

## HB Reavis Holding S.á r.l. („HB Reavis“)

### QUARTERLY BUSINESS UPDATE FOR THREE MONTHS TO 30 JUNE 2016

1 August 2016

HB Reavis, Central and Eastern Europe's leading commercial property group, also operating in London property market, today announces the quarterly business update for three months to 30 June 2016.

**Marian Herman, Chief Financial Officer commented:** “The outcome of the Britain's referendum on the European Union that brought some challenges towards end of 2Q 2016, almost overshadowed great second quarter successes HB Reavis achieved in its respective business areas. We have acquired our third project in the South Bank office sub-market of Central London which strengthens our position in London market and complements our strategy of having projects in distinct Central London locations. Leasing achievements, apart from converting future lease agreement into lease agreement with SwissRe (Twin City building B), have been firm with total leases including renewals in the amount of 33 900 sq m with further expansion options for additional 1 852 sq m. On financing front, we have successfully entered debt capital markets in the Czech Republic by issuing the full amount of unsecured bonds in the total amount of CZK 1.25bn (EUR 46.2m) out of which CZK 550m (EUR 20.4m) has been placed in the second quarter. In line with our schedule, we have completed two office projects, namely Twin City B (Bratislava, Slovakia) and Gdanski BC building D (Warsaw, Poland). HB Reavis Group and HB Reavis CE REIF fund have jointly sold for EUR 79m portfolio of logistics centers in Czech Republic and Slovakia totalling 132 000 sq m to Macquarie Infrastructure and Real Assets, part of the Macquarie Group. The disposal reflects the strategic decision of HB Reavis Group to dispose its industrial development business and focus its development activities entirely on European office and retail projects.

The biggest achievement, result of the second quarter hard work, came in July when we have entered into forward sale agreement on our biggest UK project “33 Central” with Wells Fargo (third largest US bank by asset size) and thus significantly de-risked our London exposure in post-Brexit-vote environment. The transaction shall be seen as endorsement of quality of our assets and confirmation of resilience of our business model. Also and more importantly it gives us boost to be ready for further opportunities.”

#### Quarterly business update for second quarter 2016

##### 1. Acquisitions

- We have made a new acquisition in London, 61 Southwark Street which is our first refurbishment project in London. The location of the project is in South Bank which perfectly complements our existing Central London portfolio. South Bank area attracts tenants from various business segments such as accountancy, professional services and tenants preferring the location as being cheaper alternative to West End. With the acquisition we secured development of approximately 7 100 sq m of GLA with estimated Gross Development Value of EUR 115m (*using actual GBP/EUR FX rate*). The cost of the acquisition was GBP 44m.
- Following our recent acquisition in Budapest, the Heritage Protection Division of the Public Authorities of the Government Office of the Capital City Budapest, acting as a supervisory body, withdrew the building permit for Bem Palace project that had originally been issued by the Central Hungarian Office of the Cultural Heritage Authority in September 2010. Upon receipt of the decision, HB Reavis immediately stopped the ongoing demolition works. HB Reavis is currently evaluating the situation and will take all necessary steps to defend our position.

##### 2. Leasing activity

- Total 33 900 sq m of leases including renewals were signed during the second three months of the year with additional 1 852 sq m in expansion options. Annual passing rent, excluding voids and rent free periods, represents almost EUR 7.0m. Biggest new tenants being AC Nielsen in Gdanski BC phase II, Yanfeng in Twin City C and Coface in West Station phase

I. Our year to date lease comes to 56 200 sq m with additional 2 780 sq m in expansion options which is slightly behind our last year record figures but still gives us very strong position in year 2016.

- HB Reavis converted its future lease agreement into signing of the lease agreement with SwissRe to lease most of the office premises in Twin City B (*note: this lease is not included in total leases of the second quarter 2016*). Twin City B has received occupation permit in 2Q 2016 and with SwissRe occupying most of its premises, the building is now almost fully leased.

### 3. Financing

- HB Reavis issued our second unsecured bonds and first bonds in the Czech Republic, listed on Prague Stock Exchange in total amount CZK 1.25bn (EUR 46.2m) with coupon rate 6M Pribor + 4% swapped into fixed EUR rate at 4,86% (out of total amount, in 2Q we have issued CZK 550m (EUR 20.4m)).
- In addition to issuance of new bonds, we have drawn down EUR 55m in 2Q 2016 from newly signed and existing bank financing bringing total year to date figure to EUR 134m.

### 4. Completions and Construction Developments

- 7 development schemes with about 179.8 thousand sq m of GLA under construction (or demolition) in four countries, namely: West Station BC I and II in Warsaw, Poland, Twin City C and Twin City Tower in Bratislava, Slovakia, 33 Central and 20 Farringdon Street in London, United Kingdom and Aupark Shopping Center in Hradec Kralove, Czech Republic. Future gross development value of these projects has been estimated at just above EUR 1.0bn.
- We have obtained an occupation permit for two of our office projects Twin City B (Bratislava, Slovakia) and Gdanski BC building D (Warsaw, Poland).
- We have initiated the construction of another office project Twin City Tower (Bratislava, Slovakia) with scheduled completion date in 3Q 2018 and estimated GLA upon completion 34 900 sq m. The valuation at completion has been estimated at EUR 90.2m.

### 5. Divestments

- HB Reavis Group and HB Reavis CE REIF fund have jointly sold for EUR 79m a portfolio of logistics centers in Czech Republic and Slovakia totalling 132 000 sq m to Macquarie Group. The portfolio consists of 2 assets owned by HB Reavis Group and 2 assets held by HBR CE REIF.
- We have continued in exclusive negotiations regarding forward sale of 33 Central (London, United Kingdom) totalling 21 000 sq m of GLA during second quarter and these negotiations resulted into exchange of contracts with Wells Fargo, third largest US bank by total assets, in July.
- We have entered into exclusive negotiation for prospective sale of River Garden II/III (Prague, Czech Republic), of 25 800 sq m of GLA, by signing the letter of intent.
- The negotiation for prospective sale of Konstruktorska Business Center (Warsaw, Poland) consisting of 49 400 sq m of GLA were continuing.
- The negotiation for prospective sale of Twin City A (Bratislava, Slovakia), consisting of 16 500 sq m of GLA, is on good track and we expected the closing of the transaction in 3Q 2016.

- The negotiation for prospective sale of Gdanski BC I (Warsaw, Poland), which includes buildings A and B consisting of 47 800 sq m of GLA combined, is on good track and we expect the closing of the transaction in 3Q 2016.

## 6. Other

- **HB Reavis and its exposure to United Kingdom**

Following the latest forward sale of 33 Central to Wells Fargo and the acquisition of 61 Southwark Street, our current exposure on London office market represents approximately 5% of our balance sheet according to FY 2015 consolidated figures (excluding 33 Central value from the calculation). HB Reavis risk stemming from potential negative pricing adjustments of London property assets following the vote on the Britain's exit from the European Union or the usual market cyclicity should not have any material negative impact on the regular HB Reavis business given the group's diversification and current relatively small exposure towards London office market. Strategically and in the long-term, the group remains committed to the UK market and we intend to make future investments in London should the opportunities occur. In the short-term we will closely monitor the political situation and the economic impact on the London office market aiming to use post-Brexit environment for additions to our London project portfolio.

- **Apollo Business Center I**

Apollo Business Center I has been purchased by Julesburg which is an entity not consolidated under HB Reavis but has the same ultimate beneficial owner. The plan is to build on the current site a new development similar in size to the existing one that will include office, retail and leisure amenities and HB Reavis has been chosen as development manager of the new mixed-use scheme.

### **Forward-Looking Statements**

Certain statements contained in this release are "forward-looking", based on current view on our markets, activities and prospects and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. In addition, we, through our management, from time to time, make forward-looking public statements concerning our expected future operations and performance and other developments. All forward-looking statements included in this release are made only as of the date hereof and no representation, assurance, guarantee or warranty is given in relation to them and HB Reavis assumes no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

### **About HB Reavis**

HB Reavis is an international commercial property group founded in 1993 in Bratislava. It operates on the key markets of Central and Eastern Europe (Poland, Czech Republic, Slovakia, Hungary), and in the United Kingdom and Turkey. The operations so far have yielded a total of 917,500 sq m of modern offices, shopping and entertainment spaces, and logistics facilities. Another 1.1 million sq m is in the planning or permit stages. HB Reavis relies on an integrated business model covering development, construction, property management, and investments. The group's Net Asset Value reaches EUR 1.2 billion (as of 31 December 2015), while the total assets amount to EUR 2.1 billion. With around 500 professionals working all over Europe, HB Reavis is a strong market leader. The group's position is confirmed by multiple distinctions, including the "Developer of the Year in Central and Eastern Europe, 2015" title in the CEE Quality Awards and the "Office Developer of the Year, CEE" title in Eurobuild Awards.

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