

Quarterly business update for three months to 31st December 2020

February 2021

Acquisitions

No acquisitions were done in this period. We are in advanced stage of discussion about central Berlin development opportunity.

Leasing update

Year 2020 was very challenging in the environment significantly influenced by COVID-19 pandemic. Last months of the year have however showed improvement of leasing activity, both in signed leases and volume of deals under discussion. Leroy Merlin, an international chain of DIY hypermarkets, has signed a lease for approximately 12 thousand sq m of office space in the project Forest, making it one of the largest leasing transactions in the Warsaw property market in 2020. Leroy Merlin becomes the first tenant in the Forest project, which is located at Burakowska Street and is currently under construction with expected delivery by the end of 2021. The complete relocation of the Leroy Merlin's office and its employees is planned for the year 2022. Together with the aforementioned leasing success, HB Reavis signed leases of more than 36k sq. m of GLA in 2020 for projects which are both under construction and in income producing portfolio.

Completions and developments progress

In a follow-up to the rebound of spread of the coronavirus, HB Reavis has taken all measures necessary to ensure safe working environment, which enabled us to continue without major disruption and delays on our developments. Close to the end of 2020, [project DSTRCT.Berlin has reached its highest point](#) and is on track to open its doors to first tenants in late summer 2021. Similarly, construction in Poland on project Forest have progressed well, whilst Varso Tower's concrete structure has topped out, and once the 30m antenna is installed the building will become the tallest in EU. Projects Bloom Clerkenwell and Nivy Station are both on schedule to be completed for their openings in 2021.

The progress on our construction sites in the last three months puts an end to a year in which we have completed five projects despite the numerous challenges brought by COVID-19 pandemic. Projects Agora Tower with 36.5k sqm of GLA and Agora Hub with 34.8k sqm of GLA in Budapest, Nivy Tower with 34.8k sqm of GLA in Bratislava, and Varso 1 with 29.8k sqm of GLA and Varso 2 with 44.2k sqm of GLA in Warsaw, are all operational and already accommodate our clients. Decisions to start construction activities on further projects in our pipeline will be taken case by case depending on the situation on the respective markets.

New Nivy Infrastructure

In November 2020, HB Reavis completed reconstruction of a 500m-long section of Mlynske Nivy street in Bratislava. The traffic artery of the city has been modified with an underground roundabout which connects the adjacent projects of Nivy Station, underground bus station, Twin City, and Nivy Tower, while providing more space on the surface for additional greenery,

pedestrian, and cycling infrastructure. Economically speaking, it would have been easier to repair the old road, however, HB Reavis believes this was not a sufficient solution for a modern and vibrant district.

This approach was recognized by BREEAM Communities International, which assesses the social and environmental impact of a group of buildings located in close proximity. The New Nivy Zone, which alongside the abovementioned infrastructure, includes Nivy Station, Nivy Tower, Twin City, as well as planned projects New Apollo and the future development on the corner of streets Mlynske Nivy – Kosicka, has been awarded with an “Excellent” grade which makes it one of the first in continental Europe.

Financing

The group was particularly active on capital markets in the last quarter of 2020 as HB Reavis focused on addressing maturing bonds in advance of their scheduled maturity:

- in March 2021 in Czech Republic in the amount of 1.25 CZK billion (€47.9m) and
- in April 2021 in Poland in the amount of PLN 100 million (€22.0m).

In Czech Republic, we have established a bond programme and successfully issued a new tranche of CZK 1.3bn (€ 49.8m) in December with a settlement in early January with further CZK 0.2bn (€7.7m) offered on the market until mid-January 2021 for the total tranche of up to CZK 1.5 billion (€57.5m), both with maturity in January 2025. In Poland, we have been able to issue a PLN 85m (€18.7m) tranche with maturity in December 2023. By issuing these two tranches, HB Reavis has secured sufficient funds for repayment of bonds maturing in the first half of the year 2021. After the establishment of a Slovak bond programme and the first €15m tranche issued in September, HB Reavis has issued additional €5m in December with maturity in 2024. With these successful issues, HB Reavis addressed maturity of all bonds maturing in first half of 2021.

During the fourth quarter of 2020, HB Reavis has drawn down a total of €117.3 million of external debt financing, out of which €93.6m was primarily linked to properties currently under construction and general corporate purposes, and €23.7m was drawn from of issued bonds.

At the end of the quarter, the group had €979.2 million of bank financing (excluding €3.0 million assigned to Joint Ventures), along with €383.1 million of bond financing outstanding. As of the end of the quarter, the Group had €466.3 million of committed bank financing to be drawn down, mainly against future capital expenditures on projects Varso Tower, Nivy Station, DSTRCT.Berlin and Forest.

Liquidity

As of 31st December 2020, HB Reavis ended the year with liquidity of more than €205 million in cash and cash equivalents. This number excludes settlement of bonds issued in Czech Republic in the amount of CZK 1.3 billion (€ 49.8m) which was settled on 8th of January 2021. HB Reavis has committed bank financing for capital expenditures of all projects under construction except Bloom Clerkenwell which is in advanced stage of negotiations for bank financing.

Divestments

Postepu 14, Warsaw

As indicated in the previous [Quarterly Business Update](#), we have reached an agreement with CA Immo for sale of Postepu 14 in Warsaw for almost €87 million. The transaction, which started in early 2020 and was paused due to COVID-19 pandemic, was finalized in October 2020. Postepu 14 is one of the most advanced office buildings in the Mokotów district with BREEAM “Excellent” Certification and tenants such as AstraZeneca and Samsung Electronics. Read more about the transaction [here](#).

Cambridge Innovation Center (CIC)

HB Reavis disposed all of its shares held in CIC, in which has HB Reavis previously held a significant minority stake acquired in 2018. The transaction was closed in December 2020 and took place due to the change of HB Reavis’ strategic perception of CIC within the scope of HBR’s global activities in real estate industry.

WaaS

Origameo

Origameo is HB Reavis’ workspace consultancy team which helps our clients to design premises which bolster company’s potential for productivity and innovation, eliminate dead zones and busy spots, and create an employee-centric space. The team, which consists of architects, designers, social scientists, innovators, business consultants, and project managers, recently took on project to design a 2,400 sq m office space in project Nivy Tower for one of the leaders in developing cross-platform mobile software solutions – RESCO. [The design](#) and implementation phase took one year, and the result is a brand-new office space tailored for collaboration, innovation, and explosive growth.



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 254.5 thousand sq. m across three countries with passing rent of €54.0 million. The portfolio includes the following projects:

- Agora Tower and Agora Hub in Budapest, Hungary
- Nivy Tower, Apollo BC II in Bratislava, Slovakia
- Varso 1 and Varso 2 in Warsaw, Poland
- 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 82% at the end of the last business quarter.

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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