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Press Release - Corporate News

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CPI PROPERTY GROUP publishes half-year financial results for 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 six-month period ended 30 June 2021.

"CPIPG's property portfolio clearly passed the ultimate stress test of COVID-19," said Martin Nemecek, CEO. "Once again, the Group proved the resilience of our diversified portfolio and reported record levels of income, a strong capital structure and several important investments for the future."

Highlights for the first half of 2021 include:

- **CPIPG's property portfolio increased to €11.2 billion** (up 9% versus 2020) as the Group completed €580 million of acquisitions and benefited from a €317 million increase in the fair value of residential, landbank and office assets along with FX movements.
- **Total assets reached €12.6 billion** (up 7% versus 2020), driven by increases to the property portfolio, offset by a slight reduction in cash and cash equivalents.
- The Group collected **95% of contracted rent in H1 2021** before the impact of one-time COVID-19 discounts, which amounted to about 4% of gross rental income. **Office and residential collections were close to 100%**.
- **Net rental income increased to €175 million** (up 7% versus H1 2020) and **consolidated adjusted EBITDA rose to €172 million** (up 5% versus H1 2020) due to the contribution from recent acquisitions and developments, broadly stable occupancy at 92.6%, limited COVID-19 rent discounts and 1.9% like-for-like growth in gross rental income.
- **Because of effective cost control, the hotel segment reported only a small net loss** (-€4 million) despite hotels being closed for much of the period. As the COVID-19 situation improved across our portfolio from April/May 2021, the Group has seen a strong increase in hotel bookings.
- **Net business income** (up 6% versus H1 2020 to €178 million) **and FFO** (up 10% versus H1 2020 to €127 million) show the benefits of CPIPG's stable business performance, diversified sources of income, and contribution from recent acquisitions.
- **EPRA NRV (NAV)** increased 3% to **€5.3 billion**.
- **Net Loan-to-Value (LTV)** at **41.9%** (+1.2 p.p. versus 2020, -0.6 p.p. versus H1 2020) remained in line with the Group´s financial policy guidelines. In support of our commitment to financial policy and credit ratings, the Group will take actions to reduce leverage and create headroom for further selective acquisitions.
- **Unencumbered assets remain high at 69%** (-1 p.p. versus 2020) and **net ICR** stood at **4.8x** (-0.6x versus 2020), well above financial policy guidelines.
- CPIPG's **total liquidity stood at more than €1.1 billion** at the end of H1 2021.

– During the first half of 2021, CPIPG **repaid more than €750 million of senior unsecured bonds, Schuldschein and hybrid bonds callable or maturing in 2022, 2023 and 2024**. CPIPG's weighted average debt maturity **stood at 5.3 years as at H1 2021**, versus 4.8 years at the end of 2020.

"CPIPG's H1 results reflect some temporary effects of COVID-19, but our business continues to grow," said David Greenbaum, CFO. "We are excited to move on from COVID-19 and see a bright future ahead."

Notable events occurring after 30 June 2021 include:

Globalworth joint venture with Aroundtown

On 14 April 2021, CPIPG formed a consortium with Aroundtown SA ("Aroundtown") and announced a cash offer through Zakiono Enterprises Limited ("Zakiono") for the entire issued share capital of Globalworth Real Estate Investments Limited ("Globalworth"). CPIPG and Aroundtown together held more than 51% of Globalworth's issued share capital prior to the launch of the tender offer. The offer closed on 23 July 2021, at which point Zakiono had received valid acceptances in respect of approximately 9.24% of Globalworth. Therefore, upon conclusion of the offer, the consortium owned 60.63% of Globalworth shares.

Strategic partnership with DeA Capital in Italy

On 5 August 2021, a framework agreement was signed between CPIPG, certain companies of the DeA Capital Group ("DeA Capital") and Nova RE SIIQ S.p.A. ("Nova RE"). CPIPG is the majority owner of Nova RE, which is an Italian SIIQ (REIT) listed on the Milan Stock Exchange. DeA Capital is the leading independent platform for alternative asset management in Italy, with combined AUM of nearly €25 billion including more than €10 billion invested in real estate. The framework agreement includes a plan to transform Nova RE into Italy's leading SIIQ and prepare Nova RE for a near-term primary offering of up to €1 billion. DeA Capital Real Estate SGR S.p.A. is Nova RE's exclusive external asset management advisor and will provide a broad range of services to enhance the investment, financial and operational capabilities of Nova RE. In connection with the framework agreement, DeA Capital also agreed to purchase approximately 1.1 million shares (about 5%) of Nova RE from CPIPG.

Actions to support our financial policy

CPIPG intends to take actions immediately and in the future to preserve and recharge our financial strength after periods of acquisition activity. Near-term actions include:

- Radovan Vitek, the Group's majority shareholder, has agreed to participate in an intended issuance of new ordinary shares by CPIPG for up to €500 million, with the first €100 million expected in September
- The Group has received offers well above book value for certain high-quality properties. Considering CPIPG's strategic vision and long-term priorities, the board of directors recently approved an intention by CPIPG to complete up to €1 billion of disposals in the next 6 to 12 months, subject to pricing. Sale proceeds would be redeployed via new strategic acquisitions and debt repayment.
- In Q4 2021 or early 2022, CPIPG intends to complete the aforementioned primary offering of €1 billion by Nova RE, our listed Italian subsidiary, in partnership with DeA Capital, a leading Italian asset manager.

CPIPG recognises that improving our "BBB" credit ratings will require the Group to follow through on these actions while continuing to deliver strong business performance. At the appropriate times, CPIPG will also continue to support our capital structure and debt maturity profile through selective debt refinancing and utilisation of hybrid capital.

Disposal of a property in Ettlingen, Germany

On 31 August 2021, CPIPG's subsidiary GSG Berlin successfully completed the sale of a non-core asset in Ettlingen, Germany for nearly €32 million. The property is an industrial production unit in the wider Stuttgart area, and the sale price was almost 10% above book value.

Half-year results webcast

CPIPG will host a webcast in relation to its financial results for the six-month period ended 30 June 2021. The webcast will be held on **Tuesday 7 September 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/611ba148c97de6636c2d9725

FINANCIAL HIGHLIGHTS

Performance		30-Jun-2021	30-Jun-2020	Change
Gross rental income	€ million	188	173	8.8%
Net rental income	€ million	175	164	6.9%
Net hotel income	€ million	(4)	(5)	17.5%
Total revenues	€ million	300	291	3.2%
Net business income	€ million	178	168	5.8%
Consolidated adjusted EBITDA	€ million	172	164	4.8%
Funds from operations (FFO)	€ million	127	115	10.5%
Net profit for the period	€ million	253	2	11,381%

Assets		30-Jun-2021	31-Dec-2020	Change
Total assets	€ million	12,586	11,801	6.7%
Property portfolio	€ million	11,246	10,316	9.0%
Gross leasable area	sqm	3,725,000	3,636,000	2.4%
Occupancy	%	92.6	93.7	(1.1 p.p.)
Like-for-like gross rental growth*	%	1.9	0.8	1.1 p.p.
Total number of properties**	No.	352	343	2.6%
Total number of residential units	No.	11,930	11,929	0.0%
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-Jun-2021	31-Dec-2020	Change
Total equity	€ million	6,044	5,787	4.4%
EPRA NRV (NAV)	€ million	5,265	5,118	2.9%
Net debt	€ million	4,716	4,194	12.4%
Net Loan-to-value ratio (Net LTV)	%	41.9	40.7	1.2 p.p.
Net debt/EBITDA		13.7x	12.4x	1.3x
Secured consolidated leverage ratio	%	12.3	12.0	0.3 p.p.
Secured debt to total debt	%	28.9	29.0	(0.1 p.p.)
Unencumbered assets to total assets	%	69.0	70.0	(1.0 p.p.)
Net ICR		4.8x	5.4x	(0.6x)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*

(€ million)	Six-month period ended 30 June 2021	30 June 2020
Gross rental income	188.1	172.8
Service charge and other income	62.4	60.5
Cost of service and other charges	(48.8)	(44.1)
Property operating expenses	(26.5)	(25.2)
Net rental income	**175.2**	**164.0**
Development sales	12.0	8.8
Development operating expenses	(9.8)	(8.1)
Net development income	**2.2**	**0.7**
Hotel revenue	15.7	19.8
Hotel operating expenses	(19.6)	(24.6)
Net hotel income	**(3.9)**	**(4.8)**
Other business revenue	22.2	29.3
Other business operating expenses	(17.9)	(21.1)
Net other business income	**4.3**	**8.2**
Total revenues	**300.4**	**291.2**
Total direct business operating expenses	**(122.6)**	**(123.1)**
Net business income	**177.8**	**168.1**
Net valuation gain (loss)	222.0	(11.0)
Net gain on disposal of investment property and subsidiaries	0.5	0.6
Amortization, depreciation and impairment	(10.6)	(54.9)
Administrative expenses	(24.5)	(24.9)
Other operating income	2.9	3.9
Other operating expenses	(3.1)	(2.3)
Operating result	**365.0**	**79.5**
Interest income	11.3	8.9
Interest expense	(47.3)	(38.8)
Other net financial result	(22.1)	(6.0)
Net finance costs	**(58.1)**	**(35.9)**
Share of gain (loss) of equity-accounted investees (net of tax)	3.3	(14.9)
Profit before income tax	**310.2**	**28.7**
Income tax expense	(56.8)	(26.5)
Net profit from continuing operations	**253.4**	**2.2**

** 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 €15.3 million (8.9%) to €188.1 million in H1 2021 primarily due to growth of rental income generated by the office portfolios in Berlin (€4.3 million) and Warsaw (€3.5 million) and acquisitions in Italy (€3.8 million).

Net hotel income

In H1 2021, hotel revenues decreased by €4.1 million (20.7%) to €15.7 million due to COVID-19 affecting hospitality for much of the period. On the other hand, because the Group operates nearly all its hotels, hotel operating expenses were reduced by €5.0 million (19.9%) to €19.6 million in H1 2021.

Net valuation gain

In H1 2021, the valuation gain reflected primarily an increase of the fair value of newly acquired assets in Rome, Italy (€135.1 million), and the residential portfolio in the Czech Republic (€71.5 million).

Amortization, depreciation and impairment

Amortization, depreciation and impairment decreased by €44.3 million to €10.6 million in H1 2021 due to positive revaluations of the hotel portfolio (€8.5 million). In H1 2020 there was an impairment loss from the revaluation of the hotel portfolio (€34.4 million).

Interest expense

Interest expense increased by €8.5 million to €47.3 million in H1 2021 due to the increase in total bonds issued.

Other net financial result

The negative other net financial result in H1 2021 relates primarily to transaction costs of €18.1 million attributed to refinancing of bonds including payments of premiums above par.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION*

(€ million)	30 June 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible assets and goodwill	108.5	107.1
Investment property	9,714.8	8,792.6
Property, plant and equipment	826.4	779.4
Deferred tax assets	153.4	155.6
Equity accounted investees	656.9	658.1
Other non-current assets	215.1	330.9
Total non-current assets	**11,675.1**	**10,823.7**
CURRENT ASSETS		
Inventories	29.4	38.8
Trade receivables	115.1	85.4
Cash and cash equivalents	241.7	632.3
Cash escrow deposit	338.6	-
Assets linked to assets held for sale	34.4	37.7
Other current assets	152.1	183.5
Total current assets	**911.3**	**977.7**
TOTAL ASSETS	**12,586.4**	**11,801.4**
EQUITY		
Equity attributable to owners of the Company	4,416.4	4,320.8
Perpetual notes	1,553.8	1,369.6
Non-controlling interests	73.9	96.1
Total equity	**6,044.1**	**5,786.5**
NON-CURRENT LIABILITIES		
Bonds issued	3,430.5	3,195.2
Financial debts	1,413.9	1,269.6
Deferred tax liabilities	903.1	842.2
Other non-current liabilities	102.8	116.9
Total non-current liabilities	**5,850.3**	**5,423.9**
CURRENT LIABILITIES		
Bonds issued	84.2	108.8
Financial debts	367.9	253.0
Trade payables	70.2	70.6
Other current liabilities	169.7	158.6
Total current liabilities	**692.0**	**591.0**
TOTAL EQUITY AND LIABILITIES	**12,586.4**	**11,801.4**

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

Total assets

Total assets increased by €785 million (6.7%) to €12,586.4 million at 30 June 2021 compared to 31 December 2020. The increase was driven primarily by acquisitions, offset by a slight decrease of loans provided.

Cash escrow deposit

Cash escrow deposit of €338.6 million as at 30 June 2021 represents the Company's cash deposit held by Barclays in connection with the mandatory tender offer for Globalworth shares. The transaction completed following the end of the period, at which point excess funds of €321.1 million were returned to the Company on 26 July 2021.

Total liabilities

Total liabilities increased by €527.4 million (8.8%) to €6,542.3 million at 30 June 2021 compared to 31 December 2020, largely due to incremental debt issuance. The Group issued senior unsecured bonds of €673.1 million and additionally drawn secured debts of €245.0 million, while €464.0 million of bonds and €115.0 million of secured debts were repaid in H1 2021. As at 30 June 2021, the Group had drawn €200 million of the €700 million revolving credit facility in connection with the amounts placed in escrow for the Globalworth mandatory tender offer. Once excess funds were returned to the Company on 26 July 2021, the amount drawn under the revolving credit facility was fully repaid.

EQUITY AND EPRA NRV

Total equity increased by €257.6 million from €5,786.5 million as at 31 December 2020 to €6,044.1 million as at 30 June 2021. The movements of equity components were as follows:

- Increase due to the profit for the period of €253.4 million (profit to the owners of €212.0 million);
- Decrease due to share buy-back of €239.9 million;
- Increase in translation reserve of €83.3 million;
- Increase from derecognition of financial liability in respect of mandatory public offer for Nova RE shares of €3.9 million;
- Increase due to sale of NCI and acquisition of subsidiaries with NCI (€3.2 million and €3.2 million, respectively).
- Increase due to issuance and repayment of perpetual notes net of €149.1 million.

EPRA NRV was €5,265 million as at 30 June 2021, representing increase of 2.9% 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 June 2021	31 December 2020
Equity attributable to the owners (NAV)	**4,416**	**4,321**
Effect of exercise of options, convertibles and other equity interests	-	-
Diluted NAV	**4,416**	**4,321**
Revaluation of trading property and PPE	2	3
Deferred tax on revaluations	889	837
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV (€ million)	**5,265**	**5,118**

For disclosures regarding Alternative Performance Measures used in this press release please refer to our Half-year Management Report 2021, chapters Glossary, Key Ratio Reconciliations and EPRA Performance; accessible at http://cpipg.com/reports-presentations-en.

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

Half-year 2021 unaudited financial report
Half-year 2021 unaudited management report

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