# HB Reavis Holding S.A.

# Condensed Consolidated Interim Financial Statements
# 30 June 2020

## Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE 6 MONTHS ENDED 30 JUNE 2020



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| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property in use or vacant | 10 | 1,113.4 | 522.6 |
| Investment property under development | 10 | 1,455.2 | 1,880.3 |
| Investment in joint ventures | 11 | 2.4 | 2.2 |
| Property, plant and equipment | 8 | 8.5 | 4.8 |
| Right-of-use assets | 9 | 13.5 | 14.1 |
| Intangible assets | | 1.6 | 1.2 |
| Financial investments | 18 | 27.4 | 27.4 |
| Receivables and loans | 7, 12 | 6.3 | 3.6 |
| Deferred income tax asset | 28 | - | 4.1 |
| Other non-current assets | 13 | 4.6 | 6.0 |
| **Total non-current assets** | | **2,632.9** | **2,466.3** |
| **Current assets** | | | |
| Non-current assets classified as held for sale | 15 | - | **334.3** |
| Inventories | | 0.4 | 0.4 |
| Trade and other receivables | 7, 14 | 72.5 | 78.1 |
| Other assets | 17 | 30.5 | 46.1 |
| Cash and cash equivalents | 16 | 189.8 | 115.1 |
| | | **293.2** | **239.7** |
| **Total current assets** | | **293.2** | **574.0** |
| **TOTAL ASSETS** | | **2,926.1** | **3,040.3** |
| **EQUITY** | | | |
| Share capital *(30,000 shares at EUR 1.00 each)* | 19 | - | - |
| Share premium | 19 | 392.4 | 402.5 |
| Retained earnings | | 1,054.7 | 1,198.3 |
| Revaluation reserve for assets transferred to investment properties at fair value | 8 | 3.8 | 3.8 |
| Currency translation reserve | 2.3 | (76.3) | (11.3) |
| Equity attributable to the Company's owners | | 1,374.6 | 1,593.3 |
| Non-controlling interest | | 0.1 | 0.1 |
| **TOTAL EQUITY** | | **1,374.7** | **1,593.4** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 20 | 986.2 | 728.9 |
| Deferred income tax liability | 28 | 93.1 | 133.4 |
| Trade and other payables | 7, 21 | 23.1 | 25.2 |
| Lease liabilities | 9 | 68.4 | 68.8 |
| **Total non-current liabilities** | | **1,170.8** | **956.3** |
| **Current liabilities** | | | |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | - | **177.7** |
| Borrowings | 20 | 234.9 | 192.4 |
| Trade and other payables | 7, 21 | 133.7 | 106.7 |
| Lease liabilities | 9 | 8.4 | 7.5 |
| Deferred income | 21 | 3.6 | 4.5 |
| Current income tax payable | | - | 1.8 |
| | | **380.6** | **312.9** |
| **Total current liabilities** | | **380.6** | **490.6** |
| **TOTAL LIABILITIES** | | **1,551.4** | **1,446.9** |
| **TOTAL LIABILITIES AND EQUITY** | | **2,926.1** | **3,040.3** |

These condensed consolidated interim financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.A. on 29 September 2020 by the members of the Board of Managers of HB Reavis Holding S.A.. Partners have the power to amend these condensed consolidated interim financial statements after issue.

| Koch | | | |
|---|---|---|---|
| Melanie Koch<br>Director A | Liviu Constantin Rusu<br>Director A | Isabel Schellenberg<br>Director A | Marián Herman<br>Director B |



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| *In millions of EUR* | Note | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|---|
| Rental and similar income from investment property | 22 | 23.2 | 30.9 |
| Direct operating expenses arising from investment property | 23 | (13.2) | (14.7) |
| **Net operating income from investment property** | | **10.0** | **16.2** |
| Revaluation gain/(loss) on investment property | 10 | (103.8) | 183.6 |
| Share of profit or (loss) of joint ventures | 11 | (0.1) | (7.7) |
| Gain/(loss) on disposal of subsidiaries | 27 | (7.8) | 1.5 |
| Gain on disposal of joint venture | 11 | - | 17.1 |
| Other operating income | 7, 26 | 3.4 | 4.0 |
| Revenue from construction contracts | 24 | 12.0 | 11.5 |
| Construction services | | (7.1) | (8.9) |
| Employee benefits | 7, 25 | (12.3) | (12.1) |
| Depreciation and amortisation | | (2.9) | (2.6) |
| Other operating expenses | 26 | (17.1) | (11.1) |
| **Operating profit** | | **(125.7)** | **191.5** |
| Interest income calculated using the effective interest method | 7 | 0.3 | 1.0 |
| Interest expense | | (18.6) | (15.8) |
| Foreign exchange gains/(losses), net | 29 | (22.5) | 3.2 |
| Gains less losses on financial derivatives | | (12.6) | 2.5 |
| Other finance income | | 0.1 | - |
| Other finance costs | | (3.7) | (1.8) |
| **Finance costs, net** | | **(57.0)** | **(10.9)** |
| **Profit before income tax** | | **(182.7)** | **180.6** |
| **Income tax credit/(expense)** | 28 | **39.1** | **(39.3)** |
| **Net profit/(loss) for the period** | | **(143.6)** | **141.3** |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Translation of foreign operations to the presentation currency for the period | | (69.3) | 2.4 |
| Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital | 27 | 4.3 | 0.2 |
| Translation of foreign operations reclassified to profit or loss upon disposal of JV | | - | (11.3) |
| *Items that may not be reclassified subsequently to profit or loss:* | | | |
| Total other comprehensive income/(loss) | | (65.0) | (8.7) |
| **Total comprehensive income/(loss) for the period** | | **(208.6)** | **132.6** |
| **Net profit/(loss) is attributable to:** | | | |
| - Owners of the Company | | (143.6) | 141.3 |
| - Non-controlling interest | | - | - |
| **Profit/(loss) for the period** | | **(143.6)** | **141.3** |
| **Total comprehensive income/(loss) is attributable to:** | | | |
| - Owners of the Company | | (208.6) | 132.6 |
| - Non-controlling Interest | | - | - |
| **Total comprehensive income/(loss) for the period** | | **(208.6)** | **132.6** |

| | | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR* | **Note** | **Share capital (Note 19)** | **Share premium (Note 19)** | **Retained earnings** | **Transla-tion reserve** | **Revalua-tion reserve** | **Total** | **Non-controlling Interest** | **Total equity** |
| **Balance at 1 January 2019** | | **-** | **455.9** | **831.8** | **(33.4)** | **3.8** | **1,258.1** | **-** | **1,258.1** |
| Profit for the period | | - | - | 141.3 | - | - | **141.3** | - | **141.3** |
| Other comprehensive loss | | - | - | - | (8.7) | - | **(8.7)** | - | **(8.7)** |
| **Total comprehensive income for the period** | | **-** | **-** | **141.3** | **(8.7)** | **-** | **132.6** | **-** | **132.6** |
| Distribution to owners | 19 | - | (40.0) | - | - | **-** | **(40.0)** | - | **(40.0)** |
| Other | | - | - | - | - | - | **-** | - | **-** |
| **Balance at 30 June 2019** | | **-** | **415.9** | **973.1** | **(42.1)** | **3.8** | **1,350.7** | **-** | **1,350.7** |
| **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 period | | - | - | (143.6) | - | - | **(143.6)** | - | **(143.6)** |
| Other comprehensive loss | | - | - | - | (65.0) | - | **(65.0)** | - | **(65.0)** |
| **Total comprehensive loss for the period** | | **-** | **-** | **(143.6)** | **(65.0)** | **-** | **(208.6)** | **-** | **(208.6)** |
| Distribution to owners | 19 | - | (10.0) | - | - | **-** | **(10.0)** | - | **(10.0)** |
| Other | | - | (0.1) | - | - | - | **(0.1)** | - | **(0.1)** |
| **Balance at 30 June 2020** | | **-** | **392.4** | **1,054.7** | **(76.3)** | **3.8** | **1,374.6** | **0.1** | **1,374.7** |

| *In millions of EUR* | Note | 6 months ended 30 June 2020 | 30 June 2019 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit/(loss) before income tax | | (182.7) | 180.6 |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 8 ,9 | 2.9 | 2.6 |
| Revaluation losses/(gains) on investment property | 10 | 103.8 | (183.6) |
| Losses/(gains) on disposals of subsidiaries | 27 | 7.8 | (1.5) |
| Share of loss of joint ventures | 11 | 0.1 | 7.7 |
| Result on disposal of joint ventures | 11 | - | (17.1) |
| Interest income calculated using the effective interest method | | (0.3) | (1.0) |
| Interest expense | | 18.6 | 15.8 |
| Unrealised foreign exchange (gains)/losses | 29 | 22.5 | (3.4) |
| Unrealised (gains)/losses from financial derivatives | | 11.4 | (1.0) |
| Operating cash flows before working capital changes | | (15.9) | (0.9) |
| *Working capital changes:* | | | |
| Decrease/(increase) in trade and other receivables | | 25.8 | 3.2 |
| Increase/(decrease) in trade and other payables | | 25.6 | 3.1 |
| Cash generated from operations | | 35.5 | 5.4 |
| Interest paid | 20 | (15.0) | (12.0) |
| Income tax paid | | (4.4) | - |
| **Net cash from operating activities** | | **16.1** | **(6.6)** |
| ***Cash flows from investing activities*** | | | |
| Purchases of property, plant and equipment | 8 | (0.2) | (3.5) |
| Acquisition of right-of-use asset | 9 | - | (0.2) |
| Proceeds from sale of joint venture | | - | 49.7 |
| Purchase of investment property | 10 | (70.3) | - |
| Construction costs related to investment properties | 10 | (233.0) | (184.9) |
| Proceeds from sales of subsidiaries, net of cash disposed of | 27 | 106.2 | 40.0 |
| Acquisition of financial investments | 18 | - | (1.7) |
| Acquisition of intangible assets | | (0.7) | (0.2) |
| Proceeds from disposal of own use premises and equipment | 8 | 0.2 | 0.4 |
| Increase in investment of JV | 11 | (0.3) | - |
| Restricted cash | 16 | (2.6) | (4.5) |
| **Net cash (used in)/from investing activities** | | **(200.7)** | **(104.9)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from borrowings | 20 | 312.5 | 148.9 |
| Repayment of borrowings | 20 | (54.5) | (16.0) |
| Repayment of principal of lease liabilities | 9,20 | (3.2) | - |
| Distributions paid to owners | 19 | (5.6) | (29.1) |
| **Net cash from / (used in) financing activities** | | **249.2** | **103.8** |
| **Net (decrease) / increase in cash and cash equivalents** | | 64.6 | (7.7) |
| Cash and cash equivalents at the beginning of the period | 16 | 118.5 | 173.8 |
| **Cash and cash equivalents at the end of the period** | | **183.1** | **166.1** |
| *Reconciliation of cash and cash equivalents:* | | | |
| - Restricted cash | 16 | 6.7 | 4.5 |
| - Cash within non-current assets classified as held for sale | 15 | - | (14.7) |
| **Cash and cash equivalents on the balance sheet at the end of the 6-month period** | 16 | **189.8** | **155.9** |

The accompanying notes on pages 5 to 54 are integral part of these condensed consolidated interim financial statements.

## 1 The HB REAVIS Group and its Operations

These condensed consolidated interim financial statements have been prepared in accordance IAS 34, “Interim financial reporting” for the 6 months ended 30 June 2020 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 as of the date of issuance of these condensed consolidated interim financial statements is Kennesville Holdings Ltd based in Cyprus.

***Principal activity***. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, 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 almost 120,000 sqm of office scheme for the projected Gross Development Value of EUR 2.3 billion. Our aim, after optimising the permit, is to commence construction of the new scheme in 2021 and delivery in 2026, subject to Covid-19 emergency situation development. The Group has also an acquired additional land plot in 2018, in London, UK, aiming to develop a project called Bloom over the course of 2019-2021 with expected Gross Development Value of EUR 265 million. In February 2020 the Group had secured another project for the pipeline in London, called Worship square, with planned completion in 2023 and projected Gross Development Value of EUR 240 million.

With respect to Group’s expansion to Germany, two acquisition opportunities have been secured in 2018. In Berlin, District project (Prenzlauer Hoefe) is under construction since 12/2018, with expected delivery by mid-2021; Gross Development Value shall reach about EUR 370 million. A land plot in Dresden, Germany, has been added into the portfolio in 07/2018, the scheme design is under preparation.

One project has been delivered in Bratislava, Slovakia, in 2019: Nivy Tower was completed in 12/2019. Agora Tower and Hub projects in Budapest, Hungary, have been completed over the summer 2020 and are in the process of being handed over to tenants. As of the date of preparation of these consolidated financial statements, construction of Bloom, London, UK, Forest and Varso projects, both in Warsaw, Poland, District, Berlin, Germany, Stanica Nivy in Bratislava, Slovakia are in progress.

The Group divested from 4 projects over the course of 2020; Twin City III s.r.o. in Bratislava, Slovakia, SPV Vištuk s.r.o., Slovakia, TWENTY House S.à r.l. in London, UK and BUXTON INVEST a.s., Slovakia.

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

The Fund launched its first Sub-Fund named HB Reavis CE REIF (hereafter “Sub-Fund A” or “CE REIF”) in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter “Sub-Fund B” or “Global REIF”) was launched on 15 September 2015. The Fund is managed for the account of and in the exclusive interest of its shareholders by its general partner HB Reavis Investment Management S.à r.l. (the “Management Company”), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 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 is no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund aims to mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial CE REIF Sub-Fund’s portfolio included investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments are aimed to be made in both capital and regional cities in the entire Central European region. Investments in logistic properties are restricted to attractive and strategic locations only. CE REIF Sub-Fund seeks to maximize the value via investing in properties, which in the past proved to bear characteristics of a prime-commercial real estate property, which as such implies to have a top-tier tenants’ portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. CE REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income. The Group lost control of the Sub-Fund A in 2017.

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

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

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

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

The Group’s strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 31. 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 30 June 2020 the Group has offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London, Nicosia and Berlin.

**2 Significant Accounting Policies**

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

**2.1. Basis of Preparation**

***Statement of compliance.*** These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS as adopted by the EU”).

Except as described in Note 4, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2019.

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

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

The condensed consolidated interim financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment properties (including those held for sale and right-of-use assets classified as investment properties), financial investment, financial assets (eg earn-out receivables) 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.

**2 Significant Accounting Policies (Continued)**

**2.1 Basis of Preparation (Continued)**

Albeit the exact long-term impact of COVID-19 on world economies, different industries and the Group in particular, are not known, the management has focused on the following key areas and stress-tested several scenarios 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 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 Management has performed stress-testing based on the business plan covering 18 months from the 30 June 2020 to evaluate the Group's cash-flow and financial position. The stress test assumed unavailability of liquid markets with acceptable yields for the Group to sell its investment properties until the end of 2021. Using the same timeframe, 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 – DSTRCT in Berlin, Agora in Budapest, Varso and Forrest in Warsaw and Nivy Mall in Bratislava. As of the date of preparation of these financial statements all loan utilisation requests related to these projects were fully funded by the financing banks.

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

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

In addition, the Management have already taken steps to review existing construction contracts with contractors and have started negotiations that should lead to savings on the cost side. Slowing down of development projects and thereof resulting operational restructuring that has already started should in addition reduce the operating costs. In all countries of Group's operation, the Group has either started or is still exploring available options to utilise benefits from government aid programmes designed to support businesses, comprising of measures to compensate business for the lost rental income, deferral of payment in taxes and loan related payments etc. Distributions to owners will be reduced by 75% for 2020 when compared to 2019.

While the impact of the COVID-19 situation cannot be accurately predicted and it is not plausible to assess all possible future implications for the Group, based in this analysis and in the scenarios assessed, the Group believes that its financial position 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.

## 2 Significant Accounting Policies (Continued)

### 2.1 Basis of Preparation (Continued)

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the condensed consolidated interim financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments or investment properties for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 33.

### 2.2. Condensed Consolidated Interim Financial Statements

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

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

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

| | | | | Percentage ownership interest and voting rights held | |
|---|---|---|---|---|---|
| **Number** | **Subsidiaries** | **Functional currency** | **Country of incorporation** | **30 June 2020** | **31 December 2019** |
| 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. *(former: HB Reavis Qubes Luxembourg Sarl; former: Evolution Building Technologies S.à r.l.)* | EUR | Luxembourg | 100 | 100 |
| 6 | HB REAVIS REAL ESTATE INVESTMENT FUND (until 27.4.2017 as HB Reavis Real Estate SICAV-SIF) [5] | EUR | Luxembourg | 100 | 100 |
| 7 | HB Reavis Strategic Innovations Investments S.à r.l. *(former THREE House 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. *(former Tribazu 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 | TWENTY House S.à r.l. [2] | GBP | Luxembourg | - | 100 |
| 15 | UBX 2 Objekt Berlin S.à r.l. *(former HB Reavis DE2 S.à r.l.)* | EUR | Luxembourg | 100 | 100 |
| 16 | FORTYTWO House S.à r. l. [3] *(former HB Reavis Finance LUX, S.à r.l)* | GBP | Luxembourg | 100 | 100 |
| 17 | PropCo DE4 S.à r.l. [1] | EUR | Luxembourg | 100 | - |
| 18 | More Luxembourg S.a.r. l.[1] | EUR | Luxembourg | 100 | - |
| 19 | Qubes Luxembourg S.à r.l.[1] | EUR | Luxembourg | 100 | - |
| 20 | HBR KI GP S.a r.l. [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 |

## 2 Significant Accounting Policies (Continued)

## 2.2 Condensed Consolidated Interim Financial Statements (Continued)

| Number | Subsidiaries | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 30 June 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| 24 | FILWOOD HOLDINGS LIMITED [4] | EUR | Cyprus | - | 100 |
| 25 | HBR FINANCING LIMITED | EUR | Cyprus | 100 | 100 |
| 26 | HBR HOLDING LIMITED[4] | EUR | Cyprus | - | 100 |
| 27 | HBR IM HOLDING LTD | EUR | Cyprus | 100 | 100 |
| 28 | HBR INVESTORS LTD | EUR | Cyprus | 100 | 100 |
| 29 | 10 Leake Street Ltd [6] | GBP | UK | 100 | 100 |
| 30 | 33 CENTRAL LIMITED | GBP | UK | 100 | 100 |
| 31 | 4th Floor Elizabeth House Limited [6] | GBP | UK | 100 | 100 |
| 32 | Elizabeth Property Holdings Ltd [6] | GBP | UK | 100 | 100 |
| 33 | Elizabeth Property Nominee (No 1) Ltd [6] | GBP | UK | 100 | 100 |
| 34 | Elizabeth Property Nominee (No 2) Ltd [6] | GBP | UK | 100 | 100 |
| 35 | Elizabeth Property Nominee (No 3) Ltd [6] | GBP | UK | 100 | 100 |
| 36 | Elizabeth Property Nominee (No 4) Ltd [6] | GBP | UK | 100 | 100 |
| 37 | HB Reavis Construction UK Ltd. | GBP | UK | 100 | 100 |
| 38 | HB Reavis UK Ltd. | GBP | UK | 100 | 100 |
| 39 | HBR Capital Investment LP [6] | GBP | UK | 100 | 100 |
| 40 | HBR FM LTD [6] | GBP | UK | 100 | 100 |
| 41 | HubHub UK Ltd [6] | GBP | UK | 100 | 100 |
| 42 | HB REAVIS IM ADVISOR LIMITED | EUR | Jersey | 100 | 100 |
| 43 | AGORA Budapest Kft. *(former HB Reavis Project 2 Kft.)* | HUF | Hungary | 100 | 100 |
| 44 | Symbiosy Hungary Kft. | HUF | Hungary | 100 | 100 |
| 45 | HB Reavis Construction Hungary Kft. | HUF | Hungary | 100 | 100 |
| 46 | HB Reavis Hungary Szolgáltató Kft. | HUF | Hungary | 100 | 100 |
| 47 | HB REAVIS Ingatlanfejlesztési Alap | HUF | Hungary | 100 | 100 |
| 48 | HB Reavis Qubes Hungary Kft | HUF | Hungary | 100 | 100 |
| 49 | HubHub Hungary Kft. | HUF | Hungary | 100 | 100 |
| 50 | KM Ingatlanbérbeadási Kft | HUF | Hungary | 100 | 100 |
| 51 | ALISTON Finance I s. r. o. | EUR | Slovakia | 100 | 100 |
| 52 | ALISTON Finance II s.r.o. | EUR | Slovakia | 100 | 100 |
| 53 | ALISTON Finance III s. r. o. | EUR | Slovakia | 100 | 100 |
| 54 | ALISTON Finance IV s. r. o. | EUR | Slovakia | 100 | 100 |
| 55 | ALISTON Finance V s.r.o. | EUR | Slovakia | 100 | 100 |
| 56 | Apollo Business Center III a.s. | EUR | Slovakia | 100 | 100 |
| 57 | Apollo Business Center V a. s. | EUR | Slovakia | 100 | 100 |
| 58 | Apollo Property Management, s.r.o. | EUR | Slovakia | 100 | 100 |
| 59 | Bus Station Services s.r.o. | EUR | Slovakia | 100 | 100 |
| 60 | BUXTON INVEST a.s. [2] | EUR | Slovakia | - | 100 |
| 61 | DVL Engineering a.s. | EUR | Slovakia | 100 | 50 |
| 62 | Eurovalley, a.s. | EUR | Slovakia | 100 | 100 |
| 63 | Evolution Building Technologies a.s. [4] | EUR | Slovakia | - | 100 |
| 64 | FORUM BC II s. r. o. | EUR | Slovakia | 100 | 100 |
| 65 | FutureNow s. r. o. | EUR | Slovakia | 100 | 100 |
| 66 | General Property Services, a.s. | EUR | Slovakia | 100 | 100 |
| 67 | HB REAVIS Consulting k.s. | EUR | Slovakia | 100 | 100 |
| 68 | HB REAVIS Finance SK II s. r. o. | EUR | Slovakia | 100 | 100 |
| 69 | HB REAVIS Finance SK III s. r. o. | EUR | Slovakia | 100 | 100 |
| 70 | HB REAVIS Finance SK IV s.r.o. | EUR | Slovakia | 100 | 100 |
| 71 | HB REAVIS Finance SK s. r. o. | EUR | Slovakia | 100 | 100 |
| 72 | HB REAVIS Finance SK V s. r. o. | EUR | Slovakia | 100 | 100 |
| 73 | HB REAVIS Finance SK VI s.r.o. | EUR | Slovakia | 100 | 100 |
| 74 | HB REAVIS Finance SK VII s. r. o. | EUR | Slovakia | 100 | 100 |
| 75 | HB Reavis Group s.r.o. *(until 30.11.2017 as HB REAVIS Development s. r. o.)* | EUR | Slovakia | 100 | 100 |
| 76 | HB REAVIS IM Advisor Slovakia s. r. o. | EUR | Slovakia | 100 | 100 |
| 77 | HB Reavis Investment Management správ. spol., a.s. | EUR | Slovakia | 100 | 100 |
| 78 | HB REAVIS MANAGEMENT spol. s r.o. | EUR | Slovakia | 100 | 100 |
| 79 | HB Reavis Media s.r.o. *(former Smart City Link s.r.o.)* | EUR | Slovakia | 100 | 100 |
| 80 | Symbiosy s. r. o. (former HB Reavis Qubes Slovakia s.r.o.) | EUR | Slovakia | 100 | 100 |
| 81 | HB REAVIS Slovakia a. s. | EUR | Slovakia | 100 | 100 |
| 82 | HB REM, spol. s r.o. | EUR | Slovakia | 100 | 100 |
| 83 | HBR SFA, s. r. o. | EUR | Slovakia | 100 | 100 |
| 84 | HubHub Group s.r.o. | EUR | Slovakia | 100 | 100 |
| 85 | HubHub Slovakia s.r.o. | EUR | Slovakia | 100 | 100 |
| 86 | INLOGIS IV s. r. o. | EUR | Slovakia | 100 | 100 |
| 87 | INLOGIS LCR a. s. | EUR | Slovakia | 100 | 100 |
| 88 | INLOGIS V s. r. o. | EUR | Slovakia | 100 | 100 |
| 89 | INLOGIS VII s. r. o. | EUR | Slovakia | 100 | 100 |
| 90 | ISTROCENTRUM a. s. | EUR | Slovakia | 100 | 100 |
| 91 | Logistické centrum Trnava s.r.o. | EUR | Slovakia | 100 | 100 |
| 92 | LUGO, s.r.o. | EUR | Slovakia | 100 | 100 |

## 2 Significant Accounting Policies (Continued)

## 2.2 Condensed Consolidated Interim Financial Statements (Continued)

| Number | Subsidiaries | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 30 June 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| 93 | *Nivy Tower s.r.o.* | EUR | Slovakia | 100 | 100 |
| 94 | Pressburg Urban Projects a. s. | EUR | Slovakia | 100 | 100 |
| 95 | Smart City Bridge s. r. o. | EUR | Slovakia | 100 | 100 |
| 96 | Smart City Eko s.r.o. | EUR | Slovakia | 100 | 100 |
| 97 | Smart City Office I s.r.o. | EUR | Slovakia | 100 | 100 |
| 98 | Smart City Office II s.r.o. | EUR | Slovakia | 100 | 100 |
| 99 | Smart City Office III s.r.o. | EUR | Slovakia | 100 | 100 |
| 100 | Smart City Office IV s.r.o. | EUR | Slovakia | 100 | 100 |
| 101 | Smart City Office s.r.o. | EUR | Slovakia | 100 | 100 |
| 102 | Smart City Office V s.r.o. | EUR | Slovakia | 100 | 100 |
| 103 | Smart City Office VI s.r.o. | EUR | Slovakia | 100 | 100 |
| 104 | Smart City Office VII s.r.o. | EUR | Slovakia | 100 | 100 |
| 105 | Smart City Parking s.r.o. | EUR | Slovakia | 100 | 100 |
| 106 | Smart City Petržalka s. r. o. | EUR | Slovakia | 100 | 100 |
| 107 | Smart City s.r.o. *(until 10.2.2017 as ALISTON II s. r. o.)* | EUR | Slovakia | 90 | 100 |
| 108 | Smart City Services s.r.o. (*until 4.5.2017 as AUPARK Property Management, s. r. o.)* | EUR | Slovakia | 100 | 100 |
| 109 | SPC Property Finance II, s. r. o. | EUR | Slovakia | 100 | 100 |
| 110 | SPC Property Finance III, s.r.o. | EUR | Slovakia | 100 | 100 |
| 111 | SPC Property Finance IV, s. r. o. | EUR | Slovakia | 100 | 100 |
| 112 | SPC Property I, spol. s r.o. | EUR | Slovakia | 100 | 100 |
| 113 | SPC Property III, s. r. o. | EUR | Slovakia | 100 | 100 |
| 114 | SPV Vištuk s. r. o. [2] | EUR | Slovakia | - | 100 |
| 115 | Stanica Nivy s.r.o. | EUR | Slovakia | 100 | 100 |
| 116 | TC Nivy a. s. | EUR | Slovakia | 100 | 100 |
| 117 | Tower Nivy a. s. | EUR | Slovakia | 100 | 100 |
| 118 | Twin City III s.r.o. [2] | EUR | Slovakia | - | 100 |
| 119 | Twin City Infrastructure s. r. o. | EUR | Slovakia | 100 | 100 |
| 120 | Twin City V s.r.o. | EUR | Slovakia | 100 | 100 |
| 121 | Twin City VIII s.r.o. | EUR | Slovakia | 100 | 100 |
| 122 | ALISTON Finance VI s. r. o. | EUR | Slovakia | 100 | 100 |
| 123 | ANDAREA s.r.o. | CZK | Czech Rep | 100 | 100 |
| 124 | AR Consulting, a.s. | CZK | Czech Rep | 100 | 100 |
| 125 | Nová Zvonařka s.r.o. (*former AUPARK Brno, spol. s r.o.)* | CZK | Czech Rep | 100 | 100 |
| 126 | AUPARK Hradec Králové - KOMUNIKACE, s.r.o. | CZK | Czech Rep | 100 | 100 |
| 127 | AUPARK Karviná s.r.o. | CZK | Czech Rep | 100 | 100 |
| 128 | DII Czech s.r.o. | CZK | Czech Rep | 100 | 100 |
| 129 | DNW Czech s.r.o. | CZK | Czech Rep | 100 | 100 |
| 130 | GALIM s.r.o. | CZK | Czech Rep | 100 | 100 |
| 131 | HB Reavis CZ, a.s. | CZK | Czech Rep | 100 | 100 |
| 132 | HB REAVIS DEVELOPMENT CZ, a.s. | CZK | Czech Rep | 100 | 100 |
| 133 | HB Reavis Finance CZ, s.r.o. | EUR | Czech Rep | 100 | 100 |
| 134 | HB REAVIS GROUP CZ, s.r.o. | CZK | Czech Rep | 100 | 100 |
| 135 | HB Reavis IZ s.r.o. | CZK | Czech Rep | 100 | 100 |
| 136 | HB REAVIS MANAGEMENT CZ spol. s r.o. | CZK | Czech Rep | 100 | 100 |
| 137 | HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o. | CZK | Czech Rep | 100 | 100 |
| 138 | HubHub Czech Republic, s.r.o. *(former RECLUN s.r.o.)* | CZK | Czech Rep | 100 | 100 |
| 139 | ISTROCENTRUM CZ, a.s. | CZK | Czech Rep | 100 | 100 |
| 140 | KELOM s.r.o. | CZK | Czech Rep | 100 | 100 |
| 141 | MOLDERA, a.s. | CZK | Czech Rep | 100 | 100 |
| 142 | Multimodální Cargo MOŠNOV s.r.o. | CZK | Czech Rep | 100 | 100 |
| 143 | Phibell s.r.o. | CZK | Czech Rep | 100 | 100 |
| 144 | Brookline Investments sp. Z o.o. | PLN | Poland | 100 | 100 |
| 145 | Emmet Investments sp. Z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 146 | HB REAVIS CONSTRUCTION PL Sp. z o. o | PLN | Poland | 100 | 100 |
| 147 | HB Reavis Finance PL 2 Sp. z o.o. | PLN | Poland | 100 | 100 |
| 148 | HB Reavis JV Spółka Akcyjna | PLN | Poland | 100 | 100 |
| 149 | HB Reavis Poland Sp. z o.o. | PLN | Poland | 100 | 100 |
| 150 | HB Reavis Qubes Poland Sp. z o.o. *(former Polcom Investment XLVII Sp. z o.o.)* | PLN | Poland | 100 | 100 |
| 151 | HubHub Poland Sp. z o.o. *(former Polcom Investment XXVI Sp. z o.o.)* | PLN | Poland | 100 | 100 |
| 152 | CHM1 Sp. z o. o. | PLN | Poland | 100 | 100 |
| 153 | CHM2 Sp. z o. o. | PLN | Poland | 100 | 100 |
| 154 | Konstruktorska BC Sp. z o.o. | PLN | Poland | 100 | 100 |
| 155 | P14 Sp. z o.o. | PLN | Poland | 100 | 100 |
| 156 | Polcom Investment II Sp. z o. o. | PLN | Poland | 100 | 100 |
| 157 | Polcom Investment III Sp. z o. o. | PLN | Poland | 100 | 100 |
| 158 | Polcom Investment VI Sp. z o. o. | PLN | Poland | 100 | 100 |

## 2 Significant Accounting Policies (Continued)

### 2.2 Condensed Consolidated Interim Financial Statements (Continued)

| Number | Subsidiaries | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 30 June 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| 159 | Polcom Investment X sp. z o.o. | PLN | Poland | 100 | 100 |
| 160 | Polcom Investment XI sp. z o.o. | PLN | Poland | 100 | 100 |
| 161 | Polcom Investment XIX Sp. z o.o. [4] | PLN | Poland | - | 100 |
| 162 | Polcom Investment XL Sp. z o.o. [4] | PLN | Poland | - | 100 |
| 163 | Polcom Investment XLI Sp. z o.o. [4] | PLN | Poland | - | 100 |
| 164 | Polcom Investment XLII Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 165 | Polcom Investment XLIII Sp. z o.o. | PLN | Poland | 100 | 100 |
| 166 | Polcom Investment XLIX Sp. z o.o. | PLN | Poland | 100 | 100 |
| 167 | Polcom Investment XVI Sp. z o.o. | PLN | Poland | 100 | 100 |
| 168 | Polcom Investment XVIII Sp. z o.o. | PLN | Poland | 100 | 100 |
| 169 | Polcom Investment XXII Sp. z o.o. [4] | PLN | Poland | - | 100 |
| 170 | Polcom Investment XXIV Sp. z o.o. | PLN | Poland | 100 | 100 |
| 171 | Polcom Investment XXIX Sp. z o.o. | PLN | Poland | 100 | 100 |
| 172 | Polcom Investment XXV Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 173 | Polcom Investment XXVII Sp. z o.o. w likwidacji | PLN | Poland | 100 | 100 |
| 174 | Polcom Investment XXX Sp. z o.o. | PLN | Poland | 100 | 100 |
| 175 | Polcom Investment XXXIII Sp. z o.o. | PLN | Poland | 100 | 100 |
| 176 | Property Hetman Sp. Z o.o. *(former Polcom Investment XXXIV Sp. z o.o. sp. K)* | PLN | Poland | 100 | 100 |
| 177 | PSD Sp. Z o. o. | PLN | Poland | 100 | 100 |
| 178 | Rainford Sp. Z.o.o | PLN | Poland | 100 | 100 |
| 179 | Rainhill Sp. z o. o. | PLN | Poland | 100 | 100 |
| 180 | Elizabeth House GP LLC | GBP | US | 100 | 100 |
| 181 | Elizabeth House Limited Partnership | GBP | US | 100 | 100 |
| 182 | HB REAVIS CIC INVESTCO US, LLC | EUR | US | 100 | 100 |
| 183 | HB Reavis Construction Germany GmbH | EUR | Germany | 100 | 100 |
| 184 | HB Reavis Germany GmbH | EUR | Germany | 100 | 100 |
| 185 | HB Reavis Verwaltungs GmbH | EUR | Germany | 100 | 100 |
| 186 | HubHub Austria GmbH | EUR | Austria | 100 | 100 |
| 187 | Shoreditch QT Guernsey Limited [1] | GBP | Guernsey | 100 | - |

| Number | Joint Venture | Functional currency | Country of incorporation | Percentage ownership interest and voting rights held 30 June 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| 188 | PHVH SOLUTIONS II, s. r. o. | EUR | Slovakia | 50 | 50 |
| 189 | TANGERACO INVESTMENTS LIMITED | EUR | Cyprus | 53.62 | 50 |

1 *Entities established / acquired by the Group during the 6 months period ended 30 June 2020*
2 *Entities disposed of during the 6 months period ended 30 June 2020 (refer to Note 27)*
3 *Entities were part of legal mergers or spin off and subsequently renamed during the 6 months period ended 30 June 2020*
4 *Entities were liquidated during the 6 months period ended 30 June 2020*
5 *In January 2017, the Group lost control over HB REAVIS CE Real Estate Investment Fund, a sub-fund of a fully consolidated subsidiary HB Reavis Real Estate Investment Fund.*
6 *HBR FM LTD, HBR Capital Investment LP, HubHub UK Ltd, 4th Floor Elizabeth House Limited, 10 Leake Street Ltd, Elizabeth Property Nominee (No 1) Ltd, Elizabeth Property Nominee (No 2) Ltd, Elizabeth Property Nominee (No 3) Ltd, Elizabeth Property Nominee (No 4) Ltd and Elizabeth Property Holdings Ltd, registered in England and Wales, are claiming exemption from the requirements of the UK Companies Act 2006 (the "Act") relating to the audit of annual accounts under section 479A of the Act.*

**2 Significant Accounting Policies (Continued)**

**2.3. Interim Period Tax Measurement**

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

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

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

***Valuation of investment properties***. The fair value estimates of 95.3% of investment properties (31 December 2019: 89.6%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates. 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 33.

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 Gross Development Value (GDV) of the pipeline of EUR 3,162.4 million (31 December 2019: EUR 3,050.5 million) would be higher or lower by EUR 316.2 million (31 December 2019: EUR 308.2 million). The impact on the fair market value of investment property would, however, be limited. The movements in Gross Development Value would to large extent increase/decrease the allowance for future profit, which is a large component of the GDV.

- The income capitalization rate (yield) across the portfolio was assumed to be from 3.5% to 5.1%, or 4.31% on average (31 December 2019: 3.8% to 5.10%, or 4.44% on average). Should this capitalization rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 38.1 million lower or EUR 42.8 million higher (31 December 2019: EUR 43.8 million lower or EUR 49.1 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 Gross Development Value (GDV) of the pipeline of EUR 4,452.3 million (31 December 2019: EUR 4,838.9 million) would be higher or lower by EUR 445.2 million (31 December 2019: EUR 483.9 million). The impact on the fair market value of investment property would, however, be limited. The movements in Gross Development Value would to large extent increase/decrease the allowance for future profit, which is a large component of the GDV.

- The income capitalization rate (yield) across the portfolio was assumed to be from 4.33% to 8.5%, or 5.4% on average (31 December 2019: from 4.25% to 8.5%, or 5.27% on average). Should this capitalization rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 82.0 million lower or EUR 89.9 million higher (31 December 2019: EUR 84.8 million lower or EUR 93.3 million higher).

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

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

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

***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 31.

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.
- If any leasehold improvements are expected to have a significant remaining value, 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

## 4 Adoption of New or Revised Standards and Interpretations

The Group has applied the following standards and amendments for the first time for its reporting period commencing on 1 January 2020:

- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

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

## 5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period commencing on 1 January 2020 and have not been early adopted by the Group:

- IFRS 17 Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)
- 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)
- Amendment to IFRS 3 Business Combinations* (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

**5 New Accounting Pronouncements (Continued)**

- Amendment to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)
- Annual Improvements 2018-2020* (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)
- 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)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9* (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform* (issued on 27 August 2020 and effective for annual periods on or after 1 January 2021)

* 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 condensed consolidated interim 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 Managers of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for 6 months ended 30 June 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 | 22 | | | | | | | | | | |
| - Office | | 9.3 | 0.7 | - | - | 0.1 | 4.0 | - | - | - | **14.1** |
| - Retail | | 0.6 | - | - | - | - | - | - | - | - | **0.6** |
| - Industrial | | - | - | - | - | - | - | - | - | - | - |
| | | **9.9** | **0.7** | **-** | **-** | **0.1** | **4.0** | **-** | **-** | **-** | **14.7** |
| Service charges income from investment properties | 22 | | | | | | | | | | |
| - Office | | 3.8 | - | - | 2.9 | - | - | - | - | - | **6.7** |
| - Retail | | - | - | - | 0.4 | - | - | - | - | - | **0.4** |
| - Industrial | | - | - | - | - | - | - | - | - | - | - |
| | | **3.8** | **-** | **-** | **3.3** | **-** | **-** | **-** | **-** | **-** | **7.1** |
| Management charges income from investment properties | 22 | | | | | | | | | | |
| - Office | | 1.1 | - | - | - | - | 0.2 | - | - | - | **1.3** |
| - Retail | | 0.1 | - | - | - | - | - | - | - | - | **0.1** |
| - Industrial | | - | - | - | - | - | - | - | - | - | - |
| | | **1.2** | **-** | **-** | **-** | **-** | **0.2** | **-** | **-** | **-** | **1.4** |
| Direct operating expenses arising from investment property | 23 | | | | | | | | | | |
| - Office | | (8.1) | (0.6) | (0.1) | (1.0) | - | (3.2) | - | - | - | **(13.0)** |
| - Retail | | - | (0.1) | - | - | - | - | - | - | - | **(0.1)** |
| - Industrial | | - | - | - | - | (0.1) | - | - | - | - | **(0.1)** |
| | | **(8.1)** | **(0.7)** | **(0.1)** | **(1.0)** | **(0.1)** | **(3.2)** | **-** | **-** | **-** | **(13.2)** |
| **Net operating income from investment property** | | **6.8** | **-** | **(0.1)** | **2.3** | **-** | **1.0** | **-** | **-** | **-** | **10.0** |
| Revaluation gain/(loss) on investment property | 10 | | | | | | | | | | |
| - Office | | (38.3) | (26.5) | (2.7) | - | - | (2.6) | - | - | - | **(70.1)** |
| - Retail | | - | (33.7) | - | - | - | - | - | - | - | **(33.7)** |
| - Industrial | | - | - | - | - | - | - | - | - | - | - |
| Share of profit/(loss) of joint ventures | 11 | (0.1) | - | - | - | - | - | - | - | - | **(0.1)** |
| | | **(38.4)** | **(60.2)** | **(2.7)** | **-** | **-** | **(2.6)** | **-** | **-** | **-** | **(103.9)** |
| Interest expense - third parties | | **(2.4)** | **(13.2)** | **(0.1)** | **-** | **(1.1)** | **(0.2)** | **-** | **-** | **(1.6)** | **(18.6)** |
| | | **(34.0)** | **(73.4)** | **(2.9)** | **2.3** | **(1.1)** | **(1.8)** | **-** | **-** | **(1.6)** | **(112.5)** |

*Table continued on next page*

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for 6 months ended 30 June 2020 is as follows: (Continued)

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Symbiosy | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment management fee | | - | - | - | 1.2 | - | - | - | - | - | **1.2** |
| Revenue from construction contracts | 24 | - | 11.6 | - | - | - | - | - | - | 0.4 | **12.0** |
| Construction contract costs | | - | (6.7) | - | - | - | - | - | - | (0.4) | **(7.1)** |
| Other expenses/revenues | | (12.9) | (20.7) | (2.6) | (0.8) | 1.6 | (1.6) | (0.2) | (3.0) | (36.1) | **(76.3)** |
| **Profit before income tax (segment result)** | | **(46.9)** | **(89.2)** | **(5.5)** | **2.7** | **0.5** | **(3.4)** | **(0.2)** | **(3.0)** | **(37.7)** | **(182.7)** |
| Purchases of investment property | 10 | 70.3 | - | - | - | - | - | - | - | - | **70.3** |
| Construction costs related to investment property | 10 | 18.9 | 203.7 | 1.2 | - | - | 2.6 | - | - | - | **226.4** |
| Construction costs related to joint ventures | | - | - | - | - | - | - | - | - | - | **-** |
| Construction costs related to construction work | | - | 6.7 | - | - | - | - | - | - | 0.4 | **7.1** |
| **Total investments** | | **89.2** | **210.4** | **1.2** | **-** | **-** | **2.6** | **-** | **-** | **0.4** | **303.8** |
| Sale of investment property | 10,27 | (216.1) | - | - | - | (6.0) | - | - | - | - | **(221.1)** |
| Sale of joint venture investment property | | - | - | - | - | - | - | - | - | - | **-** |
| **Total divestments** | | **(216.1)** | **-** | **-** | **-** | **(6.0)** | **-** | **-** | **-** | **-** | **(221.1)** |

## 6 Segment Analysis (Continued)

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

The segment information on segment assets and liabilities as of 30 June 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 | | 1,081.1 | 997.9 | 195.1 | - | - | 31.4 | - | - | - | **2,305.5** |
| - Retail | | 0.9 | 231.8 | - | - | 0.8 | - | - | - | - | **233.5** |
| - Industrial | | - | - | - | - | 29.6 | - | - | - | - | **29.6** |
| - Investment property held for sale | 15 | - | - | - | - | - | - | - | - | - | **-** |
| Investment in joint ventures | 11 | 2.4 | - | - | - | - | - | - | - | - | **2.4** |
| Deferred tax asset | 28 | - | - | - | - | - | - | - | - | - | **-** |
| Other unallocated assets | | - | - | - | - | - | - | - | 189.8 | 165.3 | **355.1** |
| **Total assets** | | **1,084.4** | **1,229.7** | **195.1** | **-** | **30.4** | **31.4** | **-** | **189.8** | **165.3** | **2,926.1** |
| Borrowings | | | | | | | | | | | |
| - non-current | 20 | (281.0) | (648.4) | - | - | (31.9) | - | - | - | (24.9) | **(986.2)** |
| - current | 7,20 | (5.3) | (87.3) | - | - | (37.8) | - | - | - | (104.5) | **(234.9)** |
| - included as held for sale | 15 | - | - | - | - | - | - | - | - | - | **-** |
| Leasing | | | | | | | | | | | |
| - non-current | 9 | (11.4) | (46.7) | (0.4) | - | - | (9.9) | - | - | - | **(68.4)** |
| - current | 9 | (1.3) | (3.8) | - | - | - | (3.3) | - | - | - | **(8.4)** |
| Deferred tax liability | 28 | - | - | - | - | - | - | - | - | (93.1) | **(93.1)** |
| Other unallocated liabilities | | - | - | - | - | - | - | - | - | (160.4) | **(160.4)** |
| **Total liabilities** | | **(299.0)** | **(786.2)** | **(0.4)** | **-** | **(69.7)** | **(13.2)** | **-** | **-** | **(382.9)** | **(1,551.4)** |
| **Segment net asset value** | | **785.4** | **443.5** | **194.7** | **-** | **(39.3)** | **18.2** | **-** | **189.8** | **(217.6)** | **1,374.7** |

## 6 Segment Analysis (Continued)

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

***Geographical information.*** Revenue, expenses and assets analysed by country for 6 months ended 30 June 2020 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Other countries | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental income | 22 | 5.5 | 0.9 | 3.0 | 0.5 | 4.8 | - | - | - | **14.7** |
| Service charges | 22 | 4.9 | - | 0.8 | - | 1.4 | - | - | - | **7.1** |
| Management charges | 22 | 0.8 | 0.4 | 0.1 | - | 0.1 | - | - | - | **1.4** |
| Direct operating expenses | 23 | (6.5) | (0.3) | (1.4) | (0.1) | (4.9) | - | - | - | **(13.2)** |
| **Net operating income from investment properties** | | **4.7** | **1.0** | **2.5** | **0.4** | **1.4** | **-** | **-** | **-** | **10.0** |
| Revaluation gain/(loss) | 10 | (54.0) | 1.2 | (8.7) | 16.1 | (58.9) | 0.5 | - | - | **(103.8)** |
| Revenue from construction contracts | 24 | 4.1 | - | 5.9 | 2.0 | - | - | - | - | **12.0** |
| Construction contract costs | | (3.1) | (0.1) | (4.3) | - | 0.4 | - | - | - | **(7.1)** |
| Share of profit or loss of joint ventures | 11 | (0.1) | - | - | - | - | - | - | - | **(0.1)** |
| Interest expense | | (10.2) | (2.0) | (4.3) | (0.6) | (0.7) | (0.7) | (0.1) | - | **(18.6)** |
| Investment management fee | | - | - | - | - | - | - | 1.2 | - | **1.2** |
| Other (expenses)/revenues | | (8.4) | (1.1) | (12.2) | (18.3) | (0.9) | (0.7) | (34.7) | - | **(76.3)** |
| **Profit before tax** | | **(67.0)** | **(1.0)** | **(21.1)** | **(0.4)** | **(58.7)** | **(0.9)** | **(33.6)** | **-** | **(182.7)** |
| Investment property in use or vacant | 10 | 237.6 | 10.0 | 480.5 | 13.1 | 372.2 | - | - | - | **1,113.4** |
| Investment property under development | 10 | 380.1 | 58.4 | 380.0 | 313.9 | 127.5 | 195.3 | - | - | **1,455.2** |
| Investment in joint venture | 11 | 2.4 | - | - | - | - | - | - | - | **2.4** |
| Other non-current assets | | 13.0 | 1.0 | 9.8 | 2.4 | 7.1 | 1.0 | 27.4 | 0.2 | **61.9** |
| **Total non-current assets** | | **633.1** | **69.4** | **870.3** | **329.4** | **506.8** | **196.3** | **27.4** | **0.2** | **2,632.9** |
| Non-current assets classified as held-for-sale | 15 | - | - | - | - | - | - | - | - | **-** |
| **Total non-current assets and assets held for sale** | | **633.1** | **69.4** | **870.3** | **329.4** | **506.8** | **196.3** | **27.4** | **0.2** | **2,632.9** |
| Cash and cash equivalents | 16 | 17.9 | 1.6 | 44.8 | 12.3 | 72.6 | 14.1 | 26.5 | - | **189.8** |
| Other unallocated assets | | - | - | - | - | - | - | - | 103.4 | **103.4** |
| **Total assets** | | **651.0** | **71.0** | **915.1** | **341.7** | **579.4** | **210.4** | **53.9** | **103.6** | **2,926.1** |

## 6 Segment Analysis (Continued)

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

***Geographical information (Continued).*** Liabilities and capital expenditures analysed by country for 6 months ended 30 June 2020 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Other countries | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings | 20 | | | | | | | | | |
| - non-current | | (524.0) | - | (289.7) | (80.3) | - | (74.2) | - | - | **(986.2)** |
| - current | | (120.4) | (47.8) | (63.7) | (0.2) | - | (2.8) | - | - | **(234.9)** |
| Leasing | 9 | | | | | | | | | |
| - non-current | | (9.1) | (5.6) | (19.3) | (0.9) | (33.0) | (0.5) | - | - | **(68.4)** |
| - current | | (2.4) | (1.4) | (2.4) | (0.5) | (1.5) | (0.2) | - | - | **(8.4)** |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | - | - | - | - | - | - | - | - | **-** |
| Deferred income tax liability | 28 | - | - | - | - | - | - | - | (93.1) | **(93.1)** |
| Other unallocated liabilities | | - | - | - | - | - | - | - | (160.4) | **(160.4)** |
| **Total liabilities** | | **(673.9)** | **(54.8)** | **(375.1)** | **(81.9)** | **(34.5)** | **(77.7)** | **-** | **(253.5)** | **(1,551.4)** |
| **Net asset value** | | **(22.9)** | **16.2** | **540.0** | **259.8** | **544.9** | **132.7** | **53.9** | **(149.9)** | **1,374.7** |
| Purchases of investment property (including non-cash) | 10 | - | - | - | - | 70.3 | - | - | - | 70.3 |
| Construction costs related to investment property | 10 | 55.0 | 0.6 | 71.9 | 49.4 | 27.0 | 22.5 | - | - | **226.4** |
| Construction costs related to joint ventures | | - | - | - | - | - | - | - | - | **-** |
| Construction costs related to construction work | | 3.1 | 0.1 | 4.3 | - | (0.4) | - | - | - | **7.1** |
| **Total investments** | | **58.1** | **0.7** | **76.2** | **49.4** | **96.9** | **22.5** | **-** | **-** | **303.8** |
| Sale of investment property | 10,27 | (84.7) | - | - | - | (137.4) | - | - | - | **(222.1)** |
| Sale of joint venture investment property | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total divestments** | | **(84.7)** | **-** | **-** | **-** | **(137.4)** | **-** | **-** | **-** | **(222.1)** |

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for 6 months ended 30 June 2019 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental income from investment property | 22 | | | | | | | | | |
| - Office | | 13.7 | 2.0 | 0.4 | - | - | 1.9 | - | - | **18.0** |
| - Retail | | 0.7 | - | - | - | - | - | - | - | **0.7** |
| - Industrial | | - | - | - | - | - | - | - | - | **-** |
| | | **14.4** | **2.0** | **0.4** | **-** | **-** | **1.9** | **-** | **-** | **18.7** |
| Service charges income from investment properties | 22 | | | | | | | | | |
| - Office | | 6.1 | 2.8 | 0.7 | - | - | - | - | - | **9.6** |
| - Retail | | 0.4 | - | - | - | - | - | - | - | **0.4** |
| - Industrial | | - | - | - | - | - | - | - | - | **-** |
| | | **6.5** | **2.8** | **0.7** | **-** | **-** | **-** | **-** | **-** | **10.0** |
| Management charges income from investment properties | 22 | | | | | | | | | |
| - Office | | 1.6 | - | - | - | - | 0.3 | - | - | **1.9** |
| - Retail | | 0.1 | - | - | - | - | - | - | - | **0.1** |
| - Industrial | | - | 0.2 | - | - | - | - | - | - | **0.2** |
| | | **1.7** | **0.2** | **-** | **-** | **-** | **0.3** | **-** | **-** | **2.2** |
| Direct operating expenses arising from investment property | 23 | | | | | | | | | |
| - Office | | (12.5) | (0.5) | (0.3) | - | - | (1.2) | - | - | **(14.5)** |
| - Retail | | (0.1) | - | - | - | - | - | - | - | **(0.1)** |
| - Industrial | | - | - | - | - | (0.1) | - | - | - | **(0.1)** |
| | | **(12.6)** | **(0.5)** | **(0.3)** | **-** | **(0.1)** | **(1.2)** | **-** | **-** | **(14.7)** |
| **Net operating income from investment property** | | **10.0** | **4.5** | **0.8** | **-** | **(0.1)** | **1.0** | **-** | **-** | **16.2** |
| Revaluation gain/(loss) on investment property | 10 | | | | | | | | | |
| - Office | | 41.7 | 127.1 | 15.6 | - | - | (0.9) | - | - | **183.5** |
| - Retail | | - | 0.4 | - | - | (0.3) | - | - | - | **0.1** |
| - Industrial | | - | - | - | - | - | - | - | - | **-** |
| Share of profit or loss of joint ventures | 11 | (7.7) | - | - | - | - | - | - | - | **(7.7)** |
| | | **34.0** | **127.5** | **15.6** | **-** | **(0.3)** | **(0.9)** | **-** | **-** | **175.9** |
| Interest expense - third parties | | (3.7) | (10.2) | (0.3) | - | - | **(0.1)** | **-** | **(1.5)** | **(15.8)** |
| | | **40.3** | **121.8** | **16.1** | **-** | **(0.4)** | **-** | **-** | **(1.5)** | **176.3** |

*Table continued on next page*

## 6 Segment Analysis (Continued)

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

The segment profit and loss information for 6 months ended 30 June 2019 is as follows: (Continued)

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Investment management fee | | - | - | - | 0.9 | - | - | - | - | **0.9** |
| Revenue from construction contracts | 24 | 0.2 | 7.5 | 0.8 | - | 0.1 | 2.1 | - | 0.8 | **11.5** |
| Construction contract costs | | (0.6) | (7.5) | - | - | - | - | - | (0.8) | **(8.9)** |
| Other expenses/revenues | | 11.6 | (13.0) | (0.6) | (0.7) | (0.2) | (1.5) | (0.5) | 5.7 | **0.8** |
| **Profit before income tax (segment result)** | | **51.5** | **108.8** | **16.3** | **0.2** | **(0.5)** | **0.6** | **(0.5)** | **4.2** | **180.6** |
| Purchases of investment property | 10 | - | - | - | - | - | - | - | - | **-** |
| Construction costs related to investment property | 10 | 17.7 | 155.9 | 4.2 | - | 0.3 | 6.8 | - | - | **184.9** |
| Construction costs related to joint ventures | | 0.6 | - | - | - | - | - | - | - | **0.6** |
| Construction costs related to construction work | | - | 4.8 | - | - | - | - | - | 0.8 | **5.6** |
| **Total investments** | | **18.3** | **160.7** | **4.2** | **-** | **0.3** | **6.8** | **-** | **0.8** | **191.1** |
| Sale of investment property | 10,27 | - | - | (48.3) | - | - | - | - | - | **(48.3)** |
| Sale of joint venture investment property | | (130.2) | - | - | - | - | - | - | - | **(130.2)** |
| **Total divestments** | | **(130.2)** | **-** | **(48.3)** | **-** | **-** | **-** | **-** | **-** | **(178.5)** |

## 6 Segment Analysis (Continued)

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

The segment information on segment assets and liabilities as of 31 December 2019 is as follows:

| *In millions of EUR* | Note | Asset Management | Development in Realisation | Development in Preparation | Investment Management | Non-Core | HUB HUB | Cash | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Investment property | 10 | | | | | | | | | |
| - Office | | 490.1 | 1 428.3 | 200.2 | - | - | 32.3 | - | - | **2,150.9** |
| - Retail | | 0.9 | 219.7 | - | - | 0.8 | - | - | - | **221.4** |
| - Industrial | | - | - | - | - | 30.6 | - | - | - | **30.6** |
| - Investment property held for sale | 15 | 297.7 | - | - | - | 5.0 | - | - | - | **302.7** |
| Investment in joint ventures | 11 | 2.2 | - | - | - | - | - | - | - | **2.2** |
| Deferred tax asset | 28 | - | - | - | - | - | - | - | 4.1 | **4.1** |
| Other unallocated assets | | - | - | - | - | - | - | 115.1 | 213.3 | **328.4** |
| **Total assets** | | **790.9** | **1,648.0** | **200.2** | **-** | **36.4** | **32.3** | **115.1** | **217.4** | **3,040.3** |
| Borrowings | | | | | | | | | | |
| - non-current | 20 | (70.7) | (648.9) | - | - | - | - | - | (9.3) | **(728.9)** |
| - current | 7,20 | (3.8) | (97.6) | (5.9) | - | - | - | - | (85.1) | **(192.4)** |
| - included as held for sale | 15 | (152.3) | - | - | - | - | - | - | - | **(152.3)** |
| Leasing | | | | | | | | | | |
| - non-current | 9 | (0.1) | (56.6) | (0.4) | - | - | (11.2) | - | - | **(68.3)** |
| - current | 9 | (0.2) | (4.1) | - | - | - | (3.2) | - | - | **(7.5)** |
| Deferred tax liability | 28 | - | - | - | - | - | - | - | (133.4) | **(133.4)** |
| Other unallocated liabilities | | - | - | - | - | - | - | - | (164.1) | **(164.1)** |
| **Total liabilities** | | **(227.1)** | **(807.2)** | **(6.3)** | **-** | **-** | **(14.4)** | **-** | **(391.9)** | **(1,446.9)** |
| **Segment net asset value** | | **563.8** | **840.8** | **193.9** | **-** | **36.4** | **17.9** | **115.1** | **(174.5)** | **1,593.4** |

## 6 Segment Analysis (Continued)

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

***Geographical information.*** Revenue, expenses analysed by country for 6 months ended 30 June 2019 and assets analysed by country as of 31 December 2019 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Other countries | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rental income | 22 | 11.1 | 0.9 | 2.9 | 0.6 | 3.2 | - | - | - | **18.7** |
| Service charges | 22 | 5.1 | 0.2 | 1.0 | - | 3.7 | - | - | - | **10.0** |
| Management charges | 22 | 1.4 | 0.7 | 0.1 | - | - | - | - | - | **2.2** |
| Direct operating expenses | 23 | (10.0) | (0.5) | (1.6) | (0.1) | (2.5) | - | - | - | **(14.7)** |
| **Net operating income from investment properties** | | **7.6** | **1.3** | **2.4** | **0.5** | **4.4** | **-** | **-** | **-** | **16.2** |
| Revaluation gain | 10 | 22.4 | 15.5 | 62.1 | 32.2 | 35.5 | 15.9 | - | - | **183.6** |
| Revenue from construction contracts | 24 | 1.6 | 2.3 | 1.7 | 2.6 | 3.3 | - | - | - | **11.5** |
| Construction contract costs | | (2.0) | (0.4) | (3.5) | - | (3.0) | - | - | - | **(8.9)** |
| Share of profit or loss of joint ventures | 11 | (0.2) | - | (7.5) | - | - | - | - | - | **(7.7)** |
| Interest expense | | (8.5) | (1.9) | (4.1) | (0.1) | (0.9) | (0.3) | - | - | **(15.8)** |
| Investment management fee | | - | - | - | - | - | - | 0.9 | - | **0.9** |
| Other (expenses)/revenues | | (11.0) | (0.8) | 18.7 | (3.2) | (4.0) | (0.4) | 1.5 | - | **0.8** |
| **Profit before tax** | | **9.9** | **16.0** | **69.8** | **32.0** | **35.3** | **15.2** | **2.4** | **-** | **180.6** |
| Investment property in use or vacant | 10 | 142.1 | 11.1 | 4.1 | 13.7 | 352.4 | - | - | - | **523.4** |
| Investment property under development | 10 | 480.0 | 58.4 | 747.4 | 270.4 | 151.0 | 172.3 | - | - | **1,879.5** |
| Investment in joint venture | 11 | 2.2 | - | - | - | - | - | - | - | **2.2** |
| Other non-current assets | | 13.1 | 1.1 | 3.1 | 2.5 | 8.4 | 0.8 | 27.9 | 4.3 | **61.2** |
| **Total non-current assets** | | **637.4** | **70.6** | **754.6** | **286.6** | **511.8** | **173.1** | **27.9** | **4.3** | **2,466.3** |
| Non-current assets classified as held-for-sale | 15 | 86.6 | - | 96.9 | - | 150.8 | - | - | - | **334.3** |
| **Total non-current assets and assets held for sale** | | **724.0** | **70.6** | **851.5** | **286.6** | **662.6** | **173.1** | **27.9** | **4.3** | **2,800.6** |
| Cash and cash equivalents | 16 | 18.8 | 4.4 | 23.9 | 9.7 | 12.4 | 9.5 | 36.4 | - | **115.1** |
| Other unallocated assets | | - | - | - | - | - | - | - | 124.6 | **124.6** |
| **Total assets** | | **742.8** | **75.0** | **875.4** | **296.3** | **675.0** | **182.6** | **64.3** | **128.9** | **3,040.3** |

## 6 Segment Analysis (Continued)

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

***Geographical information (Continued).*** Liabilities analysed by country as of 31 December 2019 and capital expenditures analysed by country for 6 months ended 30 June 2019 are as follows:

| *In millions of EUR* | Note | Slovakia | Czech Republic | Poland | Hungary | UK | Germany | Other countries | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Borrowings | 20 | | | | | | | | | |
| - non-current | | (452.9) | (49.2) | (198.3) | (24.1) | - | - | (4.4) | - | **(728.9)** |
| - current | | (102.4) | (6.7) | (31.0) | (0.2) | - | (52.0) | (0.1) | - | **(192.4)** |
| Leasing | 9 | | | | | | | | | |
| - non-current | | (9.7) | (6.0) | (15.2) | (1.0) | (36.5) | (0.4) | - | - | **(68.8)** |
| - current | | (2.3) | (1.3) | (1.6) | (0.6) | (1.5) | (0.2) | - | - | **(7.5)** |
| Liabilities directly associated with non-current assets classified as held for sale | 15 | (49.6) | - | (71.5) | - | (56.6) | - | - | - | **(177.7)** |
| Deferred income tax liability | 28 | - | - | - | - | - | - | - | (133.4) | **(133.4)** |
| Other unallocated liabilities | | - | - | - | - | - | - | - | (138.2) | **(138.2)** |
| **Total liabilities** | | **(616.9)** | **(63.2)** | **(317.6)** | **(25.9)** | **(94.6)** | **(52.6)** | **(4.5)** | **(271.6)** | **(1,446.9)** |
| **Net asset value** | | **125.9** | **11.8** | **557.8** | **270.4** | **580.4** | **130.0** | **59.8** | **(142.7)** | **(1,593.4)** |
| Purchases of investment property (including non-cash) | 10 | - | - | - | - | - | - | - | - | **-** |
| Construction costs related to investment property | 10 | 62.0 | 5.8 | 45.7 | 26.9 | 28.0 | 16.5 | - | - | **184.9** |
| Construction costs related to joint ventures | | - | - | 0.6 | - | - | - | - | - | **0.6** |
| Construction costs related to construction work | | 2.0 | 0.4 | 2.9 | - | 0.3 | 0.0 | - | - | **5.6** |
| **Total investments** | | **64.0** | **6.2** | **49.2** | **26.9** | **28.3** | **16.5** | **-** | **-** | **191.1** |
| Sale of investment property | 10,27 | - | (35.0) | - | (13.3) | - | - | - | - | **(48.3)** |
| Sale of joint venture investment property | | - | - | (130.2) | - | - | - | - | - | **(130.2)** |
| **Total divestments** | | **-** | **(35.0)** | **(130.2)** | **(13.3)** | **-** | **-** | **-** | **-** | **(178.5)** |

## 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 6 senior managers (31 December 2019: 7). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2020 are detailed below.

At 30 June 2020, 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) | 13.6 | 1.9 | - | **15.5** |
| ECL allowance for trade receivables to related party | (3.2) | - | - | **(3.2)** |
| Other current assets (Note 17) | 1.0 | - | - | **1.0** |
| Financial assets (Note 12) | 0.1 | 0.5 | - | **0.6** |
| Loans (Note 14) | 1.4 | - | - | **1.4** |
| ECL allowance for loans to related party (Note 14) | (1.4) | - | - | **(1.4)** |
| Trade and other payables current (Note 21) | (3.9) | (0.5) | - | **(4.4)** |
| Trade and other payables non - current (Note 21) | (13.4) | - | - | **(13.4)** |
| Other payables non-current (Note 21) | (0.6) | - | - | **(0.6)** |

The income and expense items with related parties for the 6 months ended 30 June 2020 are as follows:

| *In millions of EUR* | Entities under common control | Key management personnel | Senior management | Joint ventures | Total |
|---|---|---|---|---|---|
| Revenue from services rendered | 2.7 | - | - | - | **2.7** |
| Revenue from construction contracts | 1.8 | 0.4 | - | - | **2.2** |
| Rental income | 1.5 | - | - | - | **1.5** |
| Rental expenses | (0.8) | - | - | - | **(0.8)** |
| Other services | (1.7) | (0.1) | (0.1) | - | **(1.9)** |
| Short-term employee benefits (salaries) | - | (0.9) | - | - | **(0.9)** |
| Long-term employee benefits (social security costs) | - | (0.3) | - | - | **(0.3)** |
| Interest income | 0.2 | - | - | - | **0.2** |
| Interest expense | (0.1) | - | - | - | **(0.1)** |
| Depreciation and amortisation | - | - | - | - | **-** |

At 31 December 2019, 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) | 10.8 | 1.7 | 0.2 | **12.7** |
| ECL allowance for trade receivables to related party | (2.9) | - | - | **(2.9)** |
| Other current assets (Note 17) | 1.3 | - | - | **1.3** |
| Financial assets (Note 12) | 0.1 | 0.5 | - | **0.6** |
| Loans (Note 14) | 1.4 | - | - | **1.4** |
| ECL allowance for loans to related party (Note 14) | (1.4) | - | - | **(1.4)** |
| Trade and other payables current (Note 21) | (3.7) | (0.8) | - | **(4.5)** |
| Trade and other payables non - current (Note 21) | (13.1) | - | - | **(13.1)** |
| Other payables non-current (Note 21) | (0.6) | - | - | **(0.6)** |

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

The income and expense items with related parties for the 6 months ended 30 June 2019 are as follows:

| *In millions of EUR* | Entities under common control | Key management personnel | Senior management | Joint ventures | Total |
|---|---|---|---|---|---|
| Revenue from services rendered | 2.5 | - | - | - | **2.5** |
| Revenue from construction contracts | - | 0.8 | - | 0.1 | **0.9** |
| Rental income | 1.2 | - | - | 0.1 | **1.3** |
| Rental expenses | (0.5) | - | - | - | **(0.5)** |
| Other services | (0.8) | (0.3) | (0.3) | - | **(1.4)** |
| Short-term employee benefits (salaries) | - | (1.9) | - | - | **(1.9)** |
| Long-term employee benefits (social security costs) | - | (0.4) | - | - | **(0.4)** |
| Interest income | 0.1 | - | - | 0.1 | **0.2** |
| Interest expense | - | - | - | (0.2) | **(0.2)** |
| Depreciation and amortisation | - | (0.1) | - | - | **(0.1)** |

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 2019 and/or 2020 are not material in the context of the consolidated financial statements. The compensation of the Board of Directors of the Parent Company amounted to EUR 0.5 million during 6 months ended 30 June 2020 (during 6 months ended 30 June 2019: EUR 0.5 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 30 June 2020 (31 December 2019: nil).

Distributions to owners paid by Group in 2020 and 2019 respectively are described in Note 19.

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 |
|---|---|---|---|---|---|
| **At 1 January 2019** | | | | | |
| Cost | 14.2 | 6.6 | 27.6 | 2.3 | 50.6 |
| Accumulated depreciation and impairment charges | (7.8) | (6.4) | (27.2) | - | (41.4) |
| **Net book value** | 6.4 | 0.2 | 0.4 | 2.3 | 9.3 |
| **Year ended 31 December 2019** | | | | | |
| Additions | 0.4 | 0.1 | 0.2 | 3.4 | 4.1 |
| Transfers | 0.7 | 1.1 | - | (1.8) | - |
| Disposals | (0.9) | (0.1) | - | - | (1.0) |
| Transfer to assets held for sale | (4.8) | - | - | - | (4.8) |
| Transfer to right-of-use assets | - | - | (0.3) | - | (0.3) |
| Depreciation charge | (1.3) | (1.2) | - | - | (2.5) |
| **Closing net book value** | 0.5 | 0.1 | 0.3 | 3.9 | 4.8 |
| **At 31 December 2019** | | | | | |
| Cost | 9.6 | 7.7 | 27.5 | 3.9 | 48.7 |
| Accumulated depreciation and impairment charges | (9.1) | (7.6) | (27.2) | - | (43.9) |
| **Net book value** | 0.5 | 0.1 | 0.3 | 3.9 | 4.8 |

**8 Property, Plant and Equipment (Continued)**

| *In millions of EUR* | **Land and buildings** | **Machinery, equipment** | **Vehicles and other assets** | **Capital work in progress including advances (CIP)** | **Total** |
|---|---|---|---|---|---|
| **6 months period ended 30 June 2020** | | | | | |
| Additions | - | 0.1 | - | 0.1 | 0.2 |
| Transfers | - | 0.3 | - | (0.3) | - |
| Disposals | - | (0.1) | (0.1) | - | (0.2) |
| Transfer from assets held for sale | 4.8 | - | - | - | 4.8 |
| Transfer to right-of-use assets | | | | | |
| Depreciation charge | (0.7) | (0.3) | (0.1) | - | (1.1) |
| **Closing net book value** | 4.6 | 0.1 | 0.1 | 3.7 | 8.5 |
| **At 30 June 2020** | | | | | |
| Cost | 14.4 | 8.0 | 27.4 | 3.7 | 53.5 |
| Accumulated depreciation and impairment charges | (9.8) | (7.9) | (27.3) | - | (45.0) |
| **Net book value** | 4.6 | 0.1 | 0.1 | 3.7 | 8.5 |

As at 30 June 2020, property, plant and equipment carried at EUR 4.8 million (at 31 December 2019: EUR nil million) 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 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** | **Machinery, equipment** | **Vehicles and other assets** | **Capital work in progress including advances (CIP)** | **Total** |
|---|---|---|---|---|---|
| **Carrying amount at 1 January 2019 upon adoption of IFRS 16** | **7.1** | **-** | **2.0** | **-** | **9.1** |
| Additions | 8.4 | - | - | - | 8.4 |
| Disposals | (1.0) | - | - | - | (1.0) |
| Depreciation charge | (1.9) | - | (0.5) | - | (2.4) |
| **Carrying amount at 31 December 2019** | **12.6** | **-** | **1.5** | **-** | **14.1** |
| **6 months period ended 30 June 2020** | | | | | |
| Additions | 0.9 | - | - | - | 0.9 |
| Disposals | - | - | - | - | - |
| Depreciation charge | (1.3) | - | (0.2) | - | (1.5) |
| **Carrying amount at 30 June 2020** | **12.2** | **-** | **1.3** | **-** | **13.5** |

## 9 Right of use assets and lease liabilities (Continued)

The Group recognised lease liabilities as follows:

| *In millions of EUR* | 30 June 2019 | 31 December 2019 |
|---|---|---|
| **Lease liabilities:** | | |
| Current | 8.4 | 7.5 |
| Non-current | 68.4 | 68.8 |
| **Total lease liabilities**** | **76.8** | **76.3** |

The Group has included EUR 32.8 million right-of-use assets in investment properties as of 30 June 2020 (at 31 December 2019: EUR 30.6 million) – see Note 10.

As at 31 December 2019, current lease liabilities of EUR 0.3 million and non-current lease liabilities of EUR 4.7 million associated with Postepu property have been classified as Non-current assets held for sale.

**Non-current lease liabilities include:
- EUR 30.7 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 is payable upon the completion of the project, and
- the liabilities associated with right-of-use assets presented in the above table, and
- the liabilities associated with the right-of-use assets classified as investment property.

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

| *In millions of EUR* | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|
| **Depreciation of right-of-use asset** | | |
| Land and buildings | 1.3 | 1.0 |
| Vehicles and other assets | 0.3 | 0.2 |
| **Total depreciation of right-of-use asset** | **1.6** | **1.2** |
| **Other (income) / expense related to Leases** | | |
| Revaluation (gain) / loss on investment property | 2.7 | 1.0 |
| Interest expense | 0.9 | 0.8 |

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases were EUR nil as at 30 June 2020 (30 June 2019: nil).

Total cash outflow for leases during the 6 months period ended 30 June 2020 was EUR 3.2 million (6 months period ended 30 June 2019: EUR 1.5 million).

Extension and termination options are included in a number of property and equipment leases across the Group. As at 30 June 2020, potential future cash outflows of EUR 17.6 million (at 31 December 2019: EUR 17.7 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 reporting period ended 30 June 2020, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil (at 31 December 2019: EUR 1.0 million decrease in recognised lease liabilities and right-of-use assets).

The Group leases certain landplots in Poland which are presented within Investment property. 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 30 June 2020. The Group remeasures the lease liability to reflect changes to the lease payments when necessary.

## 10 Investment Property

| | 6 months ended 30 June 2020 | | | | | 12 months ended 31 December 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **1,857.8** | **22.5** | **505.4** | **17.2** | **2,402.9** | **1,034.5** | **9.1** | **622.8** | **-** | **1,666.4** |
| Right-of-use assets recognised on 1 January 2019 due to IFRS 16 adoption | - | - | - | - | | - | 11.7 | - | 19.2 | **30.9** |
| Acquisitions of investment property | - | - | 70.3 | - | **70.3** | - | - | - | - | **-** |
| Subsequent expenditure on investment property | 204.9 | - | 21.5 | - | **226.4** | 407.2 | 1.7 | 34.6 | 2.4 | **445.9** |
| Transfers from disposal groups classified as held for sale | - | - | 77.8 | 4.9 | **82.7** | - | - | - | - | **-** |
| Transfers from under development to in use | (491.8) | (6.1) | 491.8 | 6.1 | **-** | (5.3) | - | 5.3 | - | **-** |
| Transfers to disposal groups classified as held for sale (Note 15) | - | - | - | - | **-** | - | - | (228.4) | (4.9) | **(233.3)** |
| Disposals | (1.0) | - | (0.7) | - | **(1.7)** | (34.7) | - | (23.5) | - | **(58.2)** |
| Fair value gains/(losses) – properties completed during the year | (18.6) | - | - | - | **(18.6)** | - | - | - | - | **-** |
| Fair value gains/(losses) | (44.2) | - | (38.3) | (2.7) | **(85.2)** | 447.4 | - | 71.5 | 0.5 | **519.4** |
| Effect of translation to presentation currency | (68.3) | - | (39.9) | - | **(108.2)** | 8.7 | - | 23.1 | - | **31.8** |
| **Fair value at 30 June** | **1,438.8** | **16.4** | **1,087.9** | **25.5** | **2,568.6** | **1,857.8** | **22.5** | **505.4** | **17.2** | **2,402.9** |

The Group classified certain leases as investment properties. The carrying value of such investment property as of 30 June 2020 was EUR 41.9 million (31 December 2019: EUR 39.7 million).

At 30 June 2020, investment properties carried at 2,027.4 million (31 December 2019: EUR 1,786.9 million, 30 June 2019 EUR: 956.9 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 | 30 June 2020 | 31 December 2019 |
|---|---|---|---|---|
| **Valuations obtained** | | | **2,547.9** | **2,693.6** |
| Add: | right-of-use assets classified as investment property | | 32.8 | 35.5 |
| Less: | property classified as property plant and equipment (own use) | | (5.7) | - |
| Less: | lease incentive receivables | 12(a) | (5.4) | (2.5) |
| Less: | FX adjustments on lease incentive receivables | | (1.0) | - |
| Less: | transfers to disposal groups classified as held for sale | 15 | - | (250.0) |
| Less: | transfers to disposal groups classified as held for sale in previous year | 15 | - | (73.7) |
| **Fair value at the end of the period** | | | **2,568.6** | **2,402.9** |

## 11 Investment in Joint Ventures

In 2014, the Group entered into a joint venture in Poland with 51% economic interest in West Station Investment. In 2015, the Group increased its economic interest in the joint venture to 71%.
The Group sold shares in two (2) joint ventures during the six months period ended 30 June 2019: West Station Investment Sp. z o. o. and West Station Investment 2 Sp. z o.o..

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

| | 6 months ended 30 June 2020 | | 6 months ended 30 June 2019 | |
|---|---|---|---|---|
| *In millions of EUR* | West Station Investment 1-2 | Other Joint Ventures | West Station Investment 1-2 | Other Joint Ventures |
| Revenue | - | 0.2 | 5.8 | 0.3 |
| Profit and total comprehensive income for the year | - | (0.2) | (10.7) | (0.4) |

| | 30 June 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| *In millions of EUR* | West Station Investment 1-2 | Other Joint Ventures | West Station Investment 1-2 | Other Joint Ventures |
| Current assets | - | 0.4 | - | 0.4 |
| Non-current assets | - | 7.2 | - | 7.5 |
| Current liabilities | - | (3.0) | - | (3.4) |
| Non-current liabilities | - | (0.1) | - | (0.1) |
| **Net assets of the investee** | **-** | **4.5** | **-** | **4.4** |
| **Share of other ventures** | **-** | **(2.1)** | **-** | **(2.2)** |
| **Investment in joint venture** | **-** | **2.4** | **-** | **2.2** |

## 12 Receivables and Loans

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Lease incentives receivables | (a) | 5.4 | 2.7 |
| Loans to related parties – non-current (Note 7) | b) | 0.6 | 0.6 |
| Loans to third parties | | 0.3 | 0.3 |
| **Total receivables and loans** | | **6.3** | **3.6** |

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

(a) Lease incentive receivables of EUR 5.4 million (31 December 2019: EUR 2.7 million) represent cost of incentives recognised over the lease term, on a straight-line basis. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 0.6 million as of 30 June 2020 (31 December 2019: EUR 0.6 million).

## 13 Other Non-Current Assets

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Other non-current assets | (a) | 4.6 | 6.0 |
| **Total other non-current assets** | | **4.6** | **6.0** |

(a) As at 30 June 2020, EUR 1.7 milion related to projects in Hungary, EUR 1.0 milion related to projects in Poland. The remaining balance consists of many non-material items. As at 31 December 2019, EUR 1.8 million related to projects in Hungary and EUR 1.6 related to projects in Poland. The remaining balance consists of many non-material items.

## 14 Trade and Other Receivables

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Trade receivables | | 21.8 | 14.5 |
| Trade receivables and advances to joint ventures | 7 | - | 0.2 |
| Derivatives and other financial assets | | - | 8.2 |
| Accrued rental income | | 0.7 | 0.7 |
| Unbilled receivables from service charges | | 5.0 | 3.5 |
| Other financial receivables | | 7.2 | 11.5 |
| Trade and other receivables from related parties | 7 | 15.5 | 12.5 |
| Less expected credit loss allowance for trade receivables | | (6.7) | (5.5) |
| Loans to related parties | 7 (a) | 1.4 | 1.4 |
| Less expected credit loss allowance for loans to related parties | 7 | (1.4) | (1.4) |
| **Total financial assets / receivables** | | **43.5** | **45.6** |
| VAT receivable | | 22.4 | 26.5 |
| Prepayments | | 6.0 | 6.0 |
| Current income tax refund receivable | | 0.6 | - |
| **Total trade and other receivables** | | **72.5** | **78.1** |

(a) Loans are provided under the following conditions – interest rate 8.16% (2019: 8.16%).

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

| | 30 June 2020 | | | | 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands 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 | 0.0% | 27.4 | - | 27.4 | 0.0% | 24.9 | - | 24.9 |
| - less than 30 days overdue | 2.5% | 2.2 | (0.1) | 2.1 | 2.5% | 3.9 | (0.1) | 3.8 |
| - 30 to 90 days overdue | 5.0% | 4.3 | (0.2) | 4.1 | 5.0% | 1.8 | (0.1) | 1.7 |
| - 91 to 180 days overdue | 10.0% | 4.3 | (0.4) | 3.9 | 10.0% | 1.2 | (0.1) | 1.1 |
| - 181 to 360 days overdue | 15.0% | 3.4 | (0.5) | 2.9 | 15.0% | 4.5 | (0.7) | 3.8 |
| - over 360 days overdue | 65.0% | 8.6 | (5.5) | 3.1 | 70.0% | 6.6 | (4.5) | 2.1 |
| **Total** | | **50.2** | **(6.7)** | **43.5** | | **42.9** | **(5.5)** | **37.4** |
| Loans to related parties | | 1.4 | (1.4) | - | | 1.4 | (1.4) | - |
| Derivatives / other at fair value | | | | - | | | | 8.2 |
| **Total financial assets** | | | | **43.5** | | | | **45.6** |

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. 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.

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

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* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| **Expected credit loss allowance at 1 January** | **6.9** | **5.0** |
| Expected credit loss charge to profit or loss for the period | 1.2 | 2.8 |
| Write-offs | - | (0.9) |
| **Expected credit loss allowance at 30 June** | **8.1** | **6.9** |

Receivables subject to credit enhancements are as follows at 30 June:

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Trade receivables collateralised by: | | |
| - bank guarantees | 2.7 | 0.7 |
| - tenant deposits | 1.2 | 0.9 |
| **Total** | **3.9** | **1.6** |

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 30 June 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 | 1.2 | 9.3 | 13.2 | 1.1 |

Financial effect of collateral at 31 December 2019 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 | 0.2 | 5.8 | 9.0 | 0.8 |

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 30 June 2020 (2019: EUR 1.0 million).

## 15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Property, plant and equipment | - | 4.8 |
| Investment property | - | 302.7 |
| Trade and other receivables | - | 19.3 |
| Cash and cash equivalents | - | 7.5 |
| **Total assets classified as held for sale** | **-** | **334.3** |

As of 30 June 2020, there are no assets classified as held for sale.

As of 31 December 2019, the Group classified assets and liabilities of four (4) subsidiaries (P14 Sp. z o.o., Twin City III s. r. o., SPV Vištuk s. r. o., TWENTY House S.à r.l.) as held for sale.

The investment properties are valued semi-annually on 31 December and 30 June at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 33.

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

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Deferred income tax liability | - | 16.0 |
| Borrowings | - | 152.3 |
| Trade and other payables | - | 4.4 |
| Lease liabilities long-term | - | 4.7 |
| Lease liabilities short-term | - | 0.3 |
| **Total liabilities directly associated with assets classified as held for sale** | **-** | **177.7** |

At 30 June 2020, investment properties held for sale carried at EUR nil million (at 31 December 2019: EUR 302.7 million), property, plant and equipment of EUR nil milion (at 31 December 2019: EUR 4.8 milion) and the receivables of EUR nil million (at 31 December 2019: EUR 19.3 million) have been pledged to third parties as collateral with respect to borrowings.

Three (Twin City III, s.r.o. and SPV Vištuk s.r.o. and TWENTY House S.à r.l) out of four subsidiaries classified held for sale as at 31 December 2019 were sold during year 2020 (Note 27). Remaining one (P14 Sp. z o.o.) subsidiary classified as held for sale as at 31 December 2019 is not classified as held for sale as at 30 June 2020.

## 16 Cash and Cash Equivalents

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Cash at bank and in hand | 189.8 | 115.1 |
| **Total cash and cash equivalents** | **189.8** | **115.1** |

At 30 June 2020, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 6.7 million (2019: EUR 4.1 million).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 30 June 2020. Refer to Note 31 for the description of the Group's credit risk grading system.

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| - Excellent | 159.3 | 86.1 |
| - Good | 30.4 | 28.7 |
| - Satisfactory | 0.1 | 0.3 |
| **Total cash and cash equivalents** | **189.8** | **115.1** |

## 16 Cash and Cash Equivalents (Continued)

The Company classifies banks based on ratings as follows:

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

The carrying amounts of cash and cash equivalents as of 30 June 2020 and 31 December 2019 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

## 17 Other current assets

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Prepayments to trustee | (a) | 8.6 | 22.6 |
| Money market fund | | - | 5.1 |
| Other Current Assets | | 20.9 | 17.1 |
| Other Current Assets from related parties | | 1.0 | 1.3 |
| **Total other current assets** | | **30.5** | **46.1** |

(a) As at 30 June 2020 EUR 8.6 million (2019: EUR 22.6 million) represent prepayments to trustee of Hungarian Real Estate Development Fund.

## 18 Financial investments

| *In millions of EUR* | | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Investment in The Cambridge Incubator, LLC | (a) | 27.2 | 27.2 |
| Investment in HB REAVIS CE Real Estate Investment Fund | | 0.2 | 0.2 |
| **Total financial investments** | | **27.4** | **27.4** |

(a) In February 2018 the Group acquired a non-controlling share in The Cambridge Incubator, LLC, a Delaware limited liability company for a consideration of EUR 49.8 million. As at 30 June 2020, the cumulative amount of investments by the Group totaled EUR 54.4 million, with a carrying amount of EUR 27.2 million (2019: EUR 27.2 million). Using the comparative method, the Group recognised that the fair value of The Cambridge Incubator, LLC entire equity decreased by 50 percent as at 31 December 2019 and has not significantly changed during the first half of the year 2020. All financial investments are measured at fair value through profit or loss (Note 2.2). The measurement is level 3 in fair value hierarchy.

## 19 Share Capital and Share Premium

| | Number of shares | Ordinary shares in EUR | Share premium in EUR | Total in EUR |
|---|---|---|---|---|
| At 1 January 2019 | 30,000 | 30,000 | 455,852,721 | **455,882,721** |
| At 31 December 2019 | 30,000 | 30,000 | 402,465,609 | **402,495,609** |
| At 30 June 2020 | 30,000 | 30,000 | 392,443,699 | **392,473,699** |

The total authorised number of ordinary shares is 30,000 shares with a par value of EUR 1 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. 12,500 shares were issued on 20 October 2010 and additional 17,500 shares were issued on 4 September 2018 due to change of legal form of the company from a private limited liability company into a public limited liability company.

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

## 19 Share Capital and Share Premium (Continued)

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

| *In millions of EUR, except dividends per share amount* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **Distributions to owners payable at 1 January** | 21 | - | - |
| Distributions declared during the year (from share premium) | | 10.0 | 53.4 |
| Distributions paid during the year | | (5.6) | (53.4) |
| **Distributions to owners payable at 30 June / 31 December** | 21 | **4.4** | - |
| Amount per share declared during the year in EUR | | 333.3 | 1,778.8 |

## 20 Borrowings

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **Non-current** | | | |
| Bank borrowings | | 715.6 | 381.8 |
| Issued bonds | (a) | 270.6 | 347.1 |
| **Total non-current borrowings** | | **986.2** | **728.9** |
| **Current** | | | |
| Bank borrowings | | 160.0 | 148.4 |
| Issued bonds | (a) | 74.9 | 44.0 |
| **Total current borrowings** | | **234.9** | **192.4** |
| **Total borrowings** | | **1,221.1** | **921.3** |

(a) The bonds represent following debt instruments:

(i) CZK denominated bonds in the amount CZK 1,250 million (EUR 46.8 million) , which were issued in Prague in March 2016 with maturity March 2021, bearing an interest of 6M PRIBOR + 4% p.a.;
(ii) PLN denominated bonds in the amount PLN 100 million (EUR 22.4 million), which were issued in Warsaw in October 2016 with maturity April 2021, bearing an interest of 6M WIBOR + 4.40% p.a.;
(iii) EUR denominated bonds in the amount EUR 25 million, which were issued in Bratislava in December 2016 with maturity December 2021, bearing an interest of 3.50% p.a.;
(iv) 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.;
(v) 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.;
(vi) PLN denominated bonds in the amount PLN 220 million (EUR 49.4 million), which were issued in Warsaw in July 2017 with maturity January 2022, bearing an interest of 6M WIBOR + 4.20% p.a.;
(vii) 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.;
(viii) 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.;
(ix) EUR denominated bonds in the amount EUR 15 million, which were issued in Bratislava in February 2019 with maturity February 2028, bearing an interest of 3.25% p.a..
(x) 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..
(xi) 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..
(xii) 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..

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

## 20 Borrowings (Continued)

### Net debt reconciliation

The table below sets out an analysis of our debt and the movements in our debt for the 6 months ended 30 June 2020. The debt items are those that are reported as financing in the statement of cash flows.

| *In millions of EUR* | Bank borrowings | Bonds | Lease liabilities | Total |
|---|---|---|---|---|
| **Borrowings and lease liabilities as presented in the Statement of financial position as at 1 January 2019** | **387.3** | **329.0** | **31.3** | **747.6** |
| Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 1 January 2019 (Note 15) | 143.9 | - | - | **143.9** |
| **Total borrowings and lease liabilities as at 1 January 2019** | **531.2** | **329.0** | **31.3** | **891.5** |
| Recognition of lease liabilities upon adoption of IFRS 16 as at 1.1.2019 | - | - | 39.7 | **39.9** |
| New leases | - | - | 12.5 | **12.5** |
| Proceeds from new drawdowns | 405.3 | 90.0 | - | **495.3** |
| Repayments | (68.9) | (30.0) | (5.6) | **(104.5)** |
| Foreign exchange adjustments | 0.1 | (1.4) | 2.5 | **1.0** |
| Non-cash movement due to loss of control in a subsidiary | (187.9) | - | - | **(187.9)** |
| Change in accrued interest | 1.3 | 2.1 | 1.8 | **5.2** |
| Change in amortised transaction costs | (2.1) | - | - | **(2.1)** |
| Effect of translation to presentation currency | 3.5 | 1.4 | - | **4.9** |
| Non-cash movement due to derecognition of a lease | - | - | (1.0) | **(1.0)** |
| **Borrowings and lease liabilities as presented in the statement of financial position as at 31 December 2019** | **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 31 December 2019 (Note 15) | **152.3** | **-** | **5.0** | **157.3** |
| **Total borrowings and lease liabilities as at 31 December 2019** | **682.5** | **391.1** | **81.3** | **1,154.9** |
| New leases | - | - | 1.0 | **1.0** |
| Proceeds from new drawdowns | 312.5 | - | - | **312.5** |
| Repayments | (14.5) | (40.0) | (3.2) | **(57.7)** |
| Foreign exchange adjustments | 6.5 | - | (0.9) | **5.6** |
| Non-cash movement due to loss of control in a subsidiary | (99.4) | - | - | **(99.4)** |
| Change in accrued interest | 3.3 | 0.3 | 0.9 | **4.5** |
| Change in amortised transaction costs | - | - | - | **-** |
| Effect of translation to presentation currency | (15.3) | (5.9) | (2.3) | **(23.5)** |
| **Borrowings and lease liabilities as presented in the Statement of financial position as at 30 June2020** | **875.6** | **345.5** | **76.8** | **1,297.9** |
| Borrowings and lease liabilities under liabilities directly associated with non-current assets classified as held for sale as at 30 June 2020 (Note 15) | **-** | **-** | **-** | **-** |
| **Total borrowings and lease liabilities as at 30 June 2020** | **875.6** | **345.5** | **76.8** | **1,297.9** |

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

| | **Carrying amounts** | | **Fair values** | |
|---|---|---|---|---|
| *In millions of EUR* | **30 June 2020** | **31 December 2019** | **30 June 2020** | **31 December 2019** |
| Bank borrowings | 715.6 | 381.8 | 722.7 | 393.1 |
| Issued bonds | 270.6 | 347.1 | 278.0 | 353.9 |
| **Non-current borrowings** | **986.2** | **728.9** | **1,000.7** | **747.0** |

Assumptions used in determining fair value of borrowings are described in Note 33. 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.

## 20 Borrowings (Continued)

The Group has the following undrawn borrowing facilities:

| *In millions of EUR* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Availability: | | |
| - Expiring within one year | 302.2 | 0.8 |
| - Expiring beyond one year | 336.0 | 470.6 |
| **Total undrawn facilities** | **638.2** | **471.4** |

Investment properties (Note 10), property, plant and equipment (Note 8) and receivables (Note 14) are pledged as collateral for borrowings of EUR 787.6. million (31 December 2019: EUR 480.0 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 50% to 70% (2019: 65% to 75%) and minimum debt service coverage ratios ranging from 1.00 to 1.25 (2019: 1.10 to 1.20). During the half year period 2020 and up to the date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches. Furthermore, after 30 June 2020 and up to the date of authorization of these condensed consolidated financial statements, the Group has drawn EUR 45.5 million of the facilities undrawn as of 30 June 2020 and additional EUR 15.0 million of new facilities and repaid the loans of EUR 32.4 million. The Group also issued new tranche of bonds in the amount of EUR 15 million.

## 21 Trade and Other Payables

| *In millions of EUR* | Note | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **Non – current** | | | |
| Long-term payables | | 23.1 | 25.2 |
| **Total non-current payables** | | **23.1** | **25.2** |
| **Current** | | | |
| Trade payables | | 6.6 | 10.9 |
| Liabilities for construction of investment properties | | 58.2 | 64.8 |
| Accrued liabilities | | 46.9 | 14.5 |
| Distribution payable to owners | 19 | 4.4 | - |
| Derivative financial instruments | | 4.4 | 1.2 |
| Other payables | | - | 6.2 |
| Refund liability | | 8.6 | 6.0 |
| **Total current financial payables** | | **129.1** | **103.6** |
| Items that are not financial instruments: | | | |
| Deferred rental income | | 3.6 | 4.5 |
| Contract liability | | 1.2 | 2.0 |
| Accrued employee benefit costs | | 1.4 | 1.0 |
| Other taxes payable | | 0.8 | 0.1 |
| VAT payable | | 0.9 | - |
| Prepayments | | 0.3 | - |
| **Total current trade and other payables** | | **137.3** | **111.2** |

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.

## 22 Rental and Similar Income from Investment Property

| *In millions of EUR* | **6 months ended 30 June 2020** | **6 months ended 30 June 2019** |
|---|---|---|
| Rental income | | |
| Office | 10.1 | 16.1 |
| Retail | 0.6 | 0.7 |
| HubHub | 4.0 | 1.9 |
| Service charges | | |
| Office | 6.7 | 9.6 |
| Retail | 0.4 | 0.4 |
| Management charges | | |
| Office | 1.1 | 1.9 |
| Retail | 0.1 | 0.1 |
| Industrial | - | 0.2 |
| HubHub | 0.2 | - |
| **Total revenue** | **23.2** | **30.9** |

Where the Group is the lessor, the future minimum lease payments receivable under operating leases over the lease term are as follows at 30 June 2020:

| *In millions of EUR* | **6 months ended 30 June 2020** | **6 months ended 30 June 2019** |
|---|---|---|
| Not later than 1 year | 26.6 | 31.6 |
| Later than 1 year and not later than 2 years | 46.3 | 30.6 |
| Later than 2 years and not later than 3 years | 48.9 | 41.1 |
| Later than 3 years and not later than 4 years | 48.7 | 41.5 |
| Later than 4 years and not later than 5 years | 44.7 | 40.8 |
| Later than 5 years | 237.3 | 252.4 |
| **Total operating lease payments receivable** | **452.5** | **438.0** |

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 for 6 months period ended 30 June 2020 under the Group's operating leases were EUR nil (6 months period ended 30 June 2019: nil).

## 23 Direct Operating Expenses arising from Investment Property

| *In millions of EUR* | **6 months ended 30 June 2020** | **6 months ended 30 June 2019** |
|---|---|---|
| *Direct operating expenses arising from investment property that generate rental income:* | | |
| Materials consumed | 0.7 | 0.5 |
| Repairs and maintenance services | 0.7 | 0.5 |
| Utilities costs | 4.0 | 2.9 |
| Services relating to investment property | 6.7 | 8.5 |
| Real estate tax | 0.2 | 0.3 |
| Other costs | 0.9 | 2.0 |
| **Total** | **13.2** | **14.7** |

## 24 Analysis of Revenue by Category

| *In millions of EUR* | Note | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|---|
| Rental income | 22 | 14.7 | 18.7 |
| Service charges | 22 | 7.1 | 10.0 |
| Management charges | 22 | 1.4 | 2.2 |
| **Total Rental and similar income from investment property** | | **23.2** | **30.9** |
| Services rendered | 26 | 2.7 | 3.7 |
| Other | 26 | 0.7 | 0.3 |
| **Total Other operating income** | | **3.4** | **4.0** |
| **Construction revenue** | | **12.0** | **11.5** |
| **Total revenue and other income** | | **38.6** | **46.4** |

As at 30 June 2020, the Group has completed all contracts for construction of properties.

## 25 Employee Benefits

| *In millions of EUR* | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|
| Wages and salaries (including social and health insurance) | 11.7 | 11.5 |
| Pension costs – defined contribution plans | 0.6 | 0.6 |
| **Total employee benefits** | **12.3** | **12.1** |

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

| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Real estate | 710 | 736 |
| **Total number of employees** | **710** | **736** |

## 26 Operating Income and Expenses

Operating expenses comprised the following:

| *In millions of EUR* | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|
| Services | 9.7 | 3.6 |
| Rental expense | 1.0 | 1.3 |
| Cost of sold inventories | 0.3 | 0.7 |
| Other taxes | 0.7 | 0.4 |
| Material consumption | 0.2 | 1.2 |
| Audit fees | 0.4 | 0.4 |
| Energy costs | 0.2 | 0.1 |
| Net impairment losses on financial and contract assets | 1.2 | - |
| Other | 3.4 | 3.4 |
| **Total operating expenses** | **17.1** | **11.1** |

Other operating income comprised the following:

| *In millions of EUR* | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|
| Sales of services | 2.7 | 3.7 |
| Sales of inventories | 0.1 | 0.2 |
| Other operating income | 0.6 | 0.1 |
| **Total other operating income** | **3.4** | **4.0** |

## 27 Disposals of Subsidiaries

The Group sold shares in four (4) subsidiaries during the six months period ended 30 June 2020: Twin City III s. r. o., SPV Vištuk s. r. o, TWENTY House S.à r.l. which were classified as Non-current assets held for sale as of 31 December 2019 and BUXTON INVEST a.s..

The Group sold shares in four (4) subsidiaries during the six months period ended 30 June 2019: Temster, s.r.o., Radlická ATA s.r.o., Radlice Real Estate, s.r.o. and HB REAVIS Buda Project Kft., of which HB Reavis Buda Project Kft. was classified as Non-current assets held for sale as of 31 December 2018.

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

| *In millions of EUR* | 6 months ended 30 June 2020 | 6 months ended 30 June 2019 |
|---|---|---|
| Investment property in use | 222.1 | 48.3 |
| Non-current assets | 3.9 | - |
| Deferred tax liability | (11.5) | (2.7) |
| Borrowings | (99.4) | (7.5) |
| Non-curent liabilities | (0.1) | - |
| Trade and other payables | (12.2) | (0.1) |
| Cash and cash equivalents | 1.8 | 0.3 |
| Other working capital | 6.9 | 0.3 |
| **Net assets value** | **111.5** | **38.6** |
| (Loss)/Gain on divestments of subsidiaries | (7.8) | 1.5 |
| Foreign currency translation differences transferred from other comprehensive income upon loss of control | 4.3 | 0.2 |
| **Proceeds from sale of subsidiaries** | **108.0** | **40.3** |
| Less cash in subsidiaries at the date of transaction | (1.8) | (0.3) |
| **Cash sale proceeds** | **106.2** | **40.0** |

## 28 Income Taxes

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

The Group's consolidated effective tax rate for the six months ended 30 June 2020 was 22.6% (six months ended 30 June 2019: 23.1%).

## 29 Foreign exchange gains/(losses)

| *In millions of EUR* | **6 months ended 30 June 2020** | **6 months ended 30 June 2019** |
|---|---|---|
| Bank borrowings – unrealised as at 30 June | (6.5) | 0.5 |
| Lease liabilities– unrealised as at 30 June | 0.9 | - |
| Inter-company loans to foreign operations that do not form part of net investment – unrealised as at 30 June | (17.1) | 3.0 |
| Trade and other receivables and payables – realised during period | - | (0.2) |
| Trade and other receivables and payables – unrealised as at 30 June | 0.2 | (0.1) |
| **Foreign exchange gains/(losses)** | **(22.5)** | **3.2** |

## 30 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 255.3 million at 30 June 2020 (31 December 2019: EUR 372.0 million); this exposure will be partially financed by external loans (committed lines: EUR 638.2 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

## 31 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.

## 31 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 30 June 2020:

| *In millions of EUR* | Gross amounts before offsetting in the statement of financial position a) | Gross amounts set off in the statement of financial position b) | Net amount after offsetting in the statement of financial position c) = a) - b) | Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d) | Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received e) | Net amount of exposure c) - d) - e) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade receivables | 3.9 | - | 3.9 | 2.7 | 1.2 | - |
| **Liabilities** | | | | | | |
| Cash collateral received presented within trade and other payables | 1.2 | - | 1.2 | 1.2 | - | - |

Financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows at 31 December 2019:

| *In millions of EUR* | Gross amounts before offsetting in the statement of financial position a) | Gross amounts set off in the statement of financial position b) | Net amount after offsetting in the statement of financial position c) = a) - b) | Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d) | Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received e) | Net amount of exposure c) - d) - e) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Trade receivables | 1.6 | - | 1.6 | 0.7 | 0.9 | - |
| **Liabilities** | | | | | | |
| Cash collateral received presented within trade and other payables | 0.9 | - | 0.9 | 0.9 | - | - |

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

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

***Credit risks concentrations***

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 33 banks (2019: 31 banks) but 92.1% (2019: 82.7%) of cash balances as of 30 June 2020 are held with 10 (2019: 10) major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 16.

***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.

**31 Financial Risk Management (Continued)**

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

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.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

The Group has two approaches for ECL measurement: (i) assessment on an individual basis and (ii) assessment on a portfolio basis. The Group performs an assessment on a portfolio basis for trade receivables. The Group performs an assessment on an individual basis for all receivables overdue more than 365 days taking into consideration the fact whether the receivable under the review is secured by a bank guarantee/cash deposit or not. Generally, the bank guarantee is deemed to provide a sufficient assurance that the receivable will not become illiquid and therefore provisions for receivables secured by a bank guarantee are not created.

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

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

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Cash flow forecasts are provided by the Board of Directors and provide the best estimate of the expected macro-economic development over the next year. The Group has considered this information and based on the fact that most of the financial assets are current, this did not have significant impact on the consolidated financial statements.

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

**31 Financial Risk Management (Continued)**

***(ii) Market risk***

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

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

Had the foreign exchange rates been by one tenth lower than they have been throughout the period of 6 months ended 30 June 2020 with all other variables constant, profit for the period would have been approximately EUR 48.6 million lower (30 June 2019: EUR 49.2 million lower). Equity, after allowing for the tax effects, would have been EUR 38.4 million lower (30 June 2019: EUR 38.9 million lower).

Had the foreign exchange rates been by one tenth higher than they have been throughout the period of 6 months ended 30 June 2020 with all other variables constant, profit for the period would have been approximately EUR 48.6 million higher (30 June 2019: EUR 49.2 million higher). Equity, after allowing for the tax effects, would have been EUR 38.4 million higher (30 June 2019: EUR 38.9 million higher).

***Interest rate risk.*** The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

| *In millions of EUR* | **Less than 12 months** | **Over 12 months** | **Total** |
|---|---|---|---|
| **30 June 2020** | | | |
| Total monetary financial assets | 263.8 | 0.9 | **264.7** |
| Total monetary financial liabilities | (372.4) | (1,077.7) | **(1,450.1)** |
| **Net interest sensitivity gap at 30 June 2020** | **(108.6)** | **(1,076.8)** | **(1,185.4)** |
| **31 December 2019** | | | |
| Total monetary financial assets | **206.8** | **0.9** | 207.7 |
| Total monetary financial liabilities | **(303.5)** | **(822.9)** | (1,156.4) |
| **Net interest sensitivity gap at 31 December 2019** | **(96.7)** | **(822.0)** | **(948.7)** |

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been by one tenth lower than they have been throughout the period of 6 months ended 30 June 2020 with all other variables constant, profit before tax for the period would have been higher by approximately EUR 0.6 million (31 December 2019: EUR 1.1 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 0.5 million higher (31 December 2019: higher by EUR 0.8 million).

Had the interest rates on the Group's variable interest rate loans (generally the third-party borrowings) been by one tenth higher than they have been throughout the period of 6 months ended 30 June 2020 with all other variables constant, profit before tax for the period would have been lower by approximately EUR 0.6 million (31 December 2019: EUR 1.1 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 0.5 million (31 December 2019: lower by EUR 0.8 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 20). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

## 31 Financial Risk Management (Continued)

### *(ii) Market risk (Continued)*

***Interest rate risk (Continued)***. In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various hedging instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings.

These provisions are taken into consideration by the Group's management when pursuing its interest rate hedging policy. Trade and other receivables and Trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Managers. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

### *(iii) Liquidity risk*

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

The table below shows liabilities as at 30 June 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the carrying amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the respective reporting period. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 30 June 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) | 228.8 | 293.7 | 417.7 | 285.2 | **1,225.4** |
| Borrowings (future interest payments) | 36.4 | 34.7 | 60.1 | 33.8 | **165.0** |
| Financial payables - current (Note 21) | 124.7 | - | - | - | **124.7** |
| Financial lease liabilities (Note 9) | 7.7 | 38.3 | 14.7 | 69.5 | **130.2** |
| Derivatives and other financial instruments (Note 21) | 4.4 | - | - | - | **4.4** |
| **Total future payments, including future principal and interest payments** | **402.0** | **366.7** | **492.5** | **388.5** | **1,649.7** |

The maturity analysis of financial liabilities as at 31 December 2019 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) | 187.0 | 107.2 | 325.4 | 301.4 | **921.0** |
| Borrowings (future interest payments) | 28.2 | 24.8 | 50.1 | 27.5 | **130.6** |
| Financial payables - current (Note 21) | 102.4 | - | - | - | **102.4** |
| Finance lease liabibilites (Note 9) | 7.5 | 7.6 | 47.9 | 69.0 | **132.1** |
| Derivatives and other financial instruments (Note 21) | `1.2 | - | - | - | **1.2** |
| **Total future payments, including future principal and interest payments** | **326.3** | **139.6** | **423.4** | **397.9** | **1,287.3** |

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for second half of year 2020 and first half of year 2021 shows positive cash flow of the Group of approximately EUR 55.6 million (30 June 2019: EUR 96.3 million). The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

## 32 Management of Capital

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

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

| *In millions of EUR* | **Note** | **30 June 2020** | **31 December 2019** |
|---|---|---|---|
| Equity attributable to the owners of HB Reavis Holding S.A. | | 1,374.6 | 1,593.3 |
| Adjusted for | | | |
| Add: Deferred income tax liabilities (including joint ventures) | 15, 28 | 93.1 | 145.3 |
| **Net Asset Value (adjusted) as monitored by management** | | **1,467.7** | **1,738.6** |

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. During 2020, the Group's strategy was to steer the net debt leverage ratio up to 40% (2019: up to 35%). As is shown in the table below, the Group's ratio was below the targeted level as at 30 June 2020 and at the end of 2019. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

| *In millions of EUR* | **30 June 2020** | **31 December 2019** |
|---|---|---|
| Bank borrowings and finance leases* less cash including those classified as held for sale | 1,062.1 | 984.2 |
| Total assets | 2,926.1 | 3,040.3 |
| **Net debt leverage ratio** | **36.30%** | **32.37%** |

*Of the total lease liability recognised as at 30 June 2020, EUR 30.8 million represents finance lease liabilities as dedined by IAS 17 (31 December 2019: EUR 33.2 million).

## 33 Fair Value Estimation

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

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

### i) Investment properties

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

| *In millions of EUR* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment property – valuations obtained at 30 June 2020 (Note 10) | | | 2,547.9 | **2,547.9** |
| Investment property – valuations obtained at 31 December 2019 (Note 10) | - | - | 2,693.6 | **2,693.6** |

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition/divestment (cost) for assets which were either acquired/held for sale close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation techniques for level 3 are further described in Note 10.

## 33 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

**Asset Management and Investment Management**

| Segment | Valuation technique | Fair value 30 Jun 2020 (in millions of EUR) | Fair value 31 Dec 2019 (in millions of EUR) | Input | Range 30 Jun 2020 | Range 31 Dec 2019 |
|---|---|---|---|---|---|---|
| **Slovakia** | | | | | | |
| Office | Discounted cash flow | 114.0 | 118.8 | Average annual rent in EUR per sqm<br>Discount rate p.a.<br>Capitalisation rate for terminal value | 185-193<br>6.85%<br>6.85% | 189-200<br>6.85%<br>6.85% |
| Office | Direct capitalisation method | 98.8 | 79.0 | Average annual rent in EUR per sqm<br>Capitalisation rate | 230<br>5.5% | 185<br>5.4% |
| Office | Residual method | 15.7 | 16.0 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 26.54<br>5.75% | 30.16<br>5.75% |
| **Total** | | **228.5** | **213.8** | | | |
| **Poland** | | | | | | |
| Office | Discounted cash flow | 83.1 | 88.5 | Average annual rent in EUR per sqm<br>Discount rate p.a.<br>Capitalisation rate for terminal value | 189.85<br>7.5%<br>7.5% | 192.3<br>7.3%<br>7.3% |
| Office | Direct capitalisation method | 393.7 | - | Average annual rent in EUR per sqm<br>Capitalisation rate | 244-288<br>4.3% - 4.5% | -<br>- |
| Office | At cost | 0.1 | 0.2 | - | - | - |
| **Total** | | **476.9** | **88.7** | | | |

## 33 Fair Value Estimation (Continued)

| Segment | Valuation technique | Fair value 30 Jun 2020 (in millions of EUR) | Fair value 31 Dec 2019 (in millions of EUR) | Input | Range 30 Jun 2020 | Range 31 Dec 2019 |
|---|---|---|---|---|---|---|
| **Asset Management and Investment Management (Continued)** | | | | | | |
| **Hungary** | | | | | | |
| Office | Direct capitalisation method | 9.5 | 9.7 | Average annual rent in EUR per sqm<br>Capitalisation rate | 93.0<br>7.0% | 82.0<br>7.0% |
| **Total** | | **9.5** | **9.7** | | | |
| **United Kingdom** | | | | | | |
| Office | Residual value | 358.1 | 337.3 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 856.4<br>4.75% | 879.45<br>4.75% |
| Office | Direct capitalisation method | - | 146.3 | Average annual rent in EUR per sqm<br>Capitalisation rate | -<br>- | 133.5<br>4.5% |
| Office | At cost | 9.0 | 9.7 | - | | |
| **Total** | | **367.1** | **493.3** | | | |
| **Total for segment** | | **1,082.0** | **805.5** | | | |
| **Development in realisation and in preparation** | | | | | | |
| **Slovakia** | | | | | | |
| Office, Office/Retail | Residual Method | 117.6 | 229.1 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 287.9<br>5.5% - 6.25% | 304.4<br>5.45% - 6.5% |
| Retail | Residual Method | 231.8 | 219.7 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 33.2<br>6.2% | 47.6<br>5.8% |
| Office | At cost | 0.2 | - | - | - | - |
| **Total** | | **349.6** | **448.8** | | | |

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

## 33 Fair Value Estimation (Continued)

| Segment | Valuation technique | Fair value 30 Jun 2020 (in millions of EUR) | Fair value 31 Dec 2019 (in millions of EUR) | Input | Range 30 Jun 2020 | Range 31 Dec 2019 |
|---|---|---|---|---|---|---|
| **Development in realisation and in preparation (Continued)** | | | | | | |
| **Czech Republic** | | | | | | |
| Office | Residual Method | 57.4 | 57.4 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 125.8<br>4.5% - 6.25% | 146.6<br>4.25% - 6.25% |
| Office | At cost | 1.0 | 1.0 | - | - | - |
| **Total** | | **58.4** | **58.4** | | | |
| **Poland** | | | | | | |
| Office | Residual Method | 355.2 | 326.6 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 138.5<br>4.8% - 5.65% | 160.4<br>4.5% - 5.5% |
| Office | Direct capitalisation method | - | 389.3 | Average annual rent in EUR per sqm<br>Capitalisation rate | -<br>- | 274.8<br>4.26% - 4.3% |
| Office | Comparative method | 12.9 | 14.0 | Price in EUR per sqm | 875.0 – 1,040.0 | 195.7 |
| Office | At cost | 1.0 | 1.0 | - | - | - |
| **Total** | | **369.1** | **730.9** | | | |
| **United Kingdom** | | | | | | |
| Office | Residual method | 127.6 | 151.0 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 73.8<br>4.5% - 4.75% | 59.3<br>4.5% |
| **Total** | | **127.6** | **151.0** | | | |

## 33 Fair Value Estimation (Continued)

| Segment | Valuation technique | Fair value 30 Jun 2020 (in millions of EUR) | Fair value 31 Dec 2019 (in millions of EUR) | Input | Range 30 Jun 2020 | Range 31 Dec 2019 |
|---|---|---|---|---|---|---|
| **Development in realisation and in preparation (Continued)** | | | | | | |
| **Hungary** | | | | | | |
| Office | Residual method | 54.6 | 54.2 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 40.0<br>5.75% | 61.4<br>5.25% |
| Office | Discounted cash flow | 259.4 | 216.4 | Average annual rent in EUR per sqm<br>Discount rate p.a.<br>Capitalisation rate for terminal value | 210.3<br>6.0%<br>5.25% | 226.1<br>6.0%<br>5.25% |
| **Total** | | **314.0** | **270.6** | | | |
| **Germany** | | | | | | |
| Office | At cost | 4.5 | 4.8 | - | - | - |
| Office | Residual method | 190.8 | 167.5 | Capitalised net revenues less cost to completion<br>Capitalisation rate | 73.9<br>3.5% | 83.0<br>3.8% |
| **Total** | | **195.3** | **172.3** | | | |
| **Total for segment** | | **1,414.0** | **1,832.0** | | | |
| **None - core** | | | | | | |
| Logistics | Comparative method | 33.1 | 33.1 | Price in EUR per sqm | 4.7 – 2,847.2 | 4.7 – 2,847.2 |
| Retail | At cost | 1.4 | 7.4 | - | | - |
| HubHub | At cost | 17.4 | 15.6 | - | | - |
| **Total for segment** | | **51.9** | **56.1** | | | |

**33 Fair Value Estimation (Continued)**

**Sensitivity of measurement to variance of significant unobservable inputs**

A decrease in the estimated annual rent will decrease the fair value. An increase in the discount rates and the capitalisation rates (used for terminal value of DCF and for the direct capitalisation method) will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. Please refer to Note 3 for the quantitative sensitivity analysis.

**Valuation process**

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by independent and qualified valuers.

These reports are based on both:

- information provided by the company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgment and market observation. Generally, for income producing assets a DCF and direct capitalisation methods are used, for assets under construction residual method is used and comparative methodology is used for non-core and land bank assets.

The information provided to the valuers - and the assumptions and the valuation models used by the valuers - are reviewed by the controlling department and the Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

**ii) Financial Instruments**

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

***Financial assets carried at amortised cost.*** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

***Liabilities carried at amortised cost.*** Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.67% p.a. (2019: 2.37% p.a.). Refer to Note 20 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.

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

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

All of the Group's financial assets belong to the category financial assets at amortised cost except for financial derivatives that are classified as financial assets at FVTPL. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as financial liabilities at FVTPL (Note 21).

## 35 Consolidated Structured Entities

The Group issued 2 tranches of bonds through HB Reavis Finance PL 2 Sp. z o.o. incorporated in Poland, 4 tranches of bonds through HB REAVIS Finance SK III s. r. o., 1 tranche of bonds through HB REAVIS Finance SK IV s. r. o., 3 tranches of bonds through HB REAVIS Finance SK V s. r. o., 1 tranche of bonds through HB REAVIS Finance SK VI s. r. o. all six incorporated in Slovakia and 1 tranche of bonds through HB Reavis Finance CZ, s.r.o., incorporated in Czech Republic. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 320 million, EUR 223 million and CZK 1.250 billion (Note 20).

## 36 Events after the Balance Sheet Date

After 30 June 2020 and up to the date of authorization of these condensed consolidated interim financial statements, the Group has drawn EUR 45.5 million of the facilities undrawn as of 30 June 2020 and additional EUR 15 million of new facilities and repaid the loans of EUR 32.4 million. The Group also issued new tranche of bonds in the amount of EUR 15 million.

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