Press Release

Luxembourg, 30 August 2019

CPI PROPERTY GROUP publishes half-year 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 its unaudited financial results for the first half of the 2019 financial year.

"CPIPG's superb operational and financial performance during the first half of 2019 reflects the hard work of our teams, the strength of our markets and the quality of our assets. We maintained our long-term focus, improved our capital structure and strengthened our corporate governance." said Martin Němeček, CEO.

Key highlights for the first half of the 2019 financial year include:

- **Property portfolio increased to €7.9 billion** (**up €300 million** versus year end 2018), driven primarily by a combination of capex, acquisitions and positive revaluations.
- **Total assets increased to €9.5 billion** (**up €1.2 billion** versus year end 2018), driven by increases to the property portfolio as well as a €0.9 billion increase in cash and equivalents following significant capital markets activity in the first half.
- **Net rental income of €145 million** (**up 7.7%** versus the first half of 2018), reflecting the combined effects of **3.9% like-for-like growth in rental income**, improvement in **occupancy to 94.6%** and also acquisitions since the prior period.
- **Total revenues of €322 million** (**up 13%** versus the first half of 2018).
- **Net business income** of **€168 million** and **consolidated adjusted EBITDA** of **€143 million** (up **8%** and **9%** respectively versus the first half of 2018).
- **Funds from operations (FFO I) of €103 million** (up **18%** versus the first half of 2018).
- **EPRA NAV** rose by **4%** from year end 2018 to **€4.7 billion**.
- **Net Loan to Value (LTV)** reached a record low of **30.4%**.
- Record **69% of unencumbered assets**, relative to 65% at the end of 2018.
- Significant improvement of **Net ICR to 7.2x** for the first half of 2019, relative to 4.2x for full year 2018, reflecting the combination of **higher EBITDA generation** as well as **reduction of interest costs** following significant refinancing activity in 2018.
- 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 with **more than €900 million** equivalent of new issuance across multiple instruments and currencies. This included our inaugural $350 million US Dollar unsecured bond (which was subsequently increased by $100 million in July), issuance of additional subordinated perpetual hybrid bonds in Euros of €550 million, unsecured bonds in Hong Kong

Dollars of €82 million equivalent, and placement of €170 million equivalent of schuldschein (assignable loans). 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 €1.5 billion** at the end of June 2019.
- In April we increased capacity under our EMTN programme to **€5 billion**.
- CPIPG took the positive decision to **tighten 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.

"CPIPG has a positive outlook for the rest of 2019, and will continue investing in our portfolio and making acquisitions, " said David Greenbaum, CFO. "Our strong financial performance, conservative financial policy and high levels of liquidity give CPIPG the flexibility to pursue good opportunities."

FINANCIAL HIGHLIGHTS

Performance		30-Jun-19	30-Jun-18	Change
Gross rental income	€ million	155	147	6%
Total revenues	€ million	322	285	13%
Net business income	€ million	168	156	8%
Consolidated adjusted EBITDA	€ million	143	131	9%
Funds from operations (FFO)	€ million	103	87	18%
Profit before tax	€ million	186	185	1%
Interest expense	€ million	(25)	(45)	(43%)
Net profit for the period	€ million	166	161	3%

Assets		30-Jun-19	31-Dec-18	Change
Total assets	€ million	9,498	8,259	15%
Property portfolio	€ million	7,855	7,555	4%
Gross leasable area	sqm	3,339,000	3,318,000	1%
Occupancy	%	94.6	94.5	0.1 p.p.
Like-for-like gross rental growth	%	3.9	4.9	(1.0 p.p.)
Total number of properties*	No.	381	375	2%
Total number of residential units	No.	11,991	11,917	1%
Total number of hotel beds**	No.	12,070	11,300	7%

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

Financing structure		30-Jun-19	31-Dec-18	Change
Total equity	€ million	5,091	4,362	17%
EPRA NAV	€ million	4,668	4,480	4%
Net debt	€ million	2,386	2,775	(14%)
Loan to value ratio (Net LTV)	%	30.4	36.7	(6.3 p.p.)
Secured consolidated leverage ratio	%	11.1	12.9	(1.8 p.p.)
Secured debt to total debt	%	31.3	36.7	(5.4 p.p.)
Unencumbered assets to total assets	%	69.1	65.1	4.0 p.p.
Net ICR		7.2x	4.2x	3.0x

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the six-month period ended on 30 June 2019 and 30 June 2018 was as follows:

INCOME STATEMENT (€ million)	30-Jun-19	30-Jun-18
Gross rental income	155.2	146.9
Service charge and other income*	64.8	56.2
Cost of service and other charges*	(46.5)	(40.2)
Property operating expenses	(28.5)	(28.3)
Net rental income	**145.0**	**134.6**
Development sales	17.8	7.9
Development operating expenses**	(18.0)	(9.6)
Net development income	**(0.2)**	**(1.7)**
Hotel revenue	56.7	49.9
Hotel operating expenses	(41.1)	(35.6)
Net hotel income	**15.6**	**14.3**
Other business revenue	27.3	24.1
Other business operating expenses**	(19.6)	(15.7)
Net other business income	**7.7**	**8.4**
Total revenues*	**321.8**	**285.0**
Total direct business operating expenses*	**(153.7)**	**(129.4)**
Net business income	**168.1**	**155.6**
Net valuation gain / (loss)***	79.9	153.6
Net gain/(loss) on disposal of investment property and subsidiaries	0.4	(0.1)
Amortization, depreciation and impairment	(16.4)	(11.7)
Administrative expenses	(25.2)	(24.8)
Other operating income	3.1	0.8
Other operating expenses	(4.1)	(4.1)
Operating result	**205.8**	**269.3**
Interest income	5.7	7.3
Interest expense	(25.5)	(44.9)
Other net financial result***	0.6	(46.3)
Net finance costs	**(19.2)**	**(83.9)**
Share of profit of equity-accounted investees (net of tax)	(0.4)	(0.4)
Profit before income tax	**186.2**	**185.0**
Income tax expense	(20.6)	(24.2)
Net profit from continuing operations	**165.6**	**160.8**

** In connection with the adoption of IFRS 15, the Group changed, in respect of service charges, revenue recognition from net to gross, before deduction of cost of services (refer to the annual management report for 2018 for further detail). The presentation of the statement of profit or loss for the six-month period of 2018 was adjusted due to the changes in the accounting policy as follows:*

	30 June 2018	Effect of IFRS 15 adoption	30 June 2018 Adjusted
Gross rental income	146.9	-	146.9
Service revenue	5.8	(5.8)	-
Net service charge income	10.2	(10.2)	-
Service charge and other income	-	56.2	56.2
Cost of service and other charges	-	(40.2)	(40.2)
Property operating expense	(28.3)	-	(28.3)
Net rental income	**134.6**	**-**	**134.6**
Total revenues	**244.8**	**40.2**	**285.0**
Total direct business operating expenses	**(89.2)**	**(40.2)**	**(129.4)**
Net business income	**155.6**	**-**	**155.6**

*** To provide reliable and more relevant information, the Group reclassified the following items, which are no longer presented separately, in the consolidated financial statements:*

- *Cost of goods sold related to Development sales and Other business were reclassified to Development operating expenses and Other business operating expenses. Comparative information of EUR 0.1 million and EUR 1.1 million as at 31 March 2018 was adjusted accordingly.*
- *Net gain/(loss) on disposal of subsidiaries and investees was reclassified to Net gain/(loss) on the disposal of investment property and subsidiaries. Comparative information of EUR 0.1 million as at 30 June 2018 was adjusted accordingly.*

****The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties from the Other net financial result to the Net valuation gain or loss. Management finds the adjusted presentation reliable and more relevant, because the effect is already included in determination of the fair value of the relevant investment properties by the Group's subsidiaries.*

Comparative information for the six-month period ended 30 June 2018 was adjusted accordingly. The change in the accounting policy had no impact on the statement of financial position, the impact on the statement of comprehensive income is presented in the table below:

	30 June 2018	Effect of the accounting policy	30 June 2018 Adjusted
Net business income	**155.6**	**-**	**155.6**
Net valuation gain	95.1	58.5	153.6
Operating result	**210.8**	**58.5**	**269.3**
Other net financial result	12.2	(58.5)	(46.3)
Net finance costs	**(25.4)**	**(58.5)**	**(83.9)**
Profit before income tax	**185.0**	**-**	**185.0**
Net profit from continuing operations	**160.8**	**-**	**160.8**

Net rental income

Net rental income increased by 8% to €145 million compared to €135 million in Q2 2018, driven primarily by an increase in gross rental income reflecting 2018´s acquisitions of Futurum Hradec Králové shopping centre (increase of €2.8 million) and Atrium office complex in Poland (increase of €2.8 million). The better performance of our Berlin portfolio (increase of €4.8 million) contributed to the overall increase in net rental income.

Net development income

Development sales in Q2 2019 were represented by sales of apartments in Nice (revenue of €15.2 million) and sales of family houses in Březiněves (revenue of €2.5 million).

Net hotel income

Net hotel income in Q2 2019 increased primarily due to the Orchard Hotel acquisition (€1 million).

Net valuation gain / (loss)

Valuation gain in Q2 2019 relates mainly to the Prague office portfolio (€39 million), Czech residential portfolio (€9 million) and Berlin office portfolio (€9.8 million).

Amortization, depreciation and impairments

The increase in amortization, depreciation and impairments in Q2 2019 was affected by the write-off of goodwill (€6 million), which was recognized in 2014 in connection with the acquisition of the Group's agriculture business.

Interest expense

Interest expense was €25.5 million in Q2 2019 compared to €45 million in Q2 2018. Interest expense dropped due to the substantial change in the Group´s financing structure, resulting into a significant decrease in interest expense from bank loans (net decrease of €9.7 million) and bonds (decrease of €8.8 million).

Other net financial result

Improvement of other net financial result Q2 2019 due to overall FX gain of €6.5 million (compared to FX loss of €43 million in Q2 2018).

BALANCE SHEET

BALANCE SHEET (€ million)	30-Jun-19	31-Dec-18
NON-CURRENT ASSETS		
Intangible assets and goodwill	105.5	110.3
Investment property	6,942.3	6,687.1
Property, plant and equipment	793.6	736.2
Deferred tax assets	195.2	195.2
Other non-current assets	151.2	90.6
Total non-current assets	**8,187.8**	**7,819.4**
CURRENT ASSETS		
Inventories	56.0	71.5
Trade receivables	76.5	68.4
Cash and cash equivalents	958.9	99.2
Assets linked to assets held for sale	72.5	66.7
Other current assets	146.3	133.8
Total current assets	**1,310.2**	**439.6**
TOTAL ASSETS	**9,498.0**	**8,259.0**
EQUITY		
Equity attributable to owners of the Company	3,951.5	3,775.6
Perpetual notes	1,097.2	542.5
Non-controlling interests	42.5	44.2
Total equity	**5,091.2**	**4,362.3**
NON-CURRENT LIABILITIES		
Bonds issued	2,041.1	1,648.4
Financial debts	1,229.7	1,061.6
Deferred tax liabilities	782.2	761.6
Other non-current liabilities	63.4	52.9
Total non-current liabilities	**4,116.4**	**3,524.5**
CURRENT LIABILITIES		
Bonds issued	19.3	6.7
Financial debts	55.9	157.6
Trade payables	81.3	97.5
Other current liabilities	133.9	110.4
Total current liabilities	**290.4**	**372.2**
TOTAL EQUITY AND LIABILITIES	**9,498.0**	**8,259.0**

Total assets

Total assets increased by €1,239 million (15%) to €9,498 million as at 30 June 2019. The predominant driver of this growth was the increase in cash and cash equivalents by €860 million.

Increase in investment property by €255 million reflects primarily capex and development costs (€ 85.1 million) incurred in Q2 2019. Due to the acquisition of 7St James's Square the Group´s property portfolio rose by of €54.3 million. Valuation gain in Q2 2019 was €79.4 million.

Total liabilities

Non-current and current liabilities totalled €4,407 million as at 30 June 2019, an increase of €510 million (13.1%) compared to 31 December 2018. The increase is attributable to the emission of USD bonds (€312 million), HKD bonds (€82 million). The Group also signed a new unsecured loan Schuldschein of €170 million from Unicredit Bank AG and repaid bridge loan of €68 million and RCF of €34 million.

NAV AND EPRA NAV

Total equity increased from €4,362 million as at 31 December 2018 to €5,091 million as at 30 June 2019. The main elements impacting equity were:

- an increase in equity due to profit for the six-month period of 2019 in the amount of €165.6 million;
- an increase by €23.5 million due to a shift in hedging and translation reserves;
- an increase by €5.5 million due to the change in revaluation reserve.

EPRA NAV was €4,668 million as at 30 June 2019, an increase of 4.2% relative to 31 December 2018. The main positive effect was the positive equity elements described above.

EPRA NAV (€ million)	**30-Jun-19**	**31-Dec-18**
Equity per the financial statements (NAV)	**3,952**	**3,776**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,952**	**3,776**
Revaluation of trading property and PPE	4	7
Fair value of financial instruments	(6)	(5)
Deferred tax on revaluations	761	745
Goodwill as a result of deferred tax	(43)	(43)
Total	**4,668**	**4,480**

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

Unaudited documents will be available tonight on:
http://www.cpipg.com/reports-presentations-en

Half-year 2019 unaudited financial report
Half-year 2019 unaudited management report

CPIPG will host a webcast in relation to its financial results for the first half of 2019. The webcast will be held on Friday 6 September 2019 at 11:00am CET / 10:00am UK.

Please register for the webcast via the link below:

https://globalmeet.webcasts.com/starthere.jsp?ei=1259937&tp_key=d0056de7de

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