Press Release
Luxembourg, 31 March 2015

2014 financial result

Corporate and commercial highlights

Czech Property Investments, a.s. and CPI PROPERTY GROUP became one group

In June 2014 Czech Property Investments, a.s. ("CPI") and CPI PROPERTY GROUP (at that time ORCO Germany S.A., hereinafter also as the "Company" and together with its subsidiaries as the "Group") joined into one group. This transaction put together a valuable property portfolio, and also more than 20 years of successful investment experience in CEE markets and has created a very strong European real estate player with an EPRA NAV of EUR 1.9 billion and a total balance sheet of EUR 4.2 billion. A property portfolio of the new Group has enlarged across all real estate sectors from the CEE region to Germany and the rest of Western Europe. Mr. Vítek, who has become the majority shareholder of the Company, is fully committed to support the long term investment strategy of the Group.

We changed the name

Considering wide experience in the real estate market and long-term ambition to expand CPI brand out of the boundaries of the CEE region and considering the strong corporate identity of CPI the Company elected to change its name from GSG GROUP to CPI PROPERTY GROUP.

Change in our Board of directors and management

On 10 March 2014 the General Meeting of shareholders removed the following directors: Jean-François Ott, Brad Taylor, Nicolas Tommasini and Aleš Vobruba and the following directors have been appointed: Edward Hughes, Martin Němeček, Jean-François Ott, Tomáš Salajka, Nicolas Tommasini and Radovan Vítek. Edward Hughes was appointed Chairman of the Board of Directors.

On 18 March 2014, the new Board of Directors decided to implement changes in the management by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor, and agreeing to comply with their termination packages. The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors. Mr. Ott and Mr. Tommasini resigned from the Board as of 27 March 2014.

On 28 May 2014 the following directors were appointed during the General Meeting: Ian Cash, Philippe Magistretti, and Oliver Schlink. Ian Cash resigned from the Board as of 14 August 2014.

In July 2014, the Board of Directors implement further changes in the management of the Group, notably integrating top managers of CPI and the Company into one management team, with the effective date as of 1 August 2014. Martin Němeček remains in the position of CEO. Tomáš Salajka previously Deputy CEO became Director of Asset Management and Sales. Mr. Zdeněk Havelka has been appointed Executive Director.

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Our new investments and portfolio news

Acquisition of Mamaison hospitality business

On 24 April 2014 the Company acquired a 50% share in Hospitality Invest S.a.r.l. (“HI”) at a price of EUR 8.5 million representing a 10% discount to the acquired net asset value as of 31 December 2013. The transaction was a direct step of the Company into a joint-venture hospitality business within the CEE region with the continuing 50% joint-venture partner being ORCO PROPERTY GROUP (“OPG”).

On 19 December 2014 the Company acquired 88% shares in entities holding the remaining 50% shares in HI from OPG. The transaction comprised of transfer of shares as well as of intercompany loans at current fair value (NAV). The overall transaction price amounted to EUR 13.3 million.

As such, the Company directly and indirectly holds 94% of HI as of 31 December 2014. The acquired portfolio represents a unique collection of 12 well-established luxury boutique hotels and all-suite residence hotels under Mamaison brand, mostly located in prime central locations of the CEE capitals and Moscow.

Entering new agriculture business

On 2 October 2014 the Company contracted an acquisition of 100% shares of Spojené farmy (“Farmy”) for a transaction price of EUR 43.5 million. The seller of Farmy was a larger group of private individuals. The transaction was completed on 1 November 2014, following the approval by the anti-monopoly authority.

Farmy is one of the largest owners of farmland and producer of high-quality organic food in the Czech Republic, which operates almost 20,000 hectares of land. It produces high-quality organic beef, chicken and lamb with various certifications (kosher, halal and bio) and supplies international retail chains, restaurants, hotels and independent retailers in the EU. The expansion into agricultural business was an important move for the Group, as farmland is seen as one of the safest investments in real estate and with a high potential for growth in value, in particular in the Czech Republic.

Other major investments in Central Europe

During 2014, the Group closed via CPI the acquisition of EUR 65 million additional property portfolio financed by EUR 64 million interest bearing liabilities:

- Acquisition of a Hungarian company that owns 29,600 sqm of prime office premises in Budapest.
- Acquisition of 8,000 sqm of land designated for retail development located 30 kilometres from Prague.
- Acquisition of 4 supermarkets with a total lettable area about 5,300 sqm in the north of the Czech Republic.
- Acquisition of 3,800 sqm of office premises in a refurbished building located in the prime downtown area of Bratislava, Slovakia.

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Our further extensions in Western Europe

Berlin portfolio extension

With the increasing occupancy of existing Berlin portfolio the Group acquired two properties which in total provide 14,000 sqm of office premises, located in Voltastrasse and Kreuzberg. This new properties fit well to the existing Berlin portfolio. The total investment before refurbishment amounted to EUR 12 million. The acquisition has been partially financed through a bank loan of EUR 8 million.

Residential project in Italy

The Group acquired luxury residential development project in Sardinia, Italy. The project for development of luxury villas is located on a 30,000 sqm plot near Porto Cervo, one of the prime resorts of Sardinia and the whole Mediterranean. The acquisition price was EUR 5.6 million, with further investments at the level of EUR 10 million. The project is in line with the Group´s expanded strategy, which includes an entry to the Italian market, and follows on the previous very successful luxury residential development Palais Maeterlinck, located near Nice, France.

We are Developer of the Year 2014 in the Czech Republic

On 31 October 2014 the Group opened its prime commercial property in the Czech Republic – QUADRIO. This unique mixed-use complex is located in the historical centre of Prague, directly above the metro station and offers 16,400 sqm of modern A-class office space; 8,500 sqm of retail premises; 13 exclusive apartments and an underground car parking for 250 cars. Total capital investment amounts to EUR 115 million. Retail premises have been opened to the public upon the grand opening and are almost fully leased. Office tenants will start moving into the premises during the first half of 2015. Out of 13 apartments, only one is remaining for sale at the date of this report. Thanks to its excellent location and its technical quality and efficiency, as well as to its panoramic views and own parking space, QUADRIO has no competition in central Prague. This project fits perfectly into the Group´s portfolio and was awarded by several prestigious prizes, including the Developer of the year in the Czech Republic.

Financial highlights

All the figures commented in this press release relate to the pro forma presentation of the Income statement and Balance sheet of the Company as if CPI PROPERTY GROUP and Czech Property Investments, a.s. were combined as at 1 January 2013.

Net rental income grew significantly by 24% to EUR 187 million in 2014 (2013: EUR 151 million). The positive development in net rental income was driven mainly by significant increase in gross rental income. This substantial increase is generally attributable to acquisitions performed by the Group over the last 12 months. Operating result reach EUR 257 million which was positively influenced by the net valuation gain on investment property of EUR 108 million. On the other hand administrative expenses increased by 45% to EUR 32 million as a result of exceptional former management termination costs of EUR 3 million and integration of new acquisitions. Pro forma net profit for the period amounts to EUR 135 million compared to EUR 107 million in 2013.

Total assets increased by EUR 400 million (11%) to EUR 4,219 million as at 31 December 2014. The increase is primarily connected with increase in property portfolio which rose by EUR 350 million to EUR 3,553 million. After the major business combination and the related issuance of shares, EPRA Net Asset Value increased to EUR 1,940 million as at 31 December 2014 which represents EPRA NAV per share of EUR 0.587.

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Loan to value ratio was significantly reduced from 61.5% to 55.7% as at 31 December 2014.

Audited documents will be available tonight on:

http://cpipg.com/investors/financial-documentation/full-year-documents

Full Year 2014 audited financial report

Full Year 2014 audited management report

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