Press Release

Luxembourg, 22 May 2019

CPI PROPERTY GROUP reports financial results for the first quarter of 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 financial results for the first quarter of 2019.

"In the first quarter of 2019, CPIPG continued our strong trajectory," said Martin Nemecek, CEO of CPIPG. "Income and profitability are rising, and our capital structure is extremely strong."

Key highlights for the first quarter of 2019, plus recent events, include:

- Total assets of €8.7 billion at the end of Q1, an increase of €0.5 billion from the end of 2018, primarily driven by an increase in cash and cash equivalents.
- Total revenues in Q1 of €163 million (up 12% versus Q1 2018), reflecting the combined effects of acquisitions in 2018 and 2019 and 3.2% like-for-like growth in rental income.
- Group occupancy increased to 94.7% in Q1, versus 94.5% at year-end.
- Funds from operations increased to €50 million for the quarter (up 8% versus Q1 2018).
- EPRA NAV remained unchanged at €4.5 billion.
- Net Interest Coverage Ratio increased to 7.7x for Q1 2019 (compared to 4.2x for 2018), reflecting the Group´s successful refinancing activities during 2017 and 2018.
- Net Loan to Value (LTV) increased slightly from 36.7% at year-end to 37.4%.
- Unencumbered assets as a percentage of total assets rose to 67%, versus 65% at the end of 2018.
- Secured debt was reduced to 32% of total debt, relative to 37% at the end of 2018.
- Issuance of HKD 450 million (approximately €50 million) of senior bonds under the Group's EMTN programme in February 2019.
- Issuance of USD 350 million (approximately €312 million) of senior bonds under the Group's EMTN programme in March 2019.
- Issuance of senior unsecured Schuldschein (assignable loans) totaling €170 million in March 2019.
- New 3-year unsecured revolving credit facility of €510 million signed in March 2019 with 11 regional and international banks.

- Total available liquidity at the end of Q1 of about €1 billion, currently exceeds €1.5 billion following the issuance of hybrid bonds in April 2019.
- The Group's EMTN programme was increased to €5 billion in April 2019.

"Once again, our teams delivered excellent results for the Group," said David Greenbaum, CFO of CPIPG. "We remain focused on creating long-term sustainable value for all our stakeholders, and will continue investing in our portfolio throughout 2019."

U.S. Litigation

On 10 April 2019, a group of Kingstown companies, Investhold LTD and Verali Limited (together, the Kingstown Plaintiffs) filed a claim in the United States District Court of the Southern District of New York against, among others, CPIPG and Mr Radovan Vitek. The claims brought by the Kingstown Plaintiffs against CPIPG include alleged violations of RICO. CPIPG believes that the claims are without merit, and were designed to create negative press attention for CPIPG and force an undue settlement. CPIPG intends to vigorously contest the claims and has retained an international law firm, Hogan Lovells, with an experienced team of litigators and significant experience in RICO cases. At this time, CPIPG has no further comments on developments in the case, aside from the Group's previously published statements.

FINANCIAL HIGHLIGHTS

Performance		31-Mar-19	31-Mar-18	Change
Gross rental income	€ million	77	73	6%
Total revenues	€ million	163	145	12%
Net rental income	€ million	73	67	10%
Consolidated adjusted EBITDA	€ million	72	64	12%
Funds from operations (FFO)	€ million	50	46	8%
Profit before tax	€ million	33	29	17%
Net Interest expense	€ million	(9)	(19)	(50%)
Net profit for the period	€ million	29	24	23%

Assets		31-Mar-19	31-Dec-18	Change
Total assets	€ million	8,719	8,259	6%
Property Portfolio	€ million	7,594	7,555	1%
Gross leasable area*	sqm	3,308,000	3,318,000	0%
Occupancy	%	94.7	94.5	0.2 p.p.
Total number of properties**	No.	376	375	0%
Total number of residential units	No.	11,915	11,917	0%
Total number of hotel beds***	No.	11,670	11,300	3%

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

Financing structure		31-Mar-19	31-Dec-18	Change
Total equity	€ million	4,384	4,362	0.5%
EPRA NAV	€ million	4,494	4,480	0%
Net debt	€ million	2,842	2,775	2.4%
Loan to value ratio (Net LTV)	%	37.4	36.7	0.7 p.p.
Secured consolidated leverage ratio	%	12.2	12.9	(0.7 p.p.)
Secured debt to total debt	%	31.8	36.7	(4.9 p.p.)
Unencumbered assets to total assets	%	66.7	65.1	1.6 p.p.
Net ICR	multiple	7.7x	4.2x	3.5x

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the 3 months period ended on 31 March 2019 and 31 March 2018 was as follows:

INCOME STATEMENT (€ million)	31-Mar-19	31-Mar-18
Gross rental income	77	73
Service charge and other income*	31	28
Cost of service and other charges*	(23)	(21)
Property operating expenses	(12)	(13)
Net rental income	**73**	**67**
Development sales	15	7
Development operating expenses**	(15)	(8)
Net development income	**-**	**(1)**
Hotel revenue	19	18
Hotel operating expenses	(17)	(15)
Net hotel income	**2**	**3**
Other business revenue	21	19
Other business operating expenses**	(12)	(12)
Net other business income	**9**	**7**
Total revenues*	**163**	**145**
Total direct business operating expenses*	**(79)**	**(69)**
Net business income	**84**	**76**
Net valuation gain / (loss)***	4	(5)
Amortization, depreciation and impairment	(14)	(7)
Administrative expenses	(12)	(12)
Other operating income	1	1
Other operating expenses	(2)	(1)
Operating result	**61**	**52**
Interest income	3	4
Interest expense	(12)	(23)
Other net financial result***	(18)	(4)
Net finance costs	**(27)**	**(23)**
Share of profit of equity-accounted investees (net of tax)	-	-
Profit before income tax	**33**	**29**
Income tax expense	(4)	(5)
Net profit from continuing operations	**29**	**24**

** 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 three months period of 2018 was adjusted due to the changes in the accounting policy as follows:*

	31 March 2018	Effect of IFRS 15 adoption	31 March 2018 Adjusted
Gross rental income	73	-	73
Net service revenue	7	(7)	-
Service charge and other income	-	28	28
Cost of service and other charges	-	(21)	(21)

Property operating expense	(13)	-	(13)
Net rental income	**67**	**-**	**67**
Total revenues	**124**	**21**	**145**
Total direct business operating expenses	**(48)**	**(21)**	**(69)**
Net business income	**76**	**-**	**76**

*** To provide reliable and more relevant information, the Group reclassified (firstly as at 31-Dec-2018) 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 7 million and EUR 1 million as at 31 March 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 as of 31 March 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:

	31 March 2018	Effect of the accounting policy	31 March 2018 Adjusted
Net business income	**76**	**-**	**76**
Net valuation gain	(3)	(2)	(5)
Operating result	**54**	**(2)**	**52**
Other net financial result	(6)	2	(4)
Net finance costs	**(25)**	**2**	**(23)**
Profit before income tax	**29**	**-**	**29**
Net profit from continuing operations	**24**	**-**	**24**

Net rental income

Net rental income increased by 10% to €73 million compared to €67 million in Q1 2018, driven primarily by an increase in gross rental income reflecting 2018´s acquisitions of Futurum Hradec Králové shopping centre (net increase of €2 million) and Atrium office complex in Poland (net increase of €1.6 million). The better performance of our Berlin portfolio (net increase of €2.2 million) contributed to the overall increase in net rental income.

Net development income

Development sales in Q1 2019 were represented by sales of apartments in Nice (revenue of €11.6 million) and sales of family houses in Březiněves (revenue of €3.3 million).

Net valuation gain / (loss)

Valuation gain in Q1 2019 relates mainly to an FX gain on our property portfolio.

Amortization, depreciation and impairments

The increase in amortization, depreciation and impairments in Q1 2019 was affected by the write-off of goodwill (€7 million), which was recognized in 2014 in connection with the acquisition of the Group's agriculture business.

Interest expense

Interest expense was €12 million in Q1 2019 compared to €23 million in Q1 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 €4.7 million) and bonds (net decrease of €5.4 million).

Other net financial result

Other net financial result in Q1 2019 was adversly affected by foreign exchange losses of €14 million.

BALANCE SHEET

BALANCE SHEET (€ million)	31-Mar-19	31-Dec-18
NON-CURRENT ASSETS		
Intangible assets and goodwill	103	110
Investment property	6,717	6,687
Property, plant and equipment	754	736
Deferred tax assets	195	195
Other non-current assets	135	91
Total non-current assets	**7,904**	**7,819**
CURRENT ASSETS		
Inventories	64	72
Trade receivables	83	68
Cash and cash equivalents	464	99
Assets linked to assets held for sale	61	67
Other current assets	143	134
Total current assets	**815**	**440**
TOTAL ASSETS	**8,719**	**8,259**
EQUITY		
Equity attributable to owners of the Company	3,789	3,776
Perpetual notes	549	542
Non-controlling interests	46	44
Total equity	**4,384**	**4,362**
NON-CURRENT LIABILITIES		
Bonds issued	2,011	1,648
Financial debts	1,178	1,062
Deferred tax liabilities	761	762
Other non-current liabilities	58	53
Total non-current liabilities	**4,008**	**3,525**
CURRENT LIABILITIES		
Bonds issued	15	7
Financial debts	103	158
Trade payables	85	98
Other current liabilities	124	109
Total current liabilities	**327**	**372**
TOTAL EQUITY AND LIABILITIES	**8,719**	**8,259**

Total assets

Total assets increased by €460 million (6%) to €8,719 million as at 31 March 2019. The predominant driver of this growth was the increase in cash and cash equivalents by €365 million.

Increase in investment property by €29 million reflects primarily capex and development costs incurred in Q1 2019. Due to the acquisition of Orchard hotel in Ostrava the Group´s property portfolio rose by of €11 million.

Total liabilities

Non-current and current liabilities totalled €4,335 million as at 31 March 2019, an increase of €438 million (11.2%) compared to 31 December 2018. During the first quarter, the Group raised USD bonds (€312 million), HKD bonds (€50 million), and Schuldschein (€170 million). The Group also signed a new secured bank loan of €170 million from Unicredit Bank AG and repaid loans totaling €102 million.

NAV AND EPRA NAV

Total equity increased from €4,362 million as at 31 December 2018 to €4,384 million as at 31 March 2019. The main elements impacting equity were:

- an increase in equity due to profit for three months of 2019 in the amount of €29 million;
- a decrease by €12 million due to a shift in hedging and translation reserves;
- an increase by €5 million due to the change in revaluation reserve.

EPRA NAV was €4,494 million as at 31 March 2019, an increase of 0.3% relative to 31 March 2018. The main positive effect was the positive equity elements described above.

EPRA NAV (€ million)	31-Mar-19	31-Dec-18
Equity per the financial statements (NAV)	**3,790**	**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	**3,790**	**3,776**
Revaluation of trading property and PPE	5	7
Fair value of financial instruments	(3)	(5)
Deferred tax on revaluations	745	745
Goodwill as a result of deferred tax	(43)	(43)
Total	**4,494**	**4,480**

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GLOSSARY

Alternative Performance Measures (APM)	Definition	Rationale
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
Loan-to-Value or Net LTV	It is calculated as Net debt divided by fair value of Property Portfolio.	Loan-to-value provides a general assessment of financing risk undertaken.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of interest income as reported and interest expense as reported.	This measure is an important indicator of a firm´s ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.
Secured debt to total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of bonds issued and financial debts as reported.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Unencumbered assets to total assets	It is calculated as total assets as reported less a sum of encumbered assets as reported divided by total assets as reported.	This measure is an important indicator of a commercial real estate firm´s liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.
Consolidated adjusted EBITDA	Net business income as reported deducted by administrative expenses as reported.	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Group's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
Funds from operations or FFO	It assumes net income (computed in accordance with IFRS), excludes non-recurring (non-cash) items like gains (or losses) from sales of property and inventory, impact of derivatives revaluation and impairment transactions. Calculation excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
Secured consolidated leverage ratio	Secured consolidated leverage ratio is a ratio of a sum of secured financial debts and secured bonds to Consolidated adjusted total assets. Consolidated adjusted total assets is total assets as reported deducted by intangible assets and goodwill as reported.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	Gross leasable area is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.
Group	CPI Property Group S.A. together with its subsidiaries
Net debt	Net debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of estimated rental revenue regarding occupied GLA and total estimated rental revenue, unless stated otherwise.
Property Portfolio	Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

APM RECONCILIATION

EPRA NAV reconciliation (€ million)	31-Mar-19	31-Dec-18
Equity per the financial statements (NAV)	**3,790**	**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	**3,790**	**3,776**
Revaluation of trading property and PPE	5	7
Fair value of financial instruments	(3)	(5)
Deferred tax on revaluation	745	745
Goodwill as a result of deferred tax	(43)	(43)
EPRA NAV	**4,494**	**4,480**

Net LTV reconciliation (€ million)	31-Mar-19	31-Dec-18
Financial debts	1,281	1,219
Bonds issued	2,026	1,655
Net debt linked to AHFS	0	0
Cash and cash equivalents	(464)	(99)
Net debt	**2,842**	**2,775**
Total property portfolio	**7,594**	**7,555**
Net LTV	**37.4%**	**36.7%**

Net Interest coverage ratio reconciliation (€ million)	31-Mar-19	31-Dec-18
Interest income	3	14
Interest expense	(12)	(78)
Net Business Income	84	320
Administrative expenses	(12)	(49)
Net Interest coverage ratio	**7.7x**	**4.2x**

Secured debt as of Total debt reconciliation (€ million)	31-Mar-19	31-Dec-18
Secured bonds	0	0
Secured financial debts	1,052	1,055
Total debts	3,306	2,874
Secured debt as of Total debt	**31.8%**	**36.7%**

Unencumbered assets reconciliation (€ million)	**31-Mar-19**	**31-Dec-18**
Bonds collateral	0	0
Bank loans collateral	2,902	2,883
Total assets	8,719	8,259
Unencumbered assets ratio	**66.7%**	**65.1%**

Consolidated adjusted EBITDA reconciliation (€ million)	**31-Mar-19**	**31-Mar-18**
Net business income	**84**	76
Administrative expenses	(12)	(12)
Consolidated adjusted EBITDA	**72**	**64**

Funds from operations reconciliation (€ million)	**31-Mar-19**	**31-Mar-18**
Net profit for the period	29	24
Deferred income tax	1	3
Net valuation gain or loss on investment property	(4)	3
Net valuation gain or loss on revaluation of derivatives	(4)	1
Net gain or loss on disposal of investment property	0	0
Net gain or loss on disposal of inventory	0	0
Net gain or loss on disposal of assets	(1)	0
Amortization, depreciation and impairments	14	7
Other non-recurring / non-cash items	16	9
Funds from operations	**50**	**46**

Secured consolidated leverage ratio reconciliation (€ million)	**31-Mar-19**	**31-Dec-18**
Secured bonds	0	0
Secured financial debts	1,052	1,055
Consolidated adjusted total assets	8,616	8,149
Secured consolidated leverage ratio	**12.2%**	**12.9%**