Press Release

Luxembourg, 27 May 2016

CPI PROPERTY GROUP - corporate capital changes, new acquisitions and refinancing

Corporate news

Increase of share capital in amount of EUR 251.5 million

CPI Property Group (the "**Company**" or together with subsidiaries the „**Group**") issued on 21 April, 2016 the 2,514,691,202 new ordinary shares in a debt-to-equity contribution through the existing authorised share capital of the Company and realized within the framework of the EUR 350 million share capital raising goal (the "**In Kind Increases**").

The aggregate subscription price of EUR 251,469,120.20 was paid by the transfer 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 21 April, 2016. The Company is contemplating further potential debt-to-equity contributions in order to continue to strengthen its balance sheet for the entire Group.

General meetings of shareholders held on 26 May 2016

The annual general meeting (the **"AGM"**), with approximately 85.5% of the voting rights present or represented, unanimously approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2015, as well as the allocation of financial results for the financial year ending 31 December 2015. The AGM also granted a discharge to the members of the Company's board of directors and the auditors for the performance of their duties during the financial year ending 31 December 2015.

The AGM further resolved to appoint the following persons as members of the Company's board of directors as of the date of the AGM and until the annual general meeting of 2017 concerning the approval of the annual accounts for the financial year ending 31 December, 2016: Edward Hughes, Philippe Magistretti, Martin Nemecek, Tomas Salajka, Oliver Schlink, and Radovan Vitek. Martin Nemecek was also appointed as the Managing Director (*administrateur délégué*) of the Company.

The extraordinary general meeting (the "**EGM**"), held in front of a public notary with approximately 85.5% of the voting rights present or represented, has resolved to decrease the corporate capital of the Company in the amount of EUR 55,069,491.50 by means of the cancellation of 550,694,915 shares held in treasury by the Company as of the EGM date, without distribution of the reduction proceeds to the shareholders of the Company, such reduction proceeds being allocated to a non-distributable reserve of the Company. Accordingly, the share capital of the Company amounts to EUR 526,776,458.70 represented by 5,267,764,587 shares with a par value of EUR 0.10 each.

Furthermore, the EGM has resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to the amount of one billion euro (EUR 1,000,000,000) for a period of five (5) years from 26 May, 2016. The board report related thereto, which would authorise the issuance of up to ten billion (10,000,000,000) new ordinary shares in addition to the 5,267,764,587 shares currently outstanding.

Additionally, the EGM has acknowledged and ratified the In Kind Increases. In addition, the EGM acknowledged, approved and ratified the decision of the board of directors, approving in principle the capital raising goal of EUR 330,376,830, to be raised through the new authorised share capital of the Company adopted during the EGM. By giving to the Company's shareholders a possibility to participate at a future capital increase of the Company, on terms to be further determined, through contributions in cash for a global amount of EUR 330,376,830, at an issue price of EUR 0.10 per new share to be issued, such issue price being equivalent to the par value of the Company's existing shares and equal to the issue price of the shares that have been issued through the In Kind Increases.

The EGM has finally approved the modifications of the Company's articles of association reflecting the above resolutions taken during the EGM.

‘Double win’ for CPI Property Group at Microsoft project awards 2016

In May 2016, the Group received more accolades at the Microsoft Project Awards, 2016. This year, along with its partner KPCS CZ, the company won the ‘Solution for Business Mobility Award and together with its partner WEBCOM, was awarded the ‘Solution for Automation, Integration and Management of Business Processes Award’. In 2016, CPI PG became the first company in the competition's 18 year history to win in two categories within the same year.

Portfolio highlights

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, a food court, a multiplex cinema and other amenities, as well as a 400 capacity car park. The centre also includes office space with a floor area of approximately 2,800 sqm.

Acquisition of Géčko shopping centre in České Budějovice

In March 2016, the Group acquired Géčko shopping centre in Česke Budějovice, Czech Republic. The shopping centre with 11,000 sqm of leasable area comprises of 50 shopping units, a food court and other amenities, with a 400 capacity car park.

Acquisition of major stake in Suncani Hvar

On 19 May 2016, the Group acquired a company, which holds approximately 62% participation in the shareholding of Suncani Hvar, d.d., a hotel company operating on the Island of Hvar, Croatia.

Acquisition of Retail Shopping in Tarnow, Poland

On 22 March 2016, the Group acquired a small retail shopping asset in Tarnow in southern Poland, comprised of 5 retail units and totalling 2,160 sqm.

The Group begins work on the 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 IGY 2 will reach EUR 16 million and the renovation of the current IGY is expected to be an additional EUR 12 million.

Capital market financing

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.

Bonds issue valued at EUR 50 million

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.

EUR 49 million Bonds repayment

During Q1 2016, bonds CPI 6.05/16 and CPI VAR/19 (EUR) in the total amount of EUR 49 million were repaid.

Financial highlights

Performance		31-Mar-16	31-Mar-15	Change in %
Gross rental income	MEUR	57	53	8%
Occupancy in % *	%	89%	88%	--
Net rental income	MEUR	49	49	0%
Total revenues	MEUR	75	63	19%
Operating result	MEUR	48	45	7%
Funds from operations (FFO)	MEUR	21	26	-19%
Profit before tax	MEUR	27	44	-39%
Net interest expense	MEUR	(21)	(15)	40%
Net profit for the period	MEUR	21	37	-43%

* Excluding hotels

Assets		31-Mar-16	31-Dec-15
Total assets	MEUR	4,449	4,323
Property Portfolio	MEUR	3,887	3,822
Gross lettable area *	sqm	2,915,000	2,977,000
Total number of properties **	No	404	402
Total number of residential units	No	12,408	12,483
Total number of hotel beds	No	10,331	10,331
EPRA NAV	MEUR	1,750	1,732

* Excluding hotels

** Excluding residential properties

Financial Structure	31-Mar-2016	31-Dec-2015	Change in %
Total equity	1,356	1,338	1%
Equity ratio	30%	31%	--
Net debt	2,299	2,245	2%
Loan to value ratio in %	59.1%	58.8%	--

Income statement

Income statement for the 3 month period ended as at 31 March, 2016 is as follows:

MEUR	31 Mar 2016	31 Mar 2015
Gross rental revenue	57	53
Net service revenue	1	3
Property operating expenses	(9)	(7)
Net rental income	**49**	**49**
Development sales	1	1
Cost of goods sold	(1)	(1)
Development operating expenses	--	--
Net development income	**0**	**0**
Hotel revenue	3	3
Cost of goods sold	--	--
Hotel operating expenses	(2)	(1)
Net hotel income	**1**	**2**
Revenues from other business operations	14	3
Cost of goods sold	--	(1)
Related operating revenues	(9)	(2)
Net income from other business operations	**5**	**0**
Total revenues	**75**	**63**
Total direct business operating expenses	**(21)**	**(12)**
Net business income	**54**	**51**
Net valuation gain or loss on inv. property	3	8
Net gain or loss on disposal of inv. property	--	--
Net gain or loss on disposal of subsidiaries	--	--
Gain/Loss on the disposal of equity-accounted investees	--	--
Amortization, depreciation and impairments	(1)	(5)
Other operating income	1	2
Administrative expenses	(9)	(10)
Other operating expenses	--	(1)
Operating result	**48**	**45**
Interest income	3	7
Interest expense	(24)	(22)
Other net financial result	--	14
Net finance income / (costs)	**(21)**	**(1)**
Profit / (Loss) before income tax	**27**	**44**
Income tax expense	(6)	(7)
Net profit / (Loss) for the period	**21**	**37**

Net rental income

The gross rental income has been escalated by 8% to EUR 57 million and the net rental income remained at high levels as in Q1 2015 (EUR 49 million). The increase in gross rental income was primarily driven by new acquisitions and completed development projects during 2015. Operating in attractive locations entails higher maintenance costs, in order for costs to support the long-term value and marketability of the assets, these costs are represented by a EUR 2 million increase in property operating expenses in comparison to Q1 2015.

Net business income

The net business income progressed by 7% from EUR 51 million to EUR 54 million compared to last year's first quarter. This positive development is a direct result of the strong performance of the Group's business, namely excellent operations of the recently acquired mountain resort in Switzerland.

Net valuation gain on investment property

The valuation of investment property has remained stable in Q1 2016 with a slight net gain of EUR 3 million on properties with a major improvement on operational results.

Administrative expenses

Administrative expenses have shown a decrease of EUR 1 million to EUR 9 million in the first three months of 2016 compared to EUR 10 million over the same period in 2015. The decrease corresponds with efforts of the Group to optimize the structure of resources.

Net finance income / costs

Total net finance costs increased by EUR 20 million to EUR 21 million over 3 months in 2015. The main reason is represented by the one-off effect in recognition of the foreign exchange gain of EUR 12 million as reported in Q1 2015. An additional factor of the incline in net finance costs is represented by the drop in income interest by EUR 4 million compared to Q1 2015 as a result of acquisition of our own shares in September, 2015.

Net Profit

As a result of the above, the net profit for the period amounted to EUR 21 million. The decrease has the same causes as explained above in relation to the net finance costs (i.e. the foreign exchange gain in 2015 and decrease in income interest).

Balance sheet

MEUR	31 Mar 2016	31 Dec 2015
NON-CURRENT ASSETS		
Intangible assets and goodwill	73	73
Investment property	3,621	3,534
Property, plant and equipment	182	184
Biological assets	2	2
Other non-current assets	52	51
Total non-current assets	**3,930**	**3,845**
CURRENT ASSETS		
Inventories	84	85
Biological Assets	4	4
Trade receivables	78	65
Cash and cash equivalents	188	159
Other current assets	162	165
Total current assets	**516**	**478**
TOTAL ASSETS	**4,446**	**4,323**
EQUITY		
Equity attributable to owners of the Company	1,334	1,317
Non-controlling interests	22	21
Total equity	**1,356**	**1,338**
NON-CURRENT LIABILITIES		
Bonds issued	707	656
Financial debts	1,458	1,368
Deferred tax liabilities	412	410
Other non-current liabilities	41	41
Total non-current liabilities	**2,618**	**2,475**
CURRENT LIABILITIES		
Bonds issued	17	59
Financial debts	305	321
Trade payables	50	42
Other current liabilities	100	88
Total current liabilities	**472**	**510**
TOTAL EQUITY AND LIABILITIES	**4,446**	**4,323**

Total assets and total liabilities

Total assets increased by EUR 123 million (3%) to EUR 4,446 million as of 31 March, 2016. The increase is primarily connected with the expansion in the property portfolio which rose by EUR 65 million to EUR 3,887 million, and with the boost in cash and cash equivalents by EUR 29 million to EUR 188 million which is 18% higher than at 31 December, 2015.

Non-current and current liabilities total EUR 3,090 million as of 31 March, 2016 which represents an increase of EUR 105 million (4%) compared to 31 December, 2015. The preeminent driver of this advance has been a rise in external financing by a total of EUR 83 million.

Growth in non-current liabilities of EUR 143 million and a decrease in current liabilities of EUR 38 million essentially relate to a change in the maturity profile of bank loans reflecting the refinancing in Q1 2015.

Net Asset Value (NAV)

EPRA NAV has increased to EUR 1,750 million for the first quarter of 2016 while EPRA NAV per share has climbed from EUR 0.629 to EUR 0.636 reflecting a solid profit of EUR 21 million for the period 31 March, 2016.

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