Press Release

Luxembourg, 31th May 2018

CPI PROPERTY GROUP reports financial information for the first quarter of 2018

CPI PROPERTY GROUP (hereinafter "**CPIPG**", the "**Company**" or together with its subsidiaries the "**Group**") hereby publishes a financial information for the first quarter of 2018.

"CPIPG remains focused on long-term investments in Czechia, Berlin and the CEE region," said Martin Nemecek, CEO of CPIPG. "I am pleased to report that our strong platforms have maintained high levels of occupancy while increasing the level of rental income. Our stable capital structure and active asset management approach support a positive outlook for the rest of 2018."

Key highlights for the quarter include:

- Total revenues of EUR 125 million, a 32% increase year on year. Gross rental income increased by 34% year on year to EUR 73 million, driven by acquisitions and like-for-like growth.
- Like-for-like growth for the total portfolio was 5.4% on an annualized basis. In Berlin, like-for-like growth was nearly 7% while in Czechia and the CEE region like-for-like growth ranged between 3% and 5%.
- Funds from operations (FFO) increased to EUR 46 million relative to EUR 27 million for Q1 2017, reflecting stronger business and operating performance.
- CPIPG's net interest coverage ratio (ICR) was 3.4x relative to 2.5x in Q1 2017, reflecting higher levels of income and a lower cost of debt following CPIPG's refinancing exercises in late 2017. CPIPG continues to target an ICR well above 3x.
- Net Loan to Value (LTV) at quarter-end was 47%, primarily due to share repurchase activities of the company during March 2018. CPIPG is confident to maintain a net LTV below 45% going forward.
- In March 2018, CPIPG signed a EUR 150 million 2-year revolving credit facility, which enhanced our capital structure flexibility.
- CPIPG completed EUR 3 million of acquisitions in Q1 2018, but was more active in disposals (EUR 19 million) as CPIPG continues to optimize the portfolio and focus on our core markets.

Key events occurring after quarter-end include:

- In April 2018, S&P Global Ratings assigned a new "BBB" long-term rating to CPIPG.
- In April 2018, Moody's Investor Service changed the outlook on CPIPG's Baa3 rating from stable to positive.
- In April 2018, the Group completed the acquisition of Futurum Shopping Centre in Czechia and five retail parks in major cities of Poland.
- In April 2018, CPIPG's primary shareholder contributed EUR 50 million of capital to CPIPG by subscribing to new ordinary shares.

- In May 2018, CPIPG issued EUR 550 million of undated subordinated “hybrid” notes, which are treated as equity under IFRS and receive 50% equity credit from Moody’s and S&P. CPIPG was the first corporate issuer from the CEE region to complete such a transaction.
- In May 2018, the Group completed the acquisition of Atrium Centrum and Atrium Plaza office buildings in Warsaw, Poland.

FINANCIAL HIGHLIGHTS

Performance		31-Mar-18	31-Mar-17	Change
Gross rental income	€ million	73	54	34%
Net rental income	€ million	67	54	24%
Total revenues	€ million	124	95	32%
Operating result	€ million	54	46	17%
Funds from operations (FFO)	€ million	46	27	69%
Profit before tax	€ million	29	27	4%
Net interest expense	€ million	(19)	(21)	-10%
Net profit for the period	€ million	24	23	2%
Net ICR	ratio	3.4	2.5	0.9x

Assets		31-Mar-18	31-Dec-17	Change
Total assets	€ million	7,633	7,529	1%
Property Portfolio	€ million	6,736	6,722	0%
Gross leasable area	sqm	3,315,000	3,329,000	0%
Occupancy in %	%	93	93	0%
Total number of properties *	No.	418	420	0%
Total number of residential units	No.	12,306	12,402	-1%
Total number of hotel beds	No.	10,488	10,488	0%
EPRA NAV	€ million	3,824	3,934	-3%

* Excluding residential properties

Financing structure		31-Mar-18	31-Dec-17	Change
Total equity	€ million	3,206	3,315	-3%
Equity ratio	%	42	44	-2.0 p.p.
Net debt	€ million	3,165	3,015	5%
Loan to value ratio in % (Net LTV)	%	47.0	44.9	2.1 p.p.
Secured debt as of total debt	%	58	59	-1 p.p.
Unencumbered assets	%	40	43	-3 p.p.

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the 3 months period ended 31 March 2018 and 31 March 2017 is as follows:

INCOME STATEMENT (€ million)	31-Mar-18	31-Mar-17
Gross rental income	73	54
Net service revenue	7	6
Property operating expenses	(13)	(6)
Net rental income	**67**	**54**
Development sales	7	1
Cost of goods sold	(7)	--
Development operating expenses	(1)	(1)
Net development income	**(1)**	**--**
Hotel revenue	18	16
Hotel operating expenses	(15)	(14)
Net hotel income	**3**	**2**
Revenues from other business operations	19	17
Cost of goods sold	(1)	(1)
Related operating revenues	(11)	(10)
Net income from other business operations	**7**	**6**
Total revenues	**124**	**95**
Total direct business operating expenses	**(48)**	**(33)**
Net business income	**76**	**62**
Net valuation gain or loss on inv. property	(3)	--
Amortization, depreciation and impairments	(7)	(11)
Other operating income	1	7
Administrative expenses	(12)	(10)
Other operating expenses	(1)	(2)
Operating result	**54**	**46**
Interest income	4	1
Interest expense	(23)	(22)
Other net financial result	(6)	2
Net finance costs	**(25)**	**(19)**
Share of profit of equity-accounted investees (net of tax)	--	--
Profit before income tax	**29**	**27**
Income tax expense	(5)	(4)
Net profit for the period	**24**	**23**

Net rental income

Net rental income increased by 24% to EUR 67 million, compared to EUR 54 million for the first three months of 2017. The increase in gross rental income (GRI) was attributable to acquisitions (including CPIPG's largest-ever acquisition from CBRE GI, completed at the end of March 2017) and strong like-for-like growth in our core geographies. Higher GRI was partially offset by increased property operating expenses as CPIPG continues investing in our properties to improve occupancy and rents.

Developments sales

Development sales in 2018 and related cost of goods sold (both slightly exceeding EUR 7 million) represent the sale of two appartments from Palais Maeterlinck project.

Net Hotel income

Net Hotel income was EUR 3 million for the quarter, compared to EUR 2 million for the first three months of 2017. We continue to see positive trends in our congress hotels, resorts, and city hotels.

Net income from other business operations

Net income from other business operations in both 2018 and 2017 relates to agriculture (EUR 0.4 million in 2018) and mountain resorts (EUR 7.4 million in 2018).

Administrative expenses

Administrative expenses increased by EUR 1.9 million primarily due to one-off costs.

Other net financial result

Due to the ongoing CZK appreciation against EUR, the Group has incurred in 2018 a non-cash FX loss of EUR 9 million predominantly related to EUR denominated assets in the Czech Republic. Unrealized FX losses are a non-cash item in our income statement and are offset by an increase in our translation reserve with positive impact on our equity.

Interest expense and interest income

Interest expense was roughly unchanged (EUR 1 million higher) relative to 1Q 2017, however the total balance of debt as of 1Q 2017 was only EUR 3.3 billion relative to EUR 3.5 billion at 1Q 2018. Interest income increased by EUR 2.5 million primarily as a result of new loans provided by the Group (mainly at the end of 2017) to a related party.

BALANCE SHEET

BALANCE SHEET (€ million)	31-Mar-18	31-Dec-17
NON-CURRENT ASSETS		
Intangible assets and goodwill	120	120
Investment property	5,836	5,808
Property, plant and equipment	725	724
Deferred tax assets	142	142
Other non-current assets	103	89
Total non-current assets	**6,926**	**6,883**
CURRENT ASSETS		
Inventories	76	82
Trade receivables	82	77
Cash and cash equivalents	304	239
Asset held for sale	102	113
Other current assets	143	135
Total current assets	**707**	**646**
TOTAL ASSETS	**7,633**	**7,529**
EQUITY		
Equity attributable to owners of the Company	3,167	3,277
Non-controlling interests	39	38
Total equity	**3,206**	**3,315**
NON-CURRENT LIABILITIES		
Bonds issued	1,449	1,332
Financial debts	1,690	1,593
Deferred tax liabilities	715	710
Other non-current liabilities	49	50
Total non-current liabilities	**3,903**	**3,685**
CURRENT LIABILITIES		
Bonds issued	46	158
Financial debts	276	165
Trade payables	69	75
Liabilities linked to assets held for sale	15	16
Other current liabilities	118	115
Total current liabilities	**524**	**529**
TOTAL EQUITY AND LIABILITIES	**7,633**	**7,529**

CPI Property Group

Total assets and total liabilities

Total assets increased by EUR 104 million (1.4%) to EUR 7,633 million as at 31 March 2018. The predominant driver of this growth was the increase of cash and cash equivalents which grew by EUR 65 million (27%) to EUR 304 million as at 31 March 2018 and the increase of investment property by EUR 28 million (0.5%) to EUR 5,836 million primarily due to the ongoing investments in our properties to improve their performance.

Total liabilities were EUR 4,426 million as at 31 March 2018 which represents an increase of EUR 212 million (5%) compared to 31 December 2017. Drawings under CPIPGs revolving credit facility and the refinancing of Quadrio in Prague were key contributors. Because of the Quadrio refinancing, CPIPG's ratio of unencumbered assets to total assets declined to 40% from 43% at year-end-2017. However, CPIPG continues to prioritize unsecured financing and refinancing and intends to further increase the level of unencumbered assets over time.

Bonds issued and financial debts

An increase in non-current Bonds issued by EUR 116 million relates to the adjustment of the covenants in our CPI BYTY bonds programme. This was offset by a decrease in the current part of Bonds issued.

NAV AND EPRA NAV

Total equity decreased by 3.3%, from EUR 3,315 million as at 31 December 2017 to EUR 3,206 million as at 31 March 2018. The main elements impacting equity were:

- a decrease in equity due to share buy-back programme (EUR 145 million);
- an increase by EUR 24 million (profit for three months of 2018);
- an increase by EUR 9 million in translation reserve, reflecting CZK appreciation towards EUR.

EPRA NAV was EUR 3,824 million as at 31 March 2018, a decrease of 2.8% relative to December 2017.

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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.
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.
Loan-to-Value or Net LTV	It is calculated as Net Debt divided by fair value of Property Portfolio. Net Debt is borrowings plus bank overdraft less cash and cash equivalents. 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.	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. Consolidated adjusted EBITDA is Net business income as reported deducted by Administrative expenses 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 as of 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	It is calculated as a sum of bond collateral and bank loan collateral 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.

APM RECONCILIATION

EPRA NAV reconciliation (€ million)	31-Mar-18	31-Dec-17
Equity per the financial statements (NAV)	**3,167**	**3,277**
Effect of exercise of options, convertibles and other equity interests	--	--
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,167**	**3,277**
Revaluation of trading property and PPE	3	3
Fair value of financial instruments	--	2
Deferred tax on revaluation	697	697
Goodwill as a result of deferred tax	(43)	(43)
EPRA NAV	**3,824**	**3,934**

Net LTV reconciliation (€ million)	31-Mar-18	31-Dec-17
Financial debts	1,966	1,758
Bonds issued	1,495	1,489
Net debt linked to AHFS	8	7
Cash and cash equivalents	(304)	(239)
Net debt	**3,165**	**3,015**
Total property portfolio	**6,736**	**6,722**
Net LTV	**47.0%**	**44.9%**

Secured debt as of Total debt reconciliation (€ million)	31-Mar-18	31-Dec-17
Secured bonds	166	163
Secured financial debts	1,846	1,700
Total debts	3,467	3,247
Secured debt as of Total debt	**58%**	**57%**

Unencumbered assets reconciliation (€ million)	31-Mar-18	31-Dec-17
Bonds collateral	485	483
Bank loans collateral	4,072	3,846
Total assets	7,633	7,529
Unencumbered assets ratio	**40%**	**43%**

Net Interest coverage ratio reconciliation (€ million)	31-Mar-18	31-Mar-17
Interest income	4	1
Interest expense	(23)	(22)
Net Business Income	76	62
Administrative expenses	(12)	(10)
Net interest coverage ratio	**3.4x**	**2.5x**

Funds from operations reconciliation (€ million)	31-Mar-18	31-Mar-17
Net profit for the period	23	23
Deferred income tax	3	2
Net valuation gain or loss on investment property	3	0
Net valuation gain or loss on revaluation of derivatives	1	(2)
Net gain or loss on disposal of assets	1	1
Amortization, depreciation and impairments	7	10
Other non-recurring / non-cash items	8	(7)
Funds from operations	**46**	**27**