Press Release

Luxembourg, 30th March 2018

CPI PROPERTY GROUP reports record financial results for the 2017 financial year

CPI PROPERTY GROUP (hereinafter “**CPIPG**” the “**Company**” or together with its subsidiaries the “**Group**”), the dominant owner of income-generating real estate in Czechia, Berlin and the CEE region, hereby publishes its results for the financial year ended 31st December 2017.

“The Group has gained considerable ground, recording our best financial results ever. We completed large-scale aquistions, made significant loan repayments, reduced our interest costs, and became an investment-grade rated company.“ said Martin Nemecek, CEO and member of the board. ”CPIPG‘s successful financing strategy, along with targeted efforts by our asset management teams to improve occupancy and rents, reaffirmed our status as the dominant owner of real estate in Czechia, Berlin and the CEE region.”

Highlights for the 2017 financal year include:

- Total assets of EUR 7.5 billion, an increase of EUR 1.9 billion from 2016, driven by targeted aquistions of EUR 1 billion and thorough asset revaluation primarily in Berlin and Czechia.
- Operating result over EUR 1 billion, reflecting the combined effects of higher net business income of EUR 272 million (up 14% versus 2016) and higher property portfolio valuations.
- Total revenues rose EUR 87 million to EUR 438 million, and EPRA NAV grew 44% to EUR 3.9 billion.
- Net Loan to Value (LTV) declined to a record low of 44.9%.
- CPIPG‘s ratio of secured debt to total debt decreased from 77% to 59%, and our ratio of unencumbered assets to total assets rose from 23% to 43%.
- Investment grade rating of Baa3 (stable outlook) recieved from Moody’s Investor Service, followed by successful senior unsecured bond offerings totalling EUR 825 million. Proceeds from the bond offerings were primarily used to refinance high-cost secured and priority debt.
- Successful refinacing of our portfolio in Berlin for EUR 510 million, at record low interest rates for the Company, contributing to a signifciant reduction in our cost of debt. In March 2018, the Company also signed a EUR 150 million 2-year revolving credit facility.
- Net interest coverage ratio (ICR) rose to 2.6x, a modest improvement which does not fully reflect the significant reduction in our cost of debt through refinancings which were completed late in 2017.
- Completion of the Company’s largest-ever aquisition totalling EUR 625 million, consisting of 11 shopping centers across our core CEE markets.

- Additional notable aquisitions were completed in Brno, Czechia and Berlin which strongly complemented our existing retail and office portfolios.
- Divestments of EUR 142 million were completed as we continue to focus on improving the quality of the portfolio and focusing on our core markets of Czechia, Berlin, and the CEE region.

"The important milestones we achieved in 2017 would never have been possible without strong support from our employees, tenants, banks, bond investors and shareholders," said Martin Nemecek. "I express genuine thanks for their contributions and count on their partnership for a successful 2018."

FINANCIAL HIGHLIGHTS

Performance		31-Dec-17	31-Dec-16	Change
Gross rental income	€ million	262	226	16%
Net business income	€ million	272	238	14%
Total revenues	€ million	438	351	25%
Operating result	€ million	1,011	632	60%
Funds from operations (FFO)	€ million	127	103	23%
Profit before tax	€ million	841	544	55%
Interest expense	€ million	99	94	5%
Net profit for the period	€ million	695	460	51%

Assets		31-Dec-17	31-Dec-16	Change
Total assets	€ million	7,529	5,662	33%
Property Portfolio	€ million	6,722	4,865	38%
Gross leasable area	sqm	3,329,000	3,094,000	8%
Occupancy in %	%	93	90	3.0 p.p.
Total number of properties *	No.	420	417	1%
Total number of residential units	No.	12,402	12,396	0%
Total number of hotel beds	No.	10,488	11,278	-7%
EPRA NAV	€ million	3,934	2,729	44%

* Excluding residential properties

Financing structure		31-Dec-17	31-Dec-16	Change
Total equity	€ million	3,315	2,289	45%
Equity ratio	%	44	40	4.0 p.p.
Net debt	€ million	3,015	2,335	29%
Loan to value ratio in % (Net LTV)	%	44.9	48.0	-3.1 p.p.
Secured debt as of total debt	%	59	77	-18 p.p.
Unencumbered assets	%	43	23	20 p.p.
Net ICR	ratio	2.6	2.4	0.2x

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the 12 months period ended on 31 December 2017 and 31 December 2016 is as follows:

INCOME STATEMENT (€ million)	31-Dec-17	31-Dec-16
Gross rental income	262	226
Net service revenue	25	23
Property operating expenses	(56)	(42)
Net rental income	**232**	**207**
Development sales	4	2
Cost of goods sold	(4)	(2)
Development operating expenses	(1)	(2)
Net development income	**--**	**(2)**
Hotel revenue	112	70
Hotel operating expenses	(73)	(42)
Net hotel income	**39**	**28**
Revenues from other business operations	35	30
Cost of goods sold	(2)	(1)
Related operating revenues	(32)	(24)
Net income from other business operations	**1**	**5**
Total revenues	**438**	**351**
Total direct business operating expenses	**(166)**	**(113)**
Net business income	**272**	**238**
Net valuation gain or loss on inv. property	834	394
Net gain or loss on disposal of inv. property	4	(1)
Amortization, depreciation and impairments	(84)	(37)
Other operating income	30	74
Administrative expenses	(42)	(38)
Other operating expenses	(4)	2
Operating result	**1,011**	**632**
Interest income	10	11
Interest expense	(99)	(94)
Other net financial result	(87)	(5)
Net finance costs	**(176)**	**(89)**
Share of profit of equity-accounted investees (net of tax)	6	--
Profit before income tax	**841**	**544**
Income tax expense	(147)	(84)
Net profit for the period	**694**	**460**

CPI Property Group

Net rental income

Net rental income increased by 12% to EUR 232 million compared to EUR 207 million in 2016. The positive impact of the increase in gross rental income (GRI) was partially offset by higher property operating expenses as the group continues to invest in our properties to improve performance.

Net hotel income

The substantial increase in hotel revenues and net hotel income primarily reflects the acquisition of 100% share in CPI Hotels, a.s., in mid 2016.

Net valuation gain

The gain on revaluation of the property portfolio totals EUR 834 million and is based on the valuation appraisals prepared by independent and reputable appraisers.

The revaluation gain reflects the strong efforts of Group's asset management teams and improved market conditions in our core markets. Czechia and Berlin represent 93% (EUR 778 million) of the total revaluation gain.

Amortization, depreciation and impairments

The substantial increase in amortization, depreciation and impairments reflects predominantly the transfer of hotel properties from investment property to property, plant and equipment due to the acquisition of hotel operator CPI Hotels, a.s. and its subsequent depreciation.

As at 31 December 2017, the Group also impaired some of our non-core assets in western Europe.

Other net financial result

Due to CZK appreciation against EUR, the Group has incurred a non-cash FX loss of EUR 73 million. Unrealized FX losses are a non-cash item in our income statement and are offset by an increase in our translation reserve with significant positive impact on our equity. Unrealised FX loss of EUR 64 million relates to EUR denominated assets in Czech Republic and unrealized FX loss of EUR 13 million relates to intragroup financing.

Income tax expense

Increase in income tax expense by EUR 63 million reflects primarily the deferred tax effect of the property portfolio revaluation.

BALANCE SHEET

BALANCE SHEET (€ million)	31-Dec-17	31-Dec-16
NON-CURRENT ASSETS		
Intangible assets and goodwill	120	117
Investment property	5,808	3,978
Property, plant and equipment	724	679
Deferred tax assets	142	122
Other non-current assets	89	17
Total non-current assets	**6,883**	**4,913**
CURRENT ASSETS		
Inventories	82	98
Trade receivables	77	68
Cash and cash equivalents	239	304
Asset held for sale	113	124
Other current assets	136	155
Total current assets	**646**	**749**
TOTAL ASSETS	**7,529**	**5,662**
EQUITY		
Equity attributable to owners of the Company	3,277	2,259
Non-controlling interests	38	30
Total equity	**3,315**	**2,289**
NON-CURRENT LIABILITIES		
Bonds issued	1,332	657
Financial debts	1,593	1,294
Deferred tax liabilities	710	504
Other non-current liabilities	50	38
Total non-current liabilities	**3,685**	**2,493**
CURRENT LIABILITIES		
Bonds issued	158	50
Financial debts	165	582
Trade payables	75	66
Liabilities linked to assets held for sale	16	59
Other current liabilities	115	123
Total current liabilities	**529**	**880**
TOTAL EQUITY AND LIABILITIES	**7,529**	**5,662**

Total assets and total liabilities

Total assets increased by EUR 1,867 million (33%) to EUR 7,529 million as at 31 December 2017. The predominant driver of this growth was the expansion of Group´s property portfolio which grew by EUR 1,857 million (38%) to EUR 6,722 million in 2017. Acquisitions totalling nearly EUR 1 billion, 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 EUR 4,214 million as at 31 December 2017 which represents an increase of EUR 841 million (25%) compared to 31 December 2016. Acquisitions and related financings were the main driver of this increase. Net LTV dropped to a record low of 44.9%.

Bonds issued and financial debts

The Group successfully accessed the international bond markets in 2017, issuing EUR 825 million of 7-year senior unsecured bonds under our EUR 1.25 billion EMTN Programme. Proceeds from the bonds were primarily used to refinance high cost secured and priority debt. In addition, the Group successfully refinanced our Berlin portfolio for 7-years at record-low rates. This lead to a significant change in the cost and structure of our external financing and a lengthened maturity profile. The share of bonds increased dramatically (46% in 2017 vs. 27% in 2016) and the share of bank loans decreased (52% in 2017 vs. 69% in 2016).

NAV AND EPRA NAV

Total equity increased by 45%, from EUR 2,289 million as at 31 December 2016 to EUR 3,315 million as at 31 December 2017. The main elements impacting equity were:

- Robust profit of EUR 695 million;
- Issuance of new shares exceeding EUR 150 million, which were subscribed by our primary shareholder;
- An increase by EUR 95 million in translation reserve, reflecting CZK appreciation towards EUR.

EPRA NAV was EUR 3,934 million as at 31 December 2017, an increase of 44% relative to 2016. The main positive effect, aside from the positive equity elements described above, was an increase in deferred tax liability from positive revaluation of the Group's portfolio.

EPRA NAV (€ million)	31-Dec-17	31-Dec-16
Equity per the financial statements (NAV)	**3,277**	**2,259**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,277**	**2,259**
Revaluation of trading property and PPE	3	4
Fair value of financial instruments	-2	15
Deferred tax on revaluation	697	494
Goodwill as a result of deferred tax	(43)	(43)
Total	**3,934**	**2,729**

For disclosures regarding Alternative Performance Measures used in this press release please refer to our Annual Management Report 2017, chapter Glossary; accessible at http://cpipg.com/reports-presentations-en.

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

Full Year 2017 audited financial report
Full Year 2017 audited management report

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