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Press Release - Corporate News

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CPI PROPERTY GROUP – Financial Results for the Third Quarter of 2021

CPI PROPERTY GROUP (hereinafter "**CPIPG**", the "**Company**" or together with its subsidiaries the "**Group**"), a leading owner of income-generating European real estate, hereby publishes unaudited financial results for the nine-month period ended 30 September 2021.

"The third quarter of 2021 was positive for CPIPG by every measure," said Martin Nemecek, CEO. "The income, scale and value of our property portfolio continued to grow; our leadership position in Central European real estate has been further solidified through consistently strong performance."

Highlights for the third quarter of 2021 include:

- **CPIPG's property portfolio rose to €11.9 billion** (up 15% versus 2020) as the Group completed €656 million of acquisitions and benefited from a €879 million increase in fair value mainly relating to offices in Berlin and Warsaw, along with landbank and residential in the Czech Republic and also factoring in recent acquisitions in Italy at sharp discounts to fair value.
- **Total assets reached €13.3 billion** (up 13% versus 2020), driven by increases to the property portfolio, offset by a slight reduction in cash and cash equivalents.
- **Net rental income increased to €265 million** (up 6% versus Q3 2020) and **consolidated adjusted EBITDA rose to €272 million** (up 6% versus Q3 2020) due to the contribution from recent acquisitions and developments, broadly stable occupancy at 93.3%, limited COVID-19 rent discounts and 2.6% like-for-like growth in gross rental income.
- Because of a strong increase in bookings, **the hotel segment reported net income of €10 million**.
- **Net business income** (up 9% versus Q3 2020 to €282 million) **and FFO** (up 20% versus Q3 2020 to €208 million) show the benefits of CPIPG's organic rental growth, improved performance in hotels, and contribution from recent acquisitions.
- The Group collected **95% of contracted rent in Q1-Q3 2021** before the impact of one-time COVID-19 discounts, which amounted to about 3.5% of gross rental income. **Office and residential collections were close to 100%**.
- **EPRA NRV (NAV)** increased by 17% to **€6.0 billion**.
- **Net Loan-to-Value (LTV)** at **39.3%** (-1.4 p.p. versus 2020, -1.7 p.p. versus Q3 2020) is below the Group's target of 40%.
- **Unencumbered assets remain high at 67%** (-3 p.p. versus 2020) and **net ICR** stood at **5.2x** (-0.2x versus 2020), well above financial policy guidelines.
- CPIPG's **total liquidity stood at more than €1.2 billion** at the end of Q3 2021.

- On 1 September 2021, Mr. Vitek, CPIPG´s primary shareholder, subscribed to 162,337,662 new ordinary shares for **€100 million**.

Notable events occurring after 30 September 2021 include:

- On 22 November 2021, CPIPG and the "Apollo Funds" managed by affiliates of **Apollo Global Management, Inc.** (together with its consolidated subsidiaries, **"Apollo"**) announced Apollo's subscription for **new shares for a total amount of €300 million**, resulting in a **stake of about 5.5%**. On the same date, Mr. Vitek also subscribed to 243,506,494 new ordinary shares of CPIPG at €0.616/share, **increasing the Group's equity by a further €150 million**. Proceeds from the share issuances will be used for acquisitions and deleveraging.
- To accommodate Apollo as a new equity investor and further regularize the Group´s equity shareholder distributions, CPIPG adopted a new distribution policy, increasing our FFO I distribution target from 50% to 65% beginning in 2022.
- In total, the Group has raised **€550 million of equity from Apollo and Mr. Vitek in H2 2021.**
- In August 2021, CPIPG's board of directors approved a **plan to complete up to €1 billion of disposals in the next 6 to 12 months**, subject to pricing. Substantial progress has been made on disposals with about **€700 million expected to sign and partially close in 2021** with a clear pipeline for early 2022. In the vast majority of cases, disposals are expected to be at **prices well above book value**.

"CPIPG's operational successes combined with recent capital raising and disposals clearly support our conservative financial profile," said David Greenbaum, CFO. "The Group is well-prepared to pursue growth opportunities while continuing to invest in our portfolio."

CPI Property Group

FINANCIAL HIGHLIGHTS

Performance		Q1-Q3 2021	Q1-Q3 2020	Change
Gross rental income	€ million	291	264	10.0%
Net rental income	€ million	265	251	5.7%
Net hotel income	€ million	10	(1)	1,752%
Total revenues	€ million	474	451	5.2%
Net business income	€ million	282	260	8.7%
Consolidated adjusted EBITDA	€ million	272	257	6.0%
Funds from operations (FFO)	€ million	208	173	20.1%
Net profit for the period	€ million	801	58	1,288%

Assets		30-Sep-2021	31-Dec-2020	Change
Total assets	€ million	13,307	11,801	12.8%
Property portfolio	€ million	11,885	10,316	15.2%
Gross leasable area	sqm	3,659,000	3,636,000	0.6%
Occupancy	%	93.3	93.7	(0.4 p.p.)
Like-for-like gross rental growth*	%	2.6	0.8	1.8 p.p.
Total number of properties**	No.	349	343	1.7%
Total number of residential units	No.	11,739	11,929	(1.6%)
Total number of hotel rooms***	No.	6,850	6,753	1.4%

* Based on headline rent, excluding one-time discounts
** Excluding residential properties in the Czech Republic
*** Including hotels operated, but not owned by the Group

Financing structure		30-Sep-2021	31-Dec-2020	Change
Total equity	€ million	6,743	5,787	16.5%
EPRA NRV (NAV)	€ million	5,967	5,118	16.6%
Net debt	€ million	4,675	4,194	11.5%
Net Loan-to-value ratio (Net LTV)	%	39.3	40.7	(1.4 p.p.)
Net debt/EBITDA		12.9x	12.4x	0.5x
Secured consolidated leverage ratio	%	11.5	12.0	(0.5 p.p.)
Secured debt to total debt	%	29.2	29.0	0.2 p.p.
Unencumbered assets to total assets	%	67.4	70.0	(2.6 p.p.)
Net ICR		5.2x	5.4x	(0.2x)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*

	Nine-month period ended	
(€ million)	30 September 2021	30 September 2020
Gross rental income	290.6	264.1
Service charge and other income	93.7	96.3
Cost of service and other charges	(74.4)	(72.3)
Property operating expenses	(44.8)	(37.3)
Net rental income	**265.1**	**250.8**
Development sales	12.1	17.2
Development operating expenses	(9.3)	(15.9)
Net development income	**2.8**	**1.3**
Hotel revenue	47.8	36.3
Hotel operating expenses	(38.2)	(36.9)
Net hotel income	**9.6**	**(0.6)**
Other business revenue	29.9	36.7
Other business operating expenses	(25.1)	(28.5)
Net other business income	**4.8**	**8.2**
Total revenues	**474.1**	**450.7**
Total direct business operating expenses	**(191.8)**	**(191.0)**
Net business income	**282.3**	**259.7**
Net valuation gain (loss)	790.7	(11.2)
Net gain on disposal of investment property and subsidiaries	1.2	0.6
Amortization, depreciation and impairment	(22.4)	(62.7)
Administrative expenses	(40.1)	(34.3)
Other operating income	4.7	4.6
Other operating expenses	(3.7)	(1.5)
Operating result	**1,012.7**	**155.2**
Interest income	16.4	12.2
Interest expense	(69.0)	(58.0)
Other net financial result	1.1	(8.5)
Net finance costs	**(51.5)**	**(54.4)**
Share of gain (loss) of equity-accounted investees (net of tax)	3.9	(11.2)
Profit before income tax	**965.1**	**89.6**
Income tax expense	(164.2)	(31.9)
Net profit from continuing operations	**800.9**	**57.7**

** The presented financial statements do not represent a full set of interim financial statements as if prepared in accordance with IAS 34*

Gross rental income

Gross rental income increased by €26.5 million (10.0%) to €290.6 million in Q1-Q3 2021 primarily due to higher rental income generated by the office portfolios in Berlin (€7.1 million) and Warsaw (€3.1 million) and acquisitions in Italy (€10.8 million).

Net hotel income

In Q1-Q3 2021, hotel revenues increased by €11.5 million (31.5%) to €47.8 million due to partial recovery from the COVID-19 restrictions. In particular, Suncani Hvar generated net income of €8.5 million from total net hotel income of the Group of €9.6 million. On the other hand, hotels in larger cities such as Prague continue to be negatively impacted by the COVID-19 restrictions.

Net valuation gain

In Q1-Q3 2021, the valuation gain reflected primarily an increase of the fair value of Berlin offices (€398.2 million) newly acquired assets in Italy (€135.1 million), two landbanks in Prague (€122.5 million) and the residential portfolio in the Czech Republic (€71.8 million).

Amortization, depreciation and impairment

Amortization, depreciation, and impairment decreased by €40.3 million to €22.4 million in Q1-Q3 2021 due to impairment loss of €30.8 million from revaluation of hotels in Q1-Q3 2020. In Q1-Q3 2021, the Group partially released the impairment in the amount of €10.8 million.

Interest expense

Interest expense increased by €10.9 million to €69.0 million in Q1-Q3 2021 due to increase in the volume of bonds issued.

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION*

(€ million)	30 September 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible assets and goodwill	108.1	107.1
Investment property	10,223.0	8,792.6
Property, plant and equipment	842.2	779.4
Deferred tax assets	152.7	155.6
Equity accounted investees	663.5	658.1
Other non-current assets	325.0	330.9
Total non-current assets	**12,314.5**	**10,823.7**
CURRENT ASSETS		
Inventories	32.1	38.8
Trade receivables	92.1	85.4
Cash and cash equivalents	541.9	632.3
Assets linked to assets held for sale	130.6	37.7
Other current assets	195.6	183.5
Total current assets	**992.3**	**977.7**
TOTAL ASSETS	**13,306.8**	**11,801.5**
EQUITY		
Equity attributable to owners of the Company	5,011.3	4,320.8
Perpetual notes	1,643.8	1,369.6
Non-controlling interests	87.6	96.1
Total equity	**6,742.7**	**5,786.5**
NON-CURRENT LIABILITIES		
Bonds issued	3,539.2	3,195.2
Financial debts	1,407.2	1,269.6
Deferred tax liabilities	1,006.9	842.2
Other non-current liabilities	105.2	116.9
Total non-current liabilities	**6,058.5**	**5,423.9**
CURRENT LIABILITIES		
Bonds issued	104.2	108.8
Financial debts	166.0	253.0
Trade payables	83.7	70.6
Other current liabilities	151.7	158.6
Total current liabilities	**505.6**	**591.0**
TOTAL EQUITY AND LIABILITIES	**13,306.8**	**11,801.5**

** The presented financial statements do not represent a full set of interim financial statements as if prepared in accordance with IAS 34*

CPI Property Group

Total assets

Total assets increased by €1,505.4 million (12.8%) to €13,306.9 million as at 30 September 2021 compared to 31 December 2020. The increase was driven primarily by acquisitions (investment property increased by €1,430 million and property, plant and equipment by €62.8 million, compared to 31 December 2020), partly offset by a slight decrease of loans provided and cash and cash equivalents.

Total liabilities

Total liabilities increased by €549.1 million (9.1%) to €6,564.1 million at 30 September 2021 compared to 31 December 2020, primarily due to movements in the Group´s debts and increase of deferred tax liability. The Group issued senior unsecured bonds of €774 million, and additionally drawn secured debts of €253 million, while €464 million of bonds and €194.1 million of secured debts were repaid in Q1-Q3 2021. Deferred tax liability increased by €165 million in Q1-Q3 2021.

EQUITY AND EPRA NRV

Total equity increased by €956.2 million from €5,786.5 million as at 31 December 2020 to €6,742.7 million as at 30 September 2021. The movements of equity components were as follows:

- Increase due to the profit for the period of €747.3 million (profit to the owners of €736.7 million);
- Decrease due to share buy-back of €240 million;
- Increase due to issuance of new shares €100 million;
- Increase in translation reserve of €63 million;
- Decrease in revaluation, hedging and legal reserve of €6 million;
- Increase of NCI due to acquisitions and sales in the period of €18 million;
- Increase due to issuance and repayment of perpetual notes net of €274 million (including interests);

EPRA NRV was €5,967 million as at 30 September 2021, representing increase of 16.6% compared to 31 December 2020. The increase of EPRA NRV was driven by the above changes in the Group’s equity attributable to the owners (increase of retained earnings and other reserves).

	30 September 2021	31 December 2020
Equity attributable to the owners (NAV)	**5,011**	**4,321**
Diluted NAV	**5,011**	**4,321**
Revaluation of trading property and PPE	2	3
Deferred tax on revaluations	996	837
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV (€ million)	**5,967**	**5,118**

GLOSSARY

Alternative Performance Measures (APM)	Definition	Rationale
Consolidated adjusted EBITDA	Net business income as reported deducting administrative expenses as reported.	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Group's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
Consolidated adjusted total assets	Consolidated adjusted total assets is total assets as reported deducting intangible assets and goodwill as reported.	
EPRA Net Reinstatement Value (NRV)	EPRA NRV assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The objective of the EPRA NRV is to highlight the value of net assets on a long-term basis.
Funds from operations or FFO	It is calculated as net profit for the period adjusted by non-cash revenues/expenses (e.g. deferred tax, net valuation gain/loss, impairment, amortization/depreciation, goodwill etc.) and non-recurring (both cash and non-cash) items (e.g. net gain/loss on disposals etc.). The calculation also excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of interest income as reported and interest expense as reported.	This measure is an important indicator of a firm´s ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.
Net Loan-to-Value or Net LTV	It is calculated as Net debt divided by fair value of Property Portfolio.	Loan-to-value provides a general assessment of financing risk undertaken.
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.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Secured debt to total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of bonds issued and financial debts as reported.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Unencumbered assets to total assets	It is calculated as total assets as reported less a sum of encumbered assets as reported divided by total assets as reported.	This measure is an important indicator of a commercial real estate firm´s liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	Gross leasable area 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.
Group	CPI Property Group S.A. together with its subsidiaries
Net debt	Net debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of estimated rental revenue regarding occupied GLA and total estimated rental revenue, unless stated otherwise.
Property Portfolio	Property Portfolio covers all properties and investees held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

APM RECONCILIATION*

EPRA NRV reconciliation (€ million)	30-Sep-21	31-Dec-20
Equity attributable to owners of the company	**5,011**	**4,321**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**5,011**	**4,321**
Revaluation of trading property and property, plant and equipment	2	2
Fair value of financial instruments	0	0
Deferred tax on revaluation	996	837
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV	**5,967**	**5,118**

Net LTV reconciliation (€ million)	30-Sep-21	31-Dec-20
Financial debts	1,573	1,523
Bonds issued	3,643	3,304
Net debt linked to assets held for sale	0	0
Cash and cash equivalents	(542)	(632)
Net debt	**4,268**	**4,194**
Total property portfolio	**11,885**	**10316**
Net LTV	**39.3%**	**40.7%**

Net Interest coverage ratio reconciliation (€ million)	Q1-Q3 2021	2020
Interest income	16	18
Interest expense	(69)	(81)
Consolidated adjusted EBITDA	272	338
Net Interest coverage ratio	**5.2x**	**5.4x**

Secured debt to total debt reconciliation (€ million)	30-Sep-21	31-Dec-20
Secured bonds	0	0
Secured financial debts	1,522	1,400
Total debts	5,217	4,827
Secured debt to total debt	**29,2%**	**29.0%**

* Totals might not sum exactly due to rounding differences.

Unencumbered assets to total assets reconciliation (€ million)	30-Sep-21	31-Dec-20
Bonds collateral	0	0
Bank loans collateral	4,337	3,541
Total assets	13,307	11,801
Unencumbered assets ratio	**67.4%**	**70.0%**

Consolidated adjusted EBITDA reconciliation (€ million)*	Q1-Q3 21	Q1-Q3 20
Net business income	282	260
Administrative expenses	(40)	(34)
Other effects	30	31
Consolidated adjusted EBITDA	**272**	**257**

Funds from operations (FFO) reconciliation (€ million)*	Q1-Q3 21	Q1-Q3 20
Net profit/(loss) for the period	801	58
Deferred income tax	(155)	(23)
Net valuation gain or loss on investment property	791	(11)
Net valuation gain or loss on revaluation of derivatives	2	1
Net gain or loss on disposal of investment property and subsidiaries	1	1
Net gain or loss on disposal of PPE/other assets	0	0
Amortization, depreciation and impairments	(22)	(63)
Other non-cash items	11	24
Other non-recurring items	(21)	(14)
Share on profit of equity accounted investees/JV adjustments	4	(11)
Other effects	17	19
Funds from operations	**208**	**173**

Secured consolidated leverage ratio reconciliation (€ million)	30-Sep-21	31-Dec-20
Secured bonds	0	0
Secured financial debts	1,522	1,400
Consolidated adjusted total assets	13,199	11,695
Secured consolidated leverage ratio	**11.5%**	**12.0%**

* Includes pro-rata EBITDA/FFO for Q1-Q3 2021 and Q1-Q3 2020 of Equity accounted investees

Property portfolio reconciliation (€ million)	30-Sep-21	31-Dec-20
Investment property – Office	5,191	4,716
Investment property – Retail	2,467	2,184
Investment property – Land bank	1,278	798
Investment property – Residential	950	855
Investment property – Industry & Logistics	121	117
Investment property – Agriculture	102	99
Investment property – Development	82	13
Investment property – Hospitality	7	6
Investment property – Other	26	4
Property, plant and equipment – Hospitality	716	676
Property, plant and equipment – Mountain resorts	75	67
Property, plant and equipment – Agriculture	12	12
Property, plant and equipment – Office	12	9
Property, plant and equipment – Retail	8	1
Property, plant and equipment – Residential	6	6
Property, plant and equipment - Other	1	0
Equity accounted investees	663	658
Other financial assets	14	26
Inventories – Development	23	31
Assets held for sale	131	38
Total	**11,885**	**10,316**

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