ANNUAL REPORT

2018

hb reavis

Table of contents

1. That's Us 3
2. Financial Highlights 7
3. Key Projects 8
4. Business Highlights 19
5. Group Overview 23
6. Countries Overview 26
7. From Our Leaders 42
8. Board of Directors 46
9. Our People 48
10. Setting an Example 51
11. A Positive Force in Our Communities 63
12. An Ambition to Set New Industry Trends 66
13. Business Review 68
14. How We Manage Our Assets 73
15. Financial Review 75
16. Consolidated Financial Statements 84

That's Us

Too often, 'making people happy' seems to be more of a marketing pitch than a realistic corporate mission. At HB Reavis though, we deliver this and more – by following a well-being led approach and tirelessly focusing on people's experiences within our developements.

2018 was a great example of this strategy in action. We delivered a number of workspaces with features well beyond the norm. We pushed other landmark developments closer to completion and announced new plans that will give us even greater opportunities to show how effective our solutions can be.

Put together, these investments combine to create an innovative portfolio that's setting new benchmarks on the international stage.

33 Central

WELLcome to better

The WELL Building Standard (WELL) certification framework assesses the way buildings and workspaces enhance well-being and productivity.

As we believe that quality spaces improve health and satisfaction, we're thrilled to work so closely with the Standard: it confirms the potential and success of our projects.

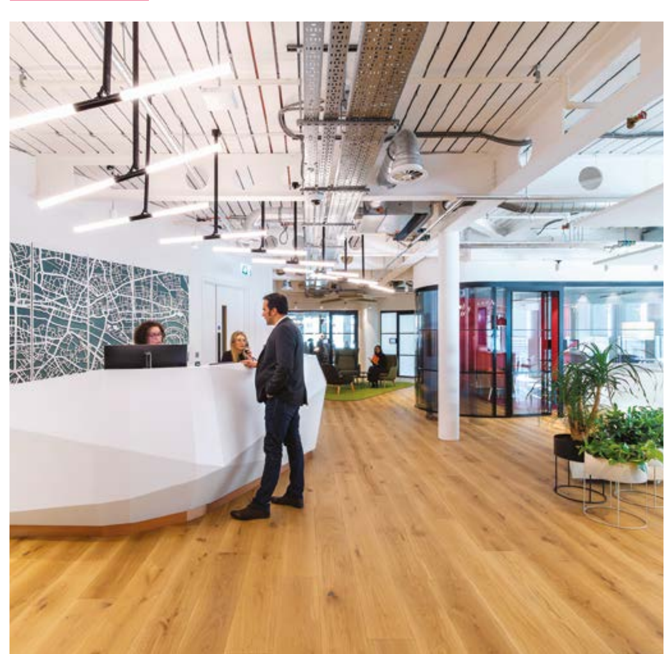
- Varso Tower was CEE's first WELL pre-certified building.
- The whole Varso Place vision is on track to receive WELL Gold certification once the buildings are completed.

For us, well-being comes from striking, long-term experiences. On one hand, these experiences are built around meeting the needs people consciously know about. And on the other, they fulfil desires they don't even realise will positively influence their stress levels and overall health, performance and satisfaction.

In practice, these experiences are the result of a variety of workstreams. There's our investment in extensive research, the consultancy we provide through Origameo and the communities of startups and other businesses that call our HubHub co-working venues home. There are also our large-scale European campuses with their flexible leases and array of state-of-the-art, smart and symbiotic building solutions.

Together, they create a synergy that allows us to approach our projects holistically. This has led us to evolve from simply being a traditional developer into an international workspace provider, one that believes every company has the right to be a part of a thriving business community that helps them nurture their growth.

33 Central



Varso Place

Productivity & health

The happier and more effective people are, the more productive they're likely to be. It's a simple premise. But one we can prove.

We developed and tested an application that measured the productivity of employees in our Bratislava and London offices. It looked at the relationships between productivity, different spaces and types of activities.

The project was perfectly timed, as all the teams were moving from traditional, closed offices to new, activity-based spaces. By measuring people's experiences as and when they happened, we were able to collect more compelling data compared to a one-off retrospective survey.

We saw variables that correlated with productivity and business metrics, including absenteeism, presenteeism, health issues, downtime, mood, sleepiness, satisfaction, engagement, intention to quit and turnover.

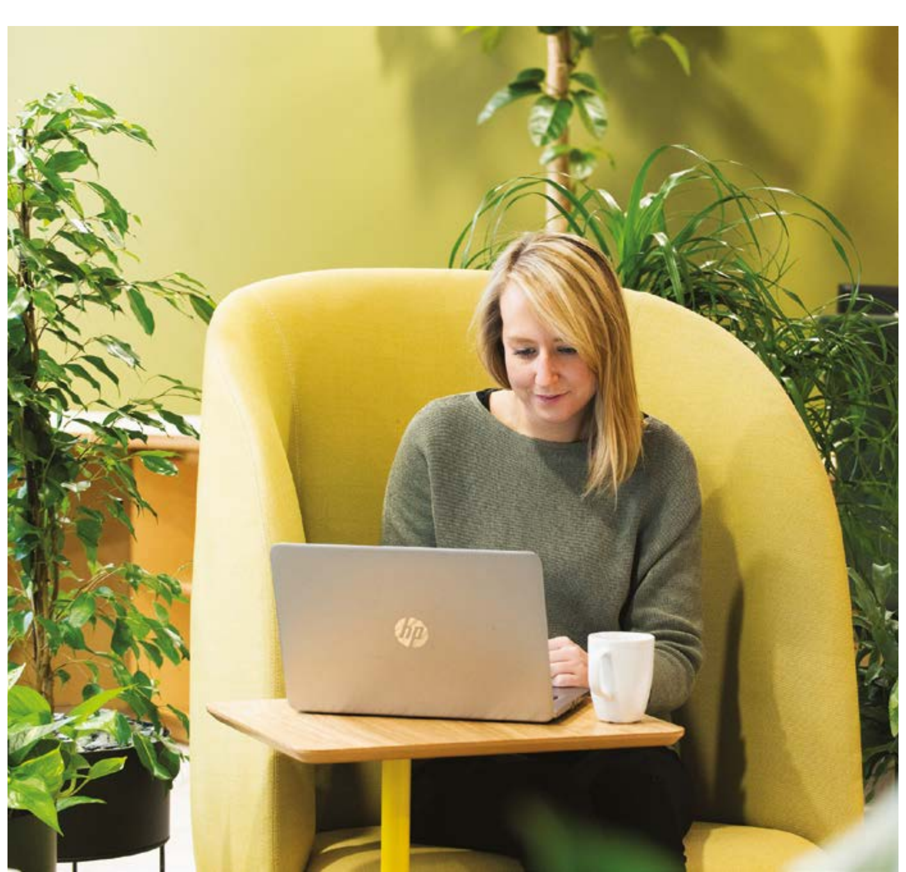
Ultimately, the data has given us new evidence-based insights that now underpin our discussions with workspace clients. We can consult with confidence and create people-centric designs that aid productivity and increase performance.

About us

We're an international workspace provider with a mission to create remarkable experiences through real estate solutions.

In practice, we design, build and manage our buildings – from bespoke headquarters and retail malls to co-working spaces. But there's more to this than real estate. We put users and local communities at the heart of our every decision and create cutting-edge workspaces.

Around 66,500 people use our projects as their place of work. Each day, over 100,000 people visit a retail or entertainment building that bears our hallmark. And as an asset manager, we continuously develop a portfolio of services that exceed the expectations of almost 475 clients, their employees and the countless visitors who use these spaces. As well as our HB Reavis-led solutions, we have a number of brands that play a vital role in enhancing the productivity and well-being of businesses and their people.



More

Our events and services brand delivers more value to companies and their employees – enhancing talent attraction and retention, improving absenteeism, and strengthening employee engagement.

Symbiosy

Our technology and sensorics platform analyses businesses' spaces, how their networks collaborate and the overall quality of their indoor environments. We then use these insights to calibrate new designs around users' needs.

Origameo

Our strategic workspace consultancy uses extensive data collection to develop tailored offices and working environments.

Qubes

Our flexible leases and full-service office products offer the flexibility to design and equip workspaces that suit businesses perfectly, and then evolve with them over time.

HubHub

Our co-working space is more than an office. It's an educational platform and inspirational community where like-minded people meet, ideas happen and both talent and businesses grow.

Basic business highlights

Building excellence

We're one of Europe's biggest workspace providers. A privately held business, we operate in the United Kingdom, Germany, Poland, Czechia, Slovakia and Hungary.

There are approximately 770 of us; talented experts with a passion for bringing remarkable experiences to people through our real estate solutions.

1.11m

sq m GLA delivered to date

€**3.3**bn

gross development value delivered

1.3m

sq m GLA in the pipeline

€**6.6**bn

expected gross development value in pipeline

487,500

sq m expected leasable area under construction

€**2.5**bn

expected gross development value under construction

11

projects under construction

361,000

sq m managed assets

Note: Figures based on Internal Management Report

Construction of Varso Place

At HB Reavis, we do things a little differently. We provide infrastructure and design spaces that are completely people-centric. Places that help everyone who experiences them to enjoy what they do, while also developing their skills.

Health, well-being, productivity and happiness – these are the priorities that drive our development processes. Whether our team of experts are scoping potential investments, designing concepts or reviewing plans: the people who'll experience our buildings are always at the forefront of our thoughts.

Not only has our approach succeeded in our home country, Slovakia, but we're inspiring people in Poland, the Czechia, Hungary and the United Kingdom too. Plus, we've just secured our first two German projects that will be managed by our new and growing Berlin office.

02

Financial Highlights

How we performed

In 2018, our financial performance slightly improved. However, it's still lagging behind our long-term target due to permit delays.

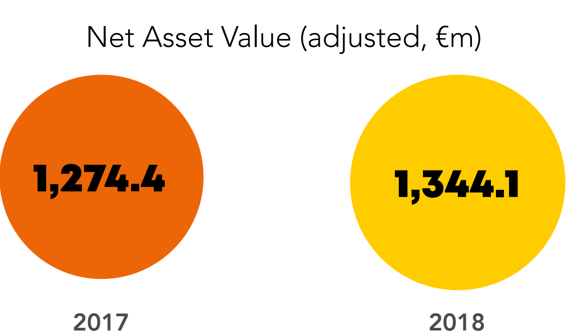
The Group generated a total comprehensive income of €102.1m (€96.5m in 2017). This translates into a 8.5% return on shareholders' equity (7.6% in 2017). Our balance sheet grew to €2.35bn and adjusted net asset value reached around €1.344bn at the end of 2018.

At 30.5%, the Group's net debt leverage returned closer to our target. In addition, the business performed well: we signed leasing contracts worth over 140,000 sq m of GLA with almost 100 clients, 90% of which was new business.

A look back at our performance

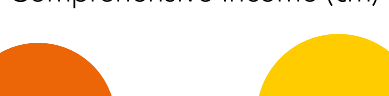
Europe's demand for offices continues to grow – beyond developers' abilities to provide them. However, we're working hard to meet that need. According to Property EU, our pipeline makes us CEE's second largest office developer (and one of the largest on the continent).

Net Asset Value (adjusted, €m)



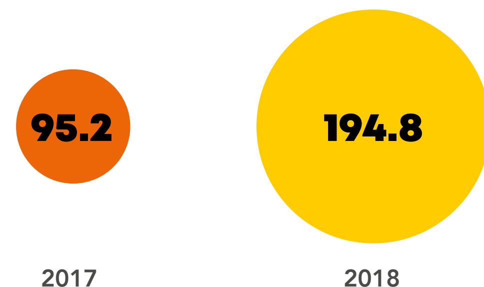
2017 2018

Comprehensive Income (€m)



2017 2018

Revaluation Gain (€m)



2017 2018

Net Debt Leverage Ratio (%)

2017 2018

Return to Shareholders (%)

2017 2018

Key Projects

7th floor

Offering – 1,000 sq m of flexible workspace at 33 Central. Space available from 300 – 1,000 sq m. Simply plug and play.

7th Floor at 33 Central is designed to help you be instantly productive. There's more to it than the convenience of helping users enjoy a seamless business-as-usual move. This is business-that's-better: enhancing companies' capabilities and improving their employees' well-being.

With a warm greeting in the welcome hall and at the coffee bar, everyone also has access to a comfortable self-contained kitchen and open, semi-private and private meeting areas.

20 Farringdon Street

20 Farringdon Street offers around 7,880 sq m of Grade A office space arranged over 11 storeys and is designed to maximise flexibility. There's also a cyclist entrance off the Cycle Superhighway; plus 142 cycle spaces, excellent storage and changing facilities. It's within easy walking distance of Farringdon Station too.

20 Farringdon Street incorporates a state-of-the-art facial recognition system into the double-height reception which enables seamless and secure journeys throughout the building without the need for a pass.

The building's six terraces not only provide refreshing outdoor space, but views towards the Houses of Parliament and Battersea Power Station to the west and St Paul's Cathedral and the City to the east.

The reception also features a bespoke lighting installation, created by the art and design studio Acrylicize that was inspired by the flow of water from the River Fleet which flows under Farringdon. Its 650 light batons lead visitors through the entrance portal into the reception area, onto the stairwell and into the buildings' core – encouraging occupiers to stretch their legs while at work.

Location
20 Farringdon Street, City of London

Architects
Denton Corker Marshall

Status
Delivered in April 2018

GLA
7,883 sq m

Estimated GDV
€143m

Awards
2018 National Site Award Considerate Constructors Scheme

Sustainability
BREEAM 'Excellent'

We worked closely with architects from Denton Corker Marshall to develop a user-focused building that encourages productivity and contentment.

Elements like the 'biometric identification' system are key to this. But the building's community has to play a role too. So, we were delighted to announce last year that cycling commuters have access to their own entrance off the Cycle Superhighway in addition to excellent storage and changing facilities. To further promote better well-being within the building, 20 Farringdon Street boasts a double-width polished concrete feature staircase.

Earlier in 2018, we were delighted to announce that the UK's first HubHub will open at 20 Farringdon Street. HubHub will occupy around approximately 3,200 sq m of the office building, providing four floors of high quality and start-up user-focused space.

By October 2018, leases were agreed upon with NG Bailey and The Berkeley Partnership LLP.

The Berkeley Partnership LLP is an independent management consultancy with offices in New York and London. This new lease will see them relocate their London headquarters from Chancery Lane to the 9th floor of 20 Farringdon Street.

NG Bailey is a leading independent engineering, IT and facilities services business, which will take the 10th and 11th floors of Grade A office space at 20 Farringdon Street. Both companies will benefit from the building's central location, exceptional skyline views, outdoor terraces and state-of-the-art security which includes a facial recognition entry system.

"Moving to HB Reavis' new state-of-the-art office space, 20 Farringdon Street, offers a first-class working environment for our London-based colleagues. Occupying two floors of the BREEAM 'Excellent' rated building, we've worked hard to ensure the whole look and feel of our new office creates an inspiring and innovative atmosphere and nurtures a culture of agile and collaborative working among employees and visitors. Our new office base will help us to continue to develop our presence in London."

Peter Jones
Managing Director of Services at NG Bailey

Cooper & Southwark

Cooper & Southwark, located at 61 Southwark Street, marked our first refurbishment scheme in London and first project south of the river.

We've transformed an outdated nine storey office block into a high quality and vibrant offering, adding additional floor space, terraces on the fifth, sixth and seventh floors and a new self-contained building unit on Great Guildford Street for a total of 7,241 sq m of modern and flexible office space.

Working with TateHindle architects and Collins Construction, Cooper & Southwark was completed in March 2018. The development was pre-let in its entirety on a long-term lease to real estate advisor CBRE's Global Workplace Solutions division and then sold to a private overseas investor in June 2018.

Location
61 Southwark Street, London

Architects
TateHindle

Status
Delivered in March, sold in June 2018

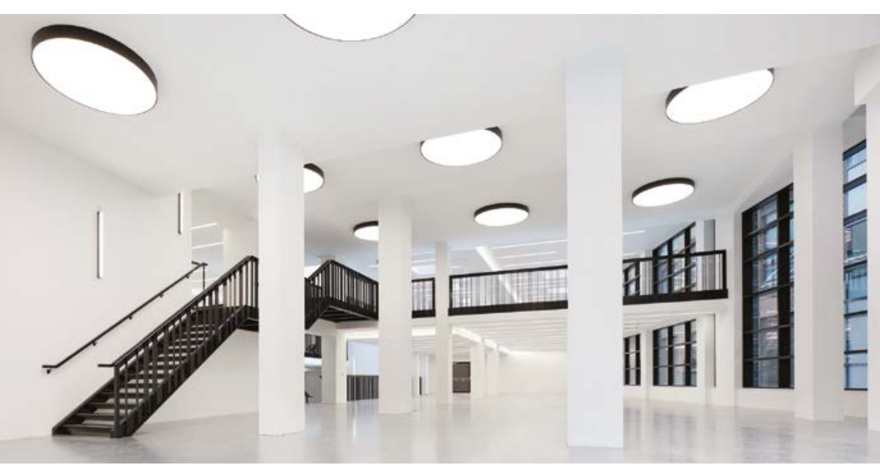
GLA
7,241 sq m

Estimated GDV
€115m

Sustainability
BREEAM 'Very Good'

"The sale of Cooper & Southwark demonstrates our ability to create value through both the quality of our developments and attractive pre-leasing terms. The significant investment from a global investor emphasises the growth of the South Bank into one of the most appealing places to live, visit, work and invest. It will continue to be a key area for us with our redevelopment of Elizabeth House in Waterloo into one of the city's most important schemes."

Steven Skinner
UK CEO



One Waterloo (Elizabeth House)

Acquired in May 2017, our Elizabeth House site in Waterloo is one of the capital's most important redevelopment projects and adds an exciting dimension to our London portfolio.

The 1960s building, acquired with pre-existing consent for around 117,300 sq m of development, is immediately adjacent to Waterloo Station, the UK's busiest transport hub.

Over 100 million people pass through the station every year, a number set to rise to 130 million passengers over the next five years. Well connected to London and the south of England, Elizabeth House and future One Waterloo project is also just minutes by foot from the South Bank's world-famous cultural destinations including the Southbank Centre, the National Theatre, the River Thames and the London Eye.

A landmark development, One Waterloo focuses on creating a truly memorable experience that marries a comprehensive approach to users' well-being with enhancements to the wider community – along with dramatic upgrades to the site's versatility and connectivity.

We've added value by re-evaluating the potential of the plot: re-submitting permits and adding a "workspace as a service approach" that will inspire and delight. The new design brings the lower levels to life too, with new restaurants and cafes as well as new retail and leisure facilities.

The original design also included high-end residential units. Given the location, the apartments would inevitably be hugely expensive and do little to meet London's housing needs. We felt it was more appropriate to create additional office space that would support thousands of new jobs.

The building will eventually support 10,800 new jobs all at an address next to a transport hub that is Europe's busiest: welcoming 200m passengers each year and offering quick connections across London, from the financial districts in the Square Mile and Canary Wharf to the creative businesses in the West End and Shoreditch.

We plan to create an ecosystem of workspaces that suits businesses of all shapes and sizes. The entire vision will nurture business communities, in particular through our own co-working concept, HubHub.

Naturally, well-being is fused into the core of the design. We have proposed creating over 5,000 sq m of terrace space and are targeting the WELL Building Institute's Platinum standard.

There will also be over 0.6 hectares of new public space – including a public garden promenade set above ground level connecting Waterloo to the South Bank cultural district. In fact, the building's main entrances will open directly onto the promenade.

In addition, we also plan to create the 'Waterloo Curve', a new pedestrian street lined with shops and cafes between Elizabeth House and Waterloo Station and a vibrant square outside the station's main entrance (known as Victory Arch Square).

Estimated GLA*
117,325 sq m

Architects
Allford Hall Monaghan Morris (AHMM)

Estimated GDV
€1.974bn

With four major tube lines running beneath, the building requires an innovative engineering solution which was designed by Robert Bird Group.

A comprehensive community engagement programme saw us hold two public exhibitions in July and December of 2018 as well as a pop-up consultancy inside Waterloo Station. Over a total of 52 hours, the team engaged with over 300 people and fused their thoughts and opinions into the final design.

The plan will soon be submitted. We hope to gain consent in Q2 2020 and complete it around five years later, though the south building could potentially open 9 – 12 months earlier.

Unlike other developments in our UK portfolio, we will continue to own One Waterloo for years to come and evolve what it offers so it becomes one of the capital's most inspirational places to work.

In tandem with delivering our long-term vision, we're always keen to make short-term improvements to the building. So, earlier this year, we launched our first plug and play offer on the 4th floor. Our UK team designed and delivered a fully fitted-out space tailored to providing flexible accommodation for businesses to quickly move in, express their identity and take advantage of a shared collaboration area. It's already been fully let to two high-growth companies.

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Bloom Clerkenwell

Location
4 – 12 Farringdon Road,
48 – 50 Cowcross Street,
London

Architects
John Robertson Architects

Status*
Expected delivery in 2020

Estimated GLA*
13,120 sq m

Estimated GDV
€255m

Sustainability
Targeting BREEAM 'Outstanding'
WiredScore Platinum
WELL Platinum

"August 2018 saw us complete the acquisition of our fifth UK project, the 13,120 sq m Crossrail Over-Site Development (OSD) at Farringdon West, located in the heart of creative Clerkenwell.

Bloom Clerkenwell is a fantastic addition to our portfolio. It is next to a station with three Underground lines crossed with Thameslink and the new Elizabeth line. And with bars, restaurants and culture like nowhere else, Clerkenwell is now arguably the most magnetic of London's business destinations."

Charlie Russell-Jones
Leasing Manager

A home for growth

Designed by award-winning British practice John Robertson Architects, who we worked with on 33 Central, Bloom Clerkenwell will deliver the highest quality office, retail and amenity space.

The scheme includes a landlord-operated gym along with a generous ground floor cycle area with direct access to the Cycle Superhighway. These are two of its more obvious well-being features which will help to foster a creative, content and motivated community of users – as you'd expect from an HB Reavis development.

With the ambition of providing one of London's highest terrace to office ratios at 12%, the views will allow people to take in some of the best parts of the London skyline. Plus, these outside areas have been carefully designed as 'third spaces': flexible locations to be used for focused or collaborative work, events, or to simply relax or socialise.

Bloom is set up to make business simpler, more effective and tremendously exciting. Every aspect of its design adds value to the experience of living and working around it. The property is a hugely exciting proposition and marks our increasing influence in one of the world's greatest cities.

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Varso Place

"Our mixed-use buildings are more than just a response to users' needs. They integrate large projects into the urban fabric and regenerate locations that have been sidelined, often for decades. This is what makes Varso Place so special.

Many architects and engineers dream of calling a project like Varso Place their own. Set to become Central Europe's tallest tower, it will become synonymous with state-of-the-art technologies, premium materials and well-equipped healthy offices.

We're not only creating a prestigious business hub, but also spaces open to everyone. From the buildings themselves – which will become more inviting and accessible to pedestrians – to a covered walkway lined with shops and restaurants and the spectacular Varso Tower public observation deck: the positive change to the neighbourhood will be enormous."

Marcin Chruslinski
Development Manager

Location
Chmielna, Central Business District, Warsaw

Architects
Foster + Partners/HRA Architekci

Status*
Expected delivery in 2019 – 2020

Estimated GLA*
143,637 sq m

Estimated GDV
€898m

Sustainability
First WELL Core & Shell Precertification™ in Europe
BREEAM 'Outstanding'

Forest

"Forest is a response to the needs of every generation of employee. Whatever your age or role, it will provide healthy and creative working environments.

This new campus in Burakowska Street is a multifaceted space. It's where business meets a metropolitan lifestyle in all its possible dimensions. First and foremost, it's a place for work, yet incomparably friendlier and greener than typical office buildings. Why? Because it's inspired by the people who are starting to shape the world and the generations who have already made it their own. Forest is where everyone can work and unwind."

Kuba Stiller-Romanowski
Development Manager

Location
Burakowska, Wola district, Warsaw

Architects
HRA Architekci

Status*
Expected delivery in 2020 – 2021

Estimated GLA*
78,306 sq m

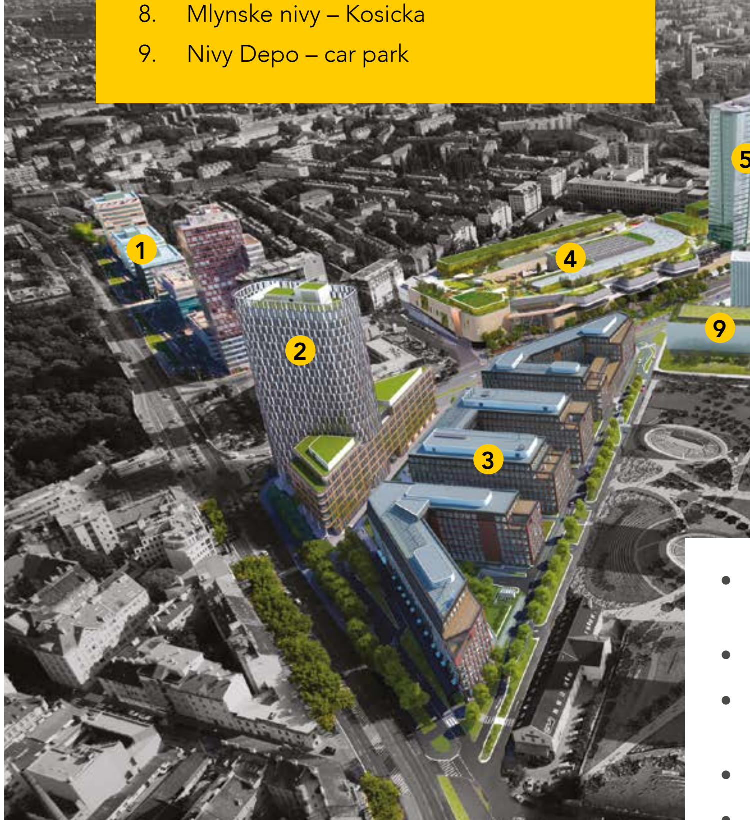
Estimated GDV
€278m

Sustainability
BREEAM Communities
BREEAM 'Excellent'
WELL Shell & Core Precertification

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Nivy zone

1. City Business Center
2. Twin City Tower
3. Twin City A, B, C
4. Nivy Station
5. Nivy Tower
6. New Apollo
7. Bottova – temporary bus station
8. Mlynske nivy – Kosicka
9. Nivy Depo – car park



- Nine separate developments, with more to come
- Office, retail and transportation schemes
- 500 meters of brand new street: Mlynske nivy
- Approx. GLA 504,000 sq m
- Estimated GDV €1.6bn
- BREEAM Communities Certification

BREEAM Communities

BREEAM Communities is an assessment method used to measure, improve and certify the sustainability of large-scale development projects. And we're absolutely thrilled that the New Nivy district has become the first cluster of projects in the world to register under its latest version.

It demonstrates our commitment to shaping cities and delivering exceptional spaces for people to enjoy, whether they live in, work in or visit our developments. BREEAM Communities assess a project's wider environmental impact on its surroundings while acting as a framework for master-planning. Focuses include effects on social and economic well-being, natural resources, energy use, infrastructure, housing provision and economic facilities.

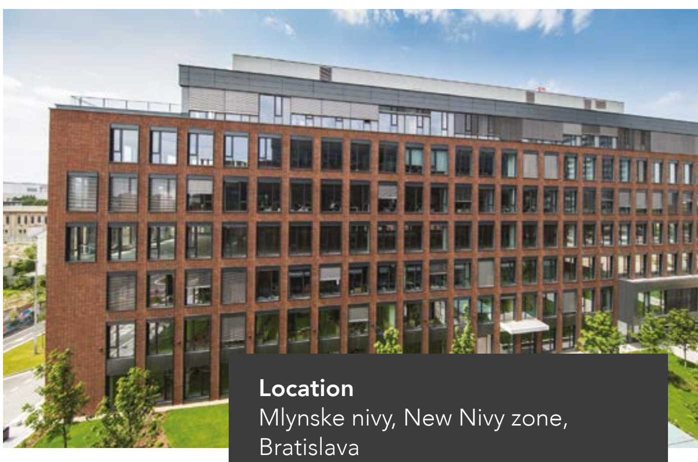
We hope the entire New Nivy district will eventually be BREEAM Communities International certified. It's our chance to set a new benchmark for visionary placemaking, from Twin City Tower and Nivy Station to other new office schemes, public infrastructure and greenery – including an urban garden equal in size to two football pitches.

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Twin City

New Nivy's first zone to be completed, Twin City, includes one high-rise and three low-rise buildings. The cornerstone of the development, it injects new life into an old industrial district and immediately adds new character to the face of the Old Town – expanding the centre of the Slovak capital.

Twin City is effectively the entryway to an entirely new business district with excellent connections to public transport and two international airports. Twin City Tower, a modern and elegant copper-clad 'lighthouse', celebrates the area's industrial past and the old Otto Bondy cable factory.



Location
Mlynske nivy, New Nivy zone, Bratislava

Architects
John Robertson Architects
Siebert+Talas/CEPM

Status
Twin City A, B, C delivered in 2015 and 2016

Twin City Tower was delivered in autumn 2018

GLA
Twin City A (sold), B, C 63,784 sq m
Twin City Tower 34,625 sq m

Estimated GDV
€256m (Twin City B, C + Tower)

Sustainability
BREEAM 'Excellent' and 'Outstanding'

> "Together with John Robertson Architects, we used this rich heritage as the cornerstone for the reconstruction of the area. Behind a spiralling, cable-inspired façade, the latest technology helps to create the perfect working environment for its diverse users.
>
> It was a real honour to be involved with the Twin City Tower project. The high-rise building and historical context of the area was a challenge. But, together with JRA – who have lots of experience with similar buildings from Central London – we made it work. It's now described as one of the city's best developments in recent years."
>
> **Roman Talas**
> Siebert+Talas Architects

We're really proud the local community has taken Twin City Tower into their hearts and already see it as a landmark. We not only put its success down to the design concept, but also to the fact that it uses thousands of LEDs to create an ambient illumination feature. It has led locals and passers-by to take countless pictures.

Nivy Tower

The tallest office building in Slovakia, 125 meter Nivy Tower is located in the heart of the new city district. Looking down over a huge variety of nearby public transport connections, it is crowned by a panoramic rooftop restaurant and some of the fastest lifts on earth.

Everything at Nivy Tower is geared towards well-being, with bike sharing, concierge services, an inspiring calendar of public events and many other features that set it apart from its more work-focused rivals.

Location
Mlynske nivy,
New Nivy zone, Bratislava

Architects
Benoy/Siebert+Talas

Status*
Expected delivery in 2019

Estimated GLA*
31,720 sq m

Estimated GDV
€95.7m

Sustainability
BREEAM 'Outstanding'
WELL Building Standard
Core & Shell Gold

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Nivy Station

An attractive shopping centre. A vibrant fresh market. A lush green roof with its own running track. It can only be Nivy Station.

Nivy Station is not only unique to Bratislava, but all of Central Europe. It's perfectly located regarding public transport, especially with the international bus station integrated into its design. And with new infrastructure all around the site too, it's quickly becoming the beating heart of the city and enriching both locals' and travellers' lives.

Location
Mlynske nivy, New Nivy zone, Bratislava

Architects
Benoy/Siebert+Talas

Status*
Expected delivery in 2020

Estimated GLA*
105,068 sq m

Estimated GDV
€415m

Urban planning
Space Syntax

Wayfinding
Space Agency

Green roof concept
BDP

One of Nivy Station's most extraordinary experiences is its green roof. A place of active relaxation, it seamlessly flows into a 4,000 sq m fresh market and food zone. The mall areas have also been carefully designed to include a broad retail mix that is arranged in user-friendly clusters with wayfinding solutions that have been developed in collaboration with world-leading experts.

Mlynske nivy – Kosicka

"Our ambition for Mlynske nivy – Kosicka is to create a new business and urban lifestyle centre in one scheme. It will attract talented individuals who will build a mix of different business communities – along with opportunities for synergy between established companies and start-ups.

This is a place for people who want to work in a top location and a lively neighbourhood where the boundaries between work and life fade away. A hive of activity, it will be a paradise for open-minded, forward-thinking people to be themselves, and to do so sustainably – because we only have one Earth and one life."

Lubos Mistrik
Development Manager

Location
Mlynske nivy,
New Nivy zone, Bratislava

Architects
AHMM

Status*
Planning, delivery 2026

Estimated GLA*
117,284 sq m

Estimated GDV
€373m

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Agora Budapest

World-class architects from London and Hungary are collaborating to create a new landmark in one of Budapest's busiest transportation hubs. With a whole host of community-led features, the new city centre will enhance the productivity and health of the people who work in the buildings and provide a rich mix of services to make day-to-day life simpler.

Location
Vaci Office Corridor, Budapest

Architects
MAKE Architects, FINTA Studio

Status*
Expected delivery in 2020 – 2022/23

Estimated GLA*
141,151 sq m

Estimated GDV
€461m

Awards
CIJ Awards Hungary 2018

- Best Office Lease (Raiffeisen Bank)
- Best PR and Marketing Campaign (Agora Foundation Stone Event)

Portfolio Property Awards 2018

- Best Leasing Transaction of the Year (Raiffeisen Bank)

Sustainability
Designed for WELL 'Gold', BREEAM 'Outstanding'/'Excellent' and BREEAM Communities

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

"We're really proud that our Agora Budapest project will soon welcome the new local headquarters of Raiffeisen Bank.

The bank will take nearly 20,000 sq m in Agora Tower, the first building of the urban development to be completed, on a long-term lease. 1,300 employees will move in from two different sites at the beginning of 2020. The deal was one of 2018's largest new leasing deals both for us and the Hungarian market.

Our international Origameo team analysed the way the bank uses space as a company. They also held management workshops and sent out questionnaires to learn what employees there felt the business needed.

Based on this deep understanding, we proposed a new working space to make cooperation easier, improve productivity and support the well-being of the employees."

Mariann Toth
Country Leasing Director

Agora is moving full steam ahead

Construction is gathering pace at Agora Budapest. We have reached the 4th floor of the Agora Tower and by autumn 2019 we expect its outer structure to be completed.

300 workers, seven cranes and dozens of trucks are on site every day. And the project has already used 70,000 sq m of reinforced concrete slabs.

In tandem, teams are working on mechanical and electrical installations as well as fabricating the system that will form the façade.

DSTRCT.Berlin

A very unique site is being upgraded for the future. The old slaughterhouse in Berlin will become a multifaceted destination with a revolutionary new approach to business: vintage industrial meets new work.

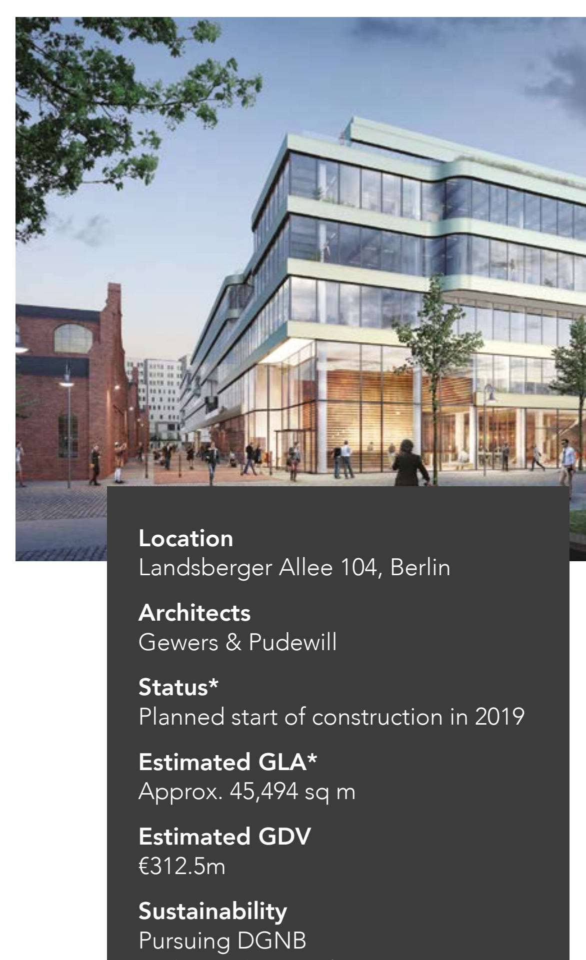
Designed for Berlin's creative and tech-led communities, DSTRCT will sit between the vibrant Friedrichshain and Prenzlauer Berg districts, just next to a major S-Bahn hub and only a few minutes from Alexanderplatz and downtown Berlin.

It's also a stone's throw from the Velodrome, the heart of Berlin's bike scene and a huge event space that regularly hosts 12,000 people. It's a neighbour that's already influencing DSTRCT's design, with a dedicated cycle garage ready to welcome its users.

The project's creative concept and its proximity to a community of bustling restaurants and bars is proving very attractive. A number of potential tenants have already made serious enquiries about its healthy, social and rewarding lifestyle features.

Birth of a new district

With the planning and preparation phase now complete, 2019 saw us break ground on the site of DSTRCT.Berlin at Landsberger Allee. The first belowground works are well underway, running alongside the restoration of the old halls that formed the former slaughterhouse.



Location
Landsberger Allee 104, Berlin

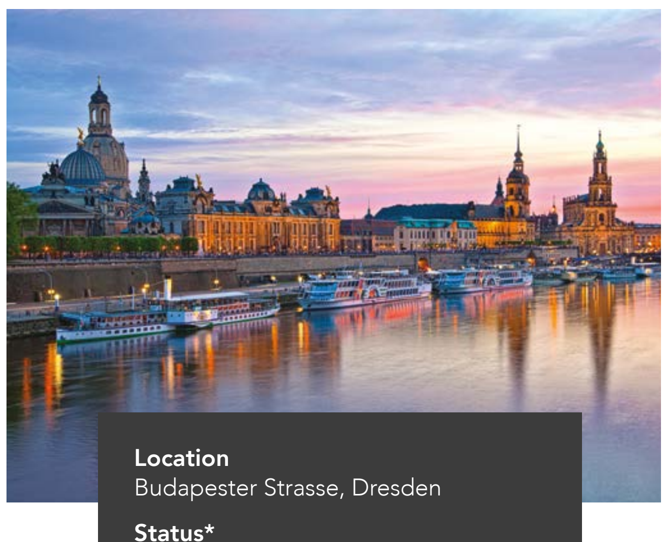
Architects
Gewers & Pudewill

Status*
Planned start of construction in 2019

Estimated GLA*
Approx. 45,494 sq m

Estimated GDV
€312.5m

Sustainability
Pursuing DGNB
and WiredScore Platinum



Location
Budapester Strasse, Dresden

Status*
Planned start of construction 2021

Estimated GLA*
Over 40,480 sq m

Estimated GDV
€141m

Budapester Strasse

In the midst of an infrastructure redevelopment zone, with a brand-new tram line station over it, sits Budapester Strasse. It's the perfect opportunity to create value through a strong focus on community, activation and interaction.

The fact we're developing in Dresden is perhaps surprising. Many might expect us to focus on the capital. However, the city is one of Germany's most dynamic and fastest growing markets – often called Silicon Saxony.

Its location – near the city centre and the highly regarded University of Dresden – was too good an opportunity to miss. The new development will provide offices and smart labs with exciting urban architecture. These are just the kinds of features that will inspire innovation and tech-led users like those who already work at and with some of the big names who have moved into the area, such as Bosch.

*Estimated GLA and project delivery subject to successful closing of acquisition, permitting, construction delivery and commercialization.

Business Highlights

Updates from the Headquarters

HB Reavis appoints new top leadership

- Marian Herman became the new Chief Executive of HB Reavis Group with immediate effect. Marian moved into the role from his position as Group Chief Financial Officer and Board Member of HB Reavis. He has been with the company for more than eight years.
- Pavel Trenka stepped down as Chief Executive of HB Reavis Group as part of a long-planned succession, having fulfilled his five-year term in the role. He joined the firm in 2007 and will remain with the company as a Non-Executive Board Director alongside Maarten Hulshoff and Ivan Chrenko, the company's founder.
- Under the new leadership, HB Reavis will continue delivering on its business strategy to develop truly remarkable, people-centric office and retail-led spaces that enhance productivity, well-being and overall experience for those that use them as well as the surrounding communities.

One of Europe's top real estate brands

The European Real Estate Brand Institute (REB-Institute) awarded us the inaugural Brand Strength trophy in their "Growth" category at last year's awards. The fact that 94,000 experts contributed their views on 1,400 real estate brands – the largest real estate survey of its type, ever – gives the award genuine credibility.

Updates from the United Kingdom

Steven Skinner, joins as Chief Executive Officer, UK.

Steven arrived just as we announced our landmark Elizabeth House project and continues to look to build on our already impressive UK portfolio.

Our fifth London development

The 13,120 sq m Crossrail Over-Site Development (OSD) at Farringdon West reaffirmed our commitment to the UK market. Located in creative Clerkenwell, the scheme will have a clear focus on well-being with a 1,300 seat auditorium, terraces and gardens, an on-site gym and storage for 242 bikes.

Sale of Cooper & Southwark

We agreed to sell the 7,240 sq m Cooper & Southwark development to a private overseas investor in its entirety. This follows its successful pre-let to CBRE, an international real estate advisor, in April last year.

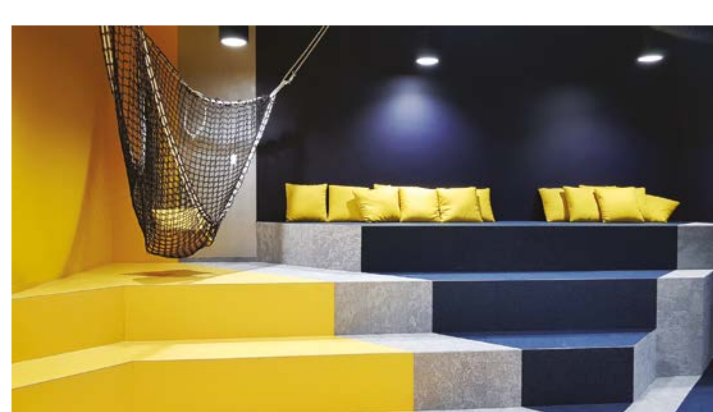
Updates from Poland

Peter Pecnik joins as Chief Executive Officer, Poland.

Peter will manage the Group's largest delivery team – the 160 professionals who deliver remarkable experiences across the Polish market. He will continue the company's strategy of developing people-centric office spaces that enhance productivity and well-being. Stanislav Frnka, stepping down from the CEO role, leaves us after more than 12 years of service.

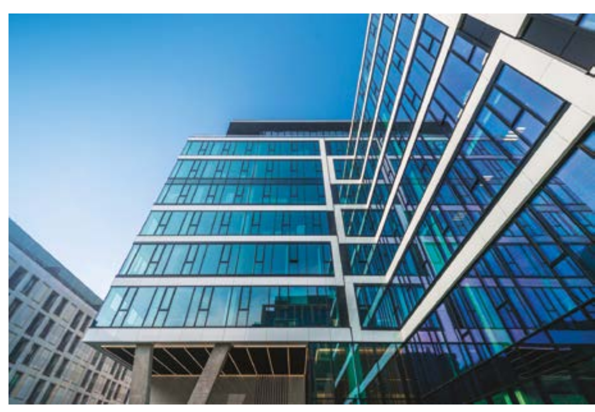
HubHub opens its second Warsaw location

Warsaw's second HubHub is right in the city centre – in Nowogrodzka Square. Its 2,750 sq m space spans the first and second floors and has 350 desks along with a range of inspirational facilities.



Building permits for a new Warsaw office campus

We now have permits to build 78,306 sq m new offices at Burakowska 14, in the midst of the key Wola, Srodmiescie and Zoliborz districts. The plans include open ground floors, a public square and green areas the size of two football pitches.



Gdanski Business Center II sells for over €200m

In one of Poland's largest transactions in 2018, the two Warsaw office buildings were sold to Savills Investment Management who acted on behalf of a global pension fund client.

Updates from Czechia

CZK 2.3bn sale of Metronom Business Center

Located in Prague-Butovice, the Metronom Business Center's sale was Czechia's biggest office property transaction of 2018. It's now owned by the CS nemovitostni fond and managed by Ceska sporitelna's REICO investicni spolecnost.

Updates from Slovakia

Rene Popik becomes Chief Executive Officer, Slovakia

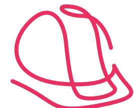
A Board member and long-term part of the HB Reavis team, Rene has taken on the prestigious challenge of delivering New Nivy. Stepping down, Adrian Rac will continue to work with us on key strategic projects and HB Reavis Foundation activities like The Good Place.

Updates from Hungary

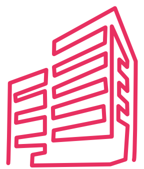
Agora Budapest to welcome Raiffeisen Bank

At 20,000 sq m, Raiffeisen Bank's new headquarters in Agora Tower was one of our largest-ever new leasing transactions and a standout deal for the Hungarian office market in 2018.

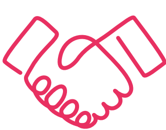
Group Overview



1.30m
sq m GLA under preparation



1.11m
sq m GLA developed



770
professionals

Germany

€ **92.2**m in investment property
85,974 m² GLA under preparation
17 professionals

Czechia

€ **9.0**m operating profit
€**63.5**m in investment property
160,353 m² GLA developed
171,931 m² GLA under preparation
50 professionals

Slovakia

€**30.8**m operating profit
€**668.8**m in investment property
637,824 m² GLA developed
480,858 m² GLA under preparation
435 professionals, incl. HQ

United Kingdom

€**52.1**m operating profit
€**463.1**m in investment property
130,445 m² GLA under preparation
35,881 m² GLA developed
57 professionals

Poland

€**103.6**m operating profit
€**574.7**m in investment property
253,092 m² GLA developed
262,318 m² GLA under preparation
156 professionals

Netherlands

2 professionals

Luxembourg

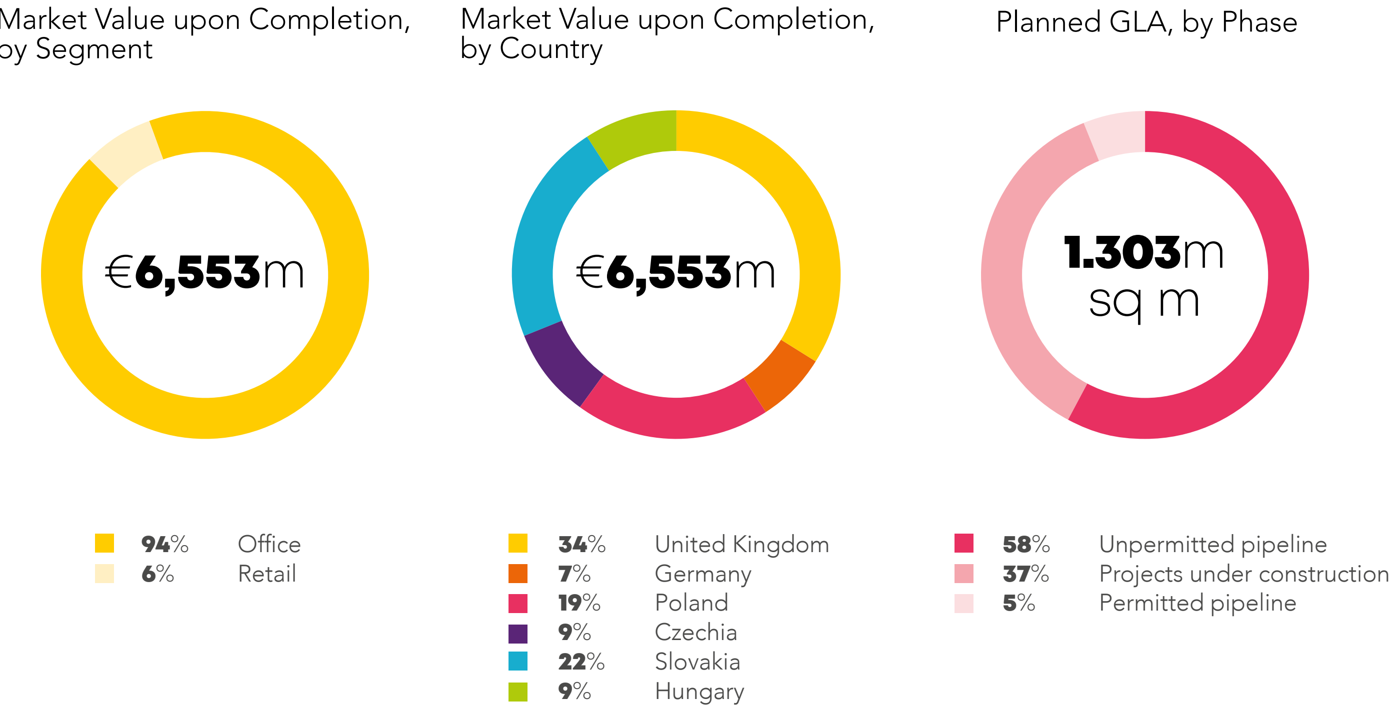
4 professionals

Hungary

€**14.6**m operating profit
€**129.8**m in investment property
21,603 m² GLA developed
171,572 m² GLA under preparation
50 professionals

Note: Figures are as of the end of 2018 and based on the internal management report listing countries with real estate projects.

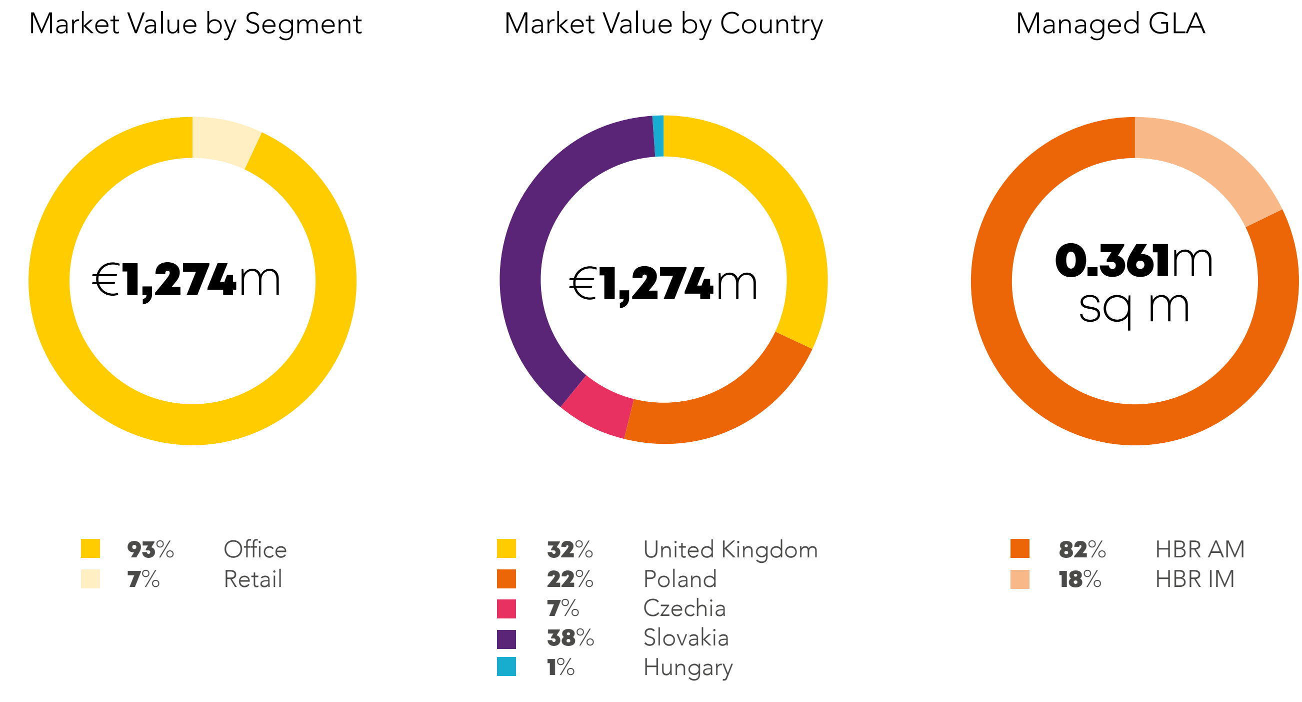
Property under development



Portfolio of Properties under Development

Country	Number of projects	Planned GLA m²	Market value upon completion €m
United Kingdom	**2**	**130,445**	**2,229**
Office	2	130,445	2,229
Germany	**2**	**85,974**	**454**
Office	2	85,974	454
Poland	**7**	**262,318**	**1,268**
Office	7	262,318	1,268
Czechia	**4**	**171,931**	**582**
Office	4	171,931	582
Slovakia	**11**	**480,858**	**1,461**
Retail	1	105,068	415
Office	10	375,790	1,046
Hungary	**6**	**171,572**	**558**
Office	6	171,572	558
Total	**32**	**1,303,098**	**6,553**

Asset management



Asset Management Portfolio

Country	Number of projects	Planned GLA m²	Market value €m
Owned income-producing assets	**13**	**296,712**	**1,081.4**
United Kingdom	**3**	**33,748**	**404.8**
Office	3	33,748	404.8
Poland	**3**	**103,454**	**284.4**
Office	3	103,454	284.4
Czechia	**1**	**22,150**	**89.0**
Retail (HB Reavis IM)	1	22,150	89.0
Slovakia	**8**	**186,893**	**486.2**
Office	6	144,474	382.7
Office (HB Reavis IM)	2	42,419	103.5
Hungary	**1**	**15,037**	**9.5**
Office	1	15,037	9.5
Total	**16**	**361,281**	**1,273.9**

Countries Overview

UNITED KINGDOM

From the CEO

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

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

We have clear plans that respond to this, including a commitment to make all our projects WELL certified. Together with our recently opened co-working platform HubHub, it's what will set us apart from our rivals, who are mainly well-established public companies. By contrast, as a private firm, we're free to be more agile and intuitive.

We have more control over the quality, speed and sophistication of our projects. Together, these unique attributes have allowed us to bring disruptive solutions to our occupier clients' needs. We will continue in making bold decisions that create long-term value and meet the demands of the office leasing revolution.

Steven Skinner
Country CEO

The economy

The UK economy continues to be remarkably resilient despite significant headwinds both domestically and globally.

The economy generally suffered a lack of momentum in 2018, with forecasts estimating annual growth of just 1.3% – the lowest since the financial crisis. This is important to consider given London office rental values have the highest correlation to GDP of any sector.

The labour market defied growth: unemployment is at its lowest since 1975. This essentially means we should see a rebound in both sentiment and spending if and when there's greater certainty surrounding the post-Brexit landscape.

However, given the drop-in inflation and some mild fiscal stimulus from the government, GDP forecasts for 2019 are more positive with growth at 1.7% assuming an orderly Brexit. This is expected to be driven by re-emerging wage growth, household spending power recovering from recent lows and businesses making investment decisions that have been put on hold since 2016.

Longer term forecasts also remain favourable when compared to other EU countries with the UK having the highest predictable annual rate amongst major European countries.

The forecasts for interest rates remain on an upward curve, albeit on a slightly delayed trajectory as the Bank of England's policies wait on Brexit. The longer-term trend, though, is clearly upwards and we should be conscious of the impact on borrowing costs and investment yields.

The largest risk factors that could cause major deviation remain constant in 2018 – the type of Brexit we see occur and the accompanying political risks. We would also highlight some increased global risk including a slowdown in China, the US-China trade war and threats of recession in some European countries.

The market

In 2018, the take up of London offices was above the long-term average – even if you discount because of service office operators. Despite Brexit uncertainty, transactions in London in terms of square meters are on a five-year high. This proves there's a real commitment by large occupiers to the market and to high quality product offerings.

The demand side looks equally as robust with 700,000 sq m of active requirements (over 1,000 sq m) in Central London – above the long-term average. Interestingly 1/3 of this is in banking and finance.

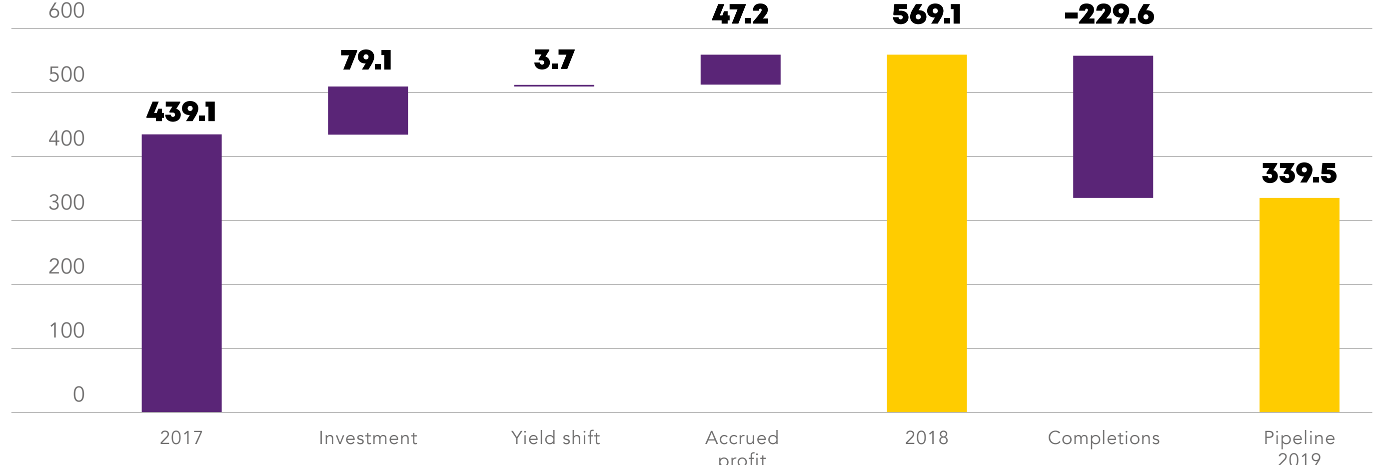
Net Effective Rents in Central London have declined slightly from the all-time peak in 2015. However, this was driven by an expansion in tenant incentives rather than headline rental declines. This has clearly stabilised given the volume of space let and the amount of active requirements remaining high.

There is a clear trend emerging in growth prospects for new high-quality office space vs. the rest. Buildings meeting these criteria see an increase in net effective rents. More generally, we expect the rental market to grow again from 2020 as wider macro political and economic conditions improve.

Investment volumes in Central London increased from £16bn (2016) to £21bn in 2018, above the five-year average of £20bn, highlighting the continued interest in the UK, generally from overseas buyers.

However, since 2016, yields have remained low. This is surprising. For the first time since 2003 yields and growth aren't in step. We see yields moving outwards gently over the next 24 months.

When looking at the development pipeline, we see great opportunities to capture a shrinking new office starts and robust occupier demand – 50% of the 2020 pipeline and 30% of the 2021 pipeline is already pre-let. Excitingly, around 900,000 sq m of leases expire over the same period.



Our performance

Last year, two of our projects were completed. Southwark was pre-leased and forward sold off to a confidential global investor at a record price for the Southwark market. 20 Farringdon Street was completed and achieved 83% let.

Our new plug and play offering at Elizabeth House in Waterloo was successfully designed, launched and fully pre-let to start-up companies. We launched our first HubHub, creating an education-led community that fosters growth while offering high quality flexible workspace.

We also purchased the Farringdon West Crossrail Over-Site Development Bloom Clerkenwell. In a highly creative area that lacks quality new builds, it will boast large floor plates, terraces, WELL and BREEAM ratings along with sustainable heating, cooling and electricity systems. With three Underground lines, Mainline services and the new Elizabeth Line underneath, it's one of the best-connected addresses in the capital too.

Lastly, we're continuing to evolve our plans for One Waterloo. We held several public consultation events to discuss this strategically important and hugely complex site.

It was a great chance to launch some of the first concepts and images of the scheme, which aims to deliver over 117,000 sq m of the highest quality workspace, and include a new c.0,5 hectare public space to provide much needed tranquil areas around one of London's busiest transport hubs.

HB Reavis Development United Kingdom	GLA sq m	Valuation			ERV	GDV	Value change	Investment 2018
		2016	2017	2018				
Projects completed	15,124	111.9	157.3	229.6	12.0	259.5	72.3	13.0
Projects under construction	13,120	0.0	0.0	57.8	10.8	255.1	57.8	57.8
Projects in preparation	117,325	0.0	281.8	281.7	94.8	1,974.2	-0.1	8.3
Total 2018	**145,569**	**111.9**	**439.1**	**569.1**	**117.6**	**2,488.8**	**130.0**	**79.1**
Total Pipeline for 2019	**130,445**	**0.0**	**281.8**	**339.5**	**105.6**	**2,229.3**	**57.7**	**66.1**

GERMANY

From the CEO

After unveiling two projects last year, our first in the country, there's no end of good news from Germany.

Berlin has become a solid base for international businesses. Talent comes from all four corners of the globe. And that diversity has created an alternative culture with arts and green living standards being particularly highlighted. It's an ethos very much in line with our strategy which is probably why we feel so at home here.

Our first new site, DSTRCT.Berlin will mix the old and new to create something truly unique in Berlin. In fact, construction works began just weeks ago and the historical site of Alter Schlachthof will soon gain a new purpose as well as a new building.

During planning, the idea of a new retail centre was scrapped and we reduced the number of parking spaces. Instead, we developed plans for human-centric offices and a conference space to welcome innovations and leaders from different industries to the area.

From a well-being perspective, we are aiming high in our effort to receive certificates from WELL and the German Sustainable Building Council. And the design now includes eateries and a vibrant street scene to encourage people to spend their spare time here.

Marcel Sedlak
Country CEO

The economy

German GDP has steadily grown since the 2009 global financial crisis. Purchasing power and consumer confidence is still strong, as unemployment – now at 3.4% – continues to decrease. Inflation rates eased last year to 1.4% and consumer prices dropped 0.8% at the beginning of 2019.

Politically, the country is relatively stable. Mrs. Merkel won't run again and there's a little trouble brewing in the coalition, growing AfD influence and tensions with Polen und Ungarn. But none of these issues should impact purchasing power or consumer confidence.

The market

There were a number of economic factors that affected the market, including changes to rents, costs of operations, costs of lending, financing, construction and divestment assumptions. And with Berlin's 4% GDP boosting the demand for workspace, the resulting squeeze on construction capacities adds pressure to delivery.

That said, Berlin's start-ups from the recent past are now much bigger businesses – such has been the success of technology, service and other industries over recent years. With upcoming office supply limited, the larger of these clients are adapting and trying to secure future workspace needs in advance. In fact, agents are reporting over 700,000 sq m of pending mandates for new workspace.

Our performance

However well we're perceived in other markets, we're still a newcomer to Germany. So, we need to prove ourselves, and the last two years have been all about putting the right structure in place.

Now, with around a 86,000 sq m pipeline, sites in Berlin and Dresden and a 20-strong team – we're ready. Looking forward, we expect to establish our construction capacities, deliver our first project, continue planning works in Dresden and search for new acquisitions.

HB Reavis Development Germany	**GLA sq m**	**Valuation**			**ERV**	**GDV**	**Value change**	**Investment 2018**
		2016	**2017**	**2018**				
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	45,494	0.0	0.0	87.8	12.5	312.5	87.8	88.0
Projects in preparation	40,480	0.0	0.0	4.2	7.2	141.4	4.2	4.0
Total 2018	**85,974**	**0.0**	**0.0**	**92.0**	**19.7**	**453.9**	**92.0**	**92.0**
Total Pipeline for 2019	**85,974**	**0.0**	**0.0**	**92.0**	**19.7**	**453.9**	**92.0**	**92.0**

POLAND

From the CEO

HB Reavis is well established in the Polish market as a brand. We're trusted by the clients, investors and financial institutions that help us develop projects that transform the urban landscape and have a positive impact on the quality of work.

But, just as importantly, our efforts are appreciated by those who actually use the buildings – the people who make use of the spaces we have created for them every day.

In a sense, our ambition is our biggest challenge. We're committed to continuous self-improvement, anticipating trends and observing a world that is changing before our eyes more rapidly than ever before.

We passed a number of milestones in 2018. Varso Place is making its mark on the Warsaw skyline, attracting interesting international brands such as the first Polish NYX Hotel. We also received planning permission for another large project focused on people's health and well-being, the Forest office campus.

We continue to develop our service lines too, opening a second HubHub co-working centre in Warsaw and finding more clients for Origameo, our in-house workspace planning consultancy.

Furthermore, Poland's rise into the world's 25 most developed economies (the only Central and Eastern European country to be featured) presents us with new opportunities. International investors, including our clients and business partners, are being given more reasons to explore Polish opportunities. And we're ready to provide them with the best environment for that growth.

Peter Pecnik
Country CEO

The economy

2018 was a record year for Poland's real estate investment market. More than 100 transactions were completed. Worth over €7.2bn, this was an impressive rise of nearly 45% year-on-year.

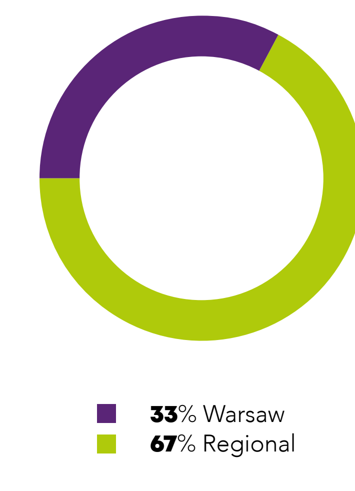
Of that, €2.75bn changed hands over office properties, a 56% increase year-on-year. More than two thirds of these offices were in Warsaw, including our sale of Gdanski Business Center II to Savills IM for over €200m.

Following years of strong expansion, real GDP growth reached 5.1% in 2018 – the fourth highest in the EU.

The main driver behind this was domestic demand. As in 2017, private consumption was fuelled by favourable labour market developments, strong consumer confidence, good access to credit and low inflation.

Private investments were also a large contributor to growth, along with an acceleration in the use of EU funds to fund public investment. Unemployment in October 2018 was also just 5.7% – the best October figures in 28 years.

Regional Breakdown in Office Sector



33% Warsaw
67% Regional

Source: CBRE, 2018

The market

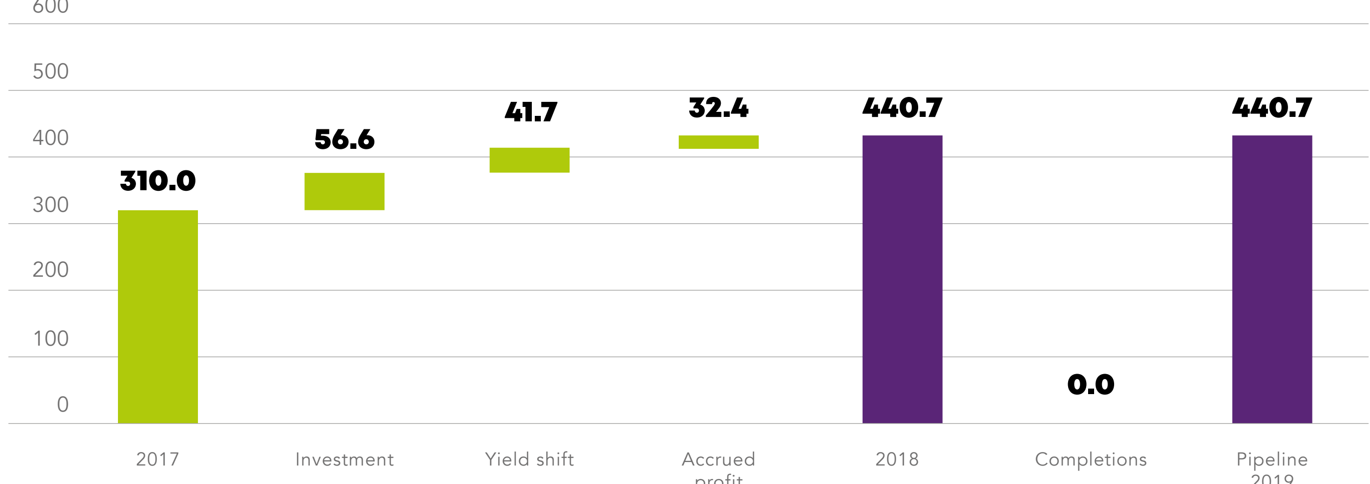
Office space in Poland now stands at more than 10m sq m. Warsaw, in particular, had over 5.4m sq m of office stock by the end of last year and tenant activity in 2018 reached a record-breaking 858,400 sq m 4% higher than in 2017.

At the end of 2018, there was around 720,000 sq m of office space under construction in the Polish capital, the majority under 24 months into the building process. However, as Warsaw is one of Europe's fastest growing business communities, the additional volume means the city will simply be keeping up with demand.

Vacancy rates in Warsaw have continued to fall. By the end of 2018 it had dropped to 8.7% – the lowest since 2012. And while 10.8% of outer city addresses are vacant, central space is very limited. There's just 5.4% of space on the market available, a low not seen since 2009.

All in all, the market is now increasingly matured. Growing liquidity and broader diversity have led investors to use a wider mix of investment and divestment strategies. The belief is that investment in Poland will continue, driven by GDP growth at a slower rate than 2018, along with strong consumer spending, record low unemployment and growing public and private investments.

Changes in Polish Development Property Value (€m)



Our performance

As the youngest and arguably the most innovative of Warsaw's top commercial developers, we're best known for our workspaces and the services we have strategically rolled out around them. But there's a lot more to come.

We've now delivered 250,000 sq m of workspace in Poland over the last six years, with just as much planned and under construction. And we get new enquiries from prospective clients practically every day.

In 2018, we leased almost 53,000 sq m and welcomed more than five thousand new employees from companies relocating their offices or extending their lease agreements.

Works on Warsaw's largest construction site continue at pace. Varso Place with its iconic Foster+Partners tower reached ground level in Q4 2018, and should be completed within the next two years. Already, the buildings are filling with tenants – including Poland's first NYX Hotel by Leonardo Hotels, a two-level fitness club and a medical centre.

Varso Place will not only provide a healthy workspace for Polish and international businesses. In line with our strategy, it will also have a positive impact on the neighbourhood. In particular, the redevelopment of Chmielna street will create a more convenient connection with the Warsaw Central Station pedestrian tunnel as well as new cycling infrastructure.

Passers-by will be able to enjoy a selection of new public amenities too, including shops, restaurants and other useful services. And that's without mentioning the stunning observation deck on top of Varso Tower.

Elsewhere, late summer saw us obtain a building permit for the Forest office campus. It's another ambitious project that will be tailored to employees of all generations and provide healthy and creative working conditions. The two-hectare plot will become home to a 120m tower and smaller buildings with open ground floors, an elegant public square and large green areas.

Following the success of Poland's first HubHub at Postepu 14, we also opened our second co-working hothouse for young entrepreneurs last year in a new building in Nowogrodzka Street in Warsaw.

Our in-house workspace solution, Origameo, is also going well, consulting for a number of local clients, including the Polish base for the world's largest chemical company BASF.

Awards
'The Best Co-working Space',
CBRE Office Superstar 2018 (HubHub)

HB Reavis Development Poland	GLA sq m	Valuation			ERV	GDV	Value change	Investment 2018
		2016	2017	2018				
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	143,637	195.3	251.7	351.1	40.5	898.5	99.5	45.7
Projects in preparation	118,682	45.7	58.3	89.7	23.4	369.4	31.3	10.9
Total 2018	**262,318**	**241.0**	**310.0**	**440.8**	**63.9**	**1,267.9**	**130.8**	**56.6**
Total Pipeline for 2019	**262,318**	**241.0**	**310.0**	**440.8**	**63.9**	**1,267.9**	**130.8**	**56.6**

CZECHIA

From the CEO

It's been quite a year for us in Czechia. Probably our main highlight was the sale of our Metronom Business Centre in Prague for CZK 2.3bn. It was the country's largest single property transaction in 2018 and it cemented our status as the market's major player. A great example of our well-being and user-centric approach, the office is near Nove Butovice metro station and boasts open air terraces and a BREEAM Excellent rating across three interconnected buildings. It's sparked the transformation of a previously downtrodden area around the station. And with it, Metronom has attracted high-profile tenants, including BMW and German software giant SAP. It's also proud to have the Conference Room of the Year. All in all, it's been an enormous commercial success that shows beyond doubt that our creativity and expertise results in offices spaces that inspire both clients and investors.

Further, we opened our first HubHub in Na Prikope. The third to open in Europe, it includes exciting features like gaming zones and private phone booths. Just as importantly, it's geared towards efficient, effective working – 24 hours a day, 7 days a week. And it offers an inspirational variety of educational, networking and development events.

Hard decisions with communities at the heart of our thinking closed a year of success.
When it comes to business, we always bear in mind the potential of our projects related to business and local community needs. We aim to create and support companies and their employees, businesses and local communities by creating business districts.

To fulfil our objectives in Czechia, the Group has announced on the 5th of February 2019 to vend the stand-alone projects in Prague because they are not sizable enough to make them suitable for the development of such business districts. A new business district development, comparable to our Agora in Budapest or Varso Place in Warsaw, is planned in Brno, the second largest city in Czechia. We won't forget about our already operating projects either, and will continue to focus on our Aupark Shopping Centre in Hradec Kralove.

The same goes for the HubHub co-working spaces, a vital part of our business community support, which will stay with us as well and seek further expansion in the future.

Petr Herman
Country CEO

The economy

Czechia's economy is doing quite well. In Q4 2018, GDP increased by 1% quarter-on-quarter and 2.9% year-on-year. Average inflation was 2.15%. Overall employment increased by 1.6% year-on-year.

Economic growth is projected to remain strong in 2019, although it will slow. As of November 2018, the unemployment rate and the ratio of job seekers per vacancy were the lowest in the EU. This could encourage businesses to invest in automated work and machinery, a solution that would increase productivity in the medium term.

While there was no early election in 2017, the government lost a confidence vote in January 2018 and resigned. In July 2018 the administration, currently an ANO 2011 and leftist Czech Social Democratic Party (CSSD) coalition, finally won a second vote of confidence.

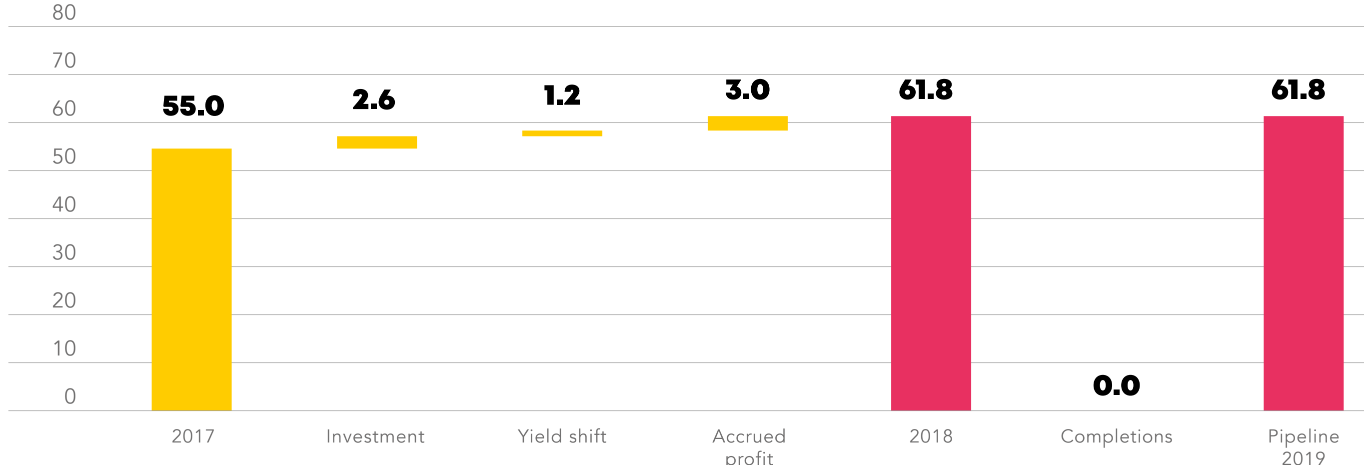
Still lacking a majority with only 93 seats in the 200-member parliament, it had to rely on the support of the pro-Russian Czech Communist Party, which since then has enjoyed an informal role in government.

The market

At present, the positive outlook has led clients to seek out more sophisticated workspaces. There's a trend – very much led by us – to place greater focus on people, sustainability, effective working practices, green spaces and amenities. It's an ever-evolving brief, though. We need to continue to respond to clients' needs and innovate so they can attract the best people.

Frustratingly, there's still a huge issue around permits. And not just in the capital. The enormous legislative backlog has brought essential infrastructure projects to a standstill, including Prague's own Metropolitan plan.

Changes in Czech Development Property Value (€m)



Our performance

We're a well-established player here. Our strategy ensures we create award-winning office developments, such as our first HubHub – which attracted really interesting businesses in its very first week, including the online book shop Martinus.cz, the Letgo sales app and growing start-up Productboard. It's almost fully let and it also won 'Best Rising Star' at the CIJ Awards.

Our main competitors are characterised by an appetite for large-scale acquisitions.

We do work with scale, but add a real focus on creating tailored office buildings that enhance well-being – through WELL and BREEAM certificates – and provide supplementary services, e.g. fit-out, designers, etc. It's led to our reputation of pushing boundaries with new, non-traditional and innovative solutions, services and products.

Our Metronom Business Center sold for CZK 2.3bn – the country's largest office deal. We successfully gained a demolition permit for our Vinohradska project and moved into the planning phase for our Merkuria complex in Prague 8 and Radlicka offices in Prague 5. And our continuing management of the Aupark Shopping Center – retail and leisure concept, too, marks us out from the competition.

HB Reavis Development Czechia	**GLA sq m**	**Valuation**			**ERV**	**GDV**	**Value change**	**Investment 2018**
		2016	**2017**	**2018**				
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects in preparation	171,931	45.6	55.0	61.8	34.4	582.3	6.8	2.6
Total 2018	**171,931**	**45.6**	**55.0**	**61.8**	**34.4**	**582.3**	**6.8**	**2.6**
Total Pipeline for 2019	**171,931**	**45.6**	**55.0**	**61.8**	**34.4**	**582.3**	**6.8**	**2.6**

SLOVAKIA

From the CEO

2018 was a hugely exciting year for us in Slovakia. A year when we could say with real authority that we're bringing remarkable experiences to people's lives.

Bratislava is gradually acquiring a new district; a huge space with the potential to serve more than 30,000 employees, plus thousands of others who live and visit the area. Our revitalisation of an old brownfield site will create a place for work, business growth, leisure and life in general.

All our new company initiatives and services will come to life here to make New Nivy the heart of the city. However, it's not just a set of projects, but a significant ecosystem of communities, large companies and start-ups. An ecosystem that will allow its users to grow. More broadly, it will increase Bratislava's competitiveness not only in terms of work and quality of life, but also its ability to develop talent.

If you ask why we are doing this, the answer is simple: we want to stay ahead of the curve. It's something we've been doing for the last 25 years. We all know that life has changed. We work differently, perceive spaces differently and have different needs. Different generations want different things from their workspace that must be provided if we're going to see the new ideas, innovations and social interactions that underpin commercial success.

We aim to take all of this into account and redefine business culture and ways of working through our unique insights into workspace solutions. Put together, it's a remarkable experience for us as well as for all the communities our work helps to thrive.

Rene Popik,
Country CEO

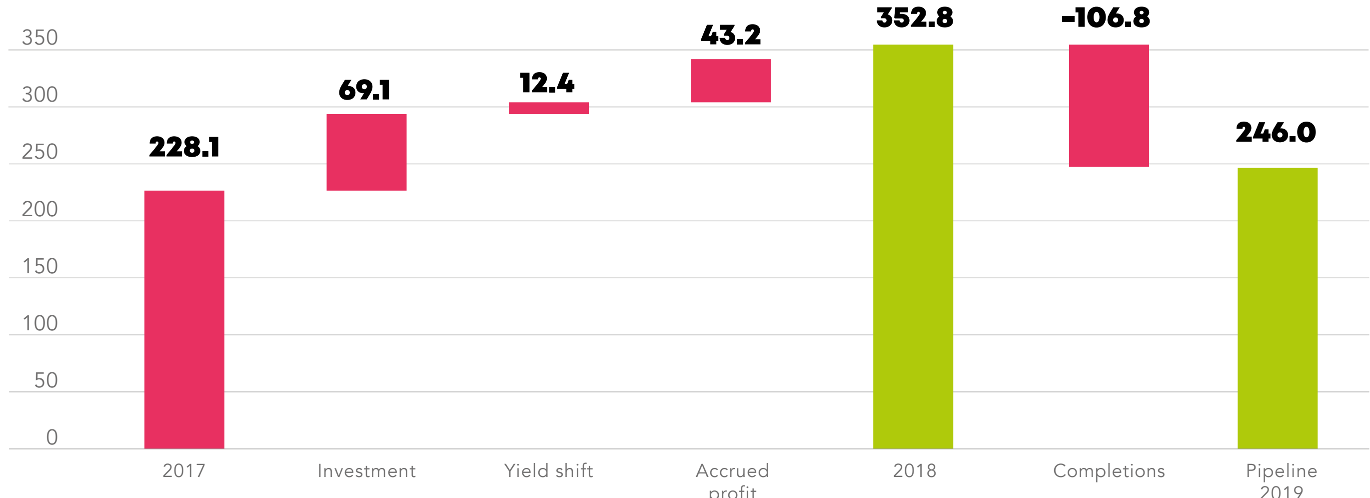
The economy

In January 2019, the Eurozone celebrated its 20th anniversary, and Slovakia 10 years of the Euro. In spite of the well-publicised issues, these two major events have had a positive impact on our country overall. There's no doubt they both helped the significant 4.1% GDP growth in 2018 and the record-breaking low employment rate of just 6.6%.

This year, we expect that rate to decrease further, inflation to stay above 2% at 2.3% and GDP to drop a little, to 3.8%. The global and Eurozone economies are both performing well and having a very positive impact on affairs here in Slovakia. 2018's last quarter GDP was 4.6% and inflation in December 2018 just 2.1%.

Overall, these markers have had a positive effect on purchasing power: household consumer confidence is at a 10-year high. The political situation is stable, with presidential elections held in March 2019 and public debt is now below 50% of GDP. The only possible threats might be Brexit, trade wars and a slowdown in global growth. In turn, the European Commission expects unemployment to continue a downward trend, along with deficits in public finances and public debt. This will result in growth and increased salaries and spending as we continue our rise to become the 3rd fastest growing economy in the Eurozone. On the other hand, consumer inflation probably peaked in Q2 2018 and will stay around the same in 2019 with a slight increase in the latter half to 2.6%

Changes in Slovak Development Property Value (€m)



The market

There's an almost equal balance of Grade A (60%) and B (40%) office space here in Slovakia.

The real estate sector is always reacting to clients' needs. And with many businesses waking up to the importance of the workplace to attract and retain talent, we see lots of potential in the current climate. There's a visible need for new development as clients ask for better and healthier offices.

Our performance

We finished Twin City Tower last year – the site of our biggest leasing transaction in 2018 – and also broke ground on Nivy Tower. Both projects are on Mlynske nivy Street and are the first example of our broader focus on crafting an entire district rather than just a building. Twin City Tower is planned to be the country's first to hold a WELL certificate. Going forward, we intend for all our future buildings to gain the accreditation along with the BREEAM community certification. It's this focus on putting excellent features, services and design at the heart of our work that differentiates us from the rest of the market. For 2019, we'll continue to provide innovative workspace solutions to our clients and hold our place as one of the market's top three brands.

HB Reavis Development Slovakia	GLA sq m	Valuation			ERV	GDV	Value change	Investment 2018
		2016	2017	2018				
Projects completed	34,627	20.9	52.4	106.8	7.0	115.3	54.5	18.9
Projects under construction	135,788	56.2	92.9	157.2	28.9	510.3	64.3	45.1
Projects in preparation	345,070	79.7	82.8	88.8	63.6	950.7	6.0	5.1
Total 2018	**515,486**	**156.8**	**228.1**	**352.8**	**99.5**	**1,576.3**	**124.8**	**69.1**
Total Pipeline for 2019	**480,858**	**135.9**	**175.7**	**246.0**	**92.5**	**1,461.1**	**70.3**	**50.2**

Source: / https://www.finance.gov.sk/files/archiv/94/Prezentacia_MV_jan2019.pdf page 23

HUNGARY

From the CEO

HB Reavis is a relatively new name on the Hungarian market, with one finished development. But we've already set a tone for our work. What distinguishes us is our community focus, people-centricity and unique communication style. We're at our best when we provide workspace as a service solution: enhancing well-being and productivity from a variety of perspectives across large office spaces.

Our landmark project, Agora Budapest, is the perfect distillation of this thinking. It will offer one of the largest contiguous office spaces in the city, a scale of floorplate that's in increasingly high demand. The project has already been heralded as the Community Space of the Year for the innovative way we presented it to the public. The showroom designed by MadiLancos Studio, was made from six shipping containers and situated in a new 5,000 sq m park.

It was the perfect place to introduce our ideas for the plot to the public, and since then, the park has held a number of events, from an ice rink to cooking classes. And it's this kind of holistic thinking – going beyond the building to serve the needs of the community in a myriad of ways – that will bring us further success.

Naturally, it also needs to deliver a remarkable experience when built. So, it was great to see it awarded as the best 'Planned Project of the Year – Commercial' by Office of the Year Award. And we can't wait to see the impression it leaves on Raiffeisen Bank, who has signed a deal to make it their new headquarters and home to 1,300 employees.

As well as leased tenants, we're also working hard to serve the city's growing need for co-working space. Our first HubHub office has just opened its doors.

All the signs are positive. Whether it's our delivery milestones or interest from potential occupiers, it should be a fantastic year.

Jan Hubner
Country CEO

The economy

We are very pleased to say the Hungarian economy performed well beyond expectations last year, hitting 4.9% growth by the year end – the strongest GDP growth in 13 years.

According to research, it was also over twice the EU average in the first three quarters, making it one of the top three fastest-growing on the continent. To see why, look no further than domestic consumption. However, the growth cycle is likely to have peaked, and the market's expected to slow to around 3.4% growth in 2019.

The numbers speak for themselves. And we're doing our best to not only keep pace with an ambitious local market, but set new benchmarks through our people-centric development strategies.

Construction of Agora Budapest

The market

Consumption actually increased by c.5%. Imports (5.5%) grew faster than exports (4%). The 3.8% inflation seen in October dropped to 2.7% by December and is forecast to grow around 3% in 2019. And we saw a 0.2% drop in the unemployment rate compared to 2017.

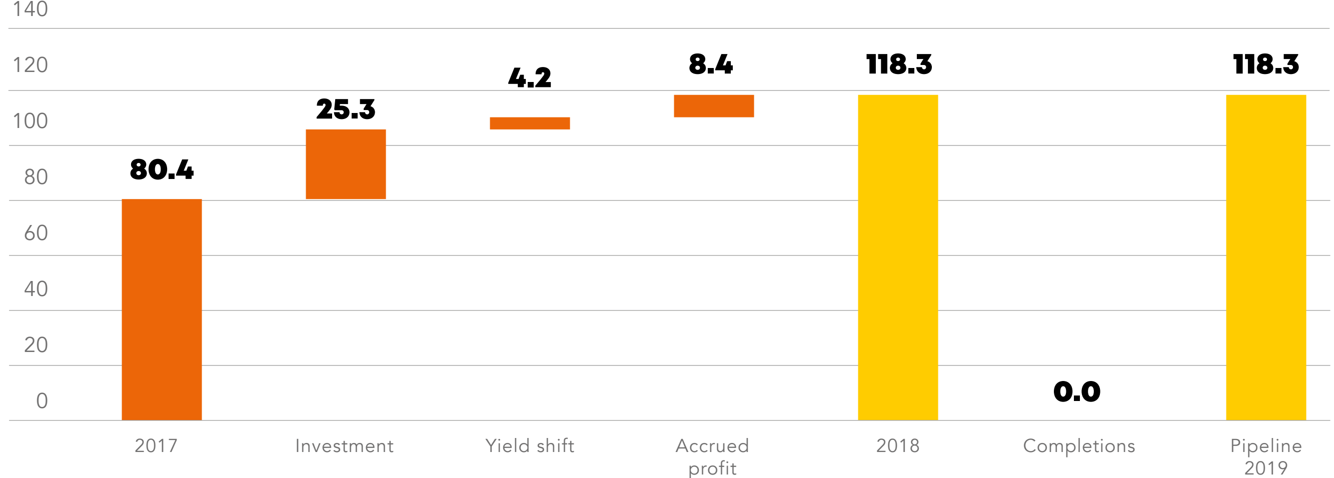
In 2019, we'll be voting in both municipal and European Parliament elections. The FIDESZ governing party will likely continue to be in power. Though competition may be stronger in certain areas, a lot will depend on whether opposition parties pool their resources.

Will 2019 be a new high?
Last year was another standout year for Hungarian real estate – making the last three years the largest ever by volume. Based on turnover, Hungary is catching up to the second biggest market in the Central European region, the Czech Republic.

In fact, CBRE says the country's investments topped €1.3bn last year; a remarkable feat even if it is somewhat lower than 2017. 2019 looks promising with solid investor appetite and analysts predict it will be another record-breaking year, but with a somewhat more conservative investment volume.

Demand continues to be lively in the commercial, office and industrial markets. For the first time, there were more Hungarian assets than foreign ones: well-capitalised Hungarian investors have reached a share of 84% of the total volume of the market.

Housing construction has also risen, primarily due to the uncertainty about VAT on new apartments. But there are more reassuring messages coming from the regulators now, along with a five-year extension of this preferential VAT rate for construction permits acquired by November 1st last year.



Our performance

In the office market, the demand for new space remained and is expected to remain strong in 2019 as well, with an expected pipeline of over 130,000 sq m of new office space.

CBRE calculated vacancy rates dropped to 7.4% by the end of 2018 and the total new supply amounted to 230,600 sq m, nearly tripling y-o-y. With over 484,000 sq m under construction across Budapest, the Vaci corridor submarket retains its position as the top development destination in the city.

We expect to see strong tenant demand lead to a lower vacancy rate and a slight growth in rental fees. With more focus on well-being, the number of European buildings with WELL qualification could increase considerably. It's great that Budapest is finally building to exacting international standards and paying more attention to sustainability and user well-being.

Our deal with Raiffeisen Bank is one of the largest new leasing transactions for both the Group and the Hungarian office market. The bank will lease nearly 20,000 sq m for the long-term and take up around 60% of Agora Tower in the beginning of 2020.

We hope to close a few more deals this year too. But we're mostly focused on speeding up construction in the first phase of Agora so we can complete it by the beginning of 2020. The second building, Agora Hub, should be completed in the summer of 2020.

Awards

We received three awards at the 10th annual CIJ Awards: 'Best Office Lease' for our deal with Raiffeisen Bank; 'PR & Marketing Campaign of the Year' for the Agora Budapest stone laying ceremony which included a 360-degree project mapping show; and 'Real Estate Employer of the Year', recognising our tailored, employee-focused internal programmes.

We received another award for the 'Best Office Lease Transaction' at last year's Portfolio Property Awards for the Raiffeisen Bank deal too. Our biggest Hungarian competitors are DVM-Horizon, Granit Polus, Futureal, Property Market and WING. The biggest international competitors are Skanska and GTC. These companies have major flagship developments throughout Budapest and are active in the Vaci office corridor.

HB Reavis Development Hungary	GLA sq m	Valuation			ERV	GDV	Value change	Investment 2018
		2016	2017	2018				
Projects completed	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	71,153	40.9	41.9	70.0	14.1	226.7	28.1	21.7
Projects in preparation	100,419	8.2	38.5	48.3	20.7	331.7	9.8	3.6
Total 2018	**171,572**	**49.1**	**80.4**	**118.3**	**34.8**	**558.4**	**37.9**	**25.3**
Total Pipeline for 2019	**171,572**	**49.1**	**80.4**	**118.3**	**34.8**	**558.4**	**37.9**	**25.3**

07

From Our Leaders

A message from Maarten J. Hulshoff

I'm again pleased to say it's been a strong year for business. Due to the strong economies in our home countries, an ample availability of capital and vibrant office leasing demand, our assets increased in value in all the EU capital cities we operate in. In fact, the revaluation of our assets led to a gain of €195m. This was partly triggered by a favourable 30 basis point yield shift.

Over the last 18 months, we've divested Cooper & Southwark in London, Gdanski Business Center II, West Station in Warsaw and Metronom Business Center in Prague. Together, these exits have generated over €300m in released equity.

We have opened the door to a new frontier with our very promising investment in Berlin and have consolidated our position in Prague. Both country heads, Marcel Sedlak for Germany and Petr Herman for the Czech Republic, have been in charge in their respective countries for some time.

It's London that has seen the most change. The city's office sector saw negative capital growth. The uncertainty around Brexit has resulted in a slowdown of new pipeline and construction activities there. However, this might boost the value of our new project Bloom Clerkenwell (planned completion in 2020) and our cornerstone project, One Waterloo (planned completion in 2025). Despite the challenging market, we were able to achieve very satisfactory yields. London represents 31% of our development portfolio and is also where we have the most Group exposure by value. One Waterloo is by far our biggest project in monetary terms. It's excellently located and, coupled with our track record and a talented management team under the new leadership of Steven Skinner, I'm very sure that we will realise its substantial upside, despite Brexit's challenges.

Our second largest development is 143,637 sq m Varso Place in Warsaw. Its three properties include the iconic 310 m Foster + Partners Tower and represent the vast majority of the Group's exit value in the city. Stanislav Frnka successfully established our operations in Poland seven years ago. After recently taking over as Country Head, Peter Pecnik is now smoothly overseeing the project. Currently in the early stages of development, it's 43% leased and scheduled to be completed in two years.

The third largest project is Agora in Budapest, led by another new Country Head, Jan Hubner, and his enthusiastic team. The Agora project consists of two phased developments totalling 141,151 sq m – around 9% of our Group exit value potential. Budapest is now a hugely desirable place for investors. This has led to a positive yield shift which will benefit our potential capital values. Raiffeisen Bank will base its new headquarters in the Agora Tower, a lease that was last year's stand out deal on the Hungarian market.

Our fourth largest project is Nivy Station & Tower in Bratislava with a GLA of 136,788 sq m. Despite online shopping's aggressive growth compared to brick and mortar retail, dominant downtown shopping centres continue to play an important role in public life, blending retail with hospitality to create a 'hip and happening' ambience – very much the profile of Nivy Station. Nivy Station will be the region's key bus station too, and is expected to attract more than 55,000 visitors daily. Our Slovak team is headed up by Rene Popik, taking over from Adrian Rac, who will be in charge of key strategic projects.

Together these four projects amount to an investment worth €3,750m and will create new landmarks that will become central to their neighbourhoods. Importantly, they're also in close vicinity to major transportation hubs. Their holistic design and bold ambition aligns closely with our passion for placemaking and creating districts people want to work and live their life in.

The four new Country Heads and their teams, together with our support staff at HQ, are delivering at pace as they step into a new world of office development. A world we're setting trends in as we become a Workspace as a Service provider, boosting clients' productivity and creating an environment that stimulates communication, well-being and collaboration.

We have learned a lot about working practices from our co-working business, HubHub, which is now active in five locations in the EU. Our work with Cambridge Innovation Center has played a role too. Primarily US-based and active in six locations, they develop ecosystems that help entrepreneurs during the start-up and growth phases.

As a result, we've practiced our methods on ourselves, experiencing firsthand what different ideas and innovations can do for productivity.

We also saw changes at the Board level. Over the last five years, Pavel Trenka has used his vision and leadership to not only elevate the professionalism of the business, but to manage consistent and sustainable growth while investing in new services. Though he's stepped down as CEO, I'm pleased to see Pavel active as a non-executive member of our Board.

Marian Herman, our CFO for almost 5 years, has taken over and, with Peter Ceresnik and Martin Miklas, has formed the Executive Board. Over the last 18 months, former Board members Radim Rimanek and Robert Kantor resigned too. Both have been instrumental in the developmental phase of HB Reavis, and I'm very grateful for their contributions.

We, at HB Reavis, have seen markets accelerating in tandem with rising construction costs thanks to the short supply of labour. We have been anticipating a property downturn in the EU and are well placed if and when it happens: there's strong cash flow management both across the Group and for individual projects.

Net leverage amounts to 30.5%, well below our limit, and we're lengthening the duration of our debt, most of which is covered at fixed rates.

Moving forward, we'll focus on our core leasing business and on continuing to attract prime, mostly multinational clients. Indeed, a lot of talented people are working hard to create a real sense of stability as well as remarkable properties and services that exceed the expectations of our clients.

On a final note, I want to thank all of our staff in all six countries for their contribution. Whenever I travel to meet with them, I appreciate their positive spirit, hands-on attitude and flexible approach to our industry's continual change. These are all key ingredients for a successful business together with highly appreciated support and fruitful cooperation with all the daring and inspiring people on the side of our clients and business partners.

Maarten J. Hulshoff
Non-executive director

From delivering workspaces that enhance well-being to disrupting traditional real estate thinking

The workspace sector is undergoing perhaps the biggest structural change in the modern age. What used to be considered a cost to most tenants, is gradually becoming a human resource tool to keep employees healthy, engaged, motivated, happy and productive.

At HB Reavis, we're not merely embracing this change, we're driving it – and pioneering the people-centric workspace evolution.

In 2018, we completed the shift from traditional developer to international workspace provider. We're now active in six markets, with Germany our latest new adventure. But we're also strengthening our position everywhere as we evolve our approach, for example broadening our HubHub coworking network.

Our transformational strategic shift from purely bricks and mortar to value-add workspace provider has already borne fruit across all our markets and products. Moreover, our thinking has taken another step forward over recent years, from B2B to B2U (business to user).

This new mindset has led us to explore more advanced processes and services and position our Workspace as a Service philosophy as the business' core differentiator. Today, we always keep two key elements at the forefront of our minds – the productivity and well-being of those who work and spend time in our workspaces.

We focus on building large-scale campuses and entire ecosystems. And in order to realise their full value, we aim to retain control over these assets and their property management in the long term. Our divestment strategy will align to reflect this approach and give us the freedom to maximise the potential of our services, and further enhance the user experience.

It's a strategy that will involve all five of our sub-brands: HubHub, Origameo, Symbiosy, More and Qubes. Together, they'll not only shape coworking spaces and provide strategic workspace consultancy, but also deliver technologies with sensorics platforms that provide insights into efficient use of space and analyse user behavioural data. In addition, our sub-brands deliver inspirational events and services and create flexible, attractive leases that suit modern-tenant needs and some of them we aim to roll out outside of our own campuses.

2018 has also seen significant changes to our senior management. Apart from CEO Pavel Trenka handing leadership over to me; Robert Kantor left our Executive Board, Steven Skinner became the UK Country CEO, Peter Pecnik became Poland Country CEO and Rene Popik took over the role of CEO Slovakia from Adrian Rac.

It's a huge pleasure to see such exceptional figures making a commitment to the business – not to mention all of my colleagues throughout HB Reavis Group. I'm confident that we have the skills, experience and passion to smoothly implement our strategy, and see continuous, long-term improvements.

We firmly believe that the future of real estate lies in its use as a HR tool; in its ability to deliver big (behavioural) data and its potential for connected ecosystems and innovative new services.

To lead this market transformation, we've introduced Vision 2023: a key document that outlines our five-year business plan for our colleagues and 3rd party stakeholders.

Vision 2023 is built on three pillars:

1. To be a leading international provider of workspace solutions
2. To have highly engaged people and contributing team members
3. To operate as a well-oiled machine

The Vision outlines the ambition to deliver our substantial pipeline and grow across our existing markets as a Workspace as a Service provider. It will help our people to stay highly engaged and understand our collective aims and ambitions. And it will give us a blueprint for functioning as a well-oiled machine, capable of scaling our industry's complexity and diverse geographical challenges.

In the short-term, our focus remains on top line growth – achieving premium lease and commercialisation terms. We strive to keep construction costs under control too (given tight operating capacities and a booming construction environment), and constantly review our operating efficiency.

However, it has been difficult to build a sufficient large-scale Prague pipeline. This led us, in early 2019, to scale down our Prague operations and to dispose of three projects in the city.

It was a difficult decision, but we believe our financial and managerial resources will bring greater rewards in other markets, notably in Germany where we plan to substantially scale-up our presence in the near-term.

I'm firmly convinced that these initiatives, combined with our 2023 vision and our Workspace as a Service (WaaS) repositioning, will significantly improve shareholder returns over the coming years. Just as importantly, it will ensure our continuing market leadership in the European workspace landscape.

In short, we're about to see a substantial growth of our activity across all the markets and products. I would argue, there have been few more exciting times in our history. All this would not be possible without the enormous effort of our teams in six countries, plus support of business partners and clients. Therefore, big thank you everyone!

Marian Herman
Group CEO

Board of Directors

Non-executive directors

Ivan Chrenko

Chairman

Ivan Chrenko is a co-founder of HB Reavis. He served as CEO of the HB Reavis Group from 1994 to October 2013.

Maarten J. Hulshoff

Non-executive director

Maarten Hulshoff chaired the HB Reavis advisory board for six years. Previously, he was CEO of Rodamco Europe and Rabobank International following a 19-year career at Citibank, holding a variety of senior positions internationally.

Pavel Trenka

Non-executive director

Pavel Trenka joined HB Reavis in 2007 and has since been responsible for the Group’s overall strategy and international expansion. His previous positions include Associate Partner at McKinsey & Company and investment banker at IB Bank Austria. Pavel is a graduate of The University of Rochester’s Simon Business School in New York, USA.

Executive directors

Radim Rimanek
Member of the Board

Radim is the Board Director of HB Reavis Group and oversees the UK business. He is also responsible for the company's activities in Czechia as well as launching development activities in Germany. Previous employers include McKinsey & Company and Dun & Bradstreet in New York and in Prague. Radim is a graduate of Harvard University.

Marian Herman
CEO

Marian was appointed to the position in March 2018. Marian has been our Group CFO and Member of the Board for the last four years and before that he had been leading the Investment Management and Divestment at HB Reavis since joining the company in 2010. Previously, he had worked in London for RREEF, Deutsche Bank and ING Group. Marian holds master's degrees in Finance from the London Business School and in Financial Management from the Comenius University in Bratislava, Slovakia.

Peter Ceresnik
Member of the Board

Peter joined HB Reavis in 2016 as a Group Leasing Director and was responsible for the overall leasing strategy, overseeing teams in Bratislava, Prague, Warsaw, Budapest and London. He was appointed to the Board in October 2017 and continues his contribution to delivering HB Reavis' successful workspace solution service and co-working scheme. Peter is an MBA graduate of the University of New York in Prague and City University Bratislava and has previous experience from the IT sector where he held leadership positions as the General Manager at Exe and Country Manager at both Microsoft and the SAS Institute.

Our People

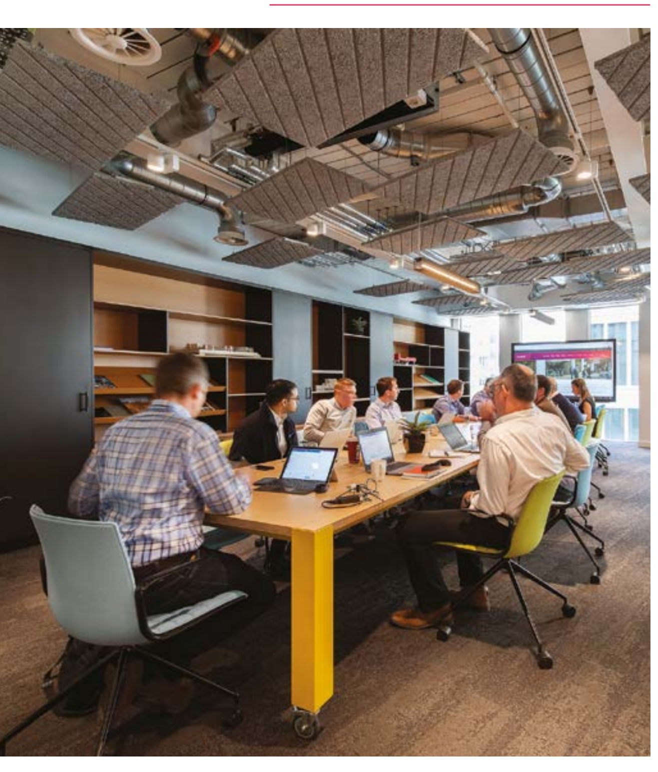
A few years ago, we defined the ultimate purpose of all our business endeavours as 'bringing remarkable experiences to people's lives through real estate solutions'.

At the time, we mostly meant the people outside of our organisation – our tenants, customers, external partners, investors, neighbours and, of course, our end-user community. However, we also do this regarding our employees. Bringing remarkable experiences to our employees' lives is one of our most important challenges for the coming years as well.

In recent years, we have implemented this concept into our daily lives. It supports the company's vision and strategy and we have identified six core company mindsets, key elements of our corporate culture that have always been present and have made the business successful and a great place to be.

Many initiatives have helped us educate the whole organisation and embed these principles into our daily lives, the aim being to transform us into a trendsetting, successful and inclusive organisation that inspires other businesses in our industry, both in our geographical region and outside of it.

HB Reavis in the United Kingdom



People Leadership Program

Our People Leadership Program (PLP), a performance and talent management framework that was implemented at the beginning of 2018 to the whole group, continues to play a crucial role in enabling the employee-focused experience of HB Reavis.

It has provided us with a common platform where employees and their people leaders agree on employees' job related and developmental aspirations, discuss feedback and steer the careers of employees in the desired directions. The main elements of the program, such as aspiration setting and holistic feedback processes, have already been implemented and are ongoing. The design of the talent management and succession planning modules has already begun and is to be implemented during 2019.

We are very proud that we can already see the impact of the program. Together with other strategic HR initiatives, it helps us build a culture of strength-based and constructive feedback in the organisation and cultivate and systematise the dialogue between employees and people leaders, thus very positively impacting the employees' experience and engagement. As we have already started measuring the impact of these and other similar initiatives on the engagement of our employees, in the near future we will even be able to quantify the positive impact of all of our people-focused initiatives.

Change management

In the field of change management, we focused on a number of important areas. In some of them, we continued to develop our work from the previous year, and with others, we started in 2018.

Our change management teams continued to work behind the scenes to make sure strategies were being properly executed, always using a data-driven approach when appropriate. The main focus was to help everyone understand our strategy. In 2018, we improved the communication of the strategy in order to be much closer to our people and to have the opportunity to better explain all the key components. To understand how communication works, we've established measurements to see if every employee understands 'what it means for me' and if it is reflected in teams' aspirations.

We also focused on mindsets and habits. Along with the move to our new office in Slovakia, we wanted to implement all the habits people consider important for themselves and the company. We focused heavily on the communication of those topics to people, either through workshops, in small groups or individually.

As part of that move, we also focused a lot on our project teams. We created project islands, a special area dedicated to cross-functional project teamwork in order to enable teams to work closer together and to significantly increase their cooperation, alignment and performance. As we understand that physical space is crucial but not enough, we also worked hard on the improvement of related principles, roles, processes and routines. Now we have a project handbook in place that was co-created with the teams while respecting key changes and it was driven by the overall strategy. Research has shown that this has already significantly improved the alignment of the teams and helped focus their work on activities that add value. Going forward, we will focus on the broader implementation of this with the intention of ensuring the consistency of the project teams' work across the group.

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

Now, we're looking at several parts of our business - the integration of HubHub and Origameo into the development process and the redesign and development of asset and property management organisation so that they drive excellent customer experience and support our strategy in the long-term. All of that is being done in order to become better organised and more efficient in achieving our mission.

Academy

People development has always been a crucial topic for HB Reavis and within the PLP it has become even more important. Consequently, in 2018, we launched the HB Reavis Academy (further only 'Academy') as a key building block of people development in HB Reavis. The Academy is more an environment than an institution. The Academy is a platform that equips people to grow their competence and shape the culture within the company to prepare it for current and future business challenges. It is a way we work and interact, with the primary aim being to support people in their growth to enable the company to achieve its objectives.

When doing so, we believe it is important for the Academy to reflect the following principles:

- The Academy reflects the strategy and values of HB Reavis. It helps to understand and apply them on the job.
- The Academy promotes ownership and an accountability mindset.
- The Academy is based on a mutual relationship – I take care of the company <-> the company takes care of me. Both of us care and contribute.
- Development activities initiated by the Academy bring added value, both to the participant and the company. Their purpose is to make a real difference in people's working lives and have a positive impact on the company's growth.

We advise our people leaders to consider various development tools and activities and use on-the-job training as much as possible. On that basis, we encourage and support our experienced people to take the opportunity to become teachers, trainers, coaches or mentors and take over the responsibility of the development of our people.

In this environment, we primarily want to focus on three key areas:

1. HB Reavis specific business positions (development, product design, leasing, property management)
2. HB Reavis specific know-how/knowledge
3. People leaders

At the end of 2018, we designed and piloted a leasing transformation program under the Academy umbrella. Ultimately, the leasing approach needs to reflect the change in the strategy towards user-centric solutions. As part of the transformation, in addition to upskilling, it was necessary to design a complex program that addressed various topics, such as client need identification and their understanding, our solutions and their design to address clients' needs, the involvement of product design experts and client service experts into the sale process, etc. Following the design stage, we organised a set of workshops for the leasing teams and are continuing with the ongoing assessment and development of our leasing teams.

In autumn 2018, we also launched a set of PLP related workshops. The purpose of these was for people leaders to understand how their role is changing in relation to the activities and routines required from the People Leadership Program. This year, we will follow up with more specific activities which will enable people leaders to improve their knowledge in specific soft-skill areas.

The programs were warmly welcomed by a huge majority of our people. This also showed us how complex and demanding people development is and how important it is to embrace this complexity and work with it rather than against it. We are looking forward to facing these new challenges.

Setting an Example

People-centric approach

We go far beyond the ad cliché of making people happy. We boost your comfort and make you deliver your best while reducing stress level and taking care of all your needs.

How? By combining the magic of our five sub-brands. Each of them has its own field of expertise and they all together bring in exceptional office space solutions.

More

Our events and services brand, delivers more value to companies and their employees – enhancing talent attraction and retention, improving absenteeism and strengthening employee engagement

Property management

Overseeing users' relationships, including active listening to keep a track of most valued services.

Facility management

Services to keep workspaces safe and comfortable and to run buildings smoothly.

Concierge

A helping hand with daily routines. Dry cleaning, car washing, restaurant reservations or even courier delivery? Concierge at your service!

Application

Excellent source of information about events, activities and services. All in one place.

Well-being

Well-being activities and events preventing the negative impacts of stress, promoting healthy lifestyle.

Mobility

Bike and scooter sharing service to get people transport fast in healthy and sustainable manner.

The Nook

Café for various events to build and nourish community within the emerging business zone so as our buildings stay lively even after 5 o'clock.

Events

Movie nights, beauty days, street-food market or even a Christmas one and many more. Relax and fun at everyone's taste.

Origameo

Origameo helps clients through the whole process of creating a new workspace for their business, from analytics and consultancy to space planning, design and fit out. The team even manages the complex internal change management in between.

The business model streamlines and connects the whole journey, flexibly and efficiently tailoring solutions at every stage with complete synchronisation between analysis, consultation and delivery.

HB Reavis in Warsaw

New offices in Bratislava

Powerful data analytics

Origameo offers clients an unprecedented level of analysis of their current office situation by using real-time data captured using the latest smart building technologies and invaluable, personal insight from staff interviews.

With the wider expertise and experience of the Group, Origameo then creates remarkable solutions for clients that perfectly suit the needs of their business.

BASF offices in Warsaw

Creating workplaces that boost well-being and productivity

Origameo's office design enhances businesses on three levels: company, office and personal. On a company level, spaces flow so people meet naturally, share information and create together – boosting productivity and innovation.

On an office level, effective space utilisation eliminates busy spots and dead zones. People get the right types and sizes of work, breakout and storage spaces and the office becomes a lively place.

On a personal level, when people spend less time looking for a free meeting room or waiting for coffee they're more productive. They feel a sense of achievement in creating value for the company which makes them happier and healthier in the long run.

The team works with clients to create a tailored set of KPIs, which can be part of an ongoing analysis to ensure workspaces perform as they should.

At present Origameo focuses on clients planning to move into HB Reavis managed buildings.
Its pricing is agreed on as part of the leasing package.

HubHub at Nowogrodska Square in Warsaw

HubHub

More than just co-working space, HubHub offers flexibility to all businesses. From day and flexi passes for start-ups to branded offices for larger businesses looking for a space that can quickly be adapted – it's the perfect platform for growth.

HubHub at Kiraly utca in Budapest

Creating inspirational environments

The concept is based on three pillars. The first, flexible innovative space, focuses on a physical design that maximises the internal activities and interactions of businesses and individuals.

It's something that benefits greatly from the Group's approach to designing, building and managing places that enhance well-being and productivity. With everything from zen booths and quiet study areas to flexible meeting rooms and giant auditoriums, a breadth of options ensures everyone has access to the right space for every task.

Second, it fosters a genuine sense of community. For larger companies, this means having access to the innovative ideas of entrepreneurs. For start-ups, it means enjoying the benefits of working alongside businesses with resources and leverage, including a wider pool of multidisciplinary talent and experience.

Lastly, HubHub offers an educational ecosystem. A rich roster of events including workshops, masterclasses and panel discussions help businesses learn from and motivate each other so they can grow and thrive together. Members have unique access to events, with many also open to the bright minds and talent from local neighbourhoods who want to upskill themselves.

HubHub at Postepu 14 in Warsaw

An expanding network of thriving communities

HubHub launched in Bratislava in 2017. And while there are now sites in London, Warsaw, Prague and Budapest, the network's growth shows no signs of slowing. In fact, an ambitious European pipeline should see over 20,000 sq m of HubHub co-working space by the end of 2019.

Qubes

Serviced offices solve a huge number of the issues currently facing businesses. But some of the solutions on the market can present problems of their own, from inflexible contracts to poorly resourced facilities.

Qubes, though, offers a truly tailored and scalable proposition – the benefits of a conventional office with the flexibility growing businesses need. Based in HB Reavis developments, they also reflect the Group's focus on its ambition to design, build and manage buildings that enhance well-being and productivity.

Private and self-contained, the workspaces can each comfortably sit 20 people and are ready and waiting to be easily adapted by businesses looking to expand.

Each modular unit can be fitted to meet users' needs, with a catalogue of stylish, bespoke, high-specification furniture options – including more unique options like personal lockers and beer fridges.

Being easy to set up and move into means a Qubes space still integrates a level of personalisation more in line with traditional leased workspaces.

Growth plans

Now fully tested, Qubes has been operating on a smaller scale across Europe. Now, the brand is ready to expand into the Group's flagship workplaces.

Three major sites at Nivy, Agora and Varso Place should be in place by 2020 – and take the brand past 2,000 workstations.

Flexibility to the highest degree

The Qubes team works with clients to define the size and type of space required, not just at the moment of engagement, but over the next six months or even couple of years. The aim is to ensure the hired spaces properly reflect the client's expected growth pattern.

It's useful for fast growing start-ups and scale ups. But larger companies appreciate the way this approach aids the development of project-focused operations, short-term team building or occasions where external consultants come in and need their own workspace.

Simple and personal

The technology behind the Qubes experience is seamless, with many automated features linking the main office with reception, cleaning and security services. In turn, users enjoy technical support similar to that of a traditional, in-house IT team.

Indeed, simplification is a key word when it comes to the leasing process. Contracts are just one page and there's just one, single monthly invoice – covering rent, utilities, memberships and any additional facilities.

Rather than coming from a faceless department, this invoice is issued by each client's personal Qubes contact. The regular, predictable costs and expenses then help clients to better understand their cashflow, even during periods of growth when things can be more uncertain.

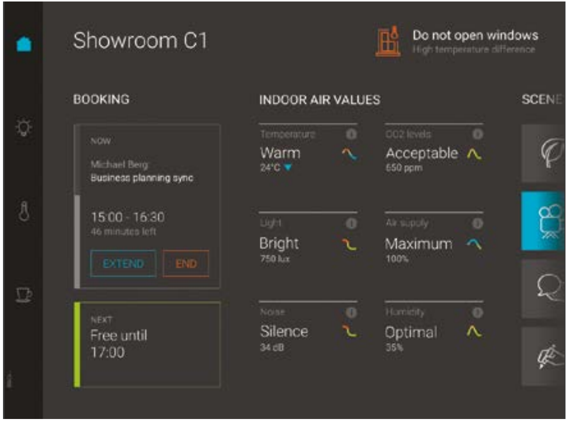
Symbiosy

Truly smart buildings don't just use technology for technology's sake. They use specific technologies for a reason: people.

Symbiosy looks at more than just the micro environment and levels of light, temperature and CO_2 when they design smart buildings. They explore how individuals within the building interact with the workplace environment.

This leads to a greater understanding of the culture behind meetings, workstyles and different departments so that every solution is tailored to clients' operational goals.

Ultimately, the team believes they have developed the best building data science management processes. But their real point of difference is making sure that all the technologies they use have a clear end-user focus.



Delivering tangible benefits

A smoothly functioning workplace environment drives collaboration and creativity – boosting productivity and innovation. And making sure everyone maximises their time (rather than looking for a free meeting room or waiting for coffee) tangibly increases productivity too.

Moreover, modern workforces now demand workplaces that enhance personal development and physical and mental health – so the correct real estate solution helps to attract and retain staff. It's worth remembering that it also leaves a very positive impression on clients. The success of Symbiosy's smart buildings has only been possible

Creating fantastic workplaces

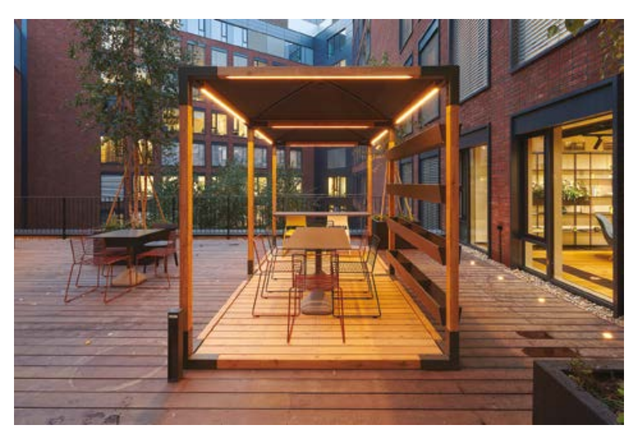
because of HB Reavis' unique approach to designing, developing and managing buildings that enhance well-being and productivity.

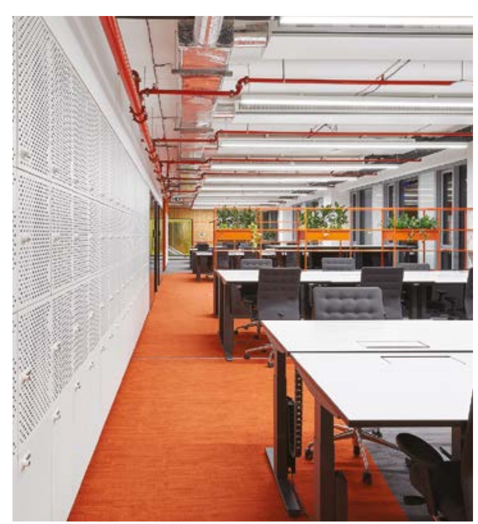
It's also a key factor behind the team's pioneering research into the interactions between health, well-being and indoor environments. As the first European-headquartered developer to join the Well Living Lab, they also enjoy access to 'Delivering tangible benefits' the lab's evidence-based research.

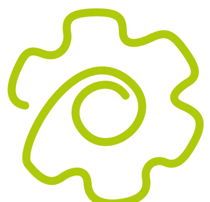
This focus on human behaviour and new concepts have helped Symbiosy to stay well ahead of the curve. They are a vital resource in the Group's efforts to design to the ever-more exacting standards of health and well-being and deliver some of the best workplaces on the market.

Our new offices in Bratislava

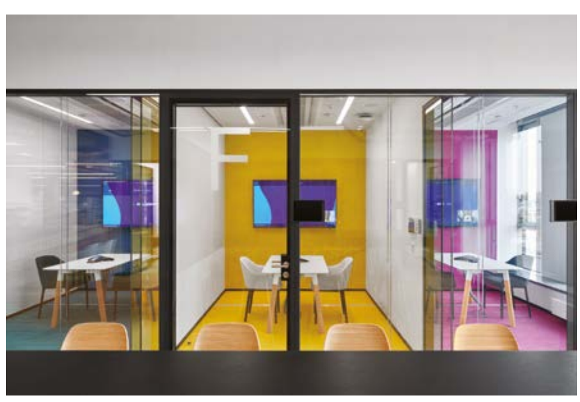
We've moved to a new office in Bratislava to put all our experience and innovations into practice. There was a massive amount of research behind the move. The resulting people-centric design weaves together a range of solutions that help us all to be more productive – and feel more positive – about work.







Productivity



Privacy
It's important to have privacy at times and have access to a quiet space to focus. Our small booths are perfect for one on one discussions and individual work.

Focus rooms
We want to be able to concentrate. With 19 focus rooms around the office, all we need to do is bring a laptop and plug it in.

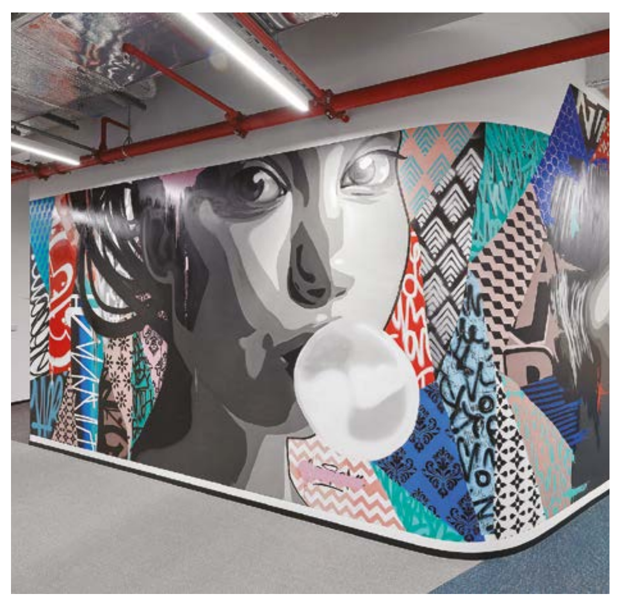
Green space dividers
We embrace nature and work with it too. Our space dividers are huge pots of greenery. As well as helping to structure our space, they add oxygen and visual relaxation.

Adjustable tables and chairs
Adjustable desks mean we can come in, switch on and stand. They aid good health by helping us to move more during the day. Our chairs also meet strict ergonomic requirements and can be adjusted to the right height and depth.

Writable walls
Ideas can come from anyone and anywhere. We can capture those ideas without having to walk far by drawing them directly on the wall.

Library
We enjoy pushing the limits of our understanding. The library is key to this thanks to its comprehensive mix of scholarly and industry publications.

Well-being
Log into our meeting rooms and they'll remember your light and temperature preferences. Moreover, they keep track of CO_2 and humidity levels so everyone stays comfortable.



Community
We're a tight-knit team and want newcomers to settle in quickly. So our barista café and elegant terrace are ideal spots to chat or have a quick informal meeting with colleagues.

Indoor positioning
Our workspace sprawls over a large space and has a number of private areas. It could be difficult to catch colleagues at their desks, but our indoor positioning technology means it's easy to find everyone.

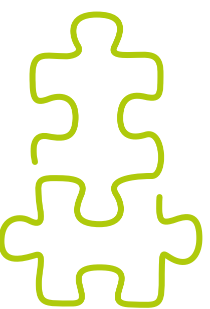
Inspiring space
With over 40 different spaces around the office, we have a solution that perfectly suits whatever task we have to do, and we are constantly engaged and inspired.

Free access
No one needs an entry card here. When you arrive through Mondieu Café, our facial recognition system opens your path to a staircase that brings you directly into our offices.

Project Islands
Our bespoke design angular tables provide the flexibility to work autonomously, with a partner or in small or large groups.

Stand ups
When there isn't much time or if a discussion doesn't need to take long, our stand up meeting points help to keep things short and to the point.

Video calls
We operate in six countries. So sometimes it can be difficult to manage large collaborations in different locations. To make things easier, all our meeting rooms are fully equipped with video conference screens and audio that can easily be accessed by wifi.



Relax & Fun

Relax room
To help us relax and de-stress, we have a team of professionals that regularly visit to offer massages, exercises and other treatments.

Music room
Music can make a difference in our mood. So we have a room with a state-of-the-art system. It's designed for fun, but can also create a more informal atmosphere during meetings.

Playroom
Whether or not you're a parent, our playroom is kitted out to entertain and relax. We use it as a waiting room for family as well as a fun breakout space.

Slide
A slide is exactly the kind of feature that gets people excited about an office. Aside from giving us lots of enjoyment, it's probably the first thing we tell our friends.

Spacious kitchen
With an oven, a stove, large storage and fridge space and other equipment, our kitchen gives us the freedom to experiment a little for lunch.

Shower
The best ideas often come during a shower. Cyclists also really appreciate having so many of them in the workplace.

Dining area
Our spacious dining room and picturesque terrace give us the chance to sit down and eat with colleagues, share stories and experiences and build a strong sense of community.

Stretching classes
We have regular stretching classes to strengthen our backs and help us to face all the challenges our roles give us.

Nap room
Naps help to increase productivity and focus during the working day. So we have special nap rooms where we can give our batteries a quick boost.

Air

A breath of fresh air
Good air quality is a major focus for us. It drove our decisions about low-VOC building materials, furniture and cleaning products. The air in the space was tested for a variety of contaminants such as VOCs, formaldehyde and ozone.

In turn, we'll complete onsite testing, or Performance Verification, every three years. This helps to keep the air clean and maintain our WELL Certification.

Ventilation + Filtration system
Air quality is also enhanced by an advanced ventilation and filtration system. A two-stage filtration system ensures that the air that comes into the office is fresh, clean and free from harmful pollutants.

Multisensors
The whole space is covered by sensors which control the air quality, both on the floors and in vents. The multisensors were actually tailor-made to meet our specific requirements.

CO_2 sensors
There's a sensor that measures the CO_2 level in every meeting room. If the optimal level of 800ppm is exceeded, occupants are notified to either open the windows or, if the room is located internally, the ventilation system pushes more air into the room.

Outdoor air matters
While it's great that our new office's windows open, there's no guarantee the outside air is safe to breathe. So, we installed a weather station that monitors outside air quality and gathers CO_2, ozone and PM levels as well as NO_2 and SO_2 data. If set limits are exceeded, we're asked to not open the windows and instead use the advanced ventilation system.

Careful preparations
During the building's construction, the ventilation ducts were sealed and protected so that no pollutants could enter the system. During our first weeks in the new office, it underwent stringent testing and balancing to make sure it worked perfectly.

Keep it clean
A comprehensive cleaning protocol, complete with dated cleaning logs, lists of cleaning products and equipment and training protocols for cleaning professionals help to create a consistent and comprehensive approach. All the products meet EcoLogo or GreenSeal certifications, all vacuums contain HEPA filters, only microfiber rags are used for cleaning and mops cannot be wrung by hand.

Water

Regular water testing
Generally speaking, we're lucky to have great water quality in Bratislava. But we don't take it for granted. We check its quality quarterly and send the results to IWBI – the authority that administers the WELL certification.

Water is life
The office's water dispensers use water that passes through both carbon and UV filters that are designed to remove microbial cysts. This ensures it's clean and tastes good, which encourages us to stay hydrated. Everyone also has a personal BPA-free reusable bottle which they can fill at water points located no further than 30 m from their desks.

Street food festival at Twin City in Bratislava

Light

Right to light
At least 75% of the space is within 7.5 m of an external window. 95% of workstations are within 12.5 m of one too. Essentially, there's an almost equal distribution of light and window views for everyone in the office.

No sunglasses needed
The glare or heat inside from too much sun can be uncomfortable in an office environment. However, our office has a system that automatically moves shades in response to light-sensitive receivers along the windows. This maximises light and views whenever possible and blocks the sun when it's too strong.

Circadian lighting
We conducted a study that analysed light conditions at workstations. It revealed that daylight and artificial office lights combine to create conditions that impact workers' circadian rhythms.

Light and glare control
The office's ambient lights are dimmable and we can also change the colour of the lights in some of the focus rooms.

Nourishment

Mindful eating
Between the dining area and the terrace, there are enough seats for at least a quarter of the entire Bratislava team to eat lunch together, away from their workstations.

Handwashing
All the sinks are large enough to comfortably wash hands without hitting the sides of the sink or the faucet. Technically speaking, this means the column of water is at least 25 cm in length and the basin a minimum of 23 cm in width and length. All the soap dispensers use disposable cartridges and are fragrance free and non-antibacterial.

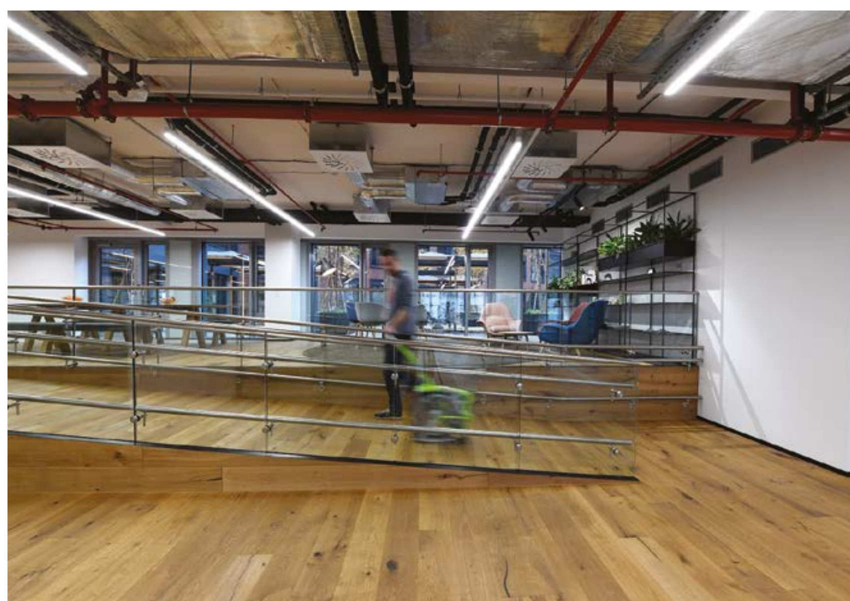
Comfort

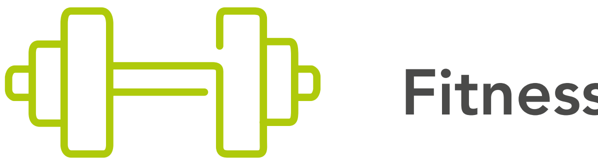
Accessible for all
Being handicapped-accessible was at the top of the list when it came to designing our office. The space is totally open to people with limited mobility. There's enough space to comfortably move around, drawers and cupboards are reachable from a seated position and there's a specially designed bathroom.

Acoustic comfort
As this is one of the biggest issues an open space office can have, acoustics were a real focus for us. Ceilings were covered with a material that absorbs around 90% of all sound that reaches it. Most of the colourful and functional walls – and the carpets – use special acoustic materials, as do the custom-made separators between teams.

Thermal comfort
Virtually everyone wants to work in a different temperature. But to keep everyone happy, there's no centrally set heating or cooling system. The open space is divided into smaller zones with individual, adjustable temperature zones.

Ramp for wheelchair users





Fitness

Stairs
Everyone who enters our office can easily get about using stairs. Floor connecting staircases are all centrally located and no higher than 7.5 m (as prescribed by WELL).

People can comfortably pass each other, and each floor increases access to views and daylight – which encourage people to use them and exercise a little.

Walker's paradise
The office is located in rapidly developing Nivy zone – a former industrial zone revived by recent office developments and an extension to the cultural centre of the city. Restaurants, banks, shops, parks and more are all within easy walking distance. In fact, it received a WalkScore of 95 points, making it a walker's paradise.

Free bikes
To get somewhere swiftly, employees can avoid traffic by taking a Brompton folding bike or an e-scooter. The sharing service is open to everyone who works in the Nivy zone and is completely free.

Mind

Seat yourself
With so many types of spaces, employees can pick the right place for the job they're doing and change positions and refresh their view throughout the day.

Love of life
Plants and natural patterns are really useful in creating a comfortable environment that aids mental health. Therefore, natural features inside the office are complemented by a terrace that provides green views along with the opportunity to connect directly to the outdoors.

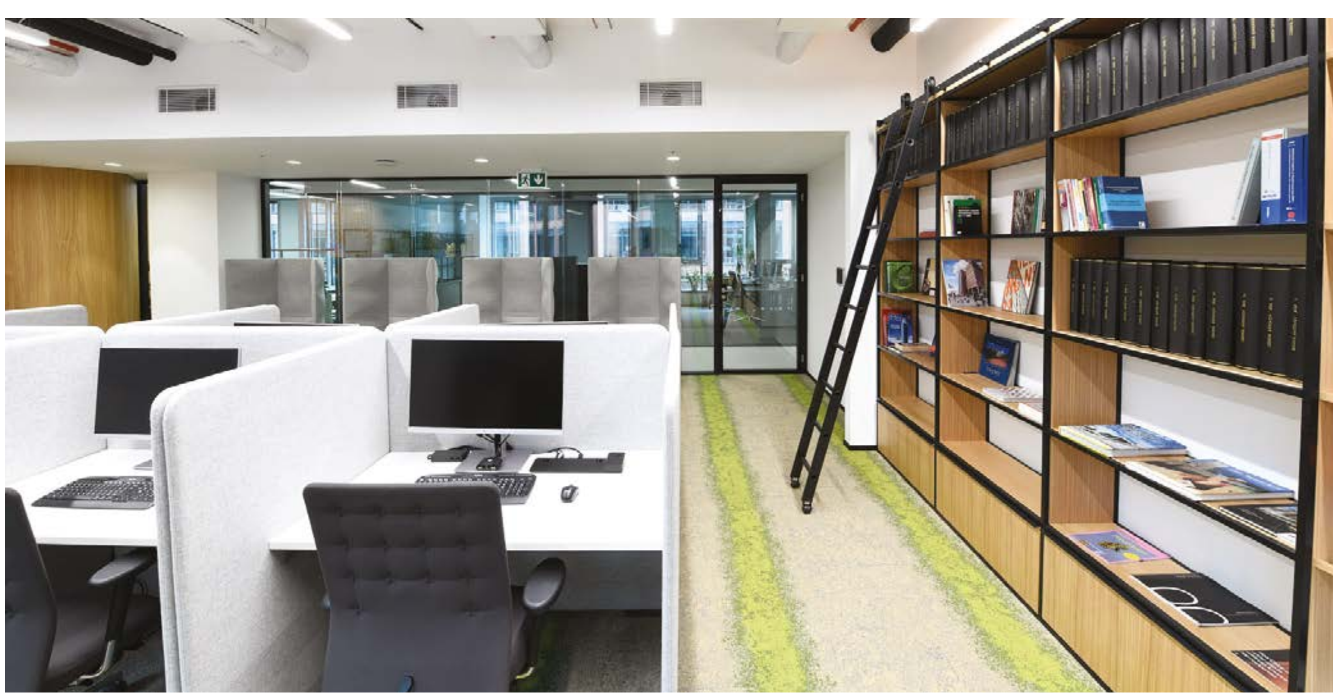
Library
As well as being dedicated to books and magazines (and employees are encouraged to share their favourite reads with others), the library also serves as a quiet zone that's perfect for focus work.

Baby room
Since we have quite a lot of parents in the company, we created a room for feeding and changing children. It has a fridge, a microwave oven and a comfortable chair.

Art
The whole space is divided into five colours across three zones – industrial, natural and rock and roll. We cooperated with a local artist to bring this strategy to life and to celebrate each theme around the office.

New Office in Bratislava

Our library in Bratislava



11

A Positive Force in Our Communities

Twin City location before construction

From brownfield to vivid multicolour

In recent years, we've changed the face of the brownfield site in Prague's Karlin district through our award-winning River Garden Offices I and II-III. Warsaw now has our Konstruktorska Business Centre. And our Gdanski Business Centre business district has been welcomed by both the professional community and clients.

Add to that our work on Twin City, our flagship Bratislava project, and it's clear our strategy for transforming abandoned and run-down areas into vibrant and useful sites pays dividends for communities as well as investors.

Now, though, we're taking a step into the relative unknown. The old slaughterhouse in Berlin will become a multifaceted destination with a revolutionary new approach to business: vintage industrial meets new work.

Completed Twin City

DSTRCT.Berlin

Designed for Berlin's creative and tech-led communities, DSTRCT.Berlin will sit between the vibrant Friedrichshain and Prenzlauer Berg districts, just next to a major S-Bahn hub and only a few minutes from Alexanderplatz and downtown Berlin.

It's also a stone's throw from the Velodrome, the heart of Berlin's bike scene and a huge event space that regularly hosts 12,000 people. It's a neighbour that's already influencing DSTRCT.Berlin, with a dedicated cycle garage ready to welcome its users.

The project's creative concept and its proximity to a community of bustling restaurants and bars are proving very attractive. A number of potential tenants have already made serious enquiries about its healthy, social and lifestyle features.

The neighbourhood is easily accessible by S-Bahn and tram and is located in an epicentre of leisure, with a whole host of sport and recreation facilities within easy reach.

DSTRCT.Berlin is spread across five storeys, with three atriums and 45,494 sq m of space. Urban, raw charm and spaces for art in and around the site reference the past and point towards the future. While it's an ambitious, character-driven project, it also fits seamlessly into our strategy of creating remarkable spaces that strive to deliver the perfect work-life balance.

DSTRCT.Berlin before construction

DSTRCT.Berlin visualisation

BREEAM

Going green, adopt BREEAM

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

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

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

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

Forest

Nivy Station

BREEAM Communities

BREEAM Communities is an assessment method used to measure, improve and certify the sustainability of large-scale development projects. And we're absolutely thrilled that the New Nivy district has become the first cluster of projects in the world to register under its latest version.

It demonstrates our commitment to shaping cities and delivering exceptional spaces for people to enjoy; whether they live in, work in or visit our developments. BREEAM Communities assess a project's wider environmental impact on its surroundings while acting as a framework for master planning. Focuses include effects on social and economic well-being, natural resources, energy use, infrastructure, housing provision and economic facilities.

We hope the entire New Nivy district will eventually be BREEAM Communities International certified. It's our chance to set a new benchmark for visionary place making, from Twin City Tower and Nivy Station to other new office schemes, public infrastructure and greenery – including an urban garden equal in size to two football pitches.

12

An Ambition to Set New Industry Trends

The future lies in communities

We're now fully focused on creating and managing complete business districts rather than individual buildings. For us, the best way to deliver remarkable experiences is to develop neighbourhoods big enough to support the vast range of services we believe are vital to support companies' and communities' growth.

In line with this strategy in Czechia, the Group has announced on the 5th of February 2019 to vend the stand-alone projects in Prague because they are not sizable enough to make them suitable for the development of such business districts.

Now, we're pushing ahead with our project in Brno – Czechia's second biggest city – which is comparable in size to Agora Budapest and Varso Place. The increasingly popular Aupark Hradec Kralove shopping centre will remain part of our portfolio.

Our co-working platform is another facet of our work we see growing exponentially over the coming years. Already a successful network, the co-working brand facilities operate under the HubHub brand.

Right now, our most prominent projects include One Waterloo, near London's busiest transport hub, Varso Place, which includes CEE's tallest tower and the shopping centre and international coach terminal, Nivy Station in Bratislava.

Headlines are also being written about Agora Budapest, soon to be Raiffeisen Bank's Hungarian headquarters, and DSTRCT.Berlin, the transformation of a period building into a state-of-the-art creative business address.

Our way UP

We don't merely lead the industry at HB Reavis, we set trends. From innovative building designs to creative workspace solutions, we put users at the heart of every decision and the forefront of delivery. And it's a method that's winning friends across the continent.

Over the last year, we've cemented that way of thinking into an evolved portfolio of services, brands and a development pipeline of truly ground-breaking projects.

The shift from B2B to B2U

To create remarkable experiences, we had to focus on the people who live and work in our developments. It's a shift that was enhanced by the pan-European occupiers research published by CBRE in April 2018* which shows occupiers are giving more and more weight to the effects of workplace solutions regarding productivity and employee satisfaction rather than operational efficiency. We assess the impact our products and services have on our clients and constantly explore ways to improve their productivity and well-being.

A

Shift to focusing on large-scale business hubs

As working habits change, there's more focus on flexibility. People want more variety in the spaces they work in as well as help with more agile collaboration – not to mention tech advancements and access to start-up and innovation communities. To meet those needs, we've concentrated our efforts on creating and operating large, 10,000 worker business hubs. That scale means we can infuse our designs with genuine flexibility and foster inspirational communities with the freedom to encourage social synergies.

Additional operator role

If we're to ensure users get the support they need, it's not enough for us to build and hand over the keys. We need to manage our projects after completion. But while not necessarily taking on full equity, we're using our services and innovations to significantly increase rental income and set new standards for the industry.

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

What we achieved in 2018

- Evolved from being a straightforward developer into an international workspace provider (WaaS)
- Announced our first two German projects in Berlin and Dresden
- Second phase of our Gdanski Business Center in Poland was sold out for over €200m
- The landmark Varso Tower project has seen construction move above ground.
- Sold Metronom Business Center for CZK 2.3bn
- Purchased the Farringdon West development in London (Bloom Clerkenwell)
- Started work on One Waterloo, a landmark London project

Business Review

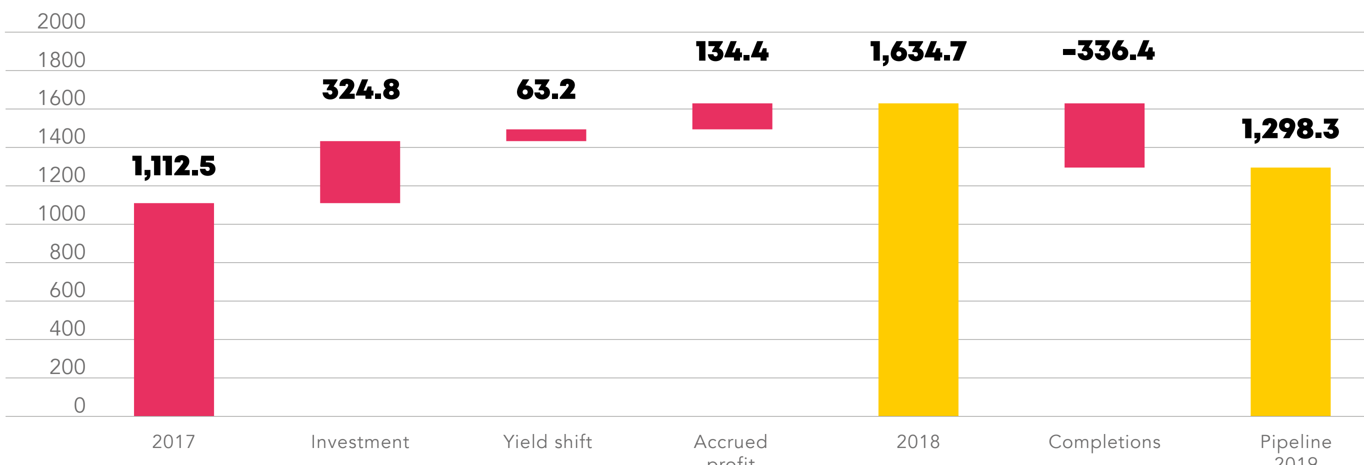
Real estate development is a very complex business. If you're an international workspace provider as we are, this brings even higher complexity. We make life even tougher for ourselves because our mission is to bring remarkable experiences to people through our real estate solutions.

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

In light of this approach, 2018 was another great year in terms of achievements and confirming we're on the right path.

HB Reavis in the United Kingdom

Changes in Group Development Property Value (€m)



* Figures based on external expert valuations and internal management reports

The development landscape

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

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

Bratislava continued to grow as well. With supply at about 90,500 sq m (85,000 sq m in 2017), we saw growth of the total stock at around 6.5%, with vacancies slightly down to 6%.

In Prague, despite a four times higher supply and healthy 4% growth in the total stock, we see vacancies falling to historic levels – in two years they have fallen by half to 5.1%.

Stable development continued in Warsaw as well. With an almost 'typical' supply of around 233,000 sq m, we saw healthy 3.4% growth in the total stock accompanied by significant vacancy decreases to 8.7%.

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

In the reporting year, we focused mainly on both speeding up and growing the share of developments in the permit stage and on making progress with our projects in the construction phase. During 2018, the portfolio value of core development property increased by €186m (2017: €211 million) and at year end achieved a value of €1.3bn, representing a 17% year-on-year increase.

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

Product design matters and distinguishes us in the market

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

Currently, we have around 150 professionals in our dedicated product design team infusing client experience and technical innovations into our products. Recently we've focused on the following areas:

1

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

2

We are transforming ourselves from a fully integrated but 'standard' real estate developer into a Workspace as a Service (WaaS) provider. This move is a perfect umbrella for our user-centric related activities such as UX methodology, Origameo, HubHub, Symbiosy, Qubes and More.

(for more information please read chapter 10)

3

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

4

We are elevating our sustainability standards and design goals to at least BREEAM 'Excellent' and we aspire to comply with WELL standards as soon as feasible.

Growing leasing and marketing capabilities

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

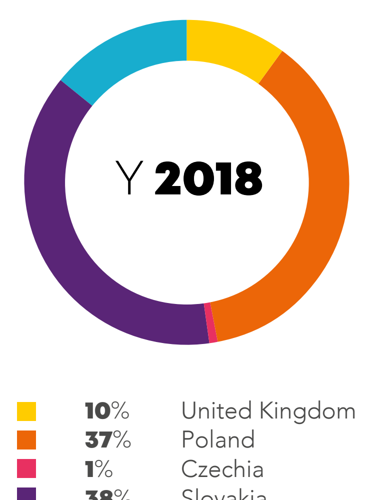
These teams consistently and efficiently use the Group's know-how that has been accumulated over 25 years.

In terms of the numbers, it was a good year as well. Our leasing teams signed contracts for about 140,000 sq m of GLA, up by roughly 30% compared to 2017.

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

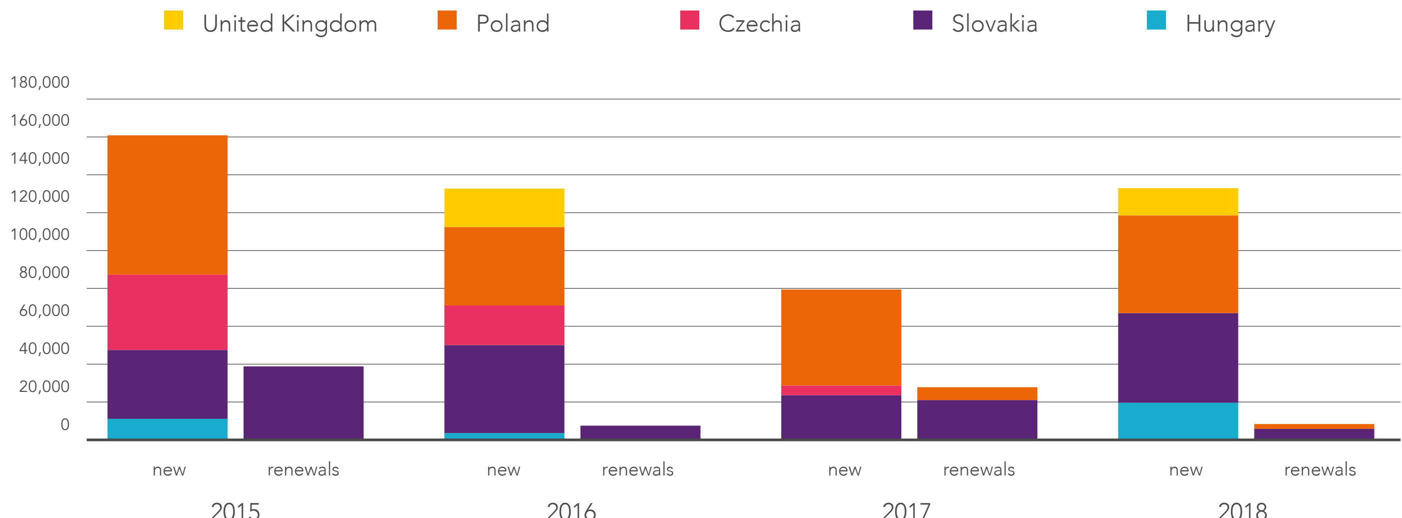
In subsequent years, we expect to deliver between 80,000 and 130,000 sq m GLA office space annually, which is why our leasing capability and performance continue to be a crucial factor in our potential future success.

Leasing Activity by Country



10% United Kingdom
37% Poland
1% Czechia
38% Slovakia
14% Hungary

Leasing Activity according to GLA



Progress in permits

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

In particular, we achieved remarkable progress on our Forest project in Warsaw and our Prenzlauer Hoefe project (DSTRCT.Berlin).

Forest project in Warsaw

Construction cost management

Efficient construction is a way of life at HB Reavis, not least because it has the potential to differentiate us in the market. We are consistently and systematically focused on reducing costs by collaborating with our specialised procurement team and local construction management, all without compromising the quality of projects.

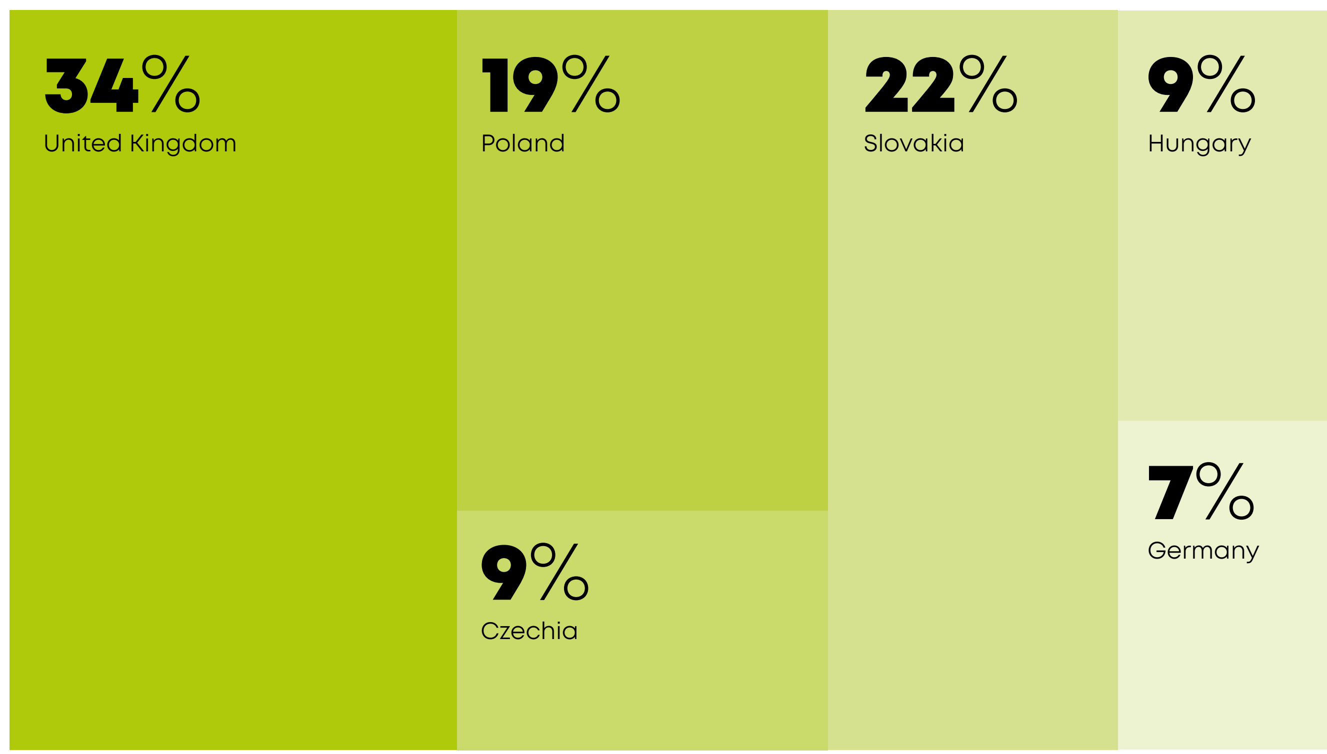
In the reporting year, we continued our strategic project to integrate selected supply chain partners into our development process, from product design (including 3D project documentation) through to delivery on the construction site. Another strategic initiative is the global sourcing of our construction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

Development portfolio structure

Geographically, the structure of our whole development portfolio is shifting towards western countries, where the UK and Germany represent almost 40% of the future value in our pipeline. At year end 2018, the share of UK assets represented 34% of the whole portfolio, Poland 19%, Czechia 9%, Slovakia 22%, Hungary 9% and Germany 7%, all based on the expected gross development value.

As far as segments are concerned, during 2018 our strategic focus on office development reflects its 94% share of our development portfolio value, while retail accounts for 6% based on gross development value.

Developments in the office segment continued to achieve robust growth, adding around €477m of value and reaching a total of €1.51bn (including completed properties before their transfer to use). In terms of the creation of net value of the required investment to achieve the value growth, office properties contributed €121m (net of the yield shift).



Performance of development activities

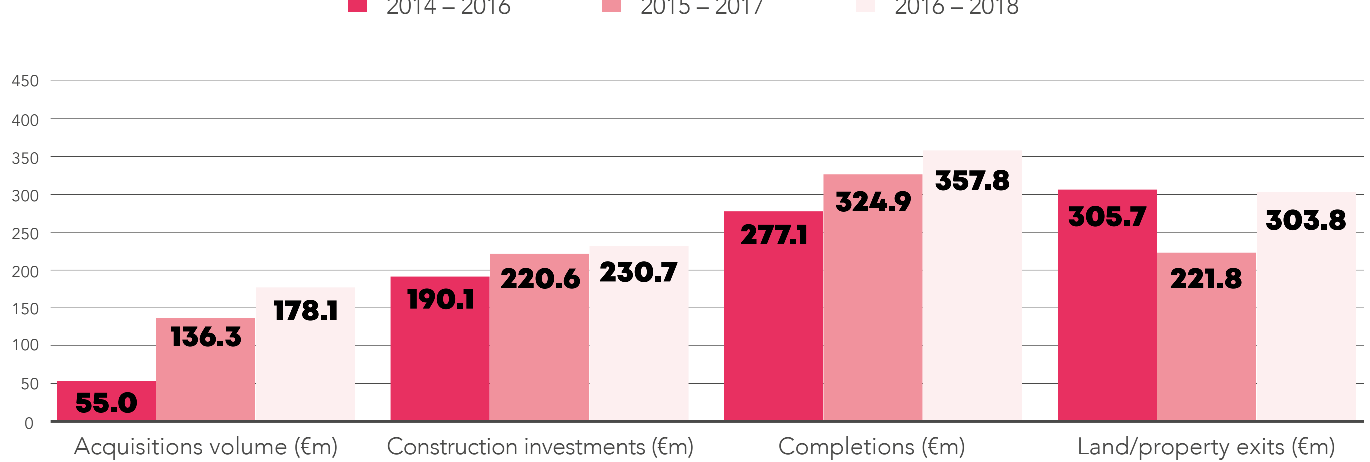
Our strategic plan is to keep our balance sheet on an even keel with the long-term share of the development portfolio of our total investment property at around 50%. Given the situation on the markets, we set this aim aside, utilising the huge appetite of investors for real estate.

The revaluation of our development pipeline portfolio continued to have a material impact on the structure of the balance sheet. The share of our development portfolio (excluding One Waterloo and non-core assets) increased to 50% (2016: 46%).

HB Reavis Development Total	GLA m²	ERV	GDV	Value Change	Investment 2018
Retail	105,068	23.0	414.7	45.5	32.5
Office	1,247,781	347.0	6,513.0	476.8	292.3
Total Development 2018	**1,352,849**	**370.0**	**6,927.7**	**522.3**	**324.8**
Additions to porfolio 2018	**117,165**	**34.0**	**760.0**	**154.0**	**153.0**
Completions 2018	**49,751**	**19.0**	**374.8**	**126.7**	**31.9**
Retail	105,068	23.1	414.7	45.5	32.5
Office	1,198,030	327.8	6,138.2	350.1	260.4
Total Pipeline for 2019	**1,303,098**	**350.9**	**6,552.9**	**395.6**	**292.9**

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

Group Development Activity, 2014 – 2018



* Figures based on external expert valuations and internal management reports.

14 How We Manage Our Assets

Strategically, the Group is focused on achieving and maintaining a balanced share of investment property and assets under development for the longer term. While we retain and manage these assets, we obviously aim to maintain them at top commercial and operational levels so that when we divest, we do so in the best possible conditions.

At the same time, and even more importantly, we aim to provide services that exceed tenants' and employees' expectations – mainly by focusing on user-centric design and maintaining long-term client relationships. As a part of our Workspace-as-a-Service approach, we have been working on Asset Management 2.0 More by HB Reavis – a platform that elevates the experience of using our buildings. As part of that, we now provide users of the buildings with a comprehensive mix of value-adding features and facilities through our Events & Services program.

Events at Twin City

Our pilot activities are focused on Twin City project in Bratislava and Postepu 14 in Warsaw. A variety of regular events organised by our asset management team include health days, food trucks, Christmas markets, sports days, art exhibitions, musicians, cooking courses, massages and more. Additionally, we're adding diverse services that enhance life. From handy concierge services to innovative bike facilities, car and cycle sharing platforms and multifunctional smartphone applications – we're striving to be both useful and practical. And we plan to further increase our offer with well-being focused surprises that make our spaces and the public areas around them even more inspirational during and after working hours.

In terms of results, we're receiving great feedback. In recent surveys, our Events and Services scored impressive NPS ratings (Net Promoter Score) that were well above 60 – some even reached 98. The results have served to strengthen our resolve to be even more creative in our approach.

At the end of 2018, we managed 16 income producing properties with almost 361,971 sq m of GLA, out of which other projects totalling 64,569 sq m of GLA are managed on behalf of the HB Reavis CE REIF real estate fund.

We added one completed project to the asset management portfolio during the reporting year: Twin City Tower, with 34,625 sq m of GLA in Bratislava. The Group divested from three projects – Metronom Business Center in Prague in June and Gdanski Business Center C and D in Warsaw in August.

In terms of occupancy, the portfolio averaged a solid 93% at year end.

The total value of the Group's income producing portfolio compared to 2017 remains at the level of €1.27bn as of year end 2018 (2017: €1.29), mainly due to the addition of 20 Farringdon Street and Twin City Tower as well as the divestment of Metronom Business Center and Gdanski Business Center.

Like-for-like, the portfolio value increased by €44m before yield shift effects. Total asset returns reached 8.7% (2017: 10.1%).

Group Income producing portfolio *	GLA m²	Valuation 2016	Valuation 2017	Valuation 2018	Rental income Y2018	ERV	Equival. Yield 2017	Equival. Yield 2018	Capital return	Rental return	Total return
Asset management portfolio from 2017	304,426	634	1,003	1,038	42	60	5.92%	5.94%	1.0%	4.2%	5.2%
Retail	22,150	89	90	89	4	5	6.00%	6.00%	-0.9%	4.4%	3.4%
Office	282,276	545	913	949	38	55	6.11%	5.93%	1.2%	7.0%	8.1%
Additions to portfolio in 2018	57,545	74	139	236	0	15	4.94%	4.87%	49.4%	0.0%	108.6%
Property exits in 2018	86,519	254.9	283.8	292.2	10.9	17.4	5.86%	5.86%	2.1%	3.8%	6.0%
Asset management portfolio for 2018	**361,971**	**708.2**	**1, 286.4**	**1,273.9**	**52.9**	**75.0**	**5.90%**	**5.74%**	**1.2%**	**7.5%**	**8.7%**

*Including our divested projects
**Figures based on external expert valuations and internal management reports.

15

Financial Review

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

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

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

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

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

Through a combination of divestments and external financing operations we accumulated cash at year end 2018 amounting to €173.8m. This will help us continue our robust development program and support our growth both in an organic manner and potentially through acquisitions, should the opportunity come our way.

In 2018, dividends paid to our shareholders reached 3% of NAV, in line with our financial policy. Our financial policy, refined during the course of 2017 by the measures outlined below in italics, formalises the key financial measures:

- Target gross debt to total assets at 40% (maximum 45%) and net debt to total assets at 35% (maximum 40%) with an appropriate mix of non-recourse project debt and Group-level debt
- Initial maturity of project loan financing and issued bonds to commensurate with the length of our product development cycle
- Cash reserve target at least 5% of total Group debt, with a special reserve build-up profile to cover future bullet repayments for debt well in advance
- Dividend payout in line with historical levels, up to 3% of NAV
- Careful risk management aimed primarily at mitigating foreign exchange fluctuations for all known and estimated non-Euro exposure 12-months forward and interest-rate risks covering 50 – 100% of total medium to long-term debt exposure, both associated with macroeconomic or property cycles

Note: Figures in the Financial Review section are based on audited consolidated financial statements, external valuations and internal management reports. All valuations in the Business Review are based on external valuations and internal management reports before IFRS adjustments and exclude non-core properties. For segment information related to the non-core segment, see Note 6 in the Consolidated Financial Statements. For figures presented in the Segmental Analysis in the Consolidated Financial Statements, see Note 6 of the Consolidated Financial Statements.

How we performed

In terms of overall performance, in 2018 we delivered better financial results than in 2017. Obviously, the main driver was a revaluation gain of €194.8m over the year, up from €95.2m in 2017. At €38.0m, net operating income, in line with our expectations, was down slightly (2017: €38.7m).

Disposal of subsidiaries decreased somewhat to €21.8m (2017: €25.8m). Bottom line: we achieved a total comprehensive income of €102.1m (2017: €96.5m). To support our growthwe also grew in personnel. Primarily, we welcomed people to the business in Germany, but we're also adding some product design related head-office positions so we're ready for further growth.

In terms of the operating profit, the group achieved €197.9m.

€120.1m

Net profit

€102.1bn

Total comprehensive income

€184.8m

EBIT

€38.0m

Net rental income

€194.8m

Revaluation gain

€1,344.1m

NAV (adjusted)

8.5%

Shareholders' return

30.5%

Net Debt Leverage Ratio

The Group balance sheet increased to almost €2.35bn. Adjusted net asset value increased by a modest 5.5% year-on-year and reached €1.34bn. In terms of the 8.5% return on shareholders' equity, we were not able to deliver the 15% long-term target level.

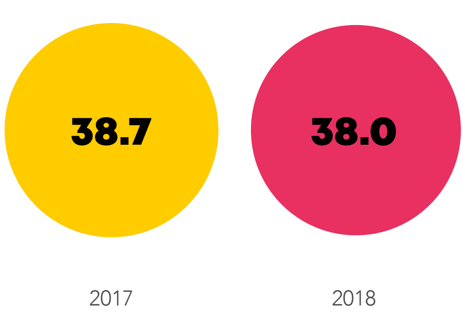
In contrast to the previous year, our net debt leverage ratio return was much closer to the targeted level of 35%. It was 30.5%, up from 26.8% in 2017.

€m	2014	2015	2016	2017	2018
Assets	1,806.1	2,089.3	2,112.3	2,294.8	2,349.9
Cash	155.3	115.4	316.4	279.1	173.8
Borrowings	634.4	736.3	683.0	893.0	891.5
Net Debt Leverage Ratio	**26.5%**	**29.7%**	**17.4%**	**26.8%**	**30.5%**

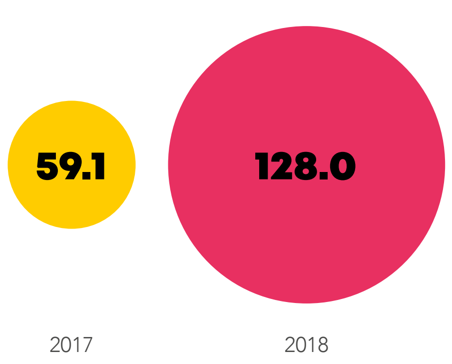
*Including borrowings presented in the consolidated balance sheet as liabilities directly associated with non-current assets classified as held for sale. Excluding borrowings in JV.

How we created value in 2018

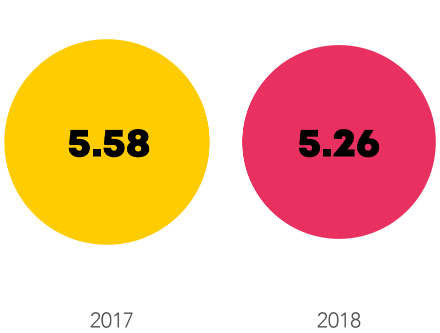
Net Operating Income from Investment Properties (€m)



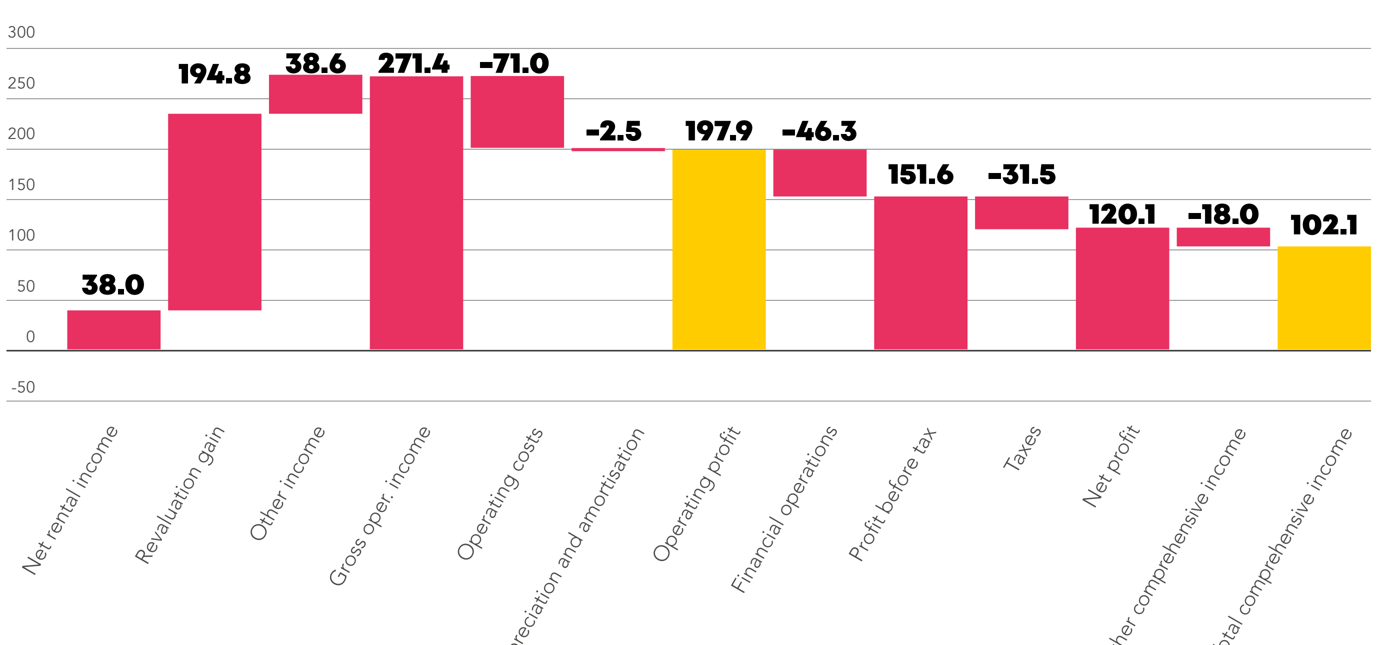
Revaluation Gains



Investment Portfolio Yield (%)



Group Profit Decomposition (€m)



Revaluation gain

A revaluation gain on investment property resulted in €194.8m (2017: €95.2m) in our pipeline. This represents a significant year-on-year increase of around 105%, driven mostly by the construction progress of our projects in Poland, the UK and Slovakia.

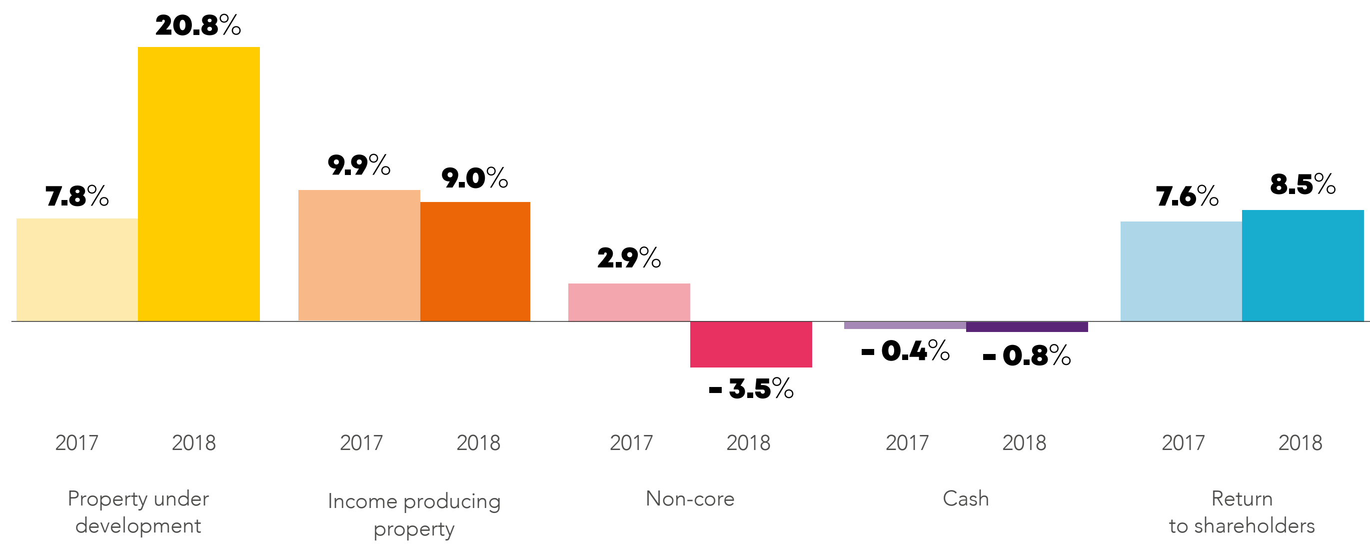
When adjusted for yield shift, the Group achieved a €128.0m (2017: €59.1m) net revaluation gain while the positive yield shift contributed €66.8 million to profits (2017: €36.1 million).

The average investment property portfolio yield decreased by 30 basis points to 5.26% as we continued investments in lower-yield projects in the UK and Poland and enlarged our investments in Germany. Income producing assets, primarily driven by higher yielding Slovak assets, were valued at 5.74% at the end of 2018. The average valuation yield of our development properties, now more heavily weighted to UK and Polish assets, was also down by 25 basis points to 4.79%.

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

How business lines contributed

In terms of contributions made by our business lines to the overall return on shareholders' equity, the main drivers were both the development portfolio with a high ROE of 20.8% (2017: 7.8%) and income producing property with an ROE of 9.0% (2017: 9.9%). The ROE of our non-core portfolio lagged behind with -3.5% as did cash at -0.8% at the end of 2018.



Note 1: Projects completed in 2018 included in 'Property Under Development.'
Note 2: Segment results based on profit before tax (excluding the translation of foreign operations to the presentation currency).
Note 3: Return to shareholders includes dividends paid out.
Note 4: Investment property value reflected in the calculation above represents HB Reavis's share on properties' fair market value.

How we manage cash flow

In 2018, there was no significant change in the behaviour and appetite of financial institutions that finance real estate projects.

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

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

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

Cash Flows 2014 – 2018

Cash flows	**2014**	**2015**	**2016**	**2017**	**2018**
Cash beginning of period (BOP)	**49.9**	**155.3**	**115.4**	**316.4**	**279.1**
Operating cash flow	**20.6**	**24.3**	**30.6**	**-67.4**	**-6.6**
Land/property acquisitions	-56.7	-40.0	-76.0	-300.4	-157.8
Construction investments	-122.6	-215.5	-244.9	-201.5	-245.7
Land/property exits	88.0	13.5	162.6	23.4	169.7
Other investments	-10.8	-8.1	-1.4	-2.8	-3.3
Investment cash flow	**-102.1**	**-250.1**	**-159.7**	**-481.3**	**-237.1**
Borrowings change	200.7	244.9	379.1	541.2	185.3
Dividends/equity contributions	-13.8	-59.0	-49.0	-29.8	-46.9
Financing cash flow	**186.9**	**185.9**	**330.1**	**511.4**	**138.4**
Cash end of period (EOP)	**155.3**	**115.4**	**316.4**	**279.1**	**173.8**
Share of cash on total assets	**8.6%**	**5.5%**	**15.0%**	**12.2%**	**7.4%**

Note: Figures based on audited consolidated financial statements and internal management reports. For the complete cash flow see the Consolidated Statement of Cash Flows in the Consolidated Financial Statements. Land/property exits are presented net of related investment loans repaid in relation to exit.

In line with our growth strategy, our annual investment in the construction and acquisition of new plots exceeded €400m in 2018.

Our investment in acquisitions during the reporting year decreased to €157.8m. As far as investment in construction is concerned, the amount increased to €245.7m. For the coming years, we plan to keep the amount of investment at around €400m – €500m.

How we finance

The reporting year was another of strong financing activity for HB Reavis, mainly in project financing. In 2018, the Group financing activities focused mostly on securing development financing for major schemes under construction that were successfully accomplished. For example, loans for Nivy Sation and Nivy Tower were signed and both Varso Place and Agora Budapest project loans were approved by lenders and are in the stage of documentation negotiations. Despite having no new issuances on debt capital markets, HB Reavis continued monitoring the market for opportunities and established a new bond issuance programme in Slovakia allowing for new issuances in 2019.

The cost of external debt remained almost flat at around 2.9% while the weighted average tenor declined to 3.2 years at year end 2018 (2017: 3.8 years). This shortening of the tenor was caused by divestments of projects with longer tenor debt (Gdanski Business Center II and Metronom) and no new issuances on the capital markets accompanied by a natural shortening of outstanding bond duration.

Almost €330m (of which €70.4 million were joint-ventures) of external debt was newly raised or refinanced through bank loans.

The Group repaid or offloaded external debt amounting to over €291m. At the end of 2018, external debt (other than from related parties) stood at €846.2m* compared to €878.8m* at the end of 2017. Out of the external debt, 62% stemmed from bank loans while the remaining 38% was from issued bonds.

Despite strong debt raising activities aimed at optimising the Group's capital structure, our overall net debt leverage ratio stood at 30.5% (2017: 26.8%), still significantly below the 35% set in the Group's financial policy.

As of the end of 2018, we maintained well diversified credit relationships with 17 (2017: 14) banking and financial institutions for projects in the UK, Germany, Slovakia, Czechia, Poland and Hungary.

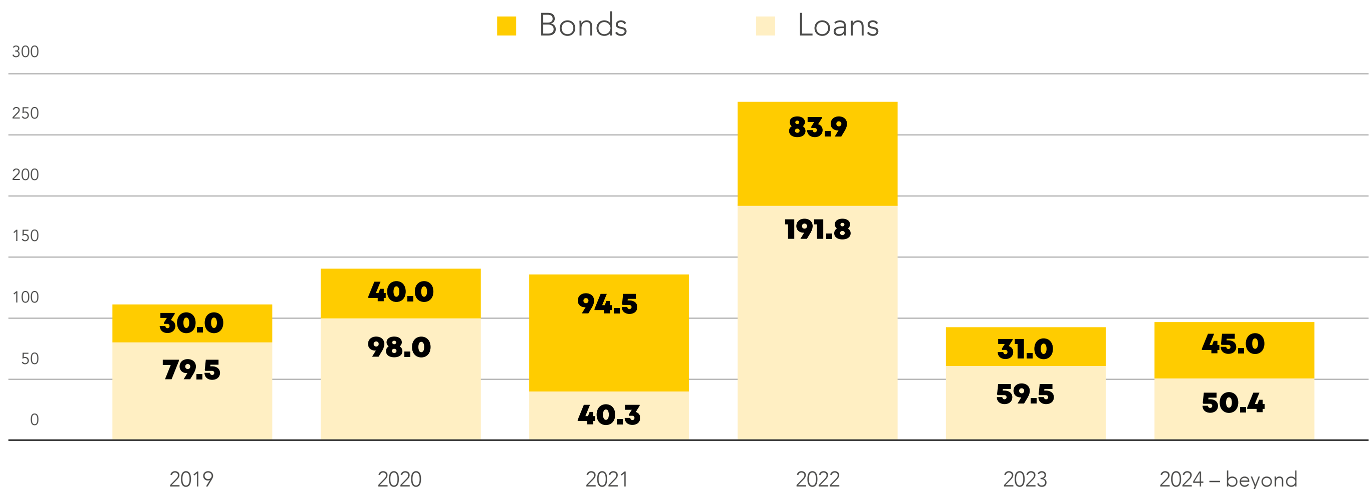
Our traditional source of external debt funding – project linked loan financing – has long been provided by diverse banking partners. This type of loan financing is typically secured against a designated real estate project with limited or no recourse to the Group.

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

A large part of bank debt carries floating interest rates with a variety of hedging arrangements, agreed upon either in the conditions of our loan agreements or on a distinct basis reflecting the Group's needs to mitigate its interest rate exposure. The Group closely monitors interest rates and takes actions whenever necessary. On top of this, leveraging the current low interest rate environment, the Group has started proactively hedging development loans for its projects in earlier stages of construction that are still in discussion with banks. As of year end, the Group had already concluded €100m of interest rate caps with a 7year maturity out of an initial €500m target.

Our loan documentation always incorporates several key elements: achievable covenants and undertakings, operational flexibility and the protection of shareholders' equity. Over the course of 2018 no default events were called or reported in the Group's loan portfolio.

HB Reavis Group Maturity Profile as of 31 Dec 2018 (€m)



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

How we divest

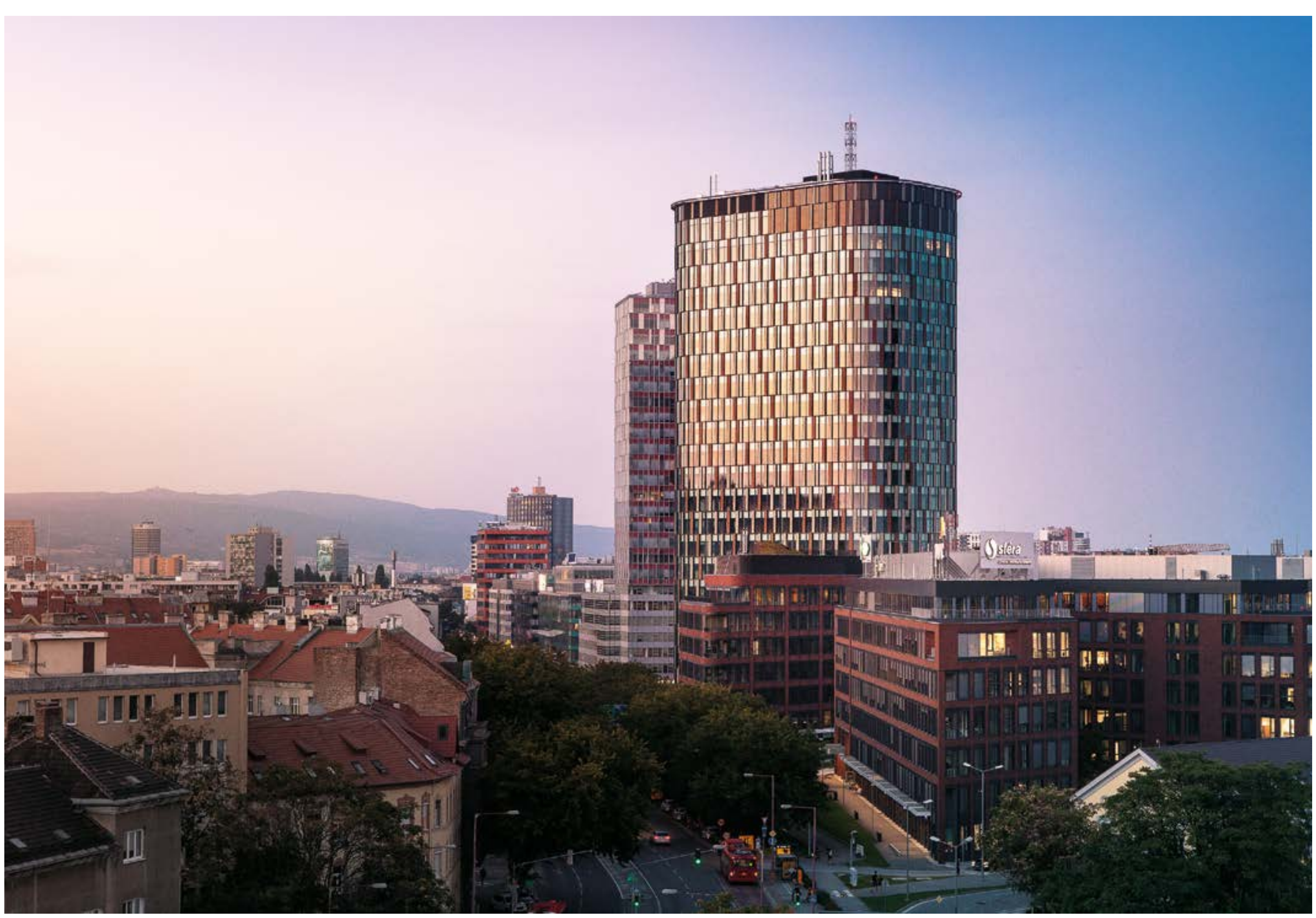
The real estate industry has been slow to adopt new trends and technologies, while many other fields have experienced significant transformations in the new age of technological disruptors and business innovations. The main reason for the lagged innovation is the unwillingness of large real estate market players to make dramatic changes to the way they are doing business (i.e. development, leasing, asset management), which has proved to be largely successful in the past. However, the disruptive effects of new tech solutions, along with the changing demands of key stakeholders, are already starting to impact the real estate business, favoring those who have the means and motivation to innovate.

With our ambition to be a leading workspace provider, HB Reavis has over the past years significantly invested, both money and time, into efforts to be at the forefront of the industry change. The business model transformed accordingly and with our progressive Workspace as a Service (WaaS) solutions putting well-being and user productivity in the spotlight. Our product offering intends to transform the perception of office space from being merely a cost item, into becoming a valuable tool for businesses to thrive. The aim is to build strong, long-term relationships with tenants, providing them unique solutions and valuable data insights about workspace utilization, employee interactions and well-being.

We see these aspects as increasingly important to companies, who struggle to attract talent and appreciate the opportunities our space offers through innovative solutions. As a result, the effective implementation of our WaaS strategy could be a significant driver of increased valuation of the properties under our management.

To maximize the shareholders' value and to reflect on the Group strategy, we have also shifted our divestment preferences. Apart from the standard sale process, we seek long term partnerships and joint ventures with investors looking to buy our properties. Maintaining control over the assets we divest – through asset management contracts and minority stakes, plays an essential part in recognizing the additional value created by our WaaS solutions and long-term interactions with the tenants. Over the past years we have undoubtedly demonstrated having a close relationship with investors, who clearly valued our real estate solutions through repeating investments. Gaining and maintaining trust is therefore a critical part to implementing our divestment strategy. We strongly believe that investors value having us as a partner in their investments, benefiting from our WaaS solutions, as wells as our strong market presence.

Twin City Tower



Risk management

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

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

External risks

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

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

Description and potential impact of risk	Mitigation
The Group's business is dependent on macroeconomic and property market conditions in each individual country and city in which we operate. Deterioration in commercial property markets leads to a decline in the value of the property portfolio, tenant default and a reduction of income from relevant properties.	• International and segment diversification provides a reasonable balance in mitigating market cycles and fluctuations, as well as concentration risks • Focus on high-quality properties in superb locations with sustainable prospects • Thorough acquisition process involving assessment of legal, tax, economic, technical and social parameters, as well as the timing of the acquisition
Events on financial markets might limit the availability of funding and influence terms of raising capital, while a lack of liquidity might reduce the saleability of assets. Movements on financial markets might influence the development of interest rates as well as currency exchange rates.	• The Group cooperates with a variety of banking partners in different markets • Diversification of funding sources split into bank financing and debt capital markets • Constant reviews of our cash-flows aimed at matching funding sources with committed capital expenditures • The risks associated with rising interest rates are limited through derivative financial instruments, especially CAPS and SWAPS • Foreign exchange rates are monitored daily and, in line with financial policy, we deploy hedging tools, including derivatives to hedge part of this risk
Underlying income could be adversely affected by a weakening of tenant demand resulting from slow economic performance in the EU and corresponding uncertainties in consumer confidence, business activity and investments.	• Focus on developing prime portfolios in sectors deemed to have resilient attributes, on strong tenant covenants • Strong relationships with tenants lead to early identification of issues • Sector and regional diversification of the property portfolio with balanced and diversified tenant mix with limited exposure towards single tenants
When a contractual partner is unable to meet obligations, financial or other, such breaches might lead to direct or indirect financial losses for HB Reavis	• Continuous monitoring and evaluation of the credit standing of contractual partners, such as tenants, suppliers or banks • Deploying protective measures, such as security deposits, bank guarantees or performance bonds
As an international company, we are exposed to a variety of legal risks. These risks vary and relate to the purchase or sale of property, to legal disputes with tenants or joint ventures and development partners or to development and construction processes	• Careful analysis of legal matters in respective environments, including the use of high-quality professional advisers • Continuous monitoring of all aspects of the planning process (including environmental areas) by experienced in-house and external experts

Internal risks

A failure in decision-making on capital commitments, assessment of new acquisitions/opportunities, management of construction and development processes and impacts of changes in organisational structure can all expose the Group to risks leading to adverse financial implications.

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

16

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated Statement of Financial Position **88**
Consolidated Statement of Profit or Loss and Other Comprehensive Income **89**
Consolidated Statement of Changes in Equity **90**
Consolidated Statement of Cash Flows **91**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. The HB REAVIS Group and its Operations **92**
2. Significant Accounting Policies **93**
3. Critical Accounting Estimates and Judgements in Applying Accounting Policies **109**
4. Adoption of New or Revised Standards and Interpretation **110**
5. New Accounting Pronouncements **111**
6. Segment Analysis **113**
7. Balances and Transactions with Related Parties **124**
8. Property, Plant and Equipment **126**
9. Investment Property **127**
10. Investments in Joint Ventures **128**
11. Receivables and Loans **128**
12. Other Non-Current Assets **128**
13. Trade and Other Receivables **129**
14. Non-Current Assets Held for Sale **131**
15. Cash and Cash Equivalents **132**
16. Financial Investments **132**
17. Share Capital and Share Premium **133**
18. Borrowings **133**
19. Trade and Other Payables **136**
20. Rental and Similar Income from Investment Property **136**
21. Direct Operating Expenses arising from Investment Property **137**
22. Analysis of Revenue by Category **137**
23. Employee Benefits **138**
24. Operating Income and Expanses **138**
25. Disposals of Subsidiaries **139**
26. Income Taxes **139**
27. Foreign Exchange gains/(losses) **140**
28. Contingencies, Commitments and Operating Risks **140**
29. Financial Risk Management **141**
30. Management of Capital **145**
31. Fair Value Estimation **145**
32. Reconciliation of Classes of Financial Instruments with Measurement Categories **149**
33. Consolidated Structured Entities **149**
34. Events after the End of the Reporting Period **149**

Audit report

To the Shareholders of
HB Reavis Holding S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of HB Reavis Holding S.A. (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

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

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

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 10 April 2019

Isabelle Dauvergne

HB Reavis Holding S.A.
Consolidated Statement of Financial Position at 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Investment property in use or vacant	9	622.8	545.6
Investment property under development	9	1,043.6	861.8
Investment in joint ventures	10	54.5	56.2
Property, plant and equipment	8	9.3	9.5
Intangible assets		0.9	0.7
Financial investments	16	51.8	1.1
Receivables and loans	7, 11	9.2	11.7
Deferred income tax asset	26	11.8	16.9
Other non-current assets	12	9.4	11.5
Total non-current assets		1,813.3	1,515.0
Current assets			
Non-current assets classified as held for sale	14	271.2	386.5
Inventories		0.4	0.6
Trade and other receivables	7, 13	72.4	117.1
Other assets		20.3	14.2
Cash and cash equivalents	15	172.3	261.4
		265.4	393.3
Total current assets		536.6	779.8
TOTAL ASSETS		2,349.9	2,294.8
EQUITY			
Share capital (30,000 shares at EUR 1.00 each)	17	-	-
Share premium	17	455.9	494.0
Retained earnings		831.8	711.7
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	3.8
Currency translation reserve	2.3	(33.4)	(15.4)
Equity attributable to the Company's owners		1,258.1	1,194.1
Non-controlling interest		-	1.6
TOTAL EQUITY		1,258.1	1,195.7
LIABILITIES			
Non-current liabilities			
Borrowings	18	614.4	598.9
Deferred income tax liability	26	79.3	69.9
Trade and other payables	7, 19	15.2	10.3
Total non-current liabilities		708.9	679.1
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	14	158.8	239.0
Borrowings	18	133.2	82.1
Trade and other payables	7, 19	85.9	91.1
Deferred income	19	5.0	7.8
		224.1	181.0
Total current liabilities		382.9	420.0
TOTAL LIABILITIES		1,091.8	1,099.1
TOTAL LIABILITIES AND EQUITY		2,349.9	2,294.8

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.A. on 29 March 2019 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.

Melanie Frauenkron Director A	Daan den Boer Director A	Isabel Schellenberg Director A	Marián Herman Director B

HB Reavis Holding S.A.
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018
Prepared in accodance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2018	2017
Rental and similar income from investment property	20	62.1	60.6
Direct operating expenses arising from investment property	21	(24.1)	(21.9)
Net operating income from investment property		**38.0**	**38.7**
Revaluation gain/(loss) on investment property	9	194.8	95.2
Share of profit or loss of joint ventures	10	10.0	7.1
Gain on disposal of subsidiaries	25	21.8	25.8
Other operating income	24	7.2	9.1
Revenue from construction contracts	7, 22	21.9	85.5
Construction services		(22.3)	(78.7)
Employee benefits	23	(25.7)	(27.8)
Depreciation and amortisation	8	(2.5)	(1.8)
Other operating expenses	24	(45.3)	(55.0)
Operating profit		**197.9**	**98.1**
Interest income	7	1.2	-
Interest expense		(33.2)	(24.4)
Foreign exchange gains/(losses), net	27	(8.5)	14.6
Gains less losses on financial derivatives		(3.7)	8.3
Other finance income		0.3	-
Other finance costs		(2.4)	(2.8)
Finance costs, net		**(46.3)**	**(4.3)**
Profit before income tax		**151.6**	**93.8**
Current income tax credit/(expense)	26	(2.0)	3.5
Deferred income tax expense	26	(29.5)	(14.1)
Income tax credit/(expense)		**(31.5)**	**(10.6)**
Net profit for the year		**120.1**	**83.2**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency for the year		(10.6)	13.7
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	25	(7.4)	(0.4)
Total other comprehensive income/(loss)		(18.0)	13.3
Total comprehensive income for the year		**102.1**	**96.5**
Net profit is attributable to:			
– Owners of the Company		120.1	83.2
Profit for the year		**120.1**	**83.2**
Total comprehensive income is attributable to:			
– Owners of the Company		102.1	96.5
Total comprehensive income for the year		**102.1**	**96.5**

HB Reavis Holding S.A.
Consolidated Statement of Changes in Equity for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

		Attributable to owners of the Company							
In millions of EUR	Note	Share capital (Note 17)	Share premium (Note 17)	Retained earnings	Translation reserve	Revaluation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2017		**-**	**532.6**	**628.5**	**(28.7)**	**3.8**	**1,136.2**	**0.5**	**1,136.7**
Profit for the year		-	-	83.2	-	-	**83.2**	-	**83.2**
Other comprehensive income		-	-	-	13.3	-	**13.3**	-	**13.3**
Total comprehensive income for 2017		-	-	**83.2**	**13.3**	**-**	**96.5**	-	**96.5**
Distribution to owners	17	-	(38.6)	-	-	-	**(38.6)**	-	**(38.6)**
Other		-	-	-	-	-	**-**	1.1	**1.1**
Balance at 31 December 2017		**-**	**494.0**	**711.7**	**(15.4)**	**3.8**	**1,194.1**	**1.6**	**1,195.7**
Profit for the year		**-**	**-**	**120.1**	**-**	**-**	**120.1**	**-**	**120.1**
Other comprehensive loss		**-**	**-**	**-**	**(18.0)**	**-**	**(18.0)**	**-**	**(18.0)**
Total comprehensive income / (loss) for 2018		**-**	**-**	**120.1**	**(18.0)**	**-**	**102.1**	**-**	**102.1**
Distribution to owners	17	**-**	**(38.1)**	**-**	**-**	**-**	**(38.1)**	**-**	**(38.1)**
Other		**-**	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Balance at 31 December 2018		**-**	**455.9**	**831.8**	**(33.4)**	**3.8**	**1,258.1**	**-**	**1,258.1**

HB Reavis Holding S.A.
Consolidated Statement of Cash Flows for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

In millions of EUR	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		151.6	93.8
Adjustments for:			
Depreciation and amortisation	8	2.5	1.8
Revaluation gains on investment property	9	(194.8)	(95.2)
Gains less losses on disposals of subsidiaries	25	(21.8)	(25.8)
Share of profit or loss of joint ventures		(10.0)	(7.1)
Interest income		(1.2)	-
Interest expense		33.2	24.4
Unrealised foreign exchange (gains)/losses	27	8.3	(16.5)
Unrealised (gains)/losses from financial derivatives		5.9	(2.6)
Operating cash flows before working capital changes		(26.3)	(27.2)
Working capital changes:			
Decrease/(increase) in trade and other receivables		18.1	169.8
Increase/(decrease) in trade and other payables		(2.5)	5.6
Cash generated from/(used in) operations		(10.7)	148.2
Interest paid	18	(31.9)	(16.9)
Income taxes paid		(1.8)	(0.7)
Net cash from/(used in) operating activities		**(44.4)**	**130.6**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(3.3)	(2.8)
Purchases of investment properties		(127.1)	(300.4)
Investment in joint venture		-	(2.6)
Loans repaid by related parties	7	23.3	-
Loans provided to related parties	11	-	(36.3)
Construction costs related to investment properties		(223.4)	(137.1)
Proceeds from sales of subsidiaries, net of cash disposed of	25	169.7	23.4
Proceeds from disposal of own use premises and equipment	8	1.2	-
Loss from loss of control over subsidiary, net of cash disposed of	25	-	(27.0)
Acquisition of financial investments	16	(49.8)	-
Dividends received from joint ventures	7	10.1	-
Proceeds from sale of financial investments	25	-	17.4
Restricted cash		(0.6)	1.0
Net cash from / (used in) investing activities		**(199.9)**	**(464.4)**
Cash flows from financing activities			
Proceeds from borrowings	18	294.4	541.2
Repayment of borrowings	18	(109.1)	(213.9)
Distributions paid to owners	17	(46.9)	(29.8)
Net cash from/(used in) financing activities		**138.4**	**297.5**
Net (decrease) / increase in cash and cash equivalents		**(105.9)**	**(36.3)**
Cash and cash equivalents at the beginning of the year		276.9	313.2
Cash and cash equivalents at the end of the year		**171.0**	**276.9**
Reconciliation of cash and cash equivalents:			
– Restricted cash	15	2.8	2.2
– Cash within non-current assets classified as held for sale	14	(1.5)	(17.7)
Cash and cash equivalents at the end of the year presented in the statement of financial position	15	**172.3**	**261.4**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

1 The HB REAVIS Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") for the year ended 31 December 2018 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) (until 4 September 2018 limited liability company) 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 as of the date of issuance of these consolidated financial statements is Kennesville Holdings Ltd based in Cyprus.

Principal activity. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, Poland, Hungary, Germany, United Kingdom and Czechia. It is principally involved in the development of properties for its own portfolio, in leasing out investment properties under operating leases, as well as in asset management and is also active in investment management. The Group develops and manages investment properties to earn rental income or for capital appreciation.

In 2017 the Group made its largest acquisition in HB Reavis history with acquisition of One Waterloo in London, in prominent South Bank location next to the Waterloo station. The project counts with a permit enabling development of almost 120k sqm of office scheme for the projected Gross Development Value of EUR 1.7 billion. Our aim is to optimize current permit and apply for re-permitting with anticipated start of construction of the new scheme in 2020 and delivery of the project in 2024. The Group has also acquired additional land plot in 2018, in London, UK, aiming to develop a project called Bloom over the course of 2019-2020 with expected Gross Development Value of EUR 255 million.

With respect to Group's expansion to Germany, two acquisition opportunities have been secured in 2018. In Berlin, Prenzlauer Hoefe is under construction since 12/2018, with expected delivery in 2021; Gross Development Value shall reach about EUR 310 million. A land plot in Dresden, Germany, has been added into the portfolio in 07/2018, the scheme design is under preparation.

Two projects have been completed in London, UK, and one in Bratislava, Slovakia, in 2018: Cooper & Southwark and 20 Farringdon in London have been delivered in 2Q/2018, while Twin City Tower in Bratislava was opened in 10/2018.

As of the date of preparation of these consolidated financial statements, construction of Bloom, London, UK, Burakowska and Varso project, both in Warsaw, Poland, Prenzlauer Hoefe, Berlin, Germany, Nivy Tower & Stanica Nivy in Bratislava, Slovakia and Agora project in Budapest, Hungary is ongoing.

The Group divested from three projects over the course of 2018; Metronom in Prague, Czechia, Cooper & Southwark in London, UK and Gdanski Business Center C&D in Warsaw, Poland.

HB Reavis Real Estate Fund structure. HB Reavis Real Estate Investment Fund (until 27 April 2017 HB Reavis Real Estate SICAV – SIF) (the "Fund") is an umbrella fund incorporated as a corporate partnership limited by shares (société en commandite par actions or S.C.A.) under the laws of Luxembourg, which is registered as an investment company with fixed capital (société d'investissement à capital fixe) within the meaning of article 461-4 of the law on commercial companies of 10 August 1915, as amended (the 1915 Law) and registered as an undertaking for collective investment governed by Part II (UCI Part II) of the 2010 UCI Law, governed by the present articles of association and by current Luxembourg laws. The Fund was initially set up on 25 May 2011 and was registered as an investment company with variable capital until 27 April 2017. The Fund is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg B 161.180. Furthermore, the Fund is in the scope of the Alternative Investment Fund Management Law of 12 July 2013 ("AIFM Law") and qualifies as an Alternative Investment Fund ("AIF").

The Fund launched its first Sub-Fund named HB Reavis CE REIF (hereafter "Sub-Fund A" or "CE REIF") in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter "Sub-Fund B" or "Global REIF") was launched on 15 September 2015. The Fund is managed for the account of and in the exclusive interest of its shareholders by 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 20, rue de la Poste, L-2346 Luxembourg and by its AIFM Crestbridge Management Company S.A., a licensed with the Luxembourg financial regulator the CSSF.

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

1 The HB REAVIS Group and its Operations (Continued)

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

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

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Directors, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 29. Valuation of properties of the Group in the less liquid markets necessarily involves an element of judgement. The critical accounting judgments used in valuation of the Group's investment properties are described in Note 3.

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

6, rue Jean Monnet
L-2180 Luxembourg
Luxembourg

As at 31 December 2018 the Group had offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London, and Berlin.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented. The effect of adoption of the new standards was not material as explained in Note 4 and hence, management decided not to repeat the full text of the accounting policies that were applied until 31 December 2017.

2.1 Basis of Preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 31 December 2018.

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

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

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

The preparation of these consolidated financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments or investment properties for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 31.

2.2 Consolidated Financial Statements

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.2 Consolidated Financial Statements (Continued)

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:

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
31	Twin City Holding N.V.	EUR	Netherlands	100	100
32	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
33	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
34	HBR HOLDING LIMITED	EUR	Cyprus	100	100
35	HBR IM HOLDING LTD	EUR	Cyprus	100	100
36	HBR INVESTORS LTD	EUR	Cyprus	100	100
37	10 Leake Street Ltd [6]	GBP	UK	100	100
38	33 CENTRAL LIMITED	GBP	UK	100	100
39	4th Floor Elizabeth House Limited [6]	GBP	UK	100	-
40	Elizabeth Property Holdings Ltd [6]	GBP	UK	100	100
41	Elizabeth Property Nominee (No 1) Ltd [6]	GBP	UK	100	100
42	Elizabeth Property Nominee (No 2) Ltd [6]	GBP	UK	100	100
43	Elizabeth Property Nominee (No 3) Ltd [6]	GBP	UK	100	100
44	Elizabeth Property Nominee (No 4) Ltd [6]	GBP	UK	100	100
45	HB Reavis Construction UK Ltd.	GBP	UK	100	100
46	HB Reavis UK Ltd.	GBP	UK	100	100
47	HBR Capital Investment LP [6]	GBP	UK	100	100
48	HBR FM LTD [6]	GBP	UK	100	100
49	HubHub UK Ltd [6]	GBP	UK	100	-
50	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
51	The Waterloo Properties Unit Trust [4]	GBP	Jersey	-	100
52	Waterloo Trustee Ltd [4]	GBP	Jersey	-	100
53	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi [2]	TRY	Turkey	-	100
54	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi [2]	TRY	Turkey	-	100
55	AGORA Budapest Kft. (former HB Reavis Project 2 Kft.)	HUF	Hungary	100	100
56	HB REAVIS Buda Project Kft.	HUF	Hungary	100	100
57	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
58	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
59	HubHub Hungary Kft.	HUF	Hungary	100	100
60	HB REAVIS Ingatlanfejlesztési Alap [1]	HUF	Hungary	100	-
61	KM Ingatlanbérbeadási Kft [1]	HUF	Hungary	100	-
62	ALISTON Finance I s. r. o.	EUR	Slovakia	100	100
63	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
64	ALISTON Finance III s. r. o.	EUR	Slovakia	100	100
65	ALISTON Finance IV s. r. o.	EUR	Slovakia	100	100
66	ALISTON Finance V s.r.o.	EUR	Slovakia	100	100
67	Apollo Business Center III a.s.	EUR	Slovakia	100	100
68	Apollo Business Center V a. s.	EUR	Slovakia	100	100
69	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
70	Bus Station Services s.r.o.	EUR	Slovakia	100	100
71	BUXTON INVEST a.s.	EUR	Slovakia	100	100
72	Eurovalley, a.s.	EUR	Slovakia	100	96.5
73	Evolution Building Technologies a.s.	EUR	Slovakia	100	100
74	FORUM BC II s. r. o.	EUR	Slovakia	100	100
75	General Property Services, a.s.	EUR	Slovakia	100	100
76	HB REAVIS Consulting k.s.	EUR	Slovakia	100	100

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
77	HB REAVIS Finance SK II s. r. o.	EUR	Slovakia	100	100
78	HB REAVIS Finance SK III s. r. o.	EUR	Slovakia	100	100
79	HB REAVIS Finance SK IV s.r.o.	EUR	Slovakia	100	100
80	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
81	HB Reavis Group s.r.o. (until 30.11.2017 as HB REAVIS Development s. r. o.)	EUR	Slovakia	100	100
82	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
83	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
84	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
85	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
86	HB REM, spol. s r.o.	EUR	Slovakia	100	100
87	HBR SFA, s. r. o.	EUR	Slovakia	100	100
88	HubHub Slovakia s.r.o.	EUR	Slovakia	100	100
89	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
90	INLOGIS LCR a. s.	EUR	Slovakia	100	100
91	INLOGIS V s. r. o.	EUR	Slovakia	100	100
92	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
93	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
94	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
95	LUGO, s.r.o.	EUR	Slovakia	100	100
96	Nivy Tower s.r.o.	EUR	Slovakia	100	100
97	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
98	Smart City Bridge s. r. o.	EUR	Slovakia	100	100
99	Smart City Eko s.r.o.	EUR	Slovakia	100	100
100	Smart City Link s.r.o.	EUR	Slovakia	100	100
101	Smart City Office I s.r.o.	EUR	Slovakia	100	100
102	Smart City Office II s.r.o.	EUR	Slovakia	100	100
103	Smart City Office III s.r.o.	EUR	Slovakia	100	100
104	Smart City Office IV s.r.o.	EUR	Slovakia	100	100
105	Smart City Office s.r.o.	EUR	Slovakia	100	100
106	Smart City Office V s.r.o.	EUR	Slovakia	100	100
107	Smart City Office VI s.r.o.	EUR	Slovakia	100	100
108	Smart City Office VII s.r.o.	EUR	Slovakia	100	100
109	Smart City Parking s.r.o.	EUR	Slovakia	100	100
110	Smart City Petržalka s. r. o.	EUR	Slovakia	100	100
111	Smart City s.r.o. (until 10.2.2017 as ALISTON II s. r. o.)	EUR	Slovakia	100	100
112	Smart City Services s.r.o. (until 4.5.2017 as AUPARK Property Management, s. r. o.)	EUR	Slovakia	100	100
113	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
114	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
115	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
116	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
117	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
118	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
119	SPC Property III, s. r. o.	EUR	Slovakia	100	100
120	SPV Vištuk s. r. o.	EUR	Slovakia	100	100
121	Stanica Nivy s.r.o.	EUR	Slovakia	100	100
122	TC Nivy a. s.	EUR	Slovakia	100	100

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
123	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
124	Tower Nivy a. s.	EUR	Slovakia	100	100
125	Twin City a.s. [3]	EUR	Slovakia	-	100
126	Twin City III s.r.o.	EUR	Slovakia	100	100
127	Twin City Infrastructure s. r. o.	EUR	Slovakia	100	100
128	Twin City IV s.r.o.	EUR	Slovakia	100	100
129	Twin City V s.r.o.	EUR	Slovakia	100	100
130	Twin City VIII s.r.o.	EUR	Slovakia	100	100
131	FutureNow s. r. o. [1]	EUR	Slovakia	100	-
132	DVL Engineering a.s. [1]	EUR	Slovakia	50	-
133	HubHub Group s.r.o. [1]	EUR	Slovakia	100	-
134	HB REAVIS Finance SK V s. r. o. [1]	EUR	Slovakia	100	-
135	ANDAREA s.r.o.	CZK	Czech Rep	100	100
136	AR Consulting, a.s.	CZK	Czech Rep	100	100
137	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
138	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
139	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
140	DII Czech s.r.o.	CZK	Czech Rep	100	100
141	DNW Czech s.r.o.	CZK	Czech Rep	100	100
142	FORSEA s.r.o. [2]	CZK	Czech Rep	-	100
143	GALIM s.r.o.	CZK	Czech Rep	100	100
144	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
145	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
146	HB Reavis Finance CZ, s.r.o.	EUR	Czech Rep	100	100
147	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
148	HB Reavis IZ s.r.o.	CZK	Czech Rep	100	100
149	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
150	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
151	HubHub Czech Republic, s.r.o. (former RECLUN s.r.o.)	CZK	Czech Rep	100	100
152	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
153	KELOM s.r.o.	CZK	Czech Rep	100	100
154	MOLDERA, a.s.	CZK	Czech Rep	100	100
155	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
156	Phibell s.r.o.	CZK	Czech Rep	100	100
157	Radlice Real Estate, s.r.o.	CZK	Czech Rep	100	75
158	Radlická ATA s.r.o.	CZK	Czech Rep	100	100
159	Temster, s.r.o.	CZK	Czech Rep	100	100
160	Brookline Investments sp. Z o.o.	PLN	Poland	100	100
161	Emmet Investments sp. Z o.o.	PLN	Poland	100	100
162	GBC A Polcom Investment XXI Sp. z o.o. (former Polcom Investment VIII Sp. z o. o.)	PLN	Poland	100	100
163	GBC B Polcom Investment XXII Sp. z o.o. (former Polcom Investment IX Sp. z o.o.)	PLN	Poland	100	100
164	GBC C Polcom Investment XXIX Sp. z o. sp. k [2]	PLN	Poland	-	100
165	GBC D Polcom Investment XXX Sp. z o. sp. k [2]	PLN	Poland	-	100
166	HB REAVIS CONSTRUCTION PL Sp. z o. o	PLN	Poland	100	100
167	HB Reavis Finance PL 2 Sp. z o.o.	PLN	Poland	100	100
168	HB Reavis Finance PL Sp. z o.o. [4]	PLN	Poland	-	100

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
169	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
170	HB Reavis Poland Sp. z o.o.	PLN	Poland	100	100
171	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
172	HubHub Poland Sp. z o.o. (former Polcom Investment XXVI Sp. z o.o.)	PLN	Poland	100	100
173	CHM1 Sp. z o. o.	PLN	Poland	100	100
174	CHM2 Sp. z o. o.	PLN	Poland	100	100
175	CHM3 Sp. z o. o.	PLN	Poland	100	100
176	Jamestown Sp. z o.o. [2]	PLN	Poland	-	100
177	Jarrow Sp. z o.o. [2]	PLN	Poland	-	100
178	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
179	Mokoloco Sp. z o.o.(former Polcom Investment XXXVII Sp. z o.o.)	PLN	Poland	100	100
180	P14 Sp. z o.o.	PLN	Poland	100	100
181	Polcom Investment II Sp. z o. o.	PLN	Poland	100	100
182	Polcom Investment III Sp. z o. o.	PLN	Poland	100	100
183	Polcom Investment VI Sp. z o. o.	PLN	Poland	100	100
184	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
185	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
186	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
187	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
188	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
189	Polcom Investment XL Sp. z o.o.	PLN	Poland	100	100
190	Polcom Investment XLI Sp. z o.o.	PLN	Poland	100	100
191	Polcom Investment XLII Sp. z o.o.	PLN	Poland	100	100
192	Polcom Investment XLIII Sp. z o.o.	PLN	Poland	100	100
193	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
194	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
195	Polcom Investment XXI Sp. z o.o.	PLN	Poland	100	100
196	Polcom Investment XXII Sp. z o.o.	PLN	Poland	100	100
197	Polcom Investment XXIV Sp. z o.o.	PLN	Poland	100	100
198	Polcom Investment XXIX Sp. z o.o.	PLN	Poland	100	100
199	Polcom Investment XXV Sp. z o.o.	PLN	Poland	100	100
200	Polcom Investment XXVII Sp. z o.o.	PLN	Poland	100	100
201	Polcom Investment XXVIII Sp. z o.o.	PLN	Poland	100	100
202	Polcom Investment XXX Sp. z o.o.	PLN	Poland	100	100
203	Polcom Investment XXXIII Sp. z o.o.	PLN	Poland	100	100
204	Property Hetman Sp. Z o.o. (former Polcom Investment XXXIV Sp. z o.o. sp. k)	PLN	Poland	100	100
205	PSD Sp. Z o. o.	PLN	Poland	100	100
206	Rainford Sp. Z.o.o [1]	PLN	Poland	100	-
207	Rainhill Sp. z o. o. [1]	PLN	Poland	100	-
208	Polcom Investment XLVII Sp. z o.o. [1]	PLN	Poland	100	-
209	Polcom Investment XLVIII Sp. z o.o. [1]	PLN	Poland	100	-
210	Polcom Investment XLIX Sp. z o.o. [1]	PLN	Poland	100	-
211	Elizabeth House GP LLC	GBP	US	100	100
212	Elizabeth House Limited Partnership	GBP	US	100	100
213	HB REAVIS CIC INVESTCO US, LLC [1]	EUR	US	100	-
214	HB Reavis Germany GmbH	EUR	Germany	100	100

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
215	HB Reavis Construction Germany GmbH	EUR	Germany	100	100
216	UBX 2 Objekt Berlin GmbH [1]	EUR	Germany	100	-
217	HB Reavis Verwaltungs GmbH [1]	EUR	Germany	100	-
218	HubHub Austria GmbH [1]	EUR	Austria	100	-

Number	Joint Venture	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2018	31 December 2017
219	PHVH SOLUTIONS II, s.r.o.	EUR	Slovakia	50	50
220	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
221	West Station Investment Sp. z o. o.	PLN	Poland	71	71
222	West Station Investment 2 Sp. z o. o. *(former Polcom Investment XVII Sp. z o. o.)*	PLN	Poland	72	72

[1] Entities established / acquired by the Group during the year ended 31 December 2018
[2] Entities disposed of during the year ended 31 December 2018 (refer to Note 25)
[3] Entities were part of legal mergers or spin off and subsequently renamed during the year ended 31 December 2018
[4] Entities were liquidated during the year ended 31 December 2018.
[5] In January 2017, the Group lost control over HB REAVIS CE Real Estate Investment Fund, a sub-fund of a fully consolidated subsidiary HB Reavis Real Estate Investment Fund.
[6] HBR FM LTD, HBR Capital Investment LP, HubHub UK Ltd, 4th Floor Elizabeth House Limited, 10 Leake Street Ltd, Elizabeth Property Nominee (No 1) Ltd, Elizabeth Property Nominee (No 2) Ltd, Elizabeth Property Nominee (No 3) Ltd, Elizabeth Property Nominee (No 4) Ltd and Elizabeth Property Holdings Ltd, registered in England and Wales, are claiming exemption from the requirements of the UK Companies Act 2006 (the "Act") relating to the audit of annual accounts under section 479A of the Act.

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

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly o indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. At acquisition date, the Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.2 Consolidated Financial Statements (Continued)

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

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. 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. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

When an investment in associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment – linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

The Group elected to measure its investment in associate acquired during 2018 at fair value through profit or loss.

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

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

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

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

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

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

2.3 Foreign Currency Transactions and Translation

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

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.3 Foreign Currency Transactions and Translation (Continued)

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income/(loss).

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

2.4 Property, Plant and Equipment

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

Cost. Cost includes expenditure that is directly attributable to the acquisition of the items of property plant and equipment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation. The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

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

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

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

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

Land and assets under construction are not depreciated.

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.5 Investment Property

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

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

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

After initial recognition at cost, the investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on transaction prices from active markets, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuation reports as of the balance sheet date are prepared by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

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

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with these expenditures will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the 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. From financial year 2018 the Group capitalise development fee to the asset's carrying value as it is probable that future economic benefits associated with the expenditure will flow to the Group. In prior years development fee was expensed to the consolidated income statement when incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in profit or loss as "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed of or classified as Assets held for sale.

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

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

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

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

2.6 Intangible Assets

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.6 Intangible Assets (Continued)

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

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

	Useful lives in years
Software and software licences	5 years

The amortisation of an intangible asset starts in the month when the intangible asset is available for use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Amortisation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product and use or sell it;
– there is an ability to use or sell the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.7 Impairment of Non-Financial Assets

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

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

2.8 Financial Instruments

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. Fair value at initial recognition is best evidenced by the transaction price.

Financial assets – classification and subsequent measurement – measurement categories. As at 31 December 2018 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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.8 Financial Instruments (Continued)

As at 31 December 2017 financial assets were classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group's financial assets consisted of loans and receivables, derivatives, and available-for-sale financial assets. Financial assets recognised in the consolidated statement of financial position as trade and other receivables were classified as loans and receivables. They were initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. Derivatives and investments held for trading were measured at fair value at each end of the reporting period with changes in value recognised in profit or loss. Available for sale financial assets were recognised at fair value with revaluation gains or losses representing the difference between amortised cost and fair value recognised in other comprehensive income until the asset was derecognised or impaired. Interest income on the available-for-sale assets included effects of changes in cash flow estimates of earn-out receivables; hence, the fair value changes recognised in other comprehensive income were insignificant.

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. Refer to Note 3 for critical judgements applied by the Group in determining the business models for its financial assets.

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. Debt financial assets are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. 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 three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.8 Financial Instruments (Continued)

Cash & 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.

As at 31 December 2017 Cash and cash equivalents were classified as loans and receivables. They were subsequently measured at amortised cost.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised costs using the effective interest method.

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. Prior to 1 January 2018, impairment provisions were recognised for incurred losses only if objective evidence of impairment was present. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is included in other operating expenses. Any subsequent reversal of an impairment loss is recognised in profit or loss.

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.

Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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 2.14 for the accounting policy on Borrowings).

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

2.9 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

Operating leases. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.9 Lease (Continued)

at the inception of the lease it is reasonably certain that the lessee will exercise the option. Assets leased out under operating leases are shown under investment property heading in the consolidated statement of financial position (Note 9). See Note 2.18 for the policies on recognition of rental income. Tenant deposits securing lease payments are accounted for as financial liabilities carried at amortised cost (Note 19).

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

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

2.10 Current and Deferred Income Taxes

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

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

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

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

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

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

2.11 Inventories

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

2.12 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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.13 Dividends and Other Distributions to Owners

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

2.14 Borrowings

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

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

2.15 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.

2.16 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.

2.17 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.

2.18 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 recognizes revenues from the following major sources:

– 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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.18 Revenue recognition (Continued)

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

Sales of services and management charges are recognised in the reporting period in which the services are rendered. 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.

The Group constructs 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 under IFRS 15. 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.

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

2.19 Employee Benefits

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

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

2.20 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).

2.21 Non-current Assets Classified as Held for Sale

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

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Significant Accounting Policies (Continued)

2.21 Non-current Assets Classified as Held for Sale

and non-current portions of an asset are reclassified. Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

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

2.22 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 89.3% of investment properties (31 December 2017: 88.7%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates (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 to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; 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 31.

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

– Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 17.8 million (2017: EUR 25.7 million).
– The income capitalisation rate (yield) across the portfolio was assumed to be 4.5% to 4.75% or 4.67% on average (2017: from 4.65% to 5.0%, or 4.7% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 23.6 million lower or EUR 26.3 million higher (2017: EUR 8 million lower or EUR 9 million higher).

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

– Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 34.0 million (2017: EUR 31.9 million)
– The income capitalisation rate (yield) across the portfolio was assumed to be from 4.76% to 8.5%, or 5.92% on average (2017: from 5% to 8.5%, or 6.2% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 59.9 million lower or EUR 65.2 million higher (2017: EUR 51.9 million lower or EUR 56.3 million higher).

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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

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 29. The following components have a major impact on credit loss allowance: definition of default and SICR, as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

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.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 29.

Fair value of investment in associate. In February 2018 the Group acquired a non-controlling share in The Cambridge Incubator, LLC, a Delaware limited liability company. Since the investment is held by entity that is a venture capital organisation, the Group elected to measure that investment in associate at fair value through profit or loss. Management estimated fair value of investment based on the projected cash flows and a discount rate of 12.0% based on the market interest rate, current market returns and cost of capital of similar companies. Should the estimated interest rate be higher or lower by 0.10% from management's estimate, the fair value of investment in associate would be approximately EUR 0.6 million lower or higher.

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

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

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

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

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

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

4 Adoption of New or Revised Standards and Interpretations

The Group has applied the following standards and amendments for the first time for its reporting period commencing on 1 January 2018:

– IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015 and effective for annual periods beginning on or after 1 January 2018).
– Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
– Amendments to IAS 40: Transfer of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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

– Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
– IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
– Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

The above standards and amendments did not have any material impact on the Group.

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

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

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

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

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

On adoption of IFRS 9, the Group did not recognize any significant changes in impairment allowances compared to IAS 39.

The standard did not affect the measurement of Group’s financial instruments held as at 1 January 2018.

Receivables and loans as well as trade and other receivables that were measured at amortised cost under IAS 39 as at 31 December 2017, are also measured at amortised cost under IFRS 9. The financial assets at fair value through profit and loss, and the investment in joint venture which were measured at FVTPL under IAS 39, are also measured at FVTPL under IFRS 9.

All classes of cash and cash equivalents as disclosed in Note 15 were reclassified from loans and receivables (“L&R”) measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

At 31 December 2017, all of the Group’s financial liabilities except for derivatives were carried at AC. The derivatives belonged to the FVTPL measurement category under IAS 39. There were no changes to the classification and measurement of financial liabilities when adopting IFRS 9.

The revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year, because the Group adopted IFRS 9 using the modified retrospective method from 1 January 2018.

Management performed an assessment of the impact of IFRS 15 for all of its revenue streams individually. Based on the assessment, there has been no significant impact to the revenue recognition in the current or comparative periods identified. Certain insignificant changes in presentation have been made in the Notes due to new categories introduced as a result of adopting new standard. Refer to Note 13 and 19.

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are mandatory for reporting period commencing on 1 January 2019 and have not been early adopted by the Group:

IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of IFRS 16 on financial statements:

The Group has created a project team that has reviewed the Group's lease contracts which were valid throughout the year 2018 and onwards, considering the new lease accounting rules in IFRS 16.

As at 1 January 2019, the Group expects to recognise a right-of-use asset classified as investment property of approximately EUR 28.2 million, and a right-of-use asset classified as property, plant and equipment of approximately EUR 8.4 million, and a lease liability of EUR 36.6 million. Total net assets will not change, net current assets will be lower by EUR 4.5 million as a result of the presentation of a portion of the lease liability as a short-term liability.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

5 New Accounting Pronouncements (Continued)

The Company expects the net profit after tax to be higher by approximately EUR 1.3 million as a result of adoption of the new accounting policies for leases. It is expected that adjusted operating profit will increase by approximately EUR 3.2 million, since interest on the lease liability is presented in finance cost and the right-of-use assets classified as investment property will have zero depreciation in contrast with previously recognised rent expense which was included in the operating profit before 1 January 2019. Effects from revaluation of the right-of-use asset has not been incorporated in the above analysis of the impact on net profit and adjusted operating income since the effects of the revaluation of the right-of-use assets as at 31 December 2019 cannot be reliably estimated.

Cash flows from operating activities will increase and cash flows from financial activities will decrease by approximately EUR 4.5 million since repayments of principal as parts of a lease liability are classified as cash flows from financing activities.

The following table shows comparison reconciliation of future committed operating leases payments and the lease liability:

	1 January 2019
Perpetual usufruct in Poland that will be treated as land leases from 1 January 2019[1] (Note 28)	68.1
Finance lease liability (Note 18)	31.2
Other operating lease commitments (Note 28)	31.8
Total lease commitment	131.1
Effect of discounting future lease payments to present value at incremental borrowing interest rate	(63.3)
Total lease liability	**67.8**

[1] Under an agreement with the local government unit in Poland the right to use the landplot is transferred to the Group up until year 2089 in exchange for remuneration in the form of fees that are subject to indexation. The agreement deals with the use of the identified asset (a specific landplot), in which the perpetual usufructuary has the right to obtain substantially all economic benefits and the right to decide on the useage. Considering these facts, the right of perpetual usufruct of landplot meets the definition of a lease in the new standard IFRS 16. The lease liability is based on the current level of the fees at 1 January 2019. The contingent rent is expensed when incurred as required by the existing standard IAS 17, that is effective until 1 January 2019.

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, and continue to require a lessor to classify a lease either as an operating lease or a finance lease. Therefore, the Company does not expect material impact on the financial statements.

The company will apply the new standard from its mandatory effective date of 1 January 2019.

The company intends to apply a simplified approach to transition and will not restate comparative information for the year preceding the date of first adoption. Assets with a right of use will be measured at the amount of the lease liability at the date of initial application (adjusted for the amount of any prepaid or accrued lease payments).

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

- Amendments to IFRS 9: Prepayments Features with Negative Compensation (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- IFRS 17 Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 Business Combinations* (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Materiality* (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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.

Investment Management – representing management of activities related to management of third party investment in properties managed by the Group.

Non-Core – representing management of land bank items designated as Non-Core properties of the Group.

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

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

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

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

Segment financial information reviewed by the Board of 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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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 2018 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Rental income from investment property	20									
– Office		35.6	2.2	0.9	-	-	1.3	-	-	**40.0**
– Retail		1.4	-	-	-	-	-	-	-	**1.4**
– Industrial		-	-	-	-	-	-	-	-	**-**
		37.0	**2.2**	**0.9**	**-**	**-**	**1.3**	**-**	**-**	**41.4**
Service charges income from investment properties	20									
– Office		14.4	0.1	0.4	-	-	-	-	-	**14.9**
– Retail		0.6	-	-	-	0.1	-	-	-	**0.7**
– Industrial		-	-	-	-	-	-	-	-	**-**
		15.0	**0.1**	**0.4**	**-**	**0.1**	**-**	**-**	**-**	**15.6**
Management charges income from investment properties	20									
– Office		3.8	-	-	-	-	0.6	-	-	**4.4**
– Retail		0.3	-	-	-	-	-	-	-	**0.3**
– Industrial		-	0.4	-	-	-	-	-	-	**0.4**
		4.1	**0.4**	**-**	**-**	**-**	**0.6**	**-**	**-**	**5.1**
Direct operating expenses arising from investment property	21									
– Office		(20.6)	-	(0.7)	(0.1)	-	(2.2)	-	-	**(23.6)**
– Retail		(0.3)	-	-	-	-	-	-	-	**(0.3)**
– Industrial		-	-	-	-	(0.2)	-	-	-	**(0.2)**
		(20.9)	**-**	**(0.7)**	**(0.1)**	**(0.2)**	**(2.2)**	**-**	**-**	**(24.1)**
Net operating income from investment property		**35.2**	**2.7**	**0.6**	**(0.1)**	**(0.1)**	**(0.3)**	**-**	**-**	**38.0**
Revaluation gain/(loss) on investment property	9									
– Office		7.5	176.8	2.3	-	-	0.1	-	-	**186.7**
– Retail		-	8.7	-	-	(0.1)	-	-	-	**8.6**
– Industrial		-	-	(0.2)	-	(0.3)	-	-	-	**(0.5)**
Share of profit or loss of joint ventures	10	10.0	-	-	-	-	-	-	-	**10.0**
		17.5	**185.5**	**2.1**	**-**	**(0.4)**	**0.1**	**-**	**-**	**204.8**
Interest expense – third parties		**(8.0)**	**(21.0)**	**(2.5)**	**-**	**(0.1)**	**-**	**-**	**(1.6)**	**(33.2)**
		44.7	**167.2**	**0.2**	**(0.1)**	**(0.6)**	**(0.2)**	**-**	**(1.6)**	**209.6**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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 2018 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Investment management fee		-	-	-	1.6	-	-	-	-	**1.6**
Revenue from construction contracts	21	6.5	10.9	-	-	-	2.3	-	2.2	**21.9**
Construction contract costs		(8.9)	(11.2)	-	-	-	-	-	(2.2)	**(22.3)**
Other expenses/revenues		15.5	(40.6)	(7.3)	(1.4)	(0.8)	(3.3)	(1.8)	(19.5)	**(59.2)**
Profit before income tax		**57.8**	**126.3**	**(7.1)**	**0.1**	**(1.4)**	**(1.2)**	**(1.8)**	**(21.1)**	**151.6**
Purchases of investment property	9	8.1	83.1	66.6	-	-	-	-	-	**157.8**
Construction costs related to investment property	9	63.4	142.3	9.6	-	0.4	7.7	-	-	**223.4**
Construction costs related to joint ventures		8.9	-	-	-	-	-	-	-	**8.9**
Construction costs related to contruction work		-	11.2	-	-	-	-	-	2.2	**13.4**
Total investments		**80.4**	**236.6**	**76.2**	**-**	**0.4**	**7.7**	**-**	**2.2**	**403.5**
Sale of investment property	25	(385.3)	-	-	-	-	-	-	-	**(385.3)**
Total divestments		**(385.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(385.3)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2018 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	HUB HUB	Cash	Unallocated	Total
Investment property	9									
– Office		616.8	663.2	227.1	-	-	8.2	-	-	**1,515.3**
– Retail		-	120.4	-	-	-	-	-	-	**120.4**
– Industrial		-	-	-	-	30.7	-	-	-	**30.7**
– Investment property held for sale	14	224.1	-	13.3	-	5.0	-	-	-	**242.4**
Investment in joint ventures	10	54.5	-	-	-	-	-	-	-	**54.5**
Deferred tax asset	26	-	-	-	-	-	-	-	11.8	**11.8**
Other unallocated assets		-	-	-	-	-	-	172.3	202.5	**374.8**
Total assets		**895.4**	**783.6**	**240.4**	**-**	**35.7**	**8.2**	**172.3**	**214.3**	**2,349.9**
Borrowings										
– non-current	18	(165.7)	(376.8)	(37.2)	-	-	-	-	(34.7)	**(614.4)**
– current	18, 7	(5.0)	(57.7)	(7.3)	-	-	-	-	(63.2)	**(133.2)**
– included as held for sale	14	(143.9)	-	-	-	-	-	-	-	**(143.9)**
Deferred tax liability	26	-	-	-	-	-	-	-	(79.3)	**(79.3)**
Other unallocated liabilities		-	-	-	-	-	-	-	(121.0)	**(121.0)**
Total liabilities		**(314.6)**	**(434.5)**	**(44.5)**	**-**	**-**	**-**	**-**	**(298.2)**	**(1,091.8)**
Segment net asset value		**580.8**	**349.1**	**195.9**	**-**	**35.7**	**8.2**	**172.3**	**(83.9)**	**1,258.1**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2018 are as follows:

In millions of EUR	Note	Slovakia	Czechia	Poland	Hungary	UK	Germany	Other countries	Unallocated	Total
Rental income	20	17.0	3.4	11.5	0.3	9.2	-	-	-	**41.4**
Service charges	20	9.0	1.1	2.8	-	2.7	-	-	-	**15.6**
Management charges	20	4.0	1.2	0.2	-	(0.3)	-	-	-	**5.1**
Direct operating expenses	21	(13.2)	(1.4)	(4.1)	(0.2)	(4.9)	(0.2)	(0.1)	-	**(24.1)**
Net operating income from investment properties		**16.8**	**4.3**	**10.4**	**0.1**	**6.7**	**(0.2)**	**(0.1)**	**-**	**38.0**
Revaluation gain	9	39.9	5.3	81.9	19.8	47.9	-	-	-	**194.8**
Revenue from construction contracts	21	3.6	5.4	11.9	0.1	0.9	-	-	-	**21.9**
Construction contract costs		(3.8)	(5.2)	(12.9)	-	(0.4)	-	-	-	**(22.3)**
Share of profit or loss of joint ventures	10	-	-	10.0	-	-	-	-	-	**10.0**
Interest expense		(16.5)	(3.7)	(9.9)	(1.3)	(1.4)	(0.1)	(0.3)	-	**(33.2)**
Investment management fee		-	-	-	-	-	-	1.6	-	**1.6**
Other (expenses)/revenues		(25.3)	1.4	(0.8)	(7.0)	(5.0)	(1.4)	(21.1)	-	**(59.2)**
Profit before tax		**14.7**	**7.5**	**90.6**	**11.7**	**48.7**	**(1.7)**	**(19.9)**	**-**	**151.6**
Investment property in use or vacant	9	132.4	1.5	74.7	11.0	403.2	-	-	-	**622.8**
Investment property under development	9	276.7	62.0	447.8	105.0	59.9	92.2	-	-	**1,043.6**
Investment in joint venture	10	2.3	-	52.2	-	-	-	-	-	**54.5**
Other non-current assets		3.5	1.2	19.3	0.6	3.8	-	52.0	12.0	**92.4**
Total non-current assets		**414.9**	**64.7**	**594.0**	**116.6**	**466.9**	**92.2**	**52.0**	**12.0**	**1,813.3**
Non-current assets classified as held-for-sale	14	257.4	-	-	13.8	-	-	-	-	**271.2**
Total non-current assets and assets held for salet		**672.3**	**64.7**	**594.0**	**130.4**	**466.9**	**92.2**	**52.0**	**12.0**	**2,084.5**
Cash and cash equivalents	15	39.2	4.0	52.3	9.8	11.9	7.3	47.8	-	**172.3**
Other unallocated assets		-	-	-	-	-	-	-	93.1	**93.1**
Total assets		**711.5**	**68.7**	**646.3**	**140.2**	**478.8**	**99.5**	**99.8**	**105.1**	**2,349.9**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2018 are as follows:

In millions of EUR	Note	Slovakia	Czechia	Poland	Hungary	UK	Germany	Other countries	Unallocated	Total
Borrowings	18									
– non-current		(300.9)	(54.3)	(174.5)	(5.5)	(79.2)	-	-	-	**(614.4)**
– current		(81.2)	(8.0)	(2.8)	(0.2)	(0.3)	(22.2)	(18.5)	-	**(133.2)**
Liabilities directly associated with non-current assets classified as held for sale	14	(158.2)	-	-	(0.6)	-	-	-	-	**(158.8)**
Deferred income tax liability	26	-	-	-	-	-	-	-	(79.3)	**(79.3)**
Other unallocated liabilities		-	-	-	-	-	-	-	(106.1)	**(106.1)**
Total liabilities		**(540.3)**	**(62.3)**	**(177.3)**	**(6.3)**	**(79.5)**	**(22.2)**	**(18.5)**	**(185.4)**	**(1,091.8)**
Net asset value		**171.2**	**6.4**	**469.0**	**133.9**	**399.3**	**77.3**	**81.3**	**(80.3)**	**1,258.1**
Purchases of investment property (including non-cash)	9	-	-	3.6	8.1	58.7	87.4	-	-	**157.8**
Construction costs related to investment property	9	95.9	4.7	66.0	24.0	28.1	4.7	-	-	**223.4**
Construction costs related to joint ventures		-	-	8.9	-	-	-	-	-	**8.9**
Construction costs related to contruction work		3.8	5.2	4.0	-	0.4	-	-	-	**13.4**
Total investments		**99.7**	**9.9**	**82.5**	**32.1**	**87.2**	**92.1**	**-**	**-**	**403.5**
Sale of investment property	25	-	(88.5)	(188.6)	-	(108.2)	-	-	-	**(385.3)**
Total divestments		**-**	**(88.5)**	**(188.6)**	**-**	**(108.2)**	**-**	**-**	**-**	**(385.3)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

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 2017 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Rental and similar income from investment property									
– Office		36.5	1.3	1.2	15.2	-	-	-	**54.2**
– Retail		-	-	1.7	0.6	-	-	-	**2.3**
– Industrial		3.2	0.1	-	-	0.8	-	-	**4.1**
	20	**39.7**	**1.4**	**2.9**	**15.8**	**0.8**	**-**	**-**	**60.6**
Direct operating expenses arising from investment property									
– Office		(9.3)	(1.3)	(1.2)	(8.2)	-	-	-	**(20.0)**
– Retail		-	-	(1.2)	-	-	-	-	**(1.2)**
– Industrial		(0.3)	(0.2)	-	-	(0.2)	-	-	**(0.7)**
	21	**(9.6)**	**(1.5)**	**(2.4)**	**(8.2)**	**(0.2)**	**-**	**-**	**(21.9)**
Net operating income from investment property		**30.1**	**(0.1)**	**0.5**	**7.6**	**0.6**	**-**	**-**	**38.7**
Revaluation gain/(loss) on investment property									
– Office		1.4	54.7	39.5	-	(0.1)	-	-	**95.5**
– Retail		-	8.3	(10.0)	-	1.4	-	-	**(0.3)**
– Industrial		(0.6)	-	(1.6)	-	2.2	-	-	**-**
Subtotal	9	**0.8**	**63.0**	**27.9**	**-**	**3.5**	**-**	**-**	**95.2**
Share of profit or loss of joint ventures	10	7.1	-	-	-	-	-	-	**7.1**
Revaluation gain/(loss) on investment property, including joint ventures		**7.9**	**63.0**	**27.9**	**-**	**3.5**	**-**	**-**	**102.3**
Interest expense		(5.6)	(11.8)	(2.0)	(1.2)	-	-	(3.8)	**(24.4)**
Investment management fee		-	-	-	1.5	-	-	-	**1.5**
Other (expenses)/ revenues		(16.9)	(15.9)	(18.3)	13.8	(3.0)	(2.9)	18.9	**(24.3)**
Profit before income tax		**15.5**	**35.2**	**8.1**	**21.7**	**1.1**	**(2.9)**	**15.1**	**93.8**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2017 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Investment property	9								
– Office		425.0	482.7	260.4	120.6	-	-	-	**1,288.7**
– Retail		-	75.0	-	-	7.9	-	-	**82.9**
– Industrial		-	0.1	-	-	35.7	-	-	**35.8**
– Investment property held for sale	14	330.2	-	19.9	-	-	-	-	**350.1**
Investment in joint ventures	10	56.2	-	-	-	-	-	-	**56.2**
Deferred tax asset	26	-	-	-	-	-	-	16.9	**16.9**
Other unallocated assets		-	-	-	-	-	261.4	202.8	**464.2**
Total assets		**811.4**	**557.8**	**280.3**	**120.6**	**43.6**	**261.4**	**219.7**	**2,294.8**
Borrowings									
– non-current	18	(103.3)	(387.0)	(47.6)	(61.0)	-	-	-	**(598.9)**
– current	7, 18	(19.5)	(2.6)	(3.5)	(2.5)	-	-	(54.0)	**(82.1)**
– included as held for sale	14	(212.0)	-	-	-	-	-	-	**(212.0)**
Deferred tax liability	26	-	-	-	-	-	-	(69.9)	**(69.9)**
Other unallocated liabilities		-	-	-	-	-	-	(136.2)	**(136.2)**
Total liabilities		**(334.8)**	**(389.6)**	**(51.1)**	**(63.5)**	**-**	**-**	**(260.1)**	**(1,099.1)**
Segment net asset value		**476.6**	**168.2**	**229.2**	**57.1**	**43.6**	**261.4**	**(40.4)**	**1,195.7**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

The capital expenditures analysed by segment for the year ended 31 December 2017 are as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non Core	Cash	Unallocated	Total
Purchases of investment property	9	280.4	-	21.1	-	-	-	-	**301.5**
Construction costs related to investment property	9	23.6	80.8	25.9	-	6.8	-	-	**137.1**
Construction costs related to joint ventures		27.1	-	-	-	-	-	-	**27.1**
Contruction costs related to contract works		-	37.3	-	-	-	-	-	**37.3**
Total investments		331.1	118.1	47.0	-	6.8	-	-	**503.0**
Sale of investment property	25	(31.1)	-	(1.2)	(183.7)	-	-	-	**(216.0)**
Total divestments		(31.1)	-	(1.2)	(183.7)	-	-	-	**(216.0)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2017 are as follows:

In millions of EUR	Note	Slovakia	Czechia	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Rental and similar income	20	28.3	11.0	14.2	-	7.1	-	-	**60.6**
Direct operating expenses	21	(14.1)	(2.2)	(4.3)	-	(1.3)	-	-	**(21.9)**
Net operating income from investment property		**14.2**	**8.8**	**9.9**	**-**	**5.8**	**-**	**-**	**38.7**
Revaluation gain	9	43.4	0.7	24.2	19.5	7.4	-	-	**95.2**
Share of profit of joint ventures		0.1	-	7.0	-	-	-	-	**7.1**
Interest expense		(12.5)	(3.7)	(7.0)	(0.3)	(0.9)	-	-	**(24.4)**
Investment management fee		-	-	-	-	-	1.5	-	**1.5**
Other (expenses)/revenues		2.8	(5.0)	(2.4)	(3.6)	(10.0)	(5.9)	(0.2)	**(24.3)**
Profit before income tax		**48.0**	**0.8**	**31.7**	**15.6**	**2.3**	**(4.4)**	**(0.2)**	**93.8**
Investment property in use or vacant	9	192.1	-	71.7	-	281.8	-	-	**545.6**
Investment property under development	9	263.8	37.6	322.3	80.4	157.7	-	-	**861.8**
Investment in joint venture	10	2.4	-	53.8	-	-	-	-	**56.2**
Other non-current assets		12.9	3.2	20.7	1.2	10.9	1.4	1.1	**51.4**
Total non-current assets		**471.2**	**40.8**	**468.5**	**81.6**	**450.4**	**1.4**	**1.1**	**1,515.0**
Non-current assets classified as held for sale	14	64.3	111.9	210.3	-	-	-	-	**386.5**
Total non-current assets, including held for sale		**535.5**	**152.7**	**678.8**	**81.6**	**450.4**	**1.4**	**1.1**	**1,901.5**
Cash and cash equivalents	15	28.3	1.5	23.3	3.0	112.7	92.6	-	**261.4**
Other unallocated assets		-	-	-	-	-	-	131.9	**131.9**
Total assets		**563.8**	**154.2**	**702.1**	**84.6**	**563.1**	**94.0**	**133.0**	**2,294.8**
Borrowings	18								
– non-current		(348.3)	(62.0)	(138.4)	(5.2)	(45.0)	-	-	**(598.9)**
– current		(46.8)	(0.3)	(18.9)	(1.9)	-	(14.2)	-	**(82.1)**
Liabilities associated with non-current assets held for sale	14	(42.8)	(56.9)	(139.3)	-	-	-	-	**(239.0)**
Deferred income tax liability	26	-	-	-	-	-	-	(69.9)	**(69.6)**
Other unallocated liabilities		-	-	-	-	-	-	(109.2)	**(109.2)**
Total liabilities		**(437.9)**	**(119.2)**	**(296.6)**	**(7.1)**	**(45.0)**	**(14.2)**	**(179.1)**	**(1,099.1)**
Segment net asset value		**125.9**	**35.0**	**405.5**	**77.5**	**518.1**	**79.8**	**(46.1)**	**1,195.7**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for the year ended 31 December 2017 are as follows:

In millions of EUR	Note	Slovakia	Czechia	Poland	Hungary	United Kingdom	Other countries	Unallocated	Total
Purchases of investment property (incl. non-cash)	9	-	12.9	8.2	-	280.4	-	-	**301.5**
Construction costs related to investment property	9	49.2	4.1	28.2	12.0	43.6	-	-	**137.1**
Construction costs related to joint ventures		-	-	27.1	-	-	-	-	**27.1**
Construction costs related to construction work		-	-	-	-	37.3	-	-	**37.3**
Total investments		**49.2**	**17.0**	**63.5**	**12.0**	**361.3**	**-**	**-**	**503.0**
Sale of investment property	25	(102.6)	(113.4)	-	-	-	-	-	**(216.0)**
Total divestments		**(102.6)**	**(113.4)**	**-**	**-**	**-**	**-**	**-**	**(216.0)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

7 Balances and Transactions with Related Parties

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

Key management of the Group consists of 19 senior managers (2017: 18). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2018 are detailed below.

At 31 December 2018, the outstanding balances with related parties are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	7.6	0.3	0.2	**8.1**
Impairment loss provision for trade receivables to related party	(3.4)	-	-	**(3.4)**
Financial assets	0.3	-	-	**0.3**
Loans (Note 13)	1.2	-	13.3	**14.5**
Borrowings (Note 18)	(14.0)	-	-	**(14.0)**
Other non-current assets (Note 12)	-	-	5.7	**5.7**
Trade and other payables current (Note 19)	(9.1)	(0.8)	(0.3)	**(10.2)**
Trade and other payables non - current (Note 19)	(6.4)	-	-	**(6.4)**
Other payables non-current (Note 19)	(0.7)	-	-	**(0.7)**

The income and expense items with related parties for the year ended 31 December 2018 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	4.3	-	-	**4.3**
Revenue from construction contracts	-	2.2	7.0	**9.2**
Rental income	2.4	-	0.3	**2.7**
Rental expenses	(1.2)	-	-	**(1.2)**
Other services	(9.0)	(0.6)	(0.1)	**(9.7)**
Short-term employee benefits (salaries)	-	(2.9)	-	**(2.9)**
Long-term employee benefits (social security costs)	-	(0.5)	-	**(0.5)**
Interest income	0.1	-	1.1	**1.2**
Interest expense	(0.2)	-	(0.1)	**(0.3)**
Other financial income	0.1			**0.1**

At 31 December 2017, the outstanding balances with related parties are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Trade and other receivables (Note 13)	11.7	0.3	28.2	**40.2**
Other assets	4.7	-	-	**4.7**
Financial assets	0.1	-	-	**0.1**
Loans and receivables – non-current (Note 11)	1.0	-	-	**1.0**
Borrowings (Note 18)	(14.2)	-	-	**(14.2)**
Loans (Note 13)	0.3	-	36.6	**36.9**
Other non-current assets (Note 12)	-	-	6.5	**6.5**
Trade and other payables – current (Note 19)	(10.5)	(0.5)	(6.9)	**(17.9)**
Other payables non-current (Note 19)	(0.7)	-	-	**(0.7)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

7 Balances and Transactions with Related Parties (Continued)

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

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

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 2017 and/or 2018 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 0.8 million in 2018 (2017: EUR 0.7 million).

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

Distributions to owners paid by Group in 2018 and 2017 respectively are described in Note 17.

The Group's investment in joint ventures is described in Note 10. The Group received dividend in amount of EUR 10.1 million from joint ventures during 2018.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

8 Property, Plant and Equipment

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

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2017					
Cost	12.9	6.8	27.1	-	46.8
Accumulated depreciation and impairment charges	(7.4)	(4.8)	(25.6)	-	(37.8)
Net book value	5.5	2.0	1.5	-	9.0
Year ended 31 December 2017					
Additions	-	-	-	4.5	4.5
Transfers	2.5	0.4	1.4	(4.3)	0.0
Disposals	(1.3)	(0.8)	(0.1)	-	(2.2)
Depreciation charge	(0.3)	(0.7)	(0.8)	-	(1.8)
Closing net book value	6.4	0.9	2.0	0.2	9.5
At December 2017					
Cost	14.1	6.4	28.4	0.2	49.1
Accumulated depreciation	(7.7)	(5.5)	(26.4)	-	(39.6)
Net book value	6.4	0.9	2.0	0.2	9.5
Year ended 31 December 2018					
Additions	-	0.1	-	2.6	2.7
Transfers	0.1	0.1	-	(0.2)	-
Disposals	-	(0.1)	(0.8)	(0.3)	(1.2)
Depreciation charge	(0.1)	(0.9)	(0.8)	-	(1.8)
Closing net book value	6.4	0.2	0.4	2.3	9.3
At December 2018					
Cost	14.2	6.6	27.6	2.3	50.6
Accumulated depreciation	(7.8)	(6.4)	(27.2)	-	(41.4)
Net Book Value	6.4	0.2	0.4	2.3	9.3

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

9 Investment Property

	2018		2017	
In millions of EUR	Under development	In use or vacant	Under development	In use or vacant
Fair value at 1 January	**861.8**	**545.6**	**639.5**	**565.1**
Acquisitions of investment property	149.7	8.1	21.1	280.4
Subsequent expenditure on investment property	192.6	30.8	113.5	23.6
Transfers from disposal groups classified as held for sale	19.9	-	-	-
Transfers from under development to in use	(226.7)	226.7	-	-
Transfers to property, plant and equipment (Note 8)	-	-	-	(0.9)
Transfers to disposal groups classified as held for sale (Note 14)	(18.3)	(177.6)	(18.3)	(158.2)
Transfers to financial investment due to loss of control (Note 25)	-	-	-	(183.7)
Disposals	(107.4)	(14.4)	(1.0)	-
Fair value gains/(losses) – properties completed during the year	62.7	-	-	-
Fair value gains/(losses)	124.5	7.6	94.4	0.8
Effect of translation to presentation currency	(15.2)	(4.0)	12.6	18.5
Fair value at 31 December	**1,043.6**	**622.8**	**861.8**	**545.6**

In year 2017, the group has classified a project in Brno, Czechia as held for sale. Management have revised their intention with this property during the year 2018 and decided to keep it in the Group's portfolio. As such the Group transferred EUR 19.9 from disposal groups classified as held for sale to investment property as at 31 December 2018.

The Group classified certain operating leases as investment properties. Such operating leases are accounted for as if they were finance leases. The carrying value of such investment property as of 31 December 2018 was EUR 9.1 million (2017: EUR 9.1 million).

At 31 December 2018, investment properties carried at EUR 1,086.2 million (at 31 December 2017: EUR 844.6 million) have been pledged to third parties as collateral with respect to borrowings.

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

In millions of EUR	Note	31 December 2018	31 December 2017
Valuations obtained		**1,943.3**	**1,780.6**
Less: property classified as property plant and equipment (own use)		(5.7)	(5.7)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		3.3	8.6
Less: lease incentive receivables	11(a)	(8.7)	(8.5)
Less: transfers to disposal groups classified as held for sale	14	(193.8)	(176.5)
Less: transfers to disposal groups classified as held for sale in previous year		(72.0)	(191.1)
Fair value at 31 December		**1,666.4**	**1,407.4**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

10 Investments in Joint Ventures

In 2014, the Group entered into a new joint venture in Poland with 51% economic interest in West Station Investment. In 2015, the Group increased its economic interest in the joint venture to 71% with no subsequent change in the following years.

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

	2018		2017	
In millions of EUR	**West Station Investment 1-2**	**Other Joint Ventures**	**West Station Investment 1-2**	**Other Joint Ventures**
Revenue	12.6	0.6	2.4	0.6
Profit and total comprehensive income for the year	14.1	0.4	11.1	0.2
Current assets	28.5	0.4	12.6	0.3
Non-current assets	199.2	8.2	182.2	8.6
Current liabilities	(16.0)	(3.7)	(65.1)	(4.0)
Non-current liabilities	(138.0)	(0.1)	(53.6)	(0.1)
Net assets of the investee	**73.7**	**4.8**	**76.1**	**4.8**
Share of other venturers	**(21.6)**	**(2.4)**	**(22.3)**	**(2.4)**
Investments in joint ventures	**52.1**	**2.4**	**53.8**	**2.4**

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

11 Receivables and Loans

In millions of EUR	Note	31 December 2018	31 December 2017
Lease incentives receivables	(a)	8.7	10.1
Loans to related parties – non-current (Note 7)	(b)	-	1.0
Loans to third parties		0.5	0.6
Total receivables and loans		**9.2**	**11.7**

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

(a) Lease incentive receivables of EUR 8.7 million (31 December 2017: EUR 10.1 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.9 and 2.18. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to nil as of 31 December 2018 (31 December 2017: EUR 1 million).

12 Other Non-Current Assets

In millions of EUR	Note	31 December 2018	31 December 2017
Other non-current assets	(a)	3.7	5.0
Construction contracts retention due from joint ventures	(b)	5.7	6.5
Total other non-current assets		**9.4**	**11.5**

(a) As at 31 December 2018, EUR 1.2 million related to projects in Poland. The remaining balance consists of many non-material items. As at 31 December 2017, EUR 1.1 million relates to paid fee for undrawn loan. The remaining balance consists of many non-material items.

(b) Refer to Note 7, Balances and Transactions with Related Parties and Note 13.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

13 Trade and Other Receivables

In millions of EUR	Note	31 December 2018	31 December 2017
Trade receivables		14.5	12.1
Trade receivables and advances to joint ventures	7	0.2	28.2
Derivatives and other financial assets		4.6	7.6
Accrued rental income		1.5	0.4
Unbilled receivables from service charges		5.3	3.3
Loans to related parties	7 (a)	14.5	36.9
Other financial receivables		1.7	7.8
Trade and other receivables from related parties	7	7.9	12.0
Less impairment loss provision for trade receivables		(5.0)	(5.3)
Total financial receivables		**45.2**	**103.0**
VAT receivable		15.7	9.6
Prepayments		10.1	2.8
Income tax receivable		1.4	1.7
Total trade and other receivables		**72.4**	**117.1**

(a) Loans are provided under the following conditions – interest rate 2.68-8.16% (2017: 3.67% - 9.86%).

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

	Loss rate	Gross carrying amount	Lifetime ECL
Trade and other receivables			
– current	0.5%	32.5	0.2
– less than 30 days overdue	3.0%	2.6	0.1
– 30 to 90 days overdue	5.0%	0.6	-
– 91 to 180 days overdue	10.0%	2.6	0.3
– 181 to 360 days overdue	25.0%	2.0	0.5
– over 360 days overdue	75.0%	5.3	3.9
Total trade receivables (gross carrying amount)		**45.6**	**5.0**
Credit loss allowance		(5.0)	
Total trade receivables (carrying amount)		**40.6**	
Fair value receivables		4.6	
Total financial receivables		**45.2**	

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 period:

In millions of EUR	2018	2017
Credit loss allowance at 1 January	**5.3**	**1.7**
Credit loss allowance charge in profit or loss for the period	-	3.6
Write-offs	(0.3)	-
Credit loss allowance at 31 December	**5.0**	**5.3**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

13 Trade and Other Receivables (Continued)

Receivables collateralised by such inventory or other assets are as follows at 31 December:

In millions of EUR	31 December 2018	31 December 2017
Trade receivables collateralised by:		
– bank guarantees	0.9	0.7
– tenant deposits	0.7	0.9
Total	**1.6**	**1.6**

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

Financial effect of collateral at 31 December 2018 is as follows:

	Over-collateralised Assets		**Under-collateralised Assets**	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	1.0	6.1	10.8	0.6

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

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

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

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

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

13 Trade and Other Receivables (Continued)

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

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

The Group has pledged the receivables of EUR 2.1 million as collateral for the borrowings as at 31 December 2018 (2017: EUR 1.5 million).

14 Non-Current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	31 December 2018	31 December 2017
Property, plant and equipment	15.8	-
Investment property	242.4	350.0
Trade and other receivables	11.5	18.2
Receivables and loans	-	0.6
Cash and cash equivalents	1.5	17.7
Total assets classified as held for sale	**271.2**	**386.5**

As of 31 December 2018, the Group classified assets and liabilities of the five (5) subsidiaries (HB REAVIS Buda Project Kft., TC Tower A1 s. r. o., Twin City III s. r. o., Twin City IV s. r. o. and SPV Vištuk s. r. o.) as held for sale.

As of 31 December 2017, the Group classified assets and liabilities of the five (5) subsidiaries (AUPARK Brno, spol. s r.o., FORSEA s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k., GBC D Polcom Investment XXX Sp. z o. sp. k and Twin City IV s. r. o.) as held for sale. A part of Twin City C building recognized as an investment property as at 31 December 2017, became owner-occupied and was reclassified as property, plant and equipment as at 31 December 2018. Its fair value amounted to EUR 15.8 million as at 31 December 2018.

The Group sold shares in its subsidiaries Železniční Cargo MOŠNOV s.r.o. and HYPARKOS, s.r.o. during the year ended 31 December 2017. Both subsidiaries were classified as Non-current assets held for sale as at 31 December 2016.

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

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

In millions of EUR	31 December 2018	31 December 2017
Deferred income tax liability	10.5	21.8
Borrowings	143.9	212.0
Trade and other payables	4.4	5.2
Total liabilities directly associated with assets classified as held for sale	**158.8**	**239.0**

At 31 December 2018, investment properties held for sale carried at EUR 242.4 million (at 31 December 2017: EUR 350.0 million), property, plant and equipment of EUR 15.8 milion (at 31 December 2017: EUR nil) and the receivables of EUR 11.5 million (at 31 December 2017: EUR 18.2 million) have been pledged to third parties as collateral with respect to borrowings.

Three (FORSEA s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k., GBC D Polcom Investment XXX Sp. z o. sp. k.) out of five subsidiaries classified held for sale as at 31 December 2017 were sold during year 2018. Due to favourable changes on the market and ongoing negotiations, the complete the sale during 2019.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

15 Cash and Cash Equivalents

In millions of EUR	31 December 2018	31 December 2017
Cash at bank and in hand	172.3	261.4
Total cash and cash equivalents	**172.3**	**261.4**

At 31 December 2018, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 2.8 million (2017: EUR 2.2 million).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2018. Refer to Note 29 for the description of the Group's credit risk grading system.

In millions of EUR	Cash at bank	Total
– Excellent	131.0	131.0
– Good	41.0	41.0
– Satisfactory	0.3	0.3
Total cash and cash equivalents	**172.3**	**172.3**

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-

All the bank balances were neither past due nor impaired. Analysis by credit quality of bank balances and as at 31 December 2017 is as follows:

In millions of EUR	Cash at bank	Total
Rating by the Company		
– Banks rated 1	229.1	229.1
– Banks rated 2	17.6	17.6
– Banks unrated	14.7	14.7
Total	**261.4**	**261.4**

The Company classifies banks based on ratings as follows:

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

The carrying amounts of cash and cash equivalents as of 31 December 2018 and 31 December 2017 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

16 Financial Investments

In millions of EUR	Note	31 December 2018	31 December 2017
Investment in The Cambridge Incubator, LLC	(a)	51.6	-
Investment in HB REAVIS CE Real Estate Investment Fund		0.2	1.1
Total financial investments		**51.8**	**1.1**

(a) In February 2018 the Group acquired a non-controlling share in The Cambridge Incubator, LLC, a Delaware limited liability company for a consideration of EUR 49.8 million. The only change compared to balance as at 31 December 2018 was caused by the foreign exchange rates shift. All financial investments are measured at fair value through profit or loss (Note 2.2, Note 3). The fair value of investment in The Cambridge Incubator, LLC as at 31 December 2018 approximates its acquisition costs.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

17 Share Capital and Share Premium

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2017	12,500	12,500	532,622,500	**532,635,000**
At 31 December 2017	12,500	12,500	494,002,499	**494,014,999**
At 31 December 2018	30,000	30,000	455,852,721	**455,882,721**

The total authorised number of ordinary shares is 30,000 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.

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

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

In millions of EUR, except dividends per share amount	Note	2018	2017
Distributions to owners payable at 1 January	19	**8.8**	-
Distributions declared during the year (from share premium)		38.1	38.6
Distributions paid during the year		(46.9)	(29.8)
Distributions to owners payable at 31 December	19	-	**8.8**
Amount per share declared during the year in EUR		1,271.7	3,089.6

18 Borrowings

In millions of EUR, except dividends per share amount	Note	31 December 2018	31 December 2017
Non-current			
Bank borrowings		289.3	272.5
Issued bonds	(a)	293.8	326.4
Finance lease liabilities	(b)	31.3	-
Total non-current borrowings		**614.4**	**598.9**
Current			
Bank borrowings		84.0	64.3
Borrowings from related parties	7	14.0	14.2
Issued bonds	(a)	35.2	3.6
Total current borrowings		**133.2**	**82.1**
Total borrowings		**747.6**	**681.0**

a) The bonds represent following debt instruments: (i) EUR denominated bonds in the amount EUR 30 million, which were issued in Bratislava in August 2014 with maturity August 2019, bearing an interest of 4.25% p.a.; (ii) EUR denominated bonds in the amount EUR 40 million, which were issued in Bratislava in March 2015 with maturity March 2020, bearing an interest of 4.25% p.a.; (iii) CZK denominated bonds in the amount CZK 1,250 million (EUR 48.9 million) , which were issued in Prague in March 2016 with maturity March 2021, bearing an interest of 6M PRIBOR + 4% p.a.; (iv) PLN denominated bonds in the amount PLN 100 million (EUR 23.9 million), which were issued in Warsaw in October 2016 with maturity April 2021, bearing an interest of 6M WIBOR + 4.40% p.a.; (v) EUR denominated bonds in the amount EUR 25 million, which were issued in Bratislava in December 2016 with maturity December 2021, bearing an interest of 3.50% p.a.; (vi) EUR denominated bonds in the amount EUR 12 million, which were issued in Bratislava in March 2017 with maturity March 2022, bearing an interest of 3.50% p.a.; (vii) EUR denominated bonds in the amount EUR 20 million, which were issued in Bratislava in June 2017 with maturity June 2022, bearing an interest of 3.35% p.a.; (viii) PLN denominated bonds in the amount PLN 220 million (EUR 52.6 million), which were issued in Warsaw in July 2017 with maturity January 2022, bearing an interest of 6M WIBOR + 4.20% p.a.; (ix) EUR denominated bonds in the amount EUR 45 million, which were issued in Bratislava in September 2017 with maturity September 2027, bearing an interest of 4.45% p.a.; (x) EUR denominated bonds in the amount EUR 31 million, which were issued in Bratislava in November 2017 with maturity November 2023, bearing an interest of 3.25% p.a..

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

18 Borrowings (Continued)

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

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

In millions of EUR	31 December 2018	31 December 2017
Repayable between 2 and 5 years	31.3	
Total	**31.3**	**-**

The finance lease liability of EUR 31.3 million represents a consideration equivalent to GBP 28.0 million the Group agreed to pay in return for becoming a leasehold owner of the premises at Farringdon West, London, UK, which is payable upon the completion of the project.

The present value of finance lease liability approximates the gross finance lease liability payable.

Net debt reconciliation

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

In millions of EUR	Bank borrowings	Bonds	Finance lease liabilities	Other indebtedness	Total
Borrowings as presented in the Statement of financial position as at 31 December 2016	**396.7**	**195.8**	**-**	**63.7**	**656.2**
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2016 (Note 14)	90.3	-	-	-	**90.3**
Total borrowings as at 31 December 2016	**487.0**	**195.8**	**-**	**63.7**	**746.5**
Proceeds from new drawdowns	378.4	162.8	-	-	**541.2**
Repayments	(181.2)	(32.7)	-	-	**(213.9)**
Foreign exchange adjustments	(8.5)	(4.2)	-	-	**(12.7)**
Non-cash movement due to loss of control in a subsidiary	(113.5)	-	-	(63.7)	**(177.2)**
Interest accrued	0.8	8.3	-	-	**9.1**
Borrowings as presented in the Statement of financial position as at 31 December 2017	**351.0**	**330.0**	**-**	**-**	**681.0**
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2017 (Note 14)	212.0	-	-	-	**212.0**
Total borrowings as at 31 December 2017	**563.0**	**330.0**	**-**	**-**	**893.0**
Proceeds from new drawdowns	294.4	-	-	-	**294.4**
Repayments	(109.1)	-	-	-	**(109.1)**
Foreign exchange adjustments	2.7	2.6	-	-	**5.3**
Non-cash movement due to loss of control in a subsidiary	(218.7)	-	-	-	**(218.7)**
Change in accrued interest	2.3	(1.0)	-	-	**1.3**
Effect of translation to presentation currency	(3.4)	(2.6)	-	-	**(6.0)**
Finance lease additions	-	-	31.3	-	**31.3**
Borrowings as presented in the Statement of financial position as at 31 December 2018	**387.3**	**329.0**	**31.3**	**-**	**747.6**
Borrowings under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2018 (Note 14)	143.9	-	-	-	**143.9**
Total borrowings as at 31 December 2018	531.2	329.0	31.3	-	**891.5**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

18 Borrowings (Continued)

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	2018	2017	2018	2017
Bank borrowings	289.3	272.5	294.6	274.8
Issued bonds	293.8	326.4	330.9	335.9
Finance lease liability	31.3	-	31.3	-
Non-current borrowings	**614.4**	**598.9**	**656.8**	**610.7**

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

The Group has the following undrawn borrowing facilities:

In millions of EUR	31 December 2018	31 December 2017
Availability:		
– Expiring within one year	33.6	40.7
– Expiring beyond one year	297.5	138.8
Total undrawn facilities	**331.1**	**179.5**

Investment properties (Note 9), property, plant and equipment (Note 8) and receivables (Note 13) are pledged as collateral for borrowings of EUR 364.8 million (2017: EUR 342.9 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 55% to 75% (2017: 53% to 70%) and minimum debt service coverage ratios ranging from 1.00 to 1.20 (2017: 1.15 to 1.30). During 2018 and up to the date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 31 December 2018 and up to date of authorisation of these consolidated financial statements for issue, the Group repaid the loan of EUR 14.0 million and drawn EUR 71.3 million of new loans including EUR 15.0 million of new bond issue.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

19 Trade and Other Payables

In millions of EUR	Note	31 December 2018	31 December 2017
Non-current			
Long-term payables		15.2	10.3
Total non-current payables		**15.2**	**10.3**
Current			
Trade payables		13.8	24.1
Liabilities for construction of investment properties		39.8	25.0
Accrued liabilities		18.2	15.4
Distribution payable to owners	17	-	8.8
Derivative financial instruments		1.8	2.9
Other payables		2.6	0.1
Liabilities due to joint ventures		0.3	6.9
Refund liability		4.2	3.4
Total current financial payables		**80.7**	**86.6**
Items that are not financial instruments:			
Deferred rental income		5.0	6.2
Contract liability		1.7	1.6
Accrued employee benefit costs		1.4	3.0
Other taxes payable		0.6	1.0
VAT payable		0.7	0.4
Prepayments		0.8	0.1
Total current trade and other payables		**90.9**	**98.9**

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

20 Rental and Similar Income from Investment Property

In millions of EUR	2018
Rental income	
– Office	40.0
– Retail	1.4
– Industrial	-
Service charges	
– Office	14.9
– Retail	0.7
– Industrial	-
Management charges	
– Office	4.4
– Retail	0.3
– Industrial	0.4
Total Revenue	**62.1**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

20 Rental and Similar Income from Investment Property (Continued)

In millions of EUR	2018	2017
Rental income – Office	59.3	54.2
Rental income – Retail	2.4	2.3
Rental income – Industrial	0.4	4.1
Total revenue	**62.1**	**60.6**

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

In millions of EUR	31 December 2018	31 December 2017
Not later than 1 year	29.0	32.6
Later than 1 year and not later than 5 years	126.5	58.6
Later than 5 years	209.0	31.5
Total operating lease payments receivable	**364.5**	**122.7**

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total contingent payments receivable recognised as income in 2018 under the Group's operating leases were EUR 0.1 million (2017: EUR nil).

21 Direct Operating Expenses arising from Investment Property

In millions of EUR	2018	2017
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	1.1	0.4
Repairs and maintenance services	1.2	1.1
Utilities costs	5.1	5.7
Services relating to investment property	14.0	13.6
Real estate tax	0.9	1.1
Other costs	1.8	-
Total	**24.1**	**21.9**

22 Analysis of Revenue by Category

Analysis of revenue by category under revenue recognition guidance effective from 1 January 2018:

In millions of EUR	Note	2018
Rental income	20	41.4
Service charges	20	15.6
Management charges	20	5.1
Total Rental and similar income from investment property		**62.1**
Services rendered	24	5.5
Other	24	1.7
Total Other operating income		**7.2**
Construction revenue		**21.9**
Total revenue and other income		**91.2**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

22 Analysis of Revenue by Category (Continued)

As at 31 December 2018, the Group has completed all contracts for construction of properties.

Analysis of revenue by category under revenue recognition guidance effective prior to 1 January 2018:

In millions of EUR	Note	2018	2017
Rental and similar income	20	62.1	60.6
Construction revenue		21.9	85.5
Revenue from services	24	5.5	7.3
Other	24	1.7	1.8
Total revenue and other income		**91.2**	**155.2**

23 Employee Benefits

In millions of EUR	2018	2017
Wages and salaries	24.4	26.4
Pension costs – defined contribution plans	1.3	1.4
Total employee benefits	**25.7**	**27.8**

The Group had 758 employees in the core real estate operations of the Group (on full time equivalent basis) as at 31 December 2018 (2017: 632 employees).

24 Operating Income and Expanses

Operating expenses comprised the following:

In millions of EUR	2018	2017
Services	31.5	38.5
Rental expense	3.6	3.3
Cost of sold inventories	1.9	1.0
Audit fees	0.9	0.8
Material consumption	1.4	1.4
Energy costs	0.2	0.2
Net impairment losses on financial and contract assets	-	3.6
Other taxes	(0.3)	1.5
Other	6.1	4.7
Total operating expenses	**45.3**	**55.0**

Other operating income comprised the following:

In millions of EUR	2018	2017
Sales of services	5.5	7.3
Sales of inventories	1.1	1.4
Other operating income	0.6	0.4
Total other operating income	**7.2**	**9.1**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

25 Disposals of Subsidiaries

The Group sold shares in eight (8) subsidiaries during year 2018: GBC C Polcom Investment XXIX Sp. z o. sp. k, GBC D Polcom Investment XXX Sp. z o. sp. k, Jamestown Sp. z o.o., Jarrow Sp. z o.o., Gdanski C SCSp., Gdanski D SCSp., FORSEA s.r.o. and EIGHT House S.à r.l., of which GBC C Polcom Investment XXIX Sp. z o. sp. k, GBC D Polcom Investment XXX Sp. z o. sp. k and FORSEA s.r.o. was classified as Non-current assets held for sale as of 31 December 2017. In addition to the above, the Group lost control of the CE REIF subfund during year ended 31 December 2017.

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

	2018		2017		
In millions of EUR	Subsidiaries sold to third parties	**Total subsidiaries sold**	Subsidiaries sold to third parties	Loss of control over subsidiary	**Total subsidiaries sold**
Investment property in use	385.3	**385.3**	32.3	183.7	**216.0**
Other non-current assets	12.7	**12.7**	2.5	-	**2.5**
Deferred tax liability	(26.5)	**(26.5)**	(2.9)	(16.8)	**(19.7)**
Borrowings	(218.7)	**(218.7)**	(0.4)	(176.8)	**(177.2)**
Trade and other payables	(4.1)	**(4.1)**	(19.5)	(20.4)	**(39.9)**
Cash and cash equivalents	4.2	**4.2**	0.3	27.0	**27.3**
Other working capital	7.8	**7.8**	1.7	4.5	**6.2**
Net assets value	**160.7**	**160.7**	**14.0**	**1.2**	**15.2**
Gain on divestments of subsidiaries	21.8	**21.8**	8.5	17.3	**25.8**
Foreign currency translation differences transferred from other comprehensive income upon loss of control	(7.4)	**(7.4)**	(0.4)	-	**(0.4)**
Proceeds from sale and loss of control of subsidiaries	**175.1**	**175.1**	**22.1**	**-**	**22.1**
Less cash in subsidiaries at the date of transaction	(4.2)	**(4.2)**	(0.3)	(27.0)	**(27.3)**
Less receivable from sale of subsidiary	(1.2)	**(1.2)**	-	-	**-**
Collection of prior period receivables from sale of subsidiaries	-	**-**	1.7	-	**1.7**
Settlement of prior period liability from sale of subsidiary	-	**-**	(0.1)	-	**(0.1)**
Cash sale proceeds	**169.7**	**169.7**	**23.4**	**(27.0)**	**(3.6)**

26 Income Taxes

Income tax expense comprises the following:

In millions of EUR	**2018**	**2017**
Current tax	(2.0)	3.5
Deferred tax	(29.5)	(14.1)
Income tax credit/(expense) for the year	**(31.5)**	**(10.6)**

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

In millions of EUR	**2018**	**2017**
Profit before income tax	**151.6**	**93.8**
Theoretical tax charge at applicable rate 19.78% (2017: 19.55%)	(30.0)	(18.3)
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Income exempt from taxation	6.3	8.2
– Non-temporary taxable items	(1.3)	(1.9)
– Change in estimate of prior period income taxes	(0.4)	4.7
Unrecognised deferred tax assets	(6.7)	(4.0)
Utilisation of previously unrecognised tax loss carry-forwards	0.6	0.8
Income tax credit/(expense) for the year	**(31.5)**	**(10.6)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

26 Income Taxes (Continued)

The Group uses 19.78% (2017: 19.55%) 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% (2017: 21%), Czechia and Poland of 19% (2017: 19%), Hungary of 9% (2017: 9%), Germany of 15% (2017:15%) and the UK of 20% (2017: 20%) where majority of the Group's operations are located.

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

In millions of EUR	1 January 2017	Charged/ (credited) to profit or loss	Divestment of subsidiaries	Transfer to assets held for sale	Currency translation difference	31 December 2017	Charged/ (credited) to profit or loss	Divestment of subsidiaries	Transfer to assets held for sale	Currency translation difference	31 December 2018
Tax effect of deductible/(taxable) temporary differences											
Investment properties	**(68.1)**	(12.6)	19.7	6.2	0.7	**(54.1)**	**(32.8)**	**7.5**	**7.6**	**(0.1)**	**(71.9)**
Unrealized foreign exchange (gains)/ losses	**-**	-	-	-	-	**-**	**-**	-	-	-	**-**
Tax losses carried forward	**2.8**	(1.5)	-	-	-	**1.3**	**2.2**	-	-	-	**3.5**
Property, plant and equipment	**0.5**	-	-	-	-	**0.5**	**0.4**	-	-	-	**0.9**
Other	**(0.7)**	-	-	-	-	**(0.7)**	**0.7**	-	-	-	**-**
Net deferred tax (liability)	**(65.5)**	**(14.1)**	**19.7**	**6.2**	**0.7**	**(53.0)**	**(29.5)**	**7.5**	**7.6**	**(0.1)**	**(67.5)**

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

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

27 Foreign Exchange gains/(losses)

In millions of EUR	2018	2017
Bank borrowings – unrealised	(5.3)	11.7
Inter-company loans to foreign operations that do not form part of net investment – unrealised	(4.2)	5.2
Trade and other receivables and payables – realised during period	(0.2)	(1.7)
Trade and other receivables and payables – unrealised	1.2	(0.6)
Foreign exchange (losses)/gains	**(8.5)**	**14.6**

28 Contingencies, Commitments and Operating Risks

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Group includes holding companies incorporated in various jurisdictions. The tax liabilities of the Group are determined on the assumption that these holding companies are not subject to profits tax in other countries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. Refer also to Note 3.

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 169.8 million at 31 December 2018 (31 December 2017: EUR 199.4 million); this exposure will be partially financed by external loans (committed lines: EUR 338.6 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

28 Contingencies, Commitments and Operating Risks (Continued)

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of EUR	2018	2017
Not later than 1 year	4.9	3.6
Later than 1 year and not later than 5 years	19.0	11.7
Later than 5 years	76.0	77.4
Total operating lease commitments at 31 December	**99.9**	**92.7**

Except for landplots in Poland (Note 5), the Group uses landplots in United Kingdom under the lease agreements. Under the agreements the right to use the landplots is transferred to the Group in exchange for remuneration in the form of fees that are subject to review or are dependent on market rent.

29 Financial Risk Management

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

(i) Credit risk

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

The Group has no significant off-balance sheet exposures to credit risk as it did not issue financial guarantees nor loan commitments to other parties. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual review.

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

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

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2018:

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	1.6	-	1.6	0.9	0.7	-
Liabilities						
Cash collateral received presented within trade and other payables	0.7	-	0.7	0.7	-	-

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

29 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2017:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	1.6	-	1.6	0.7	0.9	-
Liabilities						
Cash collateral received presented within trade and other payables	0.9	-	0.9	0.9	-	-

According to the general terms and conditions of contracts with its customers, the Group requires either a cash collateral or bank guarantee in favour of the Group to ensure its receivables are collectible. The amount guaranteed by cash collateral or a bank guarantee is assessed by the Group annually. The Group has a right of set-off of any balances overdue against the collateral or amou nt 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 35 banks (2017: 33 banks) but 90.7% (2017: 97.2%) of cash balances as of 31 December 2018 are held with 10 (2017: 10) major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 15.

As at 31 December 2018, the Group receivables from joint ventures amounted to EUR 0.2 million (2017: EUR 28.2 million). The Group's management considers the concentration of credit risk with respect to receivables balances to joint ventures.

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 amount of trade receivables turnover during the current period and the amount of trade receivables written off. Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 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 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.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

29 Financial Risk Management (Continued)

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

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 taking into consideration the fact whether the receivable under the review is secured by a bank guarantee/cash deposit or not. Generally, the bank guarantee is deemed to provide a sufficient assurance that the receivable will not become illiquid and therefore provisions for receivables secured by a bank guarantee are not created.

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.

(ii) Market risk

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

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

Had the foreign exchange rates been by one tenth lower than they have been throughout the year ended 31 December 2018 with all other variables constant, profit for the year would have been approximately EUR 49.4 million lower (2017: EUR 70.8 million lower). Equity, after allowing for the tax effects, would have been EUR 39.0 million lower (2017: EUR 55.9 million lower). Had the foreign exchange rates been by one tenth higher than they have been throughout the year ended 31 December 2018 with all other variables constant, profit for the year would have been EUR 49.4 million higher (2017: EUR 70.8 million higher). Equity, after allowing for the tax effects, would have been EUR 39.0 million higher (2017: EUR 55.9 million higher).

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of EUR	Less than 12 months	Over 12 months	Total
31 December 2018			
Total monetary financial assets	237.8	6.3	244.1
Total monetary financial liabilities	(213.9)	(629.7)	(843.6)
Net interest sensitivity gap at 31 December 2018	**23.9**	**(623.4)**	**(599.5)**
31 December 2017			
Total monetary financial assets	377.0	11.7	388.7
Total monetary financial liabilities	(428.5)	(334.7)	(763.2)
Net interest sensitivity gap at 31 December 2017	**(51.5)**	**(323.0)**	**(374.5)**

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

29 Financial Risk Management (Continued)

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been by one tenth lower than they have been throughout the year ended 31 December 2018 with all other variables constant, profit before tax for the year would have been higher by approximately EUR 0.6 million (2017: EUR 0.8 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 0.5 million higher (2017: higher by EUR 0.6 million).

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been by one tenth higher than they have been throughout the year ended 31 December 2018 with all other variables constant, profit before tax for the year would have been lower by approximately EUR 0.6 million (2017: EUR 0.8 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 0.5 million (2017: lower by EUR 0.6 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 18). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various hedging instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings.

These provisions are taken into consideration by the Group's management when pursuing its interest rate hedging policy. Trade and other receivables and Trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of 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.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

(iii) Liquidity risk

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

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the carrying amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the respective reporting period. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 31 December 2018 is as follows:

In millions of EUR	Demand and less than 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal repayments)	120.0	133.7	401.6	58.8	714.1
Borrowings (future interest payments)	22.5	18.1	30.1	8.6	79.3
Financial payables – current (Note 19)	78.9	-	-	-	78.9
Finance lease liability (Note 18)	-	-	31.3	-	31.3
Derivatives and other financial instruments (Note 19)	1.8	-	-	-	1.8
Total future payments, including future principal and interest payments	223.2	151.8	463.0	67.4	905.4

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

In millions of EUR	Demand and less than 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Liabilities					
Borrowings (principal repayments)	72.9	167.4	354.3	80.9	675.5
Borrowings (future interest payments)	22.9	21.2	37.7	11.4	93.2
Financial payables (Note 19)	83.7	-	-	-	83.7
Derivatives and other financial instruments (Note 19)	2.9	-	-	-	2.9
Total future payments, including future principal and interest payments	182.4	188.6	392.0	92.3	855.3

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

29 Financial Risk Management (Continued)

On an ongoing basis, the Board of Directors reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for 2019 shows positive cash flow of the Group of approximately EUR 159.2 million (2017: EUR 115.0 million). The Board of Directors is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

30 Management of Capital

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

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

In millions of EUR	Note	31 December 2018	31 December 2017
Equity attributable to the owners of HB Reavis Holding S.A.		1,258.1	1,194.1
Adjusted for			
Add: Deferred income tax liabilities (including joint ventures)	14, 26	86.0	80.3
Net Asset Value (adjusted) as monitored by management		**1,344.1**	**1,274.4**

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties excluding other indebtedness (Note 18(a)) less Cash and Group total assets. During 2018, the Group's strategy was to steer the net debt leverage ratio up to 35% (2017: up to 35%). As is shown in the table below, the Group's ratio was below the targeted level at the end of 2018 and 2017. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2018	31 December 2017
Borrowings less cash including those classified as held for sale	717.7	613.9
Total assets	2,349.9	2,294.8
Net debt leverage ratio	**30.54%**	**26.75%**

31 Fair Value Estimation

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

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

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

i) Investment properties

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

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 31 December 2018 (Note 9)			1,943.3	**1,943.3**
Investment property – valuations obtained at 31 December 2017 (Note 9)	-	-	1,780.6	**1,780.6**

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition/divestment (cost) for assets which were either acquired/held for sale close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation techniques for level 3 are further described in Note 9.

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

31 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 18 (in millions of EUR)	Fair value 31 Dec 17 (in millions of EUR)	Input	Range 31 Dec 18	Range 31 Dec 17
Slovakia						
				Average annual rent in EUR per sqm	189 – 200	191.5
Office	Discounted cash flow	120.3	121.3	Discount rate p.a.	7.65%	7.65%
				Capitalisation rate for terminal value	6.9%	6.9%
Office	Direct capitalisation method	254.2	138.0	Average annual rent in EUR per sqm	138 – 200	180 – 186
				Capitalisation rate	5.8% – 8.2%	6.0% – 8.0%
Total		**374.5**	**259.3**			
Czechia						
Office	Direct capitalisation method	-	89.0	Average annual rent in EUR per sqm	-	167.0
				Capitalisation rate	-	6.0%
Total		**-**	**89.0**			
Poland						
Office	Direct capitalisation method	-	277.2	Average annual rent in EUR per sqm		195.0-231.0
				Capitalisation rate	-	5.8% – 7.2%
				Average annual rent in EUR per sqm	190.4	-
Office	Discounted cash flow	85.5	-	Discount rate p.a.	6.5%	-
				Capitalisation rate for terminal value	7.5%	-
Office	At cost	0.2	-	-	-	-
Total		**85.7**	**277.2**			
Hungary						
Office	Direct capitalisation method	9.5	-	Average annual rent in EUR per sqm	90.8	-
				Capitalisation rate	7.0%	-
Total		**9.5**	**-**			
United Kingdom						
Office	Residual value	281.7	281.8	Capitalised net revenues less cost to completion	619.5	694
				Capitalisation rate	4.75%	4.75% – 5.0%
Office	Direct capitalisation method	123.1	-	Average annual rent in EUR per sqm	791.0	-
				Capitalisation rate	4.5%	-
Total		**404.8**	**281.8**			
Total for segment		**874.5**	**907.3**			

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

31 Fair Value Estimation (Continued)

Development in realisation and in preparation

Segment	Valuation technique	Fair value 31 Dec 18 (in millions of EUR)	Fair value 31 Dec 17 (in millions of EUR)	Input	Range 31 Dec 18	Range 31 Dec 17
Slovakia						
Office, Office/ Retail	Residual Method	125.5	153.1	Capitalised net revenues less cost to completion	231.7	217.3
				Capitalisation rate	6.2% – 6.5%	6.25% – 6.75%
Retail	Residual Method	120.5	75.0	Capitalised net revenues less cost to completion	69.8	72.0
				Capitalisation rate	5.5%	5.5%
Total		**246.0**	**228.1**			
Czechia						
Office	Residual Method	61.8	22.5	Capitalised net revenues less cost to completion	130.4	64.8
				Capitalisation rate	5.8% – 6.5%	6.0% – 7.25%
Office	Direct capitalisation method	-	20.3	Average annual rent in EUR per sqm	206.2	204.0
				Capitalisation rate	5.0%	5.0%
Office	At cost	-	2.0			
Retail	Residual Method	-	12.2	Capitalised net revenues less cost to completion	-	24.4
				Capitalisation rate	-	7.0%
Logistics	At cost	0.2	-	-		
Total		**62.0**	**57.0**			
Poland						
Office	Residual Method	431.8	306.5	Capitalised net revenues less cost to completion	261.0	296.2
				Capitalisation rate	4.8% – 5.8%	5.24% – 6.0%
Office	At cost	16.7	12.4			
Total		**448.4**	**318.9**			
United Kingdom						
Office	Residual Method	-	157.3	Capitalised net revenues less cost to completion	-	56.4
				Capitalisation rate	-	4.65%
Office	At cost	57.8	-	-	-	-
Total		**57.8**	**157.3**			
Hungary						
Office	Comparative Method	-	8.5	Price in EUR per sqm	-	808.0
Office	Residual Method	105.0	67.1	Capitalised net revenues less cost to completion	90.9	95.7
				Capitalisation rate	6.0%	6.25%
Office	At cost	13.3	-			
Total		**118.3**	**75.6**			

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

31 Fair Value Estimation (Continued)

Development in realisation and in preparation (Continued)

Segment	Valuation technique	Fair value 31 Dec 18 (in millions of EUR)	Fair value 31 Dec 17 (in millions of EUR)	Input	Range 31 Dec 18	Range 31 Dec 17
Germany						
Office	At cost	92.2	-	-	-	-
Total		**92.2**	**-**			
Total for segment		**1,024.7**	**836.9**			
Non-core						
Logistics	Comparative Method	29.5	36.0	Price in EUR per sqm	4.7 – 26.2	4.3 – 26.1
Retail	At cost	14.6	0.4	-	-	-
Total for segment		**44.1**	**36.4**			

Sensitivity of measurement to variance of significant unobservable inputs

A decrease in the estimated annual rent will decrease the fair value. An increase in the discount rates and the capitalisation rates (used for terminal value of DCF and for the direct capitalisation method) will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. Please refer to Note 3 for the quantitative sensitivity analysis.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by independent and qualified valuers.

These reports are based on both:

– information provided by the company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.
– assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgment and market observation. Generally, for income producing assets a DCF and direct capitalisation methods are used, for assets under construction residual method is used and comparative methodology is used for non-core and land bank assets.

The information provided to the valuers - and the assumptions and the valuation models used by the valuers - are reviewed by the controlling department and the Group Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

ii) Financial Instruments

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.25% p.a. (2017: 2.82% p.a.). Refer to Note 18 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

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

HB Reavis Holding S.A.
Notes to Consolidated Financial Statements for the year ended 31 December 2018
Prepared in accordance with International Financial Reporting Standards as adopted by the EU

32 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.

All of the Group's financial assets belong to the category financial assets at amortised cost except for financial derivatives that are classified as financial assets at FVTPL. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as financial liabilities at FVTPL (Note 19).

For the purposes of measurement at 31 December 2017, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

All of the Group's financial assets as at 31 December 2017 belonged to the category loans and receivables except for financial derivatives that were classified as held for trading. All of the Group's financial liabilities were carried at amortised cost except for financial derivatives that were classified as held for trading (Note 19).

33 Consolidated Structured Entities

As at 31 December 2016 the Group held less than 50% of voting rights in a HB REAVIS CE Real Estate Investment Fund a sub-fund of a fully consolidated subsidiary HB Reavis Real Estate SICAV-SIF, the Fund (Note 1). The Group had the power over this sub-fund through asset management contractual arrangements with the General Partner of this Fund, HB Reavis Investment Management S.à r.l. In January 2017 the Group lost control over the sub-fund and since that date the Group's interest in the structure is recognised as a financial investment.

The Group issued 2 tranches of bonds through HB Reavis Finance PL 2 Sp. z o.o. incorporated in Poland, 1 tranche of bonds through HB REAVIS Finance SK s. r. o., 1 tranche of bonds through HB REAVIS Finance SK II s. r. o., 4 tranches of bonds through HB REAVIS Finance SK III s. r. o., 1 tranche of bonds through HB REAVIS Finance SK IV s. r. o., all four incorporated in Slovakia and 1 tranche of bonds through HB Reavis Finance CZ, s.r.o., incorporated in Czechia. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 320 million, EUR 203 million and CZK 1.25 billion (Note 18).

34 Events after the End of the Reporting Period

After 31 December 2018 and up to date of authorization of these consolidated financial statements the Group has drawn EUR 71.3 million of the facilities undrawn as of 31 December 2018 and signed new credit facilities amounting to EUR 350.0 million which have not been drawn by the Group, and repaid the loan of EUR 14.0 million. The Group also issued new tranche of bonds in the amount of EUR 15.0 million.

In January 2019, share premium distribution to shareholder in amount of EUR 27.0 million was declared, of which EUR 12.3 million has already been paid in the first quarter of 2019.

On 5 February 2019 the Group has announced a plan to start the sale of stand-alone projects in Czechia that are not sizeable enough to make them suitable for the Group's strategy. The group will continue developing its project in Czechia's second biggest city, Brno and will also continue the expansion of its successful network of co-working facilities that operate under the HubHub brand.

In February 2019, the Group completed the sale of 100% shares in its subsidiary HB REAVIS Buda Project Kft. The subsidiary owned the office building BEM Palace in Budapest, Hungary. Carrying value of the investment property disposed of was EUR 13.3 million.

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

hbreavis