

Quarterly business update for three months to 31 March 2020 and preliminary figures of the year ended 31 December 2019

April 2020

Preliminary figures of the year ending 31 December 2019

Key financial highlights of 2019

HB Reavis is expecting to issue its final audited consolidated figures for 2019 in the coming weeks. Based on preliminary financials, HB Reavis achieved one of the best results in the history of the group.

Income statement

Operating profit of €486 million vs €197 million for the year 2018 was mainly driven by revaluation gain:

- €399 million from €519 million of revaluation gain was derived primarily from our portfolio of projects under construction:
 - Varso Place – Varso 1 and Varso 2 achieved a significant pre-lease progress and neared a date of practical completion
 - Forest – progress in development
 - Agora Hub/Agora Tower – significant pre-lease progress mainly driven by signing anchor tenant BP lease as well as significant development progress
 - Nivy Station and Nivy Tower – significant pre-lease progress, on Nivy Station we signed Inditex for 7k sq. m. of space and Nivy Tower neared practical completion at year end along the letting progress on Nivy Tower as well
 - Bloom Clerkenwell - we signed two HoT's for 100% of the office space during the 2019 with reputable tenants for long tenor and made a significant development progress on the site.
 - DSTRCT- we signed a lease for 33% of the space along the development progress on the site.
- The remaining €120 million of revaluation gain was primarily driven by premium achieved on sale projects divested in 2019 such as Twin City Tower, Twin City C, West Station I-II and non-core assets such as Mercuria and Radlicka. A significant progress on permitting of some projects in the pipeline such as the positive planning decision of Lambeth Council's Planning Applications Committee for our new scheme One Waterloo in London also contributed to higher revaluation gain.

Balance sheet

Balance sheet expansion was primarily driven by profit as vast majority of it was retained in the company. As a result of this, we ended the year with conservative leverage.

- Total assets at €3.04 billion at the end of 2019 vs €2.34 billion at the end of 2018
- Net Asset Value of €1.73 billion vs €1.34 billion at the end of 2018

- Cash and cash equivalents at 31st December 2019 were €122.6 million
- Total Debt (Including finance lease) as at 31st December 2019 stood at €1.11 billion
- Net Debt Leverage Ratio as measured by management at 32.4%
- Gross Debt Leverage Ratio as measured by management at 36.4%

COVID-19 Update

As majority of the businesses, HB Reavis is impacted by the restrictions imposed by governments in response to Covid-19 pandemic:

- HB Reavis Group is undertaking significant measures on all of its development sites and buildings it manages in order to maximize protection and safety of our employees, contractors and partners.
- HB Reavis Group recognizes current turbulences on financial and capital markets, which may have a direct impact on the Group's ability to acquire external financing to fuel its operations and business activities;
- There's been a general slowdown on real estate capital markets, that may affect the development cycle of the HB Reavis Group;
- The development process has been slowed down as a result of 1) governmental restrictions and strict hygienic measures at construction sites, requiring lower concentration of workers at any time; 2) border lock-down, which prohibits certain foreign suppliers to access a construction site; 3) supplier/contractor financial difficulties as a result of pandemic restrictions and their ability to meet obligations towards HB Reavis Group. The slowdown may lead to postponement of project completions, which could adversely impact the cash flow of the HB Reavis Group. Impacts on construction progress are very project specific ranging from temporary site closures to running at full planned capacity;
- As a result of government-imposed restrictions towards retail sector, retail tenants in premises owned by HB Reavis Group face financial difficulties. Despite overall very low exposure to retail (limited to ground level service functions in the office buildings which based on 2019 preliminary figures represented less than 5% overall rental income), this may have impact on the HB Reavis Group cash flow;
- Despite the office premises were not closed, overall economic situation may result into certain tenants seeking possibilities for rent reduction, remission, or postponement of their rental payment obligations, which may have direct impact on Group's rental income;
- The company's WaaS product line experiences reduction in demand from new clients, which has a negative impact on revenue generated by these activities.

The extent of the aforementioned business impacts will depend on the length of the pandemic situation and the corresponding restrictions imposed by governments in the markets where HB Reavis operates.

Quarterly business update for three months to 31 March 2020

Acquisitions

HB Reavis has acquired a site located at Worship Street in London, UK for a potential future development of new office building with an estimated 12.5k sq. m. of future GLA upon completion.

Leasing update

The leasing activity has been significantly influenced by the restrictions associated with Covid-19 pandemic resulting in a slowdown of general commercial activities. HB Reavis

signed 4.4k sq. m. of GLA in the past quarter with passing rent of €1.1m, primarily in projects Nivy Station in Bratislava and Varso 2 in Warsaw, Poland.

Completions and developments progress

There are 9 projects with over 426.9 thousand sq. m of GLA currently under construction, many of which have been progressing well during the last quarter, taking noticeable shapes already. These include projects across five countries, namely:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany
- Varso Place (Varso 2 and Varso Tower) & Forest (I and II) in Warsaw, Poland
- Nivy Station in Bratislava, Slovakia
- Agora Tower & Agora Hub in Budapest, Hungary

Nivy Tower, Bratislava

Project Nivy Tower has reached practical completion in January 2020 and is ready to accommodate clients over 32.7k sq. m. of GLA. Nivy Tower is the newest addition to the development of the New Nivy Zone, spreads over 28 floors and reaches height of 125 meters, which makes it the highest building in Slovakia. Alongside the traditional leasing space targeted for long-term clients with established operations, the premises offer flexible leasing options for smaller entities which need customization, as well as coworking space HubHub. Nivy Tower is designed in line with the Well Building Standards and pre-certified for BREEAM Outstanding certificate, with the primary focus placed on well-being of the tenants as well as the quality of the environment.

Varso 1, Warsaw

The construction on project Varso 1, located in central business district of Warsaw, has reached practical completion in February 2020. Designed by HRA Architects, the building offers 29.8k sq. m. of GLA and is currently 90% pre-let. Varso 1 is pre-certified by Well Building Standard and is in the process of obtaining BREEAM Outstanding certificate.

Financing

During the first quarter 2020, HB Reavis has drawn down a total of €205.4 million of external debt financing including €53.6 million of debt related to re-financing of loan that matured in March. At the end of the quarter, the Group had €795.2 million of bank financing (excluding €3.0 million assigned to Joint Ventures), along with €344.4 million of bond financing outstanding. As of the end of the quarter, the Group had €755.9 million of committed bank financing to be drawn down, mainly against the future capital expenditures of Varso Place, Agora, Nivy Station, DSTRCT and Forest.

The company has repaid €40 million of bonds maturing in March 2020, the issuance of the announced €40 million tranche from the bond programme was postponed due the Covid-19 pandemic outbreak and its impact on capital markets.

In terms of project financing, we secured development financing for the DSTRCT Berlin project in an amount of €225.2 million together with the development financing for Forest I-II in Warsaw for the amount of €162 million. Utilization of both loans have already started.

Divestments

Twin City B, Bratislava

We have finalized the divestment of Twin City B to HB Reavis CE REIF. Twin City B was completed in 2016 and has 23.5 thousand sq. m of GLA. The sale has concluded the divestment of the entire Twin City portfolio.

Postepu 14, Warsaw

The ongoing discussions with the prospective buyer have been put on hold due to current uncertain environment. Postepu 14 was completed in 2015 and has 34.5 thousand sq. m of GLA and is part of our income-producing portfolio.

WaaS update

Symbiosy

Our efforts in the WaaS product portfolio have resulted in a cooperation with international oil & gas company for 22 thousand sq. m space. Symbiosy is set to provide full scope of services, including virtual workplace with indoor positioning infrastructure, room booking, and room control, along with face recognition technologies.

HB Reavis portfolio

Income producing portfolio

As of the end of the last quarter, the Group held a portfolio of 8 income producing office properties with a total of 182.5 thousand sq. m across four countries with passing rent of €32.6 million. The portfolio includes the following projects:

- 20 Farringdon Street in London, UK
- Postepu 14, Varso 1 in Warsaw, Poland
- Nivy Tower, Apollo BC II, in Bratislava, Slovakia
- Non-core assets (Kesmark in Budapest, Hungary and Centrum Bottova, and H Business Centrum (JV) in Bratislava, Slovakia)

The overall market value of the portfolio totaled up to €0.6 billion as of 31st December 2019, while the weighted average occupancy across the portfolio was 83% at the end of the last business quarter.

Projects under construction

Projects currently in the phase of construction (or demolition) account for 426.9 thousand sq. m of GLA and estimated future gross development value of around €2.4 billion, all spread over five capital cities:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany
- Varso Place (Varso 2 and Tower) & Forest (I and II) in Warsaw, Poland
- Nivy Station in Bratislava, Slovakia
- Agora Tower & Agora Hub in Budapest, Hungary.

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