

From the CEO

Dear partners, clients and friends,

another year has come to an end. Looking back, I consider 2016 a transition year for HB Reavis's business and for the team. It was also a year marked with a significant volatility stemming from geopolitical changes with a potential to shake up the status quo established after the World War II. That means we are still not out of the woods going forward, especially with regards to the future of Europe and EU as such.

For us, 2016 was a transitioning year:

- 1) consolidating our company culture,
- 2) accelerating the progress of our strategic initiatives and
- 3) preparing the team to step up in terms of our business aspirations in the upcoming years. To support what is ahead of us, we also had to
- 4) adjust our financial strategy to better prepare for our next company cycle.

Consolidating our company culture: Back in 2014 we started steering our company alongside revised pillars of HB Reavis's new direction: our Mission, expected Mindsets for our daily behaviours and Vision for 2019. These have been translated into our business activities by the senior management in the form of a robust set of strategic initiatives. Last year we cascaded the new direction to a broader organization, dedicating hundreds of hours of senior management to the change. The change program shall continue throughout 2017 and beyond as one of the key motives of our company culture is "The change is the only constant".

Accelerating strategic initiatives: I am very excited to report that significant progress has been made in putting key elements of our Vision 2019 into action.

- I) Within our first, 'Being a trendsetter pillar' of our Vision we launched our Origameo advisory service with completion of first three end-to-end projects with superb feedback for the tailor-made workspace solutions. Our HubHub co-working platform transformed from an idea to a successful launch in Bratislava and Warsaw in April 2017. We also launched Client roundtable discussions across CE markets as part of our ambition to better listen to client needs and co-create our projects with them. I was also thrilled to see a launch of our Talks - inspirational events for our clients and partners, bringing global expertise primarily focused on drivers of high-quality workplace and employee productivity. Additionally, with the registration of our three projects, we became the first CE developer to focus on Well-being certification of our buildings. Many more initiatives have been progressing, including deeper integration of our construction supply chain and a step-up in quality of our construction site culture.

- II) Within our second, 'People-focused pillar' of our Vision we spend significant energy on communication of our new direction and engagement with the team. Beyond that we kicked-off work on a redesign of our people leadership program. It shall revamp our practices including new employees' on-boarding, expectations setting for every role, providing feedback and evaluation, recognizing great performance, upskilling and personal development and redesigning the overall compensation strategy of the company. We plan the launch of the first elements throughout 2017 and we have a great expectations of the impact it will have for our organization engagement and cross-functional communication.

- III) Within our third, 'International expansion pillar' it was a bit of a bumpy ride last year. In London, the Brexit vote increased the uncertainty about the market dynamics and prospects. However, we are committed to our long term ambition to become a leading developer in the city and with that in mind continue with selective additions to our pipeline. In Germany we explored a new expansion strategy through acquisition of established development platform. Unfortunately, despite being very close we did not succeed and continue through an organic buildup of the team in Berlin. Marcel, our colleague from the Board, decided to roll-up his sleeves and lead the business development on the ground with the plan to acquire first project in 2017.

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Preparing the team for a step-up: Towards the end of 2016 we were finalising preparation and permitting of three landmark projects - Varso Place in Poland, Nivy Mall and Tower in Bratislava and Agora in Budapest. Each of them is unique on its own for their respective city but have one thing in common - bringing a new quality of life and experience to people spending their working or leisure time within them. They represent around 350,000 m² of leasable area that we will develop over the next three years.

Beyond that we have ongoing developments and an ambition to deploy €300 million, the largest cash reserve in history of the company. This all will require significant capacities and capabilities of HB Reavis team. We planned for that and throughout the last year we enhanced our team by almost 160 talented professionals, increasing the team by almost 24%. While people selection has been challenging at times, we believe we are ready to step up and double our development activities in 2017 versus 2015.

Adjustment of our financial strategy: During the last year we decided to temporarily abandon our longer term target of balancing the value of income-producing and development assets on our balance sheet. To that effect we divested or agreed to divest income-producing assets with almost €1 billion in value. Key driver was a preparation for the launch of the landmark projects and an ambition to keep higher cash reserve given the volatility of the geopolitical situation. Nonetheless, we were also offered divestment terms that were well above our valuations and decided to use the market sentiment for cashing our accumulated revaluation gains. We believe that by the end of 2019 when we expect major completions, property portfolio of HB Reavis shall be approaching our long-term target of 50:50 balance.

Dear fans of the HB Reavis show, thank you very much for an ongoing support and feedback what we can do better. While 2016 was not the best financial year in our history, it was a solid performance in the perilous geopolitical waters. More importantly, I believe we are greatly positioned to step up on our journey to be a trendsetter in workplace solutions in Europe. Please join us on that exciting journey!



Pavel Trenka

