Annual Report 2016

ANNUAL REPORT 2016

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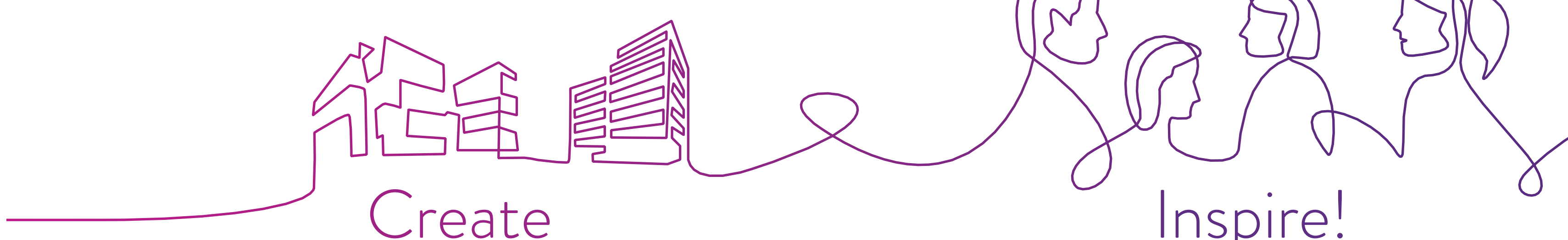

Create
Inspire!

Contents

Group Overview

HB Reavis is a privately held enterprise that has become one of Europe's biggest commercial real estate developers. We operate in the United Kingdom, Germany, Poland, the Czech Republic, Slovakia, Hungary and Turkey.

We are a team of around 600 professionals and we are all passionate about bringing remarkable experiences to people through our real estate solutions. Our aim is to set trends in office-space solutions by delivering a unique value proposition for our clients. As we pursue these inspiring goals going forward, we hope the best talent in the industry will join us.

What We Do

When working on our projects, we always try to create something unique and innovative, bring something more than our clients and local communities expect from a commercial real estate developer. To do that, we specialise in development and management of high quality office space solutions and modern shopping and entertainment centres (under the Aupark brand).

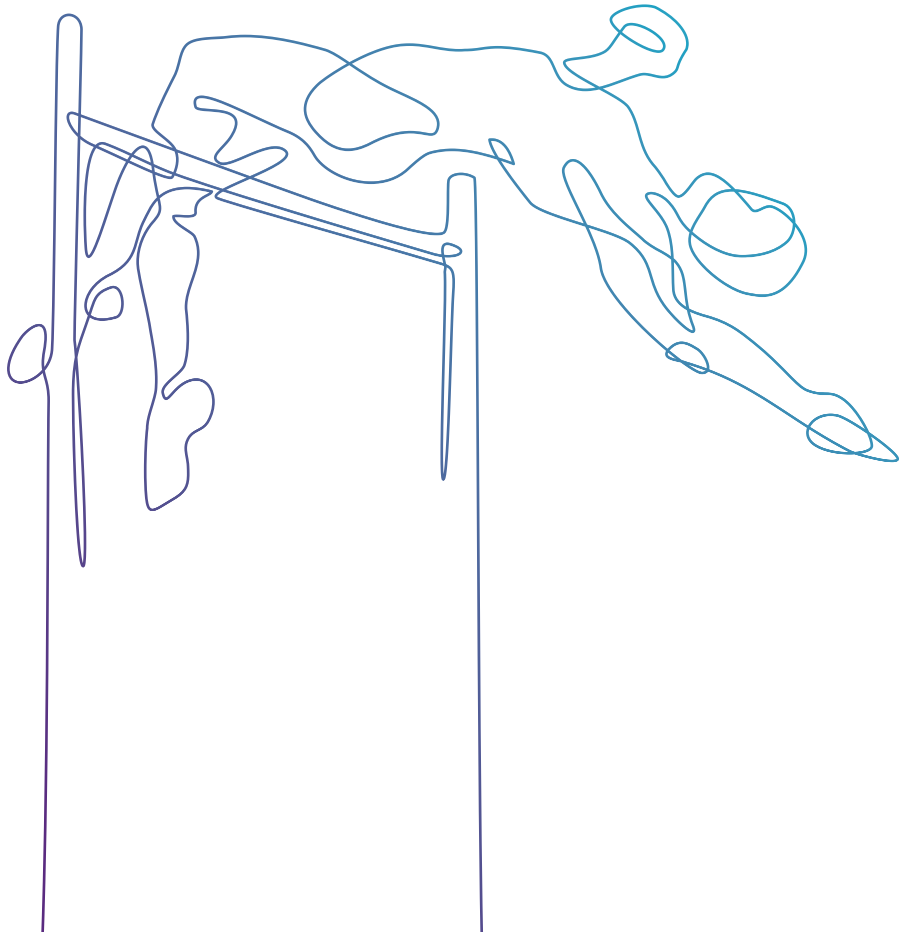
As a developer, we have a robust track record of successfully delivering 1 million m² of Gross Leasable Area (GLA) across 37 projects. More than 60,000 employees use our projects as their work place every day and over 100,000 people a day visit retail and entertainment premises we have developed. We aim continuously to improve user experience in our projects – that's how we understand our progress and success.

As an asset manager, we try to continuously improve the services provided to around 370 of our clients, to the approximately 30,000 people working daily in those spaces, and to visitors to our buildings, whether it's to visit family and friends, for a bit of shopping, or just a rest in one of our green spaces. In total, we manage a portfolio of around 371,000 m² of GLA.

We are one of the few fully integrated real estate players in Europe. With our highly specialised professional team, we are able to manage and execute every aspect of creating commercial real estate solutions. This means we do everything, from land acquisition through in-house product design and construction management all the way to delivery of space that is totally focused on the client experience. We believe in this unique, 'perpetual' approach to our projects and solutions that has proved eminently successful for over 24 years.

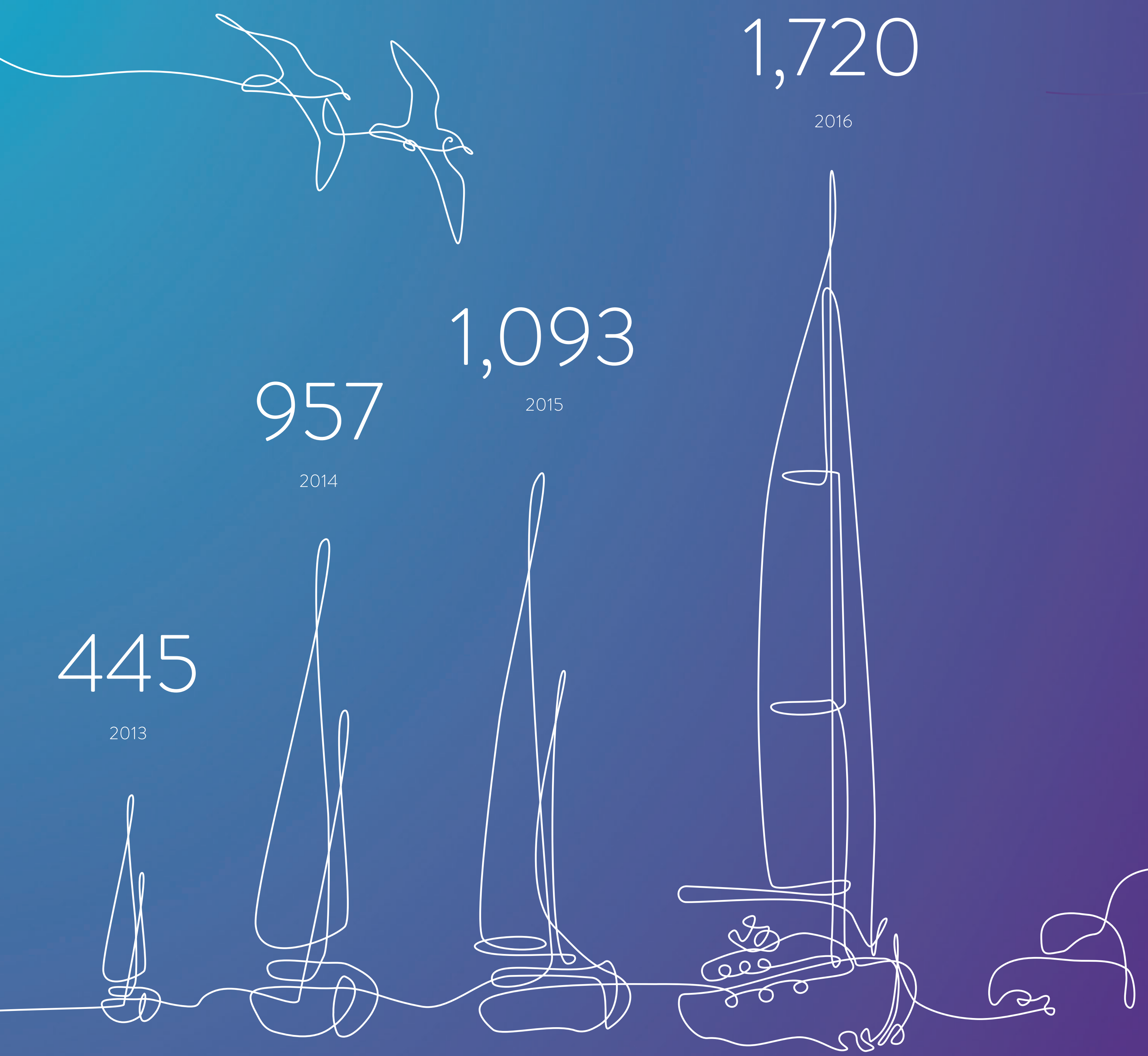
How We Performed

In 2016, our financial performance slowed down markedly. This was due specifically to foreign-exchange (FX) losses and to some delays in permitting of some of our key projects. However, as a Group, we still generated net profit of €107.5 million (€239.4 million in 2015). This translates into a 6.9% return on shareholders' equity (29.3% in 2015). Our balance sheet grew to €2.11 billion and Net Asset Value reached €1.22 billion at the end of 2016. At 17.4%, Group Net debt leverage remained below targeted levels mainly as a result of robust disposal of assets with gross development value of around €1 billion. In contrast, the business performed very well. We signed leasing contracts with 208 clients. This represents 141,300 m² of GLA.

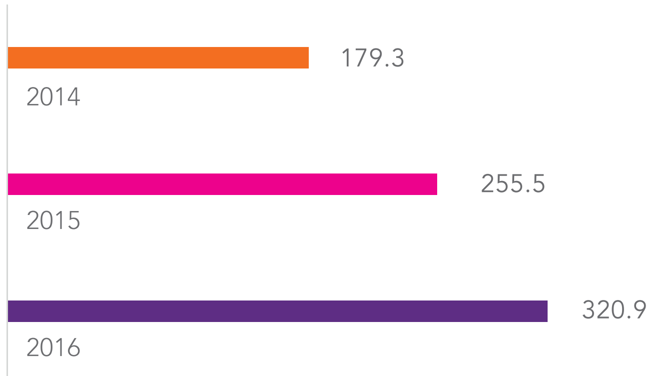


Performance at a Glance

Gross development value
of projects under construction (€m)

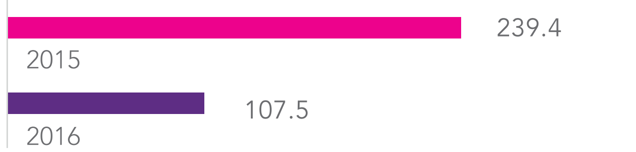


Investment in land/property and construction (€m)

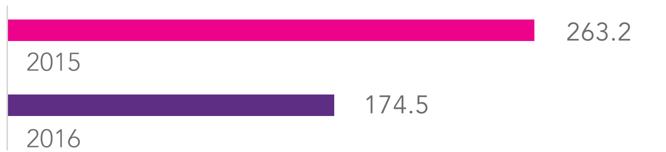


Financial highlights

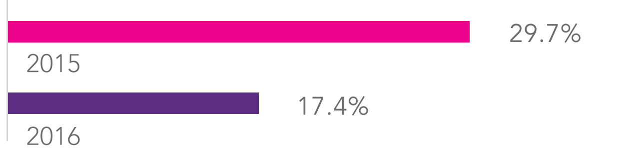
Net profit (€m)



Revaluation gain (€m)



Net Debt Leverage Ratio



Net Asset Value (adjusted, €m)

Return to shareholders

Key Projects

Completed Projects in 2016

Occupancy
93%

West Station I

Valuation	€80.0m
GLA	30,751 m^2

Twin City B

Valuation	€51.7m
GLA	23,487 m^2

Occupancy
98%

Twin City C

Valuation	€55.9m
GLA	23,693 m^2

Occupancy
100%

Note 1: Figures based on external expert valuations and management report. The external valuations are not adjusted for IFRS adjustments that are taken into the account in IFRS financial statements.
Note 2: Occupancy figures as of April 2017.

Occupancy
88%

Aupark Hradec Kralove

Valuation	€81.1m
GLA	22,739 m^2

Occupancy
88%

Gdanski Business Center D

Valuation	€101.3m
GLA	29,823 m^2

Centrum Bottova

Valuation	€9.9m
GLA	6,161 m^2

Occupancy
100%

Projects Under Construction

Planned opening
3/2018

20 Farringdon Street

Valuation at completion	€142.9m
GLA	7,743 m²

Planned opening
9/2017

West Station II

Valuation at completion	€99.5m
GLA	37,909 m²

Planned opening
8/2018

Twin City Tower

Valuation at completion	€97.0m
GLA	34,658 m²

Planned opening
12/2017

Cooper & Southwark

Valuation at completion	€113.5m
GLA	7,133 m²

33 Central

Valuation at completion	€347.0m
GLA	21,105 m²

Planned opening
7/2017

Varso 1

Valuation at completion	€138.5m
GLA	30,061 m²

Planned opening
3/2019

Varso 2

Valuation at completion	€212.7m
GLA	44,800 m²

Planned opening
6/2019

Varso Tower

Valuation at completion	€366.5m
GLA	70,343 m²

Planned opening
6/2020

Planned opening
3/2019

Agora Hub

Valuation at completion	€98.0m
GLA	35,636 m²

Planned opening
4/2019

Agora Tower

Valuation at completion	€104.3m
GLA	35,068 m²

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

Business Highlights in 2016

Q1

Acquisitions

Our first acquisition of the year was the plot on the Radlicka Street in Prague's Smichov district which added approximately 28,600 m² of GLA to our pipeline in the Czech capital.

We also acquired another office project in Budapest. The Bem Palace is located in the traditional downtown of Buda, which is a prime location in the city. The idea here is to redevelop this project and create approximately 30,400 m² of unique office GLA.

Leasing

Our leasing teams throughout the Group were hard at work in the first quarter finding no less than 23,300 m² (including sold assets) of perfect GLA for our tenants. The biggest new tenants included Alza (Bratislava) with 2,920 m² of GLA; Phillip Morris (Warsaw) with 3,525 m² of GLA; and SAP (Bratislava) with 3,221 m² of GLA.

Radlicka

Financing

Our debut bond issue in the Czech Republic and listed on Prague's Stock Exchange successfully raised CZK 700 million (app. €25.9 million).

We also secured new development financing for Twin City C in the amount of €44.5 million and re-financed a €19.8 million loan for Aupark Piestany (owned by HB Reavis CE REIF).

Divestments

In March, we successfully divested to Zeus Capital Management our first project in Budapest, Vaci Corner Offices (21,600 m² of GLA) for €49.1 million.

Q2

Building the Future

Everything at HB Reavis is about people – our clients, our suppliers, our partners and especially our people. At only 24 years old, HB Reavis has come a long way, but we believe we still have a long way to go to be the best professional international organization we can be. That is why we have developed our Building the Future strategy. At a special kick-off event in June we brought together all our managers. The idea was to tell them about our journey so far and about our vision for the future. If they understand and become passionate about our mission, our vision, our mindset and our strategy, then they will communicate and cascade their enthusiasm to Reavis people throughout the Group. That way, we hope everyone will share the dream.

Acquisitions

We made a new acquisition in London at 61 Southwark Street, which will be our first refurbishment project in London. Cooper & Southwark building is located on the Southbank (GBP 44 million), close to the River Thames and perfectly complements our existing Central London portfolio. With this acquisition, we secured development of 7,133 m² of GLA.

Leasing activity and new clients

New tenants signed leases for no less than 42,300 m² of GLA (including sold assets), keeping our sales teams on their toes. We began to build relationships with a number of new clients - AC Nielsen (Warsaw) with 6,626 m² of GLA; Coface (Warsaw) with 2,257 m² of GLA and Yanfeng (Bratislava) with 2,602 m² of GLA.

Financing

The second tranche of our debut bond issue was welcomed by the market. In total, the whole issue attracted CZK 1.25 billion (€46.2 million).

Completions

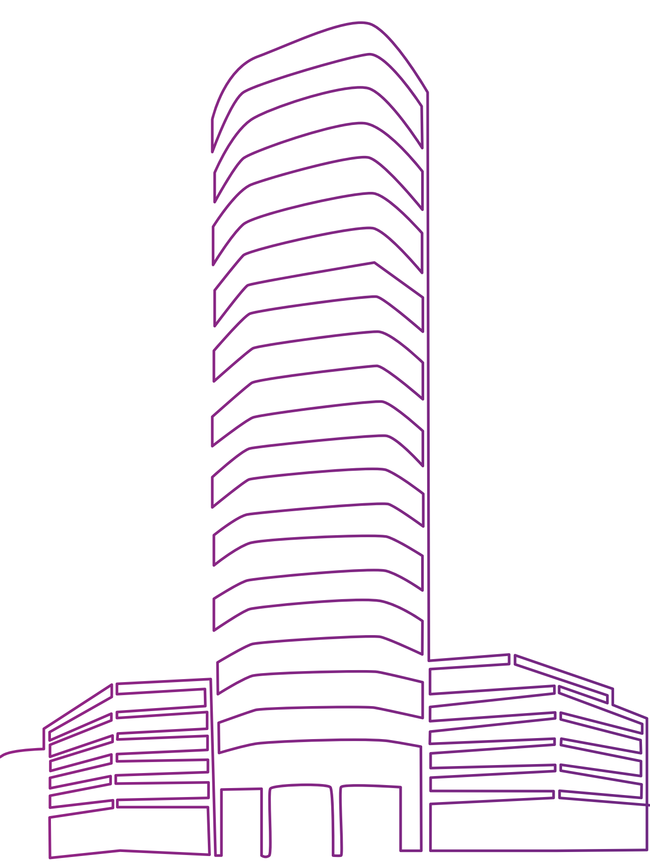
Celebrations as two of our top office projects received occupancy permits this quarter: Twin City B (Bratislava) and Gdanski Business Center D (Warsaw). Tenants were waiting eagerly for both projects we delivered to BREEAM 'Excellent' standard.

Construction starts

In September, we started the construction of another office project in Bratislava, Twin City Tower. The project is adjacent to and in terms of design meshes with our Twin City A, B and C buildings and will add a further 34,700 m² of GLA to this complex.

Divestments

HB Reavis Group and the HB Reavis CE REIF fund jointly sold a portfolio of logistics centres totalling 131,400 m² of GLA in the Czech Republic and Slovakia to the Macquarie Group. The portfolio consisted of four assets owned by the Group and the Fund and was sold for €74.9 million.



Q3

Leasing activity

Our total sales activity in the third quarter achieved 47,400 m² (including sold assets) of new leases. The largest of the new tenants is GE (4,102 m² of GLA) in Warsaw.

Financing

We signed a new €44.6 million facility agreement for our West Station I joint venture project with PKP (the Polish Railway Company).

Completions

Right on schedule, we received the occupancy permit for West Station I in Warsaw (30,800 m² of GLA). Our joint venture partner in the project, PKP, became the scheme's largest tenant with a leased area of more than 17,300 m² of GLA.

The occupancy permit arrived for Twin City C in Bratislava (23,700 m² of GLA), our third office building on the south side of the spacious Twin City complex. We completed the refurbishment of Centrum Bottova in Bratislava (6,161 m² of GLA). Over the next few years, it will serve as a temporary bus station while we further develop a landmark project, the Nivy Mall, which will also be home to a brand-new central bus station.

Construction starts

We launched the refurbishment of our third office project in London, Cooper & Southwark at 61 Southwark Street, which will allow us to provide 7,133 m² of new GLA to clients. The project is expected to come into operation at the end of 2017.

Divestments

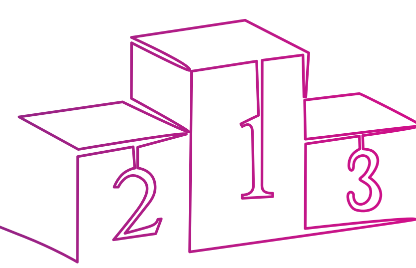
In July, we entered into a forward sale agreement with Wells Fargo for a disposal of our leading project, 33 Central (London), totalling 21,100 m² of GLA. This was the largest post-Brexit office transaction in the City of London. The forward sale will complete on construction delivery of the project expected in Q3 2017.

In September, we completed the sale of Konstruktorska Business Center (Warsaw) with 49,400 m² of GLA to the international real estate investment company, Golden Star Estate.

The HB Reavis CE REIF Fund sold Aupark in Piestany (Slovakia) for €39.5 million to New Europe Property Investments (NEPI). The sale was the third transaction between NEPI and the HB Reavis Group, following NEPI's acquisition of the Aupark Shopping Centers in Zilina and Kosice.

HB Reavis - Major European Developer

According to Property EU (September 2016) HB Reavis was ranked third among the leading European office real estate developers, based on size of completed office space in the period 2013-2015 (273,000 m² of GLA).



33 Central

Q4

Building the future

Following the kick-off for Building the Future in the early summer, special workshops were organized for all managers and people leaders so they can continue to communicate and discuss our "MVMS" (mission, vision, mindset, strategy) with our people. The workshops help everyone understand how all these aspects are present in all our jobs and in our day-to-day activities. They give insight into how and what we can do to make the change happen. And how we can all live the mindsets.

Acquisitions

In last quarter of 2016, we made two new acquisitions. In Prague, we agreed on acquisition of Mercuria, an existing income-producing office scheme located in Prague 7 (Holesovice) for €10.7 million. The transaction was completed in January 2017. We expect this location will become one of most dynamically developed areas of Prague, and we plan to redevelop this acquisition into a true class-A office building with approximately 17,800 m² of GLA.

Just before the end of the year we acquired the 0.6 ha Ryba plot in Bratislava. The current project includes an existing income-producing scheme. However, through the location of this acquisition we may be able to extend the southern part of our Twin City project. This would potentially open up new possibilities to improve the transport situation in whole Twin City zone.

Leasing activity

During the last quarter of 2016, our teams signed leases for a total of 28,300 m² of GLA (including sold assets). As a result, we welcomed a number of large new tenants, such as Fundacja Rozwoju Systemu Edukacji with 3,224 m² of GLA and HubHub with a leased area of almost 2,100 m² of GLA, both in Warsaw.

Financing

We also signed agreements for €12.0 million of new bank financing and launched two new bond programmes. The program in Poland will total PLN 500 million (approximately €116 million) and we issued the first tranche of PLN 100 million (€23.3 million) early in the fourth quarter. A program in Slovakia will total around €100 million, with the first tranche of €25 million issued in early December.

Completions

We completed construction of Aupark Shopping Centre in Hradec Kralove, Czech Republic (22,700 m² of GLA). As planned, we held the grand opening in November, just ahead of the holiday season. It was a great moment for us – this was the first Aupark we had ever built outside Slovakia!

Construction starts

The construction permit came through for our landmark Varso project in the centre of Warsaw. This scheme will add approximately 145,200 m² of top quality mixed-use space. And it will definitely be a flagship as a key part of the design by world-famous architects Foster+Partners will be the 310-meter Varso Tower. On completion in 2020, it is expected to be the highest building in Poland and one of the highest in Europe.

Valid zoning permit for Nivy Mall

Zoning permits for Nivy Mall and Nivy Tower, our landmark project in Bratislava, have also been received. This unique, mixed-use scheme will create around 134,000 m² of retail and office space and a bus station close to Bratislava's vibrant city centre. We are starting construction in May 2017 ready for scheduled completion in 2020.

Nivy Mall

Divestments

In the final month of the year, we were able to successfully divest another of our mature assets in Poland. Gdanski Business Center I (Warsaw), which includes buildings A and B totalling 47,800 m² of GLA, was sold for a total transaction value of €183 million to a global pension fund investor advised by Savills Investment Management. We also completed the sale of Twin City A (Bratislava), consisting of 16,500 m² of GLA. The first of our Twin City buildings was sold to IAD Investments at a transaction yield of 6.5%

The final highlight of the year was in the Czech Republic. We managed to close two divestment transactions. The first was the sale of River Garden II-III (25,800 m² of GLA) to Aviva Investors and LaSalle Investment Management for a total transaction value of a very healthy €83.9 million. The second was the sale of our brand new Aupark Shopping Centre in Hradec Kralove (22,700 m² of GLA) to HB Reavis CE REIF for a value of €88.8 million. Not a bad way to end the year.

Group at Glance

1 million
m² GLA developed

1.1 million
m² GLA under preparation

Operating profit
235.3 million

United Kingdom

€19.3m	operating profit
€337.3m	in investment property
35,981 m²	GLA under preparation

Poland

€131.0m	operating profit
€546.6m	in investment property
214,946 m²	GLA developed
260,046 m²	GLA under preparation

Czech Republic

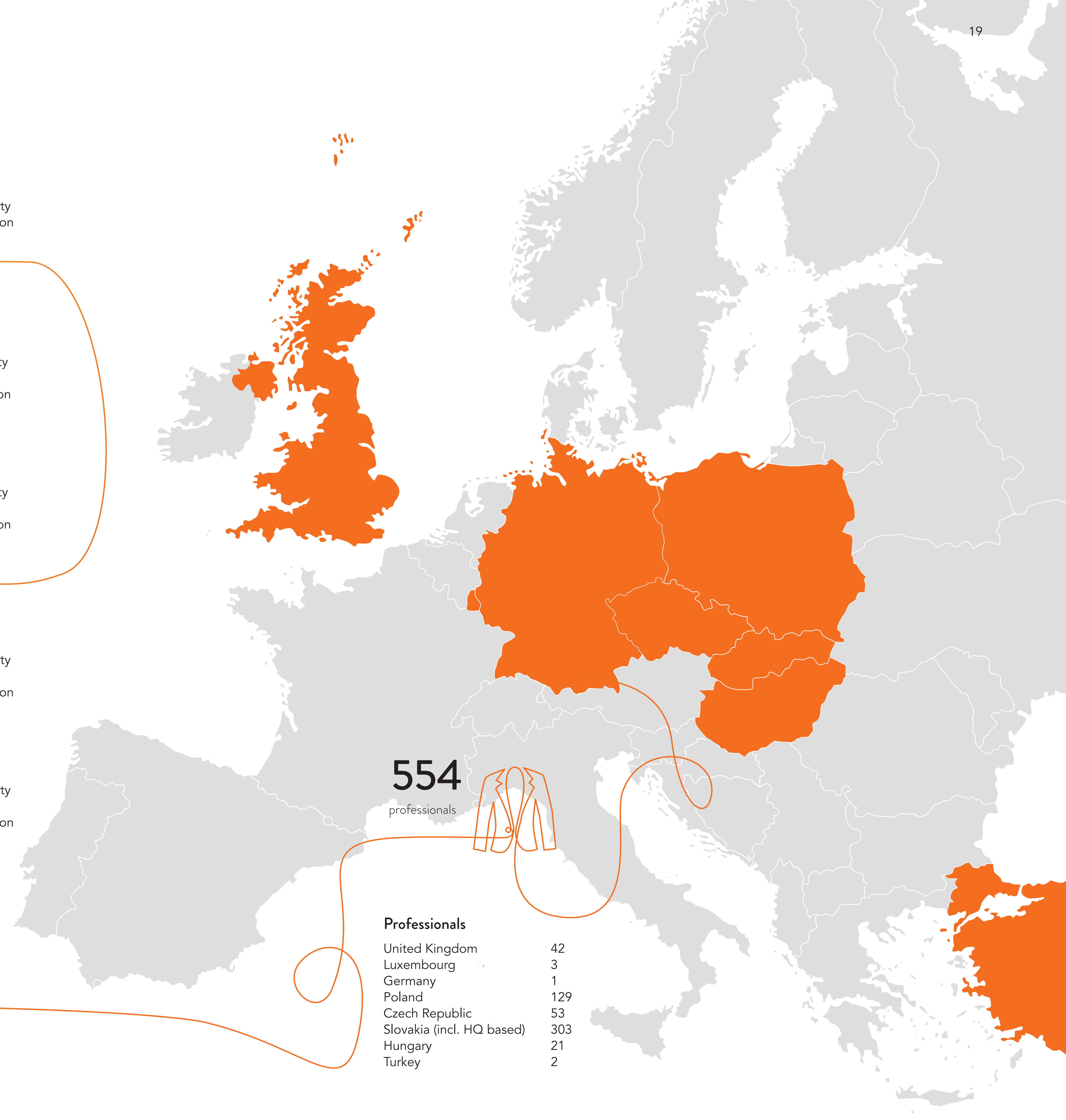
€46.7m	operating profit
€232.6m	in investment property
160,942 m²	GLA developed
152,280 m²	GLA under preparation

Slovakia

€41.7m	operating profit
€528.6m	in investment property
602,323 m²	GLA developed
486,746 m²	GLA under preparation

Hungary

€0.2m	operating profit
€49.1m	in investment property
21,603 m²	GLA developed
164,262 m²	GLA under preparation



554
professionals

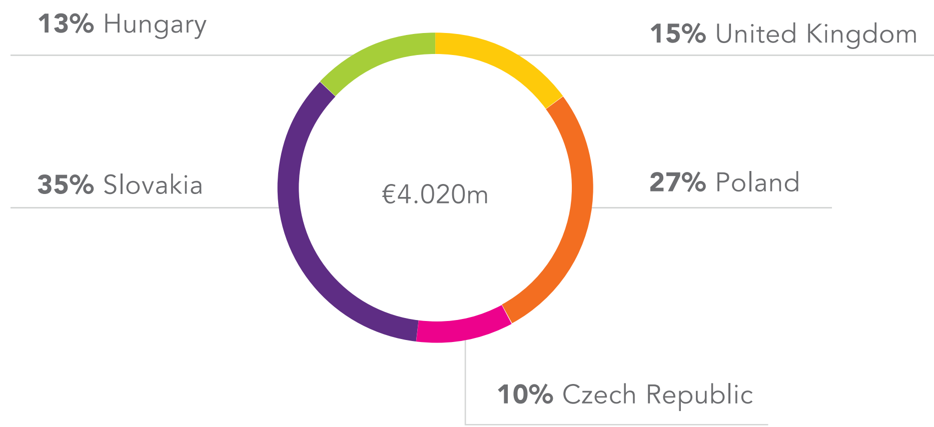
Professionals

United Kingdom	42
Luxembourg	3
Germany	1
Poland	129
Czech Republic	53
Slovakia (incl. HQ based)	303
Hungary	21
Turkey	2

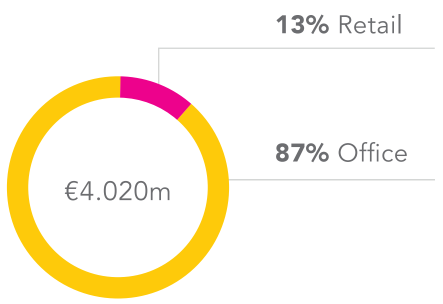
Note: Figures based on external expert valuations and management report.

Property Under Development

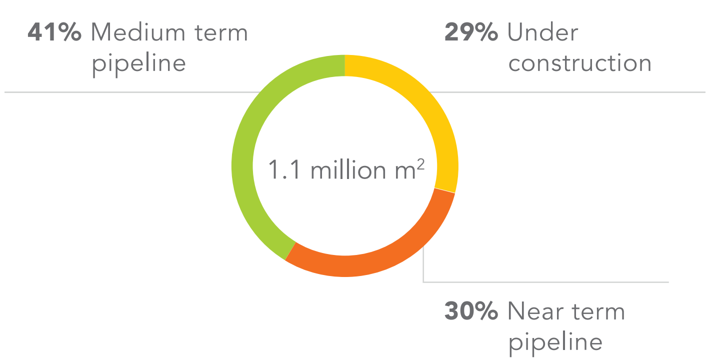
Market value upon completion by country



Market value upon completion by segment



Commited development and pipeline



Portfolio of properties under development

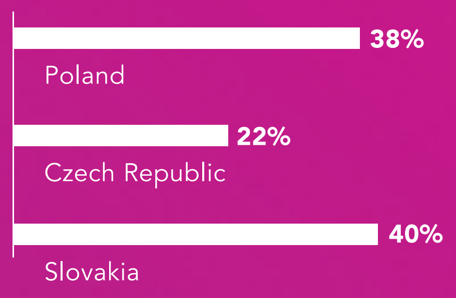
Country	No. of projects	Planned GLA (m²)	Market value upon completion (€m)
UK	**3**	**35,981**	**603.4**
Office	3	35,981	603.4
Poland	**6**	**260,046**	**1,067.6**
Office	6	260,046	1,067.6
Czech Republic	**5**	**152,280**	**426.1**
Office	4	120,750	327.2
Retail	1	31,530	98.9
Slovakia	**12**	**486,746**	**1,411.4**
Office	11	383,745	1,005.3
Retail	1	103,001	406.1
Hungary	**6**	**164,262**	**511.2**
Office	6	164,262	511.2
Total	**32**	**1,099,315**	**4,019.8**

Note: Figures based on external expert valuations and management report.

Asset Management Portfolio

Managed GLA, of total 370,520 m²

Market value by country, owned assets of total €876m



Market value by segment, owned assets of total €876m

Asset management portfolio

Country	No. of projects	Developed GLA (m²)	Market value (€m)
Owned income-producing assets	**11**	**305,024**	**692.3**
Poland	**4**	**117,758**	**337.5**
Office	4	117,758	337.5
Czech Republic	**2**	**77,542**	**108.9**
Office	1	34,069	76.9
Logistics	1	43,473	32.0
Slovakia	**5**	**109,724**	**245.9**
Office	5	109,724	245.9
Assets managed by HB Reavis IM	**3**	**65,494**	**183.7**
Total	**14**	**370,518**	**876.0**

Note: Figures based on external expert valuations and management report.

Message from Maarten J. Hulshoff

Looking back on 2016, I believe it will be remembered for a number of major milestones. A lot went very well indeed. Around €1 billion in disposals (in terms of gross development value) demonstrated the solidity and versatility of our speculative development strategy. This is how it is supposed to work – we acquire pipeline, we send that pipeline through our integrated development chain and lease our high-quality offices, primarily to our multinational clients. Then we exit. At year-end 2016, pursuing this strategy resulted in net leverage for the whole Group of around 17.4% and we started the new year in an extremely strong financial position. But 2016 wasn't all plain sailing. We had disappointments – some outside our control, others that might have been avoided. The net profit of €107.5 million in 2016 was certainly disappointing, especially in view of the €174.5 million revaluation gains. However, the single biggest negative was the 16% devaluation of sterling right after the Brexit vote, contributed to a €41.2 million FX loss on our sterling fixed and financial assets. Traditionally, our policy is not to hedge fixed assets; the same approach should not apply to financial assets.

2016 was also the year when the economic situation grew in stability and the political environment grew in uncertainty. After many years of stagnation in Europe and despite low-interest rate policies, there is positive growth all over Europe. The banks are back in business. There have been a lot of successful bond issues as corporates and investors take advantage of the low-interest rate environment. In fact, economically, Europe is looking better than it has for some time. In contrast, it is also rife with political uncertainty - Brexit and the tendency of many other European countries to think in terms of 'my country first'. Basically, there are currently many developments that are not in line with the original core values of the European Union.

While of significant concern, these developments only impact our business to some extent. Real estate is a local business. It's about spotting opportunities, acquiring plots, doing the construction and the fitting out. It becomes more of a regional activity when we are competing for multinationals' attention on the leasing market and in terms of exits and investor requirements on acceptable yield-risk reward profiles. So how does this work for HB Reavis? The Group has expanded over time from a local company working in one capital to the six capitals where we are active today as a multinational, fully integrated developer.

Originally, we focused on developing the actual bricks and mortar. Subsequently, we moved decisively into leasing, initially in the CE region. Then we expanded into a new market for us – the City of London with its very different construction and leasing dynamics. Often in CE, our office developments were focused on shared-service tenants. In London, our potential clients tend to be multinationals using the space for front-office regional HQ purposes. One example is 33 Central, our debut project in London, which will become Wells Fargo's European headquarters. We acquired the site three and half years ago when the market was just about to recover from the financial crisis and signed the forward sale agreement just after the Brexit referendum for an amount that was close to our asking price. It turned out to be a very profitable project despite FX loses due to the devaluation of sterling. Following this exit, we will be recycling the proceeds into new cornerstone developments in London.

This approach is no one-off. In Warsaw, we have built a sizeable portfolio and in 2016 exited two major projects – Konstruktorska Business Center and Gdanski Business Center A-B. Sales proceeds are being reinvested in our landmark projects, including a Foster-designed 310-meter Varso tower in the Polish capital. I think this says everything about our appetite to make project investments counter-cyclically. At times when others sit on the fence, we strike our deals. These are all office developments. In terms of retail, I was pleased to see the opening of Aupark Shopping Centre in Hradec Kralove, Czech Republic and the start of the construction of the Twin City Tower in Bratislava, which has great potential as part of the Twin City development.

We believe that negative conditions can also generate upward potential.

We certainly had a lot to celebrate in 2016. But we also had challenges as various geo-political developments in some countries had a negative impact on our business. I've already mentioned the Brexit vote and ensuing devaluation of sterling. In Poland, there were issues around transaction structuring. In Turkey, there was political instability and economic challenges. Despite these conditions, we stepped up our efforts in all these countries in line with our strategy. We believe negative conditions can also generate upward potential. As a result, we have a sizeable pipeline in all the countries where we operate. There was also a new market entry for us in 2016 when we expanded our franchise to Berlin, a capital city that attracts a lot of start-up activities. And which seems destined to become Germany's innovative high-tech hub. We had first considered market entry through acquisition. However, over time we decided to apply our tried and tested approach by allocating our own top talent to this new growth opportunity.

Talent is one of those concepts that keeps coming back when I think about HB Reavis. From the very beginning, there has been a clear commitment to finding, hiring and retaining the best. Over time, the Group's rapid growth has presented and still poses quite a considerable challenge for the Executive Board and the HB Reavis teams. They continue to work on, for example, aligning internal control processes so that the Group can consistently improve efficiency. This is all part of the ongoing transition to a professionally managed multinational organization.

Currently, we are also working on our People Leadership Program, clarifying our people strategy, living our shared vision to create an environment that inspires our people to work even more effectively and enjoy it. HB Reavis should be a preferred employer in the countries we operate; our team in Poland has won the first accolade: AON Hewitt's Best Employer 2016. What I personally appreciate is that the founder of HB Reavis has always been and still is very ambitious when it comes to educational and people-development projects. This has filtered down through the organization. The essence is that HB Reavis is not only about growing the business and being successful in it. It is also about looking at the other side of the balance sheet. This is clear from the hunt for talent but also the clear commitment to sustainability. How the Group works with suppliers and customers and the way we communicate internally - this is all part of corporate culture. It is about having a 360, open-minded approach to what we do, both internally and externally with all our stakeholders.

All credit to the teams in six capitals who delivered such an exciting year, combining local expertise with Group best practices to win us major awards, both European and national. I'm impressed with their capabilities, their hands-on deal and project focus, good team spirit and distinct lack of complacency, despite the fact that in many countries we are at least among the top three developers. I think that speaks volumes about the integrity of our organization and the hard-working ethic that is integral to HB Reavis. As a result, we can afford to apply our strategy of speculative office development whose projects have well-timed exits so that equity is freed up for reinvestment in our markets. I'd say we can look to the future with confidence and ambition balanced by growth and risk management and control.

On a final and sadder note, I would like to say a word about the Group's co-founder and my fellow non-executive director, Viliam Pancik who passed away in September last year at only 58. We miss his expertise, insight and commitment to the company he helped to create and express deep condolences to his family.

Maarten J. Hulshoff
Non-executive director

From the CEO

Dear partners, clients and friends,

another year has come to an end. Looking back, I consider 2016 a transition year for HB Reavis's business and for the team. It was also a year marked with a significant volatility stemming from geopolitical changes with a potential to shake up the status quo established after the World War II. That means we are still not out of the woods going forward, especially with regards to the future of Europe and EU as such.

For us, 2016 was a transitioning year:
1) consolidating our company culture,
2) accelerating the progress of our strategic initiatives and
3) preparing the team to step up in terms of our business aspirations in the upcoming years. To support what is ahead of us, we also had to
4) adjust our financial strategy to better prepare for our next company cycle.

Consolidating our company culture: Back in 2014 we started steering our company alongside revised pillars of HB Reavis's new direction: our Mission, expected Mindsets for our daily behaviours and Vision for 2019. These have been translated into our business activities by the senior management in the form of a robust set of strategic initiatives. Last year we cascaded the new direction to a broader organization, dedicating hundreds of hours of senior management to the change. The change program shall continue throughout 2017 and beyond as one of the key motives of our company culture is "The change is the only constant".

Accelerating strategic initiatives: I am very excited to report that significant progress has been made in putting key elements of our Vision 2019 into action.

I) Within our first, 'Being a trendsetter pillar' of our Vision we launched our Origameo advisory service with completion of first three end-to-end projects with superb feedback for the tailor-made workspace solutions. Our HubHub co-working platform transformed from an idea to a successful launch in Bratislava and Warsaw in April 2017. We also launched Client roundtable discussions across CE markets as part of our ambition to better listen to client needs and co-create our projects with them. I was also thrilled to see a launch of our Talks - inspirational events for our clients and partners, bringing global expertise primarily focused on drivers of high-quality workplace and employee productivity. Additionally, with the registration of our three projects, we became the first CE developer to focus on Well-being certification of our buildings. Many more initiatives have been progressing, including deeper integration of our construction supply chain and a step-up in quality of our construction site culture.

II) Within our second, 'People-focused pillar' of our Vision we spend significant energy on communication of our new direction and engagement with the team. Beyond that we kicked-off work on a redesign of our people leadership program. It shall revamp our practices including new employees' on-boarding, expectations setting for every role, providing feedback and evaluation, recognizing great performance, upskilling and personal development and redesigning the overall compensation strategy of the company. We plan the launch of the first elements throughout 2017 and we have a great expectations of the impact it will have for our organization engagement and cross-functional communication.

III) Within our third, 'International expansion pillar' it was a bit of a bumpy ride last year. In London, the Brexit vote increased the uncertainty about the market dynamics and prospects. However, we are committed to our long term ambition to become a leading developer in the city and with that in mind continue with selective additions to our pipeline. In Germany we explored a new expansion strategy through acquisition of established development platform. Unfortunately, despite being very close we did not succeed and continue through an organic buildup of the team in Berlin. Marcel, our colleague from the Board, decided to roll-up his sleeves and lead the business development on the ground with the plan to acquire first project in 2017.

The change program shall continue throughout 2017 and beyond as one of the key motives of our company culture is "The change is the only constant".

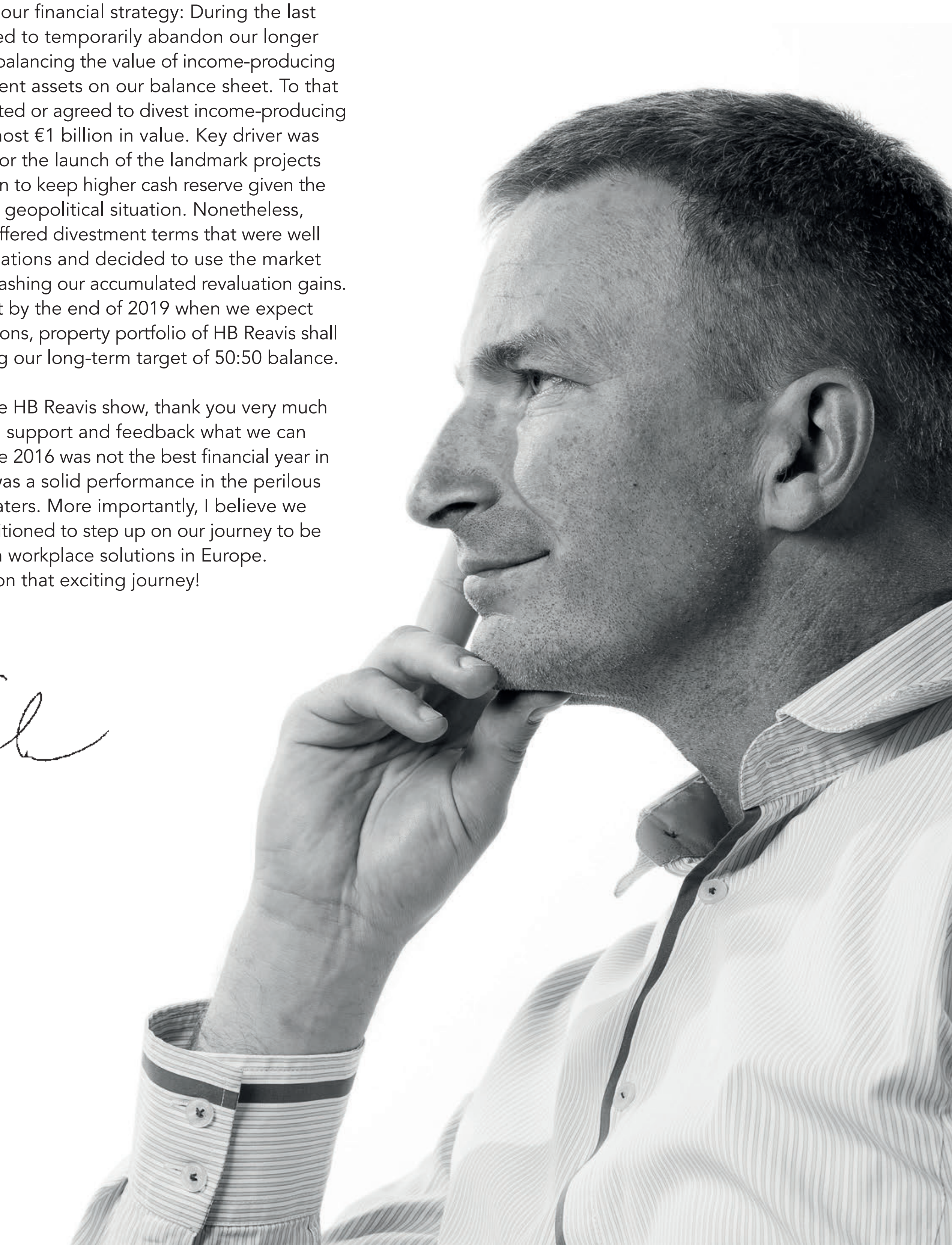
Preparing the team for a step-up: Towards the end of 2016 we were finalising preparation and permitting of three landmark projects - Varso Place in Poland, Nivy Mall and Tower in Bratislava and Agora in Budapest. Each of them is unique on its own for their respective city but have one thing in common - bringing a new quality of life and experience to people spending their working or leisure time within them. They represent around 350,000 m^2 of leasable area that we will develop over the next three years.

Beyond that we have ongoing developments and an ambition to deploy €300 million, the largest cash reserve in history of the company. This all will require significant capacities and capabilities of HB Reavis team. We planned for that and throughout the last year we enhanced our team by almost 160 talented professionals, increasing the team by almost 24%. While people selection has been challenging at times, we believe we are ready to step up and double our development activities in 2017 versus 2015.

Adjustment of our financial strategy: During the last year we decided to temporarily abandon our longer term target of balancing the value of income-producing and development assets on our balance sheet. To that effect we divested or agreed to divest income-producing assets with almost €1 billion in value. Key driver was a preparation for the launch of the landmark projects and an ambition to keep higher cash reserve given the volatility of the geopolitical situation. Nonetheless, we were also offered divestment terms that were well above our valuations and decided to use the market sentiment for cashing our accumulated revaluation gains. We believe that by the end of 2019 when we expect major completions, property portfolio of HB Reavis shall be approaching our long-term target of 50:50 balance.

Dear fans of the HB Reavis show, thank you very much for an ongoing support and feedback what we can do better. While 2016 was not the best financial year in our history, it was a solid performance in the perilous geopolitical waters. More importantly, I believe we are greatly positioned to step up on our journey to be a trendsetter in workplace solutions in Europe. Please join us on that exciting journey!

Pavel Trenka



Board of Directors

Non-Executive Directors

Ivan Chrenko

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

Viliam Pancik

Co-founder of the HB Reavis Group (till September 2016).

Maarten J. Hulshoff

Independent non-executive director of the HB Reavis Group for 8 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 (since October 2013)

Pavel joined HB Reavis in late 2007. As a former investment banker at Bank Austria and Associate Partner at McKinsey & Company he was primarily responsible for Group strategy, international expansion and transformation.

Marian Herman, CFO, Member of the Board

Marian joined HB Reavis in March 2010 and was promoted to Group Chief Financial Officer in November 2014. Marian has 19 years of experience in various financial, investment banking and investment management positions. In his previous role at HB Reavis, he was responsible for all the Group's divestments and the real estate funds business. Previously, Marian 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.

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 and the United Kingdom.

Robert Kantor, Member of the Board

Robert joined HB Reavis in 2000. Prior to his appointment to the Executive Board in 2013 he led our Asset Management and Retail Leasing activities. Following his promotion, he added responsibility for our Construction delivery across all countries. Before he joined HB Reavis, Robert managed a family business in the machine industry.

Our Vision

In 2014, we set ourselves a vision of where we want to be in five years, Vision 2019. It has three pillars:

I. Being a trendsetter in workspace solutions
II. Being the most attractive employer for industry professionals
III. Being a leading pan-European player with global ambitions

Last year, we were in the middle of our journey to achieve it and, overall, we believe we are on the right track. Our Strategy to deliver our Vision was broadened with a few strategic initiatives and we accelerated progress on others, going deeper into implementation. Despite the long delivery cycle of our projects, each of our pillars has already achieved something tangible in 2016.

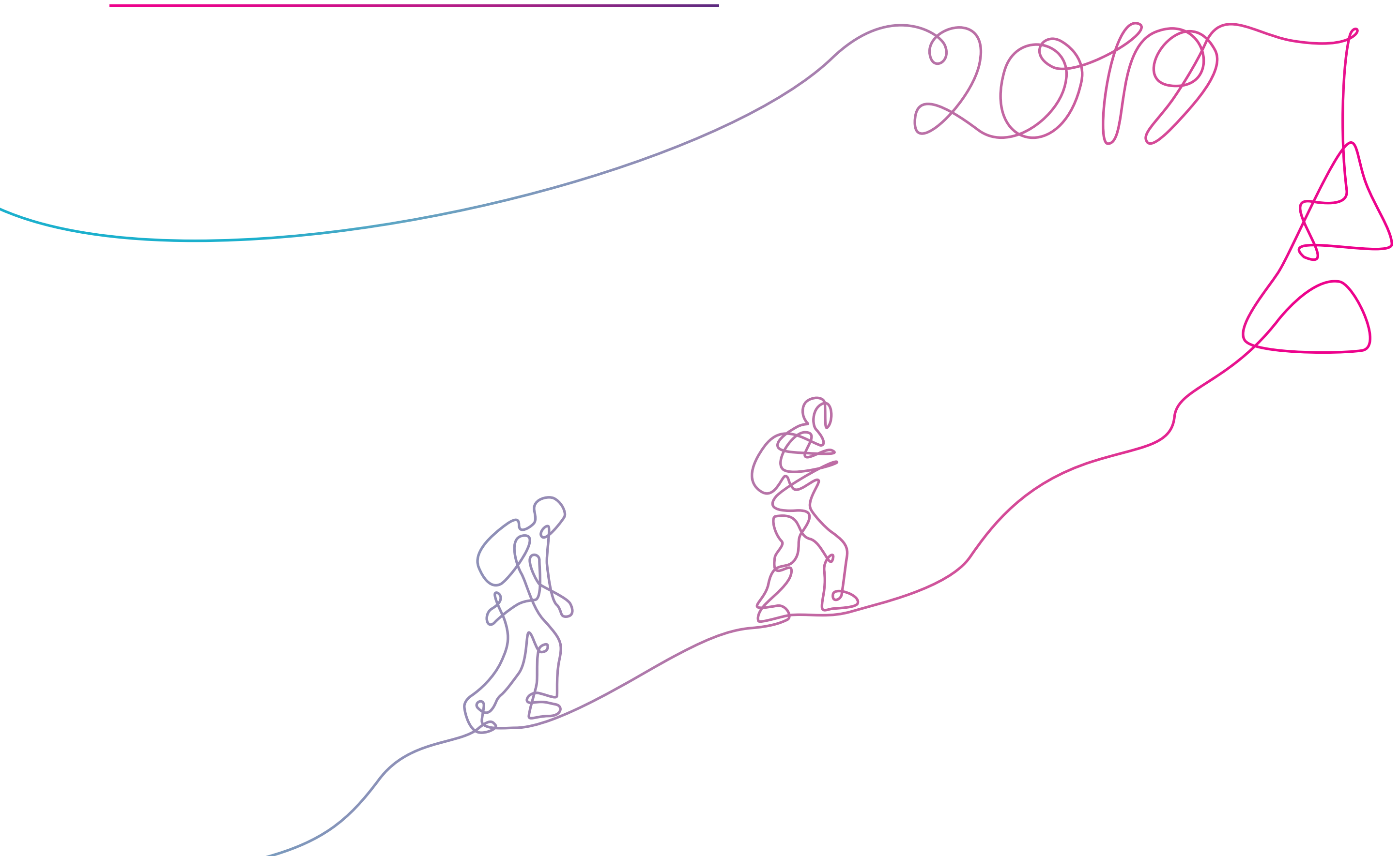
One, in the last two years we have been an overall market leader in office space solutions in Central European capitals. Our market share is close to 15% of all new supply, driven by multiple factors:

a) Unique, high quality products like Gdanski Business Center A-D in Warsaw, Twin City A-C in Bratislava or River Garden I-III in Prague
b) High client commendations of our teams for a flexible and client-centric delivery of modern workspaces, including SAP, KPMG, Aviva or PwC
c) Distinctive features of our developments such as enhanced greenery, active ground floors or range of services provided

Two, our team grew more in 2016 than ever before in a single year as 160 new professionals joined HB Reavis. Recruiting for such a record number of positions was only possible thanks to an improved employee brand. Engagement of our team (based on the AON Hewitt survey) ranks among the top in the CE region, with the Polish team winning the Best Employee award for 2016. Employee branding was also affected by ongoing organisational transformation which led to the largest staff turnover at about 13%, half of which was initiated by us. In most of the cases, staff departure provided an opportunity to improve the quality or fit for HB Reavis culture.

Three, the forward sale of 33 Central to Wells Fargo has definitely put us on the map beyond Central Europe. Divestment right after the Brexit vote brought us significant media attention, leading to high-quality investment opportunities being offered to us. Acquisition of the One Waterloo in April 2017, one of the premier development opportunities in London, provides a step up in our efforts to become a leading developer in the UK. In Germany, we attempted to expand through an M&A transaction but did not succeed in closing the transaction, even after six months of negotiations. Despite the delay, we are well on track to make our first entry in Berlin, where we have a small team already in place.

In principle, the Vision for 2019 is becoming a reality and we will need to review what is the next horizon in HB Reavis's future.



Our Strategy

Beyond core business strategy to be uniquely competitive and deliver on our Vision, we also include in our strategic thinking our acquisition strategy and financial framework for a completeness.

1. Core Business Strategy

We are ambitious. We aim to become the trendsetter in workspace solutions and to provide the best value proposition for existing and potential staff. To achieve both ambitions, we need to continually improve our delivery business model. That is why in 2016 we launched or continued a set of external and internal initiatives.

Externally focused initiatives are wide ranging but have one common driver: to exceed clients' and partners' expectations. They include:

a) Client at the centre
b) Constant innovation of our product
c) World-class construction procurement

Initiatives to become the most attractive employer at all our markets include:

a) Painting an ambitious future for HB Reavis team
b) Putting in place enablers and creating an environment in which our people can achieve our ambitions

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 developing and inspiring our people has become management's central focus. The whole Board is convinced long-term differentiation and success lie in creating an aligned environment that helps inspire our people to get behind our strategic goals.

What we achieved in 2016

I. Strategic activities to become trendsetter in workplace solutions

In terms of 'Clients at the Centre', we have been working to grow our capabilities to provide our clients with creative smart office space solutions. This helps them increase productivity and stimulates engagement and well-being in their employees. We first tested this concept in our own offices in Prague and Warsaw in 2015. Moreover, we have already been providing these services under the Origameo brand to selected external clients (Panalpina, Pixel Federation, ON Semiconductors) and have had discussions about the concept with many current clients and future prospects. The feedback so far is very positive.

In a separate initiative, we finalised and implemented a new business concept plan to attract a new segment of potential clients – freelancers and start-ups. As the Millennials become an ever-growing part of the workforce with differentiated working and lifestyle preferences, they need different services. We believe this concept could potentially bring more than just a new client segment for us. It could also generate a strong synergy between freelancers and start-ups and more traditional clients to jointly innovate ideas more quickly. We are opening (April 2017) our first co-working spaces under the HubHub brand in Bratislava and Warsaw, and we are preparing spaces in Prague and Budapest.

HubHub Warsaw

In addition, and in line with our understanding of changing client contractual needs, we are working up a more flexible approach to contracts. A second initiative could be to offer personal services to people working and/or living in the building – services that will save them time.

In terms of 'Product Design Innovation', we have embarked on a number of major trends. We are shifting our primary focus from investors and tenants to employees and the community. In other words, to people who use or interact with our products. Effectively, we are transforming from B-2-B business to B-2-C business.

Clients are tending to focus less on cost per square meter and more on productivity of their teams. We launched a few initiatives to capture that in our thinking, from co-creating our products real-time with clients to bringing global know-how to our existing or perspective clients through educational and inspirational "Talks" events.

'Traditional' notions of real estate are being disrupted and focus is shifting to technologies and services. We want to be leaders of this transition and have launched several partnerships to transform our buildings from 'hardware' to 'service-led product'.

Constant product innovation means we have to first create the right environment. This means building adequate capacity in the team and putting in place an update product design process. Both will enable different teams to be more aligned, productive and raise the overall design process to a higher level. Last but not least, we have started pulling together all our Research & Development activities while building up the knowledge library.

As an integrated developer, we know 'Construction Procurement' is a high art that HB Reavis understands well. That is why we continue to work on building an even more efficient chain of solid suppliers. Our aim is to improve our ability to source construction delivery more globally compared to our proven traditional model. We believe that the correct implementation of these activities could have a serious and positive impact on the quality and efficiency of our delivery. During 2016 and working in collaboration with our product design teams, we tested, piloted and adapted the procurement process with a number of suppliers. This enabled us to make a more precise selection of potential partners.

II. Strategic activities to become the most attractive employer in the industry

In 2015, we began communicating and implementing our redesigned operating model to our people. We impressed upon them how its key processes impact the development value chain, from pre-acquisition to delivery of the completed and leased project to the property management team.

Once we had sketched out the foundations, in 2016 we began 'Painting an Ambitious Future for HB Reavis People'. A massive communication and rollout of our Mission, Vision, Mindsets and Strategy framework (MVMS) followed – see also 'Our People'.

In terms of 'Creating Enablers', we felt there was room for improvement in our ability to listen to our people and in our internal communication. AON Hewitt biannual employee engagement surveys are used to show progress; we achieved our first 'preferred employer' rating in Poland in the second half of 2016, a position we aim to emulate throughout the Group. We hosted a lot of 'open door' events with employees that help define our international communication strategy.

Significant effort went into establishing team expectations. A number of key processes we redesigned for our Central Europe markets are now being customised and migrated to the UK and further elaborated and deepened for specific areas of our business. These will then be communicated and rolled out to related teams.

However, the biggest effort is going to our People Leadership Program that was initiated just before year-end. The program is extremely complex and ambitious and focused on how we want to work with people, how each employee can discover 'What is expected from me?', 'How am I doing?', 'How can I develop?', and 'What this will mean for me?'. But through this program we aim to achieve more – we aim to change the culture in our organisation, how we work and talk together, by completely redesigning people-related processes and systems. The full program is scheduled for launch in the second half of 2017.

2. Building Attractive and Sustainable Pipeline

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

a) Ensure continuity of the Group's high quality workspace offering aiming to bring remarkable experience to people
b) Develop 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 value add

Acquisitions of retail projects are 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 continue adding 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 UK and to some extent replicate our successful Polish story.
While Istanbul is 'on hold' we plan to push our presence in Germany and potentially to enter one additional new market beyond 2018. By then, 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 2016

During 2016, we worked specifically on reinforcing pipelines in Prague and London and on our optimal entry to Germany. We also analysed every reasonable opportunity in Budapest, Warsaw and Bratislava.

Central Europe

In Prague, we continued to build pipeline with our fifth office project – Radlicka. The well-located plot in Prague's Smichov was acquired in March 2016 with a plan to deliver around 28,600 m^2 of top class office GLA in around mid 2019. We also succeeded in acquiring Merkuria, an existing office building in Holesovice, Prague 7. This district, with its historical industrial past, is considered one with the highest potential for dynamic growth. Our plan is to re-develop the existing building, replacing it with a unique scheme aimed at millennials with significant shared economy elements.

During 2016, we completed the acquisition of the Bem Palace in traditional Buda down town, a prime location in Budapest. We acquired the project with valid permits allowing us to redevelop this partially historical building and to bring a truly top notch A-class office space to that location.

In Bratislava, we acquired a plot very close to our Twin City zone. The idea was to potentially enlarge the current development area. However, it is more likely that we will come up with a new, innovative solution which could potentially help with the tough transportation situation within the zone as a whole.

In Poland and in addition to the Warsaw market, we are also considering expansion to regional cities. However, we have yet to find the right opportunity although we are optimistic and believe options could materialise in the near term.

London, UK

In line with our commitment to grow a pipeline here, we acquired an existing office building at 61 Southwark Street in London. After a Brexit vote, we revised our market outlook assumptions for the short-term but believe in long-term fundamentals. With overall market activity subdued, we believe that at the turn of 2016 there is window of opportunity to enhance our development pipeline. Subsequently, we have entered into exclusive negotiations for unique development opportunities at major transportation hubs such as Waterloo Station and Farringdon Crossrail Station.

Other markets

In 2015, we decided to expand to Berlin. Initially, we considered a fast-track entry through the acquisition of an established platform. After failed negotiations in the last quarter of 2016, we decided our tried and tested way was the best route for us. Now, we are a building strong local team able to move on potential opportunities rapidly and flexibly.

With enhanced local leadership in Turkey, we are much more able to understand local market conditions, and identify the right potential local partners. Although we are ready for an entry, due to the macro-economic outlook and political unpredictability, we are more cautious and selective when evaluating opportunities. At present, we are more focused on creating build-to-suit projects or pre-lease options as we build visibility in the tenant market.

3. Financial Framework

First, our long-term aim is to achieve and keep a 50:50 share of development and income producing assets and consequently to keep the right balance on the risk/return curve. Since 2010, we have increased the share of development from 33% to 51% at year-end 2016. During last year, we decided to use a positive situation on the investment market and sold our matured assets in future gross development value of almost €1 billion. That fact will allow us to be better prepared for further international expansion and construction of a robust pipeline.

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 increase our target net debt leverage from the current 30-35% to 35%. However, our net debt leverage reached 17.4% at year-end, especially as a side effect of huge disposals of the assets with higher leverage.

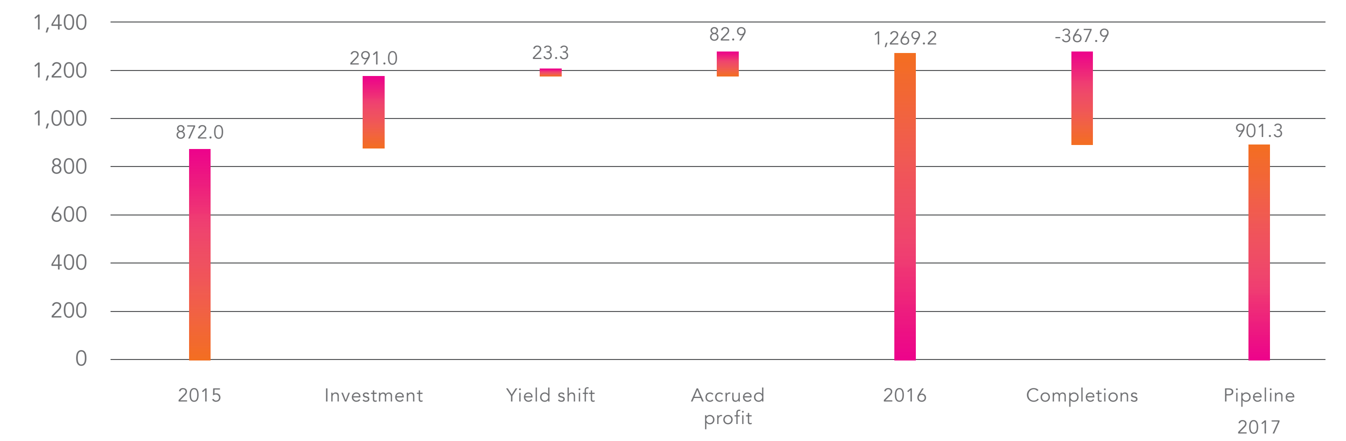
While both changes may gradually increase our risk profile, we believe our balance-sheet policy remains fairly conservative while providing us with more room to seize interesting opportunities in bottoming out/improving market environments.

Business Review

Real estate development is a very complex business, especially if you are an integrated developer. As one of Europe's very few fully integrated developers, this means our business is just as complex. And we make life even tougher for ourselves because our mission is to bring remarkable experiences to people through our real estate solutions. We aim to set trends in office space solutions. We aspire always find space for something more than clients and communities expect from us, something that will differentiate our projects from others. We believe this is a right way to create greater value for our shareholders, partners, clients and local communities. We have long been convinced this is the only right and sustainable way to achieve projected growth and desired return to shareholders. The reporting year, 2016, was another great year in terms of achievements, and without wanting to sound over-confident, confirming we are right.

Real Estate Development

Changes in Group development property value (€m)



The Development Landscape

Generally speaking, the stable development landscape continued in 2016. Nevertheless, our respective markets were all just that little bit different. London is clearly looking for the right answer to the Brexit. We saw the market peak and remain on top for a while, before net absorption data started showing a weakening of occupier markets and growing general uncertainty. Budapest continued growing and we think there is a real chance that growth will continue; the economic fundamentals are providing a very solid base for further growth in the coming years. Bratislava also continued its positive trend, with another year of increasing take up and decreasing vacancy rates. We believe that will continue in the coming years, as well. Very low new supply in Prague pushed vacancy down very seriously, however filling the big gap between supply and demand remains challenging for developers. The primary reason is the continuing general protracted and inflexible permitting process. There were no surprises in Warsaw. New supply is at historical highs, vacancy is racing towards 15%, so despite a relatively robust take up, the tenant market continues. Overall, we increased the share of development in our total investment property to slightly above the targeted 50% share of all our real estate properties. This quicker than planned move was due to our extensive disposals program in 2016. We saw a unique opportunity - highly positive investment market sentiment – and we took it. In the reporting year, we focused on both speeding up and growing the share of developments in the permitting stage and on progressing our projects in the construction phase. Similarly, we continued to build up our robust development pipeline for the coming years. During 2016, the portfolio value of core development property increased by €21.5 million (2015: €261 million) and at year-end achieved a value of €901.3 million, up from €872 million in 2015, representing a 3.4% year-on-year increase.

Factors that contributed to this result did not change significantly during the reporting year, but rather became even more important as their weight shifted:

Product design distinguishes us in the market

Through delivery of around 730,000 m^2 of leasable office space, we have accumulated significant know-how during our history. Perhaps it is because we have so much experience that we understand why talking to clients, identifying their needs and wishes and incorporating these quickly into our product design process is so important. Currently, we have a dedicated product design team of 50 employees working on client experience and technical innovation in our products. In recent years, we have made significant progress in these areas:

We are trying to bring international expertise into our projects. That is why we have retained the services of highly acclaimed architectural studios such as Benoy, Fosters+Partners, Make, John Robertson and Allford, Hall, Monaghan, Morris (AHMM), for some of our recent flagship and landmark projects.

We are elevating our sustainability standards and design goals to at least BREEAM 'Excellent' and we aspire to comply with Well-being standards as soon as feasible. Each project design is tested on the potential user experience in terms of daylight quality; interactions between dedicated office space and shared spaces (primarily on the ground floor or roofs); effect of greenery and thermal control on users.

Growing leasing and marketing capabilities

As our pipeline portfolio continues to grow, we have invested the same effort and resources in building the leasing and marketing teams across the Group that will ultimately offer these projects to our clients. These teams work on consistent and efficient utilisation of Group know-how accumulated over 24 years.

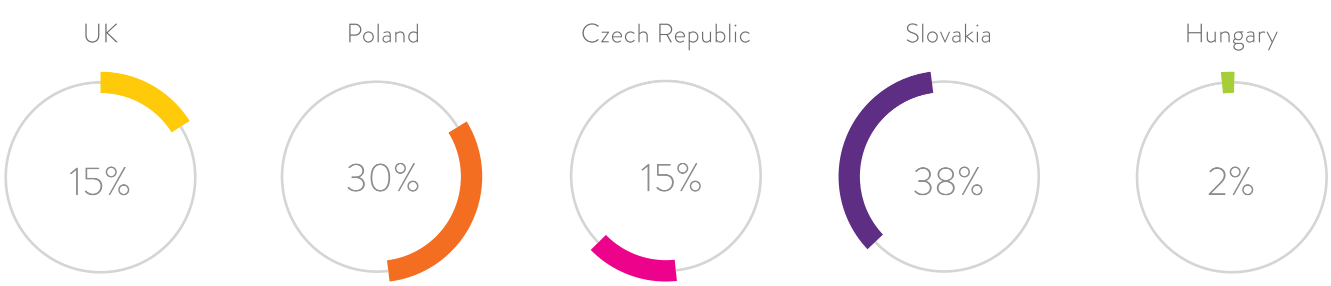
Based on a number of drivers, 2016 has to be seen as a successful year for our leasing and marketing teams:

- We continued to grow our teams to match our appetite and now have almost 60 professionals working with clients and cultivating relationships.
- We further increased focus on quality and differentiation of our projects. Clients are showing more appreciation for the complexity and quality of projects; often, discussions are about more than cost alone. As a result, clients often commit to our products even before the buildings are completed.
- This trend is clear in the way we work with clients such as Panalpina, ON Semiconductors or Pixel Federation. They all have complex needs and want more than a traditional fit-out delivery. By working closely with them, our teams were able to create tailor-made solutions for them. This is one way to exceed customer expectations.

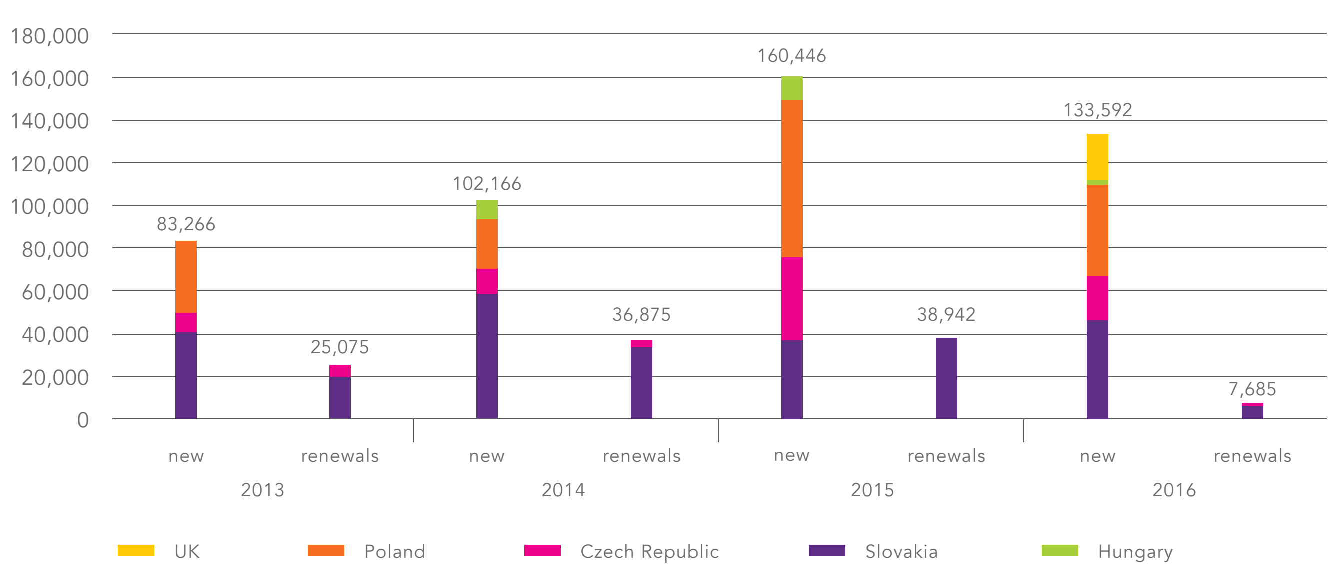
As noted, it was a good year. Our leasing teams signed contracts for about 141,000 m² of GLA, down by roughly one-third compared to 2015. However, what is truly remarkable is that almost 95% represented new leasing contracts.

If we consider how challenging the situation is in some of our markets, then this result is really remarkable. Our ability to keep our leasing performance at very high levels in recent years (we are number one in both Warsaw and Bratislava) makes us quietly confident and rather more optimistic that we will be able to achieve similar results for projects currently in our pipeline. In 2016, in line with our scheduling, we completed and delivered to the market 114,000 m² of office GLA; for 2017, we will deliver an additional 66,200 m² of GLA. In subsequent years, we plan to deliver between 110,000 and 150,000 m² of office GLA annually. That is why our leasing capability and performance continues to be a crucial factor in our potential future success.

Leasing activity by country 2016



Leasing activity



Progress in the permitting process

Permitting as a contributory factor to value creation in our development activities improved slightly, even though it once again lagged behind expectations. We achieved remarkable progress on Varso, our landmark project in Warsaw, on Twin City, Nivy Mall and Nivy Tower, our flagship project in our original home market, Slovakia. Agora in Budapest received building permits in March 2016 and so was added to our work in progress. All of these developments helped to materially increase the value of our portfolio in the reporting year.

Construction cost management

Efficient construction is a way of life at HB Reavis not least because it has the potential to differentiate us in the market. We are consistently and systematically focused on reducing costs through cooperation between our specialised procurement team and local construction management, all without compromising on the quality of the project. Our international expansion has been robust and it has taught us a lot, especially about solving the many challenges that can arise from the specifics of local markets. In the reporting year, we continued our strategic project to integrate selected supply-chain partners into our development process, from product design (also through 3D project documentation) through delivery to the construction site. Another strategic initiative is a global sourcing of our construction deliverables. We see both as crucial in enhancing our competitiveness and value creation for all stakeholders.

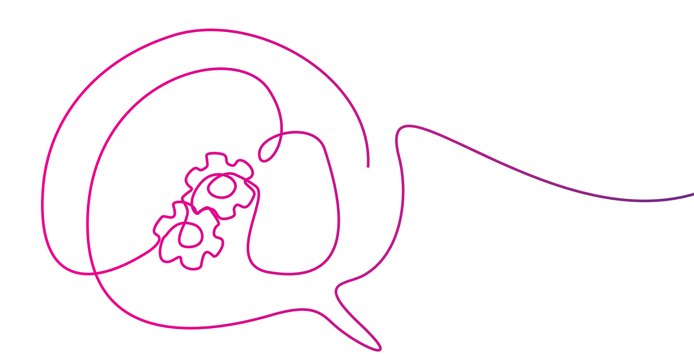
Development Portfolio Structure and Performance

International expansion and a primary focus on the office segment are shaping our portfolio in terms of geographical and segment structure.

Geographically, the structure of our whole development portfolio is shifting, with the UK and Poland clearly increasing in weight. At year-end 2016, the share of UK assets represented 15% of the whole portfolio; Poland 27%; Czech Republic 10%; Slovakia 35%; and Hungary 13%, all based on the expected gross development value. As far as segments are concerned, during 2016 the strategic focus on office development represents its share at 87% of our development portfolio value, while the share of retail keeps 13% based on gross development value.

Developments in the office segment continued to achieve robust growth, adding around €339 million and reaching a total of €1,129 million (including completed projects before transfer to property in use). In terms of creation of value net of the required investment to achieve the value growth, office properties contributed €69.2 million (net of the yield shift).

Our strategic plan is to keep the HB Reavis balance sheet balanced – with the long-term share of the development portfolio in our total investment property at around 50%. However, in 2016, this aim was set aside - exceptionally and opportunistically – due to the huge impact of the disposals of mature assets (for more please see the section on 'How We Divest Assets', page 89). If non-core assets are excluded, the share of the development portfolio increased to 51% (2015: 47%).

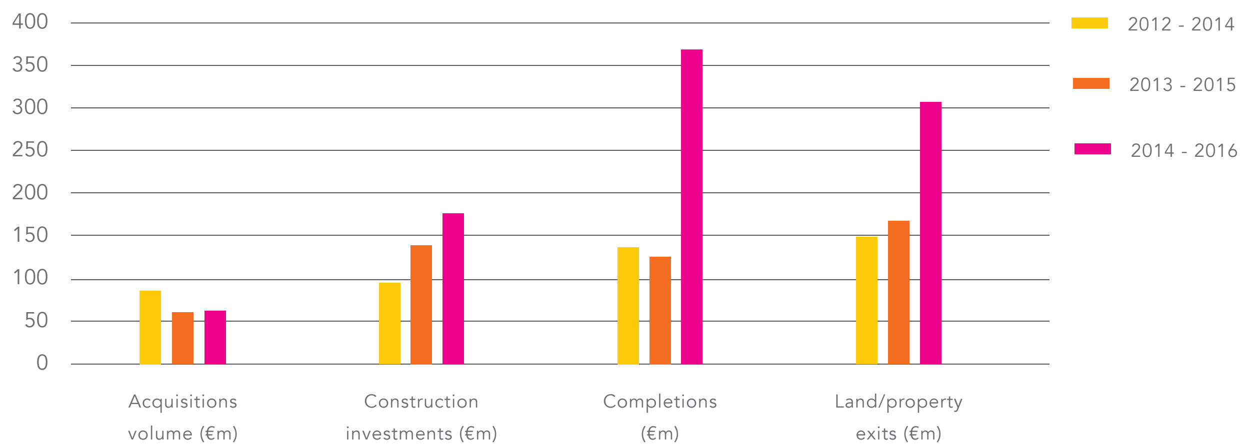


HB Reavis development total	GLA (m²)	ERV	GDV	Value change	Investment
Office	1,006,407	214.0	3,562.0	339.0	169.8
Retail	157,270	35.2	592.3	58.2	33.7
Total development 2016	**1,163,677**	**249.2**	**4,154.3**	**397.2**	**203.5**
Additions to porfolio 2016	**66,133**	**16.6**	**288.5**	**73.3**	**87.5**
Completions 2016	**130,495**	**26.9**	**423.0**	**148.2**	**102.6**
Office	964,784	209.3	3,514.7	238.9	185.8
Retail	134,531	29.6	505.1	10.1	2.7
Total pipeline for 2017	**1,099,315**	**238.9**	**4,019.8**	**249.0**	**188.5**

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

The continuing increase in the whole development portfolio's performance is also clear from 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.

Group development activity, moving averages 2012 - 2016



Market Review 2016

Investment market

The European real estate market remained strong in 2016, in spite of political uncertainties. Moreover, Central European markets are now playing an ever-increasing role. Investment in European commercial properties was just as strong as last year; investors sought safe and stable returns in the low-interest rate environment. High demand for good quality real estate products resulted in yield compression across European markets. Although investment activity was 8% lower compared to the record levels seen in 2015, if we exclude the UK then transaction volumes increased by 7%. In spite of the short-term dip in the UK market in response to the referendum result, the UK remains the largest investment market in Europe, followed by Germany. Investors continue to see the UK market as an attractive investment target. Central Europe, with a more than 35% increase in investment activity, had the best performing markets in Europe, largely benefitting from the spill-over effect from core western markets and increased allocation. Investors are attracted by strong fundamentals and yield spreads. With the European Central Bank (ECB) maintaining quantitative easing, real estate continues to be an attractive asset class, offsetting political turbulence.

In 2016, overall transaction volumes in CE investment markets amounted to €10.7 billion, an exceptional increase of 35%, whereas Hungarian and Slovak markets grew by 115% and 135%, respectively. Deal activity was influenced by new investors entering Central Europe – GIC acquired the P3 CE logistics platform from TPG for around €1.3 billion.

In Poland, investors of South African origin accounted for over €1.4 billion in transactions or 75% of the total retail sector deal volume. One of the major global pension funds entered the Warsaw office market through the purchase of our Gdanski Business Center A and B via Savills Investment Management. In addition, Warburg HIH and Hansa Invest also entered the Warsaw office market with acquisitions of Prime Corporate Center and Atrium 2, respectively. Noteworthy is also the acquisition of Q22 by Invesco for €273 million. Purchasing at the bottom of the rental cycle and long sustainable leases were among the key drivers.

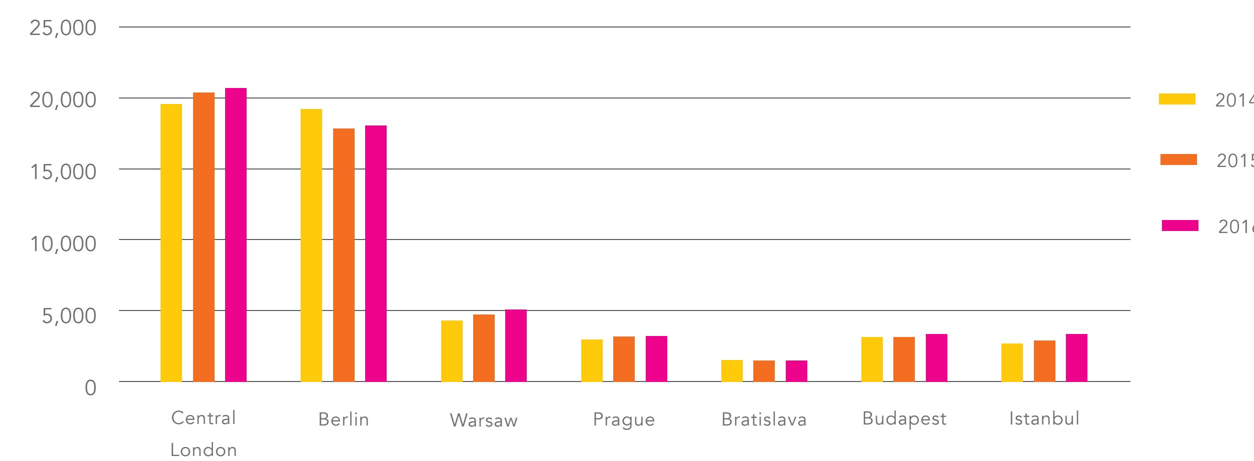
Transaction volumes in the Czech Republic reached €3.6 billion, representing the highest ever level and a 36% increase compared to 2015. The Czech investment market benefitted from the political situation in Poland as well as investors seeking diversification from Poland. We see substantial weight of capital focused on the Czech Republic though it is largely limited by the availability of institutional products. Key transactions included Deka's acquisition of The Park for €360 million from Starwood Capital and the purchase of Florentinum by CEFC for over €280 million – the first major office transaction by Chinese investors in the Czech Republic.

Record investment volumes were also booked in the Slovak real estate market, where the €0.8 billion level achieved in 2016 is 25% higher than the last peak in 2005. The strong performance of the Slovak market is attributed to improving liquidity and attractive opportunities compared to other CE markets which lack good quality products. Cross border transactions accounted for 85% of the total deals. As in Poland, the greatest activity was in the retail sector where Allianz Real Estate acquired Central Shopping Center in Bratislava for €175 million. New Europe Property (NEPI) acquired the Korzo Prievidza and Aupark Piestany shopping centres, both in regional cities. Investor momentum and appetite for high yielding products lead to something of a revival in the Hungarian real estate market. Although domestic investors still accounted for the highest shares (30%), the market saw inflows of new capital, mainly from investors based in US, Germany and Austria. Noteworthy transactions include the sale of the Millennium Cite Center office to CA Immo, which was the largest single office deal on the Hungarian market.

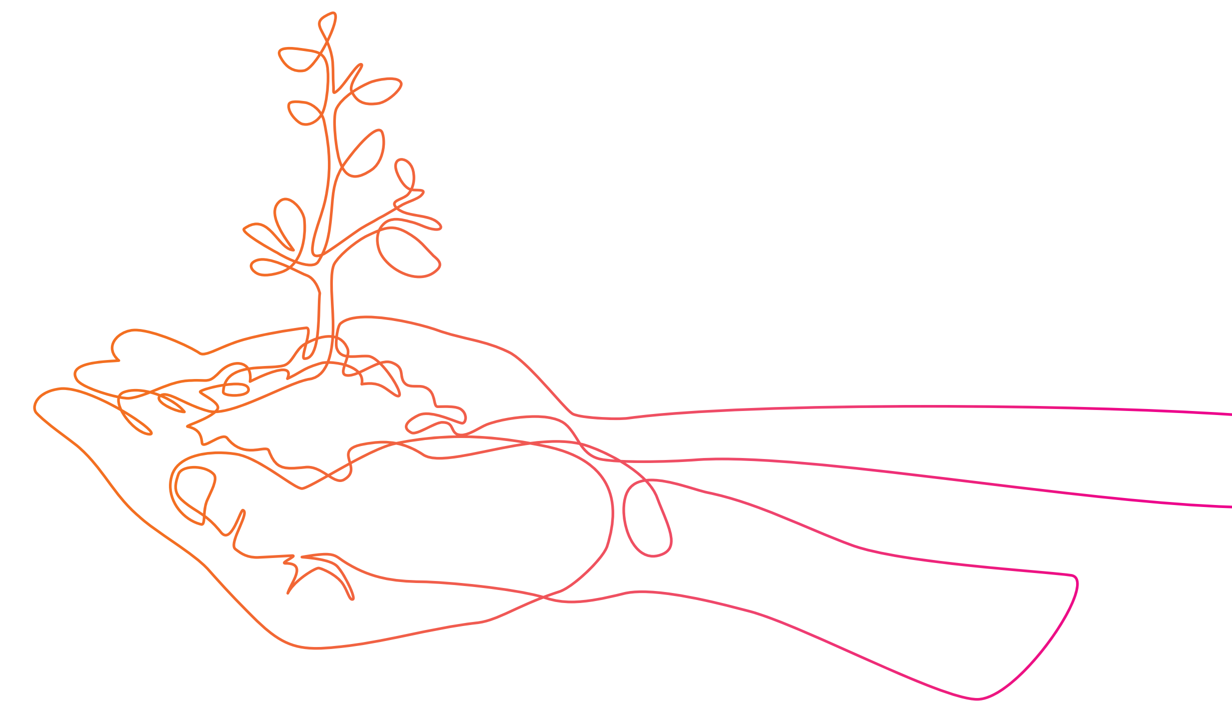
The stock

Average growth of total office stock in our four Central European capitals speeded up slightly to 4.1%. In the office segment, new supply was 633,000 m². This represents an 18% year-on-year increase with no change in allocation to each capital. Warsaw's office stock is still the largest surpassing 5 million m² in 2016, followed by Budapest with more than 3.3 million m², Prague with 3.2 million m² (there was actually a slight decrease in stock here), and Bratislava in fourth place with more than 1.6 million m².

Total office stock (thousand m² GLA)



Note: Figures based on external expert valuations and management report.



Hello!

Country Review – UK

Only three years in the market and only three projects so far, HB Reavis seemed to be picking up an inordinate number of top, prestigious awards in 2016. Nominations came in for Developer of the Year (Property Week) and Best Newcomer 2016 (CoStar Awards), both for our 33 Central debut project which also made the Estates Gazette's Top 10 biggest office deals in the City during 2016. We were perhaps happiest with our shortlisting for MIPIM UK's Visionary Developer of the Year. 'Visionary' is a description HB Reavis likes a lot and we are equally happy to be perceived as a disruptor in the City market. Why have we earned that particular 'accolade'? Because our integrated business model is pretty rare in the UK.

Tomas Jurdak

33 Central

Economic trends in the UK

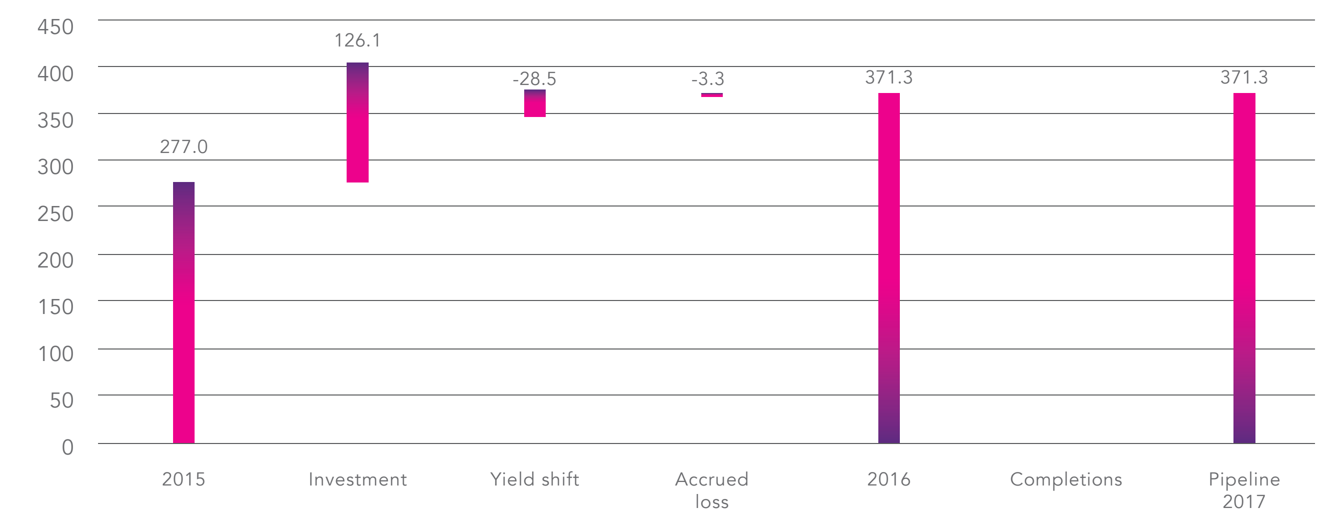
There is no way round Brexit – the referendum vote in June 2016 that determined the UK would exit the European Union. Any review of economic trends in the second half of the reporting year is all about the UK's commitment to leave. There is significant uncertainty about that process. Will the UK remain in the single market? What will the 'divorce' settlement look like? How will it impact the City? Will UK-based financial institutions retain 'EU passporting rights' allowing them to sell products throughout the Union? And what will all this mean for the prospects for real estate in the square mile?

Market trends

From a UK property perspective, Brexit is a key issue, especially its impact on UK office occupation demand. Increasingly, though, Brexit is being viewed as merely a part of a wider perceived risk of EU fragmentation. In fact, a UK departure looks increasingly like EU political mismanagement rather than UK exceptionalism. Nevertheless, London is a risk epicentre, due to its role as Europe's financial hub. While London's finance sector may risk losing 'passport rights' to the EU, the EU risks losing a major part of its financial infrastructure that is not readily reproduced outside of London. Despite threats by finance companies to 'decamp' to EU venues, the scope is very limited. In the last decade, the financial sector was decreasing as a result of the technological changes. Several large technology and media companies have recently made large long-term HQ commitments in London, citing unrivalled concentration of expertise and talent. Our disposal of 33 Central to Wells Fargo is a clear example. The remarkable feature of the EU referendum result has been its limited impact on UK occupier markets. Domestic facing firms look immune. The impact on London is clearer, with net absorption data showing that occupier markets weakened. Much of this weakening may be linked to banking and finance 'north shoring' of back office functions to less expensive locations. Likewise, the acute lack of space in Central London means that many potential occupiers simply cannot find space to take. The final chapter is far from written, but as Brexit negotiations approach, outcomes are far from certain.

Looking back over 2016, we saw the tenants market become passive for a few months after the referendum and there was increased focus on extending existing leases. However, the market stabilised before year-end and few significant leases were completed. In terms of rental levels, these remained unaffected but we did see increased signs of pressure on incentives. The market seems to have peaked in terms of capital values terms of capital, but we do not expect significant correction or decline because of the favourable demand and supply imbalance, where there is a limited amount of new space being delivered to the market.

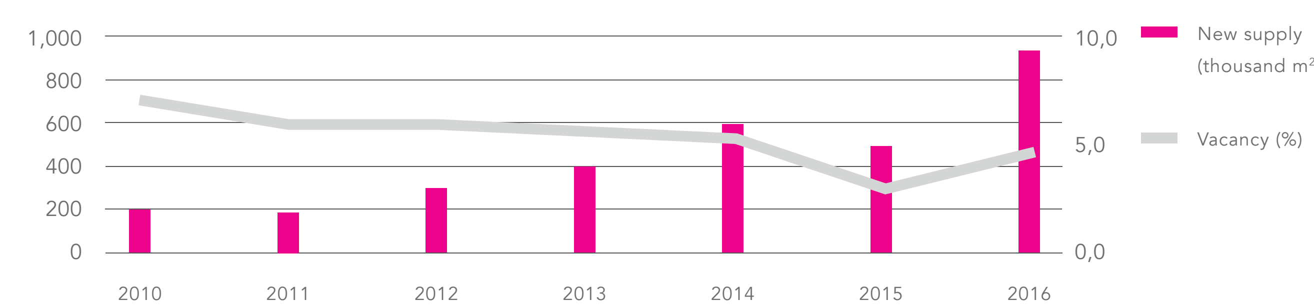
Changes in UK development property value (€m)



HB Reavis development UK	GLA (m²)	Valuation					ERV	GDV	Value change	Investment
		2012	2013	2014	2015	2016				
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	35,981	0.0	79.0	148.3	277.0	371.3	28.6	603.4	94.3	126.1
Projects in preparation	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total 2016	**35,981**	**0.0**	**79.0**	**148.3**	**277.0**	**371.3**	**28.6**	**603.4**	**94.3**	**126.1**
Total pipeline for 2017	**35,981**	**0.0**	**79.0**	**148.3**	**277.0**	**371.3**	**28.6**	**603.4**	**94.3**	**126.1**

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

Central London



Source: CB Richard Ellis, Jones Lang LaSalle

HB Reavis in the Market

London is a very competitive environment with all top international players and local REITs playing a significant role. HB Reavis is not-yet-significant in terms of size or number of projects, but we certainly got noticed after the sale of 33 Central to Wells Fargo, which was the first deal after the Brexit referendum. Our strength is creativity, innovation and an informal approach, which have attracted an interesting supplier base. During 2016, we further expanded our very professional team to over 40, enabling us to cover all phases of real estate development. With many of the pieces now in place and following the disposal of 33 Central, we are driving our two other projects that are under construction: Cooper & Southwark that we acquired in 2016 and 20 Farringdon Street.

Looking ahead, we will focus on further building our presence in the UK. We are planning further significant investment in this market to achieve a long-term strategic target of allocating one-third of the HB Reavis balance sheet to UK market. The post referendum uncertainty opened new wave of opportunities, which considering the long-term view, could be attractive for our pipeline. We will further invest in developing and upskilling our team, because we have the ambition to be one of the top five real estate office developers in London.

Projects Under Construction

33 Central
London

It was once and forever an exceptional milestone in HB Reavis' history. The acquisition of an existing office building at 33 King William Street in the City. The 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 was supposed to become one of our landmark projects. And that is exactly what has happened. Demolition of the original building started in July 2014, construction itself one year later. In 2015, we decided on a 'rebranding' to 33 Central (21,105 m² of GLA). In the meantime, the project has taken the UK Property Award for the Best Office Architecture and Development. Construction work has been progressing towards delivery during the third quarter of 2017. Then the leasing negotiation with potential tenants turned into the opportunity to forward sell the building to Wells Fargo, the third largest US bank by assets, in what became the first major real estate transaction after Brexit (for more information see 'How We Divest Assets', see page 89). We are looking forward to handing over this top class project to the new owner at the end of summer 2017.

20 Farringdon Street
London

The existing office building at 20 Farringdon Street was acquired in October 2014 for GBP 29 million. The building already had valid planning consent in place for the redevelopment of 6,800 m² of new office GLA. The project has an excellent location in London's mid-town, just a short walk from the headquarters of international companies such as Mizuho, Deloitte, Amazon and Goldman Sachs. After the acquisition, we decided to optimise the project's concept and design in order to increase size and quality of floor space. Ultimately, we managed to achieve 7,743 m² of GLA, some 14% more than originally permitted size. We started the demolition of the original building in June 2015. The construction is progressing with some delays and we aim to complete the project in March of 2018.

Cooper & Southwark
London

In April 2016, we acquired Cooper & Southwark, our first refurbishment project in London. The project's location on the Southbank perfectly complements our existing Central London portfolio. The Southbank attracts tenants from various business segments such as accountancy, professional services and tenants preferring the location as a more economical alternative to the West End. With the acquisition, we secured development of 7,133 m² of office GLA. The cost of the acquisition was GBP 44 million. We aim to deliver the project to its tenants at year-end 2017.

Cześć!

Country Review – Poland

We love the Polish capital and Warsaw certainly seems to love us. Once again, HB Reavis is the leading commercial developer in the city. We aim to stay on top, continually reinforcing our reputation for delivering top-notch quality projects. And then exiting them at the right time and for the right price. That is how we pursued the two largest transactions in the Polish office market by divesting Konstruktorska Business Center and the first phase of our Gdanski Business Center. We can now pump back the proceeds into even more landmark developments, such as the Foster+Partners designed Varso office project with the highest tower in Poland where we started construction in December 2016. The delivery to market of our West Station I saw the city's office stock exceeding five million m^2 for the first time ever. Our sales team signed lease contracts for almost 43,000 m^2. If that was not enough, then the AON Hewitt survey awarded us the 'Best Employer' label. So you will understand why HB Reavis' Polish team – and our clients – are feeling the love.

Stanislav Frnka

Received CIJ's award 'Leadership of the Year 2016'

Varso Tower

How the economy is doing

Poland's economy lost some of its momentum in 2016. Estimates released by the government Central Statistical Office (GUS) at the start of this year indicate that Gross Domestic Product (GDP) grew at its slowest pace since 2013. This in spite of buoyant and even robust household spending (3.6%) on the back of an improving labour market, low inflation (although this was at its highest rate in four years) and government stimulus packages. Unemployment is down to 8.3% and indications show it is set to decline further. Consumers are taking full advantage of relatively low oil prices and strong credit growth. Exports are healthy. However, as in the rest of Europe, fixed investment has contracted due to reduced EU development funds, concerns over Brexit and uncertainties related to the heavy electoral year ahead in the region.

Market trends

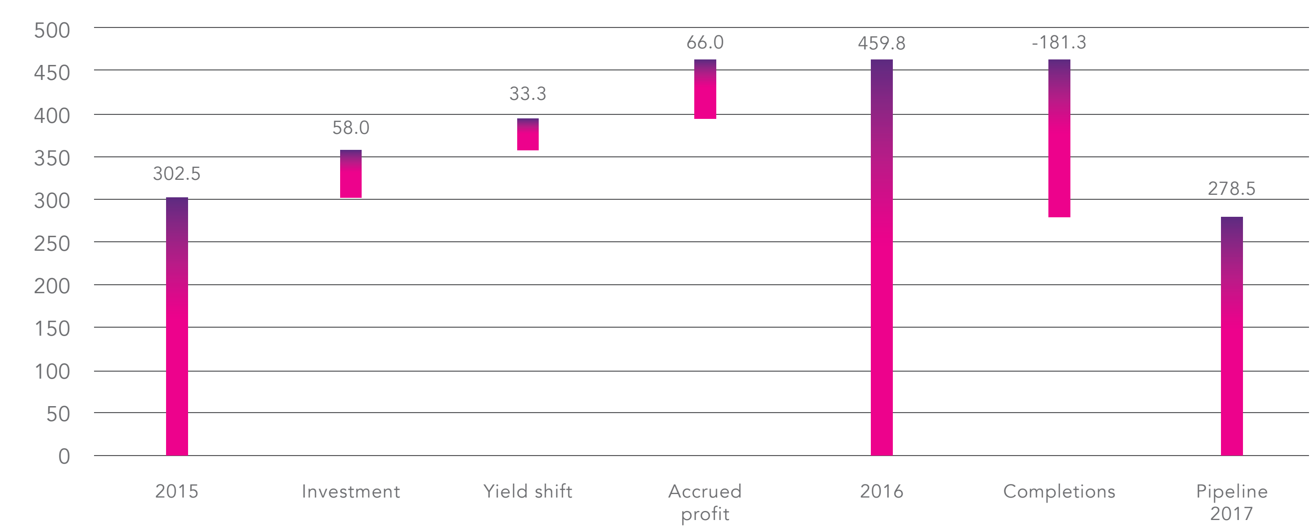
This economic landscape contributes into an exciting operating environment for us. Clients continue to benefit from the – comparatively – favourable economic situation as it gives them significant opportunities to develop their businesses and increase potential revenues.
At the same time, Warsaw remains very much a tenants' market. Take-up volumes may be large (in spite of a 12% drop on the previous year) but vacancy is expected to exceed 15% into 2017 at a time when annual supply is at a historic record high – over 440,000 m^2 in 2016, of which HB Reavis contributed 60,600 m^2. Against this backdrop, there are a number of clear trends. The first is the ongoing growth in specific tenant requirements, especially when it comes to work-life balance solutions. Excellent location is, of course, a 'must have'. But location alone it is not enough. Nor are good public transport connections or advanced technological and ecological solutions. Tenants also want all of those good things but they also want more and 'non-standard' amenities, such as modern fitness centres, special facilities for cyclists, cafes, retailers, and green patios. We have consistently reported on this trend in recent years. And we like it as more and more companies are becoming aware that creative, dynamic and friendly work environments not only stimulate productivity, efficiency, and loyalty across the workforce, but also help to attract and retain the best talent. Again, as we reported last year, the growing importance of the BPO/SSC sectors continues. Already a huge employer, forecasts indicate as many as 250,000 people will be working in the sector by 2020. This growth has had significant implications for both the growth and polarization of the Polish regional office markets. A third trend, also ongoing, is the migration of SMEs and public institutions from older buildings to modern A-class accommodations. The extraordinary development activity in Warsaw – office stock top the five million m^2 mark for the first time ever – and the affordability of modern office buildings are encouraging SMEs to move. The rationale is not only a desire to improve image but also to find ways of reducing overhead.

HB Reavis in the market

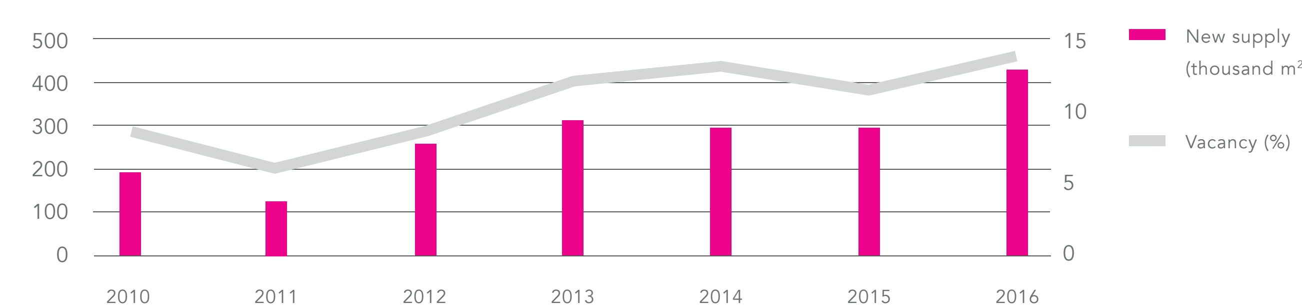
It has been an exciting year for us in Poland. Without overreaching, we can safely say that our business model is working well. During 2016, our sales teams was able to lease a total of 43,000 m^2 of space. We signed 40 lease agreements with premium tenants such as AC Nielsen, General Electric, Elekta Business Services, Groupe SEB, Guest-Tek, BPH Bank, Coface, HubHub, Panalpina and ATAL. This was the best result achieved by any developer in the Warsaw market. Furthermore, an additional 20,000 m^2 is under advanced negotiations. Highlights for us through the year were the delivery of our West Station I in Q3 and Gdanski Business Center D (with 93% and 88% occupancy, respectively at the end of April 2017), which brought a combined total of 60,600 m^2 to the capital's market. At the end of the third quarter, we successfully disposed of two high quality and fully occupied assets – the first phase of our award-winning Gdanski, buildings A and B, and the Konstruktorska Business Center. Both assets earned BREEAM 'Excellent' ratings. The divestment totalled around €300 million, one of the largest office transactions in the CEE region in 2016. In what had already been an excellent year, we were able to round 2016 off with valid building permits for our landmark Varso development in the heart of the city. Proceeds from our disposals in 2016 will be reinvested into our portfolio in the capital.

Looking ahead, we will be delivering West Station II later in 2017. Ongoing is the administrative process and design phase on our plot at Burakowska 14, opposite the Arkadia Shopping Center. In the market generally, we believe 2017 will be rather less challenging for developers as fewer projects are currently under construction for delivery this year. Supply in the next two years will, however, remain high but is significantly lower than in 2016. That said, rental values will continue to decrease. For HB Reavis, the future is about remaining calm and confident in our business model. In our experience, it usually works.

Changes in Polish development property value (€m)



Warsaw



Source: CB Richard Ellis, Jones Lang LaSalle

Completed Projects

Gdanski Business Center D
Warsaw

We started construction of the last phase of our successful Gdanski Business Center – the 'D' building (29,800 m² of GLA) in June 2014 and it progressed according to our initial planning. We completed the building in May 2016. Currently, it is leased at 88% and occupied by tenants such BNP Paribas, Philip Morris and General Electric and we expect it will be fully leased at the end of 2017.

West Station I
Warsaw

This project is a part of our joint venture with PKP and represents the first phase of the whole centre. Construction of West Station I (30,800 m² of GLA) started in the fall of 2014, and the project was completed and delivered to its clients in October 2016, exactly on the schedule. Around 93% of the project is currently leased and is already occupied by the PKP Group and Coface.

Projects Under Construction

West Station II
Warsaw

The second phase of the project, West Station II (37,900 m² of GLA), followed its older sister to completion six months ahead of the original schedule – the construction was launched in November 2015. We plan to complete the project and deliver it to the tenants in the fall of 2017. The building is currently (6 months before completion) leased at 38% and we expect it will be around 60% leased at the time of completion.

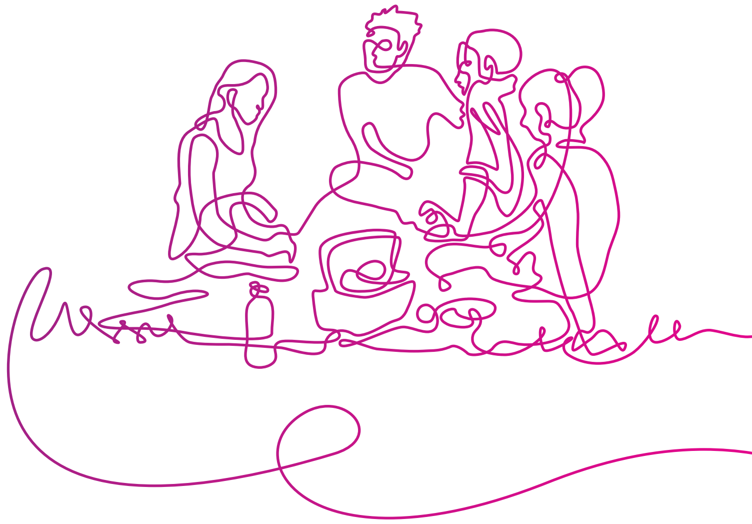
Varso Place
Warsaw

We are finally making a start on our landmark project in Warsaw's CBD. Varso Place (145,200 m² of GLA) received valid building permits just before the end of 2016 and we immediately launched construction. Our new flagship is a complex consisting of one office high-rise (230 metres without antenna) and two mid-rise office buildings, all rising from a common platform that will provide retail services to visitors and connections between the buildings. We are excited to work closely with Fosters+Partners, one of the world's best architectural studios, on the optimization of the tower's concept and design. We believe Varso will become not only our landmark project but also Warsaw's.

Project in Preparation

Burakowska 14
Warsaw

In July 2015, the Group acquired a 2 ha plot at Burakowska Street in Warsaw. The purchase price was €17 million and we plan to develop an office scheme with approximately 77,000 m² of GLA. The plot is located just opposite the Arkadia Shopping Center, one of the most successful in Poland. We are now in the middle of the product design stage and aim to deliver another remarkable office scheme here. It will be split into two phases and will consist of an office tower with a with lively mixed-use ground floor and several low rise buildings. The scheme will be more open to the general public and carefully landscaped to provide space for several types of events. As the plot is located just few hundred meters from our very successful Gdanski Business Center, we believe this will be another success story and will contribute to evolving this part of the city into a modern district.



HB Reavis development Poland	GLA (m²)	Valuation					ERV	GDV	Value change	Investment
		2012	2013	2014	2015	2016				
Projects completed	60,575	16.5	21.9	38.7	113.5	181.3	12.8	206.2	67.8	35.8
Projects under construction	183,113	57.0	73.1	116.1	165.2	232.8	46.1	817.2	67.6	21.8
Projects in preparation	76,933	0.0	0.0	0.0	23.8	45.7	18.4	250.4	21.9	0.4
Total 2016	**320,621**	**73.5**	**95.0**	**154.8**	**302.5**	**459.8**	**77.3**	**1,273.8**	**157.3**	**58.0**
Total pipeline for 2017	**260,046**	**57.0**	**73.1**	**116.1**	**189.0**	**278.5**	**64.6**	**1,067.6**	**89.5**	**22.1**

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

Nazdar!

Country Review – Czech Republic

It has been a busy year for our team in Prague. In between divesting our landmark BREEAM 'Excellent' River Garden II-III project, leasing our Metronom Business Center to Abbvie, SAP and BMW, and delivering and subsequently disposing of our first Aupark Shopping Centre at Hradec Kralove, we also manage to pick up a couple of pretty prestigious CIJ awards. The jury awarded us Best Office Lease for our work with client SAP at Metronom. The Best Retail Development & Developer of the Year was thanks to our shopping centre. HB Reavis may not have been active in the Czech Republic for very long, but it seems we've certainly made an impression.

Petr Herman

Vinohradska

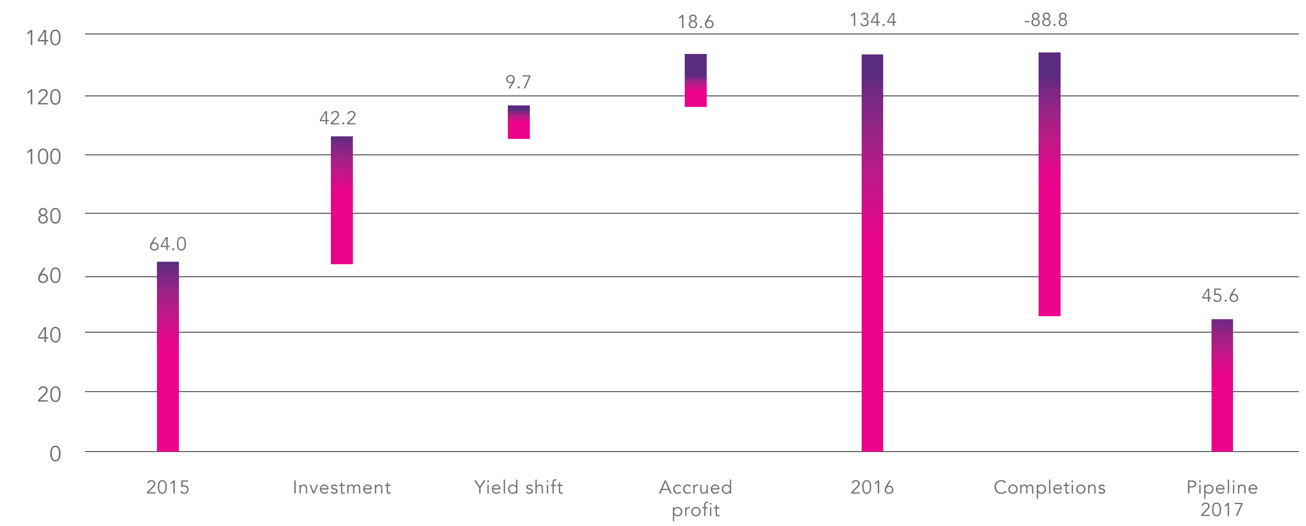
How the economy is doing

Following an extraordinarily strong year in 2015, the Czech economy slowed significantly in the reporting year (2.5% against 4.7% in 2015). Similarly to other economies in the region, this is due to reduced EU investment inflows. The labour market is extremely tight with higher wages as inevitable knock-on effect. If upbeat consumer confidence, rapid industrial output growth and a strong order book are added to the mix, then expectations are that figures will rebound in 2017. Yet, it is not all good news. The stability of public finances remains uncertain. National elections for the lower chamber of the Czech parliament are scheduled for October 2017, with all 200 seats up for re-election. Also like many other countries in the EU, the Czech Republic has its own populist party that could play a significant role in any future government.

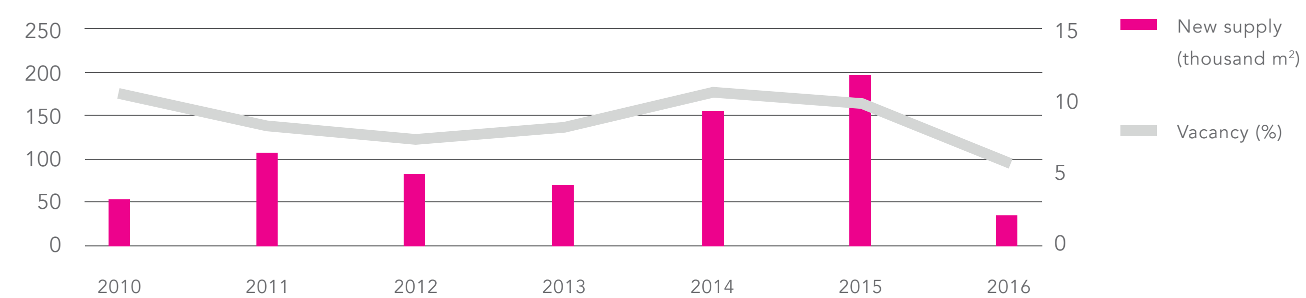
Market trends

The real estate sector tends to reflect the macroeconomic situation and the Czech Republic is no exception. At present, sentiment is positive as an environment of economic growth and relative political stability drives tenants to seek out more sophisticated work space for their businesses. In a tight labour market, employers have to compete on more than salary alone. We are seeing – and contributing to – a greater focus on people and sustainability of buildings, work and green spaces and amenities. But, and it is a rather large but, there remains an issue around permitting and not just in the capital. The problem lies in backlogs on legislation that can accommodate the new realities of today. For example, there are many essential infrastructure projects that cannot be started because they are caught up in the permitting process. The same applies to Prague's own Metropolitan plan. At HB Reavis, we are struggling to gain permits for our second Aupark Shopping Centre in the important regional city of Brno. More generally, there was minimal delivery of new office space (only 30,000 m² of GLA) in 2016. Aupark was the only retail delivery in 2016 although extensions to the Chodov Mall in Prague are expected in 2017. In residential, permitting delays have led to a situation where demand is overwhelming supply.

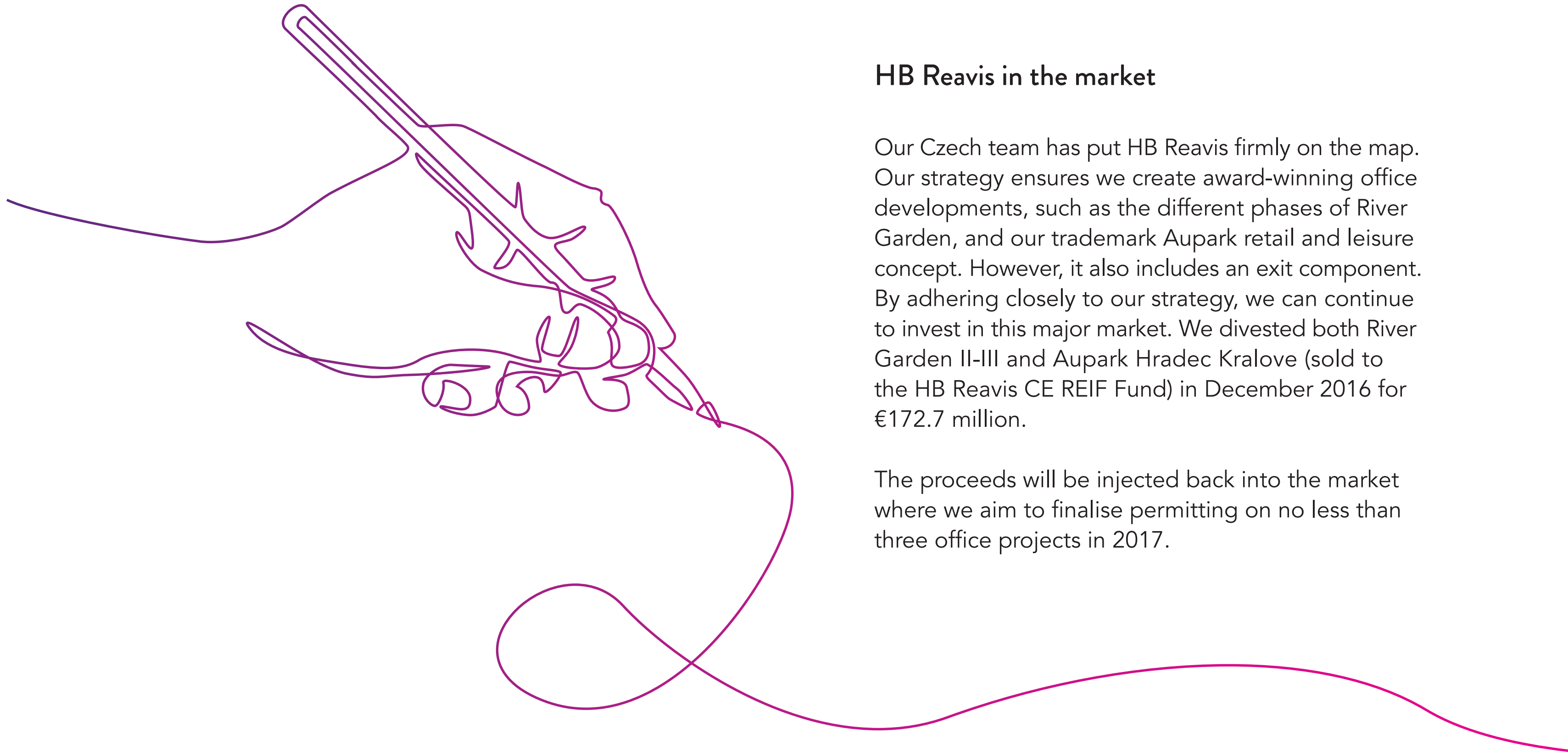
Changes in Czech development property value (€m)



Prague



Source: CB Richard Ellis, Jones Lang LaSalle



HB Reavis in the market

Our Czech team has put HB Reavis firmly on the map. Our strategy ensures we create award-winning office developments, such as the different phases of River Garden, and our trademark Aupark retail and leisure concept. However, it also includes an exit component. By adhering closely to our strategy, we can continue to invest in this major market. We divested both River Garden II-III and Aupark Hradec Kralove (sold to the HB Reavis CE REIF Fund) in December 2016 for €172.7 million.

The proceeds will be injected back into the market where we aim to finalise permitting on no less than three office projects in 2017.

Completed Projects

Aupark Shopping Centre
Hradec Kralove

We completed our Aupark Shopping Centre in Hradec Kralove (22,700 m² of GLA), the first Aupark outside of Slovakia, exactly as planned. The grand opening took place at the beginning of November 2016, so the centre was ready for the Christmas season. At the opening, occupancy was over 80%, currently achieving 88%. As always with a new shopping centre, we are currently working hard to optimise the operation and to get it up to speed as quickly as possible.

Projects in Preparation

Vinohradska
Prague

The acquisition of an existing older office scheme with an excellent location at Vinohradska Street, just opposite the National Museum, was completed in August 2014. The plan was to redevelop it into a truly landmark office scheme with 22,600 m² of GLA. During 2016, we continued in work on optimising the concept and design of the scheme through the difficult and challenging permitting process. Although not always easy, in the meantime we have achieved some positive points which will allow us to progress the process. We believe construction could start around year-end 2017 or during the first quarter of 2018.

Radlicka
Prague

During 2016 we worked on the concept and design of our fifth office project in Prague at Radlicka Street. The plot is well located in Prague's Smichov at the one of most important arteries in the south-west of the city.

We acquired it in March 2016 for €6.9 million with a plan to deliver around 28,500 m² of top class office GLA in around mid-2019.

Aupark Shopping Centre
Brno

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

HB Reavis development Czech Republic	GLA (m²)	Valuation					ERV	GDV	Value change	Investment
		2012	2013	2014	2015	2016				
Projects completed	22,739	3.7	3.7	11.3	33.0	81.1	5.5	87.2	48.1	31.1
Projects under construction	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects in preparation	152,280	24.2	23.3	31.0	31.0	45.6	25.7	426.1	14.6	11.1
Total 2016	**175,019**	**27.9**	**27.0**	**42.3**	**64.0**	**126.7**	**31.2**	**513.3**	**62.7**	**42.2**
Total pipeline for 2017	**152,280**	**24.2**	**23.3**	**31.0**	**31.1**	**45.6**	**25.7**	**426.1**	**14.6**	**11.1**

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

Ahoj!

Country Review – Slovakia

In 2016, HB Reavis was included in Property EU's top 10 largest office developers for the very first time. Slovakia and HB Reavis are inextricably linked since the newly independent country saw the start of a small real estate company 24 years ago. In that time, we have become a market leader in this, our original home market. And rank high in a few others as well. But it was in Slovakia that we originally pioneered our Aupark retail concept and stunning office space solutions. Today, based on our long track record of innovation and excellence, the Slovak team is perceived as a highly creative trendsetter. Which is why in 2016, the team in Slovakia also earned Euromoney's Best Real Estate Developer – Offices/Business; Best Real Estate Developer; and the PIE Europe Property Award for Investment of the year – Best Office Deal. Yes, we've definitely come a long way.

Adrian Rac

Twin City Tower

How the economy is doing

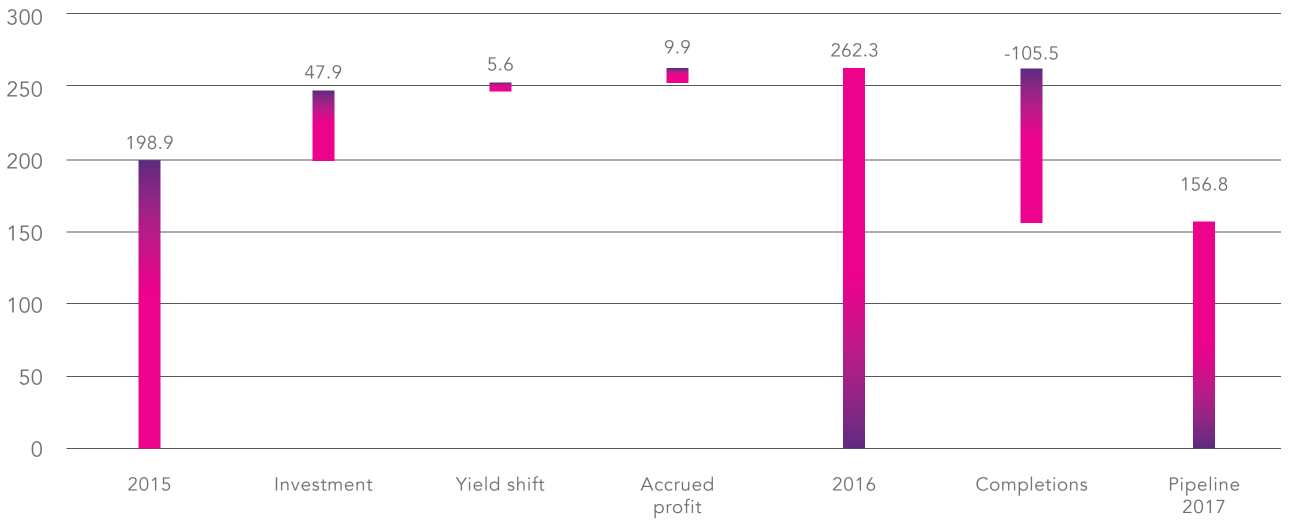
Slovakia was once again among the Eurozone and CE's strongest performers in 2016 in spite of a slowdown in GDP growth to 3.1% (2015: 4.2%). Inflation is accelerating due primarily to energy prices. The labour market is picking up and unemployment fell steadily throughout the year to around 8.8%. This has resulted in a return to higher levels of wage growth, a trend that is expected to continue. This optimistic environment has impacted the residential real estate market and there is currently a boom in mortgages. Fuelled by low interest rates and a rising labour market, residential prices rose a bearish average of 7% with the biggest demand in smaller one and two-bedroom apartments.

Market trends

At the end of 2016, the total office stock of A and B Class quality in Bratislava amounted to more than 1.6 million m^2. A-class represented almost 59% of the space; B-Class 41%. Within this total stock 20 buildings representing around 248,000 m^2 or around 16% of total stock had secured certification as green/sustainable developments, utilising either the LEED or BREEAM ratings. HB Reavis is currently developing a new project – Twin City Tower – which aspires to be the first office building in Slovakia to receive a WELL-BEING certification. These certifications are increasingly important, and not only for the sustainability of the buildings themselves. How office premises today are used presents developers with a complex set of challenges. Companies are increasingly aware that employees represent the most significant asset, providing businesses with long-term continuity and vitality. A high quality of work environment supports well-being, reduces stress and increases work efficiency. It can also help increase company competitiveness. So, as employers battle to attract and retain the best talent, they are listening more and more to what employees want from the spaces where they spend so much of their time. As a result, we are working with clients to discover new ways to create office layouts. Workplace solutions and Change management are becoming increasingly well-known terms and alongside other non-financial criteria, are gaining new importance.

Nivy Mall

Changes in Slovak development property value (€m)

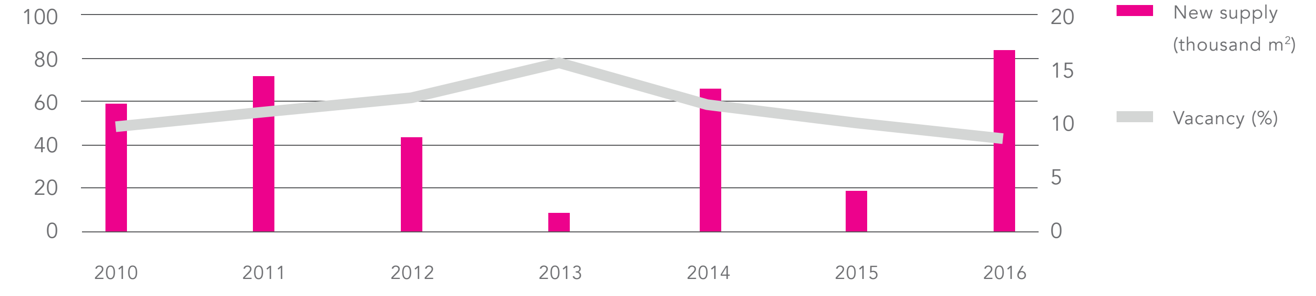


HB Reavis in the market

It was a busy year. The phased delivery of our Twin City A, B and C project was a highlight from October 2015 through October 2016. This is mainly because we have once again created a landmark at a top location.
The architecture is stunning and we earned the targeted BREEAM 'Excellent' certification for environmental sustainability. Another highlight for us was the receipt of a valid planning permit for our Nivy Mall project.
The leasing team in Bratislava got straight to work and at year-end had already reached agreement with major tenant for 20% of the project's retail GLA. With so much happening on the development side, we exited a number of mature assets, including Twin City A, which was fully let to a number of prestigious tenants, including PwC, Merck, Sharp & Dohme, Bayer, BNP Paribas Slovensko and Sfera.

Twin City

Bratislava



Source: CB Richard Ellis, Jones Lang LaSalle

Completed Projects

Twin City B, C
Bratislava

The construction of Twin City B (23,500 m² of GLA) was completed in March 2016. In line with the original schedule and agreements, the project was subsequently delivered to its almost exclusive tenant Swiss Re (21,800 m² of GLA, including options for future expansion).
In order to meet strong demand from potential tenants, we started the construction of the third building, Twin City C (23,700 m² of GLA), earlier than planned in March 2015. Work on the project progressed well, and in line with expectations, we completed and delivered the building to its tenants in September 2016. We are very proud of both buildings. Twin City B and C are almost fully leased.
And we are proud of whole block of A, B, and C buildings that provide aesthetic modern office solutions that are environmentally friendly and offer great functionality.

Projects Under Construction

Twin City Tower
Bratislava

Construction of the Twin City Tower (34,700 m² of GLA) was launched in July 2016. This project, adjacent to the block of already completed A, B, and C buildings will complete one zone (A) of the Twin City area in the heart of the business district, just a few steps away from the historical city centre. A modern tower with copper cladding will closely 'communicate' with the rest of the block and will reflect the area's industrial heritage and the old Kablo factory. But it will also provide a modern top class office space designed to BREEAM 'Outstanding' standards and featuring access to a roof garden with a panoramic view of the city. We plan to deliver Twin City Tower to its tenants in the summer of 2018.

Projects in Preparation

Nivy Mall and Central Bus Station
Bratislava

Nivy Mall will clearly be a landmark project in a unique location. And that deserves unique solutions.
In cooperation with London's Benoy, the well-known architectural studio focusing on the design of top class retail schemes, we are aiming not only for a unique and large (73,000 m² of retail GLA) shopping complex but much more. We will create a concept that is sophisticated in its every detail. There will be around 3,000 m² for a market for fresh produce. There will be plenty of green areas inside and a green roof on top. We will also include a representative gateway to Bratislava with a fully integrated bus station (30,000 m²). We plan to deliver all this in 2020. Currently, we are preparing construction and plan to launch the build itself in July 2017.

Nivy Tower
Bratislava

Nivy Tower, with around 31,200 m² of GLA, will be a remarkable office tower rising up out of the Nivy Mall. The tower will provide modern office space solutions for demanding clients and will be designed to BREEAM 'Outstanding' standard. The construction will be launched simultaneously with the Nivy Mall in July 2017 and its completion is planned for April 2019.

In the Twin City B and C zone, adjacent to the completed A zone, we are planning the development of a further 106,200 m² of office GLA. In 2016, we were working on fine-tuning the concept and design as well as on permitting. As we continually push the envelope when it comes to design, we engaged the UK's Allford, Hall, Monaghan, Morris (AHMM) to help us with the concepts for these projects. We expect construction of the next phase to start in the first quarter of 2019, subject to permits and leasing progress, of course.

With two additional office schemes in Bratislava in the permitting stage – the large-scale Alfa Park on the right bank of the Danube River with 176,000 m² of GLA and the Forum Business Center II, 16,600 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.

HB Reavis development Slovakia	GLA (m²)	Valuation					ERV	GDV	Value change	Investment
		2012	2013	2014	2015	2016				
Projects completed	47,181	11.5	12.6	27.1	73.2	105.5	8.6	129.6	32.3	35.7
Projects under construction	34,658	0.0	5.0	7.3	9.4	20.9	6.1	97.0	11.6	6.2
Projects in preparation	452,088	92.4	102.2	103.7	116.3	135.9	84.5	1,314.4	19.5	6.0
Total 2016	**533,927**	**103.9**	**119.8**	**138.1**	**198.9**	**262.3**	**99.2**	**1,541.0**	**63.4**	**47.9**
Total pipeline for 2017	**486,746**	**92.4**	**107.2**	**111.0**	**125.7**	**156.8**	**90.6**	**1,411.4**	**31.1**	**12.2**

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

Szia!

Country Review – Hungary

The competition was tough but tenants still voted our debut Hungarian development at Vaci Corner 'Office building of the Year' in 2015. We had already earned a BREEAM Excellent rating for this fabulous asset. The latest accolade means we will be raising the bar when it comes to our new landmark AGORA Budapest. Our second project in the Hungarian capital was carefully chosen as we aim to continually set new standards in Budapest's real-estate market. Permitting for two buildings out of the five was completed and the construction has started this spring on the plot.

Zoltan Radnoty

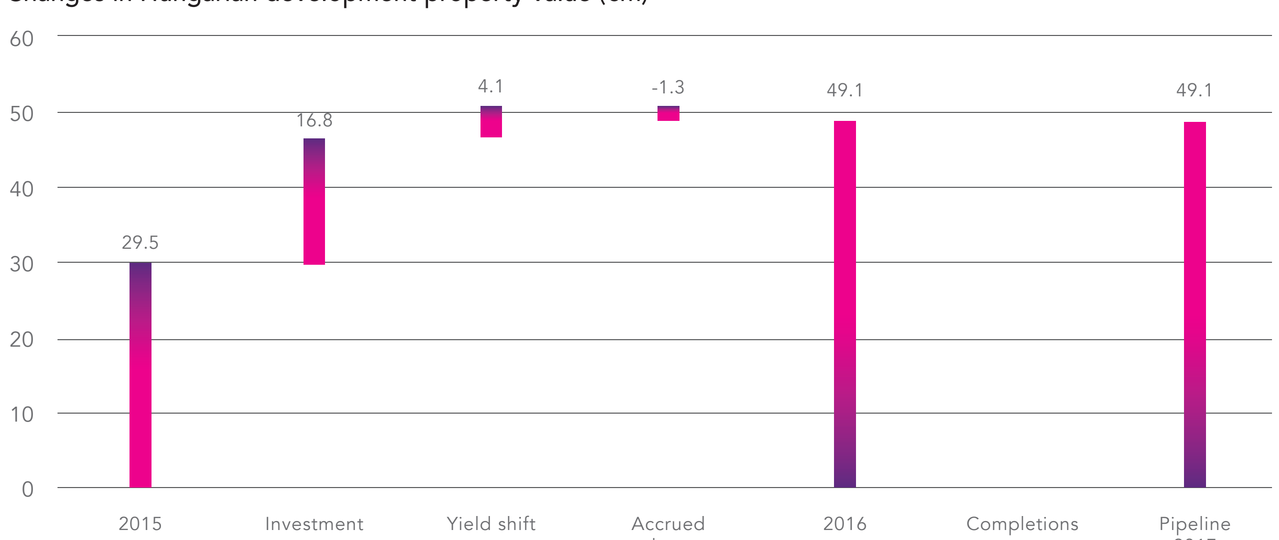
Agora

How the economy is doing

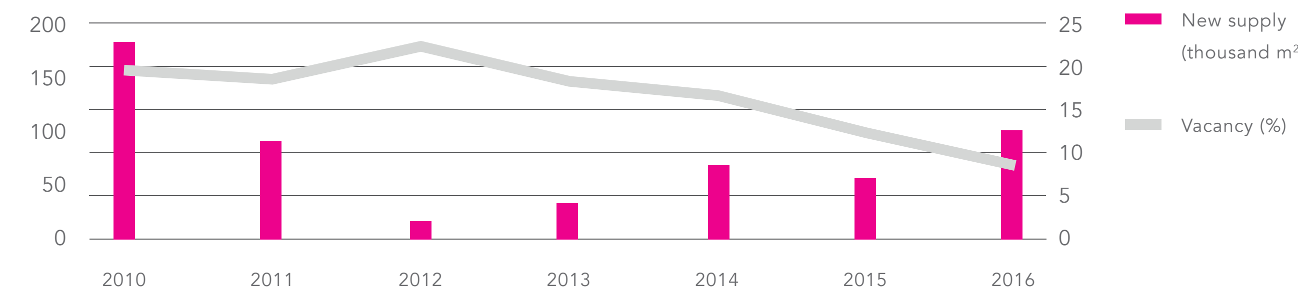
Hungary's macro-economic fundamentals have now been positive for the past three years. Although the GDP growth rate slowed slightly (to 1.9% against 3.2% in 2015) in the reporting year, growth in the coming year is expected to bounce back in 2017 to around 3.2%.

As elsewhere in the region, the primary reason for drop in GDP is less funding from the EU. However, household consumption is up again (4.8%), driven by wage hikes following years of stagnation and growing employment which is set to reach new record levels in the coming years.

Changes in Hungarian development property value (€m)



Budapest



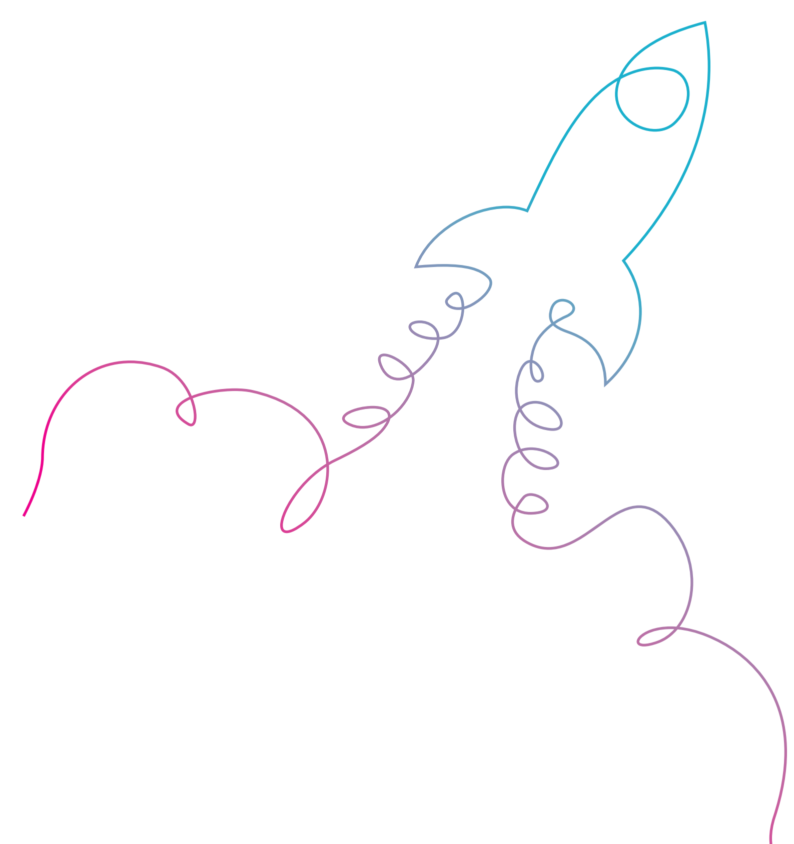
Source: CB Richard Ellis, Jones Lang LaSalle

Market trends

Tenants are definitely more optimistic and confident about opportunities for developing and extending operations. And that optimism is translating into moving offices. The key targeted tenants are operating in prosperous and developing sectors such as info-communications and the energy sector. As in Poland, one of the main drivers is the SSC/BPO sector continues to grow in both Budapest and secondary cities. Tenants want modern spaces. They are looking for green offices equipped with the kind of amenities that HB Reavis has been incorporating into its buildings for many years. This sentiment is reflected in vacancy rates which are at their lowest levels ever (9.5%). However, there are still huge differences in type of office building and geography. The lowest vacancy rate of 3.7% was recorded in the South Buda sub-market whereas the Periphery is still suffering from an overwhelming 34%. In spite of demand, leasing volume for the year was 13% down on the record rates of 2015. However, with a total of 478,000 m², 2016 was still the second highest since the crisis in 2008.

HB Reavis in the market

We are currently working on our second project in Budapest and are already recognized in the market as a professional player delivering high-quality office properties. We differentiate our developments with the highly desirable modern and innovative offices of the future. Our projects fall firmly in the 'A' class which makes up a majority of the current 3.4 million m² of modern office stock in the capital. However, the current supply does not meet demand. On the back of optimism in the market and favourable financing conditions, developers are embarking on projects that will increase stock in the coming years. Our own Agora flagship with 133,800 m² of GLA, including around 10,000 m² of retail space, is being designed by award-winning London-based Make in collaboration with Finta Studio, a top Hungarian architect. The brief is a landmark property that will help shape the city by creating the now indispensable open community spaces, green areas and amenities that modern tenants now demand.



Vaci Corner Offices

Project in Preparation

Agora
Budapest

For a full year from December 2014, we worked systematically on acquiring an interesting plot of land in Budapest. During the reporting year, we worked on fine-tuning the Agora concept and design with a leading British studio, Make architects. As this project with around 133,800 m² of GLA will significantly change this part of the city, we were cooperating closely with city representatives to create a truly iconic and remarkable design. With its five office buildings and spacious community areas, Agora Budapest will not only be a new city landmark but once completed will offer workspace for over 12,000 people. The uniqueness of the project is that it will combine business, life and leisure in a compelling new way, while serving the needs of the people who work there, residents and passers-by. Although the permitting process was really challenging, we are finally there. The well-located plot on the Vaci corridor, at the crossroads with Robert Karoly Street, was consolidated and prepared, and first two phases of the project – Agora Hub (35,636 m² of GLA) and Agora Tower (35,068 m² of GLA) are already under construction. We plan to deliver Agora Hub, the first phase of the project, to future tenants at the end of the first quarter of 2019.

HB Reavis development Hungary	GLA (m²)	Valuation 2012	2013	2014	2015	2016	ERV	GDV	Value change	Investment
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects in preparation	164,262	0.0	0.0	7.5	29.5	49.1	29.5	511.2	19.6	16.8
Total 2016	**164,262**	**0.0**	**0.0**	**7.5**	**29.5**	**49.1**	**29.5**	**511.2**	**19.6**	**16.8**
Total pipeline for 2017	**164,262**	**0.0**	**0.0**	**7.5**	**29.5**	**49.1**	**29.5**	**511.2**	**19.6**	**16.8**

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

Hallo!

Merhaba!

Germany

There were enough drivers for our decision that Berlin is our next new market. We are looking at an overall positive macro environment in Germany. Berlin is highly attractive for young talent and new start-ups. Office vacancy is falling and demand for new space is very healthy. Initially, we planned to enter the market through the acquisition of an active local office development platform and we explored that option thoroughly. But in the end, we decided to follow our tried and tested method of market entry – setting up our own presence and building it up through organic growth, specifically based on intimate knowledge of the market. For example, Berlin's reported total office stock is approximately 19 million m^2 of GLA. However, when looking at it more deeply, we believe the true modern office stock represents less than one third of that number.

On the leasing demand side, the tenant base is quite diversified and it seems to be a stabilizing factor, as the market is not dependent on one particular industry. Net absorption, in recent years exceeding 300,000 m^2 per year, also demonstrates Berlin's growing popularity among office clients. The percentage of office employees in Berlin (39%) is lower than in comparable cities in Germany and we see this as another driver of future growth. Based on various analyses, Berlin will need 1 – 1.5 million m^2 of office space in next four to five years. In contrast, the existing office development pipeline of between 150,000 – 200,000 m^2 annually for the next four to five years, looks rather limited and even more so if a significant share of upcoming supply is already pre-leased.

The positive macroenvironment and good dynamics on the leasing office market are reflected in the present very active investment market. We are seeing further yield compression, with prime yields around 3.35%, and also more often realized forward purchase deals, where the end-investor enters the project's development cycle at a very early stage. Having said of all this, unsurprisingly our current activities are focused on identifying the right acquisition targets in terms of size (at least 20,000 m^2 of potential office GLA) and location within the S-Bahn ring with good public transport connections. We are working hard on making such an acquisition happen during 2017.

Turkey

As part of our growth strategy, we began exploring the market in Turkey in 2013. Although the Turkish economy slowed in 2014, after general elections in 2015, robust growth returned and 2016 began very positively. There was growing confidence in the business environment, supported by political stability, and there were signs of recovery in both the overall economy and in real estate. However, the series of events that began with an attempted coup in July had a severe effect on the economy and ultimately on the real estate market.

The depreciation of the Turkish Lira in 2016 had reached 19.6% at the end of the year. This resulted in the private sector reducing investments and spending, a trend that seems set to continue until the much-touted referendum on April 16, 2017. The referendum could trigger a series of constitutional amendments that could change Turkey's current system of government to a presidential system. In spite of all the negative events in and around the country, Istanbul maintains its importance and appeal in the region. By the end of 2016, the population of the city had risen to 14.8 million and will exceed 15 million in 2017. The city is the centre of production, finance, tourism and (based on official statistics) is responsible for more than 30% of the country's GDP.

In contrast to a more reserved private sector, the government is continuing infrastructure investments in the city – the third bridge over the Bosphorus is already open, the construction of the city's third airport (150 million passengers/year) is progressing as planned, the tunnel under the Bosphorus has also opened and the subway system is expanding continuously.

As for the office sector, the vacancy figures have increased due to new supply in the market. The self-protectionist reflex of private companies resulted in postponing expansion plans. This supply-demand dynamic put pressure on rental levels, causing a 15-20% reduction. However, these price reductions have motivated companies to take advantage of the current climate and in the last quarter total take-up showed an upward trend. We expect this trend to continue after the referendum.

Even with the current new supply and high vacancy figures, the lack of modern office space is obvious. Our focus on the CBD and on newly developing office locations continues. However, due to the macroeconomic outlook and political unpredictability, we are more cautious and selective when evaluating opportunities, and more focused on creating build-to-suit projects or pre-lease options.

How We Manage Our Assets

In line with our strategy, the Group is focused on achieving and maintaining a balanced share of investment property and assets under development for the longer term. We aim to achieve this through continual active divestment of matured assets. However, during the time we retain and manage the assets, we obviously aim to maintain them at top commercial and operational levels so that when we divest, we do so in the best achievable conditions. At the same time, and perhaps even more importantly, we also aim to focus on always providing services that exceed tenant and employee expectations, thereby maintaining long-term clients' relationships.

At the end of 2016, HB Reavis managed 15 income-producing properties with almost 371,000 m² of GLA. Twelve of these are HB Reavis – owned projects representing 305,000 m² of GLA and three projects with 65,500 m² of GLA are owned by the HB Reavis CE REIF real estate fund that is consolidated in our financial statements. Rental income from that managed portfolio reached €21.4 million, of which our own properties contributed €13.3 million while properties owned by the Fund added €8.1 million.

During the reporting year, we added five completed projects to the asset management portfolio: West Station I, with 30,800 m² of GLA; Gdanski Business Center D, the second part of our fourth office project in Poland with 29,800 m² of GLA; Aupark Hradec Kralove, our first shopping centre in Czech Republic, 22,700 m² of GLA; and the other two phases of our flagship in Bratislava, Twin City B and C, with a total GLA of 47,200 m².

In contrast, HB Reavis (including HB Reavis CE REIF) divested or committed to divest upon completion 14 income-generating assets. Out of our office projects portfolio we sold Konstruktorska Business Center and Gdanski Business Center A and B in Warsaw, River Garden II-III in Prague, Twin City A in Bratislava, Vaci Corner Offices in Budapest and additionally we agreed to forward sell 33 Central, our first development in London. We also sold our two retail schemes, Aupark Shopping Centre in Piestany (Slovakia) and Aupark Shopping Centre in Hradec Kralove (Czech Republic). Finally, we divested our whole logistic portfolio - Mosnov (Czech Republic), Bratislava Raca, Svaty Jur and Maly Saris (all Slovakia) - excluding the Lovosice Logistic Center. For more information, see 'How We Divest Assets' on page 89.

The total value of the income-producing portfolio on the Group's balance sheet decreased to €876 million as of year-end 2016 (2015: €1.0 billion). Completed properties coming into operation from our own development pipeline added €380 million to portfolio value, while ten divested assets reduced the portfolio value by €585 million.

Like-for-like, the portfolio value increased by €34 million before yield shift effects. Total asset return reached 9.2% (2015: 9.0%).

Group income producing portfolio	GLA (m²)	Valuation 2015	Valuation 2016	Rental income 2016	ERV	Equiv. yield 2015	Equiv. yield 2016	Capital return	Rental return	Total return
AM portfolio from 2015	**233,864**	**458.9**	**496.2**	**20.5**	**37.6**	**7.34%**	**6.99%**	**3.2%**	**4.5%**	**7.7%**
Office	190,391	428.6	464.2	17.7	35.5	7.26%	6.95%	3.1%	4.1%	7.2%
Logistics	43,473	30.3	32.0	2.8	2.1	8.50%	7.50%	5.5%	9.2%	14.7%
Additions to portfolio in 2016	**136,654**	**219.7**	**379.8**	**0.9**	**27.3**	**6.88%**	**6.41%**	**23.5%**	**0.4%**	**23.9%**
Property exits in 2016	**302,734**	**541.4**	**584.7**	**20.0**	**40.3**	**6.97%**	**6.71%**	**6.5%**	**3.7%**	**10.2%**
AM portfolio for 2016	**370,518**	**1,000.3**	**876.0**	**41.4**	**65.0**	**7.14%**	**6.73%**	**5.0%**	**4.2%**	**9.2%**

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.

In terms of occupancy of assets on the Group's balance sheet, we reached a very solid 86% at year-end. During the year, we divested around 302,700 m² of almost occupied GLA, reaching in average 92% at time of sale, and transferred into asset management five newly completed projects with around 136,700 m² of GLA with average occupancy at 82%. Occupancy in assets newly coming into operation increases continuously and is expected to reach 95% at the end of 2017. 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 the coming years are concerned, HB Reavis will maintain a balanced share of investment property and assets under development, so the number of income-producing properties and related rental income will deeply depend. However, our Asset Management arm will continue to optimise our operation of income-producing assets and will focus even more on building sustainable, long-term relationships with our clients. This will be achieved by offering and providing of a range of innovative and tailor-made services for our tenants, their employees and visitors.

Investment Management

HB Reavis launched its Investment Management business in 2011. The goal is to create a platform for investors looking for exposure to real estate in Central Europe that leverages the Group's robust presence and proven track record in the region. The first fund has been up-and-running since 2011.

In the intervening period, we have been systematically searching for options to expand the business:

- In our efforts to penetrate the Polish market, we are in the process of setting up strategic alliances with the distributors of the existing fund.
- We are continuing discussions with potential partners on launching a follow-on fund and/or acquiring an existing investment management platform.

HB Reavis CE REIF

In 2016, the HB Reavis CE REIF Fund, which we launched successfully in May 2011 with €165 million in assets, achieved its best performance ever: Total return of the Fund reached 12% per year, including a dividend of 6.66% per year distributed quarterly to its investors.
The Luxembourg-based Fund follows core/core+ strategy and focuses on all forms of commercial property, from office and retail to logistics, in the Czech Republic, Slovakia, Poland and Hungary. Since its inception, it has been managed by the Luxembourg-based and regulated HB Reavis Investment Management S.a.r.l.
The key drivers behind the outstanding performance recorded last year were:

a) the excellent work of our leasing team, which has maintained virtually full occupancy in all of the Fund´s assets
b) exploration of macrotrends on the markets: the Fund management team has disposed of two logistics properties and a shopping mall, achieving prices better than the current valuation of these assets.

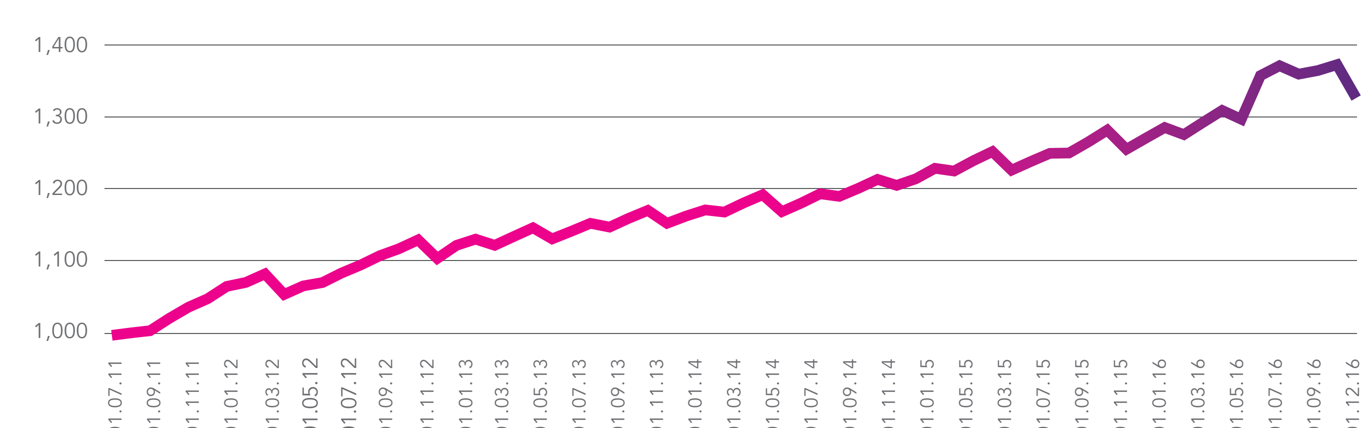
The liquidity generated by the disposals, along with the freshly raised capital, was re-invested in line with the Fund's regional diversification strategy, through the acquisition of the Aupark Shopping Centre in Hradec Kralove (Czech Republic) in December last year.
Looking ahead, we:

- plan to continue the Fund´s regional expansion. Following the acquisition in the Czech Republic, we will focus on Poland and Hungary, though we will not pass on any attractive opportunity, also in Slovakia.
- expect the fundraising environment will remain positive so we can achieve our goal of passing the €100 million equity mark in the next 18 months.
- have seen the recent approval of our application for a retail license in Luxembourg and are streamlining our discussions with potential distributors in the Czech Republic and Poland.

11.57% p.a.
Total return since inception

5.84% p.a.
Cash dividend since inception

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.

Our People

So much has happened that 2014 already seems like a long time ago. That was when we decided to transform HB Reavis from a 1990s-style real estate developer into what we believe is a cutting-edge company with a 21st-century mindset. Here's the story so far...

You remember the 1990s? If you don't, then try to visualise the funny haircuts, the huge shoulder pads, strange music and muscular movies. Everything was linked to success and status and those meant money; that is all that counted. So, set the scene with people living in Central Europe, just emerging from generations of communist rule, and discovering a pretty brutal, early capitalist environment, and you can probably imagine how it was - success was measured in terms of money earned and territory conquered. That was then. This is now. We have come a long way from those hazy days and have woken up to what could be even more important – working to create a company in which creativity, entrepreneurial spirit, community creation, human-centred management and interrelationships matter. Moreover, a place where success has a human scale and value and is not exclusively expressed in euros and cents.

We want, simply, to improve life for ourselves and the other people we are interacting with and we believe that we can earn money by doing that. Basically, we want to be an organization that knows both the price and the value of everything.

Since we took that decision, we have moved closer to our goal with every successive year. In some years, we only managed small steps; in others we made leaps and bounds. And 2016 was memorable for a lot of reasons. We really pushed this transformation and change in mindset very hard. Throughout our now international organisation, we launched a massive effort to establish our culture. 'Building the Future' is the rather prosaic title of what is truly a powerful push, heavily supported by the introduction of a new way to manage what is known as the employee life cycle, the 'People Leadership Program'.

Building the Future

At HB Reavis, we believe we are both visionary and pragmatic. That is why our 'Building the Future' activities are both far-sighted and focused. The program comprises a series of events created initially and specifically for leaders, important professionals and decision-makers in the organization. The idea is to show them the potential of our envisaged culture, how it can be achieved and what it means for each person's role and responsibilities. Essentially, it is a 'how-to' guide to embedding a new culture, vision, strategy and set of values. We drove the initial implementation through a series of workshops and conferences. The feedback has proved invaluable and collected lots of ideas and input. These became the backbone for our new priorities and strategic initiatives.

TEDx in Barcelona

The next step was to launch this program to the whole organization. We decided Barcelona would be a great place to do that. And that a TEDx event would be the ideal way to do it. For those who are unfamiliar with the TEDx process, it is a process that helps 'communities' to spark conversation and connections (www.ted.com). It certainly worked for us. Once we identified the topics – cultural change, vision, our story and innovations - we linked to the transformation we are in the process of making. We invited three real estate professionals to join three of our own top people as speakers. They were all brilliant. And our Barcelona trip proved an unforgettable experience. People are still talking about it in the hallways and the coffee corners. The ideas we developed there have also become part of HB Reavis-speak, a language we all know intimately and fluently. We talk about 'Before and after TEDx in Barcelona'.

People Leadership Program

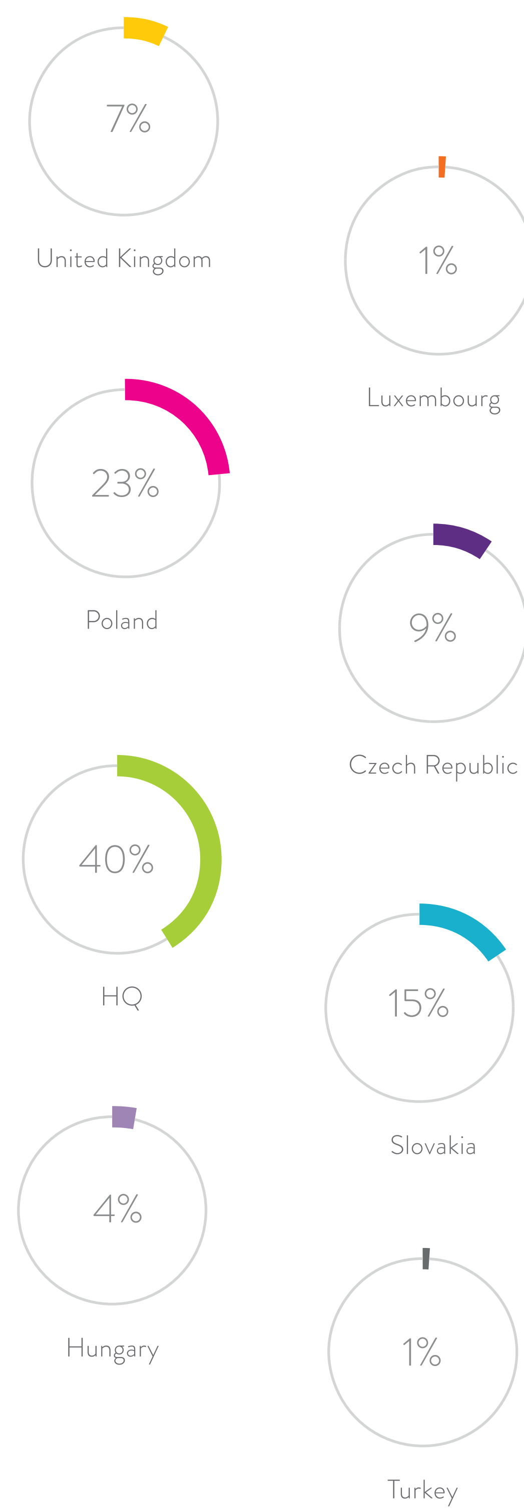
Like many other companies, the tradition at HB Reavis is to check employee engagement and satisfaction on a fairly regularly basis. Usually every two years. In 2016, we brought in AON Hewitt to do our Employee Satisfaction Survey. Feedback was constructive and we were able to identify several areas where we need to do more. The main feedback was primarily linked to improvements to our people's lifecycle management, such as onboarding, recognition and performance management. So, in response, we launched the strategic People Leadership Program. As stated above, our vision is to pull the human/people element to the centre of what we do. The PLP is designed to get us there. By implementing it for all our people, we aim to move the whole Group to a modern 21st century organization by creating an agile project management style, supporting extraordinary ideas, performance and holistic thinking, as well as establishing an adaptive organization. Unfortunately, to give an indication of the intensity and effort involved in the program, we still have to use 1990s style numbers. We have almost 35 leaders and professionals working on this as well as external and professional services delivered by a McKinsey team. We expect initial results in 2017.

The new office in Bratislava

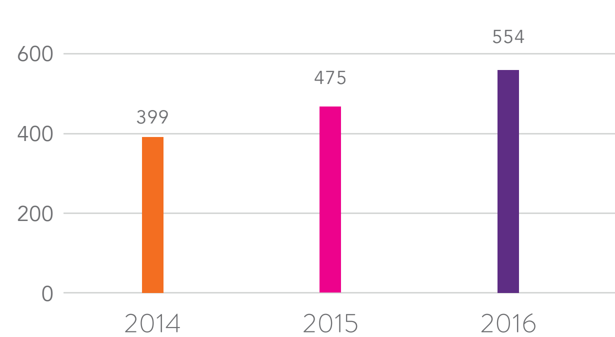
HB Reavis began life 24 years ago in Bratislava, Slovakia. Now, this is the location for both our Slovak operations and HQ that serves as a support centre for the whole Group. At present, we are getting ready to move into new premises. This gave us a perfect opportunity to put not only some of our innovative ideas into practice but also to visualise our change and transformation processes in physical spaces – our own offices. We put together teams from our Origameo and HubHub departments with architects from Gensler London and an Austrian cognitive scientist from Living Core Company. They conducted several surveys that describe our working habits, routines and desires. Then, the teams used the survey outcomes to scope a project that would link results to our change management and communication. Our HQ and Slovak office are scheduled to move at the end of 2017. So, we have something of a challenge ahead of us as we make the move to a more agile, adaptable and interactive team that looks further than its own area of expertise. Our offices will need to reflect our thinking and working. They will need to be more flexible, more digital, more effective in time management, more open-minded.

A challenge?
Yes.
But it is a challenge we are more than ready for.

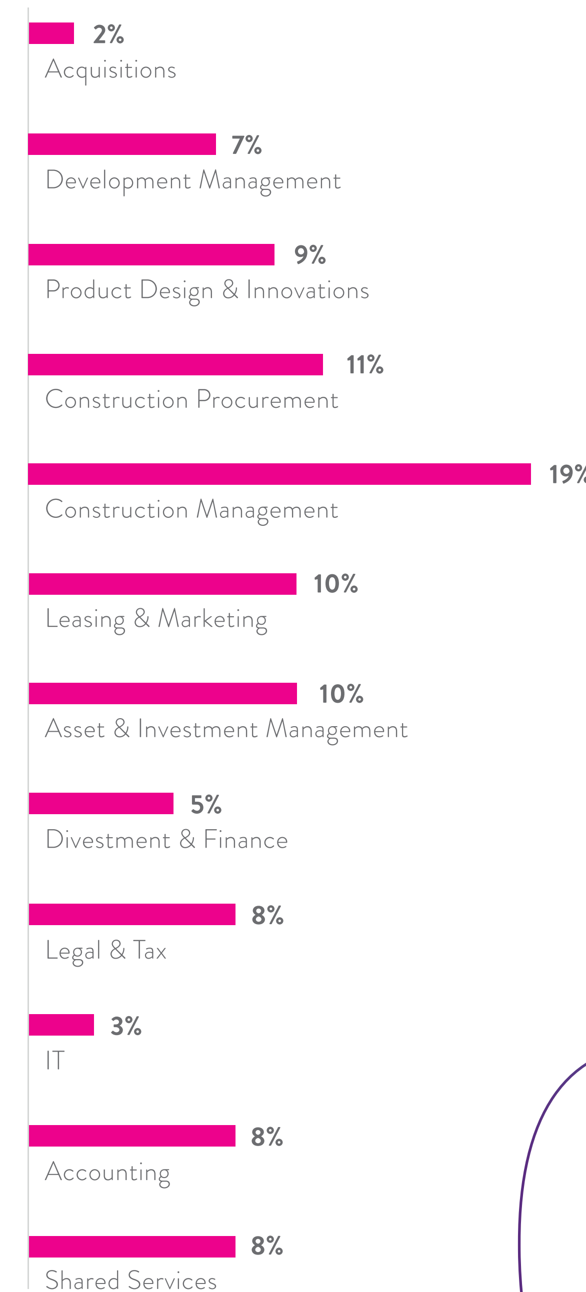
Headcount 2016 by country



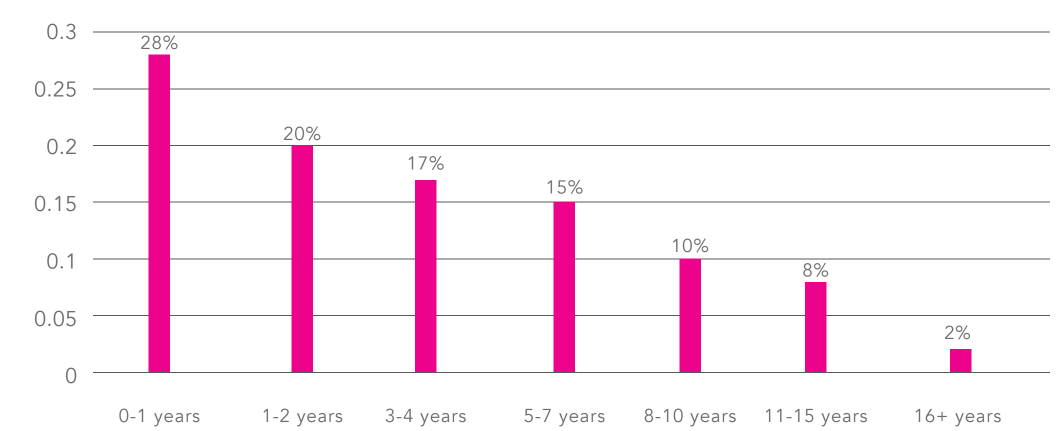
Team members



Headcount 2016 by profession



Years with the company

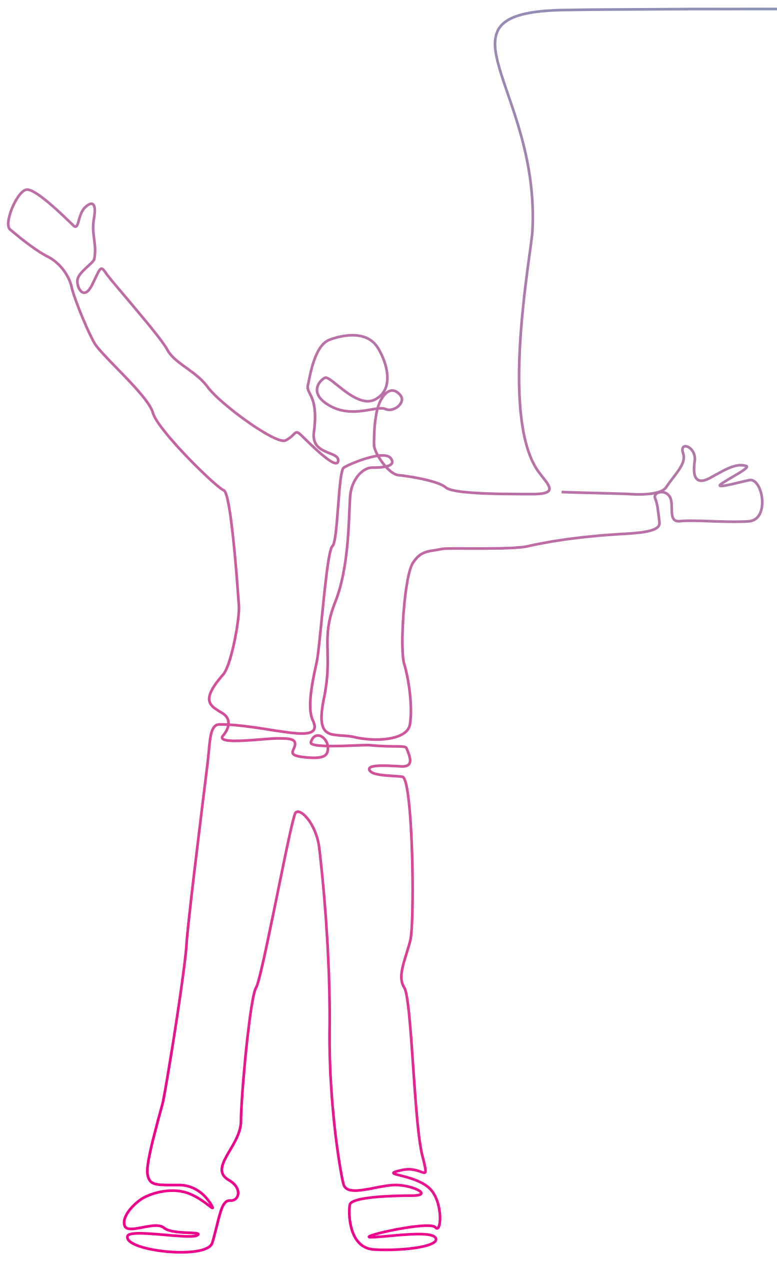


Responsibility to the Community

Corporate Social Responsibility (CSR) has been part of our business from the very beginning. We were the first to bring BREEAM to Central European commercial real estate and are pioneering the notion of buildings as areas of 'well-being' for users. In our own organization, 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 nearly 600 professionals who create the top-quality real estate projects that achieve the best sustainability ratings. In addition, 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 try to address any environmental challenges while finding solutions that meet not only client requirements but also our sustainability goals. Our clients increasingly demand sustainable spaces with energy efficient operational and maintenance costs. We want satisfied clients. So, our approach is simply good but sustainable business. 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 of clients but equally it expresses our awareness that all investment decisions are based on their potential to create value; we review both the cost and their potential to sustainably contribute to value creation. This is our way of finding the most appropriate solution. We apply the same disciplined approach when attempting to achieve the highest possible economic potential from 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 can 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 Office I and II-III; in Warsaw, we did the same with our Konstruktorska Business Center and with Gdanski Business Center we created a basis for a new business district that has been welcomed by both the professional community and by clients. We continue to work on Twin City, our flagship project in Bratislava, where we are changing a large formerly seedy area into a new, modern multifunctional city hub. And we have similar plans for our new Agora project in Budapest and the 2 ha plot at Burakowska Street on the northern fringe of Warsaw. Both were real brownfields when we acquired them. Now, we are finalising concepts and designs to change them into new, remarkable and unique venues in coming months.

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. That is why 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 not just their own sustainability targets but also to create space in which their employees will feel great. At HB Reavis, we have long recognized the benefits of developing to established international sustainability standards. As mentioned, 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 2016, we again delivered all our office projects – Twin City B and C in Bratislava, West Station I and Gdanski Business Center D in Warsaw to BREEAM 'Excellent' standard, while Aupark Shopping Centre in Hradec Kralove (Czech Republic) was awarded BREEAM 'Very Good'. For all our projects currently under construction, we aim to achieve BREEAM 'Excellent' or higher. In a logical next step, we are now working towards BREEAM 'Outstanding' for our projects in preparation. This is an overview of the BREEAM ratings of our recent projects:

BREEAM 'Very Good'	BREEAM 'Excellent'	BREEAM 'Outstanding'
City Business Center III-V	Forum Business Center I	Twin City Tower
River Garden I	Vaci Corner Offices	Twin City next phases
Konstruktorska Business Center	River Garden II-III	Nivy Tower
Gdanski Business Center A - B	Metronom Business Center	Radlicka
Aupark Hradec Kralove	Postepu 14	Burakowska 14
Nivy Mall	Gdanski Business Center C - D	Varso Place
Cooper & Southwark	West Station I-II	Agora
	Twin City A, B, C	
	33 Central	
	20 Farringdon Street	
	Vinohradska	

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

Well-being in our buildings

Buildings have a significant impact on people's quality of life, well-being and health. Especially in today's 'war for talent, it is essential that businesses provide workspaces that foster staff wellness and productivity. We see well-being as an essential building block for a healthy work life and believe that by providing a high quality built environment, we help our clients increase their business success because they will have healthier, happier and more engaged employees. So we are keen to pioneer and invest heavily in user-orientated development methods, such as the WELL Building Standard, in the markets where we operate. Consequently, we have decided to pursue certification for our commercial building projects through the International WELL Building Institute™ (IWBI™) and its WELL Building Standard™ (WELL). This is the first building standard to focus on enhancing people's health and well-being through the built environment.

Pioneering new program

By pursuing this certification, HB Reavis will further its commitment to overall human health and well-being in building design, construction, and operations. The projects now registered for this pioneering new building certification program include Twin City Tower in Bratislava and office building located at Vinohradska Street in Prague (registered for WELL Core & Shell Certification) and HB Reavis' office in Twin City C in Bratislava (registered for New and Existing Interiors certification). Once completed, the three projects would be awarded WELL Certification by IWBI upon rigorous testing and a final evaluation by Green Business Certification Inc. (GBCI), which is the third-party certification body for WELL, to ensure buildings meet all WELL performance requirements. HB Reavis also plans to pursue WELL Certification for its upcoming office developments in Warsaw and Budapest.

Community action

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

In 2016, the Foundation continued to facilitate activities related to quality of life in local communities where our people live, specifically in:

- education
- leisure time activities for kids and young people
- art and culture
- environmental projects
- partial restoration of small historical buildings
- charity

During the reporting year, we decided to support 19 employees' projects with average financial support per project of €1,420, totalling €26,980. (Employee projects can receive anything between €500 and €2,000.) Projects approved by the Foundation's Board of Trustees included:

- journey allowances for the Zaleska theatre
- air conditioning and new floor covering for a number of maternity centres
- construction of outdoor classrooms for nature lessons and revitalisation of local fields
- improving training process for karate lessons
- creating a tourist nature trail

Virtuoso performance

For the past five years, the Virtuoso program has been bringing together young musicians from all over Slovakia. Hugely successful, in 2016 the young performers were able to bring a rich, classical experience to a wider audience through their 'performance in sneakers' programs. In July, there was a performance at the European House in Spisska Kapitula (Slovakia). During the summer, Virtuoso played several dates in Poland under the 'Good Idea Slovakia' label. The orchestra visited both the historical city of Wroclav and Wawel castle in Krakow.

The young performers approached us to support a number of other charitable activities. We were happy to oblige. They attracted all kinds of musicians with the aim of creating a Slovak record for the most performers at any one time. The huge ad hoc 'orchestra' played a special arrange of The Beatles' Let it Be.

At year-end, the orchestra said a special thank-you to its supporters at a festive Christmas concert at the Peterschurch in the heart of Vienna. This was its first outing with the new conductor, Adam Sedlicky.

As the interest of our people has increased over time and we are receiving very positive feedback on this activity, we have decided to expand the Foundation's activities to include all our offices. Colleagues in Poland have already started identifying and supporting projects.

Financial Review

Changes in real estate trends and in the way tenants perceive the way they occupy space present new challenges for our financial strategy. We are working hard to address those challenges in a proactive way.

Financial Strategy

At HB Reavis we are continually engaged in monitoring, anticipating and analysing market trends and reviewing our financial strategy against any changes. Our aim is to ensure our financial strategy is fit for purpose and allows us to maintain a healthy capital structure while ensuring the availability of both new debt and new equity to support the Group's growth ambitions.

Occupancy trends are changing. Increasingly, tenants are looking for greater flexibility driven primarily by the ever-shifting dynamics of today's business models and new economy sectors. In tight labour markets, tenants need attractive recruitment and retention packages, and that is no longer only about salary and monetary benefits. The actual working environment now plays an increasingly strong role in recruiting top young talent. Given this new reality, the notion of a tenant committing to long-term and inflexible lease contracts (the kind that are most attractive to traditional finance providers and investors) is under challenge. As a major player in leasing markets, we are seeing a clear trend towards more flexibility. This, together with the advent of another recent phenomena in how tenants use space – the co-working platform – means there is a growing need for more agile debt and equity funding.

In 2016, the Group embarked on a significant divestment program whereby we disposed of a total of 14 properties valued at over €1 billion in terms of gross development value and including the assets divested on behalf of HB Reavis CE REIF. There were two primary reasons for such an ambitious divestment program. Firstly, given the significant pipeline across all our markets which includes some of Europe's most prestigious development projects (Varso in Warsaw; Nivy Mall & Tower in Bratislava; Agora in Budapest) and given our speculative development business model, we determined that we had to have a substantial equity buffer. Secondly, the favourable market yield environment with significant yield compression across all our markets is driven largely by monetary stimulus and we feel that it will be reaching its peak in the near future. Hence, we have decided to take advantage of the favourable environment and divest a substantial part of our income producing portfolio. This does mean, however, that we will be diverging from our targeted 50:50 balance sheet split between income producing assets and assets under development. In response and in the medium-term, we will gradually 'build-up' the income producing part of our balance sheet from within our pipeline. At year-end 2016, the accumulated cash in our 'war chest' amounted to €316 million and it will enable us to speed-up our geographical growth not only organically, but potentially also through acquisitions should suitable opportunities present themselves. In 2017, we aim to further continue this divestment program with additional disposals of income producing assets to primarily HB Reavis CE REIF and a new to-be-launched fund, both managed by the HB Reavis Investment Management arm.

The divestment program has seen us substantially deleveraging our balance sheet (given we have disposed of the most leveraged assets). As a result, the net-debt-leverage ratio has fallen from 29.7% at the end of 2015 to 17.4% at year-end 2016, well below the 35% target. In order to partially reverse this trend, we have continued to rely more heavily on Group leverage through debt capital markets – in 2016, we tapped the Czech, Slovak and Polish bond markets with three issues totalling €94.4 million. At the end of 2016, non-project financing had reached 21% of our funding mix and we aim to continue increasing this share in the near term, returning to our traditional CEE capital markets and also exploring wider European debt capital markets.

In 2016, dividends paid to our shareholders temporarily exceeded the 3% cap and reached 4.1% of NAV due to a one-off impact from a spin-off of our bus transportation business (realised via dividend payment) and an inter-shareholder settlement due to the unfortunate passing-away of Mr Viliam Pancik, one of our two co-founders. Adjusted for these one-off items, dividends paid to shareholders would be around 2% and would not have surpassed the cap and we intend to adhere strictly to our financial policy guidelines in the future.

Our financial policy formalises some of the key financial measures:

- 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
- Careful risk management aimed primarily at mitigating foreign exchange and interest-rate risks associated with macroeconomic or property cycles;
- Target Gross Debt to Total Assets at 40% and Net Debt to Total Assets at 35% with an appropriate mix of non-recourse project debt and Group-level debt;
- Cash reserve target at 5% of the balance sheet with special reserve build-up profile to cover future debt-bullet repayments well in advance
- Dividend pay-out in line with historical levels up to 3% of NAV.

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

Key results overview

EBIT
€171.1m

Net profit
€107.5m

Net rental income
€46.1m

NAV
€1,220.6m

Shareholders' return
6.9%

Net Debt Leverage Ratio
17.4%

Revaluation gain
€174.5m

In terms of overall performance, in 2016 we delivered significantly lower financial results than in 2015. However, the fundamentals are strong as is our business result. Obviously, the main driver was a revaluation gain of €174.5 million over the year, down by 34% year-on-year (2015: €263.2 million). At €46.1 million, Net operating income was up slightly (2015: €44.6 million) while Result from disposal of subsidiaries increased somewhat to €16.9 million (2015: €13.6 million). Bottom line: we achieved a Net profit of €107.5 million (2015: €239.4 million). Our growing business also drove up growth in personnel primarily in Poland and UK, but we are also adding some head-office positions so that we are ready for further growth.

Normally, the combination of realigning the balance sheet and the move to higher margin markets would help gear-up our results. Our operating profit for 2016 reached €235.3 million (2015: €302.5 million). However, this remarkable operating profit was partially out-weighted by FX losses, vast majority of which related to the devaluation of our property investments in foreign currencies. The negative impact reached €95.4 million and was caused mainly by the UK portfolio and related depreciation of British pound but the Polish portfolio and depreciating Polish zloty also contributed.

The Group balance sheet increased slightly to over €2.1 billion. Net asset value increased by a modest 2.8% year-on-year and reached €1.22 billion.

In 2016, we were unable to deliver Return on shareholders' equity at the 15% long-term target level. As a consequence of FX related losses, it reached just 6.9%, but still comfortably beat the benchmark (3.6%). In contrast to previous years, our Net debt leverage ratio decreased to 17.4% (2015: 29.7%) significantly below the Group's targeted level of 35% and chiefly due to disposal activity. In the reporting year, we divested matured, highly leveraged assets in their future value of around €1 billion. Consequently, we have achieved a significant release of the equity which translated to a comfortable cash position of €316 million as of the end of the year. The volume of borrowings reached €683 million*.

€m	2011	2012	2013	2014	2015	2016
Assets	1,253.3	1,440.4	1,530.1	1,806.1	2,089.3	2,112.3
Cash	141.8	48.6	49.9	155.3	115.4	316.4
Borrowings*	349.5	463.0	505.3	634.4	736.3	683.0
Net debt leverage ratio	**16.6%**	**28.8%**	**29.8%**	**26.5%**	**29.7%**	**17.4%**

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

How We Created Value in 2016

We delivered an operating profit of €235.3 million (2015: €302.5), which represents decline of 19% year-on-year.

Group profit decomposition (€m)

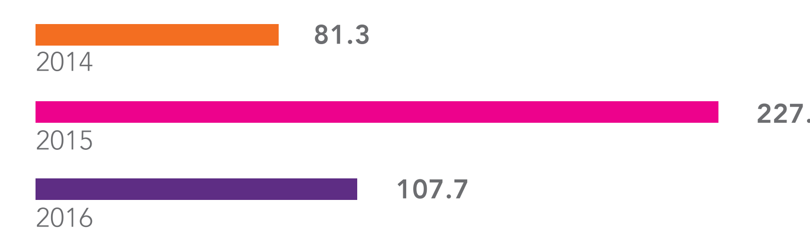
Note: Figures based on consolidated, IFRS audited report; numbers are rounded.

Net operating income (€m)

46.1

Revaluation gains (Net of yield shift, €m)

107.7



Investment portfolio yield

6.17%

Revaluation gain

We achieved great progress on our development pipeline. However, it only brought €174.5 million to the Revaluation gain on investment property (2015: €263.2 million). This represents a year-on-year decrease of around 34%, driven especially by foreign exchange related unrealised losses. When adjusted for yield shift, the Group achieved €107.7 million (2015: €227.8 million) net revaluation gain while the positive yield shift contributed €66.8 million to profits (2015: €35.4 million).

In geographical terms, the biggest contributor was again Poland with a gain of €107.8 million, followed by the Czech Republic with €44.5 million, Slovakia with €30.5 million and Hungary with €1.6 million. The UK contributed negatively an amount of €-9.9 million due to the foreign exchange impact.

In terms of yield shift, the average investment property portfolio yield decreased by 49-basis points to 6.17% as we continued investments in lower-yield projects in the UK and Poland. Income producing assets, primarily driven by higher yielding Slovak assets, were valued at 6.72% at the end of 2016. Average valuation yield of development properties, now more heavily weighted to UK and Polish assets, was also down by 32-basis points to 5.64%.

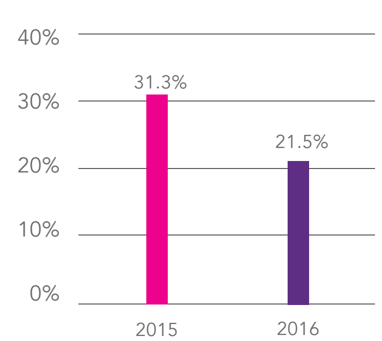
Net operating income increased by €1.5 million

Our huge effort to rebalance the balance sheet is clearly pulling up overall performance. However, disposal of matured assets that are replaced by newly delivered schemes still in their ramp-up period is accompanied by limited capacity to generate Net operating income (NOI). In 2016, it reached €46.1 million (2015: €44.6 million). As our strategy is to continue active divestment of mature assets and reinvestment of the proceeds to increase our development pipeline, the growth potential for our NOI will be limited in the coming years.

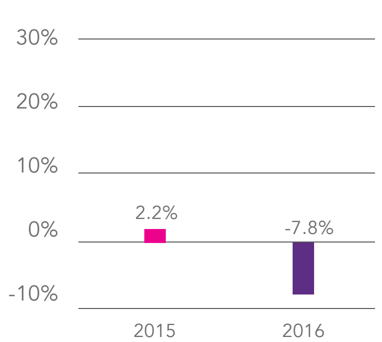
How business lines contributed

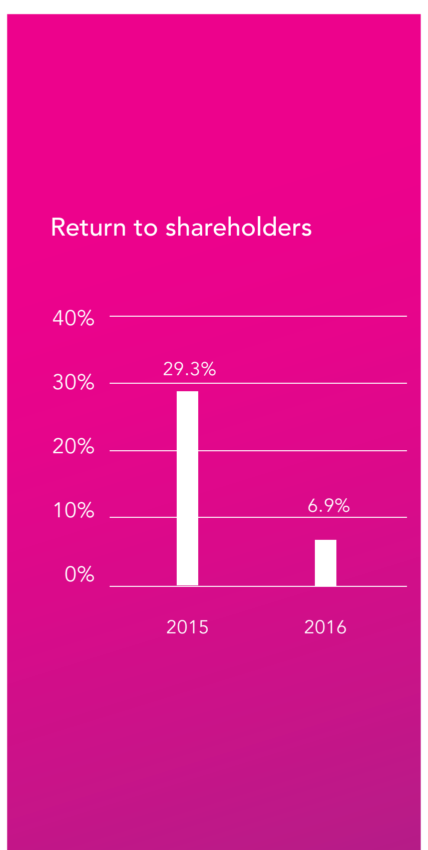
In light of the contributions made by the Group's business lines to overall return on shareholders' equity, clearly, the main contributor was the Development portfolio with ROE of 21.5% (2015: 31.3%). Income producing property also contributed a reasonable amount – ROE increased from 13.5% in 2015 to 15.5% in 2016. The drivers were both, Net operating income and Result of revaluation. ROE of our Non-core portfolio lagged behind with -7.8%, as did cash at -0.4%. Despite a decreased performance of Property under development in 2016, we are convinced that the strategic increase in the development pipeline's share in total investment property is the right course.

Property under development

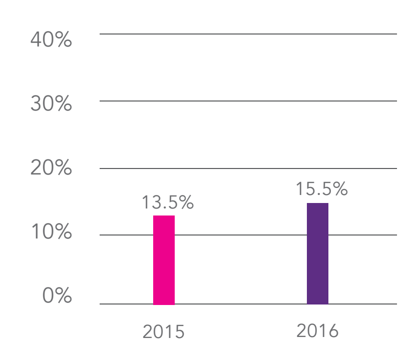


Non-core

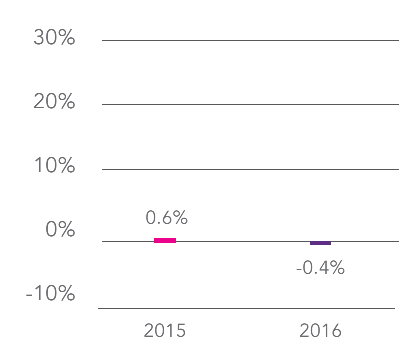




Income producing property



Cash



Note 1: Projects completed in 2016 included in Property under development.
Note 2: Segment results based on Profit before tax (excluding Translation of foreign operations to the presentation currency).
Note 3: Return to shareholders includes dividend paid out.

How We Manage Cash Flow

In 2016, financial institutions were still very positive about real estate projects. The financing market environment offered reasonable conditions on loan-to-cost ratio, and pricing and the ability to deploy debt funding at earlier stages of the development phase were favourable. These conditions were the same across all our markets except for London, where the results of the British EU referendum prompted financial institutions to reconsider financing speculative office development. We took full advantage of this positive trend to support our growing development operations. This required real focus on prudent cash flow management. HB Reavis continues to manage cash flows according to proven guidelines:
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.
Preparation and regular monthly and quarterly reviews of the consolidated cash flow forecast with a three to five-year horizon, including quarterly stress testing for different market and macro-economic scenarios.

Cash flows (€m)	2011	2012	2013	2014	2015	2016
Cash beginning of period (BOP)	**76.6**	**141.8**	**48.6**	**49.9**	**155.3**	**115.4**
Operating cash flow	**7.6**	**16.3**	**9.0**	**20.6**	**24.3**	**30.6**
Land/property acquisitions	0.0	-143.0	-79.2	-56.7	-40.0	-76.0
Construction investments	-101.7	-86.5	-112.6	-122.6	-215.5	-244.9
Land/property exits*	141.8	15.9	76.1	88.0	13.5	162.6
Other investments	-16.9	-4.7	-8.2	-10.8	-8.1	-1.4
Investment cash flow	**23.2**	**-218.3**	**-123.9**	**-102.1**	**-250.1**	**-159.7**
Borrowings change	54.1	105.6	125.1	200.7	244.9	379.1
Dividends/equity contributions	-19.7	3.2	-8.9	-13.8	-59.0	-49.0
Financing cash flow	**34.4**	**108.8**	**116.2**	**186.9**	**185.9**	**330.1**
Cash end of period (EOP)	**141.8**	**48.6**	**49.9**	**155.3**	**115.4**	**316.4**
Share of cash on total assets	**11.3%**	**3.3%**	**3.3%**	**8.6%**	**5.5%**	**15.0%**

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

In line with our 'growth' strategy, we continuously increased our annual investment in construction and acquisition of new plots to around €300 million in 2016 and aim to further increase that annual amount to around €450-500 million in the course of the next two to three years. Site acquisitions that meet our strict criteria on client value proposition, location, size and shareholder return are especially challenging.
Our investment in acquisitions during the reporting year rose to €76 million, up by €36 million year-on-year. As far as investment in construction is concerned, the amount reached €245 million, a figure similar to 2015. Consequently, the amount of our overall investment slightly exceeded our €300 million target. For 2017, we aim to further increase our overall investment and believe we could surpass the €500 million threshold.

How We Finance

Financing activity is intended to support the Group's core business lines by ensuring sufficient funding while maintaning both the long-term cost and tenor of borrowed capital at optimal levels.

The reporting year was another year of strong financing activity for HB Reavis, both in project financing and on debt capital markets. The Group utilised the low interest-rate environment that continued throughout 2016 to achieve favourable cost of debt and maintain optimal repayment tenor. Cost of external debt remained almost flat at around 2.8%, while the weighted average tenor declined only marginally to 4.15 years at year-end 2016 (2015: 4.24).

Due to strong divestment activity, the Group repaid or offloaded debt amounting to over €340 million (in addition to accumulation of significant cash reserves) and in spite of strong raising of new debt, the Group's overall net debt leverage dropped markedly to 17.4% (2015: 29.7%). Almost €350 million of external debt was newly raised or refinanced through a combination of bank loans and issued bonds. On a cash basis, almost €330 million of new (additional) debt was raised by the Group. On an aggregate basis, at the end of 2016, external debt stood at €683 million* against €736.6 million at the end of 2015. The larger part (72.5%) of external debt stemmed from bank loans, while the remaining 27.5% was in issued bonds.

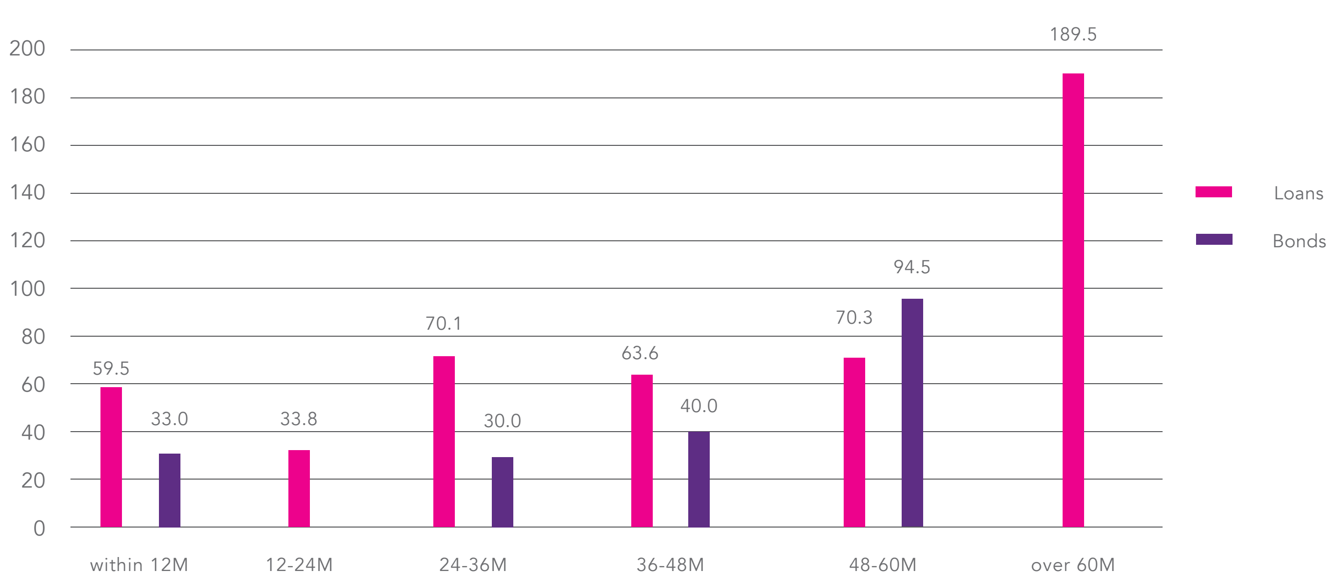
As of the end of 2016, HB Reavis maintained well diversified credit relationships with 10 (2015: 12) banking and financial institutions for projects in Slovakia, the Czech Republic, Poland and Hungary. The reduction in number of credit relationships was driven mainly by repayments of loans on divested projects.

In the course of 2016, the Group continued its successful debt capital market operations by issuing bonds in three markets: the Czech Republic, Poland and Slovakia. In aggregate, the unsecured bond issues amounted to over €94 million and contributed to optimization of the Group's capital structure.

Our traditional source of external debt funding – project-linked loan financing – has long been provided by diverse banking partners. This loan financing is typically secured against a designated real estate 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. A large part of bank debt carries floating interest rates with a variety of hedging arrangements, agreed either in the conditions of our loan agreements or on a distinct basis reflecting the Group needs to mitigate its interest rate exposure. 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 shareholders' equity. In the course of 2016, no default events were called or reported on the Group's loan portfolio.

Debt maturity profile as of 31 December 2016 (€m)



*Excluding borrowings in JV.

How We Divest Assets

The amount of capital raised and available for real estate is at record levels. This is driven mainly by the low interest rate environment and increased allocations to the real estate asset class. This helps investors diversify from the volatility in other asset classes and represents a source of long-term sustainable income for them. High demand and low supply of good quality real estate products has put downward pressure on yields leading to decreasing spreads between real estate returns and government bond yields.

Overall transaction activity in commercial real estate was again very strong in 2016, although slightly below 2015 volumes. The slowdown was largely attributable to the political and economic uncertainty surrounding the UK decision to leave the European Union, whereas Central Europe accounted for the majority of the positive outperformance, balancing out the UK market blip. Nevertheless, in the fourth quarter the UK market regained momentum, driven mainly by a strong inflow of foreign capital, with Asian investors taking the lead and aiming to build a strong presence on European real estate markets.

In Central Europe, 2016 was another record year for real estate. Poland and the Czech Republic remain the top picks for institutional investors as these markets are close to maturity and still provide a yield premium compared to Western Europe. Investors seeking higher returns, therefore, are more likely to look for new opportunities to countries like Hungary, Romania or Slovakia.

The reporting year can be seen as transformational and certainly eventful for HB Reavis on number of fronts. Despite various political surprises and signs of increasing interest rates, we decided to take advantage of favourable macroeconomic and investment-market conditions and embarked on an ambitious divestment program. Our Group (including HB Reavis CE REIF) divested or committed to divest upon completion a total of 14 income-generating assets and several non-core land positions worth over €1 billion in terms of future value of assets (of which divestments by the HB Reavis CE REIF fund accounted for roughly €70 million).
The successful realisation of our divestment strategy was largely driven by the weight of capital seeking higher returns of core investments in Central Europe compared to key Western European markets. This allowed us to achieve a significant premium over our IFRS valuations. From a business perspective, we successfully concluded a full development cycle across all our markets of operations including the United Kingdom, proving the successful implementation of our business model on all markets.

In 2016, the Group also marked a number of major milestones. In one of the largest single office deals in the City of London last year, we have agreed to forward sell our first London development, 33 Central, to Wells Fargo, the third largest bank in the US by assets. Initially, discussions with Wells Fargo were aimed at leasing. However, the client subsequently expressed the wish to own and occupy 33 Central, where, upon completion, they will consolidate all London-based team members. Signing of the deal was the first real estate transaction following the Brexit vote demonstrating strong endorsement of the quality of our real estate solutions, as well as the resilience of the HB Reavis business even under seemingly challenging market conditions. This sale, although initially not envisaged given the original strategy to retain and lease, accounted for one-third of our divestment volumes, and will allow us to continue investing in similar high-quality development opportunities in London and elsewhere.

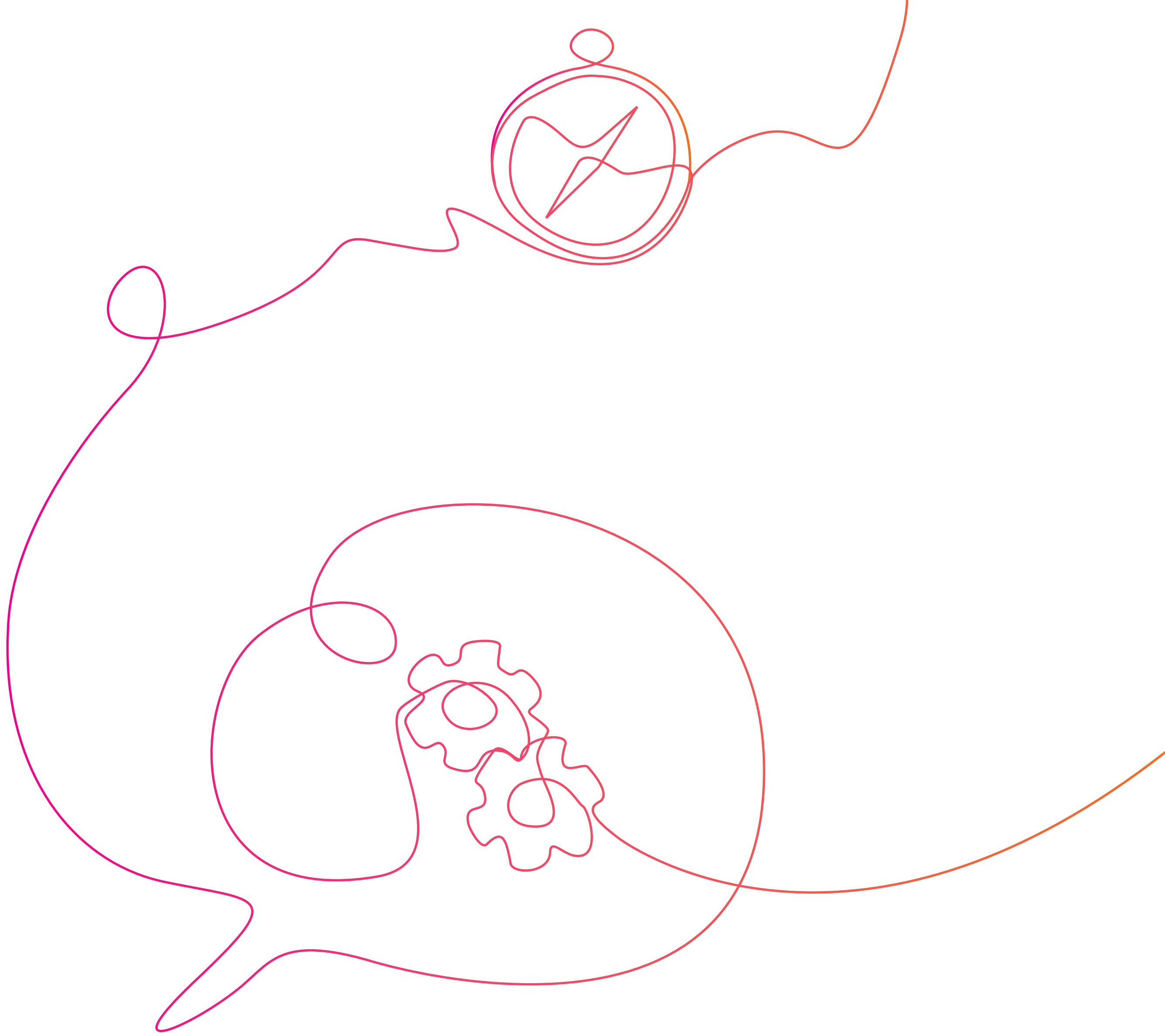
Additionally, we have successfully completed sales of our two projects in Warsaw, confirming our business strategy to develop and sell high-quality office schemes also on the Polish market. Our Konstruktorska Business Center was sold to Golden Star Estate and, in one of the largest transactions of the year in Poland, we sold the first phase of Gdanski Business Centre in Warsaw to Savills Investment Management representing a major global pension fund which entered the CE real estate market through this transaction. Both transactions, amounting to over €300 million contributed significantly to the overall deal volumes in Warsaw.

HB Reavis (jointly with the HB Reavis CE REIF fund) sold a portfolio of logistics centres in the Czech Republic and Slovakia for €74.9 million to Macquarie Infrastructure and Real Assets, part of the Macquarie Group. The disposal reflected the strategic decision of HB Reavis to dispose of its industrial development business and focus entirely on development and management of European office and retail projects.

Close long-term investor relationships are an important pillar of our divestment strategy. In 2016, this resulted in a third transaction with New Europe Property Investments (that purchased Aupark Piestany) and a second transaction with IAD Investments (acquisition of Twin City A). The completion of these transactions is a true recognition of the quality of our assets, as well as the excellent reputation of our developments among investors. Implementation of transaction know-how and understanding of investors needs is a key element of our development process, leading to better marketability of the assets and a high confidence of institutional investors in our projects.

How We Manage Risk

The Group is exposed to the risks that are part of the general commercial environment as well as to various risks that are specific to our business. An inherent part of the Group's business management is the emphasis on identification and monitoring of all relevant risks. Where possible, we deploy proactive mitigation tools to manage any 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.



Strengths

- Diversification across markets and locations
- Efficient construction procurement
- Strong office product design know-how and experienced team
- Proven ability to deliver high quality buildings on all Group markets
- Proven ability to divest property assets on all Group markets
- Strong financial track record and credibility with banks and investors

Weaknesses

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

Opportunities

- Strong demand in Bratislava and Budapest
- Strong leasing activity in Warsaw and Prague
- Increased leverage through sustainable and diversified funding sources – loans and bonds
- 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
- Leadership in setting office trends

Threats

- Further prolongation of oversupply in office markets in Warsaw intensifies pressure on rents
- Not enough opportunities to redeploy Group capital that would meet our Group risk-return expectations
- Uncertain environment on London market due to Brexit
- Unexpected shock on financial markets

External risks

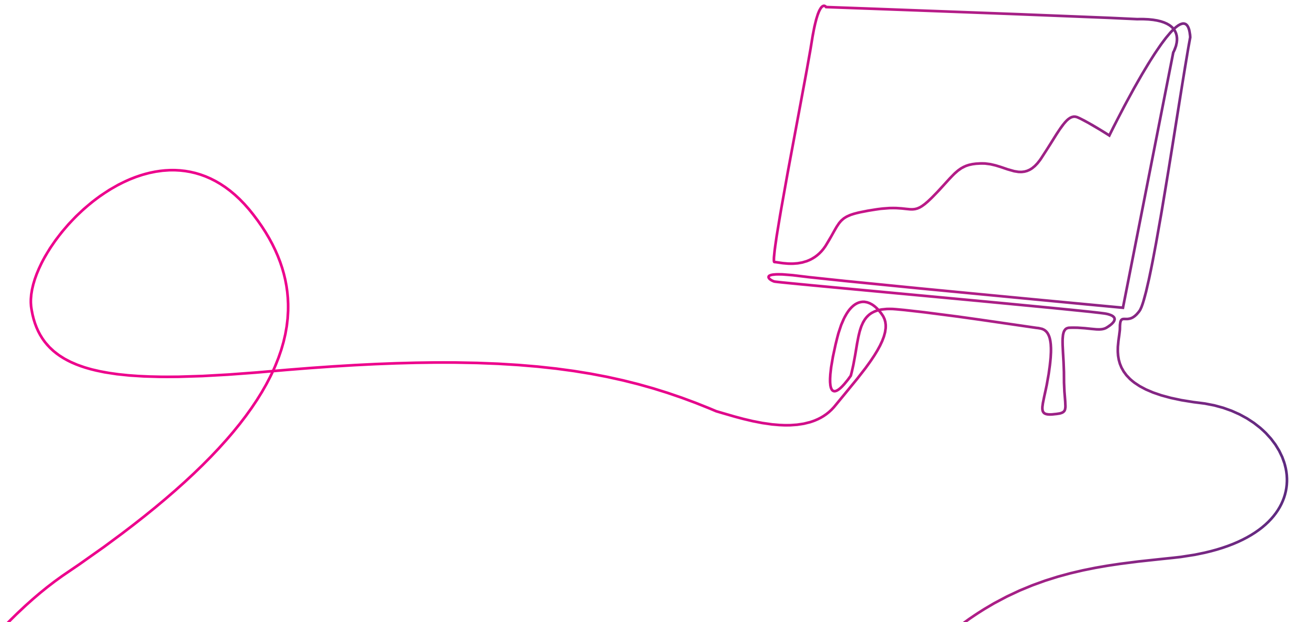
Uncertainty in macro and microeconomic environments on the markets where the Group operates increases the risk related to property values, development returns, accessibility to external funding and saleability of assets as well as stability of rental income.
Default of contractual partners and adverse implications of legal environment can lead to financial losses for the Group.

Description and potential impact of risk	Mitigation
The Group's business is dependent on macroeconomic and property market conditions in each individual country and city in which we operate. Deterioration in commercial property markets leads to a decline in the value of the property portfolio, tenant default and a reduction of income from relevant properties.	• International and segment diversification provides a reasonable balance in mitigating market cycles and fluctuations as well as concentration risks. • Focus on high-quality properties in superb locations with sustainable prospects. • Thorough acquisition process involving assessment of legal, tax, economic, technical and social parameters as well as timing of these acquisitions.
Events on financial markets might limit the availability of funding, influence terms of capital raising while lack of liquidity might reduce saleability of assets. Movements on financial markets might influence development of interest rates as well as currency exchange rates.	• The Group cooperates with a variety of banking partners in different markets. • Diversification of funding sources split into 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 daily and, in line with financial policy, we deploy hedging tools, including derivatives to hedge part of this risk.
Underlying income could be adversely affected by weakening of tenant demand resulting from slow economic performance in the EU and corresponding 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 towards single tenants.
When a contractual partner is unable to meet obligations, financial or other, such breaches might lead to direct or indirect financial losses for HB Reavis.	• Careful analysis of legal matters in respective environments, 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.
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 development and construction process.	• Careful analysis of legal matters in respective environments, 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

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 - all can expose the Group to risks leading to adverse financial implications.

Description and potential impact of risk	Mitigation
Weak market analysis (i.e. failure to anticipate adverse 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 and selecting schemes resilient to market changes. • Acquisitions are reviewed and financially appraised by multidisciplinary teams and approved by clearly defined authorizations. • Constant budgeting and forecasting of all capital commitments, matching them with available funding sources. • Flexible construction pipeline enabling the Group to deploy capital at suitable times.
Failure to assess and manage risks during the development process adversely impact future income, capital performance and endanger leasing exposure, timetable and costs, and adverse planning judgements. Poor construction delivery and failures in procurement (of sub-contractors) result in quality issues and cost overruns causing customer dissatisfaction and/or financial damage.	• Detailed analyses and appraisal of all developments, including risks, sensitivity and scenarios assessment is commissioned prior to any development commitment. • Progress against budget and schedule is monitored throughout the development lifecycle. • Before awarding supplier contracts, key contractors are assessed, including financial covenant review. • Strong and sustainable relationships are maintained with key suppliers.
Organisational structure needs to be adapted 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 or inability to properly cover certain sections of the development cycle.	• Selection of high-quality professionals with competitive, performance-driven remuneration packages. • Regular performance review of key positions. • Succession planning designed to avoid disruption of key business areas.



Audit Report

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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 2016, and the consolidated statement of profit or loss and other 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 about 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.

pwc

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. and its subsidiaries as of 31 December 2016, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our audit report thereon.

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 7 April 2017

Isabelle Dauvergne

HB Reavis Holding S.à r.l.
Consolidated Statement of Financial Position at 31 December 2016
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Investment property in use or vacant	9	565.1	570.3
Investment property under development	9	639.5	853.4
Investment in joint ventures	10	46.5	48.4
Property, plant and equipment	8	9.0	11.3
Intangible assets		0.2	0.4
Receivables and loans	7, 11	12.3	13.5
Deferred income tax asset	26	4.4	6.9
Other non-current assets	12	11.1	5.1
Total non-current assets		**1,288.1**	**1,509.3**
Current assets			
Non-current assets classified as held for sale	15	**221.8**	**430.9**
Inventories		0.4	0.4
Trade and other receivables	7, 13	67.5	48.4
Amount due from customers for contract work	14	221.3	-
Other assets		5.2	2.5
Cash and cash equivalents	16	308.0	97.8
		602.4	**149.1**
Total current assets		**824.2**	**580.0**
TOTAL ASSETS		**2,112.3**	**2,089.3**
EQUITY			
Share capital (12,500 shares at EUR 1.00 each)	17	-	-
Share premium	17	532.6	581.3
Retained earnings		628.5	521.0
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	3.8
Currency translation reserve	2.3	(28.7)	(6.4)
Equity attributable to the Company's owners		1,136.2	1,099.7
Non-controlling interest		0.5	0.6
TOTAL EQUITY		**1,136.7**	**1,100.3**
LIABILITIES			
Non-current liabilities			
Borrowings	18	564.9	486.0
Deferred income tax liability	26	69.9	88.5
Other payables	7, 19	4.8	11.8
Total non-current liabilities		**639.6**	**586.3**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	15	**113.8**	**254.3**
Borrowings	18	91.3	57.2
Trade and other payables	7, 19	115.9	70.3
Deferred income	19	8.8	12.2
Current income tax payable		6.2	8.7
		222.2	**148.4**
Total current liabilities		**336.0**	**402.7**
TOTAL LIABILITIES		**975.6**	**989.0**
TOTAL LIABILITIES AND EQUITY		**2,112.3**	**2,089.3**

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 7 April 2017 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

Fabrice Mas
Manager A

Marián Herman
Manager B

Pavel Trenka
Manager B

The accompanying notes on pages 102 to 148 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
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2016	2015
Rental and similar income from investment property	20	69.6	67.5
Direct operating expenses arising from investment property	21	(23.5)	(22.9)
Net operating income from investment property		**46.1**	**44.6**
Revaluation gain/(loss) on investment property	9	174.5	263.2
Share of profit or loss of joint ventures	10	(0.3)	12.4
Gain on disposal of subsidiaries	25	16.9	13.6
Gain on disposal of joint ventures	10	-	1.1
Revenue from public transportation	22, 25	-	13.4
Other operating income	7, 24	6.4	4.0
Revenue from construction contracts	14	114.9	37.2
Construction services	14	(73.0)	(31.8)
Employee benefits	7, 23	(17.3)	(24.5)
Fuel costs		(0.3)	(2.4)
Depreciation and amortisation		(1.5)	(3.4)
Other operating expenses	24	(31.1)	(24.9)
Operating profit		**235.3**	**302.5**
Interest income	7	0.6	1.2
Interest expense		(31.2)	(23.6)
Foreign exchange gains/(losses), net	27	(41.2)	5.0
Gains less losses on financial investments held for trading	25	-	5.3
Gains less losses on financial derivatives		(18.0)	-
Other finance income		-	2.2
Other finance costs		(5.6)	(5.1)
Finance costs, net		**(95.4)**	**(15.0)**
Profit before income tax		**139.9**	**287.5**
Current income tax credit/(expense)	26	0.9	(0.1)
Deferred income tax (expense)/credit	26	(33.3)	(48.0)
Income tax credit/(expense)		**(32.4)**	**(48.1)**
Net profit for the year		**107.5**	**239.4**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency for the year	2.3	(36.2)	1.4
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	25, 27	13.9	-
Items that may not be reclassified subsequently to profit or loss:			
Revaluation of own use premises upon transfer to investment properties at fair value		-	3.8
Total other comprehensive income		(22.3)	5.2
Total comprehensive income for the year		**85.2**	**244.6**
Net profit is attributable to:			
- Owners of the Company		107.5	239.4
- Non-controlling interest		-	-
Profit for the year		**107.5**	**239.4**
Total comprehensive income is attributable to:			
- Owners of the Company		85.2	244.6
- Non-controlling Interest		-	-
Total comprehensive income for the year		**85.2**	**244.6**

The accompanying notes on pages 102 to 148 are an integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Changes in Equity
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 17)	Share premium (Note 17)	Retained earnings	Translation reserve	Revaluation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2015		**-**	**637.9**	**284.7**	**(7.8)**	**-**	**914.8**	**18.6**	**933.4**
Profit for the year		-	-	239.4	-	-	**239.4**	-	**239.4**
Other comprehensive income		-	-	-	1.4	3.8	**5.2**	-	**5.2**
Total comprehensive income for the year		**-**	**-**	**239.4**	**1.4**	**3.8**	**244.6**	**-**	**244.6**
Disposal of subsidiary	25	-	-	-	-	-	-	(18.0)	**(18.0)**
Distribution to owners	17	-	(56.6)	(2.7)	-	-	**(59.3)**	-	**(59.3)**
Other		-	-	(0.4)	-	-	**(0.4)**	-	**(0.4)**
Balance at 31 December 2015		**-**	**581.3**	**521.0**	**(6.4)**	**3.8**	**1,099.7**	**0.6**	**1,100.3**
Profit for the year		-	-	107.5	-	-	**107.5**	-	**107.5**
Other comprehensive income		-	-	-	(22.3)	-	**(22.3)**	-	**(22.3)**
Total comprehensive income for the year		**-**	**-**	**107.5**	**(22.3)**	**-**	**85.2**	**-**	**85.2**
Distribution to owners	17	-	(48.7)	-	-	-	**(48.7)**	-	**(48.7)**
Other		-	-	-	-	-	**-**	(0.1)	**(0.1)**
Balance at 31 December 2016		**-**	**532.6**	**628.5**	**(28.7)**	**3.8**	**1,136.2**	**0.5**	**1,136.7**

The accompanying notes on pages 102 to 148 are an integral part of these consolidated financial statements.

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

In millions of EUR	Note	2016	2015
Cash flows from operating activities			
Profit before income tax		139.9	287.5
Adjustments for:			
Depreciation and amortisation	8	1.5	4.4
Revaluation gains on investment property	9	(174.5)	(263.2)
Gains less losses on disposals of subsidiaries	25	(16.9)	(13.6)
Gain on disposal of joint ventures		-	(1.1)
Share of profit or loss of joint ventures		0.3	(12.4)
Gains less losses from financial instruments held for trading		-	(5.3)
Interest income		(0.6)	(1.2)
Interest expense		31.2	23.6
Unrealised foreign exchange (gains)/losses	27	35.9	(4.9)
Unrealised (gains)/losses from financial derivatives		6.5	-
Operating cash flows before working capital changes		23.3	13.8
Working capital changes:			
Decrease/(increase) in trade and other receivables		(17.5)	(22.9)
Increase/(decrease) in trade and other payables		3.1	15.8
Increase/(decrease) in taxes payable		(0.8)	(0.2)
Cash generated from operations		8.1	6.5
Interest paid		(20.4)	(16.9)
Interest received		0.6	1.2
Income taxes paid		(0.7)	(0.2)
Net cash from operating activities		**(12.4)**	**(9.4)**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(1.4)	(10.5)
Purchases of investment properties		(75.0)	(40.0)
Advances and prepayments paid		(1.0)	-
Investment in joint venture		1.0	(21.6)
Construction costs related to investment properties		(198.6)	(193.9)
Proceeds from sales of investment property		302.2	1.1
Proceeds from sales of subsidiaries, net of cash disposed	25	171.8	63.2
Loans provided to related parties under common control	25	-	(21.6)
Repayments of loans provided to related parties under common control	25	-	72.0
Capital of disposed subsidiary repayable to owners	25	-	10.0
Acquisition of financial investments held for trading	25	-	(80.4)
Net trading gains received from financial investments		-	5.3
Restricted cash		(1.3)	2.4
Net cash (used in)/from investing activities		**197.7**	**(214.0)**
Cash flows from financing activities			
Proceeds from borrowings		348.9	431.9
Repayment of borrowings		(285.5)	(151.9)
Repayment of loans due to related parties	25	-	(35.1)
Distributions paid to owners	17	(49.0)	(59.0)
Net cash from/(used in) financing activities		**14.4**	**185.9**
Net (decrease) / increase in cash and cash equivalents		**199.7**	**(37.5)**
Cash and cash equivalents at the beginning of the year	16	113.5	151.0
Cash and cash equivalents at the end of the year		**313.2**	**113.5**
Reconciliation of cash and cash equivalents:			
- Restricted cash	16	3.2	1.9
- Cash within non-current assets classified as held for sale	15	(8.4)	(17.6)
Cash and cash equivalents at the end of the year presented in the statement of financial position	16	**308.0**	**97.8**

The accompanying notes on pages 102 to 148 are an integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2016
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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 2016 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 Gdanski Business Center II and West Station Business Center I in Warsaw, Poland, Twin City Business Center (blocks B and C) in Bratislava, Slovakia and Aupark in Hradec Kralove, the Czech Republic in 2016, Metronom Business Center in Prague, the Czech Republic, Postepu Business Center, in Warsaw, Poland and Twin City Business Centre (block A) in Bratislava, Slovakia in 2015. As for acquisition activities in 2016, the Group purchased BEM Palace in Budapest, Hungary and project 61 Southwark Street (project Cooper & Southwark) in London, UK, Radlicka site in Prague, the Czech Republic and also an addition site extending our Twin City project development in Bratislava, Slovakia. As regards acquisitions completed in 2015, the Group acquired Burakowska site in Warsaw, Poland and successfully completed the acquisition of a land plot in Vaci district, Budapest, Hungary. Pursuing its strategy to diversify into other markets the Group made acquisition of an office project on 20 Farringdon Street in London (project 20 Farringdon Street), 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 33 King William Street (project 33 Central) the year before. Construction of 33 Central, 20 Farringdon Street and Cooper & Southwark, all three in London, UK, West Station Business Center II and Varso project, both in Warsaw, Poland, Twin City Tower in Bratislava, Slovakia and Agora project in Budapest, Hungary is ongoing as of the date of preparation of these consolidated financial statements. The Group operates several logistics properties in the Czech Republic – Lovosice (completed in 2010) and Mošnov (partially completed in 2011).

HB Reavis Real Estate Fund structure. HB Reavis Real Estate SICAV - SIF (the "Fund") is an umbrella fund incorporated as a corporate partnership limited by shares (société en commandite par actions or S.C.A.) under the laws of Luxembourg, which is registered as an investment company with variable capital (société d'investissement à capital variable) under the law of 13 February 2007, as amended relating to specialized investment funds (2007 Law) and the law of 10 August 1915 (1915 Law) relating to commercial companies. It is also governed by specific management regulations dated June 2012. The Fund was set up on 25 May 2011 and is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg B 161.180. Furthermore, the Fund is in the scope of the Alternative Investment Fund Management Law of 12 July 2013 ("AIFM Law") and qualifies as an Alternative Investment Fund ("AIF"). The Group launched its first Sub-Fund named HB Reavis CE REIF (hereafter "Sub-Fund A" or "CE REIF") in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter "Sub-Fund B" or "Global REIF") was launched on 15 September 2015. 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.

CE REIF Sub-Fund. While there is no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund aims to mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial CE REIF Sub-Fund's portfolio included 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 are aimed to be made in both capital and regional cities in the entire Central European region. Investments in logistic properties are restricted to attractive and strategic locations only. CE REIF Sub-Fund 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. CE REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

Global REIF Sub-Fund. While there are no specific country or real estate segment restrictions posed, Global REIF Sub-Fund aims to mainly invest in commercial real estate assets located in the EU countries and Turkey. The initial Global REIF Sub-Fund's portfolio included investment properties in prime properties only located in Slovakia. The office segment investments are focused mainly on properties located in business districts of capital and regional cities in the EU countries and Turkey, but without any specific location restriction. The retail segment investments are aimed to be made in both capital and regional cities of EU countries and Turkey. Investments in logistic properties are restricted to attractive and strategic locations in EU countries and Turkey. In case of "core" investments, Global REIF Sub-Fund 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. Global REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

The Group 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 an element of judgement. The critical accounting judgments used in valuation of the Group's investment properties are described in Note 3.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2016
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

1 The HB REAVIS Group and its Operations (Continued)

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

6, rue Jean Monnet
L-2180 Luxembourg
Luxembourg

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

2 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 2016.

Income and cash flow statements. The Group has elected to present a single 'statement of profit or loss and other 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 properties (including those held for sale), financial assets classified as available for sale (e.g. earn-out receivables), derivatives and other financial instruments held for trading 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.

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 2016
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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

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

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2016	31 December 2015
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	100
6	TRITRI House S.à r.l. [2]	GBP	Luxembourg	-	100
7	TWENTY House S.à r.l.	GBP	Luxembourg	100	100
8	GBC A S.à r.l.	EUR	Luxembourg	100	100
9	Gdanski A SCSp.	EUR	Luxembourg	100	100
10	GBC B S.à r.l.	EUR	Luxembourg	100	100
11	Gdanski B SCSp.	EUR	Luxembourg	100	100
12	GBC C S.à r.l.[1]	EUR	Luxembourg	100	-
13	Gdanski C SCSp.[1]	EUR	Luxembourg	100	-
14	GBC D S.à r.l.[1]	EUR	Luxembourg	100	-
15	Gdanski D SCSp.[1]	EUR	Luxembourg	100	-
16	Tamino Management S.à r.l. [1]	EUR	Luxembourg	100	-
17	Tamino Investment SCSp. [1]	EUR	Luxembourg	100	-
18	Pamina Managment S.à r.l. [1]	EUR	Luxembourg	100	-
19	Pamina Investment SCSp. [1]	EUR	Luxembourg	100	-
20	Hetman Management S.à r.l. [1]	EUR	Luxembourg	100	-
21	Hetman Investment SCSp. [1]	EUR	Luxembourg	100	-
22	Varso 1 Management S.à r.l. [1]	EUR	Luxembourg	100	-
23	Varso 1 Investment SCSp. [1]	EUR	Luxembourg	100	-
24	Varso 2 Management S.à r.l. [1]	EUR	Luxembourg	100	-
25	Varso 2 Investment SCSp. [1]	EUR	Luxembourg	100	-
26	Varso Tower Management S.à r.l. [1]	EUR	Luxembourg	100	-
27	EIGHT House S.à r.l.	GBP	Luxembourg	100	100
28	SIXTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
29	THIRTYFIVE House S.à r.l. [1]	GBP	Luxembourg	100	-
30	ONE House S.à r.l. [1]	GBP	Luxembourg	100	-
31	HBR CE REIF LUX 3 S.à r.l.	EUR	Luxembourg	100	100
32	HBR CE REIF LUX 4 S.à r.l.	EUR	Luxembourg	100	100
33	P14 S.à r.l.	EUR	Luxembourg	100	100
34	Postepu 14 SCSp.	EUR	Luxembourg	100	100
35	Tribazu S.à r.l. [1]	EUR	Luxembourg	100	-
36	HB REAVIS GROUP B.V.	EUR	Netherlands	100	100
37	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
38	HBRG Invest B.V.	EUR	Netherlands	100	100
39	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
40	HB Reavis CEE B.V.	EUR	Netherlands	100	100
41	HBR HOLDING LIMITED	EUR	Cyprus	100	100
42	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
43	HBR INVESTORS LTD	EUR	Cyprus	100	100
44	HBR IM HOLDING LTD	EUR	Cyprus	100	100
45	HB Reavis UK Ltd.[6]	GBP	UK	100	100
46	HB Reavis Construction UK Ltd. [6]	GBP	UK	100	100
47	33 CENTRAL LIMITED	GBP	UK	100	100
48	HBR FM LTD	GBP	UK	100	100
49	HBR Capital Investment LP	GBP	UK	100	100
50	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
51	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi	TRY	Turkey	100	100
52	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi	TRY	Turkey	100	100
53	HB REAVIS Croatia, d.o.o.[5]	HRK	Croatia	-	100
54	COMPOS MENTIS GRADNJA, d.o.o.[5]	HRK	Croatia	-	100
55	COMPOS MENTIS DVA, d.o.o.[5]	HRK	Croatia	-	100
56	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
57	Váci Corner Offices Kft.[2]	HUF	Hungary	-	100
58	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
59	AGORA Budapest Kft. (former HB Reavis Project 2 Kft.)	HUF	Hungary	100	100
60	HB REAVIS Buda Project Kft.[1]	HUF	Hungary	100	-

HB Reavis Holding S.à r.l.
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2 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 2016	31 December 2015
61	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
62	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
63	LUGO, s.r.o.	EUR	Slovakia	100	100
64	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
65	HB REM, spol. s r.o.	EUR	Slovakia	100	100
66	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
67	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
68	AUPARK Piešťany SC, s. r. o. [2]	EUR	Slovakia	-	100
69	AUPARK Piešťany, spol. s r.o. [2]	EUR	Slovakia	-	100
70	AUPARK Property Management, s. r. o.	EUR	Slovakia	100	100
71	HBR SFA, s. r. o.	EUR	Slovakia	100	100
72	BUXTON INVEST a.s.	EUR	Slovakia	100	100
73	Twin City a.s.	EUR	Slovakia	100	100
74	UNI - CC a. s. (until 29.8.2015 as UNI - CC s. r. o.)	EUR	Slovakia	100	100
75	Apollo Business Center III, spol. s r.o.[3]	EUR	Slovakia	-	100
76	Apollo Business Center V, spol. s r.o.[3]	EUR	Slovakia	-	100
77	Logistické Centrum Rača a.s.[2]	EUR	Slovakia	-	100
78	Logistické Centrum Svätý Jur a. s. (until 15.7.2015 as Logistické Centrum Svätý Jur s.r.o.) [2]	EUR	Slovakia	-	100
79	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
80	Logistické centrum Malý Šariš a. s. (until 8.9.2015 as Logistické centrum Malý Šariš, spol. s r. o.)[2]	EUR	Slovakia	-	100
81	General Property Services, a.s.	EUR	Slovakia	100	100
82	FORUM BC II s. r. o.	EUR	Slovakia	100	100
83	INLOGIS I, spol. s r.o.[2]	EUR	Slovakia	-	100
84	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
85	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
86	INLOGIS V s. r. o.	EUR	Slovakia	100	100
87	INLOGIS LCR a. s.	EUR	Slovakia	100	100
88	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
89	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
90	CBC I - II a. s.	EUR	Slovakia	100	100
91	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
92	SPC Property III, s. r. o.	EUR	Slovakia	100	100
93	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
94	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
95	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
96	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
97	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
98	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
99	Twin City II s.r.o. [2]	EUR	Slovakia	-	100
100	Twin City III s.r.o.	EUR	Slovakia	100	100
101	Twin City IV s.r.o.	EUR	Slovakia	100	100
102	Twin City V s.r.o.	EUR	Slovakia	100	100
103	HB REAVIS Finance SK II s. r. o. (until 17.2.2015 as Twin City VI s.r.o.)	EUR	Slovakia	100	100
104	HB REAVIS Finance SK III s. r. o.[1]	EUR	Slovakia	100	-
105	Twin City VIII s.r.o.	EUR	Slovakia	100	100
106	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
107	ALISTON Finance I s. r. o.	EUR	Slovakia	100	100
108	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
109	ALISTON Finance III s. r. o. (until 24.9.2015 as ALISTON VI s. r. o.)	EUR	Slovakia	100	100
110	ALISTON Finance IV s. r. o. (until 13.10.2016 as ALISTON VII s.r.o.)[1]	EUR	Slovakia	100	-
111	ALISTON II s. r. o.	EUR	Slovakia	100	100
112	Apollo Business Center III a.s. (until 27.4.2016 as HoldCo I a. s.)[3]	EUR	Slovakia	100	100
113	Apollo Business Center V a. s. (until 26.4.2016 as HoldCo II a.s.)[3]	EUR	Slovakia	100	100
114	Tower Nivy a. s.	EUR	Slovakia	100	100
115	TC Nivy a. s.	EUR	Slovakia	100	100
116	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
117	HB REAVIS Consulting k.s.[1]	EUR	Slovakia	100	-
118	HB REAVIS Development s. r. o.[1]	EUR	Slovakia	100	-

HB Reavis Holding S.à r.l.
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2 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 2016	31 December 2015
119	ANDAREA s.r.o.	CZK	Czech Rep	100	100
120	AR Consulting, a.s.	CZK	Czech Rep	100	100
121	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
122	AUPARK Hradec Králové, a.s.	CZK	Czech Rep	100	100
123	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
124	AUPARK Ostrava, spol. s r.o.	CZK	Czech Rep	100	100
125	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
126	FORSEA s.r.o.	CZK	Czech Rep	100	100
127	Riga Office East s.r.o. [2]	CZK	Czech Rep	-	100
128	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
129	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
130	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
131	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
132	HYPARKOS, s.r.o.	CZK	Czech Rep	100	100
133	Letecké Cargo MOŠNOV s.r.o.[2]	CZK	Czech Rep	-	100
134	MALVIS s.r.o.	CZK	Czech Rep	100	100
135	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
136	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
137	Železniční Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
138	MOLDERA, a.s.	CZK	Czech Rep	100	100
139	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
140	Cargo MOŠNOV s.r.o. [2]	CZK	Czech Rep	-	100
141	DII Czech s.r.o.	CZK	Czech Rep	100	100
142	DNW Czech s.r.o.	CZK	Czech Rep	100	100
143	Real Estate Metronom s.r.o.	CZK	Czech Rep	100	100
144	Combar, s.r.o.	CZK	Czech Rep	100	100
145	Phibell s.r.o.	CZK	Czech Rep	100	100
146	Temster, s.r.o.	CZK	Czech Rep	100	100
147	PARIDES Plzeň, a.s.	CZK	Czech Rep	100	100
148	PARIDES Ostrava, a.s. [1]	CZK	Czech Rep	100	-
149	KELOM s.r.o.	CZK	Czech Rep	100	100
150	Aupark Hradec Králové Bidco s.r.o. (until 18.11.2016 as ITAPE s.r.o.)	CZK	Czech Rep	100	100
151	GALIM s.r.o.	CZK	Czech Rep	100	100
152	HB Reavis Finance CZ, s.r.o. (until 31.7.2015 as LUCASE s.r.o.)	EUR	Czech Rep	100	100
153	RECLUN s.r.o.	CZK	Czech Rep	100	100
154	Radlická ATA s.r.o.[1]	CZK	Czech Rep	100	-
155	HB Reavis Poland Sp.z o. o.	PLN	Poland	100	100
156	Polcom Investment II Sp. z o. o.	PLN	Poland	100	100
157	Polcom Investment III Sp. z o. o.	PLN	Poland	100	100
158	HB REAVIS CONSTRUCTION PL Sp. z o. o.	PLN	Poland	100	100
159	Polcom Investment V Sp. z o. o.[5]	PLN	Poland	-	100
160	GBC C Polcom Investment XXIX Sp. z o. sp. k	PLN	Poland	100	-
161	Polcom Investment VI Sp. z o. o.	PLN	Poland	100	100
162	Polcom Investment VII Sp. z o. o.[5]	PLN	Poland	-	100
163	P14 Polcom Investment XXIII Sp. z o. sp. k	PLN	Poland	100	-
164	PSD Sp. z o.o.	PLN	Poland	100	100
165	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
166	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
167	CHM1 Sp. z o. o.	PLN	Poland	100	100
168	CHM2 Sp. z o. o.	PLN	Poland	100	100
169	CHM3 Sp. z o. o.	PLN	Poland	100	100
170	GBC A Polcom Investment XXI Sp. z o.o. (former Polcom Investment VIII Sp. z o. o.)	PLN	Poland	100	100
171	GBC B Polcom Investment XXII Sp. z o.o. (former Polcom Investment IX Sp. z o.o.)	PLN	Poland	100	100
172	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
173	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
174	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
175	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
176	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
177	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
178	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100

HB Reavis Holding S.à r.l.
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2 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 2016	31 December 2015
179	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
180	Polcom Investment XX Sp. z o.o.[5]	PLN	Poland	-	100
181	GBC D Polcom Investment XXX Sp. z o. sp. k	PLN	Poland	100	-
182	Polcom Investment XXI Sp. z o.o.	PLN	Poland	100	100
183	Polcom Investment XXII Sp. z o.o.	PLN	Poland	100	100
184	IPOPEMA 110 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych[4]	PLN	Poland	100	100
185	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
186	Polcom Investment XXIII Sp. z o.o.	PLN	Poland	100	100
187	Polcom Investment XXIV Sp. z o.o.	PLN	Poland	100	100
188	Polcom Investment XXV Sp. z o.o.	PLN	Poland	100	100
189	Polcom Investment XXVI Sp. z o.o.	PLN	Poland	100	100
190	Polcom Investment XXVII Sp. z o.o.	PLN	Poland	100	100
191	Polcom Investment XXVIII Sp. z o.o.	PLN	Poland	100	100
192	HB Reavis Finance PL 2 Sp. z o.o.[1]	PLN	Poland	100	-
193	Polcom Investment XXIX Sp. z o.o.[1]	PLN	Poland	100	-
194	Polcom Investment XXX Sp. z o.o. [1]	PLN	Poland	100	-
195	Polcom Investment XXXI Sp. z o.o. [1]	PLN	Poland	100	-
196	Polcom Investment XXXII Sp. z o.o. [1]	PLN	Poland	100	-
197	Polcom Investment XXXIII Sp. z o.o. [1]	PLN	Poland	100	-
198	Polcom Investment XXXIV Sp. z o.o. [1]	PLN	Poland	100	-
199	Polcom Investment XXXV Sp. z o.o. [1]	PLN	Poland	100	-
200	Polcom Investment XXXVI Sp. z o.o. [1]	PLN	Poland	100	-
201	Polcom Investment XXXVII Sp. z o.o. [1]	PLN	Poland	100	-
202	Polcom Investment XXXVIII Sp. z o.o. [1]	PLN	Poland	100	-
203	Polcom Investment XXXIX Sp. z o.o. [1]	PLN	Poland	100	-
204	Polcom Investment XL Sp. z o.o. [1]	PLN	Poland	100	-
205	Polcom Investment XLI Sp. z o.o. [1]	PLN	Poland	100	-
206	Polcom Investment XLII Sp. z o.o. [1]	PLN	Poland	100	-
207	Polcom Investment XXXIV Sp. z o.o. sp. k [1]	PLN	Poland	100	-
208	Polcom Investment XXXI Sp. z o.o. sp. k [1]	PLN	Poland	100	-
209	Polcom Investment XXXII Sp. z o.o. sp. k [1]	PLN	Poland	100	-
210	Jamestown Sp. z o.o. [1]	PLN	Poland	100	-
211	Jarrow Sp. z o.o. [1]	PLN	Poland	100	-
212	Jerome Sp. z o.o. [1]	PLN	Poland	100	-
213	Jesmond Sp. z o.o. [1]	PLN	Poland	100	-
214	Joppa Sp. z o.o. [1]	PLN	Poland	100	-
	Joint ventures				
215	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
216	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
217	West Station Investment Sp. z o. o.	PLN	Poland	71	71
218	West Station Investment 2 Sp. z o. o. (former Polcom Investment XVII Sp. z o.o.)	PLN	Poland	72	72

1 Entities established/acquired by the Group during the year ended 31 December 2016
2 Entities disposed of during the year ended 31 December 2016 (refer to Note 25)
3 Entities were part of legal mergers and subsequently renamed during the year ended 31 December 2016
4 Entity of the FIZ substructure
5 Entities were liquidated during the year ended 31 December 2016
6 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 74, 90, 122 and 150 are part of the HB Reavis Real Estate SICAV-SIF (CE REIF Sub-Fund) established during the year 2011, entities number 31 to 32 and 112 to 113 are part of the HB Reavis Real Estate SICAV-SIF (Global REIF Sub-Fund) established during the year 2015

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 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 is reclassified to profit or loss, where appropriate.

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 the Group's entities is their local currency, except bonds issuance entities that are considered an extention of the Company and therefore have EUR as their functional currency. The consolidated financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

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2 Significant Accounting Policies (Continued)

2.3. Foreign Currency Transactions and Translation (Continued)

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.

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 the Group's passenger cars. This class also included the bus fleet of the Group's public transportation business until the disposal of the Group's public transportation subsidiary in 2015.

	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.

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2 Significant Accounting Policies (Continued)

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.

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 and accumulated in a revaluation reserve in equity, until the asset's disposal when the revaluation reserve is reclassified to retained earnings.

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 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 externally acquired computer software licences. Intangible assets also included public transportation licence until the disposal of the Group's public transportation subsidiary in 2015.

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.

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2 Significant Accounting Policies (Continued)

2.6. Intangible Assets (Continued)

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 acquired in a business combination	10 years

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.

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. During 2015, the Group also had financial investments held for trading. 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 and investments held for trading 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.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, unless the asset is carried at fair value through profit or loss as fair value already reflects counterparty non-performance risk. 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 the use of an allowance account. The impairment loss is included in other operating expenses.

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2 Significant Accounting Policies (Continued)

2.8. Financial Instruments (Continued)

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 receivables 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, 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 profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income.

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 or substantively enacted at the end of the respective reporting period 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.

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2 Significant Accounting Policies (Continued)

2.10. Current and Deferred Income Taxes (Continued)

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

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).

2.13. 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 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 end of the reporting period.

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.

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2 Significant Accounting Policies (Continued)

2.17. Provisions for Liabilities and Charges (Continued)

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, 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.

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 deducted in reporting the costs that they are intended to compensate. Refer to Note 24.

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.

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2 Significant Accounting Policies (Continued)

2.23. Non-current Assets Classified as Held for Sale (Continued)

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 99.2% of investment properties (31 December 2015: 99.6%) 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 56.5 million (2015: EUR 57.1 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.50% to 8.50%, or 6.18% on average (2015: 4.50% to 8.70%, or 6.44% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 55.6 million lower or EUR 60.3 million higher (2015: EUR 65.8 million lower or EUR 71.1 million higher).

Income taxes. The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes, in particular in the area of transfer pricing. 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.

Forward sale of investment property. On 15 July 2016, the Group concluded a forward sale of its 33 Central project, London, UK. The Group originally aimed to hold the project for an unspecified period of time to earn rental income, however, since it was presented by a favourable offer from a reputable bank, the Group decided to conclude a forward sale arrangement with the bank. The Group is responsible for completion of the construction of the property based on the base building definition to the standard of Grade A office accommodation in the City of London by 30 September 2017 at the latest. The Group applied professional judgement in determining (a) whether it lost control over the property holding entity TRITRI House S.à r.l. under the forward sale arrangement and (b) subsequent accounting up to completion of the property.

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3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The Group concluded that it lost control over TRITRI House S.à r.l. because the contractual arrangement limits the power of the Group over this investee since any matters that are not pre-determined in the agreements require approval of the buyer.

While the contracts state that the buyer should not unreasonably delay, withhold, or make subject to condition its consent (with e.g. amending any contracts of TRITRI House S.à r.l. or disposing or acquiring any asset by TRITRI House S.à r.l.), management consider that this is a soft condition and finding a reasonable cause for withholding a consent will be possible for the buyer for decisions about substantive activities, considering the purpose of the arrangement. The most relevant activities affecting returns of TRITRI House S.à r.l. are to lease or sell the property once completed and these matters are controlled by the buyer.

An advance of 10% of the headline price was paid upfront. This remainder of the headline price is payable upon completion of the property and is subject to working capital, defects holdbacks and indebtedness adjustments, applied upon transfer of legal ownership of the property holding entity, TRITRI House S.à r.l.

The economic substance of the transaction is that the Group ceased owning the property development project and instead agreed with the buyer a construction contract to complete and deliver a building to the buyer's specifications. Management considered guidance in IFRIC 15, Agreements for the Construction of Real Estate, in determining that the above arrangement to comple the building is a construction contract in terms of IFRS guidance. This required application of professional judgement, but considering that (a) significant costs were required to complete the building that was under development as of 15 July 2016 and (b) the contracts specify in detail the base building definition specifically negotiated with the bank prior to 15 July 2016, management concluded that the conditions in IFRIC 15 for construction contracts accounting were met, eg because the purchaser was able to specify major changes to the construction in progress rather than just minor variations to the design.

On 15 July 2016, upon conclusion of the transaction, the Group recognised amounts due from customers for contract work of EUR 216.6 million and derecognised the fair value of investment property under development. Refer to Notes 9 and 14. After 15 July 2016, the Group recognised construction contract revenues on a percentage of completion basis. Total contract revenues to be recognized over time until completion of the building is estimated at EUR 85.1 million.

4 Adoption of New or Revised Standards and Interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2016:

- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued on 18 December 2014 and effective in the EU for annual periods on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective in the EU for the periods beginning on or after 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective in the EU for the periods beginning on or after 1 January 2016)
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective in the EU for annual periods beginning 1 January 2016 or after).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective in the EU for annual periods beginning 1 January 2016).

The above amendments had no impact on the Group. Further, any other standards that are normally effective from 1 January 2016 were either already early adopted by the Group in prior periods or had no impact.

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5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The entity expects that impairment provisions for receivables will increase upon adoption of IFRS 9 because the standard introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. Under the new rules the Group will have to record an immediate loss equal to lifetime expected loss on initial recognition of its trade receivables that are not overdue and are not credit impaired. A reasonable estimate of this increase in provisions cannot be made because it is impossible to reliably forecast what forward looking information, including macro-economic forecasts and probabilities assigned to alternative macro-economic outlooks, will prevail at 1 January 2018, when the effects of adopting the standard will be recognised against opening balance of retained earnings. The Group is currently assessing other aspects of the new standard and its impact on the Group's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018). 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 financial statements.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). This amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will introduce the required disclosures in its 2017 financial statements. This amendmenmt has not yet been endorsed by the EU.

The following standards, interpretations and amendments are not expected to have any material impact on the Group's consolidated financial statements:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective outside the European Union for annual periods beginning on or after 1 January 2016).* This standard will not be adopted by the European Union.
- 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 a date to be determined by the IASB).* The EU endorsement is postponed until after the IASB determines the effective date of this amendment.
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12* (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment* (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4* (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 Cycle* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

** These new standards, amendments and interpretations have not been endorsed by the European union yet.*

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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 at 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 submits 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.

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 were 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.

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6 Segment Analysis (Continued)

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

The segment profit and loss information for the year ended 31 December 2016 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallo-cated	Total
Rental and similar income from investment property									
- Office		31.9	1.0	1.7	19.6	-	-	-	**54.2**
- Retail		-	-	2.4	4.8	-	-	-	**7.2**
- Industrial		6.0	-	-	2.0	0.2	-	-	**8.2**
	20	**37.9**	**1.0**	**4.1**	**26.4**	**0.2**	**-**	**-**	**69.6**
Direct operating expenses arising from investment property									
- Office		(10.9)	(0.5)	(1.1)	(4.5)	-	-	-	**(17.0)**
- Retail		-	-	(1.3)	(2.9)	-	-	-	**(4.2)**
- Industrial		(1.4)	-	-	(0.7)	(0.2)	-	-	**(2.3)**
	21	**(12.3)**	**(0.5)**	**(2.4)**	**(8.1)**	**(0.2)**	**-**	**-**	**(23.5)**
Net operating income from investment property		**25.6**	**0.5**	**1.7**	**18.3**	**-**	**-**	**-**	**46.1**
Revaluation gain/(loss) on investment property									
- Office		38.7	15.3	82.2	0.7	-	-	-	**136.9**
- Retail		-	16.9	15.6	6.9	-	-	-	**39.4**
- Industrial		1.5	-	(0.2)	(2.0)	(1.1)	-	-	**(1.8)**
Subtotal	9	40.2	32.2	97.6	5.6	(1.1)	-	-	**174.5**
Share of profit or loss of joint ventures		(0.1)	(0.2)	-	-	-	-	-	**(0.3)**
Revaluation gain/(loss) on investment property, including joint ventures		**40.1**	**32.0**	**97.6**	**5.6**	**(1.1)**	**-**	**-**	**174.2**
Interest expense		(11.2)	(6.2)	(3.0)	(9.4)	-	-	(1.4)	**(31.2)**
Other (expenses)/revenues		(1.4)	29.5	(10.5)	(1.2)	(1.7)	(0.9)	(63.0)	**(49.2)**
Segment result		**53.1**	**55.8**	**85.8**	**13.3**	**(2.8)**	**(0.9)**	**(64.4)**	**139.9**

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6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2016 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		264.1	136.9	401.0	220.1	-	-	-	**1,022.1**
- Retail		-	-	66.7	81.0	0.1	-	-	**147.8**
- Industrial		-	-	1.5	-	33.2	-	-	**34.7**
- Joint ventures		29.1	17.4	-	-	-	-	-	**46.5**
- Investment property held for sale	15	220.1	-	1.7	-	-	-	-	**221.8**
Deferred tax asset		-	-	-	-	-	-	4.4	**4.4**
Amount due from customers for contract work		-	221.3	-	-	-	-	-	**221.3**
Other unallocated assets		-	-	-	-	-	308.0	105.7	**413.7**
Total assets		**513.3**	**375.6**	**470.9**	**301.1**	**33.3**	**308.0**	**110.1**	**2,112.3**
Borrowings									
- non-current	18	(155.2)	(132.9)	(36.7)	(235.1)	-	-	(5.0)	**(564.9)**
- current	7, 18	(13.2)	(33.3)	(2.8)	(7.6)	-	-	(34.4)	**(91.3)**
- included as held for sale	15	(108.9)	-	(4.9)	-	-	-	-	**(113.8)**
Deferred tax liability		-	-	-	-	-	-	(69.9)	**(69.9)**
Other unallocated liabilities		-	-	-	-	-	-	(135.7)	**(135.7)**
Total liabilities		**(277.3)**	**(166.2)**	**(44.4)**	**(242.7)**	**-**	**-**	**(245.0)**	**(975.6)**
Segment net asset value		**236.0**	**209.4**	**426.5**	**58.4**	**33.3**	**308.0**	**(134.9)**	**1,136.7**

The capital expenditures analysed by segment for the year ended 31 December 2016 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	-	53.9	21.1	-	-	-	-	**75.0**
Construction costs related to investment property	9	28.6	138.8	10.7	1.3	-	-	-	**179.4**
Construction costs related to joint ventures		-	42.6	-	-	-	-	-	**42.6**
Contruction costs related to contract works		-	22.9	-	-	-	-	-	**22.9**
Total investments		**28.6**	**258.2**	**31.8**	**1.3**	**-**	**-**	**-**	**319.9**
Sale of investment property	9, 25	(517.1)	-	(0.9)	(67.5)	(0.4)	-	-	**(585.9)**
Sale of joint venture		-	-	-	-	-	-	-	**-**
Total divestments		**(517.1)**	**-**	**(0.9)**	**(67.5)**	**(0.4)**	**-**	**-**	**(585.9)**

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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 2016 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	35.5	10.9	21.9	0.6	0.7	-	-	**69.6**
Direct operating expenses	21	(13.1)	(3.1)	(7.0)	(0.3)	-	-	-	**(23.5)**
Net operating income from investment property		**22.4**	**7.8**	**14.9**	**0.3**	**0.7**	**-**	**-**	**46.1**
Revaluation gain	9	30.5	44.5	107.8	1.6	(9.9)	-	-	**174.5**
Share of profit of joint ventures		(0.1)	-	(0.2)	-	-	-	-	**(0.3)**
Interest expense		(9.0)	(4.7)	(9.9)	(1.4)	-	(6.2)	-	**(31.2)**
Other (expenses)/revenues		(12.2)	(6.4)	6.1	(1.7)	28.5	(22.3)	(41.2)	**(49.2)**
Profit before income tax		**31.6**	**41.2**	**118.7**	**(1.2)**	**19.3**	**(28.5)**	**(41.2)**	**139.9**
Investment property in use or vacant	9	336.5	156.7	71.9	-	-	-	-	**565.1**
Investment property under development	9	189.8	40.3	244.3	49.1	116.0	-	-	**639.5**
Investment in joint venture	10	2.3	-	44.2	-	-	-	-	**46.5**
Other non-current assets		9.9	2.5	15.7	0.3	3.1	5.5	-	**37.0**
Total non-current assets		**538.5**	**199.5**	**376.1**	**49.4**	**119.1**	**5.5**	**-**	**1,288.1**
Non-current assets classified as held for sale	15	-	35.6	186.2	-	-	-	-	**221.8**
Total non-current assets, including held for sale		**538.5**	**235.1**	**562.3**	**49.4**	**119.1**	**5.5**	**-**	**1,509.9**
Cash and cash equivalents	16	80.1	12.8	58.6	0.5	11.8	144.2	-	**308.0**
Amount due from customers for contract work		-	-	-	-	221.3	-	-	**221.3**
Other unallocated assets		-	-	-	-	-	-	73.1	**73.1**
Total assets		**618.6**	**247.9**	**620.9**	**49.9**	**352.2**	**149.7**	**73.1**	**2,112.3**
Borrowings	18								
- non-current		(361.0)	(137.1)	(59.8)	(7.0)	-	-	-	**(564.9)**
- current		(43.4)	(5.2)	(40.3)	(2.4)	-	-	-	**(91.3)**
Liabilities associated with non-current assets held for sale		-	(22.1)	(91.7)	-	-	-	-	**(113.8)**
Deferred income tax liability		-	-	-	-	-	-	(69.9)	**(69.9)**
Other unallocated liabilities		-	-	-	-	-	-	(135.7)	**(135.7)**
Total liabilities		**(404.4)**	**(164.4)**	**(191.8)**	**(9.4)**	**-**	**-**	**(205.6)**	**(975.6)**
Segment net asset value		**214.2**	**83.5**	**429.1**	**40.5**	**352.2**	**149.7**	**(132.5)**	**1,136.7**
Purchases of investment property (incl. non-cash)	9	2.5	3.7	3.0	11.9	53.9	-	-	**75.0**
Construction costs related to investment property	9	55.5	44.0	25.0	5.6	49.3	-	-	**179.4**
Construction costs related to joint ventures		-	-	42.6	-	-	-	-	**42.6**
Construction costs related to construction work		-	-	-	-	22.9	-	-	**22.9**
Total investments		**58.0**	**47.7**	**70.6**	**17.5**	**126.1**	**-**	**-**	**319.9**
Sale of investment property	9, 25	(144.6)	(90.1)	(302.2)	(49.0)	-	-	-	**(585.9)**
Total divestments		**(144.6)**	**(90.1)**	**(302.2)**	**(49.0)**	**-**	**-**	**-**	**(585.9)**

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6 Segment Analysis (Continued)

The segment profit and loss information for the year ended 31 December 2015 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		33.9	0.5	2.1	10.7	-	-	-	**47.2**
- Retail		4.1	-	1.0	3.6	-	-	-	**8.7**
- Industrial		7.9	-	-	3.6	0.1	-	-	**11.6**
	20	**45.9**	**0.5**	**3.1**	**17.9**	**0.1**	**-**	**-**	**67.5**
Direct operating expenses arising from investment property									
- Office		(12.8)	(0.9)	(1.0)	(2.1)	-	-	-	**(16.8)**
- Retail		(1.6)	-	(0.5)	(1.2)	-	-	-	**(3.3)**
- Industrial		(1.7)	-	-	(1.0)	(0.1)	-	-	**(2.8)**
	21	**(16.1)**	**(0.9)**	**(1.5)**	**(4.3)**	**(0.1)**	**-**	**-**	**(22.9)**
Net operating income from investment property		**29.8**	**(0.4)**	**1.6**	**13.6**	**-**	**-**	**-**	**44.6**
Revaluation gain/(loss) on investment property									
- Office		27.9	197.5	44.9	(3.0)	-	-	-	**267.3**
- Retail		-	2.2	2.4	0.2	-	-	-	**4.8**
- Industrial		(8.7)	-	(3.1)	1.0	1.9	-	-	**(8.9)**
Subtotal	9	19.2	199.7	44.2	(1.8)	1.9	-	-	**263.2**
Share of profit or loss of joint ventures		0.2	12.5	-	-	(0.3)	-	-	**12.4**
Revaluation gain/(loss) on investment property, including joint ventures		**19.4**	**212.2**	**44.2**	**(1.8)**	**1.6**	**-**	**-**	**275.6**
Interest expense		(8.0)	(4.1)	(3.8)	(6.9)	(0.4)	-	(0.4)	**(23.6)**
Other (expenses)/ revenues		(8.5)	(7.4)	(13.7)	(2.3)	(0.5)	0.8	22.5	**(9.1)**
Segment result		**32.7**	**200.3**	**28.3**	**2.6**	**0.7**	**0.8**	**22.1**	**287.5**

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6 Segment Analysis (Continued)

The segment profit and loss information for the year ended 31 December 2015 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		407.7	420.9	328.1	102.4	-	-	-	**1,259.1**
- Retail		-	33.0	29.7	31.8	-	-	-	**94.5**
- Industrial		28.4	-	3.1	-	38.6	-	-	**70.1**
- Joint ventures		4.3	44.3	-	-	-	-	-	**48.6**
- Investment property held for sale	15	391.2	-	0.9	-	0.4	-	-	**392.5**
Deferred tax asset		-	-	-	-	-	-	6.9	**6.9**
Other unallocated assets		-	-	-	-	-	97.8	119.8	**217.6**
Total assets		**831.6**	**498.2**	**361.8**	**134.2**	**39.0**	**97.8**	**126.7**	**2,089.3**
Borrowings									
- non-current	18	(201.4)	(79.4)	(77.6)	(127.2)	(0.4)	-	-	**(486.0)**
- current	7, 18	(7.2)	(1.3)	(1.0)	(2.7)	-	-	(45.0)	**(57.2)**
- included as held for sale	15	(239.8)	-	-	-	-	-	-	**(239.8)**
Deferred tax liability		-	-	-	-	-	-	(88.5)	**(88.5)**
Other unallocated liabilities		-	-	-	-	-	-	(117.5)	**(117.5)**
Total liabilities		**(448.4)**	**(80.7)**	**(78.6)**	**(129.9)**	**(0.4)**	**-**	**(251.0)**	**(989.0)**
Segment net asset value		**383.2**	**417.5**	**283.2**	**4.3**	**38.6**	**97.8**	**(124.3)**	**1,100.3**

The capital expenditures analysed by segment for the year ended 31 December 2015 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	-	-	32.4	-	-	-	-	**32.4**
Construction costs related to investment property	9	28.1	144.9	19.0	1.7	0.2	-	-	**193.9**
Total investments		**28.1**	**144.9**	**51.4**	**1.7**	**0.2**	**-**	**-**	**226.3**
Sale of investment property	9, 25	(211.7)	-	(1.1)	-	(1.1)	-	-	**(213.9)**
Sale of joint venture		-	-	-	-	(0.4)	-	-	**(0.4)**
Total divestments		**(211.7)**	**-**	**(1.1)**	**-**	**(1.5)**	**-**	**-**	**(214.3)**

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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 2015 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	45.3	8.2	12.4	1.6	-	-	-	**67.5**
Direct operating expenses	21	(15.6)	(2.0)	(4.6)	(0.7)	-	-	-	**(22.9)**
Net operating income from investment property		**29.7**	**6.2**	**7.8**	**0.9**	**-**	**-**	**-**	**44.6**
Revaluation gain	9	23.1	9.5	123.7	19.8	87.1	-	-	**263.2**
Share of profit of joint ventures		-	-	12.4	-	-	-	-	**12.4**
Interest expense		(8.9)	(2.2)	(7.0)	(1.0)	-	(4.5)	-	**(23.6)**
Other (expenses)/ revenues		4.1	(6.8)	(3.1)	(2.0)	(4.0)	(1.5)	4.2	**(9.1)**
Profit before income tax		**48.0**	**6.7**	**133.8**	**17.7**	**83.1**	**(6.0)**	**4.2**	**287.5**
Investment property in use or vacant	9	289.1	147.6	133.6	-	-	-	-	**570.3**
Investment property under development	9	237.0	67.2	242.7	29.5	277.0	-	-	**853.4**
Investment in joint venture	10	2.4	-	45.9	-	-	0.1	-	**48.4**
Other non-current assets		12.7	6.2	13.1	0.2	1.1	3.9	-	**37.2**
Total non-current assets		**541.2**	**221.0**	**435.3**	**29.7**	**278.1**	**4.0**	**-**	**1,509.3**
Non-current assets classified as held for sale	15	62.6	8.7	310.4	49.2	-	-	-	**430.9**
Total non-current assets, including held for sale		**603.8**	**229.7**	**745.7**	**78.9**	**278.1**	**4.0**	**-**	**1,940.2**
Cash and cash equivalents	16	27.3	7.6	14.0	1.8	8.7	38.4	-	**97.8**
Other unallocated assets		-	-	-	-	-	-	51.3	**51.3**
Total assets		**631.1**	**237.3**	**759.7**	**80.7**	**286.8**	**42.4**	**51.3**	**2,089.3**
Borrowings	18								
- non-current		(302.9)	(61.5)	(112.0)	(9.2)	-	(0.4)	-	**(486.0)**
- current		(52.0)	(3.4)	(1.7)	(0.1)	-	-	-	**(57.2)**
Liabilities associated with non-current assets held for sale		(41.2)	(4.3)	(191.4)	(17.4)	-	-	-	**(254.3)**
Other unallocated liabilities		-	-	-	-	-	-	(191.5)	**(191.5)**
Total liabilities		**(396.1)**	**(69.2)**	**(305.1)**	**(26.7)**	**-**	**(0.4)**	**(191.5)**	**(989.0)**
Segment net asset value		**235.0**	**168.1**	**454.6**	**54.0**	**286.8**	**42.0**	**(140.2)**	**1,100.3**
Purchases of investment property (incl. non-cash)	9	2.0	-	20.8	9.6	-	-	-	**32.4**
Construction costs related to investment property	9	58.0	26.9	69.0	6.2	33.8	-	-	**193.9**
Total investments		**60.0**	**26.9**	**89.8**	**15.8**	**33.8**	**-**	**-**	**226.3**
Sale of investment property	9, 25	(214.3)	-	-	-	-	-	-	**(214.3)**
Total divestments		**(214.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(214.3)**

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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 and ultimate controlling party are disclosed in Note 1.

Key management of the Group consists of 13 senior managers (2015: 14). 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 2016 are detailed below.

At 31 December 2016, 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)	4.4	0.6	38.3	**43.3**
Loans and receivables – non-current (Note 11)	1.7	0.5	-	**2.2**
Other non-current assets (Note 12)	-	-	6.5	**6.5**
Trade and other payables – current (Note 19)	(1.1)	(2.1)	(12.7)	**(15.9)**
Other payables non-current (Note 19)	(0.7)	-	-	**(0.7)**

The income and expense items with related parties for the year ended 31 December 2016 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	3.1	-	-	**3.1**
Revenue from construction contracts	-	4.0	54.7	**58.7**
Rental income	1.6	-	-	**1.6**
Rental expense	(0.6)	-	-	**(0.6)**
Other services	(1.6)	(1.2)	-	**(2.8)**
Short-term employee benefits (salaries)	-	(2.1)	-	**(2.1)**
Long-term employee benefits (social security costs)	-	(0.3)	-	**(0.3)**
Interest income	-	0.1	0.1	**0.2**

At 31 December 2015, 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)	4.2	1.6	15.1	**20.9**
Financial assets	-	0.6	-	**0.6**
Loans and receivables – non-current (Note 11)	0.6	-	2.6	**3.2**
Other non-current assets (Note 12)	-	-	3.7	**3.7**
Trade and other payables – current (Note 19)	(1.1)	(1.0)	(17.4)	**(19.5)**
Other payables non-current (Note 19)	(0.8)	-	-	**(0.8)**

The income and expense items with related parties for the year ended 31 December 2015 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	-	4.2	31.2	**35.4**
Rental income	0.1	-	-	**0.1**
Other services	(1.2)	(1.1)	-	**(2.3)**
Short-term employee benefits (salaries)	-	(2.8)	-	**(2.8)**
Long-term employee benefits (social security costs)	-	(0.5)	-	**(0.5)**
Interest income	1.0	-	0.5	**1.5**

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7 Balances and Transactions with Related Parties (Continued)

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 1.2 million with respect to 2016 (2015: EUR 1.8 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 0.7 million in 2016 (2015: EUR 0.9 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2016 (2015: nil).

Distributions to owners paid by Group in 2016 and 2015 respectively are described in Note 17.

The Group's investment in joint ventures is described in Note 10. Effects of disposal of subsidiaries to related parties under common control, including subsequent movements in resulting related party loans, are disclosed in Note 25.

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 2015					
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**
Year ended 31 December 2015					
Additions	-	-	-	9.9	**9.9**
Revaluation of own properties prior to transfer to IP	3.8	-	-	-	**3.8**
Transfers to IP - own offices	(4.4)	-	-	-	**(4.4)**
Transfers to IP – other	(8.2)	-	-	-	**(8.2)**
Transfers from IP - own offices	8.1	-	-	-	**8.1**
Transfers	-	1.3	8.4	(9.7)	**-**
Disposals	(0.3)	-	(23.0)	-	**(23.3)**
Depreciation charge	(1.1)	(0.7)	(2.4)	-	**(4.2)**
Closing net book value	**7.2**	**2.2**	**1.7**	**0.2**	**11.3**
At December 2015					
Cost	14.5	6.4	26.6	0.2	**47.7**
Accumulated depreciation and impairment charges	(7.3)	(4.2)	(24.9)	-	**(36.4)**
Net book value	**7.2**	**2.2**	**1.7**	**0.2**	**11.3**
Year ended 31 December 2016					
Additions	-	-	-	1.7	**1.7**
Transfers	0.7	0.4	0.8	(1.9)	**-**
Disposals	(2.3)	-	(0.3)	-	**(2.6)**
Depreciation charge	(0.1)	(0.6)	(0.7)	-	**(1.4)**
Closing net book value	**5.5**	**2.0**	**1.5**	**-**	**9.0**
At December 2016					
Cost	12.9	6.8	27.1	-	**46.8**
Accumulated depreciation and impairment charges	(7.4)	(4.8)	(25.6)	-	**(37.8)**
Net book value	**5.5**	**2.0**	**1.5**	**-**	**9.0**

As at 31 December 2016, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2015: nil). At 31 December 2016, property, plant and equipment carried at EUR 4.3 million (at 31 December 2015: EUR 7.1 million) has been pledged to third parties as collateral with respect to borrowings.

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9 Investment Property

	2016		2015	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**853.4**	**570.3**	**634.3**	**725.0**
Acquisitions of investment property	224.5	-	196.4	-
Subsequent expenditure on investment property	-	30.0	-	29.9
Transfers from under development to in use	(297.0)	297.0	(231.4)	231.4
Transfers from property, plant and equipment (Note 8)	-	-	8.2	4.4
Transfers to property, plant and equipment (Note 8)	-	-	(4.7)	(3.4)
Transfers to disposal groups classified as held for sale (Note 15)	(1.7)	(202.3)	(1.3)	(391.2)
Transfers to amount due from customers for contract work	(216.6)	-	-	-
Disposals	(5.7)	(165.3)	(1.1)	(45.1)
Fair value gains/(losses) – properties completed during the year	37.1	-	63.8	-
Fair value gains/(losses) – other properties	91.6	45.8	182.0	17.4
Effect of translation to presentation currency	(46.1)	(10.4)	7.2	1.9
Fair value at 31 December	**639.5**	**565.1**	**853.4**	**570.3**

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 2016 was EUR 10.6 million (2015: EUR 12.2 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 (2016: 99.2% of properties were valued by independent, professionally qualified valuation expert, 2015: 99.6%). The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 32.

At 31 December 2016, investment properties carried at EUR 852.1 million (at 31 December 2015: EUR 925.0 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 non-binding offers, results of prospective purchaser due diligence and other factors. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	Note	31 December 2016	31 December 2015
Valuations obtained		**1,428.3**	**1,857.4**
Less: property classified as property plant and equipment (own use)		(4.6)	(8.1)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		1.0	(10.1)
Less: lease incentive receivables	11(a)	(8.0)	(9.0)
Less: transfers to disposal groups classified as held for sale	15	(212.1)	(406.5)
Fair value at 31 December		**1,204.6**	**1,423.7**

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10 Joint Ventures

In 2015, the Group sold its 50% economic interest in its joint venture Hotel Šachtička, a.s. Hotel Šachtička, a.s. is 100% owner of Šachtičky, a.s., which is the legal owner of a hotel property located in Slovakia.

In 2014, the Group entered into a new joint venture in Poland with 51% economic interest in West Station Investment. In 2015, the Group increased its economic interest in the joint venture to 71%.

The following amounts represent the assets, liabilities, revenue and results of the joint ventures:

	2016		2015	
In millions of EUR	West Station Investment 1-2	Other Joint Ventures	West Station Investment 1-2	Other Joint Ventures
Revenue	0.4	0.8	-	0.8
Profit and total comprehensive income for the year	(0.1)	(0.3)	17.5	(0.2)
Current assets	18.3	0.5	4.5	3.5
Non-current assets	128.1	8.6	79.6	8.7
Current liabilities	(42.3)	(0.3)	(11.0)	(2.9)
Non-current liabilities	(42.1)	(4.2)	(9.5)	(4.2)
Net assets of the investee	**62.0**	**4.6**	**63.6**	**5.1**
Share of other venturers	**(17.8)**	**(2.3)**	**(17.7)**	**(2.6)**
Investment in joint venture	**44.2**	**2.3**	**45.9**	**2.5**

The West Station 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.

11 Receivables and Loans

In millions of EUR	Note	31 December 2016	31 December 2015
Lease incentives receivables	(a)	9.5	9.0
Loans to related parties – non-current (Note 7)	(b)	2.2	1.2
Loans to joint ventures – non-current (Note 7)	(c)	-	2.6
Loans to third parties		0.6	0.7
Total receivables and loans		**12.3**	**13.5**

Description and analysis by credit quality of receivables and loans is as follows:
(a) Lease incentive receivables of EUR 9.5 million (31 December 2015: EUR 9.0 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 2.2 million as of 31 December 2016 (31 December 2015: EUR 1.2 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2016 are provided under the following conditions – interest rates are from 4.0% to 10.78% p.a. The carrying value of loans approximates their fair value.
(c) The Group has provided loans to its joint ventures amounting to nil as of 31 December 2016 (31 December 2015: EUR 2.6 million). These receivables were neither past due nor impaired. Loans outstanding as of 31 December 2015 were provided under the following conditions – interest rates were from 11.59% to 12.00% p.a. The carrying value of loans approximated their fair value.

12 Other Non-Current Assets

In millions of EUR	Note	31 December 2016	31 December 2015
Other non-current assets	(a)	4.6	1.4
Construction contracts retention due from joint ventures	(b)	6.5	3.7
Total other non-current assets		**11.1**	**5.1**

(a) As at 31 December 2016, EUR 3.3 million related to divestment of 33 Central project in London, UK and EUR 0.2 million relates to retained amounts related to Košice project in Slovakia divested during 2015. As at 31 December 2015, EUR 0.5 million relates to retained amounts related to Košice project in Slovakia divested during 2015.
(b) Refer to Note 7, Balances and Transactions with Related Parties and Note 14.

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13 Trade and Other Receivables

In millions of EUR	Note	31 December 2016	31 December 2015
Trade receivables		9.8	7.4
Trade receivables and advances to joint ventures		38.3	15.1
Accrued rental income		1.1	3.0
Loans to related parties	(a)	0.6	0.5
Other financial receivables		2.4	1.5
Trade and other receivables to related parties	7	4.4	4.2
Less impairment loss provision for trade receivables		(1.7)	(2.3)
Total financial assets		**54.9**	**29.4**
VAT receivable		4.6	12.0
Prepayments		8.0	7.0
Total trade and other receivables		**67.5**	**48.4**

(a) Loans are provided under the following conditions – interest rates 4.0% - 10.78% (2015: 4.0% - 10.78%).

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

In millions of EUR	2016	2015
Provision for impairment at 1 January	**2.3**	**1.7**
Additional provision / (reversal of provision) for impairment of receivables	(0.6)	0.6
Provision for impairment at 31 December	**1.7**	**2.3**

Collateralised trade receivables are as follows:

In millions of EUR	31 December 2016	31 December 2015
Trade receivables collateralised by:		
- bank guarantees	1.5	1.1
- tenant deposits	0.8	1.0
Total	**2.3**	**2.1**

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 2016 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	0.9	7.9	7.7	1.4

Financial effect of collateral at 31 December 2015 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	1.4	7.6	6.5	0.7

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

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13 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables as of 31 December 2016 is as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:					
Receivables collateralised by bank or other guarantees	2.3	-	-	-	**2.3**
Receivables not secured	37.0	1.1	0.6	6.8	**45.5**
Total neither past due nor impaired	**39.3**	**1.1**	**0.6**	**6.8**	**47.8**
Individually determined to be impaired					
- less than 30 days overdue	6.1	-	-	-	**6.1**
- 30 to 90 days overdue	0.3	-	-	-	**0.3**
- 90 to 180 days overdue	0.7	-	-	-	**0.7**
- 180 to 360 days overdue	0.3	-	-	-	**0.3**
- over 360 days overdue	1.4	-	-	-	**1.4**
Total individually impaired	**8.8**	**-**	**-**	**-**	**8.8**
Less impairment provision	(1.7)	-	-	-	**(1.7)**
Total	**46.4**	**1.1**	**0.6**	**6.8**	**54.9**

Analysis by credit quality of trade and other receivables as of 31 December 2015 was as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:					
Receivables collateralised by bank or other guarantees	2.1	-	-	-	**2.1**
Receivables not secured	18.8	3.0	0.5	1.5	**23.8**
Total neither past due nor impaired	**20.9**	**3.0**	**0.5**	**1.5**	**25.9**
Individually determined to be impaired					
- less than 30 days overdue	3.3	-	-	-	**3.3**
- 30 to 90 days overdue	0.3	-	-	-	**0.3**
- 90 to 180 days overdue	0.3	-	-	-	**0.3**
- 180 to 360 days overdue	0.4	-	-	-	**0.4**
- over 360 days overdue	1.5	-	-	-	**1.5**
Total individually impaired	**5.8**	**-**	**-**	**-**	**5.8**
Less impairment provision	(2.3)	-	-	-	**(2.3)**
Total	**24.4**	**3.0**	**0.5**	**1.5**	**29.4**

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 3.8 million as collateral for the borrowings as at 31 December 2016 (2015: EUR 10.0 million).

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14 Amount due from customers for contract work

In 2016, the Group concluded a forward sale of its 33 Central project, London, UK. Refer to Note 3. The Group is responsible for completion of the construction of the Property based on the base building definition to the standard of Grade A office accommodation in the City of London, UK by 30 September 2017 at the latest.

Group assessed the detailed terms and conditions of the forward sale arrangement and concluded that the completion of the project should be accounted for as a construction contract. As a result, on 15 July 2016, the Group transferred the property to amounts due from customers for contract work.

The amount due from customers for contract work includes the above project as well as construction of West Station, Warsaw, Poland, for the Group's joint venture (Note 10). Information about projects in progress at the end of each reporting period is as follows:

In millions of EUR	2016	2015
Transfer from investment property to construction contracts accounting	216.6	-
Construction costs incurred	89.5	25.3
Add: recognised profits	48.1	6.4
Less: progress billings*	(132.9)	(31.7)
Total amount due from customers for contract work	**221.3**	**-**

** Includes EUR 31.1 million payments for initial fair value of investment property of EUR 216.6 million. Refer to Note 25.*

The stage of completion was estimated based on the proportion of the contract costs incurred for work performed to date on the total estimated contract costs. Refer to Note 12 for amount of retentions.

15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	31 December 2016	31 December 2015
Property, plant and equipment	-	1.0
Investment property	204.0	392.5
Trade and other receivables	1.1	4.7
Receivables and loans	8.1	13.9
Deferred income tax asset	0.2	1.2
Cash and cash equivalents	8.4	17.6
Total assets classified as held for sale	**221.8**	**430.9**

As of 31 December 2016, the Group classified assets and liabilities of the four (4) subsidiaries (HYPARKOS, s.r.o., Železniční Cargo MOŠNOV s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k and GBC D Polcom Investment XXX Sp. z o. sp. k) as held for sale.

As of 31 December 2015, the Group classified assets and liabilities of the ten (10) subsidiaries (Letecké Cargo MOŠNOV s.r.o., Cargo MOŠNOV s.r.o., Logistické Centrum Rača a.s., Logistické Centrum Svätý Jur s.r.o., Logistické centrum Malý Šariš, spol. s r. o., INLOGIS I, spol. s r.o., Váci Corner Offices Kft., GBC A Polcom Investment XXI Sp. z o. sp. k, GBC B Polcom Investment XXII Sp. z o. sp. k and Konstruktorska BC Sp. z o.o.) as held for sale.

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 2016	31 December 2015
Deferred income tax liability	15.6	5.5
Borrowings	90.3	239.8
Trade and other payables	7.9	9.0
Total liabilities directly associated with assets classified as held for sale	**113.8**	**254.3**

At 31 December 2016, investment properties held for sale carried at EUR 204.0 million (at 31 December 2015: EUR 391.2 million), property, plant and equipment carried at nil EUR (at 31 December 2015: EUR 1.0 million) and the receivables of EUR 1.1 million (at 31 December 2015: EUR 3.9 million) have been pledged to third parties as collateral with respect to borrowings.

The non-current assets held for sale as of 31 December 2015 were sold during the year 2016 (Note 25).

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16 Cash and Cash Equivalents

In millions of EUR	31 December 2016	31 December 2015
Cash at bank and in hand	307.7	94.1
Short-term bank deposits	0.3	3.7
Total cash and cash equivalents	**308.0**	**97.8**

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

The effective interest rate on short term bank deposits is from 0% to 10.65% (2015: 0.71%) and on average 5.21% (2015: 0.71%) and these deposits have an average maturity of 11.31 days (2015: 2.2 days).

At 31 December 2016, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 3.2 million (2015: EUR 1.9 million).

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 2016		31 December 2015	
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	130.3	0.1	30.9	-
- Banks rated 2	151.6	0.2	31.5	3.7
- Banks unrated	25.4	-	31.4	-
Total	**307.3**	**0.3**	**93.8**	**3.7**

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 2016 and 2015 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

17 Share Capital and Share Premium

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2015	12,500	12,500	637,917,500	**637,930,000**
At 31 December 2015	12,500	12,500	581,327,500	**581,340,000**
At 31 December 2016	12,500	12,500	532,622,500	**532,635,000**

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 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	2016	2015
Distributions to owners payable at 1 January	**0.3**	**-**
Distributions declared during the year (from share premium)	48.7	56.6
Distributions declared during the year (other from retained earnings)	-	2.7
Distributions paid during the year*	(49.0)	(59.0)
Distributions to owners payable at 31 December	**-**	**0.3**
Amount per share declared during the year in EUR	3,896.4	4,744.0

** Out of 2016 Distributions EUR 16.0 million related to settlement of 2015 spin-off of bus transportation business and EUR 12.3 million represented a shareholder settlement following the unfortunate passing away of one of the founders of the Group. Out of 2015 Distributions EUR 25.0 million related to settlement of 2015 spin-off of a family office company Twin Capital s. r. o. (Note 25).*

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18 Borrowings

In millions of EUR	Note	31 December 2016	31 December 2015
Non-current			
Bank borrowings		338.6	337.4
Other indebtedness	(a)	63.7	46.7
Issued bonds	(b)	162.6	101.9
Total non-current borrowings		**564.9**	**486.0**
Current			
Bank borrowings		58.1	55.4
Issued bonds	(b)	33.2	1.8
Total current borrowings		**91.3**	**57.2**
Total borrowings		**656.2**	**543.2**

(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 the 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.; (iv) EUR denominated bonds in the amount EUR 40.0 million, which were issued in Bratislava in March 2015 with maturity March 2020, bearing an interest of 4.25% p.a.; (v) CZK denominated bonds in the amount CZK 1.25 billion, which were issued in Prague in March 2016 with maturity March 2021, bearing an interest of 6M PRIBOR + 4% p.a.; (vi) PLN denominated bonds in the amount PLN 100.0 million, which were issued in Warsaw in October 2016 with maturity April 2021, bearing an interest of 6M WIBOR + 4.40% p.a. and (vii) EUR denominated bonds in the amount EUR 25.0 million, which were issued in Bratislava in December 2016 with maturity December 2021, bearing an interest of 3.50% p.a.

All of the Group's Bank borrowings are denominated in EUR at 31 December 2016 (2015: all were denominated in EUR except EUR 6.6 million which were demoninated in CZK).

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	2016	2015	2016	2015
Bank borrowings	338.6	337.4	342.6	342.7
Other indebtedness	63.7	46.7	63.7	46.7
Issued bonds	162.6	101.9	162.6	101.9
Non-current borrowings	**564.9**	**486.0**	**568.9**	**491.3**

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 2016	31 December 2015
Availability:		
- Expiring within one year	31.0	81.7
- Expiring beyond one year	11.3	156.5
Total undrawn facilities	**42.3**	**238.2**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 406.5 million (2015: EUR 396.4 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 75% (2015: 60% to 75%) and minimum debt service coverage ratios ranging from 1.15 to 1.30 (2015: 1.10 to 1.30). During 2016 and up to the 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 2016 and up to date of authorisation of these consolidated financial statements for issue, the Group refinanced EUR 14.0 million from the current borrowings as at 31 December 2016 (2015: EUR 1.0 million).

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19 Trade and Other Payables

In millions of EUR		31 December 2016	31 December 2015
Non – current			
Finance lease liabilities	(a)	-	5.7
Other long term payables		4.8	6.1
Total non-current payables		**4.8**	**11.8**
Current			
Trade payables		16.6	8.0
Liabilities for construction of investment properties		21.3	25.1
Accrued liabilities		10.6	7.5
Derivative financial instruments (Note 30)		6.5	0.9
Other payables		3.9	5.2
Liabilities due to joint ventures		12.6	17.4
Total current financial payables		**71.5**	**64.1**
Items that are not financial instruments:			
Deferred rental income		8.8	12.2
Accrued employee benefit costs		2.6	4.5
Other taxes payable		0.4	0.2
VAT payable		34.0	-
Prepayments for rent and other prepayments		7.4	1.5
Total current trade and other payables		**124.7**	**82.5**

The VAT payable relates to sale of properties in Poland in December 2016 and was settled in January 2017.

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

In millions of EUR	31 December 2016	31 December 2015
Repayable after more than 5 years	-	5.7
Total	**-**	**5.7**

The fair value of trade payables, finance lease liabilities, liabilities for construction of investment property, accrued liabilities, dividends payable, 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	2016	2015
Rental income – Office	54.1	47.2
Rental income – Retail	7.2	8.7
Rental income – Industrial	8.3	11.6
Total revenue	**69.6**	**67.5**

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 2016	31 December 2015
Not later than 1 year	29.9	43.1
Later than 1 year and not later than 5 years	103.9	113.8
Later than 5 years	52.2	83.4
Total operating lease payments receivable	**186.0**	**240.3**

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 2016 under the Group's operating leases were EUR 0.1 million (2015: EUR 0.1 million).

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21 Direct Operating Expenses arising from Investment Property

In millions of EUR	2016	2015
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	0.4	0.5
Repairs and maintenance services	1.3	1.5
Utilities costs	7.7	8.8
Services relating to investment property	12.1	10.3
Real estate tax	1.9	1.8
Other costs	0.1	-
Total	**23.5**	**22.9**

22 Revenue from Public Transportation

In millions of EUR	2016	2015
Revenue from public transportation - ticket sales	-	13.4
Total revenue from public transportation	**-**	**13.4**

The Group disposed of the public bus transportation business during 2015. Refer to Note 25.

23 Employee Benefits

In millions of EUR	2016	2015
Wages and salaries	16.4	23.4
Pension costs – defined contribution plans	0.9	1.1
Total employee benefits	**17.3**	**24.5**

The Group had 533 employees in the core real estate operations of the Group (on full time equivalent basis) (2015: 477 employees).

24 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	2016	2015
Services	25.3	17.6
Energy costs	0.1	0.3
Material consumption	0.9	1.3
Other taxes	0.8	0.7
Cost of sold inventories	2.4	1.0
Cost of sold fuel	-	0.4
Audit fees	1.0	0.6
Other	0.6	3.0
Total operating expenses	**31.1**	**24.9**

Other operating income comprised the following:

In millions of EUR		2016	2015
Sales of services		3.9	1.4
Sale of fuel		-	0.4
Sales of inventories		1.4	0.6
Other operating income		1.1	1.4
Income from public transportation - regional government subsidies	(a)	-	0.2
Total other operating income		**6.4**	**4.0**

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24 Operating Income and Expenses (Continued)

(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	**2016**	**2015**
Regional government subsidies – gross	-	7.2
Expenses related to regional government subsidies:		
- Other operating expenses (incl. fuel costs)	-	(3.4)
- Employee benefits	-	(2.6)
- Depreciation and amortization	-	(1.0)
Total income from public transportation - regional government subsidies	**-**	**0.2**

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25 Disposals of Subsidiaries

The Group had ten (10) property projects classified as held for sale at 31 December 2015. Out of these, seven (7) projects were disposed of by transfer of shares of the project subsidiaries to the purchasers and three (3) were disposed of as direct property sales (asset deals). Refer to Note 15. The transaction value of the direct property sales not included in the table below amounted to EUR 302.2 million.

In addition to the above, the Group disposed of 100% shares in Riga Office East s.r.o., AUPARK Piešťany SC, s. r. o., AUPARK Piešťany, spol. s r.o. and Twin City II a. s. during 2016. The Group concluded a forward sale of its 33 Central project, London, UK. Refer to Note 14.

The Group sold shares in seven (7) subsidiaries in financial year 2015: 100% shares in AUPARK Košice SC, s. r. o., AUPARK KOŠICE, spol. s r.o., AUPARK Tower Košice, s. r. o., INLOGIS VI s. r. o., which were classified as Non-current assets held for sale as of 31 December 2014 (Note 15). In addition, 100% shares in FORUM BC I s. r. o., BUS TRANSPORT s.r.o., and Twin Capital s. r. o. were sold during the inancial year 2015.

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

	2016	**2015**			
			Subsidiaries sold to related parties under common control		
In millions of EUR	**Subsidiaries sold to third parties**	**Subsidiaries sold to third parties**	**BUS TRANSPORT s.r.o.**	**Twin Capital s. r. o.**	**Total subsidiaries sold**
Investment property in use	**497.0**	212.8	-	-	**212.8**
Financial instruments held for trading	**-**	-	-	80.4	**80.4**
Property, plant & equipment	**3.3**	-	23.0	-	**23.0**
Intangible assets	**-**	-	0.7	-	**0.7**
Inventories	**-**	-	3.4	-	**3.4**
Deferred tax liability	**(36.7)***	(11.5)	(1.7)	-	**(13.2)**
Borrowings	**(128.5)**	(160.5)	(18.2)	-	**(178.7)**
Loans due to related parties	**-**	-	-	(50.4)	**(50.4)**
Loans due from related parties	**-**	-	35.1	-	**35.1**
Capital repayable to owners	**-**	-	-	(10.0)	**(10.0)**
Cash and cash equivalents	**11.8**	4.5	3.1	-	**7.6**
Other working capital	**(3.1)**	(1.3)	(3.1)	(0.1)	**(4.5)**
Less non-controlling interest	**-**	-	(18.4)	-	**(18.4)**
Net assets value	**343.8**	**44.0**	**23.9**	**19.9**	**87.8**
Gain on divestments of subsidiaries	**16.9**	3.5	10.1	-	**13.6**
Foreign currency translation differences transferred from other comprehensive income upon loss of control	**10.0**	-	-	-	**-**
Proceeds from sale and loss of control of subsidiaries	**370.7**	**47.5**	**34.0**	**19.9**	**101.4**
Less cash in subsidiaries at the date of transaction	**(11.8)**	(4.5)	(3.1)	-	**(7.6)**
Less prepayment for sale of a`subsidiary collected prior year	**-**	(32.5)	-	-	**(32.5)**
Less receivable from sale of subsidiary	**(1.7)**	(0.5)	-	-	**(0.5)**
Collection of prior period receivables from sale of subsidiaries	**0.3**	-	-	-	**-**
Add liability from sale of subsidiary	**1.1**	1.3	-	-	**1.3**
Settlement of prior period liability from sale of subsidiary	**(1.3)**	-	-	-	**-**
Prior year earn-out collected	**-**	1.1	-	-	**1.1**
Amounts due from customers for contract work (Note 14)	**(216.6)**	-	-	-	**-**
Advance payments for TRITRI House S.à r.l. (Note 14)	**31.1**	-	-	-	**-**
Cash sale proceeds	**171.8**	**12.4**	**30.9**	**19.9**	**63.2**

** The deferred tax liability includes EUR 20.7 million related to the TRITRI House S.à r.l. The transaction was ultimately structured through a non-taxable manner, which resulted in a gain on loss of control of the subsidiary on 15 July 2016. Refer to Notes 3 and 14.*

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25 Disposals of Subsidiaries (Continued)

In 2015, as a result of sale of the public transportation business to a related party under common control, a previous intercompany loan payable of EUR 35.1 million was recognised by the Group and subsequently repaid.

As a result of sale of Twin Capital s. r. o. in April 2015 to a related party under common control, the Group recognised on its balance sheet a previous intercompany loan of EUR 50.4 million and EUR 10.0 million receivable for capital repayable to owners. The movements in the loan were as follows:

In millions of EUR	2015
Opening balance	50.4
Drawdowns	21.6
Repayments	(72.0)
Closing balance	**-**

During 2015, the loan was extended for each of the subsequent quarterly period at an interest rate of 2.0% p.a.

26 Income Taxes

Income tax expense comprises the following:

In millions of EUR	2016	2015
Current tax	0.9	(0.1)
Deferred tax	(33.3)	(48.0)
Income tax credit/(expense) for the year	**(32.4)**	**(48.1)**

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

In millions of EUR	2016	2015
Profit before tax	**139.9**	**287.5**
Theoretical tax charge at applicable rate 20.43% (2015: 20.59%)	(28.6)	(59.2)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	7.5	12.7
- Non-temporary taxable items	(10.5)	(0.5)
- Change in estimate of prior period income taxes	(2.9)	(1.3)
Effect of changes in income tax rates effective from 1 January 2017	1.8	-
Utilisation of previously unrecognised tax loss carry-forwards	0.3	0.2
Income tax credit/(expense) for the year	**(32.4)**	**(48.1)**

The Group uses 20.43% (2015: 20.59%) 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% (2015: 22%), the Czech Republic, Poland and Hungary of 19% (2015: 19%) and the UK of 20% (2015: 20%) where majority of the Group's operations are located. In 2016, the Slovak parliament enacted a reduction in tax rate to 21% and the Hungarian parliament reduced the tax rate to 9%, both effective from 2017.

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.

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26 Income Taxes (Continued)

In millions of EUR	1 January 2015	Charged/ (credited) to profit or loss	Divest-ment of subsi-diaries	Transfer to assets held for sale	31 Dec 2015	Charged/ (credited) to profit or loss	Divestment of subsi-diaries	Transfer to assets held for sale	Currency translation difference	31 Dec 2016
Tax effect of deductible/ (taxable) temporary differences										
Investment properties	**(38.2)**	(48.0)	(6.5)	5.5	**(87.2)**	(30.5)	36.7	15.6	(2.7)	**(68.1)**
Unrealized foreign exchange (gains)/losses	**(1.1)**	1.1	-	-	**-**	-	-	-	-	**-**
Tax losses carried forward	**10.1**	(3.1)	-	(1.2)	**5.8**	(2.8)	-	(0.2)	-	**2.8**
Property, plant and equipment	**(1.6)**	2.0	0.1	-	**0.5**	-	-	-	-	**0.5**
Other	**(0.7)**	-	-	-	**(0.7)**	-	-	-	-	**(0.7)**
Net deferred tax (liability)	**(31.5)**	**(48.0)**	**(6.4)**	**4.3**	**(81.6)**	**(33.3)**	**36.7**	**15.4**	**(2.7)**	**(65.5)**

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 substantially all of the deferred tax liability will crystallise after more than 12 months from the balance sheet date.

27 Foreign exchange gains/(losses)

In millions of EUR	2016	2015
Bank borrowings – unrealised	(8.0)	(2.2)
Inter-company loans to foreign operations that do`not form part of net investment – unrealised	(27.5)	7.0
Trade and other receivables and payables – realised during period	(1.4)	0.1
Trade and other receivables and payables – unrealised	(0.4)	0.1
Translation of foreign operations reclassified to profit or loss upon repayment of capital	(3.9)	-
Foreign exchange gains/(losses)	**(41.2)**	**5.0**

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 160.7 million at 31 December 2016 (2015: EUR 82.1 million), this exposure will be fully financed by external loans (committed lines exceeding EUR 200.0 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

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29 Effects of Public Transportation Business on the Consolidated Financial Statements

The impact of the public transporation business on the individual line items presented in the statement of profit or loss and other comprehensive income, is as follows:

In millions of EUR	2016	2015
Revenue from public transportation - ticket sales	-	13.4
Employee benefits	-	(4.6)
Fuel costs	-	(2.2)
Depreciation and amortisation	-	(1.7)
Other operating income	-	0.9
Other operating expenses	-	(3.7)
Gain on disposal of subsidiaries	-	10.1
Interest expense	-	(0.4)
Income tax	-	(0.4)
Profit or (loss)	**-**	**11.4**
Other comprehensive income:		
Revaluation of own use premises upon transfer to investment properties at fair value	-	3.1
Total comprehensive income	**-**	**14.5**

The effects on the statement of financial position are presented in Note 25 as of the date of disposal of the bus transportation subsidiaries.

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 nor 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.

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30 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2016:

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	2.3	-	2.3	1.5	0.8	-
Liabilities						
Cash collateral received presented within trade and other payables	0.8	-	0.8	0.8	-	-

Financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows at 31 December 2015:

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	2.1	-	2.1	1.1	1.0	-
Liabilities						
Cash collateral received presented within trade and other payables	1.0	-	1.0	1.0	-	-

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 33 banks (2015: 30 banks) but 60% (2015: 52%) of cash balances as of 31 December 2016 are held with 9 (2015: 7) 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 16.

(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.

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30 Financial Risk Management (Continued)

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.

Had the foreign exchange rates been by one tenth lower than they have been throughout the year ended 31 December 2016 with all other variables constant, profit for the year would have been approximately EUR 43.8 million lower (2015: EUR 38.0 million lower). Equity, after allowing for the tax effects, would have been EUR 35.0 million lower (2015: EUR 30.4 million lower). Had the foreign exchange rates been by one tenth higher than they have been throughout the year ended 31 December 2016 with all other variables constant, profit for the year would have been EUR 43.8 million higher (2015: EUR 38.0 million higher). Equity, after allowing for the tax effects, would have been EUR 35.0 million higher (2015: EUR 30.4 million higher).

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 2016			
Total monetary financial assets	368.1	12.3	**380.4**
Total monetary financial liabilities	(501.4)	(226.3)	**(727.7)**
Net interest sensitivity gap at 31 December 2016	**(133.3)**	**(214.0)**	**(347.3)**
31 December 2015			
Total monetary financial assets	129.7	13.5	**143.2**
Total monetary financial liabilities	(458.7)	(154.3)	**(613.0)**
Net interest sensitivity gap at 31 December 2015	**(329.0)**	**(140.8)**	**(469.8)**

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 2016 with all other variables constant, profit before tax for the year would have been higher by approximately EUR 1.6 million (2015: EUR 0.9 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 1.3 million higher (2015: higher by EUR 0.7 million).

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 2016 with all other variables constant, profit before tax for the year would have been lower by approximately EUR 1.6 million (2015: EUR 0.9 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 1.6 million (2015: lower by EUR 0.7 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.

In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various hedging instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings. At 31 December 2016, some 60% (31 December 2015: 24%) of the Group's Borrowings were concluded at a fixed rate or the underlying borrowing's variable interest rate was hedged. In addition, majority of loan agreements include embedded hedging obligations for the entities in the Group that might be triggered at loan conversion (from development loan into investment loan) or if certain (agreed) thresholds are met.

These provisions are taken into consideration by the Group's management when pursuing its interest rate hedging policy. 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.

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30 Financial Risk Management (Continued)

Equity price risks. During 2015, the Group traded in financial instruments in order to realise additional value from its free cash resources. The trades were executed by the Twin Capital s. r. o. subsidiary, which was sold to a related party under common control prior to the year-end. Refer to Note 25. Therefore, the Group is no longer exposed to any material equity price risk at the year-end.

(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 2016 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.

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 2016 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)	91.3	20.2	391.8	152.9	**656.2**
Borrowings (future interest payments)	16.2	13.5	32.1	4.5	**66.3**
Financial payables - current (Note 19)	65.0	-	-	-	**65.0**
Derivatives and other financial instruments (Note 19)	6.5	-	-	-	**6.5**
Total future payments, including future principal and interest payments	**179.0**	**33.7**	**423.9**	**157.4**	**794.0**

The maturity analysis of financial liabilities as at 31 December 2015 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)	57.2	64.0	296.0	126.0	**543.2**
Borrowings (future interest payments)	18.2	18.2	29.0	6.3	**71.7**
Finance leases (Note 19)	-	-	-	5.7	**5.7**
Financial payables - current (Note 19)	63.2	-	-	-	**63.2**
Derivatives and other financial instruments	0.9	-	-	-	**0.9**
Total future payments, including future principal and interest payments	**139.5**	**82.2**	**325.0**	**138.0**	**684.7**

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. The forecast for 2017 shows positive cash flow of the Group of approximately EUR 318.4 million (2015: EUR 214.4 million).
The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

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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 2016	31 December 2015
Equity attributable to the owners of HB Reavis Holding S.à r.l.		1,136.2	1,099.7
Adjusted for			
Add: Deferred income tax liabilities (including joint ventures)	15, 26	84.4	88.8
Less: Receivables and Loans provided to related party entities under common control	7	-	(1.3)
Net Asset Value (adjusted) as monitored by management		**1,220.6**	**1,187.2**

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 18(a)) less Cash and Group total assets. During 2016, the Group's strategy was to steer the net debt leverage ratio up to 35% (2015: up to 35%). As is shown in the table below, the Group's ratio was below the targeted level at the end of 2016 and 2015. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2016	31 December 2015
Bank borrowings less cash	366.4	620.9
Total assets	2,112.3	2,089.3
Net debt leverage ratio	**17.4%**	**29.7%**

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) (Level 3).

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 2016 (Note 9)	-	-	1,429.1	**1,429.1**
Investment property – valuations obtained at 31 December 2015 (Note 9)	-	-	1,857.4	**1,857.4**

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 techniques for level 3 are 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 2016 (in millions of EUR)	Fair value 31 Dec 2015 (in millions of EUR)	Input	Range 31 Dec 2016	Range 31 Dec 2015
Slovakia						
Office	Discounted cash flow	222.5	222.9	Average annual rent in EUR per sqm	134.0 – 194.0	134.0 – 192.0
				Discount rate p.a.	7.7% – 10.0%	7.7% – 9.25%
				Capitalisation rate for terminal value	7.2% – 8.5%	7.15% – 8.0%
Office	Direct capitalisation method	117.5	39.0	Average annual rent in EUR per sqm	180 – 187	180
				Capitalisation rate	6.5% – 8.0%	6.65%
Retail	Discounted cash flow	-	32.5	Average annual rent in EUR per sqm	-	241.0
				Discount rate p.a.	-	8.25%
				Capitalisation rate for terminal value	-	7.75%
Logistics	Discounted cash flow	-	65.0	Average annual rent in EUR per sqm	-	47.0 – 55.0
				Discount rate p.a.	-	8.4% – 9.25%
				Capitalisation rate for terminal value	-	7.9% – 8.5%
Total		**340.0**	**359.4**			
Czech Republic						
Office	Direct capitalisation method	76.9	122.7	Average annual rent in EUR per sqm	167.0	167.0 – 187.0
				Capitalisation rate	6.55%	6.75%
Retail	Discounted cash flow	81.1	-	Average annual rent in EUR per sqm	222.0	-
				Discount rate p.a.	6.11%	-
				Capitalisation rate for terminal value	6.3%	-
Logistics	Direct capitalisation method	32.3	39.0	Average annual rent in EUR per sqm	49.0	49.0 – 55.0
				Capitalisation rate	8.5%	8.5% – 8.75%
Total		**190.3**	**161.7**			
Poland						
Office	Direct capitalisation method	257.5	429.0	Average annual rent in EUR per sqm	196.0 – 237.0	185.0 – 227.0
				Capitalisation rate	5.9% – 7.2%	5.96% – 7.0%
Total		**257.5**	**429.0**			
Hungary						
Office	Direct capitalisation method	-	46.0	Average annual rent in EUR per sqm	-	163.0
				Capitalisation rate	-	7.1%
Total		**-**	**46.0**			
Total for segment		**787.8**	**996.1**			

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32 Fair Value Estimation (Continued)

Development in realisation and in preparation

Segment	Valuation technique	Fair value 31 Dec 2016 (in millions of EUR)	Fair value 31 Dec 2015 (in millions of EUR)	Input	Range 31 Dec 2016	Range 31 Dec 2015
Slovakia						
Office, Office/Retail	Residual Method	107.2	125.7	Capitalised net revenues less cost to completion	197.8	311.5
				Capitalisation rate	6.5% – 7.25%	7.0% – 7.25%
Retail	Residual Method	46.9	-	Capitalised net revenues less cost to completion	148.0	-
				Capitalisation rate	5.5%	-
Office	Direct capitalisation method	-	73.2	Average annual rent in EUR per sqm	-	178.0
				Capitalisation rate	-	6.65% – 6.75%
Office	Comparative method	-	2.6	Price in EUR per sqm	-	3.9
Office	At cost	2.5	-	-	-	-
Total		**156.6**	**201.5**			
Czech Republic						
Office	Residual Method	11.7	7.7	Capitalised net revenues less cost to completion	49.7	31.3
				Capitalisation rate	6.7% – 7.25%	7.25%
Office	Direct capitalisation method	14.8	11.2	Average annual rent in EUR per sqm	221.6	149.0
				Capitalisation rate	6.0%	8.35%
Retail	Residual Method	12.2	45.2	Capitalised net revenues less cost to completion	24.4	39.2
				Capitalisation rate	7.0%	6.75% – 7.0%
	At cost	-	0.1	-	-	-
Logistics	Residual Method	-	1.8	Capitalised net revenues less cost to completion	-	1.5
				Capitalisation rate	-	8.5%
Total		**38.7**	**66.0**			
Poland						
Office	Residual Method	241.0	150.4	Capitalised net revenues less cost to completion	235.1	132.7
				Capitalisation rate	5.75% – 6.5%	6.0%
Office	Comparative method	-	23.8	Price in EUR per sqm	-	1,190.5
Office	Direct capitalisation method	-	71.0	Average annual rent in EUR per sqm	-	237.0
				Capitalisation rate	-	6.0%
Office	At cost	3.6	2.5	-	-	-
Total		**244.6**	**247.7**			
United Kingdom						
Office	Residual method	116.0	277.0	Capitalised net revenues less cost to completion	70.8	118.7
				Capitalisation rate	4.5% – 4.75%	4.25% – 4.5%
Total		**116.0**	**277.0**			
Hungary						
Office	Comparative method	8.2	29.5	Price in EUR per sqm	211.0	997.0
	Residual method	40.9	-	Capitalised net revenues less cost to completion	136.4	-
				Capitalisation rate	6.63%	-
Total		**49.1**	**29.5**			
Total for segment		**605.0**	**821.7**			

Non-core						
Logistics	Comparative method	36.3	39.7	Price in EUR per sqm	-	4.3 – 26.1
Retail	At cost	0.1	-	-	-	-
Total for segment		**36.4**	**39.7**			

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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 1.78% p.a. (2015: 1.87% 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. The fair value was estimated using the discounted cash flows technique.

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. 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).

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 20%.

The Group issued 2 tranches of bonds through HB Reavis Finance PL Sp. z o.o., 1 tranche of bonds through HB Reavis Finance PL 2 Sp. z o.o. both incorporated in Poland, 1 tranche of bonds through HB REAVIS Finance SK s. r. o., 1 tranche of bonds through HB REAVIS Finance SK II s. r. o., 1 tranche of bonds through HB REAVIS Finance SK III s. r. o., all three incorporated in Slovakia and 1 tranche of bonds through HB Reavis Finance CZ, s.r.o., incorporated in Czech Republic. 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 211.0 million, EUR 101.6 million and CZK 1.25 billion (Note 18).

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35 Events after the Balance Sheet Date

In March 2017, the Group completed sale of its share in the project company owning land plot in Mošnov, Czech Republic. Carrying value of the property disposed of was EUR 1.1 million.

In March 2017, the Group issued unsecured bonds denominated in EUR amounting to EUR 12.0 million.

During the first three months of 2017 the Group has drawn EUR 51.0 million of the facilities undrawn as of 31 December 2016 and signed new credit facilities amounting to EUR 55.6 million of which EUR 50.0 million have already been drawn for financing of development activities or refinancing of existing debt of the Group.

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.