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Press Release - Corporate News

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CPI PROPERTY GROUP – Financial Results for 2020

CPI PROPERTY GROUP (hereinafter "**CPIPG**", the "**Company**" or together with its subsidiaries the "**Group**"), the leading owner of income-generating real estate in the Czech Republic, Berlin, Warsaw and the CEE region, hereby publishes audited financial results for the financial year ended 31 December 2020.

"CPIPG's high-quality and diversified portfolio was well-suited to a challenge like COVID-19," said Martin Nemecek, CEO. "Our portfolio continued to grow, rents increased and rental collections were high while occupancy and valuations remained stable."

Highlights of the 2020 financial year include:

- **CPIPG's property portfolio increased to €10.3 billion** (up 13% versus 2019) as the Group completed €1.2 billion of acquisitions (primarily 6 offices in Warsaw and a 29.6% stake in Globalworth) and continued a moderate pace of capex and development.
- **Total assets increased to €11.8 billion** (up 11% versus 2019), driven by increases to the property portfolio, offset by a slight reduction in cash and cash equivalents.
- **Net rental income increased to €338 million** (up 15% versus 2019) due to office acquisitions and resilient rent collections, broadly stable occupancy at 93.7% and 0.8% like-for-like growth in gross rental income.
- **Because of sharp cost control, the hotel segment reported only a small net loss** despite hotels being closed for much of 2020. CPIPG's net hotel income averaged about €40 million in 2018 and 2019, and the Group believes that travel will recover as vaccinations are rolled out.
- **Consolidated adjusted EBITDA increased to €338 million** (up 16% versus 2019), due to the increase in net rental income, the contribution from recent acquisitions and the impact of cost reductions, which combined to more than offset the reduction in hotel income.
- **Net business income** (down 0.2% to €344 million) **and FFO** (up 1.3% to €222 million) **were stable,** demonstrating that CPIPG continued to generate substantial income and cash even during the COVID-19 pandemic.
- Year-end property portfolio valuations were slightly positive on an asset-by-asset basis, but slightly negative including FX impacts, with **higher valuations in offices and residential offset by slightly lower valuations in retail and hotels.**
- The Group collected **95% of contracted rent in 2020** before the impact of one-time COVID-19 discounts (**less than 4%** of Group gross rental income), and **99% including discounts**. Collections in office and residential were close to 100%.

- **EPRA NRV (NAV)** was unchanged at **€5.1 billion**.
- **Net Loan-to-Value (LTV)** at **40.7%** and **Net ICR** at **5.4x** reflect an increase in net debt related to acquistions, but remain in line with the Group´s financial policy. Actions taken by the Group reduced Net LTV by 1.8 p.p. at the end of 2020 compared to the end of the first half.
- **Unencumbered assets remain high at 70%** (unchanged versus year-end 2019).
- During 2020, the Group issued nearly **€1.3 billion** equivalent of senior unsecured bonds across Euros, Sterling, Hong Kong Dollars and Hungarian Forint. CPIPG also issued subordinated "hybrid" bonds of **€0.6 billion** equivalent in Euros and Singapore Dollars, and signed secured loans of close to **€0.4 billion**. Proceeds from external financings were partially used for acquisitions and to **repay more than €1.2 billion** of senior unsecured bonds, Schuldschein and hybrid bonds maturing in 2022, 2023, 2024 and 2025.
- In November 2020, the Group improved its liquidity position by signing a new **€700 million revolving credit facility** which expires in 2026, replacing the €510 million three-year facility arranged in 2019.
- Together with the new revolving credit facility, CPIPG's **total available liquidity stood at €1.4 billion** at the end of 2020.

"Our strategy, portfolio and team passed many tests during COVID-19," said David Greenbaum, CFO. "CPIPG is a better, stronger, wiser company in 2021 and we look forward to a post-COVID world."

Notable events occurring after the end of 2020 include:

- In January 2021, the Company issued €650 million of 10-year senior unsecured bonds and €400 million of hybrid bonds callable in 2028. The proceeds were used to repay more than €750 million of senior unsecured bonds, Schuldschein and hybrid bonds callable or maturing in 2022, 2023 and 2024.
- In January 2021, a mandatory tender offer was concluded to acquire the remaining shares in Nova RE SIIQ S.p.A. ("Nova RE"). A total of 9,348,018 shares were tendered for a consideration of €2.36 per share and a total value of €22.061 million. Following the mandatory tender offer, CPIPG held in total 20,360,573 ordinary shares of Nova RE, approximately 92.44% of the relevant share capital (or 92.62% including treasury shares).
- In February 2021, CPIPG repurchased a total of 641,658,176 shares tendered by shareholders for an aggregate amount of €395.261 million (€0.616 per share). About 94% of shares were tendered by CPIPG's primary shareholder, Radovan Vitek (350,500,000 shares) and CPIPG's subsidiary CPI FIM SA (252,302,248 shares), together with management and third parties. Mr. Vitek used the proceeds received from the share repurchase to repay loans to CPIPG. The tendered shares were cancelled by the extraordinary general meeting of the shareholders held on 31 March 2021 (the "EGM"). The EGM resolved to decrease the corporate capital to EUR 801,005,815.50 represented by 8,010,058,155 shares and to approve the related modifications of the Company's articles of associations.
- In March 2021, CPIPG acquired 27 Savile Row in Mayfair, London. Recently decommissioned as London's West End Central Police Station, the property was purchased by CPIPG from the Police following a competitive process. With a prime location nearby Bond Street tube station, 27 Savile Row provides over 60,000 square feet (about 5,500 square meters) of space over nine floors. CPIPG sees a clear opportunity to reposition 27 Savile Row as an office, residential, or mixed-use scheme in-line with the building's heritage and prime location.
- In March 2021, CPIPG announced changes to the Group's environmental strategy and targets. CPIPG's revised target is to reduce GHG emissions intensity by 30% by 2030 versus baseline 2019 levels (across all scopes 1-3). In support of this objective, the Group has also committed to transition all electricity purchases by the Group to 100% renewable sources by 2024. Based on analysis undertaken with our external consultants CI2 and University Centre for Energy Efficient Buildings CTU in Prague, the Group's new GHG reduction target would

align CPIPG to Paris Agreement climate goals to limit the global temperature increase to well-below 2 degrees centigrade versus pre-industrial levels.

Update on rental collections in Q1 2021

- The first few months of 2021 have seen continued challenges for the hotel and retail sectors. On the other hand, CPIPG sees positive signs in gradual vaccination rollouts across Europe and believes that pent-up consumer spending and appetite for travel will power an eventual recovery.
- In the first two months of 2021, rental collection rates appear to be following similar trends to 2020. Initial rent collection rates are nearly 90% for the Group, and are expected to rise over time. Office, residential and logistics segments were normal, while initial retail collections were about 72% before discounts. CPIPG expects that retail rent collections will continue to be aided by government support and the overall strength of our tenants, who remain in sound financial position despite COVID-19.

Annual Results Webcast

CPIPG will host a webcast in relation to its financial results for 2020. The webcast will be held on **Tuesday 6 April 2021 at 11:00am CET / 10:00am UK**.

Please register for the webcast in advance via the link below:

https://webcasting.brrmedia.co.uk/broadcast/60423ac31e24d464e23e8fc1

FINANCIAL HIGHLIGHTS

Performance		31-Dec-2020	31-Dec-2019	Change
Gross rental income	€ million	356	319	11.7%
Net rental income	€ million	338	294	14.7%
Net hotel income	€ million	(3)	40	(107.8%)
Total revenues	€ million	623	672	(7.3%)
Net business income	€ million	344	345	(0.2%)
Consolidated adjusted EBITDA	€ million	338	292	15.9%
Funds from operations (FFO)	€ million	222	220	1.3%
Net profit for the period	€ million	244	685	(64.4%)

Assets		31-Dec-2020	31-Dec-2019	Change
Total assets	€ million	11,801	10,673	10.6%
Property portfolio	€ million	10,316	9,111	13.2%
Gross leasable area	sqm	3,636,000	3,465,000	4.9%
Occupancy	%	93.7	94.3	(0.6 p.p.)
Like-for-like gross rental growth*	%	0.8	4.4	(3.6 p.p.)
Total number of properties**	No.	343	332	3.3%
Total number of residential units	No.	11,929	11,919	0.1%
Total number of hotel beds***	No.	12,768	12,416	2.8%

* 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		31-Dec-2020	31-Dec-2019	Change
Total equity	€ million	5,787	5,469	5.8%
EPRA NRV (NAV)	€ million	5,118	5,100	0.3%
Net debt	€ million	4,194	3,300	27.1%
Net Loan-to-value ratio (Net LTV)	%	40.7	36.2	4.5 p.p.
Net debt/EBITDA		12.4x	11.3x	1.1x
Secured consolidated leverage ratio	%	12.0	9.6	2.4 p.p.
Secured debt to total debt	%	29.0	24.8	4.2 p.p.
Unencumbered assets to total assets	%	70.0	69.7	0.3 p.p.
Net ICR		5.4x	7.2x	(1.8x)

STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Twelve-month period ended 31 December 2020	31 December 2019
Gross rental income	356.5	319.1
Service charge and other income	139.6	123.1
Cost of service and other charges	(107.4)	(88.0)
Property operating expenses	(51.0)	(59.8)
Net rental income	**337.7**	**294.4**
Development sales	34.3	50.1
Development operating expenses	(29.9)	(46.3)
Net development income	**4.4**	**3.8**
Hotel revenue	43.7	133.8
Hotel operating expenses	(46.8)	(93.8)
Net hotel income	**(3.1)**	**40.0**
Other business revenue	48.5	45.7
Other business operating expenses	(43.1)	(39.0)
Net other business income	**5.4**	**6.7**
Total revenues	**622.6**	**671.8**
Total direct business operating expenses	**(278.2)**	**(326.9)**
Net business income	**344.4**	**344.9**
Net valuation gain*	173.1	561.0
Net gain on disposal of investment property and subsidiaries	0.7	2.0
Amortization, depreciation and impairment	(88.0)	(41.5)
Administrative expenses	(47.1)	(53.2)
Other operating income	23.3	10.2
Other operating expenses	(2.8)	(7.3)
Operating result	**403.6**	**816.1**
Interest income	18.2	13.5
Interest expense	(80.9)	(54.2)
Other net financial result*	9.8	(10.6)
Net finance costs	**(52.9)**	**(51.3)**
Share of loss of equity-accounted investees (net of tax)	(10.6)	(0.2)
Profit before income tax	**340.1**	**764.6**
Income tax expense	(96.5)	(80.0)
Net profit from continuing operations	**243.6**	**684.6**

** Comparative financial information adjusted due to change in accounting policy, for more information refer to note 2.4 of the consolidated financial statements.*

Gross rental income

Gross rental income increased by €37.4 million (12%) to €356.5 million in 2020. The increase was driven by acquisitions of offices in Warsaw, Poland and continued growth in like-for-like rental income across the rest of the portfolio, especially in the Berlin portfolio.

Net hotel income

In 2020, primarily due to the COVID-19 outbreak, hotel revenues decreased by €90.1 million (67.3%) to €43.7 million in 2020. On the other hand, because the Group operates nearly all its hotels, hotel operating expenses were reduced by €47.0 million (50.1%) to €46.8 million.

Net valuation gain

The valuation gain of €173.1 million in 2020 primarily reflects positive revaluations in Berlin office, the Czech residential portfolio and two landbank projects in the Czech Republic.

Amortization, depreciation and impairment

Amortization, depreciation and impairment increased by €46.5 million to €88.0 million in 2020 due to negative revaluations of the hotel portfolio (€46.7 million).

Interest expense

Interest expense increased by €26.7 million to €80.9 million in 2020 primarily due to the increase in total bonds issued.

Other net financial result

Other net financial result in 2020 comprises the net foreign exchange gain on investment property of €175.8 million, offset by foreign exchange losses of €159.3 million relating primarily to retranslation of intra-group loans.

BALANCE SHEET

(€ million)	31 December 2020	31 December 2019
NON-CURRENT ASSETS		
Intangible assets and goodwill	107.1	107.0
Investment property	8,792.6	8,156.8
Property, plant and equipment	779.4	885.7
Deferred tax assets	155.6	168.1
Equity accounted investees	658.1	3.7
Other non-current assets	330.9	242.5
Total non-current assets	**10,823.7**	**9,563.8**
CURRENT ASSETS		
Inventories	38.8	51.2
Trade receivables	85.4	80.9
Cash and cash equivalents	632.3	804.5
Assets linked to assets held for sale	37.7	21.5
Other current assets	183.5	150.9
Total current assets	**977.7**	**1,109.0**
TOTAL ASSETS	**11,801.4**	**10,672.8**
EQUITY		
Equity attributable to owners of the Company	4,320.8	4,334.2
Perpetual notes	1,369.6	1,085.5
Non-controlling interests	96.1	49.8
Total equity	**5,786.5**	**5,469.5**
NON-CURRENT LIABILITIES		
Bonds issued	3,195.2	2,870.9
Financial debts	1,269.6	1,165.3
Deferred tax liabilities	842.2	805.9
Other non-current liabilities	116.9	73.9
Total non-current liabilities	**5,423.9**	**4,916.0**
CURRENT LIABILITIES		
Bonds issued	108.8	20.8
Financial debts	253.0	47.7
Trade payables	70.6	86.0
Other current liabilities	158.6	132.8
Total current liabilities	**591.0**	**287.3**
TOTAL EQUITY AND LIABILITIES	**11,801.4**	**10,672.8**

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Total assets

Total assets increased by €1,128.6 million (10.6%) to €11,801.4 million at 31 December 2020 compared to 31 December 2019. The increase was driven primarily by acquisitions (offices in Warsaw and the acquisition of a 29.55% stake in Globalworth), offset by a slight decrease in cash and cash equivalents.

Total liabilities

Total liabilities increased by €811.6 million (15.6%) to €6,015 million at 31 December 2020 compared to 31 December 2019, largely due to incremental debt issuance. The Group issued senior unsecured bonds of €1,276 million and completed new loans for €377.3 million, while €952.7 million of bonds and loans were repaid in 2020.

EQUITY AND EPRA NRV

Total equity increased by €317.0 million from €5,469.5 million as at 31 December 2019 to €5,786.5 million as at 31 December 2020. The movements of equity components were as follows:

- Increase due to the profit for the period to the owners of €181.5 million;
- Increase of perpetual bonds by €284.1 million;
- Decrease in revaluation and hedging reserve of €37.9 million;
- Decrease in translation reserve of €130.6 million;
- Decrease due to recognition of financial liability in respect of mandatory public offer for NovaRe shares of €26.0 million;
- Increase in non-controlling interests of €46.3 million.

EPRA NRV was €5,118 million as at 31 December 2020, representing similar result compared to 31 December 2019. The small increase of EPRA NRV was driven by the above changes in the Group's equity attributable to the owners (increase of retained earnings and decrease of other reserves).

	31 December 2020	31 December 2019
Equity attributable to the owners (NAV)	**4,321**	**4,334**
Effect of exercise of options, convertibles and other equity interests	-	-
Diluted NAV	**4,321**	**4,334**
Revaluation of trading property and PPE	2	2
Fair value of financial instruments	0	0
Deferred tax on revaluations	837	807
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV (€ million)	**5,118**	**5,100**

For disclosures regarding Alternative Performance Measures used in this press release please refer to our Annual Management Report 2020, chapters Glossary, Key Ratio Reconciliations and EPRA Performance; accessible at http://cpipg.com/reports-presentations-en.

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

2020 audited financial report
2020 audited management report

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