



## **CPI Property Group**

*(société anonyme)*

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### **Press Release - Corporate News**

Luxembourg, 31 May 2023

### **CPI PROPERTY GROUP publishes financial results for the first quarter of 2023**

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 three-month period ended 31 March 2023.

“CPIPG’s first quarter results reflect the significant increase in our rental income due to indexation,” said Martin Nemecek, CEO. “Market fundamentals in the CEE region are strong, with a healthy supply/demand balance evidenced by the Group’s solid occupancy and positive rent reversion.”

Operational highlights for the first quarter of 2023 include:

- Like for like-for-like rent increased by **9.9%**, with a rent **collection rate near 100%**.
- Occupancy was steady at **92%**.
- **€400 million of property disposals** were signed in Q1, with over €500 million completed year-to-date. Nearly €850 million have been completed since the Group’s €2 billion pipeline was announced in August 2022.
- Limited real estate construction, strong tenants, healthy consumer spending, and market trends including a lower impact from home working continue to support solid appetite for CEE real estate.

Financial highlights for the first quarter of 2023 include:

- **Property portfolio of €20.6 billion, total assets of €23.3 billion.**
- EPRA NRV (NAV) grew to €8.2 billion.
- **Gross debt** declined by about €300 million.
- **Net Loan-to-Value (LTV)** declined 0.60% to 50.3%.
  - Q1 LTV does not reflect the positive effect of disposal proceeds received after quarter-end, plus the benefit of bond repurchases completed in Q2 2023.
  - Year-end target LTV of 45-49% is unchanged.
- **Net rental income increased to €197 million** and net business income rose to €213 million.
- **Consolidated adjusted EBITDA was €198 million, while FFO was €108 million.**
- **Total available liquidity was €1.9 billion**, including €850 million of undrawn revolving credit facilities, the majority of which mature in 2026.
- **Unencumbered assets** increased to **55%**.
- **Net ICR was 2.8x.**

“While the Group’s cash flow generation is strong, some of CPIPG’s financial metrics temporarily exceed our target range,” said David Greenbaum, CFO. “We made progress on reducing leverage in Q1, took further actions in Q2 and expect to announce more steps in the coming months.”

### **Post-Q1 events and updates**

In April 2023, CPIPG completed tender offers for senior unsecured bonds maturing in 2026, 2027 and 2028. In total, the Group accepted €335 million of bonds for tender. Because the bonds were repurchased at a discount, CPIPG expects to report a gain of approximately €60 million in Q2 2023.

CPIPG will consider further bond and/or hybrid buybacks over the course of 2023 and 2024 through tender offers and secondary market purchases, depending on the Group’s level of cash and the speed of our bank financing and disposal pipelines.

In May 2023, CPIPG’s board approved a reduction of the Group’s shareholder distribution target for 2023 from 65% of FFO1 to less than 25%, with the final payout to be decided by the board in Q4 2023. In future years, CPIPG will consider similar measures to adjust the payout ratio depending on the real estate environment and considering our commitment to investment-grade credit ratings and our long-term financial policy.

In Q2, CPIPG completed the disposal of a brownfield site with a land area of almost 45,000 m<sup>2</sup> in the Lambrate district of Milan, Italy. IMMOFINANZ also successfully closed the sale of landbank in Turkey with about 197,000 m<sup>2</sup> of land area. Gross proceeds from the two sales were about €55 million.

### *Financing*

CPIPG has an extensive pipeline of new secured bank loans in Poland, the Czech Republic, Romania, Serbia, the UK and other locations. One or more significant borrowings are expected to close during Q2, with proceeds used primarily to repay the Group’s outstanding 2025 bridge loans, which currently stand at €1.55 billion. Additional secured bank financings are in advanced discussion for H2 2023. Overall, the Group’s near-term debt maturities are highly manageable with existing liquidity resources of nearly €2 billion.

## FINANCIAL HIGHLIGHTS

Performance		Q1-2023	Q1-2022	Change
Total revenues	€ million	410	216	90.3%
Gross rental income (GRI)	€ million	229	128	79.1%
Net rental income (NRI)	€ million	197	110	79.4%
Net hotel income	€ million	5	(2)	361.3%
Net business income (NBI)	€ million	213	117	81.4%
Consolidated adjusted EBITDA	€ million	198	119	66.8%
Funds from operations (FFO)	€ million	108	84	27.7%
Net profit for the period	€ million	53	381	(86.1%)

Assets		31-Mar-2023	31-Dec-2022	Change
Total assets	€ million	23,271	23,521	(1.1%)
Property portfolio	€ million	20,551	20,855	(1.5%)
Gross leasable area	sqm	6,604,000	6,784,000	(2.6%)
Occupancy	%	92.0	92.8	(0.8 p.p.)
Like-for-like gross rental growth**	%	9.9	7.6	2.3 p.p.
Total number of properties***	No.	780	855	(8.8%)
Total number of residential units	No.	14,870	16,767	(11.3%)
Total number of hotel rooms****	No.	8,067	7,810	3.3%

\* According to GLA

\*\* Based on headline rent

\*\*\* Excluding residential properties in the Czech Republic

\*\*\*\* Including hotels operated, but not owned by the Group

Financing structure		31-Mar-2023	31-Dec-2022	Change
Total equity	€ million	9,461	9,263	2.1%
EPRA NRV (NAV)	€ million	8,203	8,005	2.5%
Net debt	€ million	10,346	10,625	(2.6%)
Net Loan-to-value ratio (Net LTV)	%	50.3	50.9	(0.6 p.p.)
Net debt/EBITDA	x	13.1x	17.5x	(4.4x)
Secured consolidated leverage	%	19.0	19.5	(0.5 p.p.)
Secured debt to total debt	%	38.6	38.9	(0.3 p.p.)
Unencumbered assets to total assets	%	55.4	54.4	1 p.p.
Unencumbered assets to unsecured debt	%	185%	179%	6 p.p.
Net interest coverage (Net ICR)	x	2.8x	3.2x	(0.4x)

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT\*

(€ million)	Three-month period ended	
	31 March 2023	31 March 2022
Gross rental income	229.2	128.0
Service charge and other income	116.4	47.0
Cost of service and other charges	(104.2)	(42.4)
Property operating expenses	(44.2)	(22.6)
<b>Net rental income</b>	<b>197.2</b>	<b>110.0</b>
Development sales	-	-
Development operating expenses	-	(0.1)
<b>Net development income</b>	<b>-</b>	<b>(0.1)</b>
Hotel revenue	37.5	15.5
Hotel operating expenses	(32.7)	(17.3)
<b>Net hotel income</b>	<b>4.8</b>	<b>(1.8)</b>
Other business revenue	27.0	25.0
Other business operating expenses	(16.0)	(15.6)
<b>Net other business income</b>	<b>11.0</b>	<b>9.4</b>
<b>Total revenues</b>	<b>410.1</b>	<b>215.5</b>
<b>Total direct business operating expenses</b>	<b>(197.1)</b>	<b>(98.0)</b>
<b>Net business income</b>	<b>213.0</b>	<b>117.5</b>
Net valuation loss	(6.6)	(0.7)
Net gain/loss on disposal of investment property and subsidiaries	(1.7)	21.8
Amortization, depreciation and impairment	(17.8)	(11.7)
Administrative expenses	(26.6)	(18.5)
Other operating income	3.5	278.2
Other operating expenses	(3.8)	(3.5)
<b>Operating result</b>	<b>160.0</b>	<b>383.1</b>
Interest income	6.0	2.7
Interest expense	(75.4)	(31.3)
Other net financial result	(30.2)	12.1
<b>Net finance costs</b>	<b>(99.6)</b>	<b>(16.5)</b>
Share of gain of equity-accounted investees (net of tax)	8.2	17.2
<b>Profit before income tax</b>	<b>68.7</b>	<b>383.8</b>
Income tax expense	(15.7)	(2.9)
<b>Net profit from continuing operations</b>	<b>53.0</b>	<b>380.9</b>

\* 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 €101.2 million (79.1%) to €229.2 million in Q1 2023 primarily due to the contributions of IMMOFINANZ (€55.2 million) and S IMMO (€48.0 million).

### **Property operating expenses**

Property operating costs increased by €21.6 million (96.0%) to €44.2 million in Q1 2023 due to property operating costs associated with IMMOFINANZ (€13.6 million) and S IMMO (€9.0 million).

### **Net hotel income**

In Q1 2023, net hotel income increased to €4.8 million, primarily due to additional income generated by S IMMO (€2.5 million).

### **Administrative expenses**

Administrative expenses increased by €8.1 million to €26.6 million due to the acquisition of IMMOFINANZ (€5.8 million) and S IMMO (€2.3 million).

### **Other operating income**

Other operating income decreased in Q1 2023 as there was a significant bargain purchase of €274.6 million recognized in Q1 2022.

### **Interest expense**

Interest expense increased by €31.3 million to €75.4 million in Q1 2023 primarily due to interest expense incurred by IMMOFINANZ (€12.1 million) and S IMMO (€9.0 million).

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION\*

(€ million)	31 March 2023	31 December 2022
<b>NON-CURRENT ASSETS</b>		
Intangible assets and goodwill	129.5	126.7
Investment property	18,528.8	18,486.2
Property, plant and equipment	1,107.4	1,100.0
Deferred tax assets	180.1	176.8
Equity accounted investees	736.7	732.3
Other non-current assets	776.3	668.5
<b>Total non-current assets</b>	<b>21,458.9</b>	<b>21,290.5</b>
<b>CURRENT ASSETS</b>		
Inventories	35.4	23.5
Trade receivables	222.2	197.8
Cash and cash equivalents	1,016.9	1,033.2
Assets linked to assets held for sale	197.9	596.5
Other current assets	340.1	379.7
<b>Total current assets</b>	<b>1,812.5</b>	<b>2,230.7</b>
<b>TOTAL ASSETS</b>	<b>23,271.4</b>	<b>23,521.2</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	6,752.9	6,579.8
Perpetual notes	1,600.2	1,584.4
Non-controlling interests	1,108.2	1,098.8
<b>Total equity</b>	<b>9,461.3</b>	<b>9,263.0</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	4,582.4	4,680.4
Financial debts	6,133.1	6,165.6
Deferred tax liabilities	1,683.0	1,727.9
Other non-current liabilities	197.5	208.2
<b>Total non-current liabilities</b>	<b>12,596.0</b>	<b>12,782.1</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	296.4	405.8
Financial debts	351.5	360.4
Trade payables	160.2	232.2
Other current liabilities	406.0	477.7
<b>Total current liabilities</b>	<b>1,214.1</b>	<b>1,476.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>23,271.4</b>	<b>23,521.2</b>

\* 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 decreased by €249.7 million (1.1%) to €23,271.4 million as at 31 March 2023 compared to 31 December 2022. The decrease is primarily related to disposals of properties.

### Total liabilities

Total liabilities decreased by €448.1 million (3.1%) to €13,810.1 million as at 31 March 2023 compared to 31 December 2022, primarily due to a decrease in bonds issued (€207.3 million) and a decrease of liabilities linked to assets held for sale (€ 126.8 million due to Q1 2023 sales).

### Equity and EPRA NRV

Total equity increased by €198.3 million from €9,263.0 million as at 31 December 2022 to €9,461.3 million as at 31 March 2023. The movements of equity components were as follows:

- Increase due to the profit for the period of €53.0 million (profit to the owners of €33.8 million);
- Increase in translation, revaluation and hedging reserve of €139.2 million;
- Payment of perpetual notes coupon of €3.3 million;
- Increase of NCI in the period of €9.4 million.

EPRA NRV was €8,203 million as at 31 March 2023, representing an increase of 2.5% compared to 31 December 2022. 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).

	31 March 2023	31 December 2022
<b>Equity attributable to the owners (NAV)</b>	<b>6,753</b>	<b>6,580</b>
<b>Diluted NAV</b>	<b>6,753</b>	<b>6,580</b>
Fair value of financial instruments	(218)	(243)
Deferred tax on revaluations	1,711	1,711
Goodwill as a result of deferred tax	(43)	(43)
<b>EPRA NRV (€ million)</b>	<b>8,203</b>	<b>8,005</b>

## GLOSSARY

Alternative Performance Measures (APM)	Definition	Rationale
Consolidated adjusted EBITDA	Net business income as reported deducting 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 amortisation 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.
Consolidated adjusted total assets	Consolidated adjusted total assets is total assets as reported deducting intangible assets and goodwill as reported.	
EPRA Net Reinstatement Value (NRV)	EPRA NRV assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	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.
Funds from operations or FFO	It is calculated as net profit for the period adjusted by non-cash revenues/expenses (like deferred tax, net valuation gain/loss, impairment, amortisation/depreciation, goodwill etc.) and non-recurring (both cash and non-cash) items. Calculation also excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
Net debt/EBITDA	It is calculated as Net debt divided by Consolidated adjusted EBITDA.	A measure of a company's ability to pay its debt. This ratio measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation and amortisation expenses.
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.
Net 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.
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.	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.
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.
Unencumbered assets to unsecured debt	It is calculated as unencumbered assets as reported divided by a sum of unsecured bonds and unsecured financial debts as reported.	This measure is an additional indicator of a commercial real estate firm's liquidity and financial flexibility.



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 and investees held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

### APM RECONCILIATION\*

EPRA NRV reconciliation (€ million)	31-Mar-23	31-Dec-22
<b>Equity attributable to owners of the company</b>	<b>6,753</b>	<b>6,580</b>
Effect of exercise of options, convertibles and other equity interests	0	0
<b>Diluted NAV, after the exercise of options, convertibles and other equity interests</b>	<b>6,753</b>	<b>6,580</b>
Revaluation of trading property and property, plant and equipment	0	0
Fair value of financial instruments	(218)	(243)
Deferred tax on revaluation	1,711	1,711
Goodwill as a result of deferred tax	(43)	(43)
<b>EPRA NRV</b>	<b>8,203</b>	<b>8,005</b>

Net LTV reconciliation (€ million)	31-Mar-22	31-Dec-22
Financial debts	6,485	6,526
Bonds issued	4,879	5,086
Net debt linked to assets held for sale	0	46
Cash and cash equivalents	(1,017)	(1,033)
<b>Net debt</b>	<b>10,346</b>	<b>10,625</b>
<b>Total property portfolio</b>	<b>20,551</b>	<b>20,855</b>
<b>Net LTV</b>	<b>50.3%</b>	<b>50.9%</b>

Net Interest coverage ratio reconciliation (€ million)	Q1-2023	FY 2022
Interest income	6	20
Interest expense	(75)	(210)
Consolidated adjusted EBITDA	198	608
<b>Net Interest coverage ratio</b>	<b>2.8x</b>	<b>3.2x</b>

Secured debt to total debt reconciliation (€ million)	31-Mar-23	31-Dec-22
Secured bonds	0	0
Secured financial debts	4,389	4,552
Total debts	11,363	11,690
<b>Secured debt to total debt</b>	<b>38.6%</b>	<b>38.9%</b>

\* Totals might not sum exactly due to rounding differences.

Unencumbered assets to total assets reconciliation (€ million)	31-Mar-23	31-Dec-22
Bonds collateral	0	0
Bank loans collateral	10,390	10,733
Total assets	23,271	23,521
<b>Unencumbered assets ratio</b>	<b>55.4%</b>	<b>54.4%</b>

Consolidated adjusted EBITDA reconciliation (€ million)*	Q1-2023	Q1-2022
Net business income	213	117
Administrative expenses	(27)	(19)
Other effects	11	20
<b>Consolidated adjusted EBITDA</b>	<b>198</b>	<b>119</b>

Funds from operations (FFO) reconciliation (€ million)*	Q1-2023	Q1-2022
Net profit/(loss) for the period	53	381
Deferred income tax	20	0
Net valuation gain or loss on investment property	(7)	(1)
Net valuation gain or loss on revaluation of derivatives	(30)	37
Net gain or loss on disposal of investment property and subsidiaries	(2)	22
Net gain or loss on disposal of PPE/other assets	0	0
Amortization, depreciation and impairments	(18)	(12)
Other non-cash items	(1)	10
GW/Bargain purchase	--	274
Other non-recurring items	(24)	(37)
Share on profit of equity accounted investees/JV adjustments	8	17
Other effects	3	14
<b>Funds from operations</b>	<b>108</b>	<b>84</b>

Secured consolidated leverage ratio reconciliation (€ million)	31-Mar-23	31-Dec-22
Secured bonds	0	0
Secured financial debts	4,389	4,552
Consolidated adjusted total assets	23,142	23,394
<b>Secured consolidated leverage ratio</b>	<b>19.0%</b>	<b>19.5%</b>

Unencumbered assets to unsecured debt reconciliation (€ million)	31-Mar-23	31-Dec-22
Total assets	23,271	23,521
Bonds collateral	0	0
Bank loans collateral	10,390	10,733
Total debt	11,363	11,690
Secured bonds	0	0
Secured financial debts	4,389	4,552
<b>Unencumbered assets to unsecured debt</b>	<b>185%</b>	<b>179%</b>

\* Includes pro-rata EBITDA/FFO for Q1 2023 and Q1 2022 of Equity accounted investees.

Property portfolio reconciliation (€ million)	31-Mar-23	31-Dec-22
Investment property - Office	9,263	9,345
Investment property - Retail	4,761	4,733
Investment property - Land bank	2,206	2,179
Investment property - Residential	1,657	1,630
Investment property - Development	325	285
Investment property - Agriculture	132	127
Investment property - Other hospitality	122	123
Investment property - Industry & Logistics	35	35
Investment property - Other	27	27
Investment property - Hospitality	--	2
Property, plant and equipment - Hospitality	978	942
Property, plant and equipment - Mountain resorts	51	51
Property, plant and equipment - Agriculture	16	12
Property, plant and equipment - Office	13	14
Property, plant and equipment - Development	13	11
Property, plant and equipment - Residential	6	6
Property, plant and equipment - Other	6	10
Property, plant and equipment - Retail	1	1
Property, plant and equipment - Land bank	1	1
Property, plant and equipment - Other hospitality	--	23
Equity accounted investees	737	727
Inventories - Development	14	12
Inventories - Other	4	--
Inventories - Land bank	2	1
Assets held for sale	180	560
<b>Total</b>	<b>20,551</b>	<b>20,855</b>

Net debt/EBITDA reconciliation (€ million)	31-Mar-23	31-Dec-22
Net debt	10,346	10,625
Net business income*	852	676
Administrative expenses*	(107)	(129)
Other effects*	45	61
<b>Net debt/EBITDA</b>	<b>13.1x</b>	<b>17.5x</b>

\*Annualised.



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