# HB Reavis Holding S.A.

Independent Auditor’s Report
and Consolidated Financial Statements
as at 31 December 2023
prepared in accordance with International
Financial Reporting Standards as adopted by the
European Union

# HB Reavis Holding S.A.

# Consolidated Financial Statements
# 31 December 2023

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To the Shareholders of
HB Reavis Holding S.A.
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# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

## *Report on the audit of the consolidated financial statements*

### *Opinion*

We have audited the consolidated financial statements of HB Reavis Holding S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *Basis for opinion*

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other information***

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

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

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

***Responsibilities of the Board of Directors for the consolidated financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements***

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

***Report on other legal and regulatory requirements***

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

Luxembourg, 19 April 2024

KPMG Audit S.à r.l.
Cabinet de révision agréé

S. Gallenmüller

Sabine Gallenmüller
Partner

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Investment property in use or vacant | 10 | 463.3 | 481.5 |
| Investment property under development | 10 | 684.5 | 1,111.2 |
| Investment in joint ventures | 11 | - | 23.0 |
| Property, plant and equipment and intangible assets | 8 | 1.4 | 4.5 |
| Right-of-use assets | 9 | 5.2 | 7.4 |
| Receivables and loans | 12 | 35.9 | 17.6 |
| Deferred income tax asset | 30 | 28.4 | 6.6 |
| Other non-current assets | 13 | 11.3 | 19.8 |
| **Total non-current assets** | | **1,230.0** | **1,671.6** |
| **Current assets** | | | |
| Non-current assets held for sale | 15 | 37.7 | 45.2 |
| Inventories | 19 | 0.4 | 23.6 |
| Trade and other receivables | 7, 14 | 191.6 | 208.7 |
| Other current assets | 18 | 2.0 | 9.5 |
| Restricted cash | 16 | 8.9 | 4.2 |
| Cash and cash equivalents | 17 | 51.9 | 62.7 |
| | | **254.8** | **308.7** |
| **Total current assets** | | **292.5** | **353.9** |
| TOTAL ASSETS | | **1,522.5** | **2,025.5** |
| EQUITY | | | |
| Share capital *(31,000 shares at EUR 1.00 each)* | 20 | - | - |
| Share premium | 20 | 26.3 | 40.0 |
| Retained earnings | | 510.9 | 755.9 |
| Revaluation reserve for assets transferred to investment properties at fair value | | 3.8 | 3.8 |
| Currency translation reserve | | (11.1) | (37.5) |
| Equity attributable to the Company's owners | | 529.9 | 762.2 |
| Non-controlling interest | | 0.6 | 0.8 |
| TOTAL EQUITY | | **530.5** | **763.0** |
| LIABILITIES | | | |
| **Non-current liabilities** | | | |
| Borrowings | 21 | 474.6 | 736.3 |
| Deferred income tax liability | 30 | 36.1 | 69.2 |
| Trade and other payables | 7,22 | 9.5 | 19.0 |
| Lease liabilities | 9 | 12.0 | 24.2 |
| **Total non-current liabilities** | | **532.2** | **848.7** |
| **Current liabilities** | | | |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | 4.4 | 4.6 |
| Borrowings | 21 | 335.1 | 266.2 |
| Trade and other payables | 7, 22 | 116.8 | 133.1 |
| Lease liabilities | 9, 21 | 3.5 | 9.9 |
| | | **455.4** | **409.2** |
| **Total current liabilities** | | **459.8** | **413.8** |
| TOTAL LIABILITIES | | **992.0** | **1,262.5** |
| TOTAL LIABILITIES AND EQUITY | | **1,522.5** | **2,025.5** |

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.A. on 16 April 2024 by the members of the Board of Directors of HB Reavis Holding S.A. Shareholders have the power to amend these consolidated financial statements after issue.

| Isabel Schellenberg | Liviu-Constantin Rusu | Steven Skinner |
|---|---|---|
| Director A | Director A | Director B |

| *In millions of EUR* | Note | 2023 | 2022 |
|---|---|---|---|
| Rental and similar income from investment property | 23 | 60.2 | 122.7 |
| Direct operating expenses arising from investment property | 24 | (30.9) | (43.9) |
| **Net operating income from investment property** | | **29.3** | **78.8** |
| Net revaluation loss on investment property | 10 | (264.8) | (109.6) |
| Share of loss of joint ventures | 11 | (2.6) | (1.3) |
| Gain on disposal of subsidiaries | 29 | 10.0 | 93.0 |
| Gain on disposal of joint venture | 11 | 0.7 | - |
| Revenue from construction and other services | 27 | 86.9 | 29.2 |
| Construction services | 28 | (46.9) | (19.4) |
| Employee benefits | 7, 25 | (18.7) | (21.4) |
| Depreciation and amortisation | 8, 9 | (4.3) | (6.4) |
| Impairment loss on inventory | 3, 19 | - | (33.5) |
| Other operating expenses | 26 | (27.2) | (23.9) |
| **Operating loss** | | **(237.6)** | **(14.5)** |
| Interest income calculated using the effective interest method | | 2.7 | 1.7 |
| Interest expense | 21 | (56.9) | (79.9) |
| Foreign exchange losses, net | 31 | (0.8) | (43.2) |
| Net gains on financial assets at fair value through profit and loss | 13,33 | 0.2 | 40.8 |
| Other finance income | | 0.2 | - |
| **Finance costs, net** | | **(54.6)** | **(80.6)** |
| **Loss before income tax** | | **(292.2)** | **(95.1)** |
| Current income tax expense | 30 | (0.3) | (8.8) |
| Deferred income tax benefit | 30 | 47.3 | 12.8 |
| **Income tax benefit** | | **47.0** | **4.0** |
| **Net loss for the year** | | **(245.2)** | **(91.1)** |
| **Other comprehensive income/(loss)** | | | |
| *Items that may or may not be reclassified subsequently to profit or loss:* | | | |
| Translation of foreign operations to the presentation currency for the year | | 13.8 | (32.8) |
| Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital | 29 | 12.6 | 47.1 |
| Total other comprehensive income | | 26.4 | **14.3** |
| **Total comprehensive loss for the year** | | **(218.8)** | **(76.8)** |
| **Net loss is attributable to:** | | | |
| - Owners of the Company | | (245.0) | (91.1) |
| - Non-controlling interest | | (0.2) | - |
| **Loss for the year** | | **(245.2)** | **(91.1)** |
| **Total comprehensive loss is attributable to:** | | | |
| - Owners of the Company | | (218.6) | (76.8) |
| - Non-controlling interest | | (0.2) | - |
| **Total comprehensive loss for the year** | | **(218.8)** | **(76.8)** |

| | | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR* | Note | Share capital (Note 20) | Share premium (Note 20) | Retained earnings | Translation reserve | Revalu-ation reserve | Total | Non-controlling Interest | Total equity |
| **Balance at 1 January 2022** | | **-** | **807.2** | **917.5** | **(51.8)** | **3.8** | **1,676.7** | **0.1** | **1,676.8** |
| Loss for the year | | - | - | (91.1) | - | - | **(91.1)** | - | **(91.1)** |
| Other comprehensive income | | - | - | - | 14.3 | - | **14.3** | - | **14.3** |
| **Total comprehensive income for 2022** | | **-** | **-** | **(91.1)** | **14.3** | **-** | **(76.8)** | **-** | **(76.8)** |
| Distribution to owners | 20 | - | (807.2) | (70.5) | - | - | **(877.7)** | - | **(877.7)** |
| Shareholders contribution | 20 | - | 40.0 | - | - | - | **40.0** | - | **40.0** |
| Acquisition of a subsidiary | | - | - | - | - | - | **-** | 0.7 | **0.7** |
| **Balance at 31 December 2022** | | **-** | **40.0** | **755.9** | **(37.5)** | **3.8** | **762.2** | **0.8** | **763.0** |
| Loss for the year | | - | - | (245.0) | - | - | **(245.0)** | (0.2) | **(245.2)** |
| Other comprehensive income | | - | - | - | 26.4 | - | **26.4** | - | **26.4** |
| **Total comprehensive (loss)/income for 2023** | | **-** | **-** | **(245.0)** | **26.4** | **-** | **(218.6)** | **(0.2)** | **(218.8)** |
| Distribution to owners | | - | (13.7) | - | - | - | **(13.7)** | - | **(13.7)** |
| **Balance at 31 December 2023** | | **-** | **26.3** | **510.9** | **(11.1)** | **3.8** | **529.9** | **0.6** | **530.5** |

| *In millions of EUR* | Note | 2023 | 2022 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Loss before income tax | | (292.2) | (95.1) |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 8, 9 | 4.3 | 6.4 |
| Revaluation losses on investment property | 10 | 264.8 | 109.6 |
| Gains on disposals of subsidiaries | 29 | (10.0) | (93.0) |
| Share of loss of joint ventures | | 2.6 | 1.3 |
| Gain on disposal of joint ventures | 11 | (0.7) | - |
| Interest income calculated using the effective interest method | | (2.7) | (1.7) |
| Interest expense | 21 | 56.9 | 79.9 |
| Unrealised foreign exchange (gains)/losses | 31 | (0.2) | 44.1 |
| Unrealised losses/(gains) from financial derivatives | | 4.4 | (41.6) |
| Impairment of other financial assets at fair value | 13 | 4.7 | - |
| Impairment of receivables | 14 | 1.3 | 2.2 |
| Impairment of inventories | 19 | - | 33.5 |
| Operating cash flows before working capital changes | | 33.2 | 45.6 |
| *Working capital changes:* | | | |
| Decrease/(increase) in trade and other receivables, restricted cash and other assets | | 23.3 | (86.2) |
| (Increase)/decrease in trade and other payables | | (32.5) | 20.4 |
| Cash generated from/(used in) operations | | 24.0 | (20.2) |
| Interest paid | | (49.7) | (62.8) |
| Interest received | | 1.8 | 1.7 |
| Income taxes paid | | (3.2) | (8.1) |
| **Net cash used in operating activities** | | **(27.1)** | **(89.4)** |
| ***Cash flows from investing activities*** | | | |
| Proceeds from sales of subsidiaries, net of cash disposed | 29 | 83.3 | 22.4 |
| Proceeds from disposal of investments in joint ventures, net of cash disposed | 11 | 21.1 | - |
| Proceeds from disposal of own use premises and equipment | 8 | 0.7 | 0.2 |
| Proceeds from sales of investment property | 10 | 39.4 | 9.6 |
| Proceeds from loans provided to related parties including interest | 7 | 37.4 | - |
| Construction costs related to investment properties | 10 | (51.3) | (223.4) |
| Purchases of property, plant and equipment and intangible assets | 8 | - | (0.7) |
| Purchases of investment properties including advance payments made | 10 | - | (105.4) |
| Loans provided to related parties | 7 | - | (1.6) |
| Development costs related to inventory property | 19 | - | (4.5) |
| Acquisition of share in joint venture | 11 | - | (24.3) |
| **Net cash from/(used in) investing activities** | | **130.6** | **(327.7)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from borrowings | 21 | 159.7 | 644.6 |
| Repayment of borrowings | 21 | (252.5) | (353.7) |
| Repayment of lease liabilities | 21 | (6.6) | (11.1) |
| Distributions paid to owners | 20 | (13.7) | (22.7) |
| Capital contribution received from owners | 20 | - | 10.0 |
| **Net cash (used in)/from financing activities** | | **(113.1)** | **267.1** |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(9.6)** | **(150.0)** |
| Cash and cash equivalents at the beginning of the year | | 63.0 | 212.7 |
| **Cash and cash equivalents at the end of the year, thereof:** | | **53.4** | **62.7** |
| Cash and cash equivalents presented as held for sale | | 1.5 | - |
| Cash and cash equivalents as presented in the Statement of financial position | | 51.9 | 62.7 |

## 1 The HB REAVIS Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the “EU”) for the year ended 31 December 2023 for HB Reavis Holding S.A. (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 public limited liability company (société anonyme) 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. is ultimately controlled by Mr. Ivan Chrenko. The Group’s immediate parent company is Hastonville Holdings Limited based in Cyprus with a 64.7% equity share. The remaining shares are held by Kennesville Holdings Ltd. (29.0%) and Skymound Ltd. (6.3%) both based in Cyprus. The Group’s ultimate parent company is Camron Holdings Limited based in Cyprus. Camron Holdings Limited prepares consolidated financial statements including management report that include these consolidated financial statements of the Company.

***Principal activity***. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, Poland, German and United Kingdom. It is principally involved in the development of properties with a substantial future pipeline and a substantial project acquisition appetite across key markets: Poland, UK and Germany. It is also active in asset management and investment management.

***Significant projects (acquisitions, re-organisations, and divestments).*** In 2017 the Group made its largest acquisition in HB Reavis history with acquisition of One Waterloo in London, in a prominent South Bank location next to the Waterloo station. In 2019, the project had received a permit enabling development of over 122,000 sqm of office scheme for the projected Gross Development Value (‘GDV’) of EUR 2.5 billion
In 2020 the Group had secured additional project for the pipeline in London, called Worship square, with planned completion in May 2024 and projected Gross Development Value of EUR 235 million.

In 2021, Platform project in Berlin has been secured, to be developed by end of 2027, creating GDV of EUR 280 million. In 2022, additional two projects in Berlin have been purchased. Land plot adjacent to DSTRCT I, named DSTRCT II, with Gross Development Value of EUR 150 million and a project called Central Tower Berlin, with future GDV of EUR 340 million and planned completion in 2029.

As of the date of preparation of these Consolidated financial statements, construction of Worship square, in London, UK and design works on PLTFRM in Berlin, Germany is in progress.

In 2022, sale of Alfa Park, Bratislava, Slovakia and land plot in Lodz, Poland, have been completed. In terms of deliveries, in 2022, completions of Forest Tower and Varso Tower, both in Warsaw, were recorded.

In November 2022, the Group’s income producing portfolio was separated from its development activities by selling shares in HB Reavis Investments Holding S.A. to its shareholders and two separate business lines, a pure developer (HB REAVIS Group), and a pure income REIT-type* vehicle (the Company’s subsidiary HB Reavis Investments Holding S.A. and its subsidiaries, together referred to as “HB REAVIS Investments Group”) were created. As a result, the Group transferred following income producing assets worth EUR 2.35 billion in gross development value into HB REAVIS Investments Group: Nivy Tower in Bratislava, Slovakia; Agora Tower and Hub in Budapest, Hungary; Varso I, Varso II and Varso Tower, Forest Tower and Forest Campus, all in Warsaw, Poland; Bloom in London, UK and DSTRCT in Berlin, Germany.

In 2023, the Group completed and transferred project Nove Apollo in Bratislava to HB REAVIS Investment Group.

The Group continued in divesting non-core assets over the course of 2023 and divested land plots in Mlynske Nivy zone in Bratislava, Slovakia, land plot in Budapest, Hungary as well as land plot in Brno, Czech Republic.

Symbiosy, tech platform providing smart building solutions created in-house at HB REAVIS Group, was acquired through strategic partnership with HqO, the world’s leading real estate experience platform.

*REIT – real estate investment trust

**1 The HB REAVIS Group and its Operations (Continued)**

***HB Reavis Real Estate Fund structure.*** HB Reavis Real Estate Investment Fund (the “Fund”) is an umbrella fund incorporated under the laws of Luxembourg under the form of a corporate partnership limited by shares (société en commandite par actions or S.C.A.) organized as an investment company with fixed capital (société d’investissement à capital fixe or SICAF) and registered as an undertaking for collective investment governed by Part II (“UCI Part II”) of the law of 17 December 2010 on undertakings for collective investment, as amended from time to time (the “2010 Law”) and the law of 10 August 1915 relating to commercial companies, as amended from time to time (the “1915 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 (SICAV-SIF) 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 its general partner 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 1b, rue Jean Piret, L-2350 Luxembourg and by its AIFM Crestbridge Management Company S.A., a licensed with the Luxembourg financial regulator the CSSF.

The Group lost control over the Sub-Fund A in 2017 and remaining interest as at 31 December 2022 is immaterial to the Group. In August 2023, liquidation of HB Reavis Global REIF was completed.

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 consolidated financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 33. 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:

21 Rue Glesener
L-1631 Luxembourg
Grand-Duchy of Luxembourg

As at 31 December 2023 the Group had offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London, and Berlin.

## 2 Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. The accounting policies have been consistently applied to all the periods presented.

### 2.1 Basis of Preparation

***Statement of compliance.*** These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 31 December 2023.

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

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

The preparation of these consolidated financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated 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 35.

***Going concern.*** The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment properties (including those held for sale) and derivatives at fair value.

Real estate worldwide has been one of the few sectors to suffer long-term ill effects from the pandemic. Subsequently, global geopolitical risks have soared since Russia's invasion of Ukraine. Investors, market participants, and policymakers expect that the war will exert a drag on the global economy while pushing up inflation, with a sharp increase in uncertainty and risks of severe adverse outcomes.

Management has focused on the following key areas and stress-tested several scenarios to see how the Group is resilient to negative impact of the economic downturn:

- Overall liquidity position and access to existing and new credit facilities,
- Rising interest rates on debt and impact on debt service and cash flows,
- Ability to meet the covenants of the Group's debt arrangements,
- Declining demand, falling sales and margin pressures experienced by Group's current and future tenants.

Management has performed stress-test scenario based on the Group's business plan covering 24 months from the 31 December 2023 to evaluate the Group's cash-flow and 12 months from 31 December 2023 to evaluate the Group's financial position. The stress test assumed the unavailability of liquid markets with acceptable yields for the Group to sell its investment properties (other than completion of ongoing transactions of non-core land plots) until the end of 2024. Using the same timeframe, the Group assumed ability to raise additional financing under existing commitments for Worship project in London which is currently fairly late in the development cycle.

The stress test for the balance sheet position assumed reduction in valuation of investment properties in both Western and CEE markets. Applying measures having at disposal, the assumed declines in fair market values of investment properties would still keep the LTV covenant at the Group level below the threshold triggering default as defined by the bond prospectuses, which is the strictest of all LTV covenants in place. In addition, the outcome of the stress-test exercise has resulted in a cash surplus and sufficient liquidity for the activities of the Group at the end of the stress test period.

A growth in appraisal value was assumed for Worship project, where construction is continuing, and financing is secured through already contracted credit facility. Speculative development projects in an early phase of development or construction in progress with no external loan financing secured, have been either temporarily put on hold or their construction, to the extent technically feasible, have been frozen and completion postponed. Possible contingencies from the already signed lease agreements have been assessed, but no major impact is expected as a result.

Having slowed down the development activities resulted in operational restructuring (including streamlining of the Group operations and activities) and eventually led to significant reduction of Group's operating costs.

## 2 Accounting Policies (Continued)

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

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

| | | | | Percentage ownership interest and voting rights held | |
|---|---|---|---|---|---|
| **Number** | **Subsidiaries** | **Functional currency** | **Country of incorporation** | **31 December 2023** | **31 December 2022** |
| **1** | **HB Reavis Holding S.A. (The Company)** | **EUR** | **Luxembourg** | **N/A** | **N/A** |
| 2 | FORTYTWO House S.à r.l. | GBP | Luxembourg | 100 | 100 |
| 3 | HB Reavis DE1 S.à r.l. | EUR | Luxembourg | 100 | 100 |
| 4 | HB Reavis DE3 S.à r.l. | EUR | Luxembourg | 100 | 100 |
| 5 | HB Reavis Investment Management S.à r.l. | EUR | Luxembourg | 100 | 100 |
| 6 | HB REAVIS REAL ESTATE INVESTMENT FUND (Global REIF) [3] | EUR | Luxembourg | - | 100 |
| 7 | HBR CE REIF LUX 3 S.à r.l. [3] | EUR | Luxembourg | - | 100 |
| 8 | HubHub Luxembourg S.à r.l. [3] | EUR | Luxembourg | - | 100 |
| 9 | PropCo DE4 S.à r.l. | EUR | Luxembourg | 100 | 100 |
| 10 | PropCo DE5 S.à r.l. | EUR | Luxembourg | 100 | 100 |
| 11 | Qubes Luxembourg S.à r.l. [3] | EUR | Luxembourg | - | 100 |
| 12 | SIXTYFIVE House S.à r.l. | GBP | Luxembourg | 100 | 100 |
| 13 | Symbiosy Luxembourg S.à r.l. [3] | EUR | Luxembourg | - | 100 |
| 14 | THIRTYFIVE House S.à r.l. | GBP | Luxembourg | 100 | 100 |
| 15 | HB REAVIS GROUP B.V. | EUR | Netherlands | 100 | 100 |
| 16 | HB Reavis RE B.V. [3] | EUR | Netherlands | - | 100 |
| 17 | Waterfield Management B.V. [3] | EUR | Netherlands | - | 100 |
| 18 | HBR FINANCING LIMITED | EUR | Cyprus | 100 | 100 |
| 19 | HBR IM Holding Ltd. | EUR | Cyprus | 100 | 100 |
| 20 | HBR Investors Ltd. | EUR | Cyprus | 100 | 100 |
| 21 | 10 Leake Street Ltd | GBP | UK | 100 | 100 |
| 22 | 33 CENTRAL LIMITED | GBP | UK | 100 | 100 |
| 23 | 4th Floor Elizabeth House Limited[3] | GBP | UK | - | 100 |
| 24 | Elizabeth Property Holdings Ltd | GBP | UK | 100 | 100 |
| 25 | Elizabeth Property Nominee (No 1) Ltd | GBP | UK | 100 | 100 |
| 26 | Elizabeth Property Nominee (No 2) Ltd | GBP | UK | 100 | 100 |
| 27 | Elizabeth Property Nominee (No 3) Ltd | GBP | UK | 100 | 100 |
| 28 | Elizabeth Property Nominee (No 4) Ltd | GBP | UK | 100 | 100 |
| 29 | HB Reavis Construction UK Ltd. | GBP | UK | 100 | 100 |
| 30 | HB Reavis UK Ltd. | GBP | UK | 100 | 100 |
| 31 | HBR Capital Investment LP[3] | GBP | UK | - | 100 |
| 32 | HBR FM LTD[3] | GBP | UK | - | 100 |
| 33 | HubHub UK Ltd | GBP | UK | 100 | 100 |
| 34 | HB Reavis IM Advisor | EUR | Jersey | 100 | 100 |
| 35 | AGORA Budapest Kft., "v.a." | HUF | Hungary | 100 | 100 |
| 36 | AGORA Sky Kft. | HUF | Hungary | 100 | 100 |
| 37 | HB Reavis Construction Hungary Kft. | HUF | Hungary | 100 | 100 |
| 38 | HB Reavis Hungary Kft., "v.a." | HUF | Hungary | 100 | 100 |
| 39 | Symbiosy Hungary Kft. [1] | HUF | Hungary | - | 100 |

## 2 Accounting Policies (Continued)

### 2.2 Consolidated Financial Statements (Continued)

| Number | Subsidiaries | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|
| 40 | ALISTON Finance I s. r. o. v likvidácii[3] | EUR | Slovakia | - | 100 |
| 41 | ALISTON Finance II s.r.o. v likvidácii[3] | EUR | Slovakia | 100 | 100 |
| 42 | ALISTON Finance III s. r. o. | EUR | Slovakia | 100 | 100 |
| 43 | ALISTON Finance IV s. r. o. | EUR | Slovakia | 100 | 100 |
| 44 | Aliston Finance V s.r.o. v likvidácii[3] | EUR | Slovakia | - | 100 |
| 45 | ALISTON Finance VI s. r. o. | EUR | Slovakia | 100 | 100 |
| 46 | Apollo Business Center III a.s. | EUR | Slovakia | 100 | 100 |
| 47 | Apollo Business Center V a. s. | EUR | Slovakia | 100 | 100 |
| 48 | Apollo Property Management, s.r.o. v likvidácii[3] | EUR | Slovakia | - | 100 |
| 49 | Bus Station Services s. r. o. | EUR | Slovakia | 100 | 100 |
| 50 | DVL Engineering a.s. | EUR | Slovakia | 100 | 100 |
| 51 | Eurovalley, a.s. | EUR | Slovakia | 100 | 100 |
| 52 | FORUM BC II s. r. o. [3] | EUR | Slovakia | - | 100 |
| 53 | FutureNow s. r. o. [3] | EUR | Slovakia | - | 100 |
| 54 | General Property Services, a.s. v likvidácii[3] | EUR | Slovakia | - | 100 |
| 55 | HB REAVIS Consulting k.s. [1] | EUR | Slovakia | - | 100 |
| 56 | HB Reavis Entity II s. r. o. | EUR | Slovakia | 100 | 100 |
| 57 | HB Reavis Entity s. r. o. | EUR | Slovakia | 100 | 100 |
| 58 | HB REAVIS Finance SK II s. r. o. [1] | EUR | Slovakia | - | 100 |
| 59 | HB REAVIS Finance SK III s. r. o. | EUR | Slovakia | 100 | 100 |
| 60 | HB REAVIS Finance SK IV s.r.o. | EUR | Slovakia | 100 | 100 |
| 61 | HB REAVIS Finance SK IX s. r. o. | EUR | Slovakia | 100 | 100 |
| 62 | HB REAVIS Finance SK s. r. o., v likvidácii | EUR | Slovakia | 100 | 100 |
| 63 | HB REAVIS Finance SK V s. r. o. | EUR | Slovakia | 100 | 100 |
| 64 | HB REAVIS Finance SK VI s.r.o. | EUR | Slovakia | 100 | 100 |
| 65 | HB REAVIS Finance SK VII s. r. o. | EUR | Slovakia | 100 | 100 |
| 66 | HB REAVIS Finance SK VIII s. r. o. | EUR | Slovakia | 100 | 100 |
| 67 | HB REAVIS Finance SK X s. r. o. v likvidacii | EUR | Slovakia | 100 | 100 |
| 68 | HB Reavis Group s. r. o. | EUR | Slovakia | 100 | 100 |
| 69 | HB REAVIS IM Advisor Slovakia s.r.o. v likvidácii[3] | EUR | Slovakia | - | 100 |
| 70 | HB Reavis Investment Management správ. spol., a.s. | EUR | Slovakia | 100 | 100 |
| 71 | HB REAVIS MANAGEMENT spol. s r.o. | EUR | Slovakia | 100 | 100 |
| 72 | HB REAVIS Slovakia a. s. | EUR | Slovakia | 100 | 100 |
| 73 | HB REM, spol. s r.o. | EUR | Slovakia | 100 | 100 |
| 74 | HBR SFA, s. r. o. | EUR | Slovakia | 100 | 100 |
| 75 | HubHub Group s.r.o. [2] | EUR | Slovakia | - | 100 |
| 76 | HubHub Slovakia s. r. o. | EUR | Slovakia | 100 | 100 |
| 77 | ISTROCENTRUM s. r. o. | EUR | Slovakia | 100 | 100 |
| 78 | Logistické centrum Trnava s.r.o. | EUR | Slovakia | 100 | 100 |
| 79 | LUGO, s. r. o. | EUR | Slovakia | 100 | 100 |
| 80 | Nové Apollo s. r. o. [1] | EUR | Slovakia | - | 100 |
| 81 | Pressburg Urban Projects a. s. | EUR | Slovakia | 100 | 100 |
| 82 | Smart City Bridge s. r. o. | EUR | Slovakia | 100 | 100 |
| 83 | Smart City Eko s. r. o. [3] | EUR | Slovakia | - | 100 |
| 84 | Smart City Office I s.r.o. [1] | EUR | Slovakia | - | 100 |
| 85 | Smart City Office II s.r.o. [1] | EUR | Slovakia | - | 100 |
| 86 | Smart City Office IV s.r.o. [1] | EUR | Slovakia | - | 100 |
| 87 | Smart City Office IX s.r.o. [1] | EUR | Slovakia | - | 100 |
| 88 | Smart City Office s.r.o. [1] | EUR | Slovakia | - | 100 |
| 89 | Smart City Office V s.r.o. [1] | EUR | Slovakia | - | 100 |
| 90 | Smart City Office VII s.r.o. [1] | EUR | Slovakia | - | 100 |
| 91 | Smart City Office VIII s.r.o. [1] | EUR | Slovakia | - | 100 |
| 92 | Smart City Parking s. r. o. [1] | EUR | Slovakia | - | 100 |
| 93 | Smart City s.r.o. | EUR | Slovakia | 90 | 90 |
| 94 | SPC Property I, spol. s r.o. [3] | EUR | Slovakia | - | 100 |
| 95 | SPC Property III, s. r. o. v likvidácii | EUR | Slovakia | 100 | 100 |
| 96 | SPV Vištuk s.r.o. | EUR | Slovakia | 100 | 100 |
| 97 | Stanica Nivy s.r.o. | EUR | Slovakia | 100 | 100 |
| 98 | Symbiosy s. r. o. [1] | EUR | Slovakia | - | 100 |
| 99 | TC Nivy a. s. [3] | EUR | Slovakia | - | 100 |
| 100 | Twin City Infrastructure s. r. o. | EUR | Slovakia | 100 | 100 |

## 2 Accounting Policies (Continued)

### 2.2 Consolidated Financial Statements (Continued)

| Number | Subsidiaries | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|
| 101 | Twin City V s. r. o. | EUR | Slovakia | 100 | 100 |
| 102 | Twin City VIII s. r. o. [1] | EUR | Slovakia | - | 100 |
| 103 | Vištuk Facilities s.r.o. | EUR | Slovakia | 100 | 100 |
| 104 | HB Reavis CZ, a.s. v likvidaci[3] | CZK | Czech republic | - | 100 |
| 105 | HB Reavis Finance CZ II, s.r.o. | EUR | Czech republic | 100 | 100 |
| 106 | HB Reavis Finance CZ, s.r.o. v likvidaci | EUR | Czech republic | 100 | 100 |
| 107 | HB Reavis Group CZ, s.r.o. , v likvidaci | CZK | Czech republic | 100 | 100 |
| 108 | HB Reavis Holding CZ a.s. | CZK | Czech republic | 100 | 100 |
| 109 | HB Reavis IZ s.r.o., v likvidaci[3] | CZK | Czech republic | - | 100 |
| 110 | HB REAVIS MANAGEMENT CZ spol. s r.o. | CZK | Czech republic | 100 | 100 |
| 111 | HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o., v likvidaci[3] | CZK | Czech republic | - | 100 |
| 112 | HubHub Czech Republic s.r.o., v likvidaci | CZK | Czech republic | 100 | 100 |
| 113 | ISTROCENTRUM CZ, a.s., v likvidaci | CZK | Czech republic | 100 | 100 |
| 114 | KELOM s.r.o., v likvidaci[3] | CZK | Czech republic | - | 100 |
| 115 | Nová Zvonařka Bulvár, s.r.o., v likvidaci[3] | CZK | Czech republic | - | 100 |
| 116 | Nová Zvonařka s.r.o. [1] | CZK | Czech republic | - | 100 |
| 117 | HB Reavis Construction PL Sp. z o.o. | PLN | Poland | 100 | 100 |
| 118 | HB Reavis Finance PL 3 Sp. z o.o. | PLN | Poland | 100 | 100 |
| 119 | HB Reavis Poland Sp. z o.o. | PLN | Poland | 100 | 100 |
| 120 | HB Reavis Qubes Poland Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 121 | HubHub Poland sp. Z o.o. | PLN | Poland | 100 | 100 |
| 122 | Konstruktorska BC Sp. z o.o. | PLN | Poland | 100 | 100 |
| 123 | POLCOM INVESTMENT II Sp. z o. o. | PLN | Poland | 100 | 100 |
| 124 | Polcom Investment III Sp. z o.o w likwidacji | PLN | Poland | 100 | 100 |
| 125 | Polcom Investment X sp. z o.o. | PLN | Poland | 100 | 100 |
| 126 | Polcom Investment XI sp. z o.o. | PLN | Poland | 100 | 100 |
| 127 | Polcom Investment XLIII Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 128 | Polcom Investment XLIX Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 129 | Polcom Investment XVI Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 130 | Polcom Investment XXIV Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 131 | Polcom Investment XXXIII Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 132 | Property Hetman Sp. z o.o. | PLN | Poland | 100 | 100 |
| 133 | PSD Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 134 | Rainhill Sp. z o. o. | PLN | Poland | 100 | 100 |
| 135 | HB Reavis JV S.A. w likwidacji[3] | PLN | Poland | - | 100 |
| 136 | HB Reavis Finance PL 2 Sp. z o.o. w likwidacji[3] | PLN | Poland | - | 100 |
| 137 | CentralTower Berlin GmbH [1] | EUR | Germany | 99.0 | 99.0 |
| 138 | HB Reavis Construction Germany GmbH [5] | EUR | Germany | 100 | 100 |
| 139 | HB Reavis Germany GmbH | EUR | Germany | 100 | 100 |
| 140 | Shoreditch QT Guernsey Limited[3] | GBP | Guernsey | - | 100 |
| 141 | Elizabeth House GP LLC | GBP | US | 100 | 100 |
| 142 | Elizabeth House Limited Partnership | GBP | US | 100 | 100 |

| Number | Joint Ventures | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|
| 143 | Port Praski City II sp. z o.o. [4] | PLN | Poland | - | 50 |
| 144 | Port Praski Medical Center sp. z o.o. [4] | PLN | Poland | - | 50 |

[1] *Entities disposed of during the year ended 31 December 2023 (refer to Note 29)*
[2] *Entities were part of legal mergers during the year ended 31 December 2023*
[3] *Entities were liquidated during the year ended 31 December 2023*
[4] *Share in Joint Venture disposed by the Group during the year ended 31 December 2023*
[5] *HB Reavis Construction Germany GmbH, registered seat in Berlin/Germany, is claiming exemption from the requirements of the § 264 sec. 3 HGB (German Commercial Code).*

## 2 Accounting Policies (Continued)

### 2.2 Consolidated Financial Statements (Continued)

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

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The acquisition method is used for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group, except those acquired from parties under common control. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group’s equity.

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

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

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

***Associates.*** Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates.

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

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

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

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

## 2 Accounting Policies (Continued)

### 2.3 Foreign Currency Transactions and Translation

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

***Transactions and balances.*** Foreign currency transactions are translated into the functional currency using the exchange rates according to the local accounting requirements (exchange rates prevailing at the dates of the transactions or using weighted average method). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

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

Loans between Group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between Group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss.

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

### 2.4 Property, Plant and Equipment

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

Buildings include mainly administrative offices and premises used by the Group management. Equipment, fixtures and fittings include mainly hardware, servers, telephone exchanges, remote control equipment, office furniture and others. Motor vehicles include the Group's passenger cars.

| | Useful lives in years |
|---|---|
| Buildings | 30 years |
| Equipment, fixtures and fittings | 4 to 6 years |
| Vehicles and other assets | 6 to 8 years |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

### 2.5 Investment Property

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

Investment property comprises freehold land, freehold commercial properties (retail, office and logistics) and leased land plots.
Investment property is initially valued at historical cost including related transaction costs. Costs include the works performed, the costs of staff directly related to technical supervision and project management on the basis of time spent up to the date of completion. After initial recognition at cost, the investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on transaction prices from active markets, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

## 2 Accounting Policies (Continued)

### 2.5 Investment Property (Continued)

If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuation reports as of the financial position date are prepared by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

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

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Changes in fair values are recorded in profit or loss as "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed of or classified as Assets held for sale.

Where an investment property undergoes a change in use evidenced by commencement of development with a view to sale, the property is transferred to inventories. The commencement of development is initiated by the active communication with executive representatives of the related municipalities aiming to obtain relevant zoning permission for the investment properties already having confirmed compliance with the land plan.

Development is deemed as commenced upon initiation of active communication with executive representatives of the relevant municipalities in order to obtain relevant zoning permission where the proposed development complies with the municipality Master Plan or equivalent. With respect to the special permission fast track process adopted by the City of Bratislava involving concessions of a percentage of the built housing the development is considered deemed when the management apply for the property to be registered for the scheme and commit to the required concessions.

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

### 2.6 Right-of-use-assets

The Group leases various offices, equipment, vehicles and land. Rental contracts for offices, equipment and vehicles are typically made for periods of 3 to 10 years, but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and restoration costs
- costs to restore the asset to the conditions required by lease agreements.

## 2 Accounting Policies (Continued)

### 2.6 Right-of-use-assets (Continued)

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For the majority of the right-of-use assets, the asset's useful life is not shorter than the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's lease term.

The Group applies the fair value model to right-of-use assets that meet the definition of investment property in IAS 40. Changes in fair values are recognised as revaluation gains or losses in profit or loss.

### 2.7 Intangible Assets

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

| | Useful lives in years |
|---|---|
| Software and software licences | 5 years |

### 2.8 Impairment of Non-Financial Assets

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

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

### 2.9 Restricted cash

Cash and cash equivalents that are held for a specific purpose thus not available for immediate or general use by the Group. Restricted cash does not include cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less. Restricted cash results from the agreements with banks or tenants and usually represents cash held on debt service reserve accounts, tenant's security reserve accounts and utilisation accounts.

### 2.10 Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV). Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs
- Borrowing cost

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

### 2.11 Financial Instruments

***Initial recognition.*** Financial instruments at fair value through profit and loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs, except trade receivables which are recognised at the transaction price. Fair value at initial recognition is best evidenced by the transaction price.

## 2 Accounting Policies (Continued)

### 2.11 Financial Instruments (Continued)

***Financial assets - classification and subsequent measurement – measurement categories.*** The Group classifies financial assets in the following measurement categories: FVTPL, fair value through other comprehensive income ("FVOCI") and amortised cost ("AC"). The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. The Group's financial assets consist of receivables and loans, trade and other receivables and derivatives. Financial assets recognised in the consolidated statement of financial position as trade and other receivables and receivables and loans are recognised initially at fair value and subsequently measured at amortised cost less allowance for expected credit losses ("ECL"). Derivatives are measured at fair value at each end of the reporting period with changes in value recognised in profit or loss.

***Financial assets - classification and subsequent measurement – business model.*** The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

***Debt financial assets - Classification and subsequent measurement – cash flow characteristics.*** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

***Financial assets – reclassification.*** The entity did not change its business model during the current and comparative period and did not make any reclassifications.

***Financial assets impairment – credit loss allowance for ECL (expected credit losses).*** The Group assesses, on a forward-looking basis, the ECL for financial instruments measured at amortised cost and FVOCI and for the exposures arising from loan commitments, financial guarantee contracts and for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at amortised cost and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, if any, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in other comprehensive income ("OCI") as gains less losses on debt instruments at FVOCI.

The Group applies a simplified ECL model to trade and similar receivables with the term shorter than 12 months. For such receivables, the ECL is calculated on a lifetime basis from initial recognition and the assessment of significant credit risk does not apply. The Group applies a provision matrix approach, as described in the policy for Trade receivables (Note 14). The simplified ECL model and the provision matrix are also applied to trade receivables with the contractual term longer than 12 months.

***Financial assets - write-off.*** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

***Financial assets – derecognition.*** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

## 2 Accounting Policies (Continued)

### 2.11 Financial Instruments (Continued)

***Cash and cash equivalents.*** Cash and cash equivalents include cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

***Trade and other receivables.*** Trade and other receivables are recognised initially at transaction price and are subsequently carried at amortised costs.

The Group calculates ECL on trade receivables using a provision matrix estimation technique. The Group uses its historic credit loss experience adjusted for all reasonable and supportable information that is available without undue cost or effort for trade and other receivables to estimate ECL. The ECL amount determined using historical loss rates which are adjusted for forward-looking information and applied to different time buckets of receivables.

***Derivative financial instruments.*** Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

***Financial liabilities – measurement categories.*** Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

***Financial liabilities – derecognition.*** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

***Loans and borrowings.*** All loans and borrowings are measured at amortised cost. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.16 for the accounting policy on Borrowings).

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

### 2.12 Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using lessee’s incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

## 2 Accounting Policies (Continued)

### 2.12 Lease liabilities (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of various nature.

***Operating lease.*** Operating lease receivables are subject to ECL model. The Group calculates ECL on operating lease receivables using a provision matrix estimation technique.

### 2.13 Current and Deferred Income Taxes

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

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

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

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

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

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

### 2.14 Share Capital and Share Premium

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

### 2.15 Dividends and Other Distributions to Owners

Dividends and other distributions to owners are recognised as a liability and deducted from equity (retained earnings or share premium account) at the financial position date only if they are declared before or at the end of the reporting period. Dividends or other distributions to owners are disclosed when they are declared after the reporting period but before the consolidated financial statements are authorised for issue.

### 2.16 Borrowings

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

## 2 Accounting Policies (Continued)

### 2.16 Borrowings (Continued)

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

### 2.17 Trade and Other Payables

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

### 2.18 Provisions for Liabilities and Charges

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

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

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

### 2.19 Uncertain Tax Positions

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

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

### 2.20 Revenue Recognition

Revenue is income arising in the course of the Group’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group earns the following types of revenue:

- Rental and similar income from investment property
- Construction revenues and
- Other revenues from sale of services.

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

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

Sales of services, service charges and management charges are recognised in the reporting period in which the services are rendered. Sales are shown net of VAT and discounts. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## 2 Accounting policies (Continued)

### 2.20 Revenue Recognition (Continued)

In addition to development and construction of investment property the Group is from time to time engaged in construction of properties under both long-term and short-term contracts with customers. Under the terms of the long-term contracts, the Group is usually contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations. In case of short-term contracts with customers the Group performs the analysis of agreed conditions and revenue is recognized either over time or at a point in time when the subject of contract is delivered.

The Group becomes entitled to invoice customers for construction of properties based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. It is presumed that there is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

### 2.21 Employee Benefits

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

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

### 2.22 Other Operating Expenses

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

### 2.23 Non-current Assets Classified as Held for Sale

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

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

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

### 2.24 Operating Segments

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

## 3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

***Valuation of investment properties***. The fair value estimates of 92.1% of investment properties (31 December 2022: 92.7%) 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 (which are based on letter of intent purchase price submitted by prospective bidders). 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 at an appropriate market capitalisation rate to determine the value for property which is subject to the valuation. The assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; re-letting incentives; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions, finance and letting 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 35.

***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's 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 result in a higher gain on disposal in case of a share sale depending on the outcome of negotiations with future buyers.

***Initial recognition of related party transactions.*** In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

***Expected credit losses (ECL) measurement.*** Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 33.

In line with IFRS 9 the Group use practical expedient for trade and other receivables and calculates ECL using a provision matrix based on its historical credit loss experience adjusted for all reasonable and supportable information that is available without undue cost or effort.

***Lease term.*** In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

***Estimations of fair value of derivatives*** are described in note 35.

## 4 Adoption of New or Revised Standards and Interpretations

The group has applied the following standards and amendments for the first time for the financial year beginning at 1 January 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimates Policies (issued on 12 February 2021 and effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules (issued on 23 May 2023 and effective for annual reporting periods beginning on or after 1 January 2023)

The above standards and amendments had not any material impact on the Group's consolidated financial statements.

## 5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period commencing on 1 January 2023 and have not been early adopted by the Group:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* (issued on 23 January 2020 and 15 July 2020 respectively and effective for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 1: Non-current Liabilities with Covenants (issued on 31 October 2022 and effective for annual reporting periods beginning on or after 1 January 2024)
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual reporting periods beginning on or after 1 January 2024)
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual reporting periods beginning on or after 1 January 2024)*
- Amendments to IAS 21: Lack of Exchangeability (issued on 15 August 2023 and effective for annual reporting periods beginning on or after 1 January 2025)*

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

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

## 6 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Directors 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 a final building approval 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 the 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. The revenues, costs, including the revaluation gains or losses related to the year when the construction of the property started, are included within Development in Preparation, whereas the property is shown on the balance sheet as of the last day of such period as property under the Development in Realisation.

**6 Segmental Analysis(Continued)**

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

*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 the Group's co-working platform, providing flexible workspace and business events. The area rented is also subject to a change with a trend towards specific desks/offices. Immaterial number of total premises is rented to external tenants as part of this concept.

*Symbiosy* – representing management of activities related to the provision of smart building solutions for tenants of the Group and other third parties, across various geographies.

*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 Directors 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 Directors 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.

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

The Board reviews financial information prepared based on International Financial Reporting Standards as adopted by the European Union. The Board evaluates performance of each segment based on profit before tax and net assets value. The Group allocates costs to segments based on specific identification of entities that belong to particular segments. Direct operating expenses arising from investment property are allocated on a basis of appropriate cost driver (e.g. MWh of electricity spent for electricity related costs). Transactions of the subsidiaries are allocated to relevant segment based on the substance of the transactions (e.g. expenses of subsidiary that supply utilities to other subsidiaries are allocated to segment for which the utility was purchased) unless it is not possible to allocate them to explicit segment category and they remain unallocated.

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for the year ended 31 December 2023 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental income from investment property | 23 | | | | | | | | | | |
| - Office | | 6.6 | 3.3 | 0.3 | - | - | 8.7 | - | - | - | **18.9** |
| - Retail | | 18.3 | - | - | - | - | - | - | - | - | **18.3** |
| | | **24.9** | **3.3** | **0.3** | **-** | **-** | **8.7** | **-** | **-** | **-** | **37.2** |
| Service charges income from investment properties | 23 | | | | | | | | | | |
| - Office | | 4.2 | 0.9 | - | 2.7 | - | 0.2 | - | - | - | **8.0** |
| - Retail | | 11.2 | - | - | - | - | - | - | - | - | **11.2** |
| | | **15.4** | **0.9** | **-** | **2.7** | **-** | **0.2** | **-** | **-** | **-** | **19.2** |
| Management charges income from investment properties | 23 | | | | | | | | | | |
| - Office | | 1.5 | 0.1 | - | 0.2 | - | 0.4 | - | - | - | **2.2** |
| - Retail | | 1.3 | - | - | 0.3 | - | - | - | - | - | **1.6** |
| | | **2.8** | **0.1** | **-** | **0.5** | **-** | **0.4** | **-** | **-** | **-** | **3.8** |
| Direct operating expenses arising from investment property | 24 | | | | | | | | | | |
| - Office | | (5.4) | (0.9) | (0.4) | (2.1) | - | (5.5) | - | - | - | **(14.3)** |
| - Retail | | (16.5) | - | - | - | - | - | - | - | - | **(16.5)** |
| - Residential | | - | - | (0.1) | - | - | - | - | - | - | **(0.1)** |
| | | **(21.9)** | **(0.9)** | **(0.5)** | **(2.1)** | **-** | **(5.5)** | **-** | **-** | **-** | **(30.9)** |
| **Net operating income/(loss) from investment property** | | **21.2** | **3.4** | **(0.2)** | **1.1** | **-** | **3.8** | **-** | **-** | **-** | **29.3** |
| Revaluation gain/(loss) on investment property | 10 | | | | | | | | | | |
| - Office | | (0.3) | (53.8) | (209.2) | - | - | (7.4) | - | - | - | **(270.7)** |
| - Retail | | 6.1 | 0.3 | - | - | - | - | - | - | - | **6.4** |
| - Industrial | | - | - | - | - | (0.5) | - | - | - | - | **(0.5)** |
| Share of loss of joint ventures | 11 | - | - | (2.6) | - | - | - | - | - | - | **(2.6)** |
| | | **5.8** | **(53.5)** | **(211.8)** | **-** | **(0.5)** | **(7.4)** | **-** | **-** | **-** | **(267.4)** |
| Interest expense - third parties | 21 | (12.2) | (18.8) | (17.6) | - | - | (1.6) | - | - | (6.7) | **(56.9)** |

*Table continued on next page*

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for the year ended 31 December 2023 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment management fee | 27 | - | - | - | 3.1 | - | - | - | - | - | **3.1** |
| Revenue from construction and other services | 27 | 1.8 | 78.4 | 1.4 | 0.3 | 0.3 | 0.4 | 1.1 | 0.1 | - | **83.8** |
| Construction services | 28 | (0.1) | (46.8) | - | - | - | - | - | - | - | **(46.9)** |
| Net gains on financial derivatives | | (5.9) | 4.6 | 1.5 | - | - | - | - | - | - | **0.2** |
| Foreign exchange gains, net | 31 | - | - | - | - | - | - | - | - | (0.8) | **(0.8)** |
| Results on disposal of subsidiaries | 29 | - | 15.1 | 7.0 | (0.2) | (1.2) | - | 3.0 | (13.7) | - | **10.0** |
| Other (expenses)/revenues | | (3.1) | (23.1) | (12.1) | (3.4) | (2.0) | (0.9) | (0.9) | (1.1) | - | **(46.6)** |
| **Profit/(loss) before income tax (segment result)** | | **7.5** | **(40.7)** | **(231.8)** | **0.9** | **(3.4)** | **(5.7)** | **3.2** | **(14.7)** | **(7.5)** | **(292.2)** |

The segment information on purchases, construction cost and sale of investment property for the year ended 31 December 2023 is as follows:

| | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Construction costs related to investment property | 10 | 12.2 | 57.3 | 11.4 | - | - | - | - | - | - | **80.9** |
| Construction costs related to construction work | 10 | 0.1 | 46.8 | - | - | - | - | - | - | - | **46.9** |
| **Total investments** | | **12.3** | **104.1** | **11.4** | **-** | **-** | **-** | **-** | **-** | **-** | **127.8** |
| Sale of investment property | 10, 29 | - | (159.5) | (49.0) | - | - | - | - | - | - | **(208.5)** |
| Sale of joint venture investment property | | - | - | (43.9) | - | - | - | - | - | - | **(43.9)** |
| **Total divestments** | | **-** | **(159.5)** | **(92.9)** | **-** | **-** | **-** | **-** | **-** | **-** | **(252.4)** |

## 6 Segment Analysis (Continued)

***d) Information about reportable segment profit or loss, assets and liabilities (Continued)***
The segment information on segment assets and liabilities as of 31 December 2023 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment property | 10 | | | | | | | | | | |
| - Office | | 113.4 | 228.6 | 432.8 | - | - | 15.4 | - | - | - | **790.2** |
| - Retail | | 334.5 | - | - | - | 3.5 | - | - | - | - | **338.0** |
| - Industrial | | - | - | - | - | 19.6 | - | - | - | - | **19.6** |
| - Investment property held for sale | 15 | - | - | 14.3 | - | 20.5 | - | - | - | - | **34.8** |
| Investment in joint venture | 11 | - | - | - | - | - | - | - | - | - | - |
| Deferred tax asset | 30 | - | 9.4 | 18.3 | - | 0.1 | 0.1 | - | 0.5 | - | **28.4** |
| Inventories | 19 | 0.1 | 0.2 | - | - | 0.1 | - | - | - | - | **0.4** |
| Receivables and loans | 7,12 | 15.9 | 2.1 | - | - | - | 0.1 | - | 17.8 | - | **35.9** |
| Other non-current assets | 13 | 7.8 | 1.1 | - | - | 2.3 | 0.1 | - | - | - | **11.3** |
| Restricted cash | 16 | - | - | - | - | - | - | - | 8.9 | - | **8.9** |
| Cash and cash equivalents | 17 | - | - | - | - | - | - | - | 51.9 | - | **51.9** |
| Trade and other receivables | 7,14 | 13.7 | 52.6 | 4.9 | - | 0.1 | 2.1 | - | 0.5 | 117.7 | **191.6** |
| Other unallocated assets* | | - | - | - | - | - | - | - | - | 11.5 | **11.5** |
| **Total assets** | | **485.4** | **294.0** | **470.3** | **-** | **46.2** | **17.8** | **-** | **79.6** | **129.2** | **1,522.5** |
| Borrowings | 21 | | | | | | | | | | |
| - non-current | | (163.1) | (132.3) | (179.2) | - | - | - | - | - | - | **(474.6)** |
| - current | | (59.3) | (173.8) | (97.0) | - | - | - | - | - | (5.0) | **(335.1)** |
| Leasing | 9 | | | | | | | | | | |
| - non-current | | - | (3.7) | - | - | - | (8.3) | - | - | - | **(12.0)** |
| - current | | - | (1.6) | - | - | - | (1.9) | - | - | - | **(3.5)** |
| Trade and other payables | 22 | | | | | | | | | | |
| - non-current | | (4.3) | (1.9) | - | - | - | (0.8) | - | - | (2.5) | **(9.5)** |
| - current | | (9.4) | (42.8) | - | - | (0.1) | (6.6) | - | (0.6) | (57.3) | **(116.8)** |
| Deferred tax liability | 30 | (20.9) | - | (12.3) | - | (2.8) | - | - | (0.1) | - | **(36.1)** |
| Other unallocated liabilities** | | - | - | - | - | - | - | - | - | (4.4) | **(4.4)** |
| **Total liabilities** | | **(257.0)** | **(356.1)** | **(288.5)** | **-** | **(2.9)** | **(17.6)** | **-** | **(0.7)** | **(69.2)** | **(992.0)** |
| **Segment net asset value** | | **228.4** | **(62.1)** | **181.8** | **-** | **43.3** | **0.2** | **-** | **78.9** | **60.0** | **530.5** |

*Other unallocated assets consist of: Property, plant and equipment and Right of use assets of EUR 6.6 million, Other assets of EUR 2 million and Other Non-current assets classified as held-for-sale of EUR 2.9 million.
**Other unallocated liabilities consist of other liabilities directly associated with non-current assets classified as held for sale of EUR 4.4 million.

## 6 Segment Analysis (Continued)

***d) Information about reportable segment profit or loss, assets and liabilities (Continued)***
***Geographical information.*** Revenue, expenses and assets analysed by country for the year ended 31 December 2023 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Luxembourg, Netherlands, Cyprus | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental income | 23 | 30.2 | 0.7 | 0.8 | 0.2 | 5.2 | 0.1 | - | - | **37.2** |
| Service charges | 23 | 18.9 | - | - | - | 0.3 | - | - | - | **19.2** |
| Management charges | 23 | 2.8 | 0.3 | 0.5 | (0.1) | 0.2 | 0.1 | - | - | **3.8** |
| Direct operating expenses | 24 | (26.5) | (2.4) | (0.2) | - | (1.8) | - | - | - | **(30.9)** |
| **Net operating income/(loss) from investment properties** | | **25.4** | **(1.4)** | **1.1** | **0.1** | **3.9** | **0.2** | **-** | **-** | **29.3** |
| Revaluation gain/(loss) on investment property | 10 | (8.3) | (4.7) | (0.5) | (20.6) | (132.0) | (98.7) | - | - | **(264.8)** |
| Revenue from construction and other services | 27 | 12.5 | 0.6 | 43.7 | 2.8 | 0.5 | 22.4 | 1.3 | - | **83.8** |
| Construction contract costs | | (4.5) | (0.1) | (27.9) | (0.1) | (0.4) | (13.9) | - | - | **(46.9)** |
| Share of loss of joint ventures | 11 | - | - | (2.6) | - | - | - | - | - | **(2.6)** |
| Interest expense | 21 | (28.3) | (7.5) | (3.1) | - | (9.6) | (7.6) | (0.8) | - | **(56.9)** |
| Investment management fee | | - | - | - | - | - | - | 3.1 | - | **3.1** |
| Net gains on financial derivatives | | (1.1) | 0.8 | 4.0 | - | 0.6 | (4.8) | 0.7 | - | **0.2** |
| Foreign exchange gains, net | | - | 2.1 | (3.7) | (1.2) | - | - | 2.0 | - | **(0.8)** |
| Results on disposal of subsidiaries | | 22.1 | 2.0 | - | (0.2) | (13.8) | - | (0.1) | - | **10.0** |
| Other (expenses)/revenues | | (13.9) | (0.5) | (8.3) | (2.7) | (5.7) | (7.9) | (7.8) | 0.2 | **(46.6)** |
| **Profit/(loss) before tax** | | **3.9** | **(8.7)** | **2.7** | **(21.9)** | **(156.5)** | **(110.3)** | **(1.6)** | **0.2** | **(292.2)** |
| Investment property in use or vacant | 10 | 449.4 | - | 1.0 | - | 12.9 | - | - | - | **463.3** |
| Investment property under development | 10 | 51.7 | - | 4.3 | - | 465.8 | 162.7 | - | - | **684.5** |
| Investment in joint venture | | - | - | - | - | - | - | - | - | **-** |
| Other non-current assets* | | 23.8 | 0.4 | 1.0 | - | 18.7 | 8.6 | 29.7 | - | **82.2** |
| **Total non-current assets** | | **524.9** | **0.4** | **6.3** | **-** | **497.4** | **171.3** | **29.7** | **-** | **1,230.0** |
| Non-current assets classified as held-for-sale | 15 | 28.0 | - | - | - | - | 8.0 | 1.7 | - | **37.7** |
| **Total non-current assets and assets held for sale** | | | | | | | | | | |
| Restricted cash | 16 | 7.7 | - | 0.1 | - | 0.8 | - | 0.3 | - | **8.9** |
| Cash and cash equivalents | 17 | 11.7 | 0.9 | 17.8 | 0.5 | 5.0 | 7.1 | 8.9 | - | **51.9** |
| Inventories | 19 | 0.4 | - | - | - | - | - | - | - | **0.4** |
| Trade and other receivables including Other assets | 14, 18 | 23.2 | 2.5 | 18.5 | 3.9 | 6.3 | 26.1 | 0.6 | 112.5 | **193.6** |
| **Total assets** | | **595.9** | **3.8** | **42.7** | **4.4** | **509.5** | **212.5** | **41.2** | **112.5** | **1,522.5** |

## 6 Segment Analysis (Continued)

***d) Information about reportable segment profit or loss, assets and liabilities (Continued)***
***Geographical information.*** Liabilities and capital expenditures analysed by country for the year ended 31 December 2023 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Luxembourg, Netherlands, Cyprus | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings | 21 | | | | | | | | | |
| - non-current | | (417.3) | (57.3) | - | - | - | - | - | - | **(474.6)** |
| - current | | (92.2) | (2.2) | - | - | (79.3) | (132.3) | (29.1) | - | **(335.1)** |
| Leasing | 9 | | | | | | | | | |
| - non-current | | (3.6) | - | (0.1) | - | (8.3) | - | - | - | **(12.0)** |
| - current | | (1.3) | - | (0.3) | - | (1.8) | (0.1) | - | - | **(3.5)** |
| Trade and other payables | 22 | | | | | | | | | |
| - non-current | | (6.3) | - | - | - | (0.7) | - | - | (2.5) | **(9.5)** |
| - current | | (23.2) | (0.1) | (12.1) | (2.1) | (14.7) | (11.5) | (53.1) | - | **(116.8)** |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | (3.3) | - | - | - | - | (0.3) | (0.8) | - | **(4.4)** |
| Deferred income tax liability | 30 | (28.8) | - | (0.3) | (0.3) | (1.0) | (5.7) | - | - | **(36.1)** |
| **Total liabilities** | | **(576.0)** | **(59.6)** | **(12.8)** | **(2.4)** | **(105.8)** | **(149.9)** | **(83.0)** | **(2.5)** | **(992.0)** |
| **Net asset value** | | **19.9** | **(55.8)** | **29.9** | **2.0** | **403.7** | **62.6** | **(41.8)** | **110.0** | **530.5** |
| Purchases of investment property (including non-cash) | | - | - | - | - | - | - | - | - | **-** |
| Construction costs related to investment property | 10 | 13.2 | 0.1 | - | - | 54.0 | 13.6 | - | - | **80.9** |
| Construction costs related to construction work | | 4.5 | 0.1 | 27.9 | 0.1 | 0.4 | 13.9 | - | - | **46.9** |
| **Total investments** | | **17.7** | **0.2** | **27.9** | **0.1** | **54.4** | **27.5** | **-** | **-** | **127.8** |
| Sale of investment property | 10, 29 | (183.5) | (25.0) | - | - | - | - | - | - | **(208.5)** |
| Sale of JV investment property | | - | - | (43.9) | - | - | - | - | - | **(43.9)** |
| **Total divestments** | | **(183.5)** | **(25.0)** | **(43.9)** | **-** | **-** | **-** | **-** | **-** | **(252.4)** |

*Other non-current assets consist of Property, plant and equipment and right of use assets of EUR 6.6 million, Receivables and loans of EUR 35.9 million, Deferred income tax asset of EUR 28.6 million, and Other non-current assets of EUR 11.3 million.

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for the year ended 31 December 2022 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental income from investment property | 23 | | | | | | | | | | |
| - Office | | 59.4 | - | - | - | - | 11.9 | - | - | - | **71.3** |
| - Retail | | 17.1 | - | - | - | - | - | - | - | - | **17.1** |
| Service charges income from investment properties | 23 | | | | | | | | | | |
| - Office | | 17.2 | - | - | 1.7 | - | 0.2 | | - | - | **19.1** |
| - Retail | | 9.4 | - | - | 0.4 | - | - | - | - | - | **9.8** |
| Management charges income from investment properties | 23 | | | | | | | | | | |
| - Office | | 1.6 | - | - | 1.1 | - | 0.8 | - | - | - | **3.5** |
| - Retail | | 0.7 | - | - | 1.2 | - | - | - | - | - | **1.9** |
| Direct operating expenses arising from investment property | 24 | | | | | | | | | | |
| - Office | | (15.4) | (4.9) | (1.8) | (1.4) | (3.6) | - | **-** | **-** | **-** | **(27.1)** |
| - Retail | | (15.4) | - | (0.2) | (1.2) | - | - | **-** | **-** | **-** | **(16.8)** |
| **Net operating income/(loss) from investment property** | | **74.6** | **(4.9)** | **(2.0)** | **1.8** | **(3.6)** | **12.9** | **-** | **-** | **-** | **78.8** |
| Revaluation gain/(loss) on investment property | 10 | | | | | | | | | | |
| - Office | | 11.5 | (28.2) | (83.7) | - | - | (9.2) | - | - | - | **(109.6)** |
| - Retail | | (3.1) | - | - | - | - | - | - | - | - | **(3.1)** |
| - Industrial | | - | - | - | - | 3.1 | - | - | - | - | **3.1** |
| Share of loss of joint ventures | 11 | - | - | **(1.3)** | - | - | - | - | - | - | **(1.3)** |
| Interest expense - third parties | 21 | (28.5) | (31.5) | (13.0) | - | - | (1.3) | - | - | (5.6) | **(79.9)** |

*Table continued on next page*

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for the year ended 31 December 2022 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment management fee | | - | - | - | 2.1 | - | - | - | - | - | **2.1** |
| Revenue from construction and other services | 27 | 5.8 | 18.8 | 0.9 | 0.2 | 0.2 | 0.3 | 0.9 | - | - | **27.1** |
| Construction services | 28 | (2.3) | (15.4) | - | - | - | - | - | - | (1.7) | **(19.4)** |
| Net gains on financial derivatives | | 21.4 | 13.1 | 6.3 | - | - | - | - | - | - | **40.8** |
| Foreign exchange gains, net | 31 | - | - | - | - | - | - | - | - | (43.2) | **(43.2)** |
| Results on disposal of subsidiaries | 29 | 46.9 | 49.3 | 0.8 | - | - | (2.2) | - | - | (1.8) | **93.0** |
| Impairment loss on inventory | 19 | - | - | (33.5) | - | - | - | - | - | - | **(33.5)** |
| Other (expenses)/revenues | | (6.8) | (30.5) | (12.0) | (2.0) | (2.8) | (3.4) | (2.6) | (0.8) | 10.9 | **(50.0)** |
| **Profit/(loss) before income tax (segment result)** | | **119.5** | **(29.3)** | **(137.5)** | **2.1** | **(3.1)** | **(2.9)** | **(1.7)** | **(0.8)** | **(41.4)** | **(95.1)** |

The segment information on purchases, construction cost and sale of investment property for the year ended 31 December 2022 is as follows:

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchases of investment property (including non-cash) | 10 | - | - | 96.0 | - | 10.1 | - | - | - | - | **106.1** |
| Construction costs related to investment property | 10 | 110.3 | 95.5 | 22.3 | - | 0.3 | 0.3 | - | **-** | **-** | **228.7** |
| Construction costs related to construction work | 28 | 2.3 | 15.4 | - | - | - | - | - | - | 1.7 | **19.4** |
| **Total investments** | | **112.6** | **110.9** | **118.3** | **-** | **10.4** | **0.3** | **-** | **-** | **1.7** | **354.2** |
| Sale of investment property | 10,29 | (2,031. 5) | - | - | - | - | (2.0) | - | - | - | **(2,033.5)** |
| **Total divestments** | | (2,031.5) | - | - | - | - | (2.0) | - | - | - | **(2,033.5)** |

## 6 Segment Analysis (Continued)

***(d) Information about reportable segment profit or loss, assets and liabilities (Continued)***
The segment information on segment assets and liabilities as of 31 December 2022 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment property | 10 | | | | | | | | | | |
| - Office | | 116.4 | 372.8 | 714.9 | - | - | 37.2 | - | - | - | **1,241.3** |
| - Retail | | 327.8 | - | - | - | 3.5 | - | - | - | - | **331.3** |
| - Industrial | | - | - | - | - | 20.1 | - | - | - | - | **20.1** |
| - Investment property held for sale | 15 | - | - | 20.5 | - | - | - | - | - | - | **20.5** |
| Investment in joint venture | 11 | - | - | 23.0 | - | - | - | - | - | - | **23.0** |
| Deferred tax asset | 30 | 0.5 | 4.5 | 1.3 | - | 0.3 | - | - | - | - | **6.6** |
| Inventories | 19 | - | 0.4 | 23.1 | - | 0.1 | - | - | - | - | **23.6** |
| Inventory property held for sale | 15 | - | - | 24.0 | - | - | - | - | - | - | **24.0** |
| Receivables and loans | 7,12 | 15.1 | 2.1 | - | - | 0.4 | - | - | - | - | **17.6** |
| Other non-current assets | 13 | 17.1 | 1.7 | 0.2 | - | 0.1 | 0.6 | - | 0.1 | - | **19.8** |
| Restricted cash | 16 | - | - | - | - | - | - | - | 4.2 | - | **4.2** |
| Cash and cash equivalents | 17 | - | - | - | - | - | - | - | 62.7 | - | **62.7** |
| Trade and other receivables | 7,14 | 21.7 | 6.5 | 103.2 | 0.4 | 0.2 | 1.6 | 0.5 | 3.4 | 71.2 | **208.7** |
| Other unallocated assets* | | - | - | - | - | - | - | - | - | 22.1 | **22.1** |
| **Total assets** | | **498.6** | **388.0** | **910.2** | **0.4** | **24.7** | **39.4** | **0.5** | **70.40** | **93.30** | **2,025.5** |
| Borrowings | 7,21 | | | | | | | | | | |
| - non-current | | (218.7) | (131.6) | (353.6) | - | - | - | - | - | (32.4) | **(736.3)** |
| - current | | (11.4) | (95.1) | (96.9) | - | - | - | - | - | (62.8) | **(266.2)** |
| Leasing | 9 | | | | | | | | | | |
| - non-current | | - | (4.8) | (0.2) | - | - | (19.2) | - | - | - | **(24.2)** |
| - current | | - | (2.5) | - | - | - | (7.4) | - | - | - | **(9.9)** |
| Trade and other payables | 22 | | | | | | | | | | |
| - non-current | | (5.4) | (2.7) | (0.3) | - | - | (1.2) | - | - | (9.4) | **(19.0)** |
| - current | | (32.6) | (57.1) | (2.5) | (0.5) | (2.4) | (8.7) | (0.7) | - | (28.6) | **(133.1)** |
| Deferred tax liability | 30 | (17.3) | (8.1) | (39.5) | - | (2.8) | (1.3) | - | (0.2) | - | **(69.2)** |
| Other unallocated liabilities** | | - | - | - | - | - | - | - | - | (4.6) | **(4.6)** |
| **Total liabilities** | | **(285.4)** | **(301.9)** | **(493.0)** | **(0.5)** | **(5.2)** | **(37.8)** | **(0.7)** | **(0.2)** | **(137.8)** | **(1,262.5)** |
| **Segment net asset value** | | **213.2** | **86.1** | **417.2** | **(0.1)** | **19.5** | **1.6** | **(0.2)** | **70.2** | **(44.5)** | **763.0** |

. *Other unallocated assets consist of: Property, plant and equipment and Right of use assets of EUR 11.9 million, Other assets of EUR 9.5 million and Other Non-current assets classified as held-for-sale of EUR 0.7 million.
**Other unallocated liabilities consist of other liabilities directly associated with non-current assets classified as held for sale.

## 6 Segment Analysis (Continued)

***Geographical information.*** Revenue, expenses and assets analysed by country for the year ended 31 December 2022 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Luxembourg, Netherlands, Cyprus | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental income | 23 | 26.2 | 2.6 | 25.9 | 13.7 | 13.7 | 6.3 | - | - | **88.4** |
| Service charges | 23 | 14.3 | 0.4 | 4.4 | 3.8 | 2.2 | 3.8 | - | - | **28.9** |
| Management charges | 23 | 2.2 | 1.5 | 0.4 | 1.1 | 0.2 | - | - | - | **5.4** |
| Direct operating expenses | 24 | (22.5) | (2.1) | (7.3) | (4.2) | (5.4) | (2.4) | - | - | **(43.9)** |
| **Net operating income/(loss) from investment properties** | | | | | | | | | | |
| Revaluation gain/(loss) on investment property | 10 | (0.2) | (2.5) | 12.0 | 15.0 | (121.4) | (12.5) | - | - | **(109.6)** |
| Revenue from construction and other services | 27 | 7.8 | 0.2 | 16.6 | 2.1 | 0.1 | 0.1 | 0.2 | - | **27.1** |
| Construction contract costs | 28 | (3.5) | (0.1) | (14.6) | (1.2) | - | - | - | - | **(19.4)** |
| Share of loss of joint ventures | 11 | - | - | (1.3) | - | - | - | - | - | **(1.3)** |
| Interest expense | 21 | (25.6) | (5.5) | (15.6) | (4.3) | (17.3) | (10.1) | (1.5) | - | **(79.9)** |
| Investment management fee | | - | - | - | - | - | - | 2.1 | - | **2.1** |
| Net gains on financial derivatives | | 6.9 | 5.1 | 17.6 | 10.4 | 2.2 | - | (1.4) | - | **40.8** |
| Foreign exchange gains, net | 31 | - | (2.1) | (8.9) | (19.4) | 0.9 | - | (13.7) | - | **(43.2)** |
| Results on disposal of subsidiaries | 29 | 10.3 | - | 58.4 | (18.9) | 22.2 | 21.9 | (0.9) | - | **93.0** |
| Impairment loss on inventory | 19 | (33.5) | - | - | - | - | - | - | - | **(33.5)** |
| Other (expenses)/revenues | | (16.7) | (3.2) | (10.8) | (2.6) | (11.3) | (6.4) | (9.9) | 10.9 | **(50.0)** |
| **Profit/(loss) before tax** | | **(34.3)** | **(5.7)** | **76.8** | **(4.5)** | **(113.9)** | **0.7** | **(25.1)** | **10.9** | **(95.1)** |
| Investment property in use or vacant | 10 | 454.9 | 6.7 | 4.7 | - | 15.2 | - | - | - | **481.5** |
| Investment property under development | 10 | 242.1 | 28.7 | 4.1 | 50.1 | 530.5 | 255.7 | - | - | **1,111.2** |
| Investment in joint venture | 11 | - | - | 23.0 | - | - | - | - | - | **23.0** |
| Other non-current assets* | | 33.7 | 1.2 | 1.8 | 0.5 | 5.3 | 0.4 | 13.0 | - | **55.9** |
| **Total non-current assets** | | **730.7** | **36.6** | **33.6** | **50.6** | **551.0** | **256.1** | **13.0** | **-** | **1,671.6** |
| Non-current assets classified as held-for-sale | 15 | 45.2 | - | - | - | - | - | - | - | **45.2** |
| **Total non-current assets and assets held for sale** | | **775.9** | **36.6** | **33.6** | **50.6** | **551.0** | **256.1** | **13.0** | **-** | **1,716.8** |
| Restricted cash | 16 | 2.5 | - | 0.5 | - | 0.9 | - | 0.3 | - | **4.2** |
| Cash and cash equivalents | 17 | 19.7 | 1.6 | 13.0 | 1.2 | 7.3 | 13.5 | 6.4 | - | **62.7** |
| Inventories | 19 | 23.4 | - | 0.2 | - | - | - | - | - | **23.6** |
| Trade and other receivables including Other assets | 14,18 | 78.4 | 4.0 | 28.1 | 6.9 | 13.5 | 13.9 | 1.5 | 71.9 | **218.2** |
| **Total assets** | | **900.1** | **42.0** | **75.4** | **58.7** | **572.7** | **283.5** | **21.2** | **71.9** | **2,025.5** |

## 6 Segment Analysis (Continued)

***Geographical information.*** Liabilities and capital expenditures analysed by country for the year ended 31 December 2022 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Luxembourg, Netherlands, Cyprus | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings | | | | | | | | | | |
| - non-current | 21 | (543.6) | (55.1) | - | - | (56.4) | (81.2) | - | - | **(736.3)** |
| - current | 7,21 | (169.1) | (4.2) | (43.3) | - | 0.2 | (44.8) | (5.0) | - | **(266.2)** |
| Leasing | | | | | | | | | | |
| - non-current | 9 | (12.3) | (2.4) | (0.6) | - | (8.9) | - | - | - | **(24.2)** |
| - current | 9 | (3.9) | (1.5) | (1.0) | - | (3.3) | (0.2) | - | - | **(9.9)** |
| Trade and other payables | | | | | | | | | | |
| - non-current | 22 | (6.5) | (0.4) | (1.6) | - | (0.9) | (0.2) | (4.0) | (5.4) | **(19.0)** |
| - current | 22 | (45.0) | (1.3) | (33.1) | (3.7) | (22.4) | (9.4) | (12.9) | (5.3) | **(133.1)** |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | (4.6) | - | - | - | - | - | - | - | **(4.6)** |
| Deferred income tax liability | 30 | (35.0) | (2.5) | (0.4) | - | (17.2) | (14.1) | - | - | **(69.2)** |
| **Total liabilities** | | **(820.0)** | **(67.4)** | **(80.0)** | **(3.7)** | **(108.9)** | **(149.9)** | **(21.9)** | **(10.7)** | **(1,262.5)** |
| **Net asset value** | | **80.1** | **(25.4)** | **(4.6)** | **55.0** | **463.8** | **133.6** | **(0.7)** | **61.2** | **763.0** |
| Purchases of investment property (including non-cash) | 10 | 10.1 | - | - | - | - | 96.0 | - | - | **106.1** |
| Construction costs related to investment property | 10 | 69.9 | 0.4 | 66.1 | 0.5 | 45.3 | 46.5 | - | - | **228.7** |
| Construction costs related to construction work | 28 | 3.5 | 0.1 | 14.6 | 1.2 | - | - | - | - | **19.4** |
| **Total investments** | | **83.5** | **0.5** | **80.7** | **1.7** | **45.3** | **142.5** | **-** | **-** | **354.2** |
| Sale of investment property | 10,29 | (113.5) | - | (1,399.5) | (268.0) | (252.5) | - | - | - | **(2,033.5)** |
| **Total divestments** | | **(113.5)** | **-** | **(1,399.5)** | **(268.0)** | **(252.5)** | **-** | **-** | **-** | **(2,033.5)** |

*Other non-current assets consist of Property, plant and equipment and right of use assets of EUR 11.9 million, Receivables and loans of EUR 17.6 million, Deferred income tax asset of EUR 6.6 million, and Other non-current assets of EUR 19.8 million.

## 7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*.

The Company's immediate parent and ultimate controlling party are disclosed in Note 1. Transactions are generally entered into on an arm's length basis.

Key management of the Group consists of 9 senior managers (2022: 20). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2023 are detailed below.

At 31 December 2023, the outstanding balances with related parties are as follows:

| *In millions of EUR* | **Entities under common control** | **Key management personnel** | **Joint ventures and associates** | **Total** |
|---|---|---|---|---|
| Trade and other receivables (Note 14) | 148.5 | 0.1 | - | **148.6** |
| Loans to related parties (Note 14) | 0.5 | - | - | **0.5** |
| ECL allowance for trade receivables and loans to related party (Note 14) | (2.7) | - | - | **(2.7)** |
| Other current assets (Note 18) | 0.6 | - | - | **0.6** |
| Financial assets - loans (Note 12) | 17.8 | - | - | **17.8** |
| Trade and other payables current (Note 22) | (57.4) | - | - | **(57.4)** |
| Trade and other payables non - current (Note 22) | (2.9) | - | - | **(2.9)** |
| Borrowings – current (Note 21) | (29.1) | - | - | **(29.1)** |

The income and expense items with related parties for the year ended 31 December 2023 are as follows:

| *In millions of EUR* | **Entities under common control** | **Key management personnel** | **Joint ventures and associates** | **Total** |
|---|---|---|---|---|
| Proceeds from sale of subsidiary | 84.9 | - | - | **84.9** |
| Revenue from services rendered | 10.5 | - | - | **10.5** |
| Revenue from construction contracts | 62.8 | 0.2 | - | **63.0** |
| Rental income | 6.8 | - | - | **6.8** |
| Rental expenses | (9.0) | - | - | **(9.0)** |
| Other operating income | 1.0 | 0.6 | - | **1.6** |
| Other services | (6.1) | - | - | **(6.1)** |
| Short-term employee benefits (salaries) | - | (4.5) | - | **(4.5)** |
| Long-term employee benefits (social security costs) | - | (0.6) | - | **(0.6)** |
| Interest income | 0.9 | - | - | **0.9** |
| Interest expense | (0.5) | - | - | **(0.5)** |
| Construction expenses | (0.1) | - | - | **(0.1)** |

At 31 December 2022, the outstanding balances with related parties are as follows:

| *In millions of EUR* | **Entities under common control** | **Key management personnel** | **Joint ventures and associates** | **Total** |
|---|---|---|---|---|
| Trade and other receivables (Note 14) | 118.1 | 0.5 | 0.3 | **118.9** |
| Loans to related parties (Note 14) | 52.3 | 0.8 | - | **53.1** |
| ECL allowance for trade receivables and loans to related party (Note 14) | (2.7) | - | - | **(2.7)** |
| Investment management fee accrued (Note 18) | 3.2 | - | - | **3.2** |
| Other current assets (Note 18) | 4.6 | - | - | **4.6** |
| Other non-current asset | 4.5 | - | - | **4.5** |
| Financial assets - loans (Note 12) | 1.7 | - | - | **1.7** |
| Trade and other payables current (Note 22) | (20.9) | (2.1) | - | **(23.0)** |
| Trade and other payables non - current (Note 22) | (9.8) | - | - | **(9.8)** |
| Borrowings – current (Note 21) | (5.0) | - | - | **(5.0)** |

## 7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2022 are as follows:

| *In millions of EUR* | Entities under common control | Key management personnel | Joint ventures and associates | Total |
|---|---|---|---|---|
| Proceeds from sale of subsidiary | 885.0 | - | - | **885.0** |
| Revenue from services rendered | 2.5 | - | - | **2.5** |
| Revenue from construction contracts | 11.8 | - | - | **11.8** |
| Rental income | 6.6 | - | - | **6.6** |
| Rental expenses | (2.4) | - | - | **(2.4)** |
| Other operating income | (0.1) | - | - | **(0.1)** |
| Other services | 11.5 | - | - | **11.5** |
| Short-term employee benefits (salaries) | - | (2.6) | - | **(2.6)** |
| Long-term employee benefits (social security costs) | - | (0.4) | - | **(0.4)** |
| Interest income | 0.2 | - | - | **0.2** |

A shareholder entity has made an undertaking to pay to the senior managers of the Group an amount under a profit sharing scheme based on increase in Net Asset Value (adjusted) of the Group. As the amount is payable by the shareholder, and does not constitute a share based payment under IFRS, it has not been expensed by the Group. The amount paid or accrued with respect to 2022 and/or 2023 are not material in the context of the consolidated financial statements. The compensation of the Board of Directors of the Parent Company amounted to EUR 3.7 million in 2023 (2022: EUR 2.3 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2023 (2022: nil).

Distributions to owners paid by the Group in 2023 and 2022 respectively are described in Note 20.

The Group's investment in joint ventures is described in Note 11.

In November 2022, the Group sold 100% interest in its subsidiary HB Reavis Investments Holding S.A to its shareholders. As a result of this sale, the Group lost control over and deconsolidated HB Reavis Investments Holding S.A. and its subsidiaries. In December 2022, the Group lost control over subsidiary UBX 2 Objekt Berlin S.à r.l. by sale of 89,9% share to its related party under common control, HB Reavis Investments Holding S.A.

In 2023, the Group sold 100% interest in its subsidiaries Nove Apollo s.r.o., HB REAVIS Consulting k.s., HB REAVIS Finance SK II s.r.o. to its related party under common control, HB Reavis Investments Holding S.A.

Net assets disposed and proceeds from the transactions are described in Note 29.

## 8 Property, Plant and Equipment and Intangible assets

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

| *In millions of EUR* | **Land and buildings** | **Machinery, equipment** | **Vehicles and other assets** | **Capital work in progress including advances (CIP)** | **Intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Net book value as at 1 January 2022** | **3.1** | **1.4** | **2.1** | **0.1** | **2.9** | **9.6** |
| Additions | - | 0.1 | - | 0.5 | 0.1 | **0.7** |
| Transfer from Investment property | - | - | - | - | - | **-** |
| Transfers | 0.2 | - | 0.2 | (0.4) | - | **-** |
| Disposals | (0.1) | - | (0.1) | - | (0.1) | **(0.3)** |
| Disposal of subsidiary | (2.6) | - | - | - | - | **(2.6)** |
| Depreciation charge | - | (0.8) | (1.3) | - | (0.8) | **(2.9)** |
| **Net book value as at 31 December 2022** | **0.6** | **0.7** | **0.9** | **0.2** | **2.1** | **4.5** |
| Additions | - | - | - | - | - | **-** |
| Transfer from Investment property | - | - | - | - | - | **-** |
| Transfers | - | - | 0.2 | (0.2) | - | **-** |
| Disposals | (0.5) | - | (0.2) | - | - | **(0.7)** |
| Disposal of subsidiary | - | - | - | - | (0.6) | **(0.6)** |
| Depreciation charge | - | (0.5) | (0.7) | - | (0.6) | **(1.8)** |
| **Net book value as at 31 December 2023** | **0.1** | **0.2** | **0.2** | **-** | **0.9** | **1.4** |

At 31 December 2023, no property, plant and equipment (at 31 December 2022: nil) has been pledged to third parties as collateral with respect to borrowings.

## 9 Right-of-use assets and lease liabilities

Leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group. Right-of-use assets that are subleased under an operating lease or otherwise meet definition of investment property are presented within investment properties rather than separately in the consolidated statement of financial position.

Movements in right-of-use assets analysed by classes of underlying items are as follows:

| *In millions of EUR* | **Land and buildings** | **Vehicles and other assets** | **Total** |
|---|---|---|---|
| **Carrying amount at 1 January 2022** | **9.3** | **0.5** | **9.8** |
| Additions | 0.2 | 0.5 | 0.7 |
| Transfer from Investment property | 0.7 | - | 0.7 |
| Disposal of subsidiary | (0.4) | - | (0.4) |
| Depreciation charge | (2.9) | (0.5) | (3.4) |
| **Carrying amount at 31 December 2022** | **6.9** | **0.5** | **7.4** |
| Additions | - | 0.3 | 0.3 |
| Depreciation charge | (2.1) | (0.4) | (2.5) |
| **Carrying amount at 31 December 2023** | **4.8** | **0.4** | **5.2** |

**9 Right-of use assets and lease liabilities (Continued)**

The Group recognised lease liabilities as follows:

| *In millions of EUR* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Lease liabilities:** | | |
| Current** | 3.5 | 9.9 |
| Non-current | 12.0 | 24.2 |
| **Total lease liabilities** | **15.5** | **34.1** |

The Group has included EUR 19.3 million right-of-use assets in investment properties as of 31 December 2023 (at 31 December 2022: EUR 36.6 million) – see Note 10.

**Current lease liabilities include:

- the liabilities associated with right-of-use assets presented in the above table, and
- the liabilities associated with right-of-use assets classified as investment property

The consolidated statement of profit or loss shows the following amounts relating to leases:

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Depreciation of right-of-use asset** | | | |
| Land and buildings | | 2.1 | 2.9 |
| Vehicles and other assets | | 0.4 | 0.5 |
| **Total depreciation of right-of-use asset** | | **2.5** | **3.4** |
| **Other expense related to Leases** | | | |
| Revaluation loss on investment property | 10 | 5.4 | 5.5 |
| Interest expense | | 1.5 | 2.2 |

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases were nil (31 December 2022: nil).

Total cash outflow for leases in 2023 was EUR 8.7 million (31 December 2022: EUR 11.1 million).

Extension and termination options are included in a number of property and equipment leases across the Group. As at 31 December 2023, potential future cash outflows of EUR 18.3 million (at 31 December 2022: EUR 24.5 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group. During the current reporting year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil (at 31 December 2022: nil).

## 10 Investment Property

| | Year ended 31 December 2023 | | | | | Year ended 31 December 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Under development | | In use or vacant | | Total | Under development | | In use or vacant | | Total |
| *In millions of EUR* | Owned | Leased | Owned | Leased | | Owned | Leased | Owned | Leased | |
| **Fair value at 1 January** | **1,102.1** | **9.1** | **454.0** | **27.5** | **1,592.7** | **1,504.3** | **16.0** | **1,947.1** | **29.8** | **3,497.2** |
| Right-of-use-asset acquired during the year / lease index and concessions | - | - | - | 0.8 | **0.8** | - | - | - | 10.3 | **10.3** |
| Acquisitions of investment property | - | - | - | - | **-** | 106.1 | - | - | - | **106.1** |
| Subsequent expenditure on investment property | 78.3 | - | 2.6 | - | **80.9** | 188.3 | - | 40.4 | - | **228.7** |
| Disposal of investment property | (31.9) | - | (7.5) | (13.3) | **(52.7)** | - | - | - | - | **-** |
| Transfers from under development to in use | (165.4) | - | 165.4 | - | **-** | (529.5) | (6.7) | 529.5 | 6.7 | **-** |
| Transfers to disposal groups classified as held for sale (Note 15) | (14.3) | - | - | - | **(14.3)** | (20.5) | - | - | - | **(20.5)** |
| Disposal of subsidiary | (49.0) | - | (159.5) | - | **(208.5)** | - | - | (2,020.3) | (13.2) | **(2,033.5)** |
| Transfers to PPE (Note 8) | - | - | - | - | **-** | - | - | - | (0.7) | **(0.7)** |
| Fair value gains/(losses) – properties completed during the year* | (1.6) | - | (5.9) | - | **(7.5)** | 4.5 | - | - | - | **4.5** |
| Fair value gains/(losses)* | (255.7) | - | 3.5 | (5.1) | **(257.3)** | (113.2) | (0.1) | 4.6 | (5.4) | **(114.1)** |
| Effect of translation to presentation currency* | 12.9 | - | 0.5 | 0.3 | **13.7** | (37.9) | (0.1) | (47.3) | - | **(85.3)** |
| **Fair value at 31 December** | **675.4** | **9.1** | **453.1** | **10.2** | **1,147.8** | **1,102.1** | **9.1** | **454.0** | **27.5** | **1,592.7** |

* As of 31 December 2023, the investment property portfolio of the Group with fair value of EUR 484.0 million or 42.2% of total investment property of the Group as of that date (2022: EUR 640.0 million or 40.0% of total investment property of the Group) - see also Note 6 Segmental Analysis – Geographical Information, was based in the United Kingdom and Poland. The functional currency of the Group's subsidiaries which own such investment properties is GBP and PLN, respectively. The appreciation in fair value of these properties expressed in the local functional currencies is presented above as a fair value gain. With the exception of the United Kingdom, this appreciation in value is partly attributable to the fact that most rental contracts are concluded in EUR and based on experience from other emerging markets, only a more severe local currency depreciation would necessitate the lessor to provide rent concessions in order to reflect the devalued local currency exchange rates.

## 10 Investment Property (Continued)

The effects of 2023 appreciation and 2022 depreciation of the local functional currencies compared to EUR are presented above as effect of translation from functional to presentation currency.

The Group classified certain leases as investment properties. The carrying value of such investment property as of 31 December 2023 was EUR 19.3 million (2022: EUR 36.6 million).

At 31 December 2023, investment properties carried at EUR 1,088.1 million (at 31 December 2022: EUR 1,052.2 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 consolidated 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 consolidated financial statements is as follows:

| *In millions of EUR* | | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|
| **Valuations obtained** | | | **1,188.2** | **1,600.9** |
| Add: | right-of-use assets classified as investment property | | 10.2 | 27.6 |
| Less: | lease incentive receivables | 12(a) | (15.8) | (15.3) |
| Less: | transfers to disposal groups classified as held for sale | 15 | (34.8) | (20.5) |
| **Fair value at 31 December** | | | **1,147.8** | **1,592.7** |

## 11 Investment in Joint Ventures

The Group sold shares in two (2) joint ventures during the year ended 31 December 2023: Port Praski City II sp. z o.o. and Port Praski Medical Center sp. z o.o. with net gain on disposal of EUR 0.7 million.

In 2022 the Group entered into joint ventures in Poland with 50% economic interest in Port Praski City II sp. z o.o. and Port Praski Medical Center sp. z o.o.

The following amounts represent 100% of the assets, liabilities, revenue and results of the joint ventures as follows:

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| Revenue | - | - |
| Loss and other comprehensive loss for the year | (4.6) | (2.6) |
| Investment property | - | 48.6 |
| Current assets | - | 0.1 |
| Deferred tax liability | - | (2.5) |
| Current liabilities | - | (0.2) |
| **Net assets of the investee** | **-** | **46.0** |
| **Share of other venturers** | **-** | **23.0** |
| **Investments in joint ventures** | **-** | **23.0** |

## 12 Receivables and Loans

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Lease incentives receivables | (a) | 15.8 | 15.3 |
| Loans to related parties – non-current (Note 7) | (b) | 17.8 | 1.7 |
| Other non-current receivables | | 1.8 | - |
| Loans to third parties | | 0.5 | 0.6 |
| **Total receivables and loans** | | **35.9** | **17.6** |

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

(a) Lease incentive receivables of EUR 15.8 million (31 December 2022: EUR 15.3 million) represent cost of incentives recognised over the lease term, on a straight-line basis. These receivables are rent free periods and cash advanced payments to tenants and they are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 17.8 million as of 31 December 2023 (31 December 2022: EUR 1.7 million) with interest of 6.86 % and maturity day 31st March 2031.

## 13 Other Non-Current Assets

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Interest in unconsolidated entity | 29 | 10.1 | 12.5 |
| Other non-current assets | | 1.2 | 7.3 |
| **Total other non-current assets** | | **11.3** | **19.8** |

In December 2022, the Group lost control over its subsidiary UBX 2 Objekt Berlin S.à r.l. through sale of 89.9% share to entity under common control. The remaining 10.1% interest was recognized at fair value as of date of sale. Fair value of interest in this unconsolidated entity decreased to EUR 7.8 million at 31 December 2023 (31 December 2022: EUR 12.5 million) and Group reported a loss on financial asset of EUR 4.7 million. The remaining balance of EUR 2.3 million represents a non-controlling interest in third party entity recognized at fair value as of date of acquisition.

## 14 Trade and Other Receivables

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Trade and other receivables from related parties | 7 | 147.5 | 118.9 |
| Accrued income from related parties | 7 | 1.0 | - |
| Loans to related parties | 7 (a) | 0.5 | 53.1 |
| Less expected credit loss allowance for trade receivables and loans to related parties | 7 | (2.7) | (2.7) |
| Less expected credit loss allowance for trade receivables | | (3.6) | (2.9) |
| Trade and other financial receivables | | 27.9 | 13.3 |
| Derivatives and other financial assets | 33 | 11.5 | 16.8 |
| Accrued rental income | | 3.2 | 4.9 |
| **Total financial assets / receivables** | | **185.3** | **201.4** |
| VAT receivable | | 1.3 | 2.8 |
| Prepayments | | 2.3 | 4.5 |
| Income tax receivable | | 2.7 | - |
| **Total trade and other receivables** | | **191.6** | **208.7** |

(a) The Group has provided loans to its related parties amounting to EUR 0.5 million as of 31 December 2023 (31 December 2022: EUR 53.1 million) with average interest of 1.70% (31 December 2022: 4.08%).

**14 Trade and Other receivables (Continued)**

The expected credit loss allowance for trade receivables is determined according to provision matrix presented in the table below.

| | 31 December 2023 | | | | 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| *In millions of EUR* | **Loss rate** | **Gross carrying amount** | **ECL** | **Net carrying amount** | **Loss rate** | **Gross carrying amount** | **ECL** | **Net carrying amount** |
| Trade and other receivables and loans to related parties | | | | | | | | |
| - current | 0.25% | 113.5 | (0.3) | 113.2 | 0.25% | 155.3 | (0.4) | 154.9 |
| - less than 30 days overdue | 2.5% | 24.1 | (0.6) | 23.5 | 2.5% | 5.3 | (0.1) | 5.2 |
| - 30 to 90 days overdue | 5.0% | 4.5 | (0.2) | 4.3 | 5.0% | 5.8 | (0.3) | 5.5 |
| - 91 to 180 days overdue | 10.0% | 3.7 | (0.4) | 3.3 | 10.0% | 2.2 | (0.2) | 2.0 |
| - 181 to 360 days overdue | 15.0% | 2.4 | (0.4) | 2.0 | 15.0% | 1.8 | (0.3) | 1.5 |
| - over 360 days overdue | 70.0% | 0.1 | (0.1) | - | 70.0% | 0.8 | (0.6) | 0.2 |
| - over 360 days overdue individually impaired | 100.0% | 0.7 | (0.7) | - | 100.0% | 0.8 | (0.8) | - |
| **Total** | | **149.0** | **(2.7)** | **146.3** | | **172.0** | **(2.7)** | **169.3** |
| Trade and other receivables | | | | | | | | |
| - current | 0.25% | 19.5 | - | 19.5 | 0.25% | 10.4 | - | 10.4 |
| - less than 30 days overdue | 2.5% | 1.4 | - | 1.4 | 2.5% | 1.4 | - | 1.4 |
| - 30 to 90 days overdue | 5.0% | 4.1 | (0.2) | 3.9 | 5.0% | 0.7 | - | 0.7 |
| - 91 to 180 days overdue | 10.0% | 0.7 | (0.1) | 0.6 | 10.0% | 1.4 | (0.1) | 1.3 |
| - 181 to 360 days overdue | 15.0% | 0.9 | (0.1) | 0.8 | 15.0% | 0.5 | (0.1) | 0.4 |
| - over 360 days overdue | 70.0% | 4.5 | (3.2) | 1.3 | 70.0% | 3.8 | (2.7) | 1.1 |
| **Total** | | **31.1** | **(3.6)** | **27.5** | | **18.2** | **(2.9)** | **15.3** |
| Derivatives | | | | 11.5 | | | | 16.8 |
| **Total financial assets** | | | | **185.3** | | | | **201.4** |

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status. As a result, the Group presents above an aging analysis of trade and other receivables. 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 following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual financial reporting period:

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| **Expected credit loss allowance at 1 January** | **5.6** | **4.5** |
| Expected credit loss charge to profit or loss for the year | 1.3 | 2.2 |
| Write-offs | (0.6) | (1.1) |
| **Expected credit loss allowance at 31 December** | **6.3** | **5.6** |

Receivables subject to credit enhancements are as follows at 31 December:

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Trade receivables collateralised by: | | |
| - bank guarantees | - | 1.9 |
| - tenant deposits | 1.0 | 0.3 |
| **Total** | **1.0** | **2.2** |

## 14 Trade and Other receivables (Continued)

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

Financial effect of collateral at 31 December 2023 is as follows:

| | Over-collateralised Assets | | Under-collateralised Assets | |
|---|---|---|---|---|
| *In millions of EUR* | Carrying value of the assets | Fair value of collateral | Carrying value of the assets | Fair value of collateral |
| Trade and other receivables | 0.5 | 5.1 | 22.0 | 0.6 |

Financial effect of collateral at 31 December 2022 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 | 6.8 | 8.7 | 0.9 |

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

The Group has pledged the receivables of EUR 3.3 million as collateral for the borrowings as at 31 December 2023 (2022: EUR 4.2 million).

## 15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

| *In millions of EUR* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Investment property | 34.8 | 20.5 |
| Inventories | - | 24.0 |
| Trade and other receivables | 0.3 | 0.3 |
| Cash and cash equivalents | 1.5 | 0.3 |
| Other non-current asset | 0.2 | - |
| Current income tax receivables | - | 0.1 |
| Deferred income tax asset | 0.9 | - |
| **Total assets classified as held for sale** | **37.7** | **45.2** |

As of 31 December 2023, the Group classified assets and liabilities of the four (4) subsidiaries Logisticke centrum Trnava s.r.o., Pressburg Urban Projects a. s. and HB Reavis DE1 S.à r.l. and HB Reavis Investment Management S.à r.l. as held for sale.

As of 31 December 2022, the Group classified assets and liabilities of the three (3) subsidiaries Logisticke centrum Trnava s.r.o., Twin City VIII s. r. o. and Smart City Parking s. r. o.as held for sale.

The investment properties are valued twice a year on 30 June and 31 December at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 35.

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

| *In millions of EUR* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Deferred income tax liability | 3.6 | 4.6 |
| Trade and other payables | 0.8 | - |
| **Total liabilities directly associated with assets classified as held for sale** | **4.4** | **4.6** |

## 15 Non-current Assets Held for Sale (Continued)

At 31 December 2023, no investment properties held for sale (at 31 December 2022: EUR 20.5 million) and no receivables (at 31 December 2022: EUR nil) have been pledged to third parties as collateral with respect to borrowings.

Two (Twin City VIII s. r. o. and Smart City Parking s. r. o.) out of three subsidiaries classified held for sale as at 31 December 2022 were sold during the year ended 31 December 2023 (Note 29). Sale of Logisticke centrum Trnava s.r.o. is expected to be completed in the course of 2024.

## 16 Restricted Cash

Restricted cash is cash and cash equivalents that are held for a specific purpose thus not available for immediate or general use by the Group. At 31 December 2023, restricted cash balance consists of the following:

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Debt service reserve accounts | 4.6 | - |
| Tenant security deposits | 4.0 | 3.4 |
| Other | 0.3 | 0.8 |
| **Total restricted cash** | **8.9** | **4.2** |

**Debt service reserve account.** Cash deposit required to be held on blocked accounts in relation to the Group's development and investment facilities as a reserve to cover future debt service payments.

**Tenant security deposit.** Cash held at escrow accounts relating to tenancy deposits arising from leasing contracts, which the Group may use to satisfy overdue obligations of the tenant.

**Other.** Cash deposits associated with tax returns/obligations, insurance proceeds, in each case with contractually limited rights to utilize without third party consent.

Restricted cash gross outflow is 0.5 and restricted cash gross inflow amounted to EUR 5.2 million during the year ended 31 December 2023.

## 17 Cash and Cash Equivalents

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Cash at bank | 51.8 | 62.7 |
| Cash on transit and in hand | 0.1 | - |
| **Total cash and cash equivalents** | **51.9** | **62.7** |

The table below discloses the credit quality of cash at bank based on credit risk grades at 31 December 2023. Refer to Note 33 for the description of the Group's credit risk grading system.

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| - Excellent | 36.4 | 40.6 |
| - Good | 15.4 | 22.1 |
| **Total cash and cash equivalents** | **51.8** | **62.7** |

## 17 Cash and Cash Equivalents (Continued)

The Company classifies banks based on ratings as follows:

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

The carrying amounts of cash and cash equivalents as of 31 December 2023 and 31 December 2022 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.

## 18 Other current assets

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Other Current Assets from related parties (Note 7) | 0.6 | 4.6 |
| Advances paid | - | 1.2 |
| Deferred expenses | 1.4 | 3.7 |
| **Total other current assets** | **2.0** | **9.5** |

## 19 Inventories

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Inventory property | - | 23.1 |
| Material | 0.3 | 0.4 |
| Merchandise | - | 0.1 |
| **Total inventories** | **0.3** | **23.6** |

A summary of movement in inventory property is set out below:

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| **Inventory property at 1 January** | **23.1** | **76.1** |
| Development expenditures | 0.2 | 4.5 |
| Impairment loss on inventory | - | (33.5) |
| Transfers to disposal groups classified as held for sale (Note 15) | - | (24.0) |
| Disposal of subsidiary (Note 29) | (23.3) | - |
| **Inventory property at 31 December** | **-** | **23.1** |

Impairment loss on inventory of EUR 33.5 million was recognised in consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2022.

As at 31 December 2022, inventory property carried at EUR 23.1 million has been pledged to third parties as collateral with respect to borrowings.

## 20 Share Capital and Share Premium

| | Number of shares | Ordinary shares in EUR | Share premium in EUR | Total in EUR |
|---|---|---|---|---|
| At 1 January 2022 | 30,000 | 30,000 | 807,212,738 | **807,242,738** |
| At 31 December 2022 | 30,000 | 30,000 | 39,985,000 | **40,015,000** |
| At 31 December 2023 | 31,000 | 31,000 | 26,319,953 | **26,350,953** |

The total authorised number of ordinary shares is 31,000 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 and additional 17,500 shares were issued on 4 September 2018 due to change of legal form of the company from a private limited liability company into a public limited liability company. On 3 February 2023, 1,000 new shares were issued.

During 2022 the shareholders contributed share premium in amount of EUR 40.0 million, thereof EUR 10.0 million were paid back to the shareholders in 2022.

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

| *In millions of EUR, except dividends per share amount* | Note | 2023 | 2022 |
|---|---|---|---|
| **Distributions to owners payable at 1 January** | 22 | **-** | **-** |
| Distributions declared during the year (from share premium) | | 13.7 | 807.2 |
| Dividend distributions declared during the year | | - | 70.5 |
| Distributions paid during the year | | (2.9) | (22.7) |
| Non-cash settlement of distributions during the year* | | (10.8) | (855.0) |
| **Distributions to owners payable at 31 December** | 22 | **-** | **-** |
| Amount per share declared during the year in EUR | | 440.8 | 29,256.8 |

*In 2022, the Group sold 100 % share in subsidiary HB Reavis Investments Holding S.A. and 89.9% share in UBX 2 Objekt Berlin S.à r.l. to entities under common control (Note 29). The receivable from sale was partially settled with liability from equity distributions declared during 2022.

## 21 Borrowings

| *In millions of EUR* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | 183.1 | 480.9 |
| Issued bonds | 291.5 | 255.4 |
| Total non-current borrowings | **474.6** | **736.3** |
| **Current** | | |
| Bank borrowings | 293.4 | 164.0 |
| Borrowings from related parties | 29.1 | 5.0 |
| Issued bonds | 12.6 | 97.2 |
| Total current borrowings | **335.1** | **266.2** |
| **Total borrowings** | **809.7** | **1,002.5** |

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

The Group recognized on its borrowings interest expense in amount of EUR 56.9 million out of which EUR 16.7 million was bond related interest expense (2022: interest expense EUR 79.9 million out of which EUR 16.6 million EUR bond related interest expense).

## 21 Borrowings (Continued)

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

| *In millions of EUR* | Loans | Bonds | Lease liabilities | Total |
|---|---|---|---|---|
| **Borrowings and lease liabilities as presented in the consolidated statement of financial position as at 1 January 2022** | **1,511.9** | **390.6** | **46.0** | **1,948.5** |
| Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 1 January 2022 | - | - | 0.2 | 0.2 |
| **Total borrowings and lease liabilities as at 1 January 2022** | **1,511.9** | **390.6** | **46.2** | **1,948.7** |
| ***Cash flows*** | | | | |
| Proceeds from new drawdowns | 481.8 | 162.8 | 11.0 | **655.6** |
| Repayments | (150.6) | (203.1) | (11.1) | **(364.8)** |
| ***Non-cash changes*** | | | | |
| Foreign exchange adjustments | 19.3 | - | (0.8) | **18.5** |
| Non-cash movement due to loss of control in a subsidiary | (1,200.0) | - | (13.4) | **(1,213.4)** |
| Non-cash movement due to derecognition of a lease | - | - | - | **-** |
| Change in accrued interest | 16.6 | 2.3 | 2.2 | **21.1** |
| Change in amortised transaction costs | 0.6 | (1.9) | - | **(1.3)** |
| Effect of translation to presentation currency | (29.7) | 1.9 | - | **(27.8)** |
| **Borrowings and lease liabilities as presented in the consolidated statement of financial position as at 31 December 2022** | **649.9** | **352.6** | **34.1** | **1,036.6** |
| Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2022 (Note 15) | | | | |
| **Total borrowings and lease liabilities as at 31 December 2022** | **649.9** | **352.6** | **34.1** | **1,036.6** |
| ***Cash flows*** | | | | |
| Proceeds from new drawdowns | 159.7 | - | - | **159.7** |
| Repayments | (200.3) | (52.2) | (6.6) | **(259.1)** |
| ***Non-cash changes*** | | | | |
| New leases | - | - | 0.4 | **0.4** |
| Foreign exchange adjustments | (0.9) | - | - | **(0.9)** |
| Non-cash movement due to loss of control in a subsidiary | (108.6) | - | - | **(108.6)** |
| Non-cash movement due to derecognition of a lease | - | - | (14.2) | **(14.2)** |
| Effect of modified effective interest rate | - | 2.0 | - | **2.0** |
| Effect of fair value adjustment | (4.2) | - | - | **(4.2)** |
| Change in accrued interest | 7.5 | 0.8 | 1.5 | **9.8** |
| Change in amortised transaction costs | 0.1 | 1.0 | - | **1.1** |
| Effect of translation to presentation currency | 2.4 | (0.1) | 0.3 | **2.6** |
| **Total borrowings and lease liabilities as at 31 December 2023** | **505.6** | **304.1** | **15.5** | **825.2** |

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

| | **Carrying amounts at 31 December** | | **Fair values at 31 December** | |
|---|---|---|---|---|
| *In millions of EUR* | **2023** | **2022** | **2023** | **2022** |
| Bank borrowings | 183.1 | 480.9 | 178.7 | 478.0 |
| Issued bonds | 291.5 | 255.4 | 278.0 | 255.1 |
| **Non-current borrowings** | **474.6** | **736.3** | **456.7** | **733.1** |

## 21 Borrowings (Continued)

Assumptions used in determining fair value of borrowings are described in Note 35. The carrying values of current borrowings approximate their fair values. The fair value of lease liabilities would be affected by lease extension and termination options and it is thus not disclosed as allowed by IFRS 7 paragraph 29.
The Group has the following undrawn borrowing facilities:

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Availability: | | |
| - Expiring within one year | - | - |
| - Expiring beyond one year | 66.5 | 103.3 |
| **Total undrawn facilities** | **66.5** | **103.3** |

Investment properties (Note 10), property, plant and equipment (Note 8) and receivables (Note 14) are pledged as collateral for borrowings of EUR 522.2 million (2022: EUR 610.5 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 70% (2022: 60% to 70%) and minimum debt service coverage ratios ranging from 1.2 to 1.25 (2022: 1.2 to 1.25).

As of 31 December 2023 the loan-to-value covenant requirement related to bank loan with outstanding principal of EUR 21.5 million was not met. Consequently, the bank granted the Borrower a grace period to remedy the breach or present the concept to cure the breach. The Borrower has presented a concept to cure the breach, however, the final agreement has not been reached as of the date of issuance of these consolidated financial statements. The Group's management have evaluated the financial risk to the Group as insignificant because the loan agreement is ring-fenced and does not trigger default on any other group liability.

Except for the breach described above, during the year 2023 and up to date of authorization of these consolidated financial statements for issue, the Group was not in breach of any material loan agreement terms that could lead to loan acceleration or event of default, and no terms of the loans were renegotiated due to defaults or breaches.

After 31 December 2023 and up to date of authorization of these consolidated financial statements, the Group repaid EUR 32.2 million of loans and drawn EUR 35.0 million of new loans (Note 38).

## 22 Trade and Other Payables

| *In millions of EUR* | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Non–current** | | | |
| Other long-term payables | | 6.6 | 9.2 |
| Long-term payables to related parties (Note 7) | | 2.9 | 9.8 |
| **Total non-current payables** | | **9.5** | **19.0** |
| **Current** | | | |
| Trade and other payables to related parties (Note 7) | | 57.4 | 23.0 |
| Accrued liabilities | | 21.0 | 15.3 |
| Liabilities for construction of investment properties | | 19.8 | 55.3 |
| Trade payables | | 3.8 | 20.5 |
| Other payables | | 0.2 | 1.4 |
| Derivative financial instruments | 33 | - | 1.0 |
| **Total current financial payables** | | **102.2** | **116.5** |
| Items that are not financial instruments: | | | |
| Deferred rental income | | 4.7 | 9.4 |
| Contract liability | | 0.5 | 1.3 |
| Accrued employee benefit costs | | 1.9 | 2.1 |
| Other taxes payable | | 0.9 | 0.4 |
| VAT payable | | 2.8 | 1.9 |
| Income tax payable | | 1.1 | 1.5 |
| Prepayments | | 2.7 | - |
| **Total current other payables** | | **14.6** | **16.6** |
| **Total current trade and other payables** | | **116.8** | **133.1** |

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.

## 23 Rental and Similar Income from Investment Property

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| Rental income | | |
| Office | 10.2 | 59.4 |
| Retail | 18.3 | 17.1 |
| HubHub | 8.7 | 11.9 |
| Service charges | | |
| Office | 7.8 | 18.9 |
| Retail | 11.2 | 9.8 |
| HubHub | 0.2 | 0.2 |
| Management charges | | |
| Office | 1.8 | 2.7 |
| Retail | 1.6 | 1.9 |
| HubHub | 0.4 | 0.8 |
| **Total rental and similar income from investment properties** | **60.2** | **122.7** |

Decrease of rental and similar income from investment properties caused by transfer of income producing assets worth EUR 2.35 billion in gross development value into HB REAVIS Investments Group (REIT) in 2022.

## 23 Rental and Similar Income from Investment Property (Continued)

Where the Group is the lessor, the future minimum lease payments receivable under operating leases over the lease term are as follows at 31 December 2023:

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| Not later than 1 year | 24.1 | 22.1 |
| Later than 1 year and not later than 2 years | 24.0 | 26.7 |
| Later than 2 years and not later than 3 years | 24.3 | 28.4 |
| Later than 3 years and not later than 4 years | 19.2 | 27.2 |
| Later than 4 years and not later than 5 years | 18.2 | 21.1 |
| Later than 5 years | 53.5 | 84.2 |
| **Total operating lease payments receivable** | **163.3** | **209.7** |

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 variable lease payments receivable recognised as income in 2023 under the Group's operating leases were EUR 1.1 million (2022: EUR 0.3 million).

## 24 Direct Operating Expenses arising from Investment Property

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| *Direct operating expenses arising from investment property that generate rental income:* | | |
| Materials consumed | 0.5 | 0.8 |
| Repairs and maintenance services | 1.7 | 1.8 |
| Utilities costs | 9.2 | 13.3 |
| Services relating to investment property | 18.6 | 24.2 |
| Real estate tax | 0.5 | 0.8 |
| Other costs | 0.4 | 3.0 |
| **Total** | **30.9** | **43.9** |

## 25 Employee Benefits

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| Wages and salaries (including social and health insurance) | 17.8 | 20.3 |
| Pension costs – defined contribution plans | 0.9 | 1.1 |
| **Total employee benefits** | **18.7** | **21.4** |

The Group had 184 employees in the core real estate operations of the Group (on full time equivalent basis) as at 31 December 2023 (2022: 654 employees). The average number of employees in 2023 was 312 (2022: 703).

## 26 Other Operating Expenses

Other operating expenses comprised the following:

| *In millions of EUR* | 2023 | 2022 |
|---|---|---|
| Services | 16.2 | 25.5 |
| Net impairment losses on financial and contract assets | 1.3 | 2.2 |
| Rental expense | 1.0 | 1.0 |
| Audit fees | 0.6 | 0.9 |
| Material consumption and energy consumption | 0.7 | 0.8 |
| Other taxes | 1.0 | 0.6 |
| Cost of sold inventories | 0.9 | 0.3 |
| Other | 5.5 | (7.4) |
| **Total other operating expenses** | **27.2** | **23.9** |

## 26 Other Operating Expenses (Continued)

The following table summarizes audit fees incurred by the parent entity and its subsidiaries, billed by the principal approved audit firm, KPMG Audit S.à r.l. and other network firms of the principal approved audit firm for the audit of these consolidated financial statements:

| | Fees billed by principal approved audit firm | | Fees billed by other network firms | | Total | |
|---|---|---|---|---|---|---|
| *In millions of EUR* | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Audit fees | 0.3 | 0.5 | - | - | **0.3** | **0.5** |
| Audit-related fees | - | - | - | - | **-** | - |
| Tax fees | - | - | - | - | **-** | - |
| Other fees | - | - | - | - | **-** | - |
| **Total audit fees** | **0.3** | **0.5** | - | - | **0.3** | **0.5** |

## 27 Revenues from construction and other services

Revenues from construction contracts and other services comprised the following:

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| Construction contracts with related parties | 28.0 | 4.4 |
| Fit – out for tenants | 37.4 | 17.4 |
| Sales of services | 18.0 | 4.3 |
| Sales of inventories | 1.4 | 0.4 |
| Other | 2.1 | 2.7 |
| **Total revenues from construction and other services** | **86.9** | **29.2** |

## 28 Construction services

Expenses arising from construction services comprised from following:

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| Construction contracts with related parties | 18.4 | 3.8 |
| Fit – out for tenants | 28.5 | 13.8 |
| Other | - | 1.8 |
| **Total construction services** | **46.9** | **19.4** |

## 29 Disposals of Subsidiaries

The Group sold shares in sixteen (16) subsidiaries during year 2023: Twin City VIII s. r. o., Smart City Office IX s.r.o. , Smart City Office VIII s.r.o., Smart City Office s.r.o., Smart City Parking s. r. o., Smart City Office I s.r.o., Smart City Office II s.r.o., Smart City Office IV s.r.o., Smart City Office V s.r.o., Smart City Office VII s.r.o., Nove Apollo s.r.o., HB REAVIS Consulting k.s., HB REAVIS Finance SK II s.r.o., Symbiosy s.r.o., Symbiosy Hungary Kft., Nova Zvonarka s.r.o., out of which Twin City VIII s. r. o. and Smart City Parking s. r. o. were classified as Non-current assets held for sale as of 31 December 2022.

## 29 Disposal of Subsidiaries (Continued)

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

| *In millions of EUR* | **Sold to entity under common control in 2023** | **Sold to third parties in 2023** | **Total sold in 2023** | **Sold to entity under common control in 2022** | **Sold to third parties in 2022** | **Total sold in 2022** |
|---|---|---|---|---|---|---|
| Investment property in use or vacant | 159.5 | - | 159.5 | 2,031.5 | 2.0 | 2,033.5 |
| Investment property under development | - | 49.0 | 49.0 | 0.2 | 67.5 | 67.7 |
| Property, plant and equipment | - | 0.5 | 0.5 | 2.6 | - | 2.6 |
| Right-of-use assets | - | - | - | 0.4 | - | 0.4 |
| Receivables and loans | 36.9 | - | 36.9 | 54.4 | - | 54.4 |
| Deferred income tax asset | - | 0.5 | 0.5 | - | - | - |
| Other non-current assets | - | 0.2 | 0.2 | - | - | - |
| Inventories | - | 47.3 | 47.3 | - | - | - |
| Trade and other receivables | 3.2 | 0.6 | 3.8 | 67.4 | 0.4 | 67.8 |
| Other current assets | 0.1 | 0.8 | 0.9 | 13.8 | 1.3 | 15.1 |
| Restricted cash | 0.2 | - | 0.2 | 37.0 | - | 37.0 |
| Cash and cash equivalents | 0.3 | 1.3 | 1.6 | 32.9 | 0.4 | 33.3 |
| Borrowings non-current | (77.9) | (0.7) | (78.6) | (1,182.4) | - | (1,182.4) |
| Deferred income tax liability | (3.9) | (6.1) | (10.0) | (136.8) | (0.5) | (137.3) |
| Trade and other payables – non-current | (0.2) | - | (0.2) | (13.3) | (15.5) | (28.8) |
| Lease liabilities | - | - | - | (12.7) | (0.6) | (13.3) |
| Borrowings current | (30.0) | - | (30.0) | (17.6) | - | (17.6) |
| Trade and other payables - current | (1.5) | (0.5) | (2.0) | (24.2) | - | (24.2) |
| Other current liabilities | - | - | - | (1.5) | - | (1.5) |
| **Net assets value** | **86.7** | **92.9** | **179.6** | **851.7** | **55.0** | **906.7** |
| Less: Intercompany balances of disposed entities eliminated on consolidation, thereof: | **(17.0)** | - | **(17.0)** | **(105.9)** | - | **(105.9)** |
| - *Trade and other payables* | (21.5) | - | (21.5) | (122.5) | - | (122.5) |
| - *Trade and other receivables* | 4.5 | - | 4.5 | *9.3* | - | *9.3* |
| - *Other assets* | - | - | - | *7.3* | - | *7.3* |
| **Gain/(loss) on disposal of subsidiaries** | **15.2** | **(5.2)** | **10.0** | **92.9** | **0.1** | **93.0** |
| Foreign currency translation differences transferred from other comprehensive income upon loss of control | - | 12.6 | 12.6 | 46.3 | 0.8 | 47.1 |
| **Proceeds from sale of subsidiaries** | **84.9** | **100.3** | **185.2** | **885.0** | **55.9** | **940.9** |
| Less cash in subsidiaries at the date of transaction | (0.3) | (1.3) | (1.6) | (32.9) | (0.4) | (33.3) |
| Less non-cash settlements* | - | (2.3) | (2.3) | (846.1) | - | (846.1) |
| Less receivable from sale of subsidiary | (85.0) | (13.0) | (98.0) | (33.8) | (0.2) | (34.0) |
| Less recognition of interest in unconsolidated entity (Note 13) | - | - | - | (12.5) | - | (12.5) |
| Add liability from sale of subsidiary | - | - | - | 2.0 | - | 2.0 |
| Add other liability from sale of subsidiary | - | - | - | 5.4 | - | 5.4 |
| **Cash sale proceeds** | **(0.4)** | **83.7** | **83.3** | **(32.9)** | **55.3** | **22.4** |

*The receivable from sale was partially settled with liability from equity distribution declared during 2022 (Note 20).

## 30 Income Taxes

Income tax expense comprises the following:

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| Current tax | (0.3) | (8.8) |
| Deferred tax | 47.3 | 12.8 |
| **Income tax credit/(expense) for the year** | **47.0** | **4.0** |

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

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| **Loss before income tax** | **(292.2)** | **(95.1)** |
| Theoretical tax credit at applicable rate 19.7% (2022: 20.9%) | 57.6 | 19.9 |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| - Income/(Loss) not subject to taxation | 7.6 | 28.3 |
| - Non-temporary taxable items | (14.5) | (7.1) |
| - Change in estimate of prior period income taxes | 3.9 | (9.0) |
| - Unrecognised deferred tax assets from tax losses carried-forward | (7.6) | (11.8) |
| - Utilisation of previously unrecognised tax loss carry-forwards | - | 2.7 |
| - Effect of changes in UK income tax rate effective from 2023 | - | (19.0) |
| **Income tax benefit/(expense) for the year** | **47.0** | **4.0** |

The Group uses 19.7% (2022: 20.9%) as the applicable tax rate to calculate its theoretical tax charge which is calculated as a weighted average of the rates applicable in the Slovak Republic of 21% (2022: 21%), the Czech Republic and Poland of 19% (2022: 19%), Germany of 16% (2022:16%) and the UK of 25% (2022: 19%) where majority of the Group's operations are located. Non-temporary taxable items contain mainly non-taxable foreign-exchange differences and interest expenses.

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

| *In millions of EUR* | **1 January 2023** | **Credited to profit or loss** | **Transfer to assets held for sale** | **Divestment of subsidiaries** | **Currency translation difference** | **31 December 2023** |
|---|---|---|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | | | | |
| Investment properties | **(67.7)** | 44.2 | (1.9) | 9.5 | (0.1) | **(16.0)** |
| Tax losses carried forward | **7.6** | 2.7 | - | - | 0.1 | **10.4** |
| Other | **(2.5)** | 0.4 | - | - | - | **(2.1)** |
| **Net deferred tax (liability)** | **(62.6)** | **47.3** | **(1.9)** | 9.5 | - | **(7.7)** |

## 30 Income Taxes (Continued)

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies. Accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Deferred tax liability and deferred tax asset presented in the Consolidated Statement of Financial Position at 31 December 2023 are based on the net position of all consolidated entities. Deferred tax asset and deferred tax liability presented in the table above show net position per each category of temporary differences and do not harmonise with the presentation according to legal entities. The Group expects that substantially all of the deferred tax liability will crystallise after more than 12 months from the balance sheet date. The Group did not recognise as at 31 December 2023 deferred tax asset in the amount of EUR 7.6 million resulting from tax losses for the year in amount of EUR 38.6 million due to high probability of inability to utilise these tax losses against sufficient taxable profit. Expiration of these tax losses is between years 2024-2028.

## 31 Foreign exchange losses

Foreign exchange losses comprise the following:

| *In millions of EUR* | **2023** | **2022** |
|---|---|---|
| Bank borrowings – unrealised | 0.9 | (19.3) |
| Inter-company loans to foreign operations that do not form part of net investment – unrealised | (4.3) | (23.2) |
| Lease liabilities | - | 0.8 |
| Trade and other receivables and payables – realised during the year | (1.0) | 0.9 |
| Trade and other receivables and payables – unrealised | 3.6 | (2.4) |
| **Foreign exchange losses** | **(0.8)** | **(43.2)** |

## 32 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 24.8 million as at 31 December 2023 (31 December 2022: EUR 102.9 million); this exposure will be partially financed by external loans (committed lines: EUR 66.5 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

## 33 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) and liquidity 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. For more information see note 14.

**33 Financial Risk Management (Continued)**

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 14.

Financial instruments are not subject to offsetting, enforceable master netting and similar arrangements and are as follows at 31 December 2023:

| *In millions of EUR* | Gross amounts before offsetting in the consolidated statement of financial position a) | Gross amounts set off in the consolidated statement of financial position b) | Net amount after offsetting in the consolidated statement of financial position c) = a) - b) | Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments d) | Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Cash collateral received e) | Net amount of exposure c) - d) - e) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade receivables | 1.0 | - | - | - | 1.0 | - |
| **Liabilities** | | | | | | |
| Cash collateral received presented within trade and other payables | 1.0 | - | 1.0 | 1.0 | - | - |

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

| *In millions of EUR* | Gross amounts before offsetting in the consolidated statement of financial position a) | Gross amounts set off in the consolidated statement of financial position b) | Net amount after offsetting in the consolidated statement of financial position c) = a) - b) | Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments d) | Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Cash collateral received e) | Net amount of exposure c) - d) - e) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade receivables | 2.2 | - | 2.2 | 1.9 | 0.3 | - |
| **Liabilities** | | | | | | |
| Cash collateral received presented within trade and other payables | 0.3 | - | 0.3 | 0.3 | - | - |

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 26 banks (2022: 30 banks) but 92.01% (2022: 91.6%) of cash balances as of 31 December 2023 are held with 10 (2022: 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 17.

## 33 Financial Risk Management (Continued)

***Expected credit loss (ECL) measurement***

The Group uses expected credit loss ("ECL") measurement, which reflects the probability-weighted estimate of the present value of future expected credit losses. The Group applies a simplified approach to trade receivables, unbilled receivables from service charges and accrued rental income ("trade receivables") under IFRS 9 (including related party receivables), i.e. measures ECL using lifetime expected loss. The Group uses for the calculation of lifetime expected loss by applying a provision matrix that takes into account the ageing of trade receivables and trade receivables ultimately written off. Expected credit losses are modelled over receivables lifetime period.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. As for loans to other parties, 12-month ECL is recognised unless there is a significant increase in credit risk (SICR). 12-month ECL represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

***Significant increase in credit risk (SICR)***

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For other receivables and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Management.

The Group considers other receivables and other financial assets to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

- 30 days past due;
- the Group regularly monitors debtors with increased credit risk and considers such portfolios to have a SICR.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the debtor has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The Group has two approaches for ECL measurement: (i) assessment on an individual basis and (ii) assessment on a portfolio basis. The Group performs an assessment on a portfolio basis for trade receivables. The Group performs an assessment on an individual basis for all receivables overdue more than 365 days. For the measuring ECL amount the Group is taking into consideration the fact whether the receivable under the review is secured by a bank guarantee/cash deposit or not.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics. The key shared credit characteristics considered are: financial instrument type, type of customer, date of initial recognition and remaining term to maturity. The different segments also reflect differences in credit risk parameters. The appropriateness of groupings is monitored and reviewed on a periodic basis by Management.

***Forward-looking information incorporated in the ECL models***

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs.

Cash flow forecasts are provided by the Board of Directors and provide the best estimate of the expected macro-economic development over the next year. The Group has considered this information, and based on the fact that most of the financial assets are current, this did not have significant impact on the consolidated financial statements.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes. The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

## 33 Financial Risk Management (Continued)

### *(ii) Market risk*

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

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

Had the foreign exchange rates been by 5% lower than they have been throughout the year ended 31 December 2023 with all other variables constant, profit for the year would have been approximately EUR 9.9 million lower (2022: EUR 46.8 million lower). Equity, after allowing for the tax effects, would have been EUR 8.4 million lower (2022: EUR 16.9 million lower). For sensitivity analysis borrowings held in other then functional currencies were used as an exposure. The table presents sensitivity analysis by currencies.

| *In millions of EUR* | **PLN** | **GBP** | **HUF** | **Total** |
|---|---|---|---|---|
| **Foreign exchange sensitivity at 31 December 2023** | | | | |
| Profit for the year | (0.5) | (9.4) | - | **(9.9)** |
| Equity after allowing for the tax effects | (0.1) | (8.3) | - | **(8.4)** |
| **Foreign exchange sensitivity at 31 December 2022** | | | | |
| Profit for the year | (28.2) | (9.0) | (9.6) | **(46.8)** |
| Equity after allowing for the tax effects | (9.2) | (7.7) | - | **(16.9)** |

***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 interest-bearing financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

| *In millions of EUR* | **Up to 1 month** | **1 to 3 months** | **3 months to 1 year** | **1 to 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **Interest rate bearing financial assets** | | | | | | |
| Cash and cash equivalents | 51.9 | - | - | - | - | **51.9** |
| Derivatives and other financial assets | (0.2) | 1.0 | (0.2) | 10.9 | - | **11.5** |
| Loans to related parties | 0.5 | - | - | - | 17.8 | **18.3** |
| **Interest rate bearing financial liabilities** | | | | | | |
| Borrowings | (113.6) | (387.8) | (71.3) | (237.0) | - | **(809.7)** |
| Lease liabilities | (0.1) | (0.9) | (2.5) | (12.0) | - | **(15.5)** |
| **Net interest sensitivity gap at 31 December 2023** | **(61.5)** | **(387.7)** | **(74.0)** | **(238.1)** | **17.8** | **(743.5)** |

**33 Financial Risk Management (Continued)**

| *In millions of EUR* | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| 31 December 2022 | | | | | | |
| **Interest rate bearing financial assets** | | | | | | |
| Cash and cash equivalents | 62.7 | - | - | - | - | **62.7** |
| Derivatives and other financial assets | - | 0.5 | 0.7 | 15.6 | - | **16.8** |
| Receivables and loans | - | - | 53.1 | 2.3 | - | **55.4** |
| **Interest rate bearing financial liabilities** | | | | | | |
| Borrowings | (85.9) | (260.3) | (162.5) | (423.6) | (70.2) | **(1,002.5)** |
| Lease liabilities | (0.2) | (2.2) | (6.2) | (22.5) | (3.0) | **(34.1)** |
| Derivatives and other financial instruments | - | (0.2) | (0.8) | - | - | **(1.0)** |
| **Net interest sensitivity gap at 31 December 2022** | **(23.4)** | **(262.2)** | **(115.7)** | **(428.2)** | **(73.2)** | **(902.7)** |

The Group mitigates its interest rate risk and foreign exchange rate risk using derivative instruments. Cross currency interest rate swaps, interest rate cap options and FX forwards are used by the Group. The table presents notional values and fair values of derivatives.

| *In millions of Currencies* | **Currency** | **31 December 2023** | | | **31 December 2022** | | |
|---|---|---|---|---|---|---|---|
| **Derivatives - Assets** | | **Notional values** | **Fair values** | **Gain/(loss) on financial derivatives** | **Notional values** | **Fair values** | **Gain/(loss) on financial derivatives** |
| Interest rate cap | EUR | 250.3 | 8.0 | (0.5) | 250.3 | 12.7 | 31.9 |
| Cross currency | EUR | 101.3 | 2.5 | 0.7 | 101.3 | 2.9 | 4.9 |
| interest rate swap | CZK | 2,655.1 | - | - | 2,655.1 | - | - |
| Cross currency | EUR | - | - | 1.6 | - | - | - |
| interest rate swap | PNL | - | - | - | - | - | - |
| FX forward currency pair of EUR/PLN | EUR | 40.0 | 1.0 | 2.4 | 180.0 | 1.2 | 1.4 |
| FX forward currency pair of EUR/GBP | EUR | 15.0 | - | 0.8 | - | - | (1.5) |
| **Total** | | | **11.5** | **5.0** | | **16.8** | **36.7** |
| **Derivatives - Liability** | | **Notional values** | **Fair values** | **Gain/(loss) on financial derivatives** | **Notional values** | **Fair values** | **Gain/(loss) on financial derivatives** |
| FX forward currency pair of EUR/GBP | EUR | - | - | - | 27.5 | 0.8 | - |
| FX forward currency pair of EUR/PLN | EUR | - | - | - | - | - | - |
| Cross currency | EUR | - | - | - | 18.8 | 0.2 | 4.1 |
| interest rate swap | PLN | - | - | - | 85.0 | - | - |
| **Total** | | | | | | **1.0** | **4.1** |

**33 Financial Risk Management (Continued)**

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been higher by 200 basis points than they have been throughout the year ended 31 December 2023 with all other variables constant, profit before tax for the year would have been lower by approximately EUR 6.9 million (2022: EUR 12.2 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 5.6 million higher (2022: higher by EUR 9.7 million).

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 derivative instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings.

The provisions are taken into consideration by the Group's management when pursuing its interest rate management 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 Directors. 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.

***(iii) Liquidity risk***

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

The table below shows liabilities at 31 December 2023 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 statement of financial position 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 remaining maturities of financial liabilities based on contractual undiscounted cash- flows as at 31 December 2023 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 repayments) | 328.1 | 82.9 | 238.9 | 149.5 | **799.4** |
| Borrowings (future interest payments) | 33.6 | 18.2 | 30.4 | 5.5 | **87.7** |
| Financial payables - current (Note 22) | 102.2 | - | - | - | **102.2** |
| Future lease payments (Note 9) | 4.4 | 4.8 | 9.4 | 0.5 | **19.1** |
| **Total future payments, including future principal and interest payments** | **468.3** | **105.9** | **278.7** | **155.5** | **1,008.4** |

**33 Financial Risk Management (Continued)**

The remaining maturities of financial liabilities based on contractual undiscounted cash- flows as at 31 December 2022 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 repayments) | 217.3 | 418.9 | 287.9 | 70.2 | **994.3** |
| Borrowings (future interest payments) | 36.8 | 24.4 | 23.6 | 2.4 | **87.2** |
| Financial payables - current (Note 21) | 115.5 | - | - | - | **115.5** |
| Future lease payments (Note 9) | 10.1 | 7.9 | 17.9 | 3.1 | **39.0** |
| Net position from derivatives (Note 21) | 1.0 | - | - | - | **1.0** |
| *Out of which cash inflows from derivatives* | *(18.9)* | - | - | - | ***(18.9)*** |
| *Out of which Cash outflows from derivatives* | *19.9* | - | - | - | ***19.9*** |
| **Total future payments, including future principal and interest payments Liabilities** | **380.7** | **451.2** | **329.4** | **75.7** | **1,237.0** |

On an ongoing basis the Board of Directors reviews a rolling cash flow forecast prepared on a consolidated basis. As of the date of preparation of these consolidated financial statements and based on our funding capacity the Board has considered cash flow scenarios, including a stress case, and concluded that it is appropriate to use the going concern assumption in preparation of these consolidated financial statements (see also Note 2).

Current liabilities exceeded current assets by EUR 200.6 million as of 31 December 2023. However, after 31 December 2023, the Group signed two amendments, first to the EUR 60 million loan with an original maturity date of 30 June 2024 out of which EUR 50.4 million extended the maturity to 30 June 2027. Second amendment to the EUR 50.8 million loan with an original maturity date of 15 April 2024 extended the maturity to 15 April 2026. In addition, current development loans with nominal value EUR 102.7 million and current investment loans EUR 52.2 million are under negotiation with banks to extend the maturity. Current borrowing balances includes also EUR 5 million of overdraft balance that is repayable upon request with 10-month notice period. After 31 December 2023 and up to date of authorization of these consolidated financial statements, the banks did not request repayment of these balance.

As a result of events after the balance sheet date, none of the above-mentioned liabilities are repayable within 12 months and current assets sufficiently cover the remaining balance of current liabilities.

## 34 Management of Capital

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

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

| *In millions of EUR* | **Note** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|
| Equity attributable to the owners of HB Reavis Holding S.A. | | 529.9 | 762.2 |
| Adjusted for<br>Add: Deferred income tax net (including non-current assets held for sale) | 15, 30 | 10.4 | 69.7 |
| **Net Asset Value (adjusted) as monitored by management** | | **540.3** | **831.9** |

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties less Cash and Group total assets.

| *In millions of EUR* | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Bank borrowings and finance leases less cash including those classified as held for sale | 718.3 | 935.5 |
| Total assets | 1,522.5 | 2,025.5 |
| **Net debt leverage ratio** | **47.18%** | **46.18%** |

The net debt leverage ratio stood at 47.18% (2022: 46.18%). The Group undertakes efforts to reduce its leverage through divestments of core and non-core assets and repayment of existing loans.

## 35 Fair Value Estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

### i) Investment properties

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

| *In millions of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Investment property – valuations obtained at 31 December 2023 (Note 10) | - | - | 1,188.2 | **1,188.2** |
| Investment property – valuations obtained at 31 December 2022 (Note 10) | - | - | 1,600.9 | **1,600.9** |

Level 3 investment properties are fair valued using discounted cash flow method, residual method, comparative method, direct capitalisation method, hard-core layer 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. The fair value of the properties that are included in Residential segment have been transferred to Inventories.

## 35 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

**Asset Management and Investment Management**

| Segment | Valuation technique | Fair value 31 Dec 2023 (in millions of EUR) | Fair value 31 Dec 2022 (in millions of EUR) | Input | Range 31 Dec 2023 | Range 31 Dec 2022 |
|---|---|---|---|---|---|---|
| **Slovakia** | | | | | | |
| Office | Hard-core layer method | 113.8 | 113.9 | average annual rent / sq m | 188-203 | 188-200 |
| | | | | capitalisation rate for terminal value | 7.10% - 7.16% | 6.67% - 6.82% |
| | | | | average annual rent / sq m | 223 | 216 |
| Retail | Direct capitalisation method | 348.9 | 341.2 | capitalisation rate for terminal value | 6.50% | 6.20% |
| **Total** | | **462.7** | **455.1** | | | |
| **Total for segment** | | **462.7** | **455.1** | | | |

**Development in realisation and in preparation**

| Segment | Valuation technique | Fair value 31 Dec 2023 (in millions of EUR) | Fair value 31 Dec 2022 (in millions of EUR) | Input | Range 31 Dec 2023 | Range 31 Dec 2022 |
|---|---|---|---|---|---|---|
| **Slovakia** | | | | | | |
| Office, Office/Retail | Residual Method | 6.3 | 188.3 | Capitalised net revenues less cost to completion | 9.3 | 156.8 |
| | | | | Capitalisation rate | 5.80% - 5.80% | 5.30% - 6.80% |
| Residential | Residual Method | 28.5 | 30.6 | price in EUR per sqm | 4,840 – 4,840 | 4,550 – 4,840 |
| **Total** | | **34.8** | **218.9** | | | |

The average annual rent provided includes the Estimated Market Rental Value (EMRV) i.e. the open market rent of each space (not necessarily equal to the current passing rent) of the property, including rental income from office and retail space but including ancillary income from storage, parking, signage, technology and other income divided by square meters of lettable office, retail and storage space.

## 35 Fair Value Estimation (Continued)

**Development in realisation and in preparation (Continued)**

| Segment | Valuation Technique | Fair value 31 Dec 2023 (in millions of EUR) | Fair value 31 Dec 2022 (in millions of EUR) | Input | Range 31 Dec 2023 | Range 31 Dec 2022 |
|---|---|---|---|---|---|---|
| **Czech Republic** | | | | | | |
| Office | Residual method | - | 27.7 | Capitalised net revenues less cost to completion<br>Capitalisation rate | -<br>- | 87.8<br>6.25% |
| Office | At cost | - | 1.0 | | | |
| **Total** | | **-** | **28.7** | | | |
| **Poland** | | | | | | |
| Office | Comparative method | 3.3 | 3.2 | Price in EUR per sqm of land | 984.0 | 945.7 |
| Office | At cost | 1.0 | 1.0 | - | | |
| **Total** | | **4.3** | **4.2** | | | |
| **United Kingdom** | | | | | | |
| Office | Residual method | 465.8 | 530.5 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 1,007.9<br>5.15% - 5.35% | 1,016.5<br>4.50% - 4.65% |
| **Total** | | **465.8** | **530.5** | | | |

## 35 Fair Value Estimation (Continued)

**Development in realisation and in preparation (Continued)**

| Segment | Valuation Technique | Fair value 31 Dec 2023 (in millions of EUR) | Fair value 31 Dec 2022 (in millions of EUR) | Input | Range 31 Dec 2023 | Range 31 Dec 2022 |
|---|---|---|---|---|---|---|
| **Hungary** | | | | | | |
| Office | Direct capitalization method | - | 50.1 | average annual rent / sq m | - | 215 |
| | | | | capitalisation rate | - | 5.9% |
| **Total** | | **-** | **50.1** | | | |
| **Germany** | | | | | | |
| Office | At cost | - | 72.7 | - | | |
| Office | Residual method | 170.7 | 183.0 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 207.7<br>4.20 – 5.00% | 213.6<br>3.20% - 4.00% |
| **Total** | | **170.7** | **255.7** | | | |
| **Total for segment** | | **675.6** | **1,088.1** | | | |
| **None - core** | | | | | | |
| Logistics | Comparative method | 41.0 | 34.0 | Price in EUR per sqm | 774.7 | 3,016.2 |
| Retail | At cost | 3.7 | 14.0 | - | | |
| HubHub | At cost | 5.2 | 9.7 | - | | |
| **Total for segment** | | **49.9** | **57.7** | | | |

**35 Fair Value Estimation (Continued)**

**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 Group Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

**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.

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

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 345.7 million (2022: 329.6 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be 4.20% to 5.35%, or 5.00% on average (2022: from 4.00% to 4.65%, or 4.49% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 30.4 million lower or EUR 33.6 million higher (2022: EUR 35.2million lower or EUR 39.4 million higher).

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

- 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 77.5 million (2022: EUR 228.9 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 5.75% to 7.16%, or 5.99% on average (2022: from 5.30% to 6.82%, or 5.71% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 22.0 million lower or EUR 23.9 million higher (2022: EUR 39.4 million lower or EUR 43.0 million higher).

**ii) Financial Instruments**

Fair value of a financial instrument is the price that would be received to sell the financial instrument in an orderly transaction between market participants at the measurement date and is best evidenced by the transaction price or 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 4.56% p.a. (2022: 5.70% p.a.). Refer to Note 21 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.

**35 Fair Value Estimation (Continued)**

***Financial derivatives.*** The fair values of derivatives are based on counterparty bank quotes and are considered level 2 valuations. The fair value was estimated as follows:

**Forward exchange contracts.** The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

***Interest rate swaps.*** The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowings rates. Estimated cash flows are discounted using yield curve constructed from similar sources and which reflects the relevant benchmark interbank rates used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

***Interest rate Cap.*** The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowings rates. Estimated cash flows are discounted using yield curve constructed from similar sources and which reflects the relevant benchmark interbank rates used by market participants for this purpose when pricing interest rate swaps. A defined cost paid by purchasing a IR CAP option ensures that the fair value of the derivative can´t be negative.

**36 Reconciliation of Classes of Financial Instruments with Measurement Categories**

For the purposes of measurement, IFRS 9 "*Financial Instruments*" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The Group's financial derivatives are classified as financial assets at FVTPL. All other Group's financial asset is measured at amortised cost as it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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 amount outstanding.

All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as financial liabilities at FVTPL.

## 37 Consolidated Structured Entities

The following table presents the details of Group's issued bonds:

| Entity | Country of incorporation | ISIN | Coupon | Maturity |
|---|---|---|---|---|
| HB REAVIS Finance SK IV s. r. o. | Slovakia | SK4120013244 | 4,45% | 14 September 2027 |
| HB REAVIS Finance SK V s. r. o. | Slovakia | SK4120014853 | 3,25% | 08 February 2025 |
| | Slovakia | SK4000015814 | 3,25% | 30 September 2025 |
| | Slovakia | SK4000016218 | 3,25% | 18 November 2025 |
| HB REAVIS Finance SK VI s. r. o. | Slovakia | SK4000015590 | 2,75% | 17 July 2026 |
| HB REAVIS Finance SK VII s. r. o. | Slovakia | SK4000017729 | 3,35% | 25 September 2024 |
| | Slovakia | SK4000018198 | 3,35% | 11 December 2024 |
| | Slovakia | SK4000018586 | 3,35% | 24 March 2025 |
| | Slovakia | SK4000018701 | 3,35% | 24 March 2025 |
| HB REAVIS Finance SK VIII s. r. o. | Slovakia | SK4000019378 | 3,40% | 15 January 2026 |
| HB REAVIS Finance SK IX s. r. o. | Slovakia | SK4000020087 | 3,60% | 14 December 2026 |
| | Slovakia | SK4000020459 | 3,75% | 31 March 2026 |
| | Slovakia | SK4000020855 | 3,85% | 30 June 2026 |
| | Slovakia | SK4000021424 | 4,10% | 31 August 2027 |
| HB Reavis Finance CZ II s.r.o. | Czech Republic | CZ0003541245 | 6M PRIBOR + margin 2,25% | 08 January 2025 |
| | Czech Republic | CZ0003528911 | 4,85% | 08 January 2025 |

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 EUR 242.3 million and CZK 1.369 billion (Note 21). Bonds issued by entities incorporated in Slovakia are listed on Bratislava stock exchange, in Czech Republic on Prague stock exchange.

## 38 Events after the End of the Reporting Period

In February 2024, HB Reavis Group agreed on the sale of 100% of shares in its subsidiary, HB Reavis Investment Management S.à r.l., which manages HB Reavis Real Estate Investment Fund. The completion of the transaction is subject to regulatory approvals in Luxembourg and Slovakia.

In February 2024, the Group completed the sale of shares in Pressburg Urban Projects a. s. classified as held for sale as of 31 December 2023.

After 31 December 2023 and up to date of authorization of these consolidated financial statements, the Group repaid EUR 32.2 million of loans and drawn EUR 35.0 million of new loans.

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