Interim report as of 30 September 2015

Luxembourg, 27 November 2015

CPI PROPERTY GROUP holds its course set – steady growth, successful acquisitions and decreasing cost of capital

Corporate news

Acquisition of 16.7% of own shares

- On 25 September 2015 the CPI PROPERTY GROUP ("CPI PG" or the "Company", and together with its subsidiaries the "Group") and its major shareholder, Mr. Radovan Vítek entered into an agreement, pursuant to which the Company acquired 550,694,915 of its own shares indirectly held by Mr. Vítek via his company Mondello, a.s. In consideration for the share buyback, Mr. Vítek obtained a combination of monetary receivables that do not form core business of the Company and Company bonds.
- The acquisition of own shares was completed under the buyback framework approved by the Company's extraordinary general meeting held on 28 August 2014. The acquired shares will be held as treasury shares, the voting rights and right to dividend related to them will be suspended as long as they are held by the Company.
- After this transaction Mr. Vítek's stake on the share capital of Company represents 75.47% but given that 550,694,915 shares have suspended voting rights as long as they are held by the Company, Mr. Vítek still indirectly holds 90.57% of the voting rights.
- This transaction is a step carried out in order to enhance transparency of the Group asset portfolio and thus beneficial for a wide range of users of Group financial statements in making economic decisions.

Portfolio highlights

Acquisition of 4 star hotel in Rome

- On 5 November 2015 the Group acquired the 4 star hotel in Rome by means of the acquisition of a hotel business conducted under the name "Holiday Inn Rome – Eur Parco dei Medici" of Rome for an aggregate acquisition price of EUR 32 million. The acquisition is financed by UniCredit bank.

Acquisition of Crans-Montana ski resort in Switzerland

- On 30 October 2015 the Group completed a transaction comprised of the direct acquisition of 65.83% of shares in Remontées Mecaniques Crans-Montana-Aminona (CMA) SA ("CMA SA"), a Swiss entity holding and operating cable cars in the Crans-Montana ski resort and of 88.49% of shares in CMA Immobilier SA, a Swiss entity holding certain real estate and rights to develop a hi-end hotel complex including spa, congress centre, shopping and entertainment areas as well as parking in Crans-Montana. In addition to the 88.49%

of shares in CMA Immobilier SA acquired directly by the Group, CMA SA is holding additional 11.21%, resulting in an aggregate stake of 99.7% in CMA Immobilier SA.

- The aggregate acquisition price is EUR 65 million, out of which EUR 44 million is paid by the Group notes. The transaction has been originated and presented to the Group by Mr. Radovan Vítek, the major shareholder of the Group, who is the transferor of the CMA portfolio. Approximately 29% of the shares and voting rights in CMA SA are held by local communes and municipalities of the Crans-Montana region.

Zivnobanka sold to CEFC

- On 4 November 2015 the Group completed the disposal of the former Zivnobanka building located at Na Prikope street in the centre of Prague to CEFC China Energy Company Limited. The transaction was comprised of the transfer of shares in the Zivnobanka building project entity. Following the repayment of the project credit facility to the financing bank the net proceeds for the Group amount to EUR 27 million.

Capital markets financing

EUR 500 million bonds issue on the Luxembourg market

- On 20 August 2015 the Company issued new notes in total value of EUR 170 million. The notes with EUR 100,000 nominal value are due in 2025 and carry a fixed coupon of 5%. The notes registered under ISIN code XS1279550260 are governed by Luxembourg law. The notes have been admitted to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.
- On 5 November 2015 the Company issued additional EUR 330 million notes. The notes with EUR 100,000 nominal value are due in 2025 and carry a fixed coupon of 5%. The notes registered under ISIN code XS1319594864 are expected to form a single series with the notes mentioned above and registered under ISIN code XS1279550260 as of 15 December 2015.

EUR 50 million bonds issue on the Czech Market

- On 24 August 2015 the Group issued new bonds in total value of app. EUR 50 million. The bonds with CZK 10,000 nominal value are due in 2019 and carry a fixed coupon of 4.75%. The fixed coupon is payable on quarterly basis. The bonds registered under ISIN code CZ0003512782 are governed by Czech law. The bonds CPI 4.75/19 have been admitted to trading on the Prague Stock Exchange.

Refinancing for Hospitality Invest

- In July 2015 the Group obtained a 5-year refinancing for its boutique hotels portfolio located in the Czech Republic, Slovakia, Poland, Hungary and Russia, held under the Hospitality Invest S.a.r.l. subholding. The Group now achieved the long-term EUR 58 million refinancing with Erste bank. The hotels portfolio is mostly operated under the brand Mamaison Hotels and Residences and represents a unique collection of well-established luxury boutique hotels and all-suite residences, mostly located in prime central locations of the CEE capitals (Prague, Warsaw, Budapest, Bratislava and Moscow).

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Financial highlights

Key figures

All the figures representing the profit and loss for Q3 2014 commented in this press release relate to the pro forma presentation of the profit and loss statement for the Company as if CPI PROPERTY GROUP and Czech Property Investments, a.s. were combined as of 1 January 2013 (“PROFORMA”), except if specifically specified otherwise.

Performance		30-Sep-15	PROFORMA 30-Sep-14	Change in %
Gross rental income	MEUR	162	155	5%
Occupancy in %*	%	89%	88%**	1%
Net rental income	MEUR	155	140	11%
Total revenues	MEUR	207	171	21%
Operating result	MEUR	129	208	-38%
Funds from operations (FFO)	MEUR	73	68	7%
Profit before tax	MEUR	80	166	-52%
Net interest expense	MEUR	(50)	(47)	6%
Net profit for the period	MEUR	69	122	-43%

* Excluding hotels

**Occupancy as at 31 Dec 2014

Assets		30-Sep-15	31-Dec-14
Total assets	MEUR	4,157	4,219
Property Portfolio	MEUR	3,648	3,553
Gross lettable area *	sqm	2,945,000	2,907,000
Total number of properties **	No	335	335
Total number of residential units	No	12,499	12,536
Total number of hotel beds	No	9,761	9,987
EPRA NAV	MEUR	1,703	1,940
EPRA NAV per share	EUR	0.619	0.587

* Excluding hotels

** Excluding residential properties

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Financial structure		30-Sep-15	31-Dec-14
Total equity	**MEUR**	**1,309**	**1,559**
Equity ratio	**%**	**31%**	**37%**
Net debt	**MEUR**	**2,118**	**1,978**
Loan to value ratio in %	**%**	**58.1%**	**55.7%**

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Income Statement

MEUR	9 months 30-Sep-15	PROFORMA 9 months 30-Sep-14
Gross rental revenue	162	155
Net service revenue	19	12
Property operating expenses	(27)	(27)
Net rental income	**154**	**140**
Development sales	5	--
Cost of goods sold	(4)	--
Development operating expenses	--	--
Net development income	**1**	**--**
Hotel revenue	11	2
Cost of goods sold	(0)	(0)
Hotel operating expenses	(6)	(2)
Net hotel income	**5**	**1**
Revenues from other business operations	10	--
Cost of goods sold	(1)	--
Related operating revenues	(6)	--
Net income from other business operations	**3**	**--**
Total revenues	**207**	**171**
Total direct business operating expenses	**(44)**	**(30)**
Net business income	**163**	**141**
Net valuation gain on investment property	10	93
Net gain or loss on disposal of inv. property	(1)	0
Net gain or loss on disposal of subsidiaries	2	--
Amortization, depreciation and impairments	(2)	(1)
Other operating income	5	2
Administrative expenses	(27)	(22)
Other operating expenses	(21)	(6)
Operating result	**129**	**208**
Interest income	20	19
Interest expense	(69)	(66)
Other net financial result	0	5
Net finance income / (costs)	**(50)**	**(42)**
Profit / (Loss) before income tax	**79**	**166**
Income tax expense	(10)	(43)
Net profit / (Loss) for the period	**69**	**122**

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Net rental income

Net rental income grew by 11% to EUR 155 million compared to the same quarter last year. The increase was mainly driven by new acquisitions and completed development projects in Q4 2014 as well as from the increase in volume of services rendered to the third parties (increase by 58% to EUR 19 million). The Group expects the net rental income to grow further following the acquisitions in 2015.

The Group keeps high level of spending resources in repairs and maintenance costs (EUR 27 million in both periods) to support the long-term value and marketability of the assets.

Net business income

The net business income improved by 16% from EUR 141 million to EUR 163 million compared to last year's Q3. This positive development is reflected mainly by the improved result from the rental and hotel activities.

Net valuation gain on investment property

The valuation of investment property was kept stable in Q3 2015 with a modest EUR 10 million net gain on properties. In comparison, the Group revalued the Berlin portfolio in Q1 last year, which was the key reason for a gross revaluation gain of EUR 97 million.

Administrative expenses

Administrative expenses are showing an increase of EUR 5 million to EUR 27 million in the first three quarters of 2015 compared to EUR 22 million over the same period in 2014. The increase corresponds to the growth the Group achieved as well as increased reporting and regulatory standards which the Group has applied.

Other operating expenses

The substantial increase in other operating expenses is directly attributable to change in fair value by EUR 12 million of a contingent consideration reflecting the expected future settlement with the seller of the project that was acquired by the Group in 2012.

Operating result

The decrease in operating result is driven namely by effect of revaluation gain in 2014 (mentioned above) and recognition of liability from contingent consideration (mentioned above). If these two one-off effects neglected, the operating result shows solid growth of 13%.

Net finance income / costs

Total net finance costs increased by EUR 8 million to EUR 50 million over three quarters in 2015 in comparison to the same period in 2014. This was caused by one-off effect of recognition of gain of resale discounted receivables as reported in Q3 2014. The other factor of the change is represented by a strong CZK appreciation.

An increase in interest expenses by 5% from EUR 66 million to EUR 69 million is reflected mainly by the additional cost of financing due to the Group's portfolio extension. The interest income remains almost at the same level as in 2014.

Income tax expense

Income tax represents mainly the deferred tax expense and is primarily reflected by net valuation gains on investment property. In total income tax amount to EUR 10 million.

Net Profit

As a result of the above, the net profit for the period amounted to EUR 69 million. The decrease has the same causes as explained above in relation to the operating result (ie. revaluation gain in 2014, implicit deferred tax and recognition of liability from contingent consideration).

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Balance Sheet

MEUR	30-Sep-15	31-Dec-14
NON-CURRENT ASSETS		
Intangible assets and goodwill	73	73
Investment property	3,484	3,373
Property, plant and equipment	89	105
Biological Assets	2	2
Financial assets at fair value through profit or loss	1	0
Other non-current assets	69	86
Total non-current assets	**3,718**	**3,639**
CURRENT ASSETS		
Inventories	83	85
Biological Assets	5	4
Trade receivables	59	47
Cash and cash equivalents	144	108
Other current assets	148	336
Total current assets	**439**	**580**
TOTAL ASSETS	**4,157**	**4,219**
EQUITY		
Equity attributable to owners of the Company	1,301	1,552
Non-controlling interests	8	7
Total equity	**1,309**	**1,559**
NON-CURRENT LIABILITIES		
Bonds issued	536	507
Financial debts	1,395	1,220
Deferred tax liabilities	398	385
Other non-current liabilities	61	57
Total non-current liabilities	**2,390**	**2,169**
CURRENT LIABILITIES		
Bonds issued	59	33
Financial debts	272	326
Trade payables	29	32
Other current liabilities	98	100
Total current liabilities	**458**	**491**
TOTAL EQUITY AND LIABILITIES	**4,157**	**4,219**

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Total assets and total liabilities

Total assets decreased by EUR 62 million (-1%) to EUR 4,157 million as at 30 September 2015. The foremost reason of decrease in total assets is an effect of consideration for the acquisition of own shares which is described in Corporate news. The increase in total assets is primarily connected with the increase in the property portfolio which rose by EUR 95 million to EUR 3,648 million. The increase in cash and cash equivalents by EUR 36 million reflects successful refinancing of current bank loans, bond issue and strong performance of Group's property portfolio.

As a result of acquisition of own shares as described above the equity decreased by EUR 338 million, this has been partially offset by positive result of EUR 69 million for period as at 30 Sep 2015.

Non-current and current liabilities total EUR 2,848 million as at 30 September 2015 which represents an increase of EUR 187 million (7%) compared to 31 December 2014. The main drivers of this increase was growth in external financing in total by EUR 176 million.

Growth in non-current liabilities by EUR 221 million and a decrease in current liabilities by EUR 34 million mainly relate to a change in the maturity profile of bank loans reflecting the successful refinancing of external debt carried out during the year 2015.

Net Asset Value (NAV)

EPRA NAV decreased to EUR 1,703 million which is caused by equity transaction described above in corporate highlights. As this transaction was neutral on value per share, EPRA NAV per share increased from EUR 0.587 to EUR 0.619 reflecting a solid profit of EUR 69 million for the period ended 30 September 2015.

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