Press Release

Luxembourg, 29 March 2019

CPI PROPERTY GROUP reports record financial results for the 2018 financial year

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 results for the financial year ended 31 December 2018.

"2018 was an extraordinary year for CPI Property Group. Our core markets of the Czech Republic, Berlin and the CEE region are among the strongest economies in Europe, and demand for real estate remains vibrant," said Martin Nemecek, CEO. "Our asset management teams achieved higher levels of occupancy and rents, leading to record income for the Group. The Group´s capital structure was transformed through refinancing, accelerating the process which began in 2017, and our reputation as a leader on the international capital markets is now firmly established. By every measure, CPIPG is doing better than ever."

Highlights for the 2018 financial year include:

- Total assets of €8.3 billion, an increase of €0.7 billion from 2017, driven by higher property portfolio valuations primarily in Berlin and the Czech Republic and acquisitions of €290 million.
- Total revenues of €604 million (up 17% versus 2017), reflecting the combined effects of acquisitions in 2017 and 2018 and 4.9% like-for-like growth in rental income.
- Substantially improved occupancy to 94.5% at year-end (up 1.7 p.p. versus 2017).
- Funds from operations of €164 million (up 29% versus 2017).
- EPRA NAV rose by 14% to €4.5 billion.
- Net Loan to Value (LTV) reached a record low of 36.7%.
- Strengthened credit ratings: a new "BBB" rating from S&P, Moody´s upgrade to "Baa2" and a new "A-" rating from Japan Credit Rating Agency.
- Successful issuance of €550 million of undated subordinated "hybrid" notes under our EMTN programme in May 2018.
- Issuance of €840 million of senior unsecured bonds under our EMTN programme in Euros, Swiss Francs and Japanese Yen during 4Q 2018.
- Repayment of about €1.5 billion of subsidiary bonds and secured loans leading to a streamlined funding structure and improved credit metrics.
- Record 65% of unencumbered assets at the end of 2018, relative to 43% at the end of 2017.
- Reduction of secured debt from 59% at the end of 2017 to 37% at the end of 2018.

- Significant improvement of Net Interest Coverage Ratio to 4.2x for 2018, which only partially reflects the effect of early repayment of high-coupon subsidiary bonds.
- CPIPG enhanced financial flexibility in 2018 by signing €230 million of 2-year revolving credit facilities; in March 2019 the facilities were replaced by a new €510 million 3-year revolving credit facility.
- In Q1 2019, the Group further expanded its active presence on the international capital markets through the issuance of senior unsecured bonds in Hong Kong Dollars and US Dollars under the EMTN programme, and the placement of senior unsecured schuldschein (assignable loans). The issuance of bonds and schuldschein, alongside the new revolving credit facility signed in March, meant that the Group had more than €1 billion of available liquidity at the end of Q1 2019.

"While we are proud of our success, CPIPG is not standing still. The Group will continue focusing on the long-term performance of our properties and the satisfaction of our tenants and communities," said Martin Nemecek. "Most importantly, we will continue investing in the heart of our business: our local teams, who bring their enthusiasm to work every day. Working together, I am certain that CPIPG will enjoy a successful 2019."

FINANCIAL HIGHLIGHTS

Performance		31-Dec-18	31-Dec-17	Change
Gross rental income	€ million	302	262	15%
Total revenues	€ million	604	515	17%
Net business income	€ million	320	272	17%
Consolidated adjusted EBITDA	€ million	270	230	17%
Funds from operations (FFO)	€ million	164	127	29%
Profit before tax	€ million	649	841	-23%
Interest expense	€ million	78	99	-21%
Net profit for the period	€ million	631	695	-9%

Assets		31-Dec-18	31-Dec-17	Change
Total assets	€ million	8,259	7,529	10%
Property Portfolio	€ million	7,555	6,722	12%
Gross leasable area	sqm	3,318,000	3,329,000	0%
Occupancy	%	94,5	92,8	1.7 p.p.
Like-for-like gross rental growth	%	4,9	5,4	-0,5 p.p.
Total number of properties*	No.	375	432	-13%
Total number of residential units	No.	11,917	12,402	-4%
Total number of hotel beds**	No.	11,300	11,406	-1%

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

Financing structure		31-Dec-18	31-Dec-17	Change
Total equity	€ million	4,362	3,315	32%
EPRA NAV	€ million	4,480	3,934	14%
Net debt	€ million	2,775	3,015	-8%
Loan to value ratio (Net LTV)	%	36.7	44.9	-8.1 p.p.
Secured consolidated leverage ratio	%	12.9	25.7	-12.8 p.p.
Secured debt to total debt	%	36.7	58.5	-21.8 p.p.
Unencumbered assets to total assets	%	65.1	42.9	22.2 p.p.
Net ICR		4.2x	2.6x	1.6x

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the 12 months period ended on 31 December 2018 and 31 December 2017 is as follows:

INCOME STATEMENT (€ million)	31-Dec-18	31-Dec-17
Gross rental income	302	262
Service charge and other income	111	103
Cost of service and other charges	(85)	(77)
Property operating expenses	(56)	(56)
Net rental income	**272**	**232**
Development sales	30	4
Development operating expenses	(31)	(4)
Net development income	**--**	**--**
Hotel revenue	122	112
Hotel operating expenses	(82)	(73)
Net hotel income	**40**	**39**
Other business revenue	38	35
Other business operating expenses	(30)	(34)
Net other business income	**8**	**1**
Total revenues	**604**	**515**
Total direct business operating expenses	**(284)**	**(244)**
Net business income	**320**	**272**
Net valuation gain*	579	771
Net gain or loss on the disposal of investment property and subsidiaries	1	4
Amortization, depreciation and impairment	(64)	(84)
Administrative expenses	(49)	(42)
Other operating income	7	30
Other operating expenses	(7)	(4)
Operating result	**786**	**947**
Interest income	14	10
Interest expense	(78)	(99)
Other net financial result*	(72)	(24)
Net finance costs	**(136)**	**(112)**
Share of profit of equity-accounted investees (net of tax)	(1)	6
Profit before income tax	**649**	**841**
Income tax expense	(18)	(147)
Net profit from continuing operations	**631**	**695**

** Adjusted comparative information 2017, refer to note 2.4 of Consolidated Financial Statements as at 31-Dec 2018.*

Net rental income

Net rental income increased by 17% to €272 million compared to €232 million in 2017, driven by a significant increase in gross rental income reflecting strong like-for-like growth and the extension of our portfolio during the year, as well as the full year impact of properties acquired in 2017.

Net valuation gain

The gain on revaluation of the property portfolio totals €579 million and is based on the valuation reports prepared by independent and reputable appraisers.

The revaluation gain reflects the strong efforts of the Group's asset management teams and improved market conditions in our core markets. Czech Republic and Berlin represent 82% (€476 million) of the total revaluation gain.

The Group reclassified the effect of FX changes on properties from Other net financial result to Net valuation gain/loss. In 2018, due to a slight depreciation of CZK against EUR, the Group recognized an unrealised (non-cash) FX gain of €34 million on Euro denominated assets in the Czech Republic.

Administrative expenses

Administrative expenses amounted to €49 million in 2018, an increase of €7 million compared to 2017. The increase was primarily associated with additional staff costs due to the higher headcount necessary to support our acquisitions.

Interest expense

Interest expense amounted to €78 million in 2018 compared to €99 million in 2017. The Group continuously takes advantage of its strong financial position and credit profile to source low-cost funds, and was able to reduce its average cost of debt from 2.6% in 2017 to 1.6% in 2018.

Other net financial result

In 2018 other net financial result increased by almost €49 million. The difference relates primarily to early repayment of subsidiary bonds. The Group also reclassified the effect of FX changes on properties from Other net financial result to Net valuation gain/loss.

BALANCE SHEET

BALANCE SHEET (€ million)	31-Dec-18	31-Dec-17
NON-CURRENT ASSETS		
Intangible assets and goodwill	110	120
Investment property	6,687	5,808
Property, plant and equipment	736	724
Deferred tax assets	195	142
Other non-current assets	91	89
Total non-current assets	**7,819**	**6,883**
CURRENT ASSETS		
Inventories	72	82
Trade receivables	68	77
Cash and cash equivalents	99	239
Assets linked to assets held for sale	67	113
Other current assets	134	136
Total current assets	**440**	**646**
TOTAL ASSETS	**8,259**	**7,529**
EQUITY		
Equity attributable to owners of the Company	3,776	3,277
Non-controlling interests	44	38
Perpetual notes	542	--
Total equity	**4,362**	**3,315**
NON-CURRENT LIABILITIES		
Bonds issued	1,648	1,332
Financial debts	1,062	1,593
Deferred tax liabilities	762	710
Other non-current liabilities	53	51
Total non-current liabilities	**3,525**	**3,685**
CURRENT LIABILITIES		
Bonds issued	7	158
Financial debts	158	165
Trade payables	98	75
Liabilities linked to assets held for sale	2	16
Other current liabilities	108	116
Total current liabilities	**372**	**529**
TOTAL EQUITY AND LIABILITIES	**8,259**	**7,529**

Total assets and total liabilities

Total assets increased by €730 million (10%) to €8,259 million as at 31 December 2018. The predominant driver of this growth was the expansion of Group´s property portfolio which rose by €833 million (12%) to €7,555 million. Acquisitions totalling €290 million, positive asset management efforts to improve rents and occupancy, and a strong market environment were the primary drivers of growth.

Non-current and current liabilities totalled €3,897 million as at 31 December 2018 which represents a decrease of €317 million (7.5%) compared to 31 December 2017. Repayment of subsidiary bonds and secured bank loans from the proceeds of hybrid issuance was the primary driver of this decline. Net LTV dropped to a record low of 36.7%.

Bonds issued and financial debts

During 2018, the Group issued about €840 million of senior unsecured bonds and used the proceeds (together with hybrid proceeds and cash) to repay about €1.5 billion of subsidiary bonds and secured loans. At year-end, the Group had €1,819 million of unsecured debt, which represented 63% of total debt (versus 41% at the end of 2017).

NAV AND EPRA NAV

Total equity increased by 32%, from €3,315 million as at 31 December 2017 to €4,362 million as at 31 December 2018. The main elements impacting equity were:

- Robust profit of €631 million
- Issuance of new hybrid notes of €550 million
- Share buy-back of €145 million
- New shares issued of €50 million

EPRA NAV was €4,480 million as at 31 December 2018, an increase of 14% relative to 2017. The main positive effect, aside from the positive equity elements described above, was an increase in deffered tax liability from positive revaluation of the Group's property portfolio.

EPRA NAV (€ million)	31-Dec-18	31-Dec-17
Equity per the financial statements (NAV)	**3,776**	**3,277**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,776**	**3,277**
Revaluation of trading property and PPE	7	3
Fair value of financial instruments	(5)	(2)
Deferred tax on revaluations	745	697
Goodwill as a result of deferred tax	(43)	(43)
Total	**4,480**	**3,934**

For disclosures regarding Alternative Performance Measures used in this press release please refer to our Annual Management Report 2018, chapters Glossary and EPRA Performance; accessible at http://cpipg.com/reports-presentations-en.

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

Full Year 2018 audited financial report
Full Year 2018 audited management report

CPIPG will host a webcast in relation to its financial results for the 2018. The webcast will be held on 9 April 2019 at 11:00am CET. CPIPG will publish participation details at the beginning of April 2019.

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