Press Release

Luxembourg, 31 March 2020

CPI PROPERTY GROUP - Financial Results for 2019

CPI PROPERTY GROUP (hereinafter "**CPIPG**" the "**Company**" or together with its subsidiaries the "**Group**"), the largest owner of income-generating real estate in the Czech Republic, Berlin and the CEE region, hereby publishes results for the financial year ended 31 December 2019.

"2019 was a year of many achievements for CPIPG. We grew our office portfolio, tightened our financial policy and strengthened our liquidity," said Martin Nemecek, CEO of CPIPG. "The Group is resilient, diversified, flexible and fully committed to the regions where we operate."

Key highlights for the 2019 financial year include:

– **Property portfolio increased to €9.1 billion** (**up €1.6 billion** versus year-end 2018), driven by a combination of acquisitions, primarily offices in Warsaw, and positive revaluations reflecting the strong performance of our core markets.

– **Total assets increased to €10.7 billion** (**up €2.4 billion** versus year-end 2018), driven by increases to the property portfolio as well as a €0.7 billion increase in cash and cash equivalents following significant capital markets activity in 2019.

– **Net rental income of €294 million** (**up 8.3%** versus 2018), reflecting the combined effects of **4.4% like-for-like growth in gross rental income** and acquisitions since the prior period.

– **Occupancy of 94.3%** at the end of 2019.

– **Total revenues of €672 million** (**up 11%** versus 2018).

– **Net business income of €345 million** and **consolidated adjusted EBITDA of €292 million** (both **up 8%** versus 2018).

– **Funds from operations (FFO) of €220 million** (**up 34%** versus 2018).

– **EPRA NAV** rose by **14%** to **€5.1 billion**.

– **Net Loan to Value (LTV)** reached a record year-end low of **36.2%**.

– Record **70% of unencumbered assets** (**up 5 p.p.** versus year-end 2018).

– Significant improvement of **Net ICR to 7.2x** in 2019, relative to 4.2x in 2018, reflecting the combination of **higher EBITDA generation** as well as **reduction of interest costs** following significant refinancing activity in 2018 and 2019.

– In October 2019, the Group announced a plan to acquire more than **€800 million** of **office properties in Warsaw** between the fourth quarter of 2019 and first quarter of 2020. In Q4 2019, CPIPG acquired three properties for more than €560 million, with a total GLA exceeding 156,000 sqm and increasing the level of **green certification in our property portfolio to 14% in terms of GLA and 20% by value**.

- CPIPG signed a new **€510 million 3-year revolving credit facility** in March 2019, significantly enhancing the Group's **financial flexibility and liquidity**.
- The Group further **expanded its presence on the international capital markets and diversified its sources of funding** in 2019. We issued over **€1.2 billion** equivalent of senior unsecured bonds under our EMTN programme across Euros (including our inaugural green bond of €750 million), Hong Kong Dollars and US Dollars. In March 2019, we also issued Schuldschein loans for **€170 million**, followed by the issuance of a further **€550 million** of subordinated "hybrid" notes in April. All foreign currency denominated bonds were swapped into Euros using cross-currency swaps.
- Together with the new revolving credit facility, CPIPG's **total available liquidity stood at €1.3 billion** at the end of December 2019.
- CPIPG **tightened our financial policies**, in line with our aim to achieve high "BBB" ratings in future. CPIPG now targets a **Net LTV below 40%** and a **Net ICR of 4x or above**. We also clarified our future distribution policy: no dividends and the intention to retain and reinvest between 50% to 100% of annual FFO going forward.
- After the year-end, CPIPG **gained access to new markets and investors** by issuing a GBP 350 million senior unsecured green bond in Sterling (€411 million equivalent) and SGD 150 million additional hybrid capital in Singapore Dollars (€99 million equivalent). Proceeds were primarily used to acquire four more offices in the Warsaw acquisition pipeline, as well as repay a small tranche of Schuldschein. During the first quarter of 2020, CPIPG also became **the largest shareholder in Globalworth**, a leading owner of offices in Poland and Bucharest, through the acquisition of a 29.4% stake.

"All of the steps taken by CPIPG during 2019 prepared the Group well for the challenges and opportunities of 2020," said David Greenbaum, CFO of CPIPG. "Our long-term horizon and focus on financial policy, credit ratings and ESG are uwavering."

Update on the Outbreak of COVID-19

On 23 March 2020, the Group prepared an update on our response to the outbreak of COVID-19, which is available on CPIPG's website. CPIPG will continue to monitor the situation closely and will provide further information and data proactively when available.

https://www.cpipg.com/uploads/e6baa777bf69150fe92c1120148afee04a665ec8.pdf

FINANCIAL HIGHLIGHTS

Performance		Year ended 31 Dec 2019	Year ended 31 Dec 2018	Change
Gross rental income	€ million	319	302	6%
Total revenues	€ million	672	604	11%
Net business income	€ million	345	320	8%
Consolidated adjusted EBITDA	€ million	292	270	8%
Funds from operations (FFO)	€ million	220	164	34%
Profit before tax	€ million	765	649	18%
Interest expense	€ million	(54)	(78)	(31%)
Net profit for the period	€ million	685	631	9%

Assets		31 Dec 2019	31 Dec 2018	Change
Total assets	€ million	10,673	8,259	29%
Property portfolio	€ million	9,111	7,555	21%
Gross leasable area	sqm	3,465,000	3,318,000	4%
Occupancy	%	94.3	94.5	(0.2 p.p.)
Like-for-like gross rental growth	%	4.4	4.9	(0.5 p.p.)
Total number of properties*	No.	332	375	(11%)
Total number of residential units	No.	11,919	11,917	0%
Total number of hotel beds**	No.	12,416	11,300	10%

* Excluding residential properties in the Czech Republic
** Including hotels operated, but not owned by the Group

Financing structure		31 Dec 2019	31 Dec 2018	Change
Total equity	€ million	5,469	4,362	25%
EPRA NAV	€ million	5,100	4,480	14%
Net debt	€ million	3,300	2,775	19%
Loan to value ratio (Net LTV)	%	36.2	36.7	(0.5 p.p.)
Secured consolidated leverage ratio	%	9.6	12.9	(3.3 p.p.)
Secured debt to total debt	%	24.8	36.7	(11.9 p.p.)
Unencumbered assets to total assets	%	69.7	65.1	4.6 p.p.
Net ICR		7.2x	4.2x	3.0x

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT (€ million)	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Gross rental income	319.1	301.7
Service charge and other income	123.1	111.2
Cost of service and other charges	(88.0)	(85.0)
Property operating expenses	(59.8)	(56.0)
Net rental income	**294.4**	**271.9**
Development sales	50.1	30.3
Development operating expenses	(46.3)	(30.7)
Net development income	**3.8**	**(0.4)**
Hotel revenue	133.8	122.1
Hotel operating expenses	(93.8)	(82.1)
Net hotel income	**40.0**	**40.0**
Other business revenue	45.7	38.4
Other business operating expenses	(39.0)	(30.4)
Net other business income	**6.7**	**8.0**
Total revenues	**671.8**	**603.7**
Total direct business operating expenses	**(326.9)**	**(284.2)**
Net business income	**344.9**	**319.5**
Net valuation gain	550.0	578.9
Net gain on disposal of investment property and subsidiaries	2.0	0.5
Amortization, depreciation and impairment	(41.5)	(64.4)
Administrative expenses	(53.2)	(49.2)
Other operating income	10.2	6.7
Other operating expenses	(7.3)	(6.5)
Operating result	**805.1**	**785.5**
Interest income	13.5	14.3
Interest expense	(54.2)	(78.4)
Other net financial result	0.4	(72.0)
Net finance costs	**(40.3)**	**(136.1)**
Share of profit of equity-accounted investees (net of tax)	(0.2)	(0.7)
Profit before income tax	**764.6**	**648.7**
Income tax expense	(80.0)	(17.9)
Net profit from continuing operations	**684.6**	**630.8**

Net rental income

Net rental income increased by 8% to €294 million in 2019 compared to €272 million in 2018. The growth of net rental income was driven primarily by robust performance in CPIPG's portfolios in Berlin and Budapest and due to the impact of acquisitions in 2018 and 2019. Increases in net rental income were also broad-based across the overall portfolio, reflecting robust conditions in our core markets.

Net development income

Development sales in 2019 primarily relate to sales of apartments in Nice, France (€20.9 million) and sales of family homes from an ongoing development project in Prague, the Czech Republic (€20.3 million).

Net hotel income

Hotel revenue in 2019 increased primarily due to the acquisition of the Holiday Inn hotel in Rome in mid-way through 2018, two hotels acquired in the Czech Republic in the first half of 2019, as well as the opening of a new hotel in Hvar in the second half of the year. Like-for-like performance of the hotels business was also strong.

Net valuation gain

In 2019, the most significant valuation gains related to the Berlin office portfolio (€382.8 million), and to a lesser extent the Prague office portfolio (€36.1 million), Czech residential portfolio (€20.1 million), two significant retail and office projects in Prague (€17.5 million and €14.2 million, respectively), other retail assets portfolio (€45.0 million) and land bank (€17.2 million).

Amortization, depreciation and impairments

The decrease in amortization, depreciation and impairments in 2019 was driven by the impairment of property, plant and equipment of €15.8 million related to the Crans-Montana mountain resort in Switzerland and our agricultural properties in 2018.

Interest expense

Interest expense was €54.2 million in 2019 compared to €78.4 million in 2018. Interest expenses decreased due to the substantial change in the Group's capital structure as a result of refinancing activity in 2018 and 2019. As a result, the interest expense from bank loans decreased by €15.7 million and interest expense from bonds decreased by €8.6 million.

Other net financial result

In 2018, the other net financial result primarily related to early repayment of bank loans and bonds issued (€43 million).

BALANCE SHEET

BALANCE SHEET (€ million)	31 Dec 2019	31 Dec 2018
NON-CURRENT ASSETS		
Intangible assets and goodwill	107.0	110.3
Investment property	8,156.8	6,687.1
Property, plant and equipment	885.7	736.2
Deferred tax assets	168.1	195.2
Other non-current assets	246.2	90.6
Total non-current assets	**9,563.8**	**7,819.4**
CURRENT ASSETS		
Inventories	51.2	71.5
Trade receivables	80.9	68.4
Cash and cash equivalents	804.5	99.2
Assets linked to assets held for sale	21.5	66.7
Other current assets	150.9	133.8
Total current assets	**1,109.0**	**439.6**
TOTAL ASSETS	**10,672.8**	**8,259.0**
EQUITY		
Equity attributable to owners of the Company	4,334.2	3,775.6
Perpetual notes	1,085.5	542.5
Non-controlling interests	49.8	44.2
Total equity	**5,469.5**	**4,362.3**
NON-CURRENT LIABILITIES		
Bonds issued	2,870.9	1,648.4
Financial debts	1,165.3	1,061.6
Deferred tax liabilities	805.9	761.6
Other non-current liabilities	73.9	52.9
Total non-current liabilities	**4,916.0**	**3,524.5**
CURRENT LIABILITIES		
Bonds issued	20.8	6.7
Financial debts	47.7	157.6
Trade payables	86.0	97.5
Other current liabilities	132.8	110.4
Total current liabilities	**287.3**	**372.2**
TOTAL EQUITY AND LIABILITIES	**10,672.8**	**8,259.0**

Total assets

Total assets increased by €2,414 million (29%) to €10,672.8 million as at 31 December 2019 compared to 31 December 2018. The increase was driven by an increase in investment property by €1,470 million and cash and cash equivalents by €706 million.

The increase in investment property reflects the increases in valuations (primarily in Berlin, but also broadly across the Group) plus several notable acquisitions in 2019: three offices in Warsaw acquired in the fourth quarter, two hotels in the Czech Republic acquired in the first half of the year, two properties in London and also land bank in the Czech Republic.

Total liabilities

Non-current and current liabilities increased by €1,306.6 million (33.5%) to €5,203.3 million as at 31 December 2019 compared to 31 December 2018. During 2019, the Group issued senior unsecured bonds of €1,234 million and also completed Schuldschein loans for €170 million.

NAV AND EPRA NAV

Total equity increased from €4,362.3 million as at 31 December 2018 to €5,469.5 million as at 31 December 2019. The movements of equity components were as follows:

- Increase of retained earnings due to 2019 profit of €684.6 million;
- Increase of perpetual bonds by €499.6 million;
- Decrease of share capital and share premium due to share repurchases of €108.8 million;
- Change in revaluation reserve of €24.7 million, and;
- Other changes of €7.1 million.

EPRA NAV was €5,100 million as at 31 December 2019, representing an increase of 13.8% compared to 31 December 2018. An increase of EPRA NAV was primarily related to the above changes in the Group's equity.

EPRA NAV (€ million)	**31 Dec 2019**	**31 Dec 2018**
Equity per the financial statements (NAV)	**4,334**	**3,776**
Effect of exercise of options, convertibles and other equity interests	-	-
Diluted NAV, after the exercise of options, convertibles and other equity interests	**4,334**	**3,776**
Revaluation of trading property and PPE	2	7
Fair value of financial instruments	0	(5)
Deferred tax on revaluations	807	745
Goodwill as a result of deferred tax	(43)	(43)
Total	**5,100**	**4,480**

Alternative Performance Measures

For disclosures regarding Alternative Performance Measures used in this press release please refer to our Annual Management Report 2019, chapters Glossary and EPRA Performance; accessible at http://cpipg.com/reports-presentations-en.

Availability of Audited Financial Information

Audited documents will be available tonight at the following link:
http://www.cpipg.com/reports-presentations-en

2019 Results Webcast

CPIPG will host a webcast in relation to its financial results for 2019. The webcast will be held on Thursday 2 April 2020 at 10:00am CET / 09:00am UK.

Please register for the webcast via the link below:

https://globalmeet.webcasts.com/starthere.jsp?ei=1292032&tp_key=29818912f7

Investor Contacts:

David Greenbaum
Chief Financial Officer
CPI Property Group
d.greenbaum@cpipg.com

Joe Weaver
Director of Capital Markets
CPI Property Group
j.weaver@cpipg.com

Media / PR Contact:

Kirchhoff Consult AG
Andrew Stammler
Herrengraben 1
20459 Hamburg
T +49 40 60 91 86 18
F +49 40 60 91 86 60
E andrew.stammler@kirchhoff.de