



*Press Release*

*Luxembourg, 31 August 2016*

## Boost in Group Portfolio, Equity Reinforcement and Finance Optimisation

### Corporate news

#### Increase of share capital in amount of EUR 370.3 million

In H1 2016 the CPI Property Group (the "Company" or together with subsidiaries the „Group“) issued in several issuances in aggregate the 3,698,030,051 new ordinary shares. The new shares, having a par value of EUR 0.10 each, were issued in reserved capital increases under the Company’s authorised share capital.

The aggregate subscription price of EUR 370.3 million was partially paid by cash contributions amounting to EUR 73.5 million in total and partially by contributions in kind amounting to EUR 296.8 million in total, through contributions of bonds issued by the Company and the Company's subsidiary Czech Property Investments, a.s. The contributed bonds were valued at their nominal value inclusive of the accrued interest as of the date of contribution.

The extraordinary general meeting (the “EGM”) held on 26 May 2016 resolved to decrease the corporate capital of the Company by the amount of EUR 55,069,491.50 by means of cancellation of 550,694,915 shares held in treasury by the Company as of the date of the EGM.

The corporate share capital of the Company amounts to EUR 645,110,343.60 represented by 6,451,103,436 shares.

### Portfolio highlights

#### Acquisition of 97% stake in ORCO Property Group

On 8 June 2016 CPI PROPERTY GROUP through its wholly owned subsidiary Nukasso indirectly acquired 1,279,080,996 shares in ORCO Property Group a public limited liability company (société anonyme) incorporated under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register (RCS) under number B 44 996 (“OPG”), representing 97.31% stake in OPG.

Pursuant to article 6 (2) of the Luxembourg law of 19 May 2006 on takeover bids (the “Takeover Bid Law”) NUKASSO has submitted a draft offer document for approval to the CSSF in its capacity as competent supervisory authority in accordance with article 4 (2) (a) of the Takeover Bid Law. Once approved the Offer Document will be published on the websites of CPI PROPERTY GROUP: [www.cpihg.com](http://www.cpihg.com) and the Luxembourg Stock Exchange: [www.bourse.lu](http://www.bourse.lu).

On 2 August 2016, the Company filed with the Czech Office for the Protection of Competition a request to obtain merger clearance concerning the acquisitions made on 8 June 2016, resulting in obtaining of



direct and indirect ownership of approximately 97.31% of OPG's share capital. The Czech Office for the Protection of Competition granted the merger clearance on 23 August 2016.

OPG is an investor, developer and asset manager in the Central European real estate market. Based in Luxembourg, it is a publicly listed company on the Luxembourg Stock Exchange. Orco Property Group operates in a number of countries in Central Europe with main focus on the Czech Republic, Germany and Poland.

#### Acquisition of major stake in Sunčani Hvar

On 19 May 2016 the Group indirectly acquired 12,029,250 shares of SUNČANI HVAR d.d. (hereinafter as "SHH"), hotel company operating on the Island of Hvar, Croatia, representing 61.95% of the shareholding and voting rights in SHH. During the mandatory buyout procedure, shareholders of SHH tendered in aggregate 5,924,081 SHH shares at the price of HRK 24 per share. The tendered shares include 5,880,849 SHH shares previously held by the Restructuring and Sale Centre of the Republic of Croatia, which decided to sell them on 27 July 2016. Following the acquisition of the tendered shares completed on 8 August 2016, the Group now indirectly holds approximately 92.45% of the SHH shares. Subject to legal and regulatory requirements, the Group intends to proceed with the delisting of SHH shares from the regulated market of the Zagreb Stock Exchange.

#### Acquisition of hotel operator CPI Hotels

On 31 August 2016 the Group acquired 100% stake at CPI Hotels, a.s. (the „CPI Hotels“) a long-term business partner of the Group that operates 24 hotels owned by the Group. The aggregate acquisition price was CZK 1,219 million (approx. EUR 45 million). Since 1997 CPI Hotels has been the exclusive representative of the international hotel chain Choice Hotels International known as the Clarion brand in the Czech Republic and Slovakia. In 2009 CPI Hotels introduced the unique project of the five-star Buddha Bar Hotel Prague, the first hotel of the international chain Buddha-Bar Hotels & Resorts. CPI Hotels operates own brand Fortuna Hotels and brand Spa & Kur Hotels. In 2014 the portfolio operated by CPI Hotels expanded to Mamaison Hotels & Residences.

#### Acquisition of the shopping centre in Mladá Boleslav

On 1 February 2016 the Group acquired Bondy Centrum, the largest shopping centre in Mladá Boleslav, Czech Republic. The shopping centre with a leasable area of approximately 16,800 sqm comprises of 80 shops, food court, multiplex cinema and other amenities, as well as a 400 capacity car park. The centre also includes an office section, having a floor area of approximately 2,800 sqm.

#### Acquisition of the shopping centre in České Budějovice

In March 2016 the Group acquired Géčko shopping centre in České Budějovice, Czech Republic. The shopping centre with 11,000 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars.

#### The Group begins work on New IGY Centre in České Budějovice

The Group has started the construction of the retail project New IGY Centre in České Budějovice, which involves the upgrade and modernisation of the existing IGY shopping centre and the construction of the new building, IGY2. Investment in the construction of IGY2 will reach EUR 16 million and renovation of the current IGY is estimated at EUR 12 million.



## Capital market financing

### EUR 50 million Bonds issue

On 26 February 2016 the subsidiary CPI Finance Slovakia, a.s. issued new bonds with the nominal amount of EUR 1,000 each and the aggregate amount of up to EUR 50 million. The bonds, due in 2020, are registered under ISIN code SK4120011487 and carry a fixed rate coupon of 5.00% p.a. The prospectus, which since has been approved by the National Bank of Slovakia on 22 February, 2016 is available in electronic form at [www.cpifinanceslovakia.sk](http://www.cpifinanceslovakia.sk).

### EUR 49 million Bonds redeemed

During Q1 2016 bonds CPI 6.05/16 in the total amount of EUR 46 million were repaid and bonds CPI VAR/19 (EUR) in the total amount of EUR 3 million were prepaid before maturity.

### Amendment of terms of CZK 2 billion of Czech Property Investments, a.s. bonds

The meeting of the Bondholders, held on 22 January 2016 approved the amendment of the terms and conditions of CPI VAR CZK 2019 bonds. The approved amendment entails, inter alia, the decrease in the interest from 6M PRIBOR plus 6.5% to the fixed 5.1% p.a. has enabled a 2 year extension of maturity of bonds until 2021. The amendment of the terms and conditions has been in effect since 25 January, 2016.



## Financial highlights

Performance		30-Jun-16	30-Jun-15	Change in %
Gross rental income	MEUR	114	107	7%
Occupancy in % *	%	89%	89%	--
Net rental income	MEUR	103	105	-2%
Total revenues	MEUR	155	135	15%
Operating result	MEUR	95	94	1%
Funds from operations (FFO)	MEUR	51	51	0%
Profit before tax	MEUR	58	66	-12%
Net interest expense	MEUR	(40)	(33)	22%
Net profit for the period	MEUR	44	58	-24%

\* Excluding hotels

Assets		30-Jun-16	31-Dec-15
Total assets	MEUR	4,903	4,323
Property Portfolio	MEUR	4,248	3,822
Gross lettable area *	sqm	3,077,000	2,977,000
Total number of properties **	No	421	402
Total number of residential units	No	12,474	12,483
Total number of hotel beds	No	11,911	10,331
EPRA NAV	MEUR	2,085	1,732

\* Excluding hotels

\*\* Excluding residential properties

Financial Structure		30-Jun-16	31-Dec-15	Change in %
Total equity		1,723	1,338	29%
Equity ratio		35%	31%	--
Net debt		2,324	2,248	3%
Loan to value ratio in %		54.7%	58.8%	--



## Income statement

Income statement for the 6 months period ended on 30 June 2016 is as follows:

MEUR	30-Jun-16	30-Jun-15
Gross rental revenue	114	107
Net service revenue	10	12
Property operating expenses	(21)	(14)
<b>Net rental income</b>	<b>103</b>	<b>105</b>
Development sales	1	4
Cost of goods sold	0	(3)
Development operating expenses	(1)	--
<b>Net development income</b>	<b>0</b>	<b>1</b>
Hotel revenue	11	7
Cost of goods sold	--	--
Hotel operating expenses	(7)	(4)
<b>Net hotel income</b>	<b>4</b>	<b>3</b>
Revenues from other business operations	16	6
Cost of goods sold	--	(1)
Related operating revenues	(13)	(3)
<b>Net income from other business operations</b>	<b>3</b>	<b>2</b>
<b>Total revenues</b>	<b>155</b>	<b>135</b>
<b>Total direct business operating expenses</b>	<b>(46)</b>	<b>(25)</b>
<b>Net business income</b>	<b>109</b>	<b>110</b>
Net valuation gain or loss on inv. property	(1)	18
Net gain or loss on disposal of inv. property	--	--
Net gain or loss on disposal of subsidiaries	--	1
Gain/Loss on the disposal of equity-accounted investees	--	--
Amortization, depreciation and impairments	(5)	(4)
Other operating income	12	4
Administrative expenses	(19)	(18)
Other operating expenses	(1)	(17)
<b>Operating result</b>	<b>95</b>	<b>94</b>
Interest income	5	12
Interest expense	(45)	(45)
Other net financial result	3	5
<b>Net finance income / (costs)</b>	<b>(37)</b>	<b>(28)</b>
<b>Profit / (Loss) before income tax</b>	<b>58</b>	<b>66</b>
Income tax expense	(14)	(8)
<b>Net profit / (Loss) for the period</b>	<b>44</b>	<b>58</b>



#### Net rental income

Net rental income decreased marginally by 2% to EUR 103 million in H1 2016 (H1 2015: EUR 105 million). The positive impact of the increase in gross rental income by 7%, reflects the improved property performance as well as the impact of new acquisitions in H2 2015 and H1 2016, was compensated by higher property operating expenses which rose by EUR 7 million. The overall positive development in the real estate sector motivated the Group to invest more in repairs and maintenance costs to support the long-term value and marketability of the assets.

#### Net hotel income

This substantial increase is primarily attributable to the acquisition of the portfolio Sunčani Hvar hotels that was performed by the Group in May 2016.

#### Net income from other business operations

Net income from other business operations relates to the revenues from agriculture and mountain resorts. The acquisition of CMA in November 2015, represents the main driver of the substantial increase in the overall volume of related revenues and expenses.

#### Net valuation gain on investment property

The property portfolio valuation was kept stable in H1 2016 with a minor EUR 1 million net loss. In comparison, the net valuation gain of EUR 18 million in H1 2015 primarily resulted from the valuation gain on the office and retail portfolio in the Czech Republic. The gain was primarily driven by the overall performance improvement of the projects as well as by improved assumptions (mainly on ERV and yields) retained by the independent expert.

#### Other operating income

The main reason of the increase in other operating income represents the bargain purchase of EUR 10 million reflecting the acquisition of portfolio Sunčani Hvar hotels.

#### Administrative expenses

Administrative expenses increased by 6% to EUR 19 million in H1 2016 (H1 2015: EUR 18 million). The increase is primarily attributable to the extension of Group's operations resulted in the increase in headcount as well as in the extended requirements for the financial and other advisory services.

#### Other operating expenses

The drop in other operating expenses is directly attributable to the change in fair value by EUR 12 million of a contingent consideration that was recognised by the Group in 2015, reflecting the expected future settlement with the project's vendor that was acquired by the Group in 2012.

#### Net finance income / costs

Total net finance result declined from a net loss of EUR 28 million in H1 2015 to net loss of EUR 37 million in H1 2016. The main adverse impact on the total net finance result has the decrease of interest income from EUR 12 million in H1 2016 to EUR 5 million in H1 2015. The decrease in interest income reflects the acquisition of own shares from the main shareholder in September 2015 that were settled by certain receivables and interest bearing loans.

## Balance sheet

MEUR	30-Jun-16	31-Dec-15
<b>NON-CURRENT ASSETS</b>		
Intangible assets and goodwill	73	73
Investment property	3,868	3,534
Property, plant and equipment	287	184
Biological assets	2	2
Deferred tax assets	111	6
Other non-current assets	40	46
<b>Total non-current assets</b>	<b>4,381</b>	<b>3,845</b>
<b>CURRENT ASSETS</b>		
Inventories	95	85
Biological Assets	5	4
Trade receivables	79	66
Cash and cash equivalents	140	159
Other current assets	203	164
<b>Total current assets</b>	<b>522</b>	<b>478</b>
<b>TOTAL ASSETS</b>	<b>4,903</b>	<b>4,323</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	1,669	1,317
Non-controlling interests	54	21
<b>Total equity</b>	<b>1,723</b>	<b>1,338</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	531	656
Financial debts	1,429	1,368
Deferred tax liabilities	420	410
Other non-current liabilities	44	41
<b>Total non-current liabilities</b>	<b>2,424</b>	<b>2,475</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	39	59
Financial debts	462	321
Trade payables	64	42
Other current liabilities	191	88
<b>Total current liabilities</b>	<b>756</b>	<b>510</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,903</b>	<b>4,323</b>

### Total assets and total liabilities

Total assets increased by EUR 580 million (13%) to EUR 4,903 million as at 30 June 2016. The increase is primarily connected with the increase in property portfolio which rose by EUR 420 million and increased in deferred tax assets by EUR 105 million that has been recognised by the Group.



Non-current and current liabilities total EUR 3,180 million as at 30 June 2016 which represents an increase of EUR 195 million (6.5%) compared to 31 December 2015. The main driver of this increase was a growth in external financing as a result of this year acquisitions.

#### Net Asset Value (NAV)

Net assets value – NAV (total equity including non-controlling interest) totals EUR 2,085 million as at 30 June 2016 significantly rose by 21% compared to 31 December 2015. The issuances of the new shares and the robust result for the six-month period of 2016 represent the main contributor of the increase.

**For full Interim Management Report as of 30 June 2016, including Condensed Consolidated Interim Financial Statements as at 30 June 2016 please refer to our website at [www.cpihg.com](http://www.cpihg.com).**

For further information please contact:

Kirchhoff Consult AG  
Andrew Stammer  
Herrengaben 1  
20459 Hamburg  
T +49 40 60 91 86 18  
F +49 40 60 91 86 60  
E [andrew.stammer@kirchhoff.de](mailto:andrew.stammer@kirchhoff.de)