Press Release

Luxembourg, 27 November 2017

CPI PROPERTY GROUP – first-time investment grade rating by Moody's, issuance of Eurobonds and initiation of large-scale refinancing operation

Capital markets and financing

CPI PROPERTY GROUP RATED INVESTMENT GRADE BY MOODY'S

Moody's Investors Service ("**Moody's**") assigned a first-time Baa3 long-term issuer rating to CPI Property Group S.A. (the "**Company**" or together with its subsidiaries, the "**Group**"). Moody's also assigned a (P)Baa3 rating to the Company's €1.25 billion Euro Medium Term Note programme (the "**Programme**") and a Baa3 rating to the €600 million senior unsecured notes issued under the Programme. The outlook on the ratings is stable.

The rating takes into account the scale of the Group and the diversification of the Group's portfolio across geographies and asset classes. Moody's also noted that a majority of the Group's assets are located in economies with stable macroeconomic environments and good growth prospects, and also benefit from favourable property markets with strong occupational demand and solid investor appetite for real estate assets.

ISSUANCE OF €600 MILLION 7-YEAR NOTES

In October 2017, the Group completed its inaugural drawdown under the Programme by issuing €600 million of notes (the "**Notes**") maturing in 2024 with a fixed coupon of 2.125% per annum. The orderbook for the Notes was more than three times oversubscribed, and reflected strong appetite from leading global institutional investors. The Notes are listed on the Main Market of the Irish Stock Exchange.

INITIATION OF LARGE-SCALE REFINANCING OPERATION

Following the successful Notes issue, the Group utilized the proceeds to refinance a substantial portion of the Group's external debt portfolio. As a result, the Group has significantly lowered the overall cost of debt and improved key financial metrics, while reducing the level of secured debt and increasing the level of unencumbered assets. In conjunction with the debt repayment, the Group has also been able to renegotiate and improve margins on a number of senior bank financings.

As of the date hereof the Company already utilized all of the net proceeds from the Notes. All the proceeds were used to repay Company's senior bank debt and to purchase its bond debt. Incorporating these and other operations, the Company now expects improvements in its financial covenants at the year-end.

REFINANCING OF THE GSG BERLIN PORTFOLIO

In September 2017, the Group successfully completed a refinancing of the GSG Berlin portfolio. The new financing was provided by BerlinHyp in the amount of €510 million for a period of seven years. The refinancing provides the Group with more than €200 million of available funds. Thanks to the quality of the portfolio and positive market conditions, GSG Berlin contracted for a margin below of 1% p.a., which will significantly reduce GSG Berlin's cost of debt.

GSG Berlin is one of the leading landlords for office and commercial space in Berlin. The portfolio includes unit sizes between 20 and 20,000 square meters with multifunctional usability. Most of the assets are in inner-city locations well connected to the public transport.

CANCELLATION OF 5.0 % NOTES DUE IN 2025

The Company has purchased all of its outstanding €500 million 5.0 per cent notes due 2025 and decided to cancel all of these notes in November 2017.

Portfolio highlights

ACQUISITION OF KRALOVO POLE SHOPPING CENTRE

In July 2017, the Group acquired Královo Pole Shopping Centre located in Brno, Czechia. The shopping centre was built in 2004 by Carrefour and comprises a two-level gallery with 78 shops and a food court with a total of 26,500 square meters GLA and 900 parking spaces. Královo Pole is the dominant shopping centre in the North of Brno featuring a large catchment of 250,000 inhabitants within 20 min with above average purchasing power. The shopping centre offers development potential having a valid building permit in place for a further 12,000 square meters GLA expansion.

NEW IGY CENTRE OPENED ITS DOORS TO THE PUBLIC

In November 2017, the upgraded IGY Centre, the largest shopping centre in the South Bohemian region, opened to the public. IGY Centre, located in České Budějovice, has expanded by over 30% offering 120 stores, an all-new CineStar multiplex cinema and a gastronomy zone. The extension of the IGY shopping centre over two floors greatly expands the building's capacity offering over 29,000 square metres of retail space with a total of 120 shops and a 700-capacity car park.

DISPOSAL OF ARKÁDY PROSTĚJOV SHOPPING GALLERY

The Group disposed of Arkády Prostějov shopping gallery in August 2017. The shopping gallery, with the total gross leasable area of approximately 10,000 square meters, is located in Prostějov, eastern part of Czechia. The Group decided to proceed with this disposal, since it considered Arkády Prostějov as a non-core asset.

Financial highlights

Performance		30-Sep-17	30-Sep-16	Change
Gross rental income	€ million	189	169	12%
Net business income	€ million	207	179	16%
Total revenues	€ million	326	258	26%
Operating result	€ million	372	145	157%
Funds from operations (FFO)	€ million	92	73	26%
Profit before tax	€ million	242	79	206%
Net Interest expense	€ million	(69)	(61)	13%
Net profit for the period	€ million	199	60	230%

Assets		30-Sep-17	31-Dec-16	Change
Total assets	€ million	6,746	5,662	19%
Property Portfolio	€ million	5,771	4,865	19%
Gross leasable area*	sqm	3,252,000	3,094,000	5%
Occupancy in %	%	91%	90%	+1.0 pp
Total number of properties **	No.	420	417	1%
Total number of residential units	No.	12,402	12,396	0%
Total number of hotel beds	No.	10,308	11,278	-9%
EPRA NAV	€ million	3,107	2,729	14%

* Excluding hotels
** Excluding residential properties

Financing structure		30-Sep-17	31-Dec-16	Change
Total equity	€ million	2,629	2,289	15%
Equity ratio	%	39%	40%	-1.0 pp
Net debt	€ million	2,899	2,335	24%
Loan to value ratio in % (Net LTV)	%	50.2%	48.0%	+2.2 pp
Consolidated Leverage Ratio	%	50.3	47.6	+2.7 pp
Consolidated Coverage Ratio	ratio	2.3	2.1	8%
Secured Consolidated Leverage Ratio	%	40.9	36.4	+4.5 pp

Income statement

The income statement for the 9 months period ended on 30 September 2017 and 30 September 2016 is as follows:

INCOME STATEMENT (€ million)	30-Sep-17	30-Sep-16
Gross rental income	189	169
Net service revenue	20	19
Property operating expenses	(38)	(35)
Net rental income	**171**	**153**
Development sales	4	0
Cost of goods sold	(3)	0
Development operating expenses	(2)	(1)
Net development income	**(1)**	**(1)**
Hotel revenue	88	48
Hotel operating expenses	(54)	(26)
Net hotel income	**34**	**22**
Revenues from other business operations	25	22
Cost of goods sold	(1)	0
Related operating revenues	(21)	(17)
Net income from other business operations	**3**	**5**
Total revenues	**326**	**258**
Total direct business operating expenses	**(119)**	**(79)**
Net business income	**207**	**179**
Net valuation gain or loss on inv. property	207	2
Net gain or loss on disposal of inv. property	1	(3)
Amortization, depreciation and impairments	(14)	(6)
Other operating income	6	15
Administrative expenses	(33)	(28)
Other operating expenses	(2)	(13)
Operating result	**372**	**145**
Interest income	6	7
Interest expense	(75)	(68)
Other net financial result	(61)	(5)
Net finance costs	**(130)**	**(66)**
Profit before income tax	**242**	**79**
Income tax expense	(43)	(19)
Net profit for the period	**199**	**60**

Net rental income

Net rental income significantly increased by 12% to €171 million in Q3 2017 (Q3 2016: €153 million). The positive impact of the increase in gross rental income of 12%, reflecting the improved property performance as well as the impact of the new acquisitions in late 2016 and during 2017, was compensated by higher property operating expenses, which rose by €3.3 million. The overall positive development in the real estate sector continues to motivate the Group to invest more in repairs and maintenance costs to support the long-term value and marketability of the assets.

Net hotel income

The substantial increase primarily reflects the acquisition of Sunčani Hvar hotels portfolio in May 2016 and the acquisition of 100% share in CPI Hotels, a.s., a long-term business partner, which operates 24 hotels owned by the Group, in August 2016.

Net valuation gain

The overall gain on revaluation of the property portfolio totals €207 million and it is based predominantly on the valuation appraisals prepared by independent and reputable appraisers. The gain was driven primarily by the overall performance improvement of the projects, current situation on the Czech residential market and successful acquisitions carried out in late 2016 and 2017.

Amortization, depreciation and impairments

The substantial increase in amortization, depreciation and impairments reflects predominantly the transfer of hotel properties from investment property to property, plant and equipment due to the acquisition of hotel operator CPI Hotels, a.s.

Other net financial result

Other net financial result was adversely affected by unrealized foreign exchange loss of €64 million. In April 2017, the Czech National Bank ended its Czech koruna floor commitment. The Czech koruna has been steadily appreciating since then. Significant existing intercompany relationships between entities with functional currencies of Czech koruna and euro and revaluation of in EUR denominated assets on Czech entities were the major reasons for net foreign exchange loss in 2017.

Income tax expense

Increase in income tax expense by €24 million reflects primarily the deferred tax effect of the property portfolio revaluation.

Funds from operations (FFO)

In Q3 2017 the Group generated €92 million Funds from operations (FFO).

Funds from operations (€ million)	30-Sep-17	30-Sep-16
Net profit for the period	**199**	**60**
Deferred income tax	33	14
Net valuation gain or loss on investment property	(207)	(2)
Net valuation gain or loss on revaluation of derivatives	(11)	1
Net gain or loss on disposal of assets	1	3
Amortization, depreciation and impairments	14	6
Other non-recurring / non-cash items	63	(9)
Total	**92**	**73**

Balance sheet

BALANCE SHEET (€ million)	30-Sep-17	31-Dec-16
NON-CURRENT ASSETS		
Intangible assets and goodwill	123	117
Investment property	4,981	3,978
Property, plant and equipment	688	679
Deferred tax assets	124	122
Other non-current assets	53	17
Total non-current assets	**5,969**	**4,913**
CURRENT ASSETS		
Inventories	101	98
Trade receivables	80	68
Cash and cash equivalents	431	304
Asset held for sale	12	124
Other current assets	153	155
Total current assets	**777**	**749**
TOTAL ASSETS	**6,746**	**5,662**
EQUITY		
Equity attributable to owners of the Company	2,598	2,259
Non-controlling interests	31	30
Total equity	**2,629**	**2,289**
NON-CURRENT LIABILITIES		
Bonds issued	726	657
Financial debts	2,209	1,294
Deferred tax liabilities	552	504
Other non-current liabilities	46	38
Total non-current liabilities	**3,533**	**2,493**
CURRENT LIABILITIES		
Bonds issued	18	50
Financial debts	377	582
Trade payables	71	66
Liabilities linked to assets held for sale	--	59
Other current liabilities	118	123
Total current liabilities	**584**	**880**
TOTAL EQUITY AND LIABILITIES	**6,746**	**5,662**

Total assets and total liabilities

Total assets increased by €1,084 million (19%) to €6,746 million as at 30 September 2017. The increase is primarily connected with the increase in property portfolio which rose by €906 million. Non-current and current liabilities total €4,116 million as at 30 September 2017 which represents increase by €743 million (22%) compared to 31 December 2016. The main driver of this increase was a growth in external financing as a result of the acquisitions.

Equity (EPRA NAV)

EPRA NAV totals €3,107 million as at 30 September 2017 and compared to 31 December 2016 strongly rose by 14%. The robust profit for the first 9 months of 2017 and the issuances of the new shares represent the main contributors of the increase.

EPRA NAV (€ million)	30-Sep-17	31-Dec-16
Equity per the financial statements (NAV)	**2,598**	**2,259**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**2,598**	**2,259**
Revaluation of trading property and PPE	4	4
Fair value of financial instruments	3	15
Deferred tax on revaluation	545	494
Goodwill as a result of deferred tax	(43)	(43)
Total	**3,107**	**2,729**

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GLOSSARY

The Group presents alternative performance measures (APMs). The APMs used in this press relase are commonly referred to and analysed amongst professionals participating in the Real Estate Sector to reflect the underlying business performance and to enhance comparability both between different companies in the sector and between different financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The presentation of APMs in the Real Estate Sector is considered advantageous by various participants, including banks, analysts, bondholders and other users of financial information:

- APMs provide additional helpful and useful information in a concise and practical manner.
- APMs are commonly used by senior management and Board of Directors for their decisions and setting of mid and longterm strategy of the Group and assist in discussion with outside parties.
- APMs in some cases might better reflect key trends in the Group's performance which are specific to that sector, i.e. APMs are a way for the management to highlight the key value drivers within the business that may not be obvious in the consolidated financial statements.

Consolidated Adjusted EBITDA

Consolidated Adjusted EBITDA is Net business income as reported deducted by Administrative expenses as reported.

Consolidated Adjusted Total Assets

Consolidated Adjusted Total Assets is Total Assets as reported deducted by Intangible assets and goodwill as reported.

Consolidated Coverage Ratio

Consolidated Coverage Ratio is a ratio of Consolidated Adjusted EBITDA to Interest expense as reported.

Consolidated Leverage Ratio

Consolidated Leverage Ratio is a ratio of a sum of Financial Debts as reported and Bonds issued as reported to the Consolidated Adjusted Total Assets.

EPRA NAV

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations and the fair value of deferred tax liabilities are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialize. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.
The performance indicator has been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

Equity ratio

Equity Ratio provides a general assessment of financial risk undertaken. It is calculated as Total Equity divided by Total Assets.

Funds from operations

Funds from operations (FFO) provides an indication of core recurring earnings. It assumes net income (computed in accordance with IFRS), excludes non-recurring (non-cash) items like gains (or losses) from sales of property and inventory, impact of derivatives revaluation and impairment transactions. Calculation excludes accounting adjustments for unconsolidated partnerships and joint ventures.

Gross Leasable Area

Gross leasable area (GLA) is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.

Gross Rental Income

Gross rental income is the amount the Group collects in rent from its rental properties. It is one of the key figures by which the Group measures its performance.

Loan-to-Value

Loan-to-Value provides a general assessment of financing risk undertaken. It is calculated as Net Debt divided by fair value of Property Portfolio. Net Debt is borrowings plus bank overdraft less cash and cash equivalents. Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

Net Interest expense

Net Interest expense is a sum of Interest income as reported and of Interest expense as reported.

Secured Consolidated Leverage Ratio

Secured Consolidated Leverage Ratio is a ratio of a sum of secured financial debts and secured bonds to Consolidated Adjusted Total Assets.