



Interim report as of 31 March 2017

Luxembourg, 31 May 2017

## **CPI Property Group Interim Report as of 31 March 2017: Completion of landmark acquisition on CEE market**

### **Portfolio highlights**

#### CPI Property Group boosts its retail portfolio

CPI Property Group (“CPIPG” and together with its subsidiaries the “Group”) acquired the high-quality retail portfolio (“Retail portfolio”) of predominantly 11 shopping centres located in Czechia, Hungary, Poland and Romania with a total gross leasable area<sup>1</sup> of approximately 265,000 sqm. The closing of this historic deal for the Group was completed on 29 March 2017. The total

The acquired portfolio consists of:

- major shopping centres Olympia Plzeň and Nisa Liberec in Czechia, Ogrody in Poland, Polus and Campona in Hungary and Felicia in Romania;
- multifunctional complexes Zlatý Anděl in Prague and Andrásy Complex in Budapest
- two Interspar stores in Hungary.

In total, the Group has acquired a portfolio of quality assets, of which 92,000 sqm of gross leasable area are located in capital cities Prague and Budapest and the rest of the assets are located in major cities of Czechia, Hungary, Poland and Romania. The average occupancy rate of the acquired portfolio as of the day of acquisition was 95% with more than 750 tenants ranging from Nationale-Nederlanden (NN) to Hennes & Mauritz (H&M) and Interspar.

Bank financing has been arranged through several loans with multiple banks across several countries at a total of EUR 440 million, with the Group providing the remaining amount from its own funds.

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<sup>1</sup> For definition of „gross leasable area“, please refer to [ANNUAL MANAGEMENT REPORT 2016](#), page 83



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### Further reinforcement of hotel portfolio

On 7 March 2017, the Group acquired Hotel Vladimír in Ústí nad Labem. Hotel Vladimír is a 3 star hotel with 172 beds. The operation of this hotel will be secured by CPI Hotels a.s., operator of the majority of the Group's hospitality portfolio.

### Sale of Capellen Invest, Lozorno Logistics park and Purkyňova office building

On 25 January 2017, the Group disposed of Capellen building in Luxembourg, an office project with a gross leasable area of approximately 8,000 sqm.

On 28 February 2017, the Group disposed of Lozorno logistics park, located outside of Bratislava, Slovakia. The logistics park, comprising of 5 halls with total leasable space of 118,000 sqm, was sold in a share deal transaction.

On 7 March 2017, the Group disposed of the Purkyňova office building located in Brno, Czech Republic.

All the assets that were disposed during Q 1 2017 did not fit into the Group's business strategy.

## **Corporate news and financing**

### Refinancing of CPI BYTY bonds

On 5 May 2017 two maturing tranches of CPI BYTY, a.s. bonds, amounting to CZK 300 million and CZK 500 million, were repaid from equity.

On 10 May 2017, CPIPG's subsidiary CPI BYTY, a.s. issued the seventh and eighth tranche of secured bonds pursuant to its bonds programme. The seventh tranche, registered under ISIN code CZ0003516551, amounts to CZK 530 million, carries a fixed coupon of 1.85% and matures on 10 May 2019. The eight tranche, registered under ISIN code CZ0003516569, amounts to CZK 270 million, carries a fixed coupon of 2.25% and matures on 10 May 2019.



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Both new issuances bear lower coupon rates (by 1.65% and 0.25% respectively) than the refinanced bonds. The issuance reflects the immense market interest, which has significantly exceeded the total volume of the actual subscription amount.



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### Key figures

Performance		31-Mar-17	31-Mar-16	Change in %
Gross rental income	MEUR	54	57	-5%
Occupancy in % *	%	90%	89%	1%
Net rental income	MEUR	54	49	10%
Total revenues	MEUR	95	75	27%
Operating result	MEUR	46	48	-4%
Funds from operations (FFO)	MEUR	27	21	29%
Profit before tax	MEUR	27	27	0%
Net interest expense	MEUR	(19)	(21)	-10%
Net profit for the period	MEUR	23	21	10%

\* Excluding hotels

Assets		31-Mar-17	31-Dec-16
Total assets	MEUR	6,130	5,662
Property Portfolio	MEUR	5,390	4,865
Gross lettable area *	sqm	3,216,000	3,094,000
Total number of properties **	No.	420	417
Total number of residential units	No.	12,396	12,396
Total number of hotel beds	No.	11,450	11,278
EPRA NAV	MEUR	2,745	2,729

\* Excluding hotels

\*\* Excluding residential properties

Financial Structure		31-Mar-17	31-Dec-16	Change in %
Total equity		2,312	2,289	1%
Equity ratio		37%	40%	--
Net debt		2,862	2,335	23%
Loan to value ratio in %		53.1%	48.0%	--



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### Income statement

Income statement for the 3 month period ended on 31 March 2017 is as follows:

MEUR	31-Mar-17	31-Mar-16
Gross rental revenue	54	57
Net service revenue	6	1
Property operating expenses	(6)	(9)
<b>Net rental income</b>	<b>54</b>	<b>49</b>
Development sales	1	1
Development operating expenses / Cost of goods sold	(1)	(1)
<b>Net development income</b>	<b>0</b>	<b>0</b>
Hotel revenue	16	3
Hotel operating expenses	(14)	(2)
<b>Net hotel income</b>	<b>2</b>	<b>1</b>
Revenues from other business operations	17	14
Cost of goods sold	(1)	--
Related operating revenues	(10)	(10)
<b>Net income from other business operations</b>	<b>6</b>	<b>4</b>
<b>Total revenues</b>	<b>95</b>	<b>76</b>
<b>Total direct business operating expenses</b>	<b>(33)</b>	<b>(22)</b>
<b>Net business income</b>	<b>62</b>	<b>54</b>
Net valuation gain or loss on inv. property	--	3
Amortization, depreciation and impairments	(11)	(1)
Other operating income	7	1
Administrative expenses	(10)	(9)
Other operating expenses	(2)	--
<b>Operating result</b>	<b>46</b>	<b>48</b>
Interest income	1	3
Interest expense	(22)	(24)
Other net financial result	2	--
<b>Net finance income / (costs)</b>	<b>(19)</b>	<b>(21)</b>
<b>Profit / (Loss) before income tax</b>	<b>27</b>	<b>27</b>
Income tax expense	(4)	(6)
<b>Net profit / (Loss) for the period</b>	<b>23</b>	<b>21</b>



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### **Rental income**

Gross rental income has decreased due to the transfer of hotel rental fee (approx. EUR 5 million) into hotel revenues. The decrease in gross rental income by 4% was compensated by lower property operating expenses and higher revenues from services provided. Net rental income increased by 10 % to EUR 54 million in 2017.

### **Net hotel income**

The substantial increase in hotel revenues primarily reflects the acquisition of CPI Hotels, a.s., the operator of the majority of the Group's hospitality portfolio, in June 2016.

### **Net income from other business operations**

Net income from other business operations relates to the revenues from agriculture (EUR 1 million) and mountain resorts (EUR 5 million).

### **Amortization, depreciation and Impairments**

Increase in amortization, depreciation and impairments reflects reclassification of hotels properties to Property, plant and equipment.

### **Other operating income**

Other operating income includes the gain on bargain purchase of EUR 6 million from the recent Retail portfolio acquisition (see the Portfolio highlights).

### **Net finance income / costs**

Other net financial result was positively affected by the decreasing cost of external capital while net interest expenses decreased by EUR 2 million to EUR 21 million in Q1 2017.



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### Balance sheet

MEUR	31-Mar-17	31-Dec-16
<b>NON-CURRENT ASSETS</b>		
Intangible assets and goodwill	134	117
Investment property	4,620	3,978
Property, plant and equipment	679	679
Biological assets	2	2
Deferred tax assets	122	122
Other non-current assets	26	15
<b>Total non-current assets</b>	<b>5,583</b>	<b>4,913</b>
<b>CURRENT ASSETS</b>		
Inventories	101	98
Biological Assets	4	4
Trade receivables	83	68
Cash and cash equivalents	192	304
Other current assets	167	253
<b>Total current assets</b>	<b>547</b>	<b>749</b>
<b>TOTAL ASSETS</b>	<b>6,130</b>	<b>5,662</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	2,282	2,259
Non-controlling interests	30	30
<b>Total equity</b>	<b>2,312</b>	<b>2,289</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	674	657
Financial debts	1,701	1,294
Deferred tax liabilities	522	504
Other non-current liabilities	40	38
<b>Total non-current liabilities</b>	<b>2,937</b>	<b>2,493</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	50	50
Financial debts	629	582
Trade payables	73	66
Other current liabilities	129	182
<b>Total current liabilities</b>	<b>881</b>	<b>880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,130</b>	<b>5,662</b>



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### **Total assets and total liabilities**

Total assets increased by MEUR 468 to MEUR 6,130 as of 31 March 2017. The property portfolio increased by EUR 525 million and cash and cash equivalents decreased by EUR 112 million primarily due to Retail portfolio acquisition (see the Portfolio highlights).

Also, the increase in financial debts amounting to EUR 454 million relates mainly to Retail portfolio acquisition (see the Portfolio highlights).

Other current assets and other current liabilities decreased due to the sale of properties disclosed as held for sale as of 31 December 2016.

### **Net Asset Value (EPRA NAV)**

Net assets value – NAV (total equity including non-controlling interest) totals EUR 2,745 million as at 31 March 2017 rose by 0.6% compared to 31 December 2016. The result for the three-month period of 2017 amounting to EUR 23 million (2016: EUR 21 million) represents the main contributor of the increase in EPRA NAV<sup>2</sup>.

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<sup>2</sup> For definition of „EPRA NAV“, please refer to [ANNUAL MANAGEMENT REPORT 2016](#), page 83