HB Reavis Holding S.A. (former legal form S.à r.l.)

Condensed Consolidated Interim Financial Statements
30 June 2018

Contents

.

In millions of EUR	Note	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Investment property in use or vacant	9	658.3	545.6
Investment property under development	9	936.1	861.8
Investment in joint ventures	10	60.6	56.2
Property, plant and equipment	8	8.3	9.5
Intangible assets		0.7	0.7
Financial asset at fair value through Profit or Loss	17	56.0	1.1
Receivables and loans	7, 11	13.1	11.7
Other non-current assets	12	9.2	11.5
Total non-current assets		**1,742.3**	**1,498.1**
Current assets			
Non-current assets classified as held for sale	15	**274.7**	**386.5**
Inventories		0.5	0.6
Trade and other receivables	7, 13	112.6	117.1
Amount due from customers for contract work	14	-	-
Other assets		14.3	14.2
Cash and cash equivalents	16	183.7	261.4
		311.1	**393.3**
Total current assets		**585.8**	**779.8**
TOTAL ASSETS		**2,328.1**	**2,277.9**
EQUITY			
Share capital *(12,500 shares at EUR 1.00 each)*	18	-	-
Share premium	18	484.0	494.0
Retained earnings		796.2	711.7
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	3.8
Currency translation reserve	2, 3	(34.5)	(15.4)
Equity attributable to the Company's owners		1,249.5	1,194.1
Non-controlling interest		0.1	1.6
TOTAL EQUITY		**1,249.6**	**1,195.7**
LIABILITIES			
Non-current liabilities			
Borrowings	19	573.1	598.9
Deferred income tax liability	26	63.7	53.0
Other payables	7, 20	9.6	10.3
Total non-current liabilities		**646.4**	**662.2**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	15	**186.7**	**239.0**
Borrowings	19	143.3	82.1
Trade and other payables	7, 20	93.7	91.1
Deferred income	20	8.4	7.8
Current income tax payable		-	-
		245.4	**181.0**
Total current liabilities		**432.1**	**420.0**
TOTAL LIABILITIES		**1,078.5**	**1,082.2**
TOTAL LIABILITIES AND EQUITY		**2,328.1**	**2,277.9**

These condensed consolidated interim financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.A. (former legal form S.à r.l.) on 12 September 2018 by the members of the Board of Managers of HB Reavis Holding S.A. (former legal form S.à r.l.). Partners have the power to amend these condensed consolidated interim financial statements after issue.

Martin Flak Manager A	Sami Hajjem SH Sami Hajjem Manager A	Marián Herman Manager B	Pavel Trenka Manager B

In millions of EUR	Note	6 months ended 30 June 2018	30 June 2017
Rental and similar income from investment property	21	34.2	24.9
Direct operating expenses arising from investment property	22	(11.4)	(9.2)
Net operating income from investment property		**22.8**	**15.7**
Revaluation gain/(loss) on investment property	9	145.7	14.2
Share of profit or loss of joint ventures	10	6.9	11.8
Gain on disposal of subsidiaries	25	9.5	20.1
Other operating income	7, 24	2.9	6.6
Revenue from construction contracts	14	10.3	37.3
Construction services	14	(12.2)	(30.1)
Employee benefits	7, 23	(14.7)	(9.8)
Fuel costs		(0.1)	(0.1)
Depreciation and amortisation		(0.9)	(0.9)
Other operating expenses	24	(25.0)	(23.4)
Operating profit		**145.2**	**41.4**
Interest income	7	1.3	0.2
Interest expense		(16.0)	(10.6)
Foreign exchange gains/(losses), net	27	(18.9)	5.3
Gains less losses on financial derivatives		(6.4)	1.3
Other finance income		0.1	1.3
Other finance costs		(2.0)	(2.4)
Finance costs, net		**(41.9)**	**(4.9)**
Profit before income tax		**103.3**	**36.5**
Income tax credit/(expense)	**26**	**(18.8)**	**(2.3)**
Net profit for the period		**84.5**	**34.2**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency for the period	2, 3	(24.7)	11.6
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	25, 27	5.6	0.2
Items that may not be reclassified subsequently to profit or loss:			
Total other comprehensive income		(19.1)	11.8
Total comprehensive income for the period		**65.4**	**46.0**
Net profit is attributable to:			
- Owners of the Company		84.5	34.2
- Non-controlling interest		-	-
Profit for the period		**84.5**	**34.2**
Total comprehensive income is attributable to:			
- Owners of the Company		65.4	46.0
- Non-controlling Interest		-	-
Total comprehensive income for the period		**65.4**	**46.0**

		Attributable to owners of the Company							
In millions of EUR	Note	Share capital (Note 18)	Share premium (Note 18)	Retained earnings	Transla-tion reserve	Revalua-tion reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2017		-	**532.6**	**628.5**	**(28.7)**	**3.8**	**1,136.2**	**0.5**	**1,136.7**
Profit for the period		-	-	34.2	-	-	**34.2**	-	**34.2**
Other comprehensive income		-	-	-	11.8	-	**11.8**	-	**11.8**
Total comprehensive income for the period		**-**	**-**	**34.2**	**11.8**	**-**	**46.0**	**-**	**46.0**
Distribution to owners	18	-	(13.6)	-	-	-	**(13.6)**	-	**(13.6)**
Balance at 30 June 2017		**-**	**519.0**	**662.7**	**(16.9)**	**3.8**	**1,168.6**	**0.5**	**1,169.1**
Balance at 1 January 2018		-	**494.0**	**711.7**	**(15.4)**	**3.8**	**1,194.1**	**1.6**	**1,195.7**
Profit for the period		-	-	84.5	-	-	**84.5**	-	**84.5**
Other comprehensive income		-	-	-	(19.1)	-	**(19.1)**	-	**(19.1)**
Total comprehensive income for the period		**-**	**-**	**84.5**	**(19.1)**	**-**	**65.4**	**-**	**65.4**
Distribution to owners	18	-	(10.0)	-	-	-	**(10.0)**	-	**(10.0)**
Other		-	-	-	-	-	-	(1.5)	**(1.5)**
Balance at 30 June 2018		**-**	**484.0**	**796.2**	**(34.5)**	**3.8**	**1,249.5**	**0.1**	**1,249.6**

In millions of EUR	Note	6 months ended 30 June 2018	30 June 2017
Cash flows from operating activities			
Profit before income tax		103.3	36.5
Adjustments for:			
Depreciation and amortisation	8	0.9	0.9
Revaluation gains on investment property	9	(145.7)	(14.2)
Gains less losses on disposals of subsidiaries	25	(9.5)	(20.1)
Share of profit or loss of joint ventures		(6.9)	(11.2)
Interest income		(1.3)	(0.2)
Interest expense		16.0	10.6
Unrealised foreign exchange (gains)/losses	27	17.4	(4.9)
Unrealised (gains)/losses from financial derivatives		5.7	(3.9)
Operating cash flows before working capital changes		(20.1)	(6.5)
Working capital changes:			
Decrease/(increase) in trade and other receivables		2.0	12.9
Increase/(decrease) in trade and other payables		5.0	(43.3)
Increase/(decrease) in taxes payable		-	-
Cash generated from operations		(13.0)	(36.9)
Interest paid		(11.8)	(8.6)
Interest received		1.3	0.2
Income taxes paid		-	(0.7)
Net cash from operating activities		**(23.5)**	**(46.0)**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	0.3	(0.2)
Purchases of investment properties		(80.4)	(285.2)
Investment in joint venture		2.5	(2.0)
Construction costs related to investment properties		(95.9)	(75.0)
Proceeds from sales of subsidiaries, net of cash disposed	25	100.1	(25.9)
Purchases of financial instruments at fair value through profit and loss		(54.9)	13.4
Restricted cash		4.2	2.4
Net cash (used in)/from investing activities		**(132.5)**	**(372.5)**
Cash flows from financing activities			
Proceeds from borrowings		101.2	319.3
Repayment of borrowings		(25.0)	(53.4)
Distributions paid to owners	18	(14.3)	(13.6)
Net cash from / (used in) financing activities		**60.4**	**252.3**
Net (decrease) / increase in cash and cash equivalents		**(95.6)**	**(166.2)**
Cash and cash equivalents at the beginning of the period	16	276.9	313.2
Cash and cash equivalents at the end of the period		**181.3**	**147.0**
Reconciliation of cash and cash equivalents:			
- Restricted cash	16	6.4	0.8
- Cash within non-current assets classified as held for sale	15	(4.0)	(16.3)
Cash and cash equivalents on the balance sheet at the end of the 6 month period	16	**183.7**	**131.5**

1 The HB REAVIS Group and its Operations

These condensed consolidated interim financial statements have been prepared in accordance IAS 34, "Interim financial reporting" for the 6 months ended 30 June 2018 for HB Reavis Holding S.A. (former legal form 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.A. (former legal form S.à r.l.) is ultimately controlled by Mr. Ivan Chrenko. The Group's immediate parent as of the date of issuance of these condensed consolidated interim 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, United Kingdom and Germany. It is principally involved in the development of properties for its own portfolio, in leasing out investment properties under operating leases, as well as in asset management and is also active in investment management. The Group develops and manages investment properties to earn rental income or for capital appreciation. In 2018, the Group has acquired its first two projects in Germany. Construction works on Berlin based project, called Prenzlauer Hoefe, is to be launched later in 2018, aiming to deliver 45k of GLA upon completion in 2020. The Group has also secured the rights to develop another London based project in June 2018, Farringdon West, with intended completion in 2020. In 2017, 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. 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. Over the course of first half of 2018, two practical completions were achieved: 20Farringdon and Cooper & Southwark buildings have been delivered, both in London, UK. 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 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 2018; Metronom Business Center in Prague, Czech Republic and Cooper & Southwark, London, UK.

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).

1 The HB REAVIS Group and its Operations (Continued)

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 limited construction of real estate for third parties, including related parties.

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 29. 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 30 June 2018 the Group has offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London and Berlin.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2017.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the condensed consolidated financial statements for the interim period ended 30 June 2018, became effective for the Group from 1 January 2018.

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

The condensed consolidated interim 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 at fair value through profit or loss, financial assets classified as available for sale (e.g. earn-out receivables), derivatives and other financial instruments held for trading that have been measured at fair value.

2 Significant Accounting Policies (Continued)

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 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 condensed consolidated interim financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments or investment properties for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 31.

2.2. Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim financial statements. In preparing the condensed consolidated interim 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.

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

				Percentage ownership interest and voting rights held	
Number	**Subsidiaries**	**Functional currency**	**Country of incorporation**	**30 June 2018**	**31 December 2017**
1	HB Reavis Holding S.A. (former legal form S.à r.l.) (*Parent Company)*	EUR	Luxembourg	N/A	N/A
2	EIGHT House S.à r.l.[2]	GBP	Luxembourg	-	100
3	Evolution Building Technologies S.à r.l.	EUR	Luxembourg	100	100
4	GBC A S.à r.l.	EUR	Luxembourg	100	100
5	GBC B S.à r.l.	EUR	Luxembourg	100	100
6	GBC C S.à r.l.	EUR	Luxembourg	100	100
7	GBC D S.à r.l.	EUR	Luxembourg	100	100
8	Gdanski A SCSp.	EUR	Luxembourg	100	100
9	Gdanski B SCSp.	EUR	Luxembourg	100	100
10	Gdanski C SCSp.	EUR	Luxembourg	100	100
11	Gdanski D SCSp.	EUR	Luxembourg	100	100
12	HB Reavis DE1 S.à r.l.	EUR	Luxembourg	100	100
13	HB Reavis DE2 S.à r.l. *(former TWO House S.à r.l.)*	EUR	Luxembourg	100	100
14	HB Reavis DE3 S.à r.l [1]	EUR	Luxembourg	100	-
15	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	100	100
16	HB REAVIS REAL ESTATE INVESTMENT FUND *(until 27.4.2017 as HB Reavis Real Estate SICAV-SIF)*[4]	EUR	Luxembourg	100	100
17	HB Reavis Strategic Innovations Investments S.à r.l.*(former THREE House S.à r.l.)*	EUR	Luxembourg	100	100
18	HBR CE REIF LUX 3 S.à r.l.	EUR	Luxembourg	100	100
19	HBR CE REIF LUX 4 S.à r.l.	EUR	Luxembourg	100	100
20	HubHub Luxembourg S.à r.l. *(former Tribazu S.à r.l.)*	EUR	Luxembourg	100	100
21	ONE House S.à r.l.	GBP	Luxembourg	100	100
22	SIXTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
23	SRE Waterloo Properties S.à r.l	GBP	Luxembourg	100	100
24	THIRTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
25	TWENTY House S.à r.l.	GBP	Luxembourg	100	100
26	HB REAVIS GROUP B.V.	EUR	Netherlands	100	100
27	HB Reavis CEE B.V.	EUR	Netherlands	100	100
28	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
29	HBRG Invest B.V.	EUR	Netherlands	100	100

2.2 Condensed Consolidated Interim Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held: 30 June 2018	Percentage ownership interest and voting rights held: 31 December 2017
30	Twin City Holding N.V.	EUR	Netherlands	100	100
31	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
32	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
33	HBR HOLDING LIMITED	EUR	Cyprus	100	100
34	HBR IM HOLDING LTD	EUR	Cyprus	100	100
35	HBR INVESTORS LTD	EUR	Cyprus	100	100
36	10 Leake Street Ltd1	GBP	UK	100	100
37	33 CENTRAL LIMITED	GBP	UK	100	100
38	4th Floor Elizabeth House Limited [1]	GBP	UK	100	-
39	Elizabeth Property Holdings Ltd	GBP	UK	100	100
40	Elizabeth Property Nominee (No 1) Ltd	GBP	UK	100	100
41	Elizabeth Property Nominee (No 2) Ltd	GBP	UK	100	100
42	Elizabeth Property Nominee (No 3) Ltd	GBP	UK	100	100
43	Elizabeth Property Nominee (No 4) Ltd	GBP	UK	100	100
44	HB Reavis Construction UK Ltd.	GBP	UK	100	100
45	HB Reavis UK Ltd.	GBP	UK	100	100
46	HBR Capital Investment LP	GBP	UK	100	100
47	HBR FM LTD	GBP	UK	100	100
48	HubHub UK Ltd [1]	GBP	UK	100	-
49	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
50	The Waterloo Properties Unit Trust	GBP	Jersey	100	100
51	Waterloo Trustee Ltd	GBP	Jersey	100	100
52	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi [2]	TRY	Turkey	-	100
53	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi [2]	TRY	Turkey	-	100
54	AGORA Budapest Kft. (former HB Reavis Project 2 Kft.)	HUF	Hungary	100	100
55	HB REAVIS Buda Project Kft.	HUF	Hungary	100	100
56	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
57	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
58	HubHub Hungary Kft.	HUF	Hungary	100	100
59	ALISTON Finance I s. r. o.	EUR	Slovakia	100	100
60	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
61	ALISTON Finance III s. r. o.	EUR	Slovakia	100	100
62	ALISTON Finance IV s. r. o.	EUR	Slovakia	100	100
63	ALISTON Finance V s.r.o.	EUR	Slovakia	100	100
64	Apollo Business Center III a.s.	EUR	Slovakia	100	100
65	Apollo Business Center V a. s.	EUR	Slovakia	100	100
66	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
67	Bus Station Services s.r.o.	EUR	Slovakia	100	100
68	BUXTON INVEST a.s.	EUR	Slovakia	100	100
69	Eurovalley, a.s.	EUR	Slovakia	100	96.5
70	Evolution Building Technologies a.s.	EUR	Slovakia	100	100
71	FORUM BC II s. r. o.	EUR	Slovakia	100	100
72	General Property Services, a.s.	EUR	Slovakia	100	100
73	HB REAVIS Consulting k.s.	EUR	Slovakia	100	100
74	HB REAVIS Finance SK II s. r. o.	EUR	Slovakia	100	100
75	HB REAVIS Finance SK III s. r. o.	EUR	Slovakia	100	100
76	HB REAVIS Finance SK IV s.r.o.	EUR	Slovakia	100	100
77	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
78	HB Reavis Group s.r.o. (*until 30.11.2017 as HB REAVIS Development s. r. o.)*	EUR	Slovakia	100	100
79	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
80	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
81	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
82	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
83	HB REM, spol. s r.o.	EUR	Slovakia	100	100
84	HBR SFA, s. r. o.	EUR	Slovakia	100	100
85	HubHub Slovakia s.r.o.	EUR	Slovakia	100	100
86	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
87	INLOGIS LCR a. s.	EUR	Slovakia	100	100
88	INLOGIS V s. r. o.	EUR	Slovakia	100	100
89	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
90	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
91	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
92	LUGO, s.r.o.	EUR	Slovakia	100	100
93	Nivy Tower s.r.o.	EUR	Slovakia	100	100
94	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
95	Smart City Bridge s. r. o.	EUR	Slovakia	100	100
96	Smart City Eko s.r.o.	EUR	Slovakia	100	100
97	Smart City Link s.r.o.	EUR	Slovakia	100	100
98	Smart City Office I s.r.o.	EUR	Slovakia	100	100
99	Smart City Office II s.r.o.	EUR	Slovakia	100	100
100	Smart City Office III s.r.o.	EUR	Slovakia	100	100

2.2 Condensed Consolidated Interim Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 30 June 2018	31 December 2017
101	Smart City Office IV s.r.o.	EUR	Slovakia	100	100
102	Smart City Office s.r.o.	EUR	Slovakia	100	100
103	Smart City Office V s.r.o.	EUR	Slovakia	100	100
104	Smart City Office VI s.r.o.	EUR	Slovakia	100	100
105	Smart City Office VII s.r.o.	EUR	Slovakia	100	100
106	Smart City Parking s.r.o.	EUR	Slovakia	100	100
107	Smart City Petržalka s. r. o.	EUR	Slovakia	100	100
108	Smart City s.r.o. (*until 10.2.2017 as ALISTON II s. r. o.)*	EUR	Slovakia	100	100
109	Smart City Services s.r.o. (*until 4.5.2017 as AUPARK Property Management, s. r. o.)*	EUR	Slovakia	100	100
110	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
111	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
112	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
113	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
114	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
115	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
116	SPC Property III, s. r. o.	EUR	Slovakia	100	100
117	SPV Vištuk s. r. o.	EUR	Slovakia	100	100
118	Stanica Nivy s.r.o.	EUR	Slovakia	100	100
119	TC Nivy a. s.	EUR	Slovakia	100	100
120	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
121	Tower Nivy a. s.	EUR	Slovakia	100	100
122	Twin City a.s. [3]	EUR	Slovakia	-	100
123	Twin City III s.r.o.	EUR	Slovakia	100	100
124	Twin City Infrastructure s. r. o.	EUR	Slovakia	100	100
125	Twin City IV s.r.o.	EUR	Slovakia	100	100
126	Twin City V s.r.o.	EUR	Slovakia	100	100
127	Twin City VIII s.r.o.	EUR	Slovakia	100	100
128	ANDAREA s.r.o.	CZK	Czech Rep	100	100
129	AR Consulting, a.s.	CZK	Czech Rep	100	100
130	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
131	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
132	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
133	DII Czech s.r.o.	CZK	Czech Rep	100	100
134	DNW Czech s.r.o.	CZK	Czech Rep	100	100
135	FORSEA s.r.o. [2]	CZK	Czech Rep	-	100
136	GALIM s.r.o.	CZK	Czech Rep	100	100
137	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
138	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
139	HB Reavis Finance CZ, s.r.o.	EUR	Czech Rep	100	100
140	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
141	HB Reavis IZ s.r.o.	CZK	Czech Rep	100	100
142	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
143	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
144	HubHub Czech Republic, s.r.o. (*former RECLUN s.r.o.*)	CZK	Czech Rep	100	100
145	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
146	KELOM s.r.o.	CZK	Czech Rep	100	100
147	MOLDERA, a.s.	CZK	Czech Rep	100	100
148	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
149	Phibell s.r.o.	CZK	Czech Rep	100	100
150	Radlice Real Estate, s.r.o.	CZK	Czech Rep	100	75
151	Radlická ATA s.r.o.	CZK	Czech Rep	100	100
152	Temster, s.r.o.	CZK	Czech Rep	100	100
153	Brookline Investments sp. Z o.o.	PLN	Poland	100	100
154	Emmet Investments sp. Z o.o.	PLN	Poland	100	100
155	GBC A Polcom Investment XXI Sp. z o.o. (*former Polcom Investment VIII Sp. z o. o.)*	PLN	Poland	100	100
156	GBC B Polcom Investment XXII Sp. z o.o. (*former Polcom Investment IX Sp. z o.o.)*	PLN	Poland	100	100
157	GBC C Polcom Investment XXIX Sp. z o. sp. k	PLN	Poland	100	100
158	GBC D Polcom Investment XXX Sp. z o. sp. k	PLN	Poland	100	100
159	HB REAVIS CONSTRUCTION PL Sp. z o. o	PLN	Poland	100	100
160	HB Reavis Finance PL 2 Sp. z o.o.	PLN	Poland	100	100
161	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
162	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
163	HB Reavis Poland Sp. z o.o.	PLN	Poland	100	100
164	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
165	HubHub Poland Sp. z o.o. (*former Polcom Investment XXVI Sp. z o.o.)*	PLN	Poland	100	100
166	CHM1 Sp. z o. o.	PLN	Poland	100	100
167	CHM2 Sp. z o. o.	PLN	Poland	100	100
168	CHM3 Sp. z o. o.	PLN	Poland	100	100

2.2 Condensed Consolidated Interim Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 30 June 2018	31 December 2017
169	Jamestown Sp. z o.o.	PLN	Poland	100	100
170	Jarrow Sp. z o.o.	PLN	Poland	100	100
171	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
172	Mokoloco Sp. z o.o.(*former Polcom Investment XXXVII Sp. z o.o.)*	PLN	Poland	100	100
173	P14 Sp. z o.o.	PLN	Poland	100	100
174	Polcom Investment II Sp. z o. o.	PLN	Poland	100	100
175	Polcom Investment III Sp. z o. o.	PLN	Poland	100	100
176	Polcom Investment VI Sp. z o. o.	PLN	Poland	100	100
177	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
178	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
179	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
180	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
181	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
182	Polcom Investment XL Sp. z o.o.	PLN	Poland	100	100
183	Polcom Investment XLI Sp. z o.o.	PLN	Poland	100	100
184	Polcom Investment XLII Sp. z o.o.	PLN	Poland	100	100
185	Polcom Investment XLIII Sp. z o.o.	PLN	Poland	100	100
186	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
187	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
188	Polcom Investment XXI Sp. z o.o.	PLN	Poland	100	100
189	Polcom Investment XXII Sp. z o.o.	PLN	Poland	100	100
190	Polcom Investment XXIV Sp. z o.o.	PLN	Poland	100	100
191	Polcom Investment XXIX Sp. z o.o.	PLN	Poland	100	100
192	Polcom Investment XXV Sp. z o.o.	PLN	Poland	100	100
193	Polcom Investment XXVII Sp. z o.o.	PLN	Poland	100	100
194	Polcom Investment XXVIII Sp. z o.o.	PLN	Poland	100	100
195	Polcom Investment XXX Sp. z o.o.	PLN	Poland	100	100
196	Polcom Investment XXXIII Sp. z o.o.	PLN	Poland	100	100
197	Property Hetman Sp. Z o.o. (*former Polcom Investment XXXIV Sp. z o.o. sp. K)*	PLN	Poland	100	100
198	PSD Sp. Z o. o.	PLN	Poland	100	100
199	Elizabeth House GP LLC1	GBP	US	100	100
200	Elizabeth House Limited Partnership1	GBP	US	100	100
201	HB REAVIS CIC INVESTCO US, LLC	USD	US	100	-
202	HB Reavis Germany GmbH1	EUR	Germany	100	100
203	HB Reavis Construction Germany GmbH	EUR	Germany	100	100
204	Kunst und Kultur im Schlachthof GmbH [1]	EUR	Germany	100	-
205	UBX 2 Objekt Berlin GmbH [1]	EUR	Germany	100	-
206	Väterliche Schlachthof Baugesellschaft GmbH [1]	EUR	Germany	100	-

Number	Joint ventures	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 30 June 2018	31 December 2017
207	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
208	FutureNow s. r. o. [1]	EUR	Slovakia	80	-
209	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
210	West Station Investment Sp. z o. o.	PLN	Poland	71	71
211	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 6 months period ended 30 June 2018*
[2] *Entities disposed of during the 6 months period ended 30 June 2018 (refer to Note 25)*
[3] *Entities were part of legal mergers or spin off and subsequently renamed during the 6 months period ended 30 June 2018*
[4] *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.*

2.3. Interim Period Tax Measurement

Interim period income tax expense is accrued using the effective tax rate that would be applicable to the expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period, adjusted for income which is not subject to taxation. The effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the condensed consolidated interim 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 condensed consolidated interim 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 83% of investment properties (31 December 2017: 88.7%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates. The fair value of investment properties is estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions costs and market developers' profits. These valuations are regularly compared to actual market data and actual transactions by the Group and those reported by the market. For further details refer to Note 31.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes 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 26.7 million (31 December 2017: EUR 25.7 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.8% (31 December 2017: 3.3% to 4.7%, or 3.75% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 5.4 million lower or EUR 5.97 million higher (31 December 2017: EUR 12 million lower or EUR 13 million higher).

- A London property acquired in 2017 to be redeveloped is not included in the HY 2018 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 33.9 million (31 December 2017: EUR 31.9 million)

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.1% to 8.5%, or 5.92% on average (31 December 2017: from 5.0% to 8.0%, or 6.2% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 60.1 million lower or EUR 65.4 million higher (31 December 2017: EUR 17.9 million lower or EUR 19.4 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.

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

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 TRITRI House S.à r.l. under the forward sale arrangement and (b) subsequent accounting up to 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 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, e.g. 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 revenues of EUR 86.2 million over time until completion of the transactions.

Valuation of Financial assets at Fair value through Profit and Loss. The balance of these financial assets is mostly represented by an investment in Cambridge innovation centre ("CIC"). The lack of direct comparable companies made the group to use EBITDA multiple as the best value estimation model. The Group took into consideration the fact that CIC is currently in the growth phase and proposed to set the EBITDA multiple to 11.

Had the multiple been set to 10 throughout the period of 6 months ended 30 June 2018 with all other variables constant, profit for the year would have been approximately EUR 4.6 million lower. Equity, after allowing for the tax effects, would have been EUR 3.6 million lower.

Had the multiple been set to 12 throughout the period of 6 months ended 30 June 2018 with all other variables constant, profit for the year would have been approximately EUR 4.6 million higher. Equity, after allowing for the tax effects, would have been EUR 3.6 million higher.

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 2018:

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015 and effective for annual periods beginning on or after 1 January 2018).
- Clarifications 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).
- Amendments to IAS 40: Transfer of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- 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).

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

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

The above standards and amendments had not any material impact on the Group. Further, any other standards that are normally effective from 1 January 2018 were either already early adopted by the Group in prior periods or had no impact.

- IFRS 9 Financial Instruments (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018).

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

A financial asset is measured at amortized cost if the following two conditions are met. The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group does not hold debt instruments at fair value through other comprehensive income.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model will apply to financial assets measured at amortized cost except for investments in equity instruments.

When initially applying IFRS 9, the Group did not recognize any significant changes in impairment allowances compared to IAS 39.

The standard will not affect the classification and measurement of financial assets held as at 1 January 2018.

Receivables and loans and Trade and other receivables that are measured under amortized cost under IAS 39, will also be generally measured at amortized cost under IFRS 9. Financial asset at Fair value through Profit and Loss, and investment in joint venture which are measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period commencing on 1 January 2018 and have not been early adopted by the Group:

IFRS 16 Leases (issued on 13 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.

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

- Amendments to IFRS 9: Prepayments Features with Negative Compensation (issued on 12 October 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.

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

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

- Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

5 New Accounting Pronouncements (Continued)

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

- Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

* 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 of the Group.

HUB HUB – representing management of activities related to management of Group's co-working platform, providing flexible work space and business events.

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

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

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

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

6 Segment Analysis (Continued)

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.

6 Segment Analysis (Continued)

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

The segment profit and loss information for 6 months ended 30 June 2018 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Rental and similar income from investment property										
- Office		27.2	1.0	0.7	4.0	-	0.4	-	-	**33.3**
- Retail		-	-	-	-	0.8	-	-	-	**0.8**
- Industrial		-	-	-	-	0.1	-	-	-	**0.1**
	21	**27.2**	**1.0**	**0.7**	**4.0**	**0.9**	**0.4**	**-**	**-**	**34.2**
Direct operating expenses arising from investment property										
- Office		(9.5)	(0.7)	(0.4)	(0.5)	-	(0.2)	-	-	**(11.3)**
- Retail		(0.1)	-	-	-	-	-	-	-	**(0.1)**
- Industrial		-	-	-	-	-	-	-	-	**-**
	22	**(9.6)**	**(0.7)**	**(0.4)**	**(0.5)**	**-**	**(0.2)**	**-**	**-**	**(11.4)**
Net operating income from investment property		**17.6**	**0.3**	**0.3**	**3.5**	**0.9**	**0.2**	**-**	**-**	**22.8**
Revaluation gain/(loss) on investment property										
- Office		16.5	113.7	5.1	(0.8)	-	-	-	-	**134.5**
- Retail		-	10.3	0.2	-	0.9	-	-	-	**11.4**
- Industrial		-	-	-	-	(0.2)	-	-	-	**(0.2)**
Subtotal	9	16.5	124	5.3	(0.8)	0.7	-	-	-	**145.7**
Share of profit or loss of joint ventures	10	7.4	(0.5)	-	-	-		-	-	6.9
Revaluation gain/(loss) on investment property, including joint ventures		**23.9**	**123.5**	**5.3**	**(0.8)**	**0.7**	**-**	**-**	**-**	**152.6**
Interest expense		(3.6)	(10.5)	(0.7)	(0.6)	-	-	-	(0.6)	**(16.0)**
Investment management fee		-	-	-	0.8	-	-	-	-	**0.8**
Other (expenses) / revenues		11.9	(26.3)	(8.6)	(0.5)	(4.1)	(0.8)	(3.2)	(25.3)	**(56.9)**
Profit before income tax		**49.8**	**87.0**	**(3.7)**	**2.4**	**(2.5)**	**(0.6)**	**(3.2)**	**(25.9)**	**103.3**

6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 30 June 2018 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Investment property	9									
- Office		536.3	486.0	289.3	120.8	-	1.2	-	-	**1,433.6**
- Retail		-	97.0	19.7	-	8.2	-	-	-	**124.9**
- Industrial		-	-	0.2	-	35.7	-	-	-	**35.9**
- Investment property held for sale	15	255.5	-	-	-	-	-	-	-	**255.5**
Investment in Joint ventures	10	60.7	(0.4)	-	-	-	0.3	-	-	**60.6**
Other unallocated assets		-	-	-	-	-	-	183.7	233.9	**419.3**
Total assets		**852.5**	**582.6**	**309.2**	**120.8**	**43.9**	**1.5**	**183.7**	**233.9**	**2,328.1**
Borrowings										
- non-current	19	(96.9)	(371.4)	(43.0)	(59.3)	-	-	-	(2.5)	**(573.1)**
- current	7, 19	(29.4)	(5.4)	(0.7)	(3.1)	-	-	-	(104.7)	**(143.3)**
- included as held for sale	15	(162.3)	-	-	-	-	-	-	-	**(162.3)**
Deferred tax liability		-	-	-	-	-		-	(63.7)	**(63.7)**
Other unallocated liabilities		-	-	-	-	-	-	-	(136.1)	**(136.1)**
Total liabilities		**(288.6)**	**(376.8)**	**(43.7)**	**(62.4)**	**-**	**-**	**-**	**(307.0)**	**(1,078.5)**
Segment net asset value		**563.9**	**205.8**	**265.5**	**58.4**	**43.9**	**1.5**	**183.7**	**(73.1)**	**1,249.6**

6 Segment Analysis (Continued)

The capital expenditures analysed by segment for the 6 months ended 30 June 2018 are as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Purchases of investment property	9	-	-	80.4	-	-	-	-	-	**80.4**
Construction costs related to investment property	9	11.3	74.3	9.0	0.3	0.2	0.8	-	-	**95.9**
Construction costs related to joint ventures		8.2	-	-	-	-		-	-	**8.2**
Construction costs related to contract works		-	2.4	-	-	-		-	-	**2.4**
Total investments		**19.5**	**76.7**	**89.4**	**0.3**	**0.2**	**0.8**	**-**	**-**	**186.9**
Sale of investment property	9, 25	(88.5)	(108.3)	-	-	-	-	-	-	**(196.8)**
Sale of joint venture		-	-	-	-	-	-	-	-	**-**
Total divestments		**(88.5)**	**(108.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(196.8)**

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for 6 months ended 30 June 2018 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Germany	Other countries	Unallo -cated	Total
Rental and similar income	21	13.3	4.3	10.7	-	5.9	-	-	-	**34.2**
Direct operating expenses	22	(5.8)	(0.8)	(2.4)	-	(2.4)	-	-	-	**(11.4)**
Net operating income from investment property		**7.5**	**3.5**	**8.3**	**-**	**3.5**	-	-	-	**22.8**
Revaluation gain	9	39.9	8.1	51.1	5.4	41.2	-	-	-	**145.7**
Share of profit of joint ventures		-	-	6.9	-	-	-	-	-	**6.9**
Interest expense		(6.9)	(2.0)	(4.9)	(1.2)	(0.8)	-	(0.2)	-	**(16.0)**
Investment management fee		-	-	-	-	-	-	0.8	-	**0.8**
Other (expenses)/revenues		(14.5)	12.5	(20.7)	(4.5)	(11.3)	(0.9)	(17.5)	-	**(56.9)**
Profit before income tax		**26.0**	**22.1**	**40.7**	**(0.3)**	**32.6**	(0.9)	**(16.9)**	-	**103.3**
Investment property in use or vacant	9	195.6	-	71.9	-	390.8	-	-	-	**658.3**
Investment property under development	9	340.6	62.2	360.3	90.1	2.6	80.3	-	-	**936.1**
Investment in joint venture	10	2.7	-	57.9	-	-	-	-	-	**60.6**
Other non-current assets		0.5	(2.1)	19.7	0.6	1.7	-	66.9	-	**87.3**
Total non-current assets		**539.4**	**60.1**	**509.8**	**90.7**	**395.1**	**80.3**	**66.9**	**-**	**1,742.3**
Non-current assets classified as held for sale	15	67.3	-	207.4	-	**-**		-	-	**274.7**
Total non-current assets, including held for sale		**606.7**	**60.1**	**717.2**	**90.7**	**395.1**	**80.3**	**66.9**	**-**	**2,017.0**
Cash and cash equivalents	16	27.6	4.9	17.2	3.5	34.4	3.0	93.1	-	**183.7**
Amount due from customers for contract work		-	-	-	-	-	-	-	-	-
Other unallocated assets		-	-	-	-	-	-	-	127.4	**127.4**
Total assets		**634.3**	**65.0**	**734.4**	**94.2**	**429.5**	**83.3**	**160.0**	**127.4**	**2,328.1**
Borrowings	19									
- non-current		(376.7)	(60.9)	(131.6)	(3.9)	-	-	-	-	**(573.1)**
- current		(90.5)	(0.7)	(27.8)	(1.9)	-	-	(22.4)	-	**(143.3)**
Liabilities associated with non-current assets held for sale		(44.5)	-	(142.2)	-	-	-	-	-	**(186.7)**
Deferred income tax liability		-	-	-	-	-	-	-	(63.7)	**(63.7)**
Other unallocated liabilities		-	-	-	-	-	-	-	(111.7)	**(111.7)**
Total liabilities		**(511.7)**	**(61.6)**	**(301.6)**	**(5.8)**	**-**	-	**(22.4)**	**(175.4)**	**(1,078.5)**
Segment net asset value		**122.6**	**3.4**	**432.8**	**88.4**	**429.6**	**83.3**	**137.6**	**(48.0)**	**1,249.6**
Purchases of investment property (incl. non-cash)	9	-	-	-	-	-	80.4	**-**	**-**	**80.4**
Construction costs related to investment property	9	43.3	1.3	21.3	9.8	20.2	-	-	**-**	**95.9**
Construction costs related to joint ventures		-	-	8.2	-	-	-	-	**-**	**8.2**
Construction costs related to construction work		-	-	-	-	2.4	-	-	**-**	**2.4**
Total investments		**43.3**	**1.3**	**29.5**	**9.8**	**22.6**	**80.4**	**-**	**-**	**186.9**
Sale of investment property	9,25	-	(88.5)	-	-	(108.3)	**-**	-	**-**	**(196.8)**
Total divestments		-	**(88.5)**	**-**	**-**	**(108.3)**	**-**	**-**	**-**	**(196.8)**

6 Segment Analysis (Continued)

The segment profit and loss information for the 6 months ended 30 June 2017 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		16.5	1.6	1.1	3.3	-	-	-	**22.5**
- Retail		-	-	0.1	-	-	-	-	**0.1**
- Industrial		1.7	-	-	-	0.6	-	-	**2.3**
	21	**18.2**	**1.6**	**1.2**	**3.3**	**0.6**	**-**	**-**	**24.9**
Direct operating expenses arising from investment property									
- Office		(7.5)	(0.5)	(0.4)	-	-	-	-	**(8.4)**
- Retail		-	-	-	-	-	-	-	**-**
- Industrial		(0.2)	-	-	-	(0.6)	-	-	**(0.8)**
	22	**(7.7)**	**(0.5)**	**(0.4)**	-	**(0.6)**	**-**	**-**	**(9.2)**
Net operating income from investment property		**10.5**	**1.1**	**0.8**	**3.3**	**-**	**-**	**-**	**15.7**
Revaluation gain/(loss) on investment property									
- Office		(5.6)	13.1	(0.6)	0.6	(0.8)	-	-	**6.7**
- Retail		-	-	9.6	-	-	-	-	**9.6**
- Industrial		(0.4)	-	(1.7)	-	-	-	-	**(2.1)**
Subtotal	9	(6.0)	13.1	7.3	0.6	(0.8)	-	-	**14.2**
Share of profit or loss of joint ventures		11.8	-	-	-	-	**-**	**-**	**11.8**
Revaluation gain/(loss) on investment property, including joint ventures		**5.8**	**13.1**	**7.3**	**0.6**	**(0.8)**	**-**	**-**	**26.0**
Interest expense		(2.3)	(5.6)	(0.9)	(0.6)	-	-	(1.2)	**(10.6)**
Other (expenses)/ revenues		(6.5)	(8.5)	(3.8)	16.3	(2.2)	1.8	8.3	**5.4**
Profit before income tax		**7.5**	**0.1**	**3.4**	**19.6**	**(3.0)**	**1.8**	**7.1**	**36.5**

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	-	-	7.9	-	-	**82.9**
- Industrial		-	0.1	-	-	35.7	-	-	**35.8**
- Investment property held for sale	15	330.2	-	19.9	-	-	-	-	**350.1**
Joint ventures		56.2	-	-	-	-	-	-	**56.2**
Other unallocated assets		-	-	-	-	-	261.4	202.8	**464.2**
Total assets		**811.4**	**557.8**	**280.3**	**120.6**	**43.6**	**261.4**	**202.8**	**2,277.9**
Borrowings									
- non-current	19	(103.3)	(387.0)	(47.6)	(61.0)	-	-	-	**(598.9)**
- current	7, 19	(19.5)	(2.6)	(3.50)	(2.5)	-	-	(54)	**(82.1)**
- included as held for sale	15	(212.0)	-	-	-	-	-	-	**(212.0)**
Deferred tax liability		-	-	-	-	-	-	(53.0)	**(53.0)**
Other unallocated liabilities		-	-	-	-	-	-	(136.2)	**(136.2)**
Total liabilities		**(334.8)**	**(389.6)**	**(51.1)**	**(63.5)**	**-**	**-**	**(243.2)**	**(1,082.2)**
Segment net asset value		**476.6**	**168.2**	**229.2**	**57.1**	**43.6**	**261.4**	**(40.4)**	**1,195.7**

6 Segment Analysis (Continued)

The capital expenditures analysed by segment for 6 months ended 30 June 2017 are as follows:

In millions of EUR	Note	Asset Mana-gement	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	285.2	-	-	-	-	-	**-**	**285.2**
Construction costs related to investment property	9	16.0	32.4	14.2	-	10.6	-	**-**	**73.2**
Construction costs related to joint ventures		0.6	-	-	-	-	-	**-**	**0.6**
Contruction costs related to contract works		-	22.6	-	-	-	-	**-**	**22.6**
Total investments		**301.8**	**55.0**	**14.2**	**-**	**10.6**	**-**	**-**	**381.6**
Sale of investment property	9, 0	-	-	(1.2)	(183.7)	-	-	**-**	**(184.9)**
Sale of joint venture		-	-	-	-	-	-	**-**	**-**
Total divestments		**-**	**-**	**(1.2)**	**(183.7)**	**-**	**-**	**-**	**(184.9)**

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses and capital expenditures analysed by country for 6 months ended 30 June 2017 and geographical information about non-current assets as of 31 December 2017 were as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallo-cated	Total
Rental and similar income	21	11.5	5.3	6.3	-	1.8	-	-	**24.9**
Direct operating expenses	22	(5.6)	(1.2)	(2.2)	-	(0.2)	-	-	**(9.2)**
Net operating income from investment property		**5.9**	**4.1**	**4.1**	**-**	**1.6**	**-**	**-**	**15.7**
Revaluation gain	9	19.1	(9.1)	11.8	0.8	(8.4)	-	-	**14.2**
Share of profit of joint ventures		-	-	11.8	-	-	-	-	**11.8**
Interest expense		(4.9)	(1.8)	(3.6)	(0.1)	(0.2)	-	-	**(10.6)**
Other (expenses)/revenues		(5.0)	6.0	2.2	(1.3)	2.8	0.7	-	**5.4**
Profit before income tax		**15.1**	**(0.8)**	**26.3**	**(0.6)**	**(4.2)**	**0.7**	**-**	**36.5**
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		4.8	2.8	20.2	0.5	3.8	1.3	1.1	**34.5**
Total non-current assets		**463.1**	**40.4**	**468.0**	**80.9**	**443.3**	**1.3**	**1.1**	**1,498.1**
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		**527.4**	**152.3**	**678.3**	**80.9**	**443.3**	**1.3**	**1.1**	**1,884.6**
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		**555.7**	**153.8**	**701.6**	**83.9**	**556.0**	**93.9**	**133.0**	**2,277.9**
Borrowings	19								
- 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		-	-	-	-	-	-	(53.0)	**(53.0)**
Other unallocated liabilities		-	-	-	-	-	-	(109.2)	**(109.2)**
Total liabilities		**(437.9)**	**(119.2)**	**(296.6)**	**(7.1)**	**(45.0)**	**(14.2)**	**(162.2)**	**(1,082.2)**
Segment net asset value		**117.8**	**34.6**	**405.0**	**76.8**	**511.0**	**79.7**	**(29.2)**	**1,195.7**
Purchases of investment property (incl. non-cash)	9	-	-	-	-	285.2	-	-	**285.2**
Construction costs related to investment property	9	20.2	13.6	11.5	7.9	20.0	-	-	**73.2**
Construction costs related to joint ventures		-	-	0.6	-	-	-	-	**0.6**
Construction costs related to construction work		-	-	-	-	22.6	-	-	**22.6**
Total investments		**20.2**	**13.6**	**12.1**	**7.9**	**327.8**	**-**	**-**	**381.6**
Sale of investment property	9, 0	(102.6)	(82.3)	-	-	-	-	-	**(184.9)**
Total divestments		**(102.6)**	**(82.3)**	**-**	**-**	**-**	**-**	**-**	**(184.9)**

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 (2017: 18). 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 30 June 2018 are detailed below.

At 30 June 2018, 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)	10.0	0.2	59.2	**69.4**
Financial assets	0.1	-	-	**0.1**
Borrowings (Note 19)	(18.1)	-	-	**(18.1)**
Other non-current assets (Note 12)	-	-	6.2	**6.2**
Trade and other payables – current (Note 20)	(15.1)	(0.5)	(3.3)	**(18.9)**
Other payables non-current (Note 20)	(0.7)	-	-	**(0.7)**

The income and expense items with related parties for the 6 months ended 30 June 2018 are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Revenue from services rendered	1.4	-	-	**1.4**
Revenue from construction contracts	-	0.5	5.2	**5.7**
Rental income	0.8	-	0.1	**0.9**
Rental expense	(0.5)	-	-	**(0.5)**
Other services	(1.1)	(0.2)	(0.1)	**(1.4)**
Short-term employee benefits (salaries)	-	(1.2)	-	**(1.2)**
Long-term employee benefits (social security costs)	-	(0.3)	-	**(0.3)**
Interest income	-	-	0.8	**0.8**
Interest expense	(0.1)	-	-	**(0.1)**

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 19)	(14.2)	-	-	**(14.2)**
Other non-current assets (Note 12)	-	-	6.5	**6.5**
Trade and other payables – current (Note 20)	(10.5)	(0.5)	(6.9)	**(17.9)**
Other payables non-current (Note 20)	(0.7)	-	-	**(0.7)**

7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the 6 months ended 30 June 2017 are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Revenue from services rendered	2.5	-	-	**2.5**
Revenue from construction contracts	-	1.5	0.7	**2.2**
Rental income	1.3	-	-	**1.3**
Rental expense	(0.5)	-	-	**(0.5)**
Other services	(0.5)	(0.5)	(0.1)	**(1.1)**
Short-term employee benefits (salaries)	-	(1.1)	-	**(1.1)**
Long-term employee benefits (social security costs)	-	(0.2)	-	**(0.2)**
Interest income	0.2	-	-	**0.2**
Interest expense	(0.6)	-	-	**(0.6)**

A shareholder entity has made an undertaking to the senior managers of the Group to pay an amount under a profit sharing scheme based on increase in Net Asset Value (adjusted) of the Group equal to EUR 0.5 million with respect to 2018 (2017: EUR 0.5 million). As the amount is payable by the shareholder, and does not constitute a share based payment under IFRS, it has not been expensed by the Group. The compensation of the Board of Managers of the Parent Company amounted to EUR 0.8 million during the period 6 months ended 30 June 2018 (during the period 6 months ended 30 June 2017: EUR 0.4 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 30 June 2018 (31 December 2017: nil).

Distributions to owners paid by Group in 2018 and 2017 respectively are described in Note 18.

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

8 Property, Plant and Equipment

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

In millions of EUR	**Land and buildings**	**Machinery, equipment**	**Vehicles and other assets**	**Capital work in progress including advances (CIP)**	**Total**
At 31 December 2016					
Cost	12.9	6.8	27.1	-	**46.8**
Accumulated depreciation and impairment charges	(7.4)	(4.8)	(25.6)	-	**(37.8)**
Net book value	**5.5**	**2.0**	**1.5**	**-**	**9.0**
Year ended 31 December 2017					
Additions	-	-	-	4.5	**4.5**
Transfers	2.5	0.4	1.4	(4.3)	**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 31 December 2017					
Cost	14.1	6.4	28.4	0.2	**49.1**
Accumulated depreciation and impairment charges	(7.7)	(5.5)	(26.4)	-	**(39.6)**
Net book value	**6.4**	**0.9**	**2.0**	**0.2**	**9.5**

8 Property, Plant and Equipment (Continued)

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
6 months period ended 30 June 2018					
Additions	0.2	0.1	0.1	0.6	**1.0**
Transfers	0.1	0.1	-	(0.2)	**-**
Disposals	-	-	(1.2)	-	**(1.2)**
Depreciation charge	(0.3)	(0.3)	(0.4)	-	**(1.0)**
Closing net book value	**6.4**	**0.8**	**0.5**	**0.6**	**8.3**
At 30 June 2018					
Cost	14.4	6.6	27.3	0.6	**48.9**
Accumulated depreciation and impairment charges	(8.0)	(5.8)	(26.8)	-	**(40.6)**
Net book value	**6.4**	**0.8**	**0.5**	**0.6**	**8.3**

As at 30 June 2018, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2017: nil). At 30 June 2018, property, plant and equipment carried at EUR 4.9 million (at 31 December 2017: EUR 5.3 million) has been pledged to third parties as collateral with respect to borrowings.

9 Investment Property

	6 months ended 30 June 2018		**6 months ended 30 June 2017**		**12 months ended 31 December 2017**	
In millions of EUR	**Under develop-ment**	**In use or vacant**	**Under develop-ment**	**In use or vacant**	**Under develop-ment**	**In use or vacant**
Fair value at 1 January	**861.8**	**545.6**	**639.5**	**565.1**	**639.5**	**565.1**
Acquisitions of investment property	163.9	-	57.2	285.2	134.6	280.4
Subsequent expenditure on investment property	-	12.4	-	16.0	-	23.6
Transfers from under development to in use	(108.7)	108.7	-	-	-	-
Transfers from disposal groups classified as held for sale	19.9	-	-	-	-	-
Transfers to property, plant and equipment (Note 8)	-	-	-	(0.9)	-	(0.9)
Transfers to disposal groups classified as held for sale (Note 15)	-	(9.3)	-	(8.8)	(18.3)	(158.2)
Transfers to amount due from customers for contract work	-	-	-	-	-	-
Transfers to financial investment due to loss of control	-	-	-	(183.7)	-	(183.7)
Disposals	(107.6)	(3.5)	1.6	-	(1)	-
Fair value gains/(losses) – properties completed during the year	21.0	-	-	-	-	-
Fair value gains/(losses) – other properties	109.0	15.7	19.6	(5.4)	94.4	0.8
Effect of translation to presentation currency	(23.2)	(11.3)	8.0	8.4	12.6	18.5
Fair value at 30 June	**936.1**	**658.3**	**725.9**	**675.9**	**861.8**	**545.6**

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 30 June 2018 was EUR 9.1 million (2017: EUR 9.1 million).

At 30 June 2018, investment properties carried at 782.6 million (31 December 2017: EUR 493.5 million, 30 June 2017 EUR: 849.6 million) have been pledged to third parties as collateral with respect to borrowings.

Valuations obtained for investment properties were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities and with respect to 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:

9 Investment property (Continued)

In millions of EUR	Note	30 June 2018	30June 2017	31 December 2017
Valuations obtained		**1,879.7**	**1,641.4**	**1,780.6**
Less: property classified as property plant and equipment (own use)		(5.7)	(5.7)	(5.7)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		-	1.1	8.6
Less: lease incentive receivables	11(a)	(9.6)	(10.5)	(8.5)
Less: transfers to disposal groups classified as held for sale	15	(270.0)	(224.5)	(176.5)
Less: transfers to financial investment due to loss of control		-		(191.1)
Fair value at the end of the period		**1,594.4**	**1,401.8**	**1,407.4**

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. In 2018, the Group entered into a new joint venture in Slovakia with 80% economic interest in FutureNow s.r.o.

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

	6 months ended 30 June 2018		**6 months ended 30 June 2017**	
In millions of EUR	**West Station Investment 1-2**	**Other Joint Ventures**	**West Station Investment 1-2**	**Other Joint Ventures**
Revenue	6.9	0.0	2.3	0.4
Profit and total comprehensive income for the year	9.7	0.1	1.6	(0.1)

	30 June 2018		**31 December 2017**	
In millions of EUR	**West Station Investment 1-2**	**Other Joint Ventures**	**West Station Investment 1-2**	**Other Joint Ventures**
Current assets	6.2	0.5	12.6	0.3
Non-current assets	198.5	8.5	182.2	8.6
Current liabilities	(69.6)	(0.4)	(65.1)	(4.0)
Non-current liabilities	(53.8)	(3.3)	(53.6)	(0.1)
Net assets of the investee	**81.3**	**5.3**	**76.1**	**4.8**
Share of other ventures	**(23.4)**	**(2.6)**	**(22.3)**	**(2.4)**
Investment in joint venture	**57.9**	**2.7**	**53.8**	**2.4**

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	30 June 2018	31 December 2017
Lease incentives receivables	(a)	12.2	10.1
Loans to related parties – non-current (Note 7)	(b)	-	1.0
Loans to third parties		0.9	0.6
Total receivables and loans		**13.1**	**11.7**

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

(a) Lease incentive receivables of EUR 12.2 million (31 December 2017: EUR 10.1 million) represent cost of incentives recognised over the lease term, on a straight-line basis. 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.

11 Receivables and Loans (Continued)

(b) The Group has provided loans to its related parties amounting to nil EUR as of 30 June 2018 (31 December 2017: EUR 1.0 million). These receivables were neither past due nor impaired. Loans outstanding as of 31 December 2017 were 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.

12 Other Non-Current Assets

In millions of EUR	Note	30 June 2018	31 December 2017
Other non-current assets	(a)	3.0	5.0
Construction contracts retention due from joint ventures	(b)	6.2	6.5
Total other non-current assets		**9.2**	**11.5**

(a) As at 30 June 2018 balance of Other Non-Current Assets consists of numerous non-material items. As at 31 December 2017, EUR 1.1 million relates to prepaid fee for undrawn loans. The remaining balance consists of numerous non-material items.

(b) Refer to Note 7, *Balances and Transactions with Related Parties* and Note 14.

13 Trade and Other Receivables

In millions of EUR	Note	30 June 2018	31 December 2017
Trade receivables		6.6	12.1
Trade receivables and advances to joint ventures		16.1	28.2
Margin deposits with securities brokers		-	-
Trade and other receivables to related parties	7	10.0	12.0
Accrued rental income		6.6	3.7
Derivatives and other financial assets		1.9	7.6
Loans to related parties	(a)	44.3	36.9
Other financial receivables		9.8	7.8
Less impairment loss provision for trade receivables		(5.2)	(5.3)
Total financial assets		**90.1**	**103.0**
VAT receivable		14.4	9.6
Prepayments		6.2	2.8
Income tax receivable		1.9	1.7
Total trade and other receivables		**112.6**	**117.1**

(a) Loans are provided under the following conditions – interest rates 3.67% - 9.86% (2017: 3.67% - 9.86%).

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

In millions of EUR	2018	2017
Provision for impairment at 1 January	**5.3**	**1.7**
Additional provision / (reversal of provision) for impairment of receivables	(0.1)	3.6
Provision for impairment at 30 June and 31 December	**5.2**	**5.3**

Collateralised trade receivables are as follows:

In millions of EUR	30 June 2018	31 December 2017
Trade receivables collateralised by:		
- bank guarantees	2.0	0.7
- tenant deposits	0.9	0.9
Total	**2.9**	**1.6**

13 Trade and Other receivables (Continued)

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

Financial effect of collateral at 30 June 2018 is as follows:

	Over-collateralised Assets		**Under-collateralised Assets**	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	1.5	16.8	14.2	1.4

Financial effect of collateral at 31 December 2017 is as follows:

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

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 30 June 2018 is as follows:

In millions of EUR	**Trade receivables (incl. JV)**	**Accrued rental income**	**Derivatives and other financial assets**	**Loans to related parties**	**Other financial receivables**	**Total**
Neither past due nor impaired – exposure to:						
Receivables collateralised by bank or other guarantees	2.9	-	-	-	-	**2.9**
Receivables not secured	14.1	6.6	1.9	44.3	9.8	**78.4**
Total neither past due nor impaired	**17.0**	**6.6**	**1.9**	**44.3**	**9.8**	**79.6**
Individually determined to be impaired						
- less than 30 days overdue	10.4	-	-	-	-	10.4
- 30 to 90 days overdue	1.6	-	-	-	-	1.6
- 90 to 180 days overdue	1.1	-	-	-	-	1.1
- 180 to 360 days overdue	0.8	-	-	-	-	0.8
- over 360 days overdue	1.8	-	-	-	-	1.8
Total individually impaired	**15.7**	**-**	**-**	**-**	**-**	**15.7**
Less impairment provision	(5.2)	-	-		-	**(5.2)**
Total	**27.5**	**6.6**	**1.9**	**44.3**	**9.8**	**90.1**

13 Trade and Other receivables (Continued)

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**

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 2.1 million as collateral for the borrowings as at 30 June 2018 (2017: EUR 1.5 million).

14 Amount due from customers for contract work

In 2016, the Group concluded a forward sale of its 33 Central project, London, UK. 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.

As at 30 June 2018 the amount due from customers for contract work includes construction of West Station, Warsaw, Poland, for the Group's joint venture (Note 10). As at 31 December 2017 the amount due from customers for contract work included 33 Central 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	30 June 2018	31 December 2017
Transfer from investment property to construction contracts accounting	-	216.6
Construction costs incurred	98.7	149.5
Add: recognised profits	31.6	55.9
Less: progress billings	(130.3)	(422.0)*
Total amount due from customers for contract work	**-**	**-**

* Includes EUR 31.1 million payments for initial fair value of investment property of EUR 216.6 million.

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

15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	30 June 2018	31 December 2017
Investment property	255.5	350.0
Trade and other receivables	14.9	18.2
Receivables and loans	0.3	0.6
Cash and cash equivalents	4.0	17.7
Total assets classified as held for sale	**274.7**	**386.5**

As of 30 June 2018, the Group classified assets and liabilities of the three (3) subsidiaries (GBC C Polcom Investment XXIX Sp. z o. sp., GBC D Polcom Investment XXX Sp. z o. sp. and Twin City IV s. r. o.) as held for sale.

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.

The investment properties are valued semi-annually on 31 December and 30 June at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 31.

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

In millions of EUR	30 June 2018	31 December 2017
Deferred income tax liability	20.5	21.8
Borrowings	162.2	212.0
Trade and other payables	4.0	5.2
Total liabilities directly associated with assets classified as held for sale	**186.7**	**239.0**

At 30 June 2018, investment properties held for sale carried at EUR 255.5 million (at 31 December 2017: EUR 350.0 million) and the receivables of EUR 14.9 million (at 31 December 2017: EUR 18.2 million) have been pledged to third parties as collateral with respect to borrowings.

Two (2) out of five (5) subsidiaries classified held for sale as at 31 December 2016 were sold during 2017 (Note 25).

16 Cash and Cash Equivalents

In millions of EUR	30 June 2018	31 December 2017
Cash at bank and in hand	183.7	261.4
Total cash and cash equivalents	**183.7**	**261.4**

At 30 June 2018, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 6.4 million (2017: EUR 2.2 million).

16 Cash and Cash Equivalents (Continued)

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

In millions of EUR	30 June 2018	31 December 2017
Rating by the Company		
- Banks rated 1	159.9	229.1
- Banks rated 2	21.2	17.6
- Banks unrated	2.6	14.7
Total	**183.7**	**261.4**

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 30 June 2018 and 2017 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 Financial asset at fair value through Profit or Loss

In millions of EUR		30 June 2018	31 December 2017
Investment in the CIC	(a)	50.7	-
Equity shares	(b)	5.2	-
Investment in HB REAVIS CE Real Estate Investment Fund		0.1	1.1
Total Financial asset at fair value through Profit or Loss		**56.0**	**1.1**

(a) In February 2018 the Group acquired a non-controlling share in The Cambridge Incubator, LLC, a Delaware limited liability company.
(b) Equity shares in the fair value through profit or loss portfolio are represented by shares of BNP Paribas, GS STERLING LIQUID RESERVES FUND, INST CASH STERLING FUND, JPMorgan Liquidity Funds.

All investments are measured at fair value through profit or loss.

18 Share Capital and Share Premium

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2017	12,500	12,500	532,622,500	**532,635,000**
At 31 December 2017	12,500	12,500	494,002,499	**494,014,999**
At 30 June 2018	12,500	12,500	484 002 720	**484 015 220**

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.

18 Share Capital and Share Premium (Continued)

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

In millions of EUR, except dividends per share amount	2018	2017
Distributions to owners payable at 1 January	**8.8**	**-**
Distributions declared during the period (from share premium)	10.0	13.6
Distributions declared during the period (other from retained earnings)	-	-
Distributions paid during the period	(14.3)	(13.6)
Distributions to owners payable at 30 June	**4.5**	**-**
Amount per share declared during the period in EUR	800.0	1,092.0

19 Borrowings

In millions of EUR		30 June 2018	31 December 2017
Non-current			
Bank borrowings		249.7	272.5
Issued bonds	(a)	323.4	326.4
Total non-current borrowings		**573.1**	**598.9**
Current			
Bank borrowings		139.4	78.5
Issued bonds	(a)	3.9	3.6
Total current borrowings		**143.3**	**82.1**
Total borrowings		**716.4**	**681.0**

(a) 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 48.0 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 22.9 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 50.3 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 4.45% 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, PLN or CZK.

19 Borrowings (Continued)

Net debt reconciliation

The table below sets out an analysis of our debt and the movements in our debt for 2018. The debt items are those that are reported as financing in the statement of cash flows.

In millions of EUR	Bank borrowings	Bonds	Total
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**
Proceeds from new drawdowns	101.2	-	**101.2**
Repayments	(18.9)	(6.1)	**(25.0)**
Non-cash movement due to loss of control in a subsidiary	(98.5)	-	**(98.5)**
Foreign exchange adjustments	5.8	0.7	**6.5**
Change in interest accrued	(1.3)	2.7	**1.4**
Borrowings as presented in the Statement of financial position as at 30 June 2018	389.1	327.3	**716.4**
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 30 June 2018 (Note 15)	162.2	-	**162.2**
Total borrowings as at 30 June 2018	**551.3**	**327.3**	**878.6**

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

	Carrying amounts		**Fair values**	
In millions of EUR	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Bank borrowings	249.7	272.5	251.6	274.8
Issued bonds	323.4	326.4	337.9	335.9
Non-current borrowings	**573.1**	**598.9**	**589.5**	**610.7**

Assumptions used in determining fair value of borrowings are described in Note 31. The carrying values of current borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities:

In millions of EUR	**30 June 2018**	**31 December 2017**
Availability:		
- Expiring within one year	23.0	40.7
- Expiring beyond one year	227.3	138.8
Total undrawn facilities	**250.3**	**179.5**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 342.9 million (31 December 2017: EUR 342.9 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 65% to 75% (2017: 53% to 70%) and minimum debt service coverage ratios ranging from 1.15 to 1.30 (2017: 1.15 to 1.30). During the half year period 2018 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.

20 Trade and Other Payables

In millions of EUR	30 June 2018	31 December 2017
Non – current		
Other long-term payables	9.6	10.3
Total non-current payables	**9.6**	**10.3**
Current		
Trade payables	15.3	24.1
Liabilities for construction of investment properties	25.1	17.6
Accrued liabilities	18.8	15.4
Distribution per share payable	4.5	8.8
Derivative financial instruments (Note 29)	3.8	2.9
Other payables	-	0.1
Liabilities due to joint ventures	3.0	6.9
Total current financial payables	**70.5**	**75.8**
Items that are not financial instruments:		
Deferred rental income	8.4	7.8
Accrued employee benefit costs	1.2	3.0
Other taxes payable	0.5	1.0
VAT payable	1.0	0.4
Prepayments for rent and other prepayments	20.5	10.9
Total current trade and other payables	**102.1**	**98.9**

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.

21 Rental and Similar Income from Investment Property

In millions of EUR	6 months ended 30 June 2018	6 months ended 30 June 2017
Rental income – Office	33.3	22.5
Rental income – Retail	0.8	0.1
Rental income – Industrial	0.1	2.3
Total revenue	**34.2**	**24.9**

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

In millions of EUR	30 June 2018	30 June 2017
Not later than 1 year	32.9	26.9
Later than 1 year and not later than 5 years	81.7	100.4
Later than 5 years	68.0	61.4
Total operating lease payments receivable	**182.6**	**188.7**

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 for 6 months period ended 30 June 2018 under the Group's operating leases were EUR nil (6 months period ended 30 June 2017: nil).

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

22 Direct Operating Expenses arising from Investment Property

In millions of EUR	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	0.2	0.2
Repairs and maintenance services	0.5	0.5
Utilities costs	2.9	2.7
Services relating to investment property	6.8	5.1
Real estate tax	0.5	0.6
Other costs	0.5	0.1
Total	**11.4**	**9.2**

23 Employee Benefits

In millions of EUR	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
Wages and salaries	14.0	9.3
Pension costs – defined contribution plans	0.7	0.5
Total employee benefits	**14.7**	**9.8**

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

	30 June 2018	**30 June 2017**
Real estate	694	605
Total number of employees	**694**	**605**

24 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
Services	20.6	14.1
Cost of sold inventories	1. 2	2.1
Other taxes	(0.7)	0.9
Material consumption	0.5	0.6
Audit fees	0.5	0.6
Other	2.9	5.1
Total operating expenses	**25.0**	**23.4**

Other operating income comprised the following:

In millions of EUR	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
Sales of services	2.2	4.5
Sales of inventories	0.7	1.7
Other operating income	-	0.4
Total other operating income	**2.9**	**6.6**

25 Disposals of Subsidiaries

The Group sold shares in two (2) subsidiaries during the six months period ended 30 June 2018: FORSEA s.r.o. and EIGHT House S.à r.l., of which FORSEA s.r.o. was classified as Non-current assets held for sale as of 31 December 2017.

The Group disposed of 100% shares in Železniční Cargo MOŠNOV s.r.o the six months period ended 30 June 2017.

The Group lost control of the CE REIF sub fund during 6 months ended 30 June 2017.

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

In millions of EUR	**6 months ended 30 June 2018**	**6 months ended 30 June 2017**
Investment property in use	196.8	184.9
Deferred tax asset/(liability)	(8.6)	(15.5)
Borrowings	(98.5)	(182.8)
Trade and other payables	-	(20.4)
Cash and cash equivalents	0.5	27.0
Other working capital	6.7	4.3
Net assets value	**96.9**	**(2.5)**
Gain on divestments of subsidiaries	9.5	20.1
Foreign currency translation differences transferred from other comprehensive income upon loss of control	(5.6)	(0.2)
Proceeds from sale of subsidiaries	**100.8**	**1.1**
Less cash in subsidiaries at the date of transaction	(0.5)	(27.0)
Less receivable from sale of subsidiary	(0.2)	-
Cash sale proceeds	**100.1**	**(25.9)**

26 Income Taxes

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the average annual income tax rate expected for the full financial year adjusted for tax effect of income exempt from taxation. The effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate for the six months ended 30 June 2018 was 22.7% (six months ended 30 June 2017: 22.7%).

27 Foreign exchange gains/(losses)

In millions of EUR	6 months ended 30 June 2018	6 months ended 30 June 2017
Bank borrowings – unrealised as at 30 June	(8.0)	4.9
Inter-company loans to foreign operations that do not form part of net investment – unrealised as at 30 June	(8.9)	0.2
Trade and other receivables and payables – realised during period	(1.5)	0.1
Trade and other receivables and payables – unrealised as at 30 June	(0.5)	0.1
Foreign exchange gains/(losses)	**(18.9)**	**5.3**

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 259.1 million at 30 June 2018 (31 December 2017: EUR 199.4 million); this exposure will be partially financed by external loans (committed lines: EUR 250.3 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

29 Financial Risk Management

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

(i) Credit risk

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

The Group's maximum exposure to credit risk represents the carrying value of its financial assets in the consolidated statement of financial position. The Group has no significant off-balance sheet exposures to credit risk as it did not issue financial guarantees nor loan commitments to other parties.

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

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

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

29 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 30 June 2018:

				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	2.9	-	2.9	2.0	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 2017:

				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	1.6	-	1.6	0.7	0.9	-
Liabilities						
Cash collateral received presented within trade and other payables	0.9	-	0.9	0.9	-	-

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 34 banks (2017: 33 banks) but 93.1% (2017: 97.2%) of cash balances as of 30 June 2018 are held with 10 (2017: 10) 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 30 June 2018, the Group receivables and loans to joint ventures amounted to EUR 59.2 million (31 December 2017 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.

29 Financial Risk Management (Continued)

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

Had the foreign exchange rates been by one tenth lower than they have been throughout the period of 6 months ended 30 June 2018 with all other variables constant, profit for the period would have been approximately EUR 57.8 million lower (30 June 2017: EUR 61.0 million lower). Equity, after allowing for the tax effects, would have been EUR 45.7 million lower (30 June 2017: EUR 48.2 million lower).

Had the foreign exchange rates been by one tenth higher than they have been throughout the period of 6 months ended 30 June 2018 with all other variables constant, profit for the period would have been approximately EUR 57.8 million higher (30 June 2017: EUR 61.0 million higher). Equity, after allowing for the tax effects, would have been EUR 45.7 million higher (30 June 2017: EUR 48.2 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**
30 June 2018			
Total monetary financial assets	289.8	18.3	**308.1**
Total monetary financial liabilities	(465.2)	(333.0)	**(798.2)**
Net interest sensitivity gap at 30 June 2018	**(175.4)**	**(314.7)**	**(490.1)**
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)**	**(347.5)**

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 period of 6 months ended 30 June 2018 with all other variables constant, profit before tax for the period would have been higher by approximately EUR 0.4 million (31 December 2017: EUR 0.8 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 0.3 million higher (31 December 2017: higher by EUR 0.6 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 period of 6 months ended 30 June 2018 with all other variables constant, profit before tax for the period would have been lower by approximately EUR 0.4 million (31 December 2017: EUR 0.8 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 0.4 million (31 December 2017: lower by EUR 0.8 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 19). 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.

29 Financial Risk Management (Continued)

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 as at 30 June 2018 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 30 June 2018 is as follows:

In millions of EUR	**Demand and less than 12 months**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal)	138.7	106.2	352.0	118.0	**714.9**
Borrowings (future interest payments)	23.1	21.5	35.6	13.0	**93.2**
Financial payables - current (Note 20)	68.4	-	-	-	**68.4**
Derivatives and other financial instruments (Note 20)	3.8	-	-	-	**3.8**
Total future payments, including future principal and interest payments	**234.0**	**127.7**	**387.6**	**131.0**	**880.3**

The maturity analysis of financial liabilities as at 31 December 2017 is as follows:

In millions of EUR	**Demand and less than 12 months**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal)	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 20)	72.9	-	-	-	**72.9**
Derivatives and other financial instruments (Note 20)	2.9	-	-	-	**2.9**
Total future payments, including future principal and interest payments	**171.6**	**188.6**	**392.0**	**92.3**	**844.5**

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for second half of year 2018 and first half of year 2019 shows positive cash flow of the Group of approximately EUR 129.9 million (2017: EUR 230.9 million). The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

30 Management of Capital

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

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

In millions of EUR	Note	30 June 2018	31 December 2017
Equity attributable to the owners of HB Reavis Holding S.A. (former legal form S.à r.l.)		1,249.5	1,194.1
Adjusted for			
Add: Deferred income tax liabilities (including joint ventures)	10,15, 26	92.7	80.3
Net Asset Value (adjusted) as monitored by management		**1,342.2**	**1,274.4**

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 19(a)) less Cash and Group total assets. During 2018, the Group's strategy was to steer the net debt leverage ratio up to 35% (2017: up to 35%). As is shown in the table below, the Group's ratio was below the targeted level as at 30 June 2018 and at the end of 2017. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	30 June 2018	31 December 2017
Bank borrowings less cash	691.0	613.9
Total assets	2,328.1	2,277.9
Net debt leverage ratio	**29.68%**	**26.95%**

31 Fair Value Estimation

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

For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

i) Investment properties

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

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 30 June 2018 (Note 9)	-	-	1,879.7	**1,879.7**
Investment property – valuations obtained at 31 December 2017 (Note 9)	-	-	1,780.6	**1,780.6**

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

31 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

Asset Management and Investment Management

Segment	Valuation technique	Fair value 30 June 2018 (in millions of EUR)	Fair value 31 Dec 2017 (in millions of EUR)	Input	Range 30 June 2018	Range 31 Dec 2017
Slovakia						
Office	Discounted cash flow	120.9	121.3	Average annual rent in EUR per sqm	187-200	191.5
				Discount rate p.a.	7.65%	7.65%
				Capitalisation rate for terminal value	7.25%	6.90%
Office	Direct capitalisation method	145.2	138.0	Average annual rent in EUR per sqm	138 – 180	180 – 186
				Capitalisation rate	6% – 8%	6% - 8%
Total		**266.1**	**259.3**			
Czech Republic						
Office	Direct capitalisation method	-	89.0	Average annual rent in EUR per sqm	-	167.0
				Capitalisation rate	-	6.0%
Total		**-**	**89.0**			
United Kingdom						
Office	Residual value	**282.2**	**281.8**	capitalised net revenues less cost to completion	92.8	-
				Average annual rent in EUR per sqm	-	694
				Capitalisation rate	4.75%	4.75% - 5.00%
Total		**282.2**	**281.8**			
Poland						
Office	Direct capitalisation method	284.6	277.2	Average annual rent in EUR per sqm	156.0 - 224.0	195.0 - 231.0
				Capitalisation rate	5.8% - 7.5%	5.8% - 7.2%
Office	At cost	0.3	-			
Total		**284.9**	**277.2**			
Total for segment		**833.2**	**907.3**			

31 Fair Value Estimation (Continued)

Segment	Valuation technique	Fair value 30 Jun 2018 (in millions of EUR)	Fair value 31 Dec 2017 (in millions of EUR)	Input	Range 30 June 2018	Range 31 Dec 2017
Development in realisation and in preparation						
Slovakia						
Office, Office/Retail	Residual Method	199.9	153.1	Capitalised net revenues less cost to completion	225.6	217.3
				Capitalisation rate	6% – 6.25%	6.25% - 6.75%
Retail	Residual Method	105.0	75.0	Capitalised net revenues less cost to completion	53.0	72.0
				Capitalisation rate	5.7-6.25%	5.5%
Total		**304.9**	**228.1**			
Czech Republic						
Office	Residual Method	37.0	22.5	Capitalised net revenues less cost to completion	97.5	64.8
				Capitalisation rate	6% – 6.5%	6.0% - 7.25%
Office	Direct capitalisation method	22.8	20.3	Average annual rent in EUR per sqm	212.0	204.0
				Capitalisation rate	5.0%	5.0%
Office	At cost	1.9	2.0	-	-	-
Retail	Residual Method	-	12.2	Capitalised net revenues less cost to completion	-	24.4
				Capitalisation rate	-	7.0%
Total		**61.7**	**57.0**			
Poland						
Office	Residual Method	349.1	306.5	Capitalised net revenues less cost to completion	282.7	296.2
				Capitalisation rate	5.0% - 6.0%	5.24% - 6.0%
Office	At cost	11.8	12.4	-		-
Total		**360.9**	**318.9**			
United Kingdom						
Office	Residual method	108.7	157.3	Capitalised net revenues less cost to completion	9.0	56.4
				Capitalisation rate	4.80%	4.65%
Total		**108.7**	**157.3**			
Hungary						
Office	Comparative method	13.3	8.5	Price in EUR per sqm	211.0	808
	Residual method	76.8	67.1	Capitalised net revenues less cost to completion	96.8	95.7
				Capitalisation rate	7.0%	6.25%
Total		**90.1**	**75.6**			

31 Fair Value Estimation (Continued)

Segment	Valuation technique	Fair value 30 Jun 2018 (in millions of EUR)	Fair value 31 Dec 2017 (in millions of EUR)	Input	Range 30 June 2018
Development in realisation and in preparation (continued)					
Germany					
Office	Residual method	80.4	-	Capitalised net revenues less cost to completion	0.0
				Capitalisation rate	4.1%
Total		**80.4**	**-**		
Total for segment		**1,006.7**	**836.9**		
Non-core					
Logistics	Comparative method	35.9	36.0		
Retail	At cost	3.9	0.4		
Total		**39.8**	**36.4**		
Total for segment		**39.8**	**36.4**		

Unrealized gains / losses

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period is included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.

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.

31 Fair Value Estimation (Continued)

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 2.30% p.a. (2017: 2.82% p.a.). Refer to Note 19 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

Financial derivatives. The fair values of derivatives are based on counterparty bank quotes and are considered level 2 valuations. The fair value was estimated using the discounted cash flows technique.

32 Reconciliation of Classes of Financial Instruments with Measurement Categories

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

Most of the Group's financial assets belong to the category loans and receivables except for financial derivatives that are classified as held for trading and financial investments at fair value through profit or loss. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as held for trading (Note 20).

33 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 320.0 million, EUR 203 million and CZK 1.25 billion (Note 19).

34 Events after the Balance Sheet Date

After 30 June 2018 and up to the date of authorization of these condensed consolidated interim financial statements, the Group repaid the loans of EUR 176.7 million, and drawn EUR 48.7 million of new loans.

In July 2018, the Group concluded acquisition of land plot in Dresden for the consideration of EUR 4 million.

In August 2018, the Group completed the sale of 100% shares in its subsidiaries GBC C Polcom Investment XXIX Sp. z o. sp. k. and GBC D Polcom Investment XXX Sp. z o. sp. k. These subsidiaries owned two office buildings in Warsaw, Poland. Carrying value of the property disposed of was EUR 189.0 million as of the interim reporting date.

34 Events after the Balance Sheet Date (Continued)

In August 2018, the Group acquired the pre-emption right to develop the property at Farringdon West, London, UK for the consideration of GBP 9 million. In addition, the Group entered into an agreement to become a leasehold owner of the premises at Farringdon West, London, UK after completion of the construction for the consideration of GBP 31.7 million.

On 4 September 2018, the legal form of HB Reavis Holding S.à r.l. changed from S.à r.l. (limited liability company) to S.A. (joint stock company).

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