Press Release

Luxembourg, 22 November 2018

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

CPI PROPERTY GROUP (hereinafter "**CPIPG**", the "**Company**" or together with its subsidiaries the "**Group**"), the leading owner of income-generating real estate in the Czech Republic, Berlin and the CEE region, is pleased to publish financial information for the third quarter of 2018.

"CPIPG's business continues to perform extremely well," said Martin Nemecek, CEO of CPIPG. "Our asset management teams have once again delivered positive like-for-like rental growth and higher levels of income. We remain focused on positioning CPIPG's property portfolio and capital structure for long-term success, and are optimistic for the future."

Performance highlights for CPIPG as of Q3 2018 include:

- Total revenues of EUR 382 million, a 17% increase year-on-year. Gross rental income increased by 18% to EUR 223 million, driven by like-for-like growth and acquisitions. Like-for-like growth for the total portfolio was 5.1% on an annualized basis. In Berlin, like-for-like growth exceeded 8% while the Czech Republic and the CEE region ranged between 3% and 7%.

- Net business income increased by 19% to EUR 246 million and funds from operations (FFO) increased by 40% to EUR 129 million, reflecting stronger business and operating performance.

- CPIPG's net interest coverage ratio (ICR) was 3.8x relative to 2.5x in Q3 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) was 40.8% at the end of Q3. The slight increase relative to CPIPG's reported LTV as of 30th June (39.1%) is attributable to cash advance payments made to redeem high coupon bonds previously placed in the local bond market, as the Group continues to focus on simplifying the capital structure by eliminating subsidiary bonds and repaying secured loans.

- In September, all of the secured bonds issued by CPIPG's residential subsidiary CPI BYTY were repaid, for a total of about EUR 115 million. The repayment improved CPIPG's unencumbered assets ratio and ICR. Further repayments of subsidiary bonds during Q4 are expected to have a similarly positive effect.

Key events occurring after quarter-end include:

- In October 2018, Moody's Investor Service upgraded CPIPG's long-term rating to Baa2 from Baa3. The outlook is stable. The upgrade reflected CPIPG's strong operating performance and efforts to improve our capital structure, particularly the level of unencumbered assets

- In October 2018, the Central Bank of Ireland approved a supplement to the base prospectus for the EUR 3 billion Euro Medium Term Note (EMTN) programme.

- In October 2018, CPIPG issued senior notes of EUR 610 million (under our EMTN programme), issue price 99.34%. The bonds mature in April 2022 and bear fixed coupon of 1.45% p.a. Proceeds are being used to repay subsidiary bonds and secured loans.

- In October 2018, CPIPG issued senior notes of CHF 165 million (under our EMTN programme), issue price 100%. The bonds mature in October 2023 and bear fixed coupon of 1.63% p.a. Proceeds are being used to repay subsidiary bonds and secured loans. The majority of the CHF bond proceeds were swapped to EUR.

- In October 2018, CPIPG further repaid secured CPI Retail Portfolio bonds in total amount of approximately EUR 44 million.

- In October 2018, CPIPG refinanced IGY shopping centre with a new secured loan of EUR 60 million provided by Komercni banka for a term of five years at extremely attractive pricing.

- In November 2018, CPIPG was rated A- with a stable outlook by a leading Japanese credit rating agency, Japan Credit Rating Agency, and became the first non-Japanese real estate company to obtain such a rating.

- In November 2018, CPIPG repaid early a major part of bonds issued by CPI a.s. in total amount of EUR 273 million (CZK 7 billion) and announced the early repayment of the remainder of the CPI a.s. bonds together with bonds issued by CPI Finance Slovakia and CPI Finance Slovakia II in total amount of EUR 206 million. The repayment will further reduce the Group´s interest expense and increase our ICR.

FINANCIAL HIGHLIGHTS

Performance		30-Sep-18	30-Sep-17	Change
Gross rental income	€ million	223	189	18%
Net rental income	€ million	205	171	19%
Total revenues	€ million	382	326	17%
Net business income	€ million	246	207	19%
EBITDA	€ million	211	174	21%
Funds from operations (FFO)	€ million	129	92	40%
Profit before tax	€ million	218	242	-10%
Net interest expense	€ million	(56)	(69)	-19%
Net ICR		3.8x	2.5x	1.3x
Net profit for the period	€ million	181	199	-9%

Assets		30-Sep-18	31-Dec-17	Change
Total assets	€ million	8,014	7,529	6%
Property Portfolio	€ million	7,044	6,722	5%
Gross leasable area*	sqm	3,326,000	3,329,000	0%
Occupancy in %	%	93.0	92.7	0.3 p.p.
Total number of properties **	No.	417	420	0%
Total number of residential units	No.	11,905	12,402	-4%
Total number of hotel beds	No.	10,488	10,488	0%
EPRA NAV	€ million	3,998	3,934	2%

* Excluding hotels
**Excluding residential properties

Financing structure		30-Sep-18	31-Dec-17	Change
Total equity	€ million	3,920	3,315	18%
Equity ratio	%	49	44	5 p.p.
Net debt	€ million	2,873	3,015	5%
Loan to value ratio in % (Net LTV)	%	40.8	44.9	-4.1 p.p.
Secured debt as of total debt	%	56	59	-3 p.p.
Unencumbered assets	%	49	43	6 p.p.

STATEMENT OF COMPREHENSIVE INCOME

The income statement for the 9 months period ended 30 September 2018 and 30 September 2017 is as follows:

INCOME STATEMENT (€ million)	30-Sep-18	30-Sep-17
Gross rental income	223	189
Net service revenue	21	20
Property operating expenses	(40)	(38)
Net rental income	**204**	**171**
Development sales	16	4
Cost of goods sold	(16)	(3)
Development operating expenses	(1)	(2)
Net development income	**(1)**	**(1)**
Hotel revenue	93	88
Hotel operating expenses	(58)	(54)
Net hotel income	**35**	**34**
Revenues from other business operations	29	25
Related operating revenues/COGS	(21)	(22)
Net income from other business operations	**8**	**3**
Total revenues	**382**	**326**
Total direct business operating expenses	**(136)**	**(119)**
Net business income	**246**	**207**
Net valuation gain*	125	163
Net gain/ (loss) on disposals	(1)	1
Amortization, depreciation and impairments	(29)	(14)
Other operating income	4	6
Administrative expenses	(35)	(33)
Other operating expenses	(5)	(2)
Operating result	**306**	**328**
Interest income	10	6
Interest expense	(66)	(75)
Other net financial result*	(31)	(17)
Net finance costs	**(87)**	**(86)**
Share of profit of equity-accounted investees (net of tax)	(1)	--
Profit before income tax	**218**	**242**
Income tax expense	(38)	(43)
Net profit for the period	**180**	**199**

** the Group changed the presentation of unrealized foreign exchange gains/losses on property portfolio arising from the changes in FX rates in cases, when the property portfolio is valued in other currency than the functional currency of the respective SPV. FX gain/loss on property portfolio, which was recognized as part of **Other net financial result**, was reclassified to **Net valuation gain**. The comparative amounts have been restated in this regards.*

Net rental income

Net rental income increased by 19% to EUR 205 million, compared to EUR 171 million for the first nine 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 almost reaching EUR 16 million) represent the sale of four apartments from the Palais Maeterlinck project in France.

Net hotel income

Net hotel income was EUR 35 million, compared to EUR 34 million for the first nine 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 3 million in 2018) and our Swiss mountain resort (EUR 5 million in 2018).

Net valuation gain

The net valuation gain of EUR 125 million results principally from the revaluation of selected high performing assets, primarily from the Czech Republic and Berlin. The gain was driven primarily by the overall performance improvement of the assets in terms of rents and occupancy.
The net valuation gain includes also unrealized foreign exchange gains / losses related to the portion of the Group´s property portfolio which is valued in CZK (gain of EUR 33 million for 9 months of 2018). The comparative figure for 2017 has also been adjusted in this regard (loss of 44 million for 9 months of 2017) as we have reclassified FX revaluation gains from "other financial result" to "net valuation gain."

Amortization, depreciation and impairments (ADI)

Increase in ADI is attributable to impairment of goodwill (EUR 9 million) related to Hospitality Group (Mamaison brand hotels) recognized in connection with acquisition of this hotel portfolio in 2014.

Interest expense and interest income

Interest expense decreased by EUR 9 million mainly due to changes in the financing strategy of the Group, which has led to decline in bank loans (decrease in interest expense by EUR 16 million) and increase in interest of expense of bonds by EUR 9 million primarily due to new Eurobonds issued by the Company in October 2017. Interest income increased by EUR 4 million primarily as a result of new loans provided by the Group (mainly at the end of 2017) to related parties.

Other net financial result

In 2018, the Group recognized unrealized non-cash foreign exchange losses of EUR 27 million related to loans denominated in EUR which are booked by entities of the Group where the functional currency has depreciated versus the EUR, such as Hungarian, Forint, Czech Koruna or Polish Zloty.

BALANCE SHEET

BALANCE SHEET (€ million)	30-Sep-18	31-Dec-17
NON-CURRENT ASSETS		
Intangible assets and goodwill	114	120
Investment property	6,180	5,808
Property, plant and equipment	773	724
Deferred tax assets	144	142
Other non-current assets	102	89
Total non-current assets	**7,313**	**6,883**
CURRENT ASSETS		
Inventories	78	82
Trade receivables	74	77
Cash and cash equivalents	246	239
Asset held for sale	12	113
Other current assets	291	135
Total current assets	**701**	**646**
TOTAL ASSETS	**8,014**	**7,529**
EQUITY		
Equity attributable to owners of the Company	3,332	3,277
Perpetual notes	548	--
Non-controlling interests	40	38
Total equity	**3,920**	**3,315**
NON-CURRENT LIABILITIES		
Bonds issued	1,288	1,332
Financial debts	1,499	1,593
Deferred tax liabilities	740	710
Other non-current liabilities	49	50
Total non-current liabilities	**3,576**	**3,685**
CURRENT LIABILITIES		
Bonds issued	67	158
Financial debts	265	165
Trade payables	75	75
Other current liabilities	111	131
Total current liabilities	**518**	**529**
TOTAL EQUITY AND LIABILITIES	**8,014**	**7,529**

Total assets and total liabilities

Total assets increased by EUR 485 million (6%) to EUR 8,014 million as at 30 September 2018. The largest driver of this growth was acquisitions (Shopping centre in Hradec Králové, Atrium Office Complex, HopStop retail chains). Assets held for sale decreased due to the sale of certain assets that the management considered non-strategic. The disposed assets included a portfolio of five small retail

properties located in regional cities of northern Czech Republic, totaling approximately 25,700 sqm, and the Budaörs Office Park located near Budapest. In August, the Group also disposed of an office building located in Prague, serving as the headquarters of Nestlé for the Czech and Slovak Republics.

Total liabilities were EUR 4,093 million as at 30 September 2018 which represents an decrease of EUR 121 million (-3%) compared to 31 December 2017. The early repayment of bonds issued by CPI BYTY in September 2018 (decrease of EUR 119 million) represent the main driver of the decrease.

Because of the repayment of the CPI BYTY bonds, CPIPG's ratio of unencumbered assets to total assets increased to nearly 50% from 43% at year-end-2017. This demonstrates our commitment to prioritize unsecured financing and refinancing and intends to further increase the level of unencumbered assets over time.

Bonds issued and financial debts

Change in financial debts relates to the repaid bank loans in total amount EUR 147 million and new bank loan CPI Národní in total amount of EUR 111 million. A decrease in non-current bonds issued by EUR 44 million relates to the reclassification of CPI Retail Portfolio bonds to current. A decrease in current bonds issued relates to the repaid CPI BYTY bonds (119 MEUR) and CPI Finance Slovakia bonds (28 MEUR).

Litigation

In October 2018, Kingstown's legal advisers filed additional submission to increase the amount of alleged damages claimed to EUR 157 million. The Company continues to believe the claim is without merit and intends to vigorously contest it. Hearings on the admissibility of the claim are expected to take place in early 2019.

NAV AND EPRA NAV

Total equity increased by 18%, from EUR 3,315 million as at 31 December 2017 to EUR 3,920 million as at 30 September 2018. The main elements impacting equity were:

- the issuance of hybrid notes (EUR 550 million) in May 2018;
- a decrease in equity due to share buy-back programme (EUR 145 million);
- an increase by EUR 180 million (profit for nine months of 2018);
- a decrease by EUR 17 million in translation reserve, reflecting CZK depreciation towards EUR.

EPRA NAV was EUR 3,998 million as at 30 September 2018, an increase of 1.6 % relative to December 2017.

For further information please contact:

INVESTORS
David Greenbaum
Chief Financial Officer
CPI Property Group
d.greenbaum@cpipg.com

MEDIA/PR
Kirchhoff Consult AG
Andrew Stammler
Herrengraben 1
20459 Hamburg
T +49 40 60 91 86 18
F +49 40 60 91 86 60
E andrew.stammler@kirchhoff.de

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 crystalise 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.
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.
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.	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.
Funds from operations	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.

CPI Property Group

APM RECONCILIATION

EPRA NAV reconciliation (€ million)	30-Sep-18	31-Dec-17
Equity per the financial statements (NAV)	**3,332**	**3,277**
Effect of exercise of options, convertibles and other equity interests	--	--
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,332**	**3,277**
Revaluation of trading property and PPE	1	3
Fair value of financial instruments	(2)	2
Deferred tax on revaluation	710	697
Goodwill as a result of deferred tax	(43)	(43)
EPRA NAV	**3,998**	**3,934**

Consolidated adjusted EBITDA reconciliation (€ million)	30-Sep-18	30-Sep-17
Net business income	246	207
Administrative expenses	(35)	(33)
Consolidated adjusted EBITDA	**211**	**174**

Net LTV reconciliation (€ million)	30-Sep-18	31-Dec-17
Financial debts	1,764	1,758
Bonds issued	1,355	1,489
Net debt linked to AHFS	--	7
Cash and cash equivalents	(246)	(239)
Net debt	**2,873**	**3,015**
Total property portfolio	**7,044**	**6,722**
Net LTV	**40.8%**	**44.9%**

Secured debt as of Total debt reconciliation (€ million)	30-Sep-18	31-Dec-17
Secured bonds	44	163
Secured financial debts	1,708	1,700
Total debts	3,118	3,247
Secured debt as of Total debt	**56%**	**57%**

Unencumbered assets reconciliation (€ million)	30-Sep-18	31-Dec-17
Bonds collateral	74	483
Bank loans collateral	4,007	3,846
Total assets	8,014	7,529
Unencumbered assets ratio	**49%**	**43%**

Net Interest coverage ratio reconciliation (€ million)	30-Sep-18	31-Dec-17
Interest income	10	10
Interest expense	(66)	(99)
Net Business Income	246	272
Administrative expenses	(35)	(42)
Net Interest coverage ratio	**3.8x**	**2.6x**

Funds from operations reconciliation (€ million)	30-Sep-18	30-Sep-17
Net profit for the period	181	199
Deferred income tax	17	33
Net valuation gain or loss on investment property	(125)	(163)
Net valuation gain or loss on revaluation of derivatives	(2)	(11)
Net gain or loss on disposal of inventory	1	--
Net gain or loss on disposal of assets	1	1
Amortization, depreciation and impairments	29	14
Other non-recurring / non-cash items	27	19
Funds from operations	**129**	**92**