local premier IT company Globenet.

The success of this debut project, the overall positive economic situation and our always thorough exploration of our markets has led us to reinforce our office pipeline and make a second acquisition.

OUR FIRST-EVER PROJECT IN BUDAPEST, VACI CORNER OFFICES WITH

22,069 m²

OF GLA WAS FINISHED ON TIME AND ON BUDGET

PROJECT IN PREPARATION

Budapest Central Towers
In December, we secured a first parcel (around one-third) of an interesting land plot, well-located at the Vaci Corridor, at the crossroads with Robert Karoly Street. In April 2015, we acquired an adjacent plot and agreed with the city district to exchange part of the plots to consolidate the development zone. Once this whole well-located land plot is consolidated, it will allow us to develop an exceptionally visible mixed-use scheme with around 120,000 m² of GLA. We are working on the assumption that construction of the first phase could start in first half of 2016.

HB REAVIS DEVELOPMENT HUNGARY

HB Reavis Development Hungary (€m)	GLA m²	Valuation 2012	Valuation 2013	Valuation 2014	ERV	GDV
Projects completed	22,069	6.5	19.3	33.9	3.3	43.4
Projects under construction	0	0.0	0.0	0.0	0.0	0.0
Projects in preparation	118,878	0.0	0.0	7.5	22.3	288.2
Total 2014	140,947	6.5	19.3	41.4	25.6	331.6
Total Pipeline for 2015	118,878	0.0	0.0	7.5	22.3	288.2

The success of this debut project, the overall positive economic situation and our always thorough exploration of our markets has led us to reinforce our office pipeline and make a second acquisition.

Vaci Corner Offices, Budapest

NEW MARKETS
TURKEY

For some years, we have been researching potential new markets for HB Reavis. Given its overall economic growth, current penetration and significant potential for robust growth in the real estate market, we opened a branch in Turkey in 2013. In spite of a slight slow-down in economic growth in the reporting year, the outlook for 2015-2016 is quite positive.

General elections are to held in June 2015 and the general expectation is that the current political map will remain stable. Istanbul, the country's economic power house, is one large "building site". The construction sector directly employs around 10 % of the city's total workforce and is expected to remain strong, driven by urban regeneration, large infrastructure projects and strong demand by the growing population for new residential buildings. Given Istanbul's economic position and its size (the population is over 15 million), there is lack of modern and high quality office space. In 2014, we grew our original team to three professionals and continued our in-depth exploration of this market and search for an acquisition opportunity that would meet our risk-return criteria and represent an appropriate entry for us. Currently we are negotiating a joint venture partnership for our first potential office project in Istanbul.

BUSINESS REVIEW

HOW WE MANAGE OUR ASSETS

As the Group follows the strategic shift to a greater share of development (including of active divestment of matured assets) than asset management, our Asset management arm is becoming smaller. However, it is not less important. In order to divest our matured assets under the best achievable conditions, our asset managers focus on ensuring projects are in top commercial and operational condition. At the end of 2014, HB Reavis managed 20 income-producing properties with almost 560,000 m^2 of GLA. Twelve of these are HB Reavis-owned projects representing 354,421 m^2 of GLA and five projects with 101,110 m^2 of GLA are owned by the HB Reavis CE REIF real estate fund that is consolidated in our financial statements. We also continued to manage the Apollo Business Center I with 44,140 m^2 of GLA for our long-time partner Hannover Leasing, Apollo Business Center IV with 32,182 m^2 of GLA for Generali Group and City Business Center III-V with 25,638 m^2 of GLA for Tatra Asset Management. Rental income from that portion carried on the HB Reavis balance sheet at the end of the year reached €36.2 million, of which our own properties contributed €24.2 million and properties owned by the Fund added €12.0 million.

At the end of 2014, HB Reavis managed 20 income-producing properties with almost 560,000 m^2 of GLA.

47,194 m^2 of GLA

GDANSKI BUSINESS CENTER I

25,548 m^2 of GLA

RIVER GARDEN OFFICE II-III

22,069 m^2 of GLA

VACI CORNER OFFICES

During the reporting year, we added three completed projects to the asset management portfolio: Gdanski Business Center I, our second office project in Poland with 47,194 m^2 of GLA, River Garden Office II-III, our second, 25,548 m^2 of GLA office scheme in Prague's Karlin and Vaci Corner Offices with 22,069 m^2 of GLA, our first office project in Budapest, Hungary.

The Group continued divesting mature assets – see How we divest assets on page 94. Rental income from divested assets in 2014 was €12.5 million pro rata for the year. As a result of our divestment activities, the total value of the income-producing portfolio on the Group's balance sheet decreased slightly once again to €760 million as of year-end 2014 (2013: €779 million). Completed properties coming into operation from our own development pipeline added €226 million to the portfolio value, while the three sold assets reduced the portfolio value by €273 million.

Like-for-like, the portfolio value increased by €16.7 million before yield shift effects, which corrected the result upwards by another €1.4 million. Total asset returns reached 6.6 % (2013: 5.3 %) with negative capital returns in all segments.

Group income-producing portfolio *	GLA m^2	Valuation 2013	Valuation 2014	Rental income 2014	ERV	Equival. yield 2013	Equival. yield 2014	Capital return	Rental return	Total return
Asset management portfolio from 2013	353,510	514.9	523.5	35.8	43.2	7.65 %	7.65 %	0.2 %	6.9 %	7.2 %
Retail	10,497	31.6	31.9	2.5	2.5	7.75 %	7.75 %	0.5 %	7.8 %	8.3 %
Office	167,792	381.7	389.3	24.5	31.1	7.38 %	7.39 %	0.5 %	6.4 %	6.9 %
Logistics	175,221	101.6	102.3	8.8	9.6	8.64 %	8.57 %	-0.9 %	8.7 %	7.7 %
Additions to portfolio in 2014	102,021	164.5	236.6	1.3	20.1	7.06 %	6.67 %	27.1 %	0.8 %	20.8 %
Completions	94,811	164.5	225.6	0.7	18.8	7.06 %	6.67 %	20.4 %	0.4 %	20.8 %
Property acquisitions	7,211	0.0	11.0	0.6	1.2	-	8.50 %	-	-	-
Property exits in 2014	92,297	263.6	273.2	12.5	19.9	7.11 %	7.12 %	-0.3 %	4.7 %	4.4 %
Asset management portfolio for 2014	**455,531**	**778.5**	**760.1**	**49.5**	**63.3**	**6.69 %**	**7.29 %**	**0.2 %**	**6.4 %**	**6.6 %**

*Figures based on external expert valuations and management report. The external valuations are not adjusted for IFRS adjustments that are taken into account in IFRS financial statements.

In terms of occupancy of the assets on the Group's balance sheet, we reached 79 % at the year-end, down from 82 % in 2013. However, rotation of our income-producing portfolio has a serious impact here. During the year we divested around 92,000 m^2 of almost fully occupied GLA, while we transferred into asset management three newly completed projects with around 95,000 m^2 of GLA. Occupancy in assets newly coming into operation increases continuously and is expected to reach 90-95 % in the second half of 2015. Given this reality and the challenging environment in the office segment, especially in Prague and Warsaw, we see this result as very promising.

As far as 2015 is concerned, as an outcome of HB Reavis' strategy of active divestment of matured assets, the number of income-producing properties and related Rental income will further stagnate, and can even decrease (subject to further planned divestments). However, our Asset management arm will be no less focused on the optimization of our capability to effectively operate our income-producing assets in order to support their market value.

INVESTMENT MANAGEMENT

We launched our Investment management business line in 2011. Our vision is to create a platform for investors seeking exposure to the CE real estate markets, while capitalizing on the Group's know-how, capabilities and track-record.

Through the Group's Luxembourg-based arm (regulated by the Luxembourg financial regulator, Commission de Surveillance du Secteur Financier), HB Reavis Investment Management S.à r.l., we have successfully launched and managed the €166 million open-ended HB Reavis Central European Real Estate Investment Fund (HB Reavis CE REIF). The intended launch of the CE Office Fund in a joint venture with LaSalle Investment Management initially planned for 2014 has been put on hold given insufficient investors' interest stemming mainly from the occupational situation in Central European office markets.

During 2014 there was a steady inflow of investor funds into HB Reavis CE REIF, which has brought the shareholding of the Group to just above 20 %. In this context, we have started work on expanding the Fund's portfolio into Warsaw and Prague and we plan to acquire at least one additional asset for the Fund's portfolio in 2015. To support this strategy, apart from raising fresh equity, we will also be looking to opportunistically rotate out one or two assets from the existing portfolio.

In order to boost the assets under management by HB Reavis Investment Management to a mid-term target of €0.5 billion within three years, we have started exploring several strategic initiatives, notably:

- Transforming HB Reavis CE REIF into a broader-distributable fund and passporting its distribution license from Luxembourg to Central European countries in order to attract a wider investor base outside the institutional universe.
- Launching Fund II focusing on Central Europe commercial assets and targeting high net-worth individuals and affluent private investors throughout Central Europe, potentially teaming-up with an established bank/distributor.
- Launching a local Fund in Poland (replicating the strategy of HB Reavis CE REIF) as the largest and least penetrated market in terms of investor allocations in the real estate asset class.

Looking ahead to 2015, we will continue to explore all organic growth options and aim to progress at least one of them to full execution during the coming year. Furthermore, as part of the Group's commitment to the investment management business line, we will explore the potential for an acquisition of an existing real estate investment management platform, should a suitable opportunity arise.

HB REAVIS CENTRAL EUROPE REAL ESTATE INVESTMENT FUND

THE FUND IS TARGETING A TOTAL RETURN OF

9-11%

PER ANNUM NET TO INVESTORS, WHILE LEVERAGING THE ASSET MANAGEMENT CAPABILITIES OF THE GROUP

INVESTMENT STRATEGY

HB Reavis CE REIF follows a core/core+ investment strategy. This means it invests in fully or close to fully let commercial properties in Central Europe. The portfolio was seeded in 2011 and consists of five assets in the office, retail and logistics segments. The Fund is targeting a total return of 9-11 % per annum net to investors, while leveraging the asset management capabilities of the Group. Among the investors are major regional financial institutions and high net-worth individuals; as a Fund manager, HB Reavis retains at least a 20 %-share in the Fund long-term.

PERFORMANCE

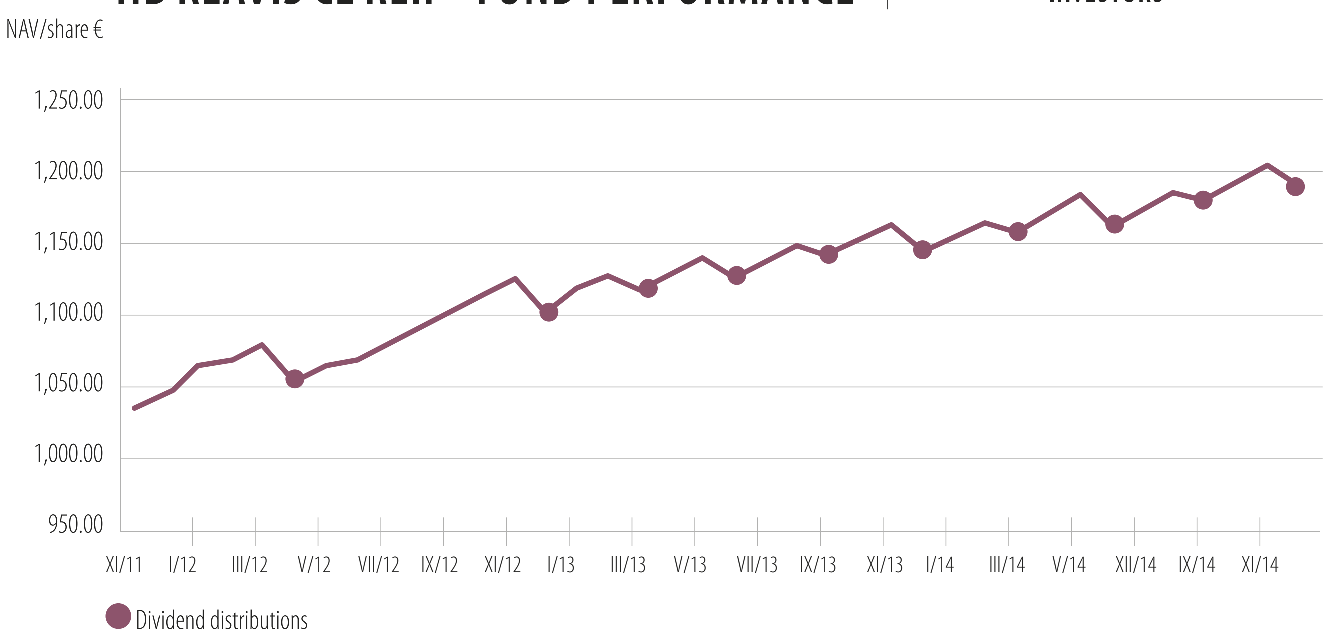
Since its inception to year-end 2014, the Fund has delivered 10.6 % annual net total return to investors, including a cash dividend return of 5.0 % per annum, which has been distributed to investors on a regular quarterly basis.

SINCE ITS INCEPTION TO YEAR-END 2014, THE FUND HAS DELIVERED

10.6%

ANNUAL NET TOTAL RETURN TO INVESTORS

HB REAVIS CE REIF - FUND PERFORMANCE



Note: The Fund's Net Asset Value is calculated monthly and published on the Finesti Luxembourg financial page (finesti.lu) and on Bloomberg under ticker HBREAVS:LX. The Fund is listed on the Luxembourg Stock Exchange.

PORTFOLIO SUMMARY

Project	Net operating income*		Occupancy		Valuation	
	2013	2014	2013	2014	2013	2014
Aupark Shopping Center Piestany	2.5	2.5	95.9 %	94.6 %	31.6	31.9
City Business Center I-II	6.5	6.8	94.0 %	98.7 %	99.9	99.9
Union	0.5	0.5	100.0 %	100.0 %	5.9	5.8
Logistics Center Svaty Jur	1.8	1.8	98.3 %	100.0 %	19.9	19.8
Logistics Center Maly Saris I-III	1.1	1.2	100.0 %	98.4 %	9.5	8.7
	12.5	12.7	95 %	98 %	166.8	166.1

*Including revenues for property management

FUND PORTFOLIO

WAS SEEDED IN 2011 AND CONSISTS OF FIVE ASSETS IN THE OFFICE, RETAIL AND LOGISTICS SEGMENTS

OUR PEOPLE

OUR PEOPLE

In recent years, HB Reavis has expanded significantly, becoming one of Central Europe's largest and most successful commercial property groups.

In 2014, "becoming the most attractive real estate employer in Central Europe" became one of the Group's key pillars in our Vision 2018. "Attractive" at HB Reavis means that externally our reputation in the market enables us to attract and recruit top performing professionals. Internally, it translates into our ability to motivate, develop and retain our most talented people and teams.

In recent years, HB Reavis has expanded significantly, becoming one of Central Europe's largest and most successful commercial property groups. Now, we are also growing market presence in other countries, such as the United Kingdom and Turkey, where the Group is very much a newcomer. We still have to build our reputation as a preferred employer in these markets. That is why we are revisiting our Employer Value Proposition to ensure that the right people find their way to the Group.

In recent years, the significant growth generated by HB Reavis, not only in the volume of our business but also in terms of geographies, has put some pressure on our internal processes and specifically on people management and development. Robust international expansion has gone hand-in-hand with a more than triple-digit growth in personnel. This raised concerns about dilution of our corporate culture and potential issues with the transfer of accumulated knowledge. For a group that is strongly focused on top standards in professionalism and operational excellence, we believe these challenges require firm action.

TAKING ACTION

As a baseline, in 2014 we again commissioned an independent Employee Satisfaction and Engagement Survey. We asked our people throughout the whole organization about level of motivation, satisfaction and engagement. While the picture we received was far from perfect, it provided clear insights into what we need to accelerate to stimulate broader engagement. In summary and as in previous years, the effects of rapid organizational growth in recent years has impacted people satisfaction. This has led to a number of firm steps and actions.

1

First, the survey indicated we need to improve collaboration and alignment between individual layers of our management to ensure the organization receives consistent guidance on what is expected. This is why senior managers revisited the founding elements that had made HB Reavis so successful in the past. This includes our mission, vision, core values and strategy. We took action by organizing a series of workshops for senior managers so that we could align on the direction we want to take the Group.

2

A second step was to accelerate our review of internal processes that enable us to work together most effectively and efficiently. We had already started this process in 2013. As our local teams have all delivered at least one and often more projects in each of our markets, we have more than enough collective experience to create best practice. We have reviewed processes in all countries and made adjustments where needed. In March 2015 we will be launching a broad-based implementation of our fit-for-purpose processes that are fully aligned with the forward direction. By using our past experience, we believe we can now further improve the efficiency and effectiveness of our operations.

3

Our third action in 2014 relates to updating the performance management and compensation strategy while improving cooperation and trust between the individual layers of our management. During the reporting year, HB Reavis carried out a benchmark mapping of all roles in the organization and attached a grading to each position. This gives everyone a clear picture of how their role fits in to the organization. While still far from ideal, we believe that together with multiple layers of management we have a solid understanding where we need to push to strive for internal fairness and external job-market competitiveness.

We are not there yet. But during 2014 we took significant steps to ensure the organization is fully aligned with our strategic direction. In support, we intend to adjust our performance management philosophy and financial compensation to that these are also brought more fully in line with our strategy and business processes.

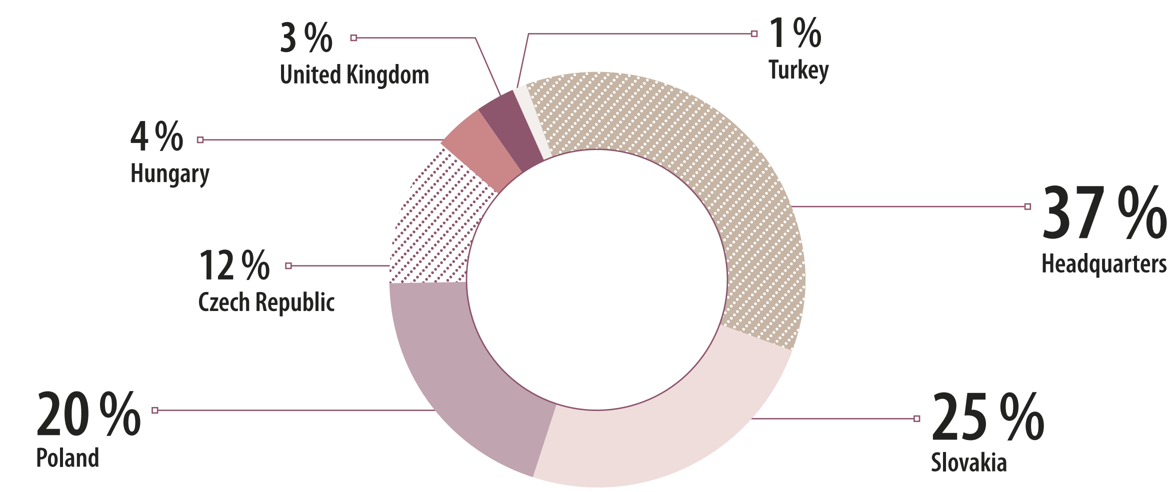
WORKING SPACES

HB Reavis is known for developing state-of-the-art office properties. Tenants praise our working spaces as top of the range. Often, our own teams are housed in our award-winning office projects. We are now taking this quality even further. During 2014, we kicked-off our internal Workspace Change Project. It focuses on redesigning office premises into a flexible activity-based-office. We see this as a unique opportunity to pilot a business initiative to provide trendsetting services to our clients and support engagement of our people through their involvement in shaping corporate culture. We have already started collating relevant inputs and will carry out a deep analysis of how existing premises are used. We are measuring occupancy, analyzing how people interact within spaces and canvassing employees for job-related and personal preferences. In 2014 we launched this project in the Czech Republic. It was rolled out to our office in Poland at the start of 2015 and will be launched in Slovakia later in the coming year.

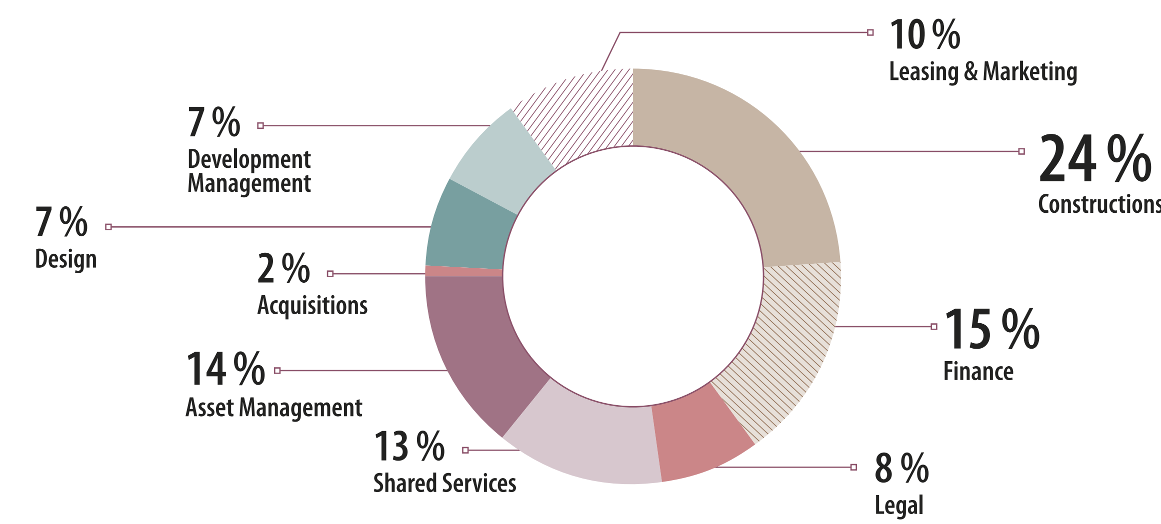
TEAM GROWING

As the Group has grown, we have consistently increased our teams in all operating countries, most recently in the United Kingdom, from one employee to seven at year-end 2014, and in Turkey from one to two as we continue to explore this market. In total, our full headcount grew from 386 at year-end 2013 to 399 in the reporting year.

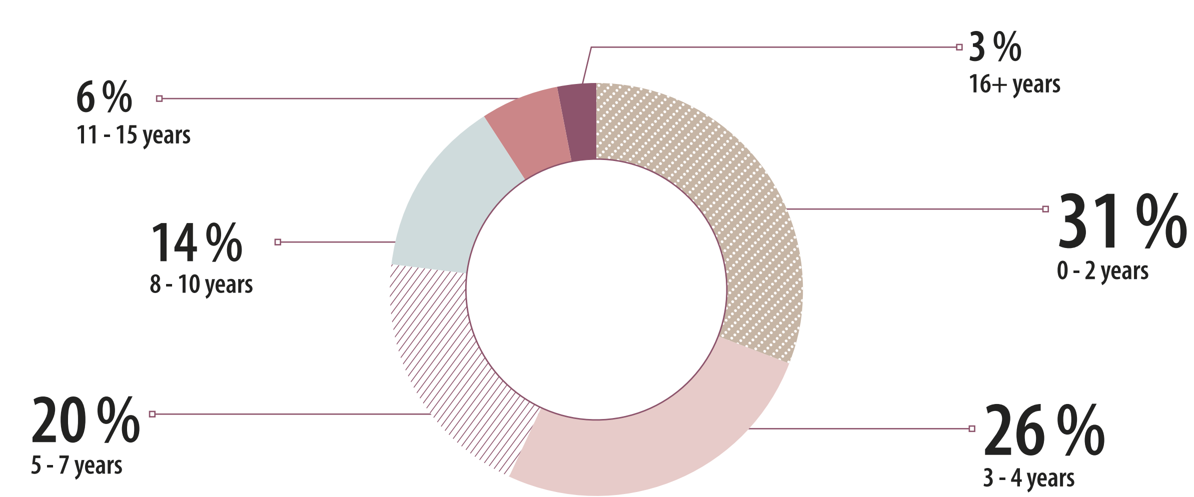
HEADCOUNT 2014 BY COUNTRY

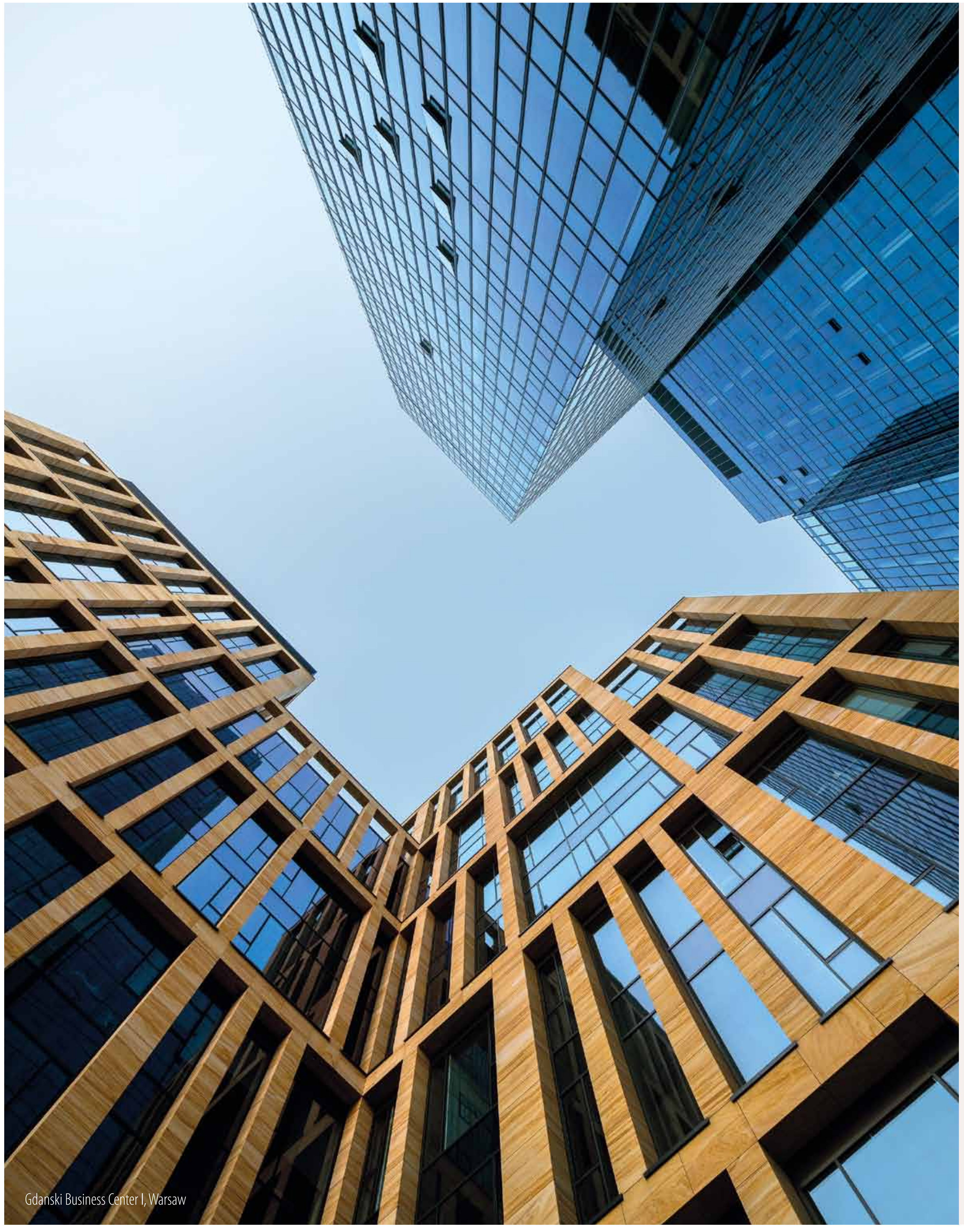


HEADCOUNT 2014 BY PROFESSION



HEADCOUNT 2014 - YEARS WITH THE COMPANY





Gdanski Business Center I, Warsaw

BOARD OF DIRECTORS

Non-executive Directors

Ivan Chrenko, Chairman
Co-founder and Chief Executive Officer of the HB Reavis Group from 1994 to October 2013.

Viliam Pancik
Co-founder of the HB Reavis Group.

Maarten J. Hulshoff
Maarten chaired the HB Reavis advisory board for six years. Previously, he was CEO of Rodamco Europe and Rabobank International following a 19-year career in many top international positions at Citibank.

Executive Directors

Pavel Trenka, CEO
Pavel joined HB Reavis in late 2007. He worked 5 years as an investment banker in IB Bank Austria. As a former Associate Partner at McKinsey & Company he was primarily responsible for Group strategy, international expansion and transformation.

Marian Herman, CFO
(from 1st November 2014) – Marian joined HB Reavis as Head of Investment Management and Divestments in March 2010 and was promoted to Group Chief Financial Officer in November 2014. Marian has 18 years of experience in various financial, investment banking and investment management positions. He worked for over 10 years in London at RREEF (Deutsche Asset & Wealth Management), Deutsche Bank and ING Group.

Marcel Sedlak, Member of the Board
Marcel is a long-standing executive of the Group who was promoted to the Board in 2010. Formerly the Group's General Counsel, he currently leads our development activities in Poland, Slovakia and Turkey and oversees our expansion strategy into new markets.

Robert Kantor, Member of the Board
Robert joined HB Reavis in 2000. Prior to his appointment to the Board in 2013 he led our Asset Management and Retail Leasing activities. Upon his promotion, he also took on management of our Construction delivery.

Radim Rimanek, Member of the Board
Radim joined HB Reavis in the spring of 2012. Prior to HB Reavis, he worked for Dun & Bradstreet and McKinsey & Company in New York and Prague. As an executive director he is responsible for international office leasing and our development activities in the Czech Republic, Hungary and the United Kingdom.

RESPONSIBILITY TO THE COMMUNITY

Through the HB Reavis Foundation, they initiate the programs that help improve quality of life in local communities.

The idea of Corporate Social Responsibility (CSR) has long been part of our business. Over time, we have created a corporate culture in which sustainability and responsibility have become an integral part of everything we do. All aspects of our CSR, including work for the community, are driven by our people. It is our close to 400 professionals who create the top-quality real estate projects that achieve the best sustainability ratings. Through the HB Reavis Foundation, they initiate the programs that help improve quality of life in local communities. And through the Group's sponsorship of the Virtuoso Program, we all contribute to supporting the arts and culture.

SUSTAINABLE BUILDINGS – HIGHEST QUALITY SOLUTIONS

At HB Reavis we always try to address any environmental challenges while finding solutions that meet not only client requirements but also our sustainability goals. Tenants increasingly demand sustainable spaces with (energy-) efficient operational and maintenance costs; lifecycle management is a significant component here. So our approach is simply good business. We want satisfied tenants. That is why we systematically aim for high-quality office buildings. Our use of green solutions is a reflection of both our striving to exceed expectations but equally it expresses our awareness that all investment decisions are based on their potential to contribute to asset performance. Before we undertake investment in green solutions, we review their cost, their potential return and the payback period required. This allows us to find the most appropriate and cost-effective solution. We apply the same disciplined approach when attempting to achieve the full economic potential of brownfields. Many of these sites have been abandoned and contribute little to the local community, such as employment opportunities.

FROM BROWNFIELD TO LIVING SPACES

Throughout our history, HB Reavis has acquired numerous abandoned and run-down areas and has developed them gently so that once again they become vibrant and useful sites where people live and work. And we continue to do so. In recent years, we changed the face of the brownfield site in Prague's Karlin district through our award-winning River Garden Offices I and II-III; in Warsaw, we did the same with our Konstruktorska Business Center and Gdanski Business Center and recently we began work on our flagship Twin City project in Bratislava where we are changing a large rundown area into a new, modern part of the city.

TWIN CITY AREA BEFORE

... AND NOW

GOING GREEN, ADOPT BREEAM

Business-wise, CSR has evolved into a natural part of our vision and strategy. We want to bring remarkable experiences to people's lives through our real estate solutions. So we aim to create something unique and innovative, something our clients and the communities we serve do not expect from a real estate developer. Our clients want future-proofed properties that are environmentally efficient, helping them to meet their own sustainability targets. At HB Reavis, we have long recognized the benefits of developing to established international sustainability standards. That is why we were one of the first developers in the region to adopt BREEAM standards for our projects. This international standard is recognized worldwide as the benchmark for sustainable building and innovation, especially in the field of energy conservation. In 2014, we delivered all our projects – Gdanski Business Center I in Warsaw, River Garden Office II-III in Prague and Vaci Corner Offices in Budapest to BREEAM "Excellent" standard. For all our projects currently under construction, we aim to achieve BREEAM "Excellent" standard or higher, as in case of Twin City in Bratislava.

THIS IS OUR BREEAM RATING ON PROJECTS DEVELOPED IN RECENT YEARS

BREEAM ★★★★★
BREEAM OUTSTANDING

TWIN CITY A
TWIN CITY B
TWIN CITY C
TWIN CITY TOWER

BREEAM ★★★☆☆
BREEAM VERY GOOD

KONSTRUKTORSKA BUSINESS CENTER
CITY BUSINESS CENTER III-V
RIVER GARDEN OFFICE I
NIVY MALL AND BUS STATION
NIVY TOWER
AUPARK SHOPPING CENTER HRADEC KRALOVE

BREEAM ★★★★☆
BREEAM EXCELLENT

VACI CORNER OFFICES
RIVER GARDEN OFFICE II-III
FORUM BUSINESS CENTER
METRONOM BUSINESS CENTER
VINOHRADSKA 8
GDANSKI BUSINESS CENTER I
GDANSKI BUSINESS CENTER II
CHMIELNA BUSINESS CENTER I
CHMIELNA BUSINESS CENTER II
CHMIELNA TOWER
WEST STATION I
WEST STATION II
POSTEPU 14
BUDAPEST CENTRAL TOWERS
33 CENTRAL
20 FARRINGDON

Looking ahead, we continue to integrate a number of proactive sustainability initiatives throughout the Group and in certain properties in order to reduce our environmental footprint.

COMMUNITY ACTION

The HB Reavis Foundation has been supporting community-based projects proposed, selected and carried out by our employees for the past three years. We see the Foundation's activities as an important message to all our people, confirming that the Group welcomes and supports volunteering. And we are happy to support a broad spectrum of volunteering activities involving our employees.

In 2014, the Foundation focused on facilitating activities related to quality of life in local communities where our people live, specifically in:

- EDUCATION
- LEISURE TIME ACTIVITIES FOR CHILDREN AND YOUNG PEOPLE
- ART AND CULTURE
- ENVIRONMENTAL PROJECTS
- PARTIAL RESTORATION OF SMALL HISTORICAL BUILDINGS
- CHARITY

During the reporting year, we supported a number of employee projects. Each project received financial support of between €500 and €2,000. Total spending was €25,000. The projects selected by the Foundation's Board and proposed by HB Reavis employees were:

- **Build your world**: a reconstruction and security upgrade of a children's playground in Podunajske Biskupice
- **Youth Sport Talent Day**: a camp for talented children from socially disadvantaged environments
- **Development of physical activities for pre-school children**: technical equipment for activity and play at a kindergarten in Bratislava
- **Lipa folk dance group**: help with traditional costumes for this traditional cultural dance group
- **Ostredkova School**: With the help of parents, pupils and volunteers the area around this elementary school was improved
- **Renovation of toilet and washing facilities**: the restrooms at a pre-school center benefited from a full make-over
- **Clever Owl**: material educational IT support for 2 to 7-year olds with hearing, learning and other difficulties
- **Parenting and social media:** provides parents with expert support in evaluating the relevance and accuracy of social media/websites aimed at parents with young children.
- **Boccia Kemp Piestany 2014**: we helped organize this great sports event for the physically disabled
- **Kacacince playground**: we worked on breathing new life into the community playground
- **Hope for a healthier tomorrow**: support residential rehabilitation for victims of serious accidents.
- **School playground renovation:** a nursery school's play area needed an upgrade
- **Podunajske Biskupice football pitch**: partial replacement of grass pitch
- **Interactive blackboard**: purchase and installation of an interactive blackboard for a class of hearing-impaired children

VIRTUOSO PERFORMANCE

The Virtuoso musical and educational project is already in its third year. This orchestra is composed of young people from all over Slovakia. Since inception, these young musicians have demonstrated their promising talent at numerous concerts at home and abroad; promise that was recognized by the jury of the Via Bona Awards, an association of socially-responsible companies in Slovakia, when it was nominated in the "Partner of the community" category.

VIRTUOSO AND HB REAVIS

Through our role as sponsor of the musicians, we are privileged to have access to Virtuoso for our special events. During 2014, a group of young musicians were the stars of our Valentine's Day concert for personnel and guests in February. During the summer, the whole orchestra gave four concerts as part of a tour. Virtuoso was invited to play at the prestigious Viva Musica festival in the Slovak capital, Bratislava, where they received a heart-felt standing ovation. At the end of the year, the orchestra was part of the televised "Roma spirit" gala awards. Each concert was a great experience for these young musicians and the Virtuoso project has become a guarantee of a quality performance and seamless cooperation.

During 2014, a number of new members joined the orchestra, through which musicians were included from other Slovak towns. Many of the young people playing with the orchestra come from socially-challenged backgrounds. Through our financial support, we are also enabling them to "give back" to communities. In 2014, the orchestra produced its first album, Hey Virtuoso, with help from well-known Slovak artists. The proceeds from the recording go to the "Foster Home" charity which provides a place to stay for parents and relatives of children hospitalized with cancer. Very aptly, the album that combines classical pieces and Beatles' favorites including "With a little help from my friends".

FINANCIAL REVIEW

FINANCIAL STRATEGY

Safe and conservative financial strategy has always been an integral part of HB Reavis' culture and way of achieving our goals. We apply prudent financial management principles and have in place a number of Key Performance Indicators (KPIs) that monitor financial objectives. The primary KPI is shareholder return when taking strategic decisions on capital allocation and the way we manage our balance sheet structure. Taking into account our robust international expansion and improvements in the macroeconomic environment, our shareholders expect a 15 % return per annum on their equity over the longer term. Furthermore, our financial strategy is underpinned by a framework of additional financial measures:

- Net debt leverage, which is the ratio between interest bearing liabilities reduced for disposable cash and Group Total assets, between 30-35 %.
- Appropriate mix of Project and Corporate-level debt financing, which is either unsecured by properties or secured by properties without stable cash-flow, shall be kept as a fixed portion of our external debt.
- Balanced cash-flow management matching near-term recurring income and operating expenses as well as balancing long-term investments with sources of long-term funding.
- Retaining a sound amount of combined cash reserves and undrawn stand-by credit lines, e.g. three-four months' Group's CAPEX with special regime at times before bullet repayment of bonds.
- Careful risk management aimed primarily at mitigating foreign exchange and interest rate risks associated with macroeconomic or property cycles.

Note: All figures in the Financial Strategy and Performance Review are based on audited IFRS accounts. All valuations in the Business Review are based on external valuations and management report before IFRS adjustments and exclude non-core properties. For a summary of IFRS adjustments, see Note 9 to the IFRS accounts.

HOW WE PERFORMED

River Garden Office I, Prague

Net profit
€89.1m

Net debt leverage ratio
26.5 %

Revaluation gain
€108.6m

Shareholders' return
10.8 %

Net rental income
€46.6m

NAV
€963.7m

KEY RESULTS OVERVIEW

Financial performance in 2014 confirmed the Group is on the right track to meet its financial targets. The combination of realigning the balance sheet, the move to higher margin markets and progress of the projects in development has helped to significantly improve results. Clearly, the main driver was a revaluation gain of €108.6 million over the year, up by 59 % year-on-year (2013: €68.5 million). As a result, we were able to achieve a net profit of €89.1 million (2013: €70.8 million) even though both Net operating income at €46.6 million (2013: €51.7 million) and Result on property disposals of €5.6 million (2013: €12.3 million) were lower year-on-year. In 2014, we focused even more on controlling the overall cost base as we continued to grow our team in Poland and began to build teams in two new countries (the United Kingdom and Turkey). We were able to keep the costs at the 2013 level. In light of this expansion we consider this result as more than reasonable. Results from financial operations remained stable with a loss of €7.8 million (2013: €-8.6 million). This was due mainly to unrealized exchange rate losses that, from a longer-term perspective, are neutral as the euro is the dominant currency in our whole income, including property disposals.

The Group again increased the value of Investment property (including assets held for sale) by 13.5 % to €1.54 billion, pulling up the balance sheet value to more than €1.8 billion. Net asset value increased by 9.3 % year-on-year and reached €963.7 million.

GROUP KPIS
SHAREHOLDER RETURN

In 2014 we saw a slight improvement in the overall economic environment. Both the European Union and the eurozone recorded modest GDP growth. In Central Europe as well as in the United Kingdom, this economic environment translated into improving demand for office space with Budapest and Warsaw recording an all-time high in take-up. However, our ability to benefit from these strong demand fundamentals was limited by increasing competitiveness and oversupply of new or existing office space, especially in our largest markets in Warsaw and Prague.

IN 2014 WE SAW A SLIGHT IMPROVEMENT IN THE OVERALL ECONOMIC ENVIRONMENT

in €m	Group NAV	NAV change	NAV growth	Dividends	Dividend yield	Return to shareholders
2010	761.3	160.0	26.6 %	21.2	3.5 %	30.1 %
2011	795.1	33.8	4.4 %	19.7	2.6 %	7.0 %
2012	843.6	48.5	6.1 %	13.8	1.7 %	7.8 %
2013	881.9	38.3	4.5 %	9.4	1.1 %	5.7 %
2014	963.7	81.8	9.3 %	13.3	1.5 %	10.8 %
CAGR 2010-2014			**9.9 %**		**2.1 %**	**12.0 %**

On top of that, a continuing low-interest rate environment supported the inflow of investors' funds into the sector. Both of these macro trends helped us to positively improve our performance and restructure our balance sheet towards long-term targets.

As a result, we were able to almost double Return on shareholder's equity year-on-year, achieving 10.8 % as opposed to 5.7 % in 2013. In spite of this improvement, the result is still below our long-term target of 15 %.

THE KEY DRIVERS OF THE RESULT INCLUDE:

- Restructuring of our balance sheet over the last three years through divestment of mature income-producing assets and reinvestment of proceeds into higher return new developments
- Increasing volume of newly leased space to historical highs of around 140,000 m² of GLA
- Progressing with the development pipeline in line with our plans regarding key project milestones (permits, construction, completions) with construction costs in line with our budgets
- Yield shift and market rental growth in the United Kingdom

COMPARABLE PERFORMANCE HB REAVIS VS EPRA EX-UK INDEX

	Return to shareholders A	Benchmark Index B*	Relative result C=B-A
2010	30.1 %	19.7 %	10.5 %
2011	7.0 %	-10.5 %	17.5 %
2012	7.8 %	22.8 %	-15.0 %
2013	5.7 %	4.9 %	0.8 %
2014	10.8 %	21.7 %	-10.9 %
CAGR 2010-2014	**12.0 %**	**10.8 %**	**1.2 %**

* Total return of EPRA Average Europe Ex-UK Index, including dividend return

ON 5 YEAR BASIS WE SLIGHTLY OUTPERFORMED (1.2 %) THE BENCHMARK

ACTIVE DIVESTMENT OF MATURE, NON-GROWING ASSETS

After a successful year in 2013, we continued on the same track, using viable opportunities to divest assets and release significant equity to grow our development portfolio. During the reporting year, we were able to close three major transactions. City Business Center III-V in Bratislava was sold in March; the sale of River Garden Offices I in Prague was closed in August and represents our debut disposal outside of Slovakia. In December we reached agreement on the sale of our whole portfolio in Kosice – the Aupark Shopping Center, Aupark Tower and the new mixed-use Malinovsky Barracks project. The full transaction price had been received at the date of signing as an advance payment. The total value of these three transactions was €282 million. The team also continued to decrease the share of non-core assets on our balance sheet. We divested non-core assets in the amount of €5 million (for more details, see "How we divest assets").

REINVESTMENT OF PROCEEDS

We had been identifying, analyzing and exploring a number of potential acquisition opportunities throughout 2014. These opportunities related to all our strategic geographies in Central Europe but also included the United Kingdom and Turkey. As always, our selection criteria were strict. In line with our strategy we decided to acquire our second project in London. We believe this £29 million transaction will enable us to develop around 8,000 m² of GLA. A further acquisition was made in Prague, where the Group bought an existing office scheme at Vinohradska Street. This transaction, valued at €11.3 million, will allow us to deliver around 24,100 m² of modern, well-located office GLA. In December the Group secured a first parcel of the development site in Budapest for a value of €7.6 million.

In addition, we invested €110 million in construction of our projects, with the majority directed into projects/countries with higher margins.

THE TOTAL VOLUME OF DIVESTMENTS ACHIEVED IN 2014

€282 MILLION

€m	2010	2011	2012	2013	2014
Assets	1,254.6	1,253.3	1,440.4	1,530.1	1,806.1
Cash	76.6	141.8	48.6	49.9	155.3
Borrowings	391.8	349.5	463.0	505.3	634.4
Net debt leverage ratio	**25.1 %**	**16.6 %**	**28.8 %**	**29.8 %**	**26.5 %**

* Including borrowings presented in the consolidated balance sheet as liabilities directly associated with non-current assets classified as held for sale.

As already noted, despite the slight improvements to the overall European economy, we continue to operate in challenging environments. This applies to both divestments of mature assets and acquisitions of appropriate pipeline. It required huge effort to successfully continue implementing our strategy of rebalancing our balance sheet, using divestments and acquisition as a primary tool. However, at the end of 2014, we were able to achieve a 47 % share of development in the whole investment property portfolio. Having said that, the Group is on track to increase the share of the development portfolio to 50 %.

LEASING

As a consequence of our growing pipeline and increasing number of projects under construction, we have consistently strengthened the leasing teams in Poland, the United Kingdom, the Czech Republic and Hungary. This brought a record-breaking result in 2014 with about 140,000 m² of GLA of signed leasing contracts across all our countries. The key driver was the office segment (81,304 m² of GLA) followed by logistics (55,815 m² of GLA).

NET DEBT LEVERAGE RATIO

Unlike previous years, our Net debt leverage ratio decreased slightly and at the end of 2014 stood at 26.5 % (2013: 29.8 %), well below the Group's targeted level of 30-35 %. Despite a record year, when we raised almost €300 million of new financing and increased the volume of borrowings to €627 million, up by €94 million year-on-year, the Net debt leverage ratio was pulled down as a secondary effect of our divestment activities and strong progress in our developments. Disposal of three major, well-leveraged assets impacted slower growth of borrowings, but resulted mainly in a significant increase of the cash we maintained at the end of 2014 (€151 million; 2013: €47.6 million, excluding assets held for sale). Given these facts, the decrease in Net debt leverage ratio is temporary and we believe will move closer to the target level during 2015.

HOW WE CREATED VALUE

The HB Reavis Group again reasonably increased financial performance in 2014. We delivered an operating profit of €132.6 million (2013: €103 million), which represents a 29 % year-on-year growth. Our real estate operations delivered an operating profit of €130.5 million (2013: €102.5 million), the non-core bus transportation company, Slovak Lines, contributed €2.1 million (2013: €0.5 million).

Net operating income

€46.6m

2012	48.5
2013	51.3
2014	46.6

Revaluation gains (Net of yield shift)

€81.3m

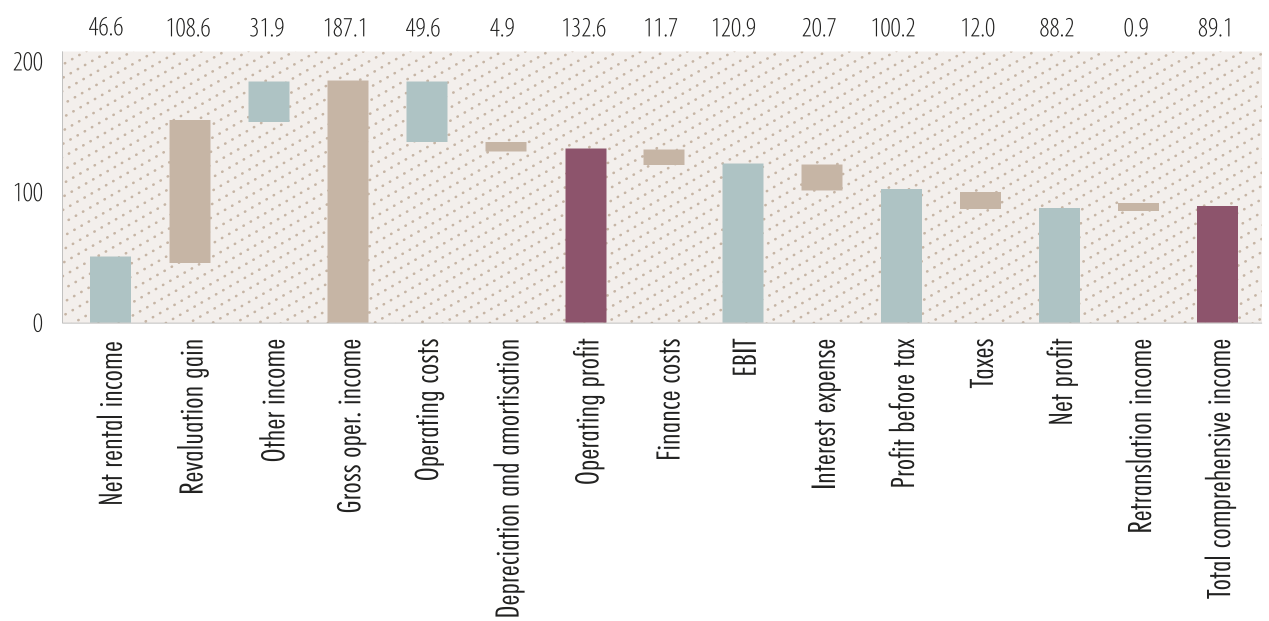
2012	50.1
2013	87.9
2014	81.3

Investment portfolio yield

6.87 %

2012	7.25 %
2013	7.18 %
2014	6.87 %

Group profit decomposition (€m)



Note: Figures based on consolidated, IFRS audited report; numbers are rounded.

REVALUATION GAIN UP SIGNIFICANTLY

We continued to make huge progress on our development pipeline which brought the Revaluation gain on investment property to €108.6 million (2013: €68.5 million). This represents a robust 50 % increase year-on-year.

When adjusted for yield shift, the Group achieved €81.3 million (2013: €87.9 million) net revaluation gain while positive yield shift contributed to profits by €27.3 million (2013 €-19.4 million).

In geographical terms, again the biggest contributor was Poland with a gain of €70.4 million, followed by the United Kingdom with €14.9 million and Hungary with €9.7 million.

The value of income-producing assets went up slightly by €3.9 million.

In terms of yield shift, the average investment property portfolio yield decreased by 31-basis points to 6.87 % as we continued investments in lower-yield projects in United Kingdom and Poland. Income-producing assets, primarily driven by higher yielding Slovak assets, were valued at 7.29 % at the end of 2014, down from 7.43 % at the end of the previous year. Average valuation yield of development properties, now more heavily weighted to United Kingdom and Polish assets, was also down by 47-basis points to 6.36 %.

NET OPERATING INCOME DECREASED BY €4.7 MILLION

Our huge effort in rebalancing the balance sheet is pulling up overall performance. However, disposal of matured assets that are being replaced by new deliveries which are in a ramp-up phase, is accompanied by the decreased capacity to generate Net operating income. In 2014 it reached just €46.6 million (2013: €51.3 million) representing more than 10 % decline. Like-for-like, Net operating income from the property portfolio increased by 12 % in 2014.

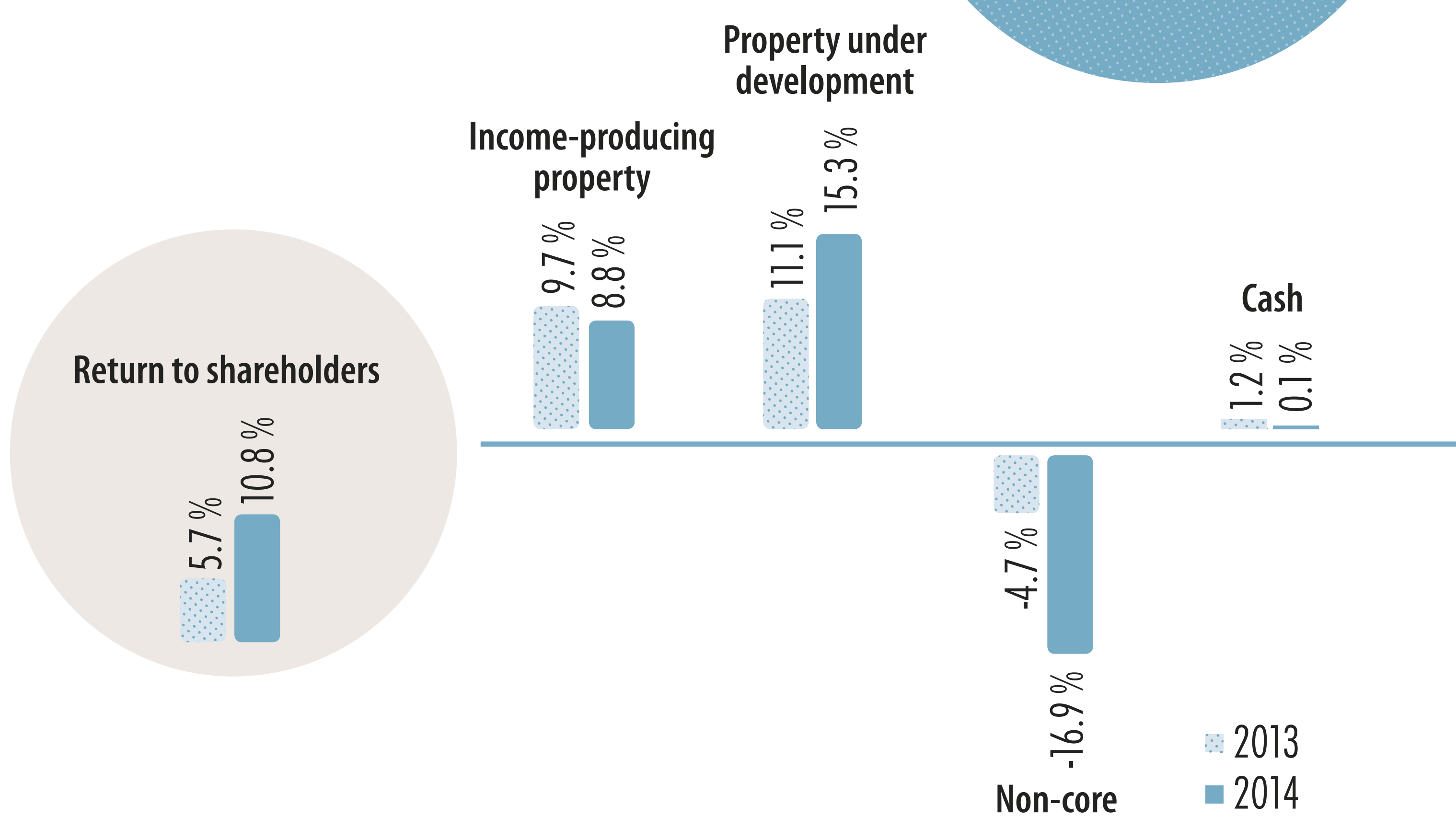
Given the fact we want to continue in active divestment of assets and reinvestment of the proceeds to increase our development pipeline, we see a muted growth potential of our Net operating income in the upcoming years.

HOW BUSINESS LINES CONTRIBUTED

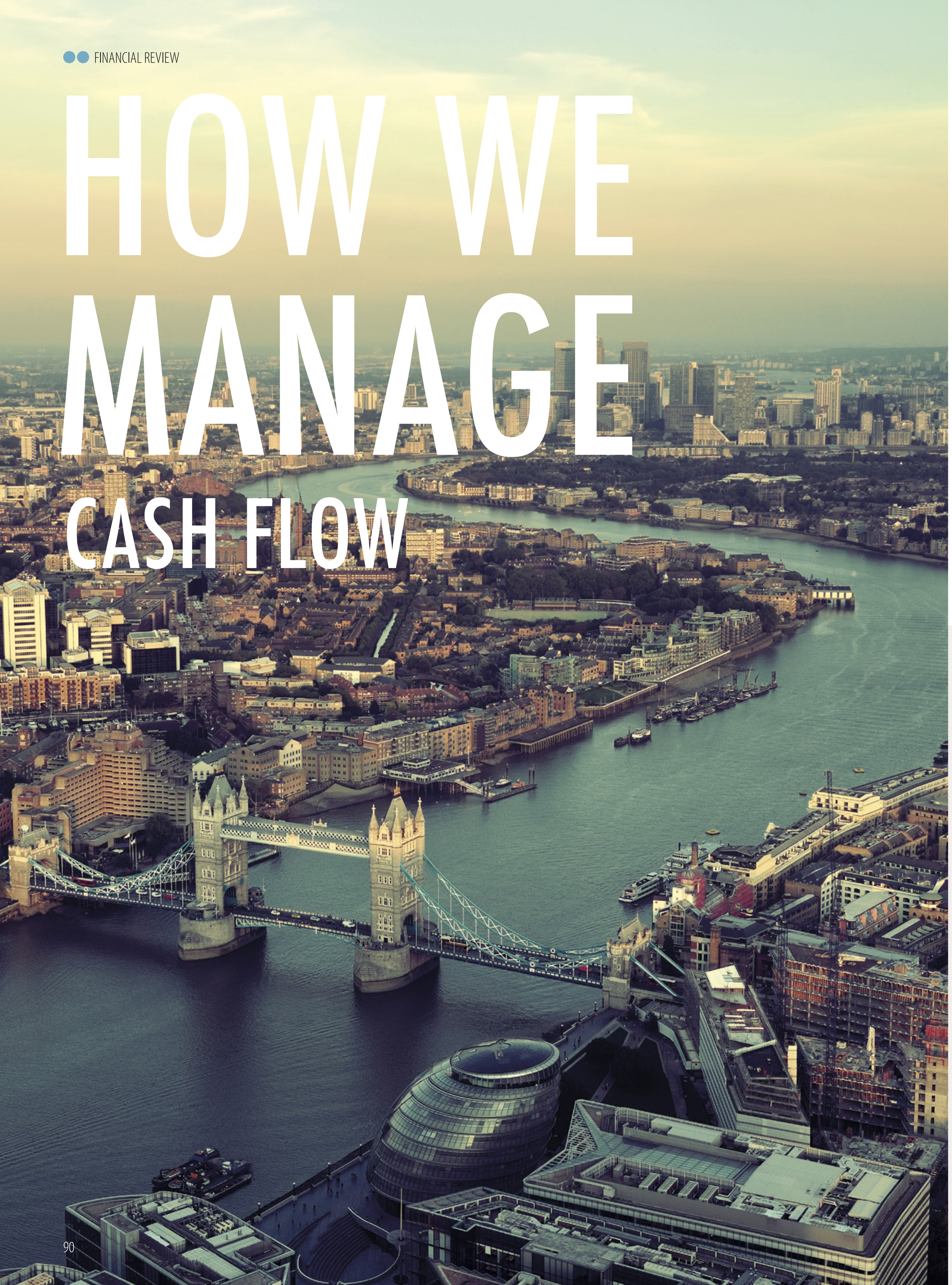
Contributions by the Group's business lines to overall return on shareholder equity confirmed that the strategic increase of the share of the development pipeline in total investment property is right. In combination with continuously improved performance (ROE up to 15.3 % from 11.1 % in 2013), the development portfolio was a main driver of performance in 2014. In 2015 we expect a an improvement of the performance of core business lines, and together with the continued rebalancing of the Group balance sheet, these factors will allow us to exceed the 15 % return to shareholders - the level set as our long-term target.

THE VALUE OF INCOME-PRODUCING ASSETS WENT UP SLIGHTLY BY €3.9 MILLION

IN GEOGRAPHICAL TERMS, AGAIN THE BIGGEST CONTRIBUTOR WAS POLAND WITH A GAIN OF €70.4 MILLION, FOLLOWED BY THE UNITED KINGDOM WITH €14.9 MILLION



Note 1: Projects completed in 2013 included in Property under development
Note 2: Segment results based on Profit before tax (excluding Translation of foreign operations to the presentation currency)
* Projects completed in 2014 included in Property under development.



HOW WE MANAGE CASH FLOW

HB Reavis has always been focused on active and reasonably conservative cash flow management. This approach has consistently proved its value throughout our history as we grew from a local Slovak company to a reputable international player. But the biggest affirmation came during the toughest periods of the most recent financial crisis, which the Group not only survived but used for additional growth. Through the alert monitoring of our markets, we were able to identify the early signs of recovery in development financing as early as in 2013, a trend that continued during the reporting year. Financial institutions are now more willing to finance real estate projects, however, they are still cautious, especially given conditions in some of submarkets in which we operate. In spite of some conditions related to the combination of loan-to-cost ratio, the price and required rate of prelease has improved. At the same time, real estate developers still have to rely more on internal sources of funding and postpone initial drawings until a later stage in the project development chain. However, our daily development operations are growing in terms of volumes as well as the number of markets and we still want to be ready to grow and expand. This requires an even greater focus on prudent cash flow management. HB Reavis continues to manage cash flows according to proven guidelines:

I. Primary focus on balanced operating cash flow so that recurring income from our income-producing properties fully covers Group operating expenses.

II. Managing financing and investment decisions so that the overall position of cash reserve plus undrawn committed credit lines remains at a minimum of 5 % of the Total consolidated balance sheet.

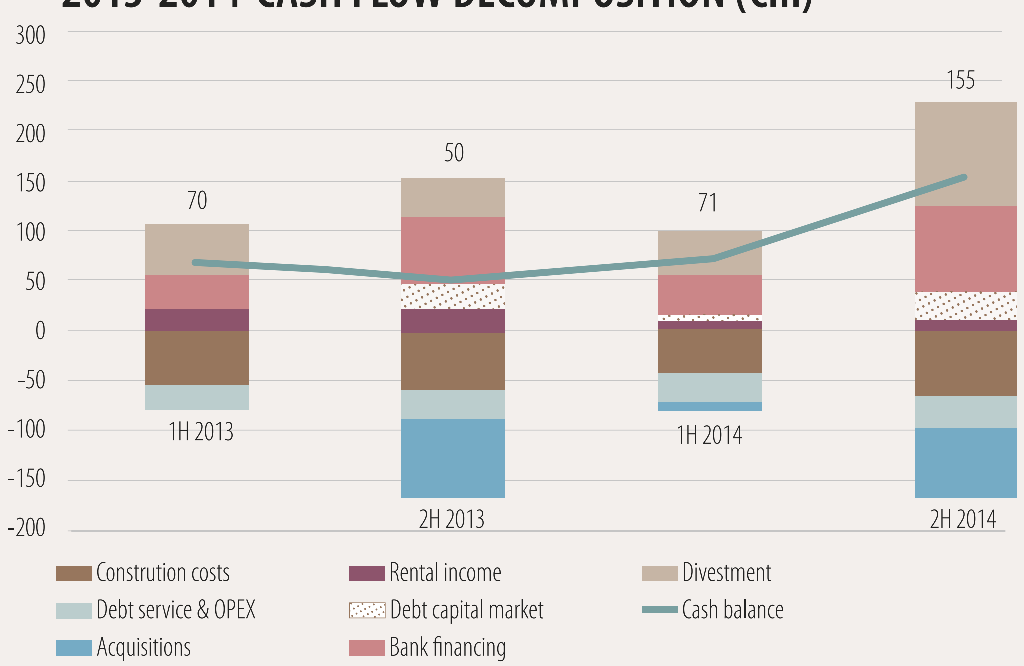
III. Preparation and regular quarterly review of the consolidated cash flow forecast with a three-year horizon, including quarterly stress testing for different market and business scenarios.

Cash flow (€m)	2011	2012	2013	2014
Cash beginning of period (BOP)	76.6	141.8	48.6	49.9
Operating cash flow	7.6	16.3	9.0	7.6
Land/property acquisitions	0.0	-143.0	-79.2	-56.7
Construction investments	-101.7	-86.5	-112.6	-109.7
Land/property exits*	141.8	15.9	76.1	88.0
Other investments	-16.9	-4.7	-8.2	-10.7
Investment cash flow	23.2	-218.3	-123.9	-89.1
Borrowings change	54.1	105.6	125.1	200.7
Dividends/equity contributions	-19.7	3.2	-8.9	-13.8
Financing cash flow	34.4	108.8	116.2	186.9
Cash end of period (EOP)	141.8	48.6	49.9	155.3
Share of cash on total assets	**11.3 %**	**3.3 %**	**3.3 %**	**8.6 %**

Note: Figures based on consolidated, IFRS audited report.
*Land/property exits presented net of related investment loans repaid in relation to exit

In line with our strategy, our mid-term aim is to continuously increase our investment in construction and acquisition of new plots to between €200-250 million. Even though we have enough resources, it is still very challenging. The development cycle is still getting longer as a result of oversupply and related slower leasing. In acquisition, it is difficult to find enough opportunities that match our stringent criteria on shareholder return, location, size or design. Consequently, we were not able to continue increasing investment in construction during the reporting year. In fact, we recorded a slight decrease of €10 million, year-on-year. Investment in acquisition of new land/property ultimately achieved €78 million, down by €1 million compared to 2013. As a result, the amount of our overall investment reached €187 million - seriously below the targeted range. For 2015, we aim to increase our investment in new plots and constructions significantly and are convinced we could materially exceed the threshold of €300 million. However, factors such as market conditions, quality and price of potential projects, reasonable and available development financing and successful divestment programs will determine the actual "speed of growth".

2013-2014 CASH FLOW DECOMPOSITION (€m)



PROCEEDS FROM DIVESTMENT HAVE BECOME A "REGULAR" CONTRIBUTOR TO OUR CASH FLOW

In 2014, HB Reavis continued to access its traditional source of external funding – project-linked loan financing. Borrowings, provided by a variety of banking partners, are typically structured as loan financing that is secured against a designated property project with no or limited recourse to the Group. Special project companies (SPVs) contract for bank loan facilities that are subject to lending covenants that typically include maximum loan-to-value ratios and minimum debt service coverage ratios. As of the end of 2014, HB Reavis maintained well diversified credit relationships with 12 (2013: 10) banking and financial institutions for projects in Slovakia, the Czech Republic, Poland and Hungary for a total amount of €634 million (2013: €505 million), including loans related to assets held for sale (€505 million, excluding loans related to assets held for sale). In the course of 2014, HB Reavis raised or refinanced project-linked loans for a total of €260.7 million, of which €126.6 million were newly disbursed proceeds from loans.

Following the Group's entry to the debt capital market (DCM) in 2013, we pursued our DCM plans by tapping bond markets in Poland and Slovakia with two secured bond issues totalling €36.6 million and with maturities of up to five years. The bond issue in Slovakia particularly attracted strong demand from investors; it was heavily oversubscribed at an annual yield-to-maturity of 4.315 %.

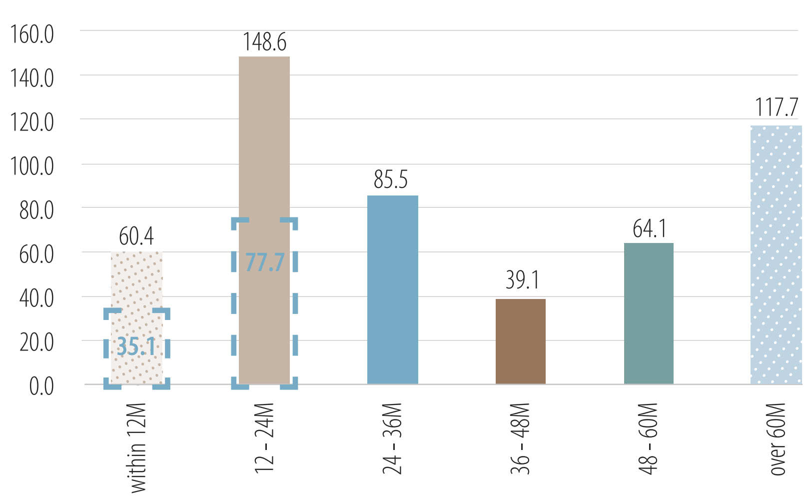
A large part of bank debt carries floating interest rates with a variety of hedging arrangements agreed in the conditions of our loan agreements. The Group closely monitors interest-rate development and takes action when necessary.

Our loan documentation always incorporates several key elements: achievable covenants and undertakings, operational flexibility, and protection of shareholder equity. In the course of 2014, no events of default were called or reported on the Group's loan portfolio.

IN THE COURSE OF 2014, NO EVENTS OF DEFAULT WERE CALLED OR REPORTED ON THE GROUP'S LOAN PORTFOLIO

Refinancing of a large part of the Group's loan portfolio and the successful issue of bonds enabled us to enhance the weighted average tenor of our external debt to around 3.9 years (excluding loans related to assets held for sale) from a previous weighted average tenor of around 3.2 years at the end of 2013. In the future we plan to extend our overall debt maturities, especially on the income-producing part of our portfolio.

MATURITY OF BORROWINGS (€m)



Note 1: €113 million of borrowings maturing in 1-24 months are to be either refinanced or relate to projects that will be sold within the next six months.
Note 2: The table shows maturity of total borrowings, excluding Slovak Lines debt.

HOW WE FINANCE

IN THE FUTURE WE PLAN TO EXTEND OUR OVERALL DEBT MATURITIES, ESPECIALLY ON THE INCOME-PRODUCING PART OF OUR PORTFOLIO

FINANCIAL REVIEW

HOW WE
DIVEST ASSETS

The overall situation on the Central European real estate market is becoming increasingly complex. On the one hand, institutional investors continue to increase their real estate asset allocations in search of yield and some of this demand naturally "overflows" from the core markets into Central European markets. On the other hand, as occupancy rates worsen and vacancy increases due to oversupply in these markets (especially in Warsaw and Prague), investors are becoming even more selective and there is a clear flight to quality. As a result, investors are willing to pay a premium only for very prime assets while the non-core asset class is subject to growing opportunistic demand and pricing.

Aupark Shopping Center, Kosice

In 2014, we were able to capitalize on this strong investment market, not least due to the high quality of our assets. As a result, the Group successfully closed three disposals with a total value of €282 million, including our first disposal outside of Slovakia and our largest ever single transaction. Continuous investor interest in our assets underscores the institutional quality of our products and with over €1 billion in successful disposals over the course of the last five years, HB Reavis is one of the most active players in the Central European investment market.

In March 2014, we finalized the sale of City Business Center III–V, a prime office complex within Bratislava's Old Town district with excellent visibility and connectivity, to the Real Estate Fund managed by Tatra Asset Management, a Slovak asset management unit of Austria's Raiffeisen Bank International. This €65.7 million transaction values the asset at an implied yield of approximately 7 %, or around €2,500 per square meter of GLA, reflecting the quality of the asset as well as the wide range of prestigious tenants including Johnson & Johnson, Swiss Re, Schneider Electric and Sygic.

WE DIVESTED ASSETS IN VALUE OF OVER

€1 BILLION

DURING LAST FIVE YEARS

After almost a year of off-market discussion, in August we completed the divestment of River Garden Office I in Prague to a fund managed by IAD Investments, marking our first successful exit outside of Slovakia. The €51.5 million deal implied a yield of approximately 6.5 %, demonstrating prime positioning of the asset and emphasizing the excellent tenant roster, which includes companies such as Unilever, ADP, Monster Worldwide and Alpiq.

In December, in our largest ever single transaction, we agreed to sell Aupark Shopping Center Kosice, one of the Slovakia's leading retail schemes, to New Europe Property Investments (NEPI). The asset is located directly in the historic city centre of Kosice, the second largest city in Slovakia. Following NEPI's successful acquisition of Aupark Zilina Shopping Center in 2013, this is the second transaction with the London and Johannesburg-listed investment fund and recognizes the premier position of the Aupark assets on the market. The transaction comprising Aupark Kosice, the adjacent office building Aupark Tower and a development site of the nearby former Malinovsky Barracks was valued at €165 million. The transaction was successfully closed in February 2015 following antimonopoly approval.

THE TRANSACTION COMPRISING AUPARK KOSICE, THE ADJACENT OFFICE BUILDING AUPARK TOWER AND A DEVELOPMENT SITE OF THE NEARBY FORMER MALINOVSKY BARRACKS WAS VALUED AT

€165m

As evidence of a growing recent phenomenon, the divestments of City Business Center III–V and River Garden Office I to local institutional investors emphasizes the increasing importance of local money in the real estate asset class, especially in markets with lower liquidity.

HB Reavis is going to great lengths to maintain an outstanding relationship with investors that have previously bought our assets in order to forge long-term partnerships based on mutual trust and win-win propositions. Finalizing the second transaction with NEPI confirms these efforts are invaluable.

Furthermore, the transfer of transactional knowledge and understanding of the needs of institutional investors has become an integral part of the entire development process leading to asset improvements and better marketability.

HOW WE MANAGE RISK

The Group is exposed to both the risks that are inherent to the real estate business and to various risks that are specific to our own business. Risk management is an integral part of our operations. We concentrate on the identification and monitoring of all relevant risks, and where possible, deploy proactive mitigation to manage those risks that could have a material impact on our business. As a SWOT analysis of our business shows, the majority of weaknesses and threats are the focus of our comprehensive risk management.

S

- Diversification across markets and locations
- Efficient construction procurement
- Strong office product design know-how and experienced team
- Strong financial track record and credibility with banks and investors

W

- Robust growth in recent years has put some pressure on some operational processes
- Less than optimal leverage of Group balance sheet

O

- Strong demand in London, Bratislava and Budapest
- JV partnerships or direct acquisitions of established players in new markets
- Increased leverage through sustainable and diversified funding sources
- Accelerated know-how transfer and implementation in markets outside CE
- Acceleration of leasing through higher engagement with clients
- Higher efficiency through successful implementation of new processes

T

- Further prolongation of oversupply in office markets in Warsaw and Prague
- Not enough opportunities to redeploy Group capital that would meet our Group risk return expectations
- Unexpected shock on financial markets

EXTERNAL RISKS	DESCRIPTION AND POTENTIAL IMPACT OF RISK	MITIGATION
Uncertainty in macro- and micro-economic environments in the markets where the Group operates increases risks related to property values, development returns, accessibility to external funding and saleability of assets. It can also impact the stability of rental income. Default by contractual partners and adverse implications of the legal environment can lead to financial losses for the Group.	The Group's business is dependent on macro-economic and property market conditions in each individual country and in the cities where we operate. Deterioration in commercial property markets leads to a decline in the value of the property portfolio, tenants' default leading to a reduction of income from properties.	• International and segment diversification provides a reasonable balance in mitigating market cycles, fluctuations and concentration risks. • Focus on high-quality properties in good locations with sustainable prospects. • Thorough acquisition process involving assessment of legal, tax, economic, technical and social issues as well as timing of these acquisitions.
	Events on financial markets might limit the availability of funding, influence terms for raising capital while the lack of liquidity could reduce the saleability of assets. Movements on financial markets might influence development of interest and currency exchange rates.	• The Group cooperates with a variety of banking partners in different markets. • Diversification of funding sources spread over bank financing and debt capital markets. • Constant reviews of our cash flows aimed at matching funding sources with committed capital expenditures. • The risks associated with rising interest rates are limited via derivative financial instruments, especially CAPS and SWAPS. • Foreign exchange rates are monitored on a daily basis and, if needed, we deploy hedging tools, including derivatives, to hedge part of this risk.
	Underlying income could be adversely affected by weakening tenant demand resulting from sluggish economic performance in the EU and related uncertainties in consumer confidence, business activity and investments.	• Focus on developing prime portfolios in sectors deemed to have resilient attributes and on strong tenant covenants. • Relationships with tenants lead to early identification of issues, if any. • Sector and regional diversification of the property portfolio with balanced and diversified tenant mix with limited exposure to single tenants
	If a contractual partner is unable to meet obligations, financial or otherwise, such breaches lead to direct or indirect financial losses for HB Reavis.	• Continuous evaluation of the credit standing of contractual partners such as tenants, suppliers or banks. • Deployment of protective measures, such as security deposits, bank guarantees or performance bonds.
EXTERNAL RISKS	As an international company, HB Reavis is exposed to a variety of legal risks. These risks vary and relate to the purchase or sale of property, to legal disputes with tenants or joint-venture and development partners or to the development and construction process.	• Careful analysis of legal matters in the related environment, including use of high-quality professional advisers. • Continuous monitoring of all aspects of the planning process (including environmental areas) by experienced in-house and external experts.

INTERNAL RISKS	DESCRIPTION AND POTENTIAL IMPACT OF RISK	MITIGATION
Failure in decision-making on capital commitments, assessment of new acquisitions/opportunities, management of construction and development process and impacts of changes in organisational structure can expose the Group to risks leading to adverse financial implications.	Weak market analysis (i.e. failure to anticipate market changes) leads to selection of unsuitable and burdensome schemes. Heavy capital commitments resulting in insufficient Group capacity to meet them.	• Sophisticated and diligent approach to acquisitions leading to selection of schemes thatare resilient in changeable markets. • Acquisitions are reviewed and financially appraised by multidisciplinary teams and approved by clearly defined authorization structure. • Constant budgeting and forecasting of all capital commitments, matching these with funding sources. • Flexible construction pipeline enabling the Group to deploy capital at appropriate times.
	Failure to assess and manage risks during the development process adversely impacts future income, capital performance and endangers leasing exposure, timetable and costs, and adverse planning judgements. Poor construction delivery and procurement results in quality issues and cost overruns causing customer dissatisfaction and/or financial damage.	• Detailed analyses and appraisal of all developments, including risks, sensitivity and scenario assessment are commissioned prior to any development commitment. • Progress against budget and schedule is monitored throughout the development. • Before awarding supplier contracts, key contractors are assessed, including financial covenant review. • Strong and sustainable relationships are maintained with key suppliers.
INTERNAL RISKS	Organizational structure needs to be accommodated to international expansion, which exposes the Group to risks of inappropriate staffing in key positions. Departure or failure to attract competent experts leads to significant loss of intellectual property.	• Selection of high-quality professionals through competitive, performance-driven remuneration packages. • Regular performance reviews of key positions. • Succession planning aimed at preventing disruption of key business areas.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

CONTENTS

Audit report

To the Partners of
HB Reavis Holding S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of HB Reavis Holding S.à r.l. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of HB Reavis Holding S.à r.l. as of 31 December 2014, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 April 2015

Isabelle Dauvergne

HB Reavis Holding S.à r.l.
Consolidated Statement of Financial Position at 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	31 December 2014	31 December 2013 (Note 4)
ASSETS			
Non-current assets			
Investment property in use or vacant	9	725.0	644.0
Investment property under development	9	634.3	607.0
Investment in joint venture	10	14.8	1.9
Property, plant and equipment	8	29.6	25.9
Intangible assets		1.3	1.7
Receivables and loans	7, 11	16.7	18.4
Deferred income tax asset	26	12.7	8.0
Other non-current assets	4, 12	2.0	3.6
Total non-current assets		**1,436.4**	**1,310.5**
Current assets			
Non-current assets classified as held-for-sale	14	**171.1**	**122.8**
Inventories		3.8	3.8
Trade and other receivables	7, 13	41.3	42.6
Other assets		2.5	1.6
Cash and cash equivalents	15	151.0	47.4
		198.6	**95.4**
Total current assets		**369.7**	**218.2**
TOTAL ASSETS		**1,806.1**	**1,528.7**
EQUITY			
Share capital *(12,500 shares at EUR 1.00 each)*	16	-	-
Share premium	16	637.9	651.2
Retained earnings		284.7	196.8
Currency translation reserve	2.3	(7.8)	(8.7)
Equity attributable to the Company's owners		914.8	839.3
Non-controlling interest	17	18.6	18.3
TOTAL EQUITY		**933.4**	**857.6**
LIABILITIES			
Non-current liabilities			
Borrowings	7, 18	499.7	382.1
Deferred income tax liability	26	44.2	45.2
Other payables	7, 19	12.9	12.8
Total non-current liabilities		**556.8**	**440.1**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	14	**153.4**	**79.5**
Borrowings	7, 18	44.4	84.9
Trade and other payables	7, 19	99.5	40.0
Deferred income	19	9.7	13.5
Current income tax payable		8.9	13.1
		162.5	**151.5**
Total current liabilities		**315.9**	**231.0**
TOTAL LIABILITIES		**872.7**	**671.1**
TOTAL LIABILITIES AND EQUITY		**1,806.1**	**1,528.7**

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 30 April 2015 by the members of the Board of Managers of HB Reavis Holding S.à r.l. Partners have the power to amend these consolidated financial statements after issue.

Michaël Watrin
Manager A

Marián Herman
Manager B

Pavel Trenka
Manager B

The accompanying notes on pages 108 to 159 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2014	2013
Rental and similar income from investment property	20	72.1	75.3
Direct operating expenses arising from investment property	21	(25.5)	(24.0)
Net operating income from investment property		**46.6**	**51.3**
Revaluation gain/(loss) on investment property	9	108.6	68.9
Share of profit or loss of joint ventures	10	0.9	(0.1)
Results on property disposals	25	5.6	12.3
Revenue from public transportation	22	13.7	13.7
Other operating income	7, 24	11.7	12.5
Employee benefits	7, 23	(18.9)	(16.0)
Fuel costs		(2.7)	(3.0)
Depreciation and amortisation		(3.8)	(3.9)
Other operating expenses	24	(29.1)	(32.7)
Operating profit		**132.6**	**103.0**
Interest income	7	1.1	1.0
Interest expense		(20.7)	(15.2)
Foreign exchange gains/(losses), net	27	(7.8)	(8.6)
Other finance income		0.5	0.2
Other finance costs		(5.5)	(1.5)
Finance costs, net		**(32.4)**	**(24.1)**
Profit before income tax		**100.2**	**78.9**
Current income tax credit/(expense)	26	2.1	(2.2)
Deferred income tax (expense)/credit	26	(14.1)	3.3
Income tax credit/(expense)		**(12.0)**	**1.1**
Net profit for the year		**88.2**	**80.0**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency	2.3	0.9	(9.2)
Total comprehensive income for the year		**89.1**	**70.8**
Net profit is attributable to:			
- Owners of the Company		87.9	79.2
- Non controlling interest		0.3	0.8
Profit for the year		**88.2**	**80.0**
Total comprehensive income is attributable to:			
- Owners of the Company		88.8	70.0
- Non-controlling interest		0.3	0.8
Total comprehensive income for the year		**89.1**	**70.8**

The accompanying notes on pages 108 to 159 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Changes in Equity for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

		Attributable to owners of the Company						
In millions of EUR	Note	Share capital (Note 16)	Share premium (Note 16)	Retained earnings	Translation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2013		**-**	**660.6**	**117.6**	**0.5**	**778.7**	**17.5**	**796.2**
Profit for the year		-	-	79.2	-	**79.2**	0.8	**80.0**
Other comprehensive loss		-	-	-	(9.2)	**(9.2)**	-	**(9.2)**
Total comprehensive income for the year		**-**	**-**	**79.2**	**(9.2)**	**70.0**	**0.8**	**70.8**
Distribution to owners	16	-	(9.4)	-	-	**(9.4)**	-	**(9.4)**
Balance at 31 December 2013		**-**	**651.2**	**196.8**	**(8.7)**	**839.3**	**18.3**	**857.6**
Profit for the year		-	-	87.9	-	**87.9**	0.3	**88.2**
Other comprehensive income		-	-	-	0.9	**0.9**	-	**0.9**
Total comprehensive income for the year		**-**	**-**	**87.9**	**0.9**	**88.8**	**0.3**	**89.1**
Distribution to owners	16	-	(13.3)	-	-	**(13.3)**	**-**	**(13.3)**
Balance at 31 December 2014		**-**	**637.9**	**284.7**	**(7.8)**	**914.8**	**18.6**	**933.4**

The accompanying notes on pages 108 to 159 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Cash Flows for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2014	2013
Cash flows from operating activities			
Profit before income tax		100.2	78.9
Adjustments for:			
Depreciation and amortisation		4.9	4.7
Revaluation gains on investment property	9	(108.6)	(68.5)
Gains less losses on property disposals	25	(5.6)	(12.3)
Interest income		(1.1)	(1.0)
Interest expense		20.7	15.2
Other non-cash operating costs		-	0.7
Unrealised foreign exchange (gains)/losses	27	7.3	9.3
Operating cash flows before working capital changes		17.8	27.0
Working capital changes:			
Decrease/(increase) in trade and other receivables		(2.3)	(5.8)
Decrease/(increase) in inventories		-	0.1
Increase/(decrease) in trade and other payables		21.1	(5.3)
Increase/(decrease) in taxes payable		(1.6)	-
Cash generated from operations		35.0	16.0
Interest paid		(17.5)	(10.5)
Interest received		1.1	1.0
Income taxes (paid)/refunds received		(0.6)	2.5
Net cash from operating activities		**18.0**	**9.0**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(8.0)	(7.9)
Purchases of investment properties		(56.7)	(77.6)
Investment in joint venture		(12.9)	-
Construction costs related to investment properties		(109.7)	(112.6)
Advances paid for investment property		-	(1.6)
Proceeds from sales of investment property		5.0	-
Proceeds from sales of subsidiaries, net of cash disposed	25	50.5	76.1
Advance received for the sale of subsidiaries		32.5	-
Repayment of loans due from other parties		-	(0.3)
Restricted cash		(2.8)	-
Net cash (used in)/from investing activities		**(102.1)**	**(123.9)**
Cash flows from financing activities			
Proceeds from borrowings		274.8	206.8
Repayment of borrowings		(74.1)	(81.7)
Distributions paid to owners	16	(13.8)	(8.9)
Net cash from/(used in) financing activities		**186.9**	**116.2**
Net (decrease) / increase in cash and cash equivalents		**102.8**	**1.3**
Cash and cash equivalents at the beginning of the year	15	48.2	46.9
Cash and cash equivalents at the end of the year		**151.0**	**48.2**
Reconciliation of cash and cash equivalents:			
- Restricted cash		4.3	1.5
- Cash within non-current assets classified as held-for-sale		(4.3)	(2.3)
Cash and cash equivalents at the end of the year at the balance sheet	**15**	**151.0**	**47.4**

The accompanying notes on pages 108 to 159 are integral part of these consolidated financial statements.

1 The HB REAVIS Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") for the year ended 31 December 2014 for HB Reavis Holding S.à r.l. (the "Company") and its subsidiaries (together referred to as the "Group" or "HB REAVIS Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a private limited liability company (société à responsabilité limitée) and was set up in accordance with the Luxembourg regulations on 20 October 2010. The Company is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg no. B 156 287.

HB Reavis Holding S.à r.l. is ultimately controlled by Mr. Ivan Chrenko. The Group's immediate parent as of the date of issuance of these consolidated financial statements is Kennesville Holdings Ltd based in Cyprus.

Principal activity. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, the Czech Republic, Poland, Hungary and the United Kingdom. It is principally involved in the development of properties for its own portfolio, in leasing out investment properties under operating leases, as well as in asset management and is also active in investment management. The Group develops and manages investment properties to earn rental income or for capital appreciation. The Group opened River Garden Office II in Prague, the Czech Republic in 2014, Gdanski Business Center I in Warsaw, Poland in 2014, Vaci Corner Offices in Budapest, Hungary in 2014, Konstruktorska Business Center in Warsaw, Poland in 2013 and Forum Business Center in Bratislava, Slovakia in 2013. Pursuing its strategy to diversify into other markets the Group made acquisition of an office project on Farringdon street in London, UK during 2014, a project aimed for redevelopment in central part of the City and started construction works on another office project in City district of London acquired on King William Street 33 the year before. Construction of the Metronom project in Prague, the Czech Republic, Aupark Hradec Kralove, the Czech Republic, Zachodnia BC I, Gdanski Business Center II and Postepu Business Center, both in Warsaw, Poland and first two phases of Twin City in Bratislava, Slovakia is ongoing as of the date of preparation of these financial statements. The Group operates several logistical/industrial properties on the outskirts of Bratislava, in Eastern Slovakia, and two industrial properties in the Czech Republic – Lovosice (completed in 2010) and Mošnov (partially completed in 2011).

During year 2011, the Group established new sub-structure within its organisational structure. HB Reavis Real Estate SICAV - SIF (the "Fund") a fonds commun de placement – fonds d'investissement spécialisé, was established in Luxembourg on 25 May 2011 for an unlimited duration and is governed by the Luxembourg law dated 13 February 2007 relating to specialized investment funds. On the aforementioned date, the Management Company launched the Fund as well as its first Sub Fund named HB Reavis CE REIF (hereafter "Sub Fund A"). The Fund is managed for the account of and in the exclusive interest of its shareholders by HB Reavis Investment Management S.à r.l. (the "Management Company"), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 20, rue de la Poste, L-2346 Luxembourg. While there will be no specific country or real estate segment restrictions posed, the Fund will mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial Sub-Funds portfolio will provide investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments will be made in both capital and regional cities in the entire Central European region. Investments in logistic properties will be restricted to attractive and strategic locations only. The Sub-Fund A seeks to maximize the value via investing in properties which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. The Sub-Fund A seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

The Group also operates a public transportation company and aims to redevelop the acquired bus station in Bratislava, Slovakia as part of the Twin City project.

The Group is also involved in limited construction of real estate for third parties, including related parties.

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 30. Valuation of properties of the Group in the less liquid markets necessarily involves a greater element of judgement as there have been still relatively limited transactions in the real estate market. The critical accounting judgments used in valuation of the Group's investment properties have been further described in Note 3.

Registered address and place of business. The Company's registered address and principal place of business is:

46A, Avenue J. F. Kennedy
L-1855 Luxembourg
Luxembourg

The Group has offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest and London.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Summary of Significant Accounting Policies

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

2.1. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 31 December 2014.

Income and cash flow statements

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.
The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid are presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

These consolidated financial statements are presented in millions of Euro ("EUR") rounded to one decimal place, unless otherwise stated.

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property at fair value, financial assets classified as available for sale (earn-out receivables, Note 13) and derivative financial instruments that have been measured at fair value.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments or investment properties for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 32.

2.2. Consolidated Financial Statements

Consolidated financial statements. In preparing the consolidated financial statements, the individual financial statements of the consolidated entities are aggregated on a line-by-line basis by adding together the like items of assets, liabilities, equity, income and expenses. Transactions, balances, income and expenses between the consolidated entities are eliminated. The individual financial statements of the consolidated entities are prepared on a consolidated basis when they hold subsidiaries.

Subsidiaries. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

The entities included within these consolidated financial statements are as follows:

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2014	31 December 2013
1	HB Reavis Holding S.à r.l. (Parent Company)	EUR	Luxembourg	N/A	N/A
2	HB Reavis Real Estate SICAV-SIF	EUR	Luxembourg	100	100
3	HBR CE REIF LUX1, S.à r.l	EUR	Luxembourg	100	100
4	HBR CE REIF LUX2, S.à r.l	EUR	Luxembourg	100	100
5	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	100	93
6	TRITRI House S.à r.l.	GBP	Luxembourg	100	100
7	TWENTY House S.à r.l.[1]	GBP	Luxembourg	100	-
8	GBC A S.à r.l. [1]	EUR	Luxembourg	100	-
9	Gdanski A SCSp. [1]	EUR	Luxembourg	100	-
10	HB REAVIS GROUP B.V. (Predecessor Holding Company)	EUR	Netherlands	100	100
11	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
12	HBRG Invest B.V.	EUR	Netherlands	100	100
13	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
14	HB Reavis CEE B.V.	EUR	Netherlands	100	100
15	HBR HOLDING LIMITED	EUR	Cyprus	100	100
16	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
17	HBR INVESTORS LTD	EUR	Cyprus	100	100
18	HBR IM HOLDING LTD	EUR	Cyprus	100	93
19	HB Reavis UK Ltd.5	GBP	UK	100	100
20	HB Reavis Construction UK Ltd. [1,5]	GBP	UK	100	-
21	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	93
22	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi [1]	TRY	Turkey	100	-
23	HB REAVIS Croatia, d.o.o.	HRK	Croatia	100	100
24	COMPOS MENTIS GRADNJA, d.o.o.	HRK	Croatia	100	100
25	COMPOS MENTIS DVA, d.o.o.	HRK	Croatia	100	100
26	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
27	Váci Corner Offices Kft.	HUF	Hungary	100	100
28	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
29	HB Reavis Project 2 Kft. [1]	HUF	Hungary	100	-
30	HB Reavis Poland Sp.z o. o.	PLN	Poland	100	100
31	POLCOM INVESTMENT II Sp. z o. o.	PLN	Poland	100	100
32	POLCOM INVESTMENT III Sp. z o. o.	PLN	Poland	100	100
33	HB REAVIS CONSTRUCTION PL Sp. z o. o.	PLN	Poland	100	100
34	POLCOM INVESTMENT V Sp. z o. o.	PLN	Poland	100	100
35	POLCOM INVESTMENT VI Sp. z o. o.	PLN	Poland	100	100
36	POLCOM INVESTMENT VII Sp. z o. o.	PLN	Poland	100	100
37	POLCOM INVESTMENT VIII Sp. z o. o.	PLN	Poland	100	100
38	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
39	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
40	LUGO, s.r.o.	EUR	Slovakia	100	100
41	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
42	HB REM, spol. s r.o.	EUR	Slovakia	100	100
43	HB RE, s.r.o.	EUR	Slovakia	100	100
44	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
45	BUS TRANSPORT s.r.o.	EUR	Slovakia	100	100
46	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
47	AUPARK Košice SC, s. r. o.	EUR	Slovakia	100	100
48	AUPARK KOŠICE, spol. s r.o.	EUR	Slovakia	100	100
49	AUPARK Piešťany SC, s. r. o.	EUR	Slovakia	100	100
50	AUPARK Piešťany, spol. s r.o.	EUR	Slovakia	100	100
51	AUPARK Property Management, s. r. o.	EUR	Slovakia	100	100
52	AUPARK Ružomberok, spol. s r.o.	EUR	Slovakia	100	100
53	AUPARK Tower Košice, s. r. o.	EUR	Slovakia	100	100
54	AUPARK Trenčín, spol. s r .o.	EUR	Slovakia	100	100
55	CBC Development a. s. (until 10.12.2013 as CBC Development, s.r.o.) [2]	EUR	Slovakia	-	100
56	HBR SFA, s. r. o. (until 4.12.2014 as CBC III, s. r. o.)	EUR	Slovakia	100	100
57	CBC IV, s. r. o.	EUR	Slovakia	100	100
58	BUXTON INVEST a.s.	EUR	Slovakia	100	100
59	Twin City a.s.	EUR	Slovakia	100	100
60	UNI - CC s. r. o.	EUR	Slovakia	100	100

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2014	31 December 2013
61	Apollo Business Center III, spol. s r.o.	EUR	Slovakia	100	100
62	Apollo Business Center V, spol. s r.o.	EUR	Slovakia	100	100
63	Logistické Centrum Rača a.s.	EUR	Slovakia	100	100
64	Logistické Centrum Svätý Jur s.r.o.	EUR	Slovakia	100	100
65	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
66	Logistické centrum Malý Šariš, spol. s r. o.	EUR	Slovakia	100	100
67	General Property Services, a.s.	EUR	Slovakia	100	100
68	ALLPERTON Slovakia, spol. s r.o.	EUR	Slovakia	100	100
69	FORUM BC I s. r. o.	EUR	Slovakia	100	100
70	FORUM BC II s. r. o.	EUR	Slovakia	100	100
71	INLOGIS I, spol. s r.o.	EUR	Slovakia	100	100
72	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	93
73	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
74	INLOGIS V s. r. o.	EUR	Slovakia	100	100
75	INLOGIS VI s. r. o.	EUR	Slovakia	100	100
76	INLOGIS LCR a. s.	EUR	Slovakia	100	100
77	INLOGIS VII s. r. o. (until 12.12.2013 as HB Reavis Management ZB, s.r.o.)	EUR	Slovakia	100	100
78	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
79	CBC I - II a. s.	EUR	Slovakia	100	100
80	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
81	SPC Property III, s. r. o.	EUR	Slovakia	100	100
82	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
83	TC Tower A1 s. r. o. (until 8.1.2013 as SPC Property V, s. r. o.)	EUR	Slovakia	100	100
84	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
85	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
86	SPC Property Finance IV, s. r. o. (until 29.4.2013 as SPC Property VIII s. r. o.)	EUR	Slovakia	100	100
87	Slovak lines, a.s.	EUR	Slovakia	56	56
88	Slovak lines Express, a.s.	EUR	Slovakia	56	56
89	Slovak lines Opravy, a.s.	EUR	Slovakia	56	56
90	Slovak lines Služby, a.s.	EUR	Slovakia	56	56
91	ANDAREA s.r.o.	CZK	Czech Rep	100	100
92	AR Consulting, a.s.	CZK	Czech Rep	100	100
93	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
94	AUPARK Hradec Králové, a.s.	CZK	Czech Rep	100	100
95	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
96	AUPARK Ostrava, spol. s r.o.	CZK	Czech Rep	100	100
97	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
98	FORSEA s.r.o. [3]	CZK	Czech Rep	100	100
99	Riga Office East s.r.o. (until 22.7.2013 as Future Development CZ s.r.o.) [3]	CZK	Czech Rep	100	100
100	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
101	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
102	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
103	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
104	HYPARKOS, s.r.o.	CZK	Czech Rep	100	100
105	Letecké Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
106	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
107	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
108	Železniční Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
109	MOLDERA, a.s.	CZK	Czech Rep	100	100
110	RiGa Office West a.s. [4]	CZK	Czech Rep	-	100
111	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
112	Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
113	DII Czech s.r.o.	CZK	Czech Rep	100	100
114	DNW Czech s.r.o.	CZK	Czech Rep	100	100
115	Real Estate Metronom s.r.o.	CZK	Czech Rep	100	100
116	Combar, s.r.o.	CZK	Czech Rep	100	100
117	Phibell s.r.o.	CZK	Czech Rep	100	100
118	Daestar, s.r.o. [2]	CZK	Czech Rep	-	100
119	Temster, s.r.o.	CZK	Czech Rep	100	100
120	PARIDES Plzeň, a.s. [1]	CZK	Czech Rep	100	-
121	MALVIS s.r.o. [1]	CZK	Czech Rep	100	-

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2014	31 December 2013
122	Polcom Investment IX Sp. z o.o.	PLN	Poland	100	100
123	PSD Sp. z o.o.	PLN	Poland	100	100
124	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
125	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
126	Polcom Investment XV Sp. z o. o. [2]	PLN	Poland	-	100
127	CHM1 Sp. z o. o.	PLN	Poland	100	100
128	CHM2 Sp. z o. o.	PLN	Poland	100	100
129	CHM3 Sp. z o. o.	PLN	Poland	100	100
130	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
131	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
132	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
133	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
134	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
135	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
136	Polcom Investment XVII Sp. z o.o.	PLN	Poland	100	100
137	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
138	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
139	Polcom Investment XX Sp. z o.o. [1]	PLN	Poland	100	-
140	Polcom Investment XXI Sp. z o.o. [1]	PLN	Poland	100	-
141	Polcom Investment XXII Sp. z o.o. [1]	PLN	Poland	100	-
142	IPOPEMA 110 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [1]	PLN	Poland	100	-
143	HB REAVIS Finance SK s. r. o. (until 12.6.2014 as Twin City I s.r.o.)	EUR	Slovakia	100	100
144	Twin City II s.r.o.	EUR	Slovakia	100	100
145	Twin City III s.r.o.	EUR	Slovakia	100	100
146	Twin City IV s.r.o.	EUR	Slovakia	100	100
147	Twin City V s.r.o.	EUR	Slovakia	100	100
148	Twin City VI s.r.o.	EUR	Slovakia	100	100
149	Twin Capital s. r. o. (until 10.12.2014 as Twin City VII s.r.o.)	EUR	Slovakia	100	100
150	Twin City VIII s.r.o.	EUR	Slovakia	100	100
151	SPC Property Finance V, s. r. o. (until 31.10.2013 as ALISTON V s. r. o.)	EUR	Slovakia	100	100
152	ALISTON Finance I s. r. o. (until 25.6.2014 as ALISTON III s. r. o.) [1]	EUR	Slovakia	100	-
153	ALISTON Finance II s.r.o. (until 25.6.2014 as ALISTON IV s. r. o.) [1]	EUR	Slovakia	100	-
	Joint ventures				
154	PHVH SOLUTIONS, s.r.o.	EUR	Slovakia	50	50
155	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
156	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
157	Hotel Šachtička, a.s.	EUR	Slovakia	50	50
158	Šachtičky, a.s.	EUR	Slovakia	50	50
159	WEST STATION INVESTMENT Sp. z o. o.	PLN	Poland	51	100

[1] Entities established/acquired by the Group during 2014
[2] Entities disposed of in 2014, further information disclosed in Note 25 - Results on Property Disposals
[3] Entities were part of legal merger in 2013 which had no impact on these Consolidated financial statements
[4] Entity merged with Daestar, s.r.o. in 2014
[5] HB Reavis UK Ltd. and HB Reavis Construction UK Ltd., registered in England and Wales under company number 08493236 and 08917100 respectively, are claiming exemption from the requirements of the UK Companies Act 2006 (the "Act") relating to the audit of annual accounts under section 479A of the Act.
Entities number 3 to 4 and 49, 50, 60, 64, 66 and 79 are part of the HB Reavis Real Estate SICAV-SIF established during the year 2011.

Business combinations. The acquisition method of accounting is used to account for the acquisition of subsidiaries that represent a business, except those acquired from parties under common control. A business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

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2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. At acquisition date, the Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Acquisitions of subsidiaries holding investment properties. The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost of the acquisition to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. These transactions do not give rise to goodwill.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements are presented as if the businesses had been consolidated from the beginning of the earliest period presented or, if later, the date when the consolidated entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.

Joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

2.3. Foreign Currency Transactions and Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all Group's entities is their local currency. The consolidated financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair value in a foreign currency, including properties or equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Group companies

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

– assets and liabilities for each balance sheet date are translated at the closing rates at the date of that balance sheet;
– income and expenses and movements in equity are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the dates of the transactions); and
– all resulting exchange differences are recognised in other comprehensive income.

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2.4. Property, Plant and Equipment

All property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost. Cost includes expenditure that is directly attributable to the acquisition of the items of property plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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2 Summary of Significant Accounting Policies (Continued)

2.4. Property, Plant and Equipment (Continued)

Depreciation. The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

Buildings include mainly administrative offices and premises used by the Group management.

Equipment, fixtures and fittings include mainly hardware, servers, telephone exchanges, remote control equipment, office furniture and others.

Motor vehicles include mainly the bus fleet of the Group's public transportation business and the Group's passenger cars.

	Useful lives in years
Buildings	30 years
Machinery, equipment, fixtures and fittings	4 to 6 years
Vehicles and other assets	6 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the conditions expected at the end of their useful life. The residual value of an asset is nil or its scrap value if the Group expects to use the asset until the end of its physical life.

Land and assets under construction are not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Items that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

2.5. Investment Property

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property comprises freehold land, freehold commercial properties (retail, office and logistics) and land plots held under operating and finance leases. Land plots held under operating lease are classified and accounted for as investment property when the definition of investment property is met. In such cases the related operating leases are accounted for as if they were finance leases.

Investment property is initially valued at historical cost including related transaction costs. Costs include the works performed, the costs of staff directly related to technical supervision and project management on the basis of time spent up to the date of completion.

After initial recognition at cost the Investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuation reports as of the balance sheet date are prepared by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

2 Summary of Significant Accounting Policies (Continued)

2.5. Investment Property (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements. Transaction costs, such as estimated agent's and legal and accounting fees and transfer taxes are not deducted for the purposes of valuation of investment property in these financial statements irrespective whether or not they form part of the described valuations.

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in profit or loss as "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed of.

If an item of property, plant and equipment becomes an investment property because its use has changed, any revaluation gain resulting from a difference between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income as a revaluation surplus of property, plant and equipment.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value.

Where an investment property undergoes a change in use evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

The Group classifies the investment property for the presentation purposes as investment properties in use or vacant and investment properties under development based on the stage of completion of the individual property construction and progress of leasing space to tenants. Consistently with classification for purposes of segmental analysis (see Note 6), the Group classifies a property as "in use or vacant" from the end of the accounting period in which legal requirements have been met. The Group also presents the value of investment properties and related income and expenses by following types of properties – office, retail, and industrial – classified by the prevailing function of the property for its tenants.

2.6. Intangible Assets

Goodwill. See Note 2.2 "Business combinations" for the accounting policy on goodwill. Goodwill is not amortised but is tested for impairment at the end of each annual reporting period.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include (i) externally acquired computer software licences and (ii) public transportation licence acquired in a business combination.

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on the straight-line basis over their useful lives:

	Useful lives in years
Software and software licences	5 years
Licence to operate public transportation	10 years

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2 Summary of Significant Accounting Policies (Continued)

2.6. Intangible Assets (Continued)

The amortisation of an intangible asset starts in the month when the intangible asset is available for use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Amortisation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

A licence to operate public transportation on the bus line Bratislava, Slovakia to Vienna, Austria has been recognized upon acquisition of SAD, a.s. (currently Slovak lines, a.s.) in 2006.

2.7. Impairment of Non-Financial Assets

Goodwill and intangible assets not yet available for use are not subject to amortization and are tested for impairment annually. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8. Financial Instruments

Financial assets. Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and available-for-sale financial assets. Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Derivatives are measured at fair value at each end of the reporting period with changes in value recognised in profit or loss. Available for sale financial assets are recognised at fair value with revaluation gains or losses representing the difference between amortised cost and fair value recognised in other comprehensive income until the asset is derecognised or impaired. Interest income on the available-for-sale assets includes effects of changes in cash flow estimates of earn-out receivables; hence, the fair value changes recognised in other comprehensive income were insignificant.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less.

2 Summary of Significant Accounting Policies (Continued)

2.8. Financial Instruments (Continued)

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognised in profit or loss within other operating expenses.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are written off when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Financial liabilities. Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method (see Note 2.15 for the accounting policy on Borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted as its impact would be insignificant.

2.9. Leases

IAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

Operating leases. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Assets leased out under operating leases are shown under investment property heading in the consolidated statement of financial position (Note 9). See Note 2.19 for the policies on recognition of rental income. Tenant deposits securing lease payments are accounted for as financial liabilities carried at amortised cost (Note 2.8).

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term with the exception of the operating leases for land classified as investment property; such leases are accounted for as finance leases.

Finance leases and property interests held under operating leases. Where the Group is a lessee in a lease (a) which transferred substantially all the risks and rewards incidental to ownership to the Group or (b) the Group elected to classify a property interest held under an operating lease as investment property and therefore accounts for the lease as if it was a finance lease, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the property interest or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the consolidated profit and loss over the lease period using the effective interest method. The investment properties acquired under finance leases are carried at fair value.

2.10. Current and deferred income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with applicable legislation enacted or substantively enacted by the financial position date and on entity by entity basis. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income.

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2 Summary of Significant Accounting Policies (Continued)

2.10. Current and deferred income taxes (Continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax balances are measured at tax rates enacted by law or substantively enacted at the financial position date and are expected to apply to the period when the temporary differences will reverse or the tax losses carry forward will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

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

2.11. Inventories

Inventories represent land expected to be developed into residential property in line with the zoning and other regulatory requirements for the Group's projects and land held for disposal in the normal course of business. Inventories are presented as current because of the term of the operating cycle, but their carrying amount is expected to be recovered after 12 months. Inventories are recorded at the lower of cost and net realisable value. The cost of inventories comprises the cost of acquisition, and construction and other development costs incurred. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.12. Construction contracts

The Group is involved on an ongoing basis in construction contracts. Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 Summary of Significant Accounting Policies (Continued)

2.13. Share Capital and Share Premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Share premium represents the excess of contributions received and receivable over the nominal value of shares issued.

2.14. Dividends and other distributions to owners

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or at the end of the reporting period. Dividends are disclosed when they are declared after the reporting period but before the consolidated financial statements are authorised for issue.

2.15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, borrowings are carried at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss using the effective interest method. The Group does not capitalise interest related to qualifying assets that are carried at fair value, including investment properties. Accordingly, interest costs on borrowings are expensed as incurred.

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

2.16. Trade and Other Payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17. Provisions for Liabilities and Charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.18. Uncertain Tax Positions

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

2.19. Revenue Recognition

Rental and similar income from investment property includes rental income, and service charges and management charges from properties.

Rental income is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. This applies to discounted rent periods and stepped rents. The resulting receivable is recognised within non–current assets or trade and other receivables depending on expected collection pattern. In determining the fair value of the related investment property, the Group does not double-count assets; the fair value of such investment property excludes accrued operating lease income because it is recognised as a separate asset. The contingent payments under lease agreements depending on the agreed level of sales turnover of tenants are recognized as income in the period when earned because the Group is unable to reliably estimate the future sales turnover of tenants in order to be able to recognise such expected contingent rents on a straight line basis over the lease term.

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2 Summary of Significant Accounting Policies (Continued)

2.19. Revenue Recognition (Continued)

Sales of services and management charges are recognised in the reporting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT and discounts. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

Revenue from public transportation is recognised when service is provided. Local government subsidies towards the cost of public transportation are recognised as other operating income in the same period as the costs they are intended to compensate.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20. Employee Benefits

Wages, salaries, contributions to the state and private pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Certain senior managers are entitled to obtain payments from the Group's shareholders based on the net asset value of the Group. As the obligation was incurred by shareholders and not by the Group, and is unrelated to the entity's share price, the Group did not recognise these employee benefits as its expenses in profit or loss.

2.21. Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to employee benefits, bus fleet amortisation, spent fuel and other costs of operating public transportation are recognised as other operating income in profit and loss in the same period as the costs that they are intended to compensate.

2.22. Other operating expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis).

2.23. Non-current assets classified as held for sale.

Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified. Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

2.24. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of Managers of the Company.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties. The fair value estimates of 96% of investment properties (31 December 2013: 93%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates. The fair value of investment properties is estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions costs and market developers' profits. These valuations are regularly compared to actual market data, and actual transactions by the Group and those reported by the market. For further details refer to Note 32.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes in these assumptions, are as follows:

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 72.5 million (2013: EUR 64.4 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.75% to 9.00%, or 6.90% on average (2013: 6.25% to 9.25%, or 7.32% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 45.2 million lower/higher (2013: EUR 41.6 million lower/higher).

Income taxes The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain, therefore tax liability is recognised for exposures deemed probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The calculation of deferred tax on investment properties is not based on the fact that they might be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

The Company is incorporated in Luxembourg. The European Commission (EC) has announced an investigation into whether certain income tax legislation constitutes unlawful 'state aid'. Such state aid may come in two key forms: (i) a tax measure or regime which provides a selective advantage to an entity and (ii) an individual concession granted to a taxpayer (e.g. through the use of a tax ruling or via a settlement). Management believe that their tax positions are sustainable, but it is not possible to reliably quantify the impact, if any, of these developments on the Group's future financial position or results.

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4 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014:

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective in the EU for annual periods beginning on or after 1 January 2014), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The standard did not have a material impact on the consolidated financial statements of the Group.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective in the EU for annual periods beginning on or after 1 January 2014), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. As a result, the Group's joint ventures are now accounted for using the equity method and the Group reclassified its share of the assets and liabilities of joint ventures to investments in joint ventures included in other non-current assets (Note 12). The impact on comparative financial information was as follows:

In millions of EUR	**Amount reclassified**
Decrease in investment properties	(5.3)
Increase in other non-current assets (Loans to joint ventures, Note 11)	2.3
Increase in investment in joint venture (Note 10)	1.9
Decrease in trade and other receivables	(0.1)
Decrease in cash and cash equivalents	(0.2)
Decrease in trade and other payables	1.3
Decrease in long-term liabilities	0.1

The impact on items in consolidated profit or loss for the year 2013 was to decrease rental income by EUR 0.4 million, increase revaluation gains on investment properties by EUR 0.4 million, decrease operating expenses by EUR 0.1 million and increase share of loss of joint ventures by EUR 0.1 million. Management concluded that the impact of the change in accounting policy for joint ventures was not significant enough to require presentation of the restated statement of financial position at 1 January 2013.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective in the EU for annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The standard resulted in disclosures in notes 10 and 34.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective in the EU for annual periods beginning on or after 1 January 2014), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The amended standard did not have an impact on the consolidated financial statements of the Group.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective in the EU for annual periods beginning on or after 1 January 2014). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have an impact on the consolidated financial statements of the Group.

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4 Adoption of New or Revised Standards and Interpretations (Continued)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective in the EU for annual periods beginning 1 January 2014). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments removed the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standard did not have an impact on the consolidated financial statements of the Group.

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the consolidated financial statements of the Group.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the consolidated financial statements of the Group. The Company is not an investment entity because (i) the performance of the Company and its portfolio are measured using various performance indicators, including an internal rate of return, capitalisation rate, compliance with debt covenants, tenant quality and profile, property location, dividends yields, occupancy rate, net operating income generated from properties and other indicators and (ii) it holds certain subsidiaries that were not acquired solely for capital appreciation or investment income.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have an impact on the consolidated financial statements of the Group.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have an impact on the consolidated financial statements of the Group.

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5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective in the EU for annual periods beginning on or after 17 June 2014, that is, from 1 January 2015 for the Group). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation is not expected to have any material impact on the consolidated financial statements of the Group.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective in the EU for annual periods beginning 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 February 2015, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 January 2015). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

The following new standards and their amendments have not yet been endorsed by the European Union:

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

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5 New Accounting Pronouncements (Continued)

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The standard is not relevant for the Group.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amended standard is not expected to have any impact on the consolidated financial statements of the Group.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standard will not have any impact on the consolidated financial statements of the Group.

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5 New Accounting Pronouncements (Continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendment is not expected to have any material impact on the consolidated financial statements of the Group.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Managers of the Company.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is managing its business operations on the basis of the following segments:

Asset Management – representing management of income generating properties (properties in use or vacant) developed by the Group or acquired with no major development expected.

Development in Realisation – representing management of activities connected with construction, marketing and leasing activities. A property is reclassified from Development in Realisation to Asset Management as the end of the accounting period in which the property has been commissioned for its intended use and an approbation has been carried out. This means that the revenues, costs, including the revaluation gains or losses related to the year when property reaches the described criteria, are included within Development in Realisation, whereas the completed property is shown on the balance sheet as of the last day of such period as property "in use or vacant" under Asset Management business.

Development in Preparation – representing management of activities including acquisition of land and concept design and permitting until the construction commencement. A property is reclassified from Development in Preparation to Development in Realisation at the end of the accounting period in which the construction of the property started.

Investment management – representing management of activities related to management of third party investment in properties managed by the Group.

Non-Core – representing management of land bank items designated as Non-Core properties as well as management of the public transportation business of the Group.

Cash – representing management of entities that are set up for concentration of cash for its further investments and providing loans to other entities within consolidated group.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different activities of the Group. They are managed separately because each business unit requires different skill sets, product and market, procurement and human resource strategies.

Segment financial information reviewed by the Board of Managers includes rental and similar income from Asset Management business less directly attributable costs associated with properties that equal to Net Operating Income (NOI). The Board of Managers also reviews the change in fair value of properties. With respect to Development in Preparation segment, the Board reviews acquisition opportunities and submitted bids for land and properties and oversees property design, permitting and zoning. With respect to Development in Realisation segment, the Board reviews construction budgets and property marketing and letting activities at the end of the development cycle.

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6 Segment Analysis (Continued)

With respect to Investment Management segment, Management reviews opportunities for transfer of further subsidiaries into this segment that would contribute to development and extend of portfolio offered for external investors. Public transportation business and the land bank are internally reported to management as a non-core segment.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board reviews financial information prepared based on International Financial Reporting Standards as adopted by the European Union. The Board evaluates performance of each segment based on profit before tax and net assets value.

The Group allocates costs to segments based on specific identification of entities that belong to particular segments. Direct operating expenses arising from investment property are allocated on a basis of appropriate cost driver (e.g. MWh of electricity spent for electricity related costs). Transactions of the subsidiaries are allocated to relevant segment based on the substance of the transactions (e.g. expenses of subsidiary that supply utilities to other subsidiaries are allocated to segment for which the utility was purchased) unless it is not possible to allocate them to explicit segment category and they remain unallocated.

(d) Information about reportable segment profit or loss, assets and liabilities

The segment profit and loss information for the year ended 31 December 2014 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property									
- Office		27.4	5.0	0.8	10.2	-	-	-	**43.4**
- Retail		13.0	-	1.0	3.3	-	-	-	**17.3**
- Industrial		7.4	-	-	4.0	-	-	-	**11.4**
	20	**47.8**	**5.0**	**1.8**	**17.5**	**-**	**-**	**-**	**72.1**
Direct operating expenses arising from investment property									
- Office		(12.4)	(1.6)	(0.3)	(2.9)	-	-	-	**(17.2)**
- Retail		(4.0)	-	(0.5)	(1.1)	-	-	-	**(5.6)**
- Industrial		(1.7)	-	-	(1.0)	-	-	-	**(2.7)**
	21	**(18.1)**	**(1.6)**	**(0.8)**	**(5.0)**	**-**	**-**	**-**	**(25.5)**
Net operating income from investment property		**29.7**	**3.4**	**1.0**	**12.5**	**-**	**-**	**-**	**46.6**
Revaluation gain/(loss) on investment property									
- Office		1.8	68.3	36.7	(0.5)	-	-	-	**106.3**
- Retail		3.2	5.0	0.5	0.4	(0.3)	-	-	**8.8**
- Industrial		0.1	-	(0.1)	(1.1)	(5.4)	-	-	**(6.5)**
Share of profit or loss of joint ventures	10	0.2	1.2	-	-	(0.5)	-	-	**0.9**
		5.3	**74.5**	**37.1**	**(1.2)**	**(6.2)**	**-**	**-**	**109.5**
Interest expense		(7.4)	(3.8)	(2.2)	(6.4)	(0.3)	(0.6)	-	**(20.7)**
Other (expenses)/revenues		(9.9)	(11.0)	(8.9)	(1.1)	0.9	0.7	(5.9)	**(35.2)**
Segment result		**17.7**	**63.1**	**27.0**	**3.8**	**(5.6)**	**0.1**	**(5.9)**	**100.2**

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6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2014 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		489.5	275.2	275.9	104.3	-	-	-	**1,144.9**
- Retail		-	11.3	27.0	31.2	-	-	-	**69.5**
- Industrial		72.3	-	6.9	27.7	38.0	-	-	**144.9**
- Joint ventures		4.4	-	9.4	-	0.5	-	-	**14.3**
- Investment property held for sale	14	151.1	-	11.0	-	-	-	-	**162.1**
Other unallocated assets		-	-	-	-	-	151.0	119.4	**270.4**
Total assets		**717.3**	**286.5**	**330.2**	**163.2**	**38.5**	**151.0**	**119.4**	**1,806.1**
Borrowings									
- non-current	18	(235.9)	(54.0)	(62.0)	(136.8)	(11.0)	-	-	**(499.7)**
- current	7, 18	(37.3)	-	(0.6)	(4.7)	(1.8)	-	-	**(44.4)**
- included as held for sale	14	(129.0)	-	-	-	-	-	-	**(129.0)**
Prepayment for sale of a subsidiary	19	(32.5)	-	-	-	-	-	-	**(32.5)**
Other unallocated liabilities		-	-	-	-	-	-	(167.1)	**(167.1)**
Total liabilities		**(434.7)**	**(54.0)**	**(62.6)**	**(141.5)**	**(12.8)**	**-**	**(167.1)**	**(872.7)**
Segment net asset value		**282.6**	**232.5**	**267.6**	**21.7**	**25.7**	**151.0**	**(47.7)**	**933.4**

The capital expenditures analysed by segment for the year ended 31 December 2014 are as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	-	65.6	-	-	-	-	**65.6**
Construction costs related to investment property	9	7.9	96.3	5.1	0.3	-	-	-	**109.6**
Total investments		**7.9**	**96.3**	**70.7**	**0.3**	**-**	**-**	**-**	**175.2**
Sale of investment property	9, 25	(115.1)	-	-	-	(5.0)	-	-	**(120.1)**
Total divestments		**(115.1)**	**-**	**-**	**-**	**(5.0)**	**-**	**-**	**(120.1)**

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6 Segment Analysis (Continued)

Geographical information

Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2014 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	54.6	8.5	4.6	0.3	4.1	-	-	**72.1**
Direct operating expenses	21	(19.8)	(2.3)	(3.0)	(0.3)	(0.1)	-	-	**(25.5)**
Net operating income from investment property		**34.8**	**6.2**	**1.6**	**-**	**4.0**	**-**	**-**	**46.6**
Revaluation gain	9	5.6	8.0	70.4	9.7	14.9	-	-	**108.6**
Share of profit or loss of joint ventures		(0.4)	-	1.3	-	-	-	-	**0.9**
Interest expense		(9.5)	(1.6)	(6.4)	-	-	(3.2)	-	**(20.7)**
Other (expenses)/revenues		(7.3)	(4.5)	(9.6)	(1.7)	(3.8)	(0.8)	(7.5)	**(35.2)**
Profit before income tax		**23.2**	**8.1**	**57.3**	**8.0**	**15.1**	**(4.0)**	**(7.5)**	**100.2**
Investment property in use or vacant	9	362.2	92.2	236.8	33.8	-	-	-	**725.0**
Investment property under development	9	179.1	91.5	207.9	7.5	148.3	-	-	**634.3**
Non-current assets classified as held-for-sale	14	171.1	-	-	-	-	-	-	**171.1**
Other non-current assets		39.9	5.0	25.0	0.9	0.4	5.9	-	**77.1**
Total non-current assets and non-current assets classified as held-for-sale		**752.3**	**188.7**	**469.7**	**42.2**	**148.7**	**5.9**	**-**	**1,607.5**
Purchases of investment property	9	8.1	11.2	1.0	7.6	37.7	-	-	**65.6**
Construction costs related to investment property	9	15.3	33.2	45.8	6.3	9.0	-	-	**109.6**
Total investments		**23.4**	**44.4**	**46.8**	**13.9**	**46.7**	**-**	**-**	**175.2**
Sale of investment property	9, 25	(69.4)	(50.7)	-	-	-	-	-	**(120.1)**
Total divestments		**(69.4)**	**(50.7)**	**-**	**-**	**-**	**-**	**-**	**(120.1)**

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6 Segment Analysis (Continued)

The segment profit and loss information for the year ended 31 December 2013 was as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property									
- Office		25.4	3.7	1.0	9.2	-	-	-	**39.3**
- Retail		19.9	-	1.0	3.7	-	-	-	**24.6**
- Industrial		7.6	-	-	3.8	-	-	-	**11.4**
	20	**52.9**	**3.7**	**2.0**	**16.7**	**-**	**-**	**-**	**75.3**
Direct operating expenses arising from investment property									
- Office		(9.0)	(1.3)	-	(2.2)	-	-	-	**(12.5)**
- Retail		(7.5)	-	(0.3)	(1.1)	-	-	-	**(8.9)**
- Industrial		(1.7)	-	-	(0.9)	-	-	-	**(2.6)**
	21	**(18.2)**	**(1.3)**	**(0.3)**	**(4.2)**	**-**	**-**	**-**	**(24.0)**
Net operating income from investment property		**34.7**	**2.4**	**1.7**	**12.5**	**-**	**-**	**-**	**51.3**
Revaluation gain/(loss) on investment property									
- Office		5.7	40.2	30.0	0.6	(0.1)	-	-	**76.4**
- Retail		(7.1)	-	4.1	(0.7)	(0.4)	-	-	**(4.1)**
- Industrial		(0.3)	-	(0.1)	(0.6)	(2.2)	-	-	**(3.2)**
- Other		-	-	-	-	(0.2)	-	-	**(0.2)**
	9	**(1.7)**	**40.2**	**34.0**	**(0.7)**	**(2.9)**	**-**	**-**	**68.9**
Interest expense		(6.2)	(3.1)	(0.5)	(5.4)	-	-	-	**(15.2)**
Other (expenses)/revenues		(6.2)	(7.8)	(11.7)	(0.9)	0.8	0.6	(0.9)	**(26.1)**
Segment result		**20.6**	**31.7**	**23.5**	**5.5**	**(2.1)**	**0.6**	**(0.9)**	**78.9**

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6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2013 was as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		282.1	210.4	305.3	104.7	-	-	-	**902.5**
- Retail		126.1	-	36.8	30.7	1.0	-	-	**194.6**
- Industrial		71.6	-	7.0	28.8	46.5	-	-	**153.9**
- Joint ventures	10	4.4	-	-	-	0.9	-	-	**5.3**
- Investment property held for sale	14	98.6	-	-	-	-	-	-	**98.6**
Other unallocated assets		-	-	-	-	-	47.4	126.4	**173.8**
Total assets		**582.8**	**210.4**	**349.1**	**164.2**	**48.4**	**47.4**	**126.4**	**1,528.7**
Borrowings									
- non-current	7, 18	(128.6)	(63.9)	(53.8)	(129.4)	(6.4)	-	-	**(382.1)**
- current	18	(78.8)	-	-	(4.6)	(1.5)	-	-	**(84.9)**
- included as held for sale	14	(65.9)	-	-	-	-	-	-	**(65.9)**
Other unallocated liabilities		-	-	-	-	-	-	(138.2)	**(138.2)**
Total liabilities		**(273.3)**	**(63.9)**	**(53.8)**	**(134.0)**	**(7.9)**	**-**	**(138.2)**	**(671.1)**
Segment net asset value		**309.5**	**146.5**	**295.3**	**30.2**	**40.5**	**47.4**	**(11.8)**	**857.6**

The capital expenditures analysed by segment for the year ended 31 December 2013 were as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	-	77.6	-	-	-	-	**77.6**
Construction costs related to investment property	9	6.3	98.4	4.9	1.4	0.5	-	-	**111.5**
Total investments		**6.3**	**98.4**	**82.5**	**1.4**	**0.5**	**-**	**-**	**189.1**
Sale of investment property	9, 25	(164.2)	-	-	-	(1.4)	-	-	**(165.6)**
Total divestments		**(164.2)**	**-**	**-**	**-**	**(1.4)**	**-**	**-**	**(165.6)**

6 Segment Analysis (Continued)

Geographical information

Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2013 were as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	65.4	6.9	2.0	-	1.0	-	-	**75.3**
Direct operating expenses	21	(22.1)	(0.9)	(1.0)	-	-	-	-	**(24.0)**
Net operating income from investment property		**43.3**	**6.0**	**1.0**	**-**	**1.0**	**-**	**-**	**51.3**
Revaluation gain	9	(7.2)	22.8	53.2	0.1	-	-	-	**68.9**
Interest expense		(9.2)	(1.5)	(2.4)	-	-	(2.1)	-	**(15.2)**
Other (expenses)/revenues		(2.2)	(3.8)	(4.1)	(0.9)	-	(0.9)	(14.2)	**(26.1)**
Profit before income tax		**24.7**	**23.5**	**47.7**	**(0.8)**	**1.0**	**(3.0)**	**(14.2)**	**78.9**
Investment property in use or vacant	9	509.2	36.4	98.4	-	-	-	-	**644.0**
Investment property under development	9	170.5	96.4	241.8	19.3	79.0	-	-	**607.0**
Non-current assets classified as held-for-sale	14	68.3	54.5	-	-	-	-	-	**122.8**
Other non-current assets		41.5	2.7	7.4	0.3	-	7.6	-	**59.5**
Total non-current assets and non-current assets classified as held-for-sale		**789.5**	**190.0**	**347.6**	**19.6**	**79.0**	**7.6**	**-**	**1,433.3**
Purchases of investment property	9	-	-	-	-	77.6	-	-	**77.6**
Construction costs related to investment property	9	19.7	28.3	50.7	12.8	-	-	-	**111.5**
Total investments		**19.7**	**28.3**	**50.7**	**12.8**	**77.6**	**-**	**-**	**189.1**
Sale of investment property	9, 25	(164.2)	(1.4)	-	-	-	-	-	**(165.6)**
Total divestments		**(164.2)**	**(1.4)**	**-**	**-**	**-**	**-**	**-**	**(165.6)**

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7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or has joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent is disclosed in Note 1.

Key management of the Group consists of 12 senior managers (2013: 16). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2014 are detailed below.

At 31 December 2014, the outstanding balances with related parties are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	3.2	10.2	1.5	**14.9**
Financial assets	-	0.7	-	**0.7**
Loans and receivables – non-current (Note 11)	2.9	-	2.3	**5.2**
Other non-current assets (Note 12)	-	-	0.9	**0.9**
Trade and other payables current (Note 19)	(1.2)	(0.5)	(8.4)	**(10.1)**
Other payables non-current (Note 19)	(0.8)	-	-	**(0.8)**

The income and expense items with related parties for the year ended 31 December 2014 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	0.5	-	-	**0.5**
Revenue from construction contracts (Note 24)	-	4.9	0.5	**5.4**
Rental income	0.1	-	-	**0.1**
Other services	(1.8)	(0.5)	(0.4)	**(2.7)**
Short-term employee benefits (salaries)	-	(2.1)	-	**(2.1)**
Long-term employee benefits (social security costs)	-	(0.3)	-	**(0.3)**
Interest income	0.7	0.1	-	**0.8**

At 31 December 2013, the outstanding balances with related parties were as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	3.9	5.2	-	**9.1**
Loans and receivables – non-current (Note 11)	2.5	0.2	4.5	**7.2**
Borrowings (Note 18)	(0.6)	-	-	**(0.6)**
Trade and other payables current (Note 19)	(4.2)	(0.6)	-	**(4.8)**
Other payables non-current (Note 19)	(0.9)	-	-	**(0.9)**

The income and expense items with related parties for the year ended 31 December 2013 were as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	0.8	-	-	**0.8**
Revenue from construction contracts (Note 24)	-	4.8	-	**4.8**
Other services	(4.0)	(4.9)	-	**(8.9)**
Short-term employee benefits (salaries)	-	(2.3)	-	**(2.3)**
Long-term employee benefits (social security costs)	-	(0.4)	-	**(0.4)**
Interest income	0.2	-	0.1	**0.3**

A shareholder entity has made an undertaking to the senior managers of the Group to pay an amount under a profit sharing scheme based on increase in Net Asset Value (adjusted) of the Group equal to EUR 0.7 million with respect to 2014 (2013: EUR 0.7 million). As the amount is payable by the shareholder, and does not constitute a share based payment under IFRS, it has not been expensed by the Group. The compensation of the Board of Managers of the Parent Company amounted to EUR 1.1 million in 2014 (2013: EUR 0.8 million).

7 Balances and Transactions with Related Parties (Continued)

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2014 (2013: loans receivable of EUR 0.2 million).

Distributions to owners paid by Group in 2014 and 2013 respectively are described in Note 16.

The Group's investment in joint ventures is described in Note 10.

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2013					
Cost	24.8	3.9	25.5	1.0	**55.2**
Accumulated depreciation and impairment charges	(5.5)	(2.4)	(15.8)	-	**(23.7)**
Net book value	**19.3**	**1.5**	**9.7**	**1.0**	**31.5**
Year ended 31 December 2013					
Additions	-	-	-	9.3	**9.3**
Transfers to investment properties	(0.4)	-	-	-	**(0.4)**
Transfers to joint ventures	(0.3)	-	-	-	**(0.3)**
Transfers from investment properties – own offices	6.5	-	-	-	**6.5**
Transfers	-	0.7	9.5	(10.2)	**-**
Transfers to assets held for sale	(15.1)	-	-	-	**(15.1)**
Disposals	-	(0.8)	(0.6)	-	**(1.4)**
Depreciation charge	(0.6)	(0.5)	(3.1)	-	**(4.2)**
Closing net book value	**9.4**	**0.9**	**15.5**	**0.1**	**25.9**
At December 2013					
Cost	15.5	3.8	34.4	0.1	**53.8**
Accumulated depreciation and impairment charges	(6.1)	(2.9)	(18.9)	-	**(27.9)**
Net book value	**9.4**	**0.9**	**15.5**	**0.1**	**25.9**
Year ended 31 December 2014					
Additions	-	-	-	8.5	**8.5**
Transfers	-	1.3	7.3	(8.6)	**-**
Disposals	-	-	(0.5)	-	**(0.5)**
Depreciation charge	(0.1)	(0.6)	(3.6)	-	**(4.3)**
Closing net book value	**9.3**	**1.6**	**18.7**	**-**	**29.6**
At December 2014					
Cost	15.5	5.1	41.2	-	**61.8**
Accumulated depreciation and impairment charges	(6.2)	(3.5)	(22.5)	-	**(32.2)**
Net book value	**9.3**	**1.6**	**18.7**	**-**	**29.6**

As at 31 December 2014, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2013: nil). At 31 December 2014, property, plant and equipment carried at EUR 3.8 million (at 31 December 2013: EUR 4.0 million) has been pledged to third parties as collateral with respect to borrowings.

9 Investment Property

	2014		2013	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**607.0**	**644.0**	**515.6**	**691.2**
Direct acquisitions of investment property	167.0	-	181.4	-
Subsequent expenditure on investment property	-	8.2	-	7.7
Transfers from under development to in use	(223.4)	223.4	(150.9)	150.9
Transfers from property, plant and equipment (Note 8)	-	-	0.4	-
Transfers to property, plant and equipment (Note 8)	-	-	-	(6.5)
Transfers to disposal groups classified as held for sale (Note 14)	(11.0)	(151.1)	-	(98.6)
Transfer to joint venture (Note 10)	(0.9)	-	-	(4.4)
Disposals	(5.0)	-	(1.4)	(86.3)
Fair value gains/(losses) – properties completed during the year	37.1	-	(3.8)	-
Fair value gains/(losses) - other properties*	67.9	3.8	75.3	(2.4)
Effect of translation to presentation currency	(4.4)	(3.3)	(9.6)	(7.6)
Fair value at 31 December	**634.3**	**725.0**	**607.0**	**644.0**

* Immediately prior to the disposal of assets which were as of 31 December 2013 classified as Non-current asset held for sale were revalued to fair value and a revaluation loss of EUR 0.2 million was recorded.

The Group classified certain operating leases as investment properties. Such operating leases are accounted for as if they were finance leases. The carrying value of such investment property as of 31 December 2014 was EUR 15.1 million (2013: EUR 18.2 million).

The investment properties are valued annually on 31 December at fair value, supported by the advice of an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations (2014: 96.3% of properties were valued by independent, professionally qualified valuation expert, 2013: 93.3%). The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 32.

At 31 December 2014, investment properties carried at EUR 845.7 million (at 31 December 2013: EUR 640.6 million) have been pledged to third parties as collateral with respect to borrowings.

Valuations obtained for investment properties were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities and with respect to cost to complete of properties valued on "As If Complete" basis. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	Note	31 December 2014	31 December 2013
Valuations obtained		**1,550.5**	**1,399.4**
Less: land classified as inventory (residential projects and land for resale) – value ascribed by valuer (in inventory at cost)		(7.4)	(8.8)
Less: property classified as property plant and equipment (own use)		(4.0)	(20.5)
Less: land not under common control		(0.9)	(2.6)
Less: future construction costs and developer's profit (properties valued on "as if complete" basis)		(3.6)	(4.5)
Less: lease intensive receivables	11(a)	(10.3)	(11.0)
Less: transfers to disposal groups classified as held for sale	14	(165.0)	(101.0)
Fair value at 31 December		**1,359.3**	**1,251.0**

10 Joint Ventures

At 31 December 2014, the Group holds 50% economic interest in several entities (see Note 2.2) which were accounted for using the equity method.

In 2014, the Group entered into a new joint venture in Poland, which gives the Group a 51% economic interest in West Station Investment Project.

The following amounts represent the Group's share of the assets, liabilities, revenue and results of the joint ventures:

	2014		2013
In millions of EUR	West Station Investment	Other Joint Ventures	Other Joint Ventures
Current assets	0.8	0.4	0.3
Non-current assets	13.5	4.9	5.3
Current liabilities	(0.6)	(0.4)	(1.3)
Non-current liabilities	(0.4)	(3.4)	(2.4)
Investment in joint venture	**13.3**	**1.5**	**1.9**
Revenue	0.0	0.4	0.4
Profit and total comprehensive income for the year	1.2	(0.3)	(0.1)

The joint venture has an outstanding borrowing from a third party bank that includes a clause restricting payment of dividends to the investors without the lender's approval. The joint venture had no significant contingent liabilities or capital commitments.

Based on the joint venture agreement the Group has committed itself, subject to fulfilment of certain steps and conditions by both joint venture partners, to the additional contribution of EUR 10 million related to the construction of a project with a total budget of EUR 30 million.

11 Receivables and Loans

In millions of EUR	Note	31 December 2014	31 December 2013
Lease incentives receivables	(a)	10.3	11.0
Loans to related parties – non-current (Note 7)	(b)	2.9	2.7
Loans to joint ventures – non-current (Note 7)	(c)	2.3	4.5
Loans to third parties		1.2	0.2
Total receivables and loans		**16.7**	**18.4**

Description and analysis by credit quality of receivables and loans is as follows:

(a) Lease incentive receivables of EUR 10.3 million (31 December 2013: EUR 11.0 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.9 and 2.19. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 2.9 million as of 31 December 2014 (31 December 2013: EUR 2.7 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2014 are provided under the following conditions – interest rates amount from 8.0% to 10.25%.

(c) The Group has provided loans to its joint ventures amounting to EUR 2.3 million as of 31 December 2014 (31 December 2013: EUR 4.5 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2014 are provided under the following conditions – interest rates amount from 11.59% to 12.00%.

12 Other Non-Current Assets

In millions of EUR	Note	31 December 2014	31 December 2013
Other non-current assets	(a)	1.1	3.6
Other non-current assets – joint ventures		0.9	-
Total other non-current assets		**2.0**	**3.6**

(a) As at 31 December 2014, EUR 0.5 million relates to advance payments paid for plots of land in Slovakia to be acquired in financial year 2015 (31 December 2013: EUR 1.6 million). As at 31 December 2013, EUR 1.6 million relates to Earn-out receivable arising from the arrangement in relation to property that was sold in 2013.

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13 Trade and Other Receivables

In millions of EUR	Note	31 December 2014	31 December 2013
Trade receivables		21.6	21.3
Accrued rental income		3.8	3.0
Earn-out receivable		0.8	1.2
Loans to related parties	(a)	1.4	3.0
Trade receivables and advances to joint ventures		1.5	-
Other financial receivables		2.6	2.8
Less impairment loss provision for trade receivables		(1.7)	(1.0)
Total financial assets		**30.0**	**30.3**
VAT receivable		8.4	10.3
Prepayments		2.9	2.0
Total trade and other receivables		**41.3**	**42.6**

(a) Loans are provided under the following conditions – interest rates 3.5% - 7.5% (2013: 3.5% - 7.5%).

Movements in the impairment provision for trade receivables are as follows:

In millions of EUR	2014	2013
Provision for impairment at 1 January	**1.0**	**1.1**
Additional provision for receivables impairment	0.7	(0.1)
Provision for impairment at 31 December	**1.7**	**1.0**

Collateralised trade receivables are as follows:

In millions of EUR	Note	31 December 2014	31 December 2013
Trade receivables collateralised by:			
- bank guarantees		2.3	2.5
- tenant deposits		2.2	1.8
Total		**4.5**	**4.3**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those receivables where collateral and other credit enhancements are equal to or exceed carrying value of the receivable ("over-collateralised assets") and (ii) those receivables where collateral and other credit enhancements are less than the carrying value of the receivable ("under-collateralised assets").

Financial effect of collateral at 31 December 2014 is as follows:

	Over-collateralised Assets		Under-collateralised Assets	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	3.4	16.2	6.6	1.1

Financial effect of collateral at 31 December 2013 was as follows:

	Over-collateralised Assets		Under-collateralised Assets	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	1.0	7.8	5.0	3.3

Collateral will be utilized to settle any receivables in case of customer's default.

13 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables as of 31 December 2014 is as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Earn-out receivable	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:						
Receivables collateralised by bank or other guarantees	4.5	-	-	-	-	**4.5**
Receivables not secured	13.1	3.8	0.8	1.4	2.6	**21.7**
Total neither past due nor impaired	**17.6**	**3.8**	**0.8**	**1.4**	**2.6**	**26.2**
Individually determined to be impaired						
- less than 30 days overdue	3.3	-	-	-	-	**3.3**
- 30 to 90 days overdue	0.1	-	-	-	-	**0.1**
- 90 to 180 days overdue	0.4	-	-	-	-	**0.4**
- 180 to 360 days overdue	0.3	-	-	-	-	**0.3**
- over 360 days overdue	1.4	-	-	-	-	**1.4**
Total individually impaired	**5.5**	**-**	**-**	**-**	**-**	**5.5**
Less impairment provision	**(1.7)**	**-**	**-**	**-**	**-**	**(1.7)**
Total	**21.4**	**3.8**	**0.8**	**1.4**	**2.6**	**30.0**

Analysis by credit quality of trade and other receivables as of 31 December 2013 was as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Earn-out receivable	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:						
Receivables collateralised by bank or other guarantees	4.3	-	-	-	-	**4.3**
Receivables not secured	9.3	3.0	1.2	3.0	2.8	**19.3**
Total neither past due nor impaired	**13.6**	**3.0**	**1.2**	**3.0**	**2.8**	**23.6**
Individually determined to be impaired						
- less than 30 days overdue	4.8	-	-	-	-	**4.8**
- 30 to 90 days overdue	0.3	-	-	-	-	**0.3**
- 90 to 180 days overdue	0.4	-	-	-	-	**0.4**
- 180 to 360 days overdue	0.8	-	-	-	-	**0.8**
- over 360 days overdue	1.4	-	-	-	-	**1.4**
Total individually impaired	**7.7**	**-**	**-**	**-**	**-**	**7.7**
Less impairment provision	**(1.0)**	**-**	**-**	**-**	**-**	**(1.0)**
Total	**20.3**	**3.0**	**1.2**	**3.0**	**2.8**	**30.3**

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status. As a result, the Group presents above an ageing analysis of trade and other receivables that are individually determined to be impaired. Certain trade receivables are secured by either bank guarantee or deposit. The unsecured trade receivables are from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

The carrying amount of each class of trade and other receivables approximated their fair value.

The Group has pledged the receivables of EUR 5.0 million as collateral for the borrowings as at 31 December 2014 (2013: EUR 9.2 million).

14 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	31 December 2014	31 December 2013
Property, plant and equipment	-	15.1
Investment property	162.1	98.6
Other non-current assets	2.9	2.4
Trade and other receivables	1.4	1.3
Deferred income tax asset	0.4	3.1
Cash and cash equivalents	4.3	2.3
Total assets classified as held for sale	**171.1**	**122.8**

As of 31 December 2014, the Group classified assets and liabilities of the four subsidiaries (AUPARK KOŠICE, spol. s r.o., AUPARK Košice SC, s.r.o., AUPARK Tower Košice, s.r.o., INLOGIS VI s.r.o.) as held for sale. The sale transaction was completed in February 2015. At 31 December 2014, the Group received a prepayment of EUR 32.5 million in relation to this sale (Note 19).

The investment properties are valued annually on 31 December at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 32.

Major classes of liabilities directly associated with assets classified as held for sale:

In millions of EUR	31 December 2014	31 December 2013
Deferred income tax liability	20.2	10.9
Borrowings	129.0	65.9
Trade and other payables	4.2	2.7
Total liabilities directly associated with assets classified as held for sale	**153.4**	**79.5**

At 31 December 2014, investment properties carried at EUR 151.1 million (at 31 December 2013: EUR 98.6 million), property, plant and equipment carried at EUR 0.0 million (at 31 December 2013: EUR 15.1 million) and the receivables of EUR 1.4 million (at 31 December 2013: EUR 1.3 million) have been pledged to third parties as collateral with respect to borrowings.

The non-current assets held for sale as of 31 December 2013 were sold during the year 2014 (Note 25). As of 31 December 2013 the assets and liabilities of the respective subsidiaries were presented in Asset Management segment (Note 6). The 2014 result on disposal was presented as Unallocated in Note 6.

15 Cash and Cash Equivalents

In millions of EUR	31 December 2014	31 December 2013
Cash at bank and in hand	135.2	44.0
Short-term bank deposits	15.8	3.4
Total cash and cash equivalents	**151.0**	**47.4**

Short term deposits have original maturities of less than three months.

The effective interest rate on short term bank deposits is from 0.10% to 1.90% (2013: from 0.15% to 1.77%) and on average 1.14% (2013: 1.24%) and these deposits have an average maturity of 1.2 day (2013: 1 day).

At 31 December 2014, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 4.3 million (2013: EUR 1.5 million).

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15 Cash and Cash Equivalents (Continued)

All the bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	31 December 2014		31 December 2013	
In millions of EUR	Cash at bank	Short-term bank deposits	Cash at bank	Short-term bank deposits
Rating by the Company				
- Banks rated 1	101.7	1.3	24.8	1.1
- Banks rated 2	27.5	14.5	9.2	2.3
- Banks rated 3	0.5	-	-	-
- Banks unrated	5.1	-	9.7	-
Total	**134.8**	**15.8**	**43.7**	**3.4**

Note: The Company classifies banks based on ratings as follows:

Banks rated 1: Rating by Moody's A1, A2, A3 or rating by Fitch A+, A, A-
Banks rated 2: Rating by Moody's Baa1, Baa2, Baa3 or Fitch BBB+, BBB, BBB-
Banks rated 3: Rating by Moody's Ba1, Ba2, Ba3 or Fitch BB+, BB, BB-

The carrying amounts of cash and cash equivalents as of 31 December 2014 and 2013 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited by the carrying value of cash and cash equivalents.

16 Share Capital

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2013	12,500	12,500	660,587,500	**660,600,000**
At 31 December 2013	12,500	12,500	651,197,500	**651,210,000**
At 31 December 2014	12,500	12,500	637,917,500	**637,930,000**

The total authorised number of ordinary shares is 12,500 shares with a par value of EUR 1 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. 12,500 shares were issued on 20 October 2010.

The terms of external borrowings drawn by the Group impose certain limitations on the ability of the subsidiaries to pay distributions to owners.

Distributions to owners declared and paid during the year were as follows:

In millions of EUR, except dividends per share amount	2014	2013
Distributions to owners payable at 1 January	**0.5**	**-**
Distributions declared during the year	13.3	9.4
Distributions paid during the year	(13.8)	(8.9)
Distributions to owners payable at 31 December	**-**	**0.5**
Amount per share declared during the year in EUR	1,064.0	751.2

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17 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In millions of EUR	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2014						
Eurovalley, a.s.	Slovakia	3.5%	3.5%	(0.1)	0.1	-
Slovak Lines, a.s.	Slovakia	44.0%	44.0%	0.6	18.5	-
Other				(0.2)	-	-
Total				**0.3**	**18.6**	**-**
Year ended 31 December 2013						
Eurovalley, a.s.	Slovakia	3.5%	3.5%	-	0.2	-
Slovak Lines, a.s.	Slovakia	44.0%	44.0%	0.8	17.9	-
Other				-	0.2	-
Total				**0.8**	**18.3**	**-**

The summarised financial information of these subsidiaries was as follows:

In millions of EUR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income	Cash flows
Year ended 31 December 2014								
Eurovalley, a.s.	-	14.1	(0.5)	(9.5)	-	(3.0)	(3.0)	(0.6)
Slovak Lines, a.s.	40.4	17.5	(4.0)	(11.8)	13.7	1.4	1.4	0.8
Total	**40.4**	**31.6**	**(4.5)**	**(21.3)**	**13.7**	**(1.6)**	**(1.6)**	
Year ended 31 December 2013								
Eurovalley, a.s.	0.6	20.9	(1.3)	(13.1)	-	(0.9)	(0.9)	0.6
Slovak Lines, a.s.	38.7	13.0	(3.5)	(7.4)	13.7	1.9	1.9	(0.9)
Total	**39.3**	**33.9**	**(4.8)**	**(20.5)**	**13.7**	**1.0**	**1.0**	

18 Borrowings

In millions of EUR	Note	31 December 2014	31 December 2013
Non-current			
Bank borrowings		399.0	328.3
Other indebtedness	(a)	38.7	27.1
Issued bonds	(b)	62.0	26.7
Total non-current borrowings		**499.7**	**382.1**
Current			
Bank borrowings		43.7	84.3
Issued bonds		0.6	-
Other indebtedness		0.1	-
Loans provided by related parties (Note 7)		-	0.6
Total current borrowings		**44.4**	**84.9**
Total borrowings		**544.1**	**467.0**

(a) Contribution from third parties to the Fund (Note 1) that are for the purposes of these consolidated financial statements classified as debt.
(b) The bonds represent following debt instruments: (i) PLN denominated bonds in the amount of PLN 111.0 million, which were issued in Warsaw in November 2013 with a four-year maturity bearing an interest of 3M WIBOR + 3.95%. The issue was swapped into EUR and the interest rate was fixed at 4.75% by entering into a EUR cross currency interest rate swap arrangement. (ii) EUR denominated bonds in the amount EUR 6.6 million, which were issued in Warsaw in June 2014 with maturity November 2017, bearing an interest of 4.95% p.a.; (iii) EUR denominated bonds in the amount EUR 30.0 million, which were issued in Bratislava in August 2014 with maturity August 2019, bearing an interest of 4.25% p.a.

All of the Group's borrowings with the exception of the bonds are denominated in EUR.

The carrying amounts and fair values of the non-current borrowings are set out below:

	Carrying amounts at 31 December		Fair values at 31 December	
In millions of EUR	2014	2013	2014	2013
Bank borrowings	399.0	328.3	404.6	325.4
Other indebtedness	38.7	27.1	38.7	27.1
Issued bonds	62.0	26.7	62.0	26.7
Non-current borrowings	**499.7**	**382.1**	**505.3**	**379.2**

Assumptions used in determining fair value of borrowings are described in Note 32.

The carrying values of current borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities:

In millions of EUR	31 December 2014	31 December 2013
Floating rate:		
- Expiring within one year	80.5	10.8
- Expiring beyond one year	37.4	98.0
Total undrawn facilities	**117.9**	**108.8**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 453.0 million (2013: EUR 399.7 million).

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18 Borrowings (Continued)

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 70% (2013: 65% to 70%) and minimum debt service coverage ratios ranging from 1.10 to 1.25 (2013: 1.01 to 1.25).

During 2014 and up to date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 31 December 2014 and up to date of authorisation of these consolidated financial statements for issue, the Group refinanced EUR 4.3 million from the current borrowings as at 31 December 2014 (2013: EUR 3.0 million).

Interest rate on loans provided by related parties amounted to 7% p.a. during the year 2013, there were no related party loans in 2014.

19 Trade and Other Payables

In millions of EUR	31 December 2014	31 December 2013
Non – current		
Finance lease liabilities(1)	5.4	5.3
Other long term payables	7.5	7.5
Total non-current payables	**12.9**	**12.8**
Current		
Trade payables	9.2	11.4
Liabilities for purchase of investment property	7.2	-
Liabilities for construction of investment properties	20.0	20.0
Accrued liabilities	3.8	1.5
Derivatives and other financial instruments (Note 30)	3.0	0.1
Other payables	4.1	3.0
Liabilities due to joint ventures	8.4	-
Total current financial payables	**55.7**	**36.0**
Items that are not financial instruments:		
Deferred rental income	9.7	13.5
Accrued employee benefit costs	1.9	1.6
Other taxes payable	6.0	0.5
Prepayments for rent and other prepayments	3.4	1.9
Prepayment for sale of a subsidiary (Note 14)	32.5	-
Total current trade and other payables	**109.2**	**53.5**

(1) The finance lease liabilities fall due as follows:

In millions of EUR	31 December 2014	31 December 2013
Repayable after more than 5 years	5.4	5.3
Total	**5.4**	**5.3**

The fair value of trade payables, finance lease liabilities, liabilities for construction of investment property, accrued liabilities, dividends payable, liabilities to shareholders, other trade payables to related parties and of other liabilities is not significantly different from their carrying amount.

20 Rental and Similar Income from Investment Property

In millions of EUR	2014	2013
Rental income – Office	43.4	39.3
Rental income – Retail	17.3	24.6
Rental income – Industrial	11.4	11.4
Total revenue	**72.1**	**75.3**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

In millions of EUR	31 December 2014	31 December 2013
Not later than 1 year	33.1	38.5
Later than 1 year and not later than 5 years	106.9	114.3
Later than 5 years	56.1	76.1
Total operating lease payments receivable	**196.1**	**228.9**

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total contingent payments receivable recognised as income in 2014 under the Group's operating leases were EUR 0.2 million (2013: EUR 0.2 million).

Contingent rent payments receivable is calculated based on the expected revenues of the related tenants multiplied by contractually agreed percentage. Historical knowledge about the development of tenant`s revenue as well as currently expected progress of revenues is taken into account in the calculation of the receivable.

21 Direct Operating Expenses arising from Investment Property

In millions of EUR	2014	2013
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	0.5	0.6
Repairs and maintenance services	1.5	1.3
Utilities costs	9.8	10.9
Services relating to investment property	12.4	10.1
Real estate tax	1.3	1.0
Other costs	-	0.1
Total	**25.5**	**24.0**

22 Revenue from Public Transportation

In millions of EUR	2014	2013
Revenue from public transportation - ticket sales	13.7	13.7
Total revenue from public transportation	**13.7**	**13.7**

The Group acquired and operates a public bus transportation business.

23 Employee Benefits

In millions of EUR	2014	2013
Wages and salaries	18.0	15.6
Share based payments	-	(0.3)
Pension costs – defined contribution plans	0.9	0.7
Total employee benefits	**18.9**	**16.0**

Number of employees in the core real estate operations and in the public transportation business of the Group was as follows (on full time equivalent basis):

	2014	2013
Real estate	380	350
Bus transport	498	490
Total number of employees	**878**	**840**

24 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	2014	2013
Construction services	6.8	6.4
Other services	15.9	17.9
Energy costs	0.1	0.2
Material consumption	1.3	2.2
Other taxes	0.9	0.9
Cost of sold inventories	0.7	0.8
Cost of sold fuel	0.6	0.8
Audit fees	0.4	0.5
Other	2.4	3.0
Total operating expenses	**29.1**	**32.7**

Other operating income comprised the following:

In millions of EUR		2014	2013
Construction services with related parties	7	4.9	4.8
Construction services with joint ventures	7	0.5	-
Fit-outs for customers		1.6	2.1
Sales of services		2.1	2.5
Sale of fuel		0.9	0.9
Sales of inventories		0.7	0.8
Other operating income		0.7	1.2
Income from public transportation - regional government subsidies	(a)	0.3	0.2
Total other operating income		**11.7**	**12.5**

(a) The regional government subsidies relate to the compensation of the costs incurred by the Group as a result of operations of the public transportation based on the contracts with Bratislava Regional Government.

In millions of EUR	2014	2013
Regional government subsidies - gross	8.8	7.9
Expenses related to regional government subsidies:		
- Other operating expenses (incl. fuel costs)	(4.2)	(4.1)
- Employee benefits	(3.2)	(2.8)
- Depreciation and amortization	(1.1)	(0.8)
Total Income from public transportation - regional government subsidies	**0.3**	**0.2**

25 Results on Property Disposals

The Group sold shares in 3 subsidiaries in financial year 2014: 100% shares in CBC Development a. s., RiGa Office West s.r.o. which were classified as Non-current assets held for sale as of 31 December 2013 (Note 14). In addition 100% shares in Polcom Investment XV Sp. z o. o. were sold during financial year 2014.

The Group sold shares in 4 subsidiaries in financial year 2013: 100% shares in Apollo Business Center IV a. s. which was classified as Non-current asset held for sale as of 31 December 2012. In addition 100% shares in AUPARK Žilina SC a. s., AUPARK Žilina, spol. s r.o. and TARASI Logistics, a.s. were sold during financial year 2013.

The assets and liabilities disposed of, the sale proceeds and the gain on the divestments comprised:

In millions of EUR	2014	2013
Investment property in use	100.2	164.2
Net book value of own offices	14.9	-
Deferred tax liability	(8.0)	(17.1)
External debt	(64.9)	(77.7)
Cash and cash equivalents	2.6	5.4
Other working capital	(1.4)	(2.8)
Net assets value	**43.4**	**72.0**
Gain on divestments of subsidiaries	5.6	12.3
Translation reserve – foreign exchange translation gain reclassified from other comprehensive income upon disposal	2.1	-
Proceeds from sale of subsidiaries (excl. Translation reserve)	**51.1**	**84.3**
Less cash in subsidiaries at the date of transaction	(2.6)	(5.4)
Less earn-out receivable	-	(2.8)
Prior year earn-out collected	2.0	-
Cash sale proceeds	**50.5**	**76.1**

26 Income Taxes

Income tax expense comprises the following:

In millions of EUR	2014	2013
Current tax	2.1	(2.2)
Deferred tax	(14.1)	3.3
Income tax credit/(expense) for the year	**(12.0)**	**1.1**

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of EUR	2014	2013
Profit before tax	**100.2**	**78.9**
Theoretical tax charge at applicable rate 21.21% (2013: 21.04%)	(21.3)	(16.6)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	6.8	13.0
- Non-temporary taxable items	(0.3)	(0.5)
- Change in estimate of prior period income taxes	2.7	-
Utilisation of previously unrecognised tax loss carry-forwards	0.1	3.8
Effect of changes in Slovak tax rate (from 23% to 22% with effect from 1 January 2014)	-	1.4
Income tax credit/(expense) for the year	**(12.0)**	**1.1**

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26 Income Taxes (Continued)

The Group uses 21.21% (2013: 21.04%) as the applicable tax rate to calculate its theoretical tax charge which is calculated as a weighted average of the rates applicable in the Slovak Republic of 22% (2013: 23%), the Czech Republic and Poland of 19% (2013: 19%) where majority of the Group's operations are located.

Differences between IFRS and applicable statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In millions of EUR	1 January 2013	Charged/ (credited) to profit or loss	Divestment of subsi-diaries	Transfer to assets held for sale	31 Dec 2013	Charged/ (credited) to profit or loss	Divestment of subsi-diaries	Transfer to assets held for sale	31 Dec 2014
Tax effect of deductible/ (taxable) temporary differences									
Investment properties	(68.0)	8.4	9.5	10.2	**(39.9)**	(18.5)	-	20.2	**(38.2)**
Unrealized foreign exchange (gains)/losses	(1.4)	-	-	-	**(1.4)**	0.3	-	-	**(1.1)**
Tax losses carried forward	13.4	(4.8)	-	(2.4)	**6.2**	4.3	-	(0.4)	**10.1**
Property, plant and equipment	(1.3)	(0.3)	-	-	**(1.6)**	-	-	-	**(1.6)**
Other	(0.5)	-	-	-	**(0.5)**	(0.2)	-	-	**(0.7)**
Net deferred tax (liability)	**(57.8)**	**3.3**	**9.5**	**7.8**	**(37.2)**	**(14.1)**	**-**	**19.8**	**(31.5)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies. Accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group expects that EUR 31.5 million (2013: EUR 37.2 million) of the deferred tax liability shall crystallise after more than 12 months from the balance sheet date.

27 Foreign exchange losses/(gains)

In millions of EUR	2014	2013
Bank borrowings – unrealised	1.7	3.9
Inter-company loans to foreign operations that do not form part of net investment – unrealised	3.2	2.1
Trade and other receivables and payables – realised during period	0.5	(0.7)
Trade and other receivables and payables – unrealised	2.4	3.3
Foreign exchange losses/(gains)	**7.8**	**8.6**

28 Contingencies, Commitments and Operating Risks

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Group includes holding companies incorporated in various jurisdictions. The tax liabilities of the Group are determined on the assumption that these holding companies are not subject to profits tax in other countries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. Refer also to Note 3.

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 62.3 million at 31 December 2014 (2013: EUR 48.3 million) out of that amount EUR 28.8 million will be financed by external loans. The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

29 Acquisitions of Subsidiaries (Asset Acquisitions)

The Group did not acquire any subsidiaries during 2014 and 2013. In 2013, the Group settled EUR 6.7 million payable for acquisition of a subsidiary acquired in 2012, which was accounted for as an asset acquisition rather than a business combination.

30 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks: credit risk, market risk (including changes in foreign currency exchange rates, interest rate and price risk), liquidity risks, operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's rental income on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk represents the carrying value of its financial assets in the consolidated statement of financial position. The Group has no significant off-balance sheet exposures to credit risk as it did not issue financial guarantees not loan commitments to other parties.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual review.

Management has additional policies in place to secure trade receivables from rental business. The Group uses system of required bank guarantees or financial deposits to secure its receivables from rental business based on the rating of tenant.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 13.

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	4.5	-	4.5	2.3	2.2	-
Liabilities						
Cash collateral received presented within trade and other payables	2.2	-	2.2	2.2	-	-

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30 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows at 31 December 2013:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	4.3	-	4.3	2.5	1.8	-
Liabilities						
Cash collateral received presented within trade and other payables	1.8	-	1.8	1.8	-	-

According to the general terms and conditions of contracts with its customers, the Group requires either a cash collateral or bank guarantee in favour of the Group to ensure its receivables are collectible. The amount guaranteed by cash collateral or a bank guarantee is assessed by the Group annually. The Group has a right of set-off of any balances overdue against the collateral or amount drawn under a bank guarantee.

The amounts in columns (d) and (e) in the above table are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Credit risks concentrations

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 29 banks (2013: 19 banks) but 90% (2013: 86%) of cash balances as of 31 December 2014 are held with 6 major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 15.

(ii) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements.

Currency risk. Due to continuous international expansion, Management acknowledges elevated exposure of the Group to foreign exchange risk arising from various currency exposures, primarily with respect to Czech Koruna, Polish Zloty, British Pound and Hungarian Forint. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currency that is not the entity's functional currency. Therefore internal objectives, policies and processes for its management have been set. Management has set up a policy to require group companies to manage their foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with the help of group treasury. As a result, the Group has invested into hedging instruments that are set up to minimize foreign exchange losses. Additionally, the Group's cash pool should contribute to proper cash management and avoidance of losses by keeping cash split into several countries.

Had the foreign exchange rates been by one tenth lower than they have been throughout the year ended 31 December 2014 with all other variables constant, profit for the year would have been EUR 0.8 million higher (2013: EUR 0.9 million higher). Equity, after allowing for the tax effects, would have been EUR 0.6 million higher (2013: EUR 0.7 million higher).

Had the foreign exchange rates been by one tenth higher than they have been throughout the year ended 31 December 2014 with all other variables constant, profit for the year would have been EUR 0.8 million lower (2013: EUR 0.9 million lower). Equity, after allowing for the tax effects, would have been EUR 0.6 million lower (2013: EUR 0.7 million lower).

Financial liabilities resulting from currency and interest rate derivatives amount to EUR 3.0 million (2013: assets of EUR 0.1 million).

30 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of EUR	Less than 12 months	Over 12 months	Total
31 December 2014			
Total monetary financial assets	183.5	16.7	**200.2**
Total monetary financial liabilities	(499.1)	(106.1)	**(605.2)**
Net interest sensitivity gap at 31 December 2014	**(315.6)**	**(89.4)**	**(405.0)**
31 December 2013			
Total monetary financial assets	79.5	18.4	**97.9**
Total monetary financial liabilities	(449.2)	(59.1)	**(508.3)**
Net interest sensitivity gap at 31 December 2013	**(369.7)**	**(40.7)**	**(410.4)**

Had the interest rates on the Group's variable interest rate loans (generally the third party borrowings) been by one tenth lower than they have been throughout the year ended 31 December 2014 with all other variables constant, profit before tax for the year would have been EUR 1.4 million higher (2013: EUR 1.2 million), mainly as a result of lower interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been EUR 1.1 million (2013: EUR 0.9 million) higher.

Had the interest rates on the Group's variable interest rate loans (generally the third party borrowings) been by one tenth higher than they have been throughout the year ended 31 December 2014 with all other variables constant, profit before tax for the year would have been EUR 1.4 million lower (2013: EUR 1.2 million), mainly as a result of higher interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been lower by EUR 1.1 million (2013: EUR 0.9 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 18). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to fix the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2014, as in the previous year, some 15% (2013: 12%) of the Group's Bank Borrowings are at a fixed rate of interest. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Managers. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

(iii) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the carrying amount is based on discounted cash flows.

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30 Financial Risk Management (Continued)

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the respective reporting period. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 31 December 2014 is as follows:

In millions of EUR	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal – Note 18)	44.4	85.8	292.6	121.3	**544.1**
Borrowings (future interest payments)	15.6	17.5	34.6	4.6	**72.3**
Finance leases (Note 19)	-	-	-	5.4	**5.4**
Financial payables - current (Note 19)	52.7	-	-	-	**52.7**
Derivatives and other financial instruments	3.0	-	-	-	**3.0**
Capital commitments to joint ventures (Note 10)	10.0	-	-	-	**10.0**
Total future payments, including future principal and interest payments	**125.7**	**103.3**	**327.2**	**131.3**	**687.5**

The maturity analysis of financial liabilities as at 31 December 2013 is as follows:

In millions of EUR	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal – Note 18)	84.9	30.0	341.1	11.0	**467.0**
Borrowings (future interest charges)	13.4	14.0	20.2	0.9	**48.5**
Finance leases (Note 19)	-	-	-	5.3	**5.3**
Financial payables - current (Note 19)	35.9	-	-	-	**35.9**
Derivatives and other financial instruments	0.1	-	-	-	**0.1**
Total future payments, including future principal and interest payments	**134.3**	**44.0**	**361.3**	**17.2**	**556.8**

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis (excluding the public transportation business). The forecast for 2015 shows positive cash flow of the Group of approximately EUR 121.5 million (2013: EUR 105.4 million). This, together with existing cash balances and already raised additional EUR 92.4 million (2013: 30.5 million) of new financing during the first four months after the end of the reporting period with respect to certain properties currently under development (including utilisation of part of credit lines signed in 2015) would be sufficient to meet the Group's 2015 financial obligations as shown above. Moreover, as of 31 December 2014, the Group had a further EUR 117.9 million (2013: EUR 108.8 million) in signed but undrawn committed credit lines and additional EUR 10 million (2013: nil) in signed but undrawn uncommitted credit lines. The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

31 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other companies in the industry, the Group monitors capital on the Net Asset Value (adjusted) basis. The Group calculates the Net Asset Value (adjusted) on the following basis:

In millions of EUR	Note	31 December 2014	31 December 2013
Equity attributable to the owners of HB Reavis Holding S.à r.l.		914.8	839.3
Adjusted for			
Add: Deferred income tax liabilities	14, 26	51.3	45.0
Add: Trade and other payables from related party entities under common control	7	-	-
Less: Receivables and Loans provided to related party entities under common control	7	(2.4)	(2.4)
Net Asset Value (adjusted)		**963.7**	**881.9**

31 Management of Capital (Continued)

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties excluding other indebtedness (Note 18a) less Cash and Group total assets. During 2014, the Group's strategy was to steer the net debt leverage ratio within 30-35% range (2013: 25-35% range). As is shown in the table below, the Group's ratio was slightly below the targeted level at the end of 2014 and 2013. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2014	31 December 2013
Bank borrowings less cash	479.1	455.9
Total assets	1,806.1	1,530.1
Net debt leverage ratio[1]	**26.5%**	**29.8%**

[1] Net debt ratio would have been 21.41% had the sale of Aupark Kosice project been completed in 2014. The project is classified as held for sale (Note 14) and the sale was completed in February 2015.

32 Fair Value Estimation

IFRS 13 requires the use of valuation techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used.

For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

i) Investment properties

The following table presents the group's investment properties that are measured at fair value:

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 31 December 2014	-	-	1,550.5	**1,550.5**
Investment property – valuations obtained at 31 December 2013	-	-	1,399.4	**1,399.4**

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition/divestment (cost) for assets which were either acquired/held for sale close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation technique for level 3 is further described in Note 3.

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32 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

Asset Management and Investment Management

Segment	Valuation technique	Fair value 31 Dec 2014 (in millions of EUR)	Fair value 31 Dec 2013 (in millions of EUR)	Input	Range 31 Dec 2014	Range 31 Dec 2013
Slovakia						
				Average annual rent in EUR per sqm	133.0. – 195.0	133.0 – 198.0
Office	Discounted cash flow	272.6	308.4	Discount rate p.a.	7.15% - 8.75%	7.75% - 8.5%
				Capitalisation rate for terminal value	6.9% - 8.0%	7.25% - 8.00%
Office	Direct capitalisation method	-	49.2	Average annual rent in EUR per sqm	-	181.0
				Capitalisation rate	-	6.9%
Office	Transaction price	22.0	-	-	-	-
				Average annual rent in EUR per sqm	240.0	250.0 – 297.0
Retail	Discounted cash flow	31.9	162.2	Discount rate p.a.	8.25%	7.75% - 8.25%
				Capitalisation rate for terminal value	7.75%	7.25% - 7.75%
Retail	Transaction price	132.0	-	-	-	-
				Average annual rent in EUR per sqm	50.0 – 53.0	48.0 – 56.0
Logistics	Discounted cash flow	63.9	65.2	Discount rate p.a.	8.75% - 10.0%	8.75% - 10.0%
				Capitalisation rate for terminal value	8.25% - 9.0%	8.25% - 9.25%
Total		**522.4**	**585.0**			
Czech Republic						
Office	Direct capitalisation method	55.8	52.5	Average annual rent in EUR per sqm	180.0	172.0
				Capitalisation rate	6.9%	6.4% - 7.0%
Logistics	Direct capitalisation method	40.7	38.0	Average annual rent in EUR per sqm	55.0 – 60.0	50.0 – 58.0
				Capitalisation rate	8.0% - 9.75%	8.5% - 8.75%
Total		**96.5**	**90.5**			
Poland						
Office	Direct capitalisation method	244.0	103.1	Average annual rent in EUR per sqm	187.0 – 220.0	181.0
				Capitalisation rate	6.25% - 7.25%	7.5% - 8.0%
Total		**244.0**	**103.1**			
Hungary						
Office	Direct capitalisation method	33.9	-	Average annual rent in EUR per sqm	147.0	-
				Capitalisation rate	7.5%-8.25%	-
Total		**33.9**	**-**			
Total for segment		**896.8**	**778.6**			

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32 Fair Value Estimation (Continued)

Development in realisation and in preparation

Segment	Valuation technique	Fair value 31 Dec 2014 (in millions of EUR)	Fair value 31 Dec 2013 (in millions of EUR)	Input	Range 31 Dec 2014	Range 31 Dec 2013
Slovakia						
Office, Office/Retail	Residual Method	149.0	133.5	Capitalised net revenues less cost to completion	347.7	268.7
				Capitalisation rate	7.1%-8.5%	7.25%-8.5%
	Comparative method	0.5	-	-	-	-
Retail	Residual Method	-	2.1	Capitalised net revenues less cost to completion	-	11.1
				Capitalisation rate	-	7.75%
Retail	Transaction price	11.0	-	-	-	-
Total		**160.5**	**135.6**			
Czech Republic						
Office	Residual Method	49.9	70.7	Capitalised net revenues less cost to completion	46.9	56.9
				Capitalisation rate	7.25%-7.5%	7.0%-7.5%
Office	Direct capitalisation method	11.1	-	Average annual rent in EUR per sqm	168.0	-
				Capitalisation rate	8.35%	-
Retail	Residual Method	23.5	14.8	Capitalised net revenues less cost to completion	45.0	30.1
				Capitalisation rate	7.0%	7.0%
	At cost	0.1	3.7	-	-	-
Logistics	Direct capitalisation method	-	1.8	Average annual rent in EUR per sqm	-	55.0
				Capitalisation rate	-	8.5%
	Residual method	1.8	-	Capitalised net revenues less cost to completion	1.5	-
				Capitalisation rate	8.5%	-
	Comparative method	5.1	5.2	-	-	-
Total		**91.5**	**96.2**			
Poland						
Office	Residual Method	206.6	205.4	Capitalised net revenues less cost to completion	174.6	143.4
				Capitalisation rate	6.25%-6.75%	6.25%-7.5%
Office	Direct capitalisation method	-	36.7	Average annual rent in EUR per sqm	-	218
				Capitalisation rate	-	6.75%-6.9%
Office	At cost	1.3	1.2	-	-	-
Total		**207.9**	**243.3**			
United Kingdom						
Office	At cost*	39.2	79.0	-	-	-
	Residual method	109.1	-	Capitalised net revenues less cost to completion	67.3	-
				Capitalisation rate	4.75%	-
Total		**148.3**	**79.0**			

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32 Fair Value Estimation (Continued)

Development in realisation and in preparation (Continued)

Segment	Valuation technique	Fair value 31 Dec 2014 (in millions of EUR)	Fair value 31 Dec 2013 (in millions of EUR)	Input	Range 31 Dec 2014	Range 31 Dec 2013
Hungary						
Office	Residual Method	-	19.3	Capitalised net revenues less cost to completion	-	7.3
				Capitalisation rate	-	7.75%
	At cost*	7.5	-	-	-	-
Total		**7.5**	**19.3**			
Total for segment		**615.7**	**573.4**			

Non-core

Segment	Valuation technique	Fair value 31 Dec 2014 (in millions of EUR)	Fair value 31 Dec 2013 (in millions of EUR)	Input	Range 31 Dec 2014	Range 31 Dec 2013
Retail	Comparative methodology	-	1.0	Price in EUR per sqm	-	88.0
Logistics	Comparative methodology	38.0	46.4	Price in EUR per sqm	5.9-17.5	6.1-27.6
Total for segment		**38.0**	**47.4**			

* Costs for project in United Kingdom and Hungary represent purchase price close to year-end which equals fair value as of 31 December 2014. Cost for project in United Kingdom represents purchase price close to year-end which equals fair value as of 31 December 2013.

32 Fair Value Estimation (Continued)

Sensitivity of measurement to variance of significant unobservable inputs

A decrease in the estimated annual rent will decrease the fair value. An increase in the discount rates and the capitalisation rates (used for terminal value of DCF and for the direct capitalisation method) will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. Please refer to Note 3 for the quantitative sensitivity analysis.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by independent and qualified valuers.

These reports are based on both:

- information provided by the company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgment and market observation. Generally for income producing assets a DCF and direct capitalisation methods are used, for assets under construction residual method is used and comparative methodology is used for non-core and land bank assets.

The information provided to the valuers - and the assumptions and the valuation models used by the valuers - are reviewed by the controlling department and the Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

ii) Financial Instruments

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.51% p.a. (2013: 3.09% p.a.). Refer to Note 18 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

Financial derivatives. The fair values of derivatives are based on counterparty bank quotes and are considered Level 2 valuations.

33 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

All of the Group's financial assets belong to the category loans and receivables except for financial derivatives that are classified as held for trading and 'earn out' receivable (Note 11) that is classified as available-for-sale financial asset. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as held for trading (Note 19).

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34 Consolidated Structured Entities

The Group holds less than 50% of voting rights in a fully consolidated subsidiary HB Reavis Real Estate SICAV-SIF, the Fund (Note 1). The Group has the power over this subsidiary through asset management contractual arrangements with the General Partner of this Fund, HB Reavis Investment Management S.à r.l. The Group's exposure to the fund's net assets is not intended to decrease below 25%.

The Group issued 2 tranches of bonds through HB Reavis Finance PL Sp. z o.o. incorporated in Poland and 1 tranche of bonds through HB REAVIS Finance SK s. r. o. incorporated in Slovakia. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 111.0 million and EUR 36.6 million (Note 18).

35 Events After the Balance Sheet Date

In February 2015, the Group completed sale of its share in the project companies owning a complex of office and retail buildings in Košice, Slovakia.

In March 2015, the Group issued unsecured bonds amounted to EUR 40 million.

During the first four months of 2015 the Group signed new credit facilities amounting to EUR 69.4 million for financing of development activities of the Group.

As of 1 April 2015 the parent Company's address changes to: 6, rue Jean Monnet, L-2180 Luxembourg.

There were no other material events which occurred after the end of the reporting period which have a bearing on the understanding of these consolidated financial statements.