hbreavis

Annual Report 2021

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That's Us

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Marian Herman

With respect to construction completions, Bratislava saw the grand opening of Nivy Mall in September. Arguably our most complex project, its multifunctional offer of a transport hub, a shopping centre, a green roof and a lifestyle and culinary destination created a point of difference in what would otherwise have been a tough period for its retailers – proven by a strong opening, as it reached 1 million visits in the first 24 days.

Strengthening our recovery with our second best year ever

It gives me great pleasure to share that 2021 was a good year, by any standards – let alone one in the midst of the world's reawakening from the COVID pandemic. As well as delivering four projects, we achieved our second strongest financial performance and second best leasing result in the history of the company.

This is very much a reflection of our people's efforts across all our markets, as they balanced the demands of personal and family commitments with the drive and commitment to take our company forward.

Nivy Mall & Bus Station, Bratislava, Slovakia

Varso Tower, Warsaw, Poland

At 310 m, the newly completed Varso Tower in Warsaw is now the EU's tallest structure. We also completed phase 1 of the Forest campus and topped out Forest Tower. The construction of New Apollo in Slovakia is progressing at pace, with the announcement of IBM as its anchor tenant taking 2/3 of the office space. In the UK, the opening of Bloom Clerkenwell was followed by initial demolition works on Worship Square.

Our leasing teams saw huge success too. Agora Budapest is almost fully occupied. Bloom Clerkenwell in London saw an anchor tenant, a US social network giant, take over 80% of the building. In Warsaw, our Varso 1 and 2 buildings are almost fully leased, and Varso Tower pre-leases passed 53% in Q3 and Q4 alone. Forest Tower is already proving attractive too, with a large bank signing up to be an anchor tenant in Q1 2022.

01 That's Us

DSTRCT.Berlin, Berlin, Germany

Almost fully leased, DSTRCT.Berlin's new building welcomed its first tenant, STRATO, just a few weeks ago, and the majority of space in the historic halls also have contracts in place. **Put together, all of this good work meant we leased around 160,000 sq m in 2021, not only exceeding our ambitious 150,000 sq m leasing target, but also the 2nd strongest leasing performance ever and that all in a post-covid market environment.**

Looking forward, the pipeline is also very strong. Slovakia and the UK are very stable, with the latter forging ahead with One Waterloo and Worship Square, which will be one of London's first fully net zero carbon schemes. Berlin has its second HB Reavis project in the works. And in Germany, together with Poland and the UK, we are securing new opportunities to add to our portfolio.

Our Workspace-as-a-Service model continues to add value to our business. HubHub coworking spaces welcomed large numbers of new members during 2021, leading to a significant increase in the occupancy average. We consider 2021 to be a recovery year.

Qubes saw great interest from potential tenants – and helped us get the New Apollo-IBM deal over the line. In fact, the flexibility that comes with Qubes will likely often add value for tenants, who see the merit in having the scope to grow – at speed, on-site – without major investment.

The impact of all this is already showing in our financials. Recovering smoothly from the challenges of 2020, we have amassed financial liquidity of €240 million. And this progress is translating into confidence from our existing and potential financing partners.

One Waterloo, London, United Kingdom

As a business, we're not standing still. Earlier in 2021, we took the decision to undertake the separation of our income producing portfolio and created two separate business lines, a pure-play developer and a pure-play income REIT-type vehicle to reflect the two different business models and the risk/return profiles of these two operations.

World returns to their offices

Hence, as a result, in the course of 2022, we will transfer the vast majority of our income producing assets worth around €2.5 billion in gross development value into a REIT-type structure owned by the same UBO*, but managerially and financially independent of the development operations. This separation will ensure our UBO's ability to secure appropriate long-term financing and holding of this asset portfolio in order to capitalise on future upside potential and the steady cashflow generation capacity of our income producing assets. The remaining development operations will be a pure-play development business with a substantial future pipeline (up to 1 million sq m of committed future GLA) and a substantial project acquisition appetite across our existing markets. In the future, the REIT-type vehicle will (subject to sufficient resources) aim to provide a natural offtake for all our future projects, once completed and commercially stabilised.

It's also clear that ESG is becoming an ever more important differentiator for businesses. And by distilling all our experience and know-how into our well-established ESG framework, we have a well-structured scheme that guides our activities and puts both our buildings and services in a strong position over the coming years.

*Ultimate beneficial owner

Nivy Mall & Bus Station, Bratislava, Slovakia

As the world returns to their offices, we – not surprisingly – don't plan to return to normal. Our evolution to a hybrid working model is also an area of expertise for us – both as consultants to others and through our first-hand experience.

This knowledge has helped us enhance our reputation as a thought leader, as we have ramped up our promotion of the best hybrid practices across all our marketing channels with initiatives like our #masterhybridwork blog series gaining strong traction, alongside a range of related podcasts and white papers.

Along the same lines, with the pandemic breathing down our necks, we developed the "Future of work" report. The document took a detailed look from different angles at the crisis and a range of solutions, and it was promoted by a targeted campaign to business leaders across industries – which won us a hugely respected Global Content Award.

This is not the only place where we've won the hearts and minds of experts.

Our recognition as the European Real Estate Brand of the Year by The European Real Estate Brand Institute was based on feedback from industry professionals.

Among a number of WELL and BREEAM certifications, Agora Budapest gained Hungary's first BREEAM Excellent certificate. And our workspace in Bratislava in Twin City is now just one of 10 offices in Europe with a WELL Platinum certificate on the wall.

We entered 2022 with energy, having looked forward to see what we can achieve together in more settled times. However, unfortunately, after two years of the pandemic, we were shocked by the Russian military aggression against Ukraine. We immediately decided to support the Ukrainian people, especially those who have fled Ukraine to neighbouring countries – where we operate. As a company we have contributed substantially to helping Ukrainian refugees, funding humanitarian activities, providing accommodation and supporting refugee centres in Poland and Slovakia. But more importantly, our people are also committing their volunteering time and effort to personally help the refugees in their time of need, which fills me with an immense sense of pride for the HB Reavis people and with optimism for the future.

There is a lot of uncertainty in front of us, especially during the next few months regarding all personal, humanitarian and business narratives. Construction costs and inflation together with medium- to long-term supply chain disruptions caused by the war in Ukraine will present substantial challenges for our construction activities and development budgets. However, and like many times before, we believe that our drive, creativity, entrepreneurial spirit and fully-integrated business model will help us navigate these challenges. Furthermore, given that our product is the crème de la crème of the market, as evidenced by our ability to commercialise it during the pandemic, I strongly believe that we are very well positioned to achieve premium pricing for our products, significantly offsetting the negative headwinds from the construction inflation.

Despite all of the uncertainty, I've seen for myself how our talented and dedicated teams have thrived during such an uncertain period. We are, as a group, wiser and more passionate than ever about the benefits our work provides – to businesses, employees and wider communities.

Marian Herman

Maarten Hulshoff

We create investment value for the future

We at HB Reavis are experiencing interesting economic times. High employment, high negative interest rates and relatively strong post-COVID economies are balanced by a challenging energy transition period and high energy prices as a result of the war.

With three of the countries we operate in neighbouring Ukraine, we share the pain of all those still in the country, as well as the refugees seeking shelter elsewhere. Many of our staff are involved in finding them housing and support.

During the COVID crisis, we were faced with a decline in leasing demand and investors sitting on the fence as our clients dealt with uncertainties, declining margins and disruption to supply chains. Therefore, we're pleased to report 2021 was a very good year for the Group. For the first time, our total property assets exceeded €3.5 billion, with around 75% of the portfolio split equally among our top three cities, Warsaw, London and Bratislava, with the remainder in Berlin and Budapest.

Historically, we have been a fully integrated developer that sells developments once leased. We have now taken a strategic decision to hold onto most of our developments and create investment value for the future.

As a result of this, our executive team has been working to help the company ring-fence investment and development activities into separate organisations and legal structures. This reorganisation will take effect during the course of 2022.

Over the year, our total comprehensive income amounted to a solid €318 million. This was driven by a high revaluation of €468 million, led mainly by our assets in London and Berlin. Both markets are doing well in terms of leasing and investor demand, with investor appetite pushing yields even lower and increasing the Group's potential for growth.

We already have 11 income-producing offices. Totalling over 400,000 sq m and including our new 100,000 sq m mall in Bratislava, these are valued at €1.9 billion. Projects under development and construction now add up to 1 million sq m – and are worth around €1.6 billion. This shows we have a sound pipeline when compared with the total 1.5 million sq m we have developed since 1993. As a result, the investment portfolio has become a substantial part of our business, and today it represents 55% of our total.

Our mix of developments and standing properties will, in the medium term, substantially move towards investments in stable cash flow generating assets, reducing the Group's risk profile.

The exceptionally high revaluation was also the result of progress in our construction activities – both with developments under construction and the winning of zoning approvals for new projects, including residential plans. Altogether, we invested €304.7 million in construction – 42% of which was focused in Bratislava, 29% in Warsaw, 16% in London and 9% in Berlin (remaining amount was invested mainly in Budapest).

We completed our Forest campus, Bloom Clerkenwell and DSTRCT.Berlin office projects. Almost fully leased, they feature our usual core client base of world-leading corporates.

This indicates strong leasing markets, but also highlights our high quality, sustainability standards and growing reputation for exceptional products.

We also completed Nivy Mall, a state-of-the-art development from both a design and retail mix point of view. Its highlights include a food market and a roof garden with a running track. Even with the aftermath of COVID, strong local competition and the increase in online shopping, footfall among shoppers is strong.

Our leasing staff showed a very strong performance over the year, adding some 160,000 sq m of new leases, 42% of which was in Bratislava and 30% in Warsaw.

Increasing inflation in all our markets is driving leasing rates higher. Low interest rates strengthen our business case too, as long as high negative interest rates are applicable. On the other hand, the trend to work from home, rising costs in building materials and uncertainty related to the Ukrainian war might put some pressure on our business.

Let me thank our dedicated staff, country management teams and the Executive Board for their high-energy contributions to the Group. People make the difference, and teamwork makes it happen.

Maarten Hulshoff

02 Financial Highlights

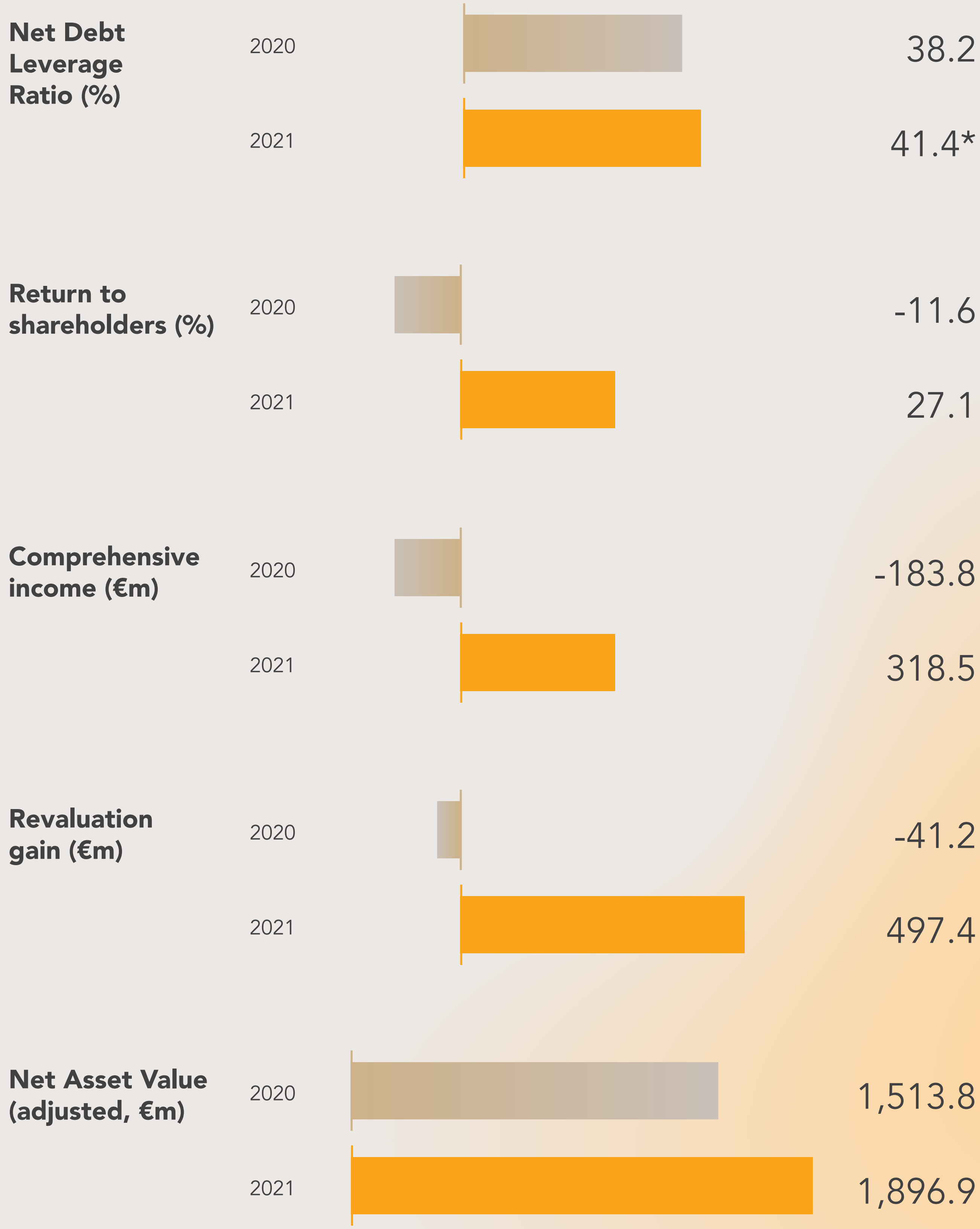
In 2021, our financial performance exceeded our long-term target and improved robustly. It was primarily driven by both the post-pandemic rebound and the massive progress of our projects under development, all in addition to the ongoing positive trend in the investment market. Leasing activity climbed to 160,000 sq m GLA, the second highest in our history.

The Group generated a total comprehensive income of €318.5m (€-183.8m in 2020). This translates into a 27.1% return on shareholders' equity (-11.6% in 2020). Our balance sheet grew to €4.016bn, and the adjusted net asset value reached around €1.897bn at the end of 2021. At 41.4%, the Group's net debt leverage reached targeted levels.

In 2021

our financial performance outperformed our long-term target and increased robustly

Whilst the financial information in Section 2 Financial Highlights is based on the data in the financial statements, the information in Section 3 Key projects and below are deemed as a business presentation and utilise data from both the financial statements and our internal management reporting. In some cases, our view of the market gross development values and future estimated rental values is higher than that used by external valuers for the purposes of the financial statements. From Section 3 Key Projects onwards, we provide information in accordance with our internal management's view.



Note:
The Net Debt Leverage Ratio is calculated as Borrowings less Cash & cash equivalent divided by Total Assets from the consolidated financial statements.
Return to shareholders is calculated as the Change in NAV plus dividends paid, divided by Total NAV (adjusted) from the consolidated financial statements.
Revaluation gain is calculated as Net Revaluation gain on investment property less the Translation of foreign operations to the presentation currency for the year and the Translation of foreign operations reclassified to profit or loss upon the loss of control of a subsidiary or the repayment of subsidiaries' capital from the consolidated financial statements.
Net Asset Value is calculated as Equity attributable to the owners of HB Reavis Holding S.A less deferred tax from the consolidated financial statements.

* In line with the announced Group's intention aimed at consolidating part of the Group's investment portfolio and prospectiveseparation of portion of its assets from the Group, the Group's leverage increased in course of 2021 as a result of higher proportion of income producing assets on the Group's total assets.

03 Key Projects

One Waterloo

London, United Kingdom

One Waterloo, currently known as Elizabeth House, was officially granted planning consent following the completion of its Section 106 agreement, signalling the next phase for one of central London's largest and most significant commercial developments.

One Waterloo will be an iconic and vibrant multi-purpose destination next to Waterloo Station.

Location: Waterloo, London
Status: Planned
Expected Delivery: 2028
Estimated GLA: 122,510 sq m/1,318,689 sq ft
Estimated GDV: €2.898bn/£2.435bn
Architects: AHMM
Expected Certifications:
BREEAM Outstanding, NABERS 5.5*,
WELL Platinum, SmartScore Platinum,
WiredScore Platinum

Note: The estimated GLA/GDV and delivery of the project is subject to change of the current development programme, taking in to account any necessary consents, required approvals, construction delivery and prevailing market conditions.

The prominent scheme will be informed by connected themes: the neighbourhood, nature and health, sustainability and future workspace, all underpinned by experience and hospitality.

With a focus on health and wellbeing and targeting WELL Platinum, HB Reavis will create three acres of outdoor space within One Waterloo to support the office workers and the wider community. A publicly accessible 200m long garden promenade, elevated two floors above street level, will create a scenic journey from the concourse level at Waterloo Station directly into One Waterloo.

New public spaces, including Victory Arch Square, the unique covered approximately 840 sq m/9,000 sq ft Waterloo Square, as well as 'The Curve', a major new pedestrianised retail street lined with shops and cafés, will transform the public realm. The cascading terraces and gardens for office occupiers will offer a choice of outdoor spaces to find the right place to relax and rest. Additionally, an urban sky farm on the 16th floor terrace will offer ultra-fresh produce for the scheme's occupiers.

With aspirations to be one of London's most sustainable developments and net zero carbon in operation, One Waterloo's office space will be fossil fuel-free, implementing low carbon solutions in all the project stages.

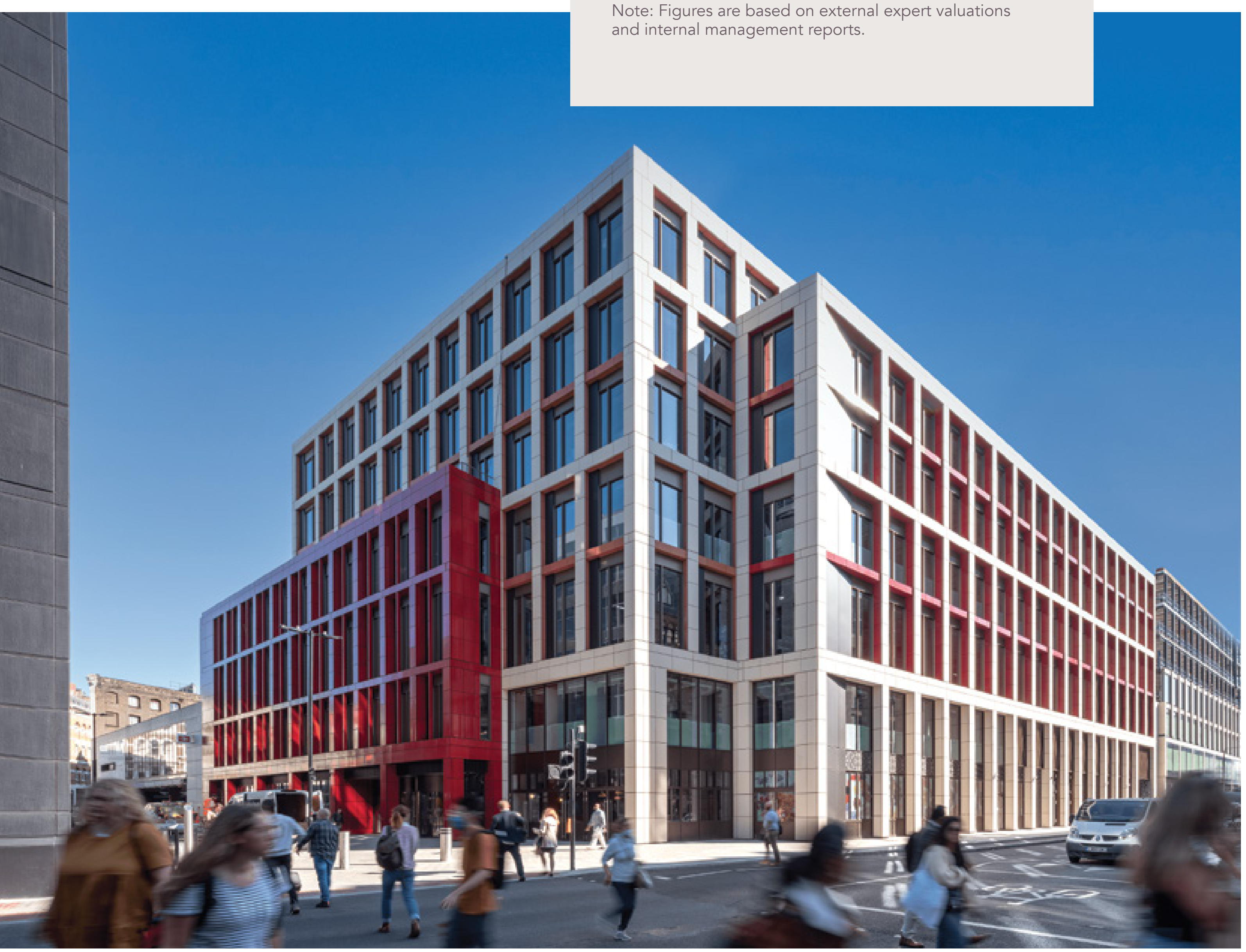
There will be more than 35% reduction in energy consumption through a "lean, clean and green" innovative building design. This will maximise efficiency through an all-electric solution combining integrated heat pumps and heat recovery, and 98.8% of the demolition waste will be diverted from landfills. These initiatives, among others, will support the building in achieving BREEAM Outstanding.

Bloom Clerkenwell

London, United Kingdom

Location: Clerkenwell, London
Status: Delivered
Delivery: 2021
GLA: 13,322 sq m/143,397 sq ft
Estimated GDV: €360m/£303m
Architects: John Robertson Architects
Expected Certifications: WELL Platinum, BREEAM Outstanding, WiredScore Platinum

Note: Figures are based on external expert valuations and internal management reports.



Bloom Clerkenwell is positioned within the vibrant neighbourhood of Clerkenwell in close proximity to the City of London. Situated adjacent to Farringdon Station, Bloom is one of London's best connected office buildings, further enhanced with the opening of the Elizabeth Line.

John Robertson Architects designed the 13,300 sq m/143,000 sq ft building, which meets the highest standards of office wellbeing, catering for a variety of businesses that truly value the importance of having a well-designed and sustainable workspace where their employees can thrive. The design of the building reflects the rich and varied context of Clerkenwell and nearby Hatton Garden, with a uniquely coloured and glazed terracotta façade.

Bloom Clerkenwell offers direct access to London's Cycle Superhighway, along with 248 cycle spaces, a 110 sq m/1,200 sq ft multifunctional training studio with health club-inspired changing and shower facilities, and a terrace to office ratio of 11%, one of the highest in London – helping to extend the working day beyond the desk. It is connected to the thriving neighbourhood in which it sits through a double height reception, a hotel style lounge and an activated ground floor public retail offer.

Testament to the quality of the building, Bloom will be among one of the first buildings in Europe to achieve a combination of BREEAM Outstanding, WiredScore Platinum and WELL Certified Platinum ratings. Its sustainability credentials are enhanced through its connection to the neighbouring district's heating and cooling system, Citigen, which removes the need for high carbon energy-producing boilers and chillers on-site, enabling Bloom to be net zero carbon in operation.

Bloom Clerkenwell reached practical completion for both the shell and core and CAT A in 2021. 5 floors were pre-leased to a globally listed company that will benefit from the building being owner-operated. Concierge services, health and wellbeing classes, and a programme of events can be accessed and booked through the More app.

The majority of the new Ready to Work concept on the 1st floor of Bloom Clerkenwell was under offer by the end of the year. Ready to Work provides 800 sq m/8,500sq ft of beautifully designed, managed and fully fitted space, with tech enhanced through the Symbiosy platform.

03 Key Projects

Basement fitness studio, Bloom Clerkenwell

Worship Square

London, United Kingdom

Redefining the workplace, Worship Square is located in the heart of London's bustling tech district, where creative minds want to work and where growing companies want to be.

From design through to construction and day-to-day operation, Worship Square will set a new benchmark for truly sustainable workspaces, proactively supporting businesses and employees in meeting environmental goals.

Location: Shoreditch, London
Status: Under construction
Expected Delivery: 2024
Estimated GLA: 12,832 sq m/138,122 sq ft
Estimated GDV: €307m/£258m
Architects: MAKE
Expected Certifications: WELL Platinum, BREEAM Outstanding, NABERS 5*, WiredScore Platinum, SmartScore Platinum

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation. Figures are based on external expert valuations and internal management reports.

Worship Square is a true net zero carbon building in both construction and operation, designed to achieve a 5* NABERS rating and is targeting BREEAM Outstanding.

Net Zero Carbon in construction and operation

It is designed to reduce embodied carbon by more than 50% compared to current industry benchmarks - the equivalent of the average yearly carbon emissions for 3,000 homes and 18% better than the GLA 2030[1] target for commercial buildings. The building will also be net zero carbon in operation and free of single-use plastic, in addition to being fully electric. Operational energy use will be reduced through air source heat pumps, which will create efficient heating and cooling, smart modelling and photovoltaic cells on the roof to provide on-site renewable energy.

Targeting WELL Platinum, the highest certification for wellbeing, it will include a multifunctional fitness studio with classes tailored to employees, high-end changing facilities, 326 cycle spaces to support active commuters and free bookable Brompton bikes and e-scooters to facilitate active lifestyles. Enabling a positive daily experience, everyone working within the building will have access to HB Reavis' More app, which will provide access to a personalised concierge service, environmental insights and a range of other services. The ground floor lobby will feature a café, a destination restaurant and breakout spaces, with an openable façade facing a new square that will host a programme of regular events, creating an engaging public space.

Over 3,200 plants from over 49 different species.

With over 3,200 plants from over 49 different species, Worship Square's biophilic design begins on arrival with a 'green heart' living lobby and provides purer air whilst blurring the lines between outdoors and the inside space. The nature-led expansive terraces mean that working from the office doesn't always have to be indoors. As well as increasing biodiversity and attracting pollinators, the large rooftop communal terrace will include urban allotments where employees can take gardening lessons to learn how to grow their own produce and a wormery to transform employees' organic waste into compost for the terraces.

Smart tech forms the backbone of Worship Square, which has already received WiredScore Platinum and is one of only three schemes globally to achieve Smartscore Platinum. As well as the More app, businesses are able to monitor and report live energy use and water consumption data, helping to continually improve and be as energy efficient as possible. Diverse routes of power and Wi-Fi covering all the common areas, including the terraces and public square, ensure connectivity resilience to allow people to work anywhere, uninterrupted.

Through Symbiosy, businesses will benefit from workspace analytics, such as the monitoring of indoor air quality, temperature and room capacity with the ability to adjust settings as needed, allowing for full transparency of how the building is being used.

The building will provide around 12,800 sq m/138,000 sq ft of workspace and over 840 sq m/9,000 sq ft of terraces, designed to allow businesses to grow organically within the building. This includes a range of collaborative and flexible on-demand spaces from desks, studios and offices to meeting rooms, event spaces and an auditorium. Ready to Work will feature on the first floor for businesses looking for a fully fitted, managed and tech-enhanced working environment.

Due to be completed in early 2024 and with the construction programme already underway, Worship Square's eye-catching looks and stunning blue façade designed by MAKE Architects will create a recognisable local landmark and give the building a distinct identity.

[1] - Whole Life-Cycle Carbon Assessments guidance – Mayor of London (https://www.london.gov.uk/sites/default/files/wlc_guidance_april_2020.pdf)

DSTRCT. Berlin

Berlin, Germany

Location: Landsberger Allee 104, Berlin
Status: Under construction
Expected Delivery: 2022
Estimated GLA: 48,828 sq m/525,578 sq ft
Estimated GDV: €472m/£397m
Architects: Gewers & Pudewill
Expected Certifications:
WELL Core & Shell Gold, DGNB Gold,
WiredScore Platinum

Note: The estimated GLA/GDV and delivery of the project, specifically Halls B-D, are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation.

There's a new address tailor-made for Berlin's creative and tech-led communities. Multipurpose DSTRCT.Berlin is nestled between vibrant Friedrichshain and Prenzlauer Berg. 20 million people annually travel through a major public transport hub yards away. It's also only a few minutes from Alexanderplatz and downtown Berlin.

The new building's modern curves complement the charm of the adjacent four historic halls. Their careful reconstruction will add a classical element to a multifaceted destination with a new approach to business.

Berlin is a city that supports active lifestyles and environmentally friendly commuting to work. This inspired us to include a cycle garage for over 800 bikes. And there are a number of other wellbeing features, including spaces with extensive greenery and healthy food options, which combine with the new offices to create a buzzing, cohesive district.

WiredScore Platinum certification reflects DSTRCT.Berlin's superior tech capabilities, and WELL GOLD Precertification proves DSTRCT.Berlin's sustainability credentials too. Both of these are in addition to the DGNB Gold precertification we received in the summer of 2021.

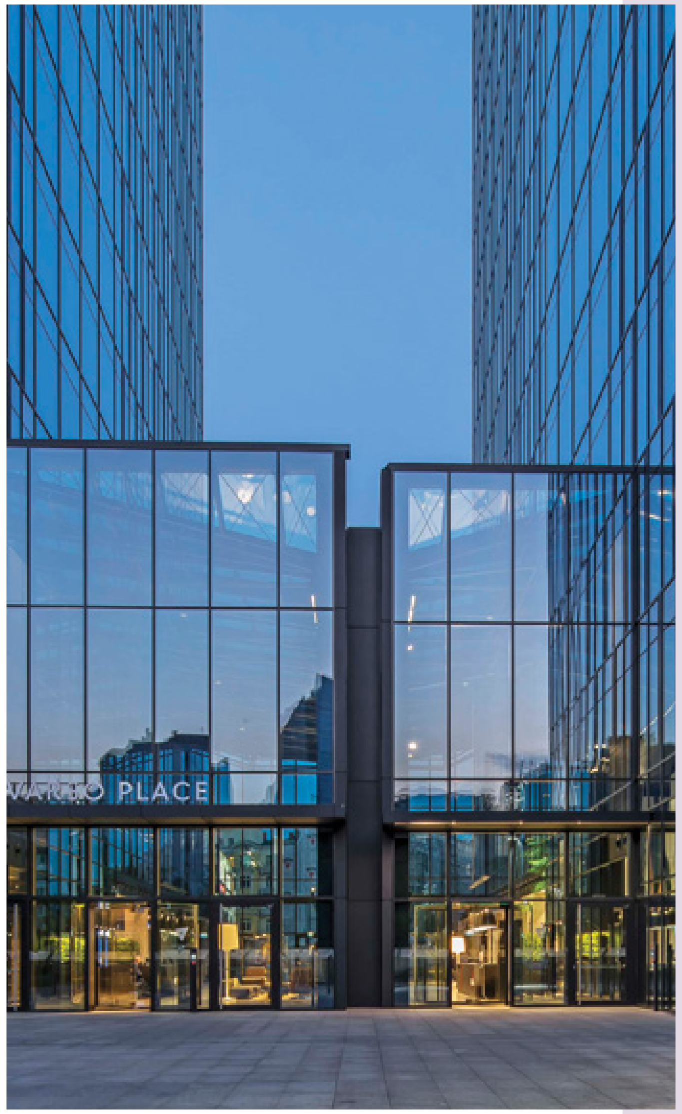
While construction was still in full swing during 2021, we managed to lease around 82% of the new building. Tenants include a mix of key players in the e-commerce and tech industries, as well as renowned engineering practices and health sector brands.

We're welcoming new tenants with pleasure and looking forward to the full opening of DSTRCT.Berlin.

We're welcoming new tenants

Varso Place

Warsaw, Poland



Varso Place is a mixed-use development consisting of offices, a hotel, an innovation hub and retail space – all in the heart of Warsaw.

Designed by the Warsaw-based studio HRA Architekci, the two lower Varso Place buildings have been completed and were fully leased in 2020. Varso 1 (30,000 sq m/320,000 sq ft) is home to Poland's first four-star NYX hotel, which offers a total of 331 rooms as well as a two-storey fitness club and a medical centre.

Varso 1

Location: Chmielna Street,
Central Business District, Warsaw
Status: Delivered
Delivery: 2020
GLA: 29,736 sq m/320,076 sq ft
Estimated GDV: €158m/£133m
Architects: HRA Architekci,
Benoy (lobby interior)
Expected Certifications:
BREEAM New Construction Outstanding,
WELL Gold, WELL Health & Safety Rating,
Obiekt bez barier

Note: Figures are based on external expert valuations and internal management reports.

Varso 2

Location: Chmielna Street,
Central Business District, Warsaw
Status: Delivered
Delivery: 2020
GLA: 44,187 sq m/475,625 sq ft
Estimated GDV: €289m/£243m
Architects: HRA Architekci,
Benoy (lobby interior)
Expected Certifications:
BREEAM New Construction Outstanding,
WELL Gold, WELL Health & Safety Rating,
Obiekt bez barier

Note: Figures are based on external expert valuations and internal management reports.

Varso 2 (44,000 sq m/476,000 sq ft) has attracted numerous Polish and international companies, including Bank Gospodarstwa Krajowego, Cambridge Innovation Center, Ørsted, Nvidia, Workday, the BSWW law firm, Ipsen and global payments tech company. Several retail tenants also provide occupiers with food and beverage and other convenient offers on the ground floor.

Varso Tower

Warsaw, Poland

Location: Chmielna Street,
Central Business District, Warsaw
Status: Under construction
Expected Delivery: 2022
Estimated GLA: 69,843 sq m/751,786 sq ft
Estimated GDV: €499m/£420m
Architects: Foster + Partners
Expected Certifications:
BREEAM New Construction Outstanding,
WELL Core & Shell Gold, WELL Health
& Safety, Obiekt bez barier

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation. Figures are based on external expert valuations and internal management reports.

Designed by Foster + Partners, Varso Tower (70,000 sq m/752,000 sq ft) combines sustainable design with energy efficiency and is the final showpiece of Varso Place. It scored highly across all safety, energy and comfort metrics, which led to the tower earning the highest level of BREEAM and WELL certifications.

The skyscraper topped out at 230 metres and became the tallest building in Poland. With the assembly of its spire, Varso Tower also became the tallest building in the EU, with an architectural height of 310 metres.

The building is fully clad in 4-metre tall glass curtain walls, providing interiors with an abundance of natural light. Once completed, its tree-filled internal courtyard will encourage passersby to go inside and enjoy the lobby's 10-metre high walls that will soon be covered with a handmade ceramic mosaic.

Panoramic lifts travelling at 8 m/s will then lead up to two public rooftop terraces with spectacular views of the city. Among the highest in Europe, they will look down on the Warsaw skyline from 205 metres and 230 metres – twice as high as the viewing gallery in the nearby Palace of Culture and Science.

Works continue at the top of the building and in the interiors. Half of the building's office space has already been leased prior to completion, which is planned for the summer 2022. Varso Tower will be home to international law firms CMS and Greenberg Traurig, as well as cloud company Box.

Panoramic lifts travelling at

8 m/s

Forest

Warsaw, Poland

Forest Campus

Location: Burakowska Street,
Wola district, Warsaw
Status: Delivered
Delivery: 2021
GLA: 23,594 sq m/253,964 sq ft
Estimated GDV: €95m/£80m
Architects: HRA Architekci
Expected Certifications:
WELL Core & Shell Gold, BREEAM New Construction Excellent, BREEAM Communities Very Good, WELL Core & Shell Gold, WELL Health & Safety, Obiekt bez barier

Note: Figures are based on external expert valuations and internal management reports.

Forest is one of Warsaw's greenest developments, with sustainability and respect for nature written in its DNA.

Apart from a campus-style building, Forest includes an adjacent 120-metre tall tower (56,000 sq m/600,000 sq ft) that's currently under construction. Designed according to the highest environmental standards and equipped with the latest smart tech, Forest's commitment to sustainability has been rewarded by the Polish Green Building Council.

The campus building provides 23,600 sq m/254,000 sq ft of workspace, ground floor retail and restaurant opportunities. With the roofs featuring a community farm, relaxation zones and views of the lush plantings, it's tailored for health and productivity. It also features two hundred trees and as many shrubs within its public courtyard and on the rooftop terraces.

Forest overview

Forest offers one of CEE's largest floor plates (8,000 sq m/86,000 sq ft) and has attracted many climate-focused clients. Current tenants include the DIY retailer Leroy Merlin, Infor, PUMA, AmeriGas, Vorwerk, Sweco, Husqvarna, healthcare operator Enel-med, Ala ma kota kindergarten, Goraco Polecam bakery and HQ Bank Pekao, just to name a few.

Occupiers working in Forest also enjoy easy access to nearby tram and bus stops and the Warszawa Powązki commuter rail. Dworzec Gdański metro station is within a 10-minute walk too.

The BREEAM- and WELL-certified design by HRA Architekci employs environmentally friendly solutions to reduce its carbon footprint and maximise resources, including an energy-efficient facade and the re-use of rainwater. It's also focused on boosting wellbeing through above-standard air quality, and energy-efficient windows deliver plenty of daylight and comfort. The Forest Tower and the development's surrounding streetscape regeneration is to be completed in 2022.

Forest Tower

Location: Burakowska Street,
Wola district, Warsaw
Status: Under construction
Expected Delivery: 2022
Estimated GLA: 55,755 sq m/600,138 sq ft
Estimated GDV: €211m/£177m
Architects: HRA Architekci
Expected Certifications: WELL Core & Shell Gold, BREEAM New Construction Excellent, BREEAM Communities Very Good, WELL Core & Shell Gold, WELL Health & Safety, Obiekt bez barier

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation. Figures are based on external expert valuations and internal management reports.

New Apollo

Bratislava, Slovakia

Currently under construction, New Apollo is a nest for wellbeing and effectiveness. We are proud to promote its anchor tenant, tech giant IBM, which is taking almost 31,000 sq m/337,000 sq ft of the building's 56,000 sq m/603,000 sq ft. With almost each floor offering an average 7,000 sq m/75,000 sq ft floorplate, it's the city's largest available floorplate.

Location: Prievozska, Bratislava
Status: Under construction
Expected Delivery: 2023
Estimated GLA: 55,996 sq m/602,736 sq ft
Estimated GDV: €214m/£180m
Architects: Make Architects, Siebert+Talas
Certifications:
BREEAM Communities 'Excellent'
Expected Certifications:
BREEAM Outstanding, WELL Platinum, WELL Health & Safety Rating

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation. Figures are based on external expert valuations and internal management reports.

A spacious lobby will be packed with landscaped plantings tailor-made to invigorate workers and visitors and improve wellbeing, and sustainability and ecology have been considered at every point of the build and the ongoing operational design.

The project will showcase a wide range of retail and services, including cycling facilities and a café at the Bikehub – part of New Apollo's aim to support alternative commuting. New Apollo is scheduled to be completed in 2023.

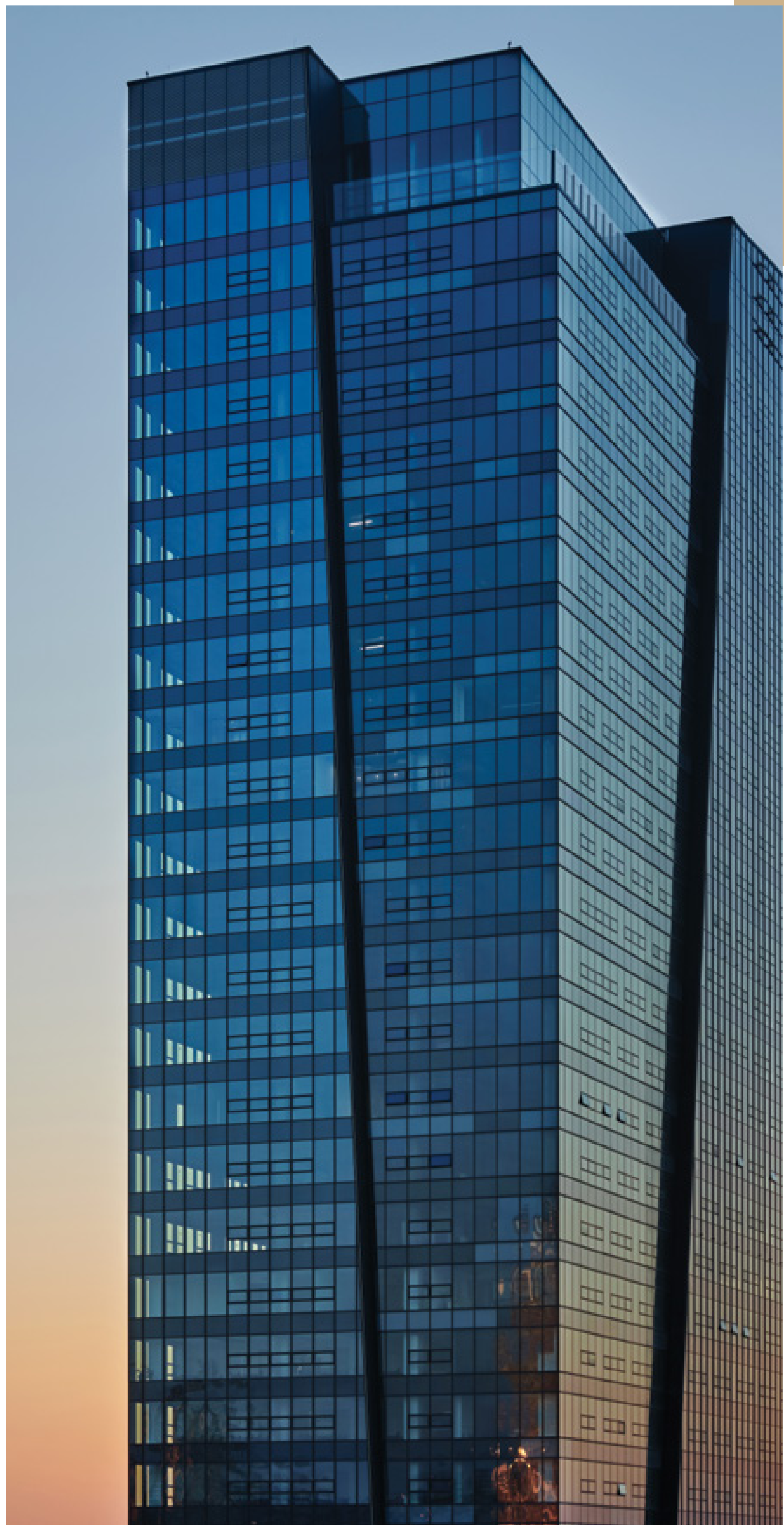
In Q1 of 2022, New Apollo reached an important milestone – the completion of the structural works. The anchor tenant and all our contractors joined us as we placed our own version of a 'glajcha' on top of the building, a nod to the Slovak tradition of placing a green twig on top of a building when its rough construction is complete.

Nivy Tower

Bratislava, Slovakia

Location: Mlynske nivy, Bratislava
Status: Delivered
Delivery: 2020
GLA: 31,682 sq m/341,022 sq ft
Estimated GDV: €122m/£102m
Architects: Benoy, Siebert+Talas
Certifications:
BREEAM Communities 'Excellent'
Expected Certifications: BREEAM New Construction 'Outstanding', WELL Core Platinum, WELL Health & Safety Rating, Smart Building Certification

Note: Figures are based on external expert valuations and internal management reports.



The tallest building in Slovakia, it's now home to the likes of Krone, Danone and Thermo Fischer Scientific from the health sector, as well as tech leaders Rainside and Kempelen's Institute of Intelligent Technology.

Bratislava's 125 m architectural landmark offers innovation, breath-taking views and exceptional flexibility.

All the new tenants enjoy a direct link to the multifunctional Nivy Mall and bus station, which serves as a key travel hub. Smart technologies complement signature services such as workspace counselling, asset management and flexible leasing to make everyday life simpler for tenants and their people.

At the end of 2021, Nivy Tower was awarded the WELL Health & Safety Rating – proving its ability to reduce the risk of COVID and bolstering our own reputation for developing wellbeing-centric workspaces.

Nivy Mall & Bus Station

Green Roof, Nivy Mall

Food Market, Nivy Mall

Nivy Mall & Bus Station

Bratislava, Slovakia

Location: Mlynske nivy, Bratislava
Status: Delivered
Delivery: 2021
GLA: 104,586 sq m/1,099,641 sq ft
Estimated GDV: €375m/£315m
Architects: Benoy, Siebert+Talas
Certifications:
BREEAM Communities 'Excellent'
Expected Certifications:
BREEAM New Construction 'Very Good'

Note: Figures are based on external expert valuations and internal management reports.

The mall's design draws inspiration from our years of experience, feedback from clients and the latest retail trends. Bratislavians now have a new airport-style bus terminal, a breathtaking mix of lifestyle activities, over 250 retail outlets, a fully-fledged gastronomic zone with a fresh produce market, and a green roof for exercise and relaxation.

In total, it offers 70,000 sq m GLA of retail space with under contract leasing agreements already approaching 90% of the commercial area.

After opening in September and welcoming its millionth visitor in just a few weeks, Nivy Mall has helped the New Nivy district quickly become a Bratislava hotspot.

The multinational clothing company, Inditex, has taken 10% of the retail area alone, opening stores for all of the brands in its portfolio. These include two newcomers to Slovakia, Oysho and Zara Home. The Polish fashion group LPP also brought all its concepts and has created a two-storey concept store for its flagship brand, Reserved.

New Nivy

Bratislava, Slovakia

A former brownfield area, New Nivy encompasses a number of separate developments. At its heart lies Nivy Mall, an inspirational new international bus terminal and shopping centre with a large public green roof – its opening was a true milestone for the whole region.

BREEAM Communities certification

Nivy Mall is a unique multifunctional concept that's brought new possibilities to the area. It's a place where families come to spend their free time and where friends and business partners meet.

A place where you can take care of all kinds of tasks thanks to the rich mix of shopping and services. And last but not least, the modern new bus terminal is a much-needed facility for the capital city.

As part of the wider New Nivy district, the mall is helping to create a new spirit and energy in the heart of Bratislava. Twin City is centred on its WELL Certified Twin City Tower, New Apollo is currently under construction and we also have residential projects in the design phase.

BREEAM Communities certification at the 'Excellent' level is a reflection of our focus on the environment. There's an emphasis on social responsibility too, as the certification recognises our ability to create people-centric districts and workspaces that enhance multiple communities.

Agora Budapest

Budapest, Hungary

Location: Vaci Office Corridor, Budapest
Status: Tower & Hub Delivered,
Agora C in preparation
Delivery: Tower & Hub 2020, Agora C in 2025
GLA: 138,851 sq m/1,494,582 sq ft
Estimated GDV: €615m/£517m
Architects: Make Architects, Finta Studio
Certifications: BREEAM 2016 New
Construction 'Excellent' and 'Outstanding',
BREEAM Communities 'Very Good'
Expected Certifications:
WELL Core and Shell Gold

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation. Figures are based on external expert valuations and internal management reports.

We worked with world-class architects from London and Budapest to create this new business and lifestyle hub at one of Budapest's busiest transportation interchanges.

Since its opening, Agora Budapest has offered a diverse variety of community-focused facilities that are designed to improve both the productivity and health of everyone in and around the buildings, all in addition to making everyday life easier.

2021 saw many new tenants moving into the building, including the state-owned digital development company DFK and the telecommunication giant Huawei, who joined the likes of prestigious office anchors like Raiffeisen Bank and bp. Prominent retailers such as Vergano Café, AppInGym, My Hair salon and 'Take it Easy' automated bistro also opened stores there. Recently, we opened Qubes and HubHub locations, which are already providing unparalleled flexibility for smaller companies, and Symbiosy is playing a vital supporting role in optimising the working environment.

Agora complex received BREEAM Communities recognition

Last year also brought other successes: Agora Budapest was shortlisted by a professional jury of BREEAM experts as one of the best 15 sustainable projects worldwide.

Agora Hub is now also Hungary's first and only building with 'Outstanding' BREEAM certification, the highest possible level that can be reached. The wider Agora complex is the first local project to have received BREEAM Communities recognition. It's also been awarded Well Gold Precertification.

04 Group Overview

€3,650.9m
in investment property

1,467,496 sq m
developed

1,055,589 sq m
under preparation

698
professionals

Note: Figures are based on external expert valuations and internal management reports.

United Kingdom

€191.9m	operating profit
€917.1m	in investment property
49,343 sq m GLA	developed
135,342 sq m GLA	under preparation
68	professionals

Germany

€126.8m	operating profit
€521.5m	in investment property
39,875 sq m GLA	developed
84,972 sq m GLA	under preparation
40	professionals

Poland

€56.7m	operating profit
€964.8m	in investment property
350,667 sq m GLA	developed
165,974 sq m GLA	under preparation
145	professionals

Czechia

- €1.6m	operating profit
€36.3m	in investment property
160,062 sq m GLA	developed
100,547 sq m GLA	under preparation
23	professionals

Slovakia

€76.4m	operating profit
€881.5m	in investment property
774,092 sq m GLA	developed
525,332 sq m GLA	under preparation
371	professionals incl. HQ based

Luxembourg

7 professionals

Hungary

€9.5m	operating profit
€329.7m	in investment property
93,456 sq m GLA	developed
66,998 sq m GLA	under preparation
39	professionals

Cyprus

3 professionals

Netherlands

2 professionals

Note: Figures are based on external expert valuations and internal management reports. In the annual report, the "Lodz" and "Alfa Park" projects are categorised as part of the Development properties, however, in the consolidated financial statements they are presented as Assets held for sale.

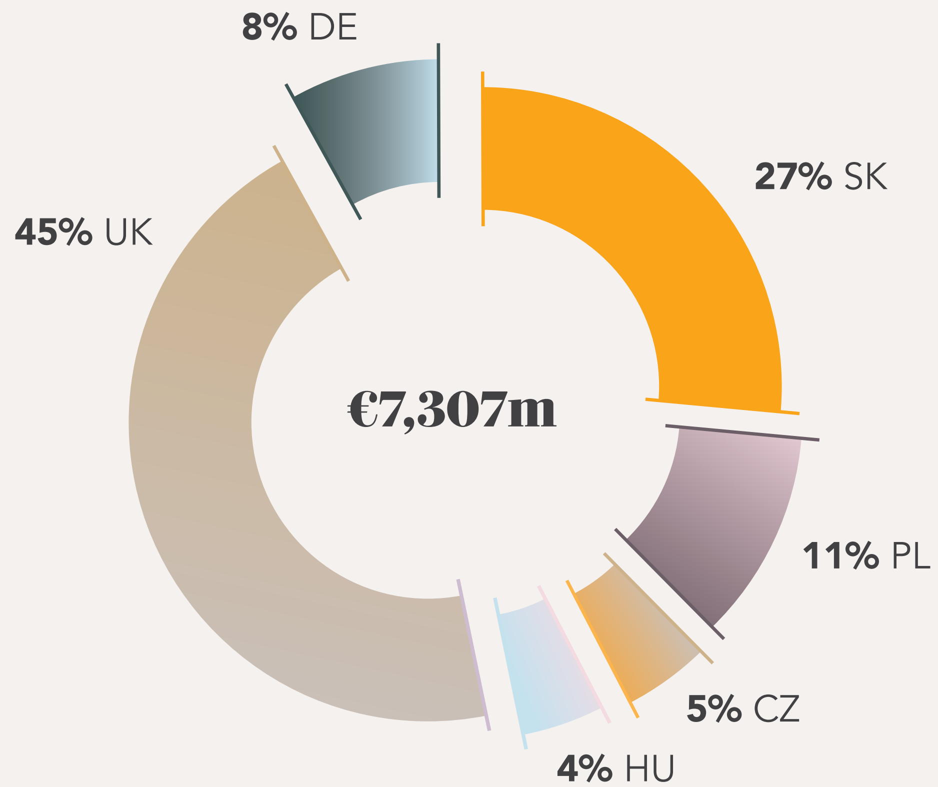
2021

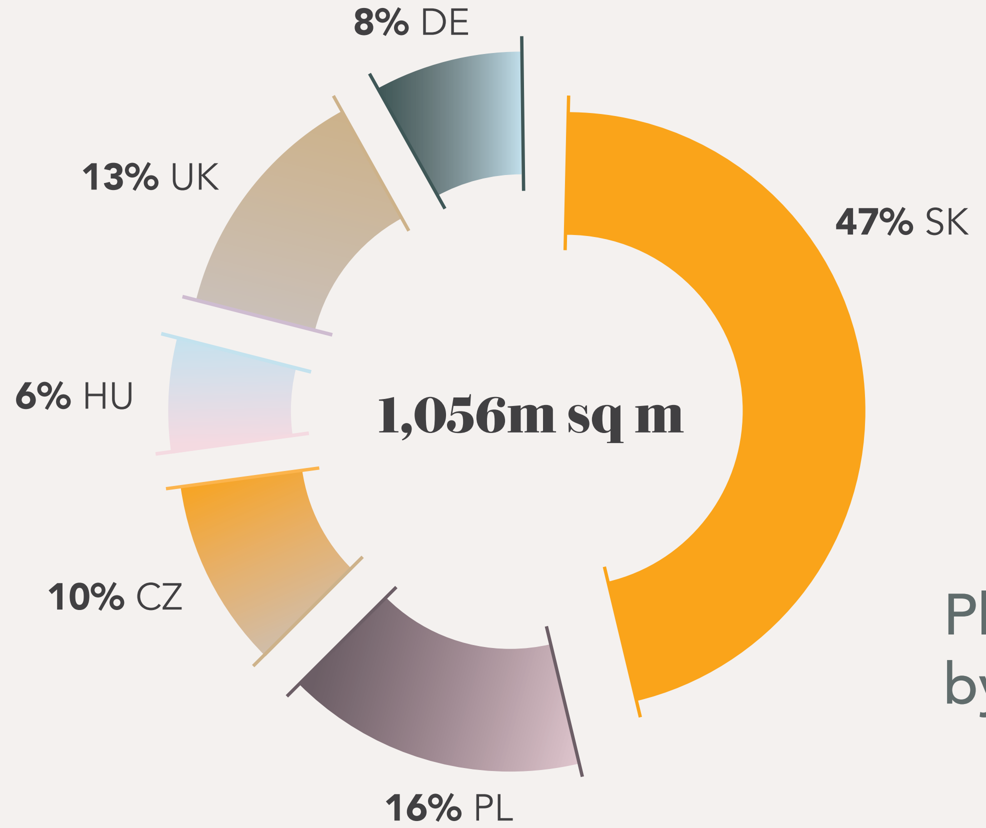
Property under development

Country	No. of projects	Planned GLA sq m	Market value upon completion €m
Czech Republic	**2**	**100,547**	**349.2**
Office	2	100,547	349.2
Hungary	**3**	**66,998**	**320.8**
Office	3	66,998	320.8
Poland	**4**	**165,974**	**817.6**
Office	4	165,974	817.6
Slovakia	**16**	**496,836**	**1,933.0**
Residential	6	82,302	392.0
Office	10	414,534	1,541.0
Germany	**3**	**84,972**	**596.4**
Office	3	84,972	596.4
UK	**4**	**140,262**	**3,290.1**
Office	4	140,262	3,290.1
Total	**32**	**1,055,589**	**7,307.1**

Note: Figures are based on external expert valuations and internal management reports.

Market value upon completion by country



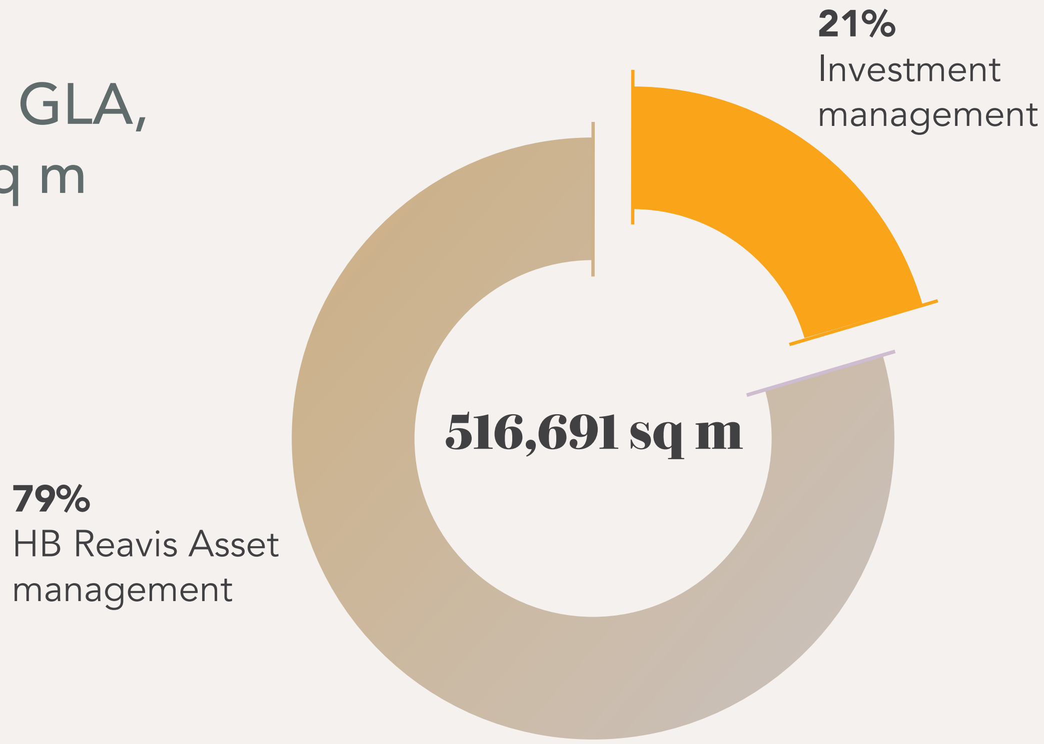


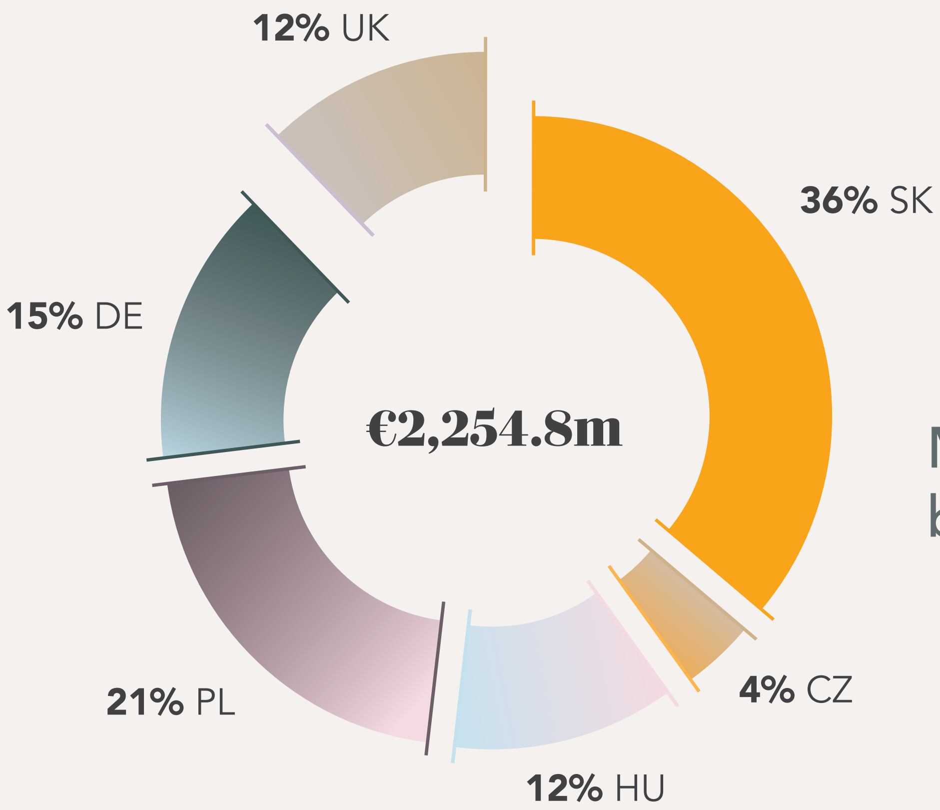
Planned GLA by country

Note: Data based on external expert valuations and internal management reports.

Asset management

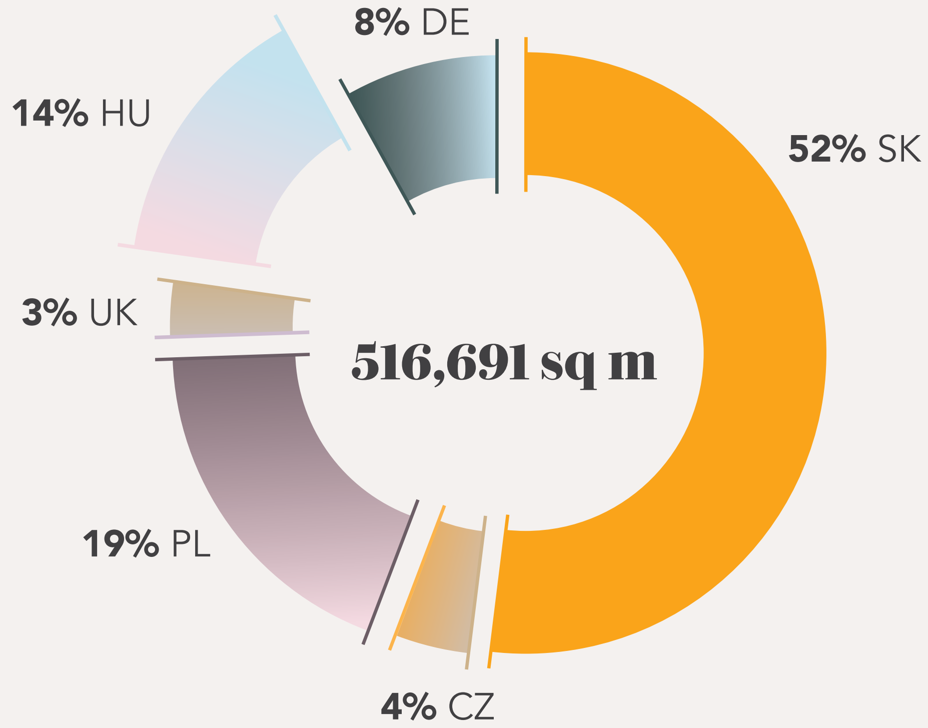
Managed GLA, of total sq m





Market value by country

Managed GLA by country



Asset management portfolio

Country	No. of projects	Planned GLA sq m	Market value upon completion €m
Slovakia	**6**	**271,282**	**810.6**
Office	2	80,591	216.5
Office (HBR IM)	3	86,206	263.4
Retail	1	104,586	330.7
Czech Republic	**1**	**22,741**	**82.2**
Retail (HBR IM)	1	22,741	82.2
Poland	**3**	**97,517**	**481.3**
Office	3	97,517	481.3
UK	**1**	**13,322**	**278.0**
Office	1	13,322	278.0
Hungary	**2**	**71,853**	**277.8**
Office	2	71,853	277.8
Germany	**1**	**39,875**	**324.9**
Office	1	39,875	324.9
Total	**14**	**516,691**	**2,254.8**

Note: Figures are based on external expert valuations and internal management reports.

05 Countries Overview

United Kingdom

From the Country CEO
2021 began during the third UK national lockdown, a disheartening start after a difficult 2020, both professionally and personally. Restrictions in one way or another remained in place through the year until Q3 when life started to return to something that resembled 'normal'.

It's fair to say that the impact of COVID since 2020 has been overwhelmingly negative for the commercial property sector. On the customer side, we saw office utilisation rates plummet to almost zero as "Work From Home" remained the default choice for many occupiers. The long-debated fundamental question of "why does anyone even need an office?" was constant. As a result, new leasing transactions dropped to the lowest level ever recorded, as many large companies put requirements on hold and smaller companies pulled out of office space altogether.

At the same time as diminishing demand for offices, we were faced with another crisis: a labour shortage and cost increases.

During the lockdowns, over a million workers left the UK. In addition, delivery teams were impacted by social distancing, and teams were hit by COVID cases. We experienced first-hand the challenge of getting regular and reliable labour to site, as suppliers simply did not have the available workforce to complete their jobs on time, affecting many delivery programmes.

The press was reporting shortages of materials and the resulting inflation numbers, such as the price of steel going up by 75% due to high demand and rising energy costs. This made it impossible to accurately predict the price of production. The Department for Business, Energy and Industrial Strategy reported an overall average price rise of 24% for construction materials.

Yet despite all these challenges we faced, we achieved great success across all areas of our business.

Bloom Clerkenwell reached the important delivery milestone of base build practical completion in July and finalised the final CAT A practical completion in the first week of January. Over 10,700 sq m/115,000 sq ft were pre-leased at a significant premium to valuation to a globally listed company that prioritises employee wellbeing, sustainability and digital connectivity for its workspace. We implemented our new flexible workspace "Ready to Work" offer on the first floor with the majority of the space under offer by December, underlining our understanding of and response to the changing needs of our customers. The building is on track to be the first in the country to achieve BREEAM Outstanding, WELL Platinum, EPC A, WiredScore Platinum and to be net zero carbon in operation.


Bloom Clerkenwell

The successful leasing of Bloom demonstrates that there is a strong future for offices - and specifically for the type of offices we create, those that focus on the people that use them and their impact on the environment. There is currently a lack of supply of such offices to meet the rising demand.

At Worship Square we finalised our design changes, which crystalised significant value uplifts.

Demonstrating the value of our internal knowledge and enquiring mindset, we managed to optimise the scheme to secure additional net internal area, including a new 8th office floor, a communal terrace and enhanced end-of-trip amenities. The launch to the market at the end of the year pushed the benchmark for being a consumer-focused developer even further. We have designed what is already being referred to as a true building of the future and a pioneer in the London office market. As our company's first net zero building in both construction and operation, it is targeting significantly better environmental standards than the 2030 targets, making Worship Square a true market leader. We made strong progress in securing the required permits to start on-site, and there has been excellent progress with the initial demolition and the procurement of many of the early key packages.

At One Waterloo we achieved one of our most significant milestones yet by securing full planning consent in April when we signed our section 106 agreement.

We now have a scheme that's fully implementable and no longer subject to challenge or risk. We re-established an open retail parade in Elizabeth House to support a variety of social and charitable causes and have a positive impact on the area while the existing building still stands. Finally, by the end of the year, the S106 early enabling works that included the removal of a footbridge connecting York Road to Waterloo station were completed, as they were mandatory steps before demolition could commence. We are currently working through the required third-party agreements and approvals to be in a position to commence the major works during the next 12 months.

Market Review

2021 started with the third national lockdown as a result of the COVID-19 pandemic, and for the majority of the year, restrictions in one form or another were in place, including a work-from-home directive. By the end of the year, we were facing the onset of the new Omicron COVID variant.

Despite all of this, 2021 proved to be a remarkably resilient year for Central London office demand. Many of the businesses that had adopted a "wait and see" approach to their real estate needs during 2020 moved swiftly to secure the high-quality, flexible, healthy and sustainable office developments their staff were demanding as they returned to the workplace. As a result, take-up was 800,000 sq m/8.6 million sq ft, which was 93% higher than the levels seen in 2020 and only 12% below the five-year average of 908,000 sq m/9.77 million sq ft. The number of transactions also increased by 62% to 431.

Transaction sizes also recovered strongly. In 2020 there were only 10 leases signed above 4,600 sq m/50,000 sq ft, a majority of which were agreed upon before the COVID pandemic took hold in Q2. In contrast, 2021 saw 36 transactions over 4,600 sq m/50,000 sq ft (higher than the 5-year average) and 16 transactions over 9,000 sq m/100,000 sq ft.

Pre-leasing accounted for 31% of all the leasing activity in 2021 and totalled 214,000 sq m/2.3 million sq ft, a significant increase from the 102,000 sq m/1.1 million sq ft seen in 2020, but still about 30% below the long-term average. We expect that the trend will continue for occupiers to pre-lease space in order to secure the very best workspace that's reflective of their companies' environmental, people-focused and flexible aspirations.

One Waterloo

Further signs of momentum in the leasing market were seen with 277,000 sq m/ 2.98 million sq ft under offer at the end of the year, which was 25% ahead of the same point in 2020 and 1% ahead of the 5-year average.

The availability of space stabilised during 2021 with around 2,230,000 sq m/24 million sq ft available, reflecting a vacancy rate of 8.27%, the highest level of vacancy since 2004. This was up slightly from the vacancy rate of 8.1% at the end of 2020. The high levels of vacancy were driven by a significant increase in tenant-controlled space coming to the market, with the vast majority of this space being in the sub- 900 sq m/10,000 sq ft bracket and of second-hand quality. This space peaked at the end of 2020 and has decreased by 22% to 604,000 sq m/6.5 million sq ft, reflecting 23% of all the available space.

The availability of new space has increased to 632,000 sq m/6.8 million sq ft compared to 511,000 sq m/5.5 million sq ft at the end of 2020. This represents a healthy 49% of all space under construction already having secured tenants. The vast majority of this space will be completed in 2022 (279,000 sq m/3 million sq ft) and 2023 (288,000 sq m/3.1 million sq ft), as there are a group of developments that missed out on early pre-leasing during the 2020/2021 lockdowns that will now likely see leasing activity closer to completion. However, there are a few schemes still under construction that are planned for delivery in 2024 onwards with just 23,000 sq m/250,000 sq ft available. When analysing all the developments that could be delivered in 2024, this would still be below the long-term average of new building supply of 540,000 sq m/5.8 million sq ft.

Despite this backdrop of increasing supply, we witnessed prime rental growth during the course of 2021, showing a sharp rebound from the declines seen during 2020. Prime Central London rental values increased by 7.4% compared to a decline of 7.1% in 2020. We anticipate growth being strong during 2022 at close to 5% before reverting back to trend levels of around 2.5% thereafter.

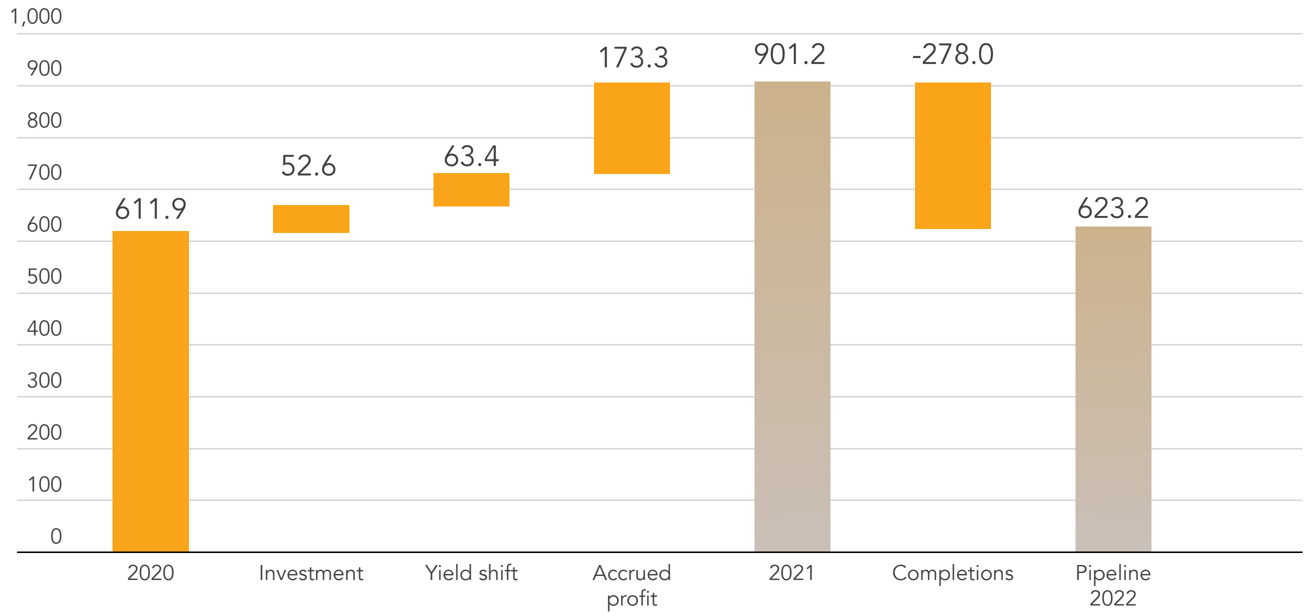
In investment markets we have seen volumes recover back to the 2019 levels of £12.5 billion (€14.8 billion) compared to £7.5 billion (€8.9 billion) in 2020. At £12.5 billion (14.8 billion), this is 15% below the 5-year average.

Yields remained stable during 2020 despite the uncertainty in leasing markets; in 2021 we witnessed yield compression across the London submarkets of around 25 bps. This was driven by a lack of prime investment property for purchase and the narrowing of investors' requirements, as they are targeting only the highest quality of sustainable buildings.

HB Reavis Development UK	GLA sq m	Valuation 2020	Valuation 2021	ERV	GDV	Value Change	Invest-ment 2021
Projects completed	13,322	164.3	278.0	14.4	360.5	113.6	27.2
Projects under construction	12,832	66.1	88.2	12.3	306.8	22.2	9.6
Projects in preparation	127,430	381.5	534.9	119.8	2,983.3	153.4	15.8
Total 2021	**153,584**	**611.9**	**901.2**	**146.5**	**3,650.6**	**289.2**	**52.6**
Total Pipeline for 2022	**140,262**	**447.6**	**623.2**	**132.0**	**3,290.1**	**175.6**	**25.4**

Note: All figures in €m, except GLA.

Changes in UK Development Property Value (€m)



Note: Figures are based on external expert valuations and internal management reports.

From our CEO
2021 – What a year it's been!

Looking back at what the team's achieved in Berlin in 2021, I see great progress despite quite an unpredictable environment.

Germany

At the beginning of the pandemic, there were various discussions and questions about the future purpose of office space. However, as the months went by, the performance of the Berlin office market – and the lease-up of DSTRCT.Berlin – showed the physical office continues to be an important part of our clients' corporate identity.

I'm thankful for and proud of our Berlin team. They've been outstanding on many fronts, not least taking us towards the final completion of our first German project. Our DSTRCT.Berlin campus comprises around 40,000 sq m GLA in a modern office building and about 9,000 sq m GLA of historical halls. Both have excelled. The new office building was 90% leased by the end of last year, with home24, WOW Tech and STRATO, among others, all set to move into their new spaces in 2022.

As a comparatively new team, it's been strategically important to grow our development pipeline here – and we succeeded.

In 2021, we closed a new land plot acquisition in central Berlin East. The construction of around 27,000 sq m GLA of modern workspace should start in the second half of 2022, and we intend to acquire one or two more well-located office properties later this year.

Looking ahead at both the office market and our own business, we are optimistic. To attract and retain their people, clients continue to increase their focus on an area we specialise in: healthy workspace solutions. We aim to strengthen relationships with our business partners and local communities across all areas and project phases.

The Real Estate Market 2021

The German real estate investment market reported a strong recovery in 2021 – investment transaction volumes rose by more than 7% to €64 billion in 2021. Office properties accounted for the second-largest share at €30.5 billion (up 11% year-on-year), 64% of which took place in the top seven cities. Office take-up also rose by a robust 23% to stand at 3.29 million sq m.

Investors primarily looked for core and core plus investments in prime locations. Top rents for office space rose accordingly – three of the top five cities reported an increase. Berlin saw the highest rise, with prime rents up by 6% to €41 sq m/month. Munich rose 5% (€41.50) and Frankfurt am Main 3% (€45.50). In Hamburg and Düsseldorf, prime rents remained stable year-on-year at €32.50 and €28.50, respectively.

In 2021, the office market was dominated by leases from the public and TMT sectors (13% each). The financial sector accounted for 12% and manufacturing 10%.

Berlin was the most active office market, accounting for 817,000 sq m, a year-on-year increase of 17.5%. Munich followed with 643,900 sq m (+15%). Frankfurt recorded an increase of 32% to 436,800 sq m, and Düsseldorf rose 3% to 301,500 sq m. Although Hamburg only recorded the third largest take-up with 430,300 sq m, it dominated growth rates at 35%.

We expect the German market to continue its recovery throughout 2022. There are strong positive sentiments on the investor side, and the occupational market is estimated to perform strongly in tandem with the German economy. We agree with market analysts in assuming that inflation will have only a marginal or even no influence on real estate pricing. However, there may be an impact on construction costs and rental levels.

Sources:
Pressemitteilung CBRE Immobilieninvestmentmarkt 2021
Pressemitteilung: JLL Bürovermietungsmarkt 2021
Pressemitteilung: CBRE Top-5-Bürovermietungsmärkte Q4 2021
Pressemitteilung: CBRE Büromarkt Berlin Q4 2021
BNP Paribas Germany Q4 investment market report

Economy

On one hand, the German economy in 2021 was impacted by restrictions, make-up effects and supply shortages. On the other, it benefited from increases in consumer spending, economic output and wage levels.

Alongside this was an increase in the risk of inflation thanks to factors including a VAT increase, a CO2 tax and energy prices. By the end of the year, inflation stood at around 5.3%, its highest level for almost 30 years.

GDP rose by 2.7%, below the forecast of 4% and 3.5%. This was in part due to a sharp fall of between 0.5% and 1% in Q4, mainly due to restrictions caused by COVID.

DSTRCT.Berlin

In the first half of the year, various lockdowns, restrictions, low customer frequencies and moves to online retailers affected the brick-and-mortar retail industry.

A modest recovery occurred in Q3 and Q4 (about 2.7%); however, retailers had to contend with ongoing pressure on earnings. As an example, increased expenses for security and a shortage of goods and supplies made procurement more difficult. The German automotive, electrical and mechanical engineering industries also suffered from shortages, particularly of microchips, components and raw materials.

These challenges were increasingly felt in falling retail rents – prime locations dropped by around 3%.

Unemployment stood at 5.1% in December, slightly down on the previous year's 5.9%. And while the labour market grew stronger, based on the number of job advertisements in December, there are indications that short-time work could rise again. Even if the momentum slows due to the Omicron variant, most companies will likely try to retain employees to avoid shortages of qualified personnel.

Sources:
Bulwiengesa Immobilienindex 2021 (https://www.bulwiengesa.de/sites/default/files/immobilienindex_2022.pdf)
https://www.tagesschau.de/wirtschaft/konjunktur/bip-deutschland-wachstum-konjunktur-101.html
https://www.destatis.de/DE/Themen/Wirtschaft/Konjunkturindikatoren/Arbeitsmarkt/arb210a.html
https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/02/PD22_057_611.html
https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/Wirtschaftliche-Lage/2022/20220114-die-wirtschaftliche-lage-in-deutschland-im-januar-2022.html

Our Performance

In 2021, our focus remained on DSTRCT.Berlin, and we managed to deliver more than 14,500 sq m. STRATO has moved in over the past few weeks, and we were proud to officially hand over the space to our first tenant.

Of course, some things happened at DSTRCT.Berlin itself – we were able to successfully implement various aspects of our wellbeing strategy. These include inner courtyards with green facades, which serve as places of relaxation and rest.

We have also nearly completed our bicycle garage, which means that over 800 parking spaces will soon be available to our tenants. In addition, we have installed thousands of sensors that will improve the work of our tenants through optimal lighting and air conditions. We're proud to be in the final stretch of our project and to see how it elevates life around the area.

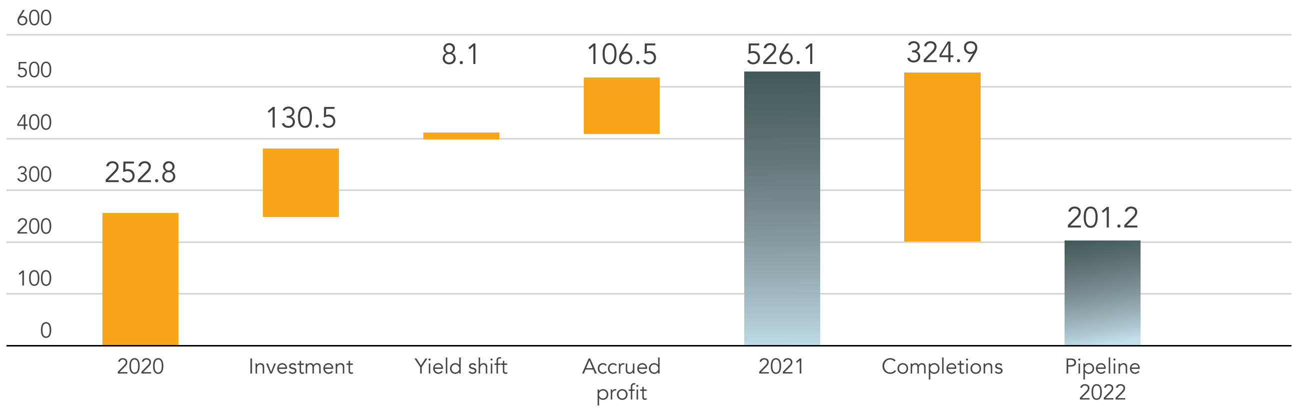
The year was also successful in terms of acquisitions. We signed a land contract in the east of Berlin, and we are already applying for permits with the aim of starting construction later this year. In turn, we managed to make progress in Dresden, with work on the preliminary permit continuing – which will hopefully bear fruit later this year.

Even with all this activity, our search for new plots continues. We're really at home now in the German market, and we are excited to be expanding our business here.

HB Reavis Development DE	GLA sq m	Valuation		ERV	GDV	Value Change	Invest-ment 2021
		2020	2021				
Projects completed	39,875	200.9	324.9	12.1	385.1	124.0	55.1
Projects under construction	8,953	39.4	63.4	2.8	87.5	24.0	6.5
Projects in preparation	76,019	12.5	137.8	19.0	508.9	125.4	69.0
Total 2021	**124,847**	**252.8**	**526.1**	**33.9**	**981.5**	**273.3**	**130.5**
Total Pipeline for 2022	**84,972**	**51.9**	**201.2**	**21.7**	**596.4**	**149.3**	**75.5**

Note: All figures in €m, except GLA.

Changes in German Development Property Value (€m)



Note: Figures are based on external expert valuations and internal management reports.

Poland

From the CEO
Last year saw continued challenges due to the various waves of COVID-19. This presented huge consequences on both our lives and segments of the economy.

Among others, we have faced continuing supply chain constraints, rising inflation, shifts in tenant behaviour and prolonged decision-making, as well as various restrictions impacting everyday operations.

Despite that, employers have clearly decided how they want to operate in the coming years. The year was marked with solid performance and impressive leasing deals, a strong sign that businesses still need space for direct interactions and to build their corporate culture.

As of March 2022, Sebastian Proc took over as Polish Country CEO.

This new reality accelerated the desire for flexibility in the workspace: to foster a work style that involves greater mobility for remote work. The popularity of hybrid working has quickly proved that people still need offices to focus on work, boost productivity, interact with colleagues and collaborate in a user-friendly environment.

Regardless of how often the office is used, it remains the main stage for corporate events and a space to support information flow, 'experience building' and team building.

These changes in the work environment have shown that we were right to make health and wellbeing the focus of our strategy. Since we launched our operations in Warsaw, we've developed more than 350,000 sq m of space and closed some of the country's largest-ever transactions. The Polish capital remains one of our key European markets, and we continue to search for new investment land that will further strengthen our presence here.

Market review
The market seems to be recovering after the uncertainty of the pandemic in 2020. The country's stable pre-pandemic fundamentals, low debt levels and central bank actions helped to get the economy back on track[1]. In addition, despite the ongoing COVID situation, Poland's developed economy remains an attractive investment for global capital. However, while the outlook for 2022 is promising, the market is closely tied to the changing economic scene.

Sources:
[1] CEE Investment Market 2021 Summary
[2] Poland Real Estate Market Outlook 2022
[3] Poland Real Estate Market Outlook 2022
[4] Poland Real Estate Market Outlook 2022

The economy
Since Poland joined the EU, the local market has matured and, in some segments, offers a higher standard than in some more established economies. Between the Brexit vote and the pandemic, we have continued to see global corporations entering Poland to weather major labour market changes. Poland's educated workforce pool remains an asset for businesses, however, the competition on the work market continues to grow.

The economy continues to recover following the vaccination program rollout and a return-to-work campaign. In fact, Polish GDP has positively increased over the last few years, and it's likely that annual GDP in 2021 will exceed 5.0% growth[2], as it is supported by the dynamic labour market and particularly strong services and industry sectors.

On the other hand, Poland has one of Europe's highest inflation rates, and this sets the tone for a broader narrative. In December, inflation grew for the sixth month running to stand at 8.6%[3] – driven by growing electricity and gas prices. Further rises are expected in Q1 2022 due to soaring food and energy costs, though the government is introducing a mitigation strategy.

Other macroeconomic indicators remain healthy. At the end of December, unemployment stood at 5.4%. The fiscal deficit is expected to be around 4-5% and is predicted to continue declining.[4]

The property market

Poland maintained its position among CEE countries, generating 58% of total investment transactions. Investment volumes in 2021 amounted to €6.4 billion, a 13% rise on 2020 and the country's third best result ever. Office investments totalled €1.7 billion for the year, significantly down from the exceptional levels of activity in 2018 and 2019, but close to the ten-year average.[5]

It's clear that tenants' focus is on well-located, minimal risk, grade A buildings with secure long-term income and strong lease covenants.

Similar to markets across Europe, we saw increased activity from clients who had previously postponed lease negotiations or wanted to secure vacant premises located in central business districts.

The Warsaw office market grew by 324,600 sq m in 2021, and it now has close to 6.2 million sq m in total – with a further 330,000 sq m under construction. A looming supply gap in 2023-2024 and rising fit-out costs are driving growth in rents, which may lead tenants to secure more traditional, long-term contracts.

Office tenant activity in Warsaw amounted to almost 646,500 sq m, a 6% increase year on year. The pandemic-related slow in demand, juxtaposed with the considerable construction pipeline, led to a growing vacancy rate, which currently stands at 12.6%. New office stock was on average 69% pre-let, with vacant spaces concentrated in older buildings or due to recent relocations.[6]

Sources:
[5] CEE Investment Market 2021 Summary
[6] Poland Real Estate Market Outlook 2022


Varso Tower

Our performance

In February 2021, Varso Tower reached its architectural height of 310 metres, reigning as the EU's tallest building. We also planted sixteen trees on one of its rooftops, creating the highest sky garden in Poland. Later on, we announced the delivery of Forest's first campus building (23,700 sq m) and topped out its 120-metre tall office tower.

In 2021, we signed agreements totalling close to 48,500 sq m of office space in Warsaw, a significant leap over the previous year. Currently, more than half of Varso Tower is leased, including our biggest contract of 2021 – a nearly 16,000 sq m lease with Box, a cloud content management company that will create their largest research and development site outside of the US.

Other significant Varso Tower deals include two prestigious law firms, CMS (7,500 sq m) and Greenberg Traurig (5,000 sq m), and a government organization who will occupy another 8,600 sq m.

We also successfully signed agreements for 12,100 sq m of space at the Forest office campus. Our second largest project in Warsaw, Forest is a popular choice for companies with sustainability at their core, including Puma, Sweco, AmeriGas, Husqvarna and Vorwerk. We're looking forward to announcing more occupiers soon.

Our completed Varso Place buildings have won two Eurobuild Awards 2020 prizes as the best office building in Poland and the CEE region. They've also been accredited with WELL's Health-Safety Rating, which focuses on reducing the transmission of infectious diseases and giving employees the confidence to go back to their office.

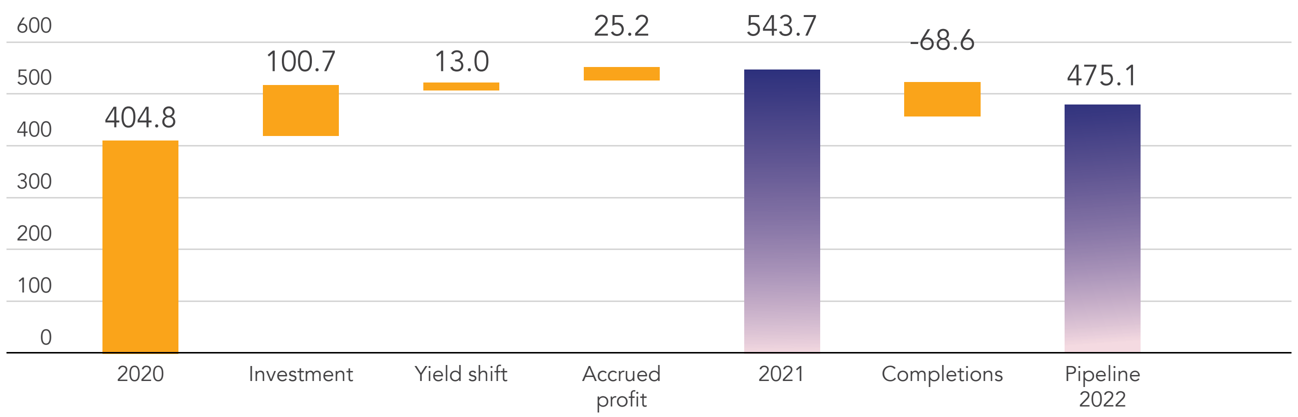
We recently took great pride in Varso Place being recognised the 'Accessibility Leader' by the Integracja Foundation and the Polish Society of Town Planners, organisations that distinguish projects based on the idea of universal and inclusive design.

At the close of the year, our teams were managing 125,000 sq m worth of construction across our two flagship Warsaw developments. Forest Tower will be completed in March 2022 and Varso Tower's completion is expected in 3Q 2022.

HB Reavis Development PL	GLA sq m	Valuation		ERV	GDV	Value Change	Investment 2021
		2020	2021				
Projects completed	23,594	53.9	68.6	5.3	94.9	14.7	6.8
Projects under construction	125,598	342.0	465.4	33.0	710.3	123.4	93.8
Projects in preparation	40,376	8.9	9.7	7.0	107.3	0.8	0.1
Total 2021	**189,568**	**404.8**	**543.7**	**45.3**	**912.5**	**138.9**	**100.7**
Total Pipeline for 2022	**165,974**	**350.9**	**475.1**	**40.0**	**817.6**	**124.2**	**93.9**

Note: All figures in €m, except GLA.

Changes in Polish Development Property Value (€m)



Note: Figures are based on external expert valuations and internal management reports.


Rene Popik

Slovakia

From the CEO
2021, a year still shaped by this unpredictable pandemic, ended cheerfully for our Slovakia team. Looking back, we managed to finish and move forward with all our key projects.

Our biggest and most challenging event was the grand opening of Nivy Mall. And it wouldn't be a lie to say it was a highlight for our company, if not the whole city.

Bratislava got a new, modern bus station with additional functions like a great public green roof, shops and services that are unique to the area – all in one space.

Not far away, we also started another major development within the New Nivy zone, New Apollo, and we were able to announce IBM as its anchor tenant. When complete, it will offer the largest floorplate in CEE and many other wellbeing and productivity features.

To go a step further, we have also started something very special in terms of our business focus. We own the biggest landbank in Bratislava, and with the large space that temporarily housed the city's bus station now free, we are adding another facet to New Nivy: a residential project.

This is a completely new experience for us. But with almost 30 years' development expertise behind us and an experienced team dedicated solely to this project, it's a hugely exciting challenge.

Last but not least, our office in Bratislava was awarded a prestigious WELL Platinum certificate. Our approach to wellbeing helped us navigate this most stringent process of certification. But equally important, it laid the foundation for success during these tough pandemic times, with people happy to return to our office as soon as they could, as they felt safe working here.

Economy
After a mild increase in the unemployment rate in 2020 and the beginning of 2021 (up to 8%), we saw a significant decrease to pre-COVID levels (6.64% in November 2021). Unemployment at this level tightens the local labour market, deterring further industrial expansion in certain locations and increasing pressure on the integration of a foreign workforce in production facilities. Low unemployment has had a positive effect on wage growth, with the average national gross monthly wage reaching €1,185 per month in 2021 (the average wage in the Bratislava region was €1,429 in 2021).

Although the negative macroeconomic circumstances of 2021 slowed the GDP recovery, the assigned rating for the country from Fitch and S&P stayed unchanged at A / A+.

Based on the optimistic macroeconomic predictions, the year 2021 should have completely erased the GDP loss from COVID-affected 2020. These expectations were not fulfilled due to unexpected events such as increased prices of inputs, a shortage of semiconductors in the automotive industry, an increase in utility prices connected to a steep increase in inflation, and additional lockdowns due to the COVID-19 pandemic situation. Based on preliminary predictions, the estimated GDP increase for 2022 will amount to 4.2%. The actual performance and its outlook keep on developing, and the actual performance will depend on the occurrence of additional lockdowns, which are significantly dependent on the percentage of vaccinated inhabitants and the development of demand from export partners. The reason for high volatility in the GDP performance is the openness of the local economy, which is heavily dependent on external demand and the economic performance of its main economic partners, mainly Germany.


Nivy Tower

Market

Global supply chain disruptions from the pandemic have affected industry, particularly car production. More recently, this has also slowed the recovery. This survey projects Slovakia's GDP to grow by 5.0% in 2022 and 4.8% in 2023, after 3.2% in 2021. Consumer price inflation is expected to pick up further to about 5.5% in 2022 before moderating to around 2.5% in 2023.

At the end of Q3 2021, the total office stock of Class A and B standard in Bratislava amounted to approximately 1.98 million square meters, of which 60% of the space is represented by Class A office space and 40% by Class B office space.

The stock of space is now spread among 5 office submarkets, namely the City Centre, the Inner City, the Outer City, the Central Business District and the South Bank. The largest office sub-market is the City Business District comprising 610,000 sq m, followed by the City Centre with 491,500 sq m, the Outer City market with 414,900 sq m, the Inner City market with 296,000 sq m and the South Bank market with 162,400 sq m.

Office developers' activities were already showing signs of a cooldown. This was enhanced even more by the economic downturn in 2020, where we saw a decline in the future 3-year pipeline from around 250,000 sq m to approximately 130,000 sq m, which corresponds to projects already under construction.

The newly built office stock that was added to the market in 2021 comprises around 75,000 sq m. The pipeline under construction will most likely increase the stock by 9% until the end of 2023.

New office projects have high standards with modern fit-out solutions and should attract tenants from older buildings. We consider public sector organisations residing in obsolete Class C buildings to be a source of potential demand in the years to come, in addition to the expansion of existing tenants. Grade A vacancy on the Bratislava market reached 12.21% as of Q3 2021, and it stagnated throughout 2021 after an initial increase thanks to a lower number of completions in 2021.

As HB Reavis owns a significant landbank in Bratislava and the large space that temporarily housed the city's bus station is now free, we are adding another city-forming function to New Nivy: a residential project on Bottova and Chalupkova Streets.

Macroeconomic indicators	2018	2019	2020	2021	2022
GDP growth (%)	3.90	2.40	-5.20	3.70	4.20
Inflation (%)	2.50	2.70	1.90	4.00	4.20
Unemployment rate (%)	5.00	4.90	7.60	6.64	6.20
Government debt (% of GDP)	49.40	49.30	59.50	60.50	61.70

Source: Cushman & Wakefield
Source: https://www.oecd.org/economy/slovak-republic-prioritise-reforms-to-optimise-strength-and-quality-of-recovery-and-future-growth.htm

Projects and performance

Nivy Mall, a multifunctional project with a leasable retail area of 70,000 sq m, was delivered at the end of September. It attracted a great number of people despite the ongoing pandemic – and welcomed its millionth visitor within the first few weeks!

Our project in progress, New Apollo, has already seen a successful pre-lease. Anchor tenant IBM is one of the biggest players in the tech world and has agreed to take almost 31,000 sq m of the total 48,000 sq m of the office space – Slovakia's biggest real estate deal of the year. Designed to BREEAM and WELL standards, the eight-storey office scheme is planned to be delivered in 2023.

We also continued to fill Nivy Tower with new names. Slovakia's tallest building became home to Krone, Danone and Thermo Fischer Scientific from the health sector, tech businesses like Rainside, Epic Games and Keyence. In total, we leased 58,000 sq m of space across New Nivy in 2021.

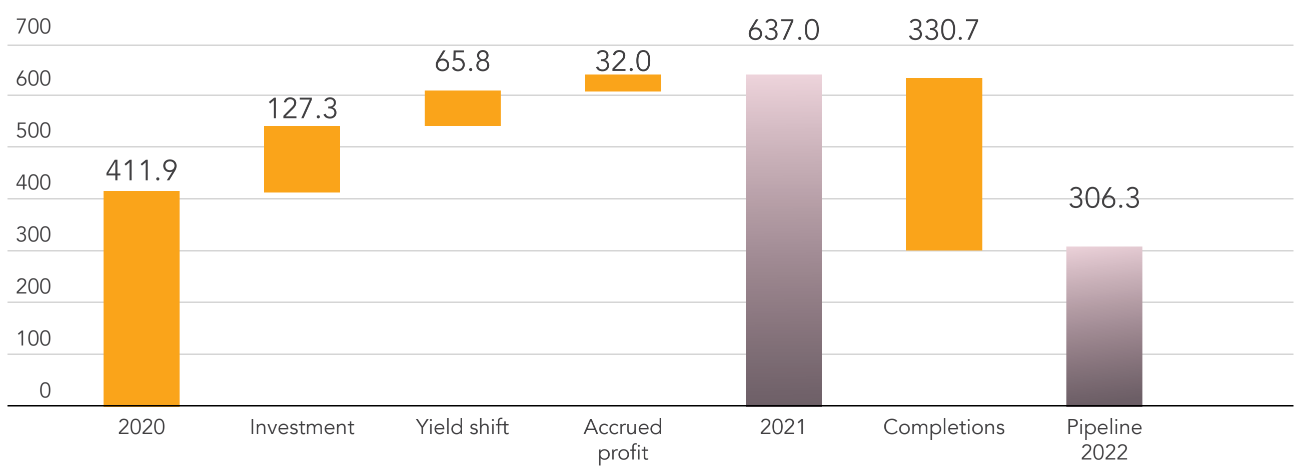
We always look to create multifunctional zones where talent and a culture of opportunity collide. And the completion of Nivy Mall and the revitalisation of Mlynské nivy Street were important pieces of the New Nivy puzzle.

As well as the Twin City and New Apollo office complexes, the addition of residences will enhance the dynamism of this growing district. Work, shop and play – with New Nivy fulfilling all kinds of needs, it makes perfect sense to create space for people to live here too.

HB Reavis Development SK	GLA sq m	Valuation		ERV	GDV	Value Change	Invest-ment 2021
		2020	2021				
Projects completed	104,586	269.8	330.7	22.5	368.6	61.0	52.1
Projects under construction	55,996	0	85.9	10.9	213.7	85.9	74.0
Projects in preparation	440,840	142.1	220.4	39.8	1,719.3	78.3	1.2
Total 2021	**601,422**	**411.9**	**637.0**	**73.3**	**2,301.6**	**225.1**	**127.3**
Total Pipeline for 2022	**496,836**	**142.1**	**306.3**	**50.8**	**1,933.0**	**164.2**	**75.2**

Note: All figures in €m, except GLA.

Changes in Slovak Development Property Value (€m)



Note: Figures are based on external expert valuations and internal management reports.

Hungary


Robert Kubinsky

From the CEO
The pandemic has given all of us a whole new understanding of the office environment. After working from home for so long, the beginning of 2021 was marked by uncertainty. Employees only gradually returned to the familiarity of physical office space.

Despite the completely different market situation, we secured two new office leases in Hungary: DKF, a state-owned digital development company, took 2,500 sq m, and the telecommunications giant Huawei signed a contract for 7,700 sq m.

Agora Budapest also played a big role in Budapest's reopening, with services such as AppInGym, Vergnano Café and My Hair salon. It's also become the home of Hungary's first automated bistro, where people can avoid queuing and grab a quick coffee or snack on-the-go.

With the successful introduction of Qubes and HubHub, we've broadened our portfolio to provide services for smaller companies with more flexible needs, as well as long-term traditional office tenants.

Qubes offers everything these tenants need from day one: a wide range of pre-fitted units that can be adapted at any time. Whether it's the reception, community areas, meeting rooms or private phone booths, everything has the same purpose: to make work life easier.


Agora Budapest

Our More by HB Reavis service, launched in 2020 when Agora Budapest opened, continues to excel both in terms of asset management and client and employee satisfaction.

In parallel, to make our workspace experience more seamless, we launched Symbiosy. True to its name, it's already delivering data that will help us create a real harmony between office users and their environment in Agora Hub – making the office more efficient, healthier and easier to work in.

Our achievements

Our main goal is to create the most inspiring and healthy working environments and to keep tenants satisfied. So it's essential to have feedback from both users and the wider real estate world.

Agora Budapest received several awards during 2021. The 'Office Development of the Year' award in the Construction & Investment Journal Awards Hungary 2020 was particularly pleasing as it was an online vote.

Agora Hub

In turn, our environmental credentials are very important to us – they go beyond an industry trend that saw green building investment rise by 10% to over 45% over the year. The 11th Real Estate Awards, organised by the Office of the Year Group, saw Agora Budapest win in the Greenest Project and the 2020 Commercial Development of the Year categories.

Our flexible office complex, Qubes, won the 'Concept of the Year' at the Portfolio Property Awards 2021, and it doesn't end there: we won a gold medal in the 'B2B Campaign of the Year' category at this year's Global Content Awards.

We're extremely proud that Agora Budapest was shortlisted by the professional BREEAM jury, showing that it is one of the 15 best sustainable projects worldwide. Agora Hub is Hungary's first and only building with the highest, Outstanding BREEAM certification, and the wider Agora complex is the first local project to receive BREEAM Communities recognition.

05 Countries Overview

Challenges for the future

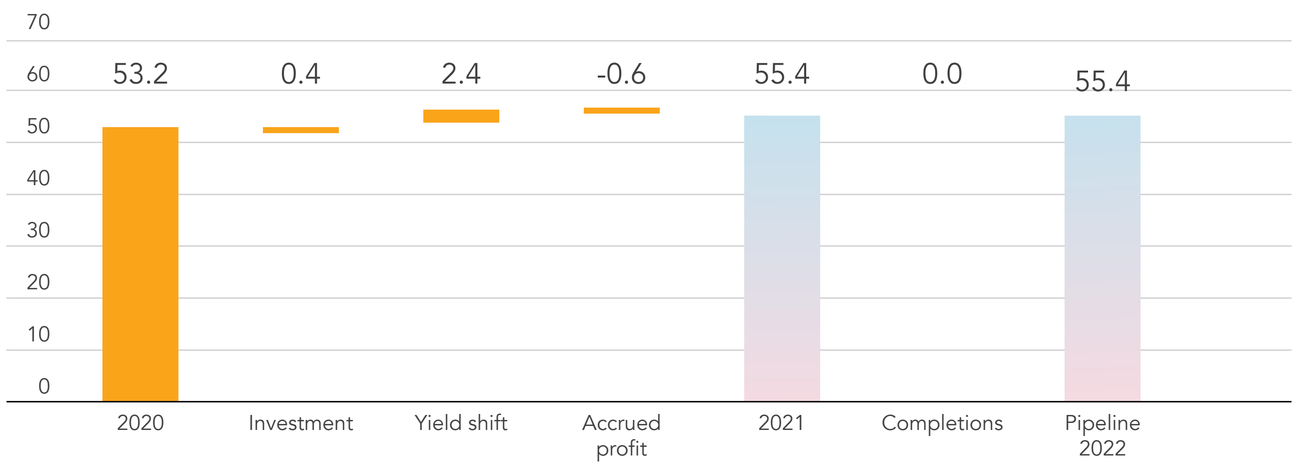
Overall, 2021 was a refreshing success.
In a difficult period of restrictions, we had to find solutions both to stay connected at work and to ensure that we could actually do our work.

Our growing range of smart services means we're now prepared for all options as the current situation evolves.

HB Reavis Development HU	GLA sq m	Valuation		ERV	GDV	Value Change	Invest-ment 2021
		2020	2021				
Projects completed	0	0	0	0	0	0	0
Projects under construction	0	0	0	0	0	0	0
Projects in preparation	66,998	53.2	55.4	16.0	320.8	2.2	0.4
Total 2021	**66,998**	**53.2**	**55.4**	**16.0**	**320.8**	**2.2**	**0.4**
Total Pipeline for 2022	**66,998**	**53.2**	**55.4**	**16.0**	**320.8**	**2.2**	**0.4**

Note: All figures in €m, except GLA.

Changes in Hungarian Development Property Value (€m)



Note: Figures are based on external expert valuations and internal management reports.

06 Board of Directors

Executive Board members

As of March 31, 2022.

Marian Herman
Director

Peter Ceresnik
Director

Peter Pecnik
Director

Pavel Jonczy
Director

Manuela Maria Fernandes Abreu
Independent Director

Szymon Bodjanski
Independent Director

Aida Jerbi
(replaced Russell Proffit-Perchard)
Independent Director

Neil Ross
Independent Director

Liviu-Constantin Rusu
Director

Isabel Schellenberg
Director

Peter Vazan
Director

Non-Executive Board members

As of March 31, 2022.

Ivan Chrenko
Non-executive Director

Maarten Hulshoff
Non-executive Director

Martin Miklas
Non-executive Director

Changes in the Board of Directors

On 1 July 2021, three Independent Directors – Erik Van Os, Marija Prechtlein and Melanie Koch – resigned, and we welcomed three new Independent Directors: Manuela Abreu, Russell Proffitt-Perchard and Simon Bodjanski. On 15 December 2021, Russell Proffitt-Perchard resigned, and Aida Jerbi took over his role on our Board.

Executive Management

As of March 31, 2022.

Marian Herman
Group CEO

Peter Pecnik
Group CFO

Peter Ceresnik
Member

Pavel Jonczy
Member

Succession planning

Last year saw a renewed focus on succession planning, as it was integrated into our ESG mission with the aim of developing and implementing succession planning for executive management positions, with at least one internal successor identified for each position.
We've already targeted successors for 89% of our executive management roles. Each individual has been assessed and given development plans to further hone their skills.

Governance and culture

In 2021, the Executive Management released direct control over our ESG (environmental, social and governance) strategy, giving the responsibility to a separate internal committee.
The new oversight team will build on the ESG strategy that was developed by the Board of Directors in 2020, continuing to develop organisational structures, processes and policies that foster transparency, professionalism and accountability.

Board of Directors topics 2021

Code of Ethics

As well as championing our mindsets, the Executive Management is also the key promoter of our Code of Ethics. The HB Reavis Ethics Programme has been designed to set the standards we expect from our people, with guidelines around how to avoid unethical behaviour and detect any conflicts of interest or deviation from our code.

Company Mindset

Surveys and conversations also took place across the business to determine our Company Mindset. The results contributed to our 'Pay it Forward' internal communications campaign, which illustrated the values we stand for at HB Reavis.

We're all different: different backgrounds, different cultures, different languages, different personalities. Yet we drive our business with shared goals and a common mindset. We're passionate, professional and creative. We build strong relationships with those around us. And we deliver the best results possible – for our company and the communities around us.

06 Board of Directors

Our Company Mindsets

1 Passion

We're passionate about what we create together, as one team. Our shared passion and dedication fuel our desire for excellence in everything we do. It gives us the energy to go the extra mile in both setting and delivering goals and maximising our potential.

2 Professionalism and personal integrity

We highly value personal integrity– because our words, actions and intentions should always be aligned. We do our best to deliver on our commitments to all our stakeholders – colleagues, clients, partners, investors and shareholders. We value other people's time, take the time to communicate and always meet the standards of our Ethics Programme.

3 Entrepreneurship

Our entrepreneurialism is reflected in our owner's mindset and insistence on accountability. We recognise opportunities that others do not see and actively embrace them. We strive to achieve the best results possible while protecting company resources. We're not afraid to consciously take calculated risks. We're honest about our mistakes and learn from them so we can do better next time.

4 Creativity and innovation

Creativity and innovation are part of our DNA and contribute to our competitive advantage. Our curiosity, 'can-do' attitude and love for what we do power our inventiveness. We encourage innovation through both breakthrough moments and the incremental improvements that come from challenging the status quo.

5 Long-term relationships

We build long-term business relationships based on mutual prosperity, trust and respect – both internally and externally. In every situation, we thoroughly assess the contributions, risks and benefits. We understand the needs of clients, users and investors, and we work hard to become their trusted partner.

6 Focus on people

We genuinely care about others, internally and externally. We all have different backgrounds and speak different languages. Yet we encourage straightforward and open communication whether we're celebrating or dealing with a difficult situation – and always work together with mutual respect and an inclusive approach.

Our People

07

In 2021 we continued our efforts to fulfil HB Reavis' strategic aspirations in the people leadership area that are embedded in our business, people and ESG strategy.

The main challenge was the continuous and unpredictable COVID situation that not only accelerated changes on the labour market, but also changed people's expectations from their jobs and employers. This materialised in higher turnover, increased demand for a skilled workforce and longer recruitment cycles. These market challenges were underscored at the end of the year by booming inflation and aggressive labour market competition, especially in some of our core markets. It seems that all of these challenges will stay with us beyond 2021 and require even more discipline and focus in executing our strategic aspirations regarding people.

HB Reavis Key People Topics 2021

COVID continued, and ongoing measures were taken at our workplaces across the group to keep the workplace and our teams safe.

The retention of critical employee groups with a focus on project delivery teams and the talent pool became the top priority. The group's regretted attrition rate is <5%.

Talent acquisition activities in a heated talent market require greater efforts to attract talented individuals that fit our mindsets (120 positions were filled across the Group, including replacements, maternity covers and internships).

120 positions were filled across the group, including replacements, maternity covers and internships.

Monitoring the employee experience with a focus on leadership quality – 83% of employees rated the leadership behaviours of HB Reavis leaders positively (2021 HB Reavis Leadership Feedback Survey).

Focusing on people development by utilising internal resources and know-how with a mentoring programme & providing individual development budgets – the mentoring programme pilot materialised into 10+ mentor/mentee pairs at HQ/SK and identified the mentor/mentee pool in Poland. After initial encouraging feedback, the programme will be expanded in 2022 and continue in other group markets, including cross - border mentoring.

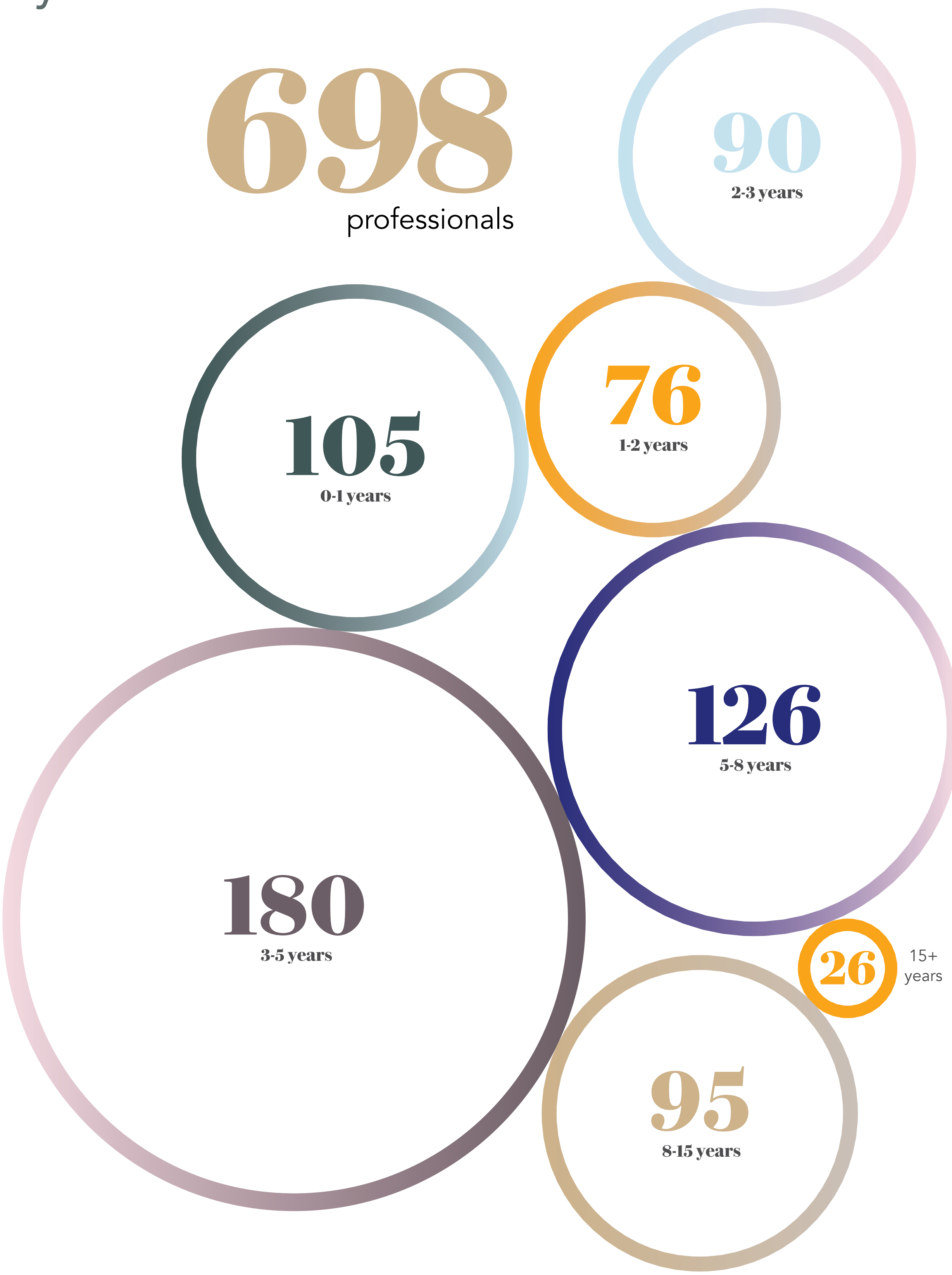
The hybrid working strategy was defined as a response to the organisational need to define the proper boundaries so as to respect both employee and business needs .

Depending on the market, the average preference of remote working ranges between 21 – 35% compared to self-reported real time spent working remotely, which ranges from 13 – 32% (2021 HB Reavis internal survey).
The internal maximum limit for remote work was set at 6 days per month (the real application depends on the specific needs of functional areas that might have different operational needs, and it is in the hands of the people leaders who are held responsible for considering both the individual needs of people as well as business performance).

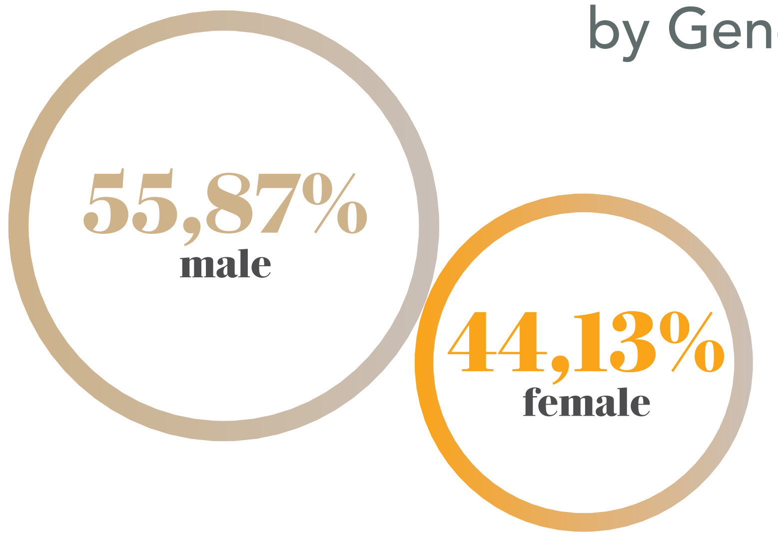
07 Our People

Headcount as of 31. 12. 2021

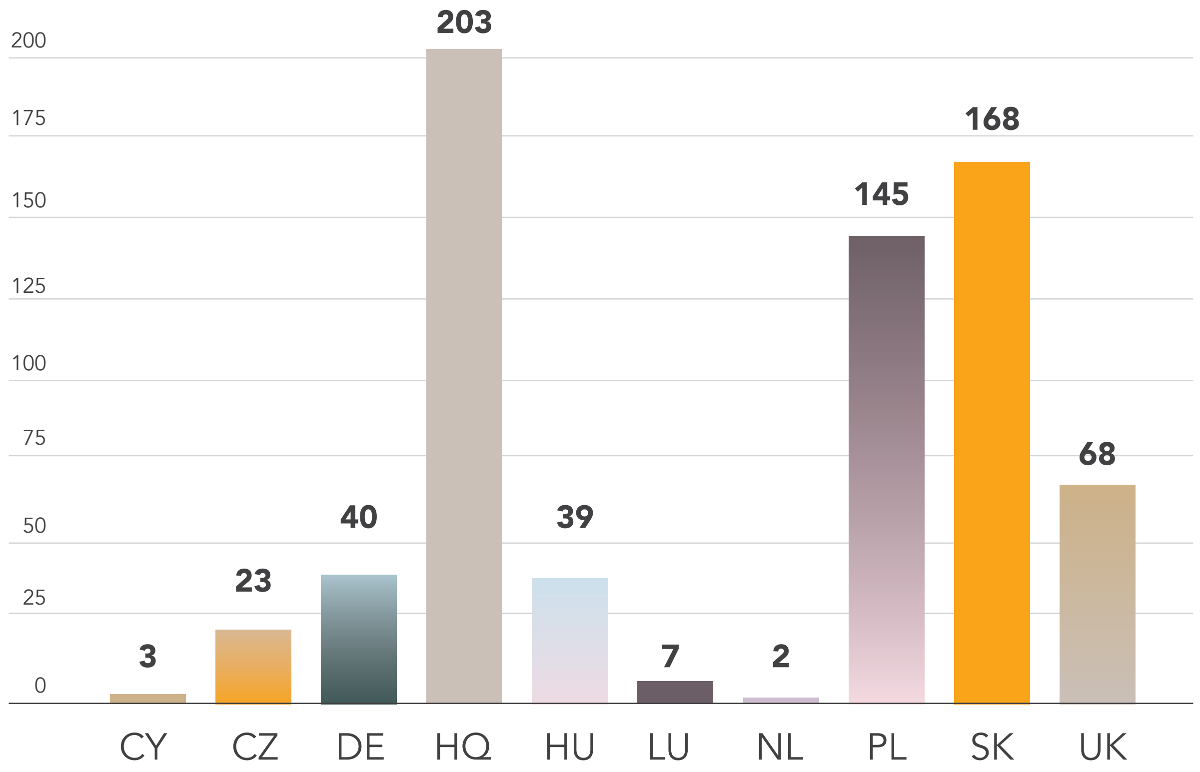
by Tenure



by Gender



per Country of Operation



Services

08

HubHub & Qubes

The second year of the global pandemic brought the flexible office industry new as well as ongoing challenges. But as many studies have shown, there's now a real appetite among tenants for spaces that help them grow or shrink with ease.

Our coworking brand, HubHub, and serviced office solution, Qubes, are not just here to stay – they're thriving.


HubHub, London

HubHub

Membership across our HubHub locations increased impressively during 2021. Occupancy grew significantly in 2021, and according to the first results of Q1 2022, the occupancy has grown even further. The community has evolved into a hybrid operation too, with a rich variety of digital events providing members with high-quality business and educational content wherever they happen to be, including:

- **AI startup clinics with IBM**
- **An Inspiring Leaders event and scale-up programs with Microsoft**
- **Supported and hosted Red Bull Basement activities**

We also ran and supported a multitude of country-specific activities:

CZ Startup World Cup & Summit

SK Tatra banka hackathon

PL Up with HubHub

HU First Monday with Startup Hungary

FTRNW 2021

The 10th anniversary of FTRNW 2021 (FutureNow) was a hybrid event streamed from Bratislava. An inspirational set of innovative finalists shared the stage with senior figures from some of our leading partners. In fact, FTRNW 2021 had more than 34 partners across the V4 region, including Microsoft, O2, Slovak Business Agency, Taylor Wessing and Venture to Future Fund.

Over 100 people attended in person, more than 80 watched the live stream from our Prague, Warsaw and Budapest HubHubs, and a further 800 watched elsewhere online.

900 people

Qubes, Bratislava

Qubes

Our premium serviced office product is getting real traction in the market – proved by the more than 20 new clients we welcomed during 2021. Qubes is tailor-made for companies that outgrow HubHub and want a ready-to-work space or are waiting for fit-out finishes in Nivy or the Agora zone.

Its versatility and adaptability have added to the overall offer of Nivy Tower in Bratislava and Agora Budapest. In particular, the newly finished three-floor Qubes Agora Budapest sprawls over a 4,800 sq m suite of coworking offices, as well as furnished offices, flexible working options, refreshment/chillout zones and a 50-seat event space.

All these options are available on their own or as a combination, giving clients the flexibility to move in tandem with rapid market changes. It's the perfect product for the ever-changing world we live in.

More by HB Reavis

More reasons to enjoy work
There was no doubting the popularity of the More service before COVID. But now, with perceptions and expectations of the workplace changed so dramatically, our range of features and innovations has helped employers prove they can deliver exactly what their people need.

We re-purposed a number of workstreams to make the 'return to the office' enticing, evolving new services, offers (to help retailers as well as employees), and community and health activities.

There was a wider focus too, embracing new modes of working by offering hybrid online and in-person events, including yoga, functional training, bartending classes and more. Throughout, the team made a point of keeping dialogue open with tenants, ensuring they had the tools to meet their aims.

Not least was a renewed focus on health & safety. Disinfection routines included extra elements for specific surfaces, and social distancing was encouraged in lifts and common areas. Furthermore, as well as our standard ventilation and HVAC disinfection practices, we developed strict COVID procedures to handle any cases of people testing positive.

Hi.Building

The integration of the Hi.Building app into our services has helped us add another dimension to everyday office life and wellbeing.

Now we can provide contactless journeys from entrance to desk across many of our sites.

With a wave of their phone, users can access buildings, parking lots, common areas and lifts. The app is linked to other services too, such as our concierge, free bike and e-scooter hire, news, yoga classes and special offers.

As well as removing the need for plastic cards, the solution combines hospitality with innovation – and since visitors can download and use it, it's now easy for businesses to provide a state-of-the art guest experience.

Continuous innovation
We haven't stood still. An NPS survey across a number of our workspaces drew some interesting responses – and drove important changes. We've improved access to public transport, cycle storage, taxi ranks and car sharing pick up points. There are new eating and drinking options, serving a wider range of diets, cuisines, occasions and price points. And we've honed our mixes of shops, services and amenities to better suit clients' needs.

Going forward, all our new projects will come with More services as standard. Clients will simply customise which features they want and enjoy the experience they provide.

more

Symbiosy

Smart office tech is in greater demand than ever.

2021 was a pivotal year for Symbiosy. We redefined our strategy and role within the HB Reavis Group and saw a dramatic increase in appetite from the market.

Developed in-house, the Symbiosy Operating System (OS) harnesses technology and data to deliver connectivity, convenience and an exceptional building experience.

With every iteration the team improves and enhances its impact. Last year alone, a variety of workflow systems, algorithms and two-way controls were implemented to improve the way the Virtual Workplace 3D model shows how a building is being used, outlines its wellbeing, energy and sustainability performance, and provides access to other facility management metrics.

As well as providing detailed analytical data, Symbiosy also has a new Desk Booking application that offers a range of features to support hybrid working.

We succeeded in all our core aspirations last year, including securing our intellectual property (IP), clearing a technical debt and preparing the company to work with partners outside the HB Reavis portfolio.

We also integrated the Tenant Experience Application (Hi.Building) into our application, developed closer ties with our sister workspace consultancy, Origameo, and boosted sales among HB Reavis clients. After breaking through the €1 million revenue mark, we're now positioned to scale up our operations.

Our clients

Strato
IT

BP
energy

Home24
e-commerce

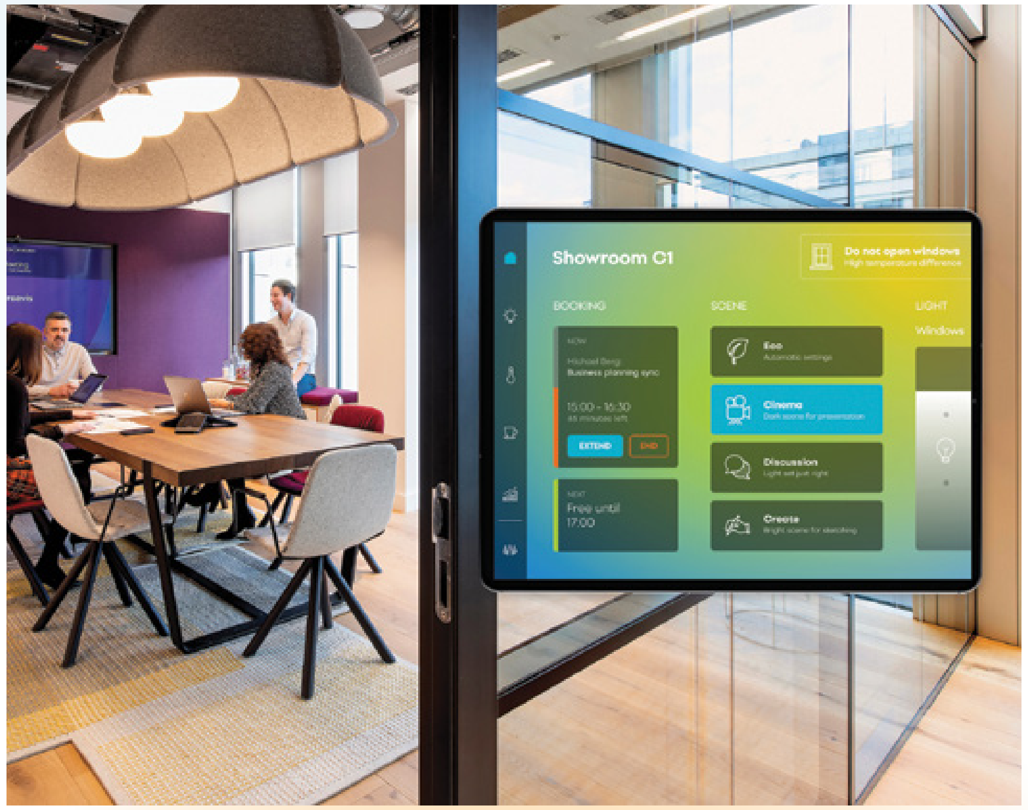
AcrisureRE
reinsurance

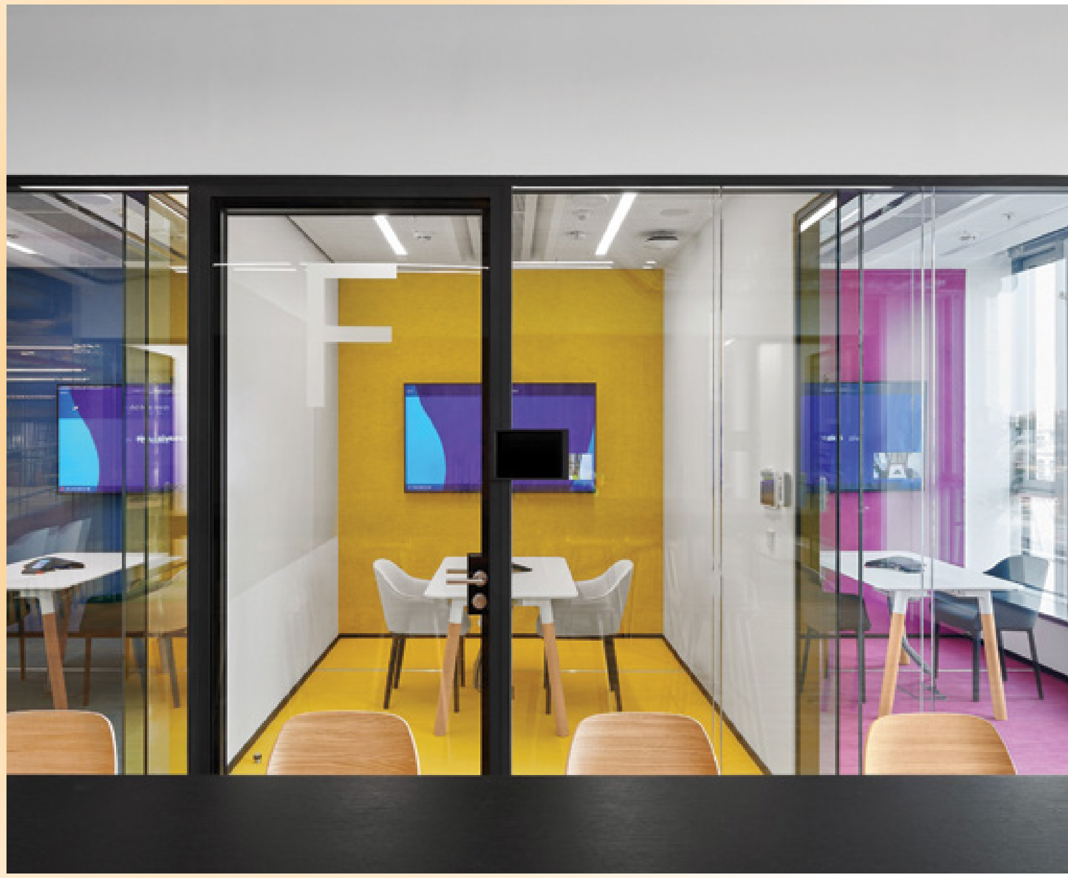
Macquire
finance

NEXI
payment processing

Grunenthal
pharmaceutical

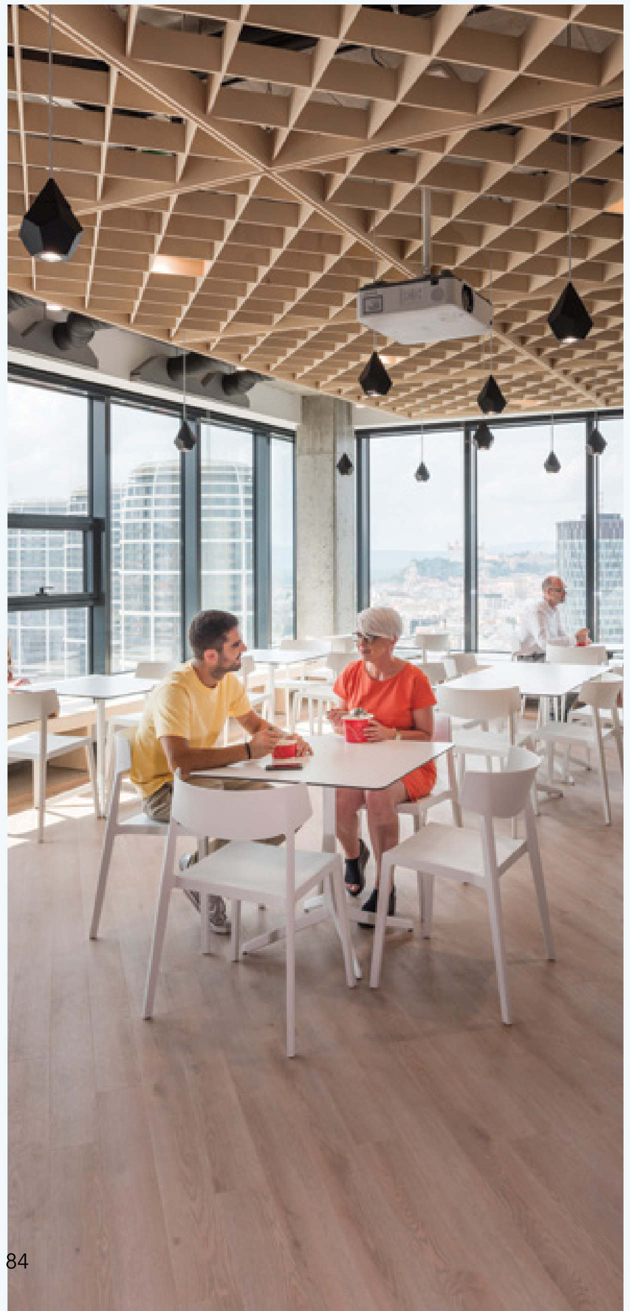
Bouygues
construction/facility management





Origameo

A big milestone last year was the introduction of our first physical presence in the UK. London has great potential for both strands of our business, even if it is a competitive place to be. And with that in mind, we also continue to promote the benefits of consulting in Poland.



Poland
As a result of the COVID pandemic, most office companies switched to remote work, reducing the demand for office space. So in the first nine months of 2021, Warsaw tenants leased 398,100 sq m, a 10% drop on the same period in 2020.

The introduction of a simplified space planning service for tenants that takes less time than our full Origameo consultancy saw take-up from AmeriGas, NCBiR, TTMS and Ideas NCBiR.

Germany
A great relationship with our leasing department led the team to support 78% of DSTRCT.Berlin's leased space – a significant over-delivery compared to the original 20% target.

The majority of our efforts went into helping to lease the remaining areas around the development, establishing ongoing relationships with new DSTRCT.Berlin clients, upselling Symbiosy to clients and prospects, and supplying the next German project PLTFRM.Berlin with space planning materials.

Hungary
The team delivered €17,000 of external workspace design and fit-out delivery over the year. All test fits were arranged in-house and were on time and within budget. In particular, Raiffeisen Bank's construction was handed over ahead of schedule.

Slovakia
Our best-performing operation helped the Origameo network generate revenues of €356,000 across four pilot projects with a solid average margin of 20%.

A good number of businesses within our buildings took advantage of the complete Origameo end-to-end service, for example, Investment Services, You +, KRONE IT and Slavia Capital. And we also invested many hours into the retail fit out of Nivy Mall and the central bus station.

We still see space for growth in Slovakia despite this strong position. We signed external deals with companies like Innovatrics, SIA, Heimstaden and Asseco. And with a significant amount of space yet to be leased in Slovakia, our big objective going forward is to develop stronger relationships with asset management clients there.

United Kingdom
A completely new market for us, our first year in the UK saw us integrate into a combined workspace consultancy service alongside Symbiosy.

We also successfully hired our first UK workspace consultant in Q2. Moving forward, 2022 has already seen us prepare a new HubHub space for Worship Square in Q1, establish relationships with a variety of clients in cooperation with the leasing team, upsell Symbiosy to new clients and leads, and support space planning for Bloom.

09 ESG

We've always felt it's our responsibility to deliver workspaces that meet the needs of their users and enhance their health and wellbeing while minimising their impact on the environment.

Our ESG strategy ties all our activities and know-how together, from the moment of acquiring land through to design, development, construction – and finally the asset management of the building. It was developed with the people who use our premises in mind. It reflects their values and helps them achieve their responsibility goals.

The strategy is supported across our business by a global governance structure that encompasses all parts of the business. It also cements our commitment to partnering with all stakeholders in innovative ways to achieve our shared ambitions for a sustainable future.

It stands on three key pillars: Environmental, Social and Governance. Each one includes areas we believe are real strengths for us as a company that help us have a huge impact on the industry.

33 Central, London, United Kingdom

Environmental

With respect to nature
Our processes, policies, practices and the impact we have on the natural environment, applicable to both our buildings and our company.

Energy performance
Carbon reduction
Waste management
Water consumption
Green transport
Biodiversity

Carbon reduction
Green transport

Social

Taking care of people
Activities affecting both the internal and external people with whom we interact, applicable within different project phases and in the company.

Clients engagement
Focus on people
Health and wellbeing
Communities
Employee experience
Safety

Focus on people
Health and wellbeing
Communities
Employee experience

Governance

The way we're directed
Organisational structure, transparency, measures, protocols, procedures and formalised governing bodies, roles & responsibilities defining our business nature.

Corporate governance
Our mindsets
Business ethics
Speak up culture
Supply chain management
Diversity and inclusion

Our mindsets
Supply chain management

Areas

Priorities

Together with our employees, clients, users and communities, we're working to drive impactful change by embedding our ESG approach into everything we do.

Through our strategy, we aspire to design a responsible future for our business and the wider world.

2021 Highlights

In 2020, we formally approved and published "Designing a Responsible Future", which sets out our ESG strategy and targets.

It covers all the activities and initiatives we've been doing as a company for almost 30 years, tying a diverse set of workstreams together to address the current climate change and post-pandemic challenges.

However, publishing a nicely polished strategy is not enough. We've since created a performance-driven governance structure that will ensure its ethos continues to run through all our activities – with a member of the Board being given responsibility to ensure its agenda is overseen at the executive level.

Our ESG Governance Body includes senior representatives from relevant departments that contribute to the delivery of selected targets. Body members meet quarterly to report the progress, and that progress is reviewed against the ESG targets by the Board of Directors biannually. There's also an ESG Steering Committee that ensures alignment across the Group, based on business and market expectations.

In terms of our products, the best proof that we're meeting our ESG ambitions are the third-party certification systems we aspire to.

It has become a fundamental part of our projects to at least meet BREEAM Excellent level standards in addition to WELL standards at a Gold level or higher. In this post-pandemic world, the WELL Health-Safety rating also became a 'must have' for our new developments.

To list a few of our 2021 accomplishments, we achieved BREEAM In-Use for City Business Centre in Bratislava, had our whole portfolio certified in green building rating systems, and our office in Bratislava was awarded a Platinum seal by the International Well Building Institute – ranking it among Europe's top 10 healthiest offices. Agora Hub in Budapest was also the first building in Hungary to achieve BREEAM's Outstanding sustainability assessment standard.

To support our carbon ambitions, we've prepared "Straight to Zero", a roadmap to delivering net zero carbon buildings and lowering our emissions as a company. A pilot case is already in progress in London, and we hope to then roll it out across the Group.

See the top 3 highlights of 2021 in each pillar below:

Environmental

net zero carbon

Our project **Forest** in Warsaw, Poland, was awarded the **Best Ecological Building** by PLGBC.

Worship Square has achieved **net zero carbon** as defined by UKGBC in the design stages and aspires to be a carbon neutral building once delivered.

The UK business has committed to targets for **achieving net zero carbon,** stating, for example, that HB Reavis UK's corporate emissions will target a 35% reduction by 2030 compared to a 2019 baseline.

Social

Our office in Bratislava was awarded WELL Platinum certification, ranking it among the **top 10 healthiest offices** in Europe at that time.

3 projects - Varso 1, Varso 2 and Nivy Tower obtained a WELL Health-Safety seal, demonstrating our commitment to delivering workspaces in which we put people's health and safety first.

492 employees

492 employees participated in a survey that helped us define a hybrid working strategy - our own guidebook to maximising productivity via smart use of the hybrid model.

Governance

We implemented **an e-learning platform** to ensure alignment with all the necessary compliance regulations across the company.

We have updated our values, the **6 mindsets** that guide our daily conduct and its communication across the company, to better reflect our corporate culture.

90%

90% of executive management positions have identified their successor within the company.

CO2

And what's next?

The ESG agenda is a constant companion for us as individuals and as a business. It leads our day-to-day activities and keeps us on track towards designing a healthy and sustainable future. It officially became part of our strategy in 2020, when it was more a description of activities and initiatives already in operation. Then, in 2021, we set up more detailed governance: we aligned the ESG strategy with the wider company strategy and defined KPIs that linked its key issues with BAU practices.

We now continuously update the ESG strategy, priorities and targets to reflect evolving ESG challenges, keep up with clients and stay one step ahead of the market. And to make sure we continue to have the greatest impact – one that reflects our stakeholders' values – we plan to complete an independent materiality assessment in 2022.

Current issues

To effectively tackle climate change, it's vital that we minimise our carbon footprint. We're approaching this in two ways: by cutting CO_2 emissions as a company and by designing buildings that create net zero greenhouse gases.

We've already commissioned external partners to assess our developments – Nabers UK for our London projects and LEED Zero Carbon in Germany. We also have a roadmap to becoming a net zero carbon business.

The past two years of the pandemic have proven that our commitment to designing user-centric workspaces that enhance health and wellbeing was a shrewd strategic move. We will continue to prove our credentials through the likes of the WELL standard and by renewing our WELL Health-Safety Ratings.

The COVID pandemic has also accelerated the remote working trend. In response, we've developed our own internal flexibility and hybrid working strategy. Once it's launched, we intend to use our knowledge and own experience to guide clients on how to use the hybrid model effectively.

Designing a responsible future is not solely in our hands. With close cooperation with employees, occupiers, business partners and suppliers, we can make a positive impact on our planet and the people and communities connected to our developments.

To that end, we will share the responsible business principles rooted in our Code of Ethics with key partners over the coming years – and openly communicate our ESG selection criteria to our suppliers.

Forest, Poland's 'Best Ecological Building'

Case studies

Our Warsaw development won 'Best Ecological Building' in the Green Building Awards 2021, a prestigious competition organised by PLGBC.

Forest is a campus composed of two connected buildings. It's a unique workspace in Warsaw that offers space for relaxation – not only to the people working in the buildings, but also for the surrounding community.

A number of different solutions work together to reduce the building's energy use. These include BMS controlled, motion-sensor triggered external lighting together with LED light fittings that reduce energy consumption up to 35% compared to fluorescent lamps. This is in addition to a layout that increases the amount of natural light throughout the building, reducing the need for artificial light.

Openable windows allow for natural ventilation and free cooling. Energy efficient elevators with regenerative drives use up to 20% less energy. And with 507 bicycle stands, changing rooms with showers and a bicycle repair point, the building encourages users to switch to more sustainable ways of commuting too.

Forest is an environment that invites you to spend time outdoors, with the equivalent of two football pitches' worth of green spaces. More than a 'green roof', the park on top of the building helps with insulation and boasts community gardens that are open to all, including people with limited mobility.

400
trees

Altogether, around 200 trees and 200 shrubs help reduce the heat island effect and provide much needed shade on hot summer days. To support biodiversity, there are also two insect hotels and bird shelters.

Forest already holds a BREEAM Communities certificate and is WELL Precertified. We also hope it will achieve BREEAM at the Excellent level, WELL at the Gold level and the WELL Health & Safety Rating.

Welcome to Worship Square, our first net zero carbon building

Case studies

net zero carbon

12,832 sq m and in a prominent London location, Worship Square is our first fully net zero carbon scheme – full of solutions that help us reduce emissions both in construction and operation.

It's set to meet the RIBA 2030 embodied carbon target. With construction underway, we're diverting 100% of the demolition materials from landfills and recycling materials when possible to be used in the new building.

In fact, Worship Square's design means we've kept the previous building's foundations and used low carbon concrete in the new structure, which will feature cellular steel beams, high-grade steel, compact geometry and exposed ceilings.

It's also all-electric. As well as air source heat pump (ASHP) technology, on-site photovoltaics and renewable electricity providers, a 67 sq m rooftop installation of PV panels will provide electricity equivalent to brewing 600 cups of tea a day.

A combination of electricity generating solar panels and efficient ASHPs will provide an estimated 25.67% reduction in annual CO_2 emissions compared to a baseline energy-efficient scheme. With its low energy design and sophisticated building management system, Worship Square will actually be 10% more energy efficient than the UKGBC 'Base Building' targets for 2030.

While we've reduced the carbon emissions of the design, development and operational phases, any residual emissions will be responsibly offset. However, rather than waiting until completion, we've already begun offsetting by restoring degraded forest reserves in Ghana and supporting wind power projects delivering zero emissions renewable electricity to the national grid in Nicaragua.

Worship Square is designed with the ambition of receiving 5* NABERS and BREEAM Outstanding certifications. It's also aiming for a WELL Platinum rating, the highest certification for wellbeing – after already achieving two Platinums – the maximum levels of Wired and SmartScore certifications.

WELL gives our Bratislava office Platinum status

Case studies

INTERNATIONAL
WELL
BUILDING
INSTITUTE™

We're committed to designing workspaces centred on health and wellbeing. It's a point proved by our office in Bratislava, which, with WELL Platinum Certification, is officially one of the 10 healthiest offices in Europe.

Throughout the 5,000 sq m space that is enjoyed by over 300 people, we've implemented almost 90 features that fall within the seven concepts of the WELL Building Standard: Air, Water, Nourishment, Light, Fitness, Comfort and Mind.

All the building materials are low VOC, and over 200 sensors constantly monitor the air quality. Every workstation has access to direct daylight, helping to support circadian rhythms. Tap water is constantly tested, and everyone has access to drinking water within 30 m of their desk.

Acoustic materials on the walls and ceiling absorb around 90% of all sounds and help to reduce ambient noise. The office is also dotted with complimentary fruit and vegetable baskets, and it has its own 50-seat dining area with a fully equipped kitchen so people can eat more mindfully. Human-focused design can positively affect the health and wellbeing of people and can even boost people's efficiency. Pre- and post-occupational surveys have confirmed that our new workspace has increased the productivity of our employees by 10%.

Obtaining the WELL certificate is not the finale, but rather the start of a long journey. To make sure the workplace continues to operate at a high standard for people's health and wellbeing, we're required to report on environmental parameters and prove the standard of the facilities and the results of occupancy surveys to IWBI™ annually – and apply for re-certification every three years.

WELL

Platinum certification

10 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.

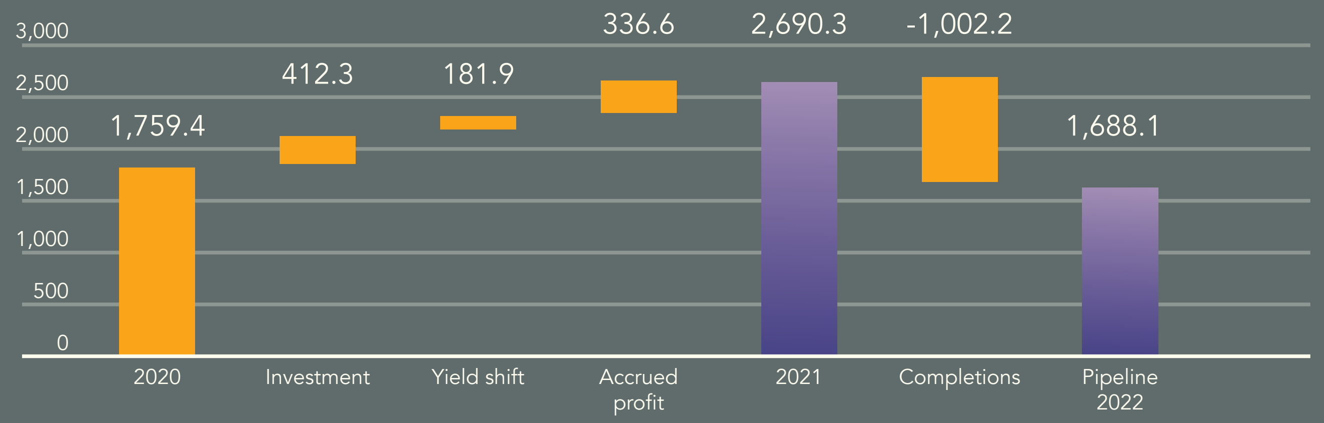
We aim to set trends in office space solutions. We are happy to bring something more than what clients and communities expect from us, something that will differentiate us from others. We believe doing it this way creates greater value for our partners, clients and local communities, as well as for our shareholders. Our commercial achievements and robust results have confirmed we're on the right track.

The development landscape
Looking at our portfolio, the share of development in our total investment property is 46%. Us being just below our targeted 50/50 level has been brought about by the completions of 4 major developments, which were valued at over €1bn at YE 2021.

In the reporting year, we focused on both speeding up and growing the share of developments in the permitting stage as well as making progress with our projects in the construction phase.

During 2021, the portfolio value of core development property increased by €930.8m, while properties valued at €1,002.2m were completed and handed over to our asset management arm.

Changes in Group Development Property Value (€m)



TOP Deals for 2021

New Apollo	IBM	**30,249 sq m**
Varso Tower	Box	**15,575 sq m**
DSTRCT.Berlin	Home24	**13,453 sq m**
Bloom Clerkenwell	Globally listed tech company	**10,743 sq m**
Varso Tower	NCBiR	**8,572 sq m**

Note: Figures are based on external expert valuations and internal management reports.

10 Business Review

Product design is the key

During our history and through the delivery of around 1,037,000 sq m of leasable office space, we have accumulated significant knowledge and experience. We understand how important it is to talk to clients, identify their needs and wishes and, moreover, incorporate these into our product design process. We've been focused on the following areas:

1 Professionalism

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 Personal integrity

We have transformed 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.

3 Wellbeing

Each project design is tested, focusing on the 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 Sustainability

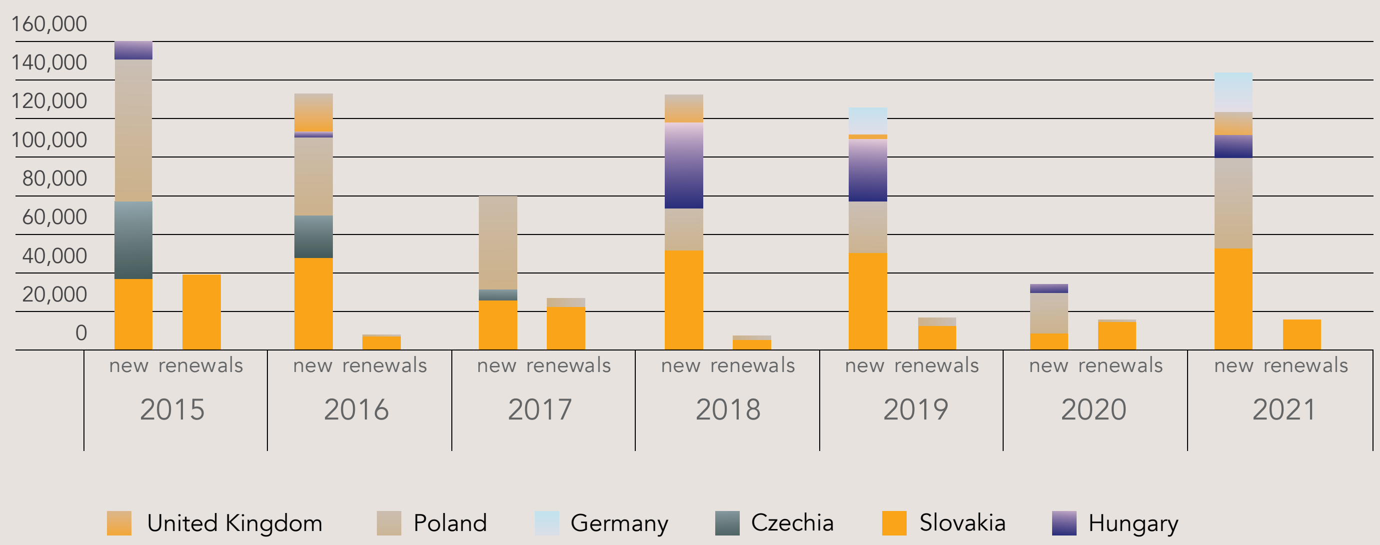
We are elevating our sustainability standards and design goals to at least BREEAM 'Excellent', and we aspire to comply with WELL standards as soon as feasible.

Leasing and marketing

We've invested significant effort and resources during recent years into building our leasing and marketing teams across the Group. These teams consistently and efficiently use the Group's know-how that has been accumulated over 28 years. In terms of the numbers, it was a successful year.

Our leasing teams signed contracts for about 160,000 sq m GLA, over 3 times that of pandemic impacted 2020. Despite the challenging situation in some of our markets, we've recorded one of our best leasing performances ever driven also by beating our value targets on leased space due to offering premium product and services.

Leasing Activity according to GLA



Group Development Total

	GLA sq m	Valuation 2020	Valuation 2021	ERV	GDV	Value Change	Invest-ment 2021
Retail	0	0	0	0	0	0	0
Office	1,110,450	1,711.0	2,586.0	336.6	7,886.2	875.0	411.1
Residential	126,516	48.5	104.3	0	630.1	55.8	1.2
Total Development 2020	**1,236,996**	**1,759.4**	**2,690.3**	**33.6**	**8,516.3**	**930.8**	**412.3**
Additions to portfolio 2021	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Completions 2021	**181,377**	**688.9**	**1,002.2**	**54.4**	**1,209.2**	**313.3**	**141.1**
Office	828,073	1,022.1	1,583.8	282.3	6,677.0	561.7	270.0
Residential	126,516	48.5	104.3	0	630.1	55.8	1.2
Total Pipeline for 2022	**1,055,589**	**1,070.6**	**1,688.1**	**282.3**	**7,307.1**	**617.6**	**271.2**

Note: All figures in €m, except GLA.

Note: Figures are based on external expert valuations and internal management reports.

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.

Developments in the office segment continued to achieve growth, adding around €814m of value and reaching a total of €2,255m* (including completed properties before their transfer to use). In terms of the creation of net value of the required investment to achieve value growth, office properties contributed €328m* (net of the yield shift).

Development portfolio structure

Geographically, the structure of our whole development portfolio is continuously shifting towards western countries, where the UK and Germany represent 53% of the future value in our pipeline. At year end 2021, the share of UK assets represented 45% of the whole portfolio, Poland 11%, Czechia 5%, Slovakia 27%, Hungary 4% and Germany 8%, all based on the expected gross development value.*

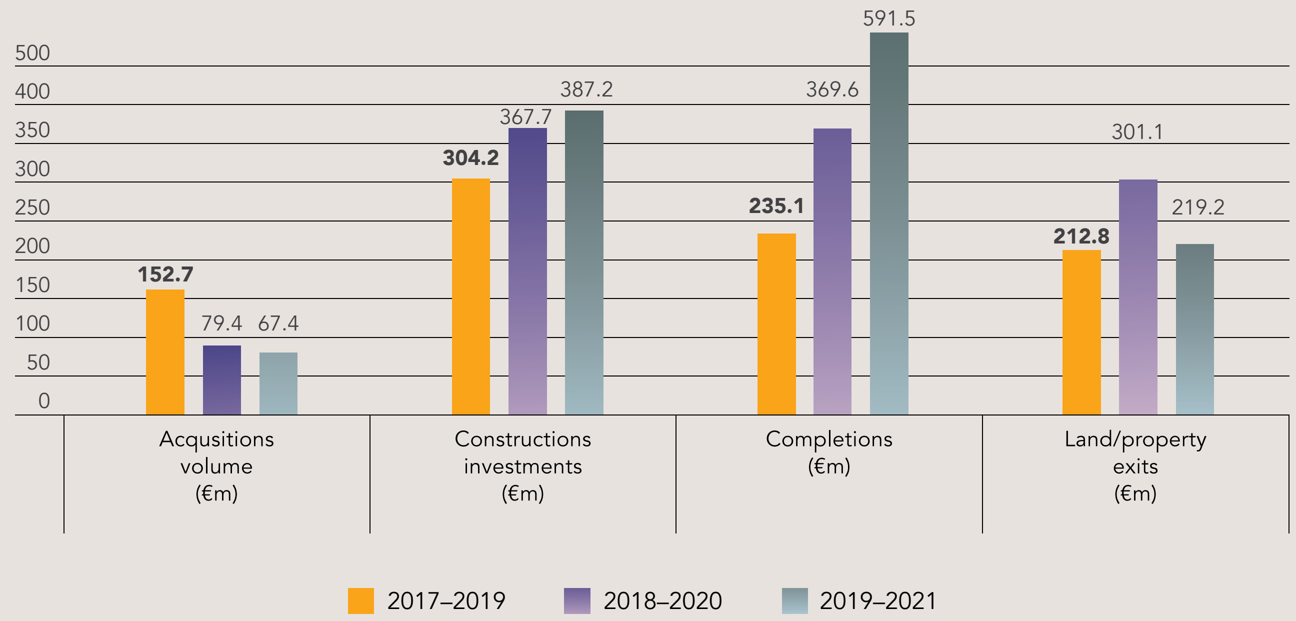
As far as segments are concerned, during 2021 our strategic focus on office development reflects its 92% share of our development portfolio value, while residentials (only in Bratislava) accounts for 8% based on gross development value.*

Performance of development activities

We successfully continued our robust development programme that was started in 2017 – 2019 and peaked at the beginning of 2020. Driven by massive deliveries in 2021 (Nivy Mall, Bloom Clerkenwell, Forest Campus and DSTRCT.Berlin), the share of our development portfolio increased to 46% (2020: 75%).

Efficient construction is a way of life at HB Reavis

Group Development Activity, moving averages 2017-2021



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

11 How We Managed Our Assets

More reasons to enjoy work

There was no doubting the popularity of the More service before COVID. But now, with perceptions and expectations of the workplace changed so dramatically, our range of features and innovations has helped employers prove they can deliver exactly what their people need.

We re-purposed a number of workstreams to make the 'return to the office' enticing, evolving new services, offers (to help retailers as well as employees), and community and health activities.

There was a wider focus too, embracing new modes of working by offering hybrid online and in-person events, including yoga, functional training, bartending classes and more. Throughout, the team made a point of keeping dialogue open with tenants, ensuring they had the tools to meet their aims.

Not least was a renewed focus on health & safety. Disinfection routines included extra elements for specific surfaces, and social distancing was encouraged in lifts and common areas. Furthermore, as well as our standard ventilation and HVAC disinfection practices, we developed strict COVID procedures to handle any cases of people testing positive.

Hi.Building

The integration of the Hi.Building app into our services has helped us add another dimension to everyday office life and wellbeing.

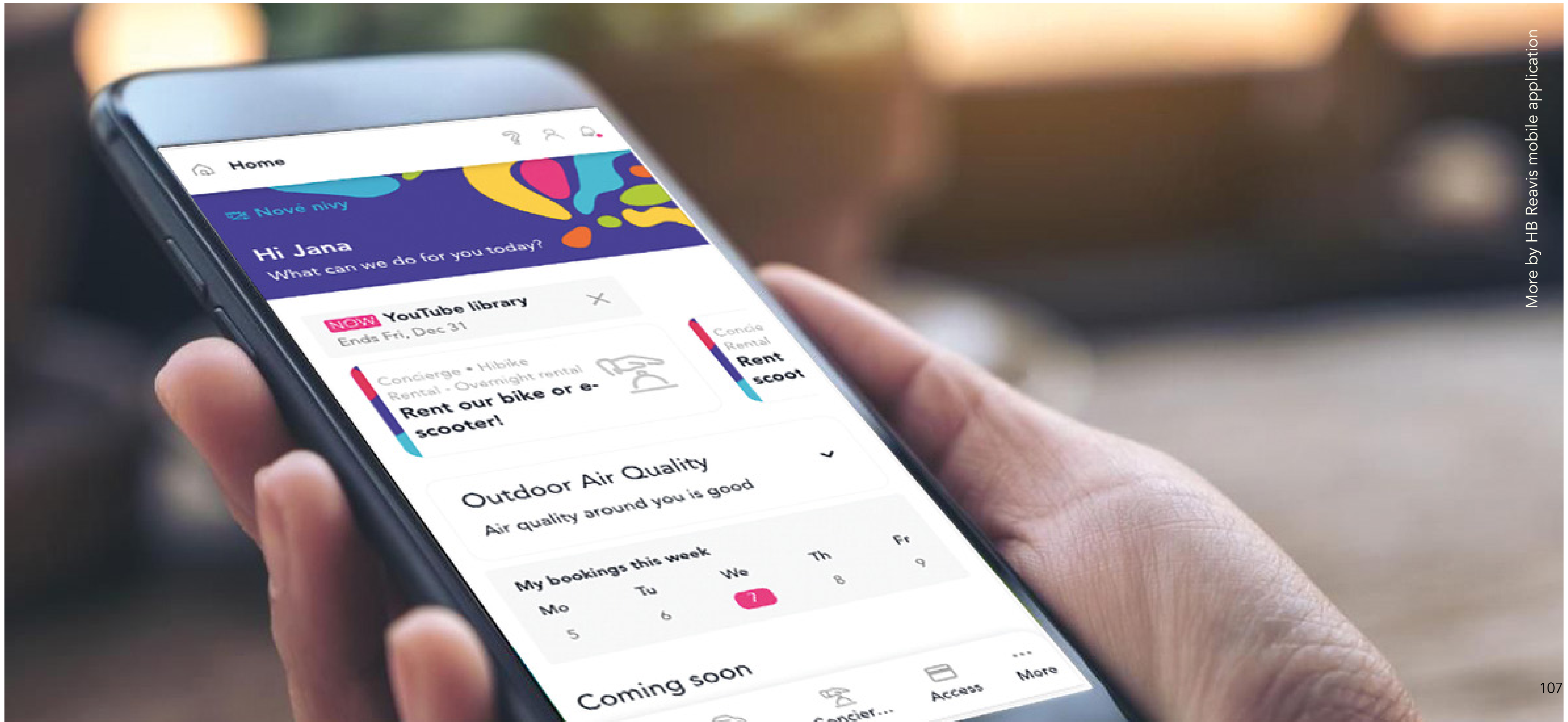
Now we can provide contactless journeys from entrance to desk across many of our sites. With a wave of their phone, users can access buildings, parking lots, common areas and lifts. The app is linked to other services too, such as our concierge, free bike and e-scooter hire, news, yoga classes and special offers.

As well as removing the need for plastic cards, the solution combines hospitality with innovation – and since visitors can download and use it, it's now easy for businesses to provide a state-of-the art guest experience.

Continuous innovation

We haven't stood still. An NPS survey across a number of our workspaces drew some interesting responses – and drove important changes. We've improved access to public transport, cycle storage, taxi ranks and car sharing pick up points. There are new eating and drinking options, serving a wider range of diets, cuisines, occasions and price points. And we've honed our mixes of shops, services and amenities to better suit clients' needs.

Going forward, all our new projects will come with More services as standard. Clients will simply customise which features they want and enjoy the experience they provide.



More by HB Reavis mobile application

11 How We Managed Our Assets

New Nivy, Bratislava, Slovakia

Income producing asset portfolio

Forest

Location: Burakowska, Wola district, Warsaw
Status: Completed / Under construction
Expected Delivery: 2021-2022
Estimated GLA: 79,349 sq m/854,102 sq ft
Estimated GDV: €211m (Tower) + €94m (Campus)/ £177m (Tower) + £80m (Campus)
Architects: HRA Architects
Expected Certifications:
BREEAM Communities Very Good, BREEAM Excellent precertified, WELL Precertified Gold

Note: The estimated GLA/GDV and delivery of the project are subject to the successful closing of acquisitions, permitting, construction delivery and commercialisation.

200 trees

A campus-style environment, Forest promises around 79,300 sq m /854,000 sq ft of workspace, ground floor retail and restaurant opportunities – and a public courtyard filled with 200 trees. Perfect for corporate, creative and startup businesses, it will offer the city's largest floor plate as well as astonishingly flexible office layouts and coworking spaces.

The roofs also feature a community garden, relaxation zones and views of the lush plantings – with the aim of improving the health, wellbeing and productivity of the people who work there.

It's an approach that helped it become one of the country's greenest offices, with BREEAM and BREEAM Communities certifications as well as WELL Precertification.

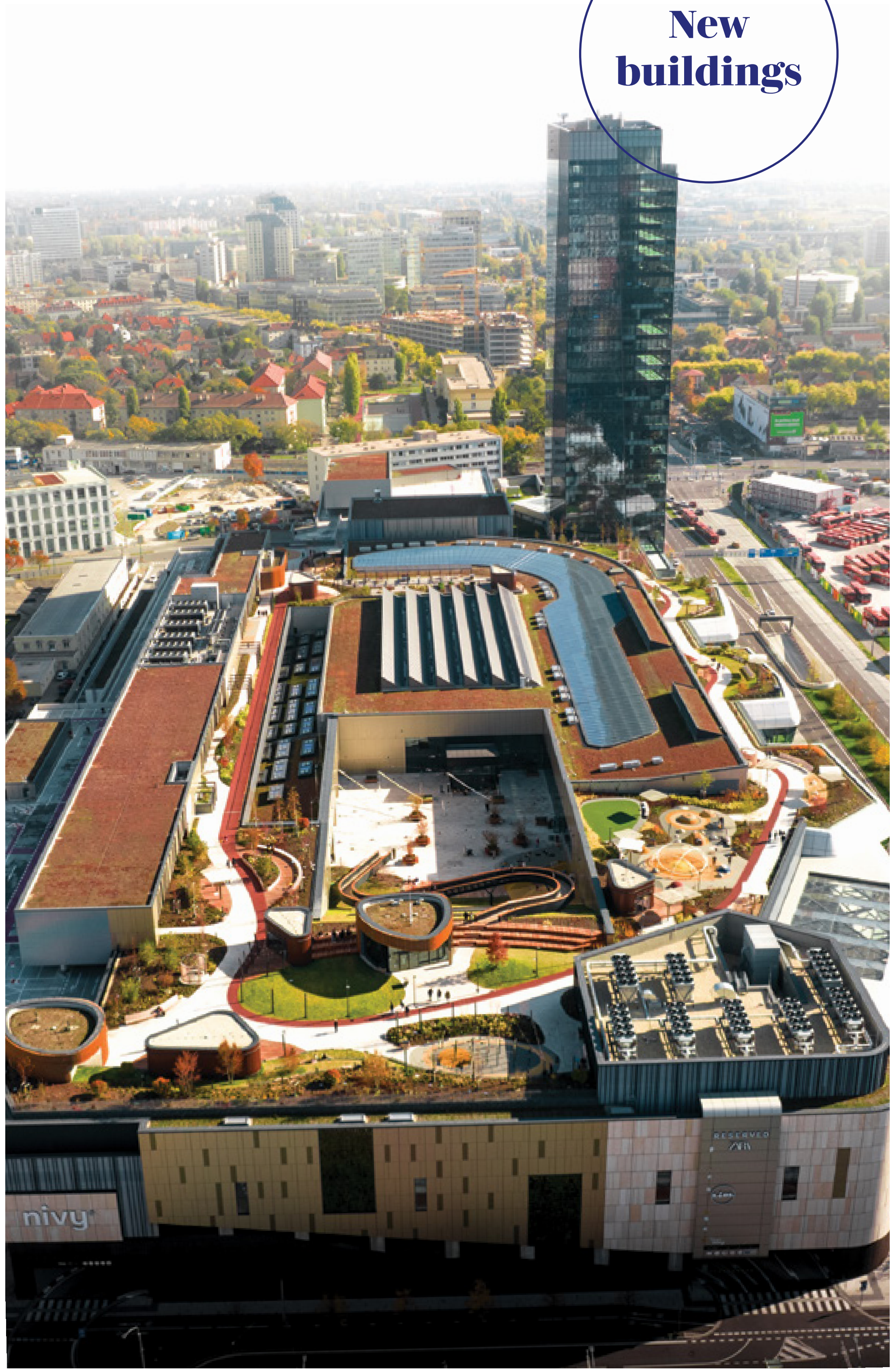
The first buildings were completed in Q1 2021, and the 120-metre tall Forest Tower will be ready in Q1 2022.

11 How We Managed Our Assets

New buildings

The design maximises resources. Rainwater will be reused to irrigate the landscaping and improve Forest's carbon footprint.

New buildings



Nivy Mall & Bus Station

Location: Mlynske nivy, Bratislava
Status: Delivered
Delivery: September 30th, 2021
Key functions: Bus station, shopping centre, food & fresh market, green roof (sport & relax)
GLA: 104,586 sq m/1,125,597 sq ft
Estimated GDV: €375m/£315m
Architects: Benoy, Siebert+Talas
Certifications:
BREEAM Communities, BREEAM WELL expected Q2/2022
Initial occupancy: 88%

Note: Estimated GLA/GDV and delivery of the project subject to successful closing of acquisition, permitting, construction delivery and commercialization.

over 250 retail outlets

A future-proofed destination, the Nivy centre's location makes it a key transport hub. But it's the breadth of the lifestyle activities offered in one location that elevates its role in the city, which is emphasised by the high traffic it gets. A million visitors visited the Nivy centre within only 24 days of it opening.

The design draws inspiration from our years of experience, feedback from clients and the latest retail trends. Bratislavians now have a new airport-style bus terminal, over 250 retail outlets, a fully-fledged gastronomic zone and fresh produce market, and a green roof for exercise and relaxation – all within a dynamically developing business and residential zone.

12 Investment Management

5 income-producing properties

4 office buildings
+ 1 shopping mall

109,000 sq m

in investment portfolio

€345m

market value

more than 200 lease contracts

with an average lifetime of 4 years

HB Reavis' investment management arm was founded eleven years ago and is a key pillar of our strategy. With a heritage in real estate, the team focuses on delivering exceptional long-term returns and superior client service for investors looking for value in European commercial real estate.

The business capitalises on its asset management capabilities and 29-year track record of leasing, asset management capabilities, property management and construction management. We believe that our active asset management, opportunistic trading approach and strategic decision making are the driving force behind the consistent returns we deliver to our investors.

The CE REIF fund has, since its inception in 2011, on average delivered excellent returns of 10% p.a., of which more than half has been distributed in cash to investors. These returns are the fruit of our diligent focus on maximising returns and enhancing the portfolio's value through excellent lease management and hands-on asset management.

The total assets under management grew to €345 million with an increasing number of investors trusting us to manage their wealth and funds.

13 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 key tenant 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 their actual 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 over the last couple of years, we accumulated cash at year end 2021 amounting to €238.7 million.

This will help us continue our robust development programme and support our growth both in an organic manner and potentially through acquisitions, should the opportunity come our way.

In 2021, dividends paid to our shareholders reached 1.84% of NAV, reflecting the challenges of the pandemic year and in line with our financial policy guidelines.

Our financial policy formalises the key financial measures:

1 Gross debt

Target Gross Debt to Total Assets at 40% and Net Debt to Total Assets at 35% with an appropriate mix of non-recourse project debt and Group-level debt.**

2 Debt maturity

The initial maturity of project loan financing and issued bonds should commensurate with the length of our product development cycle.

3 Cash reserve

A cash reserve target of at least 5% of total Group debt, with a special reserve build-up profile to cover future debt-bullet repayments well in advance.

4 Dividend pay-outs

Dividend pay-outs are in line with historical levels up to 4% of NAV.

5 Hedging policy

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 and property cycles.

Note: Data 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 excluded non-core properties. For segment information related to non-core segments, see Note 6 in the Consolidated Financial Statements. For balances presented in the Segmental Analysis in the Consolidated Financial Statements, see Note 6 of the Consolidated Financial Statements.

€289m
NET PROFIT

€319m
TOTAL COMPREHENSIVE INCOME

€442m
EBIT

€34m
NET RENTAL INCOME

€497m
NET REVALUATION PROFIT*

€1.897bn
NET ASSET VALUE

27.1%
SHAREHOLDERS' RETURN

41%**
NET DEBT LEVERAGE RATIO

*Note: Including impacts of translation reserve.

**In line with the announced Group's intention aimed at consolidating part of the Group's investment portfolio and prospective separation of portion of its assets from the Group, the Group's leverage increased in course of 2021 as a result of higher proportion of income producing assets on the Group's total assets.

How we performed
In terms of overall performance, the 2021 financial results were strongly driven by re-activated leasing market, contributing to a revaluation gain of €497.4m (including translation of foreign operations to the presentation currency), up from a loss of €41.2m in 2020. At €34.1m, net operating income from investment property, in line with our expectations, increased slightly (2020: €27.8m).

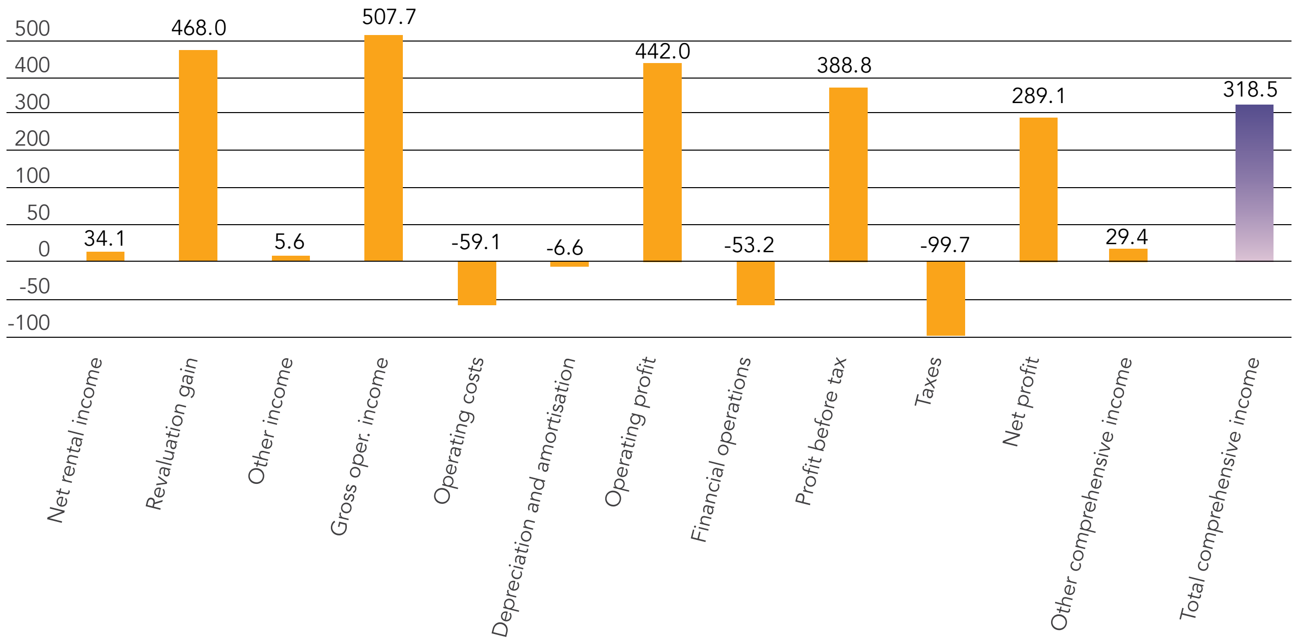
In terms of the operating profit, the Group recorded €442.0m (2020: loss of €8.4m). The Group balance sheet increased to over €4.0bn. Adjusted net asset value reached €1.897bn. Our net debt leverage ratio was just above our targeted range of 35-40%, reaching 41.4%* (38.2% in 2020).

Bottom line:

We achieved a total comprehensive income of €318.5m (2019: €-183.8m).

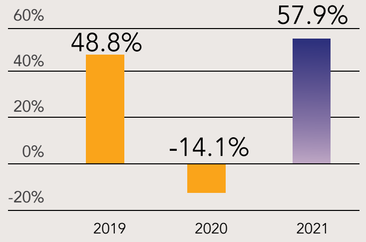
€m	2018	2019	2020	2021
Assets	2,349.9	3,040.3	3,097.1	4,016.0
Cash	173.8	122.6	192.7	238.7
Borrowings	891.5	1,106.8	1,376.8	1,902.5
Net Debt Leverage Ratio	**26.8%**	**30.5%**	**38.2%**	**41.4%**

Group profit decomposition (€m)

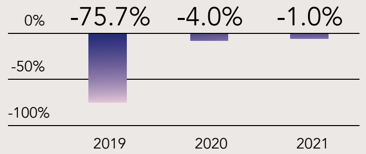


*In line with the announced Group's intention aimed at consolidating part of the Group's investment portfolio and prospective separation of portion of its assets from the Group, the Group's leverage increased in course of 2021 as a result of higher proportion of income producing assets on the Group's total assets.

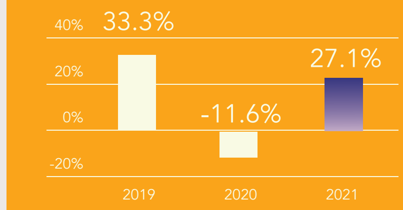
Property Under Development



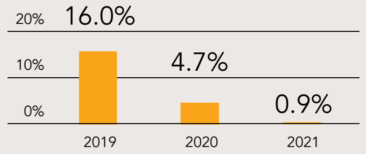
Non-Core



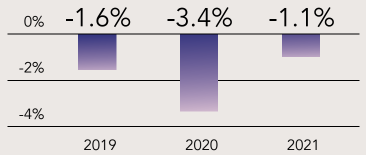
Return to Shareholders



Income Producing Property



Cash



Net revaluation gain*
The Net revaluation gain on investment property, including the impact captured by the translation of foreign operations to the presentation currency) resulted in €497.4m (2020: -41.2m). This represents a significant year-on-year shift, driven by the pandemic emergency of 2020 and related market lockdowns, leading to leasing activity fallouts and general development progress slowdown in 2020.

When adjusted for yield shift, the Group achieved a €303.2m (2020: €26.7m) net revaluation gain while the positive yield shift contributed to overall profit by €194.2m (2020: €-67.9m).
The average investment property portfolio yield decreased by 29 basis points to 4.79%, as we continued investments in lower-yielding UK and German projects, while reducing relative weight of the historically strong CEE portfolio. Income producing assets, primarily driven by higher yielding Slovak assets, were valued at a 5.02% yield at the end of 2021. The average valuation yield of our development properties, now more heavily weighted to UK, Polish and German assets, was also down by 26 basis points to 4.48%.

As our strategy in the medium term is to keep and manage our assets longer after they become mature, the growth potential for our net operating income is 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, leasing and revaluation drivers impacted the development portfolio with a ROE of 57.9% (2019: -14.1%), while income producing property recorded a ROE of 0.9% (2019: 4.7%). The ROE of our non-core portfolio lagged behind with -1%, as did the cash at -1.1% at the end of 2021.

*Note: Data based on external expert valuations and internal management reports.

14 _ Consolidated Financial Statements

Auditor's Report

Consolidated financial statements as at and for the year ended 31 December 2021

Contents

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 2021, 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 2021;
- 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. 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;

pwc

- 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, 28 April 2022

Alessio Chiesa

In millions of EUR	Note	31 December 2021	31 December 2020 Restated
ASSETS			
Non-current assets			
Investment property in use or vacant	10	1,976.9	715.4
Investment property under development	10	1,520.3	1,749.2
Investment in joint ventures	11	-	2.3
Property, plant and equipment	8	6.7	4.6
Right-of-use assets	9	9.8	12.9
Intangible assets		2.9	2.4
Receivables and loans	12	41.1	6.8
Deferred income tax asset	30	3.6	10.8
Other non-current assets	13	8.3	11.4
Total non-current assets		**3,569.6**	**2,515.8**
Current assets			
Non-current assets held for sale	15	77.7	300.8
Inventories	19	76.5	0.3
Trade and other receivables	7, 14	43.6	53.3
Other current assets	18	9.9	34.2
Restricted cash	16	26.0	48.2
Cash and cash equivalents	17	212.7	144.5
		368.7	**280.5**
Total current assets		**446.4**	**581.3**
TOTAL ASSETS		**4,016.0**	**3,097.1**
EQUITY			
Share capital (30,000 shares at EUR 1.00 each)	20	-	-
Share premium	20	792.7	820.5
Retained earnings		932.0	642.9
Revaluation reserve for assets transferred to investment properties at fair value		3.8	3.8
Currency translation reserve	2, 4	(51.8)	(81.2)
Equity attributable to the Company's owners		1,676.7	1,386.0
Non-controlling interest		0.1	0.1
TOTAL EQUITY		**1,676.8**	**1,386.1**
LIABILITIES			
Non-current liabilities			
Borrowings	21	1,423.1	965.2
Deferred income tax liability	30	223.0	130.7
Trade and other payables	7, 22, 30	39.4	31.9
Lease liabilities	9	35.1	43.0
Total non-current liabilities		**1,720.6**	**1,170.8**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	15	0.9	121.9
Borrowings	21	479.4	266.8
Trade and other payables	7, 22	119.7	101.6
Lease liabilities	9, 21	10.9	42.1
Deferred income	22	7.7	7.8
		617.7	**418.3**
Total current liabilities		**618.6**	**540.2**
TOTAL LIABILITIES		**2,339.2**	**1,711.0**
TOTAL LIABILITIES AND EQUITY		**4,016.0**	**3,097.1**

These consolidated financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.A. on 4 April 2022 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.

Peter Vážan Director A	Liviu-Constantin Rusu Director A	Peter Pecník Director B

The accompanying notes on pages 6 to 75 are an integral part of these consolidated financial statements

In millions of EUR	Note	2021	2020
Rental and similar income from investment property	23	59.9	50.6
Direct operating expenses arising from investment property	24	(25.8)	(22.8)
Net operating income from investment property		**34.1**	**27.8**
Net revaluation gain on investment property	10	468.0	28.7
Share of profit or (loss) of joint ventures	11	(1.3)	(0.1)
(Loss)/gain on disposal of investment in associate		-	(7.7)
Gain/(Loss) on disposal of subsidiaries	29	2.7	(8.6)
(Loss) on disposal of joint venture	11	(0.1)	-
Other operating income	7, 27	5.2	8.9
Revenue from construction contracts	28	18.7	25.5
Construction services	28	(19.6)	(21.9)
Employee benefits	7, 26	(20.5)	(22.8)
Depreciation and amortisation		(6.6)	(5.7)
Other operating expenses	27	(38.6)	(32.5)
Operating profit/(loss)		**442.0**	**(8.4)**
Interest income calculated using the effective interest method		0.2	0.5
Interest expense	21	(50.7)	(40.6)
Foreign exchange gains/(losses), net	31	1.9	(40.3)
Net gains/(losses) on financial derivatives		4.7	(14.2)
Other finance income		0.2	-
Other finance costs		(9.5)	(8.9)
Finance costs, net		**(53.2)**	**(103.5)**
Profit/(Loss) before income tax		**388.8**	**(111.9)**
Current income tax expense	30	(5.3)	(2.1)
Deferred income tax (expense)/benefit	30	(94.4)	0.1
Income tax expense		**(99.7)**	**(2.0)**
Net profit/(loss) for the year		**289.1**	**(113.9)**
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		31.0	(78.2)
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	29	(1.6)	8.3
Total other comprehensive income/(loss)		29.4	(69.9)
Total comprehensive income/(loss) for the year		**318.5**	**(183.8)**
Net profit/(loss) is attributable to:			
- Owners of the Company		289.1	(113.9)
- Non-controlling interest		-	-
Profit/(Loss) for the year		**289.1**	**(113.9)**
Total comprehensive income/(loss) is attributable to:			
- Owners of the Company		318.5	(183.8)
- Non-controlling interest		-	-
Total comprehensive income/(loss) for the year		**318.5**	**(183.8)**

The accompanying notes on pages 6 to 75 are an integral part of these consolidated financial statements

		Attributable to owners of the Company							
In millions of EUR	Note	Share capital (Note 20)	Share premium (Note 20)	Retained earnings	Translation reserve	Revaluation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2020		**-**	**402.5**	**1,198.3**	**(11.3)**	**3.8**	**1,593.3**	**0.1**	**1,593.4**
Loss for the year		-	-	(113.9)	-	-	(113.9)	-	(113.9)
Other comprehensive loss		-	-	-	(69.9)	-	(69.9)	-	(69.9)
Total comprehensive loss for 2020		**-**	**-**	**(113.9)**	**(69.9)**	**-**	**(183.8)**	**-**	**(183.8)**
Distribution to owners	20	-	(23.5)	-	-	-	(23.5)	-	(23.5)
Retained earnings capitalisation		-	441.5	(441.5)	-	-	-	-	-
Balance at 31 December 2020		**-**	**820.5**	**642.9**	**(81.2)**	**3.8**	**1,386.0**	**0.1**	**1,386.1**
Profit for the year		-	-	289.1	-	-	289.1	-	289.1
Other comprehensive income		-	-	-	29.4	-	29.4	-	29.4
Total comprehensive profit for 2021		**-**	**-**	**289.1**	**29.4**	**-**	**318.5**	**-**	**318.5**
Distribution to owners	20	-	(27.8)	-	-	-	(27.8)	-	(27.8)
Balance at 31 December 2021		**-**	**792.7**	**932.0**	**(51.8)**	**3.8**	**1,676.7**	**0.1**	**1,676.8**

The accompanying notes on pages 6 to 75 are an integral part of these consolidated financial statements

In millions of EUR	Note	2021	2020 Restated
Cash flows from operating activities			
Profit/(Loss) before income tax		388.8	(111.9)
Adjustments for:			
Depreciation and amortisation	8, 9	6.6	5.7
Revaluation gains on investment property	10	(468.0)	(28.7)
Gains/(losses) on disposals of subsidiaries	29	(2.7)	8.6
Share of loss of joint ventures	11	1.3	0.1
Result on disposal of joint ventures	11	0.1	-
Interest income calculated using the effective interest method		(0.2)	(0.5)
Interest expense	21	50.7	40.6
Unrealised foreign exchange (gains)/losses	31	(2.4)	39.6
Unrealised (gains)/losses from financial derivatives		(2.9)	18.1
Loss on disposal of investment in associate		-	7.7
Transaction costs amortisation		7.6	0.9
Operating cash flows before working capital changes		(21.1)	(19.8)
Working capital changes:			
Decrease/(increase) in trade and other receivables		5.8	54.3
Increase/(decrease) in trade and other payables		19.0	(1.8)
Cash generated from/(used in) operations		3.7	32.7
Interest paid		(31.6)	(31.8)
Income taxes paid		(2.8)	(5.8)
Net cash used in operating activities		**(30.7)**	**(4.9)**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(0.2)	(2.1)
Purchases of investment properties including advance payments made	10	(120.2)	(78.3)
Loans (provided) to/repaid by related parties	7	(0.8)	1.4
Construction costs related to investment properties	10	(302.3)	(391.7)
Construction costs related to inventory property	19	(2.4)	-
Contribution to investment in joint venture		-	(0.2)
Proceeds from sales of subsidiaries, net of cash disposed	29	34.1	131.5
Proceeds from disposal of investments in joint ventures, net of cash disposed		0.9	-
Proceeds from disposal of own use premises and equipment	8	0.2	0.3
Proceeds from sales of investment property	10	4.8	-
Proceeds from sale of financial investments		-	17.5
Acquisition of intangible assets		(1.4)	(1.4)
Restricted cash decrease/(increase)	16, 2.2	22.2	(44.1)
Net cash used in investing activities		**(365.1)**	**(367.1)**
Cash flows from financing activities			
Proceeds from borrowings	21	661.4	539.0
Repayment of borrowings	21	(125.5)	(109.1)
Repayment of lease liabilities	21	(44.1)	(8.4)
Distributions paid to owners	20	(27.8)	(23.5)
Net cash from financing activities		**464.0**	**398.0**
Net increase in cash and cash equivalents		**68.2**	**26.0**
Cash and cash equivalents at the beginning of the year		144.5	118.5
Cash and cash equivalents at the end of the year		**212.7**	**144.5**

The accompanying notes on pages 6 to 75 are an integral part of these consolidated financial statements

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 2021 for HB Reavis Holding S.A. (the "Company") and its subsidiaries (together referred to as the "Group" or "HB REAVIS Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a public limited liability company (société anonyme) and was set up in accordance with the Luxembourg regulations on 20 October 2010. The Company is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg no. B 156.287.

HB Reavis Holding S.A. is ultimately controlled by Mr. Ivan Chrenko. The Group's immediate parent company is Hastonville Holdings Limited based in Cyprus with a 64.7% equity share as of the date of issuance of these consolidated financial statements. The remaining shares are held by Kennesville Holdings Ltd. (29.0%) and Skymound Ltd. (6.3%) (31 December 2020: Kennesville Holdings Ltd. held 100% of equity shares). The Group's ultimate parent company is Camron Holdings Limited 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 the Czech Republic. 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 a prominent South Bank location next to the Waterloo station. In 2019, the project had received a permit enabling development of over 122,000 sqm of office scheme for the projected Gross Development Value of EUR 2.8 billion. Our aim is to commence construction of the new scheme in 2022/23 and delivery in 2027-2028. The Group has also an acquired additional land plot in 2018, in London, UK, project called Bloom with Gross Development Value of EUR 350 million, delivered in 2021. In February 2020 the Group had secured additional project for the pipeline in London, called Worship square, with planned completion in 2024 and projected Gross Development Value of EUR 266 million.

With respect to Group's expansion to Germany, two acquisition opportunities have been secured in 2018. In Berlin, District project was under construction since 12/2018, delivered at the end of 2021; Gross Development Value reaches about EUR 450 million. A land plot in Dresden, Germany, has been added into the portfolio in 07/2018, the scheme design is under preparation. In 2021, Ostbahn project in Berlin has been secured, to be developed by end of 2024, creating value of EUR 350 million.

In Bratislava, Slovakia, project called Nove Apollo has been acquired in August 2021; construction was commenced by the Group prior to the acquisition, in 01/2021, opening is expected by mid-2023.

In terms of deliveries, Agora Tower and Hub projects in Budapest, Hungary, have been completed over the summer 2020 and were handed over to tenants. Varso I and Varso II buildings in Warsaw, Poland have been delivered during the first half of 2020. In 2021, completions followed in Poland and in the UK; Forest Campus in Warsaw in March; Bloom, London, was completed in July. Centrum Nivy, in Bratislava has been opened in September, while District, in Berlin, Germany, followed in December. As of the date of preparation of these consolidated financial statements, construction of Forest Tower and Varso Tower projects, both in Warsaw, Poland, Worship square, in London, UK and Nove Apollo, in Bratislava, Slovakia are in progress.

In 2021, sale of Museo, Prague, Kesmark in Budapest and Eurovalley land plot, Plavecky Stvrtok in Slovakia, were successfully closed. In 2020, the Group divested 3 completed schemes; Twin City B, Bratislava, Slovakia, 20 Farringdon, in London, UK and Postepu14, Warsaw, Poland.

HB Reavis Real Estate Fund structure. HB Reavis Real Estate Investment Fund (the "Fund") is an umbrella fund incorporated under the laws of Luxembourg under the form of a corporate partnership limited by shares (société en commandite par actions or S.C.A.) organized as an investment company with fixed capital (société d'investissement à capital fixe or SICAF) and registered as an undertaking for collective investment governed by Part II ("UCI Part II") of the law of 17 December 2010 on undertakings for collective investment, as amended from time to time (the "2010 Law") and the law of 10 August 1915 relating to commercial companies, as amended from time to time (the "1915 Law"). It is also governed by specific management regulations dated June 2012. The Fund was set up on 25 May 2011 and was registered as an investment company with variable capital (SICAV-SIF) until 27 April 2017. The Fund is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg B 161.180. Furthermore, the Fund is in the scope of the Alternative Investment Fund Management Law of 12 July 2013 ("AIFM Law") and qualifies as an Alternative Investment Fund ("AIF").

The Fund launched its first Sub-Fund named HB Reavis CE REIF (hereafter "Sub-Fund A" or "CE REIF") in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter "Sub-Fund B" or "Global REIF") was launched on 15 September 2015. The Fund is managed for the account of and in the exclusive interest of its shareholders by its general partner HB Reavis Investment Management S.à r.l. (the "Management Company"), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 1b, rue Jean Piret, L-2350 Luxembourg and by its AIFM Crestbridge Management Company S.A., a licensed with the Luxembourg financial regulator the CSSF.

CE REIF Sub-Fund. While there are no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund will mainly invest in Slovakia, the Czech Republic, Poland and Hungary, as well as in any European Union country, Switzerland and in the United Kingdom in commercial real estate assets. The CE REIF Sub-Fund portfolio provides investments in prime properties located in Slovakia and Czech Republic. The office segment investments are restricted to A-class properties located in central business districts of capital and regional cities in any European Union country, Switzerland and in the United Kingdom.

The retail segment investments will be made in both capital and regional cities of any European Union country, Switzerland and in the United Kingdom. Investments in logistic properties will be restricted to attractive and strategic locations only. CE REIF Sub-Fund seeks to maximize its value via investing in properties which in the past proved to bear characteristics of prime-commercial real estate properties which implies to have a top-tier tenants' portfolio located in prime or strategic locations and soundly technically and architecturally built. CE REIF Sub-Fund seeks to enhance the value of its properties through excellent lease management to maximize property income. The Group lost control of the Sub-Fund A in 2017 and remaining interest as at 31 December 2021 is immaterial to the Group. From 1st January 2020 CE REIF Sub-Fund Investor shares are listed on the regulated market of the Luxembourg Stock Exchange.

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. 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, but without any specific location restriction. The retail segment investments are aimed to be made in both capital and regional cities of EU countries.

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

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

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 33. Valuation of properties of the Group in the less liquid markets necessarily involves an element of judgement. The critical accounting judgments used in valuation of the Group's investment properties are described in Note 3.

Registered address and place of business. The Company's registered address and principal place of business is:
21 Rue Glesener
L-1631 Luxembourg
Grand-Duchy of Luxembourg

As at 31 December 2021 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. Except for the correction of Restricted cash balance presentation described in Note 2.2, the accounting policies have been consistently applied to all the periods presented. Minor amendments have been made to the comparative periods to improve the clarity of the information disclosed.

2.1 Basis of Preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 31 December 2021.

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) and derivatives at fair value.

Towards the end of 2019, a new virus causing a severe acute respiratory syndrome ("COVID-19") emerged and infections started to occur around the globe. Subsequently, on 11 March 2020, the World Health Organisation ("WHO") declared it a pandemic and national governments have implemented a range of policies and actions to combat it. As a result, the normal economic activity has almost come to a halt with severe restrictive consequences for the conduct of business.

The management has focused on the following key areas in the cash flow projections to see how the Group is resilient to negative impact of COVID-19:
- Overall liquidity position and access to existing and new credit facilities,
- Ability to meet the covenants of the Group's debt arrangements,
- Declining demand, falling sales and margin pressures experienced by Group's current and future tenants in office segment, retail, co-working and hospitality industry,
- Disruptions in domestic and international supply chains, logistics and shortage of construction workers due to restrictive measures protecting health, adversely impacting construction budgets and progress in construction works.

The Group assumed ability to raise additional financing using a high value asset with no current leverage and ability to continue raising finance under existing commitments for large projects that are currently fairly late in the development cycle – Varso Tower and Forrest Tower in Warsaw and Nove Apollo in Bratislava. As of the date of preparation of these consolidated financial statements all loan utilisation requests related to these projects were fully funded by the financing banks. In addition to the above, the Group has EUR 383.0 million of undrawn borrowing facilities as at 31 December 2021 (Note 21). Based on the assessment the Group believes that it has a solid financial position that will enable it to sustain the current disruptions in the economic environment.

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 35.

2.2 Correction of Prior Period Classification

During the preparation of 2021 Consolidated financial statements, the Group identified material balance of restricted cash presented under Cash and cash equivalents as at 31 December 2020. To correct the classification, comparative data presented in Consolidated Statement of Financial Position as at 31 December 2020 have been restated. The correction of prior year classification did not have a material effect on the information in the consolidated statement of financial position at the beginning of the comparative period.

The impact of the described restatement is summarised in the table below:

Consolidated statement of financial position

In millions of EUR	31 Dec. 2020	Change of presentation	31 Dec. 2020 Restated
Cash and cash equivalents	192.7	(48.2)	144.5
Restricted cash	-	48.2	48.2

Consolidated Statement of Cash Flows

In millions of EUR	31 Dec. 2020	Change of presentation	31 Dec. 2020 Restated
Restricted cash	(21.9)	(22.2)	(44.1)
Cash and cash equivalent at the end of the year	166.7	(22.2)	144.5

Change in presentation of comparative data does not have impact on net assets value as at 31 December 2020 and 31 December 2021.

2.3 Consolidated Financial Statements

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

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

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

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2021	31 December 2020
1	**HB Reavis Holding S.A. (Parent Company)**	EUR	Luxembourg	N/A	N/A
2	HB Reavis DE1 S.à r.l.	EUR	Luxembourg	100	100
3	HB Reavis DE3 S.à r.l	EUR	Luxembourg	100	100
4	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	100	100
5	Symbiosy Luxembourg S.a.r.l.	EUR	Luxembourg	100	100
6	HB REAVIS REAL ESTATE INVESTMENT FUND [5]	EUR	Luxembourg	100	100
7	HB Reavis Strategic Innovations Investments S.à r.l.	EUR	Luxembourg	100	100
8	HBR CE REIF LUX 3 S.à r.l.	EUR	Luxembourg	100	100
9	HBR CE REIF LUX 4 S.à r.l.	EUR	Luxembourg	100	100
10	HubHub Luxembourg S.à r.l.	EUR	Luxembourg	100	100
11	ONE House S.à r.l.	GBP	Luxembourg	100	100
12	SIXTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
13	THIRTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
14	UBX 2 Objekt Berlin S.à r.l.	EUR	Luxembourg	100	100
15	FORTYTWO House S.à r. l.	GBP	Luxembourg	100	100
16	PropCo DE4 S.à r.l.	EUR	Luxembourg	100	100
17	More Luxembourg S.a.r. l.	EUR	Luxembourg	100	100
18	Qubes Luxembourg S.à r.l.	EUR	Luxembourg	100	100
19	HBR KI GP S.a r.l.	EUR	Luxembourg	100	100
20	HB Reavis Investments Holding S.A. [1]	EUR	Luxembourg	100	-
21	HB REAVIS GROUP B.V.	EUR	Netherlands	100	100
22	Twin City Holding N.V.	EUR	Netherlands	100	100
23	WATERFIELD Management B.V.	EUR	Netherlands	100	100
24	HB Reavis RE B.V.	EUR	Netherlands	100	100
25	HBR FINANCING LIMITED	EUR	Cyprus	100	100
26	HBR IM HOLDING LTD	EUR	Cyprus	100	100
27	HBR INVESTORS LTD	EUR	Cyprus	100	100
28	HB REAVIS INVESTMENTS CYPRUS LIMITED [1]	EUR	Cyprus	100	-
29	10 Leake Street Ltd	GBP	UK	100	100
30	33 CENTRAL LIMITED	GBP	UK	100	100
31	4th Floor Elizabeth House Limited	GBP	UK	100	100
32	Elizabeth Property Holdings Ltd	GBP	UK	100	100
33	Elizabeth Property Nominee (No 1) Ltd	GBP	UK	100	100
34	Elizabeth Property Nominee (No 2) Ltd	GBP	UK	100	100
35	Elizabeth Property Nominee (No 3) Ltd	GBP	UK	100	100
36	Elizabeth Property Nominee (No 4) Ltd	GBP	UK	100	100
37	HB Reavis Construction UK Ltd.	GBP	UK	100	100

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2021	31 December 2020
38	HB Reavis UK Ltd.	GBP	UK	100	100
39	HBR Capital Investment LP	GBP	UK	100	100
40	HBR FM LTD	GBP	UK	100	100
41	HubHub UK Ltd	GBP	UK	100	100
42	HB Reavis Investments UK Ltd. [1]	EUR	UK	100	-
43	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
44	AGORA Budapest Kft.	HUF	Hungary	100	100
45	Symbiosy Hungary Kft.	HUF	Hungary	100	100
46	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
47	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
48	HB REAVIS Ingatlanfejlesztési Alap	HUF	Hungary	100	100
49	HB Reavis Qubes Hungary Kft	HUF	Hungary	100	100
50	HubHub Hungary Kft.	HUF	Hungary	100	100
51	KM Ingatlanbérbeadási Kft [2]	HUF	Hungary	-	100
52	AGORA Sky Kft. [1]	HUF	Hungary	100	-
53	HB Reavis Investments Hungary Kft. [1]	HUF	Hungary	100	-
54	ALISTON Finance I s. r. o.	EUR	Slovakia	100	100
55	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
56	ALISTON Finance III s. r. o.	EUR	Slovakia	100	100
57	ALISTON Finance IV s. r. o.	EUR	Slovakia	100	100
58	ALISTON Finance V s.r.o.	EUR	Slovakia	100	100
59	Apollo Business Center III a.s.	EUR	Slovakia	100	100
60	Apollo Business Center V a. s.	EUR	Slovakia	100	100
61	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
62	Bus Station Services s.r.o.	EUR	Slovakia	100	100
63	DVL Engineering a.s.	EUR	Slovakia	100	100
64	Eurovalley, a.s.	EUR	Slovakia	100	100
65	FORUM BC II s. r. o.	EUR	Slovakia	100	100
66	FutureNow s. r. o.	EUR	Slovakia	100	100
67	General Property Services, a.s.	EUR	Slovakia	100	100
68	HB REAVIS Consulting k.s.	EUR	Slovakia	100	100
69	HB REAVIS Finance SK II s. r. o.	EUR	Slovakia	100	100
70	HB REAVIS Finance SK III s. r. o.	EUR	Slovakia	100	100
71	HB REAVIS Finance SK IV s.r.o.	EUR	Slovakia	100	100
72	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
73	HB REAVIS Finance SK V s. r. o.	EUR	Slovakia	100	100
74	HB REAVIS Finance SK VI s.r.o.	EUR	Slovakia	100	100
75	HB REAVIS Finance SK VII s. r. o.	EUR	Slovakia	100	100
76	HB REAVIS Finance SK VIII s. r. o. [1]	EUR	Slovakia	100	-
77	HB Reavis Group s.r.o.	EUR	Slovakia	100	100
78	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
79	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
80	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
81	Smart City Office VIII s.r.o. (former HB Reavis Media s.r.o.)	EUR	Slovakia	100	100
82	Symbiosy s. r. o.	EUR	Slovakia	100	100
83	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held	
				31 December 2021	31 December 2020
84	HB REM, spol. s r.o.	EUR	Slovakia	100	100
85	HBR SFA, s. r. o.	EUR	Slovakia	100	100
86	HubHub Group s.r.o.	EUR	Slovakia	100	100
87	HubHub Slovakia s.r.o.	EUR	Slovakia	100	100
88	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
89	INLOGIS LCR a. s. v likvidácii	EUR	Slovakia	100	100
90	INLOGIS V s. r. o.	EUR	Slovakia	100	100
91	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
92	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
93	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
94	LUGO, s.r.o.	EUR	Slovakia	100	100
95	Nivy Tower s.r.o.	EUR	Slovakia	100	100
96	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
97	Smart City Bridge s. r. o.	EUR	Slovakia	100	100
98	Smart City Eko s.r.o.	EUR	Slovakia	100	100
99	Smart City Office I s.r.o.	EUR	Slovakia	100	100
100	Smart City Office II s.r.o.	EUR	Slovakia	100	100
101	Smart City Office III s.r.o. [3]	EUR	Slovakia	-	100
102	Smart City Office IV s.r.o.	EUR	Slovakia	100	100
103	Smart City Office s.r.o.	EUR	Slovakia	100	100
104	Smart City Office V s.r.o.	EUR	Slovakia	100	100
105	Smart City Office VI s.r.o. [3]	EUR	Slovakia	-	100
106	Smart City Office VII s.r.o.	EUR	Slovakia	100	100
107	Smart City Parking s.r.o.	EUR	Slovakia	100	100
108	Nové Apollo s. r. o. (former: Smart City Petržalka s. r. o.)	EUR	Slovakia	100	100
109	Smart City s.r.o.	EUR	Slovakia	90	90
110	HB Reavis Investments Slovakia s.r.o. (former: Smart City Services s.r.o.)	EUR	Slovakia	100	100
111	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
112	SPC Property III, s. r. o.	EUR	Slovakia	100	100
113	Stanica Nivy s.r.o.	EUR	Slovakia	100	100
114	TC Nivy a. s.	EUR	Slovakia	100	100
115	Smart city office IX s.r.o. (former: HB Reavis Divitiae I s.r.o.)	EUR	Slovakia	100	100
116	Twin City Infrastructure s. r. o.	EUR	Slovakia	100	100
117	Twin City V s.r.o.	EUR	Slovakia	100	100
118	Twin City VIII s.r.o.	EUR	Slovakia	100	100
119	ALISTON Finance VI s. r. o.	EUR	Slovakia	100	100
120	HB REAVIS Finance SK IX s. r. o. [1]	EUR	Slovakia	100	-
121	HB REAVIS Finance SK X s. r. o. [1]	EUR	Slovakia	100	-
122	HB Reavis Entity s.r.o. [1]	EUR	Slovakia	100	-
123	HB Reavis Entity II s.r.o. [1]	EUR	Slovakia	100	-
124	Nová Zvonařka s.r.o.	CZK	Czech Rep	100	100
125	AUPARK Hradec Králové - KOMUNIKACE, s.r.o. [3]	CZK	Czech Rep	-	100
126	DNW Czech s.r.o.	CZK	Czech Rep	100	100
127	GALIM s.r.o. [3]	CZK	Czech Rep	-	100

				Percentage ownership interest and voting rights held	
Number	Subsidiaries	Functional currency	Country of incorporation	31 December 2021	31 December 2020
128	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
129	HB Reavis Finance CZ, s.r.o.	EUR	Czech Rep	100	100
130	HB Reavis Finance CZ II, s.r.o. [1]	EUR	Czech Rep	100	100
131	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
132	HB Reavis IZ s.r.o.	CZK	Czech Rep	100	100
133	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
134	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
135	HubHub Czech Republic, s.r.o.	CZK	Czech Rep	100	100
136	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
137	KELOM s.r.o.	CZK	Czech Rep	100	100
138	MOLDERA, a.s. [3]	CZK	Czech Rep	-	100
139	Nová Zvonařka Bulvár, s.r.o. [1]	CZK	Czech Rep	100	-
140	Phibell s.r.o. [2]	CZK	Czech Rep	-	100
141	HB Reavis Investments Poland Sp. Z p.o. (former: Brookline Investments sp. Z o.o.)	PLN	Poland	100	100
142	HB REAVIS CONSTRUCTION PL Sp. z o. o	PLN	Poland	100	100
143	HB Reavis Finance PL 2 Sp. z o.o.	PLN	Poland	100	100
144	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
145	HB Reavis Poland Sp. z o.o.	PLN	Poland	100	100
146	HB Reavis Qubes Poland Sp. z o.o.	PLN	Poland	100	100
147	HubHub Poland Sp. z o.o.	PLN	Poland	100	100
148	CHM1 Sp. z o. o.	PLN	Poland	100	100
149	CHM2 Sp. z o. o.	PLN	Poland	100	100
150	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
151	Polcom Investment II Sp. z o. o.	PLN	Poland	100	100
152	Polcom Investment III Sp. z o. o.	PLN	Poland	100	100
153	Polcom Investment VI Sp. z o. o.	PLN	Poland	100	100
154	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
155	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
156	Polcom Investment XLIII Sp. z o.o.	PLN	Poland	100	100
157	Polcom Investment XLIX Sp. z o.o.	PLN	Poland	100	100
158	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
159	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
160	Polcom Investment XXIV Sp. z o.o.	PLN	Poland	100	100
161	Polcom Investment XXIX Sp. z o.o. w likwidacji [4]	PLN	Poland	-	100
162	Polcom Investment XXV Sp. z o.o. w likwidacji [4]	PLN	Poland	-	100
163	Polcom Investment XXX Sp. w likwidacji z o.o. [4]	PLN	Poland	-	100
164	Polcom Investment XXXIII Sp. z o.o.	PLN	Poland	100	100
165	Property Hetman Sp. Z o.o.	PLN	Poland	100	100
166	PSD Sp. Z o. o.	PLN	Poland	100	100
167	HB Reavis Finance PL 3 Sp. z o.o.	PLN	Poland	100	100
168	Rainhill Sp. z o. o.	PLN	Poland	100	100
169	Elizabeth House GP LLC	GBP	US	100	100
170	Elizabeth House Limited Partnership	GBP	US	100	100
171	HB REAVIS CIC INVESTCO US, LLC [4]	EUR	US	-	100
172	HB Reavis Construction Germany GmbH	EUR	Germany	100	100
173	HB Reavis Germany GmbH	EUR	Germany	100	100
174	HB Reavis Investments Germany GmbH (former: HB Reavis Verwaltungs GmbH)	EUR	Germany	100	100
175	HubHub Austria GmbH [4]	EUR	Austria	-	100
176	Shoreditch QT Guernsey Limited	GBP	Guernsey	100	100
177	PARIDES Brno, a.s. [6]	CZK	Czech Rep	-	-
178	PARIDES Olomouc, a.s. [6]	CZK	Czech Rep	-	-

				Percentage ownership interest and voting rights held	
Number	Joint ventures	Functional currency	Country of incorporation	31 December 2021	31 December 2020
179	PHVH SOLUTIONS II, s. r. o. 2	EUR	Slovakia	-	50
180	TANGERACO INVESTMENTS LIMITED 2	EUR	Cyprus	-	50

[1] Entities established/acquired by the Group during the year ended 31 December 2021
[2] Entities disposed of during the year ended 31 December 2021 (refer to Note 29)
[3] Entities were part of legal mergers or spin off and subsequently renamed during the year ended 31 December 2021
[4] Entities were liquidated during the year ended 31 December 2021
[5] In January 2017, as a result of sale of controlling share in HB REAVIS CE Real Estate Investment Fund, 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] Entites were acquired in 2021 and merged with HB Reavis CZ, a.s. during the year ended 31.December 2021

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

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The acquisition method is used for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group, except those acquired from parties under common control. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

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

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

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

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

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

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

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

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.

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, associates 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 consolidated statement of changes in equity.

2.4 Foreign Currency Transactions and Translation

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

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

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

Group companies. The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the 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 (loss)/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 (loss)/income.

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 the accumulated currency translation differences is reclassified to non-controlling interest within equity.

2.5 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
Eqipment, 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 2.9).

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.

2.6 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 leased land plots.

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

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 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.

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. The commencement of development is initiated by the active communication with executive representatives of the related municipalities aiming to obtain relevant zoning permission for the investment properties already having confirmed compliance with the land plan. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

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

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

2.7 Right-of-use-assets

The Group leases various offices, equipment, vehicles and land. Rental contracts for offices, equipment and vehicles are typically made for periods of 3 to 10 years, but may have extension options. Rental contracts for land are made for period of 70 years. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

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

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

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For the majority of the right-of-use assets, the asset's useful life is not shorter then the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life which is disclosed in Note 2.5. The Group does not expect to exercise the purchase option in the foreseeable future.

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

2.8 Intangible Assets

Goodwill. See Note 2.3 for the accounting policy on goodwill. Goodwill is not amortised but is tested for impairment at the end of each annual reporting period.

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

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

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

	Useful lives in years
Software and software licences	5 years

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.

2.9 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.

2.10 Restricted Cash

Cash and cash equivalents that are held for a specific purpose thus not available for immediate or general use by the Group. Restricted cash does not include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash results from the agreements with banks or tenants and usually represents cash held on debt service reserve accounts, tenant's security reserve accounts and utilisation accounts.

2.11 Inventory Property

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

Cost incurred in bringing each property to its present location and condition includes:
- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs
- Borrowing cost

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

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

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

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

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

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

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

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

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

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

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

Trade and other receivables. Trade and other receivables are recognised initially at 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. The ECL amount determined using historical loss rates which are adjusted for forward-looking information and applied to different time buckets of receivables.

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

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 2.17 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.

2.13 Lease Liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present values of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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

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

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

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

Operating lease. Where the Group is a lessor in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis. Operating lease receivables are subject to ECL model. The Group calculates ECL on operating lease receivables using a provision matrix estimation technique.

2.14 Current and Deferred Income Taxes

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

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

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

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

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

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

2.15 Share Capital and Share Premium

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

2.16 Dividends and Other Distributions to Owners

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

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

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

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

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

Sales of services 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.

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

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

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

2.22 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.

2.23 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).

2.24 Non-current Assets Classified as Held for Sale

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

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

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

2.25 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 98.8% of investment properties (31 December 2020: 89.5%) 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 35.

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

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 422.0 million (2020: EUR 339.9 million).
- The income capitalisation rate (yield) across the portfolio was assumed to be 3.30% to 4.35%, or 3.92% on average (2020: from 3.45% to 4.50%, or 4.16% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 86.0 million lower or EUR 97.7 million higher (2020: EUR 48.3 million lower or EUR 54.5 million higher).

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

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 454.1 million (2020: EUR 441.3 million).
- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.50% to 6.75%, or 5.22% on average (2020: from 4.30% to 9.5%, or 5.34% on average).

Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 112.0 million lower or EUR 101.7 million higher (2020: EUR 83.9 million lower or EUR 92.2 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's structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain upon disposal depending on the outcome of negotiations with future buyers.

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

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

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

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

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

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

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

Estimation of net realisable value for inventory property. At year end, the Group holds inventory property (Note 19) with a carrying value of EUR 76.1 million (2020: nil) that were previously classified as investment property. The commencement of development was already initiated, therefore they were transferred to inventory property at its fair value at the date of change in use. As of 31 December 2021 there are no write-downs of inventories recognised as a result of NRV testing (2020: nil).

4 Adoption of New or Revised Standards and Interpretations

The group has applied the following standards and amendments for the first time for the financial year beginning at 1 January 2021:

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4, IFRS 17 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020)

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

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period commencing on 1 January 2021 and have not been early adopted by the Group:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current and Non-current – Deferral of Effective Date* (issued on 23 January 2020 and 15 July 2020 respectively and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimated and Errors: definition of Accounting Estimates* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transactions* (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021)
- Amendment to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

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

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

6 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Directors of the Company.

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

The Group is managing its business operations on the basis of the following segments:

Asset Management – representing management of income generating properties (properties in use or vacant) developed by the Group or acquired with no major development expected.

Development in Realisation – representing management of activities connected with construction, marketing and leasing activities. A property is reclassified from Development in Realisation to Asset Management at the end of the accounting period in which the property has been commissioned for its intended use and a final building approval has been carried out. This means that the revenues, costs, including the revaluation gains or losses related to the year when property reaches the described criteria, are included within Development in Realisation, whereas the completed property is shown on the balance sheet as of the last day of such period as property "in use or vacant" under the Asset Management business.

Development in Preparation – representing management of activities including acquisition of land and concept design and permitting until the construction commencement. A property is reclassified from Development in Preparation to Development in Realisation at the end of the accounting period in which the construction of the property started. The revenues, costs, including the revaluation gains or losses related to the year when the construction of the property started, are included within Development in Preparation, whereas the property is shown on the balance sheet as of the last day of such period as property under the Development in Realisation.

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

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

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

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

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

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

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

Segment financial information reviewed by the Board of Directors includes rental and similar income from Asset Management business less directly attributable costs associated with properties that equal to Net Operating Income (NOI). The Board of Directors also reviews the change in fair value of properties. With respect to Development in Preparation segment, the Board reviews acquisition opportunities and submits bids for land and properties and oversees property design, permitting and zoning. With respect to Development in Realisation segment, the Board reviews construction budgets and actual construction costs and delivery schedules as well as property marketing and letting activities at the end of the development cycle. With respect to Investment Management segment, Management reviews opportunities for transfer of further subsidiaries into this segment that would contribute to development and extend of portfolio offered for external investors.

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

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

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

The segment profit and loss information for the year ended 31 December 2021 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non-Core	HUB HUB	Symbiosy	Cash	Unallocated	Total
Rental income from investment property	23										
- Office		29.3	1.4	-	-	-	7.1	-	-	-	**37.8**
- Retail		0.6	4.1	-	-	-	-	-	-	-	**4.7**
		29.9	**5.5**	**-**	**-**	**-**	**7.1**	**-**	**-**	**-**	**42.5**
Service charges income from investment properties	23										
- Office		8.0	-	-	4.4	-	0.1	-	-	-	**12.5**
- Retail		0.2	0.9	-	-	-	-	-	-	-	**1.1**
		8.2	**0.9**	**-**	**4.4**	**-**	**0.1**	**-**	**-**	**-**	**13.6**
Management charges income from investment properties	23										
- Office		1.2	0.1	-	0.4	-	0.4	-	-	-	**2.1**
- Retail		0.1	0.7	-	0.9	-	-	-	-	-	**1.7**
		1.3	**0.8**	**-**	**1.3**	**-**	**0.4**	**-**	**-**	**-**	**3.8**
Direct operating expenses arising from investment property	24										
- Office		(10.6)	(0.7)	(1.0)	(3.9)	-	(4.0)	-	-	-	**(20.2)**
- Retail		(0.8)	(4.3)	-	(0.5)	-	-	-	-	-	**(5.6)**
		(11.4)	**(5.0)**	**(1.0)**	**(4.4)**	**-**	**(4.0)**	**-**	**-**	**-**	**(25.8)**
Net operating income/(loss) from investment property		**28.0**	**2.2**	**(1.0)**	**1.3**	**-**	**3.6**	**-**	**-**	**-**	**34.1**
Revaluation gain/(loss) on investment property	10										
- Office		(2.9)	242.3	207.1	-	-	(4.0)	-	-	-	**442.5**
- Retail		-	(9.6)	-	-	4.4	-	-	-	-	**(12.9)**
- Industrial		-	-	-	-	(1.1)	-	-	-	-	**(1.1)**
- Residential		-	-	31.8	-	-	-	-	-	-	**39.5**
Share of loss of joint ventures	11	(1.3)	-	-	-	-	-	-	-	-	**(1.3)**
		(4.2)	**232.7**	**238.9**	**-**	**3.3**	**(4.0)**	**-**	**-**	**-**	**466.7**
Interest expense - third parties		**(10.0)**	**(33.4)**	**(0.9)**	**-**	**-**	**(1.5)**	**-**	**-**	**(4.9)**	**(50.7)**
		13.8	**201.5**	**237.0**	**1.3**	**3.3**	**(1.9)**	**-**	**-**	**(4.9)**	**450.1**
Investment management fee		-	-	-	2.4	-	-	-	-	-	**2.4**
Revenue from construction contracts	28	3.7	14.9	-	-	-	-	-	-	0.1	**18.7**
Construction contract costs		(2.2)	(17.3)	-	-	-	-	-	-	(0.1)	**(19.6)**
Net gains on financial derivatives		-	-	-	-	-	-	-	-	4.7	**4.7**
Foreign exchange gains, net	31	-	-	-	-	-	-	-	-	1.9	**1.9**
Other (expenses)/revenues		(10.8)	(32.2)	(5.0)	(1.1)	(3.6)	(3.1)	(2.5)	(2.3)	(8.8)	**(69.4)**
Profit/(loss) before income tax (segment result)		**4.5**	**166.9**	**232.0**	**2.6**	**(0.3)**	**(5.0)**	**(2.5)**	**(2.3)**	**(7.1)**	**388.8**
Purchases of investment property (including non-cash)	10	-	51.2	69.0	-	-	-	-	-	-	**120.2**
Construction costs related to investment property	10	16.3	249.4	42.2	-	0.5	0.8	-	-	-	**309.2**
Construction costs related to construction work		2.2	17.3	-	-	-	-	-	-	0.1	**19.6**
Total investments		**18.5**	**317.9**	**111.2**	**-**	**0.5**	**0.8**	**-**	**-**	**0.1**	**449.0**
Sale of investment property	10,29	(6.5)	-	(34.3)	-	-	-	-	-	-	**(40.8)**
Sale of joint venture investment property		(2.1)	-	-	-	-	-	-	-	-	**(2.1)**
Total divestments		**(8.6)**	**-**	**(34.3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(42.9)**

The segment information on segment assets and liabilities as of 31 December 2021 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non-Core	HUB HUB	Symbiosy	Cash	Unallocated	Total
Investment property	10										
- Office		1,616.0	616.9	872.6	-	0.8	39.4	-	-	-	**3,145.7**
- Retail		321.6	-	-	-	3.5	-	-	-	-	**325.1**
- Industrial		-	-	-	-	26.4	-	-	-	-	**26.4**
- Investment property held for sale	15	-	-	77.5	-	-	-	-	-	-	**77.5**
Deferred tax asset	30	0.9	1.0	1.5	-	0.1	-	-	0.1	-	**3.6**
Inventories	19	-	0.3	76.1	-	0.1	-	-	-	-	**76.5**
Restricted cash	16	-	-	-	-	-	-	-	26.0	-	**26.0**
Cash and cash equivalents	17	-	-	-	-	-	-	-	212.7	-	**212.7**
Other unallocated assets*		-	-	-	-	-	-	-	-	122.5	**122.5**
Total assets		**1,938.5**	**618.2**	**1,027.7**	**-**	**30.9**	**39.4**	**-**	**238.8**	**122.5**	**4,016.0**
Borrowings											
- non-current	21	(730.3)	(572.7)	(99.0)	-	-	-	-	-	(21.1)	**(1,423.1)**
- current	7,21	(179.8)	(147.5)	0.8	-	-	-	-	-	(152.9)	**(479.4)**
Leasing											
- non-current	9	(6.1)	(12.3)	-	-	-	(16.7)	-	-	-	**(35.1)**
- current	9	(0.5)	(3.9)	-	-	-	(6.5)	-	-	-	**(10.9)**
Deferred tax liability	30	(121.5)	(29.4)	(66.0)	-	(4.9)	(0.7)	-	(0.5)	-	**(223.0)**
Other unallocated liabilities**		-	-	-	-	-	-	-	-	(167.7)	**(167.7)**
Total liabilities		**(1,038.2)**	**(765.8)**	**(164.2)**	**-**	**(4.9)**	**(23.9)**	**-**	**(0.5)**	**(341.7)**	**(2,339.2)**
Segment net asset value		**900.3**	**(147.6)**	**863.5**	**-**	**26.0**	**15.5**	**-**	**238.3**	**(219.2)**	**1,676.8**

*Other unallocated assets consist of: Trade and other receivables of EUR 43.6 million, Other assets of EUR 9.9 mil, Property, plant and equipment and Right of use assets of EUR 16.5 million, Receivables and loans of EUR 41.1 million, Intangible assets and Other non-current assets of EUR 11.2 million and Other Non-current assets classified as held-for-sale of EUR 0.2 million.

**Other unallocated liabilities consist of: Trade and other payables of EUR 166.8 million and Other liabilities directly associated with non-current assets classified as held for sale of EUR 0.9 million.

Geographical information. Revenue, expenses and assets analysed by country for the year ended 31 December 2021 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Germany	Luxembourg, Netherlands, Cyprus	Unallocated	Total
Rental income	23	12.8	1.6	12.3	11.8	4.0	-	-	-	**42.5**
Service charges	23	8.6	-	2.7	2.3	-	-	-	-	**13.6**
Management charges	23	2.3	1.0	0.3	0.1	0.1	-	-	-	**3.8**
Direct operating expenses	24	(14.1)	(0.9)	(3.8)	(3.2)	(3.7)	(0.1)	-	-	**(25.8)**
Net operating income/(loss) from investment properties		**9.6**	**1.7**	**11.5**	**11.0**	**0.4**	**(0.1)**	**-**	**-**	**34.1**
Revaluation gain/(loss) on investment property	10	85.2	(4.2)	51.6	4.8	199.3	131.3	-	-	**468.0**
Revenue from construction contracts	28	14.4	-	2.0	2.3	-	-	-	-	**18.7**
Construction contract costs		(16.6)	(0.2)	(1.1)	(1.7)	-	-	-	-	**(19.6)**
Share of loss of joint ventures	11	(1.3)	-	-	-	-	-	-	-	**(1.3)**
Interest expense		(23.2)	(3.1)	(13.8)	(4.1)	(3.5)	(3.0)	-	-	**(50.7)**
Investment management fee		-	-	-	-	-	-	2.4	-	**2.4**
Other (expenses)/revenues		(15.6)	(3.6)	(8.5)	(11.2)	(9.2)	(6.6)	(8.1)	-	**(62.8)**
Profit/(loss) before tax		**52.5**	**(9.4)**	**41.7**	**1.1**	**187.0**	**121.6**	**(5.7)**	**-**	**388.8**
Investment property in use or vacant	10	542,2	8.3	474.7	274.1	293.9	383.7	-	-	**1,976.9**
Investment property under development	10	195.3	28.0	480.4	55.6	623.2	137.8	-	-	**1,520.3**
Other non-current assets		28.5	0.7	17.2	11.9	8.4	5.1	0.6	-	**72.4**
Total non-current assets		**766.0**	**37.0**	**972.3**	**341.6**	**925.5**	**526.6**	**0.6**	**-**	**3,569.6**
Non-current assets classified as held-for-sale	15	67.6	-	10.1	-	-	-	-	-	**77.7**
Total non-current assets and assets held for sale		**833.6**	**37.0**	**982.4**	**341.6**	**925.5**	**526.6**	**0.6**	**-**	**3,647.3**
Restricted cash	16	2.2	-	8.7	14.1	0.7	-	0.3	-	**26.0**
Cash and cash equivalents	17	16.0	2.0	44.4	9.3	8.1	9.9	123.0	-	**212.7**
Inventories	19	76.5	-	-	-	-	-	-	-	**76.5**
Trade and other receivables including Other assets	14,18	-	-	-	-	-	-	-	53.5	**53.5**
Total assets		**928.3**	**39.0**	**1,035.5**	**365.0**	**934.3**	**536.5**	**123.9**	**53.5**	**4,016.0**

Geographical information. Liabilities and capital expenditures analysed by country for the year ended 31 December 2021 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Germany	Luxembourg, Netherlands, Cyprus	Unallocated	Total
Borrowings	21									
- non-current		(613.6)	(59.1)	(349.7)	(157.8)	(198.0)	(44.9)	-	-	**(1,423.1)**
- current		(222.6)	(1.0)	(85.7)	(8.0)	2.8	(164.9)	-	-	**(479.4)**
Leasing	9									
- non-current		(6.2)	(3.7)	(13.1)	(0.2)	(11.7)	(0.2)	-	-	**(35.1)**
- current		(2.1)	(1.5)	(2.4)	(0.5)	(4.2)	(0.2)	-	-	**(10.9)**
Liabilities directly associated with non-current assets classified as held for sale	15	(0.5)	-	(0.4)	-	-	-	-	-	**(0.9)**
Deferred income tax liability	30	(49.9)	(2.3)	(68.7)	(11.7)	(55.9)	(33.3)	(1.2)	-	**(223.0)**
Trade and other payables	22	-	-	-	-	-	-	-	(166.8)	**(166.8)**
Total liabilities		**(894.9)**	**(67.6)**	**(520.0)**	**(178.2)**	**(267.0)**	**(243.5)**	**(1.2)**	**(166.8)**	**(2,339.2)**
Net asset value		**33.4**	**(28.6)**	**515.5**	**186.8**	**667.3**	**293.0**	**122.7**	**(113.3)**	**1,676.8**
Purchases of investment property (including non-cash)	10	51.2	-	-	-	-	69.0	-	-	**120.2**
Construction costs related to investment property	10	84.3	0.8	89.5	9.4	50.4	74.8	-	-	**309.2**
Construction costs related to construction work		16.6	0.2	1.1	1.7	-	-	-	-	**19.6**
Total investments		**152.1**	**1.0**	**90.6**	**11.1**	**50.4**	**143.8**	**-**	**-**	**449.0**
Sale of investment property	10, 29	-	(34.3)	-	(6.5)	-	-	-	-	**(40.8)**
Sale of joint venture investment property		(2.1)	-	-	-	-	-	-	-	**(2.1)**
Total divestments		**(2.1)**	**(34.3)**	**-**	**(6.5)**	**-**	**-**	**-**	**-**	**(42.9)**

The segment profit and loss information for the year ended 31 December 2020 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non-Core	HUB HUB	Symbiosy	Cash	Unallocated	Total
Rental income from investment property	23										
- Office		15.4	10.7	-	-	0.1	6.9	-	-	-	**33.1**
- Retail		1.1	-	-	-	-	-	-	-	-	**1.1**
		16.5	**10.7**	**-**	**-**	**0.1**	**6.9**	**-**	**-**	**-**	**34.2**
Service charges income from investment properties	23										
- Office		6.5	1.6	-	4.7	-	-	-	-	-	**12.8**
- Retail		-	-	-	0.8	-	-	-	-	-	**0.8**
		6.5	**1.6**	**-**	**5.5**	**-**	**-**	**-**	**-**	**-**	**13.6**
Management charges income from investment properties	23										
- Office		2.3	-	-	-	-	0.3	-	-	-	**2.6**
- Retail		0.2	-	-	-	-	-	-	-	-	**0.2**
		2.5	**-**	**-**	**-**	**-**	**0.3**	**-**	**-**	**-**	**2.8**
Direct operating expenses arising from investment property	24										
- Office		(7.3)	(3.2)	(3.0)	(4.3)	-	(4.2)	-	-	-	**(22.0)**
- Retail		(0.4)	-	-	-	-	-	-	-	-	**(0.4)**
- Industrial		-	(0.2)	-	-	(0.2)	-	-	-	-	**(0.4)**
		(7.7)	**(3.4)**	**(3.0)**	**(4.3)**	**(0.2)**	**(4.2)**	**-**	**-**	**-**	**(22.8)**
Net operating income/(loss) from investment property		**17.8**	**8.9**	**(3.0)**	**1.2**	**(0.1)**	**3.0**	**-**	**-**	**-**	**27.8**
Revaluation gain/(loss) on investment property	10										
- Office		25.3	13.4	14.4	-	-	(4.5)	-	-	-	**48.6**
- Retail		-	(23.8)	-	-	-	-	-	-	-	**(23.8)**
- Industrial		-	-	-	-	3.9	-	-	-	-	**3.9**
Share of loss of joint ventures	11	(0.1)	-	-	-	-	-	-	-	-	**(0.1)**
		25.2	**(10.4)**	**14.4**	**-**	**3.9**	**(4.5)**	**-**	**-**	**-**	**28.6**
Interest expense - third parties		**(4.0)**	**(29.2)**	**(0.2)**	**(0.1)**	**-**	**(1.0)**	**-**	**-**	**(6.1)**	**(40.6)**
		39.0	**(30.7)**	**11.2**	**1.1**	**3.8**	**(2.5)**	**-**	**-**	**(6.1)**	**15.8**
Investment management fee		-	-	-	2.4	-	-	-	-	-	**2.4**
Revenue from construction contracts	28	-	24.9	-	-	-	-	-	-	0.6	**25.5**
Construction contract costs		-	(21.3)	-	-	-	-	-	-	(0.6)	**(21.9)**
Result on financial investments held at FV		-	-	-	-	-	-	-	-	(14.2)	**(14.2)**
Foreign exchange gains, net	31	-	-	-	-	-	-	-	-	(40.3)	**(40.3)**
Other (expenses)/revenues		(11.5)	(34.0)	(10.1)	(2.0)	(6.6)	(2.5)	1.4	(5.3)	(8.6)	**(79.2)**
Profit/(loss) before income tax (segment result)		**27.5**	**(61.1)**	**1.1**	**1.5**	**(2.8)**	**(5.0)**	**1.4**	**(5.3)**	**(69.2)**	**(111.9)**
Purchases of investment property (including non-cash)	10	-	-	71.3	-	-	-	-	-	-	**71.3**
Construction costs related to investment property	10	2.4	344.3	25.8	-	-	-	-	-	-	**372.5**
Construction costs related to construction work		-	21.3	-	-	-	-	-	-	0.6	**21.9**
Total investments		**2.4**	**365.6**	**97.1**	**-**	**-**	**-**	**-**	**-**	**0.6**	**465.7**
Sale of investment property	10, 29	(299.9)	-	-	-	(6.0)	-	-	-	-	**(305.9)**
Total divestments		**(299.9)**	**-**	**-**	**-**	**(6.0)**	**-**	**-**	**-**	**-**	**(305.9)**

The segment information on segment assets and liabilities as of 31 December 2020 is as follows:

In millions of EUR	Note	Asset Management	Development in Realisation	Development in Preparation	Investment Management	Non-Core	HUB HUB	Symbiosy	Cash	Unallocated	Total
Investment property	10										
- Office		672.6	853.3	591.9	-	-	42.0	-	-	-	**2,159.8**
- Retail		0.8	269.8	-	-	0.8	-	-	-	-	**271.4**
- Industrial		-	-	-	-	33.4	-	-	-	-	**33.4**
- Investment property held for sale	15	-	264.0	35.2	-	-	-	-	-	-	**299.2**
Investment in joint ventures		2.3	-	-	-	-	-	-	-	-	**2.3**
Deferred tax asset	30	1.7	3.5	5.5	-	0.1	-	-	-	-	**10.8**
Inventories	19	-	0.2	-	-	0.1	-	-	-	-	**0.3**
Restricted cash	16	-	-	-	-	-	-	-	48.2	-	**48.2**
Cash and cash equivalents	17	-	-	-	-	-	-	-	144.5	-	**144.5**
Other unallocated assets*		-	-	-	-	-	-	-	-	127.2	**127.2**
Total assets		**677.4**	**1,390.8**	**632.6**	**-**	**34.4**	**42.0**	**-**	**192.7**	**127.2**	**3,097.1**
Borrowings											
- non-current	21	(254.0)	(673.8)	-	-	-	-	-	-	(37.4)	**(965.2)**
- current	7,21	(4.5)	(109.7)	-	-	-	-	-	-	(152.6)	**(266.8)**
included as held for sale	15	-	(114.0)	-	-	-	-	-	-	-	**(114.0)**
Leasing											
- non-current	9	(6.4)	(15.4)	(0.4)	-	-	(20.8)	-	-	-	**(43.0)**
- current	9	(0.7)	(35.1)	-	-	-	(6.3)	-	-	-	**(42.1)**
Deferred tax liability	30	(63.4)	(41.8)	(19.2)	-	(5.3)	(0.5)	-	(0.5)	-	**(130.7)**
Other unallocated liabilities**		-	-	-	-	-	-	-	-	(149.2)	**(149.2)**
Total liabilities		**(329.0)**	**(989.8)**	**(19.6)**	**-**	**(5.3)**	**(27.6)**	**-**	**(0.5)**	**(339.2)**	**(1,711.0)**
Segment net asset value		**348.4**	**401.0**	**613.0**	**-**	**29.1**	**14.4**	**-**	**192.2**	**(212.0)**	**1,386.1**

*Other unallocated assets consist of: Trade and other receivables of EUR 53.3 million, Other assets of EUR 34.2 million, Property, plant and equipment and Right of use assets of EUR 17.5 million, Receivables and loans of EUR 6.8 million, Intangible assets and Other non-current assets of EUR 13.8 million and Other Non-current assets classified as held-for-sale of EUR 1.6 million.

**Other unallocated liabilities consist of: Trade and other payables of EUR 141.3 million and Other liabilities directly associated with non-current assets classified as held for sale of EUR 7.9 million.

Geographical information. Revenue, expenses and assets analysed by country for the year ended 31 December 2020 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Germany	Luxembourg, Netherlands, Cyprus	Unallocated	Total
Rental income	23	11.6	1.8	8.4	4.5	7.9	-	-	-	**34.2**
Service charges	23	8.7	-	1.9	1.0	2.0	-	-	-	**13.6**
Management charges	23	1.6	0.9	0.1	0.1	0.1	-	-	-	**2.8**
Direct operating expenses	24	(11.8)	(0.6)	(2.7)	(1.3)	(6.4)	-	-	-	**(22.8)**
Net operating income/(loss) from investment properties		**10.1**	**2.1**	**7.7**	**4.3**	**3.6**	**-**	**-**	**-**	**27.8**
Revaluation gain/(loss) on investment property	10	(34.1)	2.2	(0.1)	12.3	17.2	31.2	-	-	**28.7**
Revenue from construction contracts	28	9.8	-	7.6	9.3	(1.2)	-	-	-	**25.5**
Construction contract costs		(8.3)	(0.3)	(6.6)	(6.7)	-	-	-	-	**(21.9)**
Share of loss of joint ventures	11	(0.1)	-	-	-	-	-	-	-	**(0.1)**
Interest expense		(20.7)	(2.9)	(12.1)	(1.7)	(1.6)	(1.6)	-	-	**(40.6)**
Investment management fee		-	-	-	-	-	-	2.4	-	**2.4**
Other (expenses)/revenues		(13.6)	(4.3)	(27.7)	(27.3)	(8.7)	(3.0)	(49.1)	-	**(133.7)**
Profit/(loss) before tax		**(56.9)**	**(3.2)**	**(31.2)**	**(9.8)**	**9.3**	**26.6**	**(46.7)**	**-**	**(111.9)**
Investment property in use or vacant	10	245.3	9.5	411.3	12.4	36.9	-	-	-	**715.4**
Investment property under development	10	420.1	25.9	419.9	53.2	583.6	246.5	-	-	**1,749.2**
Investment in joint venture	11	2.3	-	-	-	-	-	-	-	**2.3**
Other non-current assets		22.0	1.1	6.2	10.3	8.3	0.8	0.2	-	**48.9**
Total non-current assets		**689.7**	**36.5**	**837.4**	**75.9**	**628.8**	**247.3**	**0.2**	**-**	**2,515.8**
Non-current assets classified as held-for-sale	15	-	35.3	-	265.5	-	-	-	-	**300.8**
Total non-current assets and assets held for sale		**689.7**	**71.8**	**837.4**	**341.4**	**628.8**	**247.3**	**0.2**	**-**	**2,816.6**
Restricted cash	16	1.0	-	24.1	22.5	0.4	-	0.2	-	**48.2**
Cash and cash equivalents	17	24.6	2.7	36.7	12.3	30.3	14.8	23.1	-	**144.5**
Inventories	19	0.3	-	-	-	-	-	-	-	**0.3**
Trade and other receivables including Other assets	14,18	-	-	-	-	-	-	-	87.5	**87.5**
Total assets		**715.6**	**74.5**	**898.2**	**376.2**	**659.5**	**262.1**	**23.5**	**87.5**	**3,097.1**

Geographical information. Liabilities and capital expenditures analysed by country for the year ended 31 December 2020 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	UK	Germany	Luxembourg, Netherlands, Cyprus	Unallocated	Total
Borrowings	21									
- non-current		(535.6)	-	(322.7)	(5.2)	-	(101.7)	-	-	**(965.2)**
- current		(148.3)	(48.1)	(66.4)	(0.2)	-	(3.8)	-	-	**(266.8)**
Leasing	9									
- non-current		(8.0)	(5.0)	(15.3)	(0.6)	(13.7)	(0.4)	-	-	**(43.0)**
- current		(2.4)	(1.5)	(2.4)	(0.5)	(35.1)	(0.2)	-	-	**(42.1)**
Liabilities directly associated with non-current assets classified as held for sale	15	-	(2.9)	-	(119.0)	-	-	-	-	**(121.9)**
Deferred income tax liability	30	(31.9)	(2.1)	(62.6)	(4.0)	(18.5)	(11.4)	(0.2)	-	**(130.7)**
Trade and other payables	22	-	-	-	-	-	-	-	(141.3)	**(141.3)**
Total liabilities		**(726.2)**	**(59.6)**	**(469.4)**	**(129.5)**	**(67.3)**	**(117.5)**	**(0.2)**	**(141.3)**	**(1,711.0)**
Net asset value		**(10.6)**	**14.9**	**428.8**	**246.7**	**592.2**	**144.6**	**23.3**	**(53.8)**	**1,386.1**
Purchases of investment property (including non-cash)	10	-	-	-	-	71.3	-	-	-	**71.3**
Construction costs related to investment property	10	81.9	0.7	135.0	61.7	50.2	43.0	-	-	**372.5**
Construction costs related to construction work		8.3	0.3	6.6	6.7	-	-	-	-	**21.9**
Total investments		**90.2**	**1.0**	**141.6**	**68.4**	**121.5**	**43.0**	**-**	**-**	**465.7**
Sale of investment property	10, 29	(84.7)	-	(81.8)	-	(139.4)	-	-	-	**(305.9)**
Total divestments		(84.7)	-	(81.8)	-	(139.4)	-	-	-	**(305.9)**

7 Balances and Transactions with Related Parties

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

Key management of the Group consists of 20 senior managers (2020: 20). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2021 are detailed below.

At 31 December 2021, 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 14)	3.2	0.5	-	3.7
ECL allowance for trade receivables to related party	(1.4)	-	-	(1.4)
Loans to related parties (Note 14)	0.8	-		0.8
Investment management fee accrued (Note 18)	3.2	-	-	3.2
Financial assets (Note 12)	0.1	0.6	-	0.7
Trade and other payables current (Note 22)	(4.4)	-	-	(4.4)
Trade and other payables non - current (Note 22)	(22.6)	-	-	(22.6)

The income and expense items with related parties for the year ended 31 December 2021 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures and associates	Total
Revenue from services rendered	2.4	-	-	2.4
Revenue from construction contracts	9.9	0.1	-	10.0
Rental income	4.9	-	-	4.9
Rental expenses	(1.8)	-	-	(1.8)
Other operating income	1.9	-		1.9
Expenses related to contractual liabilities	(11.0)	-	-	(11.0)
Short-term employee benefits (salaries)	-	(2.5)	-	(2.5)
Long-term employee benefits (social security costs)	-	(0.5)	-	(0.5)
Other financial income	0.1	-	-	0.1

At 31 December 2021, 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 14)	11.0	0.2	-	11.2
ECL allowance for trade receivables to related party	(2.3)	-	-	(2.3)
Loans to related parties (Note 12)	0.6	-	-	0.6
Other current assets (Note 18)	1.8	-	-	1.8
Financial assets (Note 12)	0.1	0.5	-	0.6
Trade and other payables current (Note 22)	(4.8)	-	-	(4.8)
Trade and other payables non - current (Note 22)	(15.1)	-	-	(15.1)

The income and expense items with related parties for the year ended 31 December 2020 are as follows:

In millions of EUR	Entities under common control	Key management personnel	Joint ventures	Total
Revenue from services rendered	4.7	-	-	4.7
Revenue from construction contracts	7.1	0.6	4.5	12.2
Rental income	2.8	-	0.1	2.9
Rental expenses	(5.3)	-	-	(5.3)
Other services	(2.5)	(0.5)	-	(3.0)
Short-term employee benefits (salaries)	-	(2.0)	-	(2.0)
Long-term employee benefits (social security costs)	-	(0.4)	-	(0.4)
Interest income	0.2	-	-	0.2
Other financial expenses	(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 2020 and/or 2021 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 1.7 million in 2021 (2020: EUR 1.1 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 31 December 2021 (2020: nil).

Distributions to owners paid by the Group in 2021 and 2020 respectively are described in Note 20.

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

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
Net book value as at 1 January 2020	**0.5**	**0.1**	**0.3**	**3.9**	**4.8**
Additions	-	0.1	-	2.0	2.1
Transfers	0.1	2.1	0.6	(2.8)	-
Disposals	(0.1)	-	(0.2)	-	(0.3)
Depreciation charge	-	(1.7)	(0.3)	-	(2.0)
Net book value as at 31 December 2020	**0.5**	**0.6**	**0.4**	**3.1**	**4.6**
Additions	-	-	-	0.2	0.2
Transfer from Investment property	2.7	-	1.8	-	4.5
Transfers	-	1.7	1.5	(3.2)	-
Disposals	-	-	(0.2)	-	(0.2)
Depreciation charge	(0.1)	(0.9)	(1.4)	-	(2.4)
Net book value as at 31 December 2021	**3.1**	**1.4**	**2.1**	**0.1**	**6.7**

At 31 December 2021, property, plant and equipment carried at EUR 2.7 million (at 31 December 2020: nil) has been pledged to third parties as collateral with respect to borrowings.

9 Right-of Use Assets and Lease Liabilities

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

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

In millions of EUR	Land and buildings	Vehicles and other assets	Total
Carrying amount at 1 January 2020	**12.6**	**1.5**	**14.1**
Additions	2.1	-	2.1
Depreciation charge	(2.7)	(0.6)	(3.3)
Carrying amount at 31 December 2020	**12.0**	**0.9**	**12.9**
Additions	0.3	-	0.3
Depreciation charge	(3.0)	(0.4)	(3.4)
Carrying amount at 31 December 2021	**9.3**	**0.5**	**9.8**

The Group recognised lease liabilities as follows:

In millions of EUR	31 December 2021	31 December 2020
Lease liabilities		
Current**	10.9	42.1
Non-current	35.1	43.0

The Group has included EUR 45.8 million right-of-use assets in investment properties as of 31 December 2021 (at 31 December 2020: EUR 50.4 million) – see Note 10.

As at 31 December 2021, non-current lease liabilities of EUR 0.2 million associated with Lodz property have been classified as Non-current assets held for sale (at 31 December 2020: EUR 4.7 million associated with Postepu property).

**Current lease liabilities include:

- the liabilities associated with right-of-use assets presented in the above table, and
- the liabilities associated with right-of-use assets classified as investment property, and
- As at 31 December 2020 EUR 31.1 million liability (equivalent of GBP 28.0 million) that the Group has agreed to pay in return for becoming a leasehold owner of the premises at Farringdon West, London, UK, which has been paid during the year 2021.

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

In millions of EUR	Note	31 December 2021	31 December 2020
Depreciation of right-of-use asset			
Land and buildings		2.9	2.7
Vehicles and other assets		0.5	0.6
Total depreciation of right-of-use asset		**3.4**	**3.3**
Other (income)/expense related to Leases			
Revaluation (gain) / loss on investment property	10	4.1	4.8
Interest expense		2.5	2.3

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases were nil (31 December 2020: nil).

Total cash outflow for leases in 2021 was EUR 10.8 million (31 December 2020: EUR 8.4 million).

Extension and termination options are included in a number of property and equipment leases across the Group. As at 31 December 2021, potential future cash outflows of EUR 18.2 million (at 31 December 2020: EUR 18.0 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group. During the current reporting year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil (at 31 December 2020: nil).

The Group leases certain landplots in Poland which are presented within Investment property as at 31 December 2021 and 31 December 2020. Under an agreement with the local government unit in Poland the right to use the landplot is transferred to the Group in exchange for remuneration in the form of fees that are subject to indexation. The lease liability is based on the current level of the fees at 31 December 2021. The Group remeasures the lease liability to reflect changes to the lease payments when necessary.

10 Investment Property

	Year ended 31 December 2021					Year ended 31 December 2020				
	Under development		In use or vacant		Total	Under development		In use or vacant		Total
In millions of EUR	Owned	Leased	Owned	Leased		Owned	Leased	Owned	Leased	
Fair value at 1 January	**1,733.1**	**16.1**	**681.1**	**34.3**	**2,464.6**	**1,857.8**	**22.5**	**505.4**	**17.2**	**2,402.9**
Right-of-use-asset acquired during the year / lease index and concessions	-	(0.1)	-	(0.2)	**(0.3)**	-	-	-	15.5	**15.5**
Acquisitions of investment property	120.2	-	-	-	**120.2**	71.3	-	-	-	**71.3**
Subsequent expenditure on investment property	291.6	-	17.6	-	**309.2**	369.4	-	3.1	-	**372.5**
Transfers from in use to under development*	17.6	-	(17.6)	-	**-**	337.3	-	(337.3)	-	**-**
Transfers from under development to in use	(1,047.5)	-	1,047.5	-	**-**	(502.0)	(6.2)	502.0	6.2	**-**
Transfers to disposal groups classified as held for sale (Note 15)	(77.3)	-	-	(0.2)	**(77.5)**	(299.2)	-	-	-	**(299.2)**
Transfers from disposal groups classified as held for sale (Note 15)	-	-	264.0	-	**264.0**	-	-	-	-	**-**
Disposals	(4.8)	-	(6.5)	-	**(11.3)**	(1.0)	-	(1.5)	-	**(2.5)**
Transfers to inventory - residential property (Note 19)	(55.1)	-	(18.6)	-	**(73.7)**	-	-	-	-	**-**
Transfers to PPE (Note 8)	(1.8)	-	(2.7)	-	**(4.5)**	-	-	-	-	**-**
Fair value gains/(losses) – properties completed during the year**	147.4	-	-	-	**147.4**	(8.1)	-	-	-	**(8.1)**
Fair value gains/(losses)**	335.3	-	(10.6)	(4.1)	**320.6**	16.3	(0.2)	25.3	(4.6)	**36.8**
Effect of translation to presentation currency**	45.6	-	(7.1)	-	**38.5**	(108.7)	-	(15.9)	-	**(124.6)**
Fair value at 31 December	**1,504.3**	**16.0**	**1,947.1**	**29.8**	**3,497.2**	**1,733.1**	**16.1**	**681.1**	**34.3**	**2,464.6**

* 10 Leake Street premises and One Waterloo premises in London have been vacated and prepared for development of office scheme in 2021 and 2020, respectively. Therefore, investment property of EUR 17.6 million related to 10 Leake street has been transferred from in use to under development category as at 1 January 2021 (as at 1 January 2020: EUR 337.3 million related to One Waterloo). Subsequent movements in its fair value during the 2021 and 2020 have been recorded in under development category.

** As of 31 December 2021, the investment property portfolio of the Group with fair value of EUR 2,238.2 million or 64.0% of total investment property of the Group as of that date (2020: EUR 1,552.7 or 63.0% of total investment property of the Group) - see also Note 6 Segmental Analysis – Geographical Information, was based in the United Kingdom, Poland, Hungary and the Czech Republic. The functional currency of the Group's subsidiaries which own such investment properties is GBP, PLN, HUF and CZK, respectively. The appreciation in fair value of these properties expressed in the local functional currencies is presented above as a fair value gain. With the exception of the United Kingdom, this appreciation in value is partly attributable to the fact that most rental contracts are concluded in EUR, and, based on experience from other emerging markets, only a more severe local currency depreciation would necessitate the lessor to provide rent concessions in order to reflect the devalued local currency exchange rates. The effects of 2021 appreciation and 2020 depreciation of the local functional currencies compared to EUR is presented above as effect of translation from functional to presentation currency.

The Group classified certain leases as investment properties. The carrying value of such investment property as of 31 December 2021 was EUR 45.8 million (2020: EUR 50.4 million).

At 31 December 2021, investment properties carried at EUR 2,810.1 million (at 31 December 2020: EUR 1,835.6 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 2021	31 December 2020
Valuations obtained			**3,656.8**	**2,729.9**
Add:	right-of-use assets classified as investment property		36.7	41.3
Less:	lease incentive receivables	12(a)	(39.5)	(6.0)
Less:	transfers to disposal groups classified as held for sale	15	(77.5)	(300.7)
Less:	management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		(3.1)	-
Less:	land classified as inventory (residential projects)	19	(73.7)	-
Less:	property classified as property plant and equipment (own use)	8	(2.7)	-
Less:	Foreign currency adjustments on lease incentive receivables		0.2	0.1
Fair value at 31 December			**3,497.2**	**2,464.6**

11 Investments in Joint Ventures

The Group sold its investment in joint ventures with a loss on disposal of EUR 0.1 million during year 2021. The group recognised share of loss of joint venture of EUR 1.3 million during year 2021.

12 Receivables and Loans

In millions of EUR	Note	31 December 2021	31 December 2020
Lease incentives receivables	(a)	39.5	6.0
Loans to related parties – non-current (Note 7)	(b)	0.7	0.6
Loans to third parties		0.9	0.2
Total receivables and loans		**41.1**	**6.8**

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

(a) Lease incentive receivables of EUR 39.5 million (31 December 2020: EUR 6.0 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.13 and 2.21. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 0.7 million as of 31 December 2021 (31 December 2020: EUR 0.6 million).

13 Other Non-Current Assets

In millions of EUR	31 December 2021	31 December 2020
Prepayments held by trustee in Hungary	4.0	8.3
Other non-current assets	4.3	3.1
Total other non-current assets	**8.3**	**11.4**

14 Trade and Other Receivables

In millions of EUR	Note	31 December 2021	31 December 2020
Trade receivables		10.0	12.3
Derivatives and other financial assets		5.8	2.3
Accrued rental income		3.9	0.6
Unbilled receivables from service charges		-	2.1
Other financial receivables		6.8	5.9
Trade and other receivables from related parties	7	3.7	11.2
Less expected credit loss allowance for trade receivables		(4.5)	(4.9)
Loans to related parties	7 a	0.8	-
Less expected credit loss allowance for loans to related parties	7	-	-
Total financial assets / receivables		**26.5**	**29.5**
VAT receivable		14.9	16.3
Prepayments		2.2	5.6
Current income tax refund receivable		-	1.9
Total trade and other receivables		**43.6**	**53.3**

(a) Loan is provided under the following conditions – interest rate 2.7% in 2021 (2020: nil).

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

	31 December 2021				31 December 2020			
In millions of EUR	Loss rate	Gross carrying amount	ECL	Net carrying amount	Loss rate	Gross carrying amount	ECL	Net carrying amount
Trade and other receivables								
- current	0.25%	12.8	-	12.8	0.25%	13.2	-	13.2
- less than 30 days overdue	2.5%	2.4	(0.1)	2.3	2.5%	5.0	(0.1)	4.9
- 30 to 90 days overdue	5.0%	1.9	(0.1)	1.8	5.0%	3.8	(0.2)	3.6
- 91 to 180 days overdue	10.0%	0.8	(0.1)	0.7	10.0%	1.6	(0.2)	1.4
- 181 to 360 days overdue	15.0%	0.7	(0.1)	0.6	15.0%	3.0	(0.5)	2.5
- over 360 days overdue	70.0%	5.8	(4.1)	1.7	70.0%	5.5	(3.9)	1.6
Total		**24.4**	**(4.5)**	**19.9**		**32.1**	**(4.9)**	**27.2**
Loans to related parties		-	-	0.8		-	-	-
Derivatives / other at fair value				5.8				2.3
Total financial assets				**26.5**				**29.5**

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. Certain trade receivables are secured by either bank guarantee or deposit. The unsecured trade receivables are from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

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

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual financial reporting period:

In millions of EUR	2021	2020
Expected credit loss allowance at 1 January	**4.9**	**6.9**
Expected credit loss (release)/charge to profit or loss for the year	(0.1)	(1.1)
Write-offs	(0.3)	(0.9)
Expected credit loss allowance at 31 December	**4.5**	**4.9**

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

In millions of EUR	31 December 2021	31 December 2020
Trade receivables collateralised by:		
- bank guarantees	0.6	0.2
- tenant deposits	3.8	2.7
Total	**4.4**	**2.9**

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

Financial effect of collateral at 31 December 2021 is as follows:

	Over-collateralised Assets		Under-collateralised Assets	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	0.7	11.7	12.9	3.6

Financial effect of collateral at 31 December 2020 is as follows:

	Over-collateralised Assets		Under-collateralised Assets	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	0.7	10.3	9.5	2.2

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

The Group has pledged the receivables of EUR 7.0 million as collateral for the borrowings as at 31 December 2021 (2020: EUR 4.1 million).

15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale

In millions of EUR	31 December 2021	31 December 2020
Investment property	77.5	299.2
Trade and other receivables	-	1.6
Cash and cash equivalents	0.1	-
Other non-current asset	0.1	-
Total assets classified as held for sale	**77.7**	**300.8**

As of 31 December 2021, the Group classified assets and liabilities of four (4) subsidiaries Polcom Investment XXXIII Sp.z o.o., INLOGIS VII s. r. o., INLOGIS IV s.r.o. and INLOGIS V, spol. s r.o.) as held for sale.

As of 31 December 2020, the Group classified assets and liabilities of two (2) subsidiaries (Phibell s.r.o., HB REAVIS REAL ESTATE DEVELOPMENT FUND) as held for sale.

The investment properties are valued annually on 31 December at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 34.

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

In millions of EUR	31 December 2021	31 December 2020
Deferred income tax liability	0.7	7.9
Borrowings	-	114.0
Lease liabilities long-term	0.2	-
Total liabilities directly associated with assets classified as held for sale	**0.9**	**121.9**

At 31 December 2021, investment properties held for sale carried at EUR 77.5 million (at 31 December 2020: EUR 299.2 million) and the receivables of nil (at 31 December 2020: EUR 1.6 million) have been pledged to third parties as collateral with respect to borrowings.

One (Phibell s.r.o.) out of two subsidiaries classified as held for sale as at 31 December 2020 was sold during year 2021 (Note 29). In line with the Group's intentions with the investment portfolio the management decided not to continue marketing the subsidiary HB REAVIS REAL ESTATE DEVELOPMENT FUND for sale and therefore, did not to classify the subsidiary as held for sale as at 31 December 2021. The Group did not restate the numbers presented as comparatives for the year ended 31 December 2020 in this respect because in real estate practise is sale of the investment properties rather considered to be sale of the assets then sale of subsidiaries. The Group considers this substance over form approach as appropriate benchmark in its type of the business.

16 Restricted Cash

Restricted cash is cash and cash equivalents that are held for a specific purpose thus not available for immediate or general use by the Group. At 31 December 2021, restricted cash balance consists of the following:

In millions of EUR	31 December 2021	31 December 2020
Utilisation accounts	4.6	30.5
Debt service reserve accounts	7.4	4.8
Tenant security deposits	10.6	7.7
Other	3.4	5.2
Total restricted cash	**26.0**	**48.2**

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

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

Utilisation accounts. Cash associated with previously drawn development facility. The balance will be released in parallel with progress in development.

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

Restricted cash gross outflow amounted to EUR 30.2 million and restricted cash gross inflow amounted to EUR 8.0 million during the year ended 31 December 2021.

17 Cash and Cash Equivalents

In millions of EUR	31 December 2021	31 December 2020 Restated
Cash at bank and in hand	212.7	144.5
Total cash and cash equivalents	**212.7**	**144.5**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021. Refer to Note 33 for the description of the Group's credit risk grading system.

In millions of EUR	31 December 2021	31 December 2020 Restated
- Excellent	150.6	105.5
- Good	62.1	38.9
- Satisfactory	0.0	0.1
Total cash and cash equivalents	**212.7**	**144.5**

The Company classifies banks based on ratings as follows:
- Banks rated Excellent: Rating by Moody's A1, A2, A3 or rating by Fitch A+, A, A-
- Banks rated Good: Rating by Moody's Baa1, Baa2, Baa3 or Fitch BBB+, BBB, BBB-
- Banks rated Satisfactory: Rating by Moody's Ba1, Ba2, Ba3 or Fitch BB+, BB, BB-

The carrying amounts of cash and cash equivalents as of 31 December 2021 and 31 December 2020 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

18 Other Current Assets

In millions of EUR	31 December 2021	31 December 2020
Advances paid	3.0	4.6
Deferred expenses	3.7	12.9
Downpayment for investment property	-	7.0
Prepayments to trustee	-	7.9
Investment management fee accrued	3.2	1.8
Total other current assets	**9.9**	**34.2**

19 Inventories

In millions of EUR	31 December 2021	31 December 2020
Inventory property	76.1	-
Material	0.3	0.2
Merchandise	0.1	0.1
Total inventories	**76.5**	**0.3**

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

In millions of EUR	31 December 2021	31 December 2020
Inventory property at 1 January	-	-
Transfer from Investment property (Note 10)	73.7	-
Construction expenditures	2.4	-
Inventory property at 31 December	**76.1**	-

No inventory costs were recognised in consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2021 (31.12.2020: nil).

At 31 December 2021, inventory property carried at EUR 76.1 million (at 31 December 2020: nil has been pledged to third parties as collateral with respect to borrowings.

20 Share Capital and Share Premium

	Number of shares	Ordinary shares	Joint ventures	Total
At 1 January 2020	30,000	30,000	402,465,609	**402,495,609**
At 31 December 2020	30,000	30,000	820,472,758	**820,502,758**
At 31 December 2021	30,000	30,000	792,689,247	**792,719,247**

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.

In 2020, the sole shareholder resolves to capitalise retained earnings in the amount of EUR 441.5 million to Share premium without issuing new shares.

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	2021	2020
Distributions to owners payable at 1 January	**21**	-	-
Distributions declared during the year (from share premium)		27.8	23.5
Distributions paid during the year		(27.8)	(23.5)
Distributions to owners payable at 31 December	**21**	-	-
Amount per share declared during the year in EUR		927.2	782.3

21 Borrowings

In millions of EUR	Note	31 December 2021	31 December 2020
Non-current			
Bank borrowings		1,113,3	686.1
Issued bonds	(a)	309,8	279.1
Total non-current borrowings		**1,423.1**	**965.2**
Current			
Bank borrowings		398.6	172.6
Issued bonds	(a)	80.8	94.2
Total current borrowings		**479.4**	**266.8**
Total borrowings		**1,902.5**	**1,232.0**

(a) The bonds represent following debt instruments:

(i) 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.;
(ii) 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.;
(iii) PLN denominated bonds in the amount PLN 220 million (EUR 48.7 million), which were issued in Warsaw in July 2017 with maturity January 2022, bearing an interest of 6M WIBOR + 4.20% p.a.;
(iv) 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.;

(v) 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.;

(vi) EUR denominated bonds in the amount EUR 15 million, which were issued in Bratislava in February 2019 with maturity February 2025, bearing an interest of 3.25% p.a.;

(vii) EUR denominated bonds in the amount EUR 20 million, which were issued in Bratislava in September 2019 with maturity September 2025, bearing an interest of 3.25% p.a.;

(viii) EUR denominated bonds in the amount EUR 25 million, which were issued in Bratislava in November 2019 with maturity November 2025, bearing an interest of 3.25% p.a.;

(ix) EUR denominated bonds in the amount EUR 30 million, which were issued in Bratislava in July 2019 with maturity July 2026, bearing an interest of 2.75% p.a.;

(x) EUR denominated bonds in the amount EUR 15 million, which were issued in Bratislava in September 2020 with maturity September 2024, bearing an interest of 3.35% p.a.;

(xi) EUR denominated bonds in the amount EUR 5 million, which were issued in Bratislava in December 2020 with maturity December 2024, bearing an interest of 3.35% p.a.;

(xii) PLN denominated bonds in the amount PLN 85 million (EUR 18.5 million), which were issued in Warsaw in December 2020 with maturity December 2023, bearing an interest of 5.0% p.a.;

(xiii) CZK denominated bonds in the amount CZK 1,492 million (EUR 58.6 million), which were issued in Prague in January and February 2021 with maturity January 2025, bearing an interest of 4.85% p.a.;

(xiv) EUR denominated bonds in the amount EUR 19.1 million, which were issued in Bratislava in March 2021 with maturity March 2025, bearing an interest of 3.35% p.a.;

(xv) EUR denominated bonds in the amount EUR 10 million, which were issued in Bratislava in June 2021 with maturity January 2026, bearing an interest of 3.40% p.a.

(xvi) EUR denominated bonds in the amount EUR 18.7 million, which were issued in Bratislava in December 2021 with maturity December 2026, bearing an interest of 3.60% p.a.

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

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

In millions of EUR	Bank borrowings	Bonds	Lease liabilities	Total
Borrowings and lease liabilities as presented in the consolidated statement of financial position as at 1 January 2020	**530.2**	**391.1**	**76.3**	**997.6**
Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 1 January 2020 (Note 15)	152.3	-	5.0	157.3
Total borrowings and lease liabilities as at 1 January 2020	**682.5**	**391.1**	**81.3**	**1,154.9**
Cash flows				
Proceeds from new drawdowns	500.8	38.2	-	**539.0**
Repayments	(61.1)	(48.0)	(8.4)	**(117.5)**
Non-cash changes				
New leases	-	-	17.6	**17.6**
Foreign exchange adjustments	21.2	-	(0.9)	**20.3**
Non-cash movement due to loss of control in a subsidiary (Note 29)	(158.7)	-	(5.0)	**(163.7)**
Change in accrued interest	7.7	(1.0)	2.1	**8.8**
Change in amortised transaction costs	0.9	-	-	**0.9**
Effect of translation to presentation currency	(20.6)	(7.0)	(1.6)	**(29.2)**
Borrowings and lease liabilities as presented in the consolidated statement of financial position as at 31 December 2020	**858.7**	**373.3**	**85.1**	**1,317.1**
Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2020 (Note 15)	114.0	-	-	**114.0**
Total borrowings and lease liabilities as at 31 December 2020	**972.7**	**373.3**	**85.1**	**1,431.1**
Cash flows				
Proceeds from new drawdowns	573.7	87.7	-	**661.4**
Repayments	(52.6)	(72.9)	(44.1)	**(169.6)**
Non-cash changes				
New leases	-	-	0.4	**0.4**
Lease concessions due to Covid	-	-	(0.3)	**(0.3)**
Foreign exchange adjustments	4.1	-	0.9	**5.0**
Non-cash movement due to loss of control in a subsidiary	(5.1)	-	-	**(5.1)**
Non-cash movement due to derecognition of a lease	-	-	(0.4)	**(0.4)**
Change in accrued interest	15.9	0.6	2.4	**18.9**
Change in amortised transaction costs	7.6	-	-	**7.6**
Effect of translation to presentation currency	(4.4)	1.9	2.2	**(0.3)**
Borrowings and lease liabilities as presented in the consolidated statement of financial position as at 31 December 2021	**1,511.9**	**390.6**	**46.0**	**1,948.5**
Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 31 December 2021 (Note 15)	-	-	0.2	**0.2**
Total borrowings and lease liabilities as at 31 December 2021	**1,511.9**	**390.6**	**46.2**	**1,948.7**

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	2021	2020	2021	2020
Bank borrowings	1,113.3	686.1	1,054.8	676.1
Issued bonds	309.8	279.1	300.9	283.2
Non-current borrowings	**1,423,1**	**965.2**	**1,355.7**	**959.3**

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

The Group has the following undrawn borrowing facilities:

In millions of EUR	31 December 2021	31 December 2020
Availability:		
- Expiring within one year	166.4	29.3
- Expiring beyond one year	216.6	408.9
Total undrawn facilities	**383.0**	**438.2**

Investment properties (Note 10), property, plant and equipment (Note 8) and receivables (Note 14) are pledged as collateral for borrowings of EUR 1,390.9 million (2020: EUR 838.9 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 60% to 75% (2020:50% to 70%) and minimum debt service coverage ratios ranging from 1.2 to 1.25 (2020: 1.0 to 1.20). During 2021 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. After 31 December 2021 and up to date of authorization of these consolidated financial statements, the Group repaid EUR 184.1 million of loans and EUR 59.9 million of bonds and drawn EUR 286.1 million of new loans and issued EUR 11.6 million of new bond (Note 38).

The Group recognized on its borrowings interest expense amounting to of EUR 50.7 million out of which EUR 15.7 million was bond related interest expense (2020: interest expense EUR 40.6 million out of which EUR 15.0 million EUR bond related interest expense).

22 Deferred income, Trade and Other Payables

In millions of EUR	Note	31 December 2021	31 December 2020
Non-current			
Long-term payables to related parties (Note 7)		22.6	15.1
Other long-term payables		16.8	16.8
Total non-current payables		**39.4**	**31.9**
Current			
Trade payables		9.3	15.6
Trade and other payables to related parties (Note 7)		4.4	4.8
Liabilities for construction of investment properties		50.3	45.6
Accrued liabilities		42.4	16.1
Derivative financial instruments		7.2	6.3
Other payables		0.4	7.7
Total current financial payables		**114.0**	**96.1**
Items that are not financial instruments:			
Deferred rental income		7.7	7.8
Contract liability		1.1	2.0
Accrued employee benefit costs		1.8	2.5
Other taxes payable		-	0.6
VAT payable		1.7	0.1
Income tax payable		0.6	-
Prepayments		0.5	0.3
Total deferred income, current trade and other payables		**127.4**	**109.4**

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

23 Rental and Similar Income from Investment Property

In millions of EUR	2021	2020
Rental income		
Office	30.7	26.2
Retail	4.7	1.1
HubHub	7.1	6.9
Service charges		
Office	12.4	12.8
Retail	1.1	0.8
HubHub	0.1	-
Management charges		
Office	1.7	2.3
Retail	1.7	0.2
HubHub	0.4	0.3
Total rental and similar income from investment properties	**59.9**	**50.6**

Where the Group is the lessor, the future minimum lease payments receivable under operating leases over the lease term are as follows at 31 December 2020:

In millions of EUR	2021	2020
Not later than 1 year	51.1	25.4
Later than 1 year and not later than 2 years	70.8	34.7
Later than 2 years and not later than 3 years	90.2	38.7
Later than 3 years and not later than 4 years	93.7	38.8
Later than 4 years and not later than 5 years	86.5	36.2
Later than 5 years	437.7	177.4
Total operating lease payments receivable	**830.0**	**351.2**

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total variable lease payments receivable recognised as income in 2021 under the Group's operating leases were EUR 0.3 million (2020: EUR 0.1 million).

24 Direct Operating Expenses arising from Investment Property

In millions of EUR	2021	2020
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	1.2	1.0
Repairs and maintenance services	1.4	1.5
Utilities costs	6.1	7.9
Services relating to investment property	15.6	10.6
Real estate tax	0.2	0.4
Other costs	1.3	1.4
Total	**25.8**	**22.8**

25 Analysis of Revenue by Category

In millions of EUR	Note	2021	2020
Rental income	23	42.5	34.2
Service charges	23	13.6	13.6
Management charges income	23	3.8	2.8
Total Rental and similar income from investment property		**59.9**	**50.6**
Services rendered	27	3.1	7.1
Other	27	2.1	1.8
Total Other operating income		**5.2**	**8.9**
Revenue from construction contracts	28	18.7	25.5
Total revenue and other income		**83.8**	**85.0**

As at 31 December 2021 and 2020, the Group has completed all contracts for construction of properties.

26 Employee Benefits

In millions of EUR	2021	2020
Wages and salaries (including social and health insurance)	19.5	21.7
Pension costs – defined contribution plans	1.0	1.1
Total employee benefits	**20.5**	**22.8**

The Group had 689 employees in the core real estate operations of the Group (on full time equivalent basis) as at 31 December 2021 (2020: 665 employees). The average number of employees in 2021 was 681 (2020: 724).

27 Other Operating Income and Expenses

Other operating expenses comprised the following:

In millions of EUR	2021	2020
Services	28.0	18.5
Rental expense	1.2	1.5
Audit fees	1.2	1.0
Material consumption	0.7	0.6
Energy costs	0.5	0.4
Other taxes	0.6	1.2
Cost of sold inventories	0.2	0.8
Net impairment losses on financial and contract assets	(0.1)	1.1
Other	6.3	7.4
Total other operating expenses	**38.6**	**32.5**

The following table summarizes audit fees incurred by the parent entity and its subsidiaries, billed by the principal approved audit firm, PricewaterhouseCoopers, Société coopérative, Luxembourg and other network firms of the principal approved audit firm for the audit of these consolidated financial statements:

	Fees billed by PricewaterhouseCoopers, Luxembourg		Fees billed by other network firms		Total	
In millions of EUR	2021	2020	2021	2020	2021	2020
Audit fees	0.1	0.1	0.4	0.4	0.5	0.5
Audit-related fees	-	-	-	-	-	-
Tax fees	-	-	-	-	-	-
Other fees	-	-	-	-	-	-
Total audit fees	**0.1**	**0.1**	**0.4**	**0.4**	**0.5**	**0.5**

Other operating income comprised the following:

In millions of EUR	2021	2020
Sales of services	3.1	7.1
Sales of inventories	0.3	0.4
Other operating income	1.8	1.4
Total other operating income	**5.2**	**8.9**

28 Revenues from Construction Contracts and Construction Services

Revenues from construction contracts and construction services comprised the following:

	2021		2020	
In millions of EUR	Revenues from construction contracts	Construction services	Revenues from construction contracts	Construction services
Construction contracts with related parties	10.0	(9.9)	7.7	(6.7)
Fit – out for tenants	6.9	(5.3)	17.2	(13.5)
Other	1.8	(4.4)	0.6	(1.7)
Total other operating expenses	**18.7**	**(19.6)**	**25.5**	**(21.9)**

29 Disposals of Subsidiaries

The Group sold shares in two (2) subsidiaries during year 2021: Phibell s.r.o. and KM Ingatlanbérbeadási Kft, out of which Phibell s.r.o. was classified as Non-current assets held for sale as of 31 December 2020.

The Group sold shares in five (5) subsidiaries during year 2020: Twin City III s. r. o., SPV Vištuk s. r. o, TWENTY House S.à r.l., P14 Sp. z o.o which were classified as Non-current assets held for sale as of 31 December 2019 and BUXTON INVEST a.s.

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

In millions of EUR	31 December 2021	31 December 2020
Investment property in use	40.8	305.9
Property, plant and equipment	-	4.4
Deferred tax asset/(liability)	(2.2)	(17.4)
Borrowings	(5.1)	(158.7)
Trade and other payables – long term	-	(5.3)
Trade and other payables – short term	(0,4)	(13.3)
Cash and cash equivalents	0.8	2.7
Other working capital	(0.1)	16.2
Net assets value	**33.8**	**134.5**
Gain/(loss) on disposal of subsidiaries	2.7	(8.6)
Foreign currency translation differences transferred from other comprehensive income upon loss of control	(1.6)	8.3
Proceeds from sale of subsidiaries	**34.9**	**134.2**
Less cash in subsidiaries at the date of transaction	(0.8)	(2.7)
Cash sale proceeds	**34.1**	**131.5**

30 Income Taxes

Income tax expense comprises the following:

In millions of EUR	2021	2020
Current tax	(5.3)	(2.1)
Deferred tax	(94.4)	0.1
Income tax credit/(expense) for the year	**(99.7)**	**(2.0)**

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

In millions of EUR	2021	2020
Profit/(loss) before income tax	**388.8**	**(111.9)**
Theoretical tax charge at applicable rate 19.77% (2020: 18.43%)	(76.9)	20.6
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income/(Loss) not subject to taxation	0.2	(3.0)
- Non-temporary taxable items	(11.1)	(9.5)
- Change in estimate of prior period income taxes	2.6	0.8
- Unrecognised deferred tax assets from tax losses carried-forward	(15.0)	(10.9)
- Utilisation of previously unrecognised tax loss carry-forwards	0.5	-
Income tax credit/(expense) for the year	**(99.7)**	**(2.0)**

The Group uses 19.77% (2020: 18.43%) 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% (2020: 21%), the Czech Republic and Poland of 19% (2020: 19%), Hungary of 9% (2020: 9%), Germany of 16% (2020:16%) and the UK of 19% (2020: 19%) where majority of the Group's operations are located. Non-temporary taxable items contain mainly non-taxable foreign-exchange differences and interest expenses.

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

In millions of EUR	1 January 2020	(Charged)/ credited to profit or loss	Divestment of subsidiaries	Transfer to assets held for sale	31 Dec 2020	(Charged)/ credited to profit or loss	Transfer (from) assets held for sale	31 Dec 2021
Tax effect of deductible/ (taxable) temporary differences								
Investment properties	**(132.2)**	(4.9)	1.4	7.9	**(127.8)**	(95.7)	(5.1)	**(228.6)**
Tax losses carried forward	**1.8**	4.9	-	-	**6.7**	0.9	-	**7.6**
Property, plant and equipment	**1.7**	-	-	-	**1.7**	(0.9)	-	**0.8**
Other	**(0.6)**	0.1	-	-	**(0.5)**	1.3	-	**0.8**
Net deferred tax (liability)	**(129.3)**	**0.1**	**1.4**	**7.9**	**(119.9)**	**(94.4)**	**(5.1)**	**(219.4)**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies. Accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Deferred tax liability and deferred tax asset presented in the Consolidated Statement of Financial Position at 31 December 2021 are based on the net position of all consolidated entities. Deferred tax asset and deferred tax liability presented in the table above show net position per each category of temporary differences and do not harmonise with the presentation according to legal entities. The Group expects that substantially all of the deferred tax liability will crystallise after more than 12 months from the balance sheet date. The Group did not recognise as at 31 December 2021 deferred tax asset in the amount of EUR 15.0 million resulting from tax losses for the year in amount of EUR 77.0 million due to high probability of inability to utilise these tax losses against sufficient taxable profit. Expiration of these tax losses is between years 2022-2026.

31 Foreign Exchange Gains/(losses)

In millions of EUR	2021	2020
Bank borrowings – unrealised	(4.1)	(21.2)
Inter-company loans to foreign operations that do not form part of net investment – unrealised	7.0	(19.0)
Lease liabilities	(0.9)	0.9
Trade and other receivables and payables – realised during the year	0.4	(0.7)
Trade and other receivables and payables – unrealised	(0.5)	(0.3)
Foreign exchange gains/(losses)	**1.9**	**(40.3)**

32 Contingencies, Commitments and Operating Risks

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Group includes holding companies incorporated in various jurisdictions. The tax liabilities of the Group are determined on the assumption that these holding companies are not subject to profits tax in other countries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. Refer also to Note 3.

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 144.0 million at 31 December 2021 (31 December 2020: EUR 271.5 million); this exposure will be partially financed by external loans (committed lines: EUR 383.0 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

33 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks: credit risk, market risk (including changes in foreign currency exchange rates, interest rate and price risk), 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 14.

Financial instruments are not subject to offsetting, enforceable master netting and similar arrangements and are as follows at 31 December 2021:

				Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		
In millions of EUR	Gross amounts before offsetting in the consolidated statement of financial position a)	Gross amounts set off in the consolidated statement of financial position b)	Net amount after offsetting in the consolidated statement of financial position c) = a) - b)	Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	4.4	-	4.4	0.6	3.8	-
Liabilities						
Cash collateral received presented within trade and other payables	3.8	-	3.8	3.8	-	-

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2020:

				Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		
In millions of EUR	Gross amounts before offsetting in the consolidated statement of financial position a)	Gross amounts set off in the consolidated statement of financial position b)	Net amount after offsetting in the consolidated statement of financial position c) = a) - b)	Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	2.9	-	2.9	0.2	2.7	-
Liabilities						
Cash collateral received presented within trade and other payables	2.7	-	2.7	2.7	-	-

According to the general terms and conditions of contracts with its customers, the Group requires either a cash collateral or bank guarantee in favour of the Group to ensure its receivables are collectible. The amount guaranteed by cash collateral or a bank guarantee is assessed by the Group annually. The Group has a right of set-off of any balances overdue against the collateral or amount drawn under a bank guarantee.

The amounts in columns (d) and (e) in the above table are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Credit risks concentrations

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 26 banks

(2020: 30 banks) but 94.3% (2020: 93.8%) of cash balances as of 31 December 2021 are held with 10 (2020: 10) major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 17.

Expected credit loss (ECL) measurement

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

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

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

Significant increase in credit risk (SICR)

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

The Group considers other receivables and other financial assets to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:
- 30 days past due;
- the Group regularly monitors debtors with increased credit risk and considers such portfolios to have a SICR.

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

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics. The key shared credit characteristics considered are: financial instrument type, type of customer, date of initial recognition and

remaining term to maturity. The different segments also reflect differences in credit risk parameters. The appropriateness of groupings is monitored and reviewed on a periodic basis by Management.

Forward-looking information incorporated in the ECL models

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

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

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

(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 2021 with all other variables constant, profit for the year would have been approximately EUR 38.5 million lower (2020: EUR 38.2 million lower). Equity, after allowing for the tax effects, would have been EUR 30.4 million lower (2020: EUR 30.2 million lower).

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 2021			
Total monetary financial assets	275.1	5.6	280.7
Total monetary financial liabilities	(604.3)	(1,497.6)	(2,101.9)
Net interest sensitivity gap at 31 December 2021	**(329.2)**	**(1,492.0)**	**(1,821.2)**
31 December 2020			
Total monetary financial assets	256.4	0.8	257.2
Total monetary financial liabilities	(405.0)	(1,040.1)	(1,445.1)
Net interest sensitivity gap at 31 December 2020	**(148.6)**	**(1.039.3)**	**(1,187.9)**

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 2021 with all other variables constant, profit before tax for the year would have been higher by approximately EUR 1.7 million (2020: EUR 1.0 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 1.4 million higher (2020: higher by EUR 0.8 million).

In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various 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.

(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 2021 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 remaining maturities of financial liabilities based on contractual undiscounted cash- flows as at 31 December 2021 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)	488.1	272.0	768.9	390.5	**1,919.5**
Borrowings (future interest payments)	51.6	38.1	61.7	18.0	**169.4**
Financial payables - current (Note 22)	106.8	-	-	-	**106.8**
Future lease payments (Note 9)	10.9	9.2	16.7	51.1	**87.9**
Net position from derivatives (Note 22)	4.9	0.4	1.9	-	**7.2**
Out of which cash inflows from derivatives	(48.9)	(20.3)	(63.3)	-	**(132.5)**
Out of which Cash outflows from derivatives	53.8	20.7	65.2	-	**139.7**
Total future payments, including future principal and interest payments	**662.3**	**319.7**	**849.2**	**459.6**	**2,290.8**

The remaining maturities of financial liabilities based on contractual undiscounted cash-flows as at 31 December 2020 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)	260.0	271.7	386.4	314.7	**1,232.8**
Borrowings (future interest payments)	34.5	25.5	48.0	23.5	**131.5**
Financial payables - current (Note 21)	89.8	-	-	-	**89.8**
Future lease payments (Note 9)	42.0	10.7	20.3	56.3	**129.3**
Net position from derivatives (Note 21)	2.2	4.1	-	-	**6.3**
Out of which cash inflows from derivatives	(22.5)	(51.5)	-	-	**(73.9)**
Out of which Cash outflows from derivatives	24.7	55.5	-	-	**80.2**
Total future payments, including future principal and interest payments	**428.5**	**312.0**	**454.7**	**394.5**	**1,589.7**

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

34 Management of Capital

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

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

In millions of EUR	Note	31 December 2021	31 December 2020
Equity attributable to the owners of HB Reavis Holding S.A.		1,676.8	1,386.0
Adjusted for			
Add: Deferred income tax net (including non-current assets held for sale)	15, 30	220.1	127.8
Net Asset Value (adjusted) as monitored by management		**1,896.9**	**1,513.8**

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties less Cash and Group total assets. In line with the announced Group's intention aimed at consolidating part of the Group's investment portfolio and prospective separation of portion of its assets from the Group, the Group's leverage increased in course of 2021 as a result of higher proportion of income producing assets on the Group's total assets. In connection to this, the net debt leverage ratio stood at 41.43% (2020: 38.23%). The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	31 December 2021	31 December 2020
Bank borrowings and finance leases* less cash including those classified as held for sale	1,663.7	1,184.1
Total assets	4,016.0	3,097.1
Net debt leverage ratio	**41.43%**	**38.23%**

* Of the total lease liability recognised as at 31 December 2021, EUR nil represents lease liabilities related to Farringdon West (31 December 2020: EUR 30.8 million).

35 Fair Value Estimation

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

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

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

i) Investment properties

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

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 31 December 2021 (Note 10)	-	-	3,656.8	**3,656.8**
Investment property – valuations obtained at 31 December 2020 (Note 10)	-	-	2,729.9	**2,729.9**

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

The fair value of the properties that are included in Residential segment in the below Fair value estimation table overview, has been measured as at 1 November 2021. Subsequently, these properties have been transferred to Inventories. Refer to Note 2.11 and Note 19 for more information.

Quantitative information about fair value measurements using unobservable inputs:

Segment	Valuation technique	Fair value 31 Dec 2021 (in millions of EUR)	Fair value 31 Dec 2020 (in millions of EUR)	Input	Range 31 Dec 2021	Range 31 Dec 2020
Asset Management and Investment Management						
Slovakia						
				Average annual rent in EUR per sqm	185-192	185-193
Office	Discounted cash flow	109.1	112.4	Discount rate p.a.	6.75%	7.85%
				Capitalisation rate for terminal value	6.70% - 6.75%	7.85%
Office	Direct capitalisation method	110.5	102.6	Average annual rent in EUR per sqm	210	212
				Capitalisation rate for terminal value	5.30%	5.63%
Office	Residual method	-	26.1	Capitalised net revenues less cost to completion	-	58.02
				Capitalisation rate	-	5.75%
Retail	Direct capitalisation method	330.7	-	Average annual rent / sq m	310	-
				Capitalisation rate for terminal value	6.32%	-
Total		**550.3**	**241.1**			
Poland						
Office	Direct capitalization method	481.3	404.2	Average annual in EUR per sqm	218-275	245-289
				Capitalization rate for terminal value	4.55-5.50%	4.44% – 4.65%
Office	At cost	-	0.1	-		
Total		**481.3**	**404.3**			
Hungary						
Office	Direct capitalisation method	-	9.4	Average annual rent in EUR per sqm	-	93.0
				Capitalisation rate for terminal value	-	9.5%
				Average annual rent in EUR per sqm	210	
Office	Discounted cash flow	277.8	-	Discount rate p.a.	6.0%	-
				Capitalisation rate for terminal value	5.40%	
Total		**277.8**	**9.4**			
United Kingdom						
Office	Residual value	-	17.6	Capitalised net revenues less cost to completion	-	31.4
				Capitalisation rate	-	4.5%
Office	Discounted cash flow	278.0	-	Average annual rent in EUR per sqm	1,059.0	-
				Capitalisation rate for terminal value	4.10%	-
Total		**278.0**	**17.6**			

Segment	Valuation technique	Fair value 31 Dec 2021 (in millions of EUR)	Fair value 31 Dec 2020 (in millions of EUR)	Input	Range 31 Dec 2021	Range 31 Dec 2020
Asset Management and Investment Management						
Germany						
Office	Residual method	388.3	-	Capitalised net revenues less cost to completion	26.9	-
				Capitalisation rate	3.30%	-
Total		**388.3**	**-**			
Total for segment		**1,975.7**	**672.4**			
Development in realisation and in preparation						
Slovakia						
Office, Office/Retail	Residual Method	232.6	115.8	Capitalised net revenues less cost to completion	328.9	388.1
				Capitalisation rate	5.15% - 6.25%	5.75% - 6.25%
Residential	Residual Method	73.7	-	price in EUR per sqm	4,274 - 4,550	-
Retail	Residual Method	-	269.8	Capitalised net revenues less cost to completion	-	2.2
				Capitalisation rate	-	6.32%
Office	At cost	-	0.2	-		
Total		**306.3**	**385.8**			
Czech Republic						
Office	Residual method	27.0	60.1	Capitalised net revenues less cost to completion	60.8	112.2
				Capitalisation rate	6.0%	4.3% - 6.25%
Office	At cost	1.0	1.0			
Total		**28.0**	**61.1**			
Poland						
Office	Residual Method	321.0	395.9	Capitalised net revenues less cost to completion	54.4	157.1
				Capitalisation rate	4.5%	4.79% - 5.65%
Office	Direct capitalisation method	144.4	-	Average annual rent in EUR per sqm	215.5	-
				Capitalisation rate	5.50%	-
Office	Comparative method	13.2	12.4	Price in EUR per sqm of land	911 – 1,025	828.0 – 1,025.0
Office	At cost	1.0	1.0	-		
Total		**479.6**	**409.3**			

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

Segment	Valuation technique	Fair value 31 Dec 2021 (in millions of EUR)	Fair value 31 Dec 2020 (in millions of EUR)	Input	Range 31 Dec 2021	Range 31 Dec 2020
Development in realisation and in preparation						
United Kingdom						
Office	Residual method	623.2	583.6	Capitalised net revenues less cost to completion	1,085.9	1,210.7
				Capitalisation rate	4.1% - 4.35%	4.35% - 4.5%
Total		**623.2**	**583.6**			
Hungary						
Office	Direct capitalisation method	55.4	-	Average annual rent / sq m	204	
				Capitalisation rate	5.75%	
Office	Residual method	-	53.2	Capitalised net revenues less cost to completion	-	34.0
				Capitalisation rate		5.75%
Office	Discounted cash flow	-	265.5	Average annual rent in EUR per sqm	-	216.0
				Discount rate p.a.		6.0%
				Capitalisation rate for terminal value		5.57%
Total		**55.4**	**318.7**			
Germany						
Office	At cost	-	0.2	-		
Office	Residual method	137.7	246.2	Capitalised net revenues less cost to completion	108.1	121.0
				Capitalisation rate	2.90% - 4.25%	3.45% - 4.25%
Total		**137.7**	**246.4**			
Total for segment		**1,630.2**	**2,004.9**			
None - core						
Logistics	Comparative method	31.0	36.8	Price in EUR per sqm	2,673.0	2,673.0
Retail	At cost	4.1	1.4	-		-
HubHub	At cost	15.8	14.4	-		-
Total for segment		**50.9**	**52.6**			

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 price that would be received to sell the financial instrument in an orderly transaction between market participants at the measurement date and is best evidenced by the transaction price or an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 3.84% p.a. (2020: 3.19% p.a.). Refer to Note 21 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

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.

36 Reconciliation of Classes of Financial Instruments with Measurement Categories

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

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

– it is held within a business model whose objective is to hold assets to collect contractual cash flows and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as financial liabilities at FVTPL (Note 22).

37 Consolidated Structured Entities

The Group issued

- 1 tranche of bonds through HB Reavis Finance PL 2 Sp. z o.o. incorporated in Poland,
- 1 tranche of bonds through HB Reavis Finance PL 3 Sp. z o.o. incorporated in Poland,
- 3 tranches of bonds through HB REAVIS Finance SK III s. r. o., incorporated in Slovakia,
- 1 tranche of bonds through HB REAVIS Finance SK IV s. r. o., incorporated in Slovakia,
- 3 tranches of bonds through HB REAVIS Finance SK V s. r. o., incorporated in Slovakia,
- 1 tranche of bonds through HB REAVIS Finance SK VI s. r. o., incorporated in Slovakia,
- 4 tranches of bonds through HB REAVIS Finance SK VII s. r. o., incorporated in Slovakia,
- 1 tranche of bonds through HB REAVIS Finance SK VIII s. r. o., incorporated in Slovakia,
- 1 tranche of bonds through HB REAVIS Finance SK IX s. r. o., incorporated in Slovakia,
- 3 tranches of bonds through HB Reavis Finance CZ II, s.r.o., incorporated in Czech Republic.

These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 305 million, EUR 265.8 million and CZK 1.492 billion (Note 21).

38 Events after the End of the Reporting Period

In January 2022, the Group completed the sale of shares in INLOGIS IV, s.r.o., INLOGIS V, s.r.o. and INLOGIS VI, s.r.o. classified as held for sale as of 31 December 2021 for a total consideration of EUR 52.8 million.

After 31 December 2021 and up to date of authorization of these consolidated financial statements, the Group repaid the loans of EUR 184.1 million and drawn EUR 286.1 million of new loans. The Group also issued new tranche of bonds in the amount of EUR 11.6 million and repaid the bonds of EUR 59.9 million.

On 24th February 2022, the Russian Federation began the invasion of the Republic of Ukraine. In response, many jurisdictions have imposed unprecedented economic sanctions on the Russian Federation and the Republic of Belarus. While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, both the conflict and the sanctions on Russia will have a substantial impact on the global economy and financial markets. The Group has identified increase of inflation, supply chain disruptions, foreign currency rates fluctuations and interest rates fluctuations as the potential key factors impacting the Group's performance.

While the impact of the situation cannot be accurately predicted and it is not plausible to assess all possible future implications for the Group, the Group believes that it has financial position that will enable it to sustain the current disruptions in the economic environment.

The management will continue to monitor developments and their impact on the Group including its operations, lending arrangements and debt covenants, and the values and estimates reported in the consolidated financial statements and accompanying notes.

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.