HB Reavis

ANNUAL REPORT 2015

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www.hbreavis.com

We care about the environment. This document is printed on FSC paper.

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

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WHO WE ARE

The HB Reavis Group is a privately held enterprise that over 22 years has become one of Europe's leading commercial real estate developers operating in the United Kingdom, Poland, the Czech Republic, Slovakia, Hungary and Turkey. As one of the best success stories in Central Europe (CE) we reached NAV (shareholders' equity value) of almost €1.2 bn through organic growth of 56.8 % per year since 1993.

As a team of more than 470 professionals, we are passionate about bringing remarkable experiences to people using or affected by our real estate solutions. Our projects are setting trends in office-space solutions in the CE region and we aim to provide a unique value proposition for our clients and investors. With an inspiring direction going forward, we aim to attract, develop and retain the best talent in the industry.

CEEQA Central & Eastern European Real Estate Quality Awards

Best Developer of 2015 in Central & Eastern Europe

CIJ Awards

Best Developer of 2015

WHAT WE DO

WE ARE ONE OF THE FEW FULLY INTEGRATED REAL ESTATE PLAYERS IN THE CE REGION

In delivering our projects, we always aim to create something unique and innovative, something our clients and the communities we serve do not expect from a commercial real estate developer. To do that, we specialize in development and management of A-class office space solutions and modern shopping and entertainment centers.

As a developer, the Group has a track record of successfully delivering 871,000 m^2 of Gross Leasable Area (GLA) across 32 projects. Almost 50,000 employees use our projects as their work place every day. Additionally, more than 100,000 people a day visit retail and entertainment premises developed by our Group. With every new project we aim to improve their user experience – that's how we measure our progress and success. At year-end 2015, our development pipeline included 1.12 million m^2 of GLA, of which about 198,000 m^2 was under construction in eight projects.

As an asset and investment manager, HB Reavis manages a portfolio of around 546,000 m^2 of GLA, of which some 100,000 m^2 of GLA is owned by HBR CE REIF, our investment fund. The Group has successfully divested 18 of our completed projects with a total exit value of about €1.25 billion since 1993.

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

DEVELOPMENT PIPELINE

1.12

MILLION m^2 OF GLA

HOW WE PERFORMED IN 2015

In 2015, the Group improved its performance tremendously across all countries and almost tripled its profitability, generating net profit of €244.6 million (€89.1 million in 2014). The result translates into a 29.3 % return on shareholders' equity (10.8 % in 2014). The HB Reavis Group has grown a robust balance sheet of €2.1 billion and Net Asset Value reached around €1.19 billion at the end of 2015. At 29.7 %, Group Net debt leverage remained below targeted levels as we finalise the restructuring of our balance sheet. These financial results went hand-in-hand with excellent business performance. We signed leasing contracts for almost 200,000 m² of GLA, of which 80 % was new business. 80 new clients selected our projects for doing their business.

GROSS DEVELOPMENT VALUE
OF PROJECTS UNDER CONSTRUCTION (m€)

€244.6 MILLION

NET PROFIT

200,000 m² OF GLA

LEASED

RETURN ON SHAREHOLDER´S EQUITY

29.3 %

FINANCIAL HIGHLIGHTS

PERFORMANCE AT A GLANCE

Net Profit (€m)	
2014	89.1
2015	244.6
EBIT/Operating Profit (€m)	
2014	119.8
2015	302.5
Return to Shareholders	
2014	10.8 %
2015	29.3 %
Balance Sheet (€m)	
2014	1,806.1
2015	2,089.3
Net Asset Value (adjusted, €m)	
2014	963.7
2015	1,187.2
Net Debt Leverage Ratio	
2014	26.5 %
2015	29.7 %

HISTORICAL PERFORMANCE

HB Reavis has demonstrated a sustainable, above average return to shareholders since its foundation in 1993. The Group has expanded internationally over the last five years and are investing significantly outside of Slovakia. We are now starting to reap the benefits, recording the best financial results in our history.

Year*	NAV (€m)	NAV Growth (€m)	Dividend (€m)	Dividend Yield	Net Debt Ratio	Total Return A	Benchmark Index** B	Relative Result C
1993	0.1							
1994	0.3	0.2	0.0	11.9 %	0.0 %	224.8 %	-12.5 %	237.3 %
1995	0.9	0.6	0.0	10.4 %	0.0 %	202.8 %	5.8 %	197.0 %
1996	3.6	2.7	0.1	7.9 %	3.8 %	295.3 %	17.8 %	277.5 %
1997	8.2	4.6	0.1	3.4 %	4.3 %	132.4 %	15.2 %	117.3 %
1998	15.8	7.6	0.2	2.2 %	0.0 %	94.8 %	9.6 %	85.2 %
1999	29.3	13.5	0.9	5.4 %	0.0 %	90.9 %	13.2 %	77.7 %
2000	77.4	48.1	0.6	1.9 %	0.0 %	166.0 %	13.0 %	153.0 %
2001	75.8	-1.6	2.5	3.2 %	26.5 %	1.1 %	1.9 %	-0.8 %
2002	118.9	43.1	0.6	0.8 %	13.9 %	57.7 %	12.5 %	45.2 %
2003	157.5	38.6	6.3	5.3 %	15.1 %	37.7 %	18.4 %	19.3 %
2004	240.7	83.2	1.8	1.2 %	24.2 %	54.0 %	35.7 %	18.3 %
2005	307.0	66.3	3.5	1.5 %	25.1 %	29.0 %	28.2 %	0.8 %
2006	450.4	143.4	3.7	1.2 %	5.5 %	47.9 %	45.7 %	2.2 %
2007	643.4	193.0	29.3	6.5 %	19.1 %	49.3 %	-21.1 %	70.4 %
2008	689.4	46.0	-4.5	-0.7 %	20.6 %	6.5 %	-37.0 %	43.4 %
2009	601.3	-88.1	19.0	2.8 %	20.9 %	-10.0 %	37.0 %	-47.0 %
2010	761.3	160.0	21.2	3.5 %	25.1 %	30.1 %	19.6 %	10.5 %
2011	795.1	33.8	19.7	2.6 %	16.6 %	7.0 %	-10.5 %	17.5 %
2012	843.6	48.5	13.8	1.7 %	28.8 %	7.8 %	22.8 %	-15.0 %
2013	881.9	38.3	9.4	1.1 %	29.8 %	5.7 %	4.9 %	0.8 %
2014	963.7	81.8	13.3	1.5 %	26.5 %	10.8 %	21.7 %	-10.9 %
2015	1,187.2	223.5	59.3	6.2 %	29.7 %	29.3 %	17.4 %	11.9 %

CAGR	NAV CAGR	Dividend Yield (average)	NAV CAGR (incl. dividend)	Benchmark Index	Relative Result
1993 – 2015	53.1 %	3.7 %	56.8 %	9.8 %	**47.0 %**
2011 – 2015	9.3 %	2.6 %	11.9 %	10.4 %	**1.5 %**

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

COMPLETED PROJECTS IN 2015

OCCUPANCY*
98 %

TWIN CITY A
BRATISLAVA

Valuation €39.0m
GLA 16,628 m²

POSTEPU 14
WARSAW

Valuation €80.0m
GLA 34,467 m²

OCCUPANCY*
56 %

METRONOM BUSINESS CENTER
PRAGUE

Valuation €58.9m
GLA 34,069 m²

OCCUPANCY*
93 %

OCCUPANCY*
86 %

GDANSKI BUSINESS CENTER C
WARSAW

Valuation €60.0m
GLA 22,716 m²

*As of April 2016, including heads of terms.

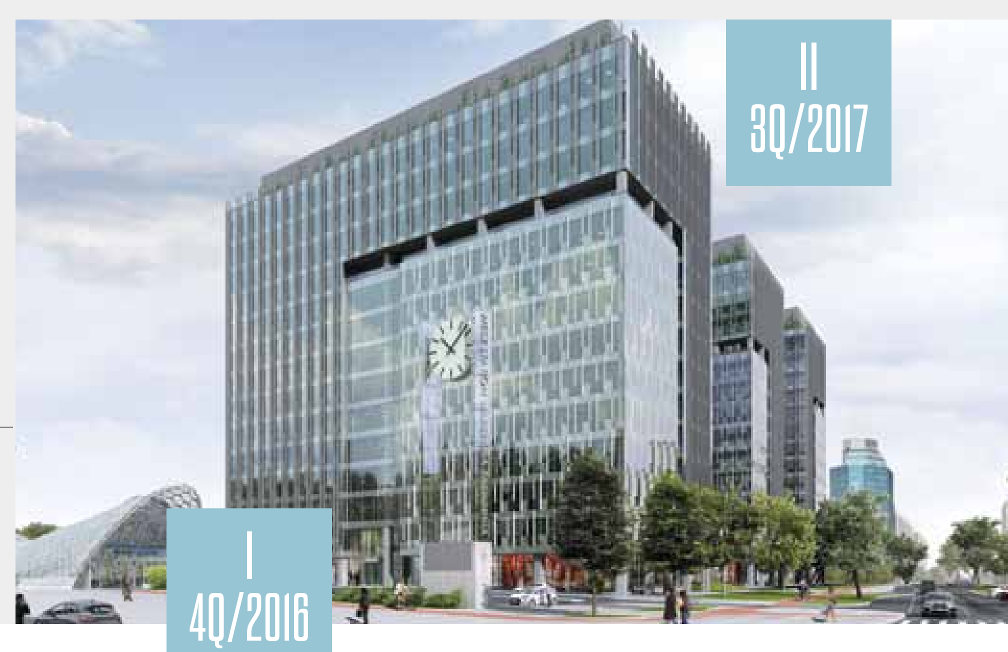
PROJECTS UNDER CONSTRUCTION

GDANSKI BUSINESS CENTER D, WARSAW

Valuation at completion €103.7m
GLA 29,821 m^2

AUPARK SHOPPING CENTER HRADEC KRALOVE

Valuation at completion €74.2m
GLA 22,894 m^2



WEST STATION I, WARSAW

Valuation at completion €77.4m
GLA 30,434 m^2

WEST STATION II, WARSAW

Valuation at completion €95.3m
GLA 37,859 m^2

TWIN CITY B, BRATISLAVA

Valuation at completion €63.2m
GLA 23,657 m^2

TWIN CITY C, BRATISLAVA

Valuation at completion €67.0m
GLA 24,864 m^2

33 CENTRAL, LONDON

Valuation at completion €445.5m
GLA 21,105 m^2

20 FARRINGDON STREET, LONDON

Valuation at completion €166.3m
GLA 7,856 m^2

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 2015

Q1

PZU SIGNS UP FOR KONSTRUKTORSKA BUSINESS CENTER
In February, HB Reavis signed its biggest ever leasing contract in Poland (17,344 m^2 of GLA + 1,882 m^2 of GLA under option) with Powszechny Zakład Ubezpieczen, SA (PZU), the Polish insurance giant, for Konstruktorska Business Center.

FINANCE FOR POSTEPU 14
In March, we secured project financing for our second office scheme in Warsaw's Mokotow Business District – Postepu 14 - in the amount of €58 million with PEKAO Bank, a member of the Unicredit Group.

CONSTRUCTION OF TWIN CITY 'C' BUILDING STARTS
In March, we launched the construction of the third 'C' building (24,864 m^2 of GLA) in Twin City, our flagship project in Bratislava. Completion is expected at the end of the fourth quarter of 2016.

FIRST UNSECURED CORPORATE BOND ISSUE
In March, the Group continued to diversify funding sources through our first unsecured corporate bond issue, raised in the Slovak financial market in the amount of €40 million achieving strong demand from institutuional investors.

HB REAVIS - MAJOR EUROPEAN DEVELOPER
According to Property EU (March 2016) HB Reavis was ranked 6th among the leading European office real estate developers.

FORUM BUSINESS CENTER I, BRATISLAVA

Q2

REMARKABLE SUCCESS WITH CLIENTS
During the second quarter, the Group was able to sign a number of significant rental contracts with top-class tenants, such as Aviva for 12,657 m² of GLA, KMD for 6,182 m² of GLA; and BNP Paribas for 4,232 m² of GLA in the Gdanski Business Center I-II; and Mylan for 3,896 m² of GLA in Vaci Corner.

ACQUISITION OF LAND IN BUDAPEST
In line with our intensified focus of building up a larger office project pipeline in Hungary, in April the Group acquired a second, adjacent plot within the so-called 'Volan' site at the Vaci and Robert Karoly Street intersection, two of Budapest's most important arteries. After subsequent consolidation of plot with the city this 3ha site is ready for a development of a major office hub in Budapest with around 136,000 m² of office and retail GLA.

COMPLETION OF POSTEPU 14 AND METRONOM
Postepu 14, our second office development in Warsaw's Mokotow Business District with 34,467 m² of GLA, received its occupancy permit in May. Similarly the Metronom Business Center, our third office project in Prague with 34,069 m² of GLA, was completed and received its occupancy permit in June.

METRONOM IN PRAGUE WITH NEW CZECH SAP HEADQUARTERS WAS COMPLETED IN JUNE

START OF CONSTRUCTION OF 20 FARRINGDON STREET
At the end of the quarter we began demolishing the existing building at 20 Farringdon Street, our second office project in London. After demolition finished at the end of first quarter, we immediately started construction itself.

Q3

EXCELLENT LEASING PERFORMANCE CONTINUED
In the third quarter, the Group's leasing team continued to deliver excellent results with clients. During this quarter, HB Reavis signed major lease contracts with tenants such as AstraZeneca for 6,979 m² of GLA and Samsung Electronics for 4,692 m² of GLA, both in Postepu 14; the Slovak Business Agency for 3,156 m² of GLA and Sygic for 2,455 m² of GLA, both in our Bratislava Twin City development; and Sony for 2,597 m² of GLA in Vaci Corner Offices.

ACQUISITION OF LAND AT BURAKOWSKA STREET IN WARSAW
In July HB Reavis acquired a 2ha plot at Burakowska Street in Warsaw, just across the street from the Arkadia Shopping Center and a few hundred meters from our successful Gdanski Business Center. The purchase price was €17 million and the Group plans to develop another remarkable office project here with approximately 80,000 m² of GLA.

PROGRESS IN DEBT FUNDING
During the quarter, we secured and increased financing for several projects that are under construction – in July for Twin City A and B to the sum of 27 milllion and 43 million respectively, 38 million for Gdanski BC I and 61 million for City BCI-II with Komercni Banka, a member.

In September, the group secured refinancing for our first retail project in the Czech Republic, Aupark Hradec Kralove, for 51 million.

Further, in July, the Group secured refinancing for City Business Center I-II in the amount of €61 million with Komercni banka, a member of the Societe Generale Group.

ZONING PERMIT FOR CHMIELNA TOWER
In September we finally obtained the last zoning permit for our landmark project, Chmielna, in Warsaw's city centre allowing us to build a 232-metre Tower (excluding antenna) that will dominate the city skyline and will be the tallest tower in Central Europe. The Tower, designed by Foster + Partners, will be complemented by two mid-rise buildings to create a new heart for business and innovation in the city.

COMPLETION OF NEW RAILWAY STATION WARSZAWA ZACHODNIA
As a part of our commitment arising from our joint venture with PKP, at the end of the quarter the Group delivered the new Warszawa Zachodnia railway station.

Q4

NEW 2ha PLOT AT BURAKOWSKA STREET IN WARSAW WAS ACQUIRED TO DEVELOP A DISTINCTIVE CAMPUS-STYLE OFFICE COMPLEX

GDANSKI BUSINESS CENTER 'C' AND TWIN CITY 'A' – CONSTRUCTION COMPLETED
In November, we completed construction of the first building of our flagship in Bratislava – Twin City 'A' and the first tenant, PwC, a leading professional services firm, moved to the premises in the same month.

In December, the Group completed and delivered Gdanski Business Center 'C' to its first tenants. Both buildings were completed in a really short time, within 16 months from the start of construction.

WEST STATION II CONSTRUCTION STARTS
In November, HB Reavis launched the construction of the second phase of our fifth office project in the Polish capital, Warsaw - the West Station II, (37,859 m² of GLA). The project is part of our joint-venture scheme with Polskie Koleje Panstwowe, and completion is expected in the third quarter of 2017.

MAJOR LEASE CONTRACTS SIGNED
In December, HB Reavis was able to sign a new and historically our largest office space rental contract with technology giant SAP for Metronom, our third office project in Prague. The contract, including expansion options, covers more than 27,300 m² of GLA. It represents almost 80 % of whole building and is a great example of providing complex solutions for a client that is consolidating staff from four different divisions and locations.

In the same month, we signed a lease contract with STRV, another technology company, for 5,634 m² of GLA at River Garden Office II/III.

FINANCING FOR GDANSKI BUSINESS CENTER II
In December we ensured project financing for the second phase of our successful office scheme on the northern fringe of Warsaw, Gdanski Business Center 'C' and 'D'. A €124 million loan was signed with BZWBK Bank, a member of the Santander Group.

FORUM BUSINESS CENTER EXIT TRANSACTION
Just before Christmas, the Group completed the sale of our Forum Business Center I in Bratislava. The value of the transaction with REICO, the real estate investment arm of Erste Bank, achieved €46.2 million.

IN DECEMBER, THE GROUP DELIVERED GDANSKI BUSINESS CENTER C WITH AVIVA AND BNP PARIBAS AS KEY TENANTS

GROUP AT A GLANCE

POLAND

€142.7m
Operating profit

€736.2m
in investment property

154,414 m²
GLA developed

101
professionals

321,200 m²
GLA under preparation

UNITED KINGDOM

€83.1m
Operating profit

29,000 m²
GLA under preparation

31
professionals

€277.0m
in investment property

TURKEY

3
professionals

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

SLOVAKIA

274
professionals, including Group functions

€57.5m
Operating profit

505,500 m²
GLA under preparation

€599.8m
in investment property

548,981 m²
GLA developed

CZECH REPUBLIC

€9.9m
Operating profit

€228.7m
in investment property

145,410 m²
GLA developed

130,500 m²
GLA under preparation

53
professionals

HUNGARY

136,600 m²
GLA under preparation

€18.6m
Operating profit

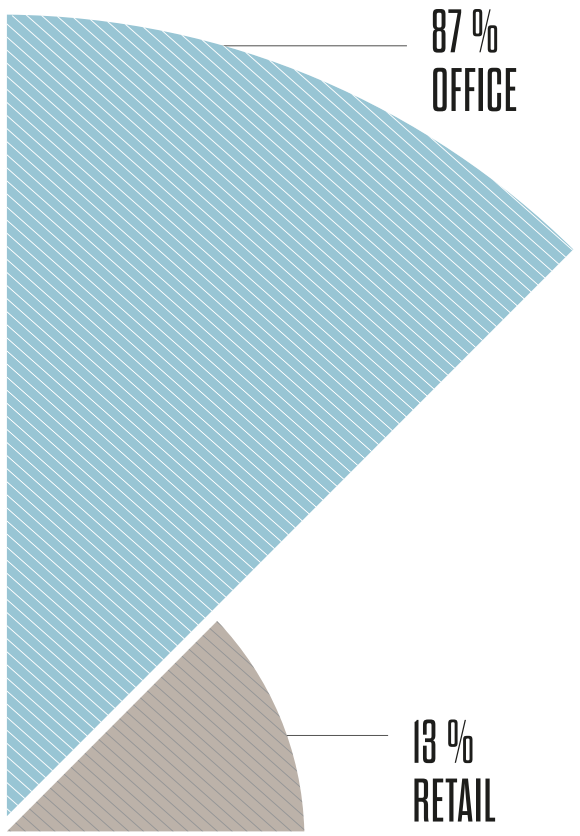
€76.6m
in investment property

22,384 m²
GLA developed

13
professionals

PROPERTY UNDER DEVELOPMENT

MARKET VALUE UPON COMPLETION BY SEGMENT



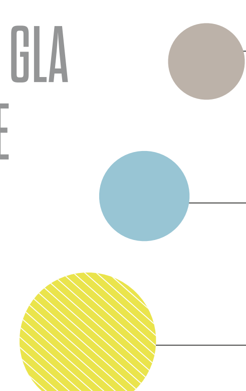
€3,895m

PORTFOLIO OF PROPERTIES UNDER DEVELOPMENT

Country	No. of Projects	Planned GLA m²	Market Value Upon Completion* (€m)
United Kingdom (Office)	**2**	**28,961**	**611.8**
Poland (Office)	**8**	**321,192**	**1,157.4**
Czech Republic	**4**	**130,446**	**369.9**
Retail	2	54,424	173.1
Office	2	76,022	196.8
Slovakia	**14**	**505,524**	**1,377.1**
Retail	1	63,125	326.5
Office	13	442,399	1,050.6
Hungary (Office)	**6**	**136,600**	**378.8**
Total	**34**	**1,122,723**	**3,895.0**

* Figures based on external expert valuations and management report.

PLANNED GLA BY PHASE

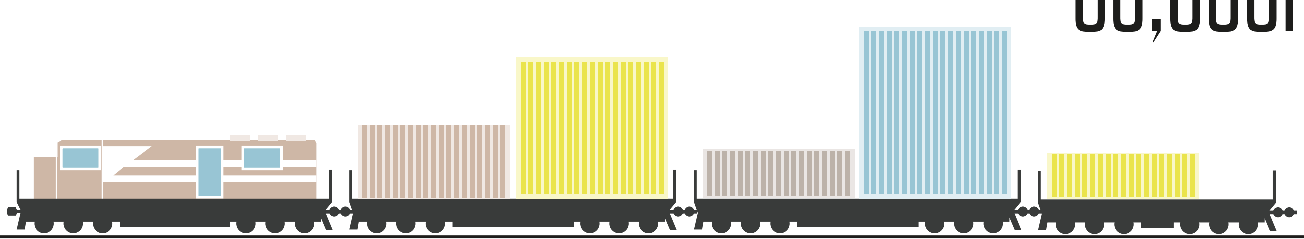


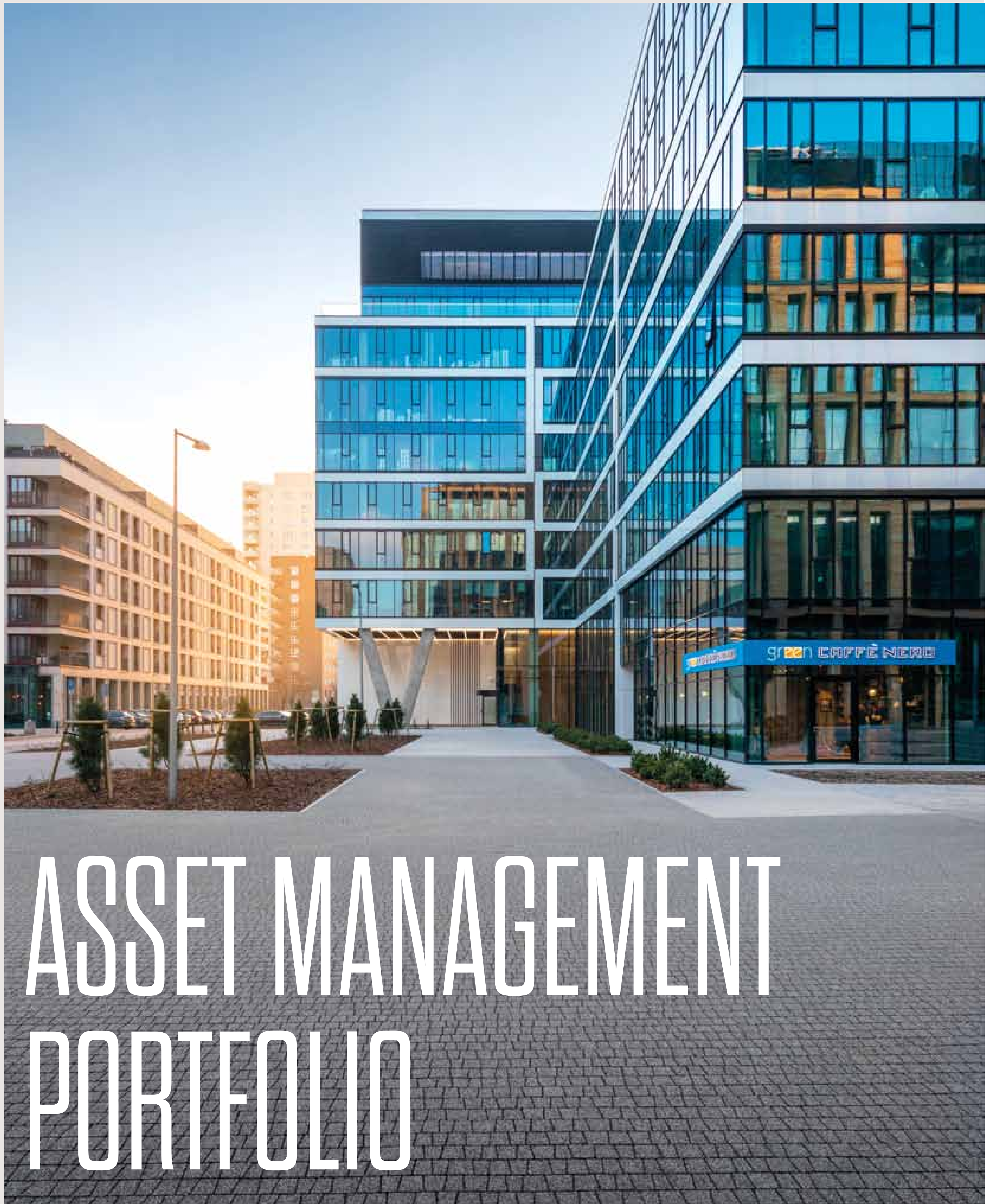
1,123 THD m² OF GLA

CONSTRUCTION OF TWIN CITY C, BRATISLAVA

MARKET VALUE UPON COMPLETION BY COUNTRY

€3,895m





ASSET MANAGEMENT PORTFOLIO

GDANSKI BUSINESS CENTER II, WARSAW

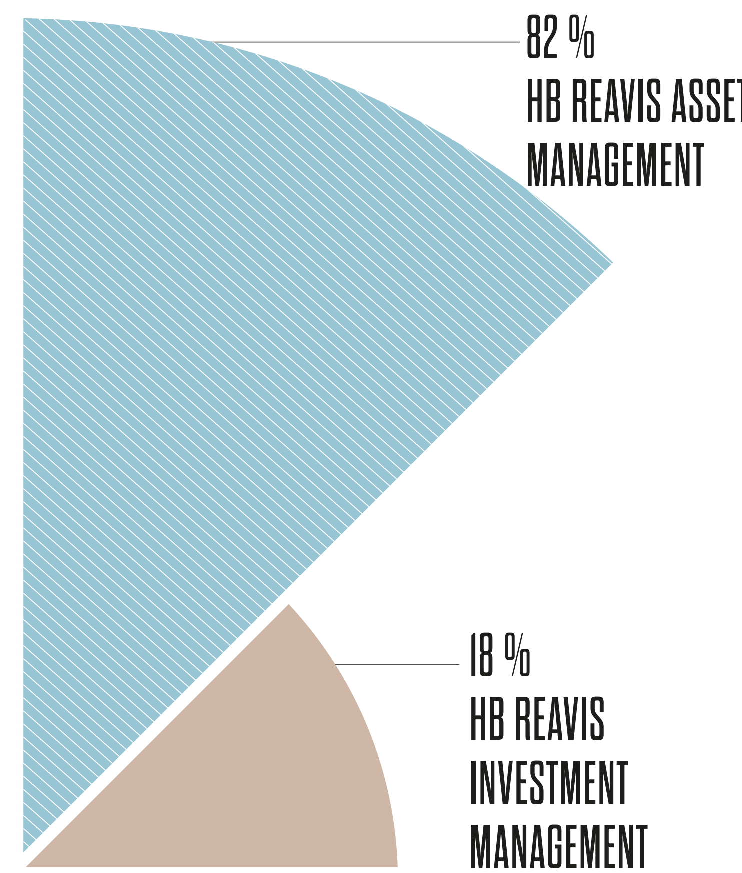
ASSET MANAGEMENT PORTFOLIO

Country	No. of Projects	Developed GLA (m²)	Market Value* (€m)
Owned income-producing assets	**15**	**445,341**	**845.0**
Poland (Office)	**5**	**154,414**	**431.2**
Czech Republic	**5**	**125,021**	**171.5**
Office	3	67,061	133.8
Logistics	2	57,960	37.7
Slovakia	**4**	**143,522**	**195.2**
Office	3	74,218	164.4
Logistics	1	69,304	30.8
Hungary (Office)	**1**	**22,384**	**47.1**
Assets managed for HB Reavis CE REIF	**5**	**100,645**	**166.5**
Total	**20**	**545,986**	**1,011.5**

* Figures based on external expert valuations and management report.

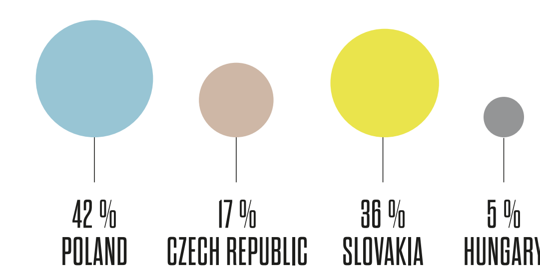
MANAGED GLA

545,986 m²



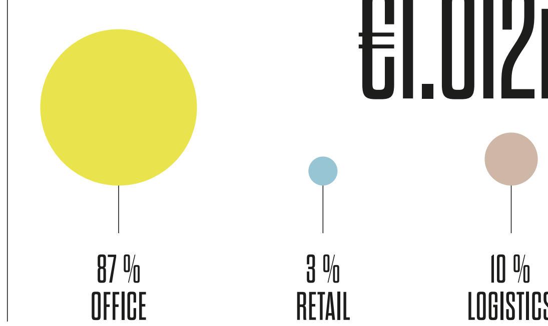
MARKET VALUE BY COUNTRY

€1.012m



MARKET VALUE BY SEGMENT

€1.012m



FROM THE CEO

Dear clients and partners,

For the greater part of last year, the HB Reavis family harvested the fruits of our vision to be a trendsetter in office space solutions and bring a remarkable experience to our clients, their employees, their local communities and our people along the way.

OUR NET PROFIT ALMOST TRIPLED TO

€245 MILLION

Among the top 10 client solutions of the last year, I am thrilled to welcome some of the leading global and local brands as new clients: Aviva, BNP Paribas and Polish giant PZU in the financial sector; KMD, Samsung, SAP and Czech-based STRV from the technology sector; and the pharma sector's Astra-Zeneca and Mylan. New offices for Sony and Abbvie represent an extension of existing client relationships to new cities. As our portfolio of income-producing projects grows internationally, I am looking forward to working with our clients locally and regionally as their real estate needs evolve.

Overall, we signed new lease agreements with around 80 clients last year, providing real estate solutions for about 15,000 employees who will use 200,000 m^2 of leased area to grow their businesses. This is a remarkable increase of 43 % year-on-year and a new record in the company history. Let me thank our clients for their trust in our team and our products; feedback is always welcome!

The real estate community and clients have recognised our team's efforts with numerous awards, including 'Best Office Developer in CEE' by the Construction and Investment Journal and 'Developer of the Year, CEE' by the CEE Quality Awards. In addition, our projects at 33 Central, Postepu 14, Twin City A and Vaci Corner have been awarded 'The Best Office Development' in their respective markets.

We have not rested on these achievements. Throughout the year, we continued to pursue improvements in the way we operate.

We have launched a complete redesign of our operating model in the CE, particularly aiming at
1) strengthening our product design approach and focusing our innovations at target client segments;
2) translating differentiation of our office projects into client interactions and marketing efforts; and
3) better alignment of roles and responsibilities within our team to deliver our products and services at new and improved levels.

We also started new strategic initiatives:
1) Selective integration of our design and construction supply chain vendors into preferred partnerships;
2) Preparing the launch of our proprietary co-working space solution for the start-up and freelancer community in recognition of this segment's growing importance; and
3) Enhancing our client offering with a value-added service for smart office solutions to drive productivity and engagement of their people.

The efforts of the team translated into the best financial result in HB Reavis´ history. Our Net profit almost tripled to €245 million on a strong leasing and operational delivery (EBIT reached €302.5 million, an increase of 153 % year-on-year). Strong financial results reflect a 29.3 % return on shareholder equity (against 10.8 % in 2014) and led to Group Net Asset Value hitting €1.2 billion after 22 years in business.

What is ahead of us?

First of all, we see increased levels of uncertainty for our business in the UK – market-cycle maturity coupled with the BREXIT referendum - and in Poland where the true effects of recent political changes on the real estate market are yet to be seen. However, we expect our other markets to provide a healthy diversification, with improving market outlook. To enhance our market diversification, we carried out a strategic review of potential expansion options and expect to add another market to our portfolio in the coming year.

Secondly, we expect to launch the construction of three very prestigious and sizeable projects in 2016:

Our landmark project, Chmielna in Warsaw, with more than 140,000 m^2 of leasable space should set a new standard across multiple dimensions – world-class architecture and innovative user-centric focus whilst becoming a new heart of the CBD.

In Budapest, we plan to launch the first two phases of our city-in-the-city project. On more than three hectares within the Vaci corridor, we also aim to set new standards, not only for office space but also for interaction between the scheme and its surroundings.

Lastly, in Bratislava we plan to commence construction of our long-awaited jewel among the shopping and leisure centers in town. Nivy Mall, with integrated main bus station, will become the city's new meeting point thanks to its location right on the border of the Old Town in the middle of Bratislava's CBD.

Upon completion, all three projects will change the skyline of their respective cities and will be highly visible representations of our mission to bring remarkable experiences to people's lives. Our teams are excited to launch them as soon as possible.

Last but not least, we continue our efforts to be the most attractive real estate company in the region. In that respect, we are preparing a launch of the HB Reavis Academy to provide interesting opportunities through on-the-job rotations across multiple locations and areas of expertise. Additionally, we continue in our transformation program to change our operating model via increased engagement with our people leaders and adjustments in the performance management systems to better reflect our core values and vision.

In conclusion, 2015 was the best year ever in HB Reavis' history. Let me thank our clients for giving us their trust to meet their real estate needs, our construction and financial partners for providing valuable services during delivery of our client solutions and our team for ensuring that HB Reavis sets the trends in the marketplace.

Pavel Trenka

Pavel Trenka, Chief Executive Officer

FROM MAARTEN J. HULSHOFF

It has been quite a year for HB Reavis. In this 22nd year of operations, we have seen Net Asset Value (NAV) exceed the €1 billion threshold for the first time. The entry-ticket property at 33 Central in London, acquired just two years ago, is rapidly becoming the envisaged landmark office scheme in the Square Mile. HB Reavis has secured its market-leading position in the Warsaw office market and we are behind the creation of a brand-new Business District at Gdanski. Patience and professional vision have paid off in Bratislava where, after eight years of preparation, the Group is now constructing the Twin City project to include the capital's new meeting point at the Nivy Mall. Yes, it has been quite an exceptional year.

As forecast at the end of 2014, Europe's economies are heading in the right direction and recovery has even been robust in some countries. We are seeing successive positive growth once again for the first time in a number of years. At the same time, the low interest-rate environment is still a driver for investors looking for yield. Banks are now much more forthcoming and are increasingly encouraged to use their balance sheets. As a result, real estate projects are being green-lighted – everywhere. All good news for the sector, perhaps. However, politically, Europe and the EU are in some turmoil. There is growing support around Europe for nationalist attitudes. These factors together – low interest rates and easier access to bank lending against a backdrop of increasing political nationalism – could certainly herald destabilisation of economic growth. What impact this will have on the investment climate in general and the real estate sector in particular remains to be seen.

What we saw in 2015 was demand for HB Reavis products that has never been stronger. The Group's projects are known for their state-of-the-art user focus and prime locations close to transport, retail and leisure hubs. As HB Reavis expands into new markets, more and more often the same multi-national clients are seeking us out, attracted by the known quality of our product. The integrated approach to the development business and the resulting landmark projects have benefited our growth and European footprint significantly. The excellent results achieved by leasing teams around Europe may, therefore, seem unsurprising. However, in my view, it is another example of the essence of HB Reavis. Traditionally and strategically, the Group has always been acquisition oriented. During 2015, leasing activities have been strengthened in all countries of operation, demonstrating the innate flexibility that is at the heart of HB Reavis.

In terms of performance, 2015 is another milestone year. As noted, NAV has grown by 23 %, largely driven by revaluations, with four of our top projects (33 Central in London, the Gdanski Business Center and Chmielna in the Center of Warsaw and Bratislava's Twin City) being the largest contributors. The expectation is that these levels will continue, not least because the Group has made another significant investment in Warsaw. The new cornerstone project in the Zloty area of the Polish capital is both a massive landmark investment and expected to be a new landmark for the city. On the retail front, the Group is also progressing, with both the Nivy Mall and the Aupark Hradec Kralove under construction and in pre-leasing and Aupark Brno in hand for delivery after 2019. It is gratifying to see that the retail portfolio is growing again and that the Group continues to search out retail opportunities in existing markets. HB Reavis is also exploring new office markets in Europe and now with an established presence in Turkey, is simply waiting for the right moment to capitalize on the expertise it has gained there.

Finances remain, as always, conservatively stable. Net Leverage continues well within set limits of 35 %, albeit increasing from 26.5 to 29.7 % during the reporting year. The Group again tapped into the corporate bond market in Slovakia where its reputation for sound strategy and thoroughly researched and executed propositions are major attractions for investors.

The quality of the HB Reavis team only reinforces that reputation. We saw how it was able to balance the acquisition process with the strengthening of leasing teams, also by exchanging best practice on producing the best product for clients. The new Board structure introduced on the Group's 20th anniversary in late 2013 is clearly working well. That is why the whole organisation, through its discipline, innovation and creativity, continues to inspire confidence in the future.

Maarten J. Hulshoff, Non-executive Director

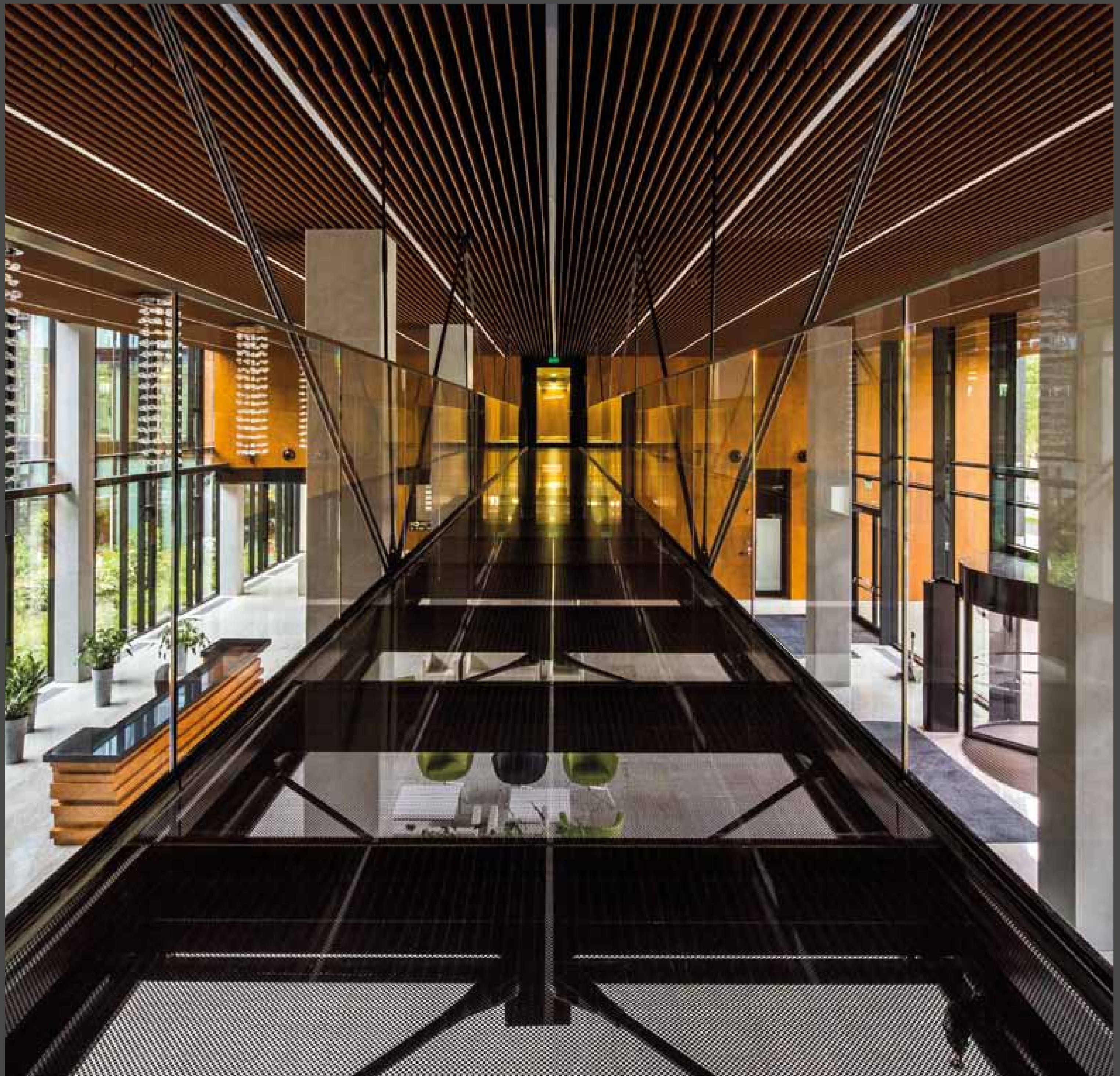
BOARD OF DIRECTORS

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.

Maarten 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.

Viliam Pancik
Co-founder of the HB Reavis Group.



EXECUTIVE DIRECTORS

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

Marcel Sedlak, Member of the Board
Marcel joined HB Reavis in 2001. As 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.

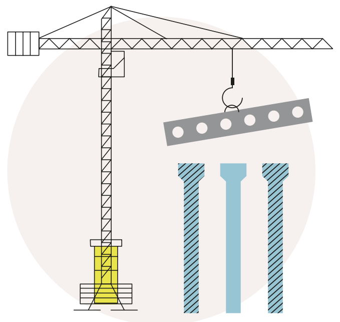
Radim Rimanek, Member of the Board
Radim joined HB Reavis in the spring of 2012. Prior to HB Reavis, he worked for Dun & Bradstreet and McKinsey & Company in New York and Prague. As an executive director he is responsible for international office leasing and our development activities in the Czech Republic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

Marian Herman, CFO
Marian joined HB Reavis in March 2010 and was promoted to Group Chief Financial Officer in November 2014. Marian has 18 years of experience in various financial, investment banking and investment management positions. In his previous role at HB Reavis, he was responsible for all the Group's divestments and the rea estate funds business. Previously, Marian worked for over 10 years in London at RREEF (Deutsche Asset & Wealth Management), Deutsche Bank and ING Group.

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. Upon 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 AND STRATEGY

At the start of 2015, the whole HB Reavis Group was involved in implementing what we call Vision 2018. This is a comprehensive framework for why we do business – our Mission, the key principles of how we conduct that business – our Core Values and the common vision we share on where and what we want to become in the coming years.



OUR VISION 2018 HAS THREE PILLARS:

HB REAVIS IS A TRENDSETTER IN OFFICE SPACE SOLUTIONS IN CENTRAL EUROPE

Since 2010, HB Reavis has established a leadership position in volume of top quality office space delivered to markets in the capitals of the Visegrad-4 countries. In the last three years, HB Reavis' share in the total office leasable area under construction in the region exceeded 15 %. This leadership position has been achieved in part through price leadership but most importantly through high quality delivery and equity-intensive speculative developments that most of our competitors cannot afford. However, going forward we aim to be an even more unique player and differentiate HB Reavis´ projects by setting industry standards for all our developments. We believe that continuing to specialise in sustainable office space will help us to consistently deliver properties above our clients' and community expectations. And we believe this will allow us to generate the highest value added while setting HB Reavis apart from the competition.

HB REAVIS IS THE MOST ATTRACTIVE CE-BASED REAL ESTATE COMPANY FOR INDUSTRY PROFESSIONALS

After dynamic growth in personnel numbers of more than 15 % annually in the 2010-2013 period, when we significantly boosted our presence internationally, our team has since grown at a more measured pace of an average <10 %. This gave us the space we needed to stabilise our operating model and to dedicate time to our people. As a first step in 2014, we restated our overall direction:

Our long-term Mission (Why do we do what we do?);
Our Vision for 2018 (Where do we want to get to?);
Our Core Values (What principles do we want to adhere to along the journey?); and
Our Strategy (What sustainable competitive advantage do we aim to build?).

We believe the overall direction provides the existing team and potential new recruits with a unique opportunity to work on the most advanced real-estate solutions, not only in Central Europe, but also more globally.

Last year we redesigned our operating model (How do we work together?) to ensure alignment with the overall direction and its principles and to provide a much better framework for setting clear expectations from each position in the company. In parallel, we completed a thorough assessment of job complexity for each position in relation to internal and external benchmarking to maximize fairness and competitiveness of our compensation packages. Work is under way for each position in the company to align the new expectations, transparent evaluation of performance against them and compensation implications.

We believe that once we fully implement all the elements of our envisioned employer branding – interesting career opportunities, inspirational company culture, clear expectations from each position, transparent evaluation and fair compensation – we shall be in an excellent position to attract, develop and retain the best talent in the industry.

HB REAVIS IS A RESPECTED DEVELOPER IN THE EUROPEAN CONTEXT

After the first acquisition outside of Central Europe (33 King William Street, City of London, UK) in 2013, we acquired a second development project in the UK (20 Farringdon Street, London). Last year proved to be a significant challenge in defining our delivery business model in the London market and aligning local and HQ teams around it. While we are not lowering our aspirations, we need to adjust our approach and required management capacities to address these challenges. In Turkey we are making reasonable progress in preparing an effective entry into this market. At the same time we are analysing other developed office markets, both in and outside Europe, and expect to effectively enter at least one market in 2016. However, in the mid-term, we want more than just to enter markets. We aim to build a successful track record in our selected markets by delivering one or two projects in each and achieving appropriate project pipeline to become one of the leaders in office solutions in these markets.

TO ACHIEVE OUR VISION 2018 AND MEET THE PERFORMANCE EXPECTATIONS OF OUR SHAREHOLDERS, WE SET OUR STRATEGY MAINLY THROUGH THREE COMPONENTS:

1. NEW PROJECT ACQUISITIONS

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

a) Ensure continuity of the Group's high-quality space offering to our expanding client base;
b) Develop product that has the potential to differentiate our offering from the competition; and
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 will be carried out on an opportunistic basis. It is our ambition to allocate about 20 – 30 % of acquisition capital to Central Europe.

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

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

What we achieved in 2015
At the start of 2015, our existing pipeline compared to market potential was relatively underrepresented in Prague and Budapest. During 2015 we were able to change that satisfactorily in Budapest while Prague remains a challenge. Warsaw's development pipeline was successfully renewed on the back of significant completions in 2014 and 2015. Pipeline in London is still suboptimal.

Central Europe
During 2015 we completed the acquisition and consolidation of the largest centrally located development zone in Budapest. On an area of more than 3ha our vision is to develop a new city landmark, including the first high-rise buildings to be developed since the 1970s. In Warsaw we won a tender for a 2ha development zone in the vicinity of our successful Gdanski Business Center. Our aim here is to develop a new, campus-style concept aimed at companies that employ tech-savvy Millennial or Generation Y personnel. Both acquisitions perfectly fit our ambition to develop unique projects in their respective markets. In early 2016, we closed another acquisition in Prague to develop an interesting concept that will be totally green. Despite that, our pipeline in the city is far from our ambitions, both in size and quality.

London
While the Group participated in numerous tenders for new development opportunities, 2015 did not yield the right project that would meet our investment criteria and vendors' expectations. However, management is committed to pursuing additional acquisitions.

In Turkey we have made significant progress in understanding local market conditions, enhanced our local leadership and identified the right potential local partners. We are now better prepared to step in if an appropriate acquisition opportunity arises. However, due to geopolitical risks, macroeconomic slowdown and office market vacancy we are patient when it comes to deploying our capital.

20 FARRINGDON STREET, LONDON

2. DELIVERY BUSINESS MODEL

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

Externally focused initiatives are wide ranging but have one common driver: to help us exceed client and community expectations. They include:

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

Initiatives to become the most attractive CE-based employer include:

a) Broad-based alignment, communication and embedding of the key building blocks of our Vision 2018;
b) Redesign of our operating model (i.e. processes) to facilitate our entrepreneurial and professional principles of business conduct; and
c) Redesign of our compensation strategy and performance management philosophy.

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

What we achieved in 2015
In terms of clients and community, we prioritised product design innovations. As of 2014, we have applied stricter environmental footprint limits for our technical solutions, which will meet the Euro standard that becomes effective in 2020. Additionally, since last year all our projects are designed in 3D to improve quality and efficiency of our solutions. Finally, we have been developing our capabilities to enhance our client services using smart space planning solutions to help them increase productivity and efficiency of office space while increasing the engagement of their employees. We tested the concept on our own premises in Prague and Warsaw during 2015 and the first client pilots were launched in March 2016. In a separate initiative, we are finalizing a new business concept 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. In terms of our people, in March 2015 we launched the communication and implementation of our redesigned operating model and its key processes in the development value chain, from the pre-acquisition phase to hand over of the completed and leased project to the property management team. The roll-out of the initial phase was completed in February 2016 and is supported by on-the-job coaching by a dedicated team.

SINCE 2010, WE HAVE INCREASED THE SHARE OF DEVELOPMENT FROM 33 % TO 47 % AT YEAR-END 2015

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

3. FINANCIAL FRAMEWORK

First, we are continuing our move to increase the share of development on our balance sheet. Our aim is to achieve a 50:50 share of development and income producing assets. Since 2010, we have increased the share of development from 33 % to 47 % at year-end 2015. As we plan to rotate out our remaining mature income-producing assets, there may be a temporary overrun in development's share. However, in the long run, we believe a 50:50 share is the right balance on the risk/return curve.

Secondly, as we grow in size and our asset base diversifies across countries and development stages, we have opted to soften our conservative external financing strategy slightly. We decided to increase our target net debt leverage from the range of 30 – 35 % to 35 %. 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

From its very first project, HB Reavis has always understood real estate development as a very complex endeavor and has always approached it in this way. That is why real estate development – in all its complexity – is hardwired into our DNA. HB Reavis has always been a complex developer – in every sense – – and is currently one of Central Europe's very few fully integrated developers. Our vision is to set trends in office space solutions in Central Europe and take it from there to other markets. In real estate, current wisdom is that location is the only factor that matters. Yes, location is a must have. However, we believe there is always space for something more, something that can help differentiate our projects from others. We want to evoke positive emotions in the people using, working and living in or near our buildings; this is our constant aspiration. To achieve that, we need to continue delivering remarkable and exceptional products. If we succeed, then we are fulfilling our mission. 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, 2015, was exceptional in terms of performance, confirming we are right.

GDANSKI BUSINESS CENTER II, WARSAW

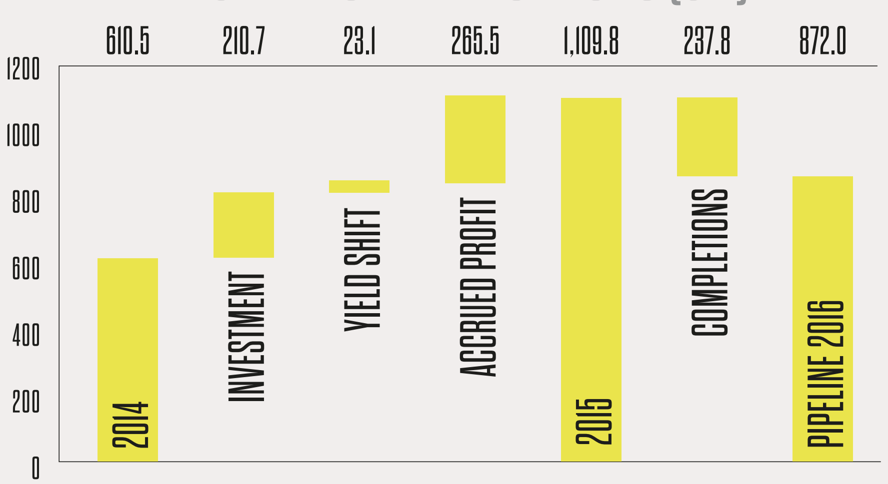
THE DEVELOPMENT LANDSCAPE

Overall, the development landscape continued without any dramatic changes during 2015. Nevertheless, our respective markets were all just that little bit different. London is still on the rise although probably not far from peaking. Budapest just joined the rising cluster and economic fundamentals are providing a solid base to continue that growth, even in the near future. Bratislava continues to be relatively positive, with increased take up and decreasing vacancy rate and a good outlook for the coming years. This is, however, subject to some extent to the political situation after the parliamentary elections. Both Warsaw and Prague again continued to be very tough in the reporting year, despite good economic fundamentals. Overall, we were able to increase the share of development in our total investment property close to the targeted 50 % share of all our real estate properties. In 2015, we focused on speeding up and growing the share of developments in the permitting stage as well progressing our projects in the construction phase. It took significant effort, but we also continued to build up our robust development pipeline for the coming years. During 2015, the portfolio value of core development property increased by €261 million (2014: €59 million) and at year-end achieved a value of €872 million, up from €611 million in 2014, representing a 43 % year-on-year increase.

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

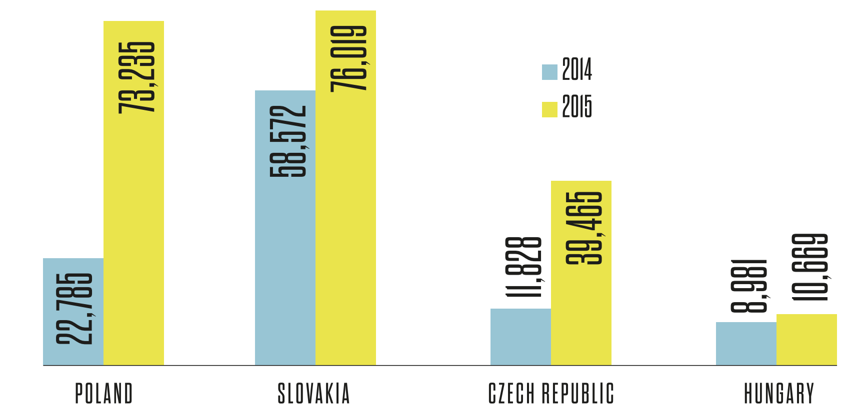
PHILIPS HEADQUARTERS IN PRAGUE, RIVER GARDEN OFFICE II/III

HB REAVIS DEVELOPMENT PORTFOLIO (€m)

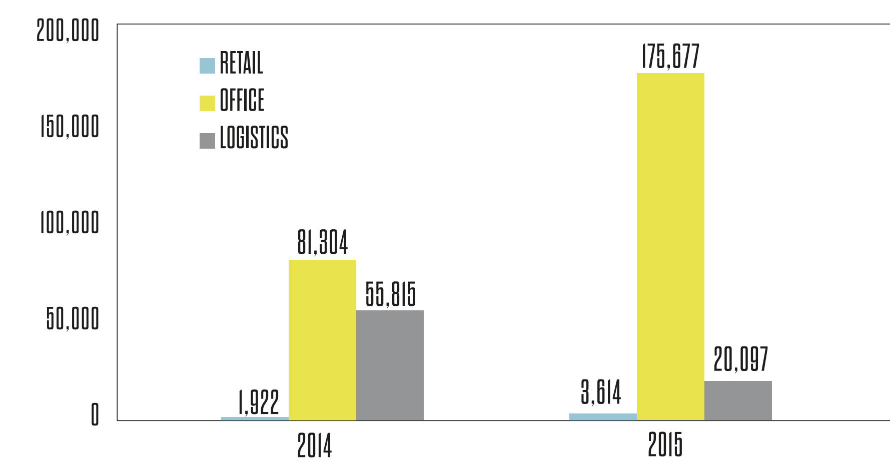


Note: Total Development value 2015 includes properties completed in 2015 before their transfer to the Asset management arm; In IFRS financial statements, the value of completed properties is included under Asset management.

LEASING ACTIVITY BY COUNTRY (m^2 OF GLA)



LEASING ACTIVITY (m^2 OF GLA)



Enhanced Group-wide leasing capabilities and improved performance
With the number of projects in our growing pipeline continuing to increase, we have consistently strengthened leasing teams in Poland, the United Kingdom, the Czech Republic and Hungary. With over 20 years of successful development in Bratislava's office sector, we have accumulated considerable leasing know-how. The crucial point was to transfer that know-how to our other markets in order to achieve the expected occupancy as quickly as possible.

Improved leasing delivery was the most important driver of our success in 2015. It was based on multiple factors:

- Our leasing and marketing team has been expanded to match our development appetite. At year-end more than 45 professionals were our client interface.
- Our focus on quality and differentiation of our projects seems to be paying off. While most clients are still sensitive to occupancy costs, some of our newly developed products (especially Gdanski Business Center I-II, Twin City, Vaci Corner Offices) were highly praised by our clients. This was translated in increased levels of preleases prior to construction completion.
- We invested in our capabilities to deliver tailor-made solutions. Clients such as PZU, SAP or PwC have tested our teams ability to structure and advise on alternative solutions while delivering high quality fit-out in a short time. We believe our brand is gaining some excellent points for the future.

We believe we are on a right track – after the record-breaking result in 2014, 2015 brought even better results. Our leasing teams are at the top of their game. In total, we signed leasing contracts for about 200,000 m^2 of GLA, up by 43 % compared to 2014. We are especially happy that 80 % represent new leasing contracts.

If we consider how challenging the market situation is, mainly in Prague and Warsaw, we consider this result as really remarkable. Our ability to increase our leasing performance gives us more hope that in the coming years we can successfully deliver projects currently in pipeline. In 2015, in line with our plan, we supplied the markets with 108,000 m^2 of office GLA; for 2016 we plan to deliver an additional 131,000 m^2 of GLA (including 22,900 m^2 of GLA in retail); and in 2017 and 2018 between 100,000 and 130,000 m^2 of office GLA annually. The message is clear and has not changed over the last year: our leasing capability and performance continues to be a crucial factor in our potential success in the coming years. However, in light of our 2015 leasing performance, we are looking forward to those challenges more optimistically.

Product design differentiation has been progressing hand-in-hand with our leasing activities and discussions with clients. Through delivery of almost 600,000 m^2 of leasable office space we have accumulated significant know-how during our history. We have a dedicated product design team of almost 40 professionals working on client experience and technical innovation in our products. While the impact on the financial results is not easy to measure, we have made significant progress in the following areas over the last two years:

- Each project design is tested on 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.
- We have raised our sustainability standards and as of last year, each office project is designed to BREEAM 'Excellent' sustainability standards.
- We bring more international expertise to our projects and have retained the services of highly acclaimed architectural studios like Benoy, Make, Fosters + Partners and John Robertson Architects for our recent product designs.

Progress in the permitting process
In the reporting year, permitting as a contributory factor to value creation in our development activities lagged slightly behind our expectations. However, we achieved reasonable progress on Twin City, our flagship project in our original home market, Slovakia; in UK, with both 33 Central and 20 Farringdon Street, but mainly with the Chmielna project in Warsaw. This progress helped to materially increase the value of the development portfolio in the reporting year.

Construction cost management
Fine-tuning our construction efficiency is another crucial point. We are consistently and systematically focused on reducing costs through cooperation between our specialized procurement team and local construction management, all without compromising on the quality of the project. Robust international expansion in Central Europe did encounter some challenges, such as differences in local technical requirements, different approaches to subcontractors, management of secondary payment discipline or deeper involvement of external experts in our concept design. We believe that by focusing on resolving these issues we were able to enhance our competitiveness and value creation. In the reporting year we continued building a new model of cooperation with our long-term subcontractors. The 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, has been piloted since 2014. Based on first outcomes and experience, we are optimistic and believe this approach can really help us in value creation for our shareholders.

DEVELOPMENT PORTFOLIO STRUCTURE

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

Geographically, the whole development portfolio structure remained stable. At year-end 2015, the share of UK assets represented 16 % of the whole portfolio, Poland 30 %, Czech Republic 9 %, Slovakia reached 35 % and Hungary 10 %, all based on the expected gross development value.

As far as segments are concerned, there were no significant changes in 2015, however our strategic focus on office development pulled its share to 87 % of our development portfolio value (up by 5 % year-on-year) while retail decreased slightly to 13 %, based on gross development value. As we do not consider future development of our logistics landbank portfolio, we have excluded this component to non-core assets.

The growth of office segment developments continued at high speed, adding nearly €464 million and reaching a total of €1,028 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 €252 million (net of the yield shift).

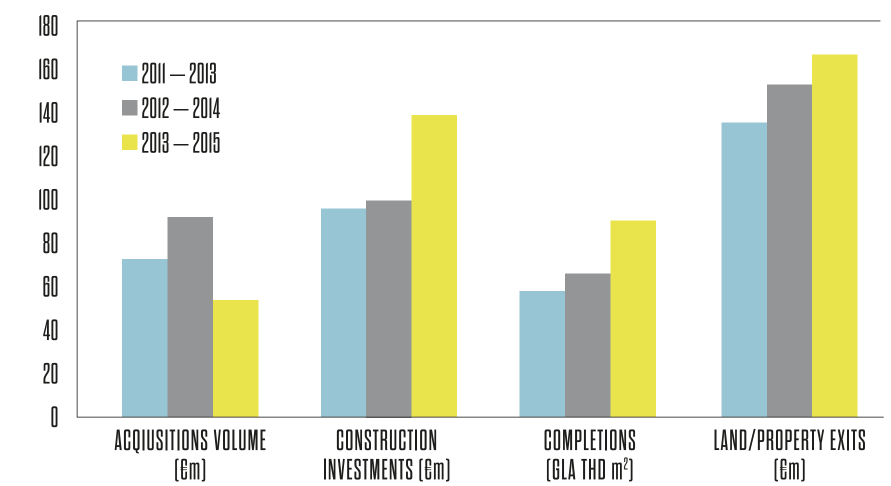
TWIN CITY, BRATISLAVA

PERFORMANCE OF DEVELOPMENT ACTIVITIES

We continue to further pursue our strategic plan – to rebalance the HB Reavis balance sheet by gradually increasing the weight of the development portfolio in total investment property to 50 % in the long term. If non-core assets are excluded, the share of the development portfolio again increased slightly to 47 % (2014: 45 %). It helps us to increase our overall performance and strongly supports significant growth in the value.

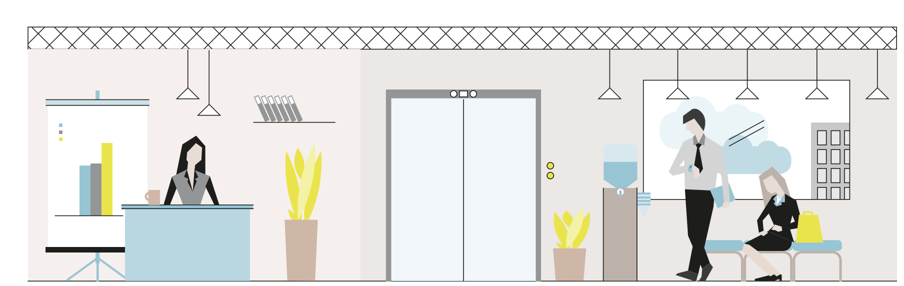
The continuing increase in the whole development portfolio's performance is also clear from the overview of three-year moving averages of significant indicators, such as volume of acquisitions, construction investment and property exits to further finance our expansion. With the exception of volume of acquisitions, moving averages have shown continuous growth since 2011.

GROUP DEVELOPMENT ACTIVITY, MOVING AVERAGES 2011 — 2015



HB Reavis Development	GLA m²	ERV	GDV	Value Change	Investment
Retail	117,549	34.9	499.6	35.5	19.0
Office	1,031,669	215.3	3,425.4	440.0	174.6
Total Pipeline for 2015	**1,149,218**	**250.2**	**3,925.0**	**475.5**	**193.6**
Additions to Porfolio 2015	**81,385**	**16.9**	**253.6**	**23.8**	**17.0**
Completions 2015 (Transfer to Asset Management)	**107,880**	**20.5**	**283.7**	**118.3**	**52.5**
Retail	117,549	34.9	500.0	35.5	19.0
Office	1,005,174	211.7	3,395.0	345.5	139.2
Total Pipeline for 2016	**1,122,723**	**246.6**	**3,895.0**	**381.0**	**158.2**

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



MARKET REVIEW 2015

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

CENTRAL EUROPEAN MARKETS IN 2015

During the reporting year, Central European (CE) property markets maintained the strong momentum that had begun in the previous year. However, we are seeing a growing range of risk factors (ranging from occupational to political) and although most are not new, they are causing investors to weight potential impacts in their future investment strategies. Nevertheless, in their search for yield, the low interest rate environment provides a strong stimulus for existing and new investors to explore the real estate asset class – a trend likely to continue in the near future.

INVESTMENT MARKETS

In 2015, the CE investment market largely benefited from the 'wall of money' spreading from core western markets and attracted by higher returns and strong fundamentals. Total transaction volumes amounted to €7.9 billion, however, this figure is influenced significantly by the around €0.7 billion residential transaction closed by Blackstone / Round Hill Capital in the Czech Republic. Notwithstanding the foregoing, the adjusted figures point to another exceptional year and healthy growth of almost 15 %. Whereas Poland and the Czech Republic accounted for most of the transactions, there was a substantial shift towards the regional cities, i.e. in Poland, transactions outside of Warsaw accounted for around 67 % of total deal volumes.

The market continues to be dominated by large institutional investors mainly from Germany and the US. Local and non-traditional investors found their place especially on the office investment market that is less management intensive and offers attractive returns. The 2015 deal activity was again affected by a few portfolio/platform transactions. TPG, the US private equity firm, expanded its presence in CE real estate by purchasing TriGranit for more than €500 million. AEW's sale of its Hungarian portfolio to Morgan Stanley was the biggest financing and transaction in Hungary in recent years, clearly demonstrating improved sentiment and available liquidity for the Hungarian market. In Slovakia, the biggest transaction was the sale of the DNV Industrial Park to CTP Invest, followed by the HB Reavis sale of Forum Bussines Center to REICO. Poland's most

INVESTMENT ACTIVITY IN HUNGARY IS IMPROVING SIGNIFICANTLY AND IN 2015 HAD ALREADY REACHED PRE-CRISIS LEVELS

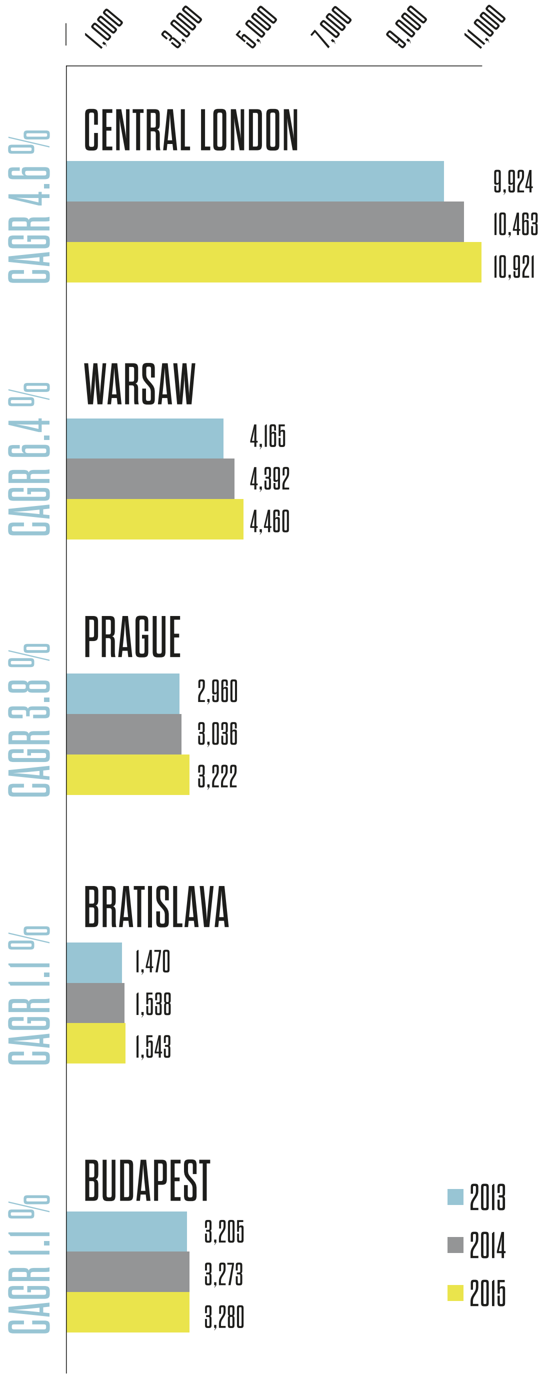
significant deals were in regional cities outside Warsaw and included the purchase of the Stary Browar shopping center in Poznan by RREEF for approximately €290 million, followed by two acquisitions by Union Investment – the Riviera Shopping Center in Gdynia and the Dominikanski Office in Wroclaw for almost €300 million and €117 million respectively. Another noteworthy transaction was the sale of the BlackRock Silesia retail portfolio to Rockcastle Global Real Estate for €221 million. The Prague market also saw some large transactions – Union Investment acquired Palladium from Hannover Leasing for approximately €570 million, which was the largest deal ever in the Czech Republic. Additionally, Atrium European Real Estate purchased Arkady Pankrac from Unibail-Rodamco for €165 million. Both transactions reaffirm Prague as the prime target for western European core institutional investors. Other Hungarian transactions include the sale of the Duna Tower to GTC and the purchase of Infopark E by the local fund manager, Diofa REIM. Investment activity in Hungary is improving significantly and in 2015 had already reached pre-crisis levels.

GDANSKI BUSINESS CENTER I, WARSAW

THE STOCK

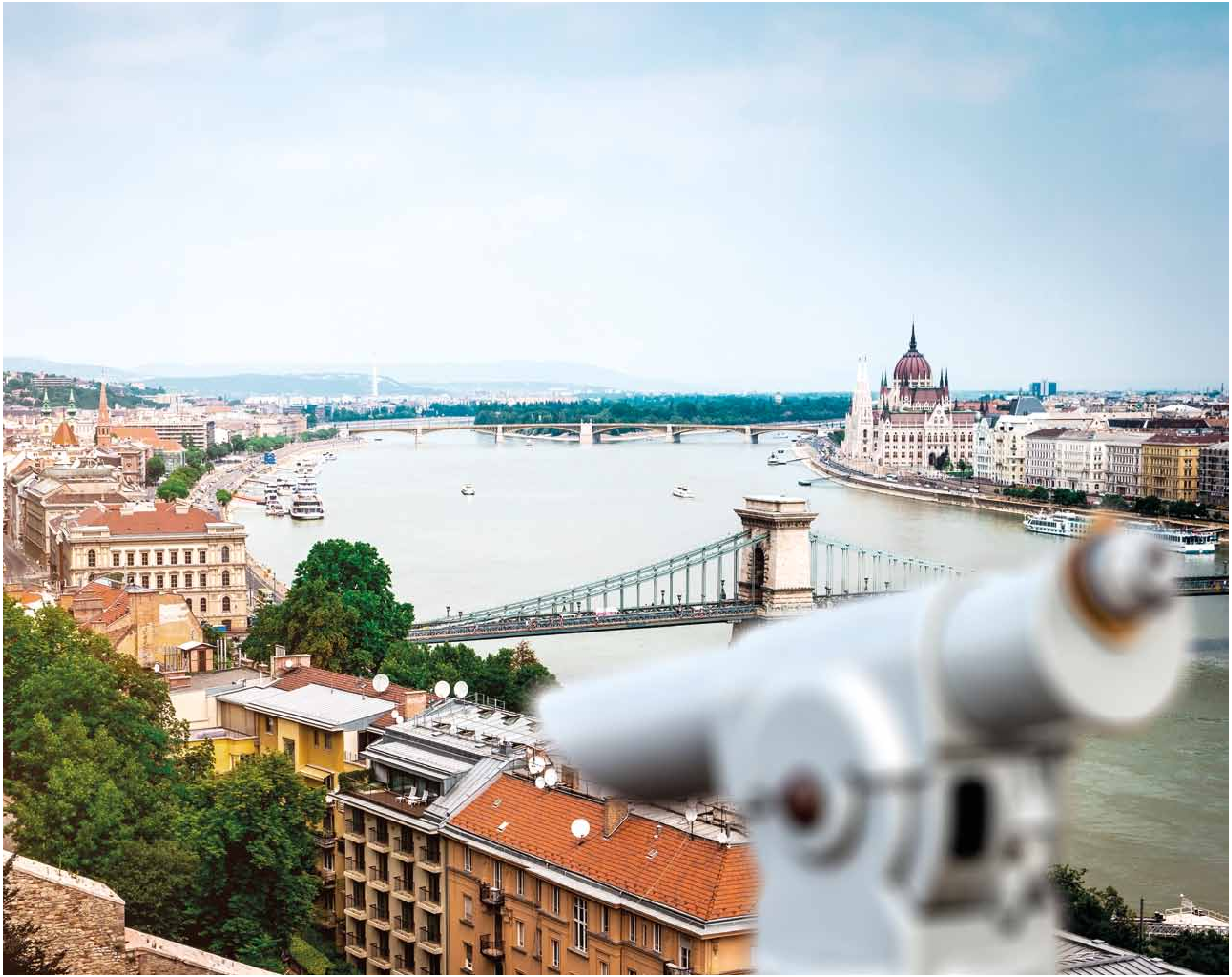
Average growth of total market office stock in our four Central European capitals is 3.8 %. In the office segment, new supply was 535,000 m^2. This represents a 1 % year-on-year increase with no changes in allocation to each capital. Warsaw retains the largest office stock with more than 4.6 million m^2, followed by Budapest with nearly 3.3 million m^2, Prague with 3.2 million m^2 and Bratislava in fourth place with 1.5 million m^2.

TOTAL OFFICE STOCK, THOUSAND m^2 OF GLA



REAL ESTATE DEVELOPMENT

COUNTRY REVIEW



COUNTRY REVIEW

THE UNITED KINGDOM

TOMAS JURDAK

We have only been in the City of London market since 2013 but we have already taken the prestigious UK Property Award for Office Architecture and Development for our debut 33 Central project. Highly gratifying, of course, in this super competitive market. The acquisition of our second project, 20 Farringdon Street, in late 2014 only increased the buzz HB Reavis has generated as the new kid on the block. With planning permission now in place for 20 Farringdon Street and despite slight delays on the delivery of 33 Central, we are carving out a position. No longer the unknown newcomer, we are already invited to participate in most of the big UK development tenders. It is a result we are proud of but we are not complacent.

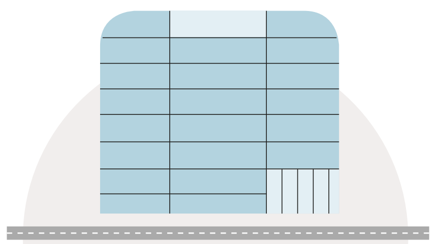
ECONOMIC TRENDS IN THE UK

The UK economy expanded 0.5 % in the final months of 2015, but for the year as a whole, growth slowed down slightly. Official figures show GDP grew 2.2 % last year after increasing 2.9 % in 2014. That slowdown came against the backdrop of a waning global economy. Services remain the main driver of the economy, while production and construction are down. Wages broke through the 3 % barrier in the summer and grew at 2 % in the three months to November and slowed even further in November to the lowest rate since February 2015. This is the latest signal that the pace of Britain's recovery is cooling down. The weaker picture came despite a fall in unemployment to 5.1 %, the lowest since 2006, and employment is buoyant, reaching a new record with the number of people in work hitting 31.39 million or 74 % of the workforce.

Looking ahead to 2016, uncertainty over 'BREXIT', weak overseas growth and financial market volatility are all creating an unsettling business environment and point to downside risks to the economy in 2016. However, strong job creation, low energy prices and positive real income growth should keep consumer spending growth at a decent rate of about 2.5 %. This should allow the UK economy as a whole to deliver continued steady growth of just over 2 % in 2016, despite recent financial market volatility.

MARKET TRENDS

The UK and in particular London's economic fundamentals are strong. The City retains sturdy rental levels and capital values and is considered a comparative 'safe bet' in terms of real estate investment. The favourable planning process underpinned by a comparatively good tax regime and durable legal system, make London a prime destination for commercial real estate development. Moreover, it is the most liquid and one of the most transparent markets in the world. Demand for UK commercial real estate from foreign investors slowed in the last three months of 2015 for a second straight quarter (Royal Institute of Chartered Surveyors – RICS). The retreat comes as overall buyer interest grew at its slowest pace in more than two years. However values of commercial property, such as offices, shops and warehouses are broadly expected to keep rising due to robust demand for a limited number of assets. Even with fewer foreign buyers, strong demand among other investors, limited supply, and a growing economy will continue to underpin commercial property values. Although a RICS survey of agents showed that commercial real estate in London was considered 'overpriced to some extent', in 2015 around $40.5 billion in transactions were closed, representing over half of the UK total of $72.7 billion.



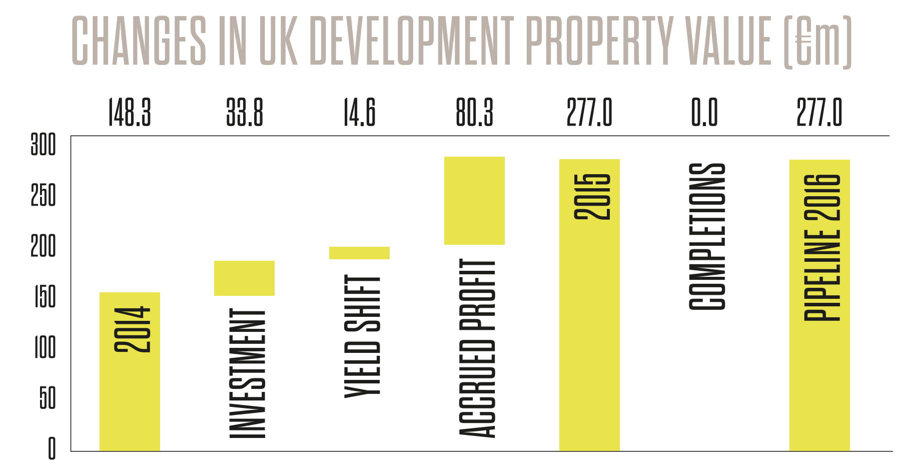
33 CENTRAL TOOK THE UK PROPERTY AWARD FOR THE BEST OFFICE ARCHITECTURE AND DEVELOPMENT

HB REAVIS IN THE UK MARKET

HB Reavis entered the UK market in December 2013. In the short span of two years, we have managed to get two projects in our pipeline under construction and are constantly working on new acquisitions. Despite the strong competition, HB Reavis has become firmly established in the UK market. We are invited to most of the big development tenders in London and have built up a solid reputation that should continue to grow in line with our business expansion.

Also in line with our strategy, the approved designs for both assets in our UK portfolio are recognised as being unique, innovative and of the highest contemporary quality with a number of unique features and attributes. This meshes with what clients want from office space. Location, which both of our projects certainly have, remains a priority. But increasingly, quality of the workspace that has a significant impact on employee performance and satisfaction is becoming more important for companies to attract and retain the best staff. The aim is to ensure 20 Farringdon Street, now in the construction phase, will offer the same level of innovation and quality.

33 CENTRAL, LONDON



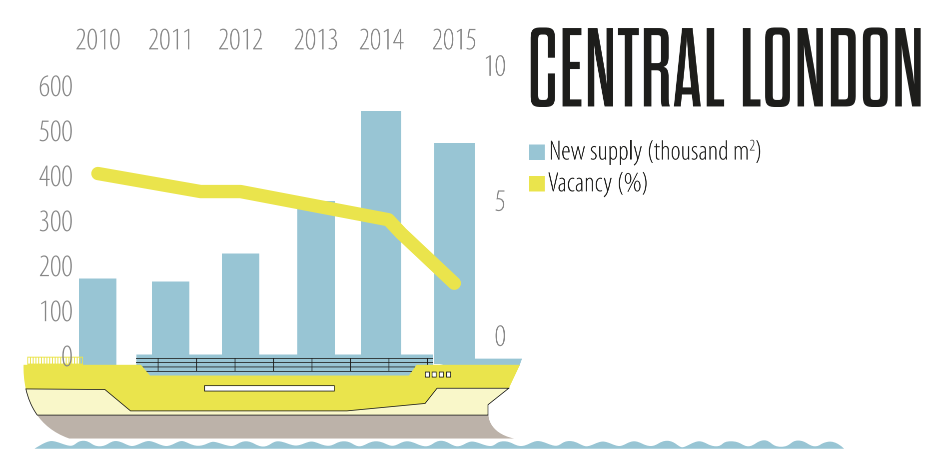
PROJECTS UNDER CONSTRUCTION

33 Central, London

The acquisition of an existing office building at 33 King William Street in the City was undoubtedly an exceptional milestone in HB Reavis' history. With views of the River Thames, St. Paul's Cathedral and the Shard, located only meters away from the Bank of England and positioned next to London Bridge, this will be one of our landmark projects. We started with the demolition of the original building in July 2014. In the meantime, we have optimized the project's concept and have decided on a 'rebranding' – it has been renamed 33 Central (21,105 m² of GLA). The construction work is progressing with some delay due to a tight construction market, but we expect the project will be delivered during the third quarter of 2017. The location and quality of the project has already been recognized by the professional community as well as by potential tenants. In 2015, the project took the UK Property Award for the Best Office Architecture and Development.

20 Farringdon Street, London

In October 2014, we successfully acquired an existing office building at 20 Farringdon Street for £29million. 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 some optimization of the project's concept and design, focusing on potential resizing and quality of floor space, we managed to increase the originally permitted size by some 15 % and have now achieved 7,856 m² of GLA. Subsequently, we started the demolition of the original building in June 2015. After completion of demolition (March 2016) we immediately launched construction of the new building itself and aim to complete the project in the first quarter of 2018.



Source: CBRE, JLL

HB Reavis Development United Kingdom (€m)	GLA m²	Valuation 2013	Valuation 2014	Valuation 2015	ERV	GDV
Projects Completed	0	0.0	0.0	0.0	0.0	0.0
Projects under Construction	28,961	79.0	148.3	277.0	26.0	611.8
Projects in Preparation	0	0.0	0.0	0.0	0.0	0.0
Total 2015	**28,961**	**79.0**	**148.3**	**277.0**	**26.0**	**611.8**
Total Pipeline for 2016	**28,961**	**79.0**	**148.3**	**277.0**	**26.0**	**611.8**

POLAND
COUNTRY REVIEW

It has taken HB Reavis only six years to achieve market leadership in the exciting Warsaw office segment. In 2015, and for the second successive year, we took the Office Development of the Year for our Postepu 14 project – Gdanski Business Center I won it in 2014. The Construction & Investment Journal also hailed HB Reavis as the Office Developer of the Year and recognized our Sales Team with the same accolade for leasing over 70,000 m^2. Our tenants see us as a reliable partner able to provide comprehensive real estate solutions that incorporate top quality, state-of-the-art office space into landmark architecture. And we will not be resting on our laurels – in 2016, we will be launching exciting new investments in Warsaw's vibrant market.

STANISLAV FRNKA

ECONOMIC TRENDS IN POLAND

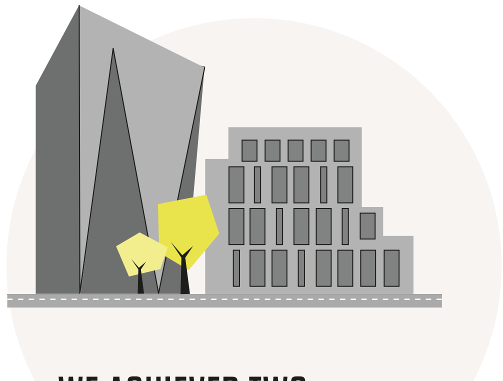
Poland's economic growth remains robust. According to the Central Office for Statistics, Polish GDP grew 3.6 %, up from 3.4 % in 2014, and more than doubling compared to 1.7 % in 2013. Domestic demand increased by 3 % and remained the main growth driver. Private consumption continued to benefit from higher real disposable incomes as a result of improved labor market conditions, relatively strong credit growth to households, and a boost from persistent consumer price declines. Investment was supported by solid corporate profits, growing confidence and record low interest rates. While this momentum is expected to continue into 2016 and the general outlook is positive, it is to be seen if and how measures by the newly elected government will influance the economy. In January 2016, Standard & Poor's cut Poland's long-term foreign currency sovereign credit rating from A- to BBB+, the first change since 2007, and warned another cut could follow, citing moves by the new Law and Justice administration to seize control of the country's public media and challenge the independence of its constitutional court. Some commentators claim that if implemented, in the long-term some of the new government's conservative policies may slow down the economy and adversely impact investor sentiment, resulting in GDP growth of only 2.8 % in 2017.

MARKET TRENDS

Despite record-breaking take-up volume (1.3 million m² across Poland and over 700,000 m² of new space delivered during 2015) and a decrease in the vacancy rate, the Warsaw office market remains a tenant-led market. This trend is likely to continue in 2016, which may lead to pressure on rents, particularly in buildings at inferior locations or schemes planned or under construction. Although the positive sentiment in the leasing market during 2015 is expected to continue due to the expiration of 10-year leases signed in the years 2006 – 2008 and five-year leases signed in 2011 – 2013, the large number of office buildings coming onstream will lead to a rapid rise in the amount of vacant space that might reach 17 % – 20 %.

In this tenants' market, one major trend is that excellent location, good public transport connections and advanced technological and ecological solutions are no longer enough to attract quality tenants. 'Non-standard' amenities, such as the inclusion of modern fitness centres, special facilities for cyclists, cafes, retailers and green patios are growing in significance. Employees now expect more than just a comfortable chair and good lighting. They want to work in an inspiring and productive environment that will increase their engagement and development. With unemployment falling year-on-year, a state-of-the-art working environment is increasingly becoming a factor in attracting the right employees. One sector that is accounting for massive occupation is Business Process Outsourcing and Shared Service Centers (BPO/SSC). It is estimated that around 50 % of all regional office space in Poland is occupied by companies in this sector. In 2015, employment in the BPO/SSC segment reached 150,000, becoming the biggest sector (after mining) in the Polish economy. Over the next few years, the business services sector will grow faster than any other industry in Poland. Employment in the sector is forecast to increase by 15,000 to 20,000 people per year. By 2020, BPO/SSC could employ as many as 250,000 people across the country. A further trend is the migration of small and medium-sized businesses (SMEs) and public institutions from older buildings to modern A-class office space. The availability of large amounts of office space at more affordable rental rates means that both SMEs and public bodies that want to improve their profile and reduce costs are making a move. The Agricultural Property Agency, which leased almost 6,000 m² in HB Reavis' Gdanski Business Center, and the Polish Gas Company that has leased 5,000 m² in one of the modern office buildings located in Wlochy district in Warsaw are just two examples.

KONSTRUKTORSKA BUSINESS CENTER, WARSAW

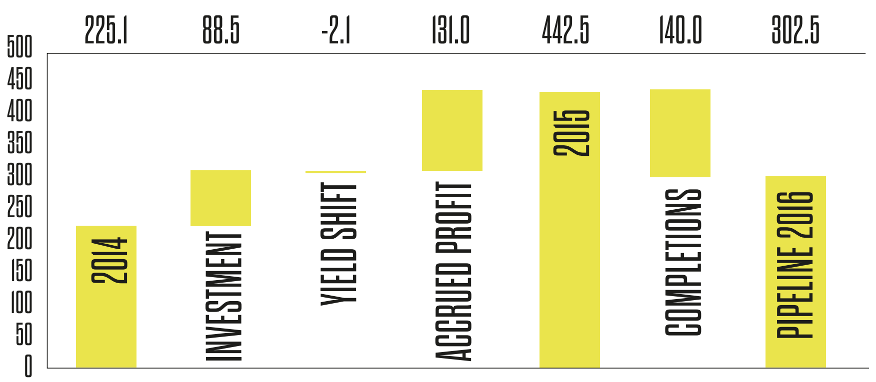


WE ACHIEVED TWO BREEAM 'EXCELLENT' RATINGS FOR GDANSKI BUSINESS CENTER I AND WEST STATION

HB REAVIS IN THE MARKET

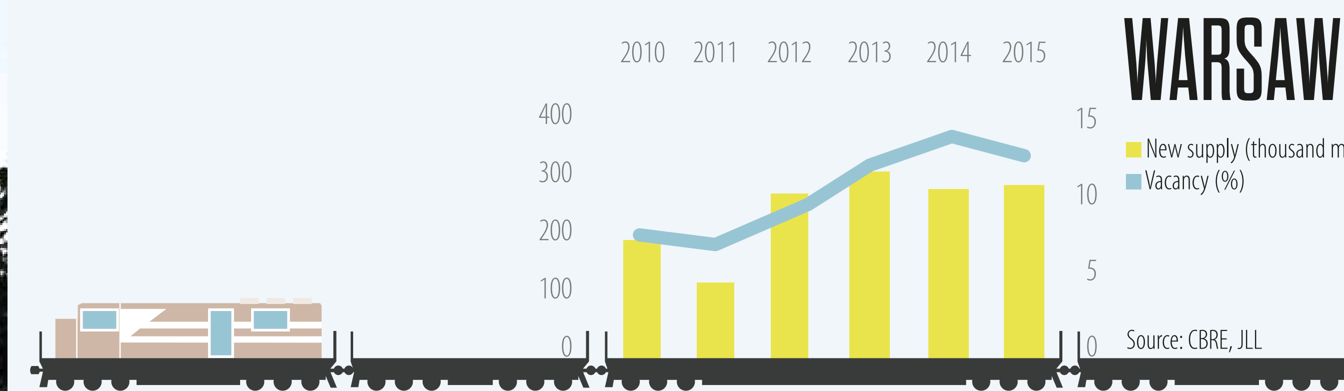
Multiple prestigious awards, two BREEAM 'Excellent' ratings (for Gdanski Business Center I and West Station), 57,200 m² of new office space delivered to the market, a staggering 70,000 m² through 37 new lease agreements with clients – HB Reavis' business model seems to be working for us in Warsaw. We were able to deliver three projects successfully: the Postepu 14 office complex in the very heart of the Mokotow business district; the new Warszawa Zachodnia railway station building; and building 'C' of HB Reavis' Gdanski Business Center complex. The great results achieved in 2015 show that even in a competitive commercial property market, such as Warsaw, there is a real appetite for high quality work space. And that best-in-class projects will always attract keen interest from potential tenants increasingly looking for just that little bit more in terms of work-life balance, eco-friendly standards, and high-tech solutions. During 2015, over 800,000 m² were leased on the Warsaw market. Of the five biggest agreements signed, two are HB Reavis projects – 17,344 m² in the now fully occupied Konstruktorska Business Center was taken up by PZU, and Aviva will occupy 12,657 m² in the Gdanski Business Center. Prestigious new tenants, including Bank BGZ BNP Paribas, Samsung, KMD and AstraZeneca, opted for significant space in HB Reavis buildings. The icing on the cake was boosting our development pipeline through the acquisition of a plot of land at Burakowska 14, opposite the Arkadia shopping center which attracts more than 20 million visitors a year.

CHANGES IN POLISH DEVELOPMENT PROPERTY VALUE (€m)



HB Reavis Development Poland (€m)	GLA m²	Valuation			ERV	GDV
		2013	2014	2015		
Projects Completed	57,183	42.1	70.3	140.0	11.8	164.9
Projects under Construction	98,114	21.9	48.6	133.3	19.6	276.4
Projects in Preparation	223,078	73.1	106.2	169.2	54.7	881.0
Total 2015	**378,375**	**137.1**	**225.1**	**442.5**	**86.1**	**1,322.3**
Total Pipeline for 2016	**321,192**	**95.0**	**154.8**	**302.5**	**74.3**	**1,157.4**

CHMIELNA I – II, WARSAW



COMPLETED PROJECTS

Postepu 14, Warsaw

Construction of Postepu 14 (34,467 m² of GLA) progressed according to plan and the building was completed and occupancy permit received in May 2015, one month ahead of schedule. The project has a prime location, excellent visibility in Warsaw's Mokotow and has been built to very high quality standards. This is demonstrated by the award we received for Postepu 14 – the project won the CIJ's 'Office Development of the Year 2015'. However, the situation in the office market in the Mokotow Business District is difficult and leasing has proved to be challenging. At year-end, we had achieved a 48 % lease-up. After completion of leasing activities for our Konstruktorska Business Center in the first quarter of 2015 (this scheme is now fully occupied), we relocated our own offices to Postepu 14 as a first tenant. Later, in August, we signed major leasing contracts with two top tenants – AstraZeneca for 6,979 m² of GLA and Samsung Electronics for 4,692 m² of GLA. Other tenants will now follow, however given the situation in Mokotow, we do not expect the project to be fully leased until 2017.

Gdanski Business Center C, Warsaw

The construction of the second phase of the Gdanski Business Center (C – D buildings with 52,537 m² of GLA) started right on schedule in June 2014. This second phase also confirms this is a perfect office location. Due to significant demand for office premises, we decided to speed up the construction of building 'C' (22,716 m² of GLA) in order to deliver the building to its first tenant before the end of 2015. The building was successfully completed and delivered to its first tenants, Aviva (12,657 m² of GLA) and BGZ BNP Paribas (2,630 m² of GLA) in December. At year-end, the building had an almost 75 % occupancy and we expect to be fully leased by the end of 2016.

PROJECT UNDER CONSTRUCTION

Gdanski Business Center D, Warsaw

The construction of the 'D' building (29,821 m² of GLA) was also started in June 2014 and, given the leasing situation, we have run the build according to our initial planning. Construction is progressing well and the building will be delivered to its first tenant, BGZ BNP Paribas (1,504 m² of GLA), in March 2016. Currently 27 % of this scheme has been leased and we expect a close to 90 % lease up by the end of 2016.

West Station I, Warsaw

This project is part of our joint venture with PKP. It received its construction permit in the fall of 2014. Shortly afterwards, we started construction of the Station itself and the West Station I (30,434 m² of GLA), representing the first phase of the whole center. The Warszawa Zachodnia railway station was delivered in September 2015. With a current prelease rate of more than 50 %, we expect to finalise development financing in the coming months. The completion and delivery of the project to its tenants is expected in 3Q/2016.

West Station II, Warsaw

The second phase of the project, West Station II (37,859 m² of GLA) already had a construction permit and we launched the construction in November 2015, six months ahead of the original schedule.

PROJECTS IN PREPARATION

Chmielna, Warsaw

There is no doubt that the Chmielna (141,700 m² of GLA) is our landmark project in Warsaw's CBD. In 2014, we obtained zoning permits for the whole project (three phases) including the 136 meter-high office tower. However, our aim was for Chmielna to become not only our landmark project but also Warsaw's. As this ambition was supported by the city's urban planners, we worked on the redesign to develop a new high-rise city landmark topping 200 meters in height. We continue to work closely with Fosters + Partners, one of the world's best architectural studios, on the optimization of the tower's concept and design. In June, we received the zoning permit for two mid-rise buildings Chmielna I – II and in December we finally obtained the zoning permits for the Chmielna Tower, enabling us to build a 232-meter high-rise (without antenna). Construction is scheduled for the second quarter of 2016.

Burakowska Street, Warsaw

In July, the Group acquired a 2ha plot at Burakowska Street in Warsaw. The purchase price was €17 million and the Group plans to develop an office scheme with approximately 80,000 m² of GLA. The plot is located between Burakowska Street and one of major Warsaw's arteries, Aleje Jana Pawla II, 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. As the plot is also 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 new business district.

WEST STATION I – II, WARSAW

CZECH REPUBLIC

COUNTRY REVIEW

HB Reavis may be a relative newcomer to Prague's office market, but we already rank in the top three. We are seen as trendsetters and our projects are considered the most prestigious in the market. Our latest office scheme, Metronom, which was the largest to come on stream in 2015, is fully leased. In what is the biggest transaction in the last four years, SAP has taken more than 27,300 m^2 of the total office area of 30,600 m^2 as well as 400 parking spots. We are also making great progress on our flagship and first Aupark retail and leisure complex outside Slovakia. This is a highly anticipated project by big national and international retail names.

PETR HERMAN

ECONOMIC TRENDS IN THE CZECH REPUBLIC

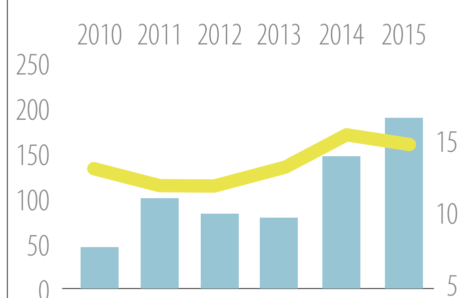
The Czech economy's performance was extraordinarily strong in 2015. Full year GDP growth peaked at a post-recession high of 4.7 %. This is one of the fastest rates of expansion in the European Union, although forecasts for 2016 are down to a still strong 2.5 %. Private consumption and fixed investment growth accelerated significantly in 2015, benefiting from expansionary monetary policy, subdued oil prices, low inflation (0.3 %) and strong influx of EU funds. A significant fiscal stimulus also added to growth. With one of the lowest unemployment rates in the EU (average 9.6 %), only 4.7 % of Czechs between 15 and 64 were without a job. With so many in work, unsurprisingly real household consumption per capita grew by 3.7 %. This strong economic performance is set against a stable political environment. Regional and first-round senate elections scheduled for the fall of 2016 could bring some changes in forecasts, depending on which parties could out strongest.

MARKET TRENDS

Prague's office market is currently experiencing something of a revival. After several years of quite low demand for new office space, the market is changing. This is due to growth by successful companies and ensuing need to move to larger premises. In 2016, we expect only very limited construction of new office space, which will result in a decline of the overall vacancy rate. However, the Prague office market is still a tenants' market. Due to the Czech National Bank's policy on the euro exchange rate, tenants with income in CZK that pay rent in euros are facing higher rental costs. As a result, office headline rents are under downward pressure and/or higher incentives are required to bring in tenants. According to analysis, incentives are at a maximum level and will likely remain stable or even increase slightly, particularly in over-supplied markets and in outer city locations. In spite of this trend, the final quarter of 2015 was the fifth successive quarter in which new occupation had a larger share of the market than renegotiations (54 % new occupation versus 34 % of the gross take-up of 160,345 m²). In 2016, the very limited construction of new office space could result in changes on the market and in growth of rental prices, but it is a matter of time - no earlier than in 2017. Yet, we are seeing clear trends that will be even more pronounced in 2016. One example is a definite shift in tenant requirements for their office space. Rather than open plan, tenants now want work space organised according to activity, such as quiet, meeting or relaxation areas. Two highly innovative tenants, SAP at our Metronom scheme and STRV in River Garden Office II/III, have both opted for this kind of activity-based work space. As noted, these are trends that are emerging and we believe they will become more significant in 2016 as vacancy rates begin to fall (from the current 14.6 to 11.5 %).

In retail, the market is currently enjoying growing sales throughout the country. However, the construction of new retail projects is pushing saturation. In 2016, we can expect the opening of only two new shopping centers with a total area of 34,000 m² (our own Aupark Hradec Kralove and Prerov Gallery). As a result of predicted economic growth, we expect high and fast direct impact on tenants´ turnover growth. Due to high level of market saturation we do not expect increased pace of construction of new shopping centres. However, we believe some existing schemes will undergo revitalization and expansion of leasable area.

PRAGUE



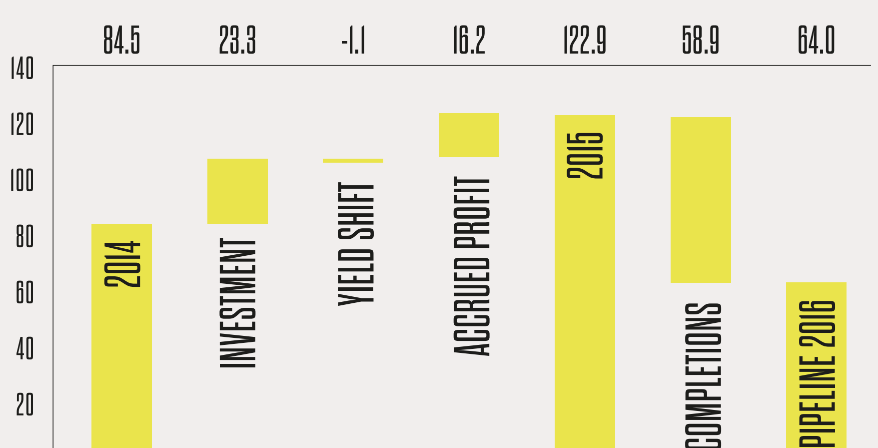
Source: CBRE, JLL

New supply (thousand m²)
Vacancy (%)

HB REAVIS IN THE CZECH MARKET

For HB Reavis in the Prague office market, 2015 has proved another landmark year. The agreement with SAP for our Metronom Business Center brings us to almost full occupancy. Given vacancy rates in the Czech capital our forecast at the start of 2015 was for only 50 % occupancy when the project came on stream midway through the reporting year. Lease agreements with other major tenants, such as STRV and Regus mean we have seriously progressed leasing of the River Garden Office II/III complex in the vibrant, trendy Prague 8 district. The construction of our Aupark retail and leisure complex in Hradec Kralove is on time and highly anticipated. Our Vinohradska office scheme in Prague 2 is still going through the very sensitive stage of permitting but we are on schedule. Our biggest challenge going forward remains finding high-quality pipeline opportunities that meet HB Reavis stringent criteria. But we continue our thorough and persistent search for the right locations.

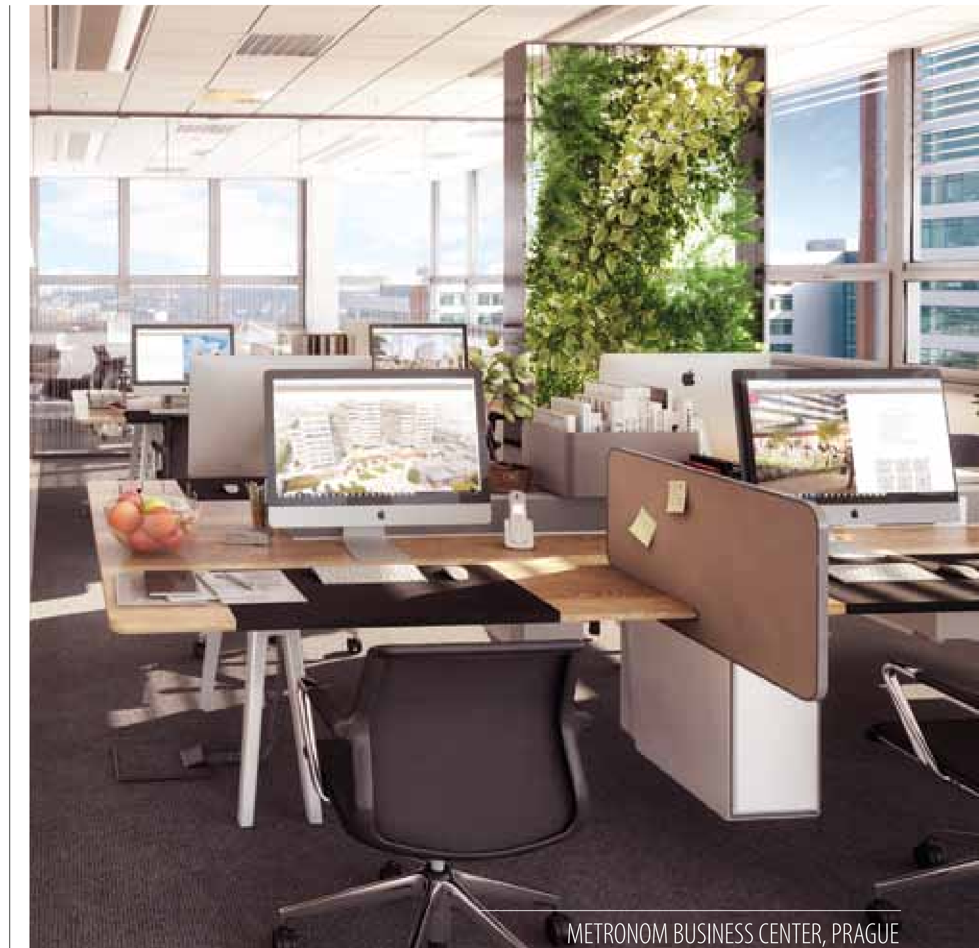
CHANGES IN CZECH DEVELOPMENT PROPERTY VALUE (€m)



COMPLETED PROJECTS

Metronom Business Center, Prague

We acquired this project with a valid zoning permit in the second quarter of 2012. It received its building permit mid-way 2013. The construction of Metronom Business Center (34,069 m² of GLA), our third office scheme in Prague's western business district, started in summer 2013. The project was built to BREEAM 'Excellent' standards and was completed in June 2015. Due to significant over-supply and tough conditions on the leasing market, we were challenged on the leasing of this project. That is until at year-end HB Reavis signed the biggest ever leasing contract in its history with technology giant SAP for 27,322 m² of GLA including options for future expansion. In the meantime, we managed to sign another leasing contract with top pharmaceutical company Abbvie and heads of terms with car industry giant BMW. We expect the building to be almost fully occupied as of end of April 2016.



METRONOM BUSINESS CENTER, PRAGUE

PROJECT UNDER CONSTRUCTION

Aupark Shopping Center, Hradec Kralove

After a lengthy permitting process, the Group finally succeeded in obtaining a valid construction permit for Aupark Shopping Center in Hradec Kralove (22,894 m² of GLA) in the summer of 2014. Construction started in the final quarter of 2014. Construction is progressing well and we should complete and deliver this shopping center to the tenants and market during the last quarter of 2016, just ahead of the Christmas season.

PROJECT IN PREPARATION

Vinohradska Office, Prague

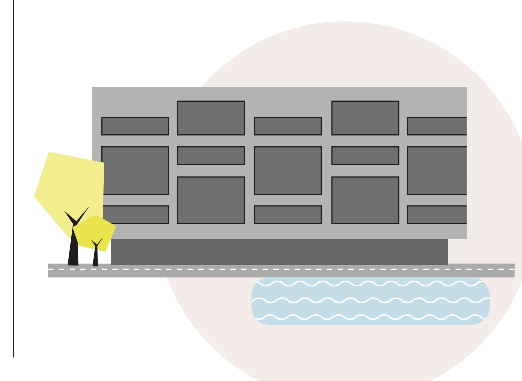
In line with our strategy, the Group decided to acquire our fourth office project in Prague, Czech Republic. The acquisition of an existing older office scheme from the CEZ Group was completed in August 2014. We plan to redevelop this top location at Vinohradska Street, just opposite the National Museum, into a flagship office scheme with 24,197 m² of GLA. During 2015 we worked on optimising the concept and design of Vinohradska Office and the difficult permitting process is currently in progress. We still plan to start with the demolition and then construction in first half of 2017.

Radlicka Office, Prague

During the reporting year we were working on the acquisition of our fifth office project in Prague - Radlicka Office. However, we did face some issues on this acquisition and the transaction did not close until early February 2016. The plot is located in Prague's Smichov at one of the most important arteries in the south-west of the city. The value of the transaction was €6.9 million and we plan to deliver almost 28,000 m² of GLA in mid-2019.

Aupark Shopping Center, Brno

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



HB Reavis Development Czech Republic (€m)	GLA m²	Valuation			ERV	GDV
		2013	2014	2015		
Projects Completed	34,069	20.5	42.2	58.9	5.7	72.1
Projects under Construction	22,894	3.7	11.3	33.0	5.3	74.2
Projects in Preparation	107,552	23.3	31.0	31.0	17.1	295.7
Total 2015	**164,515**	**47.5**	**84.5**	**122.9**	**28.1**	**442.1**
Total Pipeline for 2016	**130,446**	**27.0**	**42.3**	**64.0**	**22.4**	**369.9**

SLOVAKIA

COUNTRY REVIEW

Bratislava's top property company, HB Reavis is ready to start construction of Nivy Mall. More than ten years in the making, this landmark retail and leisure venue has been highly anticipated since 2007. HB Reavis has stuck to its dream and the new mall will now become a reality. It will join top award-winning properties, such as the CIJ 'Best Development in Bratislava' for the almost fully leased Twin City A, that have helped the Group take back the leading position in its original home market.

ADRIAN RAC

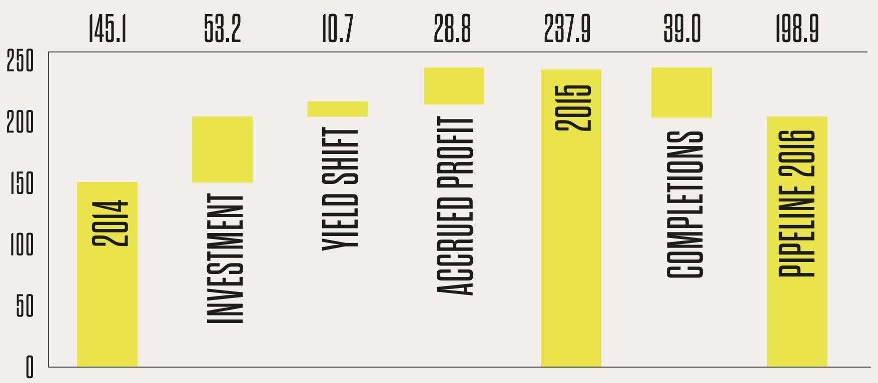
ECONOMIC TRENDS IN SLOVAKIA

With seven-year lows in unemployment, soaring EU investment, expanding industrial production (in the double-digits) and milestones in the country's all-important auto sector (more than 1 million units in 2015, a first for the industry) the Slovakian economy is doing very, very well. Real GDP was up to 3.1 % for 2015 (2014: 2.4 %), with a slight improvement expected for 2016. Private consumption is up in the reporting year by 2.1 % and is forecast to rise significantly, to 3 %, next year. Industrial output is up (5.8 %) as well and inflation, though at -0.5 % in 2015, it is expected to recover to a more comfortable 1.3 % in 2016. Jaguar Land Rover has announced the opening of a new plant in 2018 that is expected to have a cumulative positive impact of 2.6 pp on GDP from 2016 to 2021. As an outcome of the election held in March 2016, a four-party coalition government has taken power. However, the previous governing party led by the former prime minister continues to hold a dominant position. This could result in some political continuity and ensuing stability with potentially some positive impact on the Slovak economy.

MARKET TRENDS

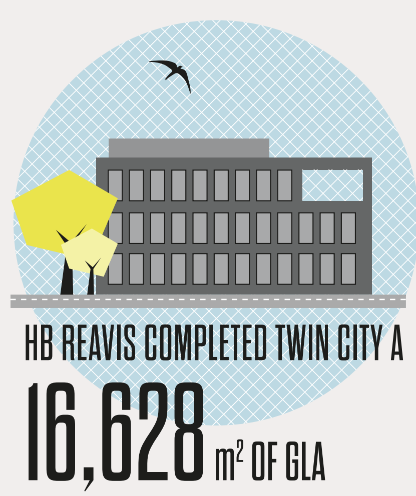
Although it would be too optimistic to describe Slovakia's economy as 'booming', it is certainly very, very buoyant. On the back of sound economic numbers, new investors are entering the Slovak market and established companies are planning expansion. Some of the larger companies are leaving B-class offices for A-class schemes. There are two reasons for moves. One is business expansion. The other is the search for new, high-quality offices equipped with the latest in environmentally friendly technologies and an innovative approach to working spaces that enhances employees' well-being. All of which explains the remarkable drop in vacancy rates for Bratislava as a whole to around 8 %, although the take-up rate in 2015 – 221,000 m² – was identical to 2014. For the year ahead, we expect healthy leasing activity driven by a strengthening economy. Over the next three years, around 170,000 m² will come on stream in Bratislava; almost half is already pre-let.

CHANGES IN SLOVAK DEVELOPMENT PROPERTY VALUE (€m)



HB REAVIS IN THE SLOVAK MARKET

The Group has been a top player in the Slovakian property market for more than 20 years. In spite of the huge success of the Aupark retail and leisure concept, HB Reavis is probably best known as an integrated developer of innovative office projects. As usual, the Group's latest offering, Twin City, was highly welcomed in the market. This is not only because of the addition of 65,000 m² of GLA (delivery of three buildings from October 2015 to October 2016) to the tightening office market, but also for its top location, architecture and BREEAM 'Excellent' certification on environmental sustainability. HB Reavis has long focused on measurable sustainability and was the first developer to seek BREEAM certification for projects in the country. Looking ahead, we will be delivering a further two Twin City buildings. The major challenge that the whole team cannot wait to tackle is the Nivy Mall. This latest development will add 63,000 m² of new retail and 33,900 m² of office space along with a 30,000 m² state-of-the-art public transportation hub for the city's bus service. This project has been long in the making and is testament to HB Reavis' ongoing commitment to the Slovak capital. Continuing to deliver landmark schemes of the highest possible quality and innovative levels is what the Group is all about.



COMPLETED PROJECTS

Twin City A, Bratislava

In November, and ahead of the original schedule, HB Reavis completed Twin City A (16,628 m² of GLA), the first building in our flagship development in Bratislava. This is the first building that will be constructed in an area right between the city center and the existing business district.

The building was designed and delivered to BREEAM 'Excellent' standard. It is not just environmentally friendly, it is also beautiful – at least according to both the professional community and the general public. The project was awarded 'Best Development in 2015' in Bratislava by the CIJ. Immediately after completion, the first tenant, PwC, moved in, occupying quarter of the building. At the end of the reporting year, 84 % of the building was leased up, with a positive outlook on full leasing within first half of 2016.

PROJECTS UNDER CONSTRUCTION

Twin City B, C, Bratislava

The construction of Twin City B (23,657 m² of GLA) started in July 2014, in line with the original schedule. The construction of the third building, Twin City C (24,864 m² of GLA), started in March 2015, ahead of the original plan in order to meet strong demand from potential tenants. The work on both projects is progressing well, in line with expectations and should be completed and delivered to tenants on schedule. Building 'B' in April 2016 for its almost exclusive tenant Swiss Re (21,800 m² of GLA including options for future expansion) and building 'C' in the last quarter of 2016; 12 % of the space is already leased up.

PROJECTS IN PREPARATION

We continued the permitting process for the rest of Twin City, our large-scale, multifunctional complex, with new bus station in the city center. At the same time, we are optimizing the project concept and timing for the respective phases.

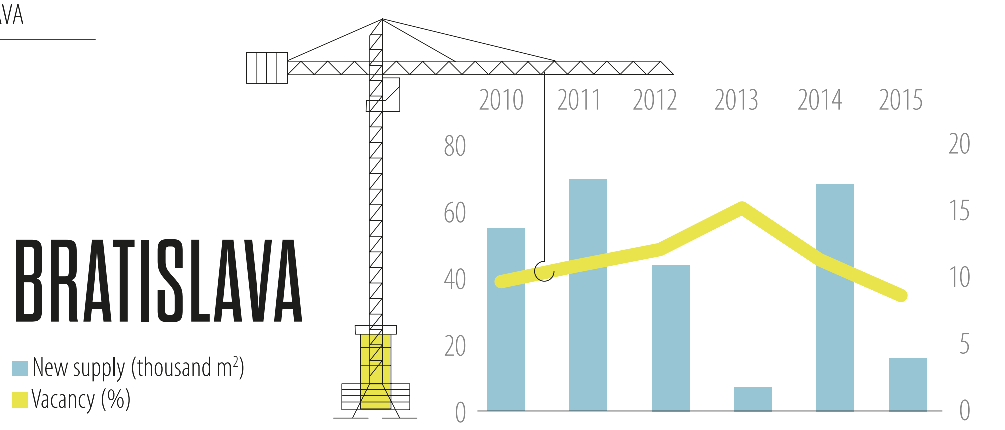
In the **Twin City South** area, we are planning the development of a further 168,000 m² of office GLA, including two towers located in both the west and eastern corners to the south and adjacent to Mlynske Nivy Street. We expect construction of the next phase should start in the second quarter of 2016, subject to permits and leasing progress, of course.

At Twin City North we plan to develop the large scale **Nivy Mall** with 93,000 m² of GLA. The project will include around 63,000 m² of retail GLA, 30,000 m² dedicated to the underground bus station. **Nivy Tower** with around 34,000 m² of office GLA. We believe we can start the construction before the end of 2016.

With the additional two office schemes in Bratislava that are in the permitting stage – the large scale **Alfa Park** on the right bank of the river Danube with 176,000 m² of GLA and the **Forum Business Center II**, 16,564 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 (€m)	GLA m²	Valuation 2013	Valuation 2014	Valuation 2015	ERV	GDV
Projects completed	16,628	4.3	7.0	39.0	3.0	46.6
Projects under construction	48,521	12.7	27.1	73.2	8.7	130.3
Projects in preparation	457,003	107.1	111.0	125.7	86.8	1,246.8
Total 2015	**522,152**	**124.1**	**145.1**	**237.9**	**98.5**	**1,423.7**
Total Pipeline for 2016	**505,524**	**119.8**	**138.1**	**198.9**	**95.5**	**1,377.1**

NIVY MALL & NIVY TOWER, BRATISLAVA



Source: CBRE, JLL

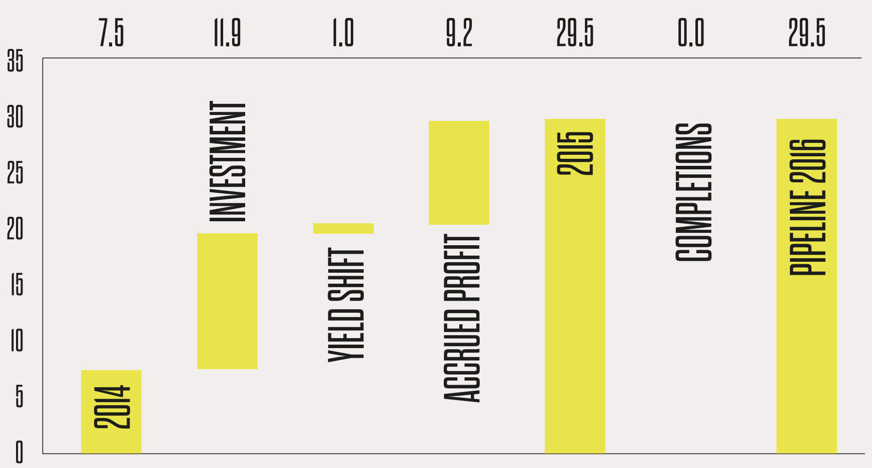
HUNGARY

COUNTRY REVIEW

With our debut A-class office project, the almost fully leased Vaci Corner, earning a BREEAM ´Excellent´ rating, HB Reavis has carved out a strong position on the Budapest market. The acquisition in 2015 of a major three hectare land plot in the heart of the city's office corridor will allow us to develop approximately 136,600 m² of gross leasable office and retail space. We aim to further push sustainability through energy efficient technologies, whilst creating the kind of inspiring an effective work environment our potential tenants are looking for. We plan to start construction of the first phase in the second half of 2016. Simultaneously, the team is actively looking for further development opportunities strategically located in Budapest.

ZOLTAN RADNOTY

CHANGES IN HUNGARIAN DEVELOPMENT PROPERTY VALUE (€m)

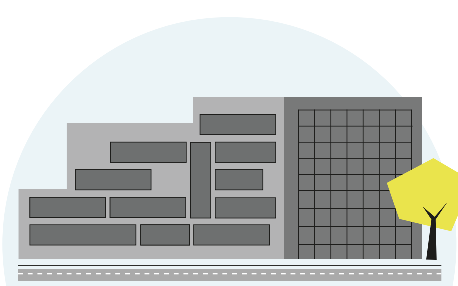


ECONOMIC TRENDS IN HUNGARY

The Hungarian economy's performance have been largely positive in the last two years and it is on the growths path. Annual GDP growth rate was 2.9 % for 2015, and figures are anticipated to be approximately 2.5 % for 2016. Unemployment has fallen significantly to 6.2 %, its lowest rate since 2005, driving domestic demand and improved purchasing power. Additionally, the combination of favourable economic conditions and political stability also helped to strengthen foreign investor confidence.

MARKET TRENDS

As in much of CE, the Hungarian commercial real estate sector has put the (global) economic crisis behind it and forecasts are optimistic. The reporting year was very successful in terms of investment with around €750 million from both international and domestic investment funds. The volume of transactions was up a significant 61 % compared



ALMOST FULLY LEASED VACI CORNER OFFICES AND EARNING OF A BREEAM ´EXCELLENT´ RATING

to 2014. And this increased confidence is filtering into every segment of the real estate business. The proportion of prelease transactions increased significantly to 121,000 m², the highest figure not seen since 2009. This all translates into an impressive recovery on the Budapest office market. One of the main drivers of the office market is the BPO/SSC sector, which continues to grow in Budapest. The vacancy rate had fallen significantly to 12.1 % at the year end. Currently at its lowest level since 2008, it is expected to further decrease. As a result, leasing activities were up and reached a record high in 2015, equating to 538,055 m² in signed agreements.

HB REAVIS IN THE HUNGARIAN MARKET

Vaci Corner Offices proved that HB Reavis learned its market very well, and designed its first product in harmony with client's expectations. The BREEAM 'Excellent' certified building was selected the winner of iroda.hu portal's tenant award for 'Office Building of the Year', expressing the satisfaction of the tenants. In 2015 the tenant roster included three subsidiaries of MVM Group, Sony Europe, pharma giant Mylan as well as Intrum Justitia, General Motors and two members of Asseco Group.

PROJECT IN PREPARATION

Following the successful acquisition of a three hectare plot, HB Reavis is is ready to start a new chapter of major commercial real estate development and workplace design. The development which is located at the major

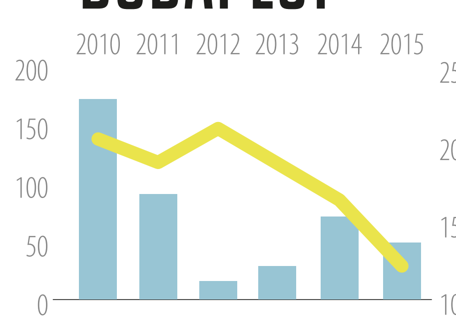
2015 WAS VERY SUCCESSFUL IN TERMS OF INVESTMENT WITH AROUND €750 MILLION FROM INVESTMENT FUNDS

intersection of the Vaci Office Corridor and Hungaria Ring Road is being readied for our development of an exceptionally visible office scheme with around 136,600 m² of GLA, including approx. 10,000 m² retail space.

For this project we have brought in Make architects, a highly respected and award-winning London-based studio.

The uniqueness of the multiple phase development is that it intends to connect business and lifestyle, enabling people to work and spend their free time in a pleasant, harmonious environment. In addition, the project aims to shape the city by creating open community spaces, green areas and service facilities.

BUDAPEST



Source: CBRE, JLL

New supply (thousand m²)
Vacancy (%)

NEW OFFICE SCHEME IN BUDAPEST

HB Reavis Development Hungary (€m)	GLA m²	Valuation 2013	Valuation 2014	Valuation 2015	ERV	GDV
Projects Completed	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
Projects in Preparation	136,600	0.0	7.5	29.5	28.4	378.8
Total 2015	**136,600**	**0.0**	**7.5**	**29.5**	**28.4**	**378.8**
Total Pipeline for 2016	**136,600**	**0.0**	**7.5**	**29.5**	**28.4**	**378.8**


ALI PUSAT

COUNTRY REVIEW

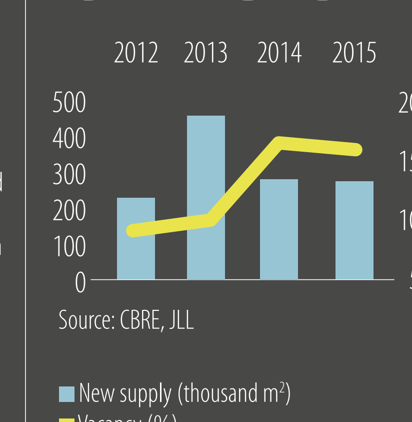
TURKEY

For some years we have been researching potential new markets. Given its overall economic growth, current penetration and significant potential for robust growth in the real estate market, we opened a branch in Turkey in 2013. After a slight slow-down in economic growth in 2014, the reporting year was much more stable, with quite positive outlook for 2016 – 2017. It seems that following general elections in June 2015 the political instability that had slowed down the economy is over. Business sentiment in general is strengthening. However, in light of overall instability in the region, we need wait and see if this is a trend or it is no more than a short-term change.

Istanbul is Turkey's top city in terms of trade, production, finance, tourism and population and it is still growing. The construction sector directly employs around 10 % of the city's total workforce in what is often described as one large 'building site'. Due to new infrastructural investments by central government and the municipality, this growth will continue for a long time. Considering the shape of this growth, we believe that Istanbul should be considered as a combination of many sub-cities, rather than one huge metropolis. As the city continues to expand, these sub-cities will transform over time.

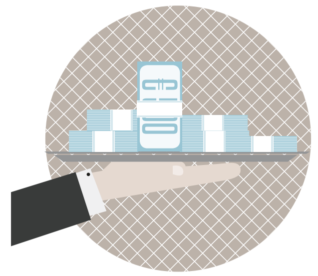
Given Istanbul's economic position and its size (the current population is over 14.6 million and is expected to exceed 15 million in 2017), there is a lack of both modern and high quality office space and modern residential buildings. Supply is certainly increasing and we expect the total stock in the office segment will increase 50 % in the next three years. The composition of this supply is diverse (strata, non – fragmented, owner occupied). Vacancy is increasing due to this new supply. Any future decline in vacancy will be dictated by the state of the Turkish Economy and the perceptions of Turkey by international companies. Strategically, we are looking for central locations as we expect higher capital values. We also see potential in newly developing commercial areas and built-to-suit projects. During 2015, we had three professionals on board and continued our in-depth exploration of this market and our search of an acquisition opportunity that would meet our risk-return criteria and represent an appropriate entry for us.

ISTANBUL CBD



APOLLO BUSINESS CENTER II , BRATISLAVA

HOW WE MANAGE OUR ASSETS



TOTAL ASSET RETURNS REACHED 9.0 % (2014: 6.6 %)

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. This requires the continual active divestment of matured assets. As a consequence, our asset management activities and arm is becoming smaller although no less important, as we are committed to strategically strong, long-term relationships with our partners.

In order to divest our matured assets under the best achievable conditions, our asset managers focus on ensuring projects are in top commercial and operational condition. At the end of 2015, HB Reavis managed 20 income-producing properties with almost 546,000 m² of GLA. Fifteen of these are HB Reavis owned projects representing 445,341 m² of GLA and five projects with 100,645 m² of GLA are owned by the HB Reavis CE REIF real estate fund that is consolidated in our financial statements. At year-end, rental income from that portion carried on the HB Reavis balance sheet reached €38.3 million, of which our own properties contributed €25.7 million and properties owned by the Fund added €12.5 million.

During the reporting year, we added four completed projects to the asset management portfolio: Postepu 14, our third office scheme in Warsaw, with 34,467 m² of GLA; Gdanski Business Center C, the first part of our fourth office project in Poland with 22,716 m² of GLA; Metronom Business Center, our third, 34,069 m² of GLA office scheme in Prague; and Twin City A with 16,628 m² of GLA, the first office building of our flagship in Bratislava, Slovakia. The Group continued its efforts to divest mature assets – for more, see 'How we divest assets' on page 102). During the reporting year, we divested only one asset, the Forum Business Center I in Bratislava, Slovakia. Rental income related to this office project in 2015 was €2.7 million prorata for the year. The total value of the income-producing portfolio on the Group's balance sheet increased significantly to €1.01 billion as of year-end 2015 (2014: €760 million) as a result of a lower disposal in 2015 in combination with the transfer of completed schemes to the asset management arm. Completed properties coming into operation from our own development pipeline added €238 million to portfolio value, while the one divested asset reduced the portfolio value by €46.2 million.

WE ADDED FOUR COMPLETED PROJECTS TO THE ASSET MANAGEMENT PORTFOLIO

Like-for-like, the portfolio value increased by €47 million before yield shift effects, which corrected the result upwards by another €8.8 million. Total asset returns reached 9.0 % (2014: 6.6 %).

Group Income Producing Portfolio *	GLA m²	Valuation (€m)		Rental Income (€m) 2015	ERV (€m)	Equivalent Yield		Capital Return	Rental Return	Total Return
		2014	2015			2014	2015			
Asset Management Portfolio from 2014	**438,106**	**712.0**	**773.6**	**35.9**	**59.0**	**7.37 %**	**7.35 %**	**4.5 %**	**5.0 %**	**9.5 %**
Retail	10,349	31.9	32.5	2.5	2.5	7.75 %	7.75 %	0.7 %	7.9 %	8.6 %
Office	252,865	577.8	643.0	25.1	47.8	7.14 %	7.00 %	6.6 %	4.3 %	10.9 %
Logistics	174,892	102.3	98.1	8.3	8.7	8.57 %	8.36 %	-6.2 %	8.1 %	1.9 %
Additions to Portfolio in 2015	**107,880**	**122.3**	**237.8**	**0.1**	**20.5**	**7.09 %**	**7.11 %**	**51.5 %**	**0.1 %**	**51.6 %**
Property Exits in 2015	**19,159**	**48.1**	**46.2**	**2.7**	**3.4**	**6.90 %**	**6.90 %**	**-4.2 %**	**5.7 %**	**1.5 %**
Asset Management Portfolio for 2015	**545,986**	**760.1**	**1,011.5**	**38.7**	**79.5**	**7.98 %**	**7.29 %**	**3.9 %**	**5.1 %**	**9.0 %**

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

In terms of occupancy of the assets on the Group's balance sheet, we reached a very solid 88 % at year-end, up from 79 % in 2014, despite continuing rotation of our income-producing portfolio. During the year, we divested 19,159 m² of fully occupied GLA and transferred into asset management four newly completed projects with around 108,000 m² of GLA with average occupancy at 70 %. Occupancy in assets newly coming into operation increases continuously and is expected to reach 95 % at the end of 2016. 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 continue its strategy of active divestment of matured assets. The number of income-producing properties and related rental income will depend on the speed of progress of planned divestments. However, our Asset management arm will continue to be focused on the optimization of our capability to effectively operate our income-producing assets and will focus even more on building sustainable long-term relationships with our tenants – all in order to support the market value of our assets.

INVESTMENT MANAGEMENT

CITY BUSINESS CENTER, BRATISLAVA

HB Reavis launched its investment management business in 2011. The goal is to create a platform for investors looking for exposure to real estate within CE 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 potential 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

PERFORMANCE

In May 2011, we successfully launched the €165 million HB REAVIS CE REIF Fund, which since its inception has been managed by the Luxembourg-based and regulated HB Reavis Investment Management S.à r.l. The fund pursues 'core strategy', deploying investors´ capital only across standing, fully or close to fully let income generating properties. This strategy has proven a sound one, as from launch to year-end 2015, the fund has **delivered a total annual return of 10.60 % of which 5.21 % has been distributed annually to investors in quarterly dividends.**

Among the key milestones that last year helped to achieve, this performance was the refinancing of the major part of the loan portfolio and the excellent job done by the asset management teams. While the new financing arrangements made with Komercni Banka have materially decreased the cost of financing, allowing for the increase in dividend since the fourth quarter of 2015, the asset management teams have helped to achieve a **portfolio-wide vacancy rate of only 0.7 %.**

STRATEGIC VIEW

We have followed the set strategy of looking to churn some of the assets while exploring the expansion of the fund into the Prague, Warsaw or Budapest markets:

- We are looking to explore the possibility of divesting the logistics portfolio, which has attracted reputable institutional bidders and we are in advanced negotiations with the selected counterparty.
- On the acquisition side, we have been actively screening the office market in all three selected cities for potential acquisition targets that would fit the Fund´s strategy. The timing of an acquisition depends on the speed of selected disposals, as well as on how quickly new equity can be raised. While the former is, to a large extent, dependent on the selected counterparty, the fundraising environment remained favourable in 2015 resulting in a reduction of HB Reavis' stake in the fund to just 20 %. Given the expansionary monetary policy deployed by ECB, we expect investor interest in steady income-generating assets to continue in the foreseeable future, making the broadening of the portfolio a very realistic goal within the next 12 months.

AUPARK SHOPPING CENTER PIESTANY

LOGISTICS CENTER SVATY JUR

We have also been actively exploring ways to expand the Fund's distribution so that high net-worth individuals in CE would have easier access. We have applied for a retail distribution license in Luxembourg, and we are also in the process of establishing distribution capabilities in Poland.

HBR CE REIF FUND PERFORMANCE

AS FROM LAUNCH TO YEAR-END 2015, THE FUND HAS DELIVERED A TOTAL ANNUAL RETURN OF 10.60 %

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

PORTFOLIO SUMMARY

Project	Type	GLA (m²)	Valuation (€m) as of 12/2015	Running Yield as of 12/2015	WART	Occupancy as of 12/2015
Aupark Shopping Center Piestany	Retail	10,349	32.5	8.20 %	6.0	99.1 %
City Business Center I-II	Office	38,810	98.9	7.30 %	2.2	99.1 %
Union	Office	3,858	5.4	9.91 %	1.0	99.0 %
Logistics Center Svaty Jur	Logistics	31,343	20.8	8.65 %	4.7	100.0 %
Logistics Center Maly Saris	Logistics	16,285	8.9	9.91 %	2.9	98.4 %
		100,645	**166.5**	**8.34 %**	**3.4**	**99.3 %**

UNION, BRATISLAVA

LOGISTICS CENTER MALY SARIS

OUR PEOPLE

An integral component of our vision 2018 is to become the most attractive real estate employer in Central Europe and across all our markets. During 2015, the full HB Reavis team grew to 475, up from 399 in 2014. Throughout the year, we have been further building on our reputation to attract and refining our ability to retain the best in the business.

Part of HB Reavis' mission is to create spaces that bring remarkable experiences to people's lives. On paper, that sounds easy. However, the more we thought about how to achieve this key differentiator, the more we realized that real estate people have an ingrained mindset. They tend to see the creation of space in terms of architecture and physical location; property people are focused on the end product. The real estate development sector is usually shaped and driven by 'transaction and project' thinking with major variations in perceptions of the longer product cycle. This is not a bad way of looking at real estate development; the vast majority of our competitors work this way. However, our aim is not to be one among many; it is to be the best. So we have given real thought to what is needed to change mindset from an exclusive end-result orientation to include how the project is developed to meet the needs of the people – the tenants, visitors and the community around it who will use it. We believe that integrating and embedding this new thinking in our culture will not only help us develop the best assets but also to become the most attractive employer because it will continually challenge the best talent to be even better at what we do.

THREE-DIMENSIONAL APPROACH TO MINDSET

How do you ensure this integrated thinking becomes an organic part of our culture? How does it become an instinct in our people, whatever their area of expertise or role in developing and managing our assets? In working on changes in mindset, we identified three primary dimensions:

1. leadership style
2. employee engagement
3. performance management system

LEADERSHIP STYLE

In terms of leadership style and to help people better understand HB Reavis´ strategy and business goals, we benefit from a very flat organizational structure. Our top management meetings are held on a rotational basis in all our offices. The fact that top management is present so often in all our offices and the decision-making process is so close to our people supports visibility, awareness and the reliability of management. This helps to create a better working environment. In addition to these formal sessions, we organize a lot of informal meetings and events where managers explain and clarify key points of our business strategy, plans, goals and operation and provide direct answers to employee questions. Indicators show this approach is appreciated and contributes considerably to employee engagement.

EMPLOYEE ENGAGEMENT

A further improvement relates to the new operating model that we implemented in 2015 and that is now being embedded in our daily working life. The first key component here was actual working space and how we use it. In 2014, we kicked-off our internal Workspace Change Project. The project focuses on redesigning office premises into a flexible activity-based-office. We started in the Czech Republic and during 2015, expanded the pilot radically to our Warsaw office. The feedback from staff in both locations has been very positive. They have identified some important positive aspects and, in Warsaw after only a few months of piloting, we saw increased levels of employee satisfaction. We are now in the process of collating relevant inputs from the pilots and will carry out a deep analysis of how existing premises are used. Key factors are measuring occupancy, analyzing how people interact within spaces and canvassing employees for job-related and personal preferences. We have already decided to replicate this approach to working environments in our own offices. Given the positive experience of our own people, we now aim to make it an organic part of our product value proposition and offer it to potential clients. We see this as a unique opportunity to provide trendsetting services to our tenants while supporting the engagement of our own people by involving them in shaping corporate culture.

The second important component is linked to process redesign. This emerged as a key topic in our Employee Engagement Surveys. In recent years, HB Reavis has grown dramatically, expanding into new markets. We are also one of the few integrated developers working in CE. This growing complexity put some pressure on our processes and our people wanted greater clarity on roles and responsibilities and our working model. We listened. During 2015, we successfully completed the first informational phase on our working model through an extensive program of workshops. We also used the opportunity offered by new projects in Warsaw and Budapest to begin implementing the redefined working model and the changed mindset on integrating the needs of people who will use our schemes.

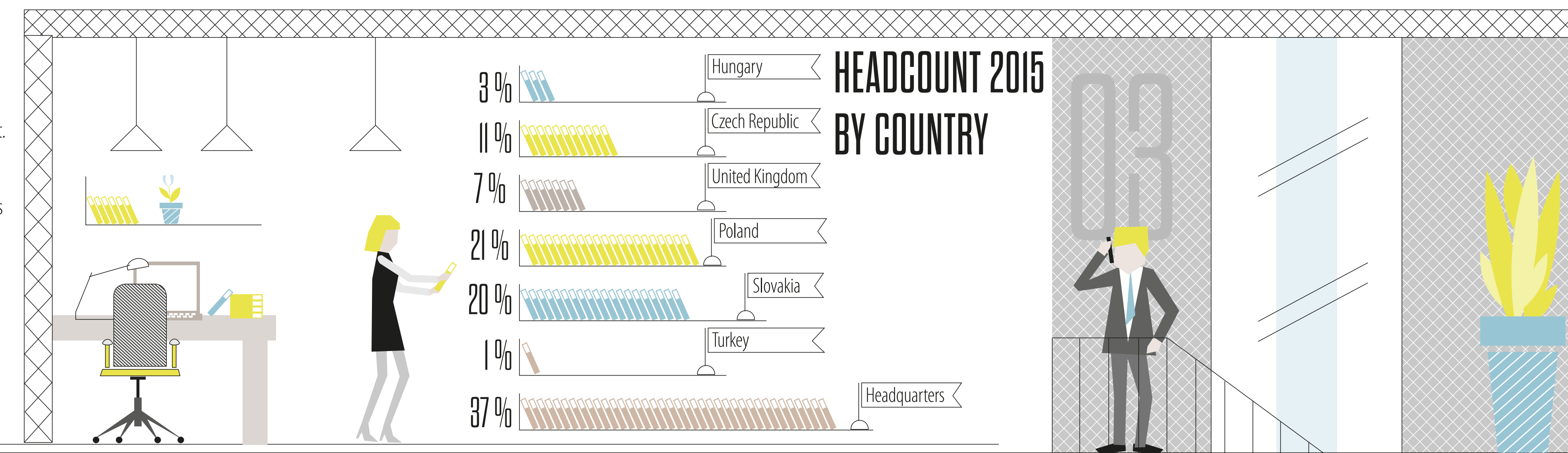
A third activity may seem a little far from traditional employee engagement. During the implementation of our new working model, we identified the hidden potential of 'construction site utilization'. We redefined its function – we no longer consider it simply as a plot of land where we will erect a building. There is real potential for other functions. Marketing, communication with the immediate environment and various event activities dedicated to our business partners, clients, employees and even passing pedestrians. We are testing this theory now as we prepare construction sites in Bratislava, Budapest and Warsaw.

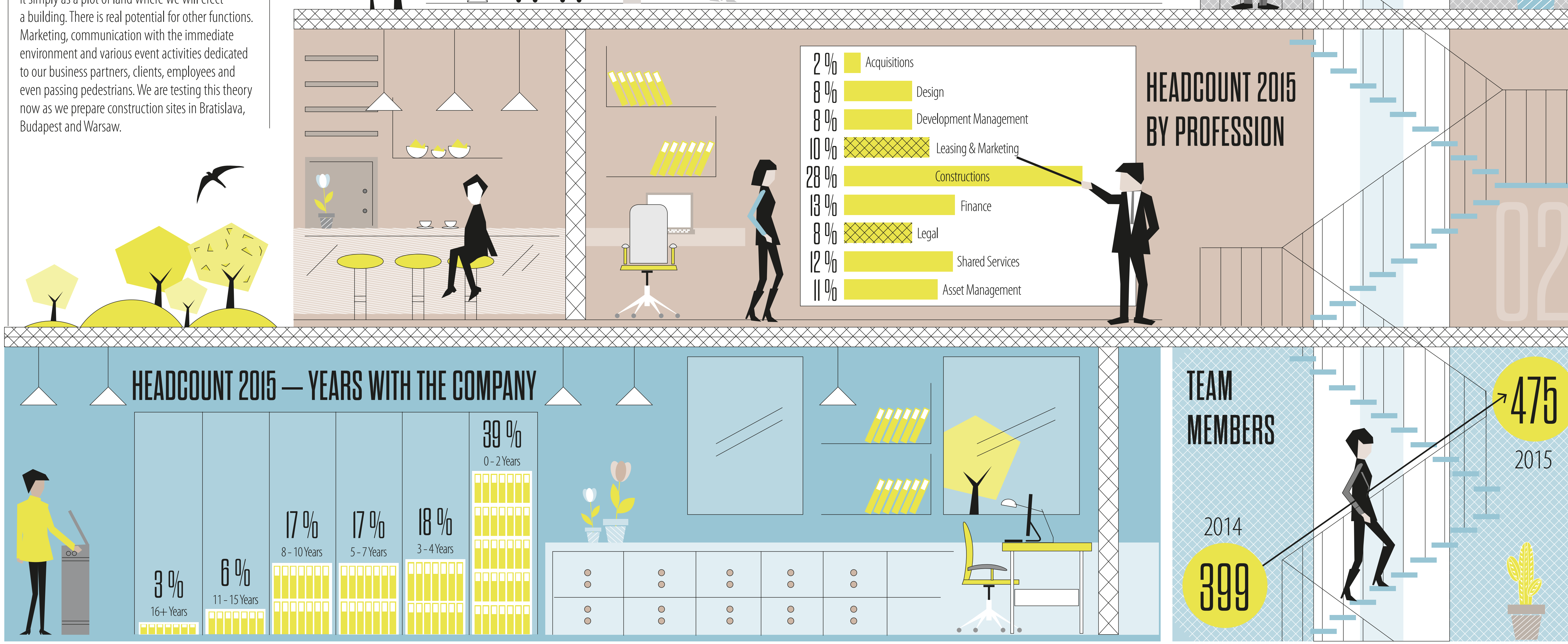
CORPORATE 'ECO-SYSTEM', OUR NEW PERFORMANCE MANAGEMENT SYSTEM

HB Reavis' senior managers have long experience in the real estate sector. By definition, this means they have built their know-how in an industry that focuses on transaction thinking. Moreover, we recognize that transaction thinking is inherent in the main feature of our culture - the 'start-up spirit', that must be preserved. But it has some weaknesses. In our case, it is linked to a specific management style that is more focused on daily routines than on people. We cannot afford to overlook the human element. And in spite of a flat organization and decision-making close to our people, we still need to make changes in the general management style to incorporate more human factors. So we are making substantial changes to the company's 'ecosystem'. We achieve this by amending how (management) performance is evaluated. From 2016, year-end performance evaluations for senior and middle management and for all employees will incorporate items such as creativity, innovation, entrepreneurship and professionalism, in addition to the more usual components for real estate people.

MOST ATTRACTIVE EMPLOYER

We are pursuing all of these changes in mindset and approach with one aim: to bring a more human scale and creative approach to our product development through the implementation of a unique operational model. This will help to improve the quality of the work experience not only of our own people, but of all the people with whom we interact through our 'products'.





RESPONSIBILITY TO THE COMMUNITY

DURING THE REPORTING YEAR, WE DECIDED TO SUPPORT 18 EMPLOYEES' PROJECTS WITH AVERAGE FINANCIAL SUPPORT PER PROJECT OF €1,440, TOTALLING €26,000

The idea of Corporate Social Responsibility (CSR) has long been part of our business. Over time, we have created a corporate culture in which sustainability and responsibility have become an integral part of everything we do. All aspects of our CSR, including work for the community, are driven by our people. It is our more than 470 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.

GDANSKI BUSINESS CENTER, WARSAW
CURRENT VIEW

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. So our approach is simply good but sustainable business. We want satisfied clients. 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. Before we undertake investment in green solutions, we review their cost, but even more 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 of brownfields. Many of these sites have been abandoned and contribute little to the local community, such as employment opportunities.

FROM BROWNFIELD TO LIVING SPACES

Throughout our history, HB Reavis has acquired numerous abandoned and run-down areas and has developed them gently so that once again they become vibrant and useful sites where people live and work. And we continue to do so. In recent years, we changed the face of the brownfield site in Prague's Karlin district through our award-winning River Garden 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 newly acquired 'Volan' plot in Budapest and the 2ha plot at Burakowska street on the northern fringe of Warsaw. Both were real brownfields when we acquired them. Now, we are finalizing concepts and designs to change them into new, remarkable and unique venues in coming months.

OUR CLIENTS WANT FUTURE-PROOFED PROPERTIES THAT ARE ENVIRONMENTALLY EFFICIENT

GOING GREEN, ADOPT BREEAM

Business wise, CSR has evolved into a natural part of our vision and strategy. We want to bring remarkable experiences to people's lives through our real estate solutions. So we aim to create something unique and innovative, something our clients and the communities we serve do not expect from a real estate developer. Our clients want future-proofed properties that are environmentally efficient, helping them to meet 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. 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 2015, we again delivered all our projects – Postepu 14 and Gdanski Business Center C in Warsaw, Metronom Business Center in Prague and Twin City A in Bratislava to BREEAM 'Excellent' standard. For all our projects currently under construction, we aim to achieve BREEAM 'Excellent' standard or higher. In a logical next step, we are now working towards BREEAM 'Outstanding' for our projects in preparation.

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.

GDANSKI BUSSINES CENTER, WARSAW
INITIAL VIEW

THIS IS OUR BREEAM RATING ON PROJECTS DEVELOPED IN RECENT YEARS

BREEAM ★★★★★
BREEAM 'OUTSTANDING'

TWIN CITY TOWER
TWIN CITY SOUTH
NIVY TOWER
BURAKOWSKA BUSINESS CENTER

BREEAM ★★★★☆
BREEAM 'EXCELLENT'

FORUM BUSINESS CENTER I
TWIN CITY A
TWIN CITY B
TWIN CITY C
RIVER GARDEN OFFICE II/III
METRONOM BUSINESS CENTER
VINOHRADSKA
POSTEPU 14
WEST STATION I-II
CHMIELNA I-II
CHMIELNA TOWER
VACI CORNER OFFICES
33 CENTRAL
20 FARRINGDON STREET

BREEAM ★★★☆☆
BREEAM 'VERY GOOD'

KONSTRUKTORSKA BUSINESS CENTER
CITY BUSINESS CENTER III-V
RIVER GARDEN OFFICE I
NIVY MALL
AUPARK HRADEC KRALOVE

COMMUNITY ACTION

The HB Reavis Foundation has been supporting community-based projects proposed, selected and carried out by our employees for the past four 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 2015, 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 and**
- **charity**

During the reporting year, we decided to support 18 employees' projects with average financial support per project of €1,440, totalling €26,000. Projects approved by Foundation's Board included:

SAFER TERRACES
a reconstruction and security upgrade for terraces around a kindergarden so that they now can also be used for educational and entertainment activities

MESSINGERRNA
support for a 'biobank' which is managing flows of clinical information from cancer patients to scientists and doctors

LEARN ABOUT NATURE
building an outside environmental classroom.

SMALL GROWERS
extension of a school garden

PLAYGROUND REVITALISATION
improvement of a public playground for kids

TABLE TENNIS JUNIOR WORLD CUP
financial support for transport and a translator at the Table Tennis Junior World Cup in Poland

PLANTING TREES 2015
planting of trees in the village of Eliasovce

CHAIRS FOR HELP
financial support to buy chairs specifically for patients with Alzheimer's disease

BIRD BOX
a structure to store the books in a local park and a bench for people to sit and read

OBJECT BS-4
the reconstruction of the BS-4 World War II bunker in Bratislava, currently used as a museum and memorial

As the interests of our people are increasing 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.

OVER THREE SUCCESSFUL YEARS, THE VIRTUOSO MUSICAL AND EDUCATIONAL PROJECT IN SLOVAKIA HAS GROWN AND HAS GIVEN NUMEROUS CONCERTS

ENVIRONMENTAL TEAMBUILDING IN SLOVAK NATURAL RESERVATION POLANA

For the first time in the history of HB Reavis we managed to activate whole employee population for an environmental volunteering activity, demonstrating that outside of having fun together, our teambuildigs can have environmentally beneficial side affects. Dedicating one day of our annual company weekend in a natural reservation "Polana" in Central Slovakia, we managed to repair several forest pathways, assemble benches for tourists and bird's houses as well as design and construct information tables. We are very proud that as a real estate developer we could set a foot into this beautiful reservation and help improve the forest infrastructure by utilizing our skills and talents in a very fulfilling way.

THE CITY OF THE FUTURE WARSAW IN 2100

In a joint initiative between HB Reavis and the Art Transfer Foundation, in November and December 2015 a series of workshops for children in five Warsaw kindergardens was organized in which the children were invited to draw their vision of Warsaw of the Future. The workshop resulted in a temporary exhibition in the form of a colourful fence around HB Reavis' newest development in Warsaw. See also 'Our People' on this new approach to using our construction sites for other purposes. A second project with the Art Transfer Foundation was 'Painted Night'. Over the Christmas period, we worked with kids hospitalized at The Children's Memorial Health Institute in Międzylesie, near Warsaw. The themed workshops involved the kids and their parents in arts and craft activities

VIRTUOSO PERFORMANCE

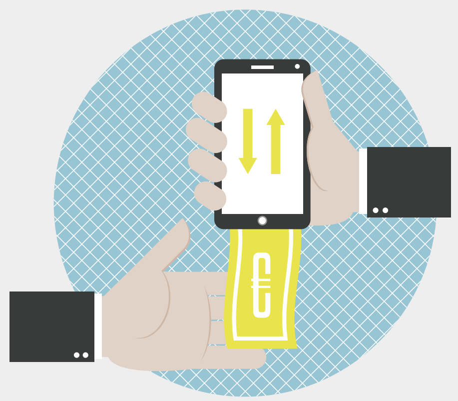
Over three very successful years, the Virtuoso musical and educational project in Slovakia has grown and the orchestra has given numerous concerts, both at home and abroad. During 2015, Virtuoso was invited to play a two major prestigious concerts – a gala for the 25th anniversary of the League Against Cancer, and an evening to support the Avon March Against Cancer. Members attended international classical music workshops in Salzburg, Austria. They learned more about 'El Sistema', the project from Latin America that inspired us to establish Virtuoso. Since 2012 almost 200 children were involved in this project. Now it was time for many of these young people from all over Slovakia to pass on the baton. They have grown up. So we are working to recruit new members and preparing a new repertoire.

DANCING WHEELS

For over 10 years, HB Reavis has sponsored and partnered the Danube Dance Club in Slovakia. Our support enabled dozens of disabled dancers to develop their talent, practice on special dancing wheelchairs, travel, compete at and win top level championships around the world. Today, Slovakia is a leader in integrated ballroom dancing and there are similar clubs in Canada, the UK, Spain and Austria established by people involved in the Danube Dance Club. The Danube Dance Club is associated with the National Integrated Center for the Disabled and is not only about dancing; members enjoy art, volunteering, therapies, rehabilitation and a vibrant social life.

FINANCIAL REVIEW

FINANCIAL STRATEGY



As we grow and the external environment changes, we regularly review our financial strategy and fine-tune when appropriate. However, safe and conservative financial strategy has always been an integral part of HB Reavis' culture and way of achieving our goals.

In light of our robust international expansion and the improvements in the macroeconomic environment, our shareholders expect an annual 15 % return on their equity over the longer term. Our financial strategy focuses on key value drivers across both the asset and liability sides of our balance sheet in order to deliver this target.

When taking strategic decisions on our capital allocation, shareholder return per project (both in terms of nominal profit level as well as the internal rate of return) remains a leading criterium. We target between 15 % – 30 % IRR per development project depending on geography and the level of risk involved.

As part of the process of increasing the share of developments on our balance sheet, we have embarked on a significant divestment program in recent years, executing €495 million in asset value of divestments in the last three years. In combination with the increasing scope of our development activities, this has resulted in an almost optimal 50:50 split of our investment property between development and asset management.

Furthermore, in line with the objective to further our growth, both in terms of current markets and also into new markets, we have started building up financial reserves in order to secure long-term growth through new acquisitions.

In 2015, we continued with our capital structure optimization program, increasing our Total Gross Leverage Level to 35.2 % from 31 % the previous year (adjusted for Kosice portfolio impact). This increase of our leverage level is driven not only by new project debt, but also by increasing exposure in our funding mix to corporate and capital market funding that brings new challenges and reporting standards.

In 2015, we therefore instituted a new Financial Policy, updating several key parameters of our financial strategy in line with the changing profile of our operations and greater need for flexibility in our funding. This 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; and
- 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 to the Investment property, see Note 9 to the IFRS accounts.

HOW WE PERFORMED

Financial performance over 2015 once again confirms that the Group is well on track to meet its long-term financial targets. It again proves that the combination of realigning the balance sheet and the move to higher margin markets has helped to achieve record-breaking-results. Clearly, the main driver was a revaluation gain of €263.2 million over the year, up by 142 % year-on-year (2014: €108.6 million). Net operating income at €44.6 million was slightly lower (2014: €46.6 million) while Result on property disposals increased to €13.6 million (2014: €5.6 million). As a result, we were able to achieve a Net profit of €244.6 million (2014: €89.1 million)

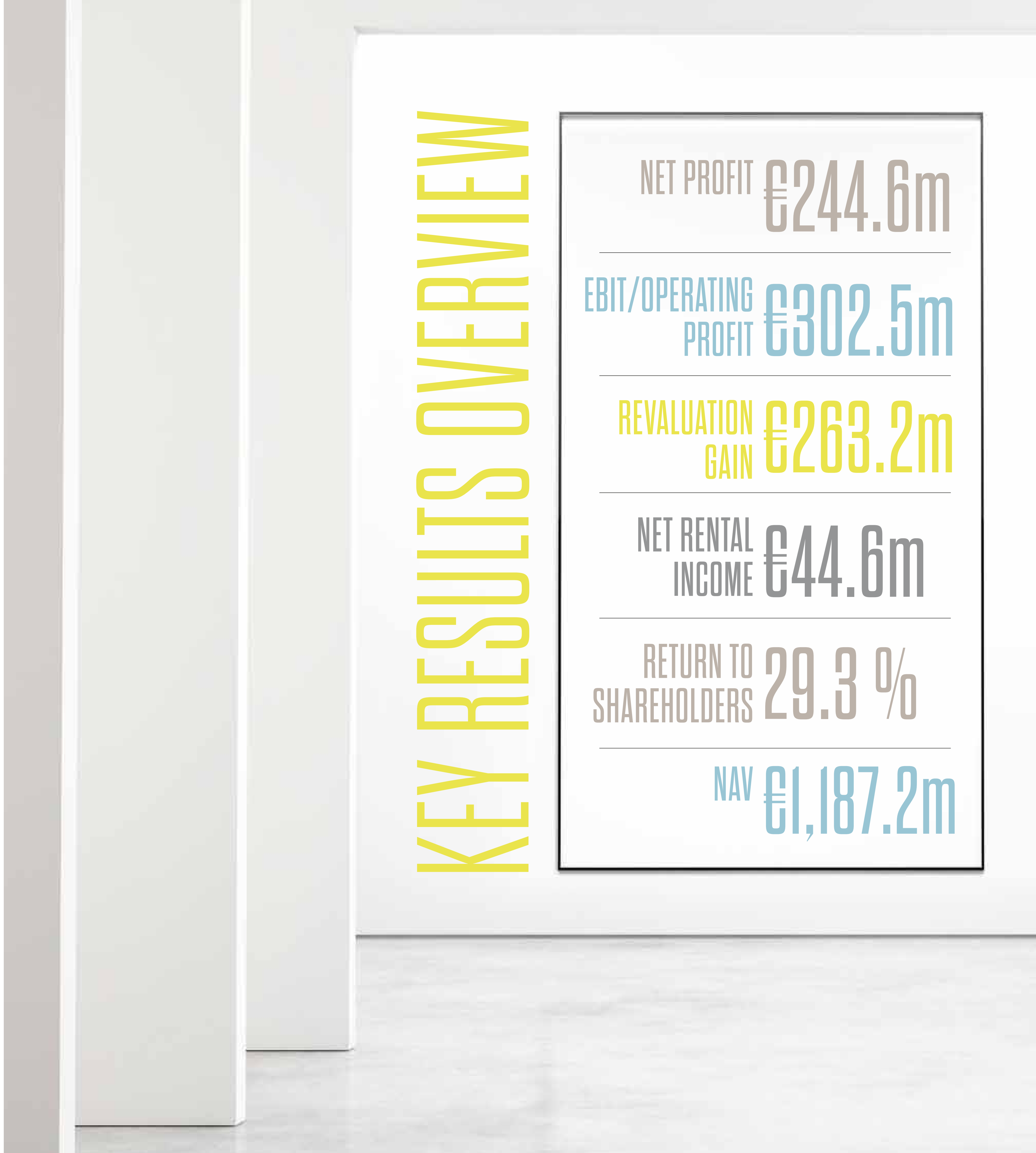
As always, we were very much focused on keeping our operational cost base under control, given the fact that our growth in Poland and the UK translates into growing costs. We were able to keep the operating cost increase under 10 % year-on-year, growth that in light of this expansion, has to be considered as more than reasonable. Results from financial operations improved to €10.3 million (2014: €-7.8 million). This was due mainly to gains on financial investments held for trading and unrealised exchange rate profits that, from a longer-term perspective, are neutral as the euro is the dominant currency in our total income, including property disposals.

The Group significantly increased the value of Investment property (including assets held for sale) by 21.6 % to €1.92 billion, pulling up the balance sheet value to almost €2.1 billion. Net asset value increased by 23.2 % year-on-year and reached €1.19 billion.

SHAREHOLDERS´ RETURN

The overall economic environment continued to grow, albeit modestly in some markets, in 2015. Both the European Union and the euro-zone recorded slight GDP growth (1.8 % and 1.5 %, respectively). In both Central Europe and the UK, this economic environment translated into improving demand for office space, with take-ups in London, Warsaw and Budapest achieving very high levels. Despite that, our ability to benefit from these strong demand fundamentals was limited by increasing competitiveness, oversupply of new or existing office space and increasing levels of incentives to tenants, especially in Warsaw and Prague.

€m	Group NAV	NAV Change	NAV Growth	Dividends	Dividend Yield	Return to Shareholders
2011	795.1	33.8	4.4 %	19.7	2.6 %	7.0 %
2012	843.6	48.5	6.1 %	13.8	1.7 %	7.8 %
2013	881.9	38.3	4.5 %	9.4	1.1 %	5.7 %
2014	963.7	81.8	9.3 %	13.3	1.5 %	10.8 %
2015	1,187.2	223.5	23.2 %	59.3	6.2 %	29.3 %
CAGR 2011 – 2015			**9.3 %**		**2.6 %**	**11.9 %**



We succeeded in improving our performance and continued further restructuring of our balance sheet to meet long-term targets and we managed to dramatically increase Return on shareholders' equity by around 170 % year-on-year, achieving 29.3 % as opposed to 10.8 % in 2014. This is well above our long-term target of 15 %. Key drivers of this excellent result in 2015 were:

- Increasing volume of newly leased space to historical highs of around 200,000 m² of GLA;
- Progressing the development pipeline in line with our plans regarding key project milestone (permits, construction, completions) with construction costs in line with our budgets; and
- Yield shift and market rental growth in the UK.

OVER 5 YEARS WE SLIGHTLY (1.5 %) OUTPERFORMED OUR BENCHMARK

COMPARABLE PERFORMANCE: HB REAVIS VS EPRA EX-UK INDEX

	Return to Shareholders A	Benchmark Index B*	Relative Result C=A-B
2011	7.0 %	-10.5 %	17.5 %
2012	7.8 %	22.8 %	-15.0 %
2013	5.7 %	4.9 %	0.8 %
2014	10.8 %	21.7 %	-10.9 %
2015	29.3 %	17.4 %	11.9 %
CAGR 2011 – 2015	**11.9 %**	**10.4 %**	**1.5 %**

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

ACTIVE DIVESTMENT OF MATURE ASSETS

It was very difficult to repeat the extremely successful year in 2014 when we sold City Business Center III-V in Bratislava, River Garden Office I in Prague and achieved agreement on the sale of our portfolio in Kosice - the Aupark Shopping Center, Aupark Tower and the new mixed-use Malinovsky baracks project. Although we worked hard to divest our matured assets and release equity to support our growing development portfolio, 2015 saw the closure of just one transaction. In December, we sold our Forum Business Center I in Bratislava to REICO, the Czech asset management arm of the Erste Group AG. The value of the transaction reached €46.2 million. We progressed some other potential sales of our assets, and as a result, at the end of reporting year we classified around €430 million as assets held for sale. Of these, we were able to close the sale of our first project in Hungary – Vaci Corner Offices – before the end of March 2016 for a value of €49 million. We believe we will benefit from these divestment activities and will successfully close other transactions during first half of 2016. The team also continued to decrease the share of non-core assets on our balance sheet. We divested non-core assets in the amount of €2.5 million.

During the reporting year the Group also continued to transfer non-core business out of the consolidated balance sheet. We divested two legal entities to a related party, which is owned by the same ultimate beneficial owner as the HB Reavis Group. In June, we divested Twin Capital, a special purpose investment arm, for the consideration of €25.2 million. In December, the Group divested Bus Transport, the parent company of Slovak Lines – a public bus transportation company, for the consideration of €34.0 million. Consequently, to provide resources for the related party to acquire these subsidiaries, the Group paid out dividend at a higher rate than that set in our financial strategy (for details please see Notes to the Financial Statements, pages 112,114,145 and 146).

REINVESTMENT OF PROCEEDS

We identified, analyzed and fully explored a number of potential acquisition opportunities throughout 2015. These opportunities related to all our strategic geographies in Central Europe and the United Kingdom but also included Turkey. A number of other countries are also potential entries for us. However, as we always apply our prudent selection criteria, we were able to find just a few opportunities for final selection. After securing the first part of the Volan site in Budapest in December 2014, we continued our efforts into 2015 and finalised the transaction through the acquisition of the additional two missing plots. Consolidation of this zone into one development plot will enable us to deliver around 136,000 m² of GLA in the coming years. The total value of the transaction was €18 million. We also closed a further acquisition in Warsaw. For a value of €17 million we acquired a plot at Burakowska Street on the northern fringe of Warsaw. We plan to deliver a large office scheme here with around 80,000 m² of GLA over the coming four years. Before year-end we also achieved a commercial agreement on the acquisition of the plot at Radlicka Street in Prague 5, Czech Republic. We successfully closed the transaction at the beginning of 2016 and plan to develop an office scheme with around 27,800 m² of GLA on this site.

In 2015, we significantly increased our investment in construction – the volume reached €194 million, which represents the biggest ever construction investment in HB Reavis history. As the majority of this investment has been directed into projects and countries with higher margins, this will materially improve our value creation in coming years.

LEASING

In recent years we have put tremendous effort into building our leasing capabilities across all our countries as a logical function of our growing pipeline and increasing number of projects under construction. We have especially strengthened our leasing teams in Poland, the United Kingdom, the Czech Republic and Hungary. After an already remarkable and record-breaking year in 2014 (about 140,000 m² of GLA), we again achieved an historic result in 2015. We signed leasing contracts for almost 200,000 m² of GLA across all our countries, becoming a key player in all our chosen markets. This excellent result was driven mainly by the office segment (175,667 m² of GLA) and logistics (20,097 m² of GLA).

INVESTMENT IN CONSTRUCTION REACHED €194 MILLION, THE BIGGEST EVER CONSTRUCTION INVESTMENT BY HB REAVIS

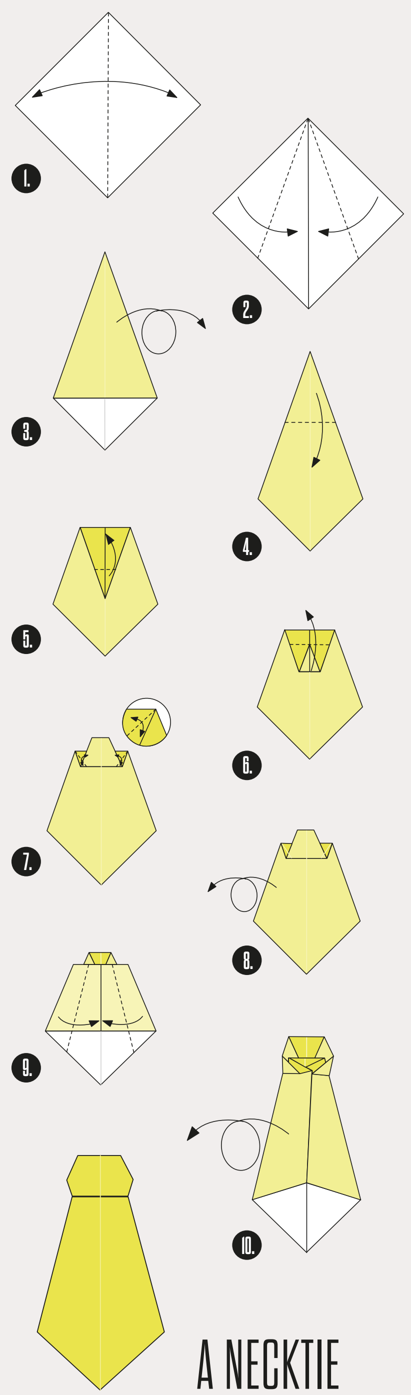
NET DEBT LEVERAGE RATIO

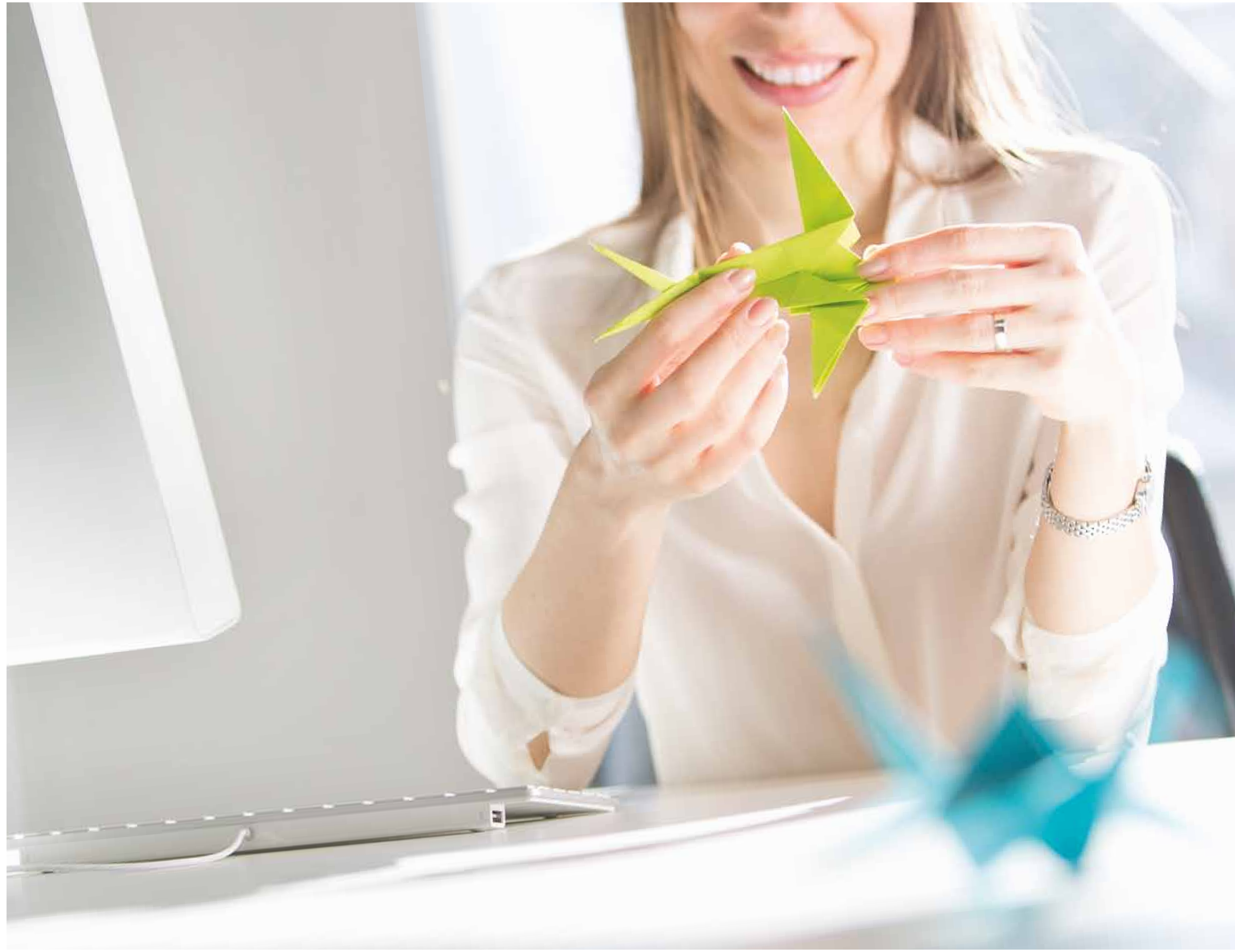
Unlike previous years, our Net debt leverage ratio increased reasonably and at the end of 2015 stood at 29.7 % (2014: 26.5 %) and below the Group's targeted level of 35 %. During the reporting year we raised around €300 million of a new financing and increased the volume of borrowings to €736.3 million, up by €102 million year-on-year.

€m	2011	2012	2013	2014	2015
Assets	1,253.3	1,440.4	1,530.1	1,806.1	2,089.3
Cash	141.8	48.6	49.9	155.3	115.4
Borrowings	349.5	463.0	505.3	634.4	736.3
Net Debt Leverage Ratio	**16.6 %**	**28.8 %**	**29.8 %**	**26.5 %**	**29.7 %**

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

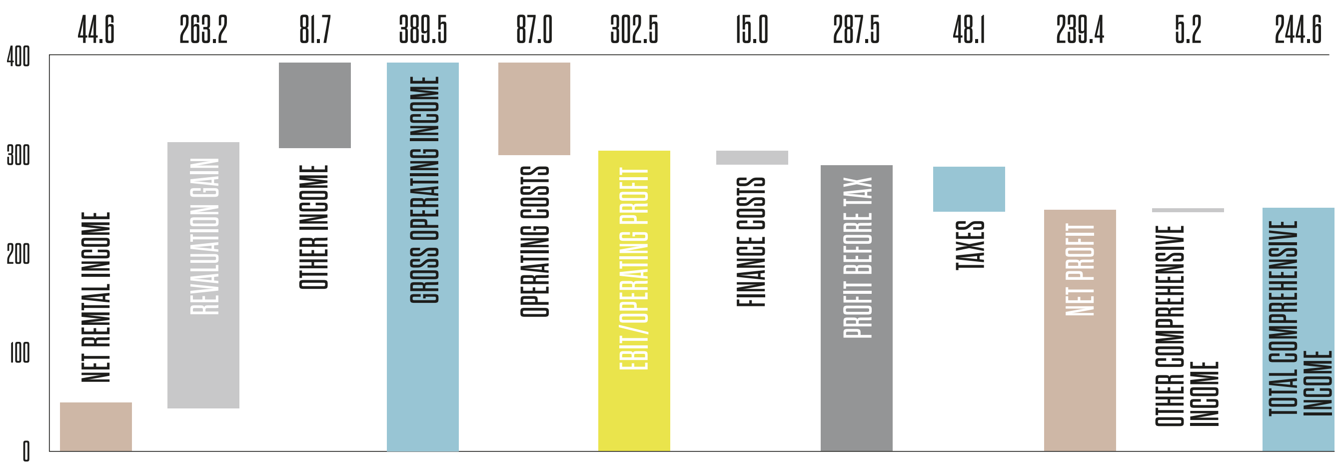
HOW WE CREATED VALUE IN 2015





The HB Reavis Group significantly increased its financial performance in 2015. We delivered an EBIT/Operating Profit of €302.5 million (2014: €119.8 million), which represents growth of 153 % year-on-year.

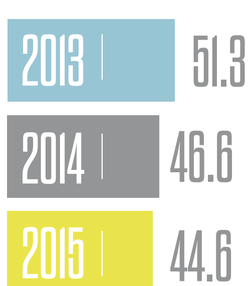
GROUP PROFIT DECOMPOSITION (€m)



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

NET RENTAL INCOME

€44.6m



REVALUATION GAIN

(NET OF YIELD SHIFT)

€227.8m

INVESTMENT PORTFOLIO YIELD

6.69 %

REVALUATION GAIN UP SIGNIFICANTLY

We continued to make great progress on our development pipeline, bringing the Revaluation gain on investment property to €263.2 million (2014: €108.6 million). This represents a robust year-on-year increase of around 142 %.

When adjusted for yield shift, the Group achieved €227.8 million (2014: €81.3 million) net revaluation gain while positive yield shift contributed €35.4 million to profits (2014: €27.3 million).

In geographical terms, again the biggest contributor was Poland with a gain of €123.7 million, followed by the UK with €87.1 million, Slovakia with €23.8 million and Hungary with €19.8 million.

In terms of yield shift, the average investment property portfolio yield decreased by 18-basis points to 6.69 % 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 7.29 % at the end of 2015, similar to 2014 levels. Average valuation yield of development properties, now more heavily weighted to UK and Polish assets, was also down by 35-basis points to 6.0 %.

NET OPERATING INCOME DECREASED BY €2 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 a decreased capacity to generate Net operating income. In 2015, it reached just €44.6 million (2014: €46.6 million), representing a 2 % decline. Like-for-like, Net operating income from the property portfolio increased by 19 % in 2015.

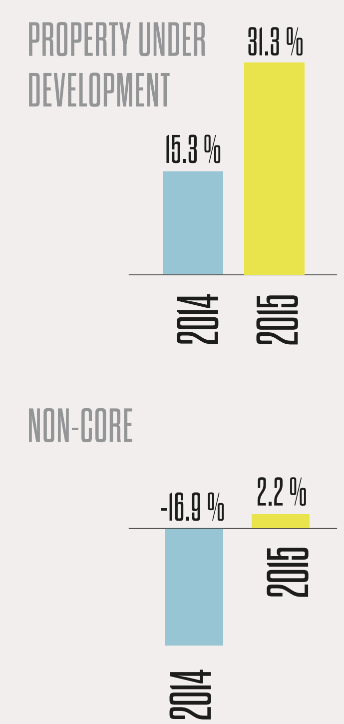
As our strategy is to continue active divestment of mature assets and reinvestment of the proceeds to increase our development pipeline, we see only limited growth potential for our Net operating income in the coming years.

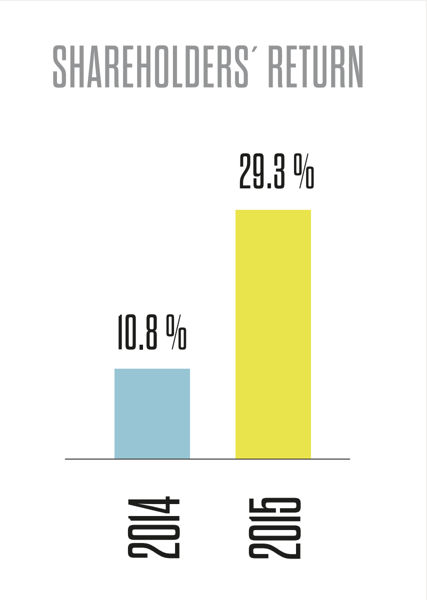
HOW BUSINESS LINES CONTRIBUTED

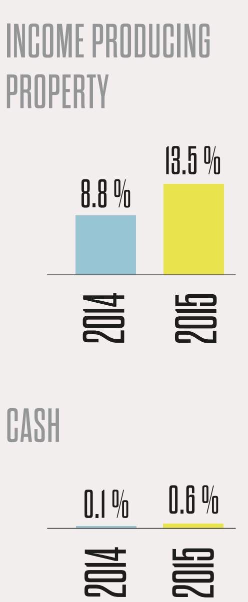
In light of the contributions made by the Group's business lines to overall return on shareholders' equity, we are convinced that the strategic increase in the development pipeline's share in total investment property is the right course. In combination with continuously improved performance (ROE up to 31.3 % from 15.3 % in 2014), the development portfolio was a main driver of performance in 2015.

We managed again to improve the performance of Income producing property – ROE increased from 8.8 % in 2014 to 13.5 % in 2015, driven by both Net operating income and Result of revaluation. We expect that the continued rebalancing of the Group balance sheet and further improvement of performance itself will allow us to regularly achieve the 15 % return to shareholders – the level set as our long-term target.

RETURN TO SHAREHOLDERS DECOMPOSITION





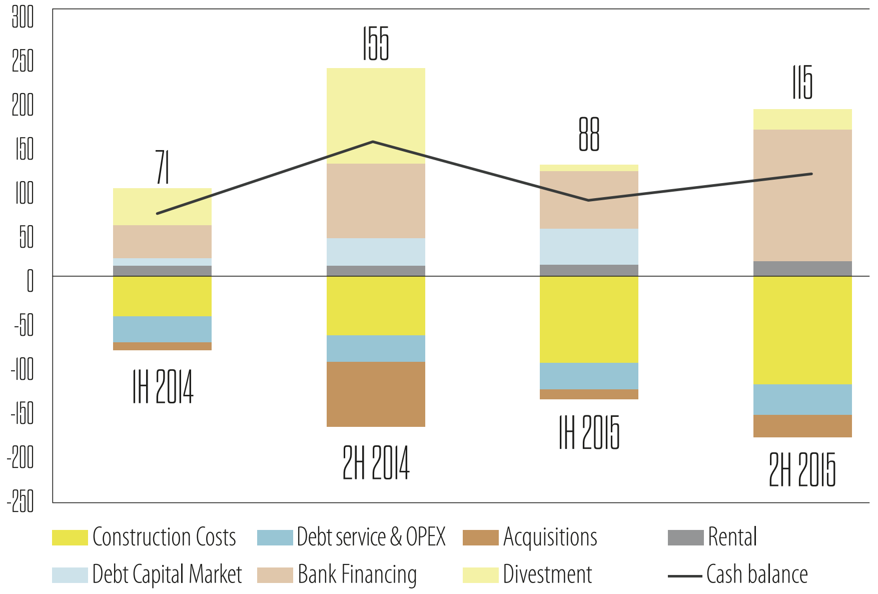


Note: Projects completed in 2015 included in Property under development.
Segment results based on Profit before tax (excluding Translation of foreign operations to the presentation currency).
Return to shareholders includes dividend paid out.

33 CENTRAL, LONDON

MANAGE CASH FLOW

CASH FLOW 2014 – 2015 (€m)



Note: Year-end figures based on consolidated, IFRS audited report. Half year figures based on IFRS, not audited report.

HOW WE

HB Reavis has always been focused on active and reasonably conservative cash flow management. This approach has consistently proved its value throughout our history as we grew from a local Slovak company to a reputable international player. But the biggest affirmation came during the toughest periods of the most recent financial crisis, which the Group not only survived but also used for additional growth. In terms of project financing and since a slight recovery in development financing in 2013, the trend has been positive and continued so in 2015.

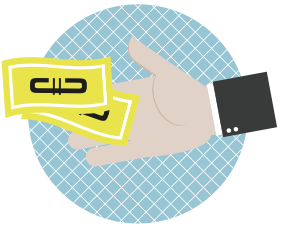
Financial institutions are now more willing to finance real estate projects. Although they are still cautious, some conditions related to the combination of loan-to-cost ratio, price and required rate of prelease have improved, depending, of course, on the particular market. Nevertheless, real estate developers still have to rely more on internal sources of funding and initial drawings are only available at a later stage in the project development phase. We try to use this positive trend to support our daily development operations, which are growing significantly in terms of volume and the number of projects and markets in which we operate. We do not want to slow down and want to be ready to grow and expand. This requires a great focus on prudent cash flow management. HB Reavis continues to manage cash flows according to proven guidelines:

- Primary focus on balanced operating cash flow so that recurring income from our income-producing properties fully covers Group operating expenses.
- 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 quarterly review 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 Flow (€m)	2011	2012	2013	2014	2015
Cash Beginning of Period	**76.6**	**141.8**	**48.6**	**49.9**	**155.3**
Operating Cash Flow	**7.6**	**16.3**	**9.0**	**20.6**	**24.3**
Land/Property Acquisitions	0.0	-143.0	-79.2	-56.7	-40.0
Construction Investments	-101.7	-86.5	-112.6	-122.6	-215.5
Land/Property Exits*	141.8	15.9	76.1	88.0	13.5
Other Investments	-16.9	-4.7	-8.2	-10.8	-8.1
Investment Cash Flow	**23.2**	**-218.3**	**-123.9**	**-102.1**	**-250.1**
Borrowings Change	54.1	105.6	125.1	200.7	244.9
Dividends/Equity Contributions	-19.7	3.2	-8.9	-13.8	-59.0
Financing Cash Flow	**34.4**	**108.8**	**116.2**	**186.9**	**185.9**
Cash End of Period	**141.8**	**48.6**	**49.9**	**155.3**	**115.4**
Share of Cash on Total Assets	**11.3 %**	**3.3 %**	**3.3 %**	**8.6 %**	**5.5 %**

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

WE BELIEVE WE COULD REACH THE THRESHOLD OF €300 MILLION IN INVESTMENT IN PLOTS AND CONSTRUCTION



In line with our 'growth' strategy, our mid-term aim is to continuously increase our annual investment in construction and acquisition of new plots to around €250 million. Even though we have enough resources, it is still very challenging, especially acquisitions. It remains difficult to find enough opportunities that match our strict criteria on shareholder return, location, size and client value proposition. Consequently, we were not able to increase investment in acquisitions during the reporting year. In fact, we recorded a decrease of €17 million, year-on-year. In contrast, we significantly increased investment in construction, up by €93 million, compared to 2014. Consequently, the amount of our overall investment surpassed our target level and reached €255 million. For 2016, we aim to further increase our investment in new plots and construction and believe we could reach the threshold of €300 million. However, factors such as market conditions, quality and price of potential projects, reasonable development financing and successful divestment programs will determine the actual 'speed of growth'.

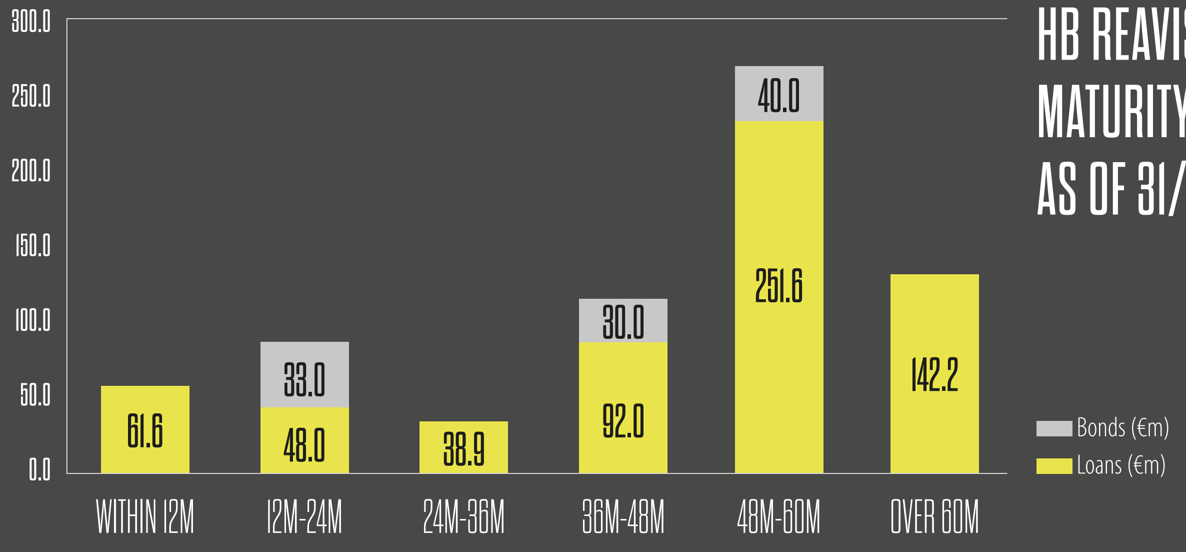
HOW WE FINANCE

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

The reporting year was another year of significant financing activity for HB Reavis, both in project financing and on debt capital markets. The Group deployed the continuing low interest-rate environment that characterized 2015 in both reducing its cost of debt and enhancing repayment tenor. Cost of external debt was compressed significantly below 2.75 % while the weighted average tenor stood at 4.25 years at year-end 2015 (2014: 3.9).

This was facilitated by robust financing activity through which over €500 million of external debt was newly raised or refinanced. On a cash basis, just over €300 million of new (additional) debt proceeds were raised by the Group. On an aggregate basis, at the end of 2015, external debt stood at €736.3 million, up by 16.1 % from the end of 2014. The larger part (86 %) of external debt stemmed from bank loans, while the remaining 14 % was in issued bonds.

KONSTRUKTORSKA BUSINESS CENTER,WARSAW



HB REAVIS GROUP MATURITY PROFILE AS OF 31/12/2015

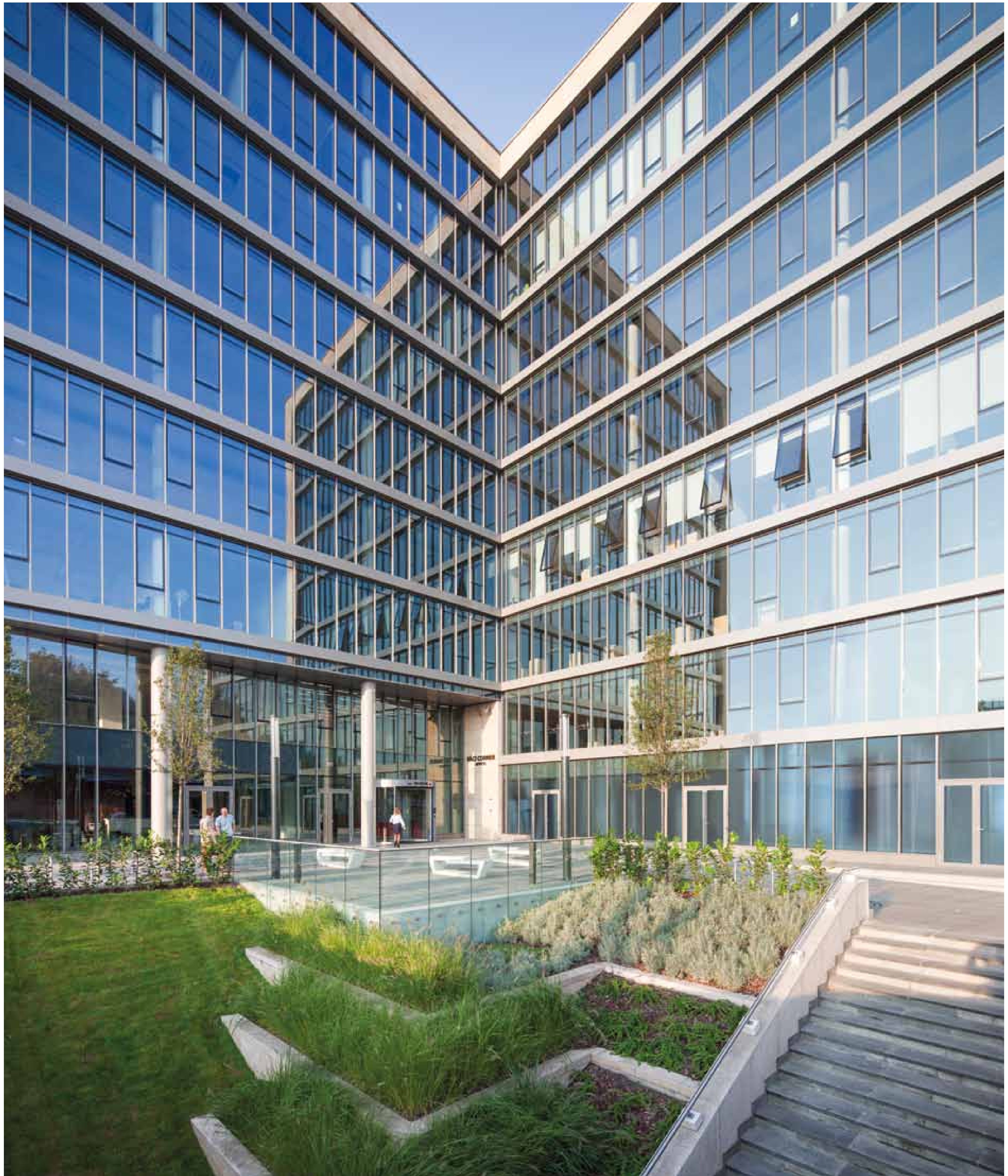
THE LARGER PART (86 %) OF EXTERNAL DEBT STEMMED FROM BANK LOANS, WHILE THE REMAINING 14 % WAS IN ISSUED BONDS

As of the end of 2015, HB Reavis maintained well diversified credit relationships with 12 (2014: 12) banking and financial institutions for projects in Slovakia, the Czech Republic, Poland and Hungary.

Following the overwhelming success of the Slovak bond issue in 2014, the Group returned to the Slovak debt capital market in 2015, offering an unsecured bond issue totalling €40 million with maturity of five years and annual coupon of 4.25 %.

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 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 in the conditions of our loan agreements. The Group closely monitors interest-rate development and takes action when necessary.

Our loan documentation always incorporates several key elements: achievable covenants and undertakings, operational flexibility, and protection of shareholders' equity. In the course of 2015, no default events were called or reported on the Group's loan portfolio.



VACI CORNER OFFICES, BUDAPEST

HOW WE DIVEST ASSETS

Central Europe's overall commercial real estate market is increasingly benefiting from two factors. One is the low interest-rate environment. The other is a widening of core market focus to Central Europe by investors seeking higher returns. Increased anxiety about volatility on global financial markets, due mainly to geopolitical tensions and concerns on economic recovery, resulted in real estate being one of the best performing asset classes in 2015.

Institutional investors continue to increase their allocations in Central Europe, with US funds acquiring large real estate platforms and accounting for almost one third of investment volumes in the reporting year. Moreover, the core Western and US funds' appetite is increasingly supplemented by regional players that maintain an ever increasing share of total deal volumes.

In spite of the increasing availability of capital focused on real estate, there are persistent discrepancies between core and non-core products as institutional investors are prepared to pay significant premiums for prime product in core countries. As a consequence, Poland and the Czech Republic enjoy yields reaching pre-crisis levels. Nevertheless, we expect non-core products to benefit from the spill-over effect of high liquidity and strong investor interest – a clear example of this trend is Polish regional cities where, for the first time, the volume of transactions in 2015 exceeded/matched that of the capital city, Warsaw.

We were able to partially benefit from the investment market's strong demand and solid interest in our assets. Throughout 2015, the Group started divestment of four assets and a logistics portfolio. Of these, we closed the Forum Business Center I in December 2015 and Vaci Corner Office in March 2016. The remaining two assets and the logistics portfolio are under offer. HB Reavis remains one of the most active players in the Central European investment market as investors value the high quality of our assets.

In December 2015, we finalised the sale of the Forum Business Center I, a landmark office building in Bratislava's CBD and the headquarters of Slovak Telekom, to a fund managed by REICO, the Czech asset management unit of the Erste Group AG. The transaction value of €46.2 million values the asset at an implied yield of approximately 7.3 %, or around €2,500 per m^2 of GLA, reflecting the high quality of the asset.

We successfully divested our first Hungarian asset, Vaci Corner Offices, to a fund managed by Zeus Real Estate Management in March 2016. The building, located in the well-established Vaci office corridor in Budapest with an excellent tenant roster and attractive design, was sold for €49 million at an implied yield of approximately 7.5 %, or around €2,270 per m^2 of GLA.

Demand for this asset proves that premium quality office buildings delivered by HB Reavis constitute valuable commercial assets in the real estate market. The divestment and also investor interest in both the Forum Business Center I and Vaci Corner Office reflect increasing investor appetite, also in markets whose liquidity is currently lower than that in core markets, as they seek diversification and the potential for higher returns. Besides that, we also continued divesting our non-core assets – the amount of the transactions reached €2.5 million.

The Group's divestment strategy relies on building and maintaining an outstanding and long-term relationship with institutional investors, based on a fair and open approach. Furthermore, it is essential for us to understand the needs and requirements of institutional investors. Implementation and transfer of both transactional know-how and investor requirements to the development process leads to continued improvements in and better marketability of our assets.

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 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.

S

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

W

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

O

- Strong demand in London, Bratislava and Budapest
- 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

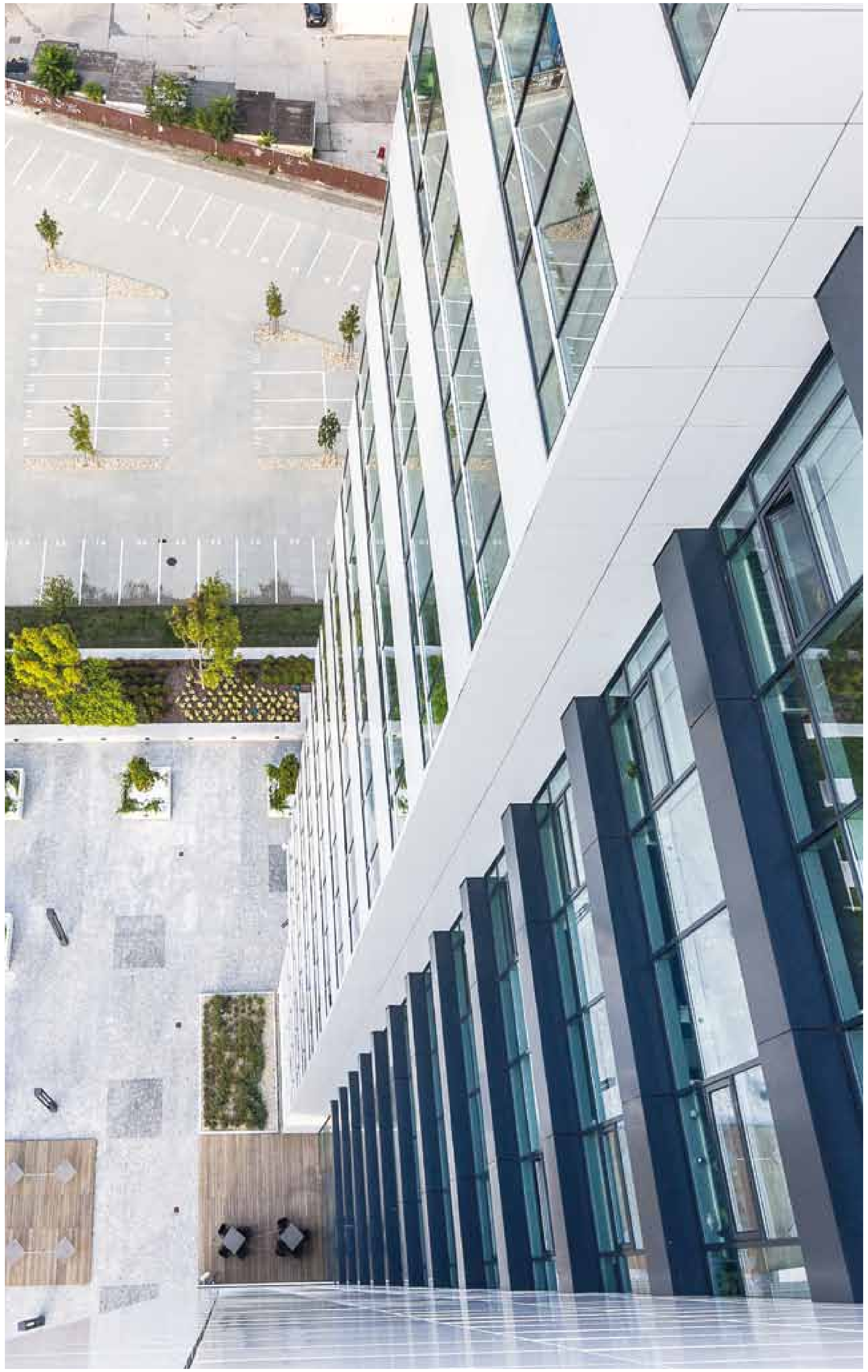
T

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

Uncertainty in macro- and micro-economic 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 partner and adverse implications of legal environment can lead to financial losses for the Group.

EXTERNAL RISKS

DESCRIPTION AND POTENTIAL IMPACT OF RISK	MITIGATION
The Group's business is dependent on macro-economic and property market conditions in each individual country and city in which we operate. Deterioration in commercial property markets lead 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 good 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 bank 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, if needed, 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, pecuniary or other, such breaches leading to direct or non-direct financial losses for HB Reavis.	• Continuous monitoring and evaluation of the credit standing of contractual partners, such as tenants, suppliers or banks. • Deploying protective measures, such as security deposits, bank guarantees or performance bonds.
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.



FORUM BUSINESS CENTER I, BRATISLAVA

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 funding sources. • Flexible construction pipeline enabling the Group to deploy capital at suitable times.
Failure to assess and manage risks during development process adversely impact future income, capital performance and endanger leasing exposure, timetable and costs, and adverse planning judgements. Poor construction delivery and procurement results in quality issues and cost overruns causing customer dissatisfaction and/or financial damage.	• Detailed analyses and appraisal of all developments, including risks, sensitivity and scenarios assessment is commissioned prior to any development commitment. • Progress against budget and schedule is monitored throughout the development. • Before awarding supplier contracts, key contractors are assessed, including financial covenant review. • Strong and sustainable relationships are maintained with key suppliers.
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.

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2015

CONTENTS

Audit report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of HB Reavis Holding S.à r.l. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, 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 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.

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 2015, 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.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 31 March 2016

Isabelle Dauvergne

HB Reavis Holding S.à r.l.
Consolidated Statement of Financial Position at 31 December 2015
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Investment property in use or vacant	9	570.3	725.0
Investment property under development	9	853.4	634.3
Investment in joint ventures	10	48.4	14.8
Property, plant and equipment	8	11.3	29.6
Intangible assets		0.4	1.3
Receivables and loans	7, 11	13.5	16.7
Deferred income tax asset	25	6.9	12.7
Other non-current assets	12	5.1	2.0
Total non-current assets		**1,509.3**	**1,436.4**
Current assets			
Non-current assets classified as held for sale	14	**430.9**	**171.1**
Inventories		0.4	3.8
Trade and other receivables	7, 13	48.4	41.3
Other assets		2.5	2.5
Cash and cash equivalents	15	97.8	151.0
		149.1	**198.6**
Total current assets		**580.0**	**369.7**
TOTAL ASSETS		**2,089.3**	**1,806.1**
EQUITY			
Share capital *(12,500 shares at EUR 1.00 each)*	16	-	-
Share premium	16	581.3	637.9
Retained earnings		521.0	284.7
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	-
Currency translation reserve	2.3	(6.4)	(7.8)
Equity attributable to the Company's owners		1,099.7	914.8
Non-controlling interest	24	0.6	18.6
TOTAL EQUITY		**1,100.3**	**933.4**
LIABILITIES			
Non-current liabilities			
Borrowings	7, 17	486.0	499.7
Deferred income tax liability	25	88.5	44.2
Other payables	7, 18	11.8	12.9
Total non-current liabilities		**586.3**	**556.8**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	14	**254.3**	**153.4**
Borrowings	7, 17	57.2	44.4
Trade and other payables	7, 18	70.3	99.5
Deferred income	18	12.2	9.7
Current income tax payable		8.7	8.9
		148.4	**162.5**
Total current liabilities		**402.7**	**315.9**
TOTAL LIABILITIES		**989.0**	**872.7**
TOTAL LIABILITIES AND EQUITY		**2,089.3**	**1,806.1**

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 31 March 2016 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 116 to 161 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2015	2014
Rental and similar income from investment property	19	67.5	72.1
Direct operating expenses arising from investment property	20	(22.9)	(25.5)
Net operating income from investment property		**44.6**	**46.6**
Revaluation gain/(loss) on investment property	9	263.2	108.6
Share of profit or loss of joint ventures	10	12.4	0.9
Gain on disposal of subsidiaries	24	13.6	5.6
Gain on disposal of joint ventures	10	1.1	-
Revenue from public transportation	21	13.4	13.7
Other operating income	7, 23	4.0	4.7
Revenue from construction contracts		37.2	7.0
Construction services		(31.8)	(6.8)
Employee benefits	7, 22	(24.5)	(18.9)
Fuel costs		(2.4)	(2.7)
Depreciation and amortisation		(3.4)	(3.8)
Other operating expenses	23	(24.9)	(22.3)
Operating profit		**302.5**	**132.6**
Interest income	7	1.2	1.1
Interest expense		(23.6)	(20.7)
Foreign exchange gains/(losses), net	26	5.0	(7.8)
Gains less losses on financial investments held for trading	24	5.3	-
Other finance income		2.2	0.5
Other finance costs		(5.1)	(5.5)
Finance costs, net		**(15.0)**	**(32.4)**
Profit before income tax		**287.5**	**100.2**
Current income tax credit/(expense)	25	(0.1)	2.1
Deferred income tax (expense)/credit	25	(48.0)	(14.1)
Income tax credit/(expense)		**(48.1)**	**(12.0)**
Net profit for the year		**239.4**	**88.2**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency	2.3	1.4	0.9
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 comprehensive income for the year		**244.6**	**89.1**
Net profit is attributable to:			
- Owners of the Company		239.4	87.9
- Non-controlling interest		-	0.3
Profit for the year		**239.4**	**88.2**
Total comprehensive income is attributable to:			
- Owners of the Company		244.6	88.8
- Non-controlling Interest		-	0.3
Total comprehensive income for the year		**244.6**	**89.1**

The accompanying notes on pages 116 to 161 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Changes in Equity for the year ended 31 December 2015
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	Attributable to owners of the Company: Share capital (Note 16)	Share premium (Note 16)	Retained earnings	Translation reserve	Revaluation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2014		-	**651.2**	**196.8**	**(8.7)**	**-**	839.3	**18.3**	**857.6**
Profit for the year		-	-	87.9	-	-	**87.9**	0.3	**88.2**
Other comprehensive income		-	-	-	0.9	-	**0.9**	-	**0.9**
Total comprehensive income for the year		**-**	**-**	**87.9**	**0.9**	**-**	**88.8**	**0.3**	**89.1**
Distribution to owners	16	-	(13.3)	-	-	-	**(13.3)**	-	**(13.3)**
Balance at 31 December 2014		**-**	**637.9**	**284.7**	**(7.8)**	**-**	**914.8**	**18.6**	**933.4**
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	24	-	-	-	-	-	**-**	(18.0)	**(18.0)**
Distribution to owners	16	-	(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**

The accompanying notes on pages 116 to 161 are integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Consolidated Statement of Cash Flows for the year ended 31 December 2015
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2015	2014
Cash flows from operating activities			
Profit before income tax		287.5	100.2
Adjustments for:			
Depreciation and amortisation	8	4.4	4.9
Revaluation gains on investment property	9	(263.2)	(108.6)
Gains less losses on disposals of subsidiaries	24	(13.6)	(5.6)
Gain on disposal of joint ventures		(1.1)	-
Share of profit or loss of joint ventures		(12.4)	-
Gains less losses from financial instruments held for trading		(5.3)	-
Interest income		(1.2)	(1.1)
Interest expense		23.6	20.7
Unrealised foreign exchange (gains)/losses	26	(4.9)	7.3
Operating cash flows before working capital changes		13.8	17.8
Working capital changes:			
Decrease/(increase) in trade and other receivables		(22.9)	(2.3)
Increase/(decrease) in trade and other payables		15.8	21.1
Increase/(decrease) in taxes payable		(0.2)	(1.6)
Cash generated from operations		6.5	35.0
Interest paid		(16.9)	(17.5)
Interest received		1.2	1.1
Income taxes paid		(0.2)	(0.6)
Net cash from operating activities		**(9.4)**	**18.0**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(10.5)	(8.0)
Purchases of investment properties		(40.0)	(56.7)
Investment in joint venture		(21.6)	(12.9)
Construction costs related to investment properties		(193.9)	(109.7)
Proceeds from sales of investment property		1.1	5.0
Proceeds from sales of subsidiaries, net of cash disposed	24	63.2	50.5
Loans provided to related parties under common control	24	(21.6)	-
Repayments of loans provided to related parties under common control	24	72.0	-
Capital of disposed subsidiary repayable to owners	24	10.0	-
Advance received for the sale of subsidiaries		-	32.5
Acquisition of financial investments held for trading	24	(80.4)	-
Net trading gains received from financial investments		5.3	-
Restricted cash		2.4	(2.8)
Net cash (used in)/from investing activities		**(214.0)**	**(102.1)**
Cash flows from financing activities			
Proceeds from borrowings		431.9	274.8
Repayment of borrowings		(151.9)	(74.1)
Repayment of loans due to related parties	24	(35.1)	-
Distributions paid to owners	16	(59.0)	(13.8)
Net cash from/(used in) financing activities		**185.9**	**186.9**
Net (decrease) / increase in cash and cash equivalents		**(37.5)**	**102.8**
Cash and cash equivalents at the beginning of the year	15	151.0	48.2
Cash and cash equivalents at the end of the year		**113.5**	**151.0**
Reconciliation of cash and cash equivalents:			
- Restricted cash	15	1.9	4.3
- Cash within non-current assets classified as held for sale	14	(17.6)	(4.3)
Cash and cash equivalents at the end of the year presented in the statement of financial position	**15**	**97.8**	**151.0**

The accompanying notes on pages 116 to 161 are 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 2015
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 2015 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 Metronom Business Center in Prague, the Czech Republic in 2015, Postepu Business Center, in Warsaw, Poland in 2015 and Twin City Business Centre (block A) in Bratislava, Slovakia in 2015, River Garden Office II/III in Prague, the Czech Republic in 2014, Gdanski Business Center I in Warsaw, Poland in 2014, Vaci Corner Offices in Budapest, Hungary in 2014, Konstruktorska Business Center in Warsaw, Poland in 2013 and Forum Business Center in Bratislava, Slovakia in 2013. As for acquisition activities, the Group purchased Burakowska site in Warsaw, Poland in 2015 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 Farringdon street in London, UK during 2014, a project aimed for redevelopment in central part of the City and started construction works on another office project in City district of London acquired on King William Street 33 (project 33 Central) the year before. Construction of 33 Central project and 20 Farringdon Street project, both in London, UK, Aupark Hradec Kralove, the Czech Republic, Gdanski Business Center II (block D), West Station BC I-II, both in Warsaw, Poland and Twin City (blocks B and C) in Bratislava, Slovakia is ongoing as of the date of preparation of these consolidated financial statements. Moreover, construction of Gdanski Business Center II (block C), in Warsaw, Poland was completed in December 2015. The Group operates several logistical/industrial properties on the outskirts of Bratislava, in Eastern Slovakia, and two industrial properties in the Czech Republic – Lovosice (completed in 2010) and Mošnov (partially completed in 2011).

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 will be no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund will 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 will be made in both capital and regional cities in the entire Central European region. Investments in logistic properties will be restricted to attractive and strategic locations only. 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 will be no specific country or real estate segment restrictions posed, Global REIF Sub-Fund will mainly invest in commercial real estate assets located in the EU countries and Turkey. The initial Global REIF Sub-Fund's portfolio will provide investments in 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 will be made in both capital and regional cities of EU countries and Turkey. Investments in logistic properties will be 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 29.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2015
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

1 The HB REAVIS Group and its Operations (Continued)

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.

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 Summary of Significant Accounting Policies

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

2.1. Basis of Preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 31 December 2015.

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, financial assets classified as available for sale (earn-out receivables, Note 13), 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 31.

2.2. Consolidated Financial Statements

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

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

2 Summary of 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 2015	31 December 2014
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.	GBP	Luxembourg	100	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. [1]	EUR	Luxembourg	100	-
11	Gdanski B SCSp. [1]	EUR	Luxembourg	100	-
12	EIGHT House S.à r.l. [1]	GBP	Luxembourg	100	-
13	SIXTYFIVE House S.à r.l. [1]	GBP	Luxembourg	100	-
14	HBR CE REIF LUX 3 S.à r.l. [1]	EUR	Luxembourg	100	-
15	HBR CE REIF LUX 4 S.à r.l. [1]	EUR	Luxembourg	100	-
16	P14 S.à r.l. [1]	EUR	Luxembourg	100	-
17	Postepu 14 SCSp. [1]	EUR	Luxembourg	100	-
18	HB REAVIS GROUP B.V. (Predecessor Holding Company)	EUR	Netherlands	100	100
19	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
20	HBRG Invest B.V.	EUR	Netherlands	100	100
21	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
22	HB Reavis CEE B.V.	EUR	Netherlands	100	100
23	HBR HOLDING LIMITED	EUR	Cyprus	100	100
24	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
25	HBR INVESTORS LTD	EUR	Cyprus	100	100
26	HBR IM HOLDING LTD	EUR	Cyprus	100	100
27	HB Reavis UK Ltd.[6]	GBP	UK	100	100
28	HB Reavis Construction UK Ltd. [6]	GBP	UK	100	100
29	33 CENTRAL LIMITED [1]	GBP	UK	100	-
30	HBR FM LTD [1]	GBP	UK	100	-
31	HBR Capital Investment LP [1]	GBP	UK	100	-
32	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
33	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi	TRY	Turkey	100	100
34	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi [1]	TRY	Turkey	100	-
35	HB REAVIS Croatia, d.o.o.	HRK	Croatia	100	100
36	COMPOS MENTIS GRADNJA, d.o.o.	HRK	Croatia	100	100
37	COMPOS MENTIS DVA, d.o.o.	HRK	Croatia	100	100
38	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
39	Váci Corner Offices Kft.	HUF	Hungary	100	100
40	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
41	HB Reavis Project 2 Kft.	HUF	Hungary	100	100
42	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
43	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
44	LUGO, s.r.o.	EUR	Slovakia	100	100
45	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
46	HB REM, spol. s r.o.	EUR	Slovakia	100	100
47	HB RE, s.r.o. [3]	EUR	Slovakia	-	100
48	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
49	BUS TRANSPORT s.r.o. [2]	EUR	Slovakia	-	100
50	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
51	AUPARK Košice SC, s. r. o. [2]	EUR	Slovakia	-	100
52	AUPARK KOŠICE, spol. s r.o. [2]	EUR	Slovakia	-	100
53	AUPARK Piešťany SC, s. r. o.	EUR	Slovakia	100	100
54	AUPARK Piešťany, spol. s r.o.	EUR	Slovakia	100	100
55	AUPARK Property Management, s. r. o.	EUR	Slovakia	100	100
56	AUPARK Ružomberok, spol. s r.o. [3]	EUR	Slovakia	-	100
57	AUPARK Tower Košice, s. r. o. [2]	EUR	Slovakia	-	100
58	AUPARK Trenčín, spol. s r .o. [3]	EUR	Slovakia	-	100
59	HBR SFA, s. r. o. (until 4.12.2014 as CBC III, s. r. o.)	EUR	Slovakia	100	100
60	CBC IV, s. r. o. [3]	EUR	Slovakia	-	100
61	BUXTON INVEST a.s.	EUR	Slovakia	100	100
62	Twin City a.s.	EUR	Slovakia	100	100
63	UNI - CC a. s. (until 29.8.2015 as UNI - CC s. r. o.)	EUR	Slovakia	100	100
64	Apollo Business Center III, spol. s r.o.	EUR	Slovakia	100	100
65	Apollo Business Center V, spol. s r.o.	EUR	Slovakia	100	100
66	Logistické Centrum Rača a.s.	EUR	Slovakia	100	100
67	Logistické Centrum Svätý Jur a. s. (until 15.7.2015 as Logistické Centrum Svätý Jur s.r.o.)	EUR	Slovakia	100	100
68	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
69	Logistické centrum Malý Šariš a. s. (until 8.9.2015 as Logistické centrum Malý Šariš, spol. s r. o.)	EUR	Slovakia	100	100
70	General Property Services, a.s.	EUR	Slovakia	100	100
71	ALLPERTON Slovakia, spol. s r.o. [2]	EUR	Slovakia	-	100
72	FORUM BC I s. r. o. [2]	EUR	Slovakia	-	100
73	FORUM BC II s. r. o.	EUR	Slovakia	100	100
74	INLOGIS I, spol. s r.o.	EUR	Slovakia	100	100
75	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
76	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
77	INLOGIS V s. r. o.	EUR	Slovakia	100	100
78	INLOGIS VI s. r. o. [2]	EUR	Slovakia	-	100
79	INLOGIS LCR a. s. [3]	EUR	Slovakia	100	100
80	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
81	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
82	CBC I - II a. s.	EUR	Slovakia	100	100
83	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
84	SPC Property III, s. r. o.	EUR	Slovakia	100	100
85	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
86	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
87	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
88	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
89	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
90	Slovak lines, a.s. [2]	EUR	Slovakia	-	56
91	Slovak lines Express, a.s. [2]	EUR	Slovakia	-	56
92	Slovak lines Opravy, a.s. [2]	EUR	Slovakia	-	56
93	Slovak lines Služby, a.s. [2]	EUR	Slovakia	-	56
94	HB REAVIS Finance SK s. r. o. (until 12.6.2014 as Twin City I s.r.o.)	EUR	Slovakia	100	100
95	Twin City II s.r.o.	EUR	Slovakia	100	100
96	Twin City III s.r.o.	EUR	Slovakia	100	100
97	Twin City IV s.r.o.	EUR	Slovakia	100	100
98	Twin City V s.r.o.	EUR	Slovakia	100	100
99	HB REAVIS Finance SK II s. r. o. (until 17.2.2015 as Twin City VI s.r.o.)	EUR	Slovakia	100	100
100	Twin Capital s. r. o. (until 10.12.2014 as Twin City VII s.r.o.) [2]	EUR	Slovakia	-	100
101	Twin City VIII s.r.o.	EUR	Slovakia	100	100
102	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
103	ALISTON Finance I s. r. o. (until 25.6.2014 as ALISTON III s. r. o.)	EUR	Slovakia	100	100
104	ALISTON Finance II s.r.o. (until 25.6.2014 as ALISTON IV s. r. o.)	EUR	Slovakia	100	100
105	ALISTON Finance III s. r. o. (until 24.9.2015 as ALISTON VI s. r. o.) [1]	EUR	Slovakia	100	-
106	ALISTON II s. r. o. [1]	EUR	Slovakia	100	-
107	HoldCo I a. s. [1]	EUR	Slovakia	100	-
108	HoldCo II a.s. [1]	EUR	Slovakia	100	-
109	Tower Nivy a. s. [1]	EUR	Slovakia	100	-
110	TC Nivy a. s. [1]	EUR	Slovakia	100	-
111	HB Reavis Investment Management správ. spol., a.s. [1]	EUR	Slovakia	100	-
112	ANDAREA s.r.o.	CZK	Czech Rep	100	100
113	AR Consulting, a.s.	CZK	Czech Rep	100	100
114	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
115	AUPARK Hradec Králové, a.s.	CZK	Czech Rep	100	100
116	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
117	AUPARK Ostrava, spol. s r.o.	CZK	Czech Rep	100	100
118	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
119	FORSEA s.r.o.	CZK	Czech Rep	100	100
120	Riga Office East s.r.o.	CZK	Czech Rep	100	100
121	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2015	31 December 2014
122	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
123	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
124	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
125	HYPARKOS, s.r.o.	CZK	Czech Rep	100	100
126	Letecké Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
127	MALVIS s.r.o.	CZK	Czech Rep	100	100
128	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
129	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
130	Železniční Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
131	MOLDERA, a.s.	CZK	Czech Rep	100	100
132	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
133	Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
134	DII Czech s.r.o.	CZK	Czech Rep	100	100
135	DNW Czech s.r.o.	CZK	Czech Rep	100	100
136	Real Estate Metronom s.r.o.	CZK	Czech Rep	100	100
137	Combar, s.r.o.	CZK	Czech Rep	100	100
138	Phibell s.r.o.	CZK	Czech Rep	100	100
139	Temster, s.r.o.	CZK	Czech Rep	100	100
140	PARIDES Plzeň, a.s.	CZK	Czech Rep	100	100
141	KELOM s.r.o. [1]	CZK	Czech Rep	100	-
142	ITAPE s.r.o. [1]	CZK	Czech Rep	100	-
143	GALIM s.r.o. [1]	CZK	Czech Rep	100	-
144	HB Reavis Finance CZ, s.r.o. (until 31.7.2015 as LUCASE s.r.o.) [1]	CZK	Czech Rep	100	-
145	RECLUN s.r.o. [1]	CZK	Czech Rep	100	-
146	HB Reavis Poland Sp.z o. o.	PLN	Poland	100	100
147	POLCOM INVESTMENT II Sp. z o. o.	PLN	Poland	100	100
148	POLCOM INVESTMENT III Sp. z o. o.	PLN	Poland	100	100
149	HB REAVIS CONSTRUCTION PL Sp. z o. o.	PLN	Poland	100	100
150	POLCOM INVESTMENT V Sp. z o. o.	PLN	Poland	100	100
151	POLCOM INVESTMENT VI Sp. z o. o.	PLN	Poland	100	100
152	POLCOM INVESTMENT VII Sp. z o. o.	PLN	Poland	100	100
153	PSD Sp. z o.o.	PLN	Poland	100	100
154	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
155	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
156	CHM1 Sp. z o. o.	PLN	Poland	100	100
157	CHM2 Sp. z o. o.	PLN	Poland	100	100
158	CHM3 Sp. z o. o.	PLN	Poland	100	100
159	GBC A POLCOM INVESTMENT XXI Sp. z o.o. (former POLCOM INVESTMENT VIII Sp. z o. o.) [4]	PLN	Poland	100	100
160	GBC B POLCOM INVESTMENT XXII Sp. z o.o. (former POLCOM INVESTMENT IX Sp. z o.o.) [4]	PLN	Poland	100	100
161	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
162	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
163	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
164	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
165	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
166	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
167	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
168	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
169	Polcom Investment XX Sp. z o.o.	PLN	Poland	100	100
170	Polcom Investment XXI Sp. z o.o.	PLN	Poland	100	100
171	Polcom Investment XXII Sp. z o.o.	PLN	Poland	100	100
172	IPOPEMA 110 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	PLN	Poland	100	100
173	HB Reavis JV Spółka Akcyjna [1]	PLN	Poland	100	-
174	Polcom Investment XXIII Sp. z o.o. [1]	PLN	Poland	100	-
175	Polcom Investment XXIV Sp. z o.o. [1]	PLN	Poland	100	-
176	Polcom Investment XXV Sp. z o.o. [1]	PLN	Poland	100	-
177	Polcom Investment XXVI Sp. z o.o. [1]	PLN	Poland	100	-
178	Polcom Investment XXVII Sp. z o.o. [1]	PLN	Poland	100	-
179	Polcom Investment XXVIII Sp. z o.o. [1]	PLN	Poland	100	-

2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2015	31 December 2014
	Joint ventures				
180	PHVH SOLUTIONS, s.r.o. [2]	EUR	Slovakia	-	50
181	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
182	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
183	Hotel Šachtička, a.s. [2]	EUR	Slovakia	-	50
184	Šachtičky, a.s. [2]	EUR	Slovakia	-	50
185	WEST STATION INVESTMENT Sp. z o. o. [5]	PLN	Poland	71	51
187	WEST STATION INVESTMENT 2 Sp. z o. o. (former Polcom Investment XVII Sp. z o.o.) [5]	PLN	Poland	72	100

[1] Entities established/acquired by the Group during 2015
[2] Entities disposed of during 2015 (refer to Note 24)
[3] Entities merged with INLOGIS LCR a. s. during 2015
[4] Entities became part of the FIZ substructure (entity number 172)
[5] Entity was renamed during 2015
[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 53, 54, 63, 67, 69 and 82 are part of the HB Reavis Real Estate SICAV-SIF (CE REIF Sub-Fund) established during the year 2011, entities number 14 to 15 and 107 to 108 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.

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.

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2 Summary of Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

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. The consolidated financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

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

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

Group companies. The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet date are translated at the closing rates at the date of that balance sheet;
- income and expenses and movements in equity are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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2 Summary of Significant Accounting Policies (Continued)

2.3. Foreign Currency Transactions and Translation (Continued)

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 Summary of 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.

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2 Summary of Significant Accounting Policies (Continued)

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.

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.

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2 Summary of Significant Accounting Policies (Continued)

2.8. Financial Instruments (Continued)

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 the year, 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.

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.

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2 Summary of Significant Accounting Policies (Continued)

2.9. Leases (Continued)

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.

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.

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2 Summary of Significant Accounting Policies (Continued)

2.12. Construction Contracts (Continued)

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 date of the statement of financial position.

2.16. Trade and Other Payables

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

2.17. Provisions for Liabilities and Charges

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

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

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

2.18. Uncertain Tax Positions

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

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2 Summary of Significant Accounting Policies (Continued)

2.18. Uncertain Tax Positions (Continued)

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 23.

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 Summary of 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 99.6% of investment properties (31 December 2014: 96%) 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 31.

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 57.1 million (2014: EUR 72.5 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.50% to 8.70%, or 6.44% on average (2014: 4.75% to 9.00%, or 6.90% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 65.8 million higher or EUR 71.1 million lower (2014: EUR 45.2 million higher or EUR 48.6 million lower).

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.

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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 2015:

- Annual Improvements to IFRSs –2011 – 2013 Cycle (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 January 2015); and
- IFRIC 21 - Levies (issued in May 2013 and effective in the EU for annual periods beginning 17 June 2014).

The Group also elected to adopt the following four amendments early:

- Annual Improvements to IFRSs 2010-2012 Cycle (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2012-2014 Cycle (issued in September 2014 and effective in the EU for annual periods beginning on or after 1 January 2016);
- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective in the EU for annual periods beginning 1 February 2015)
- Disclosure Initiative: Amendments to IAS 1 (issued in December 2014 and effective in the EU for annual periods on or after 1 January 2016).

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group.

IFRS 9 "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.·
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is analysing the requirements of the standard even though it has not been endorsed by the European Union yet.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 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 analysing the detailed requirements of the standard even though it has not been endorsed by the European Union yet. The Group currently does not expect a material impact of the new standard on its consolidated 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

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5 New Accounting Pronouncements (Continued)

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 income statement. 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 has not analysed yet the requirements of the new standard. The standard has not been endorsed by the European Union yet.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)
The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will add the required disclosure in its subsequent financial statements, if the amendment will be endorsed by the European Union.
The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The standard will not be endorsed by the European Union.
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). The standard has been deferred indefinitely and has not been endorsed by the European Union.
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The standard has not been endorsed by the European Union yet.
- 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). The standard has not been endorsed by the European Union yet.

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.

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6 Segment Analysis (Continued)

(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.

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

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**
	19	**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)**
	20	**(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 information on segment assets and liabilities as of 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	14	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	17	(201.4)	(79.4)	(77.6)	(127.2)	(0.4)	-	-	**(486.0)**
- current	7, 17	(7.2)	(1.3)	(1.0)	(2.7)	-	-	(45.0)	**(57.2)**
- included as held for sale	14	(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, 24	(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	19	45.3	8.2	12.4	1.6	-	-	-	**67.5**
Direct operating expenses	20	(15.6)	(2.0)	(4.6)	(0.7)	-	-	-	**(22.9)**
Net operating income from investment property	**9**	**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	14	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	15	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	17								
- 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, 24	(214.3)	-	-	-	-	-	-	**(214.3)**
Total divestments		**(214.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(214.3)**

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6 Segment Analysis (Continued)

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

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property									
- Office		27.4	5.0	0.8	10.2	-	-	-	**43.4**
- Retail		13.0	-	1.0	3.3	-	-	-	**17.3**
- Industrial		7.4	-	-	4.0	-	-	-	**11.4**
	19	**47.8**	**5.0**	**1.8**	**17.5**	**-**	**-**	**-**	**72.1**
Direct operating expenses arising from investment property									
- Office		(12.4)	(1.6)	(0.3)	(2.9)	-	-	-	**(17.2)**
- Retail		(4.0)	-	(0.5)	(1.1)	-	-	-	**(5.6)**
- Industrial		(1.7)	-	-	(1.0)	-	-	-	**(2.7)**
	20	**(18.1)**	**(1.6)**	**(0.8)**	**(5.0)**	**-**	**-**	**-**	**(25.5)**
Net operating income from investment property		**29.7**	**3.4**	**1.0**	**12.5**	**-**	**-**	**-**	**46.6**
Revaluation gain/(loss) on investment property									
- Office		1.8	68.3	36.7	(0.5)	-	-	-	**106.3**
- Retail		3.2	5.0	0.5	0.4	(0.3)	-	-	**8.8**
- Industrial		0.1	-	(0.1)	(1.1)	(5.4)	-	-	**(6.5)**
Subtotal		5.1	73.3	37.1	(1.2)	(5.7)	-	-	**108.6**
Share of profit or loss of joint ventures		0.2	1.2	-	-	(0.5)	-	-	**0.9**
Revaluation gain/(loss) on investment property, including joint ventures		**5.3**	**74.5**	**37.1**	**(1.2)**	**(6.2)**	**-**	**-**	**109.5**
Interest expense		(7.4)	(3.8)	(2.2)	(6.4)	(0.3)	(0.6)	-	**(20.7)**
Other (expenses)/ revenues		(9.9)	(11.0)	(8.9)	(1.1)	0.9	0.7	(5.9)	**(35.2)**
Segment result		**17.7**	**63.1**	**27.0**	**3.8**	**(5.6)**	**0.1**	**(5.9)**	**100.2**

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6 Segment Analysis (Continued)

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

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		489.5	275.2	275.9	104.3	-	-	-	**1,144.9**
- Retail		-	11.3	27.0	31.2	-	-	-	**69.5**
- Industrial		72.3	-	6.9	27.7	38.0	-	-	**144.9**
- Joint ventures		4.4	-	9.4	-	0.5	-	-	**14.3**
- Investment property held for sale	14	151.1	-	11.0	-	-	-	-	**162.1**
Other unallocated assets		-	-	-	-	-	151.0	119.4	**270.4**
Total assets		**717.3**	**286.5**	**330.2**	**163.2**	**38.5**	**151.0**	**119.4**	**1,806.1**
Borrowings									
- non-current	17	(235.9)	(54.0)	(62.0)	(136.8)	(11.0)	-	-	**(499.7)**
- current	7, 17	(37.3)	-	(0.6)	(4.7)	(1.8)	-	-	**(44.4)**
- included as held for sale	14	(129.0)	-	-	-	-	-	-	**(129.0)**
Prepayment for sale of a subsidiary	18	(32.5)	-	-	-	-	-	-	**(32.5)**
Other unallocated liabilities		-	-	-	-	-	-	(167.1)	**(167.1)**
Total liabilities		**(434.7)**	**(54.0)**	**(62.6)**	**(141.5)**	**(12.8)**	**-**	**(167.1)**	**(872.7)**
Segment net asset value		**282.6**	**232.5**	**267.6**	**21.7**	**25.7**	**151.0**	**(47.7)**	**933.4**

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

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	-	65.6	-	-	-	-	**65.6**
Construction costs related to investment property	9	7.9	96.3	5.1	0.3	-	-	-	**109.6**
Total investments		**7.9**	**96.3**	**70.7**	**0.3**	**-**	**-**	**-**	**175.2**
Sale of investment property	9, 24	(115.1)	-	-	-	(5.0)	-	-	**(120.1)**
Total divestments		**(115.1)**	**-**	**-**	**-**	**(5.0)**	**-**	**-**	**(120.1)**

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6 Segment Analysis (Continued)

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

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	19	54.6	8.5	4.6	0.3	4.1	-	-	**72.1**
Direct operating expenses	20	(19.8)	(2.3)	(3.0)	(0.3)	(0.1)	-	-	**(25.5)**
Net operating income from investment property		**34.8**	**6.2**	**1.6**	**-**	**4.0**	**-**	**-**	**46.6**
Revaluation gain	9	5.6	8.0	70.4	9.7	14.9	-	-	**108.6**
Share of profit of joint ventures		(0.4)	-	1.3	-	-	-	-	**0.9**
Interest expense		(9.5)	(1.6)	(6.4)	-	-	(3.2)	-	**(20.7)**
Other (expenses)/ revenues		(7.3)	(4.5)	(9.6)	(1.7)	(3.8)	(0.8)	(7.5)	**(35.2)**
Profit before income tax		**23.2**	**8.1**	**57.3**	**8.0**	**15.1**	**(4.0)**	**(7.5)**	**100.2**
Investment property in use or vacant	9	362.2	92.2	236.8	33.8	-	-	-	**725.0**
Investment property under development	9	179.1	91.5	207.9	7.5	148.3	-	-	**634.3**
Non-current assets classified as held for sale	14	171.1	-	-	-	-	-	-	**171.1**
Investment in joint venture		1.5		13.3					**14.8**
Other non-current assets		38.4	5.0	11.7	0.9	0.4	5.9	-	**62.3**
Total non-current assets including held for sale		**752.3**	**188.7**	**469.7**	**42.2**	**148.7**	**5.9**	**-**	**1,607.5**
Cash and cash equivalents	15	35.4	9.3	25.5	8.9	1.4	70.5	-	**151.0**
Other unallocated assets		-	-	-	-	-	-	47.6	**47.6**
Total assets		**787.7**	**198.0**	**495.2**	**51.1**	**150.1**	**76.4**	**47.6**	**1,806.1**
Borrowings									
- non-current	17	(286.3)	(37.4)	(175.6)	-	-	(0.4)	-	**(499.7)**
- current	17	(14.3)	(27.7)	(2.4)	-	-	-	-	**(44.4)**
Liabilities associated with non-current assets held for sale	14	(153.4)	-	-	-	-	-	-	**(153.4)**
Prepayment for sale of a subsidiary		-	-	-	-	-	(32.5)	-	**(32.5)**
Other unallocated liabilities		-	-	-	-	-	-	(142.7)	**(142.7)**
Total liabilities		**(454.0)**	**(65.1)**	**(178.0)**	**-**	**-**	**(32.9)**	**(142.7)**	**(872.7)**
Segment net asset value		**333.7**	**132.9**	**317.2**	**51.1**	**150.1**	**43.5**	**(95.1)**	**933.4**
Purchases of investment property	9	8.1	11.2	1.0	7.6	37.7	-	-	**65.6**
Construction costs related to investment property	9	15.3	33.2	45.8	6.3	9.0	-	-	**109.6**
Total investments		**23.4**	**44.4**	**46.8**	**13.9**	**46.7**	**-**	**-**	**175.2**
Sale of investment property	9, 24	(69.4)	(50.7)	-	-	-	-	-	**(120.1)**
Total divestments		**(69.4)**	**(50.7)**	**-**	**-**	**-**	**-**	**-**	**(120.1)**

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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 14 senior managers (2014: 12). 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 2015 are detailed below.

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 18)	(1.1)	(1.0)	(17.4)	**(19.5)**
Other payables non-current (Note 18)	(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**

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

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	3.2	10.2	1.5	**14.9**
Financial assets	-	0.7	-	**0.7**
Loans and receivables – non-current (Note 11)	2.9	-	2.3	**5.2**
Other non-current assets (Note 12)	-	-	0.9	**0.9**
Trade and other payables current (Note 18)	(1.2)	(0.5)	(8.4)	**(10.1)**
Other payables non-current (Note 18)	(0.8)	-	-	**(0.8)**

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

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	0.5	-	-	**0.5**
Revenue from construction contracts (Note 23)	-	4.9	0.5	**5.4**
Rental income	0.1	-	-	**0.1**
Other services	(1.8)	(0.5)	(0.4)	**(2.7)**
Short-term employee benefits (salaries)	-	(2.1)	-	**(2.1)**
Long-term employee benefits (social security costs)	-	(0.3)	-	**(0.3)**
Interest income	0.7	0.1	-	**0.8**

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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 1.8 million with respect to 2015 (2014: EUR 0.7 million). As the amount is payable by the shareholder, and does not constitute a share based payment under IFRS, it has not been expensed by the Group. The compensation of the Board of Managers of the Parent Company amounted to EUR 0.9 million in 2015 (2014: EUR 1.1 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2015 (2014: nil).

Distributions to owners paid by Group in 2015 and 2014 respectively are described in Note 16.

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 24.

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 2014					
Cost	15.5	3.8	34.4	0.1	**53.8**
Accumulated depreciation and impairment charges	(6.1)	(2.9)	(18.9)	-	**(27.9)**
Net book value	**9.4**	**0.9**	**15.5**	**0.1**	**25.9**
Year ended 31 December 2014					
Additions	-	-	-	8.5	**8.5**
Transfers	-	1.3	7.3	(8.6)	**-**
Disposals	-	-	(0.5)	-	**(0.5)**
Depreciation charge	(0.1)	(0.6)	(3.6)	-	**(4.3)**
Closing net book value	**9.3**	**1.6**	**18.7**	**-**	**29.6**
At December 2014					
Cost	15.5	5.1	41.2	-	**61.8**
Accumulated depreciation and impairment charges	(6.2)	(3.5)	(22.5)	-	**(32.2)**
Net book value	**9.3**	**1.6**	**18.7**	**-**	**29.6**
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**

As at 31 December 2015, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2014: nil). At 31 December 2015, property, plant and equipment carried at EUR 7.1 million (at 31 December 2014: EUR 3.8 million) has been pledged to third parties as collateral with respect to borrowings.

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9 Investment Property

	2015		2014	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**634.3**	**725.0**	**607.0**	**644.0**
Acquisitions of investment property	196.4	-	167.0	-
Subsequent expenditure on investment property	-	29.9	-	8.2
Transfers from under development to in use	(231.4)	231.4	(223.4)	223.4
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 14)	(1,3)	(391.2)	(11.0)	(151.1)
Transfer to joint venture (Note 10)	-	-	(0.9)	-
Disposals	(1.1)	(45.1)	(5.0)	-
Fair value gains/(losses) – properties completed during the year	63.8	-	37.1	-
Fair value gains/(losses) - other properties	182.0	17.4	67.9	3.8
Effect of translation to presentation currency	7.2	1.9	(4.4)	(3.3)
Fair value at 31 December	**853.4**	**570.3**	**634.3**	**725.0**

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 2015 was EUR 12.2 million (2014: EUR 15.1 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 (2015: 99.6% of properties were valued by independent, professionally qualified valuation expert, 2014: 96.3%). The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 31.

At 31 December 2015, investment properties carried at EUR 925.0 million (at 31 December 2014: EUR 845.7 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 2015	31 December 2014
Valuations obtained		**1,857.4**	**1,550.5**
Less: land classified as inventory (residential projects and land for resale) – value ascribed by valuer (in inventory at cost)		-	(7.4)
Less: property classified as property plant and equipment (own use)		(8.1)	(4.0)
Less: land not under the Group's control		-	(0.9)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		(10.1)	(3.6)
Less: lease incentive receivables	11(a)	(9.0)	(10.3)
Less: transfers to disposal groups classified as held for sale	14	(406.5)	(165.0)
Fair value at 31 December		**1,423.7**	**1,359.3**

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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:

	2015		2014	
In millions of EUR	West Station Investment 1-2	Other Joint Ventures	West Station Investment	Other Joint Ventures
Revenue	-	0.8	-	0.8
Profit and total comprehensive income for the year	17.5	(0.2)	2.4	(0.6)
Current assets	4.5	3.5	1.6	0.8
Non-current assets	79.6	8.7	26.5	9.8
Current liabilities	(11.0)	(2.9)	(1.2)	(0.8)
Non-current liabilities	(9.5)	(4.2)	(0.8)	(6.8)
Net assets of the investee	**63.6**	**5.1**	**26.1**	**3.0**
Share of other venturers	**(17.7)**	**(2.6)**	**(12.8)**	**(1.5)**
Investment in joint venture	**45.9**	**2.5**	**13.3**	**1.5**

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

11 Receivables and Loans

In millions of EUR	Note	31 December 2015	31 December 2014
Lease incentives receivables	(a)	9.0	10.3
Loans to related parties – non-current (Note 7)	(b)	1.2	2.9
Loans to joint ventures – non-current (Note 7)	(c)	2.6	2.3
Loans to third parties		0.7	1.2
Total receivables and loans		**13.5**	**16.7**

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

(a) Lease incentive receivables of EUR 9.0 million (31 December 2014: EUR 10.3 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 1.2 million as of 31 December 2015 (31 December 2014: EUR 2.9 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2015 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 EUR 2.6 million as of 31 December 2015 (31 December 2014: EUR 2.3 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2015 are provided under the following conditions – interest rates are from 11.59% to 12.00% p.a. The carrying value of loans approximates their fair value.

12 Other Non-Current Assets

In millions of EUR	Note	31 December 2015	31 December 2014
Other non-current assets	(a)	1.4	1.1
Other non-current assets – joint ventures (Note 7)		3.7	0.9
Total other non-current assets		**5.1**	**2.0**

(a) As at 31 December 2015, EUR 0.5 million relates to retained amounts related to Košice project in Slovakia divested during 2015. As at 31 December 2014, EUR 0.5 million relates to advance payments paid for plots of land in Slovakia to be acquired in financial year 2015.

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13 Trade and Other Receivables

In millions of EUR	Note	31 December 2015	31 December 2014
Trade receivables		11.6	21.6
Trade receivables and advances to joint ventures		15.1	1.5
Accrued rental income		3.0	3.8
Earn-out receivable		-	0.8
Loans to related parties	(a)	0.5	1.4
Other financial receivables		1.5	2.6
Less impairment loss provision for trade receivables		(2.3)	(1.7)
Total financial assets		**29.4**	**30.0**
VAT receivable		12.0	8.4
Prepayments		7.0	2.9
Total trade and other receivables		**48.4**	**41.3**

(a) Loans are provided under the following conditions – interest rates 4.0% - 10.8% (2014: 3.5% - 7.5%).

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

In millions of EUR	2015	2014
Provision for impairment at 1 January	**1.7**	**1.0**
Additional provision for receivables impairment	0.6	0.7
Provision for impairment at 31 December	**2.3**	**1.7**

Collateralised trade receivables are as follows:

In millions of EUR	Note	31 December 2015	31 December 2014
Trade receivables collateralised by:			
- bank guarantees		1.1	2.3
- tenant deposits		1.0	2.2
Total		**2.1**	**4.5**

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 2015 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	1.4	7.6	6.5	0.7

Financial effect of collateral at 31 December 2014 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	3.4	16.2	6.6	1.1

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 2015 is as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Earn-out receivable	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:						
Receivables collateralised by bank or other guarantees	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**

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

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

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 10.0 million as collateral for the borrowings as at 31 December 2015 (2014: EUR 5.0 million).

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14 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	31 December 2015	31 December 2014
Property, plant and equipment	1.0	-
Investment property	392.5	162.1
Trade and other receivables	4.7	1.4
Receivables and loans	13.9	2.9
Deferred income tax asset	1.2	0.4
Cash and cash equivalents	17.6	4.3
Total assets classified as held for sale	**430.9**	**171.1**

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.

As of 31 December 2014, the Group classified assets and liabilities of the four (4) subsidiaries (AUPARK KOŠICE, spol. s r.o., AUPARK Košice SC, s.r.o., AUPARK Tower Košice, s.r.o., INLOGIS VI s.r.o.) as held for sale. The sale transaction was completed in February 2015. At 31 December 2014, the Group received a prepayment of EUR 32.5 million in relation to this sale (Note 19).

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

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

In millions of EUR	31 December 2015	31 December 2014
Deferred income tax liability	5.5	20.2
Borrowings	239.8	129.0
Trade and other payables	9.0	4.2
Total liabilities directly associated with assets classified as held for sale	**254.3**	**153.4**

At 31 December 2015, investment properties carried at EUR 391.2 million (at 31 December 2014: EUR 151.1 million), property, plant and equipment carried at EUR 1.0 million (at 31 December 2014: nil) and the receivables of EUR 3.9 million (at 31 December 2014: EUR 1.4 million) have been pledged to third parties as collateral with respect to borrowings.

The non-current assets held for sale as of 31 December 2014 were sold during the year 2015 (Note 24).

15 Cash and Cash Equivalents

In millions of EUR	31 December 2015	31 December 2014
Cash at bank and in hand	94.1	135.2
Short-term bank deposits	3.7	15.8
Total cash and cash equivalents	**97.8**	**151.0**

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

The effective interest rate on short term bank deposits is 0.71% (2014: from 0.10% to 1.90%) and on average 0.71% (2014: 1.14%) and these deposits have an average maturity of 2.2 days (2014: 1.2 day).

At 31 December 2015, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 1.9 million (2014: EUR 4.3 million).

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15 Cash and Cash Equivalents (Continued)

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

	31 December 2015		31 December 2014	
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	30.9	-	101.7	1.3
- Banks rated 2	31.5	3.7	27.5	14.5
- Banks rated 3	-	-	0.5	-
- Banks unrated	31.4	-	5.1	-
Total	**93.8**	**3.7**	**134.8**	**15.8**

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 2015 and 2014 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.

16 Share Capital

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2014	12,500	12,500	651,197,500	**651,210,000**
At 31 December 2014	12,500	12,500	637,917,500	**637,930,000**
At 31 December 2015	12,500	12,500	581,327,500	**581,340,000**

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

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

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

In millions of EUR, except dividends per share amount	2015	2014
Distributions to owners payable at 1 January	**-**	**0.5**
Distributions declared during the year (from share premium)	56.6	13.3
Distributions declared during the year (other from retained earnings)	2.7	-
Distributions paid during the year	(59.0)	(13.8)
Distributions to owners payable at 31 December	**0.3**	**-**
Amount per share declared during the year in EUR	4,744.0	1,064.0

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17 Borrowings

In millions of EUR	Note	31 December 2015	31 December 2014
Non-current			
Bank borrowings		337.4	399.0
Other indebtedness	(a)	46.7	38.7
Issued bonds	(b)	101.9	62.0
Total non-current borrowings		**486.0**	**499.7**
Current			
Bank borrowings		55.4	43.7
Issued bonds		1.8	0.6
Other indebtedness		-	0.1
Total current borrowings		**57.2**	**44.4**
Total borrowings		**543.2**	**544.1**

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

All of the Group's Bank borrowings are denominated in EUR with the exception of one Bank borrowing related to Czech project which is denominated in CZK (EUR 6.6 million as at 31 December 2015).

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	2015	2014	2015	2014
Bank borrowings	337.4	399.0	342.7	404.6
Other indebtedness	46.7	38.7	46.7	38.7
Issued bonds	101.9	62.0	101.9	62.0
Non-current borrowings	**486.0**	**499.7**	**491.3**	**505.3**

Assumptions used in determining fair value of borrowings are described in Note 31.

The carrying values of current borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities:

In millions of EUR	31 December 2015	31 December 2014
Availability:		
- Expiring within one year	81.7	80.5
- Expiring beyond one year	156.5	37.4
Total undrawn facilities	**238.2**	**117.9**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 396.4 million (2014: EUR 453.0 million).

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17 Borrowings (Continued)

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 75% (2014: 60% to 70%) and minimum debt service coverage ratios ranging from 1.10 to 1.30 (2014: 1.10 to 1.25).

During 2015 and up to date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 31 December 2015 and up to date of authorisation of these consolidated financial statements for issue, the Group refinanced EUR 1.0 million from the current borrowings as at 31 December 2015 (2014: EUR 4.3 million).

18 Trade and Other Payables

In millions of EUR	31 December 2015	31 December 2014
Non – current		
Finance lease liabilities[1]	5.7	5.4
Other long term payables	6.1	7.5
Total non-current payables	**11.8**	**12.9**
Current		
Trade payables	8.0	9.2
Liabilities for purchase of investment property	-	7.2
Liabilities for construction of investment properties	25.1	20.0
Accrued liabilities	7.5	3.8
Derivatives and other financial instruments (Note 29)	0.9	3.0
Other payables	5.2	4.1
Liabilities due to joint ventures	17.4	8.4
Total current financial payables	**64.1**	**55.7**
Items that are not financial instruments:		
Deferred rental income	12.2	9.7
Accrued employee benefit costs	4.5	1.9
Other taxes payable	0.2	6.0
Prepayments for rent and other prepayments	1.5	3.4
Prepayment for sale of a subsidiary (Note 14)	-	32.5
Total current trade and other payables	**82.5**	**109.2**

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

In millions of EUR	31 December 2015	31 December 2014
Repayable after more than 5 years	5.7	5.4
Total	**5.7**	**5.4**

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

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19 Rental and Similar Income from Investment Property

In millions of EUR	2015	2014
Rental income – Office	47.2	43.4
Rental income – Retail	8.7	17.3
Rental income – Industrial	11.6	11.4
Total revenue	**67.5**	**72.1**

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 2015	31 December 2014
Not later than 1 year	43.1	33.1
Later than 1 year and not later than 5 years	113.8	106.9
Later than 5 years	83.4	56.1
Total operating lease payments receivable	**240.3**	**196.1**

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 2015 under the Group's operating leases were EUR 0.1 million (2014: EUR 0.2 million).

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

20 Direct Operating Expenses arising from Investment Property

In millions of EUR	2015	2014
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	0.5	0.5
Repairs and maintenance services	1.5	1.5
Utilities costs	8.8	9.8
Services relating to investment property	10.3	12.4
Real estate tax	1.8	1.3
Total	**22.9**	**25.5**

21 Revenue from Public Transportation

In millions of EUR	2015	2014
Revenue from public transportation - ticket sales	13.4	13.7
Total revenue from public transportation	**13.4**	**13.7**

The Group disposed of the public bus transportation business during 2015. Refer to Note 24.

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22 Employee Benefits

In millions of EUR	2015	2014
Wages and salaries	23.4	18.0
Pension costs – defined contribution plans	1.1	0.9
Total employee benefits	**24.5**	**18.9**

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

	2015	2014
Real estate	477	380
Bus transport	-	498
Total number of employees	**477**	**878**

23 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	2015	2014
Services	17.6	15.9
Energy costs	0.3	0.1
Material consumption	1.3	1.3
Other taxes	0.7	0.9
Cost of sold inventories	1.0	0.7
Cost of sold fuel	0.4	0.6
Audit fees	0.6	0.4
Other	3.0	2.4
Total operating expenses	**24.9**	**22.3**

Other operating income comprised the following:

In millions of EUR		2015	2014
Sales of services		1.4	2.1
Sale of fuel		0.4	0.9
Sales of inventories		0.6	0.7
Other operating income		1.4	0.7
Income from public transportation - regional government subsidies	(a)	0.2	0.3
Total other operating income		**4.0**	**4.7**

(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	2015	2014
Regional government subsidies - gross	7.2	8.8
Expenses related to regional government subsidies:		
- Other operating expenses (incl. fuel costs)	(3.4)	(4.2)
- Employee benefits	(2.6)	(3.2)
- Depreciation and amortization	(1.0)	(1.1)
Total income from public transportation - regional government subsidies	**0.2**	**0.3**

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24 Disposals of Subsidiaries

The Group sold shares in 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 14). 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 financial year 2015.

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

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

	2015				2014
		Subsidiaries sold to related parties under common control			
In millions of EUR	Subsidiaries sold to third parties	BUS TRANSPORT s.r.o.	Twin Capital	Total subsidiaries sold	Subsidiaries sold to third parties
Investment property in use	212.8	-	-	**212.8**	100.2
Net book value of own offices	-	-	-	**-**	14.9
Financial instruments held for trading	-	-	80.4	**80.4**	
Property, plant & equipment	-	23.0	-	**23.0**	-
Intangible assets	-	0.7	-	**0.7**	-
Inventories	-	3.4	-	**3.4**	-
Deferred tax liability	(11.5)	(1.7)	-	**(13.2)**	(8.0)
Borrowings	(160.5)	(18.2)	-	**(178.7)**	(64.9)
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	4.5	3.1	-	**7.6**	2.6
Other working capital	(1.3)	(3.1)	(0.1)	**(4.5)**	(1.4)
Less non-controlling interest	-	(18.4)	-	**(18.4)**	-
Net assets value	44.0	23.9	19.9	**87.8**	**43.4**
Gain on divestments of subsidiaries	3.5	10.1	-	**13.6**	5.6
Recycled currency translation reserve	-	-	-	**-**	2.1
Proceeds from sale of subsidiaries	47.5	34.0	19.9	**101.4**	51.1
Less cash in subsidiaries at the date of transaction	(4.5)	(3.1)	-	**(7.6)**	(2.6)
Less prepayment for sale of a subsidiary collected prior year	(32.5)	-	-	**(32.5)**	-
Less receivable from sale of subsidiary	(0.5)	-	-	**(0.5)**	-
Add liability from sale of subsidiary	1.3	-	-	**1.3**	-
Prior year earn-out collected	1.1	-	-	**1.1**	2.0
Cash sale proceeds	**12.4**	**30.9**	**19.9**	**63.2**	**50.5**

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	**-**

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

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25 Income Taxes

Income tax expense comprises the following:

In millions of EUR	2015	2014
Current tax	(0.1)	2.1
Deferred tax	(48.0)	(14.1)
Income tax credit/(expense) for the year	**(48.1)**	**(12.0)**

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

In millions of EUR	2015	2014
Profit before tax	**287.5**	**100.2**
Theoretical tax charge at applicable rate 20.59% (2014: 21.21%)	(59.2)	(21.3)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	12.7	6.8
- Non-temporary taxable items	(0.5)	(0.3)
- Change in estimate of prior period income taxes	(1.3)	2.7
Utilisation of previously unrecognised tax loss carry-forwards	0.2	0.1
Income tax credit/(expense) for the year	**(48.1)**	**(12.0)**

The Group uses 20.59% (2014: 21.21%) 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% (2014: 22%), the Czech Republic and Poland of 19% (2014: 19%) and UK of 20% (2014: 20%) where majority of the Group's operations are located.

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

In millions of EUR	1 January 2014	Charged/ (credited) to profit or loss	Transfer to assets held for sale	31 December 2014	Charged/ (credited) to profit or loss	Divest-ment of subsi-diaries	Transfer to assets held for sale	31 December 2015
Tax effect of deductible/ (taxable) temporary differences								
Investment properties	**(39.9)**	(18.5)	20.2	**(38.2)**	(48.0)	(6.5)	5.5	**(87.2)**
Unrealized foreign exchange (gains)/losses	**(1.4)**	0.3	-	**(1.1)**	1.1	-	-	**-**
Tax losses carried forward	**6.2**	4.3	(0.4)	**10.1**	(3.1)	-	(1.2)	**5.8**
Property, plant and equipment	**(1.6)**	-	-	**(1.6)**	2.0	0.1	-	**0.5**
Other	**(0.5)**	(0.2)	-	**(0.7)**	-	-	-	**(0.7)**
Net deferred tax (liability)	**(37.2)**	**(14.1)**	**19.8**	**(31.5)**	**(48.0)**	**(6.4)**	**4.3**	**(81.6)**

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

The Group expects that EUR 81.6 million (2014: EUR 31.5 million) of the deferred tax liability shall crystallise after more than 12 months from the balance sheet date.

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26 Foreign exchange gains/(losses)

In millions of EUR	2015	2014
Bank borrowings – unrealised	(2.2)	(1.7)
Inter-company loans to foreign operations that do not form part of net investment – unrealised	7.0	(3.2)
Trade and other receivables and payables – realised during period	0.1	(0.5)
Trade and other receivables and payables – unrealised	0.1	(2.4)
Foreign exchange losses/(gains)	**5.0**	**(7.8)**

27 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 82.1 million at 31 December 2015 (2014: EUR 62.3 million) out of that amount EUR 44.6 million will be financed by external loans. The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

28 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	2015	2014
Revenue from public transportation - ticket sales	13.4	13.7
Employee benefits	(4.6)	(4.6)
Fuel costs	(2.2)	(2.4)
Depreciation and amortisation	(1.7)	(1.8)
Other operating income	0.9	1.4
Other operating expenses	(3.7)	(4.2)
Gain on disposal of subsidiaries	10.1	-
Interest expense	(0.4)	(0.3)
Income tax	(0.4)	(0.2)
Profit or (loss)	**11.4**	**1.6**
Other comprehensive income:		
Revaluation of own use premises upon transfer to investment properties at fair value	3.1	-
Total comprehensive income	**14.5**	**1.6**

The effects on the statement of financial position are presented in Note 24 as of the date of disposal of the bus transportation subsidiaries.

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29 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.

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

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
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)	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	-	-

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

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
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)	Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	4.5	-	4.5	2.3	2.2	-
Liabilities						
Cash collateral received presented within trade and other payables	2.2	-	2.2	2.2	-	-

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29 Financial Risk Management (Continued)

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 30 banks (2014: 29 banks) but 52% (2014: 90%) of cash balances as of 31 December 2015 are held with 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 15.

(ii) Market risk

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

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

Had the foreign exchange rates been by one tenth lower than they have been throughout the year ended 31 December 2015 with all other variables constant, profit for the year would have been EUR 0.5 million lower (2014: EUR 0.8 million higher). Equity, after allowing for the tax effects, would have been EUR 0.4 million lower (2014: EUR 0.6 million higher).

Had the foreign exchange rates been by one tenth higher than they have been throughout the year ended 31 December 2015 with all other variables constant, profit for the year would have been EUR 0.5 million higher (2014: EUR 0.8 million lower). Equity, after allowing for the tax effects, would have been EUR 0.4 million higher (2014: EUR 0.6 million lower).

Financial liabilities resulting from currency and interest rate derivatives amount to EUR 0.9 million (2014: liabilities of EUR 3.0 million).

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 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)**
31 December 2014			
Total monetary financial assets	183.5	16.7	**200.2**
Total monetary financial liabilities	(499.1)	(106.1)	**(605.2)**
Net interest sensitivity gap at 31 December 2014	**(315.6)**	**(89.4)**	**(405.0)**

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29 Financial Risk Management (Continued)

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 2015 with all other variables constant, profit before tax for the year would have been EUR 0.9 million higher (2014: EUR 1.4 million), mainly as a result of lower interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been higher by EUR 0.7 million (2014: EUR 1.1 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 2015 with all other variables constant, profit before tax for the year would have been EUR 0.9 million lower (2014: EUR 1.4 million), mainly as a result of higher interest expense on variable interest liabilities. Equity, after allowing for the tax effects, would have been lower by EUR 0.7 million (2014: EUR 1.1 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 17). 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 2015, some 24% (2014: 43%) of the Group's Borrowings were concluded at a fixed rate or the underlying borrowing's variable interest rate was hedged. 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.

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 24. Therefore, the Group is not 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 2015 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 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 17)	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 18)	-	-	-	5.7	**5.7**
Financial payables - current (Note 18)	63.2	-	-	-	**63.2**
Derivatives and other financial instruments (Note 18)	0.9	-	-	-	**0.9**
Total future payments, including future principal and interest payments	**139.5**	**82.2**	**325.0**	**138.0**	**684.7**

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29 Financial Risk Management (Continued)

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

In millions of EUR	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal – Note 17)	44.4	85.8	292.6	121.3	**544.1**
Borrowings (future interest payments)	15.6	17.5	34.6	4.6	**72.3**
Finance leases (Note 18)	-	-	-	5.4	**5.4**
Financial payables - current (Note 18)	52.7	-	-	-	**52.7**
Derivatives and other financial instruments	3.0	-	-	-	**3.0**
Capital commitments to joint ventures (Note 10)	10.0	-	-	-	**10.0**
Total future payments, including future principal and interest payments	**125.7**	**103.3**	**327.2**	**131.3**	**687.5**

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 2016 shows positive cash flow of the Group of approximately EUR 214.4 million (2014: EUR 121.5 million). The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

30 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 2015	31 December 2014
Equity attributable to the owners of HB Reavis Holding S.à r.l.		1,099.7	914.8
Adjusted for			
Add: Deferred income tax liabilities	14, 25	88.8	51.3
Add: Trade and other payables from related party entities under common control	7	-	-
Less: Receivables and Loans provided to related party entities under common control	7	(1.3)	(2.4)
Net Asset Value (adjusted) as monitored by management		**1,187.2**	**963.7**

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 17(a)) less Cash and Group total assets. During 2015, the Group's strategy was to steer the net debt leverage ratio up to 35% (2014: 30-35% range). As is shown in the table below, the Group's ratio was below the targeted level at the end of 2015 and 2014. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2015	31 December 2014
Bank borrowings less cash	620.9	479.1
Total assets	2,089.3	1,806.1
Net debt leverage ratio[1]	**29.7%**	**26.5%**

[1] At 31 December 2014, the net debt ratio would have been 21.41% had the sale of Aupark Kosice project been completed in 2014. The project is classified as held for sale (Note 14) and the sale was completed in February 2015.

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31 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 2015 (Note 9)	-	-	1,857.4	**1,857.4**
Investment property – valuations obtained at 31 December 2014 (Note 9)	-	-	1,550.5	**1,550.5**

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.

Quantitative information about fair value measurements using unobservable inputs:

Asset Management and Investment Management

Segment	Valuation technique	Fair value 31 Dec 2015 (in millions of EUR)	Fair value 31 Dec 2014 (in millions of EUR)	Input	Range 31 Dec 2015	Range 31 Dec 2014
Slovakia						
Office	Discounted cash flow	222.9	272.6	Average annual rent in EUR per sqm	134.0 – 192.0	133.0. – 195.0
				Discount rate p.a.	7.7% - 9.25%	7.15% - 8.75%
				Capitalisation rate for terminal value	7.15% - 8.0%	6.9% - 8.0%
Office	Direct capitalisation method	39.0	-	Average annual rent in EUR per sqm	180	-
				Capitalisation rate	6.65%	-
Office	Transaction price	-	22.0	-	-	-
Retail	Discounted cash flow	32.5	31.9	Average annual rent in EUR per sqm	241.0	240.0
				Discount rate p.a.	8.25%	8.25%
				Capitalisation rate for terminal value	7.75%	7.75%
Retail	Transaction price	-	132.0	-	-	-
Logistics	Discounted cash flow	65.0	63.9	Average annual rent in EUR per sqm	47.0 – 55.0	50.0 – 53.0
				Discount rate p.a.	8.4% – 9.25%	8.75% - 10.0%
				Capitalisation rate for terminal value	7.9% – 8.5%	8.25% - 9.0%
Total		**359.4**	**522.4**			
Czech Republic						
Office	Direct capitalisation method	122.7	55.8	Average annual rent in EUR per sqm	167.0 - 187.0	180.0
				Capitalisation rate	6.75%	6.9%
Logistics	Direct capitalisation method	39.0	40.7	Average annual rent in EUR per sqm	49.0 – 55.0	55.0 – 60.0
				Capitalisation rate	8.5% - 8.75%	8.0% - 9.75%
Total		**161.7**	**96.5**			

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31 Fair Value Estimation (Continued)

Asset Management and Investment Management

Segment	Valuation technique	Fair value 31 Dec 2015 (in millions of EUR)	Fair value 31 Dec 2014 (in millions of EUR)	Input	Range 31 Dec 2015	Range 31 Dec 2014
Asset Management and Investment Management (Continued)						
Poland						
Office	Direct capitalisation method	429.0	244.0	Average annual rent in EUR per sqm	185.0 – 227.0	187.0 – 220.0
				Capitalisation rate	5.96% - 7.0%	6.25% - 7.25%
Total		**429.0**	**244.0**			
Hungary						
Office	Direct capitalisation method	46.0	33.9	Average annual rent in EUR per sqm	163.0	147.0
				Capitalisation rate	7.1%	7.5% - 8.25%
Total		**46.0**	**33.9**			
Total for segment		**996.1**	**896.8**			

Development in realisation and in preparation

Segment	Valuation technique	Fair value 31 Dec 2015 (in millions of EUR)	Fair value 31 Dec 2014 (in millions of EUR)	Input	Range 31 Dec 2015	Range 31 Dec 2014
Slovakia						
Office, Office/Retail	Residual Method	125.7	149.0	Capitalised net revenues less cost to completion	311.5	347.7
				Capitalisation rate	7.0% - 7.25%	7.1% - 8.5%
	Comparative method	-	0.5	-	-	-
Office	Residual 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	-
Retail	Transaction price	-	11.0	-	-	-
Total		**201.5**	**160.5**			
Czech Republic						
Office	Residual Method	7.7	49.9	Capitalised net revenues less cost to completion	31.3	46.9
				Capitalisation rate	7.25%	7.25% - 7.5%
Office	Direct capitalisation method	11.2	11.1	Average annual rent in EUR per sqm	149.0	168.0
				Capitalisation rate	8.35%	8.35%
Retail	Residual Method	45.2	23.5	Capitalised net revenues less cost to completion	39.2	45.0
				Capitalisation rate	6.75% - 7.0%	7.0%
	At cost	0.1	0.1	-	-	-
Logistics	Residual method	1.8	1.8	Capitalised net revenues less cost to completion	1.5	1.5
				Capitalisation rate	8.5%	8.5%
	Comparative method	-	5.1	-	-	-
Total		**66.0**	**91.5**			
Poland						
Office	Residual Method	150.4	206.6	Capitalised net revenues less cost to completion	132.7	174.6
				Capitalisation rate	6.0%	6.25%-6.75%
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	2.5	1.3	-	-	-
Total		**247.7**	**207.9**			

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31 Fair Value Estimation (Continued)

Development in realisation and in preparation

Segment	Valuation technique	Fair value 31 Dec 2015 (in millions of EUR)	Fair value 31 Dec 2014 (in millions of EUR)	Input	Range 31 Dec 2015	Range 31 Dec 2014
United Kingdom						
	At cost*	-	39.2	-		
Office	Residual Method	277.7	109.1	Capitalised net revenues less cost to completion Capitalisation rate	118.7 4.25% - 4.5%	67.3 4.75%
Total		**277.0**	**148.3**			
Hungary						
Office	Comparative method	29.5	-	Price in EUR per sqm	997.0	-
	At cost*	-	7.5	-	-	-
Total		**29.5**	**7.5**			
Total for segment		**821.7**	**615.7**			
Non-core						
Logistics	Comparative method	39.7	38.0	Price in EUR per sqm	4.3 - 26.1	5.9 - 17.5
Total for segment		**39.7**	**38.0**			

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

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.

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31 Fair Value Estimation (Continued)

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 1.87% p.a. (2014: 2.51% p.a.). Refer to Note 17 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.

32 Reconciliation of Classes of Financial Instruments with Measurement Categories

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

All of the Group's financial assets belong to the category loans and receivables except for financial derivatives that are classified as held for trading and 'earn out' receivable (Note 11) that is classified as available-for-sale financial asset. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as held for trading (Note 18).

33 Consolidated Structured Entities

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

The Group issued 2 tranches of bonds through HB Reavis Finance PL Sp. z o.o. incorporated in Poland, 1 tranche of bonds through HB REAVIS Finance SK s. r. o. and 1 tranche of bonds through HB REAVIS Finance SK II s. r. o., both incorporated in Slovakia. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 111.0 million and EUR 76.6 million (Note 17).

34 Events after the Balance Sheet Date

In March 2016, the Group completed sale of its share in the project company owning an office building in Budapest, Hungary. Carrying value of the property disposed of was EUR 47.1 million.

In March 2016, the Group issued unsecured bonds denominated in CZK amounting to EUR 25.8 million.

During the first three months of 2016 the Group has drawn EUR 48.9 million of the facilities undrawn as of 31 December 2015 and signed new credit facilities amounting to EUR 54.5 million of which EUR 30.1 million have already been drawn for financing of development activities 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.