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HOW WE MANAGE OUR ASSETS

Strategically, the Group is focused on achieving and maintaining a balanced share of investment property and assets under development for the longer term.

While we retain and manage these assets, we obviously aim to maintain them at top commercial and operational levels so that, when we divest, we do so in the best possible conditions.

At the same time, and even more importantly, we aim to provide services that exceed tenants' and employees' expectations, mainly by focusing on user-centric design and maintaining long-term clients' relationships.

As a part of our Workspace-as-a-Service approach, we have been working on Asset Management 2.0 – a platform that supports a new level of active asset management in our buildings.

As part of that, we developed our Events & Services program, which provides extra value to users of our buildings with co-ordination activities that shape value-adding facilities, services and events.

Our pilot activities are focused at Twin City business centre in Bratislava and Postepu 14 in Warsaw. Tenants in these buildings are enjoying a variety of regular events organised by our asset management team. Everything from health days, food trucks, Christmas markets and sports days to art exhibitions, musicians, cooking courses, massages and many more.

Additionally, we are bringing new diverse services to our buildings that enhance life. Whether it is a Concierge service helping employees solve everyday issues, innovative Biker facilities, car-sharing, private free sharing with branded bikes or multifunctional Smartphone application – we're striving to be both useful and practical.

We plan to further increase our offering with surprises aimed at the wellbeing of buildings' users to make them a lively place during and after working hours.

In terms of results, we're receiving great feedback. Our tenants' employees feel the services are a great benefit. In recent surveys, our Events and Services are achieving impressive NPS ratings (Net Promoter Score) well above 60, and some an 98. These scores are extremely useful inspiration to further improve this line of our business.

At the end of 2017, HB Reavis managed 17 income-producing properties with almost 434,097 sq m of GLA*. Fourteen of these are HB Reavis-owned projects totalling 369,608 sq m of GLA.

Three further projects, with 64,489 sq m of GLA, are owned by the HB Reavis CE REIF real-estate fund. Rental income from the managed portfolio reached €39.7m, of which our own properties contributed €29.2m, and Fund properties added €10.5m.

During the reporting year, we added one completed project to the asset management portfolio: West Station II, with 37,977 sq m of GLA in Warsaw. In contrast, our logistic centre in Lovosice was excluded after we sold it to the investor in December 2017.

In terms of the occupancy of assets on the Group's balance sheet, we reached a very solid 92% at year-end.

The total value of the income-producing portfolio on the Group's balance sheet increased to €1.29bn as of year-end 2017 (2016: €876 million) mainly due to the addition of One Waterloo in London to the income producing portfolio until it's redeveloped.

Like-for-like, the portfolio value increased by €47m before yield shift effects. Total asset returns reached 10.1% (2015: 11.6%).

Group income producing portfolio**	GLA sq m	Valuation			Rental income 2017	ERV	Equival. yield 2016	Equival. yield 2017	Capital return	Rental return	Total return
		2015	2016	2017							
AM portfolio from 2016	**353,412**	**648.0**	**852.0**	**1,197.0**	**38.0**	**71.0**	**5.60%**	**5.56%**	**4.1%**	**4.4%**	**8.5%**
Retail	22,142	33.0	89.0	90.0	4.0	5.0	6.33%	6.00%	-3.2%	11.0%	7.8%
Office	331,270	615.0	763.0	1,107.0	34.0	65.0	6.60%	6.01%	5.0%	5.5%	10.5%
Additions to portfolio in 2017	**37,977**	**0.0**	**38.0**	**90.0**	**0.0**	**7.0**	**6.33%**	**6.50%**	**70.6%**	**0.1%**	**70.7%**
Property exits in 2017	**43,473**	**30.3**	**32.0**	**33.5**	**2.8**	**2.1**	**7.50%**	**8.53%**	**4.7%**	**8.7%**	**13.3%**
AM portfolio for 2017	**391,389**	**678.6**	**889.2**	**1,286.4**	**40.6**	**77.8**	**5.70%**	**5.70%**	**4.1%**	**6.0%**	**10.1%**

*Including our divested Lovosice project

**Figures based on external expert valuations and management report.

The external valuations do not reflect IFRS adjustments that are taken into account in IFRS financial statements.

As far as the coming years are concerned, we aim to maintain a balanced share of income-producing properties and assets under development. So the number of income-producing properties and related rental income will deeply depend.

However, our Asset management arm will continue to optimise our Workspace-as-a-Service program, with Asset Management 2.0 as an integral part, and focus even more on users' wellbeing and building sustainable, long-term relationships with our clients.