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PRESS RELEASE
CORPORATE NEWS

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CPI Property Group – End of Year Message

CPI Property Group (“**CPIPG**” or the “**Group**”), the leading owner of real estate in Berlin, Prague and Warsaw has prepared the following update on the Group’s performance during 2020, along with our outlook for full year 2020 and 2021.

“There is no doubt that 2020 was challenging for many businesses. Thanks to the quality of our people, properties, markets and tenants, CPIPG has been resilient throughout the year and continued our growth trajectory,” said Martin Nemecek, CEO. “We appreciate the consistent support of our stakeholders and send best wishes for a restful and healthy holiday season.”

Portfolio Performance

The outbreak of COVID-19 has challenged many long-held ideas about real estate. Despite uncertainties, CPIPG’s diversified property portfolio delivered strong performance. The Group collected more than 95% of rent due through Q3 2020. With comparable trends experienced in Q4, the Group expects to report higher levels of rental income, EBITDA and FFO for 2020 relative to 2019.

While COVID-19 has proven that working from home is possible, CPIPG is confident that our tenants are eager to return to their offices and reclaim the collaboration, creativity and communication which have suffered during the pandemic. The Group’s office platforms in key Central European capital cities of Berlin, Prague, and Warsaw (52% of our property portfolio) continue to benefit from high occupancy, stable or increasing rents and near-100% rent collection rates. Leasing activity in Berlin and Warsaw has been robust, with increased like-for-like rents. Occupancy has risen to 93% in Warsaw and remains stable at 95% in Prague. Recently completed office developments and refurbishments such as Bubenska in Prague along with The Benjamin and Prinzessinnen-Höfe in Berlin are 100% leased and will contribute meaningful rental income to the Group in 2021.

CPIPG’s retail properties (22% of our property portfolio) are primarily shopping centres and retail parks in regional cities of the Czech Republic. More than 50% of the Group’s retail units were considered “essential” and never closed despite COVID-19 restrictions. During the first nine months of 2020, the Group collected almost 90% of retail rents; retailers who were temporarily required to close received strong financial support from the Czech Government. One-time rent discounts were necessary in limited circumstances and are expected to



represent less than 4% of CPIPG's rental income for 2020. In connection with one-time discounts, many retail leases were extended by around six months. CPIPG has also succeeded in maintaining high occupancy and stable rents across the retail portfolio. The Group's Czech shopping centres were 96% occupied at the end of Q3 and leasing activity has continued on like-for-like terms. Occupancy reached 100% in the Group's retail parks and supermarkets as tenants report higher turnovers, with recent lease negotiations seeing a 10% rise in rents.

All retail in the Czech Republic was permitted to reopen on 3 December. Shops are expected to remain open during the festive period, subject to certain operational restrictions. The Czech government will continue to closely monitor COVID-19 infection rates and calibrate restrictions accordingly. Other retail restrictions also remain in force in other countries such as Poland, where the Group has a significantly smaller retail exposure.

The Group's hotels (7% of our property portfolio) have been mostly closed throughout the pandemic. Fortunately, CPIPG operates our hotels and was able to quickly reduce operating expenses by nearly 50%. While hotels contributed €40 million of net income to the Group in both 2018 and 2019, income from the segment is expected to be near zero for 2020. CPIPG is preparing a measured reopening of hotels for Spring/Summer 2021, under the expectation that business and leisure travel will gradually resume.

Finally, the Group's residential platform in the Czech Republic (4% of our property portfolio) has benefited from nearly 100% collection rates. Residential demand remains strong across the Czech Republic, leading to generally higher valuations and rents.

Financial Policy, Liquidity and Acquisitions

CPIPG remains committed to our credit ratings and financial policy. During 2020, the Group's balance sheet was significantly strengthened through debt repayment, debt maturity extension and new hybrid capital issuance.

Total liquidity should exceed €1.3 billion at year-end 2020, bolstered by the signing of a new €700 million revolving credit facility due in 2026. In conjunction with CPIPG's conservative shareholder distribution policy, the Group will retain 100% of FFO during 2020.

CPIPG spent about €950 million on acquisitions during the first nine months of 2020, primarily in Q1 when the Group acquired five offices in Warsaw and a stake in Globalworth. Activity in Q2 and Q3 was significantly reduced as the Group focused on cash retention. During Q4, CPIPG made three small acquisitions as described below.

Acquisition of Nova Re in Italy

In November 2020, CPIPG acquired more than 50% of Nova RE SIIQ S.p.A. ("Nova RE"), an Italian real estate company with a property portfolio valued at €123 million at 30 June 2020, by participating in a capital increase for a total consideration of about €26 million. Over time, Nova RE will become a platform for the Group's investments in Italy. A mandatory tender offer concerning the remaining shares of Nova RE was launched in December, with results expected mid-January 2021.



Residential Acquisitions in the UK

CPIPG acquired our first residential property in the UK during 2018, followed by two properties in 2019. In Q4 2020, the Group completed two small acquisitions that will complement the Group's existing UK residential platform.

The first property, St. Mark's Court, is located in St. John's Wood. St. Mark's Court is a rare unbroken freehold terrace consisting of 24 apartments with the potential for expansion on the existing lot. The property was purchased directly from a charity. The second property, Metrogate House, is located in South Kensington. Metrogate House consists of three interconnected white stucco terrace properties which are currently leased to a student accommodation provider. The purchase prices for both St. Mark's Court and Metrogate House were below £1,000 per square foot, representing exceptional value for these locations. CPIPG intends to refurbish both properties over time.

Litigation

The lawsuit filed by Kingstown in April 2019 in the United States District Court for the Southern District of New York was dismissed in September 2020. In October 2020, Kingstown filed a notice of their intention to appeal the dismissal. The Second Circuit Court of Appeals has scheduled the parties to submit their briefs during the first quarter of 2021. CPIPG continues to believe that the Kingstown lawsuit and corresponding appeal lacks merit and will defend the appeal vigorously.

In December 2020, the Luxembourg court announced a schedule to hear the merits of Kingstown's litigation filed in Luxembourg in 2015. CPIPG's subsidiary CPI FIM SA and other defendants are scheduled to present their written submissions during the first half of 2021, with pleading scheduled in the second half of the year. The lawsuit was already dismissed against CPIPG in June 2019 because the Luxembourg court determined that the claim was not clearly pleaded ("libellé obscur").

Corporate & Social Responsibility

CPIPG has continued to prioritize corporate & social responsibility during 2020. The Group continues to pursue our environmental goals and is one of Europe's largest and most well-known issuers of green bonds following transactions in EUR, GBP, and HUF. Corporate governance was also further strengthened by the appointment of our third independent board member in December 2020.

"The challenges of 2020 prepared CPIPG well for 2021," said David Greenbaum, CFO. "We intend to continue delivering on our commitments and are well positioned for the future."



For more on CPI PROPERTY GROUP, visit our website: www.cpihg.com

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