Press Release

Luxembourg, 1 September 2017[1]

CPI PROPERTY GROUP – on the verge of becoming a dominant real estate player on CEE market

Corporate news

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of the shareholders of CPI PROPERTY GROUP (the "**Company**" and together with its subsidiaries as the "**Group**") was held on 24 May 2017 in Luxembourg (the "**Annual Meeting**"), with approximately 70.68% of the voting rights present or represented.

The Annual Meeting approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2016, as well as the allocation of financial results for the financial year ending 31 December 2016. The Annual Meeting further granted a discharge to the members of the Company's Board of Directors as well as to the auditors for the performance of their duties during the financial year ending 31 December 2016. The Annual Meeting also resolved to appoint the following persons as members of the Company's Board of Directors as of the date of the Annual Meeting and until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017: Edward Hughes, Philippe Magistretti, Martin Nemecek, Tomas Salajka, Oliver Schlink, Radovan Vitek and Marie Vitkova. Martin Nemecek was also elected Managing Director (*administrateur délégué*) of the Company. The Annual Meeting finally resolved to appoint KPMG Luxembourg as an auditor (*réviseur d'entreprises agréé*) of the Company until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017.

EUR 51.5 MILLION NEW SHARES

The Company issued of 515 000 000 new ordinary shares for a global cash contribution of EUR 51.5 million. The new shares were subscribed by the current shareholder RAVENTO S.a r.l., an entity closely associated with Mr. Radovan Vítek. The new shares, having a par value and a subscription price of EUR

[1] *This is the erratum to the press release published by the Company on 31 August 2017. This corrected press release is issued due to a typo with respect to the information of 31 August 2017 about the Consolidated Leverage Ratio and the Secured Consolidated Leverage Ratio. This press release replaces the 31 August 2017 press release, which shall be disregarded.*

0.10 each, were issued in a reserved capital increase under the Company's authorized share capital and fully paid by cash. The corporate share capital of the Company has thus been increased from EUR 779 561 784.60 represented by 7 795 617 846 shares to EUR 831 061 784.60 represented by 8 310 617 846 shares. The total number of shares comprising the share capital of the Company is 8 310 617 846 as of 30 June 2017.

Portfolio highlights

THE GROUP BOOSTS ITS RETAIL PORTFOLIO

The Group acquired the high-quality retail portfolio of predominantly 11 shopping centres located in Czechia, Hungary, Poland and Romania with a total leasable area of approximately 280,000 sqm. The closing of this historic deal for the Group was completed on 29 March, 2017. The acquired portfolio consists of (i) major shopping centres Olympia Plzeň and Nisa Liberec in Czechia, Ogrody in Poland, Polus and Campona in Hungary and Felicia in Romania; (ii) multifunctional complexes Zlatý Anděl in Prague and Andrássy Complex in Budapest; and (iii) two Interspar stores in Hungary. The acquisition price reached EUR 625 million. The bank financing has been arranged through several loans at a total of EUR 440 million, with the Group providing the remaining amount from its own funds.

ACQUISITION OF THE SHOPPING CENTRE IN BRNO

On 26 July 2017, the Group acquired Královo Pole Shopping Centre located in Brno, Czechia. Shopping Centre was built in 2004 by Carrefour and comprises a two-level gallery with 78 shops and a food court with a total of 26,500 sqm GLA and 900 parking spaces. The hypermarket was originally anchored by Carrefour until 2007, when it was taken over by Tesco. Královo Pole is the dominant shopping centre in the northern Brno featuring a large catchment of 250,000 inhabitants within 20 minutes with above average purchasing power. The shopping centre offers development potential having a valid building permit in place for a further 12,000 sqm GLA expansion.

ACQUISITION OF THE HOTEL VLADIMÍR

On 7 March 2017, the Group acquired Hotel Vladimír in Ústí nad Labem. Hotel Vladimír is a 3 star hotel with 86 rooms. The operation of this hotel will be secured by CPI Hotels a.s., operator of the majority of the Group´s hotels portfolio.

SALE OF ARKÁDY PROSTĚJOV SHOPPING GALLERY

On 8 August 2017, the Group disposed of Arkády Prostějov shopping gallery. The shopping gallery, with the gross leasable area of approximately 10,000 sqm, is located in Prostějov, eastern part of Czechia. The Group decided to proceed with this disposal, since it considered Arkády Prostějov as a non-core asset.

SALE OF OFFICE BUILDING IN CAPELLEN

The Group disposed of the office building in Capellen, Luxembourg. The building with a leasable area of approximately 7,700 sqm, located in the Capellen business park just outside of the City of Luxembourg, was sold to a private investor. The transaction, structured as a share deal, was completed on 25 January 2017.

SALE OF LOZORNO LOGISTIC PARK

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

SALE OF OFFICE POPERTY IN BRNO

In March 2017, the Group disposed of the Purkyňova office building located in Brno, Czech Republic. The modern building with an area exceeding 11,300 sqm was sold in a share deal transaction.

Capital market financing

CZK 800 MILLION BONDS REPAID AND NEWLY ISSUED

On 5 May 2017, two maturing tranches of Group subsidiary CPI BYTY, a.s. bonds amounting to CZK 300 million and CZK 500 million, were repaid from equity. On 10 May 2017 CPI BYTY, a.s. issued the seventh and eighth tranche of secured bonds. 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 eighth tranche, registered under ISIN code CZ0003516569, amounts to CZK 270 million, carries a fixed coupon of 2.25% and matures on 7 May 2019. The prospectus, which was approved by the Czech National Bank on 3 May 2017 is available in electronic form at www.cpibyty.cz.

EUR 55 MILLION BONDS ISSUE

The Group issued additional EUR 55 million bonds with the nominal amount of EUR 1,000 each with maturity in 2022. The bonds are registered under ISIN code SK4120012097 and carry a fixed rate coupon of 5.00% p.a. The prospectus, approved by the National Bank of Slovakia on 28 September 2016 is available in electronic form at www.cpifinanceslovakiaii.sk.

Financial highlights

Performance		30-Jun-17	30-Jun-16	Change
Gross rental income	MEUR	120	114	5%
Net business income	MEUR	123	109	13%
Total revenues	MEUR	203	155	31%
Operating result	MEUR	321	95	238%
Funds from operations (FFO)	MEUR	51	51	0%
Profit before tax	MEUR	231	58	298%
Interest expense	MEUR	47	45	4%
Net profit for the period	MEUR	190	44	332%

Assets		30-Jun-17	31-Dec-16	Change
Total assets	MEUR	6 490	5 662	15%
Property Portfolio	MEUR	5 707	4 865	17%
Gross leasable area*	sqm	3 238 000	3 094 000	5%
Occupancy in %	%	91%	90%	+1.0 pp
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	10 308	11 278	-9%
EPRA NAV	MEUR	3 068	2 729	12%

* Excluding hotels
** Excluding residential properties

Financing structure		30-Jun-17	31-Dec-16	Change
Total equity	MEUR	2 598	2 289	14%
Equity ratio	%	40%	40%	+0.0 pp
Net debt	MEUR	2 840	2 335	22%
Loan to value ratio in % (Net LTV)	%	49.8%	48.0%	+1.8 pp
Consolidated Leverage Ratio	%	48.5%	47.6%	+0.9 pp
Consolidated Coverage Ratio	ratio	2.2	2.1	5%
Secured Consolidated Leverage Ratio	%	38.4%	36.4%	+2.0 pp

Income statement

Income statement for the 6 months period ended on 30 June 2017 is as follows:

MEUR	30-Jun-17	30-Jun-16
Gross rental revenue	120	114
Net service revenue	12	10
Property operating expenses	(26)	(21)
Net rental income	**106**	**103**
Development sales	2	1
Development operating expenses	(3)	(1)
Net development income	**(1)**	**0**
Hotel revenue	47	11
Hotel operating expenses	(33)	(7)
Net hotel income	**14**	**4**
Revenues from other business operations	22	16
Related operating revenues	(17)	(13)
Net income from other business operations	**5**	**3**
Total revenues	**203**	**152**
Total direct business operating expenses	**(80)**	**(43)**
Net business income	**123**	**109**
Net valuation gain or loss on inv. property	229	(1)
Amortization, depreciation and impairments	(14)	(5)
Other operating income	8	12
Administrative expenses	(22)	(19)
Other operating expenses	(1)	(1)
Operating result	**321**	**95**
Interest income	2	5
Interest expense	(47)	(45)
Other net financial result	(45)	(3)
Net finance costs	**(90)**	**(37)**
Profit before income tax	**231**	**58**
Income tax expense	(41)	(14)
Net profit for the period	**190**	**44**

Net rental income

Net rental income slightly increased by 3% to EUR 106 million in H1 2017 (H1 2016: EUR 103 million). The positive impact of the increase in gross rental income of 5%, reflecting the improved property performance as well as the impact of the new acquisitions in late 2016 and during H1 2017, was compensated by higher property operating expenses which rose by EUR 5 million. The overall positive development in the real estate sector continues to motivate the Group to invest more in repairs and maintenance costs to support the long-term value and marketability of the assets.

Net hotel income

The substantial increase is attributable, primarily to the acquisition of Sunčani Hvar hotels portfolio in May 2016 and the acquisition of 100% share in CPI Hotels, a.s., a long-term business partner which operates 24 hotels owned by the Group, in August 2016.

Net valuation gain

The overall gain on revaluation of the property portfolio totals EUR 229 million and its based predominantly on the valuation appraisals prepared by independent and reputable appraisers. The gain was driven primarily by the overall performance improvement of the projects, current situation on the Czech residential market and successful acquisitions carried out in late 2016 and 2017.

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.

Other net financial result

Other net financial result was adversely affected by foreign exchange loss of EUR 46 million. In April 2017, the Czech National Bank ended its Czech koruna floor commitment. The Czech koruna has been steadily appreciating since then. Significant existing intercompany relationships between entities with functional currencies of Czech koruna and Euro and revaluation of EUR denominated assets on Czech entities were the major reasons for net foreign exchange loss in 2017.

Income tax expense

Increase in income tax expense by EUR 27 million reflects primarily the deferred tax effect of the property portfolio revaluation.

Funds from operations (FFO)

In H1 2017 the Group generated EUR 51 million Funds from operations (FFO).

		30-Jun-17	30-Jun-16
Net profit for the period	**MEUR**	**190**	**44**
Deferred income tax	MEUR	35	11
Net valuation gain or loss on investment property	MEUR	(229)	1
Net valuation gain or loss on revaluation of derivatives	MEUR	(6)	2
Net gain or loss on disposal of assets	MEUR	3	0
Amortization, depreciation and impairments	MEUR	14	5
Other non-recurring / non-cash items	MEUR	44	(12)
Funds from operations (FFO)	**MEUR**	**51**	**51**

Balance sheet

MEUR	30-Jun-17	31-Dec-16
NON-CURRENT ASSETS		
Intangible assets and goodwill	150	117
Investment property	4,923	3,978
Property, plant and equipment	682	679
Deferred tax assets	124	122
Other non-current assets	47	17
Total non-current assets	**5,926**	**4,913**
CURRENT ASSETS		
Inventories	100	98
Trade receivables	75	68
Cash and cash equivalents	235	304
Asset held for sale	12	124
Other current assets	140	155
Total current assets	**564**	**749**
TOTAL ASSETS	**6,490**	**5,662**
EQUITY		
Equity attributable to owners of the Company	2,567	2,259
Non-controlling interests	31	30
Total equity	**2,598**	**2,289**
NON-CURRENT LIABILITIES		
Bonds issued	688	657
Financial debts	1,741	1,294
Deferred tax liabilities	579	504
Other non-current liabilities	42	38
Total non-current liabilities	**3,052**	**2,493**
CURRENT LIABILITIES		
Bonds issued	50	50
Financial debts	596	582
Trade payables	66	66
Liabilities linked to assets held for sale	--	59
Other current liabilities	128	123
Total current liabilities	**840**	**880**
TOTAL EQUITY AND LIABILITIES	**6,490**	**5,662**

Total assets and total liabilities

Total assets increased by EUR 828 million (15%) to EUR 6 490 million as at 30 June 2017. The increase is primarily connected with the increase in property portfolio which rose by EUR 842 million. Non-current and current liabilities total EUR 3 891 million as at 30 June 2017 which represents increase by EUR 518 million (15%) compared to 31 December 2016. The main driver of this increase was a growth in external financing as a result of the acquisitions.

Equity (Net assets value)

Net assets value – NAV (total equity including non-controlling interest) totals EUR 3 068 million as at 30 June 2017 and compared to 31 December 2016 strongly rose by 12%. The robust profit in the period H1 2017 and the issuances of the new shares represent the main contributors of the increase.

Net Asset Value		30-Jun-17	31-Dec-16
Equity per the financial statements (NAV)	MEUR	2,567	2,259
Effect of exercise of options, convertibles and other equity interests	MEUR	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	MEUR	2,567	2,259
Revaluation of trading property and PPE	MEUR	4	4
Fair value of financial instruments	MEUR	7	15
Deferred tax on revaluation	MEUR	564	494
Goodwill as a result of deferred tax	MEUR	(74)	(43)
EPRA NAV	MEUR	**3,068**	**2,729**

For full Interim Management Report as of 30 June 2017, including Condensed Consolidated Interim Financial Statements as at 30 June 2017 please refer to our website at www.cpipg.com.

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