

## **Quarterly business update for three months to 31<sup>st</sup> March 2022 and financial figures for the year ended 31<sup>st</sup> December 2021**

May 2022

Peter Pecník, Group CFO

After two long years characterized by market uncertainty and investors caution, pandemic and economic situation has begun to improve during the year 2021 across all markets where we operate. Our lives were on track to get back to normal as social and economic activity has been restoring. Increased business confidence in the cities where we operate underpinned the activity of office occupiers, which intensified their interest for premium workspaces, as evidenced by having achieved the best commercialization result within the past five years whereas we leased-up premises for almost 160 thousand sq m (including renewals and leases on behalf of HB Reavis CE REIF fund) without compromising our targeted terms.

High demand for our products gave us a confidence in our business model to deliver an outstanding product with unique desired location and highest ESG credentials for our clients. We believe that green buildings will be the future market standard and so we have been putting a strong focus on our ESG strategy for the past few years. You may read details of our ESG strategy in the brochure [here](#).

Strong efforts of our teams along with best in class products we offer materialized in us having been able to generate positive revaluation gain of €468.0 million for the year 2021, mostly because of construction accomplishments such as completion of four projects with a total GDV of €1.2 billion, considerable capital expenditures being invested into projects still under construction, securing of final planning consents for One Waterloo and the winning of zoning approvals for new projects, including residential plans. Revaluation gain together with €34.1 million net rental income had the biggest positive contribution to achieving fantastic business performance of €442.0 million of operating profit.

Thanks to these great results we have managed to erase losses of 2020 and been able to put our balance sheet into even stronger position showing €1.9 billion of net assets and €238.70 million of cash. Gross debt leverage of 47.5% slightly exceeded Group's financial policy level of 45% but was still considerably below the 55% group's covenant level. Temporary debt leverage disbalance was expected because of our intention to separate part of the group's investment portfolio into a new structure which was announced in the previous quarter.

## Highlights from financial figures for the year ended 31st December 2021

### Income Statement

Operating profit/(loss) of €442.0 million in 2021 vs (€8.4) million for the year 2020 was mainly impacted by following drivers:

- €468.0 million of revaluation gain was attributable to the following factors:
  - Completion and commercialization of four completed projects with 84% weighted occupancy as of the end of 2021
    - [Forest Campus](#) - completed in March 2021
    - [Bloom Clerkenwell](#) - completed in August 2021
    - [Nivy Mall](#) - opened its doors in September 2021
    - [DSTRCT Neubau](#) - completed in December 2021
  - Progress in construction
    - [Varso Tower](#) - became the tallest building in the EU
    - [Forrest Tower](#) - near practical completion by the end of 2021, completed in Q1 2022
    - [Worship](#) - we started construction of Worship with expected practical completion in Q1 2024
  - Progress in permitting
    - [One Waterloo](#) - officially granted planning consent
    - Residential projects in Bratislava - winning of zoning approvals

Total comprehensive income increased to €318.5 million in 2021 compared to loss of €183.8 million in 2020. The main drivers of total comprehensive profit was driven by increased in operating profit.

### Balance sheet

Balance sheet position became even stronger at the end of the period reaching total assets of €4.02 billion compared to the previous year of €3.10 billion mostly because of investment properties fair market value increase of €811 million. Higher valuations have been achieved through combination of progress in construction, completions of four projects, commercialisations and progress in permitting.

- Total assets at €4.02 billion at the end of 2021 vs €3.10 billion at the end of 2020
- Net Asset Value of €1.90 billion vs €1.51 billion at the end of 2020
- Cash and cash equivalents and restricted cash as at 31<sup>st</sup> December 2021 were €238.70 million

- Total debt as at 31<sup>st</sup> December 2021 stood at €1.90 billion
- Net debt leverage ratio as measured by management at 41.4%
- Gross debt leverage ratio as measured by management at 47.5%

## Quarterly business update for three months ended 31<sup>st</sup> March 2022

### Executive changes

Sebastian Proc has been appointed as a new CEO of our Polish operations in March 2022. Sebastian joined HB Reavis 13 years ago, with the inception of our Poland team, and was most recently in charge of land acquisitions and project development. His and Warsaw team's focus now is on the final delivery of the EU's tallest building Varso Tower and Forest, the greenest office campus in Warsaw, and strengthening our pipeline with other acquisitions. For press release about Poland CEO please [click here](#).

### Acquisitions

No acquisitions were completed in this period however we were in advanced stage of negotiations on central Berlin development opportunities.

### Leasing update

Leasing success we have achieved in 2021 continued through the first quarter of 2022 as we have managed to lease 18 floors in Forest Tower to Poland's second-largest bank - Bank Pekao SA. This deal was one of Warsaw's largest transactions ever. For press release about Bank Pekao lease transaction please [click here](#).

We have signed another 4 leasing deals exceeding 1,000 sq m of GLA individually. Overall, we have leased more than 42,000 sq m of GLA with annual passing rent of almost €9.4 million during the first quarter of 2022.

### Completions and developments progress

#### Forest Tower

At the beginning of March, we have obtained occupancy permit for Forest Tower, which means we've finished the construction of the entire Forest campus. The campus situated at Warsaw's former industrial zone brings more than 78 thousand sq m of GLA. Forest campus is one of Warsaw's greenest developments. Its green credentials include awards from the Polish Green

Building Council, BREEAM and WELL stemming from design solutions aimed at carbon footprint reduction and maximizing resources, including an energy-efficient facade and rainwater re-use system. For press release about Forest Tower completion please [click here](#).



## Financing

During the first quarter of 2022, HB Reavis has drawn down a total of €45.0 million of external debt financing for project financing and general corporate purposes and issued new bonds in Slovakia in the amount of €11.6 million with 4-year maturity. The Group has also repaid corporate loans in the amount of €14.3 million and bonds in Poland in the amount of million €50 million (PLN 220 million) and bonds in Slovakia in the amount of €12 million.

The Group has started arranging for bond buy back programme in Slovakia and Czechia upon which bonds in total aggregate amount of up to €169.1 million may be bought back and exchanged for new bonds. This transaction will be carried out as a part of planned reorganization of the Group which was announced in the previous quarter.

At the end of the quarter, the Group had €1.55 billion of bank financing along with €330.5 million of bond financing outstanding. As of the end of the quarter, the Group had €190.4 million of committed bank financing to be drawn down, mainly against future capital expenditures on projects Nove Apollo, Worship and Varso Tower.

## Divestments

As indicated at the end of the previous quarter, the Group has decided to divest plots in Bratislava, Slovakia and Lodz in Poland as part of HB Reavis intensified focus on core locations and pipeline deliverable in near term. Plots in Slovakia have been sold in January 2022. Lodz plot is expected to be sold further in the year.

## HB Reavis portfolio

### Income producing portfolio

As of the end of the first quarter, the Group held an income producing portfolio of 10 office and 1 retail properties with a total of 461.0k sq m across five countries with operating income at full occupancy of €118.0 million. The portfolio includes the following projects:

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

The overall market value of the portfolio totaled up to €2.05 billion as of 31 December 2021 based on independent expert valuations.

### Projects under construction

Projects currently in the phase of construction (or demolition) account for 147.5k sq m of future GLA in four buildings and estimated future gross development value of around €1.11 billion as of 31<sup>st</sup> December 2021 based on expert valuations, all spread over four capital cities:

- [Worship Square](#) in London, United Kingdom
- [Varso Tower](#) in Warsaw, Poland
- [Nove Apollo](#) in Bratislava, Slovakia
- [DSTRCT halls](#) in Berlin, Germany

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