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ANNUAL REPORT

17

Disclaimer

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We want to bring remarkable experiences to people’s lives through our real-estate solutions.

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01

WHO WE ARE

We're one of the few fully-integrated real estate players in Europe. Our highly specialised, professional team manages and executes every aspect of creating commercial real estate solutions – from land acquisition, through in-house product design and construction management, all the way to the delivery of client experience-focused spaces and services.

We are one of Europe's biggest office real estate developers. A privately-held business, we operate in the United Kingdom, Germany, Poland, Czechia, Slovakia and Hungary. There are almost 700 of us; talented experts with a passion for bringing remarkable experiences to people through our real estate solutions.

We aim to set office-space trends by delivering a unique value proposition to our clients. And as we pursue these inspiring goals, we hope the industry's best talent will join us too.

We create the unique and the innovative and bring something more than our clients and local communities expect from a real estate developer.

It's a fact proven by our track record of success. So far, we've delivered around 1.06m sq m of Gross Leasable Area (GLA) across 41 projects, with a Gross Development Value of approximately €3.2bn. Around 66,500 people use our projects as their place of work. Each day, over 100,000 people visit a HB Reavis-developed retail or entertainment centres.

As an asset manager, we continuously improve a portfolio of services enjoyed by almost 450 clients, 30,000 employees and the countless visitors who use these spaces. In total, these asset stretches to about 391,000 sq m of GLA.

1.06m sq m

of Gross Leasable Area delivered

€3.2bn

Gross Development Value

450 clients

66,500 users

In particular, our commitment to continually improve users' experiences has helped us to transform into a service provider: a Workspace-as-a-Service (WaaS) pioneer. It's a natural evolution of our unique, 'perpetual' approach to projects and solutions that has proved successful for over 25 years.

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FINANCIAL HIGHLIGHTS

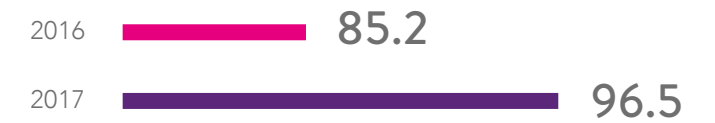
How We Performed

In 2017, our financial performance slightly improved. However, it's still lagging behind our long-term target due to permit delays.

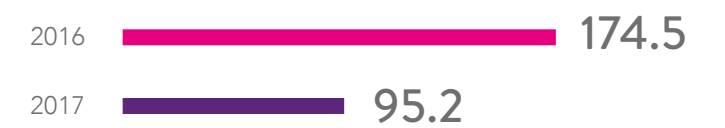
The Group generated a total comprehensive income of €96.5m (€85.2m in 2016). This translates into a 7.6% return on shareholders' equity (6.9% in 2016). Our balance sheet grew to €2.3bn, and adjusted net asset value reached around €1.27bn at the end of 2017.

At 26.8%, the Group's net debt leverage returned closer to our target. In addition, the business performed well: we signed leasing contracts worth over 108,000 sq m of GLA with 207 clients, 75% of which was new business.

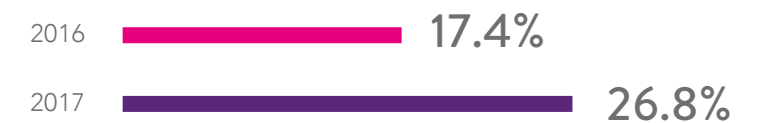
Comprehensive income (€m)



Revaluation gain (€m)



Net Debt Leverage Ratio



Net Asset Value (adjusted, €m)



Return to shareholders



* Figures based on Consolidated Financial Statements 31 December 2017

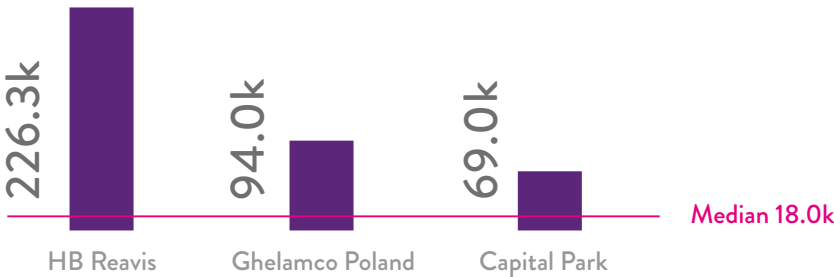
Look Back at Our Performance

According to PropertyEU, we were ranked third among Europe’s leading office developers, based on completed office space between 2013 – 2015.

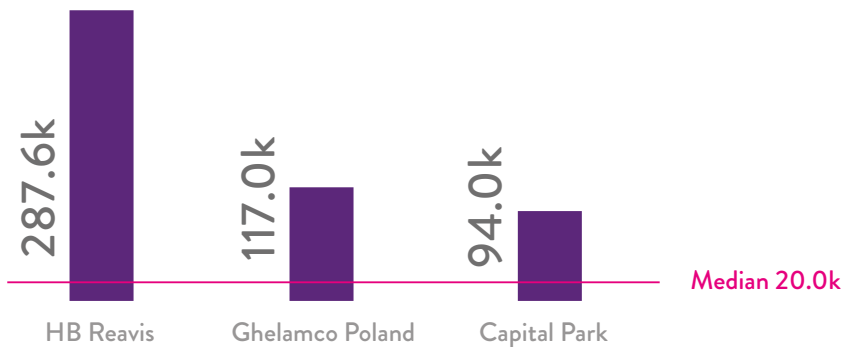
Concerning the completed office space over the last five years in Central European capitals*, our position is very strong and we clearly outperformed the competitors. In all three considered periods in between 2013 – 2017 we delivered at least double size of the office space compared to the second largest player (see the charts below).

Completed office space, (in sq m)

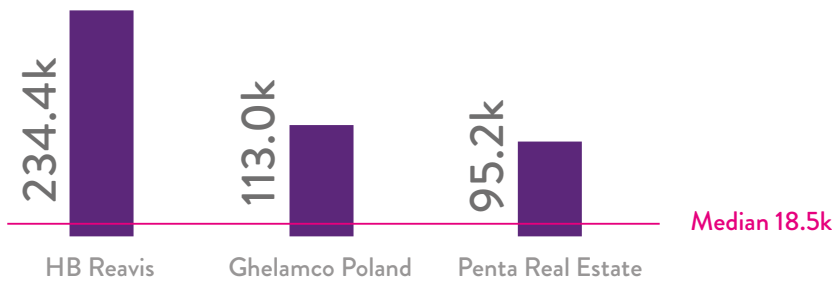
2013 – 2015



2014 – 2016



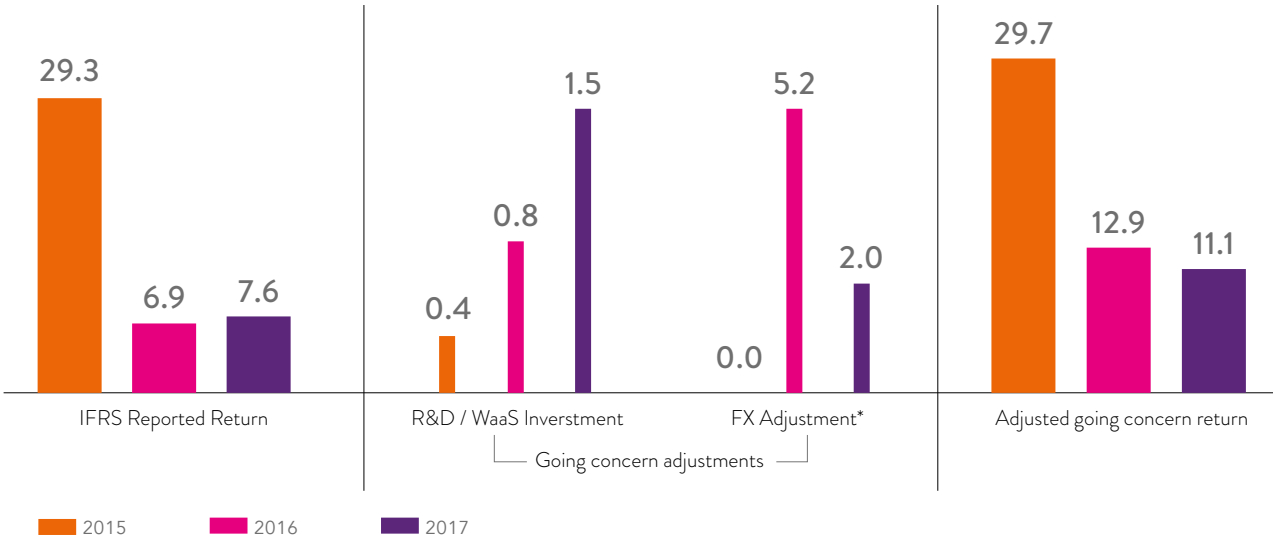
2015 – 2017



Source: JLL
*Central European Capitals – Warsaw, Prague, Budapest and Bratislava

The last three years have been a story of strong fundamental growth. CAGR of return to shareholders stands at 17.7%, even though we invested heavily in our transformative WaaS capabilities.

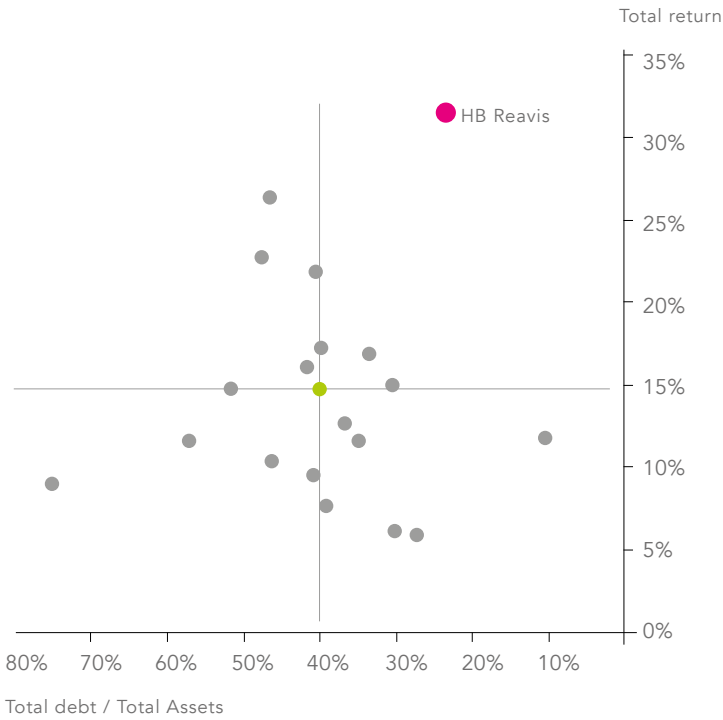
Return to shareholders
NAV growth + Dividend yield, %



* Due to Brexit vote and subsequent devaluation of GBP, value of HB Reavis’s UK investment properties was devaluated in EUR terms, negatively impacting reported P&L.

The last 20 years has delivered Total Equity return of 31.5% p.a. (CAGR of NAV growthplus dividends) – the unique compared to our European peers – along with a very conservative 23% ratio of total debt to total assets.

Total equity return vs leverage



Company	Total Debt / Total Assets	Total Return¹
HB Reavis	23.6%	31.5%
ICADE	46.6%	26.4%
Beni Stabili	47.5%	22.8%
Unibail	40.5%	21.9%
Workspace	39.8%	17.3%
CA Immo	33.5%	17.0%
Gecina	41.6%	16.1%
Derwent	30.3%	15.0%
Castellum	51.6%	14.8%
Befimmo	36.7%	12.7%
IWG (Regus)	10.6%	11.8%
PSP	34.8%	11.7%
Fabege	57.1%	11.7%
S Immo	46.3%	10.5%
Conifimmo	40.8%	9.6%
OVG²	75.2%	9.0%
British Land	39.3%	7.7%
Great Portland Estate	30.2%	6.2%
Landsec	27.4%	6.0%
Average	39.6%	14.7%

Source: Bloomberg, OVG Real Estate annual reports, company information
Note 1: Average Total Equity Return p.a. over last 20 years. Calculated as CAGR of NAV growth plus simple average of dividend pay-out ratio over that period.
Note 2: Data is for 2009 – 2016

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KEY PROJECTS

Completed Projects in 2017



33 Central

London, United Kingdom

100%
Occupancy

21,105 sq m
GLA

€279.2m
Valuation

West Station II

Warsaw, Poland

87%
Occupancy

37,977 sq m
GLA

€89.8m
Valuation



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

Note 2: Occupancy figures as of April 2018.

Projects Under Construction

**20 Farringdon Street**

London, United Kingdom

4/2018

Expected completion

7,700 sq m

Expected GLA

€138m

Expected valuation at completion

Cooper & Southwark

London, United Kingdom

4/2018

Expected completion

7,200 sq m

Expected GLA

€116m

Expected valuation at completion

**Twin City Tower**

Bratislava, Slovakia

H2/2018

Expected completion

35,300 sq m

Expected GLA

€113m

Expected valuation at completion

Agora Hub

Budapest, Hungary

H2/2019

Expected completion

34,500 sq m

Expected GLA

€101m

Expected valuation at completion

**Agora Tower**

Budapest, Hungary

H2/2019

Expected completion

34,100 sq m

Expected GLA

€102m

Expected valuation at completion

Varso Tower

Warsaw, Poland

H2/2020

Expected completion

70,300 sq m

Expected GLA

€421m

Expected valuation at completion



Varso 1

H2/2019

Expected completion

29,800 sq m

Expected GLA

€153m

Expected valuation at completion



Varso 2

H2/2019

Expected completion

44,800 sq m

Expected GLA

€254m

Expected valuation at completion

*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.

Nivy Station

Bratislava, Slovakia

H2/2020

Expected completion

105,100 sq m

Expected GLA

€403m

Expected valuation at completion



Nivy Tower

Bratislava, Slovakia

H2/2019

Expected completion

30,800 sq m

Expected GLA

€102m

Expected valuation at completion



BUSINESS HIGHLIGHTS

04



Rooftop view from 33 Central, London

33 Central, London

In 2016, we negotiated the forward sale of 33 Central to Wells Fargo which completed in 2017. In the first quarter of 2017, we secured 127m GBP financing for the project, our first in the UK. Then, in December, we successfully divested and handed the keys to Wells Fargo.



Aerial view of the South Bank, London showing One Waterloo (Elizabeth House)

Acquisitions

The acquisition of One Waterloo (Elizabeth House) in London was the largest in our history. The project has a prominent location at South Bank next to Waterloo Station, and has an office led permit in place for almost 96,000 sq m of GLA. We plan to optimise the current permit and start construction in 2020.

In last quarter of 2017, we bought our first Polish site outside Warsaw. The acquisition in Lodz involves developing around 46,000 sq m of predominantly office GLA in two phases.



Astra Zeneca's new offices at Postępu 14 in Warsaw

Leasing

Even though slightly below our ambitions, our Group's leasing teams did a solid job, finding no less than 108,000 sq m of GLA for our existing or new clients. The biggest included Wincor Nixdorf with 11,166 sq m; Astra Zeneca with 6,244 sq m and Euronet Polska with 3,461 sq m (all in Warsaw). However, start of the 2018 was exceptionally strong on the back of client activities from last year. In first 100 days our teams signed about 76,000 sq m of GLA with great brands like, Cambridge Innovation Center in Warsaw or CBRE in London and a major international technology company in Bratislava. For the first time we also signed a 25-year lease with leading hotel brand operator to enhance value proposition of Varso Place, our landmark development in Warsaw.



HubHub spaces at Postepu 14 in Warsaw

Start of the HubHub operation

HubHub is our co-working platform and business programming services provider. In the first half of the year, it grew from a simple idea to providing space for about 200 members across two sites, in Warsaw and Bratislava.



Neighbourhood of Varso Place in Warsaw

Varso Place – Central Europe's first pre-certified WELL building

Varso Place is set to be an exceptional mixed-use space, with a 230m tower (310m with the spire) and two smaller buildings.

At 145,000 sq m of GLA, it'll be Warsaw's largest business centre – and its designers and engineers are crafting the unique workspace that encourage both productivity and good health. These elements, introduced at the design and construction stage, led to a Gold WELL Precertification: the first in Central Europe.



Fresh market and gardens at the rooftop of Nivy Station in Bratislava

The world's first zone registered for BREEAM Communities Assessment Certification

New Nivy, a new business district we're developing in Bratislava, became the first urban area in the world to be registered with the new BREEAM Communities International standard.

The well-connected district is around 230,000 sq m in total. The zone includes eight separate developments including Nivy Station – an inspirational, international bus station complete with contemporary shopping destination and fresh food market.

New Nivy will be a well-planned new hub for the city, and comprehensive reimagining of a brownfield site.



Well Living Lab offices in Rochester, Minnesota

Founding member of Well Living Lab Alliance

We are the first European headquartered developer to join the Well Living Lab Alliance and are participating as a founding member of this global consortium.

The Lab pioneers research on the effect of the indoor environments on health and wellbeing. Our membership underlines a strong commitment to creating enjoyable workplaces where people can thrive.

Based in Rochester, Minnesota, the Well Living Lab is the first scientific research centre to analyse this relationship. A collaboration between Delos, a wellness real estate and technology company and world leading medical provider Mayo Clinic; the lab has access to some of the industry's brightest minds, and a wealth of innovative knowledge.

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GROUP OVERVIEW

1.25 million

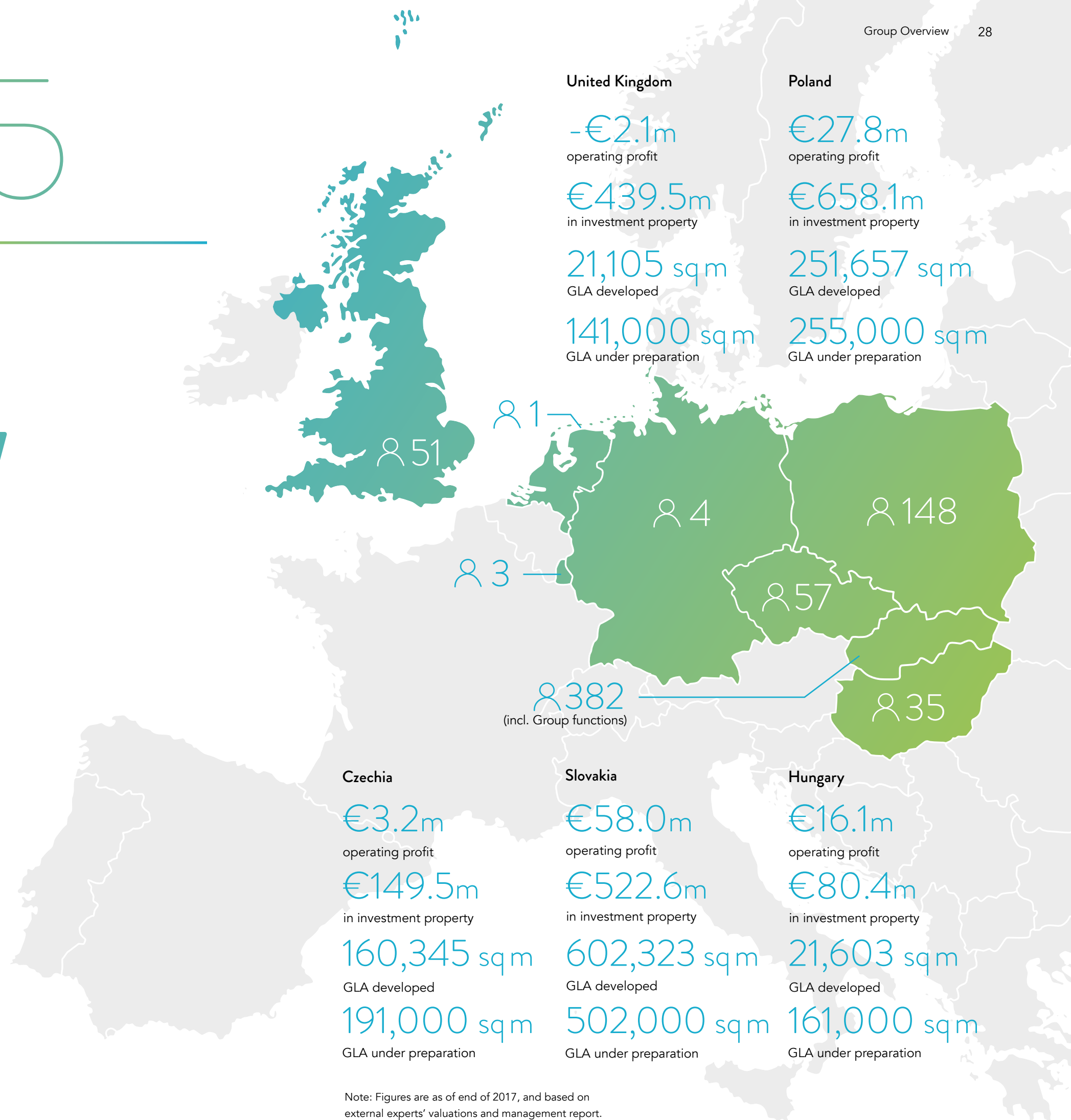
sq m GLA under preparation

1.06 million

sq m GLA developed

681

professionals



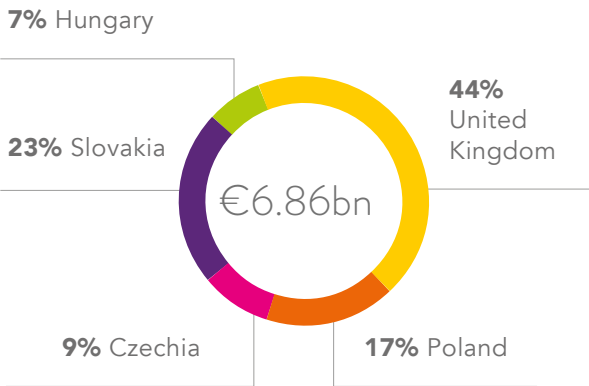
Note: Figures are as of end of 2017, and based on external experts' valuations and management report.

Property Under Development

Market value on completion, by segment



Market value on completion, by country



Planned Gross Leasable Area, by phase



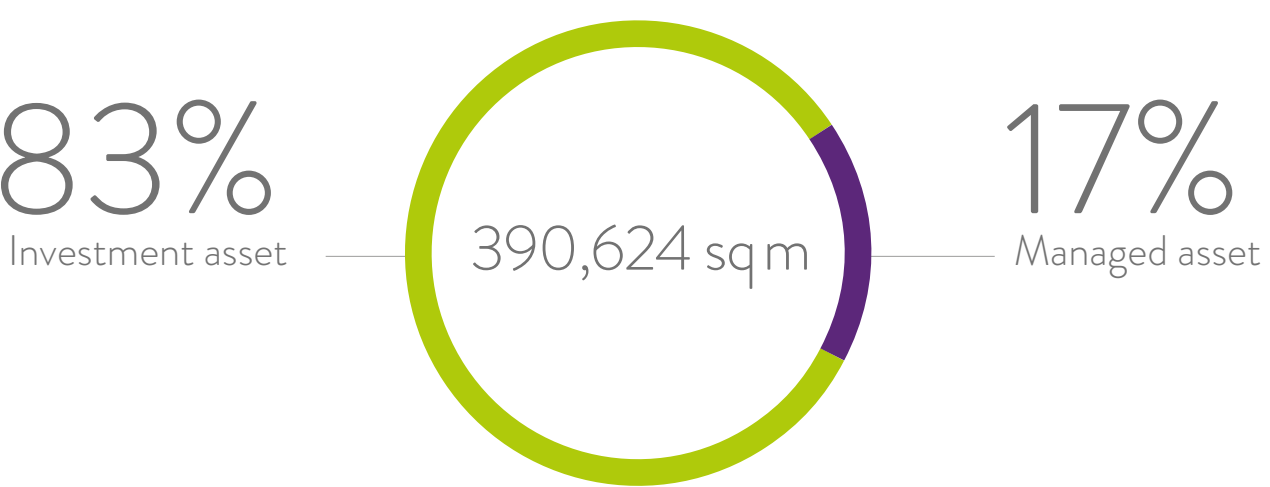
Portfolio of properties under development

Country	No. of projects	Planned GLA sq m	Market value upon completion €m
United Kingdom	3	141,467	2,995
Office	3	141,467	2,995
Poland	7	255,066	1,162
Office	7	255,066	1,162
Czechia	4	190,796	596
Office	4	190,796	596
Slovakia	12	501,524	1,603
Retail	1	105,068	404
Office	11	396,456	1,199
Hungary	6	161,429	508
Office	6	161,429	508
Total	32	1,250,282	6,864

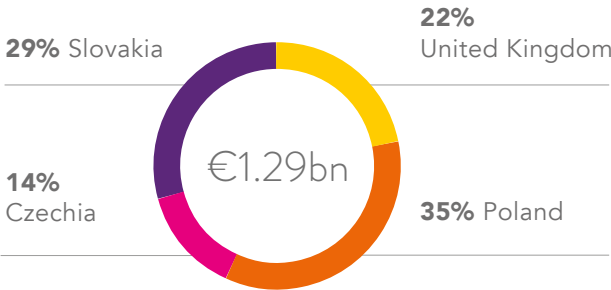
Figures based on external experts' valuations and management report, and are subject to permits, construction delivery and commercialisation.

Asset Management Portfolio

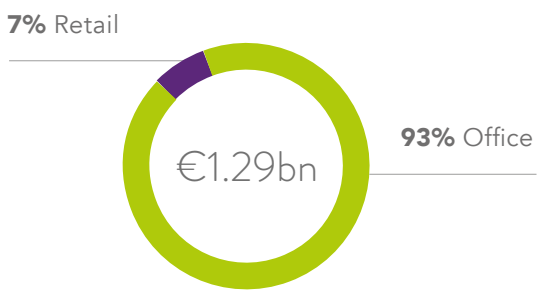
Total Gross Leasable Area, by type



Managed assets, by country



Managed assets, by segment



Asset management portfolio

Country	No. of projects	GLA sq m	Market value €m*
Owned income-producing assets	13	326,135	1,094.4
United Kingdom	2	27,843	281.8
Office	2	27,843	281.8
Poland	5	154,469	455.8
Office	5	154,469	455.8
Czechia	1	34,069	89.0
Office	1	34,069	89.0
Slovakia	5	109,754	267.9
Office	5	109,754	267.9
Assets managed by HB Reavis IM	3	64,489	192.0
Total	16	390,624	1,286.4

Note: Figures based on external experts' valuations and management report, and includes CE REIF and managed assets

2017 was another great chapter for HB Reavis.

We had already raised our profile from a leading Slovak developer; combining our integrated services and country operations to become a Central European heavyweight.

06

Message from Maarten J. Hulshoff

New strategic focus

But it was two newer strategies that really accelerated our transformation into a wider European leader. The first was a shift in focus from developing 'office buildings' to creating entirely new CBDs on transport hubs. As well as increasing the scale of our vision, these locations delivered better value for our clients and greater security for our investors.

That focus on clear propositions hints at our new horizon: the re-evaluation of our services. We are no longer just a bricks and mortar company – we are now also a service business that offers clients office solutions that help them improve productivity and even attract and retain talent.

Office solutions like our workspace advisory service Origameo, which helps clients tailor their offices perfectly for their people. And HubHub, our innovative co-working brand, which is already helping start-ups, freelancers and contractors realise their ambitions in Warsaw and Bratislava.

GREAT
CHAPTER

A year of success

These three strategic moves gave us the perfect footing to maximise a positive market. As the EU avoided a trade war, the economies in the countries we operate in grew. Capital cities outperformed the EU average, which drove the leasing markets. Foreign investment grew too, leading to increases in both leased and service offices, as businesses tested new markets.

In London, we divested our 33 Central development at great profit to Wells Fargo Bank. It is now their new regional headquarters. Our first UK project was, in addition to being well timed, smoothly managed by the local team.

We have great confidence in the UK market: despite Brexit, we have already reinvested the proceeds into One Waterloo. This project suits our strategy perfectly; a new central business district by Waterloo Station, a major travel connection.

We got the green light to develop our Agora project in Budapest, establishing a new 131,000 sq m GLA state-of-the-art CBD. Likewise, next to Warsaw Central Station in Poland, we started construction on Varso Place, including the Foster+Partner-designed 70,300 sq m Varso Tower.

Bratislava saw progress on our 135,900 sq m Nivy Zone, including its mall, matched by our 99,000 sq m Twin City and Tower development project. Twin City is already attracting clients such as SAP and Swiss Re, and we look forward to relocating our Head Office there later this year.



Meeting the market's needs

These projects are highly visible signs that we are becoming a CBD developer at well-connected locations in key European capitals. Just as importantly, they point to an entrepreneurial attitude that is creating value for our clients.

In practice, our clients are mostly renowned multinational companies. Businesses who appreciate our comprehensive integrated approach. Indeed, our acquisition, design, construction management, leasing and divestment expertise, coupled with our hands-on approach, is the foundation of our recent success. It is creating synergy across capital cities and giving us a deep understanding of our clients' needs – our main proposition.

Over the coming years, we expect to expand HubHub further, and are pleased to announce our joint venture participation in Cambridge Innovation Center, the US co-working organisation whose start-up innovation communities have delivered above-market rental growth.

The numbers speak for themselves. Our total income stood at €96.5m, 10% higher than 2016 with a much lower revaluation gain compensated by disposals and FX profit.

Thanks to our acquisitions, our total assets increased from €2.1bn to €2.3bn, despite of the deconsolidation of the CE REIF Fund reducing the balance sheet by €215m. And finally, we have seen NAV increase to €1.27bn while net leverage stood below 27% – an increase on last year, after funding some of our investment by issuing bonds.

A bright future

That performance is a fitting tribute to former CEO Pavel Trenka's leadership since 2007. His eye for the complexities of the market and understanding of how the integrated model could benefit us has created the highly-energised, multi-talented, 700-strong HB Reavis team of today.

I am also hugely pleased that Pavel is still here, growing our team of Non-Executive Directors to three. Together with Ivan Chrenko's exceptional talents, I feel we are well-equipped to guide the business through whatever opportunities may come.

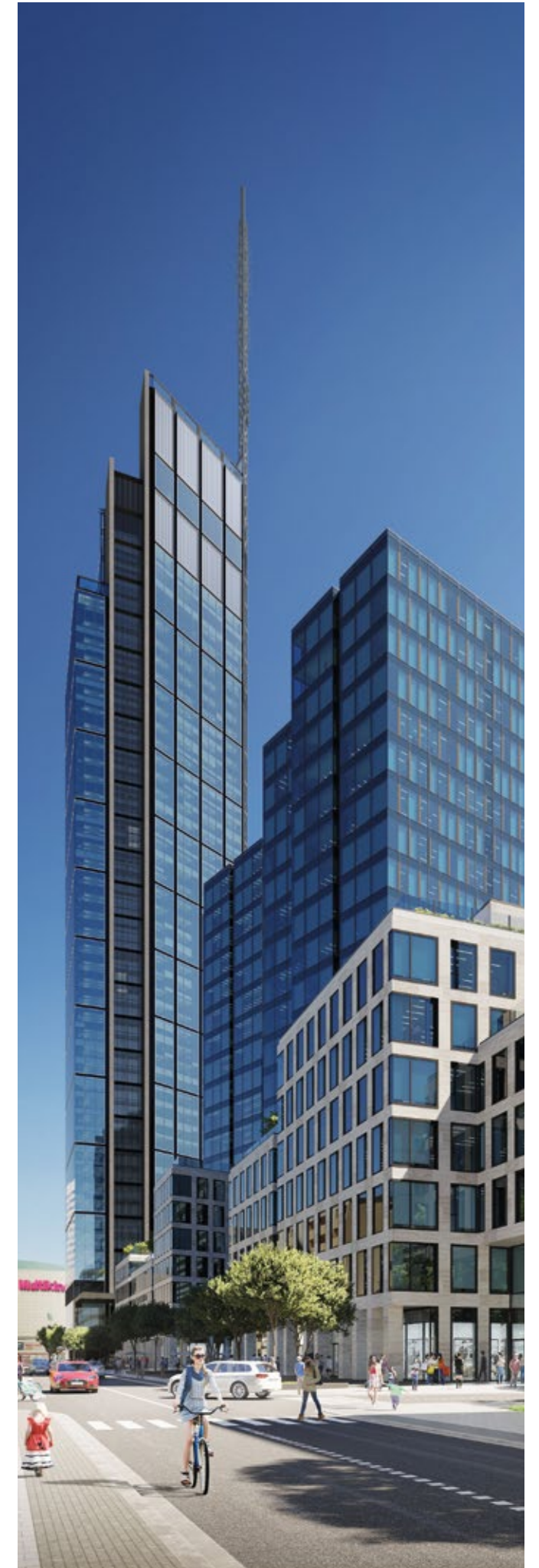
The business is now in the capable hands of our new CEO, Marian Herman and Deputy CEO Radim Rimaneck. Their wealth of experience of both our operations and the wider banking and advisory fields will bring a new dimension to HB Reavis.

All told, it is very pleasing to sit here and be so positive about both the figures and the direction of the business. In the wider picture, the trend for protectionism is a concern, as well the potential for increased interest rates after a long spell of uniquely low rates in the US and EU.

The two new acquisitions in Germany are very exciting too. As with all our work, they are the product of a clear and unique strategy that is cutting through the competition to create value for clients and investors. It has already increased our value, and I look forward to seeing it bring us further success in 2018 and beyond.



Maarten J. Hulshoff
Non-executive director



A black and white photograph of two men in a meeting. The man on the left, wearing a light-colored checkered shirt, is holding a large sheet of paper. The man on the right, wearing a light-colored sweater, is holding a marker and looking at the paper. They are both smiling. The background is a brick wall and a whiteboard.

07

FROM

THE
CEOs

Dear partners, clients and friends,

This is the last time that I will reflect officially on our past year. Honestly, I was hoping for a better financial result than an 8% return to shareholders. But when I look at our potential, I am optimistic that our platform's capabilities and fundamentals are very strong, and will cement our status as one of Europe's leading workspace players.

Trying circumstances

So why we have not achieved our 2017 targets? Only one reason comes to mind: delays in execution.

First, we were delayed in receiving building permits for our large-scale projects in Bratislava, Budapest and Prague. Much was down to external factors, but I believe we also have room for improvement in terms of our development teams' operational excellence and coordination – a priority going forward.

Then, there were the complicated underground works that delayed the progress of Varso Place by a few months, our largest scheme in construction.

And lastly, our leasing aspirations proved to be slightly more ambitious. The good news is that it was only due to contract delays. Our largest transactions merely slipped into 2018: in the first 100 days, our teams signed more than 76,000 m sq of new leases, about 75% of 2017's total.

A much stronger proposition

In the mid-term, I am grateful to the whole team and our partners for the way we've together strengthened our capabilities and prospects.

We progressed in codifying and deploying Bubbles – the user-centric design principles linked to our focus on users' productivity and wellbeing.

We became pioneer in Well certification, registering more buildings than anyone else in Europe and becoming a founding member of Well Living Lab – a research organisation analysing the impact of workplaces on users' health and effectiveness.

Our product portfolio was enhanced with the launch of the HubHub co-working platform, and its rich mix of events and talent development activities.

Our service portfolio also grew. First, our workspace advisory team, Origameo, has already supported 11 projects – with exceptional client feedback. Second, Active Asset Management launched its portfolio of user-oriented social, educational and cultural events, and value-adding services like the concierge, bike sharing service and one-stop user interface – with hugely pleasing NPS ratings in the 80s and 90s.

And finally, Smart Building is a new technological platform that will redefine insights into the use of space and the intelligent interaction between users and their working environment. While not operational yet, the beta version is being finalised and we plan to pilot the 1.0 solution in our new offices in Bratislava. Our investment into this set of innovations and capabilities has already started to pay off. Some of our clients have immediately bought into their potential and are willing to pay a 20% premium vs market rents. We cannot sleep on these first successes, however, and will continue to support the innovations that will be critical to our strategy of setting workspace trends. And we now have our first acquisitions in Germany, with the potential for 85,000 sq m of GLA; a welcome piece of news just as our annual report goes to print.

Investing in success

Looking more long-term, we made significant capital allocation decisions. Our investment in One Waterloo, one of London's top five developments, cemented our position as one of the market's key developers and provides a fantastic opportunity to deploy our capabilities and create something truly remarkable. Our acquisition of a stake in Cambridge Innovation Center, one of the leading operators of innovative ecosystems, should accelerate our ability to anchor all our major schemes with a vibrant community that attracts an excellent mix of clients.

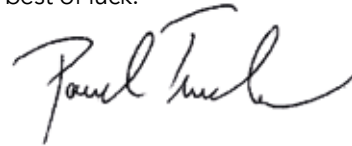
In the past year, we also continued to invest heavily into our people. On the back of our transformational program, Building the Future, we held workshops across the business to discover how each individual and team could improve HB Reavis.

The long list of ideas has already gained traction, and it is a joy to see us harness the entrepreneurial spirit within our ever-growing organisation. Just as importantly, the People Leadership Program went through design before piloting in the UK and Poland, and is now being rolled out to the whole organisation.

Heartfelt thanks

So, supporters of the HB Reavis show: I would like to thank you very much for your ongoing support and feedback. While 2017 was not the best financial year in our history, it was a solid one in perilous geopolitical and bureaucratic waters.

Let me also thank all my colleagues for letting me lead the firm over the last few years. It has been a great ride. I hope that Marian, my long-term partner on the Executive Board, will find the same pleasure in leading HB Reavis going forward. From my new Non-Executive Director role, I wish him best of luck.



Pavel Trenka
Non-executive Director and CEO until March 2018



Dear friends, colleagues and business partners,

The start of 2018 has seen a long-planned leadership change within our organisation. From March 2018, Radim and I took over the stewardship of the Group as Deputy CEO and CEO, respectively.

While we are both excited about the future; our greatest admiration and thanks go to Pavel, who has been the architect of our international growth from purely Slovak developer to CE leader and pan-European player. We are now transformed into a fully-fledged Workspace-as-a-Service provider.

Admittedly, his achievements will be tough to follow. But both Radim and I are committed to doing our best as we run this great show together.

A steady, inventive path

It goes without saying that the strategy of the company will not change – both Radim and I have been instrumental in crafting it over the past years. If anything, we want to elevate the speed and cadence of our new products' and services' delivery, shortening the time to market and launching the 'big data' element of our services.

This ongoing product innovation, coupled with value-adding services, will be critical for us to target premium commercial parameters.

Open to ideas and ambitions

We look forward to embedding the strategies that have served us so well into our new German projects. But equally, our investment into Cambridge Innovation Center last year indicates that, going forward, we will venture outside the usual organic growth paths. Moreover, the planned geographical expansion may see us use external capital to more quickly roll-out our business model to a wider geographical footprint.

I remain humbly respectful of, and the same time look forward to, all the challenges and aspirations that running this great company brings. The future is already now.



Marian Herman
CEO from March 2018

08

BOARD OF DIRECTORS

As of March 1st 2018, the Executive Board has seen a significant change. Pavel Trenka completed his mandate and became Non-Executive Director. Marian Herman, former CFO, became a new Chief Executive and Radim Rimanek became Deputy CEO.

Non-Executive Directors

Ivan Chrenko

Co-founder and Chairman of the Board, and our Chief Executive Officer from 1993 to October 2013.

Maarten J. Hulshoff

Independent Non-Executive Director – Before he joined us ten years ago, Maarten was CEO of Rodamco Europe and Rabobank International, after 19 years in a number of senior international positions at Citibank.

Executive Directors

Pavel Trenka**CEO**

Our CEO since October 2013, Pavel joined us in late 2007. A former Associate Partner at McKinsey & Company, he was primarily responsible for our Group strategy, international expansion and transformation.

Marian Herman**CFO**

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

Rene Popik**Member of the Board**

Rene is a long-standing executive of the Group who was promoted to the Board in early 2017. Formerly Development Manager of Aupark Shopping Centre in Kosice, and later Head of Development in Poland, he currently leads our Group development activities and oversees our Slovakia business.

Radim Rimanek**Member of the Board**

Before Radim joined us in the spring of 2012, 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 Czechia and UK development activities.

Peter Ceresnik**Member of the Board**

Peter joined HB Reavis in September 2016 and took responsibility for our leasing, marketing and IT, as well as our new Origameo and HubHub services. Peter previously held leadership positions within the IT sector as General Manager at Exe and Country Manager at both Microsoft and the SAS Institute.

Robert Kantor**Member of the Board**

Robert joined us in 2000, leading our Asset Management and Retail Leasing activities before joining the Executive Board in 2013. After his promotion, Robert also took responsibility for all our construction delivery activities. Previously, he managed a family business in the machine industry.



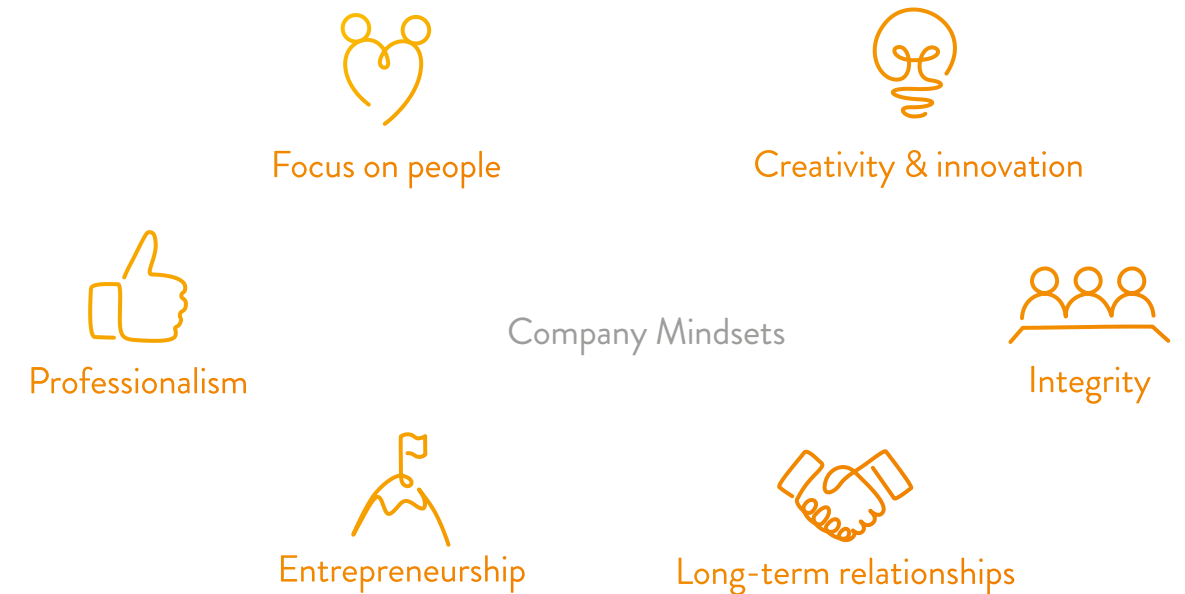
09

OUR PEOPLE & CULTURE

In 2014, we defined the ultimate purpose of all our business endeavours as ‘bringing remarkable experience to people’s lives through real estate solutions’.

At the time, we meant mostly the people outside of our organisation – our tenants, customers, external partners, investors, neighbours and of course our end-user community.

In the following years, we implemented this purpose into our daily lives. It supported the company vision and strategy, identifying six core company mindsets, key elements of our corporate culture that were always present and made the business successful and a great place to be:



The initiative that helped us educate the whole organisation and embed these principles into our employees’ daily lives was called ‘building the future’. Its aim was to transform us into a trendsetting, successful and inclusive organisation that would inspire other businesses in our industry and geographical region, and outside of it.

Building the Future

At HB Reavis, we believe we are both visionary and pragmatic. That is why our ‘Building the Future’ activities are both far-sighted and focused. The program comprises of a series of events created initially and specifically for HB Reavis’s leaders, key professionals and decision-makers.

The idea was to show them the potential of our culture, how it can be achieved and what it means for each person’s role and responsibilities. Essentially, it is a ‘how-to’ guide to embedding a new culture, vision, strategy and set of values. We drove the initial implementation through a series of workshops and conferences.

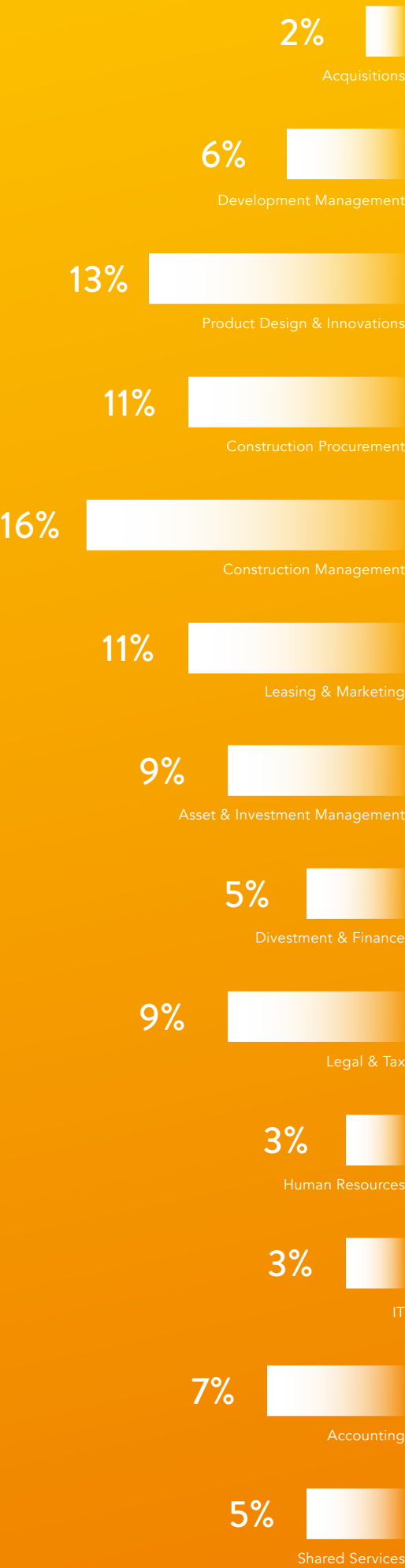
We also did not forget about our individual contributors, who make change happen. As a series

of day-long follow up events in every country, we showed our employees a ‘day in a future’. We took them on a journey from the top-leadership view of vision and strategy, through brand redesign and its role in transformation, all the way down to key initiatives through front-line contributors.

This helped us to get strong support for the vision. What we appreciated the most in the follow up surveys was that we have helped to make sure we’re not a corporate, anonymous atmosphere. Quite the opposite: we have reignited loyalty and a passion for working in the HB Reavis family.

Moreover, the feedback has proved invaluable. Our colleagues’ ideas and input have become the backbone for our new priorities and strategic initiatives.

Headcount 2017, by profession



Change management

It is said that it is better to execute a mediocre strategy well than a great strategy poorly. And we very much agree at HB Reavis. So, our change management teams have worked more and more behind the scenes to make sure strategies are being properly executed, and we have also started to apply a more data-driven approach.

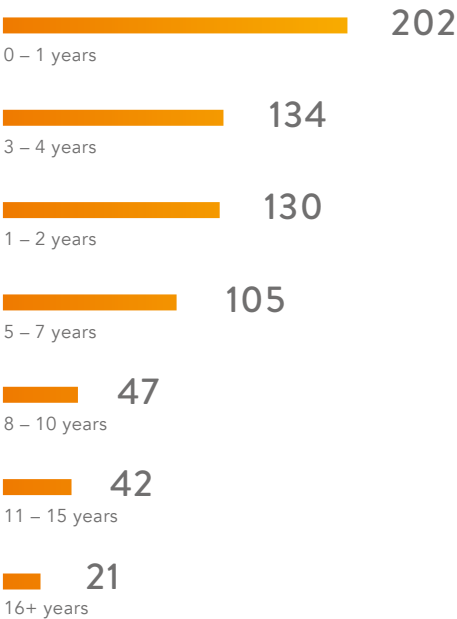
The main focus was to help everyone understand our strategy. Since we drive communication, we’ve established regular measurements to see if every employee understands ‘what it means for me’. After holding pilot surveys and reviewing teams’ aspirations, we got such invaluable feedback that we plan to make this a regular element of our work, and help leaders strategically manage their teams.

We also focus on mindsets and habits. In preparation to move our office in Slovakia, we wanted to give people a voice on what they want and need to change in regards to own work, office space and organisational structures. We invested huge amount of time to organise workshops our Slovakian teams. Their input was personal and impactful, and helped us define six ‘organisational habits’ that will help us become better organised and more efficient in achieving our mission.

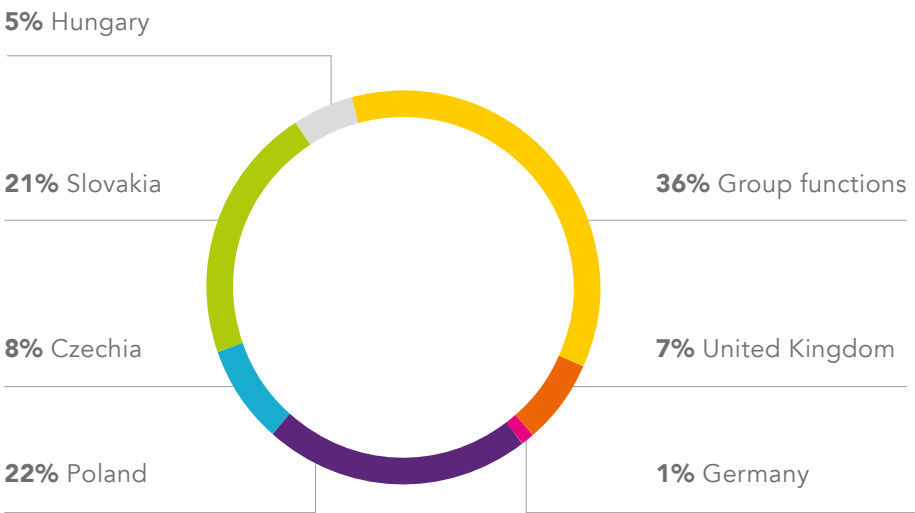
Last but not least, we worked with different areas of the organisation to increase our operational excellence: redesigning routines, processes, tools and spaces to make us future proof.

Recently, we focused on our Value Proposition process and the way our Project Teams work. And now, we’re beginning to look at the integration of HubHub and Origameo into the development process, and redesigning asset and property management departments so that they support our strategy in the long term.

Years with the company



Headcount 2017, by country



People Leadership Program

In 2017, we managed to go even beyond that and start ‘living the future’ by focusing on bringing remarkable experience also into our employees’ lives. How? By launching an initiative called ‘People Leadership Program’ that aimed to firstly implement the HB Reavis strategy into individual employees’ lives, design the employee lifecycle from the employee experience perspective and shape a company culture where:

- We live our core mindsets every day
- We focus on the journey, not just a goal
- We create a caring and collaborative environment
- We’re not afraid of making mistakes and learning from them

The framework’s design phase ran throughout 2017. However, we piloted a few components, and to make sure we got feedback from different perspectives, we focused our attention on our offices in Poland, the UK and the headquarters of Construction Procurement and Group Marketing – 150 employees in total.

The framework redesigned almost all employee-focused HR processes – recruitment, onboarding, performance management, development, career progression and the sensitive topic of compensation.

In some cases, such as employee recruitment, a few cosmetic changes were made; in several others, such as employee onboarding, performance management, employee training and development and career progression, massive changes were suggested in order to improve employees’ experiences, engagement and alignment with our values and strategy.

On top of this, we decided to implement strength-based feedback and employee recognition culture to identify talent. Innate potential that we can then leverage (both at an individual and company level) and recognise as role-modelling behaviours to inspire our wider internal audience.

The change within the framework that resonated the most, both internally and externally, was definitely the one made to our compensation strategy. Historically, HB Reavis Group has put a strong emphasis on individual variable compensation. This stimulated individual performance but also sometimes caused clashes with colleagues and internal ‘competition’.

As we aspired to deliver better, by aligning the interests of individuals and high performing teams, we identified a better compensation approach. How? By putting our trust in our people. We removed the variable compensation structure for around 80% of our employees, and moved fixed compensation, guaranteeing them higher, fixed incomes.

The other 20% – mainly core development project team members and senior leaders – kept certain variable aspects of their compensation, connected to team KPIs. It’s a rather unique approach for the real estate development industry; but we believe it perfectly reflects our company culture and will attract the right people to the business.

In 2018, the People Leadership Program will be rolled out at full speed across in the whole organisation. Hopefully, we’ll see its positive impact on the company culture and business performance very soon.

10

RESPONSIBILITY TO THE COMMUNITY

Corporate Social Responsibility (CSR) has been part of our business from the very beginning. We were the first to bring BREEAM to Central European commercial real estate and are pioneering the notion of buildings as areas of 'well-being' for users.

In our own organisation, 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 our work for the community, are driven by our people: the 700

professionals who create 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.

From brownfield to living spaces

Throughout our history, HB Reavis has acquired numerous abandoned and run-down areas and has developed them gently so that once again they become vibrant and useful sites where people can live and work.

And we continue to do so. In recent years, we've changed the face of the brownfield site in Prague's Karlin district through our award-winning River Garden Offices I and II-III; in Warsaw, we did the same with our Konstruktorska Business Centre; and with Gdansk Business Centre 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're changing a large, formerly seedy, area into a new, modern multifunctional city hub. And we have similar plans for our new 'Agora' project in Budapest and the two hectares plot at Burakowska Street on the northern fringe of Warsaw. Both were real brownfields when we acquired them. Now, we're finalising concepts and designs to change them into new, remarkable and unique venues in the coming months.



Going green, adopt BREEAM

Business wise, CSR has evolved into a natural part of our vision and strategy. We want to bring remarkable experiences to people's lives through our real-estate solutions. That's why we always aim to create something unique and innovative. Something our clients and the communities we serve do not expect from a real-estate developer.

Our clients want future-proofed properties that are environmentally efficient, helping them to meet not just their own sustainability targets but also create spaces in which their employees feel great.

At HB Reavis, we have long recognised the benefits of developing to established international sustainability standards. This is why we were one of the first developers in the region to adopt BREEAM standards for our projects; recognised worldwide as the benchmark for sustainable building and innovation, especially in terms of energy conservation.

In 2017, we again delivered our office projects – West Station BC II in Warsaw and 33 Central in London – to BREEAM 'Excellent' standard. In turn, all our projects under construction are being developed towards achieving BREEAM 'Excellent' or higher; and projects in planning aim to be BREEAM 'Outstanding'. Plus, we hope to attain BREEAM Communities Excellent ratings for our campuses at Burakowska Street in Warsaw and Nivy zone in Bratislava.

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

Well-being in our buildings

Buildings have a significant impact on people's quality of life, well-being and health, especially in today's 'war for talent'. In fact, it is essential that businesses provide workspaces that foster staff wellness and productivity.

We see wellbeing as an essential building block for a healthy work life and believe that by providing a high quality-built environment, we help our clients increase their business success through a healthier, happier and more engaged workforce.

Naturally, we're keen to pioneer and invest in user-orientated development methods in the markets where we operate, for example the WELL Building Standard. Consequently, we have pursued certification for our projects through the International WELL Building Institute™ (IWBI™) and its WELL Building Standard™ (WELL) – the first building standard to focus on enhancing people's health and well-being through the built environment.



Pioneering new program

By pursuing this certification, we're continuing our commitment to overall human health and wellbeing in building design, construction and operations. Projects registered include Varso Place and Burakowska in Warsaw, Twin City Tower, Nivy Tower and our own, new HB Reavis office in Twin City C in Bratislava (registered for New and Existing Interiors certification), Agora Hub and Agora Tower in Budapest, and our Vinohradska Street project in Prague (registered for WELL Core & Shell Certification).

Once completed, the projects will undertake rigorous testing and a final evaluation by Green Business Certification Inc., the third-part certification body for WELL. And we hope all these projects will soon be awarded WELL Certification by the IWBI. In the meantime, we're proud to say that Varso Tower, Varso 2 and Burakovska have already succeeded in WELL pre-certification for Core & Shell.

Community action

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

In 2017, the Foundation continued to facilitate activities related to quality of life in local communities where our people live, specifically in:



Education



Environmental projects



Leisure time activities for children and young people



Partial restoration of small historical buildings



Art and culture



Charity



During the reporting year, we supported almost 30 employees' projects, and donated more than €32,000.

We also started the expansion of the HB Reavis Foundation's activities outside Slovakia. In Poland, we supported a series of ice hockey tournaments for around 240 children who really enjoyed the events.

In the coming months we plan to initiate activities in all our countries.

11

OUR VISION & STRATEGY

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



Being a workspace solutions trendsetter



Being the most attractive employer for industry professionals



Being a leading pan-European player with global ambitions

Our Vision

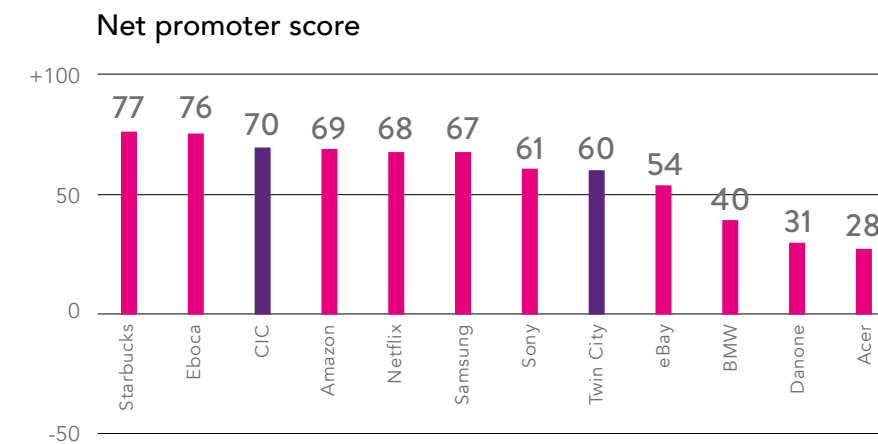
Last year, we made significant progress on all three pillars and feel confident that we're on course to achieving our vision.

The strategy (see below) to deliver our Vision was broadened with some vital new strategic initiatives, and we also accelerated other programs, going deeper into implementation.

Despite our projects' long delivery cycles, each of our pillars has already achieved something tangible in 2017. More importantly, the impact is starting to promisingly flow through to our client interactions and financials.

Being a trendsetter:

Obviously it's great when clients and partners say we set trends. Our teams received many informal appraisals for their work; but we also started formalising feedback from clients.



Note: Figures based on NPS Survey of our Twin City project.

*CIC – Cambridge Innovation Center

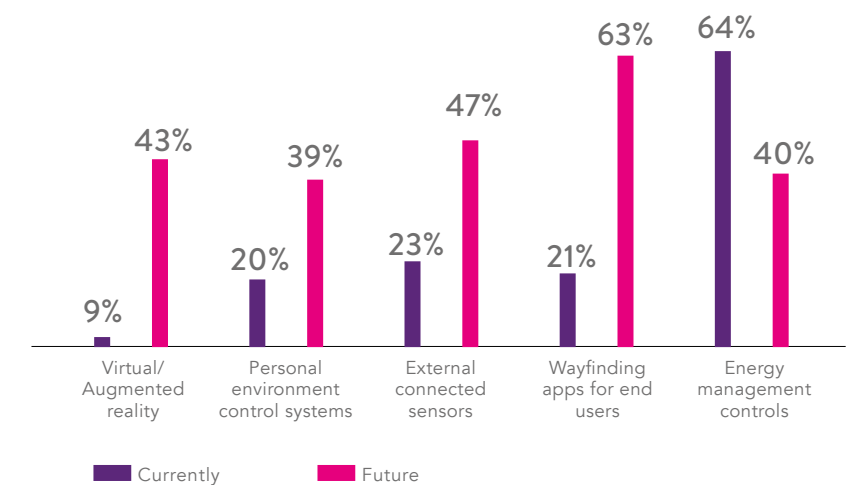
In the pilot Net Promoter Score survey within our Twin City complex, we scored 60 – a very encouraging result, given the range is -100 to +100; but clearly with room for improvement.

Given that the project is a testing ground for many of 2018's strategic initiatives, we're looking forward to seeing the NPS evolve.

Besides that, we're very pleased our predictions on what clients will prioritise are coming true. Themes like a focus on users, the impact of workspace solutions on employees' productivity, and broader flexibility and technology disruption were key highlights from CBRE's recent European Occupiers Survey.

Reading the CBRE survey was like reading our list of strategic ideas from two years ago. Excitingly, we're also well advanced in the design and deployment of our solutions.

Which tech? Focus on the user, not the building



*CBRE Research – EMEA OCCUPIER SURVEY 2018;
Optimising user experience: The personalised workplace



Being a leading pan-European player:

The forward sale of 33 Central to Wells Fargo and acquisition of One Waterloo in May 2017 – one of London's top five development projects – has definitely put us on the map beyond Central Europe.

In Germany, being just hours after completion of our first two acquisitions, the market proved to be more competitive than expected. However, we're very confident that our emerging Berlin team will collaborate with the rest of the business to set up procedures that deliver success.

Elsewhere, the planned expansion of HubHub to other countries and cities, and acquisition of a significant stake in Cambridge Innovation Center (CIC), proves we're continuing to strategically expand our international reach and abilities.

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

Being the most attractive employer:

During last year we continued a double-digit growth of the team, adding about 100 new professionals.

We believe the quality of the talent that we now attract, especially from outside the industry, proves we're doing something right. From another perspective, competitors are increasingly trying to recruit our colleagues, as their reputations grow.

While we weren't fully successful in retaining everyone, we have kept many exceptional minds – despite not being the most competitive in terms of financial compensation. Equally, we continue to invest significant resources and top management attention into the attraction, development and retention of the best people.



View from Cooper & Southwark

Our Strategy

Beyond our core business strategy to be uniquely competitive and deliver on our Vision; we have also created an acquisition strategy and financial framework.

Building an attractive and sustainable pipeline

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

- continue the Group's high-quality workspace offering and bring remarkable experiences to people
- develop products that are uniquely different from the competition
- secure projects earlier in the development chain, so we move up the permits risk curve in search of greater value

It was our ambition to allocate about 20 – 30% of acquisition capital to Central Europe. In London, we aimed to continue adding a further two or three projects over the course of 2018 – 2019. The pipeline portfolio should be diversified across the expected timing of delivery, and the type of development and submarkets. The ambition was to allocate about 50% of our new investment capital

to the UK and, to some extent, replicate our successful Polish strategy.

While our Istanbul operation closed, our fledgling German operation has already two projects in pipeline and we potentially plan to enter one additional new market beyond 2018. By then, we believe that our strong exposure to Central Europe and London will demand that we 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 harnessing new markets.

What we achieved in 2017

During 2017, we worked specifically on reinforcing pipelines in Prague and London, and on our initial entry into Germany. We also analysed every reasonable opportunity in Budapest, Warsaw and Bratislava.



Merkuria, Prague

Central Europe

In Poland we felt that Warsaw's land prices are overheated, leaving limited upside potential in the peaking office market cycle. While we continue to look for the right opportunities, 2017 was the first year since 2010 that we haven't invested into a new development project. However, we have looked at regional cities and believe that the Lodz market – a twin city to Warsaw – is underdeveloped and has a lot of positive factors that will drive its growth.

Lodz is home to a large student body, relatively high unemployment, below-Polish-average labour costs, low office stock penetration, a new central train station with a one-hour direct connection to Warsaw, and efficient city communication and permitting processes. This drove our first acquisition in the city: about 46,000 sq m directly connected to the new train station and within an emerging CBD.

In Prague, we continued to build our pipeline with a sixth office project – Merkuria in Holesovice, Prague 7. This district, with its historical industrial past, has the highest potential for dynamic growth in the city. Our plan is to redevelop the existing building; replacing it with a unique, almost 20,000 sq m scheme with a mix of shared economy elements targeted at millennials.

While we were aiming to invest more in CE's capitals, it's important that we focus on the right opportunities at the right price.

London, UK

2017 was a year when we decided to make another big step to becoming one of the leading office developers in the UK’s capital. The acquisition of One Waterloo (Elizabeth House), a landmark development opportunity directly next to the Waterloo station, confirms our appetite to invest in uncertain times. While we have a planning consent in place, we aim to review the site’s potential and redesign and deliver a new business hub for London that meets our ambition for remarkable user experiences and technological innovations.

Germany

In 2015, we decided to expand to Berlin. Initially, we considered a fast-track entry through the acquisition of an established platform. After failed negotiations in the last quarter of 2016, we decided to start building a strong local team that would be able to move rapidly and flexibly on potential opportunities. That focus paid off in May 2018, with the acquisition of our first two German sites, in Berlin (45,000 sq m) and Dresden (40,000 sq m), as we continue our expansion.

Core business strategy

We are ambitious. We believe we have all the ingredients that would position us as a trendsetter in workspace solutions, and provide the best-value proposition for existing and potential clients and their employees.

2017 was a year when most of our strategic initiatives progressed from developing the proof of concept into deployment within our projects and organisation. We also crystallised the mix of products and services we want to provide to clients and users, and eventually to other landlords/investors.

Management strategy’s mix of business hub products and services*



* Chart is for illustrative purposes only

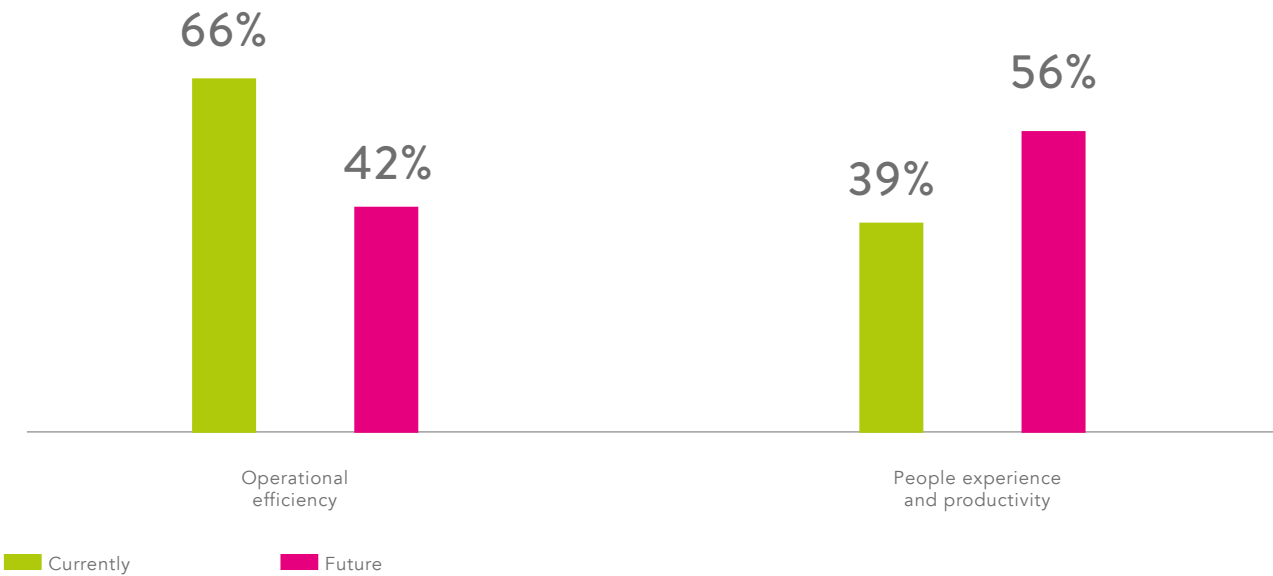
In response to that crystallisation, we have made a few key adjustments to our business strategy:

A) Shift of focus from B2B to B2U

In line with our mission to bring remarkable experiences to people, we’re transforming our thinking to always focus on users: evaluating the impact our products and services will have on them, primarily employees working in our buildings. In turn, we are also exploring the drivers of employees’ productivity.

It’s a shift that was enhanced by the pan-European occupiers research published by CBRE in April 2018 which highlights a significant shift by occupiers towards evaluating the effects of workplace solution on productivity and employee satisfaction, rather than operational efficiency.

Optimising experience and efficiency
What are the aims in deploying innovative tech?



*CBRE Research – EMEA OCCUPIER SURVEY 2018;
Optimising user experience: The personalised workplace

B) Shift to focus on large-scale business hubs

Workplace habits are changing – people insist on flexibility around when and where they work, and more support in terms of agile collaboration, tech advancements and start-up and innovation communities. So, we have developed a broad set of workplace products and services to serve all types of clients and drive their employees’ productivity directly or indirectly.

The key to their success will be our ability to develop and operate large-scale schemes, business hubs that can support workplace solutions for more than 10,000 people. At this scale, we can provide the flexibility clients need not only in an efficient way, but with authentic and effective business and social synergies.

C) Shift from developer to developer and operator

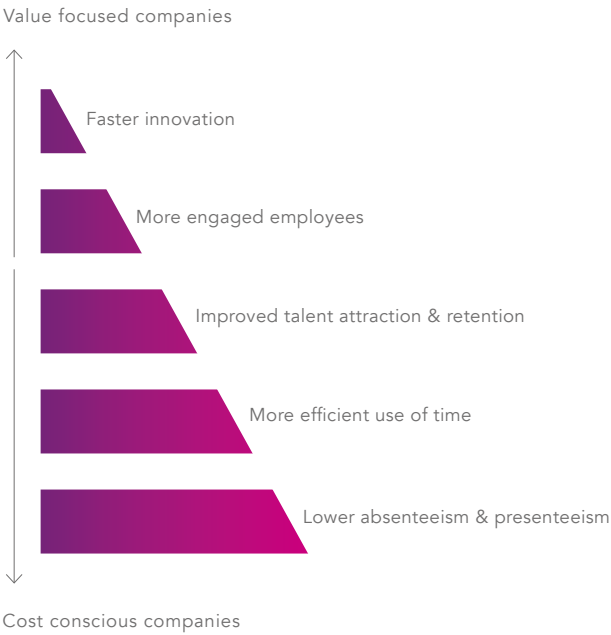
To deliver our value proposition (and mission) to clients and users while at the same time capturing value into our P&L, we need to manage our projects after completion. While not necessarily taking on full equity, our active asset management will lead to significant rental uplift potential.

What we achieved in 2017

We honed our strategic activities to become a trendsetter in workspace solutions. Bubbles, Origameo, HubHub, Smart building 1.0 and Asset Management 2.0 all aim to improve the experience and productivity of users and clients in our buildings.

Bubbles, our know-how platform for user-centric design, was structured along five productivity domains and 18 elements (bubbles) representing how the built environment might affect people. Our User Experience team compiled comprehensive research supporting the importance, effects, recommended standard and above-standard design guidelines for all our projects. In parallel, HB Reavis became a pioneer in applying wellbeing considerations to our building, actively shaping WELL certification methodology for Europe.

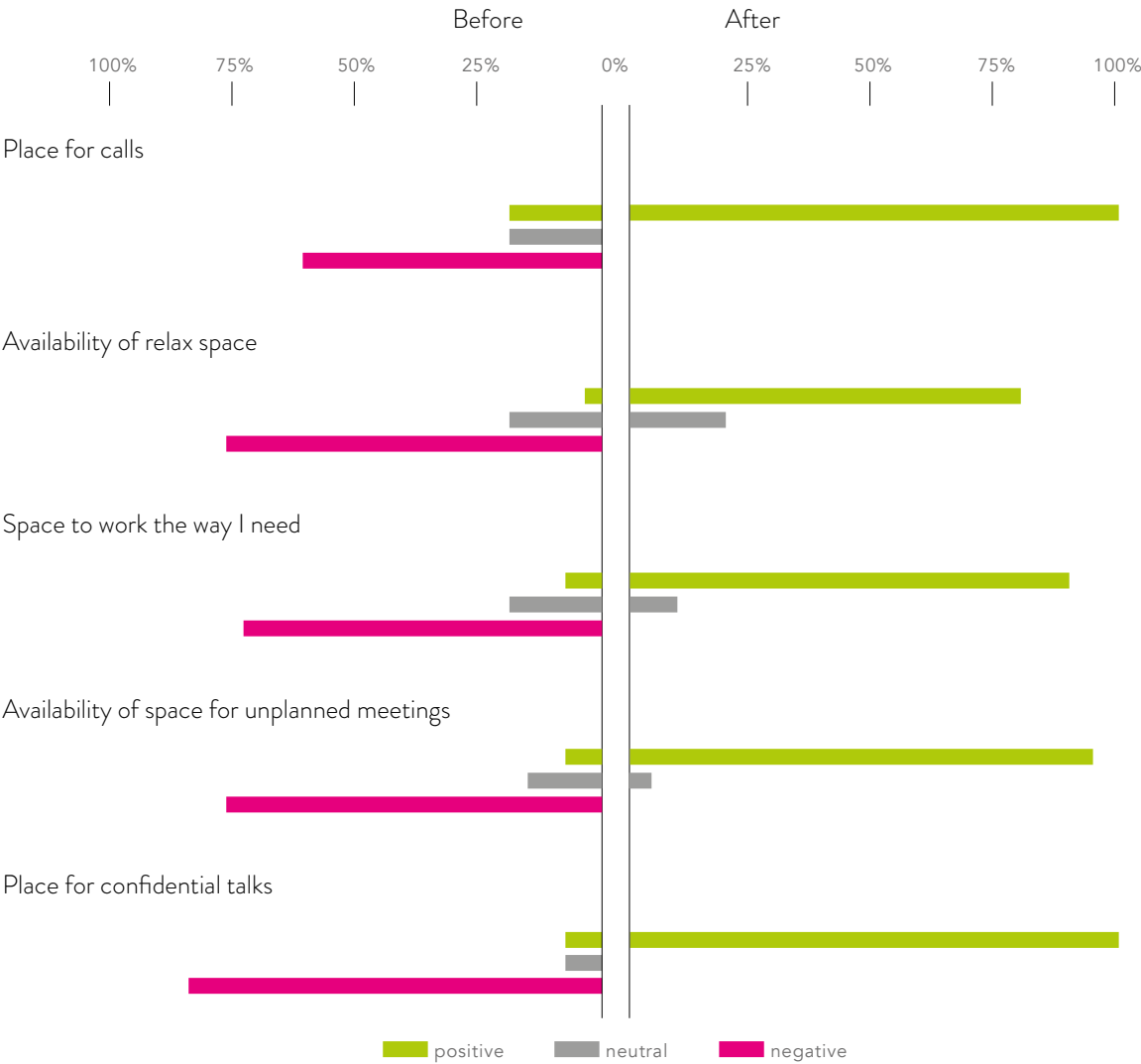
The result included Varso Place becoming the first pre-certified building in Europe, and we have half a dozen projects at different stages of WELL certification – the most of any European developer. We also became a founding member of Well Living Lab, a research program in cooperation with Mayo Clinic, that looks at the links between workspace solutions and productivity.



Panalpina office in West Station

Origameo, our workspace advisory unit, has completed 11 client engagements since its foundation in 2016. While still with significant room for capability improvement, post engagement feedback from clients is encouraging. The team is also absorbing our fit-out and space planning function so they can offer an end-to-end service.

Top 5 improvements



* Chart based on Top 5 improvements made by Origameo for client Panalpina

HubHub, our co-working platform and business programming services provider, has progressed from an idea into two centres in Warsaw and Bratislava that provide space for about 200 members.

While membership growth in Warsaw is behind expectations, overall proof of concept is going extremely well in Bratislava. The central location, attractive office space concept and rich calendar of events mixing topical education, know-how sharing, inspirational speakers and business/talent matching are inspiring clients. In fact, the waiting list for its expansion in May 2018 is already long. Looking forward, we expect to open two new Prague locations, and further HubHubs in Budapest and Vienna.

Asset Management 2.0, effectively upgrades what clients, but especially users, can expect from an active operator like HB Reavis. And during 2017 we launched our concierge, bike sharing, e-commerce points, seasonal/weekend markets, social/hobby events to great success.



Smart Building 1.0, is our tech initiative to transform projects from hardware to hardware with software. This will uniquely improve our buildings' functionality and user experience over time.

Last year we recruited an experienced team to develop integrated solutions in partnership with leading providers of individual components. We prioritised a seamless journey, workspace personalised comfort and user/building interfaces, and also make space usage insights and optimisation (linked with Origameo) a focus. With the blueprint complete, work is now underway to develop and integrate the elements into deployment for June 2018.

We are still in the pilot phase, but the feedback is very positive, so we plan to accelerate some new ideas for launch in 2018.

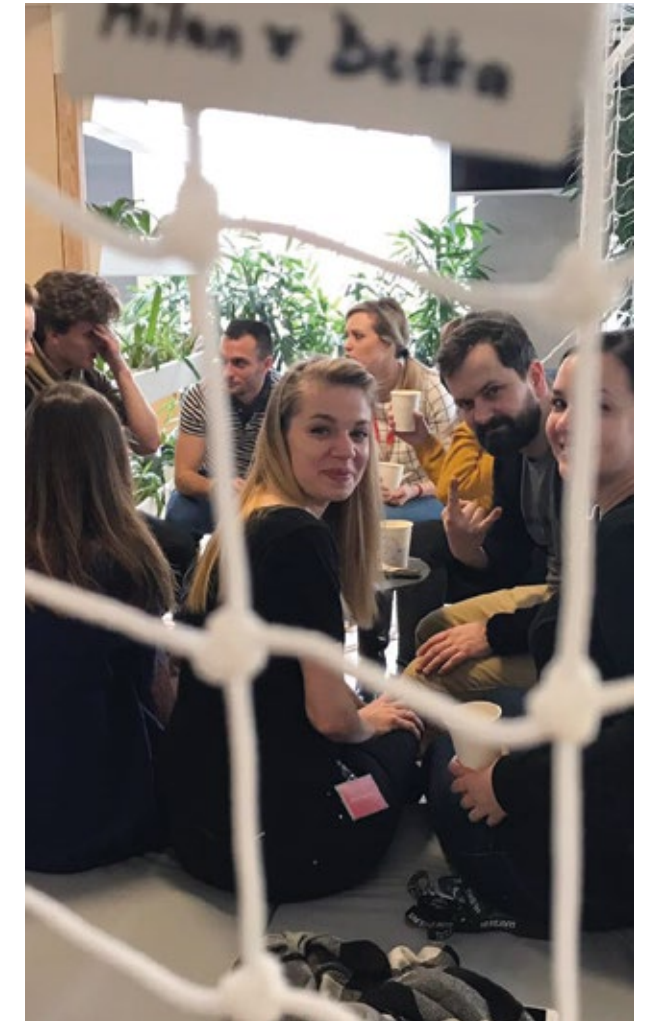
We worked hard to become the most attractive employer in the industry.

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

Once we had sketched out the foundations, we began 'painting' an ambitious future for HB Reavis people in 2016. A massive communication and rollout of our Mission, Vision, Mindsets and Strategy framework (MVMS) followed.

In 2017, we continued building on this foundation. Specifically, we designed and rolled out our People Leadership Program, helping key figures define their expectations, upskill to meet them, transform people processes and create mantras to drive motivation and performance.

While the future will be the judge of these actions, we believe this is another stepping stone in shaping a company culture based on motivating experts while compensating them competitively. It's an even more important task, given the ambitious labour market in all of our cities and general salary growth in the market place.



Financial framework

First, our long-term aim is to achieve and keep a 50:50 share of development and income producing assets, and therefore balance our risk and return. Since 2010, we have increased our share of developments from 33% to 45% (at year-end 2017).

Secondly, as we grow in size and our asset base diversifies across countries and development stages, we have opted to slightly soften our conservative external financing strategy. Our target net debt leverage has increased from 30-35% to 35%. However, despite significant year-on-year increase, our net debt leverage stood below 27% at year-end.

While both changes may gradually increase our risk profile; we believe our balance sheet policy is still fairly conservative but provides us with more room to seize interesting opportunities in bottoming or improving market environments.

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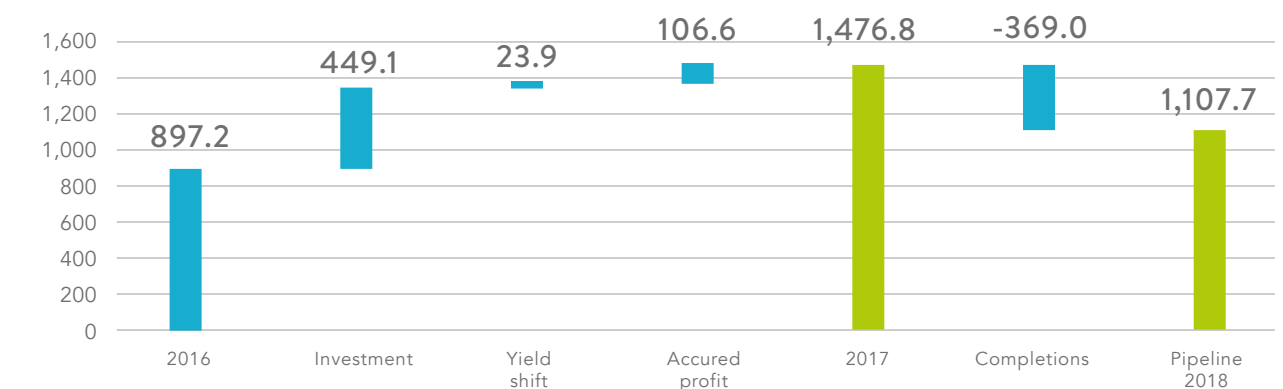
BUSINESS REVIEW

Real estate development is a very complex business. If you're an integrated developer as we are, this brings even higher complexity. And we make life even tougher for ourselves because our mission is to bring remarkable experiences to people through our real estate solutions.

We aim to set trends in office space solutions. We aspire always bring something more than clients and communities expect from us. Something that will differentiate our projects from others. We believe this is the right way to create greater value for our partners, clients and local communities, and for our shareholders to achieve their projected growth and desired return as well.

In light of this approach, 2017 was another great year in terms of achievements and confirming we're on the right path.

Changes in Group development property value, €m



* Figures based on external expert valuations and management report.

The Development Landscape

The development landscape, in general, was stable. Nevertheless, our respective markets differ slightly. Central London, in the first year after Brexit, showed slightly lower supply and slightly increased vacancies, with rent stagnating or slightly decreasing based on the location. It seems that uncertainty will continue.

Budapest continued growing as we hoped, based on economic fundamentals that should drive further growth in the coming years. The 7.5% vacancy rate is at all-time low.

Bratislava continued to grow as well. With supply at about 85,000 sq m (almost the same as in 2016), we saw growth of total stock at around 6%, with vacancies slightly down to 6.2%.

In Prague despite a four times higher supply and healthy 4% growth in total stock, we see vacancies falling down to historical levels – in two years they have fallen by half to 7.5%.

Stable development continued in Warsaw as well. With an almost 'typical' supply of around 275,000 sq m, we saw a healthy 4.4% growth in total stock accompanied with significant vacancy decreases to 11.7%.

Looking at our portfolio, the share of development in our total investment property remained at 45%, below our targeted 50%. This fact is mainly due to the temporary income generating allocation of One Waterloo for the purpose of IFRS Reporting. Due to the positive investment market, we also saw unique divestment opportunities – and took them, with an eye on building a strong cash position for the near-term.

In the reporting year, we focused especially on both speeding up and growing the share of developments in permit stage and on progressing our projects in construction phase. During 2017, the portfolio value of core development property increased by €211m (2016: €21.5 million) and at year-end achieved a value of €1.11bn, representing a 23% year-on-year increase.

The most important factors that contributed to this result were product design, leasing capabilities, progress in permits and construction cost management.

Product design matters and distinguishes us in the market

During our history, and through the delivery of almost 800,000 sq m of leasable office space, we have accumulated significant knowledge and experience. We understand why it is so important to talk to clients, identify their needs and wishes and, moreover, incorporate these into our product design process.

Currently, we have around 75 professionals in our dedicated product design team, infusing client experience and technical innovations into our products. Recently we’ve focused on the following areas:

1)

If we can, we bring international expertise into our projects. This is why we retained the services of highly acclaimed architectural studios such as Benoy, Foster+Partners, Make Architects, John Robertson Architects and Allford Hall Monaghan Morris architects, for some of our recent flagship and landmark projects.

3)

Each project design is tested on the potential user experience in terms of daylight quality; interactions between dedicated office space and shared spaces (primarily on the ground floor or roofs); and effects of greenery, fresh air and thermal control.

Growing leasing and marketing capabilities

As our pipeline portfolio continues to grow, we’ve invested significant effort and resources during recent years into building our leasing teams across the Group. Over the last two years, we’ve grown our marketing capability so that we can more effectively offer these projects to our clients.

These teams consistently and efficiently use the Group’s know-how accumulated over 25 years.

2)

We are transforming ourselves from a fully integrated but ‘standard’ real estate developer into Workspace-as-a-Service provider. This move is a perfect umbrella for our user centric related activities such Bubbles, Origameo, HubHub, Smart Building 1.0 and Asset Management 2.0 (for more information please read strategy section at page 53.)

4)

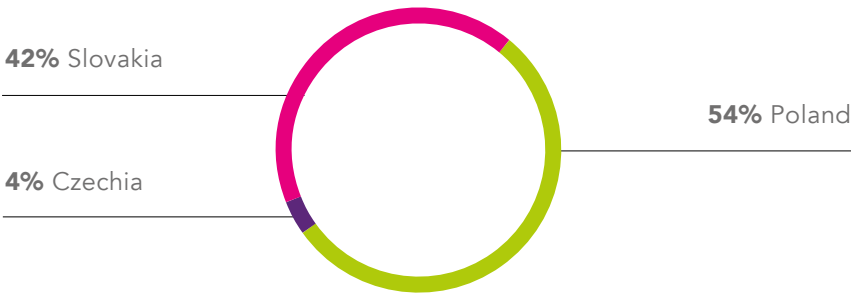
We are elevating our sustainability standards and design goals to at least BREEAM ‘Excellent’, and we aspire to comply with Well-being standards as soon as feasible.

A number of drivers show that 2017 can be seen as successful year for our leasing and marketing teams:

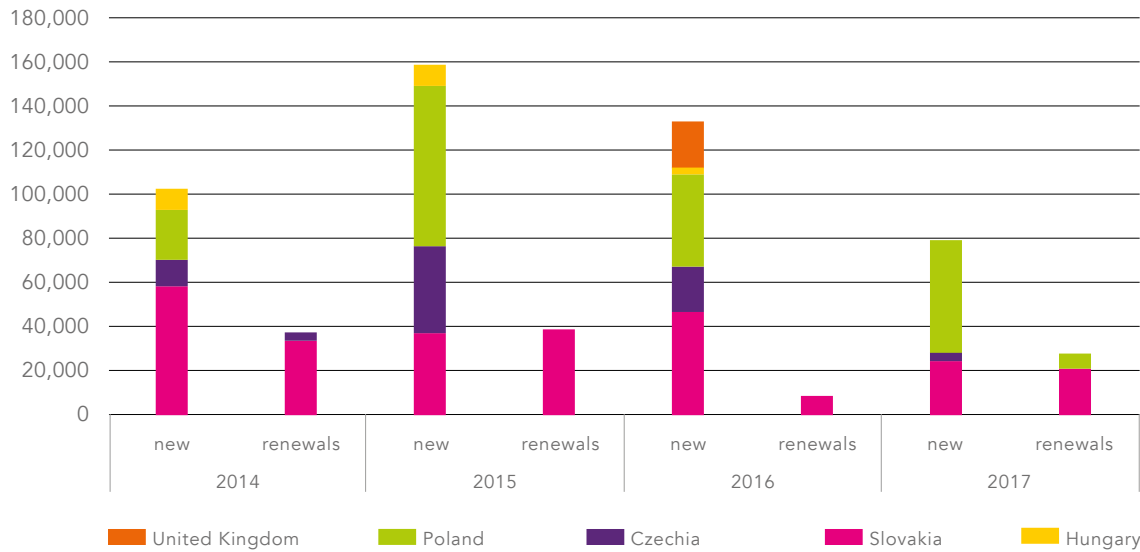
- We continue to grow our teams to match our appetite for development, and now have some 84 professionals working with our clients and cultivating relationships.
- We have increased the focus on the quality and differentiation of our projects. Clients are appreciating the complexity and quality on offer; often, discussions are about more than cost alone. As a result, clients are often committing to our products even before completion.

In terms of the numbers, it was a good year as well. Our leasing teams signed contracts for about 108,000 sq m of GLA, down by roughly 20% compared to 2016. However, the teams put a huge amount of effort into some exceptional transactions which materialised in the first months of 2018, worth almost 76,000 sq m of GLA, with clients such as: Cambridge Innovation Center, CBRE, well-known hotel network and a major international technology company.

Leasing activity by country Y 2017



Leasing activity



* Charts based on internal leasing evidence

Despite the challenging situation in some of our markets, we’ve kept our leasing performance at very high levels in recent years (we are number one in both Warsaw and Bratislava). This fact makes us quietly confident that we’ll see similar results for projects currently in our pipeline.

In subsequent years, we expect to deliver between 80,000 and 130,000 sq m GLA office space annually. Which is why our leasing capability and performance continue to be a crucial factor in our potential future success.

Progress in permits

Permits are one of the most important contributory factors to value creation in our development activities. Last year we saw some delays in this area, but continued to improve slightly.

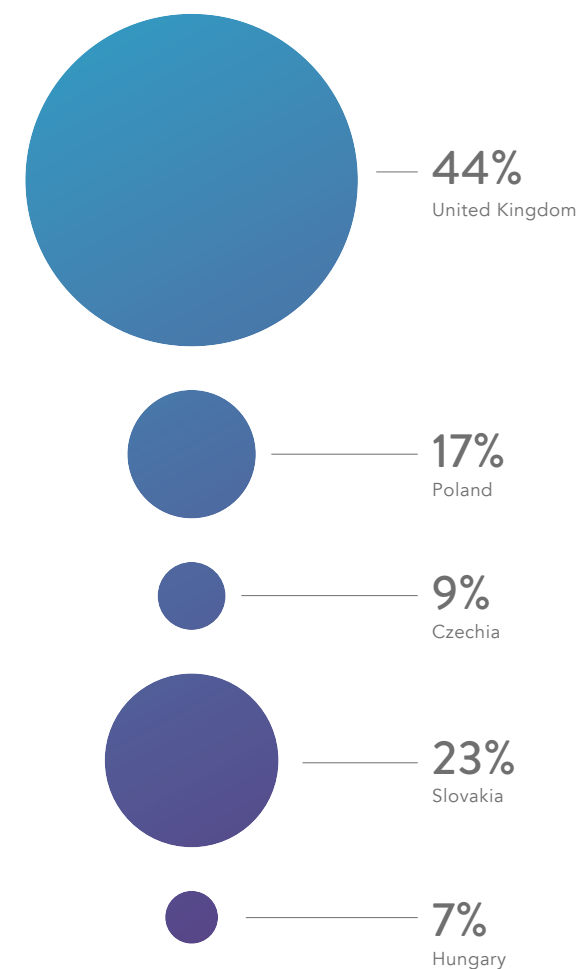
In particular, we achieved remarkable progress on our Burakowska project in Warsaw, on Nivy Station and Nivy Tower, our flagship project in Bratislava, and Agora in Budapest as well. All these developments helped to materially increase the value of our portfolio.

Construction cost management

Efficient construction is a way of life at HB Reavis not least because it has the potential to differentiate us in the market. We are consistently and systematically focused on reducing costs by collaborating with our specialised procurement team and local construction management, all without compromising on the quality of the project. This is bringing us some 26% cost saving in CEE and about 16% in UK, based on inputs from the independent, external construction budgets providers.

In the reporting year, we continued our strategic project to integrate selected supply-chain partners into our development process, from product design (including 3D project documentation) through to delivery on the construction site. Another strategic initiative is the global sourcing of our construction deliverables. Both are crucial to enhancing our competitiveness and value creation for all stakeholders.

Assets by country



Development portfolio structure

Geographically, the structure of our whole development portfolio is shifting, with the UK and Poland clearly increasing in weight. At year-end 2017, the share of UK assets represented 44% of the whole portfolio; Poland 17%; Czechia 9%; Slovakia 23%; and Hungary 7%, all based on the expected gross development value.

As far as segments are concerned; during 2017 our strategic focus on office development reflects its 94% share of our development portfolio value, while retail accounts for 6% based on gross development value.

Developments in the office segment continued to achieve robust growth, adding around €580m and reaching a total of €1.48bn (including completed properties before their transfer to in use). In terms of creation of value net of the required investment to achieve the value growth, office properties contributed €1.07bn (net of the yield shift).

Performance of development activities

Our strategic plan is to keep our balance sheet on an even keel – with the long-term share of the development portfolio of our total investment property at around 50%. Given the situation on the markets, we set this aim aside – utilising the huge appetite of investors into real estate.

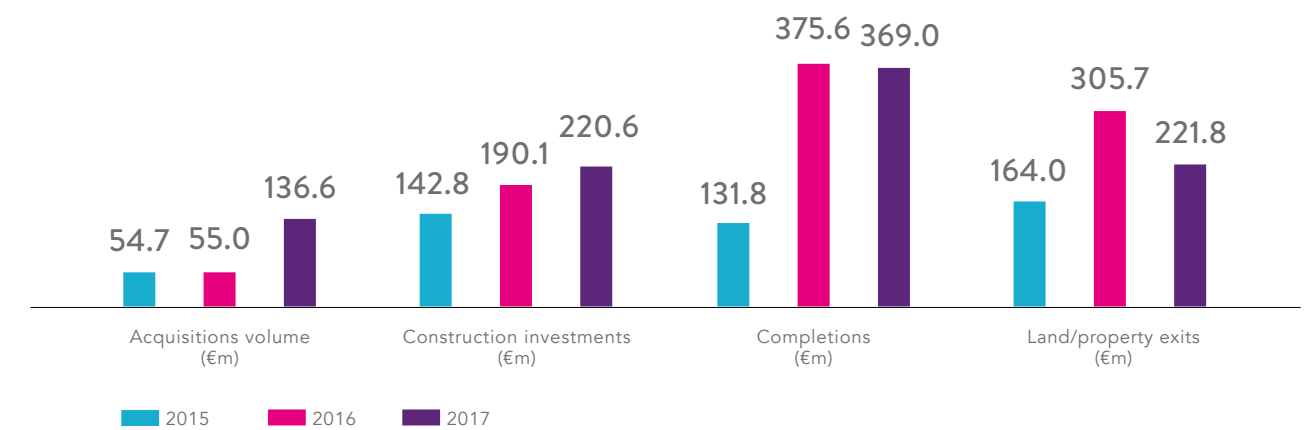
The disposals of mature assets (for more see How we divest assets, page 122) continued to have a material impact on the structure of the balance sheet. The share of our development portfolio (excluding One Waterloo and non-core assets decreased to 45% (2016: 51%).

HB Reavis Development Total	GLA sq m	ERV	GDV	Value change	Investment
Retail	105,068	22.8	403	28.1	4.2
Office	1,172,762	342.7	6,832	548.0	441.4
Total Development 2017	1,277,830	365.5	7,235	576.0	445.6
Additions to portfolio 2017	31,534	7.4	71	3.5	3.5
Completions 2017	59,082	23.7	443	76.3	52.9
Retail	105,068	22.8	403	28.1	4.2
Office	1,145,214	326.4	6,460	475.2	392.0
Total Pipeline for 2018	1,250,282	349.2	6,864	503.3	396.2

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

The development portfolio's performance and potential are also visible from three-year moving averages of significant indicators, such as volume of acquisitions, construction investment and property exits to further finance our expansion.

Group development activity, moving averages 2013 – 2017

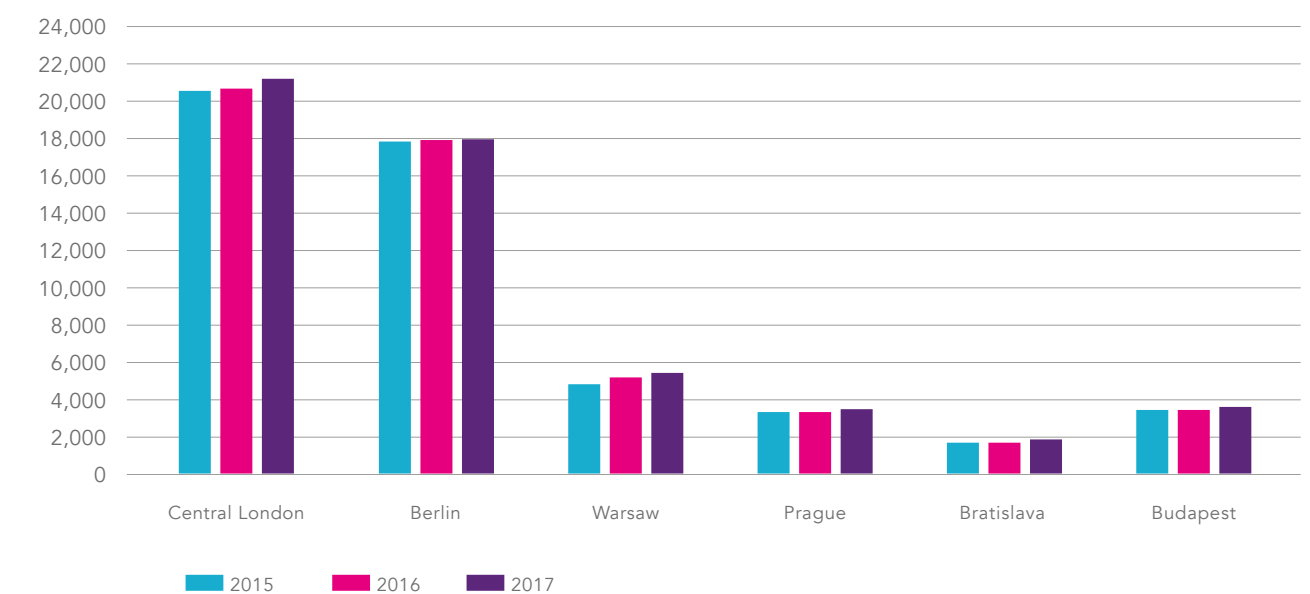


* Figures based on external expert valuations and management report.

Overall market size overview

Average growth of total office stock in our four Central European capitals slowed down slightly to 3.8% (2016: 4.1%). New supply of 576,300 sq m was also a little down (2016: 633,000 sq m) – a 9% year-on-year decrease. In terms of the size of the Central European capitals in which we operate, Warsaw's office stock is still the largest reaching almost 5.3m sq m in 2017, followed by Budapest with more than 3.4m sq m, Prague with 3.3m sq m and Bratislava in fourth place with more than 1.7m sq m.

Total office stock, thousand sq m GLA



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



Hello!

Here in the UK, we're in the midst of a real estate revolution. Companies are demanding far more flexibility from their premises. It's a reaction to shortening business cycles, rapidly accelerating technologies and uncertainty around events like Brexit.

And that's not all. There's a weight of momentum behind occupational wellbeing. Employees are demanding spaces that mirror their professional and personal values, and environments that enhance their ability to thrive. The result? Both the physical form of the office and the contractual way it is leased is changing.

We have clear plans in response to this, including a commitment to make all our projects WELL certified and bring our co-working platform to the UK. It's what will set us apart from our rivals, who are mainly already well established public companies.

As a private firm, we are free to be more agile and intuitive. As one the very few integrated developers, we have more control over the quality, speed and sophistication of our projects. Together, these unique attributes have allowed us to bring disruptive solutions to our occupier clients' needs. We will continue in making bold decisions that create long-term value – and meet the demands of the office leasing revolution.

Radim Rimanek

Deputy CEO, HB Reavis Group,
responsible for overseeing the UK market

WELL
THINKING

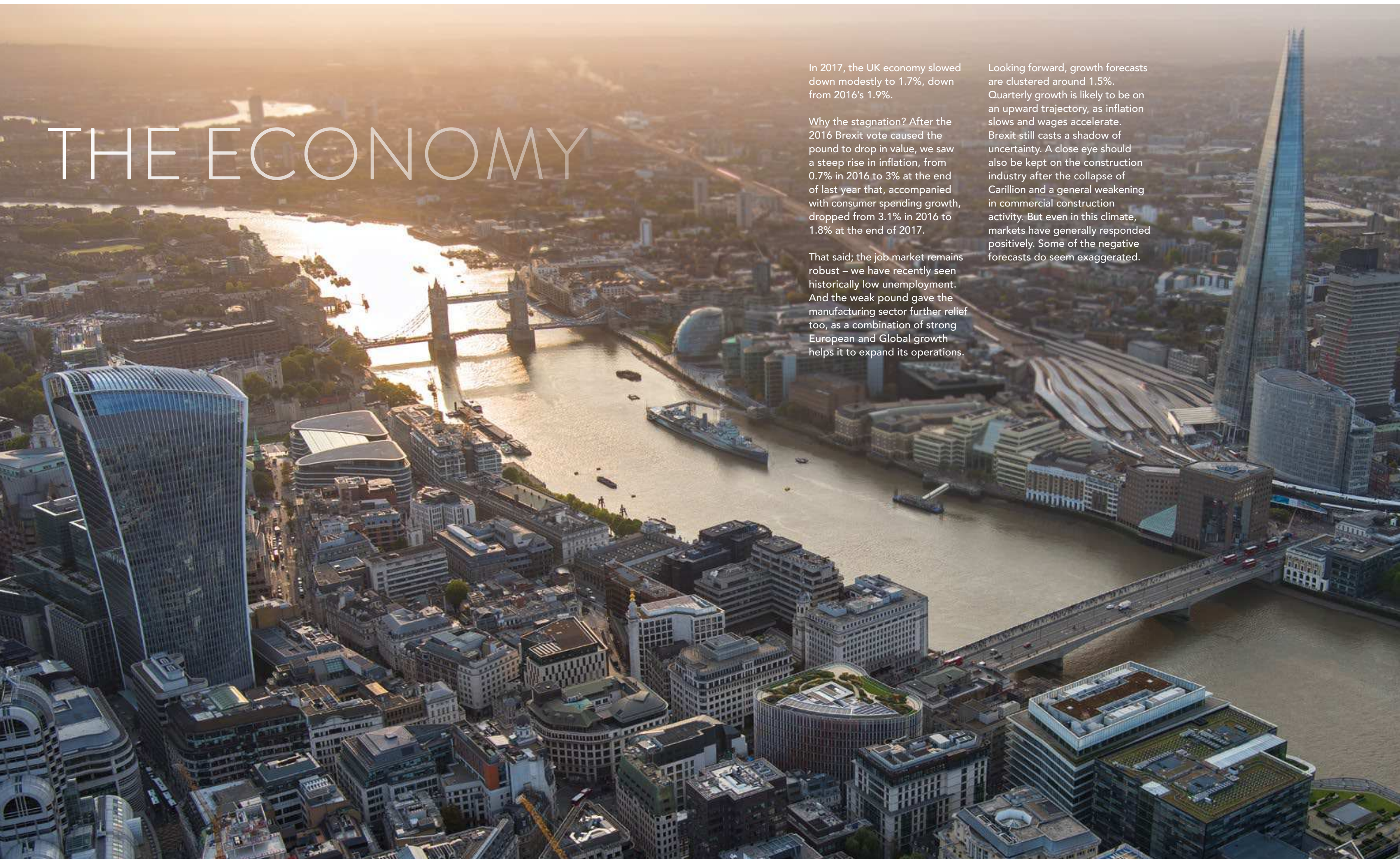
THE ECONOMY

In 2017, the UK economy slowed down modestly to 1.7%, down from 2016's 1.9%.

Why the stagnation? After the 2016 Brexit vote caused the pound to drop in value, we saw a steep rise in inflation, from 0.7% in 2016 to 3% at the end of last year that, accompanied with consumer spending growth, dropped from 3.1% in 2016 to 1.8% at the end of 2017.

That said; the job market remains robust – we have recently seen historically low unemployment. And the weak pound gave the manufacturing sector further relief too, as a combination of strong European and Global growth helps it to expand its operations.

Looking forward, growth forecasts are clustered around 1.5%. Quarterly growth is likely to be on an upward trajectory, as inflation slows and wages accelerate. Brexit still casts a shadow of uncertainty. A close eye should also be kept on the construction industry after the collapse of Carillion and a general weakening in commercial construction activity. But even in this climate, markets have generally responded positively. Some of the negative forecasts do seem exaggerated.

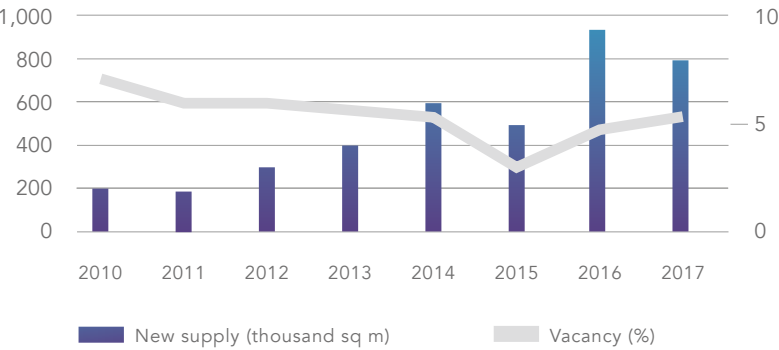


THE MARKET

2017's occupational markets performed much more strongly than anticipated. Leasing volumes across central London totalled 1.09m sq m, 14% ahead of the 10 years average, and 10% ahead of the five years prediction. There were major London contracts with Deutsche Bank, Dentsu Aegis, Freshfields, Spotify, BGC and Arup, highlighting the capital's appeal. And the trend of larger transactions (38 over 4,600 sq m) and pre-leasing (55% of all projects in build are already let) has continued. The serviced, or flexible, office market also had its strongest year with 21% (almost 232,000 sq m) of all new contracts.

Upstream, there has been a clear slowdown in new construction as developers react to Brexit. And with rising costs and a restrictive funding market, developers want to minimise risk before starting speculative construction.

Central London



Source: CBRE, JLL

There are clearly opportunities. Few schemes are under construction and available – but there are around 836,000 sq m of leases expiring each year from 2020 to 2025. It's a time when the outlook should be more stable generally – post-Brexit and with a predicted growing economy. So now is perhaps, a time to be brave.

OUR PERFORMANCE

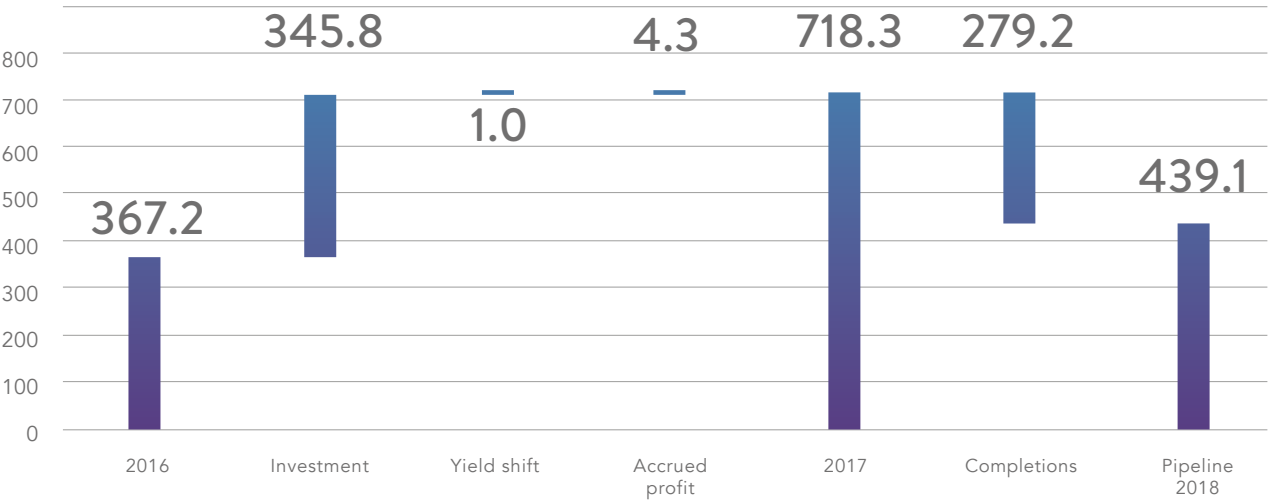
We continued to expand and evolve our UK office last year and have become one of London's major players in the midst of general inactivity and uncertainty.

In May we successfully acquired One Waterloo (Elizabeth House). One of the capital's most important development projects, it was also the year's largest transaction, in excess of £240m. Next to the UK's busiest station, Waterloo, it's a unique opportunity to deliver a world-class development supporting thousands of jobs and creating a public realm for literally millions of people.

In December, we completed the forward sale of 33 Central, a 21,105 sq m new office building in the City of London to giant US bank, Wells Fargo. It was their first international real estate purchase and our first London development site – justifying our commitment to speculatively construct the building. 33 Central showcases our innovation, sustainability and biodiversity, not least through its third-of-an-acre rooftop garden and panoramic views.

A final piece of great news: we started speculative construction on Cooper & Southwark in 2017. And already, we have pre-leased the entire, 7,200 sq m re-imagining of a dilapidated office at 61 Southwark Street to CBRE. This project also led to success in the funding markets, securing a £47m loan to finance the development.

Changes in our UK development property value (€m)



HB Reavis development United Kingdom	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects completed	21,105	109.1	228.9	255.3	279.2	16.7	334.9	23.9	27.0
Projects under construction	14,984	39.2	48.1	111.9	157.3	11.7	253.4	45.4	43.0
Projects in preparation	126,484	0.0	0.0	0.0	281.8	102.8	2,741.1	281.8	276.0
Total 2017	162,572	148.3	277.0	367.2	718.3	131.2	3,329.4	351.1	345.8
Total pipeline for 2018	141,467	39.2	48.1	111.9	439.1	114.5	2,994.5	327.1	318.7

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

Completed Projects

33 Central London

It will forever be an exceptional milestone in HB Reavis' history. The acquisition of an existing office building at 33 King William Street in the City was completed in late 2013.

With views of the River Thames, St Paul's Cathedral and the Shard and a location only meters away from the Bank of England and right on London Bridge – this was supposed to become one of our landmark projects. And that is exactly what has happened.

Demolition of the original building started in July 2014, construction itself one year later. In 2015 we embarked on developing 33 Central (21,105 sq m of GLA). In the meantime, the project has taken the UK Property Award for the Best Office Architecture and Development. In 2016, the leasing negotiation with potential tenants turned into the opportunity to forward sell the building to Wells Fargo, the third largest US bank by assets. That deal became one of the first major real estate transactions after the EU referendum.

Construction work has been progressing during the year and we successfully completed the building and we immediately handed it over to the new owner in December 2017. The disposal itself, including the settlement of the purchasing price, was completed before the year end as well.



Projects Under Construction

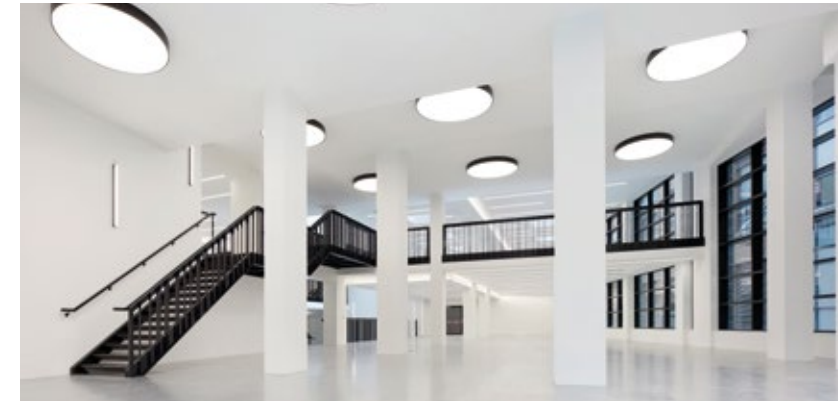


20 Farringdon Street London

The existing office building at 20 Farringdon Street was acquired in October 2014 for £29m. The building already had valid planning consent in place for the redevelopment of 6,800 sq m of new office GLA.

The project has an excellent location in London's Midtown, just a short walk from the headquarters of international companies such as Mizuho, Deloitte, Amazon and Goldman Sachs.

After the acquisition, we decided to optimise the project's concept and design to increase the size and quality of the floor space. Ultimately, we managed to achieve 7,700 sq m of GLA, some 14% more than originally permitted. We started the demolition of the original building in June 2015 and, after some delays with construction, achieved practical completion in April 2018.



Cooper & Southwark London

In April 2016, we acquired 61 Southwark Street, our first refurbishment and extension project in London. The building's location in the South Bank area perfectly complements our existing Central London portfolio.

The South Bank attracts various business segments such as accountancy, professional services and tenants preferring the location as a more economical alternative to the West End. With the acquisition, we secured the development of approximately 7,200 sq m of office GLA.

The cost of the acquisition was £44m. We finished construction in April 2018 and have already agreed a lease with a tenant for the whole project. We aim to hand it over in the second quarter of 2018.



Projects in Preparation



One Waterloo (Elizabeth House) London

We completed the purchase of One Waterloo (Elizabeth House) over the summer of 2017, our fourth and largest major investment in London to date. At the time of the transaction, the consented scheme comprised 88,000 sq m GLA of which 68,900 sq m was office, 1,200 sq m was retail and 17,900 sq m was residential space. Our ethos is to create remarkable places and experiences for people, and we believe we'll have that opportunity right here by Waterloo Station.

We have appointed Stirling Prize-winning architects AHMM to work with us to take a fresh look at the significant opportunities on this strategically important site. They will help us create a world-class, contemporary office-led development that provides public realm improvements that will benefit the tens of millions of people who use Waterloo Station.

This exemplary development will also have complementary active uses at the lower levels such as restaurants, retail and leisure – bringing the public realm to life, encouraging accessibility and permeability through the site. The new public realm will also help to create a seamless pedestrian environment between the station, the new development and the wider context beyond.

We are now working to develop our proposals before consulting widely with stakeholders and the local community during 2018. We intend to be part of the Waterloo community for years to come and greatly look forward to making a hugely positive contribution to the local area.

POLAND

Cześć!

It's been a great year for HB Reavis Poland. And given Warsaw's potential, it's a natural base for our operations. This is where our important clients and investors are, or at the very least are looking to be involved.

In total, we won 38 new clients last year, leasing over 52,000 sq m of GLA. That's 10,000 sq m more than 2016, when we also led the Warsaw market.

It's a sign that the Warsaw office market is maturing, becoming increasingly demanding and competitive. And with projects like Varso Place, innovations like HubHub, and our broader international gravitas; we're standing out from the crowd and are looking to continue our success.

That said; we've only been here a short time compared to our main competitors. So, we put a lot of effort into PR and marketing in 2017. The results are startling. All our key audiences, including clients, subcontractors, employees and the media, are now familiar with our brand. We look forward to telling them more of our story over the coming year.

Speaking to clients, it's clear that we're known for the quality of our buildings. Not just the design and equipment, but also their flexibility and durability. It's a good reputation to have. With such low unemployment rate, clients are very much in a war for talent, and office space is one of the key battlegrounds.

More generally, there's a clear social focus on employee health and well-being. This will prove vital to us as we launch business lines and forge new tech and start-up partnerships that focus on healthier working environments. We are confident that with our focus on WaaS we can help them win that battle.

Stanislav Frnka

Country CEO
Received 'Best of the Best Leadership'
CIJ HOF Awards



THE ECONOMY

Already considered the tiger of the European market, 2017 cemented Poland's status as a rising star. GDP rose 4.6% year-on-year. Bolstered by strong exports, 2018 – 2019 is expected to broadly continue in the same vein: stable inflation and reasonable GDP growth, perhaps even slightly lower than in the second half of 2017.

Unemployment dropped to 6.5% across the country – and just 2% in Warsaw – to reach the lowest levels in 26 years. This pressure on the labour market looks set to increase, translating into sizeable wage increases, even above 10% year-on-year.



THE MARKET

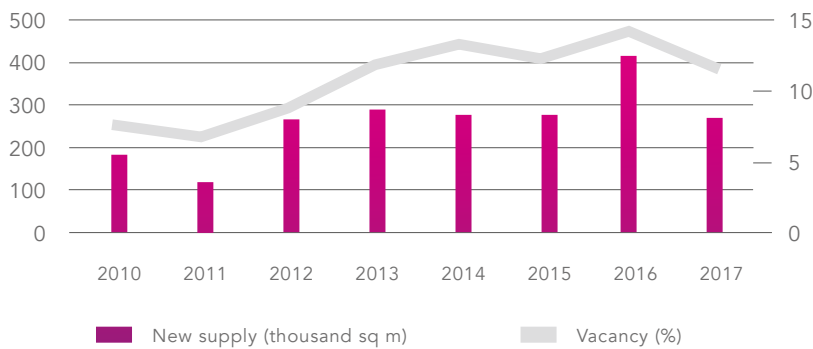
In total, €5.1bn was invested in the Polish office market in 2017. That's not just more than ever before; but far in excess of the €4.6bn spent in 2016. Unsurprisingly Poland is still the CEE's leader with a 40% share, ahead of Czechia (26%) and Hungary (13%).

While the 750,000 sq m of Polish space delivered last year was slightly less than in 2016; tenants set a new record by leasing nearly 1.5m sq m.

Warsaw, in particular, had over 5.3m sq m of stock by the end of last year. Since then, 23 new buildings have added a further 275,000 sq m. While this was lower than in 2016, new leasing processes have encouraged more developers to think bigger. And by the end of 2017, there was 765,000 sq m under construction – the majority under 12 months into build.

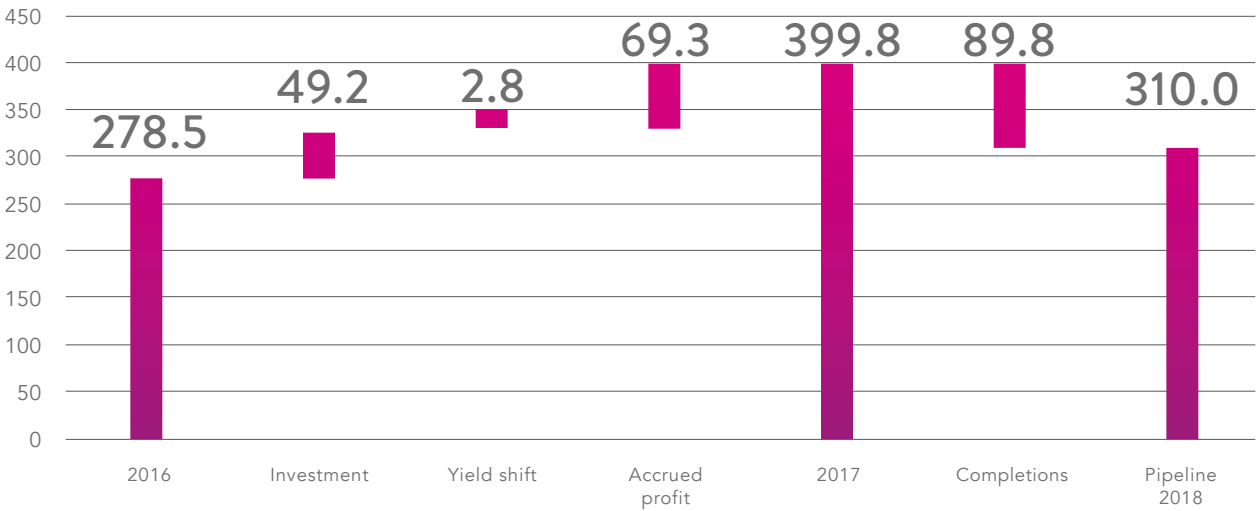
The market is becoming increasingly established. Growing liquidity, broader diversity and increasing numbers of investors are using a wider mix of investment and divestment strategies.

Warsaw



Source: CBRE, JLL

Changes in our Polish development property value (€m)



* Figures based on external expert valuations and management report

OUR PERFORMANCE

As the youngest, and arguably most innovative of Warsaw's top commercial developers, we're best known for our offices. But there's a lot more to come. We've now delivered 250,000 sq m in Poland over the last five years but have just as much in planning and construction.

West Station was completed in August with the handover of its second building. Next to Warszawa Zachodnia railway station, it's been hugely popular with tenants and heralded as the year's best new office development. Work on the city's largest construction site continues at pace.

Varso Place with its iconic Foster+Partners-designed tower is set to reach ground level in a few months, expected to complete in 2019 – 2020. The building's planned wellbeing features have also gained the development Central Europe's first WELL Pre-certificate.

Elsewhere, we were proud to open Poland's first (and Europe's second) HubHub. The co-working hothouse and event space at

Postepu 14 is hugely popular with young entrepreneurs. And after recently launching Origameo, our in-house workspace solution, the team has already helped their first local clients move seamlessly into inspirational new offices.

Looking forward, we bought our first plot outside Warsaw, on Targowa Street in Lodz city centre. Architects are currently pitching designs for the one-hectare site, and we hope to apply for the building permit this autumn. We're also waiting for the permit to launch our Burakowska project in Warsaw, almost 80,000 sq m of office, retail and public space will include large areas of plantings and landscaping.

Ultimately, 2018 looks to bring similarly positive results. If there are any fluctuations, we expect Varso Place to give us a sure footing, as it will be the first choice for Warsaw's most ambitious tenants in the long term.

HB Reavis development Poland	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects completed	37,977	9.9	19.8	37.5	89.8	7,020	108.0	52.3	25.8
Projects under construction	144,906	106.2	145.4	195.3	251.7	41,385	827.7	56.2	17.9
Projects in preparation	110,160	0.0	23.8	45.7	58.3	23,880	334.3	12.6	5.5
Total 2017	293,043	116.1	189.0	278.5	399.8	72.3	1,270.0	121.3	49.2
Total Pipeline for 2018	255,066	106.2	169.2	241.0	310.0	65.3	1,162.0	69.0	23.4

Awards

- 'Office Developer of the Year, Eurobuild Awards and Europa Property CEE Investment awards
- 'New Office of the Year, Poland', Eurobuild Awards (West Station II)
- 'Best Office Development & Developer', CIJ Awards (West Station II)
- 'PR and Marketing Campaign of the Year' CIJ Awards (Varso Place)
- 'Best Office Development of the Year', Prime Property Price (West Station II)
- 'Developer of the Year & Company of the Year', CEE Quality Award (Group)

Completed Project

West Station II Warsaw

The second phase of the project, West Station II (37,977 sq m of GLA), followed in its older sister's footsteps to complete six months ahead of schedule. Construction stretched from November 2015 to August 2017, after which we started handing it over to its tenants. At the time of the completion, the building was 68% leased. By April 2018, that had risen to 87% and we expect it to be fully leased soon.



Project Under Construction

Varso Place Warsaw

Varso Place (144,900 sq m of GLA) received valid building permits just before the end of 2016 and we immediately launched construction, which ran at full speed during the reporting year.

Our new flagship is a complex consisting of one high-rise office (230-meters without antenna) and two mid-rise office buildings, all standing in a public platform providing retail services to visitors and connections between the buildings.

We are excited to work closely with Fosters+Partners, one of the world's best architectural studios, on the optimisation of the tower's concept and design. We believe the Varso will become not only our landmark project but also Warsaw's. The project has already attracted strong interest among a variety of potential tenants: almost a third is already leased and, among others, will accommodate a 4-Star hotel and incubator Cambridge Innovation Center.



Projects in Preparation

Burakowska Warsaw

HB Reavis acquired a 2 hectares plot at Burakowska Street in Warsaw in July 2015. The purchase price was €17m and we're working on developing an office scheme with approximately 78,600 sq m of GLA.

The plot is located just opposite the Arkadia Shopping Centre, one the most successful in Poland. In July 2017 we received the zoning permit and we're now at the final stage of the product design.

It will be split into two phases and consist of a 120-metre office tower and a ground floor with mixed-use functions. Much of the scheme will be open to the general public and carefully landscaped to provide space for several types of events. As the plot is located just few hundred meters from our very successful Gdanski Business Centre, we believe this will be another success story and will contribute to evolving the CBD.

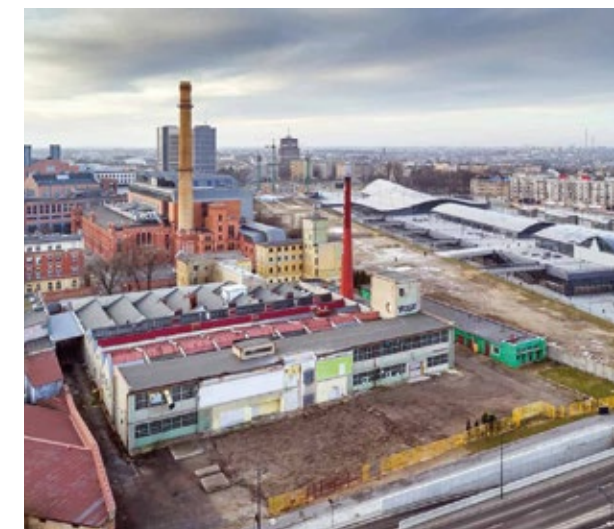


Office project in Lodz

The development site is located in the central zone of the city of Lodz next to Lodz Fabryczna railway station. The investment area is nearly 1.1 hectares. It's part of the New Centre of Lodz (NCL) district, an area located in the city centre currently undergoing and planned revitalization.

Ultimately NCL is to become a new, friendly and safe district; combining business, entertainment and recreational functions with high aesthetics and architectural quality, along with new city districts and new road infrastructure.

We expect, the project will be delivered in two phases. There is existing Master Plan for this part of the city too. On the development site there are two historical buildings and a post-industrial brick chimney approximately 40m height, which are protected by the City Heritage Office. All of which will be renovated and adopted for new functions. The planned new office building within first phase will have an area of around 31,500 sq m of GLA.





Čau!

In the last year we successfully continued the development of our business in Czechia – we divested River Garden II/III offices as well as multimodal logistics centre, Lovosice, our latest logistic project in Czechia. We also acquired a new building, Merkuria, that should be our key tool for the revitalisation of the Holesovice neighbourhood nearby in Prague.

Our ambitious office project at Vinohradská Street, an energy efficient and modern poly-functional building in the heart of Prague, is designed to meet the requirements of BREEAM and WELL certificate and will stand out through its roof terraces and superb city views.

Our clients are responding to a competitive labour market by firstly creating new types of jobs; but more importantly investing into offices and workspaces that create a tangible lifestyle. Effectively, we're providing a point of difference from their competitors.

We're proud to be considered by our clients as the company that pushes boundaries to create new, non-traditional, innovative solutions and services, and delivers outstanding fit-out solutions.

The upcoming year is set to be a busy one. As our permits work their way through the legislative system, we will scale up our operations and work to bring our developments to fruition.

We also can't wait to open first two HubHub co-working spaces in Prague near the end of 2018. Equally, we intend to continue our upward trend by creating solutions and services that surpass our clients' imagination of what's possible – before they even give us the brief for a new innovation.

Petr Herman

Country CEO

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THE ECONOMY

It's been another strong year for the economy. GDP growth stands at 2.4%, inflation at 2.5% and unemployment at 3.3%, the lowest in the EU.

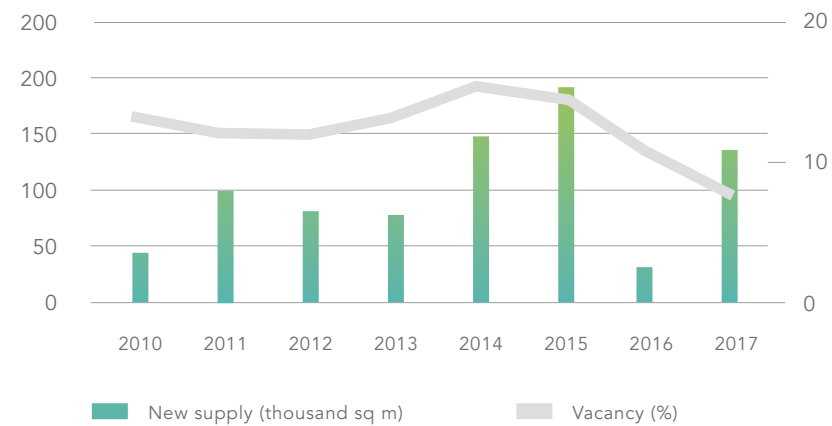
The parliamentary elections in autumn did not result in the forming of any government coalition up to now, so the country could go back to the polls in coming months. However, the result would probably not affect the economic outlook.

The government has little debt, so everything does seem to point to continued growth. Probably the most pressing concern is the country's strategy for developing and maximising the considerable human capital here. Mortgage loans should also be keenly monitored if growth is to last.



THE MARKET

Prague

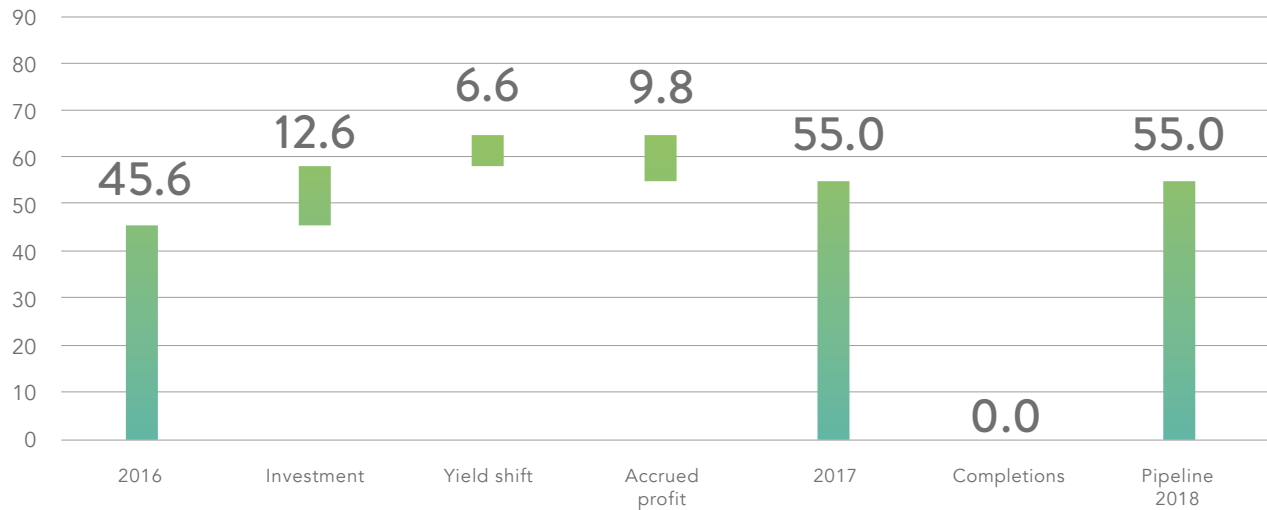


Source: CBRE, JLL

The real estate market has a very positive outlook in Czechia. Economic growth has created a good environment for sophisticated office space.

In practice, virtually all developers are focusing on lifestyle features; with sustainability, green spaces and amenities high on clients’ lists of priorities. The big issue, however, revolves around permits. A large legislative backlog has built up, stalling essential infrastructure projects as well as commercial developments. It’s not just a problem for the capital either; numerous developments around the country are waiting to be green lit.

Changes in Czech development property value (€m)



OUR PERFORMANCE

We’re well established in Czechia, thanks to successes like the award-winning River Garden and Aupark (recently second in Best of Realty, HB Reavis’s first success in the competition).

As one of the top names in office development, we continue to grow by focusing on delivering modern designs, WELL and BREEAM certificates, and bespoke tailoring for each client. Between our outstanding interiors and fit out services, and our transformation to WaaS provider, we believe we have a clear point of difference from the crowd.

Right now, we’re focusing on getting the last few permits for our Vinohradska Street project, which progressed substantially during 2017. We’re also pleased to say that our Radlicka offices in Prague 5, and Merkuria complex in the city’s fast-developing Holesovice district, are now in the planning phase.

HB Reavis development Czechia	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects in preparation	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6
Total 2017	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6
Total Pipeline for 2018	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6

Projects in Preparation

Vinohradska Prague

The acquisition of an existing older office scheme with an excellent location at Vinohradska Street, just opposite the National Museum, was completed in August 2014. The plan was to redevelop it into a landmark office scheme with 22,600 sq m of GLA.

During 2017, we continued to work on optimising its concept and design through a challenging permit process. Although not always easy, we achieved some positive outcomes that will allow us to progress the process. We believe construction could start during the first quarter of 2019.



Radlicka Prague

During 2017 we continued to work on the concept and design of our fifth office project in Prague – Radlicka. The plot is well located in Prague's Smichov at one of most important arteries in the south-west of the city. We acquired it in March 2016 for €6.9m, and have faced some challenges during the permit process. However, we aim to deliver up to 30,000 sq m of top class office GLA in two phases, the first with, of around 17,700 sq m, in mid-2021.



Merkuria office Prague

Merkuria – our new project of planned 17,700 sq m of Grade-A offices and more than 1,700 sq m of retail space – will be a key element for the revitalisation of Holesovice, one of Prague's fastest growing districts.

Together with the vibrant location, its easy transport links, non-corporate feel and freedom to grow, it will bring a remarkable experience to clients and local residents. The building focuses on making life easier and will help to support a healthy lifestyle by, for example, high quality food and beverage providers on the ground floor, that is uniquely connected with the piazzeta.

We believe the new, fresh concept of a significantly-different work environment will attract the best talent and brighten up the previously industrial Holesovice.





Ahoj!

Currently, the outlook across Slovakia is very positive. It's good news for us, and business generally.

For our clients though, it does mean their employees can be more difficult to attract and retain. The net result is that employers are listening to employees more; understanding what they want from work and designing new office layouts to suit them. Workspace solutions and change management are no longer nice-to-haves, but essential elements to the employer proposition.

It's something we're acutely aware of, because our business is capable of fulfilling so many of our clients' needs. From Origameo's consulting and workspace solutions and HubHub's large-scale co-working platform, to events and services like bike-sharing Hi.bike and Concierge; we have a variety of innovations tailor-made for the current climate. So, between our inventiveness and the quality of our buildings, we continue to play a vital role in solving two of our clients' biggest issues – hiring the very best people, and then making sure they excel at what they do.

Simply put, we are transforming into a service provider and WaaS is our way to get there.

Adrian Rac

Country CEO

SLOVAKIA

THE ECONOMY

The global and Eurozone economies are both performing well and are having a very positive impact on affairs here in Slovakia.

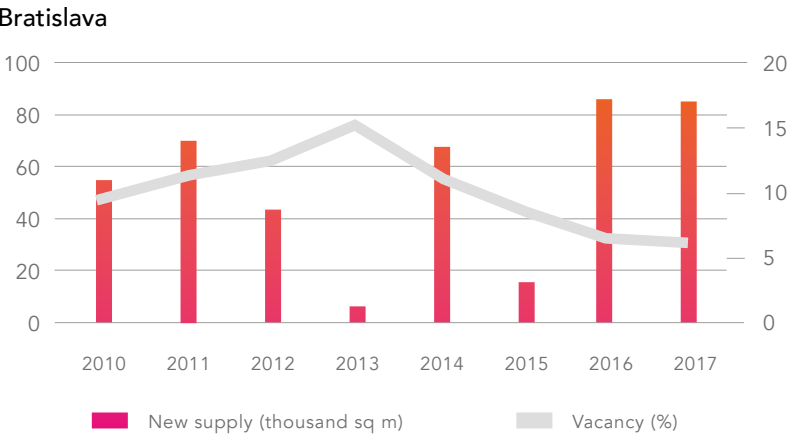
GDP rose 0.9% in the last three months of 2017, similar to the previous four quarters and a touch above our estimate. We conservatively expect the economy to grow by 3.2% in 2018. This is down slightly on 2017's 3.4%, but we see some upside risk to our forecast as recent data suggest the regions are performing very well. In particular, the strength of the single currency is likely to power our industrial sector, and help it expand 5% in 2018, up from 4% last year.

On the other hand, inflation has returned after three years of mild deflation. It's set to continue rising as the labour market grows but should be gradual: averaging 1.7% this year and 2.2% in 2019.

The labour market may even be approaching 'full employment' after the number of people out of work hit a new low of just 7.4% in December. In the short term though, the outlook is positive for household incomes and spending, with real wages likely to increase by a healthy 2-2.5%.



THE MARKET

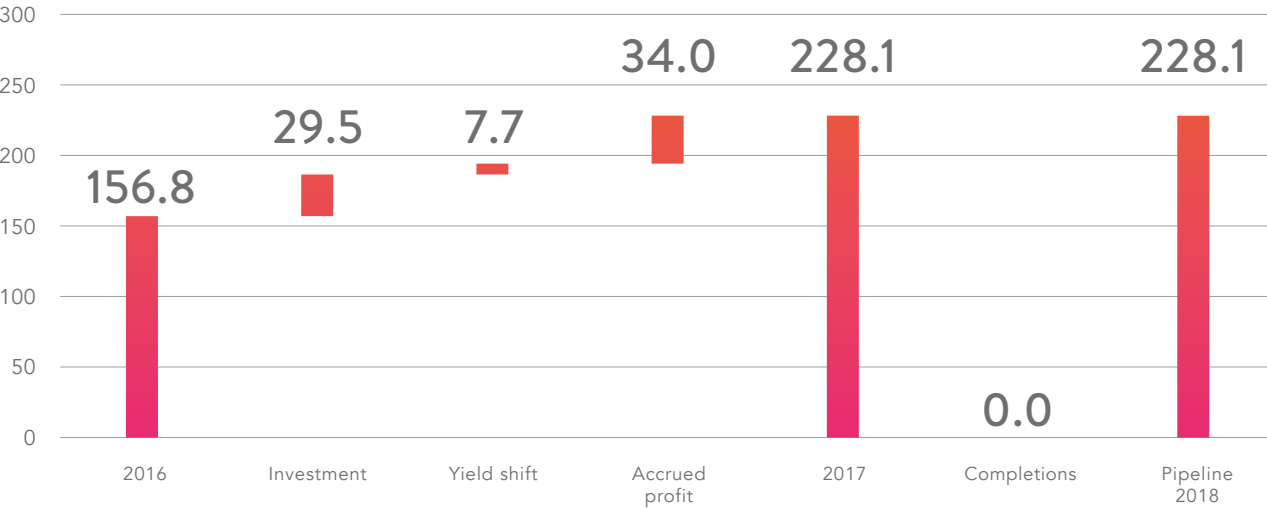


Source: CBRE, JLL

There’s an almost equal balance of Grade A (59%) and B (41%) office space here in Slovakia. Whatever their grade, though, offices present a complex set of factors for businesses, particularly in relation to employees who spend the majority of their day in them.

Companies are beginning to see that they need the best people if they’re to grow. This has led to an interest in high quality working environments. Clients from every industry are now asking not only how many square meters an office has, but also how it will support wellbeing, reduce stress and increase efficiency.

Changes in our Slovak development property value (€m)



OUR PERFORMANCE

We continued our development of Twin City Tower last year, and also broke ground on Nivy Tower. Both the projects are on Mlynske Nivy Street and represent the first time we have broadened our focus from merely creating a building, to crafting an entire district.

Twin City Tower will also be the country’s first to hold a WELL certificate. Going forward, we intend all our future buildings to gain the accreditation, along with the BREEAM community certification.

It’s this kind of focus on quality that differentiates us from the rest of the market. And after leasing all 100% of Twin City Tower, we’re confident that we’ll end the year as we started – at the top of the Slovak market.

HB Reavis development Slovakia	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects under construction	171,166	34.8	47.6	77.1	145.3	35.7	618.3	68.2	28.2
Projects in preparation	330,358	76.2	78.1	79.6	82.8	63.7	984.3	3.1	1.3
Total 2017	501,524	111.0	125.7	156.8	228.1	99.4	1,602.5	71.3	29.5
Total Pipeline for 2018	501,524	111.0	125.7	156.8	228.1	99.4	1,602.5	71.3	29.5

Award

‘Best Office/Business Developer (Slovakia)’, Euromoney Real Estate Survey

Projects Under Construction

Twin City Tower Bratislava

Construction of the Twin City Tower (expected 35,300 sq m of GLA) was launched in July 2016. This project, next to the group of already-completed A, B, and C buildings will complete the Twin City scheme.

In the heart of the business district, and just a few steps away from the historical city centre, the modern tower with copper cladding will closely 'communicate' with the rest of the block and reflect the area's industrial heritage and the old Kablo factory.

Equally, it will provide a modern top-class office space designed to outstanding BREEAM standards and featuring access to a roof garden with a panoramic view of the city. We plan to deliver Twin City Tower to its tenants in the fall of 2018. From the beginning of construction of the zone, it was obvious that it would attract extraordinary tenants; proved by the rental contract for almost an entire building with a major international technology company, whose name has not been disclosed yet.



Nivy Tower Bratislava

With around 30,800 sq m of GLA, will be a remarkable office tower rising out of the Nivy Station. The tower will provide modern office space solutions for demanding clients and will be designed to BREEAM Outstanding standard. The construction of tower was launched in May 2017, followed by Nivy Station in October 2017, due to planned complete at the end of 2019.



Nivy Station Bratislava

Nivy Station will clearly be a landmark project in a unique location. And that deserves unique solutions. In co-operation with London's Benoy, the well-known architectural studio behind top class retail schemes, we're aiming not only for a unique and large (expected 69,300 sq m of retail GLA including terraces) shopping complex – but much more.

We will create a concept that is sophisticated in every detail. There will be around 2,000 sq m for a fresh produce market. There will be plenty of green areas inside, and a green roof on top. And we will also include gateway to Bratislava through a fully-integrated planned 34,400 sq m bus station. Currently, we're running construction at full speed with the aim to delivering everything before the end of 2020.

Projects in Preparation



In the Twin City B and C zone, adjacent to the completed A zone, we're planning the development of more than 130,000 sq m of office GLA. In 2016, we fine-tuned the concept and design, and since then we are in the process of gaining necessary permits. As we continually push the envelope, we engaged with the UK's AHMM to help us with the concepts, and expect construction to start in the first quarter of 2019, subject to permits and leasing progress, of course.

With two additional office schemes in Bratislava in the permit stage – the large-scale, expected 176,000 sq m GLA Alfa Park on the right bank of the River Danube and the expected 16,600 sq m GLA Forum Business Centre II adjacent to our Forum Business Centre I – the Group has a substantial Slovakian pipeline and will clearly continue to be the country's leading developer.



Szia!

We're enjoying the agility that comes with our size here in Hungary. We're not the biggest player on the market (yet), but already consider ourselves serious competition to some very large local brands – including DVM-Horizon, Granit Polus, Futureal, Property Market, and WING – along with international giants like Skanska and GTC.

They all have flagship developments in Budapest, and ambitious projects along the Vaci office corridor. But so, do we. Our landmark project, Agora Budapest, is one of the city's largest office developments. Its size will allow us to utilise all the ideas we believe to be the central to our future developments.

This is what will differentiate us from our competitors, letting us gain a healthy piece of the thriving Budapest office market. In fact, we're already making a great impression with our community focus, human-centric thinking and transparency.

But we are not only focusing on Agora; our new integrated brands, Origameo and HubHub, are also gaining attention, and our ambition is to open our first HubHub office in Budapest before the end of 2018.

All in all, it's already shaping up to be a very good year.

Jan Hubner

Country CEO

AGORA HUB

THE ECONOMY

Hungary's GDP picked up in 2017 by 3.8%, after a stagnant 2016. The average number of unemployed dropped to 174,000. It certainly had an effect. Per capita purchasing power jumped to €6,204 in 2017. That's still less than half of the European average; but a healthy 10% year on year rise.

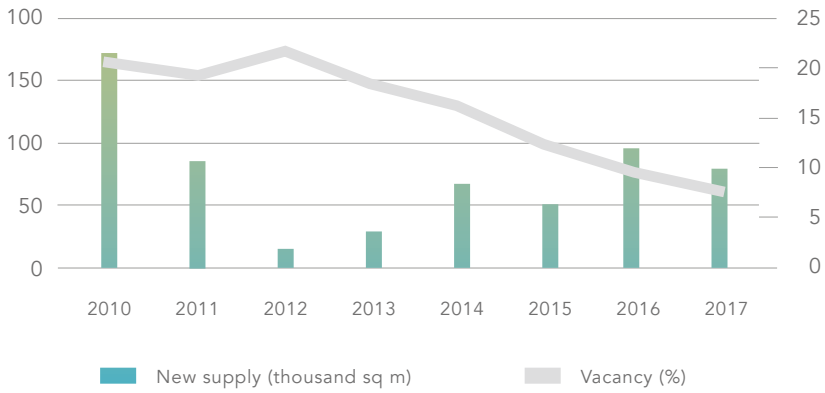
The fourth quarter economy raced away faster than it has in the last four years. Most likely, this was down to buoyant domestic demand, driven by EU investment and good financial conditions giving key industries – like construction – a lot of confidence.

The coming year looks to be strong, before a slightly slower pace in 2019. Similar to the last 12 months, the EU's funds will support growth, and private consumption will be supported by wage and employment increases. However, inflation will probably harm Hungary's competitiveness, and dampen exports.



THE MARKET

Budapest



Source: CBRE, JLL

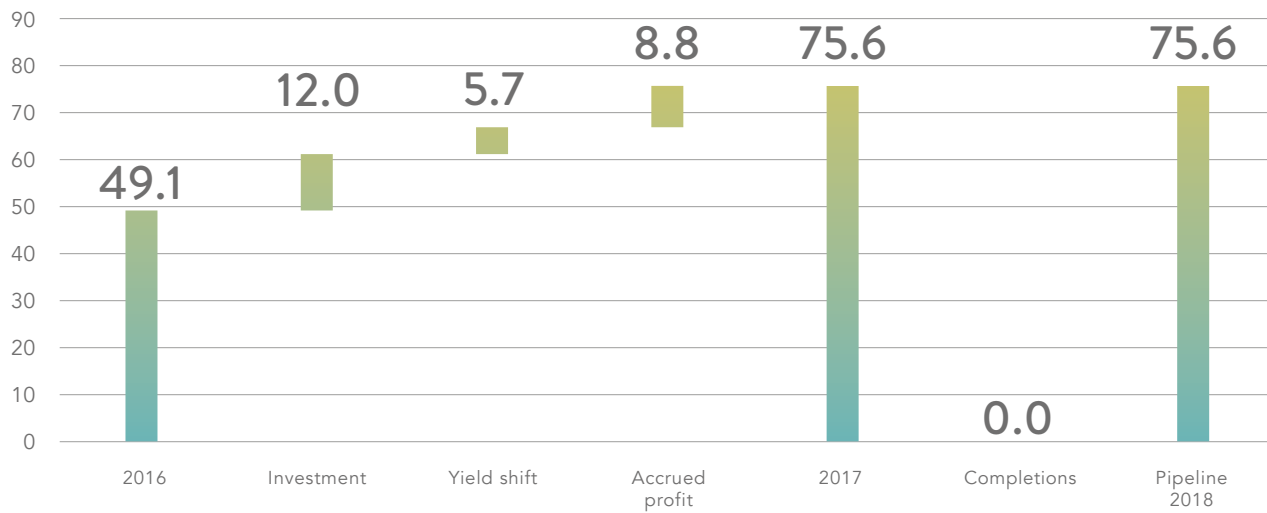
We’re currently in the fourth year of a house price boom. Across the country, we saw an 8.6% year-on-year rise in 2017, with Budapest prices rising 13.8%. Altogether, the real estate development market is worth HUF 680bn – a record high. As we write, 1.5m sq m are under construction, 41% of which is office space.

Office developments are particularly safe. Vacancies among Budapest’s 3.4m sq m of office space are at an all-time low of 7.5%. So, it’s no surprise that the office developers have been busy here. This coming year, we expect to see 300,000 sq m of new stock hit the market. This will meet a healthy demand from new and growing businesses; but we do expect competition to get tougher as the year goes by.

In the near future, growth should keep the market broadly stable. The only concern is the lack of larger 1,000+ sq m properties, though there are a number set to be handed over in 2018 and 2019.

Away from the hard numbers; more and more companies here now see the benefits of lifestyle working environments. And this has had a big impact on both tenants’ needs and developers’ expectations. The knock-on effect is likely to be more WELL-qualified buildings. Green and lifestyle features are definitely here to stay. Which is good time for us to position ourselves as a Workspace as a Service (WaaS) provider and differentiate from other players.

Changes in our Hungarian development property value (€m)



OUR PERFORMANCE

We started construction of our landmark Agora Budapest project in 2017. To reflect the development’s ambition, we also opened an innovative container showroom near the site, together with a new 5,000 sq m public park.

The park and showroom are very much community focused (we set up an ice rink there last winter) and have been very well received by both local families and working communities. To further embed our values, we also donated HUF 1m to a local NGO (Angyalfoldi Szocialis Egyesulet).

Now in a new phase of the Agora Budapest project, we’re looking to speed the construction up further and deliver the first set of buildings by the end of 2019, which is our big ambition. Across all our work, we’re known as a very professional business that’s building a great reputation for high-quality projects that put people at the heart of design. Everyone’s thoroughly energised by our achievements so far and are excited at what’s in the pipeline.

HB Reavis development Hungary	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects under construction	68,607	7.5	29.5	40.9	67.1	27.2	410.8	26.2	12.0
Projects in preparation	92,822	0.0	0.0	8.2	8.5	6.4	97.4	0.3	0.0
Total 2017	161,429	7.5	29.5	49.1	75.6	33.6	508.2	26.5	12.0
Total Pipeline for 2018	161,429	7.5	29.5	49.1	75.6	33.6	508.2	26.5	12.0

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

Awards

‘Community Space of the Year’, Office of the Year Awards (Agora Park and Showroom)
‘Planned Project of the Year - Commercial’, Office of the Year Awards (Agora Budapest)

Project Under Construction

Agora Budapest

We worked on acquiring of this interesting plot of land in Budapest for over a year, starting in December 2014. Finally, in January 2016, this well-located Vaci corridor plot at the crossroads with Robert Karoly Street was consolidated and prepared for our development.

During the reporting year, we worked on fine-tuning the Agora concept and design with leading British studio, Make architects. As this project's, planned 131,000 sq m of GLA will significantly change this part of the city, we worked closely with city representatives to create a truly iconic and remarkable design.

Agora Budapest's five office buildings and spacious community areas will not only be a new city landmark but, once completed, will offer workspace for over 12,000 people. Uniquely, it will combine business, life and leisure in a compelling new way; perfectly serving the needs of the people who work there, residents and passers-by.

We did, however, face some challenges with permits. After receiving the building permit for Agora Hub (expected 34,500 sq m of GLA) and Agora Tower (expected 34,100 sq m of GLA) during the reporting year, we were preparing for construction works and are currently looking ahead to complete both buildings towards the end of 2019.

The next phase of the Agora project (expected 63,300 sq m of GLA) is now in the final stage of product design. There are the usual risks of new regulations, but we believe there should be no further obstacles to gaining permits enabling us to deliver the project in late 2021 which is our challenging ambition.



GERMANY

Hallo!

Germany as a country really put the pedal to metal in 2017. All the economic indicators reinforce our view that it's the perfect time to be stepping into this market.

From our perspective, 2017 was a year of getting our bearings here in Berlin. A team of eight, we now have an established, enthusiastic culture. In truth, we now feel very much at home, and used all this as a catalyst in our efforts to find our first developments.

While there were many intriguing opportunities in 2017, we didn't feel 100% positive about any of them to push them through – until this year. Now, we have not one, but two developments in progress.

As you can imagine, we are hugely pleased to have two major acquisitions. The hard work very much starts now.

Marcel Sedlak

Country CEO



THE ECONOMY

The German economy continues to give everyone complete confidence. In fact, we saw the fastest growth since 2011 and, along with private consumption, it was investment that drove performance.

Businesses reported strong sales, especially in the fourth quarter – which should be good news for 2018 too. It's more a question of how much of a boost our economy will enjoy from continued low interest rates, a relatively weak currency, strong domestic markets and our EU relationships.

THE MARKET

2017 was an exceptional year for commercial property in many respects. Berlin, Munich, Frankfurt, Hamburg, Köln, Düsseldorf, Dresden, Leipzig and Stuttgart – the key cities – all either set new occupation records, or certainly were very near them. Considering potential arrivals from technology, universities, infrastructure and research and development, it is clear businesses feel economic growth is here to stay.

On the investment side, that positive sentiment has intensified even further. The talk across the industry is that, had been more options, there would have been even more than the already impressive €25bn put into new developments.

Demand does outstrip supply. And it's a situation that will take time to solve. So, given the political stability and solid wider forecast, most people expect the market to continue growing for the foreseeable future. The only possible brake could come from a change to the ECB's monetary policy.

Berlin, our prime focus, saw a combination of the city's popularity among young 'digital' workers and a positive economic forecast lead to many new or expanded R&D centres. This contributed to the healthy 900,000 sq m of contracts signed last year. All the key market indicators – prime rents, vacancy, net absorption and yields – strengthened, and have created a solid base for even more demand.

OUR PERFORMANCE

As a new territory for the business, this last year has been all about putting the right structure in place. Our eight full-time colleagues have worked hard to introduce the brand to the German industry and wider public.

Naturally, we've also been keeping our eyes peeled for potential first sites – examining in detail over 200,000 sq m worth of land. With such a positive market, we hoped to find the right project. In the end, we found two. The first, in central Berlin, is a site inside the S-Bahn ring with the potential to become 45,000 sq m of Grade A office space. The project has already drawn attention from not only leading financial institutions keen to be involved; but also potential users who have spotted the project's creative concept, convenient location and advanced planning.

Our other development is in Dresden, perhaps surprisingly as felt we would first focus on the capital. However, the plot's location – near to both the city centre and Dresden's largest university – was too good an opportunity to miss. In the midst of an infrastructure redevelopment zone, with a new tram line station opposite the building, planned 40,000 sq m of GLA looks to be very good value indeed.

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HOW WE MANAGE OUR ASSETS

Strategically, the Group is focused on achieving and maintaining a balanced share of investment property and assets under development for the longer term.

While we retain and manage these assets, we obviously aim to maintain them at top commercial and operational levels so that, when we divest, we do so in the best possible conditions.

At the same time, and even more importantly, we aim to provide services that exceed tenants' and employees' expectations, mainly by focusing on user-centric design and maintaining long-term clients' relationships.

As a part of our Workspace-as-a-Service approach, we have been working on Asset Management 2.0 – a platform that supports a new level of active asset management in our buildings.

As part of that, we developed our Events & Services program, which provides extra value to users of our buildings with co-ordination activities that shape value-adding facilities, services and events.

Our pilot activities are focused at Twin City business centre in Bratislava and Postepu 14 in Warsaw. Tenants in these buildings are enjoying a variety of regular events organised by our asset management team. Everything from health days, food trucks, Christmas markets and sports days to art exhibitions, musicians, cooking courses, massages and many more.

Additionally, we are bringing new diverse services to our buildings that enhance life. Whether it is a Concierge service helping employees solve everyday issues, innovative Biker facilities, car-sharing, private free sharing with branded bikes or multifunctional Smartphone application – we're striving to be both useful and practical.

We plan to further increase our offering with surprises aimed at the wellbeing of buildings' users to make them a lively place during and after working hours.

In terms of results, we're receiving great feedback. Our tenants' employees feel the services are a great benefit. In recent surveys, our Events and Services are achieving impressive NPS ratings (Net Promoter Score) well above 60, and some an 98. These scores are extremely useful inspiration to further improve this line of our business.

At the end of 2017, HB Reavis managed 17 income-producing properties with almost 434,097 sq m of GLA*. Fourteen of these are HB Reavis-owned projects totalling 369,608 sq m of GLA.

Three further projects, with 64,489 sq m of GLA, are owned by the HB Reavis CE REIF real-estate fund. Rental income from the managed portfolio reached €39.7m, of which our own properties contributed €29.2m, and Fund properties added €10.5m.

During the reporting year, we added one completed project to the asset management portfolio: West Station II, with 37,977 sq m of GLA in Warsaw. In contrast, our logistic centre in Lovosice was excluded after we sold it to the investor in December 2017.

In terms of the occupancy of assets on the Group's balance sheet, we reached a very solid 92% at year-end.

The total value of the income-producing portfolio on the Group's balance sheet increased to €1.29bn as of year-end 2017 (2016: €876 million) mainly due to the addition of One Waterloo in London to the income producing portfolio until it's redeveloped.

Like-for-like, the portfolio value increased by €47m before yield shift effects. Total asset returns reached 10.1% (2015: 11.6%).

Group income producing portfolio**	GLA sq m	Valuation			Rental income 2017	ERV	Equival. yield 2016	Equival. yield 2017	Capital return	Rental return	Total return
		2015	2016	2017							
AM portfolio from 2016	353,412	648.0	852.0	1,197.0	38.0	71.0	5.60%	5.56%	4.1%	4.4%	8.5%
Retail	22,142	33.0	89.0	90.0	4.0	5.0	6.33%	6.00%	-3.2%	11.0%	7.8%
Office	331,270	615.0	763.0	1,107.0	34.0	65.0	6.60%	6.01%	5.0%	5.5%	10.5%
Additions to portfolio in 2017	37,977	0.0	38.0	90.0	0.0	7.0	6.33%	6.50%	70.6%	0.1%	70.7%
Property exits in 2017	43,473	30.3	32.0	33.5	2.8	2.1	7.50%	8.53%	4.7%	8.7%	13.3%
AM portfolio for 2017	391,389	678.6	889.2	1,286.4	40.6	77.8	5.70%	5.70%	4.1%	6.0%	10.1%

*Including our divested Lovosice project

**Figures based on external expert valuations and management report.

The external valuations do not reflect IFRS adjustments that are taken into account in IFRS financial statements.

As far as the coming years are concerned, we aim to maintain a balanced share of income-producing properties and assets under development. So the number of income-producing properties and related rental income will deeply depend.

However, our Asset management arm will continue to optimise our Workspace-as-a-Service program, with Asset Management 2.0 as an integral part, and focus even more on users' wellbeing and building sustainable, long-term relationships with our clients.

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INVESTMENT MANAGEMENT

The investment management arm of HB Reavis Group enters its 7th year of successful operation. The business, operated by Luxembourg based subsidiary HB Reavis Investment Management S.a r.l., currently manages assets worth more than €345m and equity of almost €138m from around 200 high net worths and institutional investors in two sub-funds.

In the flagship fund, HB Reavis CE REIF follows a core/core+ strategy by investing equity on behalf of high-net-worth individuals and institutional investors into standing, close to or fully-let, income generating commercial properties: the AUM has grown by 7% in 2017.

While the fund's portfolio has been virtually fully let; the fund has delivered a solid 6.5% total return (net after fees), which was fully distributed in cash to its investors. It is to be noted that the performance was slightly hit by appreciation of the Czech crown, which gave rise to tax liabilities stemming from the Euro funding of our Czech asset.

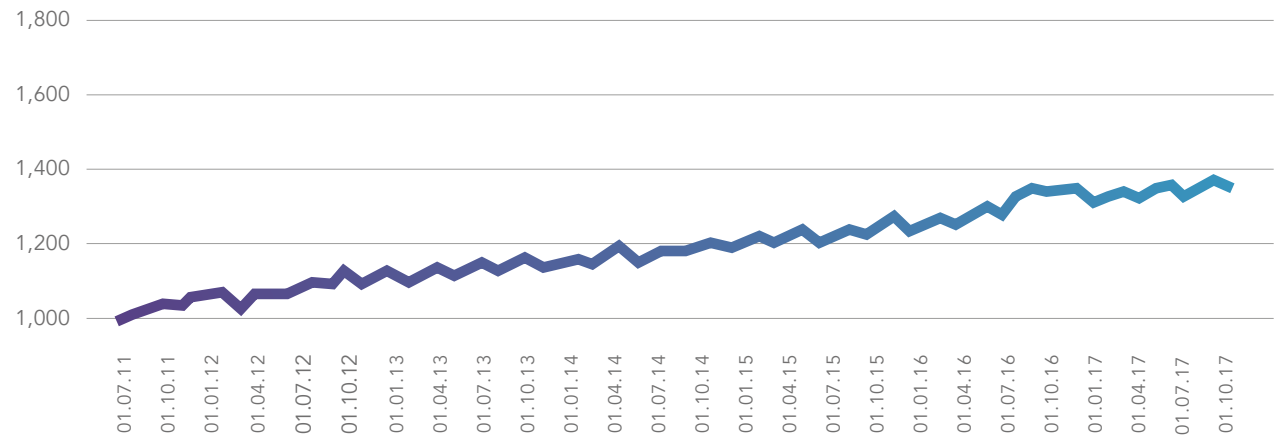
We keep exploring the possibilities to grow the investment management business. As part of this initiative, we have also completed the conversion of the fund into a retail fund in Luxembourg, making it more available to private investors within its core Central European markets.

We will also keep looking for new acquisition targets to complement the fund's portfolio within the Central European region, notably in Poland and Czechia, which should help us extend our distribution network in these countries.

While considering new acquisition targets, we'll be mindful of the new trends arising within the commercial property markets; focusing our efforts to capitalise on collaborations with HB Reavis Group and its focus on developing properties that better serve their clients' needs through flexible space solutions, smart buildings and tenant flexibilities.

We believe that active asset management, provided by experienced professionals from HB Reavis Group, will help us keep the portfolio close to fully let and add value to the investors.

HB Reavis CE REIF – Fund performance



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

Portfolio summary

Asset	Type	Valuation as of 12/2017 (€m)	Running yield as of 12/2017	WART 12/2017 (years)	Occupancy as of 12/2017
City Bussines Center Bratislava	Office	98.4	6.8%	3.3	96.0%
Union, Bratislava	Office	4.0	7.8%	–	100.0%
Aupark Hradec Kralove	Retail	89.6	6.0%	4.3	87.0%
Total		192.0	6.4%	3.4	91.6%

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FINANCIAL REVIEW

Workspace-as-a-Service and increasing deployment of analytical data are leading the changes in real estate trends. Collaboration, flexibility in terms of space – as well as duration and technological advancement – are tenants' key requirements for the way they use space.

These changes are forcing real estate players to adopt new business models or at least new business lines involving higher complexity. They also present new challenges for financial strategies. We're working hard to adopt a business model to addresses all these challenges in a proactive way, and adjust our financial strategy to support it.

At HB Reavis, we are constantly monitoring, anticipating and analysing market trends, and adjusting the way we do business and reviewing our financial strategy to suit them. Our aim is to ensure our financial strategy is fit for purpose and allows us to maintain a healthy capital structure while ensuring the availability of both new debt and new equity to support the Group's ambitions.

Occupancy trends are changing. Increasingly, tenants are looking for greater flexibility, driven primarily by the ever-shifting dynamics of today's business models and new economy sectors. In competitive labour markets, tenants need attractive recruitment and retention packages, and that is no longer only about remuneration and monetary benefits. The actual working environment now plays an increasingly strong role in recruiting top talent.

Given this new reality, the notion of a tenant committing to long-term and inflexible lease contract (the most attractive to traditional finance providers and investors) is under challenge. As a major player in leasing markets, we're seeing a clear trend towards more occupational flexibility. This, together with the advent of another recent phenomena in how tenants use space – the co-working platform – means there's a growing need for more agile debt and equity funding.

In 2016, the Group embarked on a significant divestment program that continued throughout 2017. In 2016 we disposed of 14 properties valued at over €1bn of GDV, including assets divested on behalf of HB Reavis CE REIF.

One of these divestments, 33 Central in London, completed in 2017 and we also finalised our pull out from the logistics sector by selling our last logistics project in Lovosice. The two primary reasons for such an ambitious divestment program? Firstly, with our significant pipeline, including some of Europe's most prestigious development projects

(Varso Place in Warsaw; Nivy Station & Tower in Bratislava; Agora Budapest), and given our speculative development business model; we felt we needed a substantial equity buffer.

Secondly, the favourable investment market, with significant yield compression, is driven largely by monetary stimulus. We have forecast that it will be reaching its peak in the near future and decided to take advantage of the beneficial environment and divest a substantial part of our income producing portfolio.

This does mean, however, that we've temporarily diverged from our targeted 50/50 balance sheet split between income producing assets and assets under development. In the medium-term, we will gradually build up the income producing part of our balance sheet from within our pipeline.

Through a combination of divestments and external financing operations, we accumulated cash at year-end 2017 amounting to €279m. This will help us continue our robust development program and support our growth both in an organic manner but potentially also through acquisitions should the opportunity come our way.

Furthermore, we intend to further continue this divestment program in 2018 with additional disposals of income-producing assets.

The divestment program started in 2016 has seen us substantially deleverage our balance sheet (i.e. we have disposed of most of our leveraged assets). At the start of 2017, our net-debt-leverage ratio stood at 17.4%, significantly below the 35% target and with enough headroom to deploy a diversified debt funding mix, both across markets and products.

We've achieved this through increased activity on the debt capital markets, particularly tapping Slovak and Polish bonds with five issues totalling €116.6m. It's worth mentioning that the Group managed to also issue €45m in secured bonds with an innovative, flexible (replaceable) collateral structure that mature in 10 years.

In combination with excellent access to traditional project financing, we managed to increase our net-debt-leverage ratio to 26.8%, with non-project financing representing 37% of our funding mix. We aim to continue our debt capital activities in the near term, both in our traditional CEE capital markets and also wider European debt capital markets.

In 2017, dividends paid to our shareholders reached 2.4% of NAV, however, authorised dividends amounted to 3.2% of NAV, slight breach of our financial policy (due to continued intershareholder settlement caused by unfortunate passing away of one of our two co-founders in 2016).



Our financial policy, refined in course of 2017 by measures outlined below in *italic*, formalises the key financial measures:

- Target Gross Debt to Total Assets at 40% (maximum 45%) and Net Debt to Total Assets at 35% (maximum 40%) with an appropriate mix of non-recourse project debt and Group-level debt
- *Initial maturity of project loan financing and issued bonds to commensurate with length of our product development cycle*
- Cash reserve target at least 5% of total Group debt, with a special reserve build-up profile to cover future debt-bullet repayments well in advance
- Dividend pay-out in line with historical levels up to 3% of NAV

- Careful risk management aimed primarily at mitigating foreign exchange fluctuations for all known and estimated non-Euro exposure 12-months forward, and interest-rate risks covering 50 – 100% of total medium to long-term debt exposure, both associated with macroeconomic or property cycles

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

How We Performed

€83.2m
Net profit

In terms of overall performance, in 2017 we delivered slightly better financial results than in 2016.

€96.5m
Total comprehensive income

While the overall financial result was not in line with our expectations the fundamentals are strong, as are our business results.

€118.2m
EBIT

Obviously, the main driver was a revaluation gain of €95.2m over the year, down from €174.5m in 2016. At €38.7m, Net operating income, in line with our expectations, was down modestly (2016: €46.1m) as the result of a huge disposal of matured assets we realised in 2016.

€38.7m
Net rental income

Disposals of subsidiaries increased somewhat to €25.8m (2016: €16.9m). Bottom line: we achieved a total comprehensive income of €96.5m (2016: €85.2m). To support our growth we also grew in personnel. Primarily we welcomed people to the business in the UK; but we're also adding some product design related head-office positions so that we're ready for further growth.

€95.2m
Revaluation gain

€1,274.4m
NAV (adjusted)

In terms of the operating profit, the group achieved €98.1m.

7.6%
Shareholders' return

The Group balance sheet increased to almost €2.3bn. Adjusted net asset value increased by a modest 4.4% year-on-year and reached €1.27bn. In terms of the 7.6% return on shareholders' equity, we were not able to deliver at the 15% long-term target level.

26.8%
Net Debt Leverage Ratio

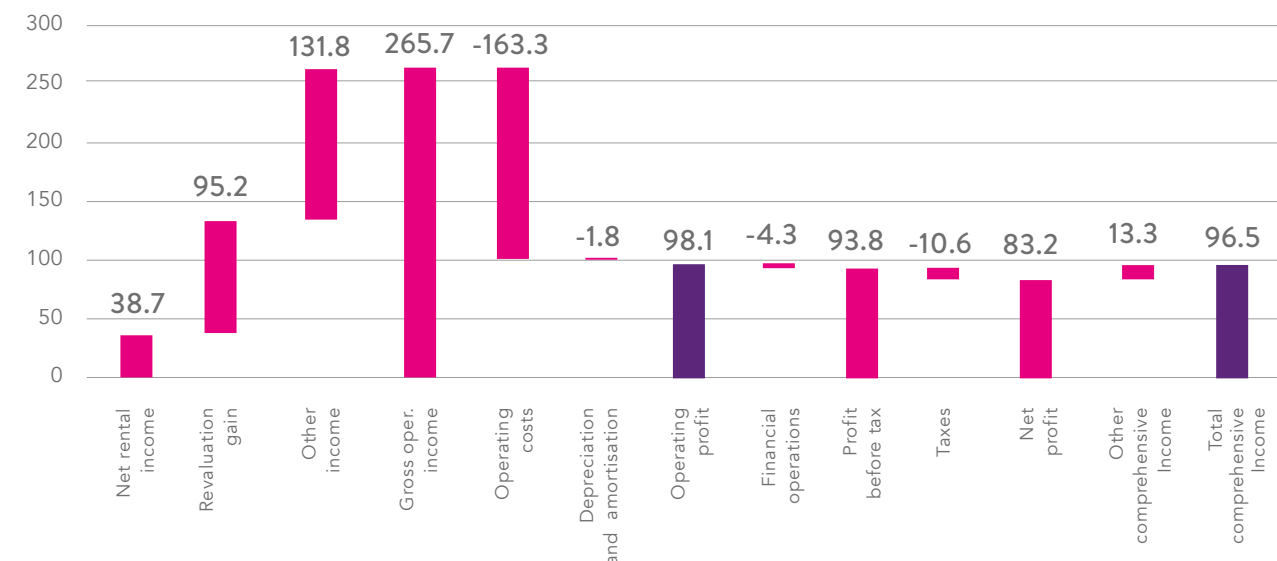
In contrast to an extraordinary previous year, our net debt leverage ratio returns much closer to targeted level of 35%. It was 26.8%, up from 17.4% in 2016.

€m	2013	2014	2015	2016	2017
Assets	1,530.1	1,806.1	2,089.3	2,112.3	2,294.8
Cash	49.9	155.3	115.4	316.4	279.1
Borrowings*	505.3	634.4	736.3	683.0	893.0
Net debt leverage ratio	29.8%	26.5%	29.7%	17.4%	26.8%

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

How We Created Value in 2017

Group profit decomposition (€m)



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

Net operating income (€m)



Revaluation gains (Net of yield shift, €m)



Investment portfolio yield



Revaluation gain

The delays on our development pipeline meant it only brought €95.2m to our Revaluation gain on investment property (2016: €174.5m). This represents a significant year-on-year decrease of around 45%, driven especially by foreign exchange related unrealised losses.

When adjusted for yield shift, the Group achieved €59.1m (2016: €107.7m) net revaluation gain while the positive yield shift contributed €36.1 million to profits (2016: €66.8 million).

In geographical terms, the biggest contributor was Slovakia with €43.4m, followed by Poland with a gain of €24.2m and Hungary with €19.5m. The UK contributed €7.4m, Czechia just €0.7m.

The average investment property portfolio yield decreased by -59 basis points to 5.58% as we continued investments in lower-yield projects in the UK and Poland. Income producing assets, primarily driven by higher-yielding Slovak assets, were valued at 6.05% at the end of 2017.

The average valuation yield of our development properties, now more heavily weighted to UK and Polish assets, was also down by 60-basis points to 5.04%.

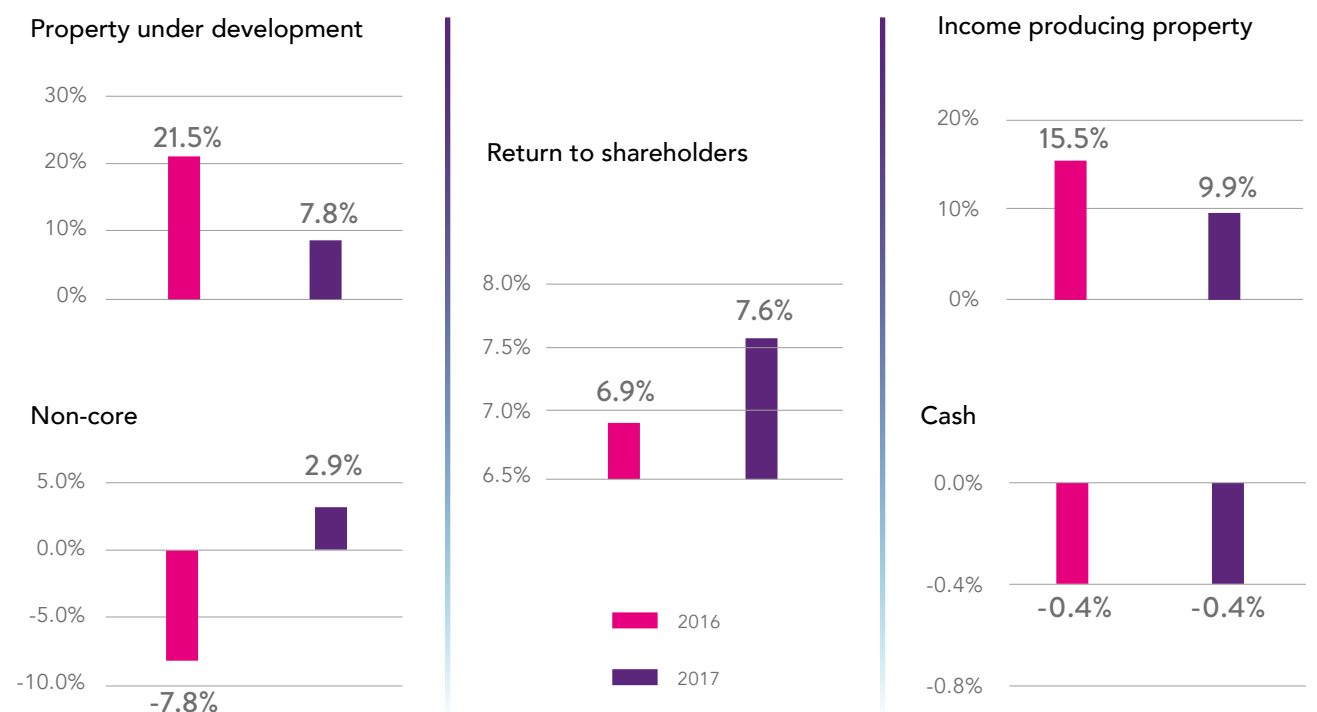
Net operating income decreased by €7.4m.

Our effort to rebalance our balance sheet aimed to pull up overall performance. This is of course accompanied with the limited capacity to generate net operating income. This is even more true when considering our robust divestment of matured assets in last two years and deconsolidation of HB Reavis CE REIF fund. In light of this, it reached €38.7m (2016: €46.1m), a 16% decrease.

As our strategy in the mid-term is to keep and manage our assets longer after they become mature, the growth potential for our net operating income could be higher in the coming years.

How business lines contributed

In terms of contributions made by our business lines to the overall return on shareholders' equity, the main drivers were both the Development portfolio with ROE of 7.8% (2016: 21.5%) and income producing property with a similar ROE of 9.9% (2016: 15.5%). ROE of our non-core portfolio lagged behind with 2.9%, as did cash at -0.4% at the end of 2017.



Note 1: Projects completed in 2017 included in Property under development.

Note 2: Segment results based on Profit before tax (excluding Translation of foreign operations to the presentation currency).

Note 3: Return to shareholders includes dividend paid out.

How we manage cash flow

In 2017, there was no significant change in the behaviour and appetite of financial institutions that finance real-estate projects.

The financing market offered reasonable conditions on loan-to-cost ratio and pricing, and the ability to deploy debt funding at earlier stages of the development phase were favourable. These conditions were the same across all our markets except for London, where Brexit prompted financial institutions to reconsider financing speculative office development.

We tried to take advantage of this positive trend to support our growing development operations. As always, we continued to manage cash flow, responsibly, prudently and according to proven guidelines:

- Managing financing and investment decisions so that the overall position of our cash reserves plus undrawn committed credit lines remain at a minimum of 5% of the total consolidated balance sheet.
- Preparing regular monthly and quarterly reviews of the consolidated cash flow forecast with a three to five-year forecast, including quarterly stress tests for different markets and macro-economic scenarios

Cash flows (€m)	2013	2014	2015	2016	2017
Cash beginning of period (BOP)	48.6	49.9	155.3	115.4	316.4
Operating cash flow	9.0	20.6	24.3	30.6	-67.4
Land/property acquisitions	-79.2	-56.7	-40.0	-76.0	-300.4
Construction investments	-112.6	-122.6	-215.5	-244.9	-201.5
Land/property exits	76.1	88.0	13.5	162.6	23.4
Other investments	-8.2	-10.8	-8.1	-1.4	-2.8
Investment cash flow	-123.9	-102.1	-250.1	-159.7	-481.3
Borrowings change	125.1	200.7	244.9	379.1	541.2
Dividends/equity contributions	-8.9	-13.8	-59.0	-49.0	-29.8
Financing cash flow	116.2	186.9	185.9	330.1	511.4
Cash end of period (EOP)	49.9	155.3	115.4	316.4	279.1
Share of cash on total assets	3.3%	8.6%	5.5%	15.0%	12.2%

Note: Figures based on consolidated, IFRS audited report

*Land/property exits presented net of related investment loans repaid in relation to exit

In line with our growth strategy, we significantly increased our annual investment in the construction and acquisition of new plots when we exceeded €500m in 2017.

Our investment in acquisitions during the reporting year rose to €300m. As far as investment in construction is concerned, the amount decreased to €201.5m. For the coming years, we plan to keep the amount of investment at around €400m – €500m.

Note: Year-end figures based on consolidated, IFRS audited report, for complete Cash Flow see the consolidated Financial Statement

How We Finance

The reporting year was another of strong financing activity for HB Reavis, both in project financing and debt capital markets. After 2016, when a significant part of the existing loan portfolio was refinanced, the Group financing effort focused mostly on new development loans and capital market transactions.

Despite that, cost of external debt remained almost flat at around 2.9%, while the weighted average tenor declined to 3.8 years at year-end 2017 (2016: 4.15). This slight shortening of the tenor in 2017 was down to lower divestment activity – caused in 2016 when some of the shorter tenor debt was repaid and by lower refinancing activity in 2017.

Almost €640m external debt was newly raised or refinanced through a combination of bank loans and issued bonds. On a cash basis, €564m of new (additional) debt was raised by the Group.

The Group repaid or offloaded debt amounting to over €305m. In addition to this, the Group as of end of 2017 has not fully consolidated HB Reavis CE REIF fund, and this caused a drop in borrowings by €113m. A large part of the repaid debt was raised in early 2017, so on an aggregate basis, at the end of 2017, external debt stood at €892m* against €683m* at the end of 2016. 64% of the external debt stemmed from bank loans; while the remaining 36% was in issued bonds.

Despite strong debt raising activity aimed at optimising the Group's capital structure, our overall net debt leverage ratio stood at 26.8% (2016: 17.4%), still significantly below the 35% set in the Group's financial policy.

As of the end of 2017, we maintained well diversified credit relationships with 14 (2016: 10) banking and financial institutions for projects in the UK, Slovakia,

Czechia, Poland and Hungary. The increase in number of credit relationships was driven mainly by the UK, where the Group signed two new development loans.

The Group also continued its successful debt capital market operations by issuing bonds in Poland and Slovakia, further optimising our capital structure. On average, the unsecured bond issues amounted to over €115m. The Group also issued €45m secured with a flexible (replaceable) collateral structure that matures in 10 years. In addition, the Group has successfully repaid the full €33.3 million on its inaugural bond issued in 2013 in Poland.

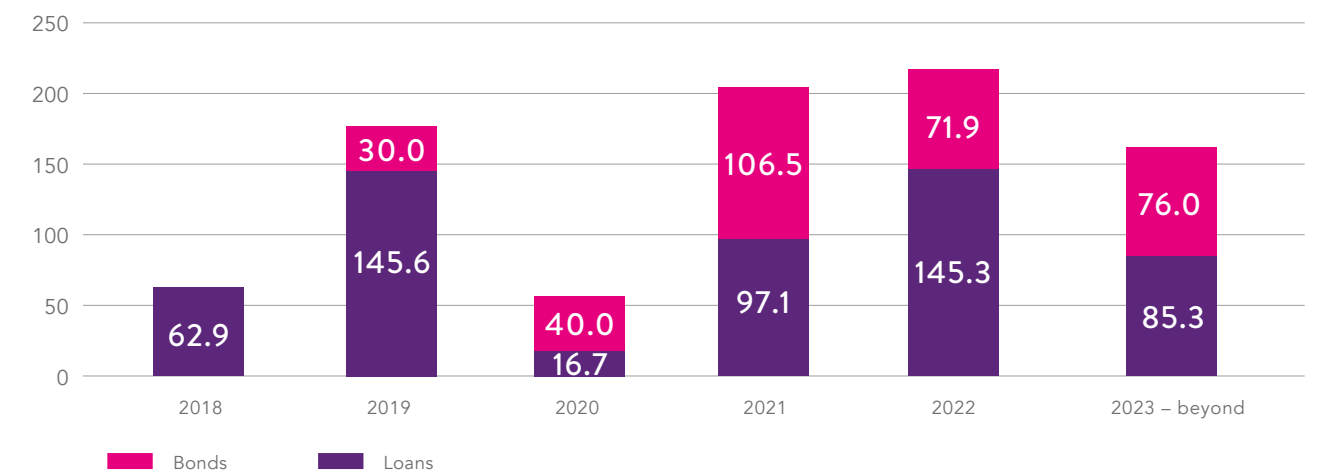
Our traditional source of external debt funding – project-linked loan financing – has long been provided by diverse banking partners. This loan financing is typically secured against a designated real-estate project with no or limited recourse to the Group.

Special project companies (SPVs) contract for bank loan facilities that are subject to lending covenants typically including maximum loan-to-value ratios and minimum debt service coverage ratios.

A large part of bank debt carries floating interest rates with a variety of hedging arrangements, agreed either in the conditions of our loan agreements or on a distinct basis reflecting the Group needs to mitigate its interest rate exposure. The Group closely monitors interest-rates and takes actions whenever necessary.

Our loan documentation always incorporates several key elements: achievable covenants and undertakings, operational flexibility and protection of shareholders' equity. Over the course of 2017, no default events were called or reported on the Group's loan portfolio.

HB Reavis Group maturity profile as of 31 December 2017 (€m)



* Excluding debt related to JV's and related parties.

How We Divest Assets

Real estate assets continue to attract investors seeking secured, long-term income. The markets continue to see yield compression reaching record levels, as the wealth of capital raised and available for real estate investments stalls due to a lack of good quality assets.

However, due to the low interest rates we consider the current yield levels healthy. We see further convergence of Central European yields towards the Western European markets, though capital values are still significantly lagging.

Overall transaction activity in European commercial real estate was again very strong, with most of the markets reaching pre-crisis levels. They proved to be resilient to global political and economic uncertainties. Indeed, despite Brexit, the UK market strengthened its position as the Europe's most attractive investment market and quickly recovered from a short-term blip.

Non-European investors reached a record 40% share on the European investment market, doubling over the last five years – with US and Asian investors being the most active.

In Central European markets, Poland and Czechia remain the top picks for institutional investors as they are close to maturity and still provide a yield premium compared to Western Europe. Investors seeking higher returns are actively looking for investment opportunities in countries like Hungary, Romania and Slovakia.

We continue with our divestment program, taking advantage of favourable macroeconomic and investment-market conditions. The reporting year was less eventful compared to the last, as some of the larger deals slipped into 2018. The Group has divested, or is in advanced discussions to divest, five income-generating assets.

In 2017, we completed the sale of 33 Central (also known as 33 King William Street) in the City of London to Wells Fargo. We acquired the site in late 2013 and, in 2016, entered into a forward agreement with Wells Fargo to sell it on the completion.

The transaction was in one of 2016's largest single office deals in the City of London, less than a month after Brexit. This was a strong endorsement of our real estate solutions' quality, as well as the resilience of our business even under seemingly-challenging market conditions.

The building will serve as Wells Fargo's London headquarters with approximately 1,200 people. The completion is an important moment for our company

as the building is our first investment in London and the first of our four London projects to complete. It validates not only our business model and ability to complete the full development cycle outside of CE; but also our vision to deliver truly remarkable, design-led workspaces carefully tailored for people who work there, live nearby or visit the surrounding area.

The sale was not initially envisaged – we planned to retain and lease – but has allowed us continue investing in similar high-quality development opportunities in London and elsewhere.

In 2017 we sold our last logistics project, MLC Lovosice, to P3, ending our activities in the industrial segment. Instead, we'll continue with our long-term strategy of focusing exclusively on office and retail projects.

Additionally, we have entered into negotiations for the prospective sale of Gdanski Business Centre buildings C and D in Warsaw, and Metronom Business Centre in Prague – both with reputable investors.

Close long-term investor relationships are an important pillar of our divestment strategy. Coupled with the implementation of our transaction knowhow, and understanding of investors' needs; we've developed a reputation for quality assets and gained the confidence of institutional investors.

Constantly improving quality, we aim to become the market leader in using new technologies in our buildings and improving the user experience. This will result in better marketability and perception of our projects, not only with the investors but also the tenants and their employees.

With changing tenants' dynamics, real estate is advancing at pace towards smart cities, co-working and tenant flexibilities. To successfully realise the potential of these trends, we need to deliver at scale, and foster active asset management.

From an investment market perspective, the traditional investor's mindset needs to transform and adapt to current trends. Exceptional returns will be driven by focused transformation and some degree of risk in taking on asset management. With this in mind, we will seek alternative divestment routes, through REIT-like structures, fund management and joint ventures to maintain control over assets and enjoy the potential upside of active asset management – while maintaining an ever-closer relationship with investors.

How We Manage Risk

The Group is exposed to the risks that are part of the general commercial environment, as well as various business-specific risks. An inherent part of the Group's business management is the emphasis on their identification and monitoring.

Where possible, we deploy proactive mitigation tools to manage any risks that could have a material impact on our business. As a SWOT analysis of our business shows, the majority of weaknesses and threats are the focus of our comprehensive risk management.



- Diversification across markets and locations
 - Efficient construction procurement
 - Strong office product design know-how and experienced team
 - Proven ability to deliver high quality buildings in all Group markets
 - Proven ability to divest property assets in all Group markets
 - Strong financial track record and credibility with banks and investors
-
- Robust growth in recent years has put some pressure on some operational processes
 - Less than optimal leverage of Group balance sheet
-
- Strong demand in Bratislava and Budapest
 - Strong leasing activity in Warsaw and Prague
 - Increased leverage through sustainable and diversified funding sources – loans and bonds
 - Accelerated knowhow transfer and implementation in markets outside Central Europe
 - Acceleration of leasing through higher engagement with clients
 - Higher efficiency through successful implementation of new processes
 - Leadership in setting office trends
-
- Continuing oversupply in Warsaw office market intensifies pressure on rents
 - Not enough opportunities to redeploy Group capital that would meet our Group risk-return expectations
 - Uncertain environment in London market due to Brexit
 - Unexpected shock in financial markets

External risks

Uncertainty in macro and microeconomic environments in Group’s markets increases the risk related to property values, development returns, accessibility to external funding and saleability of assets, as well as stability of rental income.

Default of contractual partners and adverse changes in the legal environment can lead to financial losses for the Group.

Description and potential impact of risk	Mitigation
The Group’s business is dependent on macroeconomic and property market conditions in each individual country and city in which we operate. Deterioration in commercial property markets leads to a decline in the value of the property portfolio, tenant default and a reduction of income from relevant properties.	<ul style="list-style-type: none">• International and segment diversification provides a reasonable balance in mitigating market cycles and fluctuations, as well as concentration risks• Focus on high-quality properties in superb locations with sustainable prospects• Thorough acquisition process involving assessment of legal, tax, economic, technical and social parameters, as well as the timing of the acquisition
Events on financial markets might limit the availability of funding and influence terms of raising capital, while a lack of liquidity might reduce the saleability of assets. Movements on financial markets might influence the development of interest rates as well as currency exchange rates.	<ul style="list-style-type: none">• The Group cooperates with a variety of banking partners in different markets• Diversification of funding sources split into bank financing and debt capital markets• Constant reviews of our cash-flows aimed at matching funding sources with committed capital expenditures• The risks associated with rising interest rates are limited through derivative financial instruments, especially CAPS and SWAPS• Foreign exchange rates are monitored daily and, in line with financial policy, we deploy hedging tools, including derivatives to hedge part of this risk
Underlying income could be adversely affected by a weakening of tenant demand resulting from slow economic performance in the EU and corresponding uncertainties in consumer confidence, business activity and investments.	<ul style="list-style-type: none">• Focus on developing prime portfolios in sectors deemed to have resilient attributes, on strong tenant covenants• Strong relationships with tenants lead to early identification of issues• Sector and regional diversification of the property portfolio with balanced and diversified tenant mix with limited exposure towards single tenants
When a contractual partner is unable to meet obligations, financial or other, such breaches might lead to direct or indirect financial losses for HB Reavis	<ul style="list-style-type: none">• 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, we are 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 ventures and development partners or to development and construction processes	<ul style="list-style-type: none">• Careful analysis of legal matters in respective environments, including the use of high-quality professional advisers• Continuous monitoring of all aspects of the planning process (including environmental areas) by experienced in-house and external experts

Internal risks

A failure in decision-making on capital commitments, assessment of new acquisitions/opportunities, management of construction and development processes and impacts of changes in organisational structure can all 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 result in insufficient Group capacity to meet them	<ul style="list-style-type: none">• 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 authorisations• Constant budgeting and forecasting of all capital commitments, matching them with available funding sources• Flexible construction pipeline enabling the Group to deploy capital at suitable times
Failure to assess and manage risks during the development process adversely impact future income, capital performance and endanger leasing exposure, timetable and costs, and adverse planning judgements. Poor construction delivery and failures in procurement (of sub-contractors) results in quality issues and cost overruns causing customer dissatisfaction and/or financial damage	<ul style="list-style-type: none">• Detailed analyses and appraisal of all developments, including risks, sensitivity and scenarios assessment is commissioned prior to any development commitment• Progress against budget and schedule is monitored throughout the development lifecycle• Before awarding supplier contracts, key contractors are assessed, including financial covenant review• Strong and sustainable relationships are maintained with key suppliers
Organisational structure needs to be adapted to international expansion, which exposes the Group to risks of inappropriate staffing in key positions. Departure or failure to attract competent experts leads to significant loss of intellectual property or inability to properly cover certain sections of the development cycle.	<ul style="list-style-type: none">• 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

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AUDIT REPORT

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Audit report

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of HB Reavis Holding S.à r.l. (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Law and standards are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

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

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

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

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

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

Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 16 April 2018

Isabelle Dauvergne

HB Reavis Holding S.à r.l.
Consolidated Statement of Financial Position at 31 December 2017
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
ASSETS				
Non-current assets				
Investment property in use or vacant	9	545.6	565.1	570.3
Investment property under development	9	861.8	639.5	853.4
Investment in joint ventures	10	56.2	46.5	48.4
Property, plant and equipment	8	9.5	9.0	11.3
Intangible assets		0.7	0.2	0.4
Financial investment		1.1	-	-
Receivables and loans	7,11	11.7	12.3	13.5
Deferred income tax asset	26	16.9	4.4	6.9
Other non-current assets	12	11.5	11.1	5.1
Total non-current assets		1,515.0	1,288.1	1,509.3
Current assets				
Non-current assets classified as held for sale	15	386.5	221.8	430.9
Inventories		0.6	0.4	0.4
Trade and other receivables	7, 13	117.1	67.5	48.4
Amount due from customers for contract work	14	-	221.3	-
Other assets		14.2	5.2	2.5
Cash and cash equivalents	16	261.4	308.0	97.8
		393.3	602.4	149.1
Total current assets		779.8	824.2	580.0
TOTAL ASSETS		2,294.8	2,112.3	2,089.3
EQUITY				
Share capital (12,500 shares at EUR 1.00 each)	17	-	-	-
Share premium	17	494.0	532.6	581.3
Retained earnings		711.7	628.5	521.0
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	3.8	3.8
Currency translation reserve	2.3	(15.4)	(28.7)	(6.4)
Equity attributable to the Company's owners		1,194.1	1,136.2	1,099.7
Non-controlling interest		1.6	0.5	0.6
TOTAL EQUITY		1,195.7	1,136.7	1,100.3
LIABILITIES				
Non-current liabilities				
Borrowings	18	598.9	564.9	486.0
Deferred income tax liability	26	69.9	69.9	88.5
Trade and other payables	7, 19	10.3	4.8	11.8
Total non-current liabilities		679.1	639.6	586.3
Current liabilities				
Liabilities directly associated with non-current assets classified as held for sale	15	239.0	113.8	254.3
Borrowings	18	82.1	91.3	57.2
Trade and other payables	7, 19	91.1	115.9	70.3
Deferred income	19	7.8	8.8	12.2
Current income tax payable		-	6.2	8.7
		181.0	222.2	148.4
Total current liabilities		420.0	336.0	402.7
TOTAL LIABILITIES		1,099.1	975.6	989.0
TOTAL LIABILITIES AND EQUITY		2,294.8	2,112.3	2,089.3

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 16 April 2018 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 135 to 189 are an 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 2017

Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2017	2016	2015
Rental and similar income from investment property	20	60.6	69.6	67.5
Direct operating expenses arising from investment property	21	(21.9)	(23.5)	(22.9)
Net operating income from investment property		38.7	46.1	44.6
Revaluation gain/(loss) on investment property	9	95.2	174.5	263.2
Share of profit or loss of joint ventures	10	7.1	(0.3)	12.4
Gain on disposal of subsidiaries	25	25.8	16.9	13.6
Gain on disposal of joint ventures	10	-	-	1.1
Revenue from public transportation	25, 22	-	-	13.4
Other operating income	7, 24	9.1	6.4	4.0
Revenue from construction contracts	14	85.5	114.9	37.2
Construction services	14	(78.7)	(73.0)	(31.8)
Employee benefits	23	(27.8)	(17.3)	(24.5)
Fuel costs		(0.2)	(0.3)	(2.4)
Depreciation and amortisation		(1.8)	(1.5)	(3.4)
Other operating expenses	24	(54.8)	(31.1)	(24.9)
Operating profit		98.1	235.3	302.5
Interest income	7	-	0.6	1.2
Interest expense		(24.4)	(31.2)	(23.6)
Foreign exchange gains/(losses), net	27	14.6	(41.2)	5.0
Gains less losses on financial investments held for trading	25	-	-	5.3
Gains less losses on financial derivatives		8.3	(18.0)	-
Other finance income		-	-	2.2
Other finance costs		(2.8)	(5.6)	(5.1)
Finance costs, net		(4.3)	(95.4)	(15.0)
Profit before income tax		93.8	139.9	287.5
Current income tax credit/(expense)	26	3.5	0.9	(0.1)
Deferred income tax (expense)/credit	26	(14.1)	(33.3)	(48.0)
Income tax credit/(expense)		(10.6)	(32.4)	(48.1)
Net profit for the year		83.2	107.5	239.4
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Translation of foreign operations to the presentation currency for the year	2.3	13.7	(36.2)	1.4
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	25, 27	(0.4)	13.9	-
<i>Items that may not be reclassified subsequently to profit or loss:</i>				
Revaluation of own use premises upon transfer to investment properties at fair value		-	-	3.8
Total other comprehensive income		13.3	(22.3)	5.2
Total comprehensive income for the year		96.5	85.2	244.6
Net profit is attributable to:				
- Owners of the Company		83.2	107.5	239.4
Profit for the year		83.2	107.5	239.4
Total comprehensive income is attributable to:				
- Owners of the Company		96.5	85.2	244.6
Total comprehensive income for the year		96.5	85.2	244.6

The accompanying notes on pages 135 to 189 are an 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 2017

Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	Attributable to owners of the Company					Non-controlling Interest	Total equity
		Share capital (Note 17)	Share premium (Note 17)	Retained earnings	Translation reserve	Revaluation reserve		
Balance at 1 January 2015		-	637.9	284.7	(7.8)	-	18.6	933.4
Profit for the year		-	-	239.4	-	-	-	239.4
Other comprehensive income		-	-	-	1.4	3.8	-	5.2
Total comprehensive income for the year		-	-	239.4	1.4	3.8	-	244.6
Disposal of subsidiary	25	-	-	-	-	-	(18.0)	(18.0)
Distribution to owners	17	-	(56.6)	(2.7)	-	-	-	(59.3)
Other		-	-	(0.4)	-	-	-	(0.4)
Balance at 31 December 2015		-	581.3	521.0	(6.4)	3.8	0.6	1,100.3
Profit for the year		-	-	107.5	-	-	-	107.5
Other comprehensive income		-	-	-	(22.3)	-	-	(22.3)
Total comprehensive income for the year		-	-	107.5	(22.3)	-	-	85.2
Distribution to owners	17	-	(48.7)	-	-	-	-	(48.7)
Other		-	-	-	-	-	(0.1)	(0.1)
Balance at 31 December 2016		-	532.6	628.5	(28.7)	3.8	0.5	1,136.7
Profit for the year		-	-	83.2	-	-	-	83.2
Other comprehensive income		-	-	-	13.3	-	-	13.3
Total comprehensive income for the year		-	-	83.2	13.3	-	-	96.5
Distribution to owners	17	-	(38.6)	-	-	-	-	(38.6)
Other		-	-	-	-	-	1.1	1.1
Balance at 31 December 2017		-	494.0	711.7	(15.4)	3.8	1.6	1,195.7

The accompanying notes on pages 135 to 189 are an 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 2017
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2017	2016	2015
Cash flows from operating activities				
Profit before income tax		93.8	139.9	287.5
<i>Adjustments for:</i>				
Depreciation and amortisation	8	1.8	1.5	4.4
Revaluation gains on investment property	9	(95.2)	(174.5)	(263.2)
Gains less losses on disposals of subsidiaries	25	(25.8)	(16.9)	(13.6)
Gain on disposal of joint ventures		-	-	(1.1)
Share of profit or loss of joint ventures		(7.1)	0.3	(12.4)
Gains less losses from financial instruments held for trading		-	-	(5.3)
Interest income		-	(0.6)	(1.2)
Interest expense		24.4	31.2	23.6
Unrealised foreign exchange (gains)/losses	27	(16.5)	35.9	(4.9)
Unrealised (gains)/losses from financial derivatives		(2.6)	6.5	-
Operating cash flows before working capital changes		(27.2)	23.3	13.8
<i>Working capital changes:</i>				
Decrease/(increase) in trade and other receivables		169.8	(17.4)	(22.4)
Increase/(decrease) in trade and other payables		5.6	3.1	15.8
Increase/(decrease) in taxes payable		-	(0.8)	(0.2)
Cash generated from operations		148.2	8.2	7.0
Interest paid		(16.9)	(20.4)	(16.9)
Interest received		-	0.6	1.2
Income taxes paid		(0.7)	(0.7)	(0.2)
Net cash from operating activities		130.6	(12.3)	(8.9)
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets	8	(2.8)	(1.4)	(10.5)
Purchases of investment properties		(300.4)	(75.0)	(40.0)
Advances and prepayments paid		-	(1.0)	-
Investment in joint venture		(2.6)	1.0	(21.6)
Loans provided to related parties	13	(36.3)	(0.1)	(0.5)
Construction costs related to investment properties		(137.1)	(198.6)	(193.9)
Proceeds from sales of investment property		-	302.2	1.1
Proceeds from sales of subsidiaries, net of cash disposed	25	23.4	171.8	63.2
Net cash outflow from loss of control over subsidiary	25	(27.0)	-	-
Loans provided to related parties under common control	25	-	-	(21.6)
Repayments of loans provided to related parties under common control	25	-	-	72.0
Capital of disposed subsidiary repayable to owners	25	-	-	10.0
Acquisition of financial investments held for trading	25	-	-	(80.4)
Net trading gains received from financial investments		-	-	5.3
Proceeds from sale of financial investments		17.4	-	-
Restricted cash		1.0	(1.3)	2.4
Net cash (used in)/from investing activities		(464.4)	197.6	(214.5)
Cash flows from financing activities				
Proceeds from borrowings		541.2	348.9	431.9
Repayment of borrowings		(213.9)	(285.5)	(151.9)
Repayment of loans due to related parties	25	-	-	(35.1)
Distributions paid to owners	17	(29.8)	(49.0)	(59.0)
Net cash from/(used in) financing activities		297.5	14.4	185.9
Net (decrease) / increase in cash and cash equivalents		(36.3)	199.7	(37.5)
Cash and cash equivalents at the beginning of the year		313.2	113.5	151.0
Cash and cash equivalents at the end of the year		276.9	313.2	113.5
<i>Reconciliation of cash and cash equivalents:</i>				
- Restricted cash	16	2.2	3.2	1.9
- Cash within non-current assets classified as held for sale	15	(17.7)	(8.4)	(17.6)
Cash and cash equivalents at the end of the year presented in the statement of financial position	16	261.4	308.0	97.8

The accompanying notes on pages 135 to 189 are an integral part of these consolidated financial statements.

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2017
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 2017 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 investmnet properties to earn rental income or for capital appreciation. The Group made its largest acquisition in HB Reavis history with acquisition of One Waterloo in London, in prominent South Bank location next to the Waterloo station. The project has a permit in place enabling development of almost 96k sqm of mix office-resi scheme for the projected Gross Development Value of 1.35bn EUR. Our aim is to optimize current permit and apply for re-permitting with anticipated start of construction of the new scheme in 2020 and delivery of the project in 2024. The Group has also acquired an income producing property called Mercuria, Prague, Czech Republic, aiming to redevelop the scheme over the course of 2019-2021, with expected Gross Development Value of 49.8m EUR. In December 2017, the Group has secured a land plot in Lodz, Poland; the intended scheme, after finalizing the acquisition in 2018, will comprise of almost 47k sqm of office area, leading to Gross Development Value of 106m EUR. Two projects have been completed in second half of 2017: West Station Business Center II in Warsaw and 33 Central in London. In 2016, the Group opened Gdanski Business Center II and West Station Business Center I in Warsaw, Poland, Twin City Business Center (blocks B and C) in Bratislava, Slovakia and Aupark in Hradec Kralove, the Czech Republic. As of the date of preparation of these consolidated financial statements, construction of 20 Farringdon Street and Cooper & Southwark, both in London, UK, Burakowska and Varso project, both in Warsaw, Poland, Twin City Tower, Nivy Tower & Stanica Nivy in Bratislava, Slovakia and Agora project in Budapest, Hungary is ongoing. The Group divested from two projects in Decemeber 2017; the only remainig logistics asset, Lovosice, Czech Republic and also successfully concluded the hand-over of 33 Central, UK, to Wells Fargo.

HB Reavis Real Estate Fund structure. HB Reavis Real Estate Investment Fund (until 27 April 2017 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 fixed capital (société d’investissement à capital fixe) within the meaning of article 72-3 of the law on commercial companies of 10 August 1915, as amended (the 1915 Law) and registered as an undertaking for collective investment governed by Part II (UCI Part II) of the 2010 Law, governed by the present articles of association and by current Luxembourg laws, and notably by the 1915 Law and the law of 17 December 2010 on undertakings for collective investment, as amended (2010 Law). It is also governed by specific management regulations dated June 2012. The Fund was set up on 25 May 2011 and was registered as an investment company with variable capital until 27 April 2017. The Fund 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 Fund launched its first Sub-Fund named HB Reavis CE REIF (hereafter “Sub-Fund A” or “CE REIF”) in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter “Sub-Fund B” or “Global REIF”) was launched on 15 September 2015. The Fund is managed for the account of and in the exclusive interest of its shareholders by HB Reavis Investment Management S.à r.l. (the “Management Company”), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 20, rue de la Poste, L-2346 Luxembourg.

CE REIF Sub-Fund. While there is no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund aims to mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial CE REIF Sub-Fund's portfolio included investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments are aimed to be made in both capital and regional cities in the entire Central European region. Investments in logistic properties are restricted to attractive and strategic locations only. CE REIF Sub-Fund seeks to maximize the value via investing in properties, which in the past proved to bear characteristics of a prime-commercial real estate property, which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. CE REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income. The Group lost control of the Sub-Fund A in 2017 (Note 25).

Global REIF Sub-Fund. While there are no specific country or real estate segment restrictions posed, Global REIF Sub-Fund aims to mainly invest in commercial real estate assets located in the EU countries and Turkey. The initial Global REIF Sub-Fund's portfolio included investment properties in prime properties only located in Slovakia. The office segment investments are focused mainly on properties located in business districts of capital and regional cities in the EU countries and Turkey, but without any specific location restriction. The retail segment investments are aimed to be made in both capital and regional cities of EU countries and Turkey.

Investments in logistic properties are restricted to attractive and strategic locations in EU countries and Turkey. In case of “core” investments, Global REIF Sub-Fund seeks to maximize the value via investing in properties, which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. Global REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

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

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2017
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

1 The HB REAVIS Group and its Operations (Continued)

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

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

As at 31 December 2017 the Group had offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London, Berlin and Istanbul.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated. Minor amendments have been made to the comparative periods to improve the clarity of the information disclosed.

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 2017.

Income and cash flow statements. The Group has elected to present a single 'statement of profit or loss and other comprehensive income' and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid are presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

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

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment properties (including those held for sale), financial assets classified as available for sale (eg earn-out receivables), derivatives and other financial instruments held for trading that have been measured at fair value.

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

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

2.2. Consolidated Financial Statements

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

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

HB Reavis Holding S.à r.l.
Notes to Consolidated Financial Statements for the year ended 31 December 2017
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

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

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2017	31 December 2016
1	HB Reavis Holding S.à r.l. (Parent Company)	EUR	Luxembourg	N/A	N/A
2	HB REAVIS REAL ESTATE INVESTMENT FUND (until 27.4.2017 as HB Reavis Real Estate SICAV-SIF) ⁶	EUR	Luxembourg	100	100
3	HBR CE REIF LUX1, S.à r.l. ⁵	EUR	Luxembourg	-	100
4	HBR CE REIF LUX2, S.à r.l. ⁵	EUR	Luxembourg	-	100
5	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	100	100
6	TWENTY House S.à r.l.	GBP	Luxembourg	100	100
7	GBC A'S.à r.l.	EUR	Luxembourg	100	100
8	Gdanski A'SCSp.	EUR	Luxembourg	100	100
9	GBC B S.à r.l.	EUR	Luxembourg	100	100
10	Gdanski B SCSp.	EUR	Luxembourg	100	100
11	GBC C S.à r.l.	EUR	Luxembourg	100	100
12	Gdanski C SCSp.	EUR	Luxembourg	100	100
13	GBC D S.à r.l.	EUR	Luxembourg	100	100
14	Gdanski D SCSp.	EUR	Luxembourg	100	100
15	Tamino Management S.à r.l. ⁴	EUR	Luxembourg	-	100
16	Tamino Investment SCSp. ⁴	EUR	Luxembourg	-	100
17	Pamina Managment S.à r.l. ⁴	EUR	Luxembourg	-	100
18	Pamina Investment SCSp. ⁴	EUR	Luxembourg	-	100
19	Hetman Management S.à r.l. ⁴	EUR	Luxembourg	-	100
20	Hetman Investment SCSp. ⁴	EUR	Luxembourg	-	100
21	Varso 1 Management S.à r.l. ⁴	EUR	Luxembourg	-	100
22	Varso 1 Investment SCSp. ⁴	EUR	Luxembourg	-	100
23	Varso 2 Management S.à r.l. ⁴	EUR	Luxembourg	-	100
24	Varso 2 Investment SCSp. ⁴	EUR	Luxembourg	-	100
25	Varso Tower Management S.à r.l. ⁴	EUR	Luxembourg	-	100
26	EIGHT House S.à r.l.	GBP	Luxembourg	100	100
27	SIXTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
28	THIRTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
29	ONE House S.à r.l.	GBP	Luxembourg	100	100
30	HBR CE REIF LUX 3 S.à r.l.	EUR	Luxembourg	100	100
31	HBR CE REIF LUX 4 S.à r.l.	EUR	Luxembourg	100	100
32	P14 S.à r.l. ⁴	EUR	Luxembourg	-	100
33	Postepu 14 SCSp. ⁴	EUR	Luxembourg	-	100
34	HubHub Luxembourg S.à r.l. (former Tribazu S.à r.l.)	EUR	Luxembourg	100	100
35	SRE Waterloo Properties S.à r.l. ¹	GBP	Luxembourg	100	-
36	HB Reavis DE1 S.à r.l. ¹	EUR	Luxembourg	100	-
37	THREE House S.à r.l. ¹	GBP	Luxembourg	100	-
38	HB Reavis DE2 S.à r.l. (former TWO House S.à r.l.) ¹	GBP	Luxembourg	100	-
39	Evolution Building Technologies S.à r.l. ¹	EUR	Luxembourg	100	-
40	HB REAVIS GROUP B.V.	EUR	Netherlands	100	100
41	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
42	HBRG Invest B.V.	EUR	Netherlands	100	100
43	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
44	HB Reavis CEE B.V.	EUR	Netherlands	100	100
45	Twin City Holding N.V. ¹	EUR	Netherlands	100	-
46	HBR HOLDING LIMITED	EUR	Cyprus	100	100
47	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
48	HBR INVESTORS LTD	EUR	Cyprus	100	100
49	HBR IM HOLDING LTD	EUR	Cyprus	100	100
50	HB Reavis UK Ltd.	GBP	UK	100	100
51	HB Reavis Construction UK Ltd.	GBP	UK	100	100
52	33 CENTRAL LIMITED	GBP	UK	100	100
53	HBR FM LTD	GBP	UK	100	100
54	HBR Capital Investment LP	GBP	UK	100	100
55	10 Leake Street Ltd ¹	GBP	UK	100	-
56	Elizabeth Property Nominee (No 1) Ltd ¹	GBP	UK	100	-
57	Elizabeth Property Nominee (No 2) Ltd ¹	GBP	UK	100	-
58	Elizabeth Property Nominee (No 3) Ltd ¹	GBP	UK	100	-
59	Elizabeth Property Nominee (No 4) Ltd ¹	GBP	UK	100	-

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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2017	31 December 2016
60	Elizabeth Property Holdings Ltd ¹	GBP	UK	100	-
61	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
62	Waterloo Trustee Ltd ¹	GBP	Jersey	100	-
63	The Waterloo Properties Unit Trust ¹	GBP	Jersey	100	-
64	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi	TRY	Turkey	100	100
65	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi	TRY	Turkey	100	100
66	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
67	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
68	AGORA Budapest Kft. (former HB Reavis Project 2 Kft.)	HUF	Hungary	100	100
69	HB REAVIS Buda Project Kft.	HUF	Hungary	100	100
70	AGORA HUB Kft. ¹	HUF	Hungary	100	-
71	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
72	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
73	LUGO, s.r.o. ³	EUR	Slovakia	-	100
74	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
75	HB REM, spol. s`r.o.	EUR	Slovakia	100	100
76	HB REAVIS MANAGEMENT spol. s`r.o.	EUR	Slovakia	100	100
77	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
78	Smart City Services s.r.o. (until 4.5.2017 as AUPARK Property Management, s. r. o.)	EUR	Slovakia	100	100
79	HBR SFA, s. r. o.	EUR	Slovakia	100	100
80	BUXTON INVEST a.s.	EUR	Slovakia	100	100
81	Twin City a.s.	EUR	Slovakia	100	100
82	UNI - CC a. s. ⁵	EUR	Slovakia	-	100
83	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
84	General Property Services, a.s.	EUR	Slovakia	100	100
85	FORUM BC II s. r. o.	EUR	Slovakia	100	100
86	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
87	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
88	INLOGIS V`s. r. o.	EUR	Slovakia	100	100
89	INLOGIS LCR a. s.	EUR	Slovakia	100	100
90	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
91	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
92	CBC I` - II a. s. ⁵	EUR	Slovakia	-	100
93	SPC Property I, spol. s`r.o.	EUR	Slovakia	100	100
94	SPC Property III, s. r. o.	EUR	Slovakia	100	100
95	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
96	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
97	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
98	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
99	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
100	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
101	Twin City III s.r.o.	EUR	Slovakia	100	100
102	Twin City IV s.r.o.	EUR	Slovakia	100	100
103	Twin City V`s.r.o.	EUR	Slovakia	100	100
104	HB REAVIS Finance SK II s. r. o.	EUR	Slovakia	100	100
105	HB REAVIS Finance SK III s. r. o.	EUR	Slovakia	100	100
106	Twin City VIII s.r.o.	EUR	Slovakia	100	100
107	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
108	ALISTON Finance I`s. r. o.	EUR	Slovakia	100	100
109	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
110	ALISTON Finance III s. r. o.	EUR	Slovakia	100	100
111	ALISTON Finance IV s. r. o.	EUR	Slovakia	100	100
112	Smart City s.r.o. (until 10.2.2017 as ALISTON II s. r. o.)	EUR	Slovakia	100	100
113	Apollo Business Center III a.s.	EUR	Slovakia	100	100
114	Apollo Business Center V`a. s.	EUR	Slovakia	100	100
115	Tower Nivy a. s.	EUR	Slovakia	100	100
116	TC Nivy a. s.	EUR	Slovakia	100	100
117	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
118	HB REAVIS Consulting k.s.	EUR	Slovakia	100	100

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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2017	31 December 2016
119	HB Reavis Group s.r.o. (until 30.11.2017 as HB REAVIS Development s. r. o.)	EUR	Slovakia	100	100
120	HubHub Slovakia s.r.o. ¹	EUR	Slovakia	100	-
121	Smart City Bridge s. r. o. ¹	EUR	Slovakia	100	-
122	Smart City Eko s.r.o. ¹	EUR	Slovakia	100	-
123	Smart City Link s.r.o. ¹	EUR	Slovakia	100	-
124	Smart City Office s.r.o. ¹	EUR	Slovakia	100	-
125	Smart City Parking s.r.o. ¹	EUR	Slovakia	100	-
126	Smart City Petržalka s. r. o. ¹	EUR	Slovakia	100	-
127	Nivy Tower s.r.o. ¹	EUR	Slovakia	100	-
128	HB REAVIS Finance SK IV s.r.o. ¹	EUR	Slovakia	100	-
129	Twin City Infrastructure s. r. o. ¹	EUR	Slovakia	100	-
130	Smart City Office I`s.r.o. ¹	EUR	Slovakia	100	-
131	Smart City Office II s.r.o. ¹	EUR	Slovakia	100	-
132	Smart City Office III s.r.o. ¹	EUR	Slovakia	100	-
133	Smart City Office IV s.r.o. ¹	EUR	Slovakia	100	-
134	Smart City Office V`s.r.o. ¹	EUR	Slovakia	100	-
135	Smart City Office VI s.r.o. ¹	EUR	Slovakia	100	-
136	Stanica Nivy s.r.o. ¹	EUR	Slovakia	100	-
137	Bus Station Services s.r.o. ¹	EUR	Slovakia	100	-
138	Evolution Building Technologies a.s. ¹	EUR	Slovakia	100	-
139	Smart City Office VII s.r.o. ¹	EUR	Slovakia	100	-
140	LUGO, s.r.o. ³	EUR	Slovakia	100	-
141	SPV Víštuk s. r. o. ³	EUR	Slovakia	100	-
142	ALISTON Finance V`s.r.o. ¹	EUR	Slovakia	100	-
143	ANDAREA s.r.o.	CZK	Czech Rep	100	100
144	AR Consulting, a.s.	CZK	Czech Rep	100	100
145	AUPARK Brno, spol. s`r.o.	CZK	Czech Rep	100	100
146	AUPARK Hradec Králové, a.s. ⁵	CZK	Czech Rep	-	100
147	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
148	AUPARK Ostrava, spol. s`r.o. ³	CZK	Czech Rep	-	100
149	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
150	FORSEA s.r.o.	CZK	Czech Rep	100	100
151	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
152	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
153	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
154	HB REAVIS MANAGEMENT CZ spol. s`r.o.	CZK	Czech Rep	100	100
155	HYPARKOS, s.r.o. ²	CZK	Czech Rep	-	100
156	MALVIS s.r.o. ³	CZK	Czech Rep	-	100
157	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
158	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
159	Železniční Cargo MOŠNOV s.r.o. ²	CZK	Czech Rep	-	100
160	MOLDERA, a.s.	CZK	Czech Rep	100	100
161	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
162	DII Czech s.r.o.	CZK	Czech Rep	100	100
163	DNW Czech s.r.o.	CZK	Czech Rep	100	100
164	Real Estate Metronom s.r.o. ³	CZK	Czech Rep	-	100
165	Combar, s.r.o. ³	CZK	Czech Rep	-	100
166	Phibell s.r.o.	CZK	Czech Rep	100	100
167	Temster, s.r.o.	CZK	Czech Rep	100	100
168	PARIDES Plzeň, a.s. ³	CZK	Czech Rep	-	100
169	PARIDES Ostrava, a.s. ³	CZK	Czech Rep	-	100
170	KELOM s.r.o.	CZK	Czech Rep	100	100
171	Aupark Hradec Králové Bidco s.r.o. ⁵	CZK	Czech Rep	-	100
172	GALIM s.r.o.	CZK	Czech Rep	100	100
173	HB Reavis Finance CZ, s.r.o.	CZK	Czech Rep	100	100
174	HubHub Czech Republic, s.r.o. (former RECLUN s.r.o.)	CZK	Czech Rep	100	100
175	Radlická ATA s.r.o.	CZK	Czech Rep	100	100
176	Radlice Real Estate, s.r.o. ¹	CZK	Czech Rep	75	-
177	HB Reavis IZ s.r.o. ¹	CZK	Czech Rep	100	-
178	Konstruktorska BC Sp. z`o.o.	PLN	Poland	100	100

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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2017	31 December 2016
179	CHM1 Sp. z`o. o. ³	PLN	Poland	100	100
180	CHM2 Sp. z`o. o. ³	PLN	Poland	100	100
181	CHM3 Sp. z`o. o.	PLN	Poland	100	100
182	GBC A`Polcom Investment XXI Sp. z`o.o. (former Polcom Investment VIII Sp. z`o. o.)	PLN	Poland	100	100
183	GBC B Polcom Investment XXII Sp. z`o.o. (former Polcom Investment IX Sp. z`o.o.)	PLN	Poland	100	100
184	Polcom Investment X sp. z`o.o.	PLN	Poland	100	100
185	Polcom Investment XI sp. z`o.o.	PLN	Poland	100	100
186	Polcom Investment XII sp. z`o.o.	PLN	Poland	100	100
187	Polcom Investment XIII sp. z`o.o.	PLN	Poland	100	100
188	HB REAVIS Property Management sp. z`o.o.	PLN	Poland	100	100
189	Polcom Investment XVI Sp. z`o.o.	PLN	Poland	100	100
190	Polcom Investment XVII Sp. z`o.o.	PLN	Poland	100	100
191	Polcom Investment XIX Sp. z`o.o.	PLN	Poland	100	100
192	GBC D Polcom Investment XXX Sp. z`o. sp. k	PLN	Poland	100	100
193	Polcom Investment XXI Sp. z`o.o.	PLN	Poland	100	100
194	Polcom Investment XXII Sp. z`o.o.	PLN	Poland	100	100
195	IPOPEMA 110 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ⁴	PLN	Poland	-	100
196	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
197	Polcom Investment XXIII Sp. z`o.o. ⁴	PLN	Poland	-	100
198	Polcom Investment XXIV Sp. z`o.o.	PLN	Poland	100	100
199	Polcom Investment XXV Sp. z`o.o.	PLN	Poland	100	100
200	HubHub Poland Sp. z`o.o. (former Polcom Investment XXVI Sp. z`o.o.)	PLN	Poland	100	100
201	Polcom Investment XXVII Sp. z`o.o.	PLN	Poland	100	100
202	Polcom Investment XXVIII Sp. z`o.o.	PLN	Poland	100	100
203	HB Reavis Finance PL 2 Sp. z`o.o.	PLN	Poland	100	100
204	Polcom Investment XXIX Sp. z`o.o.	PLN	Poland	100	100
205	Polcom Investment XXX Sp. z`o.o.	PLN	Poland	100	100
206	Polcom Investment XXXI Sp. z`o.o. ⁴	PLN	Poland	-	100
207	Polcom Investment XXXII Sp. z`o.o. ⁴	PLN	Poland	-	100
208	Polcom Investment XXXIII Sp. z`o.o.	PLN	Poland	100	100
209	Polcom Investment XXXIV Sp. z`o.o. ⁴	PLN	Poland	-	100
210	Polcom Investment XXXV Sp. z`o.o. ³	PLN	Poland	-	100
211	Polcom Investment XXXVI Sp. z`o.o. ³	PLN	Poland	-	100
212	Mocoloco Sp. z`o.o.(former Polcom Investment XXXVII Sp. z`o.o.)	PLN	Poland	100	100
213	Polcom Investment XXXVIII Sp. z`o.o. ³	PLN	Poland	-	100
214	Polcom Investment XXXIX Sp. z`o.o. ³	PLN	Poland	-	100
215	Polcom Investment XL Sp. z`o.o.	PLN	Poland	100	100
216	Polcom Investment XLI Sp. z`o.o.	PLN	Poland	100	100
217	Polcom Investment XLII Sp. z`o.o.	PLN	Poland	100	100
218	Property Hetman Sp. Z`o.o. (former Polcom Investment XXXIV Sp. z`o.o. sp. K)	PLN	Poland	100	100
219	Polcom Investment XXXI Sp. z`o.o. sp. k ⁴	PLN	Poland	-	100
220	Polcom Investment XXXII Sp. z`o.o. sp. k ⁴	PLN	Poland	-	100
221	Jamestown Sp. z`o.o.	PLN	Poland	100	100
222	Jarrow Sp. z`o.o.	PLN	Poland	100	100
223	Jerome Sp. z`o.o. ⁴	PLN	Poland	-	100
224	Jesmond Sp. z`o.o. ⁴	PLN	Poland	-	100
225	Joppa Sp. z`o.o. ⁴	PLN	Poland	-	100
226	HB Reavis Poland Sp. z`o.o.	PLN	Poland	100	100
227	Polcom Investment II Sp. z`o. o.	PLN	Poland	100	100
228	Polcom Investment III Sp. z`o. o.	PLN	Poland	100	100
229	HB REAVIS CONSTRUCTION PL Sp. z`o. o	PLN	Poland	100	100
230	GBC C Polcom Investment XXIX Sp. z`o. sp. k	PLN	Poland	100	100
231	Polcom Investment VI Sp. z`o. o.	PLN	Poland	100	100
232	P14 Sp. z`o.o.	PLN	Poland	100	100
233	PSD Sp. Z`o. o.	PLN	Poland	100	100
234	HB Reavis Finance PL Sp. z`o.o.	PLN	Poland	100	100

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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2017	31 December 2016
235	Polcom Investment XLIII Sp. z`o.o. ¹	PLN	Poland	100	-
236	Brookline Investments sp. Z`o.o. ¹	PLN	Poland	100	-
237	Emmet Investments sp. Z`o.o. ¹	PLN	Poland	100	-
238	Elizabeth House GP LLC ¹	GBP	US	100	-
239	Elizabeth House Limited Partnership ¹	GBP	US	100	-
240	HB Reavis Germany GmbH ¹	EUR	Germany	100	-
241	HB Reavis Construction Germany GmbH ¹	EUR	Germany	100	-
242	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
243	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
244	West Station Investment Sp. z`o. o.	PLN	Poland	71	71
245	West Station Investment 2 Sp. z`o. o. (former Polcom Investment XVII Sp. z`o.o.)	PLN	Poland	72	72

¹ Entities established/acquired by the Group during the year ended 31 December 2017
² Entities disposed of during the year ended 31 December 2017 (refer to Note 25)
³ Entities were part of legal mergers or spin off and subsequently renamed during the year ended 31 December 2017
⁴ Entities were liquidated during the year ended 31 December 2017
⁵ Entities deconsolidated as at 1.1.2017 as part of CE REIF Sub-Fund due to loss of control
⁶ In January 2017, the Group lost control over HB REAVIS CE Real Estate Investment Fund, a sub-fund of a fully consolidated subsidiary HB Reavis Real Estate Investment Fund.

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.

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.

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2 Significant Accounting Policies (Continued)

2.2. Consolidated Financial Statements (Continued)

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

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

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

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

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

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

2.3 Foreign Currency Transactions and Translation

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all the Group's entities is their local currency, except bonds issuance entities that are considered an extension of the Company and therefore have EUR as their functional currency. The consolidated financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

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

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

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

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

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

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

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

2.4. Property, Plant and Equipment

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

Cost. Cost includes expenditure that is directly attributable to the acquisition of the items of property plant and equipment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic

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2 Significant Accounting Policies (Continued)

2.4. Property, Plant and Equipment (Continued)

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.

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

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

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

Land and assets under construction are not depreciated.

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

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

2.5 Investment Property

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

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

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

After initial recognition at cost, the investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on transaction prices from active markets, 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 or future capital expenditure, are not recognized in the consolidated financial statements. Transaction costs, such as estimated agency 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.

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2 Significant Accounting Policies (Continued)

2.5. Investment Property (Continued)

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 or classified as Assets held for sale.

If an item of property, plant and equipment becomes an investment property because its use has changed, any revaluation gain resulting from a difference between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income and accumulated in a revaluation reserve in equity, until the asset’s disposal when the revaluation reserve is reclassified to retained earnings.

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

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

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

2.6. Intangible Assets

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

Other intangible assets. All of the Group’s other intangible assets have definite useful lives and primarily include externally acquired computer software licences.

Intangible assets 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

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2 Significant Accounting Policies (Continued)

2.7. Impairment of Non-Financial Assets (Continued)

are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

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

2.8. Financial Instruments

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

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

The Group’s financial assets consist of loans and receivables, derivatives, and available-for-sale financial assets. Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Derivatives 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).

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2 Significant Accounting Policies (Continued)

2.9. Leases (Continued)

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

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

2.10. Current and Deferred Income Taxes

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

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

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

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

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

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

2.11 Inventories

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

2.12. Construction Contracts

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

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

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

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

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2 Significant Accounting Policies (Continued)

2.12. Construction Contracts (Continued)

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).

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 or receivable over the par value of shares issued is presented as a share premium.

2.14. Dividends and Other Distributions to Owners

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

2.15. Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16. Trade and Other Payables

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

2.17. Provisions for Liabilities and Charges

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

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

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

2.18. Uncertain Tax Positions

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

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

2.19. Revenue Recognition

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

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

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2 Significant Accounting Policies (Continued)

2.19. Revenue Recognition (Continued)

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

Revenue from public transportation is recognised when service is provided. Local government subsidies towards the cost of public transportation are deducted in reporting the costs that they are intended to compensate. Refer to Note 24.

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

2.20. Employee Benefits

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

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

2.21. Government Grants

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

2.22. Other Operating Expenses

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

2.23. Non-current Assets Classified as Held for Sale

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

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 88.7% of investment properties (31 December 2016: 99.6%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates (which are based on letter of intent purchase price). The fair value of investment properties is estimated based on the income

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

capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions costs and market developers' profits. These valuations are regularly compared to actual market data and actual transactions by the Group and those reported by the market. For further details refer to Note 32.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes for United Kingdom 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 25.7 million (2016: EUR 5.0 million, 2015: EUR 5.1 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be 4.65% to 5.0% or 4.7% on average (2016: from 4.5% to 4.75% on average, or 4.6%, 2015: 4.5%). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 8 million lower or EUR 9 million higher (2016: EUR 5.9 million lower or EUR 6.6 million higher, 2015: EUR 14.6 million lower or EUR 16.3 million higher). A recently acquired London property to be redeveloped is not included in the 2017 sensitivity calculation.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes for CEE region 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 31.9 million (2016: EUR 31.0 million, 2015: EUR 28.0 million)

- The income capitalisation rate (yield) across the portfolio was assumed to be from 5% to 8.5%, or 6.2% on average (2016: from 5.5% to 8.5%, or 6.6% on average, from 5.9% to 9%, or 6.87% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 51.9 million lower or EUR 56.3 million higher (2016: EUR 47 million lower or EUR 50.7 million higher, 2015: EUR 56 million lower or EUR 60.1 million higher).

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

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

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

Forward sale of investment property. On 15 July 2016, the Group concluded a forward sale of its 33 Central project, London, UK. The Group originally aimed to hold the project for an unspecified period of time to earn rental income, however, since it was presented with a favourable offer from a reputable bank, the Group decided to conclude a forward sale arrangement with the bank. The Group applied professional judgement in determining (a) whether it lost control over the property holding entity TRITRI House S.à r.l. under the forward sale arrangement and (b) subsequent accounting up to the completion of the property.

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

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

An advance of 10% of the headline price was paid upfront. The remainder of the headline price was paid after completion of the property in December 2017.

The economic substance of the transaction is that the Group ceased owning the property development project and instead agreed with the buyer a construction contract to complete and deliver a building to the buyer's specifications. Management considered guidance in IFRIC 15, Agreements for the Construction of Real Estate, in determining that the above arrangement to complete the building is a construction contract in terms of IFRS guidance. This required application of professional judgement, but considering that (a) significant costs were required to complete the building that was under development as of 15 July 2016 and (b) the contracts specify in detail the base

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

building definition specifically negotiated with the bank prior to 15 July 2016, management concluded that the conditions in IFRIC 15 for construction contracts accounting were met, eg because the purchaser was able to specify major changes to the construction in progress rather than just minor variations to the design.

On 15 July 2016, upon conclusion of the transaction, the Group recognised amounts due from customers for contract work of EUR 216.6 million and derecognised the fair value of investment property under development. Refer to Notes 9 and 14. After 15 July 2016, the Group recognised construction contract revenues on a percentage of completion basis. In December 2017 the Group completed the transaction by handing-over the 33 Central, UK, to Wells Fargo. The Group recognized total contract revenes of EUR 86.2 million over time until completion of the transaction.

4 Adoption of New or Revised Standards and Interpretations

The Group has applied the following standards and amendments for the first time for its reporting period commencing on 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

The above amendments did not have any material impact on the Group. Further, any other standards that are effective from 1 January 2017 were either already early adopted by the Group in prior periods or had no impact.

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods commencing on 1 January 2017 and have not been early adopted by the Group:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The entity expects that impairment provisions for receivables will increase upon adoption of IFRS 9 because the standard introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. Under the new rules the Group will have to record an immediate loss equal to lifetime expected loss on initial recognition of its trade receivables that are not overdue and are not credit impaired. Based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances, magnitude, volume, methodology that exist at the date, the management of the Group is expecting an impact as of 1 January 2018 in the areas of provisions for impairment against trade and other receivables and cash at bank. The expected income is not material.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Based on the Group's assessment, the new standard will not have a significant impact on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. Based on the Group's assessment, the new standard will not have a significant impact on its financial statements.

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

Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginnig on or after 1 January 2019).The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. Based on the Group's assessment, new standard will not have a significant impact on its financial statements.

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5 New Accounting Pronouncements (Continued)

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

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective outside the European Union for annual periods beginning on or after 1 January 2016).* This standard will not be adopted by the European Union.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).* The EU endorsement is postponed until after the IASB determines the effective date of this amendment.

- Amendments to IFRS 2, Share-based Payment* (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

- Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

- IFRIC 23 Uncertainty over Income Tax Treatments* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

- IFRS 17 Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.

- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

** These new standards, amendments and interpretations have 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 actual construction costs and delivery schedules as well as 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 2017 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallo- cated	Total
Rental and similar income from investment property									
- Office		36.5	1.3	1.2	15.2	-	-	-	54.2
- Retail		-	-	1.7	0.6	-	-	-	2.3
- Industrial		3.2	0.1	-	-	0.8	-	-	4.1
	20	39.7	1.4	2.9	15.8	0.8	-	-	60.6
Direct operating expenses arising from investment property									
- Office		(9.3)	(1.3)	(1.2)	(8.2)	-	-	-	(20.0)
- Retail		-	-	(1.2)	-	-	-	-	(1.2)
- Industrial		(0.3)	(0.2)	-	-	(0.2)	-	-	(0.7)
	21	(9.6)	(1.5)	(2.4)	(8.2)	(0.2)	-	-	(21.9)
Net operating income from investment property		30.1	(0.1)	0.5	7.6	0.6	-	-	38.7
Revaluation gain/(loss) on investment property									
- Office		1.4	54.7	39.5	-	(0.1)	-	-	95.5
- Retail		-	8.3	(10.0)	-	1.4	-	-	(0.3)
- Industrial		(0.6)	-	(1.6)	-	2.2	-	-	-
Subtotal	9	0.8	63.0	27.9	-	3.5	-	-	95.2
Share of profit or loss of joint ventures		7.1	-	-	-	-	-	-	7.1
Revaluation gain/(loss) on investment property, including joint ventures		7.9	63.0	27.9	-	3.5	-	-	102.3
Interest expense		(5.6)	(11.8)	(2.0)	(1.2)	-	-	(3.8)	(24.4)
Investment management fee		-	-	-	1.5	-	-	-	1.5
Other (expenses)/ revenues		(16.9)	(15.9)	(18.3)	13.8	(3.0)	(2.9)	18.9	(24.3)
Profit before income tax		15.5	35.2	8.1	21.7	1.1	(2.9)	15.1	93.8

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6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2017 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		425.0	482.7	260.4	120.6	-	-	-	1,288.7
- Retail		-	75.0	-	-	7.9	-	-	82.9
- Industrial		-	0.1	-	-	35.7	-	-	35.8
- Investment property held for sale	15	330.2	-	19.9	-	-	-	-	350.1
Investment in joint ventures	10	56.2	-	-	-	-	-	-	56.2
Deferred tax asset		-	-	-	-	-	-	16.9	16.9
Other unallocated assets		-	-	-	-	-	261.4	202.8	464.2
Total assets		811.4	557.8	280.3	120.6	43.6	261.4	219.7	2,294.8
Borrowings									
- non-current	18	(103.3)	(387.0)	(47.6)	(61.0)	-	-	-	(598.9)
- current	7, 18	(19.5)	(2.6)	(3.5)	(2.5)	-	-	(54.0)	(82.1)
- included as held for sale	15	(212.0)	-	-	-	-	-	-	(212.0)
Deferred tax liability		-	-	-	-	-	-	(69.9)	(69.9)
Other unallocated liabilities		-	-	-	-	-	-	(136.2)	(136.2)
Total liabilities		(334.8)	(389.6)	(51.1)	(63.5)	-	-	(260.1)	(1,099.1)
Segment net asset value		476.6	168.2	229.2	57.1	43.6	261.4	(40.4)	1,195.7

The capital expenditures analysed by segment for the year ended 31 December 2017 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	280.4	-	21.1	-	-	-	-	301.5
Construction costs related to investment property	9	23.6	80.8	25.9	-	6.8	-	-	137.1
Construction costs related to joint ventures		27.1	-	-	-	-	-	-	27.1
Contruction costs related to contract works		-	37.3	-	-	-	-	-	37.3
Total investments		331.1	118.1	47.0	-	6.8	-	-	503.0
Sale of investment property	9, 25	(31.1)	-	(1.2)	(183.7)	-	-	-	(216.0)
Sale of joint venture		-	-	-	-	-	-	-	-
Total divestments		(31.1)	-	(1.2)	(183.7)	-	-	-	(216.0)

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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 2017 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	28.3	11.0	14.2	-	7.1	-	-	60.6
Direct operating expenses	21	(14.1)	(2.2)	(4.3)	-	(1.3)	-	-	(21.9)
Net operating income from investment property		14.2	8.8	9.9	-	5.8	-	-	38.7
Revaluation gain	9	43.4	0.7	24.2	19.5	7.4	-	-	95.2
Share of profit of joint ventures		0.1	-	7.0	-	-	-	-	7.1
Interest expense		(12.5)	(3.7)	(7.0)	(0.3)	(0.9)	-	-	(24.4)
Investment management fee		-	-	-	-	-	1.5	-	1.5
Other (expenses)/revenues		2.8	(5.0)	(2.4)	(3.6)	(10.0)	(5.9)	(0.2)	(24.3)
Profit before income tax		48.0	0.8	31.7	15.6	2.3	(4.4)	(0.2)	93.8
Investment property in use or vacant	9	192.1	-	71.7	-	281.8	-	-	545.6
Investment property under development	9	263.8	37.6	322.3	80.4	157.7	-	-	861.8
Investment in joint venture	10	2.4	-	53.8	-	-	-	-	56.2
Other non-current assets		12.9	3.2	20.7	1.2	10.9	1.4	1.1	51.4
Total non-current assets		471.2	40.8	468.5	81.6	450.4	1.4	1.1	1,515.0
Non-current assets classified as held for sale	15	64.3	111.9	210.3	-	-	-	-	386.5
Total non-current assets, including held for sale		535.5	535.5	152.7	678.8	450.4	1.4	1.1	1,901.5
Cash and cash equivalents	16	28.3	1.5	23.3	3.0	112.7	92.6	-	261.4
Other unallocated assets		-	-	-	-	-	-	131.9	131.9
Total assets		563.8	154.2	702.1	84.6	563.1	94.0	133.0	2,294.8
Borrowings	18								
- non-current		(348.3)	(62.0)	(138.4)	(5.2)	(45.0)	-	-	(598.9)
- current		(46.8)	(0.3)	(18.9)	(1.9)	-	(14.2)	-	(82.1)
Liabilities associated with non-current assets held for sale		(42.8)	(56.9)	(139.3)	-	-	-	-	(239.0)
Deferred income tax liability		-	-	-	-	-	-	(69.9)	(69.6)
Other unallocated liabilities		-	-	-	-	-	-	(109.2)	(109.2)
Total liabilities		(437.9)	(119.2)	(296.6)	(7.1)	(45.0)	(14.2)	(179.1)	(1,099.1)
Segment net asset value		125.9	35.0	405.5	77.5	518.1	79.8	(46.1)	1,195.7
Purchases of investment property (incl. non-cash)	9	-	12.9	8.2	-	280.4	-	-	301.5
Construction costs related to investment property	9	49.2	4.1	28.2	12.0	43.6	-	-	137.1
Construction costs related to joint ventures		-	-	27.1	-	-	-	-	27.1
Construction costs related to construction work		-	-	-	-	37.3	-	-	37.3
Total investments		49.2	17.0	63.5	12.0	361.3	-	-	503.0
Sale of investment property	9, 25	(102.6)	(113.4)	-	-	-	-	-	(216.0)
Total divestments		(102.6)	(113.4)	-	-	-	-	-	(216.0)

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6 Segment Analysis (Continued)

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

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

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6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2016 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
- Office		264.1	136.9	401.0	220.1	-	-	-	1022.1
- Retail		-	-	66.7	81.0	0.1	-	-	147.8
- Industrial		-	-	1.5	-	33.2	-	-	34.7
- Investment property held for sale	15	220.1	-	1.7	-	-	-	-	221.8
Investment in joint ventures	10	29.1	17.4	-	-	-	-	-	46.5
Deferred tax asset		-	-	-	-	-	-	4.4	4.4
Amount due from customers for contract work	14	-	221.3	-	-	-	-	-	221.3
Other unallocated assets		-	-	-	-	-	308.0	105.7	413.7
Total assets		513.3	375.6	470.9	301.1	33.3	308.0	110.1	2,112.3
Borrowings									
- non-current	18	(155.2)	(132.9)	(36.7)	(235.1)	-	-	(5.0)	(564.9)
- current	7, 18	(13.2)	(33.3)	(2.8)	(7.6)	-	-	(34.4)	(91.3)
- included as held for sale	15	(108.9)	-	(4.9)	-	-	-	-	(113.8)
Deferred tax liability		-	-	-	-	-	-	(69.9)	(69.9)
Other unallocated liabilities		-	-	-	-	-	-	(135.7)	(135.7)
Total liabilities		(277.3)	(166.2)	(44.4)	(242.7)	-	-	(245.0)	(975.6)
Segment net asset value		236.0	209.4	426.5	58.4	33.3	308.0	(134.9)	1,136.7

The capital expenditures analysed by segment for the year ended 31 December 2016 are as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	-	53.9	21.1	-	-	-	-	75.0
Construction costs related to investment property	9	28.6	138.8	10.7	1.3	-	-	-	179.4
Construction costs related to joint ventures		-	42.6	-	-	-	-	-	42.6
Contruction costs related to contract works		-	22.9	-	-	-	-	-	22.9
Total investments		28.6	258.2	31.8	1.3	-	-	-	319.9
Sale of investment property	9, 25	(517.1)	-	(0.9)	(67.5)	(0.4)	-	-	(585.9)
Sale of joint venture		-	-	-	-	-	-	-	-
Total divestments		(517.1)	-	(0.9)	(67.5)	(0.4)	-	-	(585.9)

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6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2016 are as follows:

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

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6 Segment Analysis (Continued)

The segment profit and loss information for the year ended 31 December 2015 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property									
- Office		33.9	0.5	2.1	10.7	-	-	-	47.2
- Retail		4.1	-	1.0	3.6	-	-	-	8.7
- Industrial		7.9	-	-	3.6	0.1	-	-	11.6
	20	45.9	0.5	3.1	17.9	0.1	-	-	67.5
Direct operating expenses arising from investment property									
- Office		(12.8)	(0.9)	(1.0)	(2.1)	-	-	-	(16.8)
- Retail		(1.6)	-	(0.5)	(1.2)	-	-	-	(3.3)
- Industrial		(1.7)	-	-	(1.0)	(0.1)	-	-	(2.8)
	21	(16.1)	(0.9)	(1.5)	(4.3)	(0.1)	-	-	(22.9)
Net operating income from investment property		29.8	(0.4)	1.6	13.6	-	-	-	44.6
Revaluation gain/(loss) on investment property									
- Office		27.9	197.5	44.9	(3.0)	-	-	-	267.3
- Retail		-	2.2	2.4	0.2	-	-	-	4.8
- Industrial		(8.7)	-	(3.1)	1.0	1.9	-	-	(8.9)
Subtotal	9	19.2	199.7	44.2	(1.8)	1.9	-	-	263.2
Share of profit or loss of joint ventures		0.2	12.5	-	-	(0.3)	-	-	12.4
Revaluation gain/(loss) on investment property, including joint ventures		19.4	212.2	44.2	(1.8)	1.6	-	-	275.6
Interest expense									
		(8.0)	(4.1)	(3.8)	(6.9)	(0.4)	-	(0.4)	(23.6)
Other (expenses)/ revenues		(8.5)	(7.4)	(13.7)	(2.3)	(0.5)	0.8	22.5	(9.1)
Profit before income tax		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									
- Office	9	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
- Investment property held for sale	15	391.2	-	0.9	-	0.4	-	-	392.5
Investment in joint ventures	10	4.3	44.3	-	-	-	-	-	48.6
Deferred tax asset		-	-	-	-	-	-	6.9	6.9
Other unallocated assets		-	-	-	-	-	97.8	119.8	217.6
Total assets		831.6	498.2	361.8	134.2	39.0	97.8	126.7	2,089.3
Borrowings									
- non-current	18	(201.4)	(79.4)	(77.6)	(127.2)	(0.4)	-	-	(486.0)
- current	7, 18	(7.2)	(1.3)	(1.0)	(2.7)	-	-	(45.0)	(57.2)
- included as held for sale	15	(239.8)	-	-	-	-	-	-	(239.8)
Deferred tax liability		-	-	-	-	-	-	(88.5)	(88.5)
Other unallocated liabilities		-	-	-	-	-	-	(117.5)	(117.5)
Total liabilities		(448.4)	(80.7)	(78.6)	(129.9)	(0.4)	-	(251.0)	(989.0)
Segment net asset value		383.2	417.5	283.2	4.3	38.6	97.8	(124.3)	1,100.3

The capital expenditures analysed by segment for the year ended 31 December 2015 are as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property									
	9	-	-	32.4	-	-	-	-	32.4
Construction costs related to investment property	9	28.1	144.9	19.0	1.7	0.2	-	-	193.9
Total investments		28.1	144.9	51.4	1.7	0.2	-	-	226.3
Sale of investment property									
	9, 25	(211.7)	-	(1.1)	-	(1.1)	-	-	(213.9)
Sale of joint venture		-	-	-	-	(0.4)	-	-	(0.4)
Total divestments		(211.7)	-	(1.1)	-	(1.5)	-	-	(214.3)

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6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2015 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	45.3	8.2	12.4	1.6	-	-	-	67.5
Direct operating expenses	21	(15.6)	(2.0)	(4.6)	(0.7)	-	-	-	(22.9)
Net operating income from investment property		29.7	6.2	7.8	0.9	-	-	-	44.6
Revaluation gain	9	23.1	9.5	123.7	19.8	87.1	-	-	263.2
Share of profit of joint ventures		-	-	12.4	-	-	-	-	12.4
Interest expense		(8.9)	(2.2)	(7.0)	(1.0)	-	(4.5)	-	(23.6)
Other (expenses)/revenues		4.1	(6.8)	(3.1)	(2.0)	(4.0)	(1.5)	4.2	(9.1)
Profit before income tax		48.0	6.7	133.8	17.7	83.1	(6.0)	4.2	287.5
Investment property in use or vacant	9	289.1	147.6	133.6	-	-	-	-	570.3
Investment property under development	9	237.0	67.2	242.7	29.5	277.0	-	-	853.4
Investment in joint venture	10	2.4	-	45.9	-	-	0.1	-	48.4
Other non-current assets		12.7	6.2	13.1	0.2	1.1	3.9	-	37.2
Total non-current assets		541.2	221.0	435.3	29.7	278.1	4.0	-	1,509.3
Non-current assets classified as held for sale	15	62.6	8.7	310.4	49.2	-	-	-	430.9
Total non-current assets, including held for sale		535.5	603.8	229.7	745.7	278.1	4.0	-	1,940.2
Cash and cash equivalents	16	27.3	7.6	14.0	1.8	8.7	38.4	-	97.8
Other unallocated assets		-	-	-	-	-	-	51.3	51.3
Total assets		631.1	237.3	759.7	80.7	286.8	42.4	51.3	2,089.3
Borrowings	18								
- non-current		(302.9)	(61.5)	(112.0)	(9.2)	-	(0.4)	-	(486.0)
- current		(52.0)	(3.4)	(1.7)	(0.1)	-	-	-	(57.2)
Liabilities associated with non-current assets held for sale		(41.2)	(4.3)	(191.4)	(17.4)	-	-	-	(254.3)
Other unallocated liabilities		-	-	-	-	-	-	(191.5)	(191.5)
Total liabilities		(396.1)	(69.2)	(305.1)	(26.7)	-	(0.4)	(191.5)	(989.0)
Segment net asset value		235.0	168.1	454.6	54.0	286.8	42.0	(140.2)	1,100.3
Purchases of investment property (incl. non-cash)	9	2.0	-	20.8	9.6	-	-	-	32.4
Construction costs related to investment property	9	58.0	26.9	69.0	6.2	33.8	-	-	193.9
Total investments		60.0	26.9	89.8	15.8	33.8	-	-	226.3
Sale of investment property	9, 25	(214.3)	-	-	-	-	-	-	(214.3)
Total divestments		(214.3)	-	-	-	-	-	-	(214.3)

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7 Balances and Transactions with Related Parties

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

Key management of the Group consists of 18 senior managers (2016: 13, 2015: 14). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2017 are detailed below.

At 31 December 2017, 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)	12.0	0.3	64.8	77.1
Other assets	4.7	-	-	4.7
Financial assets	0.1	-	-	0.1
Loans and receivables – non-current (Note 11)	1.0	-	-	1.0
Borrowings (Note 18)	(14.2)	-	-	(14.2)
Other non-current assets (Note 12)	-	-	6.5	6.5
Trade and other payables – current (Note 19)	(10.5)	(0.5)	(6.9)	(17.9)
Other payables non-current (Note 19)	(0.7)	-	-	(0.7)

The income and expense items with related parties for the year ended 31 December 2017 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	4.6	-	-	4.6
Revenue from construction contracts	-	2.3	38.7	41.0
Rental income	4.7	-	0.3	5.0
Rental expense	(1.2)	-	-	(1.2)
Other services	(1.5)	-	(0.3)	(1.8)
Short-term employee benefits (salaries)	-	(1.8)	-	(1.8)
Long-term employee benefits (social security costs)	-	(0.5)	-	(0.5)
Foreign exchange gains less losses	(0.1)	-	(1.0)	(1.1)
Other financial income	0.2	-	-	0.2

At 31 December 2016, the outstanding balances with related parties are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	4.4	0.6	38.3	43.3
Loans and receivables – non-current (Note 11)	1.7	0.5	-	2.2
Other non-current assets (Note 12)	-	-	6.5	6.5
Trade and other payables – current (Note 19)	(1.1)	(2.1)	(12.7)	(15.9)
Other payables non-current (Note 19)	(0.7)	-	-	(0.7)

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

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

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7 Balances and Transactions with Related Parties (Continued)

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)	1.2	-	2.6	3.8
Other non-current assets (Note 12)	-	-	3.7	3.7
Trade and other payables current (Note 19)	(1.1)	(1.0)	(17.4)	(19.5)
Other payables non-current (Note 19)	(0.8)	-	-	(0.8)

The income and expense items with related parties for the year ended 31 December 2015 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	0.5	-	-	0.5
Revenue from construction contracts	-	4.2	31.2	35.4
Rental income	0.1	-	-	0.1
Other services	(1.2)	(1.1)	-	(2.3)
Short-term employee benefits (salaries)	-	(2.8)	-	(2.8)
Long-term employee benefits (social security costs)	-	(0.5)	-	(0.5)
Interest income	1.0	-	0.5	1.5

A shareholder entity has made an undertaking to pay to the senior managers of the Group an amount under a profit sharing scheme based on increase in Net Asset Value (adjusted) of the Group . 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 amount paid or accrued with respect to 2015, 2016 and/or 2017 are not material in the context of the consolidated financial statements. The compensation of the Board of Managers of the Parent Company amounted to EUR 0.7 million in 2017 (2016: EUR 0.7 million, 2015: EUR 0.9 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2017 (2016: nil, 2015: nil).

Distributions to owners paid by Group in 2017, 2016 and 2015 respectively are described in Note 17.

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

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8 Property, Plant and Equipment

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

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2015					
Cost	15.5	5.1	41.2	-	61.8
Accumulated depreciation and impairment charges	(6.2)	(3.5)	(22.5)	-	(32.2)
Net book value	9.3	1.6	18.7	-	29.6

Year ended 31 December 2015					
Additions	-	-	-	9.9	9.9
Revaluation of own properties prior to transfer to IP	3.8	-	-	-	3.8
Transfers to IP – own offices	(4.4)	-	-	-	(4.4)
Transfers to IP – other	(8.2)	-	-	-	(8.2)
Transfers from IP – own offices	8.1	-	-	-	8.1
Transfers	-	1.3	8.4	(9.7)	-
Disposals	(0.3)	-	(23.0)	-	(23.3)
Depreciation charge	(1.1)	(0.7)	(2.4)	-	(4.2)
Closing net book value	7.2	2.2	1.7	0.2	11.3

At December 2015					
Cost	14.5	6.4	26.6	0.2	47.7
Accumulated depreciation	(7.3)	(4.2)	(24.9)	-	(36.4)
Net book value	7.2	2.2	1.7	0.2	11.3

Year ended 31 December 2016					
Additions	-	-	-	1.7	1.7
Transfers	0.7	0.4	0.8	(1.9)	-
Disposals	(2.3)	-	(0.3)	-	(2.6)
Depreciation charge	(0.1)	(0.6)	(0.7)	-	(1.4)
Closing net book value	5.5	2.0	1.5	-	9.0

At December 2016					
Cost	12.9	6.8	27.1	-	46.8
Accumulated depreciation	(7.4)	(4.8)	(25.6)	-	(37.8)
Net book value	5.5	2.0	1.5	-	9.0

Year ended 31 December 2017					
Additions	-	-	-	4.5	4.5
Transfers	2.5	0.4	1.4	(4.3)	0.0
Disposals	(1.3)	(0.8)	(0.1)	-	(2.2)
Depreciation charge	(0.3)	(0.7)	(0.8)	-	(1.8)
Closing net book value	6.4	0.9	2.0	0.2	9.5

At December 2017					
Cost	14.1	6.4	28.4	0.2	49.1
Accumulated depreciation	(7.7)	(5.5)	(26.4)	-	(39.6)
Net book value	6.4	0.9	2.0	0.2	9.5

As at 31 December 2017, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2016: nil, 2015: nil). At 31 December 2017, property, plant and equipment carried at EUR 5.3 million (at 31 December 2016: EUR 4.3 million, at 31 December 2015: EUR 7.1 million) has been pledged to third parties as collateral with respect to borrowings.

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9 Investment Property

In millions of EUR	2017		2016		2015	
	Under development	In use or vacant	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	639.5	565.1	853.4	570.3	634.3	725.0
Acquisitions of investment property	134.6	280.4	224.5	-	196.4	-
Subsequent expenditure on investment property	-	23.6	-	30.0	-	29.9
Transfers from under development to in use	-	-	(297.0)	297.0	(231.4)	231.4
Transfers from property, plant and equipment (Note 8)	-	-	-	-	8.2	4.4
Transfers to property, plant and equipment (Note 8)	-	(0.9)	-	-	(4.7)	(3.4)
Transfers to disposal groups classified as held for sale (Note 15)	(18.3)	(158.2)	(1.7)	(202.3)	(1.3)	(391.2)
Transfers to financial investment due to loss of control (Note 25)	-	(183.7)	-	-	-	-
Transfers to amount due from customers for contract work	-	-	(216.6)	-	-	-
Disposals	(1.0)	-	(5.7)	(165.3)	(1.1)	(45.1)
Fair value gains/(losses) – properties completed during the year	-	-	37.1	-	63.8	-
Fair value gains/(losses)	94.4	0.8	91.6	45.8	182.0	17.4
Effect of translation to presentation currency	12.6	18.5	(46.1)	(10.4)	7.2	1.9
Fair value at 31 December	861.8	545.6	639.5	565.1	853.4	570.3

The Group classified certain operating leases as investment properties. Such operating leases are accounted for as if they were finance leases. The carrying value of such investment property as of 31 December 2017 was EUR 9.1 million (2016: EUR 10.6 million, 2015: EUR 12.2 million).

At 31 December 2017, investment properties carried at EUR 493.5 million (at 31 December 2016: EUR 852.1 million, at 31 December 2015: EUR 925.0 million) have been pledged to third parties as collateral with respect to borrowings.

Valuations obtained for investment properties were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities and with respect to non-binding offers, results of prospective purchaser due diligence and other factors. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Valuations obtained		1,780.6	1,428.3	1,857.4
Less: property classified as property plant and equipment (own use)		(5.7)	(4.6)	(8.1)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		8.6	1.0	(10.1)
Less: lease incentive receivables	11(a)	(8.5)	(8.0)	(9.0)
Less: transfers to disposal groups classified as held for sale	15	(176.5)	(212.1)	(406.5)
Less: transfers to disposal groups classified as held for sale in previous year		(191.1)	-	-
Fair value at 31 December		1,407.4	1,204.6	1,423.7

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10 Joint Ventures

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% with no subsequent change in the following years.

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

In millions of EUR	2017		2016		2015	
	West Station Investment 1-2	Other Joint Ventures	West Station Investment 1-2	Other Joint Ventures	West Station Investment 1-2	Other Joint Ventures
Revenue	2.4	0.6	0.4	0.8	-	0.8
Profit and total comprehensive income for the year	11.1	0.2	(0.1)	(0.3)	17.5	(0.2)
Current assets	12.6	0.3	18.3	0.5	4.5	3.5
Non-current assets	182.2	8.6	128.1	8.6	79.6	8.7
Current liabilities	(65.1)	(4.0)	(42.3)	(0.3)	(11.0)	(2.9)
Non-current liabilities	(53.6)	(0.1)	(42.1)	(4.2)	(9.5)	(4.2)
Net assets of the investee	76.1	4.8	62.0	4.6	63.6	5.1
Share of other venturers	(22.3)	(2.4)	(17.8)	(2.3)	(17.7)	(2.6)
Investment in joint venture	53.8	2.4	44.2	2.3	45.9	2.5

The West Station joint venture has an outstanding borrowing from a third-party bank that includes a clause restricting payment of dividends to the investors without the lender's approval.

11 Receivables and Loans

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Lease incentives receivables	(a)	10.1	9.5	9.0
Loans to related parties – non-current (Note 7)	(b)	1.0	2.2	1.2
Loans to joint ventures – non-current (Note 7)	(c)	-	-	2.6
Loans to third parties		0.6	0.6	0.7
Total receivables and loans		11.7	12.3	13.5

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

- (a) Lease incentive receivables of EUR 10.1 million (31 December 2016: EUR 9.5 million, 31 December 2015: EUR 9.0 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.9 and 2.19. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.
- (b) The Group has provided loans to its related parties amounting to EUR 1.0 million as of 31 December 2017 (31 December 2016: EUR 2.2 million, 31 December 2015: EUR 1.2 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2017 are provided under the following conditions – interest rates are from 4.0% to 9.86% p.a. The carrying value of loans approximates their fair value.
- (c) The Group has provided loans to its joint ventures amounting to nil as of 31 December 2017 (31 December 2016: EUR nil, 31 December 2016: EUR 2.6 million).

12 Other Non-Current Assets

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Other non-current assets	(a)	5.0	4.6	1.4
Construction contracts retention due from joint ventures	(b)	6.5	6.5	3.7
Total other non-current assets		11.5	11.1	5.1

- (a) As at 31 December 2017, EUR 1.1 million relates to prepaid fee for undrawn loans. The remaining balance consists of many non-material items. As at 31 December 2016, EUR 3.3 million related to divestment of 33 Central project in London, UK and EUR 0.2 million relates to retained amounts related to Košice project in Slovakia divested during 2015. As at 31 December 2015, EUR 0.5 million relates to retained amounts related to Košice project in Slovakia divested during 2015.
- (b) Refer to Note 7, Balances and Transactions with Related Parties and Note 14.

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13 Trade and Other Receivables

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Trade receivables		12.1	9.8	7.4
Trade receivables and advances to joint ventures		28.2	38.3	15.1
Accrued rental income		3.7	1.1	3.0
Loans to related parties	(a)	36.9	0.6	0.5
Other financial receivables		15.4	2.4	1.5
Trade and other receivables to related parties	7	12.0	4.4	4.2
Less impairment loss provision for trade receivables		(5.3)	(1.7)	(2.3)
Total financial assets		103.0	54.9	29.4
VAT receivable		9.6	4.6	12.0
Prepayments		2.8	8.0	7.0
Income tax receivable		1.7	-	
Total trade and other receivables		117.1	67.5	48.4

(a) Loans are provided under the following conditions – interest rates 3.67% - 9.86% (2016: 4.0% - 10.78%, 2015: 4.0% - 10.8%).

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

In millions of EUR	Note	2017	2016	2015
Provision for impairment at 1 January		1.7	2.3	1.7
Additional provision / (reversal of provision) for impairment of receivables	24	3.6	(0.6)	0.6
Provision for impairment at 31 December		5.3	1.7	2.3

Collateralised trade receivables are as follows:

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Trade receivables collateralised by:			
- bank guarantees	0.7	1.5	1.1
- tenant deposits	0.9	0.8	1.0
Total	1.6	2.3	2.1

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

Financial effect of collateral of trade and other receivables at 31 December 2017 is as follows:

In millions of EUR	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	1.2	8.8	7.7	0.4

Financial effect of collateral at 31 December 2016 was as follows:

In millions of EUR	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	0.9	7.9	7.7	1.4

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

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13 Trade and Other Receivables (Continued)

Financial effect of collateral at 31 December 2015 is as follows:

In millions of EUR	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	1.4	7.6	6.5	0.7

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

Analysis by credit quality of trade and other receivables as of 31 December 2017 is as follows:

In millions of EUR	Trade receivables (incl. JV)	Accrued rental income	Loans to related parties	Other financial receivables	Total
Neither past due nor impaired – exposure to:					
Receivables collateralised by bank or other guarantees	1.6	-	-	-	1.6
Receivables not secured	78.3	3.7	0.3	15.4	97.7
Total neither past due nor impaired	79.9	3.7	0.3	15.4	99.3
Individually determined to be impaired					
- less than 30 days overdue	5.4	-	-	-	5.4
- 30 to 90 days overdue	1.3	-	-	-	1.3
- 90 to 180 days overdue	0.6	-	-	-	0.6
- 180 to 360 days overdue	0.3	-	-	-	0.3
- over 360 days overdue	1.4	-	-	-	1.4
Total individually impaired	9.0	-	-	-	9.0
Less impairment provision	(5.3)	-	-	-	(5.3)
Total	83.6	3.7	0.3	15.4	103.0

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

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

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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:

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

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

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

The Group has pledged the receivables of EUR 1.5 million as collateral for the borrowings as at 31 December 2017 (2016: EUR 3.8 million, 2015: EUR 10.0 million).

14 Amount due from customers for contract work

In 2016, the Group concluded a forward sale of its 33 Central project, London, UK. Refer to Note 3. The Group was responsible for completion of the construction of the Property based on the base building definition to the standard of Grade A office accommodation in the City of London, UK by 30 September 2017 at the latest. Group assessed the detailed terms and conditions of the forward sale arrangement and concluded that the completion of the project should be accounted for as a construction contract. As a result, on 15 July 2016, the Group transferred the property to amounts due from customers for contract work. The construction of the Property has been completed during the year 2017.

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

In millions of EUR	2017	2016	2015
Transfer from investment property to construction contracts accounting	216.6	216.6	-
Construction costs incurred	149.5	89.5	25.3
Add: recognised profits	55.9	48.1	6.4
Less: progress billings*	(422.0)	(132.9)	(31.7)
Total amount due from customers for contract work	-	221.3	-

** In 2016 includes EUR 31.1 million payments for fair value of investment property of EUR 216.6 million. Refer to Note 25.*

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

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15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Property, plant and equipment	-	-	1.0
Investment property	350.0	204.0	392.5
Trade and other receivables	18.2	1.1	4.7
Receivables and loans	0.6	8.1	13.9
Deferred income tax asset	-	0.2	1.2
Cash and cash equivalents	17.7	8.4	17.6
Total assets classified as held for sale	386.5	221.8	430.9

As of 31 December 2017, the Group classified assets and liabilities of the five (5) subsidiaries (AUPARK Brno, spol. s r.o., FORSEA s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k., GBC D Polcom Investment XXX Sp. z o. sp. k and Twin City IV s. r. o.) as held for sale. The Group sold shares in its subsidiaries Železniční Cargo MOŠNOV s.r.o. and HYPARKOS, s.r.o. during the year ended 31 December 2017 (Note 25). Both subsidiaries were classified as Non-current assets held for sale as at 31 December 2016. Due to the change in the originally intended structure of the deal, the sale of subsidiary GBC C Polcom Investment XXIX Sp. z o.sp. k. and subsidiary GBC D Polcom Investment XXX Sp. z o.sp. k has not been completed in 2017, and its completion is intended for second quarter 2018.

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

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

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

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

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Deferred income tax liability	21.8	15.6	5.5
Borrowings	212.0	90.3	239.8
Trade and other payables	5.2	7.9	9.0
Total liabilities directly associated with assets classified as held for sale	239.0	113.8	254.3

At 31 December 2017, investment properties held for sale carried at EUR 350.0 million (at 31 December 2016: EUR 204.0 million, at 31 December 2015: EUR 391.2 million), property, plant and equipment of EUR nil (at 31 December 2016: EUR nil, at 31 December 2015: EUR 1.0 million) and the receivables of EUR 18.2 million (at 31 December 2016: EUR 1.1 million, at 31 December 2015: EUR 3.9 million) have been pledged to third parties as collateral with respect to borrowings.

Two (2) out of four (4) subsidiaries classified held for sale as at 31 December 2016 were sold during year 2017 (Note 25).

16 Cash and Cash Equivalents

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Cash at bank and in hand	261.4	307.7	94.1
Short-term bank deposits	-	0.3	3.7
Total cash and cash equivalents	261.4	308.0	97.8

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16 Cash and Cash Equivalents (Continued)

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

At 31 December 2016, the effective interest rate on short term bank deposits was from 0% to 10.65% and on average 5.21% (2015: 0.71%) and these deposits had an average maturity of 11.31 days (2015: 2.2 days).

At 31 December 2017, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 2.2 million (2016: EUR 3.2 million, 2015: EUR 1.9 million).

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

In millions of EUR	31 December 2017		31 December 2016		31 December 2015	
	Cash at bank	Short-term bank deposits	Cash at bank	Short-term bank deposits	Cash at bank	Short-term bank deposits
Rating by the Company						
- Banks rated 1	229.1	-	130.3	0.1	30.9	-
- Banks rated 2	17.6	-	151.6	0.2	31.5	3.7
- Banks unrated	14.7	-	25.4	-	31.4	-
Total	261.4		307.3	0.3	93.8	3.7

The Company classifies banks based on ratings as follows:

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

The carrying amounts of cash and cash equivalents as of 31 December 2017, 2016 and 2015 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

17 Share Capital and Share Premium

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2015	12,500	12,500	637,917,500	637,930,000
At 31 January 2015	12,500	12,500	581,327,500	581,340,000
At 31 December 2016	12,500	12,500	532,622,500	532,635,000
At 31 December 2017	12,500	12,500	494,002,499	494,014,999

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

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

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

In millions of EUR, except dividends per share amount	Note	2017	2016	2015
Distributions to owners payable at 1 January		-	0.3	-
Distributions declared during the year (from share premium)		38.6	48.7	56.6
Distributions declared during the year (other from retained earnings)		-	-	2.7
Distributions paid during the year*		(29.8)	(49.0)	(59.0)
Distributions to owners payable at 31 December	19	8.8	-	0.3
Amount per share declared during the year in EUR		3,089.6	3,896.4	4,744.0

** Out of 2016 Distributions EUR 16.0 million related to settlement of 2015 spin-off of bus transportation business and EUR 12.3 million represented a shareholder settlement following the unfortunate passing away of one of the founders of the Group.*

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18 Borrowings

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Non-current				
Bank borrowings		272.5	338.6	337.4
Other indebtedness	(a)	-	63.7	46.7
Issued bonds	(b)	326.4	162.6	101.9
Total non-current borrowings		598.9	564.9	486.0
Current				
Bank borrowings		78.5	58.1	55.4
Issued bonds	(b)	3.6	33.2	1.8
Total current borrowings		82.1	91.3	57.2
Total borrowings		681.0	656.2	543.2

- (a) Contribution from third parties to the Fund before Fund deconsolidation (Note 1 and 25) was for the purposes of the consolidated financial statements classified as debt.
- (b) The bonds represent following debt instruments: (i) EUR denominated bonds in the amount EUR 30 million, which were issued in Bratislava in August 2014 with maturity August 2019, bearing an interest of 4.25% p.a.; (ii) EUR denominated bonds in the amount EUR 40 million, which were issued in Bratislava in March 2015 with maturity March 2020, bearing an interest of 4.25% p.a.; (iii) CZK denominated bonds in the amount CZK 1,250 million (EUR 48.9 million) , which were issued in Prague in March 2016 with maturity March 2021, bearing an interest of 6M PRIBOR + 4% p.a.; (iv) PLN denominated bonds in the amount PLN 100 million (EUR 23.9 million), which were issued in Warsaw in October 2016 with maturity April 2021, bearing an interest of 6M WIBOR + 4.40% p.a.; (v) EUR denominated bonds in the amount EUR 25 million, which were issued in Bratislava in December 2016 with maturity December 2021, bearing an interest of 3.50% p.a.; (vi) EUR denominated bonds in the amount EUR 12 million, which were issued in Bratislava in March 2017 with maturity March 2022, bearing an interest of 3.50% p.a.; (vii) EUR denominated bonds in the amount EUR 20 million, which were issued in Bratislava in June 2017 with maturity June 2022, bearing an interest of 3.35% p.a.; (viii) PLN denominated bonds in the amount PLN 220 million (EUR 52.6 million), which were issued in Warsaw in July 2017 with maturity January 2022, bearing an interest of 6M WIBOR + 4.20% p.a.; (ix) EUR denominated bonds in the amount EUR 45 million, which were issued in Bratislava in September 2017 with maturity September 2027, bearing an interest of 4.50% p.a.; (x) EUR denominated bonds in the amount EUR 31 million, which were issued in Bratislava in November 2017 with maturity November 2023, bearing an interest of 3.25% p.a.

The Group's borrowings are denominated in EUR, GBP, PLN or CZK.

Net debt reconciliation

The table below sets out an analysis of our debt and the movements in our debt for 2017. The debt items are those that are reported as financing in the statement of cash flows.

In millions of EUR	Bank borrowings	Bonds	Other indebtedness	Total
Borrowings as presented in the Statement of financial position as at 31 December 2016	396.7	195.8	63.7	656.2
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2016 (Note 15)	90.3	-	-	90.3
Total borrowings as at 31 December 2016	487.0	195.8	63.7	746.5
Proceeds from new drawdowns	378.4	162.8	-	541.2
Repayments	(181.2)	(32.7)	-	(213.9)
Foreign exchange adjustments	(8.5)	(4.2)	-	(12.7)
Non-cash movement due to loss of control in a subsidiary	(113.5)	-	(63.7)	(177.2)
Interest accrued	0.8	8.3	-	9.1
Borrowings as presented in the Statement of financial position as at 31 December 2017	351.0	330.0	-	681.0
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2017 (Note 15)	212.0	-	-	212.0
Total borrowings as at 31 December 2017	563.0	330.0	-	893.0

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18 Borrowings (Continued)

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

In millions of EUR	Carrying amounts at 31 December			Fair values at 31 December		
	2017	2016	2015	2017	2016	2015
Bank borrowings	272.5	338.6	337.4	274.8	342.6	342.7
Other indebtedness	-	63.7	46.7	-	63.7	46.7
Issued bonds	326.4	162.6	101.9	335.9	167.1	103.8
Non-current borrowings	598.9	564.9	486.0	610.7	573.4	493.2

Assumptions used in determining fair value of borrowings are described in Note 32. The carrying values of current borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities:

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Availability:			
- Expiring within one year	40.7	31.0	81.7
- Expiring beyond one year	138.8	11.3	156.5
Total undrawn facilities	179.5	42.3	238.2

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 342.9 million (2016: EUR 406.5 million, 2015: 396.4 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 53% to 70% (2016: 60% to 75%, 2015: 60% to 75%) and minimum debt service coverage ratios ranging from 1.15 to 1.30 (2016: 1.10 to 1.30, 2015: 1.10 to 1.30). During 2017 and up to the date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 31 December 2017 and up to date of authorisation of these consolidated financial statements for issue, the Group repaid the loan of EUR 14.2 million and drawn EUR 17.0 million of new loans.

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19 Trade and Other Payables

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Non – current			
Finance lease liabilities (a)	-	-	5.7
Other long term payables	10.3	4.8	6.1
Total non-current payables	10.3	4.8	11.8
Current			
Trade payables	24.1	16.6	8.0
Liabilities for construction of investment properties	17.6	21.3	25.1
Accrued liabilities	15.4	10.6	7.5
Distribution per share payable	8.8	-	0.3
Derivative financial instruments	2.9	6.5	0.9
Other payables	0.1	3.9	5.2
Liabilities due to joint ventures	6.9	12.6	17.4
Total current financial payables	75.8	71.5	64.1
<i>Items that are not financial instruments:</i>			
Deferred rental income	7.8	8.8	12.2
Accrued employee benefit costs	3.0	2.6	4.5
Other taxes payable	1.0	0.4	0.2
VAT payable	0.4	34.0	-
Prepayments for rent and other prepayments	10.9	7.4	1.5
Total current trade and other payables	98.9	124.7	82.5

The VAT payable as at 31 December 2016 related to sale of properties in Poland in December 2016 and was settled in January 2017.

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

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Repayable after more than 5 years	-	-	5.7
Total	-	-	5.7

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

20 Rental and Similar Income from Investment Property

In millions of EUR	2017	2016	2015
Rental income – Office	54.2	54.1	47.2
Rental income – Retail	2.3	7.2	8.7
Rental income – Industrial	4.1	8.3	11.6
Total revenue	60.6	69.6	67.5

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

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Not later than 1 year	32.6	29.9	43.1
Later than 1 year and not later than 5 years	58.6	103.9	113.8
Later than 5 years	31.5	52.2	83.4
Total operating lease payments receivable	122.7	186.0	240.3

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total contingent payments receivable recognised as income in 2017 under the Group's operating leases were EUR nil (2016: EUR 0.1 million, 2015: EUR 0.1 million).

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21 Direct Operating Expenses arising from Investment Property

In millions of EUR	2017	2016	2015
<i>Direct operating expenses arising from investment property that generate rental income:</i>			
Materials consumed	0.4	0.4	0.5
Repairs and maintenance services	1.1	1.3	1.5
Utilities costs	5.7	7.7	8.8
Services relating to investment property	13.6	12.1	10.3
Real estate tax	1.1	1.9	1.8
Other costs	-	0.1	-
Total	21.9	23.5	22.9

22 Revenue from Public Transportation

In millions of EUR	2017	2016	2015
Revenue from public transportation - ticket sales	-	-	13.4
Total revenue from public transportation	-	-	13.4

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

23 Employee Benefits

In millions of EUR	2017	2016	2015
Wages and salaries	26.4	16.4	23.4
Pension costs – defined contribution plans	1.4	0.9	1.1
Total employee benefits	27.8	17.3	24.5

The Group had 632 employees in the core real estate operations of the Group (on full time equivalent basis) (2016: 533 employees, 2015: 477 employees).

24 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	2017	2016	2015
Services	41.8	25.3	17.6
Bad debt provision expense	3.6	(0.6)	0.6
Other taxes	1.5	0.8	0.7
Material consumption	1.4	0.9	1.3
Cost of sold inventories	1.0	2.4	1.0
Audit fees	0.8	1.0	0.6
Energy costs	0.2	0.1	0.3
Cost of sold fuel	-	-	0.4
Other	4.5	1.2	2.4
Total operating expenses	54.8	31.1	24.9

Other operating income comprised the following:

In millions of EUR	2017	2016	2015
Sales of services	7.3	3.9	1.4
Sale of fuel			0.4
Sales of inventories	1.4	1.4	0.6
Other operating income	0.4	1.1	1.4
Income from public transportation - regional government subsidies (a)	-	-	0.2
Total other operating income	9.1	6.4	4.0

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24 Operating Income and Expenses (Continued)

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

In millions of EUR	2017	2016	2015
Regional government subsidies – gross	-	-	7.2
Expenses related to regional government subsidies:			
- Other operating expenses (incl. fuel costs)	-	-	(3.4)
- Employee benefits	-	-	(2.6)
- Depreciation and amortization	-	-	(1.0)
Total income from public transportation - regional government subsidies	-	-	0.2

25 Disposals of Subsidiaries

The Group sold shares in its subsidiaries Železniční Cargo MOŠNOV s.r.o. and HYPARKOS, s.r.o. during the year ended 31 December 2017. Both subsidiaries were classified as Non-current assets held for sale as at 31 December 2016. In addition to the above, the Group lost control of the CE REIF subfund during year ended 31 December 2017.

The Group sold shares in seven (7) subsidiaries during the year ended 31 December 2016: Váci Corner Offices Kft., Letecké Cargo MOŠNOV s.r.o., Cargo MOŠNOV s.r.o., Logistické Centrum Rača a.s., Logistické Centrum Svätý Jur a. s., Logistické centrum Malý Šariš a. s. and INLOGIS I, spol. s r.o. which were classified as Non-current assets held for sale as of 31 December 2015. In addition, the Group disposed of 100% shares in Riga Office East s.r.o., AUPARK Piešťany SC, s.r.o., AUPARK Piešťany, spol. s r.o. and Twin City II a.s. The Group concluded a forward sale of its 33 Central project, London, UK. Refer to Note 14 for more information.

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.

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 Disposals of Subsidiaries (Continued)

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

In millions of EUR	2017			2016	2015			
	Subsidiaries sold to third parties	Subsidiaries sold to third parties	Total subsidiaries sold	Subsidiaries sold to third parties	Subsidiaries sold to third parties	Subsidiaries sold to related parties under common control		Total subsidiaries sold
						TRANSPORT s.r.o.	Twin Capital s. r. o.	
Investment property in use	32.3	183.7	216.0	497.0	212.8	-	-	212.8
Financial instruments held for trading	-	-	-	-	-	-	80.4	80.4
Property, plant & equipment	-	-	-	3.3	-	23.0	-	23.0
Intangible assets	-	-	-	-	-	0.7	-	0.7
Inventories	-	-	-	-	-	3.4	-	3.4
Other non-current assets	2.5	-	2.5	-	-	-	-	-
Deferred tax liability	(2.9)	(16.8)	(19.7)	(36.7)*	(11.5)	(1.7)	-	(13.2)
Borrowings	(0.4)	(176.8)	(177.2)	(128.5)	(160.5)	(18.2)	-	(178.7)
Loans due to related parties	-	-	-	-	-	-	(50.4)	(50.4)
Loans due from related parties	-	-	-	-	-	35.1	-	35.1
Capital repayable to owners	-	-	-	-	-	-	(10.0)	(10.0)
Trade and other payables	(19.5)	(20.4)	(39.9)	-	-	-	-	-
Cash and cash equivalents	0.3	27.0	27.3	11.8	4.5	3.1	-	7.6
Other working capital	1.7	4.5	6.2	(3.1)	(1.3)	(3.5)	(0.1)	(4.5)
Less non-controlling interest	-	-	-	-	-	(18.0)	-	(18.4)
Net assets value	14.0	1.2	15.2	343.8	44.0	23.9	19.9	87.8
Gain on divestments of subsidiaries	8.5	17.3	25.8	16.9	3.5	10.1	-	13.6
Foreign currency translation differences transferred from other comprehensive income upon loss of control	(0.4)	-	(0.4)	10.0	-	-	-	-
Proceeds from sale and loss of control of subsidiaries	22.1	-	22.1	370.7	47.5	34.0	19.9	101.4
Less cash in subsidiaries at the date of transaction	(0.3)	(27.0)	(27.3)	(11.8)	(4.5)	(3.1)	-	(7.6)
Less prepayment for sale of a subsidiary collected prior year	-	-	-	-	(32.5)	-	-	(32.5)
Less receivable from sale of subsidiary	-	-	-	(1.7)	(0.5)	-	-	(0.5)
Collection of prior period receivables from sale of subsidiaries	1.7	-	1.7	0.3	-	-	-	-
Add liability from sale of subsidiary	-	-	-	1.1	1.3	-	-	1.3
Settlement of prior period liability from sale of subsidiary	(0.1)	-	(0.1)	(1.3)	-	-	-	-
Prior year earn-out collected	-	-	-	-	1.1	-	-	1.1
Amounts due from customers for contract work (Note 14)	-	-	-	(216.6)	-	-	-	-
Advance payments for TRITRI House S.à r.l. (Note 14)	-	-	-	31.1	-	-	-	-
Cash sale proceeds	23.4	(27.0)	(3.6)	171.8	12.4	30.9	19.9	63.2

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

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26 Income Taxes

Income tax expense comprises the following:

In millions of EUR	2017	2016	2015
Current tax	3.5	0.9	(0.1)
Deferred tax	(14.1)	(33.3)	(48.0)
Income tax credit/(expense) for the year	(10.6)	(32.4)	(48.1)

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

In millions of EUR	2017	2016	2015
Profit before income tax	93.8	139.9	287.5
Theoretical tax charge at applicable rate 19.55% (2016: 20.43%, 2015: 20.59%)	(18.3)	(28.6)	(59.2)
Tax effect of items which are not deductible or assessable for taxation purposes:			
- Income exempt from taxation		8.2	12.7
- Non-temporary taxable items	(1.9)	(0.7)	-
- Change in estimate of prior period income taxes	4.7	(2.9)	(1.3)
Effect of changes in income tax rates effective from 1 January 2017	-	1.8	-
Unrecognised deferred tax assets	(4.0)	(9.8)	(0.5)
Utilisation of previously unrecognised tax loss carry-forwards	0.8	0.3	0.2
Income tax credit/(expense) for the year	(10.6)	(32.4)	(48.1)

The Group uses 19.55% (2016: 20.43%, 2015: 20.59%) as the applicable tax rate to calculate its theoretical tax charge which is calculated as a weighted average of the rates applicable in the Slovak Republic of 21% (2016: 22%, 2015: 22%), the Czech Republic and Poland of 19% (2016: 19%, 2015: 19%), Hungary of 9% (2016: 19%, 2015:19%) and the UK of 20% (2016: 20%, 2015: 20%) where majority of the Group's operations are located. In 2016, the Slovak parliament enacted a reduction in tax rate to 21% and the Hungarian parliament reduced the tax rate to 9%, both effective from 2017.

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

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

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26 Income Taxes (Continued)

In millions of EUR	Charged/ (credited) to profit or loss	Divest-ment of subsi-diaries	Transfer to assets held for sale	Currency translation difference	31 Dec 2017
Tax effect of deductible/ (taxable) temporary differences					
Investment properties	(12.6)	19.7	6.2	0.7	(54.1)
Unrealized foreign exchange (gains)/losses	-	-	-	-	-
Tax losses carried forward	(1.5)	-	-	-	1.3
Property, plant and equipment	-	-	-	-	0.5
Other	-	-	-	-	(0.7)
Net deferred tax (liability)	(14.1)	19.7	6.2	0.7	(53.0)

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

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

27 Foreign exchange gains/(losses)

In millions of EUR	2017	2016	2015
Bank borrowings – unrealised	11.7	(8.0)	(2.2)
Inter-company loans to foreign operations that do`not form part of net investment – unrealised	5.2	(27.5)	7.0
Trade and other receivables and payables – realised during period	(1.7)	(1.4)	0.1
Trade and other receivables and payables – unrealised	(0.6)	(0.4)	0.1
Translation of foreign operations reclassified to profit or loss upon repayment of capital	-	(3.9)	-
Foreign exchange gains/(losses)	14.6	(41.2)	5.0

28 Contingencies, Commitments and Operating Risks

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

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 199.4 million at 31 December 2017 (31 December 2016: EUR 160.7 million, 31 December 2015: EUR 82.1 million); this exposure will be partially financed by external loans (committed lines: EUR 184.4 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

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29 Effects of Public Transportation Business on the Consolidated Financial Statements

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

In millions of EUR	2017	2016	2015
Revenue from public transportation - ticket sales	-	-	13.4
Employee benefits	-	-	(4.6)
Fuel costs	-	-	(2.2)
Depreciation and amortisation	-	-	(1.7)
Other operating income	-	-	0.9
Other operating expenses	-	-	(3.7)
Gain on disposal of subsidiaries	-	-	10.1
Interest expense	-	-	(0.4)
Income tax	-	-	(0.4)
Profit or (loss)	-	-	11.4
<i>Other comprehensive income:</i>			
Revaluation of own use premises upon transfer to investment properties at fair value	-	-	3.1
Total comprehensive income	-	-	14.5

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

30 Financial Risk Management

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

(i) Credit risk

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

The Group’s maximum exposure to credit risk represents the carrying value of its financial assets in the consolidated statement of financial position. The Group has no significant off-balance sheet exposures to credit risk as it did not issue financial guarantees nor loan commitments to other parties.

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

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

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

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30 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2017:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure c) - d) - e)
				Financial instruments d)	Cash collateral received e)	
Assets						
Trade receivables	1.6	-	1.6	0.7	0.9	-
Liabilities						
Cash collateral received presented within trade and other payables	0.9	-	0.9	0.9	-	-

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

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure c) - d) - e)
				Financial instruments d)	Cash collateral received e)	
Assets						
Trade receivables	2.3	-	2.3	1.5	0.8	-
Liabilities						
Cash collateral received presented within trade and other payables	0.8	-	0.8	0.8	-	-

Financial instruments subject to offsetting, enforceable master netting and similar arrangements 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	-	-

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30 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 33 banks (2016: 33 banks, 2015: 30 banks) but 97.2% (2016: 60%, 2015: 52%) of cash balances as of 31 December 2017 are held with 10 (2016: 9, 2015: 7) major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 16.

As at 31 December 2017, the Group receivables to joint ventures amounted to EUR 64.8 million. The Group's management considers the concentration of credit risk with respect to receivables balances to joint ventures.

(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.

Had the foreign exchange rates been by one tenth lower than they have been throughout the year ended 31 December 2017 with all other variables constant, profit for the year would have been approximately EUR 70.8 million lower (2016: EUR 43.8 million lower, 2015: EUR 0.5 million lower). Equity, after allowing for the tax effects, would have been EUR 55.9 million lower (2016: EUR 35.0 million lower, 2015: EUR 0.4 million lower). Had the foreign exchange rates been by one tenth higher than they have been throughout the year ended 31 December 2017 with all other variables constant, profit for the year would have been EUR 70.8 million higher (2016: EUR 43.8 million higher, 2016: EUR 0.5 million higher). Equity, after allowing for the tax effects, would have been EUR 55.9 million higher (2016: EUR 35.0 million higher, 2015: EUR 0.4 million higher).

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

In millions of EUR	Less than 12 months	Over 12 months	Total
31 December 2017			
Total monetary financial assets	377.0	11.7	388.7
Total monetary financial liabilities	(428.5)	(334.7)	(763.2)
Net interest sensitivity gap at 31 December 2017	(51.5)	(323.0)	(374.5)
31 December 2016			
Total monetary financial assets	368.1	12.3	380.4
Total monetary financial liabilities	(501.4)	(226.3)	(727.7)
Net interest sensitivity gap at 31 December 2016	(133.3)	(214.0)	(347.3)
31 December 2015			
Total monetary financial assets	129.7	13.5	143.2
Total monetary financial liabilities	(458.7)	(154.3)	(613.0)
Net interest sensitivity gap at 31 December 2015	(329.0)	(140.8)	(469.8)

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30 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 2017 with all other variables constant, profit before tax for the year would have been higher by approximately EUR 0.8 million (2016: EUR 1.6 million higher, 2015: EUR 0.9 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 0.6 million higher (2016: higher by EUR 1.3 million, 2015: EUR 0.7 million).

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been by one tenth higher than they have been throughout the year ended 31 December 2017 with all other variables constant, profit before tax for the year would have been lower by approximately EUR 0.8 million (2016: EUR 1.6 million lower, 2015: EUR 0.9 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 0.6 million (2016: lower by EUR 1.6 million, 2015: lower by EUR 0.7 million).

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

In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various hedging instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings.

These provisions are taken into consideration by the Group's management when pursuing its interest rate hedging policy. Trade and other receivables and Trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

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

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

(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 2017 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 2017 is as follows:

	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
In millions of EUR					
Liabilities					
Borrowings	72.9	167.4	354.3	80.9	675.5
Borrowings (future interest payments)	22.9	21.2	37.7	11.4	93.2
Financial payables - current (Note 19)	72.9	-	-	-	72.9
Derivatives and other financial instruments (Note 19)	2.9	-	-	-	2.9
Total future payments, including future principal and interest payments	171.6	188.6	392.0	92.3	844.5

The maturity analysis of financial liabilities as at 31 December 2016 is as follows:

	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
In millions of EUR					
Liabilities					
Borrowings	91.3	20.2	391.8	152.9	656.2
Borrowings (future interest payments)	16.2	13.5	32.1	4.5	66.3
Financial payables - current (Note 19)	65.0	-	-	-	65.0
Derivatives and other financial instruments (Note 19)	6.5	-	-	-	6.5
Total future payments, including future principal and interest payments	179.0	33.7	423.9	157.4	794.0

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30 Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2015 is as follows:

	Demand and less than 12 month	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
In millions of EUR					
Liabilities					
Borrowings	57.2	64.0	296.0	126.0	543.2
Borrowings (future interest payments)	18.2	18.2	29.0	6.3	71.7
Finance leases (Note 19)	-	-	-	5.7	5.7
Financial payables - current (Note 19)	63.2	-	-	-	63.2
Derivatives and other financial instruments (Note 19)	0.9	-	-	-	0.9
Total future payments, including future principal and interest payments	139.5	82.2	325.0	138.0	684.7

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for 2018 shows positive cash flow of the Group of approximately EUR 115.0 million (2016: EUR 318.4 million, 2015: EUR 214.4 million). The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

31 Management of Capital

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

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

In millions of EUR	Note	31 December 2017	31 December 2016	31 December 2015
Equity attributable to the owners of HB Reavis Holding S.à r.l.		1,194.1	1,136.2	1,099.7
Adjusted for				
Add: Deferred income tax liabilities (including joint ventures)	15, 26	80.3	84.4	88.8
Less: Receivables and Loans provided to related party entities under common control	7	-	-	(1.3)
Net Asset Value (adjusted) as monitored by management		1,274.4	1,220.6	1,187.2

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties excluding other indebtedness (Note 18(a)) less Cash and Group total assets. During 2017, the Group's strategy was to steer the net debt leverage ratio up to 35% (2016: up to 35%, 2015: 35%). As is shown in the table below, the Group's ratio was below the targeted level at the end of 2017, 2016 and 2015. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2017	31 December 2016	31 December 2015
Bank borrowings less cash	613.9	366.4	620.9
Total assets	2,294.8	2,112.3	2,089.3
Net debt leverage ratio	26.75%	17.4%	29.7%

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32 Fair Value Estimation

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

- For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

i) Investment properties

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

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 31 December 2017 (Note 9)	-	-	1,780.6	1,780.6
Investment property – valuations obtained at 31 December 2016 (Note 9)	-	-	1,428.3	1,428.3
Investment property – valuations obtained at 31 December 2015 (Note 9)	-	-	1,857.4	1,857.4

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition/divestment (cost) for assets which were either acquired/held for sale close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation techniques for level 3 are further described in Note 9.

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32 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

Asset Management and Investment Management									
		Fair value 31 Dec 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Fair value 31 Dec 2015 (in millions of EUR)					
Segment	Valuation technique				Input	Range 31 Dec 2017	Range 31 Dec 2016	Range 31 Dec 2015	
Slovakia									
Office	Discounted cash flow	121.3	222.5	222.9	Average annual rent in EUR per sqm	191.5	134.0 – 194.0	134.0 – 192.0	
					Discount rate p.a.	7.65%	7.7% – 10.0%	7.7% – 9.25%	
					Capitalisation rate for terminal value	6.90%	7.2% – 8.5%	7.15% – 8.0%	
Office	Direct capitalisation method	138.0	117.5	39.0	Average annual rent in EUR per sqm	180 – 186	180 – 187	180	
					Capitalisation rate	6% - 8%	6.5% – 8.0%	6.65%	
Retail	Discounted cash flow	-	-	32.5	Average annual rent in EUR per sqm	-	-	241.0	
					Discount rate p.a.	-	-	8.25%	
					Capitalisation rate for terminal value	-	-	7.75%	
Logistics	Discounted cash flow	-	-	65.0	Average annual rent in EUR per sqm	-	-	47.0 – 55.0	
					Discount rate p.a.	-	-	8.4% – 9.25%	
					Capitalisation rate for terminal value	-	-	7.9% – 8.5%	
Total		259.3	340.0	359.4					
Czech Republic									
Office	Direct capitalisation method	89.0	76.9	122.7	Average annual rent in EUR per sqm	167.0	167.0	167.0 – 187.0	
					Capitalisation rate	6.0%	6.55%	6.75%	
Retail	Discounted cash flow	-	81.1	-	Average annual rent in EUR per sqm	-	222.0	-	
					Discount rate p.a.	-	6.11%	-	
					Capitalisation rate for terminal value	-	6.3%	-	
Logistics	Direct capitalisation method	-	32.3	39.0	Average annual rent in EUR per sqm	-	49.0	49.0 – 55.0	
					Capitalisation rate	-	8.5%	8.5% – 8.75%	
Total		89.0	190.3	161.7					
Poland									
Office	Direct capitalisation method	277.2	257.5	429.0	Average annual rent in EUR per sqm	195.0 – 231.0	196.0 – 237.0	185.0 – 227.0	
					Capitalisation rate	5.8% – 7.2%	5.9% – 7.2%	5.96% – 7.0%	
Total		277.2	257.5	429.0					
Hungary									
Office	Direct capitalisation method	-	-	46.0	Average annual rent in EUR per sqm	-	-	163.0	
					Capitalisation rate	-	-	7.1%	
Total		-	-	46.0					
United Kingdom									
Office	Residual value	281.8	-	-	Average annual rent in EUR per sqm Capitalisation rate	694 4.75% -5.00%			
Total		281.8	-	-					
Total for segment		907.3	787.8	996.1					

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32 Fair Value Estimation (Continued)

Development in realisation and in preparation								
		Fair value 31 Dec 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Fair value 31 Dec 2015 (in millions of EUR)				
Segment	Valuation technique				Input	Range 31 Dec 2017	Range 31 Dec 2016	Range 31 Dec 2015
Slovakia								
Office, Office/ Retail	Residual Method	153.1	107.2	125.7	Capitalised net revenues less cost to completion	217.3	197.8	311.5
					Capitalisation rate	6.25% – 6.75%	6.5% – 7.25%	7.0% – 7.25%
Retail	Residual Method	75.0	46.9	-	Capitalised net revenues less cost to completion	72.0	148.0	-
					Capitalisation rate	5.5%	5.5%	-
Office	Direct capitalisation method	-	-	73.2	Average annual rent in EUR per sqm	-	-	178.0
					Capitalisation rate	-	-	6.65% – 6.75%
Office	Comparative method	-	-	2.6	Price in EUR per sqm	-	-	3.9
Office	At cost	-	2.5	-	-	-	-	-
Total		228.1	156.6	201.5				
Czech Republic								
Office	Residual Method	22.5	11.7	7.7	Capitalised net revenues less cost to completion	64.8	49.7	31.3
					Capitalisation rate	6.0% – 7.25%	6.7% – 7.25%	7.25%
Office	Direct capitalisation method	20.3	14.8	11.2	Average annual rent in EUR per sqm	204.0	221.6	149.0
						5.0%	6.0%	8.35%
Office	At cost	2.0	-	-	-	-	-	-
Retail	Residual Method	12.2	12.2	45.2	Capitalised net revenues less cost to completion	24.4	24.4	39.2
					Capitalisation rate	7.0%	7.0%	6.75% – 7.0%
	At cost		-	0.1	-		-	
Logistics	Residual Method	-	-	1.8	Capitalised net revenues less cost to completion	-	-	1.5
					Capitalisation rate	-	-	8.5%
Total		57.0	38.7	66.0				

The average annual rate provided includes the Estimated Market Rental Value (EMRV) i.e. the open market rent of each space (not necessarily equal to the current passing rent) of the property, including rental income from office and retail space but including ancillary income from storage, parking, signage, technology and other income divided by square meters of lettable office, retail and storage space.

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32 Fair Value Estimation (Continued)

Development in realisation and in preparation								
		Fair value 31 Dec 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Fair value 31 Dec 2015 (in millions of EUR)				
Segment	Valuation technique				Input	Range 31 Dec 2017	Range 31 Dec 2016	Range 31 Dec 2015
Poland								
Office	Residual Method	306.5	241.0	150.4	Capitalised net revenues less cost to completion	296.2	235.1	132.7
					Capitalisation rate	5.24% – 6.0%	5.75% – 6.5%	6.0%
Office	Comparative method	-	-	23.8	Price in EUR per sqm	-	-	1,190.5
Office	Direct capitalisation method	-	-	71.0	Average annual rent in EUR per sqm	-	-	237.0
					Capitalisation rate	-	-	6.0%
Office	At cost	12.4	3.6	2.5	-	-	-	-
Total		318.9	244.6	247.7				
United Kingdom								
Office	Residual method	157.3	116.0	277.0	Capitalised net revenues less cost to completion	56.4	70.8	118.7
					Capitalisation rate	4.65%	4.5% – 4.75%	4.25% – 4.5%
Total		157.3	116.0	277.0				
Hungary								
Office	Comparative method	8.5	8.2	29.5	Price in EUR per sqm	808	211.0	997.0
	Residual method	67.1	40.9	-	Capitalised net revenues less cost to completion	95.7	136.4	-
Capitalisation rate					6.25%	6.63%	-	
Total		75.6	49.1	29.5				
Total for segment		836.9	605.0	821.7				
Non-core								
Logistics	Comparative method	36.0	36.3	39.7	Price in EUR per sqm	-	-	4.3-26.1
Retail	At cost	0.4	0.1	-	-	-	-	-
Total for segment		36.4	36.4	39.7				

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32 Fair Value Estimation (Continued)

Sensitivity of measurement to variance of significant unobservable inputs

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

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

Valuation process

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

These reports are based on both:

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

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

ii) Financial Instruments

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

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

Liabilities carried at amortised cost. Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.82% p.a. (2016: 1.78% p.a.). Refer to Note 18 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

Financial derivatives. The fair values of derivatives are based on counterparty bank quotes and are considered level 2 valuations. The fair value was estimated using the discounted cash flows technique.

33 Reconciliation of Classes of Financial Instruments with Measurement Categories

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

All of the Group's financial assets belong to the category loans and receivables except for financial derivatives that are classified as held for trading. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as held for trading (Note 19).

34 Consolidated Structured Entities

As at 31 December 2016 the Group held less than 50% of voting rights in a HB REAVIS CE Real Estate Investment Fund a sub-fund of a fully consolidated subsidiary HB Reavis Real Estate SICAV-SIF, the Fund (Note 1). The Group had the power over this sub-fund through asset management contractual arrangements with the General Partner of this Fund, HB Reavis Investment Management S.à r.l. In January 2017 the Group lost control over the sub-fund and since that date the Group's interest in the structure is recognised as a financial investment.

The Group issued 2 tranches of bonds through HB Reavis Finance PL 2 Sp. z o.o. incorporated in Poland, 1 tranche of bonds through HB REAVIS Finance SK s. r. o., 1 tranche of bonds through HB REAVIS Finance SK II s. r. o., 4 tranches of bonds through HB REAVIS Finance SK III s. r. o., 1 tranche of bonds through HB REAVIS Finance SK IV s. r. o., all four incorporated in Slovakia and 1 tranche of bonds through HB Reavis Finance CZ, s.r.o., incorporated in Czech Republic. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 320 million, EUR 203 million and CZK 1.25 billion (Note 18).

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35 Events after the End of the Reporting Period

After 31 December 2017 and up to date of authorization of these consolidated financial statements the Group has drawn EUR 17.0 million of the facilities undrawn as of 31 December 2017 and signed new credit facilities amounting to EUR 10.0 million which have not been drawn the Group, and repaid the loan of EUR 14.2 million.

In February 2018 the Group acquired a non-controlling share in The Cambridge Incubator, LLC, a Delaware limited liability company, for the consideration of EUR 48.7 million.

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.