

Quarterly business update for three months to 30th September 2020 and Interim financial statements for 6 months ended 30th June 2020

November 2020

Peter Pecník, Group CFO of HB Reavis, comments on financial results for six months ended 30th June 2020 and the current situation: The year 2020 brought unprecedented challenges across the globe as a result of Covid-19 pandemic outburst. In order to curb the crisis, the governments in our countries of operations implemented various measures such as nationwide lockdowns and border closings that caused significant disruptions for our employees, clients, suppliers and our business partners in general, which had a negative impact on our business activities. As a result, for the six months period ended on 30 June 2020, HB Reavis has reported its first net after tax loss in a decade. The loss was mainly driven by negative re-valuation of real estate assets as a result of: a) a postponement in the expected completion dates of projects under construction, b) a delay to the start of new construction projects in the preparation phase, c) the cancellation of prospective tenants' agreements, d) general slowdown of the leasing market, e) subsequent more conservative view on property valuation and f) depreciation of local currencies (vs Euro) in countries of our operations. HB Reavis is well-positioned to face the current crisis given our conservative leverage (our Total Assets far exceed Total Liabilities and Company Equity amounts to €1.5bn) and liquidity of almost €190 million cash on the balance sheet as at end of second quarter 2020. Total net loss after tax of €143.6 was mainly driven by €103.8 million revaluation loss and €28.8 million loss caused by depreciation of all local currencies (where HB Reavis has its operations) against Euro. Details of the negative impact is discussed below:

The (€103.8m) in revaluation loss was predominantly driven by losses on three assets, with combined total loss of (€96.4m), mainly as a result of changes in key assumptions such as delay in practical completions and in construction starts as a result of imposed government restrictions due to Covid-19 pandemic. For detailed breakdown of the revaluation loss, see our half year [presentation](#).

Secondly, the total FX loss amounted to (€98.1m), driven by depreciation of currencies against Euro in all of our foreign operations, but primarily by GBP and PLN.

- (€28.8m) – incl. in the net loss after tax of €143.6m
 - (€22.5m) – Foreign exchange gains/(losses)
 - (€6.3m) – Currency related loss on hedging derivatives (included in the €12.6m loss from Financial derivatives)

- (€ 69.3m) – excl. in the net loss after tax of €143.6m and included in total comprehensive loss of €208.6m
 - (€ 69.3m) - translation of foreign operations to the presentation currency

The decrease in NOI (€6.2m) was caused by shift in income producing portfolio. The income producing portfolio during the first six months of 2019 comprised stable income producing assets which were replaced in 2020 by recently developed projects with ongoing rent fall-out periods:

- Divested projects - 20 Farringdon Street and Twin City B in 2020, and Twin City C and Twin City Tower in second half of 2019
- Completed projects - Nivy Tower, Varso 1 & 2, Agora Tower

- Elizabeth House has become vacant in the past 6 months as the site is being prepared for demolition as opposed to 2019

Despite the revaluation loss, net cash generated from operations resulted in positive cash inflows of €16.1m, given the revaluation loss and vast majority of FX losses were non-cash items. The cash position at the end of June 2020 stood at very solid €189.9 million.

Executive management changes

There have been changes in the executive management of the company to ensure both delivery of the projects in our pipeline as well as fulfillment of the strategy to become the international workspace provider of choice. Marian Herman, Group CEO and Peter Čerešník, member of the executive management have been recently joined by:

Peter Pecník, who, for now remains CEO of our Polish operations, has become a member of the executive management and taken over the agenda of Group CFO.

Pavel Jonczy, who is currently the Head of Product Design, Construction and Procurement, joins the executive management and further to his current role, will take responsibility over our coworking business HubHub and flexible office platform Qubes.

Martin Mikláš, currently company's Group CFO, has become a member of the board as a non-executive director and will take responsibility over matters of corporate governance as well as the non-real estate business of Mr. Ivan Chrenko.

Acquisitions

No acquisitions were made in this period.

Leasing update

During the third quarter of 2020, HB Reavis leased a total of more than 4.8k sq. m (incl. renewals). The leases comprise two larger office tenants in projects Varso 2 and Nivy Tower, as well as multiple retail clients for Nivy Station. Since the beginning of the year, the company has signed leases of more than 21k sq. m of GLA for projects which are both under construction and in income producing portfolio.

Completions and developments progress

There are 6 projects with over 312.7 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 four countries, namely:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany
- Varso Place (Varso Tower) & Forest (Campus and Tower) in Warsaw, Poland
- Nivy Station in Bratislava, Slovakia

Agora Hub, Budapest

At the end of August 2020, we have finalized construction of Agora Hub, thus completing the development of the first phase of the Agora scheme. The concept design which was centered around the idea of making Agora the main natural focal point of the city was finalized with the completion of Agora Hub. Agora Hub is pre-certified with BREEAM Outstanding which makes it the only building in Hungary with such a merit. The building itself stretches over 8 floors with

a total leasable area of 34,8 thousand sq. m., which is occupied on 99% primarily by anchor tenant BP, flexible space platform Qubes, and co-working space HubHub.

Financing

During the third quarter of 2020, HB Reavis has drawn down a total of €49.4 million of external debt financing, primarily linked to properties currently under construction and general corporate purposes. The Group was also active on capital markets in Slovakia and issued €15 million bonds with maturity in September 2024.

The overall process has not been impacted by Covid pandemic, as all committed construction loans were continuously drawn down without any issues. At the end of the quarter, the group had €910.3 million of bank financing (excluding €3.0 million assigned to Joint Ventures), along with €359.4 million of bond financing outstanding. As of the end of the quarter, the Group had €593.4 million of committed bank financing to be drawn down, mainly against future capital expenditures on projects Varso Place, Nivy Station, DSTRCT and Forest.

Divestments

No assets were divested during the third quarter of 2020, but we have restarted discussion with CA Immo for the sale of Postepu 14 in Warsaw, Poland. The transaction has materialized after the date of this business update. For more information read the full story [here](#).

HB Reavis portfolio

Income producing portfolio

As of the end of the last quarter, the Group held a portfolio of 10 income producing office properties with a total of 289.0 thousand sq. m across three countries with passing rent of €60.6 million. The portfolio includes the following projects:

- Agora Tower and Agora Hub in Budapest, Hungary
- Postepu 14, Varso 1, Varso 2 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 €0.9 billion as of 30th June 2020, while the weighted average occupancy across the portfolio was 86% at the end of the last business quarter.

After the third quarter of 2020 and the date of publication of this business update, Postepu 14 has been sold to CA Immo and was removed from income producing portfolio of the Group.

Projects under construction

Projects currently in the phase of construction (or demolition) account for 312.7 thousand sq. m of future GLA and estimated future gross development value of around €1.8 billion, all spread over four capital cities:

- Bloom Clerkenwell in London, UK
- DSTRCT Berlin, Germany
- Varso Tower & Forest (Campus and Tower) in Warsaw, Poland
- Nivy Station in Bratislava, Slovakia

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