

Risk Report

As an international real estate investor, property owner and project developer, CPI Europe is exposed to a variety of general and sector-specific risks in its business operations. An integrated risk management process provides the Group with a sound basis for the timely identification of potential risks and the assessment of the possible consequences.

Risks represent the possibility of deviating from planned targets as the result of “coincidental” disruptions caused by the unpredictable nature of the future. In this connection, negative variances are considered risks in the strict sense of the term and positive variances are seen as opportunities.

Principles of integrated risk management

The structure of CPI Europe's risk management is based on the rules of the Austrian Corporate Governance Code and the integrated framework of the COSO ERM*, an internationally recognised concept for the design of risk management systems.

Based on the hedging and management instruments currently in use, no material risks can be identified at the present time that would endanger CPI Europe's standing as a going concern. The overall risk situation for the company and for the entire market in 2025 was influenced by the challenging political and macroeconomic environment. The major risk categories are discussed in greater detail at the end of this risk report.

The procedures for handling risk at CPI Europe are anchored in a Group-wide risk management system. This is integrated into operational practices and reporting lines and has a direct influence on processes and strategic decisions. Risk management takes place at all levels through internal guidelines, reporting systems and the internal control system which is monitored by the internal audit department.

Monitoring and control of the risk management system

The risk management system is monitored and controlled through two corporate channels: On the one hand, internal audit evaluates the effectiveness of risk management and contributes to its improvement. On the other hand, the auditor reviews the functionality of risk management in accordance with C-Rule 83 of the Austrian Corporate Governance Code (in the version released in January 2025) and reports to the Executive Board on the results of this analysis.

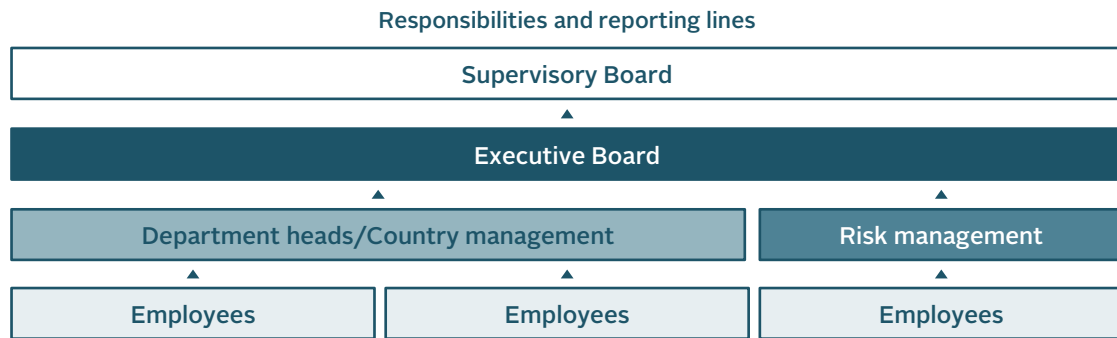
Evaluation of the functionality of the risk management system

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, evaluated the effectiveness of CPI Europe's risk management system during the period from December 2024 to March 2025. This assessment covered the design and implementation of the measures and organisational procedures instituted by the company, but not their application in the sense of operating effectiveness. The conclusions reached by Ernst & Young based on the audit procedures and the evidence obtained indicated that no facts or circumstances were identified which could imply that the risk management system instituted by CPI Europe AG as of 31 December 2025 – based on the COSO comprehensive framework for corporate risk management – is not functional.

* Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management; [coso.org](https://www.coso.org)

Structure of risk management

The goal of risk management at CPI Europe is to implement the strategy defined by the Executive Board with a minimum of risk. The Group's strategic goals are transferred to the operating processes where the measures for the identification, prevention and management of risks are located.

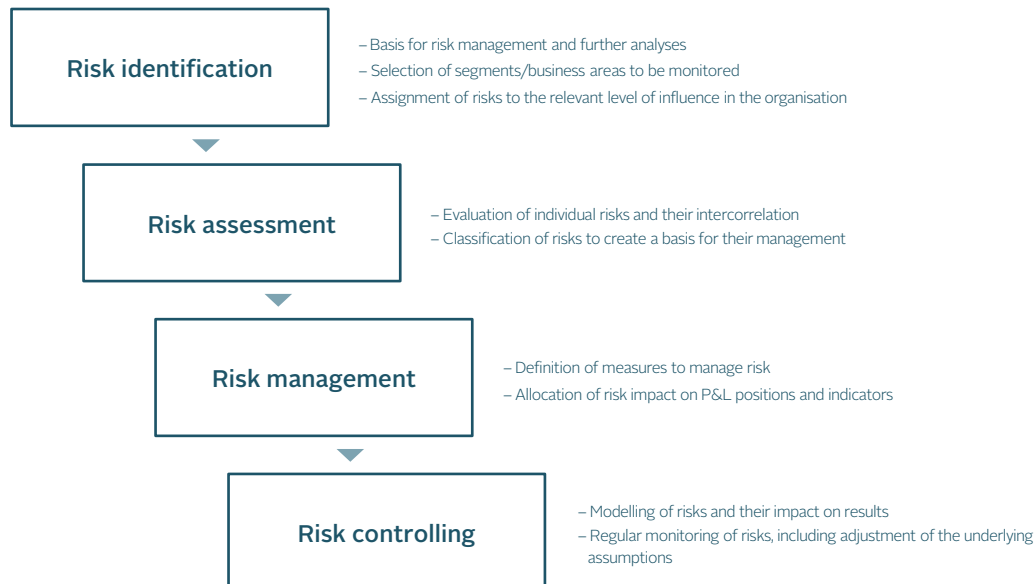


The Executive Board is responsible for risk management in CPI Europe and defines the corporate goals and related risk strategy.

Risk management is a staff function which reports directly to the Executive Board. It monitors the corporate risks that are not related to specific business areas, aggregates risk data and reports, and actively supports the business areas and country organisations in the identification of risks and economically feasible countermeasures. Risk management reports regularly to the Executive Board and quarterly to the Supervisory Board.

At the country organisation level, the heads of the respective units are responsible for risk management. Risk positions are reported to the Executive Board at least once each quarter by the business unit and country managers. Acute risks are reported immediately to the Executive Board.

Risk management process



Material risk categories

The risk categories relevant for CPI Europe follow the company's value chain and are also focused on environmental, governance and social opportunities and risks. CPI Europe has defined a broad range of measures to address and counter risks. These measures represent an integral part of all corporate processes and, consequently, form the basis for the reduction of risk.

Risk category	Description	Countermeasures
Business risks	These risks are related to the general framework conditions for business activities and exceed the scope of property-specific risks.	These risks are countered by strategic decisions at the corporate level.
	Financial risks are related to lenders or the terms and conditions for the provision of cash and cash equivalents (see section 7.2 in the consolidated financial statements).	The continuous monitoring of asset and liability positions as well as proactive analyses form the basis for strategic measures to safeguard the company's financial strength.
	Operational risk can arise through detrimental actions by corporate bodies and/or employees to the disadvantage of the company.	The company's activities are separated into individual processes and relevant process steps are controlled internally.
	Other risks represent individual risks with a Group-wide impact.	These risks are countered by strategic decisions at the corporate level.
Risks of improper business practices	CPI Europe is committed to responsible and transparent actions and to compliance with legal rules and regulations. Risks in this area arise from deviations from these general principles.	Guidelines have been issued to cover the actions of corporate bodies and employees in individual areas to prevent these risks from occurring.
Social risks	The company is responsible for its employees as well as other service providers in the broader sense of the term. Risks arising from the company's role as an employer in the broader sense of the term are aggregated in this risk category.	CPI Europe's commitment to compliance with all fundamental and human rights as well as regular surveys of employees' needs represent the cornerstones of risk minimisation in this area.
Environmental and climate risks	Climate risks arise from the meteorological conditions at a property's location. In addition, environmental risks arise from the construction and operation of buildings.	Measures are implemented on a timely basis to prevent any negative effects on a property. When new buildings are constructed, a special focus is also placed on minimising the negative impact on the environment.
	The attainment of the planned climate neutrality and the development of a circular economy are connected with risks arising from the technological and regulatory transition.	CPI Europe takes the necessary steps to support the technological development and sustainable management of its buildings. It also supports the creation of a greater awareness for these issues by all stakeholders.
Project development risks	Planning risks are risks which occur during the planning phase of a property. This phase extends from the design to the approval of a project.	Project development risks are prevented by the exact inspection of new locations, the timely involvement of all stakeholders and measures to anticipate future negative developments.
	Realisation risks represent the risks arising in connection with the construction of a building, beginning with the receipt of the building permit.	Realisation risks are prevented through quality assurance measures in processes as well as measures to externalise risk.
	Marketing risks are related to the commercialisation of a project and are very important in regard to profitability.	Marketing risks are mitigated at CPI Europe by timely risk and opportunity analyses as well as long-term market monitoring.
Asset management risks	Earnings risks are risks connected with the generation of steady income from the standing investments.	CPI Europe is taking steps to evolve from a conventional landlord to a service provider who reacts early on to market trends.
	Usage risks, as a group, represent the risks involved with the management of a property and, consequently, have a significant influence on the company's earning power.	Active portfolio management and the continuous technical monitoring of the property portfolio are designed to reduce usage risks.
	Owners, tenants and facility managers are exposed to management risks during the ongoing operation of a property.	CPI Europe follows a clear externalisation strategy with regard to management risks.
Portfolio and valuation risks	Portfolio and valuation risks include the factors that could lead to a change in the value of a portfolio.	Active portfolio management and the expertise from long-term market monitoring help CPI Europe to identify potential problems at an early stage.
Transaction risks	Transaction risks are connected with the acquisition and sale of properties and include additional irregularities on the transaction market.	Process measures and regular monitoring of the transaction markets are designed to minimise existing risks. Market problems are managed with risk prevention measures.

Features of the internal control system

The internal control system (ICS) of CPI Europe comprises a wide range of measures and processes to protect the company assets and to ensure the accuracy and reliability of accounting. The goal of the ICS is to prevent or identify errors and therefore allow for early correction. The ICS also supports compliance with major legal directives and the business policies defined by the Executive Board.

The ICS is integrated in all corporate processes. Its key features involve the appropriate segregation of duties, the application of the four-eyes principle within the framework of relevant corporate processes, compliance with internal guidelines (e.g. IFRS accounting manual of CPI Europe), the review of accounting data by Group controlling for correctness, plausibility and completeness, the integration of preventive and detective controls in processes as well as automatic key controls through specific software settings.

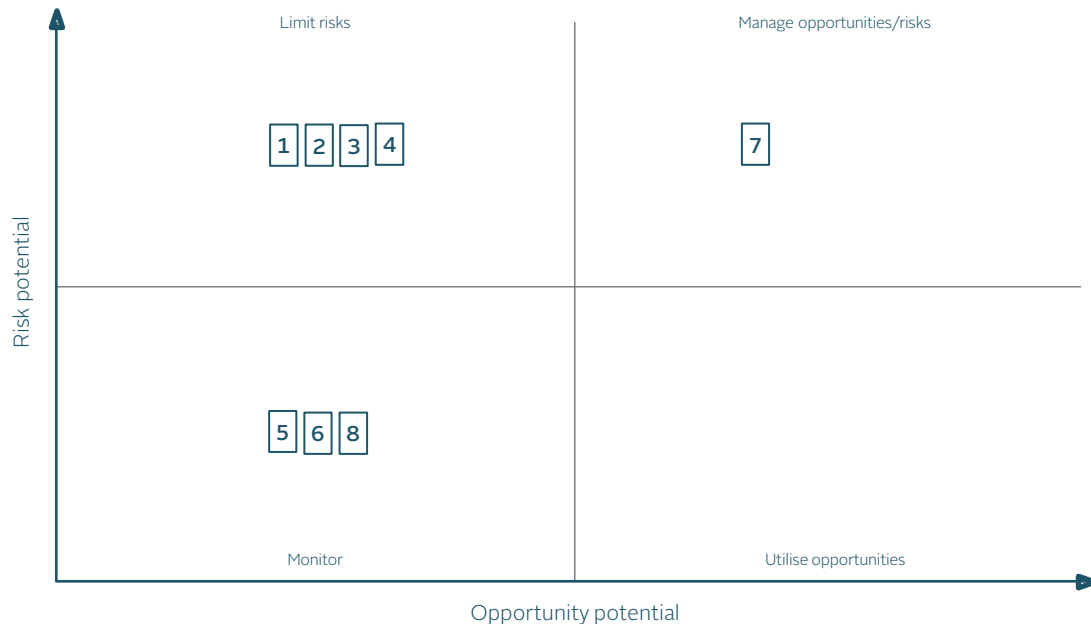
Monitoring by internal audit

Internal audit is responsible for the independent review of the effectiveness of the ICS and, in this way, contributes to its quality assurance. This department also evaluates the effectiveness of risk management and supports its continuous improvement. Based on an annual audit plan approved by the Supervisory Board, the internal audit department independently and regularly reviews operating processes and business transactions. The priorities for this schedule are defined in accordance with risk criteria and organisational goals.

The results of the audits are reported to the Executive Board on a regular basis and to the Supervisory Board twice each year. As part of an annual report, the internal audit department explains its activities and summarises the major audit areas and results.

Risk and opportunity position in 2025

Overview of opportunities and risks as of 31 December 2025



Macroeconomic conditions (1)

The disruptive actions of the current US administration led to increased political insecurity in 2025. Combined with a tariff-driven protectionist US economic policy, this has had a significant impact on global trade. Rules-based post-war politics has been replaced by explicit power politics, which was noticeable throughout the global economy. This development makes long-term predictability more difficult and therefore has a negative effect on economic growth. As a result, the European Union is focusing on intensifying free trade with the economic areas of the global south and is increasingly investing in its economic and political autonomy. These public investments are expected to account for a major part of future economic growth in Europe. While the European population's readiness to spend has recently slightly improved, private consumption is currently contributing to growth only to a limited extent.

Despite the US tariff policy, the global economy has proven to be resilient. This was primarily supported by the economic momentum in the emerging countries. The European Central Bank (ECB) lowered the key interest rate to 2.0% in the past year. Based on the current interest rate curve, a positive development can be assumed for the coming years. There are also signs of easing with a view to risk premiums. The EU's GDP growth exceeded forecasts from early 2025. GDP is assumed to have grown by 1.4% in the EU and by 1.3% in the eurozone in the past year. Similar GDP growth is expected for both 2026 and 2027.

Falling energy prices caused inflation to decline in the EU in 2025, with deviations in some countries. At the end of the year, countries such as France or Cyprus recorded inflation rates below one per cent. At the other end of the range, Slovakia reported the highest inflation in the eurozone and Romania the highest in the EU. In contrast, core inflation (without energy and food prices) remained constant, making further interest rate cuts unlikely. While economic growth is expected to recover in 2026, CPI Europe anticipates continuing reservation in the demand for office space and a stable development in the retail and residential sectors.

Financial market risks (2)

The ECB lowered the key interest rate from 3.15% to 2.0% in the past year, a move which reduced the interest pressure on real estate companies. Borrowing costs remain high in view of the risk premiums due to the high number of insolvencies in the industry. In addition, the property investments made during the zero-interest phase weigh on companies as the prices paid then can quickly lead to losses under changed market conditions. The interest rate landscape should remain stable in 2026, provided that none of the many elements of uncertainty become effective. Thanks to falling energy prices, inflation in Europe declined in 2025 and is expected to approximate the 2% target of the ECB in 2026. Countries whose electricity mix includes a high proportion of coal could see a rise in inflation from 2027 onwards as the EU Emissions Trading System (EU ETS 2) will enter into force.

Liquidity risk on the real estate market (3)

The ECB's stable interest rate environment led to an increase in transaction volume in most European real estate markets. Italy was the leader among the major European markets, with a 36% increase compared to 2024, followed by Spain with 31%. The Austrian market also recorded strong development with an increase of 40% in 2025. In CPI Europe's core markets, the Czech Republic recorded the highest growth in transaction volume with a 133% increase, followed by Slovakia and Hungary. As in the previous year, the strongest markets in SEE were Serbia and Bulgaria. Worldwide economic uncertainty is leading to global asset transfers from which the European real estate markets could possibly benefit. The outlook for 2026 is therefore cautiously optimistic.

An analysis of the asset classes shows a significant increase in transaction volume for office and retail as well as residential properties. In terms of investor interest, the office segment ranked second after residential properties, while retail properties took fourth place. In view of CPI Europe's transaction activity, a continued slight easing of liquidity risk in the property market can therefore be assumed. Investors' focus on prime properties remains a potential risk factor: such properties are not only defined based on location and occupancy, but increasingly also based on compliance with ESG criteria. Properties which do not fulfil these requirements attract significantly fewer interested parties and are subject to higher discounts.

Risks from climate change (4)

2025 was the third warmest year on record, surpassed only slightly by 2024 and 2023. The global temperature exceeded the pre-industrial level by 1.5°C in all three years. These years were marked by an increase in global extreme weather events even if events like La Niña may locally lead to opposite effects. In 2025, properties of CPI Europe were not affected by physical events, but the risks for individual properties remain. CPI Europe aims to actively manage these risks. From a risk perspective, risks related to climate change are considered to remain high. Further details can be found in the non-financial section of the management report.

Legal proceedings (5)

As in the previous years, CPI Europe was involved in restitution claims related to the VIVO! locations in Cluj and Constanța in Romania in 2025. The proceedings related to the VIVO! Cluj resulted in a final judgment that rejected CPI Europe's ownership title to the land. For the shopping center itself, all instances to date have confirmed the ownership of CPI Europe. No solution was found to bring the situation in compliance with the law due to the election in Romania in the past year. The legal proceedings over VIVO! Constanța resulted in a first instance decision in favour of CPI Europe. However, the plaintiff appealed the judgment.

Valuation risks (6)

In an environment of falling interest rates, transaction markets gained noticeable momentum in the past year, with large, liquid property markets benefitting the most. Yields remained largely stable or declined only slightly. It is evident that buyers focus either on location or sustainability, whereby older properties in class B locations are increasingly falling by the wayside and are subject to higher discounts on prime yields. CPI Europe has set a strategic goal to invest with a focus and to streamline the portfolio where necessary. This trend can also be seen in other market participants and should continue to increase in the coming years.

Revaluation results totalled EUR 211.8 million in 2025.

IT risks (7)

CPI Europe is currently implementing several IT projects to leverage synergy effects with the aim to drive digitalisation of company processes. However, in addition to new opportunities which arise from digitalisation, there is also an increase in potential risks. Most notably, the growing number of cyberattacks on companies due to hybrid warfare, constitute a risk. CPI Europe therefore places a primary focus on protecting its IT systems while at the same time taking additional measures such as employee training in order to ensure a maximum level of security. Until the implementation of new processes has been completed, the risk to critical corporate processes can still be considered moderate.

Portfolio risks (8)

The occupancy rate in CPI Europe's standing investment portfolio equalled 94.0% as of 31 December 2025 (31 December 2024: 93.2%). The retail properties were practically fully rented at 97.5%. In the office properties, the occupancy rate was 90.6%. The occupancy rate of the residential portfolio based on leased units was 91.1%.

CPI Europe's active development projects (properties under construction) have a combined carrying amount of EUR 25.0 million (31 December 2024: EUR 15.6 million). The outstanding construction costs for these projects totalled EUR 42.7 million at the end of 2025 (31 December 2024: EUR 28.2 million). Pipeline projects, including real estate inventories, had a carrying amount of EUR 111.2 million as of 31 December 2025 (31 December 2024: EUR 147.8 million).