20-I-0074
December 24, 2020

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

CPI Property Group S.A. (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A-
Outlook:	Stable
Bonds:	A-

Rationale

(1) CPI Property Group (CPIPG) is a real estate group engaged in a wide range of businesses, including leasing of offices and retail properties, operation of hotels, acquisition and management of land and buildings, and development of real estate assets with a focus on Central and Eastern Europe (CEE) and Germany. CPI Property Group S.A. is the holding company of the group, and its rating reflects the credit standing of the entire group given the integrated management of all group subsidiaries. The ratings are supported by the group's leading position in its core target markets, its capacity to generate stable cash flows backed by a diversified portfolio with limited development risks, and its financial policy focused on financial discipline. Due to the COVID-19 pandemic, the group's hotel business has been severely hit while its retail business has also been adversely affected. However, the overall impact on the group has been limited thanks to the diversification of its portfolio and its business structure focused on the office segment. JCR expects that the group's earnings will remain solid supported also by the effects of its cost cutting measures and the recent acquisitions. Although the group's debt increased due to the acquisitions, JCR views that the group maintains its stance to put priority on fiscal discipline and will work to improve its financial structure going forward. Based on the above, JCR has affirmed the ratings with a Stable outlook.

(2) CPIPG maintains its position as the largest owner of real estate properties in the Czech Republic and a leading owner of offices in Berlin. In addition, it became the largest owner of offices in Warsaw as a result of a series of acquisitions since late 2019. In early 2020 it also acquired a 29.4% stake in Globalworth, a real estate company based in Poland and Romania. The group's property portfolio value (PPV) stood at 9,826 million euros as of the end of June 2020 (including the value of its stake in Globalworth). By region, the share of Poland has increased, which contributed to a further diversification of the portfolio, but the Czech Republic and Germany remain as the core markets, together accounting for around 70% of the total PPV. By asset type, a shift to office has progressed. Office (52% of the total PPV) and residential (7%), which seem to be less susceptible to the impact of the COVID-19 pandemic, now account for approximately 60%. Retail accounts for 22%, but a certain proportion of the group's gross leasable areas in retail are occupied by essential retailers. The share of hotels, which may face a challenging business environment for some time, is limited at 7%. The group's exposure to development and land bank remains small at 9%.

(3) The group's EBITDA is expected to remain solid in 2020. Its hotel revenue has dropped while its core rental business has been modestly affected by rent discounts. But its earnings have been underpinned by a stable performance of the office and residential businesses, increased gross rental income resulting from the acquisitions and cost cuts mainly brought by the reduction of headcounts. Rent discounts were provided in accordance with the Czech government's policy to the retail tenants who were forced to close during the lockdown. The discounts were accompanied by government subsidies to the tenants. Currently, the group's retail properties have almost completely reopened. As for the office and residential businesses, the group's portfolio has remained open as usual even amid the pandemic and the rent collection rates have been largely maintained. While impacts from the pandemic still need to be watched, JCR sees that the risk of a significant decline in the group's earnings in 2021 is low, given the diversification of its lease maturities, progress on contract renewals and the fact that rents in the retail segment are mainly fixed. The group incurred a valuation loss on its retail properties in Hungary and impairment of its hotels in the first half of 2020. But the size of these losses was negligible as compared to the group's total PPV.

(4) CPIPG’s debt increased due to the recent investments including the acquisition of offices in Warsaw and an equity stake in Globalworth. Its equity ratio and net debt-to-equity ratio slightly weakened to 49.2% and 0.77 times, respectively, at the end of June 2020 from 53.6% and 0.48 times a year earlier. Nevertheless, these ratios still remained sound. Also, the group’s net LTV (as disclosed by the group) stood at 42.5%, staying within its target range. Considering the group’s continued commitment to keep net LTV below 40% at normal times when there are no acquisitions, JCR holds that the group will look to improve its financial structure through various measures such as investment cutback and debt reduction. The group holds ample liquidity including undrawn revolving credit facilities.

Atsushi Masuda, Nobuyasu Matsuda, Haruna Saeki

Rating

Issuer: CPI Property Group S.A.

<Affirmation>

Foreign Currency Long-term Issuer Rating: A- Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
JPY 1.414 per cent. Senior Notes due 10 December 2021 under the EUR 3,000,000,000 Euro Medium Term Note Programme	JPY 8.0	Dec 10, 2018	Dec 10, 2021	1.414%	A-
JPY 1.995 per cent. Senior Notes due 8 December 2028 under the EUR 3,000,000,000 Euro Medium Term Note Programme	JPY 3.0	Dec 10, 2018	Dec 8, 2028	1.995%	A-

Rating Assignment Date: December 21, 2020

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (November 7, 2014), "Real Estate" (July 13, 2011), "J-REIT" (July 3, 2017) and "Rating Methodology for a Holding Company" (January 26, 2015) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	CPI Property Group S.A.
Rating Publication Date:	December 24, 2020

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases
The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality
The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions
The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the order of seniority in repayment of interests and principal. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
CPI Property Group S.A.	Issuer(Long-term)(FC)	November 5, 2018	A-	Stable
CPI Property Group S.A.	Issuer(Long-term)(FC)	November 8, 2019	A-	Stable
CPI Property Group S.A.	JPY 1.414 per cent. Senior Notes due 10 December 2021 under the EUR 3,000,000,000 Euro Medium Term Note Programme	November 30, 2018	A-	
CPI Property Group S.A.	JPY 1.414 per cent. Senior Notes due 10 December 2021 under the EUR 3,000,000,000 Euro Medium Term Note Programme	November 8, 2019	A-	
CPI Property Group S.A.	JPY 1.995 per cent. Senior Notes due 8 December 2028 under the EUR 3,000,000,000 Euro Medium Term Note Programme	November 30, 2018	A-	
CPI Property Group S.A.	JPY 1.995 per cent. Senior Notes due 8 December 2028 under the EUR 3,000,000,000 Euro Medium Term Note Programme	November 8, 2019	A-	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Toshihiko Naito
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026