

Quarterly business update for three months to 30th September 2022

October 2022

Peter Pecník, Group CFO, comments on the financial results for the six months ended on 30th June 2022 and quarterly business update for three months to 30th September 2022:

We all have seen unprecedented turbulences across markets in the first half of the year 2022 that continued throughout the third quarter of 2022. War in the Ukraine, accelerating inflation in Europe and the US, rising interest rate and depreciation of foreign currencies in countries where we operate were the most critical events having impact on the economy and our operations.

Despite these macroeconomic challenges we have achieved construction progress on all our development sites, particularly Forest Tower, which has reached its completion in March 2022, as well as projects Nove Apollo and Varso Tower, the latter one having been completed in July 2022.

Thanks to construction accomplishments as well as commercialisation of previously completed projects we were able to generate revaluation gain on our investment property of almost €90 million. Fair value of our income producing portfolio has more than doubled as five projects have been finalised since June 2021. As such, net operating income from investment property increased considerably to €35.6 million and contributed positively, along with revaluation gain, to achieving net profit for the period of €36.2 million. Moreover, leasing contracts with annual passing rent over €15 million have been signed in the first half of the year 2022 which shall reflect in future rental income.

On the other hand, interest expense and foreign exchange losses caused a decrease in net profit. Interest expense for the first half of 2022 increased by €8.6 million compared to prior half year, however the increase was in line with the growth of total indebtedness. Weakening of currencies of the countries where we operate (mainly GBP, HUF and PLN against EUR) led to foreign exchange rate loss of EUR 63 million.

In terms of the balance sheet strength, the company ended the first half of the year 2022 with almost €200 million cash balance, total assets of €4.12 billion and NAV of €1,883 million. HB Reavis increased its level of debt to €2.04 billion with gross debt leverage of

49.6% which was below group's covenant levels. Temporarily increased debt leverage was expected due to increased share of income producing assets (with higher leverage) on total assets and their intended separation into a new structure which was announced earlier this year.

Quarterly business update for three months to 30th September 2022

Acquisitions

We have expanded our presence in Berlin, Germany by having successfully completed the two acquisitions. We have also managed to strengthen our pipeline in Warsaw, Poland as we have entered into a joint venture arrangement to develop a new project Port Praski.

Leasing update

Our buildings continued to attract interest from various tenants. During the third quarter of 2022 we have managed to lease more than 14 400 sq m of GLA. Overall, we have signed close to 74 500 sq m of GLA in the first three quarters of 2022 with annual passing rent of over €18 million.

Completions and development progress

HB Reavis has reached a big milestone in July 2022, when Varso Tower, the tallest building in the EU, has been completed with its first tenants moving in in September 2022. Its quality was recognised by independent BREEAM and WELL auditors, who certified the building as Outstanding and Gold, respectively. Varso Tower is the final showpiece of our award-winning Varso Place, a mixed-use development offering offices, a hotel, an innovation hub and retail options. For more information on Varso Tower completion [click here](#).



The construction works on Nove Apollo project in Bratislava, Slovakia and Worship in London, UK are continuing at a quick pace, with first of the mentioned buildings expecting to be opened in March 2023. Construction works on our PLTFRM project in Berlin has begun in the fourth quarter of 2022.

Financing

During the third quarter of 2022, HB Reavis has drawn down total of €132.6 million of external bank loan financing, of which €81.5 million was linked to acquisition of the two projects in Berlin.

Regarding capital markets presence, we have been active especially on Slovak capital markets as we have managed to issue a new tranche of €46.16 million bonds maturing in 2027.

Our bonds buyback programmes in Slovakia and Czechia continued during the third quarter and should continue in the fourth quarter as well.

At the end of the quarter, the Group had €1.835 billion of outstanding bank financing along with €362.8 million of bond financing.

Divestments

As previously announced, we have decided to divest Lodz plot in Poland. The transaction is still pending and is expected to be finalised later this year.

HB Reavis portfolio

Income producing portfolio

As of the end of the third quarter, the Group held an income producing portfolio of 11 office and 1 retail properties with a total GLA of 547 thousand sq m across five countries with annual operating income at full occupancy of €137 million. The portfolio includes the following projects:

- [Bloom Clerkenwell](#) in London, United Kingdom
- [DSTRCT](#) in Berlin, Germany
- [Agora Tower and Agora Hub](#) in Budapest, Hungary
- [Nivy Mall, Nivy Tower, Apollo BC II](#) in Bratislava, Slovakia
- [Varso Tower, Varso 1, Varso 2, Forest Campus and Forest Tower](#) in Warsaw, Poland

The market value of the portfolio reached €2.55 billion as of 30 June 2022 based on independent valuations.

Projects under construction

Projects currently in the phase of construction account for 69 thousand sq m of future GLA in two buildings and estimated future gross development value of around €459 million spread across two capital cities:

- [Worship Square](#) in London, United Kingdom
- [Nove Apollo](#) in Bratislava, Slovakia

Awards

We are proud to announce, that we have received the award for the Office Developer of the Year in Central and Eastern Europe at Eurobuild CEE Awards gala in Warsaw, Poland. We are proud to be at the forefront of the evolution of work spaces and services that make office work better, healthier and more efficient, which was appreciated by the Eurobuild Awards jury.

Our staple projects have achieved some awards for us, too. Varso Tower has won the Office building of the year in Prime Property Prize gala in Warsaw and we have been recognised as ASB developer of the year in the retail segment for our Nivy Mall project in Bratislava.

NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN OR ANY OTHER JURISDICTION IN WHICH OFFERS OR SALES WOULD BE PROHIBITED BY LAW. THIS PRESS RELEASE CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION. THIS PRESS RELEASE AND THE INFORMATION CONTAINED HEREIN IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OF, OR THE SOLICITATION OF AN OFFER TO ACQUIRE OR DISPOSE OF SECURITIES IN ANY JURISDICTION, INCLUDING IN OR INTO THE UNITED STATES, CANADA, JAPAN OR AUSTRALIA.

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.

Important notice

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed by any person for any purpose on the information contained in this announcement or its accuracy, fairness or completeness. This announcement is not for publication or distribution, directly or indirectly, in or into the United States. The distribution of this announcement may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This announcement does not contain or constitute an offer of, or the solicitation of an offer to buy, securities to any person in any jurisdiction, including the United States, Australia, Canada or Japan. The securities of the Company have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act"), or under any applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration requirements and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. No public offering of any securities discussed herein is being made in the United States.

This announcement contains or may contain forward looking statements regarding the Company and its subsidiaries and its future business. Such statements are not historical facts and may include opinions and expectations about management confidence and strategies as well as details of management's expectations of new and existing programs, technology and market conditions. Although the Company believe their opinions and expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, not all of which will be exhaustively explored in this announcement or elsewhere. Accordingly, the recipients should not regard such statements as representations as to whether such anticipated events will occur nor that expected objectives will be achieved. The recipients are reminded that all forward-looking statements in this announcement are made as of the date hereof and for the avoidance of doubt the Company does not undertake to update any such statement made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For the avoidance of doubt, the Company does not accept any liability in respect of any such forward-looking statements.