



Interim report as of 30 September 2016

Luxembourg, 30 November 2016

Reinforcement of Hotel Portfolio, New Financing and Development launched

Corporate news

The Group increases further its share capital

On 23 November 2016, CPI PROPERTY GROUP (hereinafter “the Company” or together with its subsidiaries “the Group”) raised EUR 130 million and issued 1.3 billion new shares for a global cash contribution of EUR 130 million. The new shares were subscribed by the current shareholder EFIMACOR S.a r.l., an entity closely associated with Mr. Radovan Vitek.

The new shares, having a par value and a subscription price of EUR 0.10 each, were issued in a reserved capital increase under the Company’s authorised share capital and fully paid by cash. The total number of shares comprising the share capital of the Company is 7,751,103,436 as of 30 November 2016.

Portfolio highlights

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 operates 24 hotels owned by the Group. The Office for the Protection of Competition, Czech Republic, granted a merger clearance for this acquisition on 16 November 2016, whereas its decision became final and binding on 22 November 2016. 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 its own brand Fortuna Hotels and brand Spa & Kur Hotels. In 2014, the portfolio operated by CPI Hotels expanded to Mamaison Hotels & Residences.

Acquisition of additional shares in Sunčani Hvar

In Q2 2016, the Group acquired 61.95% of the shareholding in SUNČANI HVAR d.d. (hereinafter as “SHH”), hotel company operating on the Island of Hvar, Croatia. During the mandatory buyout procedure, shareholders of SHH, including the Restructuring and Sale Centre of the Republic of Croatia, tendered over 30% of SHH shares. Currently the Group’s stake on SHH shares exceeds 96%. The SHH shares are currently being delisted from the regulated market of the Zagreb Stock Exchange.



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Nová Zbrojovka, the largest development project in Group's history

The Group launched the revitalisation of the 20-hectare brownfield land in central Brno, Czech Republic. The Group's ambition is to create a lively, modern and easily accessible area, which expands the current supply of residential and leisure opportunities. The project is expected to comprise of 800 apartments, 30,000 sqm of office space, 40,000 sqm of industrial space etc. Total investments are planned to exceed EUR 150 million.

The Group launches residential project 'Family Homes Březiněves'

The Group has started the construction of 'Family Homes Březiněves' offering 115 exclusive homes over four construction phases. Future residents will soon have the opportunity to set up residence in this popular part of Prague. The expected total costs amount to EUR 27 million.

Disposal of Vaci properties

On 30 November 2016, the Group disposed of the Vaci 188 and 190 properties in Budapest, Hungary. The disposal has been structured as a share deal transaction, with a consortium of Hungarian investors as a counterparty. The project company, which has been sold owns two properties: Vaci 188 - the office building with a gross area of 15,000 sqm and plot size of 5,844 sqm and Vaci 190 – with a 4,583 sqm development plot.

Acquisition of luxury residential projects in France

In November 2016, the Company has completed the first phase of acquisition of luxury residential projects located near Nice, France. The Company acquired seven Monaco and French companies that owns luxury residential villas. Each of the luxury properties has potential for leasing and/or redevelopment and further disposal. This business opportunity is being considered a high-potential mid to long-term investment that will perfectly fit the Company's portfolio along with other luxury projects such as Palais Maeterlinck in Nice, Porto Cervo villas in Sardinia and Crans-Montana portfolio in Switzerland.

Valuation opinion on the value of OPG's shares in the context of the mandatory takeover

On 8 June 2016, the Group through its wholly owned subsidiary Nukasso indirectly acquired 97.31% shares in ORCO Property Group ("OPG"). Nukasso has submitted a draft offer document for approval to the CSSF in its capacity as competent supervisory authority. Once approved the offer document will be published on the websites of the Group. On 22 September 2016, the CSSF appointed PricewaterhouseCoopers société cooperative (Luxembourg) as the independent for the determination of the equitable price to be offered to the shareholders of OPG in the context of the mandatory takeover bid over any and all of the ordinary shares of OPG. The valuation report will take 8 June 2016 as the valuation report date.



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Capital market financing

New bonds issuance up to EUR 100 million

The Company granted J&T BANKA the mandate to place the new mid-term debt securities of up to EUR 100 million to be issued via its wholly owned subsidiary CPI Finance Slovakia II, a.s. The bonds are registered under ISIN code SK4120012097 and are due in 2022. Each bond carries a fixed rate coupon of 5.00% p.a. and its nominal value is EUR 1,000. The prospectus is available in electronic form at www.cpifinanceslovakiaii.sk.



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Financial highlights

Net rental income slightly decreased by 1% to EUR 153 million in Q3 2016 (Q3 2015: EUR 155 million). The reason of the minor decrease represents the higher property operating expenses that rose by EUR 11 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. Furthermore, the Group has reclassified approximately EUR 5 million of its Gross rental revenue into the Net Hotel Revenue part of its income statement, reflecting the acquisition of CPI Hotels - the operator of majority of Group's hotels.

The substantial increase in total revenue from EUR 205 million in Q3 2015 to EUR 258 million in Q3 2016 has been primarily driven by the acquisition of the portfolio Sunčani Hvar hotels in May 2016 and the acquisition of CPI Hotels in August 2016. The operating result improved significantly from EUR 127 million in Q3 2015 to EUR 145 million in the same period of 2016. Net profit for the period amounted to EUR 60 million (Q3 2015 – EUR 68 million).

Total assets increased by EUR 620 million (14%) to EUR 4,943 million as at 30 September 2016. The increase is primarily connected with the increase in property portfolio which rose by EUR 460 million. EPRA NAV increased from EUR 1,732 million as at 31 Dec 2015 to EUR 2,135 million as a result of the performance of the Group during Q3 2016 and debt-to-equity transaction described above.

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