

# HALF-YEAR REPORT



2016

## KEY FIGURES

PERFORMANCE		30-Jun-16	30-Jun-15	Change in %
Gross rental revenue	MCZK	2,411	2,246	7%
Occupancy*	%	90	88	--
Gross return	%	6	6	--
Net rental income	MCZK	2,337	2,198	6%
Result from operating activities	MCZK	1,847	1,901	-3%
Profit before tax	MCZK	1,155	1,040	11%
Net interest expense	MCZK	730	919	-21%
Net profit for the period	MCZK	889	827	8%

\* excluding Hotels

ASSETS		30-Jun-16	31-Dec-15	Change in %
Total assets	MCZK	96,227	90,018	7%
Property Portfolio	MCZK	81,097	79,039	3%
Gross lettable area *	sqm	2,125,000	2,111,000	1%
Total number of properties**	No	356	354	1%
Total number of residential units	No	12,474	12,483	0%
Total number of hotel beds	No	9,697	9,697	0%
EPRA NAV	MCZK	43,994	41,881	5%

\* excluding Hotels

\*\* excluding Residential properties

FINANCING STRUCTURE		30-Jun-16	31-Dec-15	Change in %
Total equity	MCZK	36,083	33,831	7%
Equity ratio	%	37%	38%	--
Net debt	MCZK	46,035	42,255	9%
Loan to value ratio	%	57%	54%	--

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## 2016 HIGHLIGHTS

### **New investment and portfolio news**

#### Acquisition of hotel operator CPI Hotels

On 31 August 2016, Czech Property Investments, a.s. (the “Company” or together with its subsidiaries 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. 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 the Slovak Republic. 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 brands, Fortuna Hotels and Spa & Kur Hotels. In 2014, the portfolio operated by CPI Hotels expanded to include Mamaison Hotels & Residences.

#### Acquisition of third 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, multiplex cinema including a 400 capacity car park with an additional 2800 sqm of office space.

#### Acquisition of Géčko 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 leasable area comprises of 50 shopping units, food court and other amenities, including a 450 capacity car park.

#### The Group initiates 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 IGY2 building. Investment in IGY2 will reach CZK 430 million and the renovation of the current IGY is expected to be an additional CZK 320 million.

#### Acquisition of Retail Shopping in Tarnow

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.

### **Capital market financing**

#### Issuance of EUR 50 million new bonds

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 online at: [www. cpifinanceslovakia.sk](http://www.cpifinanceslovakia.sk).

#### Redemption of CZK 1,300 million bonds

During Q1 2016, bonds CPI 6.05/16 in the total amount of CZK 1,248 million were prepaid 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 Bondholders meeting, 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 have been in effect since 25 January, 2016.

## MESSAGE FROM THE BOARD OF DIRECTORS

Dear business partners, colleagues and shareholders,

Looking back at the first half of 2016, Czech Property Investments a.s. (the “Company”) has achieved major progress in new acquisitions, long-term asset management and the commitment to diversified financing. With the current EPRA NAV reaching almost CZK 44 billion and a total balance sheet of CZK 96 billion, our company is continuing to expand, while strengthening its market position and creating greater value for its shareholders. The Company maintains a well-balanced and diversified portfolio with a total value of over CZK 81 billion, which includes a comprehensive range of properties located in Germany, Czech Republic, Slovakia, Hungary, Poland and Romania. Although we are only six months into the year, the Company’s progressive approach as a long-term investor has been evident on all fronts: property leasing, construction and acquisitions.

The key profit creating factors this year thus far, have been the favourable development of the market and the increase in the efficiency of the entire Group's financing. The value of assets managed by the Company increased by more than 3% that amounts to CZK 81 billion today. The net profit amounted to CZK 889 million, the net business income exceeded CZK 2,399 million, which represents an annual increase of 9%.

The Company has improved its financing costs and profile achievements by continuously exploring a range of financial instruments while concentrating on opportunities for low-cost financing along with lower margins under improved terms. At the same time, the Company has been in a position to take advantage of capital markets with the application to repurchase higher yielding corporate bonds. I am delighted to mention the amendment of terms of CZK 2 billion of the Company’s bonds. The Bondholders meeting 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.

Early 2016 has also delivered another positive period of new business, primarily in the retail and hotel sector. We completed the acquisition of two shopping centres in Czech Republic - Bondy in Mladá Boleslav and Géčko in České Budějovice. Additionally in August 2016, we entered into negotiations and finally acquired the hotel operator CPI Hotels. CPI Hotels is a long-term business partner of the Company which operates a total of 24 hotels.

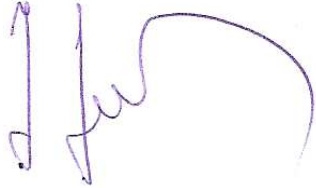
The progress gained this year so far includes the company’s success in development. The expansion and refurbishment of IGY shopping centre in České Budějovice involved the upgrade and modernisation of the existing IGY shopping centre alongside the construction of the new building, IGY2. Further revitalisation projects were the Spa Hotel Praha in Františkovy Lázně and the completion of Balance building in Budapest in addition to the commencement of a major renovation with our shopping centre in Kolín. Furthermore, proceedings with Zbrojovka in Brno have got underway which will become the largest development project that will be driving the company forward in the immediate future.

An essential pillar of our business strategy and a key driver for success in the property leasing sector is our long-term and quality relationships with commercial space tenants together with maximising occupancy in our buildings. Although the office segment continues to face a very competitive field, we managed to acquire a number of new tenants and renew several key contracts. We entered into new lease agreements for the offices in the Quadrio multi-functional complex. Cushman & Wakefield, ZENOVA and the Thai government organisation Tourism Authority of Thailand (TAT) all moved their Czech branches into the new headquarters.

As a subsidiary of CPI Property Group, we have a great capacity for expansion within the European real estate market. Our future strategy is to continue growing and provide first-rate services in property leasing and management. The priority will be investments in the commercial real estate sector, principally the office and retail divisions, along with residential and hotel accommodation.

In closing, I would like to express my sincere gratitude to our shareholders, business partners and employees all of whom have contributed to the company's success, prosperity and stability and remain committed in driving us to future achievements.

Prague, 30 September 2016



Zdeněk Havelka  
Chairman of the Board of Directors  
Czech Property Investments, a.s.

## THE GROUP

Czech Property Investments, a.s. with its subsidiaries is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central and Eastern European region. It has been operating on the real estate market since the end of 1990s.

The Group is active across all real estate segments in the Czech & Slovak Republics, Hungary, Poland and Romania. In recent years, the Group has successfully established itself among the leading investors and developers in the domestic real estate market and has also expanded within Central and Eastern Europe. Its responsible approach has laid the foundation for stability and long-term prosperity of the whole Group supported with years of experience and strong financial base.

The Group owns and manages 441,000 sqm of office space; 716,000 sqm of retail space; 27 hotels with over 9,000 beds, 211,000 sqm of space intended for light industry and storage and with over 12,400 apartments, it is the second largest provider of rental housing in the Czech Republic.

The Group's aspirations are to develop the potential of its property portfolio, to create further business opportunities and increase its commercial value. Cooperation with tenants and support of mutual relationships are key aspects for its success.

## Parent Company

The parent company of the Group is Czech Property Investments, a.s.

The Company with its registered office at Prague 1, Vladislavova 1390/17, 110 00, IČ (Company Identification Number) 427 16 161, was established on 17 December, 1991 for an indefinite period of time.

The Company was registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1115. Documents are filed in the documents assembly and in the registered office of the Company.

### Contact Information:

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Since 1 January 2005, the Company has reported its results in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the European Union.

The Company did not create any programs, on the basis of which employees and members of the Board of Directors are allowed to acquire participating securities of the Company, options to such securities or other rights to them under favourable conditions.

## REPORT ON OPERATIONS

### ECONOMIC DEVELOPMENT IN THE CORE COUNTRIES OF THE GROUP

#### Czech Republic

The following reviews on macroeconomic data were published by the Czech Statistical Office (unless otherwise stated).

According to the preliminary estimate, the gross domestic product increased in the Q2 2016 by 2.5%, y-o-y; compared to the Q1 2016 it was 0.9% up. In Q2 2016, the growth of the Czech economy continued to belong to the highest in the European Union. According to the preliminary estimate, the gross domestic product (GDP) adjusted for price effects and seasons, increased in the Q2 2016 by 2.5%, y-o-y; compared to 0.9% in Q1 2016.

In terms of the y-o-y comparison, in June, the consumer prices increased by 0.1%. The biggest influence on the growth of the y-o-y price level came from price increases of 5.1% in tobacco products and 2.5% in alcoholic beverages. Further influences were the prices in 'utilities', where prices of the net actual rentals increased by 1.5%, water supply by 1.6%, waste collection by 5.3%, electricity by 1.2%, heating and hot water by 0.9%. In 'clothing', prices were higher by 0.4% with prices of footwear by 5.2%. In 'recreation and culture', prices of services went up by 2.1%. In 'restaurants and hotels', prices of catering services were higher by 1.3%, while prices of accommodation services remained unchanged. In 'miscellaneous goods and services', prices of hairdressing salons and personal care services were higher by 2.2% and financial services by 2.1%. The increase in the average consumer price index in the twelve months to H1 2016 compared with the average consumer prices index in the previous twelve months, amounted to 0.3% in June.

The general unemployment rate of ages 15 – 64 years (the share of the unemployed in the labour force, that is in the total number of the employed and the unemployed, as percentage), seasonally adjusted, reached 4.2% in H1 2016 and decreased by 0.9%, y-o-y. The male unemployment rate, seasonally adjusted, attained 3.6%; the female unemployment rate was 5.0%.

#### Hungary

Based on the data published by the Hungarian Office of Statistics, the gross domestic product of Hungary increased by 2.6% in Q2 2016 compared to the corresponding period of the previous year. Consumer prices decreased by 0.2% compared to H1 2015. In Q2 2016, the total unemployment figures was 234,000, 76,000 fewer than in the same period of 2015, and the unemployment rate decreased by 1.8% to 5.1%.

#### Slovak Republic

Based on the data published by the Slovakian Office of Statistics, the gross domestic product measured at current prices increased by 3.7%, y-o-y. The volume of GDP at current prices in the Q2 2016 reached EUR 20,055.2 million an increase of 3.2% in comparison with Q2 2015.

The consumer prices index decreased in total by 0.8% compared to H1 2015. In H1 2016, the annual inflation rate measured by the harmonized index of consumer prices reached the value of -0.7%.

Total employment in the reference period reached 2,315.5 thousand persons. In comparison with the Q2 2015 it increased by 2.3%. The seasonally adjusted total employment rose by 2.3% when compared to the Q2 2015 and by 0.6% against Q1 2016.



### Poland<sup>1</sup>

Over Q1 2016, the seasonally adjusted gross domestic product was lower by -0.1% than in the Q1 2015 and 2.6% higher y-o-y, based on the data published by the Polish Central Statistical Office. According to Cushman&Wakefield report private consumption remains the strongest performing sector of the economy with retail sales in May rising 2.2% y-o-y. Consumers are benefitting from several favourable tailwinds including a tightening labour market, limited inflationary pressures and strong credit growth. The Consumer prices index according to the EUROSTAT decreased in total by -0.4% compared to H1 2015. The unemployment rate at the end of April 2016 comprised 9.5% of the economically active population; it was by 2.4% lower than in Q4 2015. Whereas compared to the same period of the previous year, the unemployment rate decreased by 1.6%.

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<sup>1</sup> As at date of publication Q1 2016 data available only

## THE PROPERTY MARKETS IN THE CORE COUNTRIES OF THE GROUP

### Czech Republic

The following data and description for real estate market in the Czech Republic are based on a reports published by JLL and CBRE (unless otherwise stated).

#### Retail Market

No shopping centre was completed in the H1 2016, however one shopping centre, or more precisely the second phase of an existing scheme, started construction. IGY in České Budějovice will offer 9,000 sqm of new modern retail space in 2017. Currently there are five shopping centres under construction with the total volume reaching 100,000 sqm. Aupark in Hradec Králové and Galerie Přerov should be opened by the end of 2016 and the expansion of Centrum Chodov, Central Jablonec nad Nisou and IGY České Budějovice in 2017. The volume of total shopping centre stock remained the same by the end of the H1 2016 and amounted to 2.3 million sqm. The density of the shopping space was 215 sqm/ 1,000 inhabitants which ranked the Czech Republic in 3rd place within the CE region. The Czech Republic remains a market with the majority of the retail demand concentrated on Prague. Currently prime shopping centre rents remained at EUR 115 /sqm/month in Prague and EUR 65 /sqm/month in the regions. High street supply remained increasingly limited and demand is much higher than supply. The prime rent increased to EUR 205 /sqm/month on the high street.

#### Prague office market

In H1 2016, two new office schemes with a total leasable area of 12,000 sqm were completed. New supply included Classic 7 III. Phase in Prague 7 and Kotelna Park in Prague 5. Several office projects are due to commence construction in the H1 2016. At the end of Q2 2016, the modern office stock in the capital city totalled 3,224,800 sqm. Currently, there is approximately 196,200 sqm of office space under construction. Out of this number, ca. 32,000 sqm is scheduled for completion by the end of 2016. In Q2 2016 total leasing activity reached 112,600 sqm (27% increase compared to Q1 2016) in Prague office market. The gross take-up reached 82,300 sqm. At the end of Q2 2016, a total of 397,700 sqm was immediately available for lease in Prague, representing a vacancy rate of 12.3%, 1.6% lower than at the end of Q1 2016 and 4.5% y-o-y. The prime office rent remained level between EUR 18.5 - 19.5 /sqm/month in city centre.

#### Residential Market <sup>2</sup>

In Q1 2016 Real estate price index announced by Hypoteční banka (HB INDEX) confirmed a slight increase in prices of residential real estate which already started at the beginning of 2014. The prices of family houses slightly increased in Q1 2016 by 1.0 % and reached HB INDEX 109.2. That is the highest level since the beginning of 2010. The land prices increased by 5.6 %, and reached 125.9, followed by an increase in flats by 7.1 %. The average market price of the flats increased to HB INDEX 105.5.

HB Index is regularly presented by Hypoteční banka, a.s. and is based on realistic estimates of market prices of real estates. HB INDEX itself is calculated for the entire Czech Republic, and for the three types of real estates: flats, houses and land. For basis 100.0 were selected real estate prices as of 1 January 2010.

#### Hotel Market

According to the Czech Office of Statistics, throughout the H1 2016, Collective Accommodation Establishments (CAE) reported a higher number of overnight stays by 5.6% to some 21 million visitors. In H1 2016, there was an increase of 3.1% y-o-y of overnight stays in CAE, of which an increase of 3.8% were local residents and decrease of 1.4% in foreigners. The total number of arrivals to the Czech Republic throughout the half year increased by 6.6% y-o-y to 7.9 million. Occupancy of hotels increased by 4.1% y-o-y (3.4 million guests), in pension there were more tourists by 7.4%. A higher number of foreign guests visited the Czech Republic during H1 2016 in comparison with H1 2015. It was also observed that a better-than-average interest in accommodation in the Czech Republic showed guests

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<sup>2</sup> As date of publication Q1 2016 data available only

from neighboring Poland with y-o-y increase by 18.6%. There was an increase of 1.6% (487,000) compared to the same period of previous year in the number of German visitors as well as a growth of 11.2% (168,000) in Slovak and a 1.8% (154,000) decrease in visitors from the USA. Higher demand from Asian guests also continued. For the first time the number of Chinese tourists were higher than Russians tourists by 5.4 thousand. In terms of supply and as reported by the Czech Office of Statistics, by the end of 2015 there were 5,990 hotels and almost 136,000 rooms across the Czech Republic of which 43% of the total were 1-3 star hotels.

#### **Industrial Market**

At the end of Q2 2016, the total modern A-class industrial stock in the Czech Republic (owned by developers and investors) stood at 5.96 million sqm. Greater Prague remains the largest industrial market in the country with a 39% share, followed by the Pilsen (16%) and Brno (14%) regions. New supply for Q2 2016 reached 182,400 sqm when 12 new projects in 11 industrial parks were delivered to the market. The total volume of space under construction reached 213,900 sqm at the end of Q2 2016. Compared to the record high level in Q2 2015, it is 57% below. The largest completion of the quarter was a 43,900 sqm hall in the brand new industrial park Mountpark Pilsen, built on a speculative basis. There are currently 16 different projects under construction, out of which, 8 represent newly commenced developments. The largest new project to commence in Q2 2016 is a new building totalling 29,400 sqm in Panattoni Pilsen Park West. New construction activity also commenced in the South Bohemian region which until now had a very limited A-class, developer-led industrial stock. The construction of a 24,400 sqm premises for Yanfeng Automotive Interiors is the first phase of CTPark Planá nad Lužnicí. During H1 2016, gross take-up reached 662,800 sqm which is 10% above H1 2015 figures. Net take-up amounted to 474,600 sqm representing an annual increase of 6%. In Q2 2016, the countrywide vacancy rate slightly increased reaching 4.7%. It represents an increase of 0.57% q-o-q. This was caused mainly by the completion of the first hall (43,900 sqm) in Mountpark Pilsen delivered on a speculative basis. The vacancy rate has dropped by 2.17% y-o-y. In Q2 2016, prime headline rents in Prague remained stable at EUR 3.80 - 4.25/sqm/ month. Prime rents in the Brno region are stable at EUR 3.90 - 4.25/sqm/ month.

#### **Slovak Republic**

The following data and description for real estate market in the Slovak Republic are based on a report published by CBRE International and Cushman&Wakefield (unless otherwise stated).

##### **Retail Market**

Occupier demand was relatively stable in Q2 2016 with retailers focusing on prime shopping centres in Bratislava. This is at the expense of high streets which, while seeing good trading volumes, are seeing some retailers relocate their units from previously popular high streets to modern shopping centres, reflecting a change in occupier behavior who are shifting their preferences to shopping destinations that can offer leisure and entertainment facilities as well as pure retail. Retail sales grew by 3.7% y-o-y in April and 4.0% y-o-y in May, which is the strongest increase since December 2014. The Q2 2016 did not see any transactions close in the retail sector. This is due to the small size of the market and the lack of product available to investors. Prime retail yields remained at a 5.25% historical low at the end of Q2 2016.

##### **Industry and Logistic Market**

A total modern industrial supply in the Slovak Republic equalled to 1,760,000 sqm at the end of H1 2016, another 178,000 sqm is currently under construction. The total industrial stock expanded by two new completions, 25.4 thousand sqm was delivered to the market by Prologis in Seneč and almost 11 thousand sqm was completed by VGP in Malacky. Total leasing activity (TLA) towards the end of the first half year amounted to 83,568 sqm, while newly concluded contracts forming 81% of TLA. The most dominant type of take-up was expansion with 36.5% share on the TLA. The second most frequent transaction were new leases with 24.5%. The largest transaction during H1 2016 was the pre-lease of 17 thousand sqm in the P3 park in Lozorno concluded with an automotive supplier to Volkswagen. The

vacancy rate as of Q2 2016 recorded a slight increase to 3.04%. The achievable headline rent remains at EUR 3.3 – 4.2 /sqm/ month. In the spite of low vacancy the effective rent decreases due to the market pressure created by significant incentives tenants are able to achieve. It is caused by upturned speculative development in the recent time and high land availability for new development.

## Hungary

The following data and description for real estate market in Hungary are based on a report published by HVS and JLL (unless otherwise stated).

### Budapest office market

Over 31 thousand sqm were delivered to the office market over H1 2016. At the beginning of the year, Atenor delivered the third phase of Váci Greens comprising 25,600 sqm while Váci 1 with 5,700 sqm office space was completed in Q2. The total office stock stands at 3.29 million sqm as at end of H1 2016. The half year gross take-up totalled 213,580 sqm and net-take up reached 118,715 sqm. Both indicators were below the 2015 record levels, when two mega-sized pre-lease agreements were recorded totalling 80,000 sqm and driving demand volumes to a record high. Vacancy continued to decline, falling to 10.3%, the lowest level in the past 8 years. But occupational markets remained strong. Quarterly gross take-up amounted to 129,170 sqm whereas net take-up totaled 63,165 sqm. Renewals were the main drivers of the market, representing 51% of the total leasing activity. Prime rent stands at EUR 22 /sqm/month. This level is only achievable in a few, selected prime properties in the Central Business District for the best office units within the building.

### Budapest retail market

The total shopping center stock of Budapest remained unchanged as no new completions were delivered in H1 2016 and stands at 771,500 sqm in 25 assets. It was only finished the transformation of Váci The retail element of the scheme operates as the 3-storey flagship store of H&M by Horizon Development. Shopping centre density amounts to 444 sqm per 1,000 inhabitants. Finally, retail sales started to improve during the second half of 2013 and reached an annual growth of 1.7%. The positive trend remained stable during the first five months of 2016 and growth was reported 5.1% between January and May 2016. Prime shopping centre rents stand at EUR 70 sqm/month in Budapest. Typical shopping centre rents range between EUR 20 and 70 /sqm/month while downtown high street rents at Váci utca are around EUR 80 to 100 /sqm/month and rents of Retail Parks are EUR 6 to 8 /sqm/month.

### Budapest industrial market

The modern industrial stock remained unchanged with 1.8 million sqm, as there were no new handovers in Budapest over Q2 2016. Total quarterly leasing activity amounted to 92,070 sqm, which was 23% below the volume recorded in the previous quarter. The halfyearly gross take-up amounted to 210,330 sqm, being identical to the volume of the same period of 2015. The half yearly net take-up equalled 63,620 sqm, reflecting a sharp, fall (42%) on H1 2015. The largest transaction of the quarter were a renewal of 20,860 sqm in Prologis Park Budapest Harbor Park, a renewal of 18,960 sqm in M0-Central Business Park, a pre-lease of 7,200 sqm in Budapest Dock Szabadkikötő and a renewal of 5,760 sqm in Prologis Park Budapest Harbor Park. The Budapest South submarket attracted the most demand by far with 49% of the total leasing activity. Other Budapest submarkets (Airport, Inner city, North, East, West) have a similar demand with 51 % of the total leasing activity. The vacancy rate increased slightly by 110 bps q-o-q to 9.7%, which is still 400 bps below the level recorded a year ago (13.7%).

### Budapest hotel market <sup>3</sup>

Budapest is by far the most popular tourist destination in Hungary and tourism plays a critical role in the city's economy. The compound average growth rate in tourist arrivals was 4.7% between 2007 and 2014, and the last three years have seen a significant 13.5% growth in arrivals, far surpassing pre-crisis levels. Bednights in Budapest have recorded a growth of 39.3% since 2010, reaching more than eight million in 2014; international bednights accounted for 88.4% of total bednights in that years. Hotel supply in

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<sup>3</sup> As date of publication January 2016 data available only

Budapest currently consists of 241 hotels (19,374 rooms). The city's supply offers all categories of hotels but the majority is made up of midscale and upscale hotels. The Hotel supply in Budapest is categorised as follows: <10% five star hotels, 35% four star hotels and 15% three star hotels. Hotel developments in Budapest are still relatively slow with only three scheduled hotels in the pipeline. These hotels include two five-star properties for 2016: The Private Palace (240 rooms) and a Rits - Carlton property (162 rooms) that will be converted from the current Le Méridien hotel. The third project is an upscale airport hotel, which will have approximately 200 rooms and will open in 2017. Year-to-June 2015 figures also show a significant 15.6% increase in RevPAR, with occupancy levels reaching 69% and average rate reaching EUR 71 (HUF 21,882).

## Poland

The following data and description for real estate market in Poland are based on a report published by JLL (unless otherwise stated).

### Warsaw office market

At the end of the first half of 2016, the Warsaw office leasing market held firm in H1 2016, with 360,100 sqm transacted on. This positive result was mainly driven by Q2 (when 217,800 sqm was leased), following a somewhat subdued first quarter. During the first two quarters of this year, a record-breaking 350,100 sqm of modern office space entered the market in Warsaw (26% more than in the whole of 2015), 237,000 sqm of which came in Q2 alone and according to estimates approximately 32% of the 83,000 sqm of the office space planned for delivery over the course of H2 2016 is pre-leased. Almost 156,700 sqm of the office space leased in H1 was for new deals in existing buildings, with a further 62,000 sqm constituting prelets. Slightly limited pre-letting activity, especially in Q2, is a result of the larger availability of office space in Warsaw and this trend is expected to continue in the next few quarters. Expansions were for almost 31,600 sqm, while net take-up accounted for 70% of total demand, which reflected a higher than usual share of renewals in total take-up. Prime rents were unchanged over the course of H1. Currently, prime headline rents in Warsaw City Centre range between EUR 21 and EUR 23.5 /sqm/month. Non-Central locations lease at EUR 11 to EUR 18 /sqm/month.

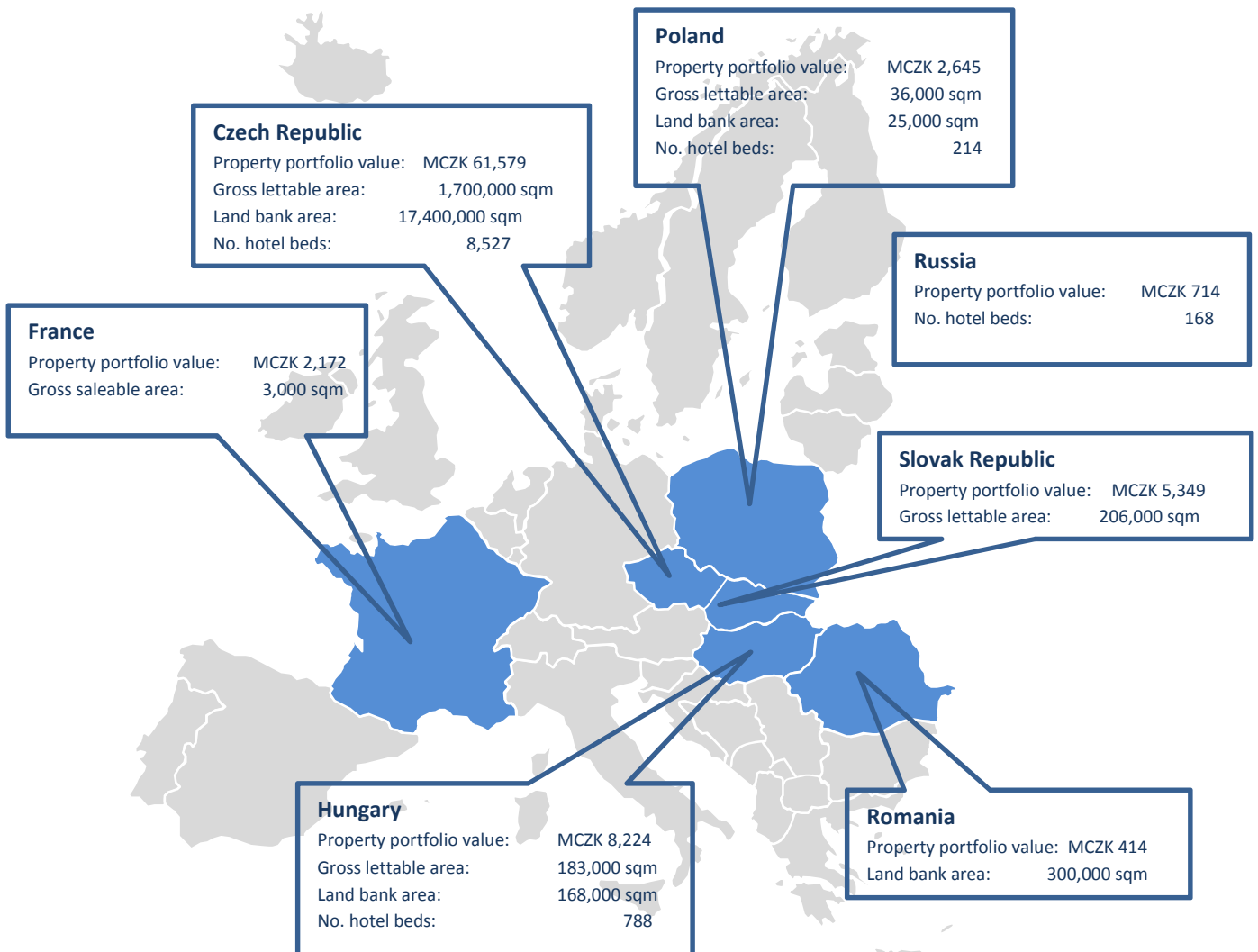
### Retail Market in Poland

The total supply of modern retail stock in Poland reached 13.7 million sqm as at end of H1 2016. New projects delivered in Q2 include: Galeria Karuzela (12,000 sqm) in Września, Galeria Awangarda (6,000 sqm) in Bartoszyce, Galeria Zaspá (8,800 sqm) in Gdańsk, and the extensions of Morena (+6,000 sqm) and Auchan (+3,000 sqm) in Gdańsk. Additionally, three Leroy Merlin DIY stores (approximately 39,000 sqm) commenced operations in Wrocław, Jelenia Góra, and Konin; Agata Meble opened in Częstochowa (10,000 sqm), and a retail park of 6,500 sqm - next to Galeria Leszno in Leszno. Altogether the market grew by some 91,300 sqm in Q2 2016, including all retail formats. Interestingly, CH Sosnowiec (16,700 sqm) was the first example of a shopping centre being closed in Poland, which was due to the termination of the lease agreement with its main anchor - a hypermarket operator (Real). Some changes to the legal environment of the retail market in Poland are planned in a short and mid-term. Indeed, on 14 June 2016 the Polish government approved the final draft of the Retail Tax Act, which still needs to be approved by the Polish Parliament, and the President, and is expected to come into force in autumn 2016. The tax will be imposed on retail sales (exclusive of VAT), but some groups of products (special medicine and special food products and even gastronomic services) will be excluded from the tax. Two tax rates will be applied i.e. 0.8% of net sales ranging between PLN 17-170 million per month and 1.4% of any net sales over PLN 170 million per month. Retail sales made via the internet (e-commerce) will not be taxed. Based on the initial information provided by the government, the tax will impact approximately 100 major retailers operating in Poland (providing some 80% of the tax revenue). Prime shopping centre rents peaked at EUR 130 /sqm/month for top retail assets in Warsaw and oscillate between EUR 20-55 /sqm/month in other major agglomerations.

## PROPERTY PORTFOLIO

The real estate Group concentrates on long-term investments and the lease of real estate, primarily in the Central European region. The Group activities are focused on rental income generating properties such as retail, office, hotels, residential, industry and logistics or operating own hotels. Additionally, the Group develops office and retail assets for future rental and some residential development for future sale.

The Group's property portfolio has been extended by other acquisitions namely of Géčko Shopping Centre in České Budějovice and Bondy Shopping Centre in Mladá Boleslav, both in the Czech Republic.



The property portfolio of the Group is reported on the balance sheet under the following positions:

- Investment property
- Property, plant and equipment
- Inventories
- Assets held for sale

“Investment property” consists of rental properties, investment property under development and land bank. Investment property under development represents projects currently in progress, which will be reclassified by the Group as rental properties after completion. Land bank represents properties held for development and/or capital appreciation.

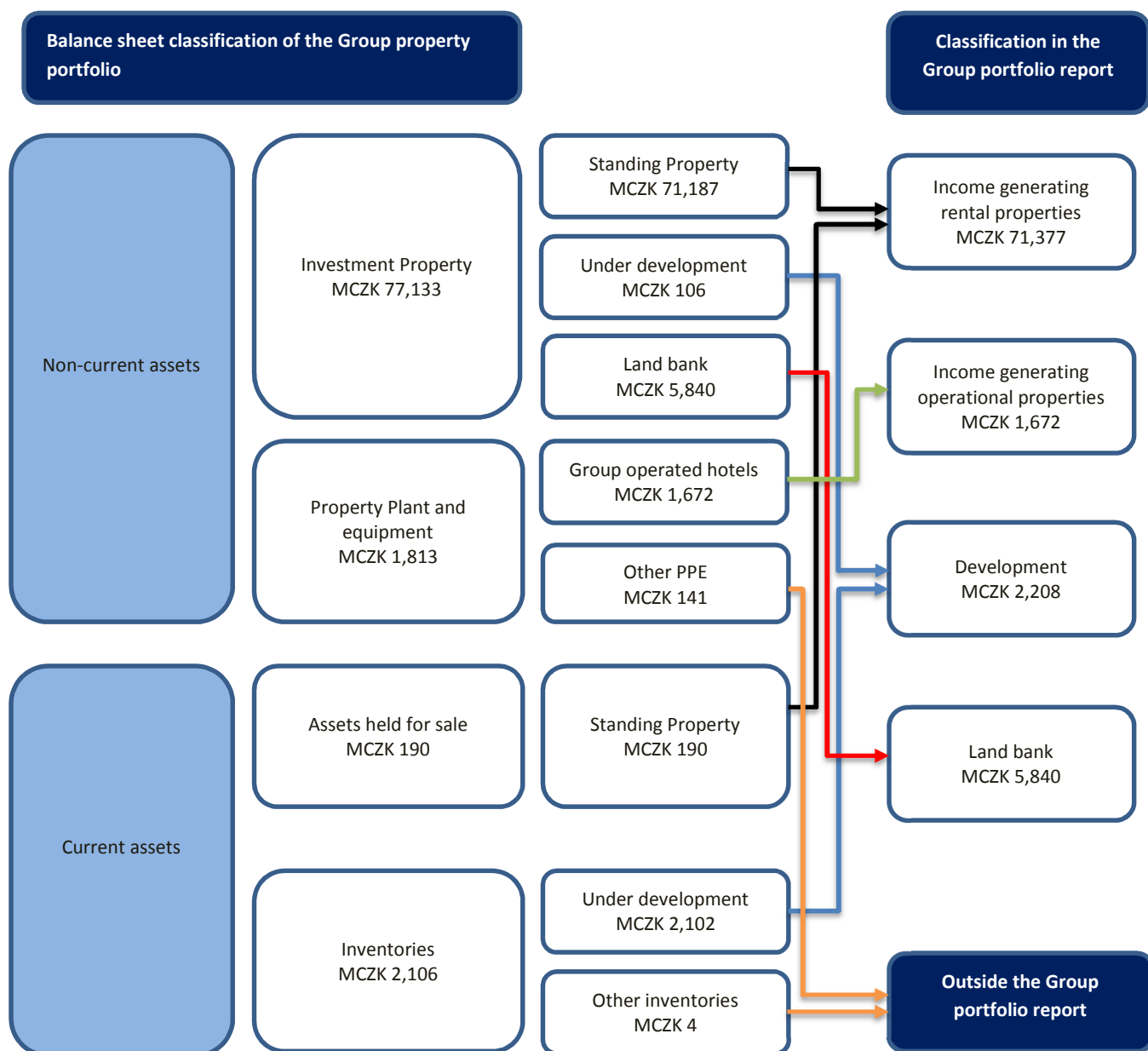
“Property, plant and equipment” include owner occupied properties comprising hotels operated by the Group.

“Inventories” comprise properties that are under development or have been finished and are intended for a future sale in the ordinary course of business.

“Assets held for sale” consists of properties presented in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” which are to be sold due to the intention of the management.

The property portfolio report covers all properties held by the Group, independent of the balance sheet classification. These properties are reported as income generating properties (generating rental income or income from operations), development projects (investment property projects under development and inventories) or land bank.

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 30 June 2016 with the presentation in our portfolio report:



## Property valuation

The condensed consolidated interim financial statements of the Group as of 30 June 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method.

Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended. The Group's management analysed the situation on the real estate market at the time together with current yields and then applied discount rates and other factors used by independent valuers in their appraisals as of 31 December 2015. As a result, the fair value of the majority of the property portfolio as of 30 June 2016 was determined based on the management's analysis described above and it does not significantly differ from the fair value as of 31 December 2015.



In instances where there have been indications of significant changes and therefore with potential impact on the property value during the first half of 2016, the value of the property has been updated based mainly on internal appraisals as of 30 June 2016.

The following table shows the amount of the Group's property portfolio as of 30 June 2016:

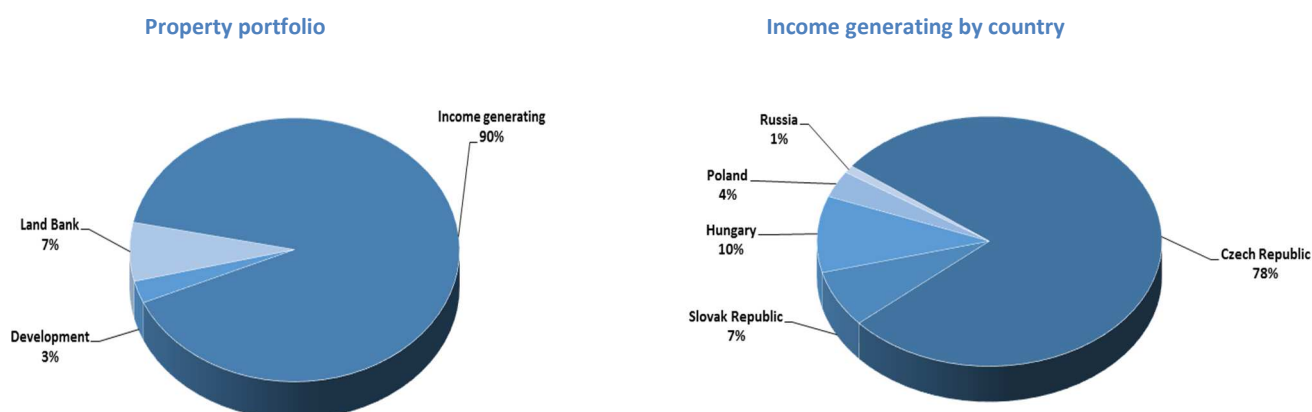
PROPERTY PORTFOLIO 30 Jun 2016	No. of properties *	No. of residential units	No. of hotel beds	Income generating	Development	Land Bank	Carrying value	Carrying value	Outstanding financing
				MCZK	MCZK	MCZK	MCZK	%	MCZK
Czech Republic	312	12,471	8,527	57,151	131	4,297	61,579	76%	28,673
Hungary	18	--	788	7,201	--	1,023	8,224	10%	4,320
Slovak Republic	18	--	--	5,349	--	--	5,349	7%	2,414
Poland	6	--	214	2,539	--	106	2,645	3%	1,476
France	1	3	--	95	2,077	--	2,172	2%	937
Russia	1	--	168	714	--	--	714	1%	--
Romania	--	--	--	--	--	414	414	1%	--
<b>THE GROUP</b>	<b>356</b>	<b>12,474</b>	<b>9,697</b>	<b>73,049</b>	<b>2,208</b>	<b>5,840</b>	<b>81,097</b>	<b>100%</b>	<b>37,820</b>

\*excluding Residential unit

PROPERTY PORTFOLIO 31 Dec 2015	No. of properties *	No. of residential units	No. of hotel beds	Income generating	Development	Land Bank	Carrying value	Carrying value	Outstanding financing
				MCZK	MCZK	MCZK	MCZK	%	MCZK
Czech Republic	310	12,480	8,527	54,913	93	4,302	59,308	75%	27,233
Hungary	19	--	788	7,529	--	1,019	8,548	11%	4,101
Slovak Republic	18	--	--	5,328	--	--	5,328	7%	2,721
Poland	5	--	214	2,443	--	106	2,549	3%	1,455
France	1	3	--	95	2,069	--	2,164	2%	933
Russia	1	--	168	702	--	--	702	1%	--
Romania	--	--	--	--	--	440	440	1%	--
<b>THE GROUP</b>	<b>354</b>	<b>12,483</b>	<b>9,697</b>	<b>71,010</b>	<b>2,162</b>	<b>5,867</b>	<b>79,093</b>	<b>100%</b>	<b>36,443</b>

\*excluding Residential unit

The Group property value total CZK 81,097 million as of 30 June 2016 (31 Dec 2015: CZK 79,039 million). As showed in the chart below, 90% of the Group property portfolio value is made of income generating assets of which CZK 71,377 million (98%) are income generating rental properties and CZK 1,672 million (2%) are income generating operational properties. The majority of the income generating assets is located in the Czech Republic with 78% of the total value, followed by Hungary with 10% and the Slovak Republic with 7%.



The total net change of CZK 2,058 million in the portfolio value in H1 2016 was mainly attributable to the following:

- Acquisition of 2 shopping centres (Bondy and Géčko) in amount of CZK 1,995 million;
- Disposal of the M3 property and Pro Tower land in amount of CZK 513 million;
- Property revaluation loss in amount of CZK 36 million;

## INCOME GENERATING

### Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES 30 Jun 2016	No. of properties **	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy *	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	267	28,227	40%	716	92.2%	997	253	4.4	14,843
Office	43	23,630	33%	441	87.6%	729	333	5.0	13,046
Hotels	24	8,372	12%	210	100.0%	274	219	12.1	3,528
Residential	--	7,453	10%	757	85.3%	253	67	--	3,030
Industry&logistics	16	3,695	5%	211	95.2%	150	122	4.9	1,838
<b>THE GROUP</b>	<b>350</b>	<b>71,377</b>	<b>100%</b>	<b>2,335</b>	<b>90.1%</b>	<b>2,403</b>	<b>199</b>	<b>5.3</b>	<b>36,285</b>

\*average occupancy rate do not include Hotels

\*\*excluding Residential

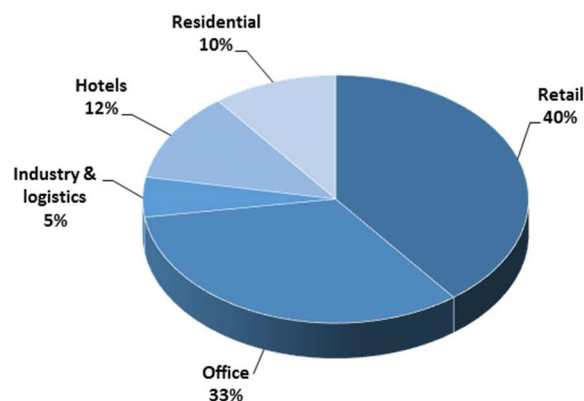
INCOME GENERATING RENTAL PROPERTIES 31 Dec 2015	No. of properties **	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy *	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	264	26,062	38%	683	93.9%	915	254	4.6	13,184
Office	44	23,976	35%	459	84.6%	726	346	4.4	13,143
Hotels	24	8,306	12%	210	100.0%	192	212	12.3	3,635
Residential	--	7,456	10%	758	84.1%	245	66	--	3,029
Industry&logistics	16	3,676	5%	211	94.3%	154	127	4.9	1,898
<b>THE GROUP</b>	<b>348</b>	<b>69,476</b>	<b>100%</b>	<b>2,321</b>	<b>89.2%</b>	<b>2,232</b>	<b>201</b>	<b>5.0</b>	<b>34,889</b>

\*average occupancy rate do not include Hotels

\*\*excluding Residential

Income generating rental portfolio of CZK 71,377 million represents the major part of the Group's property portfolio. Although the Group leases a great variety of assets, its primary focus is office and retail. These two together represent 73% of the portfolio value and provide about 1,157,000 sqm of lettable area.

Income generating rental by type of asset



## Income generating operational properties

Income generating operational properties currently include segment hospitality which represents all hotels operated by the Group. The Group acquired a unique collection of well-established luxury boutique hotels and all-suite residence hotels operated under the Mamaison brand, located in CEE capital.

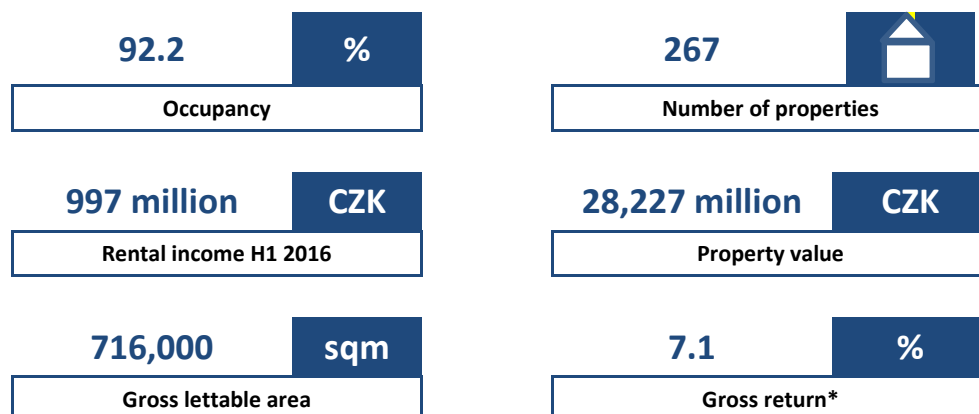
The change in the portfolio value is mainly attributable to the change in accounting policy concerning Property, plant and equipment. For more information refer to Condensed consolidated interim financial statements.

INCOME GENERATING OPERATIONAL PROPERTIES 30 Jun 2016	No. of properties	Carrying	Carrying	Number of beds	Hotel	Net hotel	Average occupancy	Average daily rate	Outstanding financing
		value	value		revenues	income			
		MCZK	%		30 Jun 2016 MCZK	30 Jun 2016 MCZK			
Hospitality	3	1,672	100%	958	168	58	74.0%	2,433	652
<b>THE GROUP</b>	<b>3</b>	<b>1,672</b>	<b>100%</b>	<b>958</b>	<b>168</b>	<b>58</b>	<b>74.0%</b>	<b>2,433</b>	<b>652</b>

INCOME GENERATING OPERATIONAL PROPERTIES 31 Dec 2015	No. of properties	Carrying	Carrying	Number of beds	Hotel	Net hotel	Average occupancy	Average daily rate	Outstanding financing
		value	value		revenues	income			
		MCZK	%		30 Jun 2015 MCZK	30 Jun 2015 MCZK			
Hospitality	3	1,534	100%	958	65	22	75.9%	2,644	675
<b>THE GROUP</b>	<b>3</b>	<b>1,534</b>	<b>100%</b>	<b>958</b>	<b>65</b>	<b>22</b>	<b>75.9%</b>	<b>2,644</b>	<b>675</b>

## RETAIL

Key Figures – June 2016



\*Gross return is based on the annualized 6-months 2016 income

Historically retail represents a very stable category of income generating assets which is flexible to adapt to market conditions and economic changes without substantial losses. The Group concentrates on mid-sized shopping areas as retail parks and supermarkets with long-term contracts generating long-lasting rental income and experiencing relatively high occupancy rate. The Group currently owns and manages retail space in the Czech Republic, the Slovak Republic, Hungary and Poland.

RETAIL 30 Jun 2016	No of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	245	23,830	85%	584	95.1%	839	255	4.3	12,324
Slovak Republic	16	2,836	10%	83	72.5%	102	273	5.4	1,458
Hungary	4	961	3%	39	88.3%	34	160	3.4	690
Poland	2	600	2%	10	100.0%	22	377	2.8	372
<b>THE GROUP</b>	<b>267</b>	<b>28,227</b>	<b>100%</b>	<b>716</b>	<b>92.2%</b>	<b>997</b>	<b>253</b>	<b>4.4</b>	<b>14,844</b>

RETAIL 31 Dec 2015	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	243	21,766	84%	553	92.9%	728	257	4.7	10,715
Slovak Republic	16	2,825	11%	83	99.9%	127	254	5.0	1,416
Hungary	4	958	3%	39	94.2%	36	171	2.5	724
Poland	1	513	2%	8	94.3%	24	414	1.8	329
<b>THE GROUP</b>	<b>264</b>	<b>26,062</b>	<b>100%</b>	<b>683</b>	<b>93.9%</b>	<b>915</b>	<b>254</b>	<b>4.6</b>	<b>13,184</b>

Retail portfolio provides about 716,000 sqm of lettable area which can be further divided as follows:

- Retail warehouse comprises supermarkets, hypermarkets, DIY stores and retail parks of about 395,000 sqm of lettable area;
- Shopping centres and galleries of about 205,000 sqm of lettable area ;
- So-called special properties (separate units and establishments, usually B class) which provide about 116,000 sqm of lettable area.

The Group has obtained another important asset in the retail sector by the acquisition of Bondy, the largest shopping centre in the city of Mladá Boleslav. The acquisition of the shopping centre Bondy ideally suits the Group portfolio of high quality shopping centres in attractive locations with stable tenants. The shopping centre Bondy with a total leasable area of 16,800 sqm and 80 store units has greatly expanded CPI Property Group's network of shopping complexes. The Bondy centre includes popular brand name shops, a food court and multiplex cinema in addition to the 400 capacity carpark available to visitors. The building also includes 2,800 sqm of leasable office space.

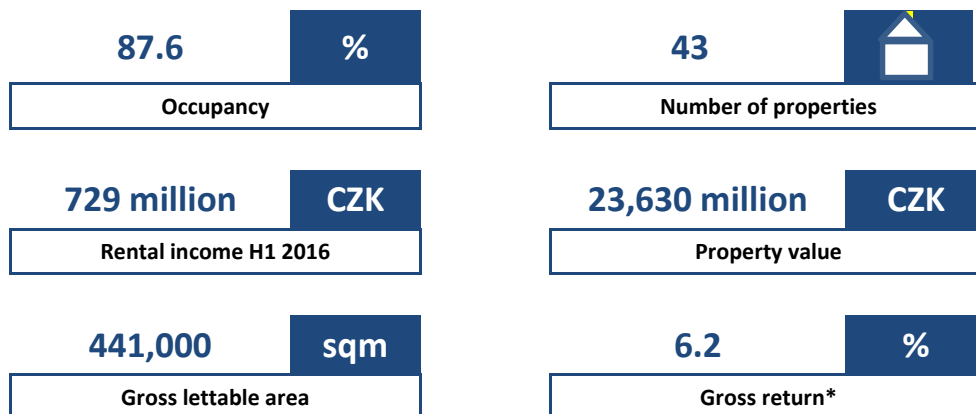
The Group acquired Géčko shopping centre in České Budějovice, Czech Republic. The shopping centre with 11,136 sqm of leasable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The acquisition, structured as a share transaction, was completed in March 2016.

The Group also extended its portfolio in Poland. In March 2016 a small retail shopping asset in Tarnow, south of Poland, comprised of 5 retail units and totaling 2,161 sqm was acquired.

The Group has started the construction of 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 CZK 430 million and the renovation of the current IGY is expected to be an additional CZK 320 million. This expansion will increase the existing business area from over eight thousand square metres to more than 29 thousand square metres of retail space with a total of 130 shops and 700 parking spaces.

## OFFICE

Key Figures – June 2016



\* Gross return is based on the annualized 6-months 2016 income

Office portfolio represents an important and constantly growing segment of investment activities of the Group. The Group owns buildings in the capital cities of the Czech Republic, Hungary and Poland as well as in regional cities of the Czech Republic.

OFFICE 30 Jun 2016	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	33	17,423	74%	293	92.3%	512	323	5.2	9,819
Hungary	7	4,635	20%	118	74.6%	162	348	2.6	2,405
Poland	2	1,336	5%	26	96.9%	49	398	3.8	735
Slovak republic	1	236	1%	4	68.2%	6	273	2.1	87
<b>THE GROUP</b>	<b>43</b>	<b>23,630</b>	<b>100%</b>	<b>441</b>	<b>87.6%</b>	<b>729</b>	<b>333</b>	<b>5.0</b>	<b>13,046</b>

OFFICE 31 Dec 2015	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	33	17,309	72%	293	91.6%	499	314	5.2	9,866
Hungary	8	5,102	21%	136	70.3%	168	324	2.7	2,439
Poland	2	1,330	6%	26	84.1%	53	834	3.4	749
Slovak republic	1	235	1%	4	65.3%	6	364	2.4	89
<b>THE GROUP</b>	<b>43</b>	<b>23,967</b>	<b>100%</b>	<b>459</b>	<b>84.6%</b>	<b>726</b>	<b>346</b>	<b>4.4</b>	<b>13,143</b>

The office property is spread evenly between major office locations and strong regional economic centres in Czech Republic, Poland and other CE countries.

Among other properties, the Office portfolio includes:

**Quadrio, Prague, Czech Republic**

Quadrio is a complex of six buildings at Národní třída metro station in Prague's city centre. The complex offers commercial space for rent (office area: 16,400 sqm) and a separate deluxe apartment complex for discerning clients. The square outdoors is admired by David Černý's star attraction, a statue of Franz Kafka, a 10 metre high, 42 segmented revolving head complimented by surrounding greenery, benches and garden restaurants.



**Central Tower, Warsaw, Poland**

Central Tower is located in the Central Business District, the best and the most prestigious office location in Warsaw city centre, on the corner of Jerozolimskie Avenue and Chalubinskiego street enabling a tenant to build effective business development. Erected in early 1990's, Central Tower is one of Warsaw early high-rise buildings (formerly FIM Tower). Its architecture is modelled after the late-modernist American skyscrapers of the 1980's.



**Arena Corner, Budapest, Hungary**

The building can be easily accessed by public transportation, as it is situated in one of the city's busiest junctions, in the vicinity of Budapest Sportarena and Budapest's largest shopping mall complex, Aréna Pláza. The 'A' category office complex was delivered in June 2007 and provides approximately 24,000 sqm office area and 3,500 sqm retail space on 8 floors in 3 interconnected office towers.



**Luxembourg Plaza, Prague, Czech Republic**

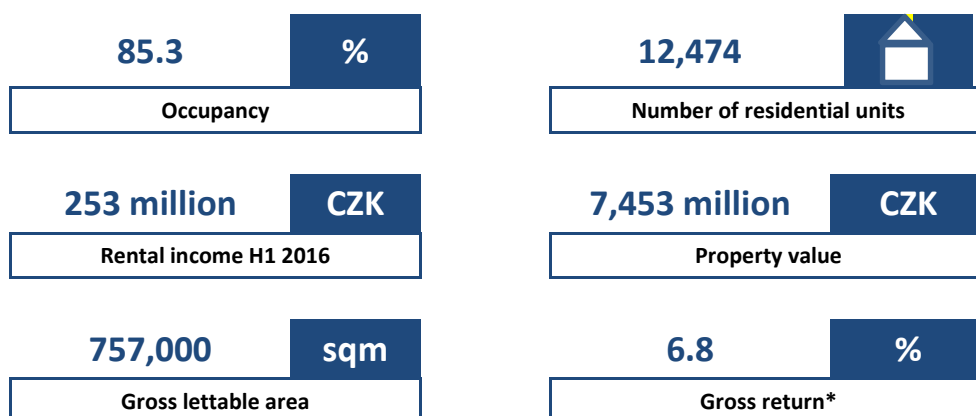
Luxembourg Plaza is a unique multi-functional project offering modern and high quality offices, commercial space, an international hotel and underground parking. All of this is situated in one of the most lucrative locations in Prague between Vinohrady and Žižkov. The building meets all possible requirements asked by even the most demanding tenants. One of the largest open atriums in Prague can be found inside the building.





## RESIDENTIAL

Key Figures – June 2016



\* Gross return is based on the annualized 6-months 2016 income

The Group is a leading player in the Czech Republic residential housing market holding the position of the second largest provider of the rental housing. The existing housing stock of the Group includes 12,474 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions. The rental housing portfolio is managed under the brand CPI BYTY, a.s. In comparison to the last period the number of residential units decreased marginally due to the sale of flats in Prague.

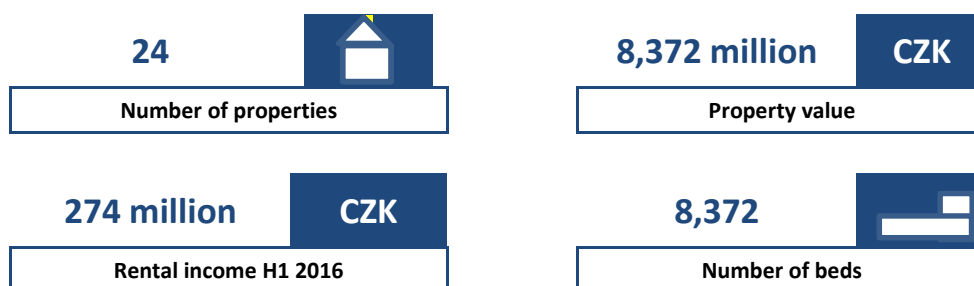
RESIDENTIAL 30 Jun 2016	No. of residential units	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	Churn rate %	Outstanding financing MCZK
Czech Republic - Prague	490	1,167	16%	30	95%	31	128	5.1%	2,935
Czech Republic - other	11,981	6,191	83%	727	85%	221	63	5.2%	
France	3	95	1%	--	100%	1	1,111	--	95
<b>THE GROUP</b>	<b>12,474</b>	<b>7,453</b>	<b>100%</b>	<b>757</b>	<b>85.3%</b>	<b>253</b>	<b>67</b>	<b>5.2%</b>	<b>3,030</b>

RESIDENTIAL 31 Dec 2015	No. of residential units	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	Churn rate 30 Jun 2015 %	Outstanding financing MCZK
Czech Republic - Prague	500	1,170	16%	31	98%	26	133	6.3%	2,934
Czech Republic - other	11,980	6,191	83%	727	83%	218	62	5.5%	
France	3	95	1%	--	100%	1	1,121	--	95
<b>THE GROUP</b>	<b>12,474</b>	<b>7,456</b>	<b>100%</b>	<b>758</b>	<b>83.2%</b>	<b>245</b>	<b>66</b>	<b>5.5%</b>	<b>3,029</b>

The residential strategy continues to be the long-term rent of its portfolio supported through client's centre networks and skilled professionals employed by the company. In all cities where CPI BYTY operates, an internal property and sales department can be found. Investment expenditures for current year are planned for reconstruction of local heat energy distribution which will have a further positive effect on the standard of living of our tenants.

## HOTELS

Key Figures – June 2016



The Group is one of the largest Czech hotel owners and developers. The hotel portfolio currently includes 24 hotels located in capitals and main cities of the Czech Republic, Hungary and Poland.

The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five star category. The flagship of the Group is a network of four-star Clarion hotels aimed at the corporate and congress clientele.

HOTELS 30 Jun 2016	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Number of beds	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	19	7,178	86%	188	8,205	239	213	12.5	2,850
Poland	2	603	7%	9	214	19	358	9.5	369
Hungary	3	591	7%	13	320	16	214	8.6	309
<b>THE GROUP</b>	<b>24</b>	<b>8,372</b>	<b>100%</b>	<b>210</b>	<b>8,739</b>	<b>274</b>	<b>219</b>	<b>12.1</b>	<b>3,528</b>

HOTELS 31 Dec 2015	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Number of beds	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	19	7,121	86%	188	8,205	192	207	12.7	2,943
Poland	2	599	7%	9	214	--	351	10.0	377
Hungary	3	586	7%	13	320	--	193	9.0	315
<b>THE GROUP</b>	<b>24</b>	<b>8,306</b>	<b>100%</b>	<b>210</b>	<b>8,739</b>	<b>192*</b>	<b>212</b>	<b>12.3</b>	<b>3,635</b>

\* As Mamasion portfolio was acquired in June 2015, no rental income is disclosed in 2015 information above.

Major hotels of Mamaison portfolio:

Mamaison Hotel Riverside Prague, uniquely located and boasting award-winning Art Nouveau-style design, which provides ideal accommodation for both leisure and business travellers in this fashionable district of Prague. The hotel enjoys close connections to the city's business districts, the airport and its main cultural attractions. With elegant accommodation in 80 rooms, views and top facilities, the art hotel offers fantastic rates for city stays in stylish and historic surroundings.

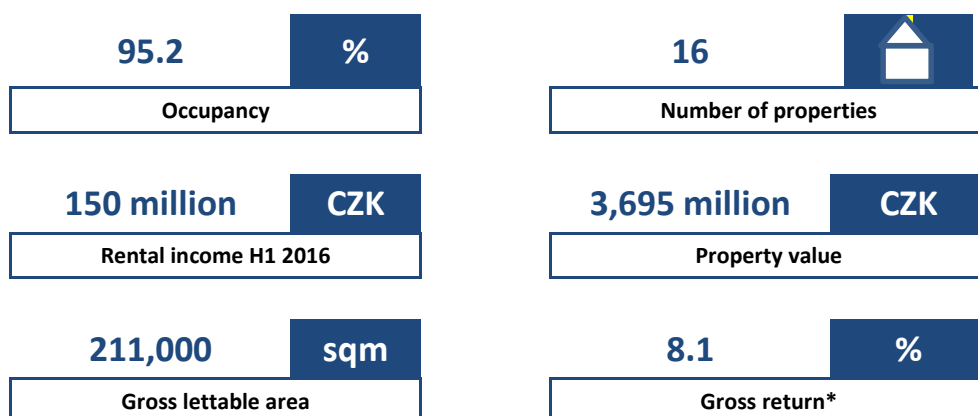
Mamaison Hotel Andrassy Budapest, one of the most exclusive Budapest boutique hotels is conveniently close to the city's business, governmental and tourist districts. Uniquely designed in Bauhaus style, it offers superior service and accommodation with 68 rooms.

Mamaison Hotel Le Regina Warsaw, a boutique hotel expertly blends historic charm with chic and modern interior design and offers excellent facilities, comfortable surroundings and top-class accommodation with 61 rooms. Set within the historic Mokrowski Palace, the hotel is conveniently placed nearby the central train station and airport.

The existing hotels show that the Group's cutting-edge facilities are easily able to compete in this segment within CEE region. Building the Clarion brand and reconstruction of regional hotels into modern multi-purpose hotels have resulted into positive feedback from hotel guests and have increased the hotels occupancy.

## INDUSTRY AND LOGISTICS

Key Figures – June 2016



\* Gross return is based on the annualized 6-months 2016 income

The Group currently owns about 211,000 sqm of rental space and manages 16 objects used for light industry, including the Autologistics Park Lozorno in the Slovak Republic, the Continental Logistics Park in the Czech Republic, as well as the Airport City Logistics Park in Hungary.

INDUSTRY AND LOGISTIC 30 Jun 2016	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Slovak Republic	1	2,277	62%	119	99.0%	92	122	5.0	1,371
Czech Republic	12	978	26%	65	91.5%	40	117	3.7	279
Hungary	3	440	12%	27	87.2%	18	138	5.3	188
<b>THE GROUP</b>	<b>16</b>	<b>3,695</b>	<b>100%</b>	<b>211</b>	<b>95.2%</b>	<b>150</b>	<b>122</b>	<b>4.9</b>	<b>1,838</b>

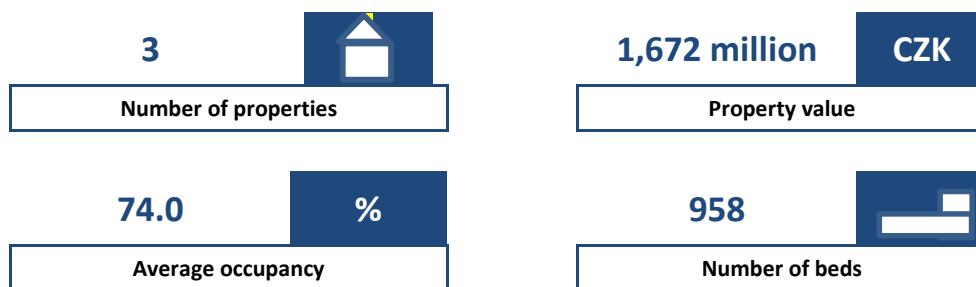
INDUSTRY AND LOGISTIC 31 Dec 2015	No. of properties	Carrying value MCZK	Carrying value %	Gross lettable area ths sqm	Occupancy %	Rental income 30 Jun 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Slovak Republic	1	2,268	62%	119	98.3%	89	125	4.7	1,216
Czech Republic	12	970	26%	65	90.1%	46	129	4.4	493
Hungary	3	438	12%	27	86.5%	19	135	5.8	189
<b>THE GROUP</b>	<b>16</b>	<b>3,676</b>	<b>100%</b>	<b>211</b>	<b>94.3%</b>	<b>154</b>	<b>127</b>	<b>4.9</b>	<b>1,898</b>

The Group has succeeded in its extension of lease contracts with several tenants in the Industrial hall Vestec, Continental Logistics Park and the Autologistics Park Lozorno. The segment keeps relatively high occupancy at 95.2%.

The portfolio is financed by bank loans amounting to CZK 1,838 million in total.

## HOSPITALITY

Key Figures – June 2016



The portfolio includes hotels operated by the Group. Within the hospitality portfolio there are 3 hotels with a total value of CZK 1,672 million.

HOSPITALITY 30 Jun 2016	No. of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 30 Jun 2016 MCZK	Net hotel income 30 Jun 2016 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Russia	1	714	43%	168	46	18	74.2%	3,840	--
Hungary	1	573	34%	468	67	18	73.1%	1,622	379
Czech Republic	1	385	23%	322	55	22	74.6%	1,839	273
<b>THE GROUP</b>	<b>3</b>	<b>1,672</b>	<b>100%</b>	<b>958</b>	<b>168</b>	<b>58</b>	<b>74.0%</b>	<b>2,433</b>	<b>652</b>

HOSPITALITY 31 Dec 2015	No. of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 30 Jun 2015 MCZK	Net hotel income 30 Jun 2015 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Russia	1	702	46%	168	--	--	78.0%	4,611	--
Hungary	1	444	29%	468	65	22	74.8%	1,574	394
Czech Republic	1	388	25%	322	--	--	75.0%	1,746	281
<b>THE GROUP</b>	<b>3</b>	<b>1,534</b>	<b>100%</b>	<b>958</b>	<b>65*</b>	<b>22*</b>	<b>75.9%</b>	<b>2,644</b>	<b>675</b>

\* As Mamasion portfolio was acquired in June 2015, no rental income is disclosed in 2015 information above.

The actual hospitality portfolio includes:

### Spa Hotel Pokrovka Residence Moscow

Spa Hotel Pokrovka Residence Moscow, located in historic downtown is offering some of the most spacious accommodation in the Russian capital. The boutique hotel has 84 bedrooms and is a combination of modern design and warmth, unique amongst the luxury hotels in Moscow.



### **Marriott Courtyard Hotel Prague**

Marriott Courtyard Hotel Prague, is one of few Prague hotels located in the fashionable Vinohrady area very close to the centre. Perfect for business travel or a relaxing weekend, the hotel offers 161 rooms and 4 meeting rooms with 325 square metres of conference space.



### **Marriott Courtyard Hotel Budapest**

Marriott Courtyard Hotel Budapest offers 234 rooms and is located in the city centre on one of the main public transportation junctions and nearby two of Budapest's most famous attractions, Andrássy Avenue and the river Danube. The hotel which is among the newest hospitality offerings of the Hungarian capital, having opened in 2010, has 235 bedrooms and is a part of the Europeum Shopping Centre.



## DEVELOPMENT

Key Figures – June 2016

<b>7,000</b>	<b>sqm</b>
Potential gross leasable area	

<b>106 million</b>	<b>CZK</b>
Development for rental	

<b>3,000</b>	<b>sqm</b>
Potential gross saleable area	

<b>2,102 million</b>	<b>CZK</b>
Development for sale	

The Group views development as a means of increasing the value of land and other assets by new construction. These assets will remain in the Group's portfolio as a yielding property or are planned for future sale.

DEVELOPMENT 30 Jun 2016	No. of properties	Potential GLA ths sqm	Potential GSA ths sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czech Republic	2	7	--	106	25	100%	1%	591
France	1	--	3	--	2,077	--	99%	--
<b>THE GROUP</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>106</b>	<b>2,102</b>	<b>100%</b>	<b>100%</b>	<b>591</b>

DEVELOPMENT 31 Dec 2015	No. of properties	Potential GLA ths sqm	Potential GSA ths sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czech Republic	2	7	--	76	17	100%	1%	614
France	1	--	3	--	2,069	--	99%	6
<b>THE GROUP</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>76</b>	<b>2,086</b>	<b>100%</b>	<b>100%</b>	<b>620</b>

Development projects are financed from external financing sources as well as through internal financing as summarised in the overview below:

DEVELOPMENT financing 30 Jun 2016	Bank loans MCZK	Internal financing MCZK	Total MCZK
Czech Republic	--	58	58
France	842	1,298	2,140
<b>CPI GROUP</b>	<b>842</b>	<b>1,356</b>	<b>2,198</b>

DEVELOPMENT financing 31 Dec 2015	Bank loans MCZK	Internal financing MCZK	Total MCZK
Czech Republic	--	50	50
France	838	1,216	2,054
<b>CPI GROUP</b>	<b>838</b>	<b>1,266</b>	<b>2,104</b>

The largest focus is on the completion of current development projects – the reconstruction of the existing IGY shopping centre in České Budějovice alongside the construction of the new building IGY2.

The extension of the IGY Centrum will bring a wider range of services, shops and entertainment with the most modern technologies including a nine screen multiplex cinema. Refurbishment of the current phase will deliver a unique building façade, refurbishment of the interiors, food court relocation, clear orientation system and modern furniture. New IGY with a total leasable area of 29,000 sqm will become the largest and most dominant shopping centre in České Budějovice and the South-Bohemian region. Development finalisation is planned at the end of 2017.

Palais Maeterlinck represents the first foreign development project of the Group. This former home of Belgian poet Maurice Maeterlinck is located on the Cote d'Azur which is one of the most popular locations on the French Riviera. The total area comprises of approximately 6,000 sqm of residential area and 3 hectares of land. Reconstruction enabled the creation of luxurious apartments, which are intended for sale.



## LAND BANK

Key Figures – June 2016

<b>17,890,000</b>	<b>sqm</b>	<b>5,840 million</b>	<b>CZK</b>
Total area		Property value	

LAND BANK 30 Jun 2016	Total area ths sqm	Area with zoning ths sqm	Area without zoning ths sqm	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czech Republic	17,397	1,147	16,250	4,297	74%	--
Hungary	168	168	--	1,023	18%	41
Romania	300	266	34	414	6%	--
Poland	25	--	25	106	2%	--
<b>THE GROUP</b>	<b>17,890</b>	<b>1,581</b>	<b>16,309</b>	<b>5,840</b>	<b>100%</b>	<b>41</b>

LAND BANK 31 Dec 2015	Total area ths sqm	Area with zoning ths sqm	Area without zoning ths sqm	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czech Republic	17,397	1,147	16,250	4,302	73%	--
Hungary	168	168	--	1,019	17%	41
Romania	302	268	34	440	8%	--
Poland	25	--	25	106	2%	--
<b>THE GROUP</b>	<b>17,892</b>	<b>1,583</b>	<b>16,309</b>	<b>5,867</b>	<b>100%</b>	<b>41</b>

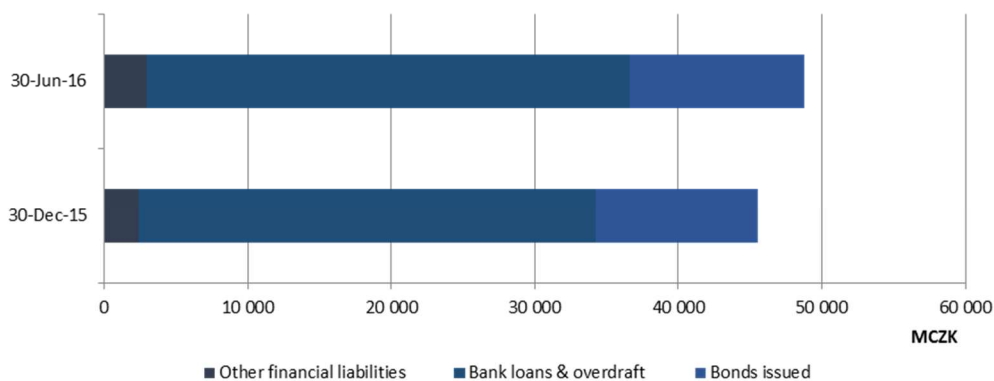
Land bank is comprised of an extensive portfolio of land plots throughout the Czech Republic, as well as in Hungary, Poland and Romania. Plots are often in attractive locations, either separate or adjacent to existing commercial buildings or in the city centre and their value continues to increase with the growth of surrounding infrastructure. Out of the total plots area, approximately 9% are with zoning which is comparable to December 2015.

In June 2016, the Group sold 2,000 sqm of land bank representing selected projects in Romania, which did not fit to the corporate business strategy.

## FINANCING

The external financing total CZK 48,848 million as of 30 June 2016 (31 Dec 2015: CZK 45,521 million) and costs of financing total CZK 923 million (30 Jun 2015: CZK 1,094 million). The structure of external financing remained at similar level compared to 31 December 2015 and bank loans and bonds represented 94% of the Group's external financing (31 Dec 2015: 95%).

Structure of external financing

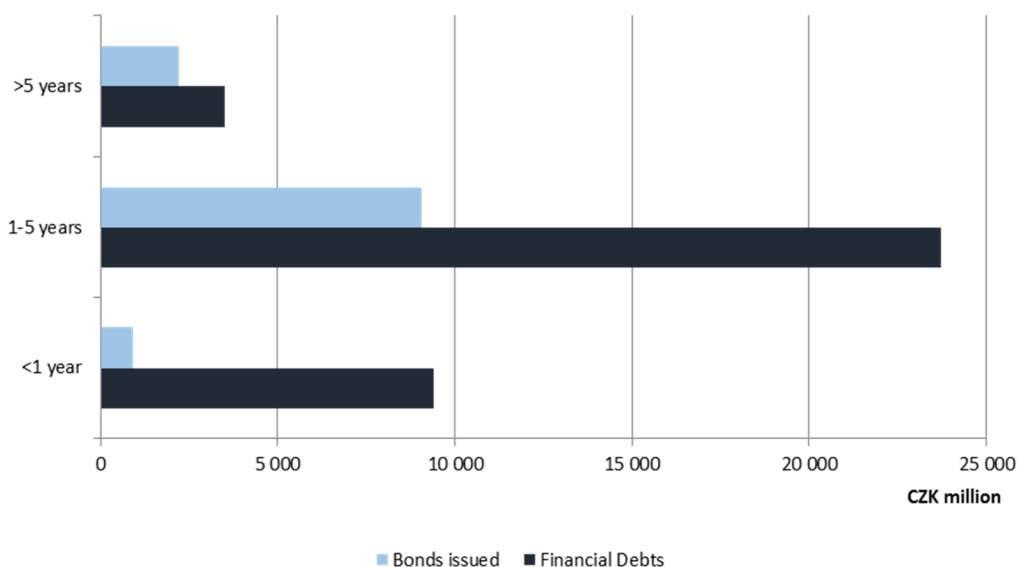


The share of net debt on property value increased from 53.5% to 56.8% as showed in the table below:

MCZK	30-Jun-16	31-Dec-15
Financial debts (non-current)	26,044	26,392
Financial debts (current)	10,567	7,882
Bonds issued (non-current)	11,257	9,794
Bonds issued (current)	900	1,454
Liabilities related to assets available for sale	81	80
Cash and cash equivalents	2,814	3,347
<b>Net debt</b>	<b>46,035</b>	<b>42,255</b>
Property Portfolio	81,097	79,039
<b>Loan to value ratio in %</b>	<b>56.8%</b>	<b>53.5%</b>

The maturity profile of the Group's financing, including accrued interest as at 30 June 2016 is showed in the chart below:

Maturity profile of external financing

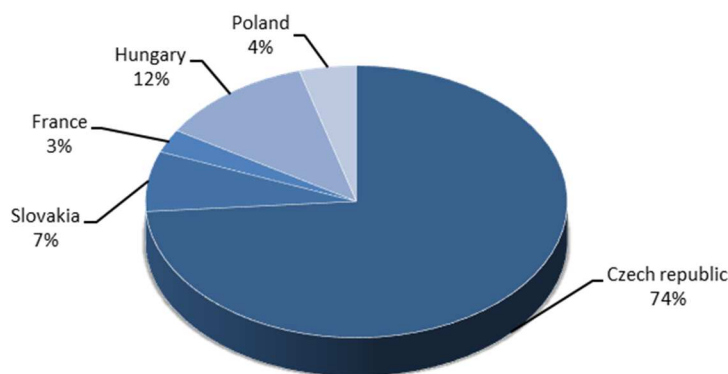


88% of the outstanding balance of external financing is due within 5 years. This is substantially driven by the maturity of bank loans and overdrafts of which 90% is payable within 5 years. On the other hand 18% of the bonds outstanding balance will mature after 5 years.

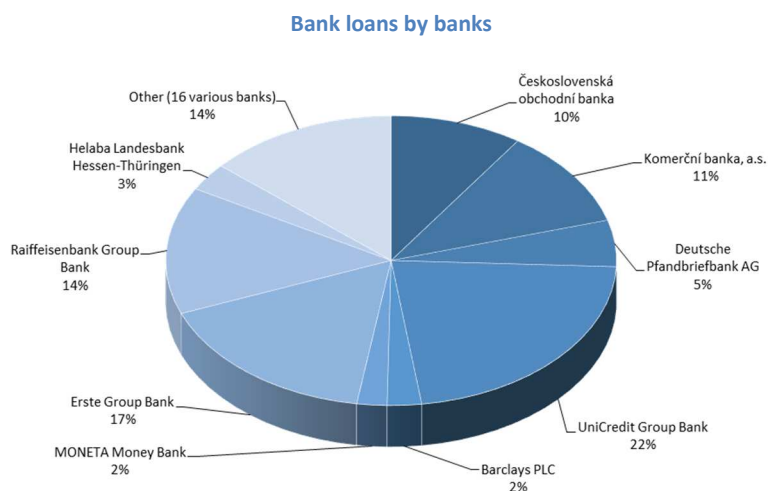
### Bank loans

A significant part of the financial debts represents bank loans. Bank loans balance, including assets held for sale, reached CZK 33,751 million as at 30 June 2016, which represents slight increase by CZK 1,875 million compared to 31 December 2015. A ratio of loans drawn in Czech crowns against loans drawn in Euro has slightly changed and is 44:56 as at 30 June 2016 (31 Dec 2015: 41:60).

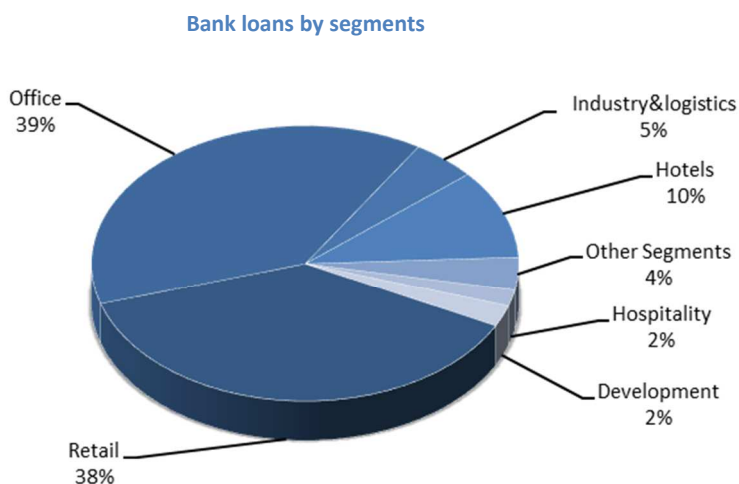
Bank loans by location



The Group benefits from long-term business relationships with a number of banks in the Czech Republic, Hungary, The Slovak Republic and other countries. With this diversification, the Group is not dependent on the actions of individual lenders and has access to a wide variety of financing sources. About 73% of outstanding bank loan balance is drawn from 5 financing bank groups; in total the Group draws 128 bank loan facilities from 26 banks.



The Group focuses on secured financing; therefore majority of debts is drawn by the companies within the Group, which held the respective real estate.



Interest rate fluctuation might have a significant impact on the profit of the Group. The Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. The fair value of the swap open position is negative of CZK 359 million (31 Dec 2015: CZK 331 million).

Within the outstanding bank loans balance, 48% bear variable interest, 49% bear variable interest but is hedged by derivatives and 3% bear a fixed interest.

## Bonds issued

Bonds represent a significant additional source of the Group's financing. Bond balance total CZK 12,157 million as at 30 June 2016 (31 Dec 2015: CZK 11,248 million). The Group redeemed two emissions of bonds during H1 2016. On 23 March 2016, the Group prepaid CPI VAR/19 EUR (ISIN CZ0003501843) emission representing EUR 3 million (CZK 81 million). On 29 March 2016, the Group repaid CPI 6.05/16 (ISIN CZ0003510646) emission represented by nominal value of CZK 1,261.8 million (EUR 46 million) excluding accrued interest.

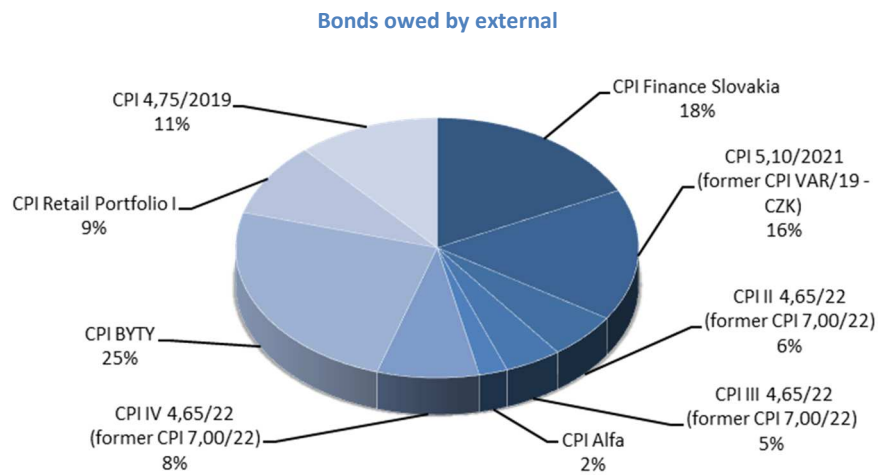
In H1 2016, the Group issued bonds in the total nominal value of EUR 50 million (CZK 1,357 million), with maturity in the year 2020, bearing a fixed interest of 5.00% p.a.

The bonds issued by the Group as at 30 June 2016 are summarized in the table below:

Group company	ISIN	Type	Currency	Nominal issued (MCZK)	Balance as of 30 Jun 2016		Interest rate	Covenant	Maturity	
					Owned by group	Owned by external				
CPI	CZ0003501496	CPI 2021	CZK	2,430	2,430	0	6M PRIBOR + 3.5% p.a.	NO	8 Aug. 2021	
CPI	CZ0003501868	CPI 5,10/2021 (former CPI VAR/19 - CZK)	CZK	2,000	0	2,000	5.10% p.a.	YES	29 Mar. 2021	
CPI	CZ0003502932	CPI I 4,75/42 (former CPI I 8,00/42)	CZK	1,000	1,000	0	4.85% p.a.	NO	22 Aug. 2042	
CPI Alfa	CZ0003502205	CPI Alfa	CZK	279	0	279	5.5% p.a.	NO	26 Oct. 2017	
CPI	CZ0003502916	CPI II 4,65/22 (former CPI 7,00/22)	CZK	1,000	303	697	4.65% p.a.	NO	6 Nov. 2022	
CPI	CZ0003502924	CPI III 4,65/22 (former CPI 7,00/22)	CZK	1,000	446	554	4.65% p.a.	NO	6 Nov. 2022	
CPI	CZ0003502957	CPI IV 4,65/22 (former CPI 7,00/22)	CZK	1,000	0	1,000	4.65% p.a.	NO	6 Nov. 2022	
CPI	CZ0003502940	CPI V 4,85/42 (former CPI V 8,00/42)	CZK	1,000	1,000	0	4.85% p.a.	NO	22 Aug. 2042	
CPI BYTY	CZ0003512485	CPI BYTY 2,50/17	CZK	300	0	300	2.5 % p.a.	NO	7 May 2017	
CPI BYTY	CZ0003510687	CPI BYTY 3,50/17	CZK	500	0	500	3.5% p.a.	NO	7 May 2017	
CPI BYTY	CZ0003510695	CPI BYTY 4,80/19	CZK	900	0	900	4.8 % p.a.	NO	7 May 2019	
CPI BYTY	CZ0003511412	CPI BYTY 4,80/19	CZK	500	0	500	4.8 % p.a.	NO	7 May 2019	
CPI BYTY	CZ0003510703	CPI BYTY 5,80/21	CZK	800	0	800	5.8 % p.a.	NO	7 May 2021	
CPI	CZ0003511024	CPI VAR/18 (EUR)	EUR	2,712	2,699	13	12M EURIBOR + 5.50% p.a.	YES	26 Nov. 2018	
CPI	CZ0003512782	CPI 4,75/2019	CZK	1,500	103	1,397	4.75 % p.a.	YES	24 Aug. 2019	
CPI Finance Slovakia	SK4120010653	CPI 5,85/2018	EUR	814	0	814	5.85% p.a.	YES	16 Apr. 2018	
CPI Finance Slovakia	SK4120011487	CPI 5,00/2020	EUR	1,357	0	1,357	5.00% p.a.	YES	26 Feb. 2020	
CPI Retail Portfolio	CZ0003511164	CPI Retail Portfolio I	CZK	1,125	0	1,125	5 % p.a.	NO	25 Apr. 2019	
<b>Total balance due to bondholders</b>				<b>20,217</b>	<b>7,981</b>	<b>12,236</b>				
Accrued transaction cost						-197				
Accrued interest						118				
<b>Total balance after transaction cost</b>						<b>12,157</b>				

A ratio of bonds issued in Czech crowns against bonds issued in Euro is 82:18 as at 30 June 2016 (31 Dec 2015: 77:23).

CPI 2021, CPI 5,10/2021, CPI I 4,75/42, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4,65/22, CPI V 4,85/42, CPI 4,75/2019, CPI Alfa and CPI BYTY were registered for trading on the Prague Stock Exchange as at 30 June 2016.



Issued bonds CPI 5.10/2021, CPI VAR/18, CPI 4.75/19, CPI 5,85/2018 and CPI 5.00/2020 are subject to a number of covenants. All covenant ratios were met as at 30 June 2016.

## RESULTS AND NET ASSETS

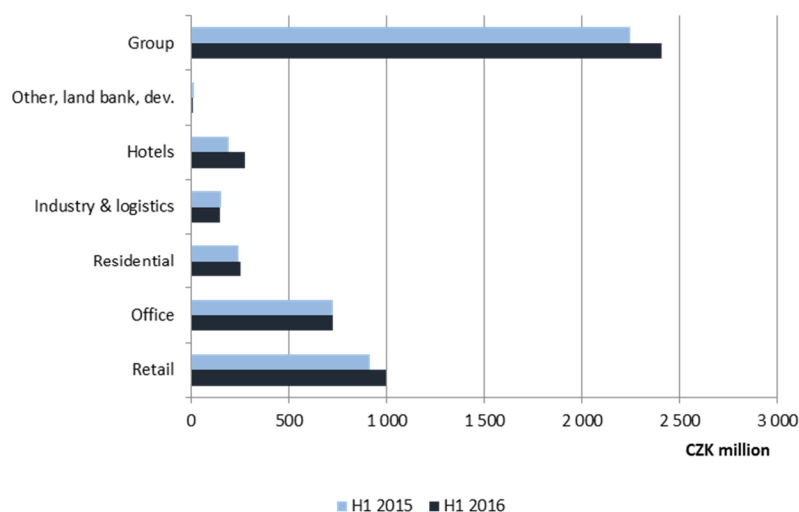
### Net rental and service related income

Gross rental income for 6-months period of 2015 rose by 7% to CZK 2,410 million (30 Jun 2015: CZK 2,246 million). The increase in growth of the rental revenue in 2016 reflects a strategic and successful extension of the portfolio primarily in the retail segment during last twelve month period.

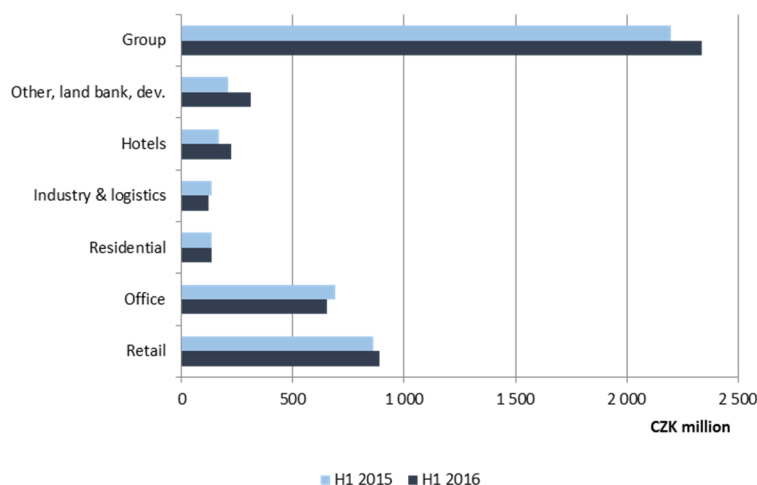
Increase in service revenue from CZK 199 million in H1 2015 to CZK 350 million in H1 2016 is attributable to advisory and accounting services provided by the Group to its parent and affiliated companies together with extended range of services provided to third parties. These services derive directly from rental activities performed by the Group so they are disclosed as a part of service income. Furthermore, the increase in service income follows expansion of Group's rental activities. It includes mainly facility management provided to third parties.

The increase in gross rental income was partly compensated by increase in repairs and maintenance costs.

Gross rental revenue



Net rental and service related income



## Operating result and net business income

Operating result slightly decreased by 3% from CZK 1,901 million in first half of 2015 to CZK 1,847 million in the same period of 2016. On the level of net business income the Group performed by 9% better, increasing to CZK 2,399 million in H1 2016.

## Net finance income / costs

Total net finance result improved from a net loss of CZK 861 million in H1 2015 to net loss of CZK 692 million in H1 2016. A decrease in interest expenses of CZK 211 million reflecting the decrease in interest on bonds related to the optimisation of own bonds structure in particular (through acquisition of own bonds with higher yield and their substitution with lower-yielding bonds, bonds repaid in 2016 and change in bond issuance terms).

## Total assets and total liabilities

Total assets increased by CZK 6,208 million (7%) to CZK 96,227 million as at 30 June 2016. The increase is primarily connected with increase in the volume of the loan provided to the parent company by CZK 4,151 million and extension of property portfolio which rose by CZK 2,058 million.

Cash and cash equivalent total CZK 2,814 million which is by 16% lower than as at 31 December 2015.

Non-current and current liabilities total CZK 60,144 million as at 30 June 2016 which represents increase by CZK 3,956 million (7%) compared to 31 December 2015. Main drivers of this increase were growth in bank loans in total by CZK 1,795 million, bonds issued in total by CZK 909 million and bills of exchange in total by CZK 546 million.

## Equity (Net assets value)

Net assets value – NAV totals CZK 36,083 million as of 30 June 2015 and compared to 31 December 2015 rose by 7%.

The table below shows EPRA NAV calculation which is in compliance with the best practice policy recommendations of the European Public Real Estate Association (EPRA).

MCZK	30-Jun-16	31-Dec-15
Equity per the financial statements (NAV)	36,006	33,755
Effect of exercise of options, convertibles and other equity interests	--	--
<b>Diluted NAV, after the exercise of options, convertibles and other equity interests</b>	<b>36,006</b>	<b>33,755</b>
Revaluation of trading properties	554	703
Fair value of financial instruments	358	324
Deferred tax	7,076	7,099
Goodwill as a result of deferred tax	--	--
<b>EPRA NAV (CZK)</b>	<b>43,994</b>	<b>41,881</b>
<b>EPRA NAV per share (CZK)</b>	<b>5.69</b>	<b>5.42</b>



## INFORMATION ON EQUITY

### Data on shares

Shares of the Company are common shares in the form of paper certificates, issued to the bearer. They are not listed securities; the nominal value is CZK 800 per share. The total nominal value of the issue is CZK 6,186,996,800.

Income from the shares is taxed according to the Act No. 586/1992 Coll., on Income Tax, as amended. The tax is applied as a deduction on the dividend payment.

Shares of CPI are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act.

The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Dividend payments are made by the Board of Directors of CPI in accordance with the decision of the General Meeting which determines the place and date of dividend payments. The latest date of dividend payment is the date designated as the reference date for the eligibility to participate in the General Meeting. The latest date of dividend payment is the date designated as the reference date for the dividend payment. Unless the General Meeting decides otherwise, the dividend is payable within one year from the date on which the General Meeting decided on profit distribution.

After dissolution of CPI through liquidation, each shareholder is entitled to a share in the liquidation balance.

Shares of CPI are not traded on any public or regulated domestic or foreign market.

### Data on share capital

The share capital of CPI is CZK 6,186,996,800 and it is divided into 7,733,746 shares with a nominal value of CZK 800 per share.

The share capital of CPI has been paid in full; it is not a subject to any option or exchange rights. CPI is not a direct holder of any of its own participating securities.

Shareholder structure of CPI as of 30 June 2016:

Shareholder	Share in share capital
CPI PROPERTY GROUP, Luxembourg	100.00%
<b>Total</b>	<b>100.00%</b>

CPI is not aware about any contracts that could result in aggravating the transferability of shares or voting rights.

## OUTLOOK

The proliferation of real estate opportunities in the Central Eastern European region has shown improved market activity so far this year with indicators displaying enthusiastic expectations for the second half of 2016.

Ready to invest in unique opportunities, the Company's priority continues to be the concentration on maintaining asset type diversification and geographical variation of the property portfolio, alongside ensuring internal stability and a strong financial base.

The Company's business objective is to create value for its shareholders through the ownership, development and dynamic management of our properties throughout Europe while looking to continue further expansion to sustain and strengthen our leading market position.

Building on recognised skills and a strong track record, with a focus on urban property, often mixed-use and retail focused, we continue to concentrate on a solid and dependable model of acquirement of high-income, functional projects while retaining a robust, low-gearred balance sheet to withstand unexpected future impacts.

The Company's immediate position is the enhancement and revitalisation of the portfolio throughout the region delivering significant future value to our properties. This on-going progress with development is represented by the current expansion and refurbishment of the IGY shopping centre in České Budějovice along with the completion of the Balance building in Budapest while proceedings with Zbrojovka in Brno will become the Company's largest development project for the immediate future. Observing the residential segment, the Company is currently in development of new housing and apartment projects in Prague, principally the Benice project in Březiněves. The plan is for continuous growth of the retail portfolio with new retail parks in Poland in the preparation process.

The long-term mission is the maintenance of existing tenants, with an increased concentration on occupancy rates and the extension of leases for shopping centres, retail stores, separate units, and offices. Concerning the team, letting and property managers will continue to build an engagement with the suppliers and tenants, while continuing to build our expertise in retrofitting current buildings.

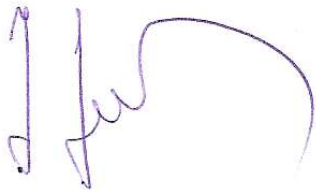
In regards to the Company's economic performance, all predictions demonstrate a disposition towards a robust and successful year ahead. Undeterred by 2016 expectations of substantial market movements, the Company will continue to innovate and evolve to varying conditions and is heading towards an encouragingly prosperous year.

## PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT 2016

### Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Half-year Report 2016 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for six months period ended 30 June 2016, and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group. No facts have been omitted that could change the meaning of this report.

Prague, 30 September 2016



Ing. Zdeněk Havelka  
Chairman of the Board of Directors  
Czech Property Investments, a.s.



Ing. Martin Němeček  
Member of the Board of Directors  
Czech Property Investments, a.s.

## **FINANCIAL STATEMENTS**

Condensed consolidated interim financial statements as at 30 June 2016

Consolidated statement of financial position

Consolidated statement of comprehensive income

Consolidated statement of cash flow

Consolidated statement of changes in equity

Notes to the Consolidated Financial statements

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# Czech Property Investments, a.s.

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

**(UNAUDITED)**

All the figures in this report are presented in thousands of Czech crowns, except if explicitly indicated otherwise.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

The accompanying notes form an integral part of these consolidated financial statements.

	Note	30 June 2016	30 June 2015
Gross rental income	5.1	2,410,804	2,245,738
Service revenue	5.1	349,926	199,022
Net service charge income	5.2	57,024	33,937
Property operating expenses	5.3	(480,533)	(280,902)
<b>Net rental income</b>		<b>2,337,221</b>	<b>2,197,795</b>
Development sales	5.4	5,525	78,669
Cost of goods sold	5.4	(185)	(86,803)
Development operating expenses	5.4	(1,393)	(6,800)
<b>Net development income</b>		<b>3,947</b>	<b>(14,934)</b>
Hotel revenue	5.5	169,075	65,400
Hotel operating expenses	5.5	(111,239)	(43,329)
<b>Net hotel income</b>		<b>57,836</b>	<b>22,071</b>
<b>Total revenues</b>		<b>2,992,354</b>	<b>2,622,766</b>
<b>Total direct business operating expenses</b>		<b>(593,350)</b>	<b>(417,834)</b>
<b>Net business income</b>		<b>2,399,004</b>	<b>2,204,932</b>
Net valuation gain on investment property	5.6	(36,263)	417,295
Net loss on the disposal of investment property	5.7	(8,930)	(7,778)
Net gain or loss on disposal of subsidiaries and investees		--	1,968
Amortization, depreciation and impairments	5.8	11,698	(57,906)
Other operating income	5.9	72,987	25,843
Administrative expenses	5.10	(563,385)	(300,240)
Other operating expenses	5.11	(28,525)	(382,793)
<b>Operating result</b>		<b>1,846,584</b>	<b>1,901,321</b>
Interest income	5.12	153,219	174,795
Interest expense	5.13	(882,892)	(1,094,174)
Other net financial result	5.14	37,836	57,880
<b>Net finance costs</b>		<b>(691,837)</b>	<b>(861,499)</b>
<b>Profit before income tax</b>		<b>1,154,747</b>	<b>1,039,822</b>
Income tax expense	5.15	(265,594)	(213,164)
<b>Net profit from continuing operations</b>		<b>889,153</b>	<b>826,658</b>
<b>Items that may or are reclassified subsequently to profit or loss</b>			
Foreign currency translation differences - foreign operations		(68,514)	(207)
Effective portion of changes in fair value of cash flow hedges		(1,774)	94,073
Income tax on other comprehensive expense		238	(17,767)
Revaluation of property, plant and equipment		122,852	--
Other comprehensive income for the period, net of tax		52,802	76,099
<b>Total comprehensive income for the period</b>		<b>941,956</b>	<b>902,757</b>
<b>Profit attributable to:</b>			
<b>Non controlling interests</b>		<b>1,151</b>	<b>556</b>
<b>Owners of the Company</b>		<b>888,002</b>	<b>826,102</b>
<b>Profit for the period</b>		<b>889,153</b>	<b>826,658</b>
<b>Total comprehensive income attributable to:</b>			
<b>Non controlling interests</b>		<b>1,151</b>	<b>774</b>
<b>Owners of the Company</b>		<b>940,805</b>	<b>901,983</b>
<b>Total comprehensive income for the period</b>		<b>941,956</b>	<b>902,757</b>
<b>Earnings per share</b>	6.12		
<b>Basic earnings in CZK per share</b>		<b>114.82</b>	<b>106.82</b>
<b>Diluted earnings in CZK per share</b>		<b>114.82</b>	<b>106.82</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

The accompanying notes form an integral part of these consolidated financial statements.

	Note	30 June 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>			
Intangible assets and goodwill	6.1	353,484	357,109
Investment property	6.2	77,133,195	74,718,330
Property, plant and equipment	6.3	1,812,562	1,672,270
Available-for-sale financial assets	6.4	14,746	11,748
Financial assets at fair value through profit or loss		40,695	30,403
Loans provided	6.5	5,353,061	495,493
Trade and other receivables	6.6	5,520	4,125
Deferred tax asset		21,434	21,434
<b>Total non-current assets</b>		<b>84,734,698</b>	<b>77,310,912</b>
<b>CURRENT ASSETS</b>			
Inventories	6.7	2,105,513	2,088,712
Current income tax receivables		123,111	85,228
Available-for-sale financial assets	6.4	6,112	43,271
Trade receivables	6.6	1,744,912	1,336,701
Derivative instruments		136	--
Loans provided	6.5	3,185,313	4,170,722
Cash and cash equivalents	6.8	2,814,011	3,346,620
Other financial current assets	6.9	679,946	416,594
Other non-financial current assets	6.10	642,469	518,250
Assets held for sale	6.11	190,300	701,073
<b>Total current assets</b>		<b>11,491,823</b>	<b>12,707,170</b>
<b>TOTAL ASSETS</b>		<b>96,226,520</b>	<b>90,018,082</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company	6.12	36,005,808	33,755,003
Non controlling interests		77,048	75,897
<b>Total equity</b>		<b>36,082,856</b>	<b>33,830,900</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	6.13	11,256,672	9,793,882
Financial debts	6.14	26,043,517	26,392,242
Derivative instruments		304,230	292,198
Deferred tax liabilities		6,833,306	6,675,216
Provision		723	471
Other non-current liabilities	6.15	380,564	369,627
<b>Total non-current liabilities</b>		<b>44,819,012</b>	<b>43,523,636</b>
<b>CURRENT LIABILITIES</b>			
Current bonds	6.13	900,237	1,453,620
Financial debts	6.14	10,567,172	7,881,306
Trade payables	6.16	1,216,062	1,030,842
Advance payments	6.17	905,864	848,675
Derivative instruments		54,230	39,092
Other financial current liabilities	6.18	1,418,006	1,135,325
Other non-financial current liabilities	6.19	182,432	194,348
Liabilities linked to assets held for sale	6.11	80,649	80,337
<b>Total current liabilities</b>		<b>15,324,652</b>	<b>12,663,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>96,226,520</b>	<b>90,018,082</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Revaluation reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>		<b>6,186,997</b>	<b>652,364</b>	<b>301,285</b>	<b>146,902</b>	<b>(497,268)</b>	<b>--</b>	<b>10,312,575</b>	<b>16,652,149</b>	<b>33,755,003</b>	<b>75,897</b>	<b>33,830,900</b>
Comprehensive income for the period		--	--	--	--	--	--	--	888,002	888,002	1,151	889,153
<b>Profit for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>888,002</b>	<b>888,002</b>	<b>1,151</b>	<b>889,153</b>
Foreign currency translation differences - foreign operations		--	--	(68,515)	--	--	--	--	--	(68,515)	--	(68,515)
Net changes in fair value of cash flow FX hedges		--	--	--	--	(14,090)	--	--	--	(14,090)	--	(14,090)
Income tax on other comprehensive expense		--	--	--	--	2,469	--	--	--	2,469	--	2,469
Net changes in fair value of cash flow IRS hedges		--	--	--	--	12,316	--	--	--	12,316	--	12,316
Income tax on other comprehensive expense		--	--	--	--	(2,231)	--	--	--	(2,231)	--	(2,231)
Revaluation of property, plant and equipment	6.3	--	--	--	--	--	149,201	--	--	149,201	--	149,201
Related deferred tax effect		--	--	--	--	--	(26,349)	--	--	(26,349)	--	(26,349)
<b>Total other comprehensive income / (expense)</b>		<b>--</b>	<b>--</b>	<b>(68,515)</b>	<b>--</b>	<b>(1,536)</b>	<b>122,852</b>	<b>--</b>	<b>--</b>	<b>52,802</b>	<b>--</b>	<b>52,802</b>
<b>Total comprehensive income for the period</b>		<b>--</b>	<b>--</b>	<b>(68,515)</b>	<b>--</b>	<b>(1,536)</b>	<b>122,852</b>	<b>--</b>	<b>888,002</b>	<b>940,805</b>	<b>1,151</b>	<b>941,956</b>
Owner's contribution	6.12	--	--	--	--	--	--	1,310,000	--	1,310,000	--	1,310,000
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>
<b>Changes in ownership interests in subsidiaries</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total changes in ownership interests in subsidiaries</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>
<b>Balance at 30 June 2016</b>		<b>6,186,997</b>	<b>652,364</b>	<b>232,770</b>	<b>146,902</b>	<b>(498,804)</b>	<b>122,852</b>	<b>11,622,575</b>	<b>17,540,151</b>	<b>36,005,808</b>	<b>77,048</b>	<b>36,082,856</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>		<b>6,186,997</b>	<b>652,364</b>	<b>296,939</b>	<b>146,938</b>	<b>(652,875)</b>	<b>10,312,575</b>	<b>15,471,936</b>	<b>32,414,874</b>	<b>75,552</b>	<b>32,490,426</b>
Comprehensive income for the period											
<b>Profit for the period</b>								<b>826,102</b>	<b>826,102</b>	<b>556</b>	<b>826,658</b>
Foreign currency translation differences - foreign operations		--	--	(425)	--	--	--	--	(425)	218	(207)
Net changes in fair value of cash flow FX hedges		--	--	--	--	58,100	--	--	58,100	--	58,100
Income tax on other comprehensive expense		--	--	--	--	(8,639)	--	--	(8,639)	--	(8,639)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	35,973	--	--	35,973	--	35,973
Income tax on other comprehensive expense		--	--	--	--	(9,128)	--	--	(9,128)	--	(9,128)
<b>Total other comprehensive income / (expense)</b>				<b>(425)</b>		<b>76,306</b>			<b>75,881</b>	<b>218</b>	<b>76,099</b>
<b>Total comprehensive income for the period</b>				<b>(425)</b>		<b>76,306</b>		<b>826,102</b>	<b>901,983</b>	<b>774</b>	<b>902,757</b>
<b>Changes in ownership interests in subsidiaries</b>											
Common control transaction - Hospitality Group		--	--	432	--	--	--	167,506	167,506	135,674	303,180
Acquisition of subsidiary with non-controlling interests		--	--	--	--	--	--	--	--	--	--
Other changes in non-controlling interests		--	--	--	--	--	--	--	--	--	--
<b>Total changes in ownership interests in subsidiaries</b>				<b>432</b>				<b>167,506</b>		<b>135,674</b>	<b>303,180</b>
<b>Total transactions with owners of the Company</b>				<b>432</b>				<b>167,506</b>	<b>167,506</b>	<b>135,674</b>	<b>303,180</b>
<b>Balance at 30 June 2015</b>		<b>6,186,997</b>	<b>652,364</b>	<b>296,946</b>	<b>146,938</b>	<b>(576,569)</b>	<b>10,312,575</b>	<b>16,465,544</b>	<b>33,484,795</b>	<b>212,000</b>	<b>33,696,795</b>

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

The accompanying notes form an integral part of these consolidated financial statements.

	Note	30 June 2016	30 June 2015
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,154,747</b>	<b>1,039,822</b>
<i>Adjusted by:</i>			
Net valuation (gain) / loss on investment property	5.6	36,263	(417,295)
Loss on the disposal of investment property	5.7	8,930	7,778
Depreciation / amortisation of tangible and intangible assets	5.8	30,393	44,731
Impairment of assets / Reversal of impairment of assets	5.8	(44,857)	13,175
Gain on the disposal of property, plant and equipment		--	(653)
Gain on the disposal of subsidiaries and investees	5.7	--	(1,968)
Net finance costs	5.13, 5.14	715,766	861,499
Gain on bargain purchase		(17,190)	--
Exchange rate differences		(168,383)	251,792
<b>Profit before changes in working capital and provisions</b>		<b>1,715,671</b>	<b>1,798,881</b>
(Increase) Decrease in inventories		(16,434)	93,178
Decrease in receivables		552,335	562,903
Increase in liabilities		316,368	440,382
Changes in provisions		252	(641)
Income tax paid		(69,554)	(28,584)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>2,498,791</b>	<b>2,866,119</b>
Acquisition of subsidiaries, net of cash acquired	3.2	(926,063)	(386,432)
Expenditure on investment property under development		(8,251)	(69,199)
Proceeds from sale of investment property	5.7	533,487	290,446
Proceeds from sale of property, plant and equipment		287	425
Proceeds from disposals of subsidiaries, net of cash disposed		--	(5,556)
Proceeds from sale of available-for-sale financial assets		37,160	--
Acquisition of investment property		(266,225)	(260,094)
Acquisition of property, plant and equipment		(17,754)	(6,147)
Acquisition of intangible assets		--	(11,966)
Acquisition of available-for-sale financial assets		(3,134)	--
Acquisition of call option		--	(10,217)
Other loans provided	6.5	(3,773,176)	(727,576)
Interest received		48,345	179,060
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(4,375,323)</b>	<b>(1,007,256)</b>
Drawings / (repayments) of bonds	6.13	1,001,530	(878,870)
Interest paid		(932,333)	(1,059,789)
Drawings / (repayments) of borrowings		1,315,060	1,487,634
Repayments of finance lease liabilities		(42,705)	(24,935)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>1,341,552</b>	<b>(475,960)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>(535,133)</b>	<b>1,382,903</b>
Cash and cash equivalents at the beginning of the year		3,346,620	2,550,657
Effect of movements in exchange rates on cash held		2,524	(10,007)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>2,814,011</b>	<b>3,923,553</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 General information

Czech Property Investments, a.s. (hereinafter also the „Company“ or “CPI”, and together with its subsidiaries as the “Group” or individually as “Group entities”) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established on 17 December 1991 and is registered in the Commercial Register kept by the Municipal Court in Prague. The registration number of the Company is 427 16 161.

The address of its registered office is Vladislavova 1390/17, Praha 1, 110 00.

### Principal activities

Principal activities of the Group are described in Note 4.

### Description of ownership structure

The sole shareholder of the Company is CPI PROPERTY GROUP (hereinafter also “CPI PG”). CPI PG is a real estate group founded in 2004. Since its foundation it has been operating in Germany and concentrates on commercial property, project development and asset management. The Group focuses on investment properties, realizes development potentials and offers full-service asset management for third parties.

CPI PROPERTY GROUP is a Luxembourg based *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. Some shares of the Company are not listed yet, but the Company will seek to list them on the regulated market of the Frankfurt Stock Exchange in the General Standard segment as soon as practicable, subject to regulatory delays.

The registered office of the Company is located at 40, rue de la Vallée, L-2661 Luxembourg, Grand-Duchy of Luxembourg.

## Management

### Board of Directors

#### Board of Directors as at 30 June 2016

*Chairman*

Zdeněk Havelka, since 13 November 2014

*Member*

Martin Němeček, since 29 April 2016

#### Board of Directors as at 31 December 2015

*Chairman*

Zdeněk Havelka, since 13 November 2014

*Member*

Kristína Magdolenová, since 15 February 2014

### Supervisory Board

#### Supervisory Board as at 30 June 2016

*Member*

Milan Trněný, since 5 June 2014

#### Supervisory Board as at 31 December 2015

*Members*

Milan Trněný, since 5 June 2014

Martin Němeček was appointed as a member of Board of Directors with effective date 29 April 2016. With the same effective date, Kristína Magdolenová is no longer a member of Board of Directors.

### **The management**

The management team of the Company is comprised of the following members: Martin Němeček, CEO; Zdeněk Havelka, Executive Director; Tomáš Salajka, Acquisitions, Asset Management and Sales Director; Pavel Měchura, CFO and Martin Stibor, Director of Property Management.

### **Employees**

The Group has 796 employees as at 30 June 2016 (at 31 December 2015 – 802 employees).

## 2 Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following material items in the condensed consolidated interim statement of financial position, which are measured as indicate below at each reporting date:

- investment property is measured at fair values;
- property, plant and equipment is measured at fair values (only applicable for Group's hotel portfolio – asset type Hospitality)
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration assumed in a business combinations is measured at fair value.

### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six month period ended 30 June 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015.

The condensed consolidated interim financial statements are presented in thousands of Czech crowns and all values are rounded to the nearest thousand except when otherwise indicated. The Group's objectives and policies for managing capital, credit risk and liquidity risk were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

The Group's operations are not any subject to seasonal fluctuations.

These condensed consolidated interim financial statements have not been audited.

The condensed consolidated interim financial statements were authorized for the issue by the Board of Directors on 30 September 2016.

### 2.2 Changes in accounting policies

The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those used to prepare the financial statements for the year ended 31 December 2015 except as described below:

Revaluation model used instead of cost model for the valuation of selected part of Property, plant and equipment portfolio.

- According to IAS 16, and entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply this policy to an entire class of property, plant and equipment. Under the revaluation model, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revaluated amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. When an item of property, plant and equipment is revaluated, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revaluated amount; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revaluated amount of the asset (approached used by the Group);

Asset's carrying value increase as a result of a revaluation shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The decrease of asset's carrying amount as a result of revaluation shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease is recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

### **New accounting standards and amendments**

For the preparation of these condensed consolidated interim financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).

The nature and the impact of each new standard/amendment are described below:

- IAS 1, 'Presentation of Financial Statements' includes the following five, narrow-focus amendments to the disclosure requirements contained in the standard.

*"Materiality in IAS 1"* has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

*"The order of the notes (including the accounting policies)"* have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

These amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The above mentioned amendment of IAS 1 has no impact on the financial statements of the Group as at 30 June 2016.

- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' face are amended as follows:
  - *"Revenue-based depreciation banned for property, plant and equipment"* means that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  - *"New restrictive test for intangible assets"* deals with a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

These amendments to IAS 16, respectively to IAS 38 are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group's operations.

- IAS 16, 'Property, Plant and Equipment' and IAS 41, 'Agriculture' related amendments say that bearer plants being in the scope of IAS 16 instead of IAS 41, to reflect the fact that their operation is similar to that of manufacturing. These amendments to IAS 16, respectively to IAS 41 are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group's operations.

#### **New standards and interpretations not yet adopted**

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Group's accounting treatment of financial instruments. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption. The Group is assessing the impact of IFRS 15.
- IAS 12 'Income Taxes' amendments deal with the clarification of accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The entities would have to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. The amendment is effective for annual periods beginning on or after 1 January 2017.
- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 (early application is permitted), will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual

accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Group is currently assessing the impact of IFRS 16

The Group has estimated the impact of the implementation of the other new standards and amendments not early adopted as non-significant.

The Group refers to the endorsement status of the new IFRS standards and amendments to standards and interpretations as they are published by the European Union ([http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)).

### **2.3 Estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.



### 3 The Group Structure

#### Control of the Group

Czech Property Investments, a.s. is the Group's ultimate parent.

As at 30 June 2016 the Group is formed by parent company and 232 subsidiaries controlled by the parent company and no associate (at 31 December 2015 - 226 subsidiaries and no associate). For the list of subsidiaries refer to Appendix I.

#### 3.1 Changes in the Group in 2016

During 2016, the Group has acquired/founded the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
CPI Finance Ireland II Limited	acquisition	100.00%	27 January 2016
Bondy Centrum s.r.o.	acquisition	100.00%	1 February 2016
CPI Finance Netherlands II B.V.	acquisition	100.00%	11 March 2016
Obchodní a společenské centrum České Budějovice, s.r.o.	acquisition	100.00%	17 March 2016
Shopinvest a.s.	acquisition	100.00%	17 March 2016
Tarnów Property Development sp. z o.o.	acquisition	100.00%	22 March 2016

## 3.2 Acquisition of subsidiaries in 2016

### Bondy Centrum s.r.o.

On 1 February 2016, the Group acquired Bondy Centrum, the largest shopping centre in Mladá Boleslav, Czech Republic, with a leasable area of approx. 16,800 sqm and office section. Purchase price paid by the Group amounted to CZK 574.88 million. The acquisition was carried out through the purchase of 100 % stake in Bondy Centrum s.r.o.

This acquisition was initially recognized as property asset acquisition.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	<b>Bondy Centrum s.r.o.</b>
Intangible assets and goodwill	9
Investment property	1,290,000
<b>Total non-current assets</b>	<b>1,290,009</b>
Trade receivables	9,348
Cash and cash equivalents	14,887
Other financial current assets	22,898
Other non-financial current assets	1,487
<b>Total current assets</b>	<b>48,620</b>
<b>Identifiable acquired assets</b>	<b>1,338,629</b>
Financial debts	(690,600)
Other non-current liabilities	(14,177)
<b>Total non-current liabilities</b>	<b>(704,777)</b>
Trade payables	(10,612)
Advance payments	(24,857)
Other financial current liabilities	(883)
Other non-financial current liabilities	(8,334)
<b>Total current liabilities</b>	<b>(44,686)</b>
<b>Identifiable acquired liabilities</b>	<b>(749,463)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 589.2 million. As a result of this asset deal, the Group recognized bargain purchase in the amount of CZK 14.29 million (note 5.9).

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 14.89 million. The net cash outflow connected with the acquisition amounted to CZK 560 million.

The post-acquisition profit from date of acquisition until 30 June 2016 amounted to CZK 23.8 million.

The Group's statement of comprehensive income includes operations of Bondy Centrum s.r.o. for the whole six months of 2016.

## Géčko Shopping Center

On 17 March 2016, the Group acquired Géčko Shopping Center in České Budějovice. The shopping center with 11,136 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The net consideration paid represents CZK 390.94 million. The acquisition was carried out through the purchase of 100 % stake in Shopinvest a.s., company holding 100 % share in Obchodní a společenské centrum České Budějovice s.r.o.

This acquisition was initially recognized as property asset acquisition.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	Shopinvest a.s.
Investment property	697,850
Property, plant and equipment	383
<b>Total non-current assets</b>	<b>698,233</b>
Inventories	29
Trade receivables	3,852
Cash and cash equivalents	43,029
Other financial current assets	13,283
Other non-financial current assets	137
<b>Total current assets</b>	<b>60,329</b>
<b>Identifiable acquired assets</b>	<b>758,562</b>
Financial debts	(343,557)
Deferred tax liabilities	(1,190)
Other non-current liabilities	(21,115)
<b>Total non-current liabilities</b>	<b>(365,863)</b>
Financial debts	(83)
Trade payables	9,246
Advance payments	(90)
Other financial current liabilities	(9,689)
Other non-financial current liabilities	(1,143)
<b>Total current liabilities</b>	<b>(1,758)</b>
<b>Identifiable acquired liabilities</b>	<b>(367,621)</b>

Net identifiable assets of subsidiaries acquired at the date of acquisition amounted to CZK 390.94 million. Considering the consideration paid, neither goodwill nor bargain purchase resulted from this acquisition.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 43.03 million. The net cash outflow connected with the acquisition amounted to CZK 347.9 million.

The post-acquisition profit from date of acquisition until 30 June 2016 amounted to CZK 11.3 million.

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group gross rental revenue for the six months of 2016 would have been CZK 2,425.6 million and net profit from continuing operations would have been CZK 890.48 million.

## Tarnów Shopping Center, Poland

On 22 March 2016, the Group acquired a small retail shopping asset in Tarnów, south of Poland. This acquisition, comprised of 5 retail units and totaling 2,161 sqm, is the first among other acquisitions of similar Polish retail shopping assets planned in the near future.

Consideration paid for the 100 % stake in Tarnów Property Development sp. Z o.o. amounted to PLN 4.17 million (approximately CZK 26.5 million).

This acquisition was initially recognized as property asset acquisition.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	<b>Tarnów Property Development sp. Z o.o.</b>
Investment property	87,737
<b>Total non-current assets</b>	<b>87,737</b>
Trade receivables	387
Cash and cash equivalents	2,914
Other non-financial current assets	1,030
<b>Total current assets</b>	<b>4,331</b>
<b>Identifiable acquired assets</b>	<b>92,068</b>
Financial debts	(63,311)
<b>Total non-current liabilities</b>	<b>(63,311)</b>
Financial debts	(2,730)
Trade payables	(36)
<b>Total current liabilities</b>	<b>(2,766)</b>
<b>Identifiable acquired liabilities</b>	<b>(66,076)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 25.99 million. As a result of this asset deal, the Group recognized goodwill in the amount of CZK 490 thousand, which was subsequently fully impaired (note 5.8).

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 2.9 million. The net cash outflow connected with the acquisition amounted to CZK 23.57 million.

The post-acquisition loss from date of acquisition until 30 June 2016 amounted to CZK 6.45 million.

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group gross rental revenue for the six months of 2016 would have been CZK 2,412.8 million and net profit from continuing operations would have been CZK 887.4 million.

## Other acquisitions in 2016

On 27 January 2016, the Group purchased 100% stake in CPI Finance Ireland II Limited from CPI PG for consideration in the amount of EUR 74 million (app. CZK 1,999.9 million).

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 2,005.5 million. As a result of the acquisition, the Group recognized bargain purchase in the amount of CZK 5.67 million. Due to the acquisition the Group acquired cash and cash equivalents in the amount of CZK 5.4 million. The net cash inflow connected with the acquisition amounted to CZK 5.4 million.

On 11 March 2016, 100% stake in CPI Finance Netherlands II B.V. was acquired from CPI PG for the consideration of EUR 1. Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK -2.28 million. As a result of this acquisition, the Group recognized goodwill in the amount of CZK 2.28 million, which was subsequently fully impaired (note 5.8).

### 3.3 Changes in the Group in 2015

During 2015, the Group has acquired the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
CPI Finance Netherlands II, B. V.	founded	100.00%	14 January 2015
CPI Finance Ireland II Limited	founded	100.00%	22 January 2015
CPI Finance Slovakia, a.s.	founded	100.00%	16 February 2015
OC Futurum Kolín, a.s.	acquisition	100.00%	31 May 2015
Karviná Property Development, a.s.	acquisition	100.00%	1 June 2015
Endurance Hospitality Asset S.á r.l.*	acquisiton	88.00%	3 June 2015
Endurance Hospitality Finance S.á r.l.*	acquisiton	88.00%	3 June 2015
Hospitality Invest S.à r.l.*	acquisiton	100.00%	3 June 2015
CPI Finance Ireland III Limited	founded	100.00%	11 December 2015
CPI Finance Netherlands III, B. V.	founded	100.00%	17 December 2015
JMB Lambda s.r.o.	acquisition	100.00%	22 December 2015
Gerosa – JMB, a.s.	acquisition	100.00%	22 December 2015

\*Hereinafter as "Hospitality Group"

The following entities were disposed of in 2015:

Entity	Change	Share in %	Date of disposal/liquidation
SCTO, Kft.	liquidation	100.00%	13 January 2015
CPI Finance Netherlands II, B. V.	disposal	100.00%	14 January 2015
CPI Finance Ireland II Limited	disposal	100.00%	22 January 2015
ZPS Kft.	liquidation	100.00%	2 March 2015
CPI North, s.r.o.	disposal	100.00%	1 April 2015
Polma 1 S.à r.l.	disposal	100.00%	1 May 2015
Valanto Consulting a.s.	disposal	94.00%	30 June 2015
MaMaison management, s.r.o.	disposal	94.00%	30 June 2015
ELAMOR, a.s.	disposal	100.00%	30 June 2015
Airport City, s.r.o.	disposal	100.00%	30 June 2015
Baudry Alfa, a.s.	disposal	100.00%	30 June 2015
Beroun Property Alfa, a.s.	disposal	100.00%	30 June 2015
Marissa Omega, a.s.	disposal	100.00%	30 June 2015
Marissa Sigma, a.s.	disposal	100.00%	30 June 2015
Marissa South, a.s.	disposal	100.00%	30 June 2015
Marissa North, a.s.	disposal	100.00%	30 June 2015
Marissa Lambda, a.s.	disposal	100.00%	30 June 2015
Marissa East, a.s.	disposal	100.00%	30 June 2015
Marissa Delta, a.s.	disposal	100.00%	30 June 2015
Marissa Epsilon, a.s.	disposal	100.00%	30 June 2015
Marissa Ióta, a.s.	disposal	100.00%	30 June 2015
ABLON s.r.o.	disposal	100.00%	1 October 2015
Příkopy Property Development, a.s.	disposal	100.00%	4 November 2015
MaMaison Bratislava, s.r.o.	disposal	94.00%	1 December 2015
ORCO Hotel Ostrava, a.s.	disposal	94.00%	2 December 2015
ORCO Hotel Riversie, s.r.o.	disposal	94.00%	2 December 2015

## **4 Segment reporting**

For all asset types, discrete financial information is provided to the Board of Directors, which is the chief operating decision maker, on an individual entity (subsidiary) basis. The information provided are revenues (consisting of sale of goods, rental activities, services and net service charge income), net gain/loss from fair value adjustment on investment property, cost of goods sold, impairments, amortization and other operating result which altogether form the operating result.

The individual entities are aggregated into reportable segments with similar economic characteristics for the purposes of consolidated reporting.

The structure of operating segments remains unchanged in 2016 compared to the financial statements as at 31 December 2015.

### **Income generating rental properties**

Within the segment "Income generating rental properties" the Group is considered to have six types of assets as at 30 June 2016, as follows:

- Retail – acquires, develops and leases shopping malls
- Office – acquires, develops and leases offices
- Logistics – acquires, develops and leases warehouses and factories
- Residential – rents residential property
- Hotels – acquires, develops and leases hotels to operators
- Other – primarily includes intergroup service and financing entities

### **Income generating operational properties**

The segment includes properties which primarily generate income from other than rental activities. As at 30 June 2016 the segment includes the following types of assets:

- Hospitality – operates hotel premises as hotel operator

### **Development**

Covers all real estate assets under construction or designated for future development in order to be sold to a third party or to be transferred to the Income generating rental properties operating segment.

### **Land bank**

Acquires and retains lands for further Group's utilization. The segment also includes building which are intended for future redevelopment and do not generate any rental income.

## As at 30 June 2016

Consolidated profit or loss As at 30 June 2016	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
Gross rental income	728,421	996,379	252,855	150,106	273,524	1,814	--	7,705	--	2,410,804
Service revenue	610	893	111	19	232	348,061	--	--	--	349,926
Net service charge income	24,977	16,515	3,543	(16,449)	112	31,489	--	(3,163)	--	57,024
Property operating expenses	(99,151)	(124,373)	(119,932)	(12,707)	(49,075)	(69,650)	--	(5,533)	(112)	(480,533)
<b>Net rental income</b>	<b>654,857</b>	<b>889,414</b>	<b>136,577</b>	<b>120,969</b>	<b>224,793</b>	<b>311,714</b>	--	<b>(991)</b>	<b>(112)</b>	<b>2,337,221</b>
Development sales	--	--	--	--	--	--	--	890	4,635	5,525
Cost of goods sold	--	--	--	--	--	--	--	--	(185)	(185)
Development operating expenses	--	--	--	--	--	--	--	--	(1,393)	(1,393)
<b>Net development income</b>	--	--	--	--	--	--	--	<b>890</b>	<b>3,057</b>	<b>3,947</b>
Hotel revenue	--	--	--	--	--	--	169,075	--	--	169,075
Hotel operating expenses	--	--	--	--	--	--	(111,239)	--	--	(111,239)
<b>Net hotel income</b>	--	--	--	--	--	--	<b>57,836</b>	--	--	<b>57,836</b>
Total revenues	754,008	1,013,787	256,509	133,676	273,868	381,364	169,075	5,432	4,635	2,992,354
Total direct business operating expenses	(99,151)	(124,373)	(119,932)	(12,707)	(49,075)	(69,650)	(111,239)	(5,533)	(1,690)	(593,350)
<b>Net business income</b>	<b>654,857</b>	<b>889,414</b>	<b>136,577</b>	<b>120,969</b>	<b>224,793</b>	<b>311,714</b>	<b>57,836</b>	<b>(101)</b>	<b>2,945</b>	<b>2,399,004</b>
Net valuation gain or loss on investment property	3,010	5,911	--	(9,849)	(35,335)	--	--	--	--	(36,263)
Net gain or loss on the disposal of investment property	(5,296)	(2,616)	476	--	--	3,413	12	(4,919)	--	(8,930)
Net gain or loss on disposal of subsidiaries	37,481	15,160	38,145	--	36,562	(127,347)	--	(1)	--	--
Amortization, depreciation and impairments	(628)	(70)	(7,696)	--	(14,704)	51,479	(17,000)	317	--	11,698
Other operating income	12,802	48,188	1,335	22	2,404	6,367	--	1,869	--	72,987
Administrative expenses	(6,093)	(8,779)	(8,911)	(2,809)	4,772	(509,491)	(10,453)	(5,042)	(16,579)	(563,385)
Other operating expenses	(22,821)	940	(2,186)	(326)	(1,758)	(3,542)	(324)	4,298	(2,806)	(28,525)
<b>Operating Results</b>	<b>673,312</b>	<b>947,223</b>	<b>157,740</b>	<b>108,007</b>	<b>216,734</b>	<b>(267,409)</b>	<b>30,071</b>	<b>(3,579)</b>	<b>(16,440)</b>	<b>1,846,584</b>
Interest income	247	14,153	407	96	536	137,756	11	13	--	153,219
Interest expense	(175,185)	(256,058)	(77,945)	(18,833)	(59,765)	(276,792)	(6,885)	(608)	(10,821)	(882,892)
Other net financial result	18,745	(68,252)	(314)	(4,114)	(6,053)	(2,212)	109,983	(9,880)	(67)	37,836
<b>Net finance income / (costs)</b>	<b>(156,193)</b>	<b>(310,157)</b>	<b>(77,852)</b>	<b>(22,851)</b>	<b>(65,282)</b>	<b>(141,248)</b>	<b>103,109</b>	<b>(10,475)</b>	<b>(10,888)</b>	<b>(691,837)</b>
<b>Profit / (Loss) before income tax</b>	<b>517,119</b>	<b>637,991</b>	<b>79,888</b>	<b>85,156</b>	<b>(151,452)</b>	<b>(408,657)</b>	<b>133,180</b>	<b>(14,054)</b>	<b>(27,328)</b>	<b>1,154,747</b>
Income tax expense	(118,937)	(146,736)	(18,374)	(19,586)	(34,836)	94,105	(30,632)	3,233	6,169	(265,594)
<b>Net profit / (Loss) from continuing operations</b>	<b>398,182</b>	<b>491,255</b>	<b>61,514</b>	<b>65,570</b>	<b>116,616</b>	<b>(314,552)</b>	<b>102,548</b>	<b>(10,821)</b>	<b>(21,159)</b>	<b>889,153</b>

## As at 30 June 2015

Consolidated profit or loss As at 30 June 2015	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
Gross rental income	724,638	912,662	245,153	153,553	192,043	2,315	--	5,865	9,509	2,245,738
Service revenue	306	3,803	169	28	126	229,404	--	70	(34,884)	199,022
Net service charge income	17,233	4,423	(236)	1,728	8	29,114	--	(4,040)	(14,293)	33,937
Property operating expenses	(54,219)	(60,864)	(108,608)	(20,064)	(23,819)	(52,883)	--	(10,027)	49,582	(280,902)
<b>Net rental income</b>	<b>687,958</b>	<b>860,024</b>	<b>136,478</b>	<b>135,245</b>	<b>168,358</b>	<b>207,950</b>	<b>--</b>	<b>(8,132)</b>	<b>9,914</b>	<b>2,197,795</b>
Development sales	--	--	92,016	--	--	185	--	(13,532)	--	78,669
Cost of goods sold	(14,886)	(8,374)	(63,484)	--	--	--	--	(59)	--	(86,803)
Development operating expenses	--	--	--	--	--	--	--	--	(6,800)	(6,800)
<b>Net development income</b>	<b>(14,886)</b>	<b>(8,374)</b>	<b>28,532</b>	<b>--</b>	<b>--</b>	<b>185</b>	<b>--</b>	<b>(13,591)</b>	<b>(6,800)</b>	<b>(14,934)</b>
Hotel revenue	--	--	--	--	--	--	65,400	--	--	65,400
Hotel operating expenses	--	--	--	--	--	--	(43,329)	--	--	(43,329)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>22,071</b>	<b>--</b>	<b>--</b>	<b>22,071</b>
Total revenues	742,177	920,888	337,102	155,309	192,177	261,018	65,400	(11,637)	(39,668)	2,622,766
Total direct business operating expenses	(69,105)	(69,238)	(172,092)	(20,064)	(23,819)	(52,883)	(43,329)	(10,086)	42,782	(417,834)
<b>Net business income</b>	<b>673,072</b>	<b>851,650</b>	<b>165,010</b>	<b>135,245</b>	<b>168,358</b>	<b>208,135</b>	<b>22,071</b>	<b>(21,723)</b>	<b>3,114</b>	<b>2,204,932</b>
Net valuation gain or loss on investment property	324,402	96,107	(12,145)	--	--	--	--	24,709	(15,778)	417,295
Net gain or loss on the disposal of investment property	377	(518)	11,596	--	21	669	--	(19,923)	--	(7,778)
Net gain or loss on disposal of subsidiaries	--	--	--	--	--	1,967	--	1	--	1,968
Amortization, depreciation and impairments	(3,380)	(1,716)	(6,583)	2,753	(8,459)	(13,045)	(13,946)	(13,530)	--	(57,906)
Other operating income	2,552	6,644	1,539	233	1,702	7,801	--	5,201	171	25,843
Administrative expenses	(23,910)	(15,566)	(4,442)	(2,267)	(6,003)	(232,976)	(93)	(11,466)	(3,517)	(300,240)
Other operating expenses	(238,534)	(130,587)	(879)	(755)	(2,006)	(5,518)	--	(1,783)	(2,731)	(382,793)
<b>Operating Results</b>	<b>734,579</b>	<b>806,014</b>	<b>154,096</b>	<b>135,209</b>	<b>153,613</b>	<b>(32,967)</b>	<b>8,032</b>	<b>(38,514)</b>	<b>(18,741)</b>	<b>1,901,321</b>
Interest income	15,014	17,182	38	120	4,155	138,252	18	14	2	174,795
Interest expense	(203,739)	(244,097)	(83,288)	(41,150)	(42,822)	(457,913)	(3,454)	(4,012)	(13,699)	(1,094,174)
Other net financial result	86,277	33,095	(3,802)	(3,274)	(10,238)	(58,093)	(807)	745	13,977	57,880
<b>Net finance income / (costs)</b>	<b>(102,448)</b>	<b>(193,820)</b>	<b>(87,052)</b>	<b>(44,304)</b>	<b>(48,905)</b>	<b>(377,754)</b>	<b>(4,243)</b>	<b>(3,253)</b>	<b>280</b>	<b>(861,499)</b>
<b>Profit / (Loss) before income tax</b>	<b>632,131</b>	<b>612,194</b>	<b>67,044</b>	<b>90,905</b>	<b>104,708</b>	<b>(410,721)</b>	<b>3,789</b>	<b>(41,767)</b>	<b>(18,461)</b>	<b>1,039,822</b>
Income tax expense	(129,589)	(125,500)	(13,744)	(18,635)	(21,465)	84,200	(777)	8,561	3,785	(213,164)
<b>Net profit / (Loss) from continuing operations</b>	<b>502,542</b>	<b>486,694</b>	<b>53,300</b>	<b>72,270</b>	<b>83,243</b>	<b>(326,521)</b>	<b>3,012</b>	<b>(33,206)</b>	<b>(14,676)</b>	<b>826,658</b>



## As at 30 June 2016

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
30 June 2016										
<b>Gross assets value</b>	<b>23,660,382</b>	<b>28,242,050</b>	<b>7,452,986</b>	<b>3,694,727</b>	<b>8,200,934</b>	<b>85,473</b>	<b>1,675,364</b>	<b>5,855,827</b>	<b>2,183,527</b>	<b>81,051,270</b>
Investment Property	23,631,322	28,227,147	7,452,721	3,694,708	8,181,406	--	--	5,839,653	106,238	77,133,195
Property, plant and equipment	24,025	24,025	265	--	16,586	85,076	1,671,890	9	--	1,812,562
Inventories	5,035	5,035	--	19	2,942	397	3,474	16,165	2,077,289	2,105,513
Other assets non-current	4,832	206,815	--	--	5,504	5,560,472	10,072	1,105	141	5,788,941
Other assets current	470,715	666,398	415,576	59,514	347,283	4,543,942	18,812	16,058	34,000	6,572,298
Cash and cash equivalents	722,556	1,013,083	206,653	92,465	180,406	185,314	60,189	24,833	328,512	2,814,011
<b>Total Assets</b>	<b>24,858,485</b>	<b>30,128,346</b>	<b>8,075,215</b>	<b>3,846,706</b>	<b>8,734,127</b>	<b>10,375,201</b>	<b>1,764,437</b>	<b>5,897,823</b>	<b>2,546,180</b>	<b>96,226,520</b>
Other payables non-current	2,168,500	2,603,496	1,144,352	525,245	564,034	--	73,095	429,502	10,599	7,518,823
Finance debts non-current	8,178,463	10,132,350	96,745	1,683,599	3,051,642	1,413,648	599,550	45,898	841,622	26,043,517
Bonds issued non-current	--	1,383,107	2,151,888	--	--	7,721,677	--	--	--	11,256,672
Other payables current	492,511	605,034	493,398	73,312	235,991	1,716,080	86,764	31,563	122,590	3,857,243
Finance debts current	4,877,945	3,799,799	488	109,881	395,211	1,322,600	55,359	5,889	--	10,567,172
Bonds issued current	--	12,349	803,680	--	--	84,208	--	--	--	900,237
<b>Total Liabilities</b>	<b>15,717,419</b>	<b>18,536,135</b>	<b>4,690,551</b>	<b>2,392,037</b>	<b>4,246,878</b>	<b>12,258,213</b>	<b>814,768</b>	<b>512,852</b>	<b>974,811</b>	<b>60,143,664</b>

## As at 31 December 2015

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
31 December 2015										
<b>Gross assets value</b>	<b>23,516,246</b>	<b>26,077,052</b>	<b>7,455,993</b>	<b>3,676,288</b>	<b>8,129,536</b>	<b>88,325</b>	<b>1,537,804</b>	<b>5,855,560</b>	<b>2,142,508</b>	<b>78,479,312</b>
Investment Property	23,492,302	26,062,225	7,455,728	3,676,288	8,114,706	--	--	5,840,373	76,708	74,718,330
Property, plant and equipment	23,944	14,660	265	--	14,734	87,926	1,534,081	110	(3,450)	1,672,270
Inventories	--	167	--	--	96	399	3,723	15,077	2,069,250	2,088,712
Other assets non-current	4,820	264,753	--	--	243,742	392,700	10,193	1,105	3,000	920,313
Other assets current	971,484	544,013	327,833	30,717	348,603	4,971,185	17,572	44,304	16,128	7,271,839
Cash and cash equivalents	716,355	918,709	275,647	70,941	164,990	784,495	50,338	26,906	338,239	3,346,620
<b>Total Assets</b>	<b>25,208,905</b>	<b>27,804,527</b>	<b>8,059,473</b>	<b>3,777,946</b>	<b>8,886,871</b>	<b>6,236,705</b>	<b>1,615,907</b>	<b>5,927,875</b>	<b>2,499,875</b>	<b>90,018,084</b>
Other payables non-current	2,123,216	2,450,114	1,139,718	503,470	525,868	30,540	45,602	433,631	85,353	7,337,512
Finance debts non-current	9,862,583	8,693,282	96,486	1,733,767	3,180,869	1,325,088	619,129	42,653	838,385	26,392,242
Bonds issued non-current	--	1,379,426	2,933,960	--	--	5,480,496	--	--	--	9,793,882
Other payables current	588,889	558,675	425,729	45,384	178,292	1,355,337	75,332	39,920	61,062	3,328,620
Finance debts current	3,225,428	3,161,465	515	118,573	432,313	881,923	55,286	5,803	--	7,881,306
Bonds issued current	--	13,168	92,015	--	--	1,348,437	--	--	--	1,453,620
<b>Total Liabilities</b>	<b>15,800,116</b>	<b>16,256,130</b>	<b>4,688,423</b>	<b>2,401,194</b>	<b>4,317,342</b>	<b>10,421,821</b>	<b>795,349</b>	<b>522,007</b>	<b>984,800</b>	<b>56,187,182</b>

## As at 30 June 2016

Profit or loss As at 30 June 2016	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Russia	Total consolidated
Gross rental income	1,885,912	199,184	234,638	89,934	--	--	1,136	--	--	--	--	--	--	2,410,804
Service revenue	135,175	22	510	4,668	1	--	111	--	--	--	209,439	--	--	349,926
Net service charge income	66,696	(19,986)	19,846	(9,532)	--	--	--	--	--	--	--	--	--	57,024
Property operating expenses	(413,316)	(25,535)	(29,062)	(12,620)	--	--	--	--	--	--	--	--	--	(480,533)
<b>Net rental income</b>	<b>1,674,467</b>	<b>153,685</b>	<b>225,932</b>	<b>72,450</b>	<b>1</b>	<b>--</b>	<b>1,247</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>209,439</b>	<b>--</b>	<b>--</b>	<b>2,337,221</b>
Development sales	4,635	--	890	--	--	--	--	--	--	--	--	--	--	5,525
Cost of goods sold	--	--	(185)	--	--	--	--	--	--	--	--	--	--	(185)
Development operating expenses	(1,393)	--	--	--	--	--	--	--	--	--	--	--	--	(1,393)
<b>Net development income</b>	<b>3,242</b>	<b>--</b>	<b>705</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,947</b>
Hotel revenue	55,497	--	67,424	--	--	--	--	--	--	--	--	--	46,154	169,075
Hotel operating expenses	(33,587)	--	(49,775)	--	--	--	--	--	--	--	--	--	(27,877)	(111,239)
<b>Net hotel income</b>	<b>21,910</b>	<b>--</b>	<b>17,649</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>18,277</b>	<b>57,836</b>
Total revenues	2,147,915	179,220	323,308	85,070	1	--	1,247	--	--	--	209,439	--	--	2,992,354
Total direct business operating expenses	(448,296)	(25,535)	(79,022)	(12,620)	--	--	--	--	--	--	--	--	--	(593,350)
<b>Net business income</b>	<b>1,699,619</b>	<b>153,685</b>	<b>244,286</b>	<b>72,450</b>	<b>1</b>	<b>--</b>	<b>1,247</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>209,439</b>	<b>--</b>	<b>--</b>	<b>2,399,004</b>
Net valuation gain or loss on investment property	8,639	(21,006)	(23,647)	(249)	--	--	--	--	--	--	--	--	--	(36,263)
Net gain or loss on the disposal of investment property	(9,413)	--	483	--	--	--	--	--	--	--	--	--	--	(8,930)
Net gain or loss on disposal of subsidiaries	38,146	--	32,012	--	--	--	--	--	(70,158)	--	(27)	--	--	--
Amortization, depreciation and impairments	(36,450)	(141)	(6,611)	(1,529)	15	(2,276)	--	--	--	--	--	65,954	(7,234)	11,698
Other operating income	43,933	23,869	1,723	126	--	--	--	5,665	(2,302)	--	--	--	--	72,987
Administrative expenses	(388,267)	(18,143)	(36,306)	(11,879)	(2,331)	(5,821)	(16,887)	(1,079)	(4,416)	(455)	(67,483)	(3,571)	(6,747)	(563,385)
Other operating expenses	(2,136)	(14,091)	(8,615)	147	(553)	--	(3,098)	(148)	(31)	--	--	--	--	(28,525)
<b>Operating Results</b>	<b>1,354,071</b>	<b>124,173</b>	<b>203,325</b>	<b>59,066</b>	<b>(2,898)</b>	<b>(8,099)</b>	<b>(18,738)</b>	<b>4,438</b>	<b>(76,907)</b>	<b>(455)</b>	<b>141,929</b>	<b>62,383</b>	<b>4,296</b>	<b>1,846,584</b>
Interest income	138,036	2	282	--	--	3,097	--	--	8,305	932	--	2,565	--	153,219
Interest expense	(730,566)	(80,265)	(38,199)	(20,840)	(106)	(295)	(11,617)	--	--	--	--	(1,004)	--	(882,892)
Other net financial result	(31,035)	(9,365)	6,875	(38,295)	64	268	51	(15)	(1,879)	31	(67)	(81)	111,386	37,836
<b>Net finance income / (costs)</b>	<b>(623,565)</b>	<b>(89,628)</b>	<b>(31,042)</b>	<b>(59,135)</b>	<b>(42)</b>	<b>3,070</b>	<b>(11,668)</b>	<b>(15)</b>	<b>6,426</b>	<b>963</b>	<b>(67)</b>	<b>1,480</b>	<b>111,386</b>	<b>(691,837)</b>
<b>Profit / (Loss) before income tax</b>	<b>730,506</b>	<b>34,545</b>	<b>172,283</b>	<b>(69)</b>	<b>(2,940)</b>	<b>(5,029)</b>	<b>(30,406)</b>	<b>4,423</b>	<b>(70,481)</b>	<b>508</b>	<b>141,862</b>	<b>63,863</b>	<b>115,682</b>	<b>1,154,747</b>
Income tax expense	(168,014)	(7,946)	(39,627)	16	676	633	(6,876)	(496)	16,211	--	(32,628)	(14,689)	(26,607)	(265,594)
<b>Net profit / (Loss) from continuing operations</b>	<b>562,492</b>	<b>26,599</b>	<b>132,656</b>	<b>(53)</b>	<b>(2,264)</b>	<b>(4,396)</b>	<b>(23,530)</b>	<b>3,927</b>	<b>(54,270)</b>	<b>508</b>	<b>109,234</b>	<b>49,174</b>	<b>89,075</b>	<b>889,153</b>

## As at 30 June 2015

Profit or loss As at 30 June 2015	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Total consolidated
Gross rental income	1,720,364	221,669	225,838	76,712	--	--	1,155	--	--	--	--	--	2,245,738
Service revenue	(70,522)	(18,746)	11,547	(2,768)	--	--	110	--	--	--	278,888	513	199,022
Net service charge income	8,827	(809)	32,696	(6,777)	--	--	--	--	--	--	--	--	33,937
Property operating expenses	(213,391)	(23,405)	(24,951)	(18,411)	(470)	--	(268)	--	--	--	(6)	--	(280,902)
<b>Net rental income</b>	<b>1,445,278</b>	<b>178,709</b>	<b>245,130</b>	<b>48,756</b>	<b>(470)</b>	<b>--</b>	<b>997</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>278,882</b>	<b>513</b>	<b>2,197,795</b>
Development sales	78,484	--	185	--	--	--	--	--	--	--	--	--	78,669
Cost of goods sold	(86,744)	--	(59)	--	--	--	--	--	--	--	--	--	(86,803)
Development operating expenses	(6,800)	--	--	--	--	--	--	--	--	--	--	--	(6,800)
<b>Net development income</b>	<b>(15,060)</b>	<b>--</b>	<b>126</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(14,934)</b>
Hotel revenue	--	--	65,400	--	--	--	--	--	--	--	--	--	65,400
Hotel operating expenses	--	--	(43,329)	--	--	--	--	--	--	--	--	--	(43,329)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>22,071</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>22,071</b>
<b>Total revenues</b>	<b>1,737,153</b>	<b>202,114</b>	<b>335,666</b>	<b>67,167</b>	<b>--</b>	<b>--</b>	<b>1,265</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>278,888</b>	<b>513</b>	<b>2,622,766</b>
<b>Total direct business operating expenses</b>	<b>(306,935)</b>	<b>(23,405)</b>	<b>(68,339)</b>	<b>(18,411)</b>	<b>(470)</b>	<b>--</b>	<b>(268)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(6)</b>	<b>--</b>	<b>(417,834)</b>
<b>Net business income</b>	<b>1,430,218</b>	<b>178,709</b>	<b>267,327</b>	<b>48,756</b>	<b>(470)</b>	<b>--</b>	<b>997</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>278,882</b>	<b>513</b>	<b>2,204,932</b>
Net valuation gain or loss on investment property	362,971	(12,341)	(9,708)	76,373	--	--	--	--	--	--	--	--	417,295
Net gain or loss on the disposal of investment property	11,722	176	(19,676)	--	--	--	--	--	--	--	--	--	(7,778)
Net gain or loss on disposal of subsidiaries	248	--	329,712	--	--	--	--	--	--	--	(28)	(327,964)	1,968
Amortization, depreciation and impairments	(41,413)	(265)	(15,558)	(638)	(32)	--	--	--	--	--	--	--	(57,906)
Other operating income	19,505	57	6,037	240	2	--	2	--	--	--	--	--	25,843
Administrative expenses	(213,038)	(2,160)	(42,223)	(10,926)	(1,321)	(2,182)	(1,797)	(514)	(4,186)	(86)	(21,246)	(561)	(300,240)
Other operating expenses	(362,529)	(201)	(16,321)	(858)	--	--	(2,868)	--	(16)	--	--	--	(382,793)
<b>Operating Results</b>	<b>1,207,684</b>	<b>163,975</b>	<b>499,590</b>	<b>112,947</b>	<b>(1,821)</b>	<b>(2,182)</b>	<b>(3,666)</b>	<b>(514)</b>	<b>(4,202)</b>	<b>(86)</b>	<b>257,608</b>	<b>(328,012)</b>	<b>1,901,321</b>
Interest income	152,426	10	345	--	--	13,566	--	--	8,448	--	--	--	174,795
Interest expense	(919,349)	(57,608)	(41,739)	(15,992)	(282)	(59,025)	(179)	--	--	--	--	--	(1,094,174)
Other net financial result	46,031	(3,168)	(10,026)	35,079	1,900	(4,114)	--	20	(6,781)	(703)	(95)	(263)	57,880
<b>Net finance income / (costs)</b>	<b>(720,892)</b>	<b>(60,766)</b>	<b>(51,420)</b>	<b>19,087</b>	<b>1,618</b>	<b>(49,573)</b>	<b>(179)</b>	<b>20</b>	<b>1,667</b>	<b>(703)</b>	<b>(95)</b>	<b>(263)</b>	<b>(861,499)</b>
<b>Profit / (Loss) before income tax</b>	<b>486,792</b>	<b>103,209</b>	<b>448,170</b>	<b>132,034</b>	<b>(203)</b>	<b>(51,755)</b>	<b>(3,845)</b>	<b>(494)</b>	<b>(2,535)</b>	<b>(789)</b>	<b>257,513</b>	<b>(328,275)</b>	<b>1,039,822</b>
Income tax expense	(99,792)	(21,158)	(91,875)	(27,068)	42	10,610	789	101	519	162	(52,790)	67,296	(213,164)
<b>Net profit / (Loss) from continuing operations</b>	<b>387,000</b>	<b>82,051</b>	<b>356,295</b>	<b>104,966</b>	<b>(161)</b>	<b>(41,145)</b>	<b>(3,056)</b>	<b>(393)</b>	<b>(2,016)</b>	<b>(627)</b>	<b>204,723</b>	<b>(260,979)</b>	<b>826,658</b>

## As at 30 June 2016

Consolidated statement of financial position 30 June 2016	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Russia	Total consolidated
<b>Gross assets value</b>	<b>61,514,617</b>	<b>5,349,098</b>	<b>8,236,665</b>	<b>2,674,452</b>	<b>414,284</b>	--	<b>2,172,245</b>	--	--	--	<b>307</b>	--	<b>716,662</b>	<b>81,051,270</b>
Investment Property	60,979,916	5,348,985	7,650,506	2,644,558	414,275	--	94,955	--	--	--	--	--	--	77,133,195
Property, plant and equipment	517,440	--	578,163	2,785	9	--	--	--	--	--	--	--	714,165	1,812,562
Inventories	17,261	53	7,996	109	--	--	2,077,290	--	--	--	307	--	2,497	2,105,513
Other assets non-current	5,302,230	6,114	1,212	2,303	--	1,320	--	--	164,287	--	6	311,001	468	5,788,941
Other assets current	5,477,694	86,874	51,058	30,886	1,521	136,584	33,159	462	269,475	89,255	388,178	3,336	3,816	6,572,298
Cash and cash equivalents	1,918,283	91,506	294,196	161,753	326	810	329,157	5,456	40	41	7,328	1,617	3,498	2,814,011
<b>Total Assets</b>	<b>74,212,824</b>	<b>5,533,532</b>	<b>8,583,131</b>	<b>2,842,394</b>	<b>416,131</b>	<b>138,714</b>	<b>2,534,561</b>	<b>5,918</b>	<b>433,802</b>	<b>89,296</b>	<b>395,819</b>	<b>315,954</b>	<b>724,444</b>	<b>96,226,520</b>
Other payables non-current	5,768,542	731,922	789,800	122,623	--	--	7,369	493	--	--	32,628	14,602	50,844	7,518,823
Finance debts non-current	19,056,750	2,215,130	2,933,979	852,422	8,209	2,737	936,577	--	3	--	--	37,710	--	26,043,517
Bonds issued non-current	9,117,480	2,139,192	--	--	--	--	--	--	--	--	--	--	--	11,256,672
Other payables current	2,515,289	63,085	218,766	56,386	86	26,986	111,408	893	585	816,815	1,104	4,140	41,700	3,857,243
Finance debts current	8,354,335	507,441	1,078,268	623,103	2,609	70	328	--	--	--	--	1,018	--	10,567,172
Bonds issued current	866,711	33,526	--	--	--	--	--	--	--	--	--	--	--	900,237
<b>Total Liabilities</b>	<b>45,679,107</b>	<b>5,690,296</b>	<b>5,020,813</b>	<b>1,654,534</b>	<b>10,904</b>	<b>29,793</b>	<b>1,055,682</b>	<b>1,386</b>	<b>588</b>	<b>816,815</b>	<b>33,732</b>	<b>57,470</b>	<b>92,544</b>	<b>60,143,664</b>

## As at 31 December 2015

Consolidated statement of financial position 31 December 2015	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Russia	Total consolidated
<b>Gross assets value</b>	<b>59,243,988</b>	<b>5,328,335</b>	<b>8,073,121</b>	<b>2,551,908</b>	<b>412,782</b>	--	<b>2,163,838</b>	--	--	--	<b>306</b>	--	<b>705,034</b>	<b>78,479,312</b>
Investment Property	58,713,306	5,328,282	7,619,918	2,549,564	412,672	--	94,588	--	--	--	--	--	--	74,718,330
Property, plant and equipment	517,949	--	449,516	2,231	110	--	--	--	--	--	--	--	702,464	1,672,270
Inventories	12,733	53	3,687	113	--	--	2,069,250	--	--	--	306	--	2,570	2,088,712
Other assets non-current	457,784	4,253	1,227	2,351	--	1,170	--	--	155,520	57,806	4	239,713	485	920,313
Other assets current	5,917,298	30,257	522,221	22,731	28,751	133,419	14,941	(267)	268,499	57,271	264,750	7,287	4,681	7,271,839
Cash and cash equivalents	2,528,674	95,157	219,425	158,603	246	464	338,966	365	39	13	884	2,696	1,088	3,346,620
<b>Total Assets</b>	<b>68,147,744</b>	<b>5,458,002</b>	<b>8,815,994</b>	<b>2,735,593</b>	<b>441,779</b>	<b>135,053</b>	<b>2,517,745</b>	<b>98</b>	<b>424,058</b>	<b>115,090</b>	<b>265,944</b>	<b>249,696</b>	<b>711,288</b>	<b>90,018,084</b>
Other payables non-current	5,588,043	708,141	757,403	141,175	311	34	82,640	--	--	27,104	--	--	32,661	7,337,512
Finance debts non-current	19,103,062	2,531,170	2,960,825	826,681	5,080	--	932,973	--	20	--	--	32,431	--	26,392,242
Bonds issued non-current	8,995,964	797,918	--	--	--	--	--	--	--	--	--	--	--	9,793,882
Other payables current	2,069,382	40,108	221,263	64,727	3,284	27,772	68,227	--	889	790,390	1,226	8,489	32,863	3,328,620
Finance debts current	5,972,614	191,478	1,085,115	628,244	2,536	--	355	--	--	--	--	964	--	7,881,306
Bonds issued current	1,443,707	9,913	--	--	--	--	--	--	--	--	--	--	--	1,453,620
<b>Total Liabilities</b>	<b>43,172,772</b>	<b>4,278,728</b>	<b>5,024,606</b>	<b>1,660,827</b>	<b>11,211</b>	<b>27,806</b>	<b>1,084,195</b>	<b>--</b>	<b>909</b>	<b>817,494</b>	<b>1,226</b>	<b>41,884</b>	<b>65,524</b>	<b>56,187,182</b>

## 5 Condensed consolidated interim statement of comprehensive income

### 5.1 Gross rental income

For the six month period ended

	30 June 2016	30 June 2015
Gross rental income (1)	2,410,804	2,245,738
Service revenue (2)	349,926	199,022
<b>Total gross rental income</b>	<b>2,760,730</b>	<b>2,444,760</b>

- (1) Increase in rental income is generally attributable to the Group's expansion in 2015 and 2016. Gross rental revenue in 2016 includes 6 months operations of Hospitality Group acquired in June 2015 (no impact for the 6 months of 2015) leading to the net increase of CZK 81.5 million and 6 months operations of JMB Group (acquired at the end of 2015) with net effect of CZK 32.2 million.

Shopping centres acquired in 2016 contributed also the increase in gross rental income (Bondy Centrum with effect of CZK 46.2 million and Gěčko Shopping Center leading to a net increase of CZK 14 million).

Rental income is derived from a large number of tenants and no single tenant or group of tenants contribute more than 10 % to the Group's rental income.

- (2) Increase in service income follows expansion of Group's rental activities. It includes mainly facility management provided to third parties. Another part of the service income represent advisory and accounting services, which relate to services provided to non-consolidated entities. These services derive directly from rental activities performed by the Group so they are disclosed as a part of service income.

Significant increase of service revenue in 2016 represent increase in the advisory and accounting services provided by the Group to CPI PG. The value of the services amounted to CZK 213.3 million for the six months of 2016 and CZK 156.7 million for the same period of 2015.

### 5.2 Net service charge income

For the six month period ended

	30 June 2016	30 June 2015
Service charge income	281,890	198,568
Service charge expenses	(246,190)	(173,918)
<b>Total</b>	<b>35,700</b>	<b>24,650</b>
Revenues from sales of energy	54,881	55,584
Cost of sales - energy	(33,557)	(46,297)
<b>Total</b>	<b>21,324</b>	<b>9,287</b>
<b>Total net service charge income</b>	<b>57,024</b>	<b>33,937</b>

Significant increase in volume of service charge income and expenses reflects increase in rental activity. Profit from sale of energies (the Group has a license for the purchase and its further distribution) remains stable and also contributed to total positive result from service recharges.

### 5.3 Property operating expenses

For the six month period ended

	30 June 2016	30 June 2015
Other property related expenses	(158,702)	(29,656)
Building Maintenance	(134,354)	(106,917)
Personnel expenses (5.3.2)	(78,226)	(69,436)
Utilities Supplies (5.3.1)	(60,213)	(42,756)
Real estate tax	(16,451)	(11,525)
Letting fee, other fees paid to real estate agents	(12,919)	(13,621)
Leases and rents	(7,870)	(1,116)
Facility management	(6,975)	(1,442)
Insurance	(4,823)	(4,434)
Other property related expenses	(158,702)	(29,656)
<b>Total property operating expenses</b>	<b>(480,533)</b>	<b>(280,902)</b>

Generally, property operating expenses include mainly building maintenance, personnel expenses, utilities supplies, facility management and other general overhead expenses related to properties which cannot be charged to current tenants based on existing rental contracts concluded. They also include Group's expenses related to vacant premises.

#### 5.3.1 Utility services

For the six month period ended

	30 June 2016	30 June 2015
Energy consumption	(42,994)	(30,830)
Material consumption	(16,314)	(5,843)
Waste management	(196)	(1,241)
Security services	(529)	(3,558)
Cleaning services	(179)	(1,284)
<b>Total utility services</b>	<b>(60,213)</b>	<b>(42,756)</b>

#### 5.3.2 Personnel expenses

For the six month period ended

	30 June 2016	30 June 2015
<b>Personnel operating expenses</b>		
Wages and salaries	(56,974)	(50,113)
Social and health security contributions	(19,054)	(17,379)
Other social expenses	(2,198)	(1,944)
<b>Total personnel operating expenses</b>	<b>(78,226)</b>	<b>(69,436)</b>
<b>Personnel administrative expenses</b>		
Wages and salaries	(94,525)	(84,220)
Social and health security contributions	(32,466)	(27,399)
Other social expenses	(2,290)	(2,074)
<b>Total personnel administrative expenses</b>	<b>(129,281)</b>	<b>(113,693)</b>
<b>Personnel expenses - hotel operations</b>		
Wages and salaries	(25,896)	(9,901)
Social and health security contributions	(8,115)	(3,273)
Other social expenses	(2,351)	(963)
<b>Total personnel expenses - hotel operations</b>	<b>(36,362)</b>	<b>(14,137)</b>
<b>Total personnel expenses</b>	<b>(243,869)</b>	<b>(197,266)</b>

## 5.4 Net development income

For the six month period ended

	30 June 2016	30 June 2015
Development sale	5,525	78,669
Cost of goods sold	(185)	(86,803)
Development operating expenses (1)	(1,393)	(6,800)
<b>Total net development income (2)</b>	<b>3,947</b>	<b>(14,934)</b>

- (1) Development operating expenses cover all property operating expenses occurred in connection with development in 2015 (utility services, real estate agents services, maintenance etc.).
- (2) Net development income in 2015 represents primarily sale of apartments from the residential portfolio of Quadrio Residence, s.r.o. (project "QUADRIO").

## 5.5 Net hotel income

For the six month period ended

	30 June 2016	30 June 2015
Hotel revenue	169,075	65,400
Personnel expenses (5.3.2)	(36,362)	(14,137)
Other hotel expenses	(74,877)	(29,192)
<b>Total net hotel income</b>	<b>57,836</b>	<b>22,071</b>

Significant increase in net hotel income reflects the acquisition of Hospitality Group in June 2015, leading to the net increase of CZK 40.1 million in net hotel income.

Net result from hotel operations in 2016 also comprises of profit from operating of Marriott Budapest City Center Hotel in Budapest in the amount of CZK 17.7 million (CZK 22.1 million for 6 months of 2015).

## 5.6 Net valuation gain on investment property

Generally, the majority of the property portfolio has not been revalued using an independent appraisal as of 30 June 2016. The Group's management analysed the situation on the real estate market at the time together with current yields and then applied discount rates and other factors used by independent valuers in their appraisals as of 31 December 2015. As a result, the fair value of the majority of the property portfolio as of 30 June 2016 was determined based on the management's analysis described above and it does not significantly differ from the fair value as of 31 December 2015.

In instances where there have been indications of significant changes and therefore with potential impact on the property value during the first half of 2016, the value of the property has been updated based on the internal appraisals as of 30 June 2016. Valuation gain relates primarily to the office segment and is mostly influenced by the multifunctional complex QUADRIO which was completed in Q4 2014 (gain of CZK 77.7 million in 2016). On the other hand, valuation losses has been recognized in connection with the Czech portfolio and also due to foreign currency differences recognized in connection with difference between functional currency of individual entities within the Group and the currency of the valuation reports.

## 5.7 Net loss on the disposal of investment property

For the six month period ended

	30 June 2016	30 June 2015
Proceeds from disposal of investment property	533,487	299,628
Carrying value of investment property disposed of and related cost	(542,417)	(307,406)
<b>Total loss on the disposal of investment property</b>	<b>(8,930)</b>	<b>(7,778)</b>

Investment property disposals in 2016 relate mainly to the disposal of assets, disclosed as assets held for sale at the end of 2015:

- Office project – with fair value of CZK 483.7 million as at 31 December 2015;
- Land bank project – with fair value of CZK 27 million as at 31 December 2015.

At the date of sale, total carrying value of investment properties mentioned above was set to CZK 510.7 million in 2016.

Other disposals of investment property in 2016 represent mainly sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of CZK 19.6 million.

## 5.8 Amortization, depreciation and impairments

For the six month period ended

	30 June 2016	30 June 2015
Depreciation and amortization - rental	(13,393)	(20,180)
Depreciation and amortization – hotel (1)	(17,000)	(13,946)
Impairment of assets	42,091	(23,780)
<b>Total depreciation, amortization and impairment</b>	<b>11,698</b>	<b>(57,906)</b>

- (1) In 2016, depreciation related to hotel operations increase due to the acquisition of Hospitality Group in June 2016 with net increase of CZK 11.2 million. Depreciation charge on hotel segment in 2015 relate solely to Marriott Budapest City Center Hotel in Budapest.

### 5.8.1 Impairment of assets / Reversal of impairment of assets

For the six month period ended

	30 June 2016	30 June 2015
Impairment of goodwill (1)	(2,766)	(13,175)
Impairment of trading property	338	--
Impairment of other receivables	5	--
Impairment of trade receivables	(21,440)	(10,605)
Impairment of provided loans (2)	65,954	--
<b>Total impairment of assets</b>	<b>42,091</b>	<b>(23,780)</b>

- (1) Impairment of goodwill in 2016 relates to acquisition Tarnów Shopping Center in Poland (CZK 0.49 million) and to the acquisition of CPI Finance Netherlands II, B.V. (CZK 2.28 million)
- (2) Impairment of provided loans in 2016 reflects the reversal of impairment of loans provided to entities disposed of during 2015.



## 5.9 Other operating income

For the six month period ended

	30 June 2016	30 June 2015
Gain on assignment of receivables	19,211	--
Income from penalties	250	8,708
Insurance claims	2,419	2,306
Other (1)	31,283	14,176
Gain on bargain purchase relating to business combinations (2)	19,955	--
Income from sale of PPE	(131)	653
<b>Total other operating income</b>	<b>72,987</b>	<b>25,843</b>

- (1) Main increase in other operating income relates to the compensation for early termination of the lease (Farhan a.s.) in amount CZK 8.1 million.
- (2) Gain on bargain purchase relates to acquisition of Bondy Centrum (CZK 14.3 million) and CPI Finance Ireland II Limited in the amount of CZK 5.7 million (note 3.2).

## 5.10 Administrative expenses

For the six month period ended

	30 June 2016	30 June 2015
Accounting and other services provided by related parties (1)	(199,391)	--
Salaries and personnel expenses	(129,281)	(113,693)
Audit, tax and advisory services	(86,811)	(82,409)
Legal services	(42,317)	(24,148)
Other administrative expenses	(23,109)	(19,417)
Lease and rental expenses	(26,283)	(17,240)
Advertising expenses	(12,267)	(12,775)
IT expenses	(19,085)	--
Telecommunication, internet and software related expenses	(5,014)	(10,042)
Representation expenses	(8,262)	(7,374)
Material consumption	(6,244)	(6,483)
Other insurance expenses	(3,500)	(3,474)
Repairs and maintenance	(1,338)	(2,990)
Energy consumption	(484)	(195)
<b>Total administrative expenses</b>	<b>(563,385)</b>	<b>(300,240)</b>

- (1) Accounting and other services in the amount of CZK 199.4 million provided by related parties relate to services provided by CPI PG to certain SPV's within the Group.

Generally, the increase in administrative expenses reflects Group's substantial growth affected mainly by acquisitions carried out in 2015 and due to the extended requirements for financial and other advisory services.

## 5.11 Other operating expenses

For the six month period ended

	30 June 2016	30 June 2015
Penalties	(3,827)	(3,797)
Tax non-deductible VAT expenses	(7,042)	(4,914)
Taxes and fees	(12,281)	(18,197)
Loss on assignment of receivables	--	(983)
Gifts	(80)	(2,126)
Change in provisions	11,985	(838)
Other (1)	(17,281)	(351,938)
<b>Total other operating expenses</b>	<b>(28,525)</b>	<b>(382,793)</b>

- (1) In 2015, operating expenses in the amount of CZK 273 million were attributable to the final settlement with the seller of the project acquired by the Group in prior periods.

## 5.12 Interest income

For the six month period ended

	30 June 2016	30 June 2015
Bank interest income	634	515
Interest income on bonds	255	4,033
Interest income on loans and receivables (1)	149,618	167,626
Interest income on other non-current receivables	2,712	2,621
<b>Total interest income</b>	<b>153,219</b>	<b>174,795</b>

(1) Decrease in interest income in the amount of CZK 97.4 million reflects the assignment of loan provided by the Group to related party to CPI PG. On the other hand, in 2016 interest income in the amount of CZK 113 million relates to a loan provided by the Group to CPI PG (CZK 9.3 million for the six months of 2015).

## 5.13 Interest expense

For the six month period ended

	30 June 2016	30 June 2015
Interest expense related to bank and non-bank loans	(479,578)	(490,564)
Interest expense on bonds issued (1)	(330,041)	(557,037)
Interest expense related to finance leases	(9,644)	(6,485)
Interest expense on other non-current liabilities	(2,693)	(2,971)
Interest expense on bills of exchange	(60,936)	(37,117)
<b>Total interest expenses</b>	<b>(882,892)</b>	<b>(1,094,174)</b>

(1) Decrease in interest expense on bonds issued relates mainly to the repayment of two emissions (CPI VAR/19 EUR and CPI 6.05/16) and to the adjusted interest rate on bonds issued (CPI 5.10/2021).

## 5.14 Other net financial results

For the six month period ended

	30 June 2016	30 June 2015
Other net financial results	(38,130)	(22,353)
Net foreign exchange gain	140,666	72,338
Gain/Loss on revaluation of financial derivatives	(40,083)	57,087
Bank charges	(24,617)	(49,192)
<b>Total other net financial results</b>	<b>37,836</b>	<b>57,880</b>

## 5.15 Income tax expense

### Tax recognized in profit or loss

For the six month period ended

	30 June 2016	30 June 2015
<b>Current income tax expense</b>		
Current year	--	--
Adjustment for prior years	(34,524)	868
<b>Total</b>	<b>(34,524)</b>	<b>868</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	(231,068)	(214,032)
<b>Total</b>	<b>(231,068)</b>	<b>(214,032)</b>
<b>Income tax from continuing operations recognised in profit and loss</b>	<b>(265,594)</b>	<b>(213,164)</b>
<b>Total income tax recognised in profit or loss</b>	<b>(265,594)</b>	<b>(213,164)</b>

Tax expense for the six month period ended 30 June 2016 is recognized based on management's best estimate of the effective tax rate for full financial year 2016.

The Company's effective tax rate in respect of continuing operations for the six months ended 30 June 2016 was 23.0 %.

## 6 Condensed consolidated interim statement of financial position

### 6.1 Intangible assets and goodwill

#### Reconciliation of carrying amount

	Goodwill
<b>Cost</b>	
<b>Balance at 1 January 2016</b>	<b>340,980</b>
Effect of business combinations	2,766
Effect of movements in exchange rates	912
<b>Balance at 30 June 2016</b>	<b>344,658</b>
<b>Impairment losses</b>	
<b>Balance at 1 January 2016</b>	<b>54,403</b>
Goodwill impairment	2,766
<b>Balance at 30 June 2016</b>	<b>57,169</b>
<b>Carrying amounts</b>	
<b>Balance at 1 January 2016</b>	<b>286,577</b>
<b>Balance at 30 June 2016</b>	<b>287,489</b>

#### Goodwill

Opening balance includes goodwill of CZK 48.7 million recognized by the Group in 2013. The goodwill relates to acquisition of former ABLON Group in June 2013. Goodwill is allocated to retail segment.

Goodwill in the amount of CZK 238.8 million relates to Hospitality Invest S.à r.l.

The goodwill is attributed to the synergies expected to be derived from the combination. None of the goodwill recognized is expected to be deductible for tax purposes.

#### Impairment of goodwill

Impairment of goodwill in 2016 relates to the acquisition of Tarnów Property Development sp. Z o.o. (CZK 0.49 million) and CPI Finance Netherlands II, B.V. (CZK 2.28 million), refer to note 3.2.

## 6.2 Investment property

	Income Generating - Rental properties					Subtotal - rental properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels				
<b>Balance at 1 January 2015</b>	<b>23,221,902</b>	<b>24,728,519</b>	<b>7,683,877</b>	<b>3,826,188</b>	<b>6,210,480</b>	<b>65,670,966</b>	<b>6,383,456</b>	<b>1,305,489</b>	<b>73,359,911</b>
Investments/acquisitions	--	1,534,368	--	--	1,640,695	3,175,063	37,150	--	3,212,213
Transfers	315,335	95,617	--	--	2,318	413,270	--	(397,258)	16,012
Development costs	--	--	--	--	--	--	--	151,808	151,808
Additions	289,067	275,408	72,699	26,008	53,647	716,829	34,467	--	751,295
Disposals	(7,447)	(80,201)	(118,579)	(545)	(8,705)	(215,477)	(256,433)	(952,100)	(1,424,010)
Valuation gain/(loss)	522,423	(214,707)	(179,820)	(90,761)	424,003	461,139	(284,818)	(31,230)	145,090
Translation to/from assets held for sale	(483,748)	--	--	--	(190,300)	(674,048)	(27,025)	--	(701,073)
Translation differences	(365,231)	(276,780)	(2,449)	(84,602)	(17,432)	(746,494)	(46,424)	--	(792,918)
<b>Balance at 31 December 2015</b>	<b>23,492,302</b>	<b>26,062,225</b>	<b>7,455,729</b>	<b>3,676,288</b>	<b>8,114,706</b>	<b>68,801,248</b>	<b>5,840,373</b>	<b>76,708</b>	<b>74,718,330</b>
Investments/acquisitions	--	2,075,587	--	--	--	2,075,587	--	--	2,075,587
Development costs	--	--	--	--	--	--	--	29,530	29,530
Additions	87,477	47,549	16,152	20,214	94,750	266,143	82	--	266,225
Disposals	(2,502)	(332)	(19,526)	--	(34)	(22,395)	(6,188)	--	(28,583)
Valuation gain/(loss)	3,010	5,911	--	(9,849)	(35,334)	(36,263)	--	--	(36,263)
Translation differences	51,035	36,207	368	8,056	7,319	102,983	5,386	--	108,369
<b>Balance at 30 June 2016</b>	<b>23,631,322</b>	<b>28,227,147</b>	<b>7,452,721</b>	<b>3,694,708</b>	<b>8,181,407</b>	<b>71,187,304</b>	<b>5,839,653</b>	<b>106,238</b>	<b>77,133,195</b>

## Investments/acquisitions

### 2016

In 2016, the Group acquired investment property portfolio in total amount of CZK 2,075.6 million. The most significant items of investment property were acquired in the following transactions (note 3.2):

- Acquisition of Bondy Centrum, the largest shopping centre in Mlada Boleslav, in the amount of CZK 1,290 million.
- On 18 March 2016 the Group completed the acquisition of Gecko Shopping Center (Shopinvest a.s.) in total amount CZK 697.9 million.
- Acquisition of Tarnów Shopping Center in the amount of CZK 87.7 million.

### 2015

In 2015, the Group acquired investment property portfolio in total amount of CZK 3,212.2 million. The most significant items of investment property were acquired through following transactions:

- Acquisition of Hospitality Group property portfolio in the amount of CZK 1,640.7 million represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels under Mamaison brand, mostly located in prime central locations of the CEE capitals.
- In December 2015 the Group acquired JMB Group holding the retail property portfolio in total value of CZK 903.0 million in the Czech Republic.
- In May 2015 the Group acquired OC Futurum Kolín, a.s., the shopping centre with leasable area of 10,100 sqm, in total value of CZK 631.4 million.
- The Group also acquired land bank in the total value of CZK 37.2 million due to the acquisition of Karviná Property Development, a.s.

## Development costs

### 2016

Development costs (CZK 29.5 million) relate to the construction of separate buildings expand the existing IGY center on 8,000 sqm of rentable area ("IGY 2" project) in České Budějovice.

### 2015

Development costs relates mainly to the "Jeseník City Park" project, which was completed in 2015 (CZK 75.7 million) and further to "Meteor Centre Office Park" project (CZK 45.9 million).

## Additions

### 2016

Additions in 2016 represent mainly capital expenditures in connection with reconstruction of Spa & Kur Hotel Praha in the amount CZK 59.0 million (hotels asset type).

Other additions in 2016 represent capital expenditures in connection with project "QUADRIO" – CZK 34.2 million (office asset type).

## **2015**

Additions in 2015 represent capital expenditures concerning the “QUADRIO” project – CZK 164.9 million (office asset type) and CZK 86.5 million (retail asset type), the “Meteor Centre Office Park” project (office asset type) CZK 78.4 million and the “Jeseník City Park” project CZK 72.97 million (retail asset type).

## **Disposals**

### **2016**

Disposal of residential properties in the amount of CZK 19.5 million represent sale of apartments in Praha – Letňany from CPI BYTY, a.s. to current tenants.

Other main disposals represent sale in land bank in Březiněves, a.s. (CZK 6.2 million).

### **2015**

The main disposal represents the sale of former Zivnobanka building with impact of CZK 952.1 million.

Disposals of land bank in the amount of CZK 238.6 million relates to Hungarian properties. Other disposals represent sale of apartments in Praha – Letňany to their current tenants (CZK 114 million).

## 6.3 Property, plant and equipment

### a) Property, plant and equipment (revaluation model)

In accordance with IAS 16, the Group decided to use revaluation model for property, plant and equipment from the hospitality segment (i.e. for hotels operated by the Group).

	Hotel
<b>Fair value</b>	
<b>Balance at 1 January 2016</b>	--
Transfer from PPE valued using cost model	1,602,938
Transfer	(74,219)
Effect of movements in Exchange rates	8,893
Valuation Gain/Loss through OCI	149,201
<b>Balance at 30 June 2016</b>	<b>1,686,813</b>
<b>Accumulated depreciation and impairment losses</b>	
<b>Balance at 1 January 2016</b>	--
Depreciation for the period	16,774
Transfer from PPE valued using cost model	74,219
Transfer	(74,219)
Effect of movements in Exchange rates	558
<b>Balance at 30 June 2016</b>	<b>17,332</b>
<b>Fair value less accumulated depreciation and impairment losses</b>	
<b>At 1 January 2016</b>	--
<b>At 30 June 2016</b>	<b>1,669,481</b>

As at 1 January 2016, all hotels from hospitality segment have been transferred from PPE valued using cost model to PPE valued to fair value (revaluation model) and revaluated to its fair value. Following hotels have been revaluated:

- Marriott Hotel Budapest (value as at 1 January 2016 - CZK 572.6 million fair value/ cost model value CZK 444.1 million);
- Courtyard by Marriott Prague City (value as at 1 January 2016 – CZK 383.1 million fair value/ cost model value CZK 382.5 million);
- MaMaison Pokrovka Hotel, Russia (value as at 1 January 2016 – CZK 713.8 fair value/ cost model value CZK 702.1 million).

The elimination approach was used in case of the accumulated depreciation as at 1 January 2016.

### b) Property, plant and equipment (cost model)

	Hotel
<b>Cost</b>	
<b>Balance at 1 January 2016</b>	<b>1,602,938</b>
Transfer to PPE valued using revaluation model	(1,602,938)
<b>Balance at 30 June 2016</b>	--
<b>Accumulated depreciation and impairment losses</b>	
<b>Balance at 1 January 2016</b>	<b>74,219</b>
Transfer to PPE valued using revaluation model	(74,219)
<b>Balance at 30 June 2016</b>	--
<b>Carrying amounts</b>	
<b>At 31 December 2015</b>	<b>1,677,157</b>
<b>At 30 June 2016</b>	--

As mentioned above, hotels operated by the Group are stated at their fair value less depreciation and impairment losses (revaluation model).

Other property, plant and equipment, except hotels from hospitality segment, is valued using cost model.

## 6.4 Available-for-sale financial assets

	30 June 2016	31 December 2015
Vodovody a kanalizace Přerov, a.s. (share 1.60%)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1.99%)	4,614	4,614
COOP Centrum Družstvo	300	300
STRM Delta a.s. (share 0.07%)	50	50
Moravský Peněžní Ústav - spořitelní družstvo	2	2
<b>Total equity investments (1)</b>	<b>11,748</b>	<b>11,748</b>
Debentures	2,998	--
<b>Total available-for-sale financial assets (Non-current)</b>	<b>14,746</b>	<b>--</b>
Debentures (2)	6,112	43,271
<b>Total available-for-sale financial assets (Current)</b>	<b>6,112</b>	<b>43,271</b>

- Equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 30 June 2016.
- Debentures issued by 3<sup>rd</sup> party in total nominal value of CZK 37.5 million have been sold to a third party prior to their maturity. In 2015 the Group purchased bonds (CZK 6.1 million) issued by ABS JETS, traded on the Prague Stock Exchange (ISIN CZ0003501769), which mature in September 2016.

## 6.5 Loans provided

### Non-current

	30 June 2016	31 December 2015
Loans provided - related parties (1)	5,100,278	181,914
Loans provided - third parties	257,518	384,214
<b>Total non-current loans provided</b>	<b>5,357,796</b>	<b>566,128</b>
Impairment to non-current loans provided to third parties	(4,735)	(70,636)
<b>Total non-current loans provided net of impairment</b>	<b>5,353,061</b>	<b>495,493</b>

### Current

	30 June 2016	31 December 2015
Loans provided - related parties (1)	2,955,393	3,816,504
Loans provided - third parties	150,666	151,043
Bills of exchange - third parties	80,092	204,013
<b>Total current loans provided</b>	<b>3,186,151</b>	<b>4,171,559</b>
Impairment to current loans provided to third parties	(837)	(837)
<b>Total current loans provided net of impairment</b>	<b>3,185,313</b>	<b>4,170,722</b>

- In 2016, the Group increased the volume of the loan provided to CPI PG (increase of CZK 4,151 million). The outstanding amount due from CPI PG as at 30 June 2016 amounts to CZK 7,945.7 million. This loan bears interest rate of 4 % p.a. and matures on 31 December 2019.

Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period. Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period.

Current loans provided to third parties were impaired to reflect the recoverable amount.



## 6.6 Trade and other receivables

### Non-current

	30 June 2016	31 December 2015
Advances paid	3,956	4,090
Trade receivables due from third parties	55	23
Other receivables due from third parties	21	12
Impairment - other items due from IC and non IC parties	1,488	--
<b>Total non-current receivables</b>	<b>5,520</b>	<b>4,125</b>

### Current

	30 June 2016	31 December 2015
Trade receivables due from related parties	435,727	433,985
Trade receivables due from third parties	1,607,842	1,160,832
Impairment to trade receivables due from third parties	(298,657)	(258,116)
<b>Total current receivables</b>	<b>1,744,912</b>	<b>1,336,701</b>

Major part of trade receivables represents trade receivables from tenants and receivables from invoicing of utilities. Receivables from invoicing of utilities will be settled against Advances received from tenants when final amount of utilities consumption is known and final utilities invoicing is performed.

Significant part of impairment to trade receivables due from third parties is created for trade receivables from tenants overdue more than 181 days.

## 6.7 Inventories

	30 June 2016	31 December 2015
Projects and property for resale (1)	2,079,779	2,072,156
Projects under development	16,799	12,261
Other inventory	8,935	4,295
<b>Total inventories</b>	<b>2,105,513</b>	<b>2,088,712</b>

(1) Projects and property for resale primarily relates to "Palais Maeterlinck project" in total amount CZK 2,077.3 million as at 30 June 2016 (as at 31 December 2015 CZK 2,070.1 million).

## 6.8 Cash and cash equivalents

	30 June 2016	31 December 2015
Bank balances	2,778,560	3,311,191
Cash on hand	35,451	35,429
<b>Total cash and cash equivalents</b>	<b>2,814,011</b>	<b>3,346,620</b>

## 6.9 Other financial current assets

	30 June 2016	31 December 2015
Interest to debentures issued by third parties	178	227
Receivables due from employees	1,064	513
Receivables from financial leasing	13	18
Other receivables due from related parties	334,790	338,326
Other receivables due from third parties (1)	494,804	109,082
Impairment - other receivables due from other parties	(150,903)	(31,573)
<b>Total other financial current assets</b>	<b>679,946</b>	<b>416,594</b>

(1) Other receivables in the amount of CZK 336.4 million in 2016 relate to the following emissions of bonds – CPI III 4.65/22, CPI II 4.65/22 and CPI I 4.65/22. Majority of bonds from these emissions was held by the Group at the end of 2015. In May 2016, prospectus terms of these bonds were modified and bonds are now publicly traded (note 6.13). The receivable relates to the sale of these bonds to third parties.

## 6.10 Other non-financial current assets

	30 June 2016	31 December 2015
Other advances paid to third parties	195,139	156,246
Value added tax receivables	45,918	32,866
Other tax receivables (excl. CIT and VAT)	2,398	5,173
Prepaid expenses	399,014	323,660
Advances paid for FI	--	305
<b>Total other non-financial current assets</b>	<b>642,469</b>	<b>518,250</b>

## 6.11 Assets/Liabilities linked to assets held for sale

In accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” the management intends the sale of following asset in 2016 as they do not correspond with the Group’s corporate strategy.

- Hotel project – with fair value of CZK 190.3 million and related bank financing represents of CZK 80.7 million;

## 6.12 Equity

### Changes in equity

The condensed consolidated interim statement of changes in equity is presented on the face of the condensed consolidated interim financial statements.

### Share capital and share premium

For the six month period ended 30 June 2016, the Company didn’t subscribe any new shares. The subscribed capital of the Company as at 30 June 2016 was CZK 6,186.997 million (as at 31 December 2015 – CZK 6,186.997 million), comprising 7,733,746 shares (as at 31 December 2015 – 7,733,746 shares), each with a nominal value of CZK 800 (as at 31 December 2015 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act. The share owner does not have any exchange or first option rights; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Shares of the Company are not traded on any public or regulated domestic or foreign market.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations from their functional to the presentation currency.

### Hedging reserve

Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate.

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and interest rates risk in selected subsidiaries. The hedging reserve includes effective portion of the fair value changes of hedging instruments designated as a cash flow hedge in accordance with accounting policy. Ineffective portion of cash flow hedges represents part of finance costs or income.

### Revaluation reserve

Revaluation reserve relates to the revaluation of property, plant and equipment in connection with the change of the Group’s accounting policy (note 2.1).

## Other capital funds

Increase in other capital funds in 2016 by CZK 1,310 million is attributable to contribution made by CPI Property Group S.A., the owner of the Company. Other capital funds amount to CZK 11,622.6 million as at 30 June 2016 (CZK 10,312.6 million as at 31 December 2015).

## Earnings per share

For the six month period ended

	30 June 2016	30 June 2015
<b>At the beginning of the period</b>	7,733,746	7,733,746
Shares issued	7,733,746	7,733,746
<b>Weighted average movements</b>	--	--
Shares issued	--	--
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company</b>	<b>888,002</b>	<b>826,102</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises</b>	<b>888,002</b>	<b>826,102</b>
<b>Total Basic earnings in CZK per share</b>	<b>114.82</b>	<b>106.82</b>
o/w discontinued operations	--	--
<b>Diluted earnings in CZK per share</b>	<b>114.82</b>	<b>106.82</b>
o/w discontinued operations	--	--

Basic earnings per share (EPS) is calculated by dividing the profit / (loss) attributable to the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

## 6.13 Bonds issued

### 6.13.1 Non-current bonds issued

CZECH PROPERTY INVESTMENTS, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/18	100,000	2,713,000	100,000	2,702,500
Less: bonds owned by Group	(99,500)	(2,699,435)	(99,500)	(2,688,988)
Less: transaction costs	--	(4,391)	--	(4,391)
<b>CPI VAR/18 (EUR)</b>	<b>500</b>	<b>9,174</b>	<b>500</b>	<b>9,122</b>
Proceeds from issued bonds - CPI 5.10/2021 (former CPI VAR/19 - CZK)	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(5,404)	--	(5,404)
<b>CPI 5.10/2021</b>	<b>2,000,000,000</b>	<b>1,994,596</b>	<b>2,000,000,000</b>	<b>1,994,596</b>
Proceeds from issued bonds - CPI VAR/19 - EUR	--	--	116,000	1,567,450
Less: bonds owned by Group	--	--	(108,916)	(1,471,727)
Less: transaction costs	--	--	--	(26,087)
<b>CPI VAR/19 (EUR)</b>	<b>--</b>	<b>--</b>	<b>7,084</b>	<b>69,635</b>
Proceeds from issued bonds - CPI 2021	1,215	2,430,000	1,215	2,430,000
Less: bonds owned by Group	(1,215)	(2,430,000)	(1,215)	(2,430,000)
<b>CPI 2021</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI II 4.65/22 (CPI 7,00/22)	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(302,937,985)	(302,938)	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(12,630)	--	(1,532)
<b>CPI II 4.65/22</b>	<b>697,062,015</b>	<b>684,432</b>	<b>--</b>	<b>(1,532)</b>
Proceeds from issued bonds - CPI III 4.65/22 (CPI 7,00/22)	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(445,256,500)	(445,257)	(923,333,633)	(923,334)
Less: transaction costs	--	(1,547)	--	(1,537)
<b>CPI III 4.65/22</b>	<b>554,743,500</b>	<b>553,197</b>	<b>76,666,367</b>	<b>75,129</b>
Proceeds from issued bonds - CPI IV 4.65/22 (CPI 7,00/22)	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	--	--	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(25,594)	--	(1,584)
<b>CPI IV 4.65/22</b>	<b>1,000,000,000</b>	<b>974,406</b>	<b>--</b>	<b>(1,584)</b>
Proceeds from issued bonds - CPI I 8.00/42 (CPI 8,00/42)	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(1,000,000,000)	(1,000,000)	(52,000,000)	(52,000)
Less: transaction costs	--	(2,270)	--	(2,260)
<b>CPI I 8.00/42</b>	<b>--</b>	<b>(2,270)</b>	<b>948,000,000</b>	<b>945,740</b>
Proceeds from issued bonds - CPI V 8.00/42 (CPI 8,00/42)	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(1,000,000,000)	(1,000,000)	(766,477,976)	(766,478)
Less: transaction costs	--	(2,229)	--	(2,219)
<b>CPI V 8.00/42</b>	<b>--</b>	<b>(2,229)</b>	<b>233,522,024</b>	<b>231,303</b>
Proceeds from issued bonds - CPI 4.75/2019	150,000	1,500,000	150,000	1,500,000
Less: bonds owned by Group	(10,335)	(103,350)	(11,436)	(114,360)
Less: transaction costs	--	(25,471)	--	(25,471)
<b>CPI 4.75/2019</b>	<b>139,665</b>	<b>1,371,179</b>	<b>138,564</b>	<b>1,360,169</b>
<b>Subtotal - bonds issued by Czech Property Investments a.s.</b>	<b>4,251,945,680</b>	<b>5,582,484</b>	<b>3,258,334,539</b>	<b>4,682,578</b>

CPI BYTY, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)	--	--	300,000	300,000
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)	--	--	500,000	500,000
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	900,000	900,000	900,000	900,000
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	500,000	500,000	500,000	500,000
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	800,000	800,000	800,000	800,000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	(48,112)	--	(66,040)
<b>Subtotal bonds - CPI BYTY, a.s.</b>	<b>2,200,000</b>	<b>2,151,888</b>	<b>3,000,000</b>	<b>2,933,960</b>

CPI ALFA, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA REAL ESTATE	279,000,000	279,000	279,000,000	279,000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	(1,590)	--	(2,341)
<b>Subtotal bonds - CPI Alfa, a.s.</b>	<b>279,000,000</b>	<b>277,410</b>	<b>279,000,000</b>	<b>276,659</b>

CPI RETAIL PORTFOLIO I, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI Retail Portfolio I	112,500	1,125,000	112,500	1,125,000
Less: transaction costs	--	(19,303)	--	(22,233)
<b>Subtotal bonds - CPI Retail Portfolio I</b>	<b>112,500</b>	<b>1,105,697</b>	<b>112,500</b>	<b>1,102,767</b>

CPI Finance Slovakia, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - 5.85/2018	30,000	813,900	30,000	810,750
Less: transaction costs	--	(11,322)	--	(12,832)
<b>CPI 5.85/2018</b>	<b>30,000</b>	<b>802,578</b>	<b>30,000</b>	<b>797,918</b>
Proceeds from issued bonds - CPI 5.00/2020	50,000	1,356,500	--	--
Less: transaction costs	--	(19,885)	--	--
<b>CPI 5.00/2020</b>	<b>50,000</b>	<b>1,336,615</b>	<b>--</b>	<b>--</b>
<b>Subtotal bonds - CPI Finance Slovakia, a.s.</b>	<b>80,000</b>	<b>2,139,193</b>	<b>30,000</b>	<b>797,918</b>

<b>Total non-current bonds</b>	<b>11,256,672</b>	<b>9,793,882</b>
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### 6.13.2 Current bonds issued

CZECH PROPERTY INVESTMENTS, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 6.05/16	--	--	150,000	1,495,881
Less: bonds owned by Group	--	--	(23,820)	(238,200)
Less: transaction costs	--	--	--	(9,133)
<b>Subtotal bonds - CPI 6.05/16</b>	<b>--</b>	<b>--</b>	<b>126,180</b>	<b>1,248,548</b>

CPI BYTY, a.s.	30 June 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)	300,000	300,000	--	--
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)	500,000	500,000	--	--
Less: transaction costs	--	(17,495)	--	--
<b>Subtotal bonds - CPI BYTY, a.s.</b>	<b>800,000</b>	<b>782,505</b>	<b>--</b>	<b>--</b>

Accrued interest on bonds	30 June 2016	31 December 2015
CPI VAR/18 (EUR)	546	164
CPI 5.10/2021	26,610	35,913
CPI VAR/19 (EUR)	--	17,722
CPI 6,05/16	--	22,977
CPI II 4.65/22 (CPI 7.00/22)	2,718	--
CPI III 4.65/22 (CPI 7.00/22)	11,377	283
CPI IV 4.65/22 (CPI 7.00/22)	2,428	--
CPI I 8.00/42 (CPI 8.00/42)	--	5,477
CPI V 8.00/42 (CPI 8.00/42)	--	675
CPI 4.75/19	7,003	6,765
CPI BYTY, a.s.	21,175	92,015
CPI Alfa, a.s.	2,813	2,856
CPI Retail Portfolio I, a.s.	9,535	10,312
CPI 5.85/2018	9,787	9,913
CPI 5.00/2020	23,740	--
<b>Total accrued interest</b>	<b>117,732</b>	<b>205,072</b>

<b>Total current bonds</b>	<b>900,237</b>	<b>1,453,620</b>
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<b>Total bonds</b>	<b>12,156,909</b>	<b>11,247,502</b>
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### Changes in the period ended 30 June 2016

#### CPI VAR/19 EUR (ISIN CZ0003501843)

On 26 January 2016, the Group decreased the overall volume of bonds issued in emission CPI VAR/19 EUR (ISIN CZ0003501843), from previously subscribed volume 116,000 pcs to 7,084 pcs and the adjusted subscribed volume of bonds issued was early repaid by the Group on 23 March 2016 in accordance with the prospectus.

On 26 February 2016, the Group's subsidiary CPI Finance Slovakia, a.s. issued new tranches of bonds with the following characteristics:

#### CPI 5.00/2020 (ISIN SK4120011487)

CPI 5.00/2020 bonds were issued on 26 February 2016 and mature on 26 February 2020. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 50 million (app.

CZK 1,356.5 million). CPI 5.00/2020 bonds bear the fixed interest rate of 5.00% p.a. Interests are due semi-annually, on 26 February and 26 August.

On 29 March 2016, the Group repaid CPI 6.05/16 bonds (ISIN CZ0003510646), which were issued on 23 March 2013. Prior to the repayment, the Group decreased the volume of the issue from 152,000 pcs to 126,180 pcs and as at the repayment date, volume of the issue repaid represented nominal value of CZK 1,261.8 million.

In May 2016, prospectus terms has been modified in case of the following emissions:

**CPI II 4.65/22 (former CPI 7.00/22), ISIN CZ0003502916**

Prospectus terms of bonds CPI 7.00/22, issued on 6 December 2012, were changed in May 2016. According to the new terms, the bonds were renamed to CPI II 4.65/22 and the interest rate was changed from 7 % to 4.65 % per annum. Interests are now due semi-annually on 6 May and 6 November. The bonds mature on 6 November 2022. Bonds were accepted for trading at the Prague Stock Exchange. There have also been a modifications in the covenants section of the prospectus.

**CPI III 4.65/22 (former CPI 7.00/22), ISIN CZ0003502924**

Prospectus terms of bonds CPI 7.00/22, issued on 11 December 2012, were changed in May 2016. In accordance with the new terms, bonds were renamed to CPI III 4.65/22 and the interest rate was changed from 7 % to 4.65 % per annum. Interests are now due semi-annually on 6 May and 6 November. The bonds mature on 6 November 2022. Bonds were accepted for trading at the Prague Stock Exchange. There have also been a modifications in the covenants section of the prospectus.

**CPI IV 4.65/22 (former CPI 7.00/22), ISIN CZ0003502957**

The terms set in prospectus for bonds CPI 7.00/22, issued on 13 December 2012, were changed in May 2016. According to the new terms, the bonds were renamed to CPI IV 4.65/22 and the interest rate was changed from 7 % to 4.65 % per annum. Interests are now due semi-annually on 6 May and 6 November. The bonds mature on 6 November 2022. Bonds were accepted for trading at the Prague Stock Exchange. There have also been a modifications in the covenants section of the prospectus.

**CPI I 8.00/42 (former CPI 8.00/42), ISIN CZ0003502932**

In accordance with the newly issued prospectus, bonds CPI 8.00/42 were renamed to CPI I 8.00/42. Other terms and conditions remain unchanged.

**CPI V 8.00/42 (former CPI 8.00/42), ISIN CZ0003502940**

In accordance with the newly issued prospectus, bonds CPI 8.00/42 were renamed to CPI V 8.00/42. Other terms and conditions remain unchanged.

**CPI 5.10/2021, ISIN CZ0003501868**

According to the newly issued prospectus, bonds VAR/19 (CZK) bonds were renamed to CPI 5.10/2021. The interest rate of these bonds changed from variabil 6M PRIBOR + 6.5% margin to fixed interest rate 5.10 % per annum. The bonds maturity was extended to 23 March 2021. There have also been a modifications in the covenants section of the prospectus.

**CPI BYTY bonds**

On 23 March 2016 were approved the amendment of terms and conditions of the CPI BYTY bonds programme. The approved amendment includes the extension of the bonds programme by 10 years until 2031, the increase of the aggregate volume of bonds within the programme to CZK 17 billion as well as certain other modifications, such as covenants.

**Covenants**

Issued bonds CPI 5.10/2021, CPI VAR/18, CPI 4.75/19, CPI 5,85/2018 and CPI 5.00/2020 are subject to a number of covenants. All covenant ratios were met as at 30 June 2016.

**6.14 Financial debts**

	30 June 2016	31 December 2015
Loans from related parties	34,138	76,013
Loans from third parties	143,962	78,240
Bank loans	24,363,510	24,814,492
Finance lease liabilities	471,132	486,051
Bills of exchange	1,030,775	937,445
<b>Total non-current financial debts</b>	<b>26,043,517</b>	<b>26,392,242</b>

	30 June 2016	31 December 2015
Loans from related parties	1,448	2,945
Loans from third parties	53,069	65,505
Bank loans including overdraft	9,307,598	7,061,909
Finance lease liabilities	39,360	38,264
Bills of exchange	1,165,697	712,683
<b>Total current financial debts</b>	<b>10,567,172</b>	<b>7,881,306</b>

**6.15 Other non-current liabilities**

	30 June 2016	31 December 2015
Advances received	29,032	16,726
Trade payables due to third parties	1,297	1,317
Tenant deposits (1)	302,702	269,168
Payables from retentions	47,517	55,262
Other payables due to third parties	16	27,154
<b>Total other non-current liabilities</b>	<b>380,564</b>	<b>369,627</b>

- (1) Deposits from tenants represent payables of the Group from received rental related deposits. Its classification corresponds to terms in rental contracts with respect of the termination options of the tenants.

Increase in the amount of tenant deposits relates to the acquisition of Bondy Shopping Center and Géčko Shopping Center in 2016 (CZK 23.8 million increase).

## 6.16 Trade payables

	30 June 2016	31 December 2015
Trade payables due to related parties	362,051	336,695
Trade payables due to third parties	854,011	694,147
<b>Total trade payables</b>	<b>1,216,062</b>	<b>1,030,842</b>

## 6.17 Advance payments

	30 June 2016	31 December 2015
Advances received from related parties	--	29,939
Advances received from third parties (1)	843,957	755,154
Tenant deposits (1)	61,907	63,582
<b>Total advance payments</b>	<b>905,864</b>	<b>848,675</b>

- (1) Advances received from tenants represent payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and final respective invoicing is performed.

## 6.18 Other financial current liabilities

	30 June 2016	31 December 2015
Deferred income/ revenue	185,512	192,237
Payables from unpaid capital contributions	--	1,528
Other payables due to related parties	845,601	840,962
Other payables due to third parties (1)	386,893	100,598
<b>Total other financial current liabilities</b>	<b>1,418,006</b>	<b>1,135,325</b>

- (1) Other payables in the amount of CZK 255.2 million relate to the purchase of own bonds issued by the Company.

## 6.19 Other non-financial current liabilities

	30 June 2016	31 December 2015
Current income tax liabilities	27,835	30,836
Value added tax payables	78,277	87,143
Other tax payables (excl. CIT and VAT)	3,198	2,983
Payables due to employees, SHI, employees income tax	52,361	57,304
Provisions	20,760	16,083
<b>Total other non-financial current liabilities</b>	<b>182,432</b>	<b>194,348</b>



## 7 Financial instruments and fair values

### 7.1 Fair value measurement

#### 7.1.1 Fair value of financial instruments

Fair value measurements of financial instruments reported at fair value are classified by level of the following measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is using a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

- For the derivatives (interest rate swaps, options and forwards) the valuation is provided by the Group's banks;
- For the available-for-sale financial assets and for the bonds, the fair values as of 30 June 2016 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of financial instruments reflects, inter alia, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the consolidated income statement under the "other net financial results" line.

### Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2016	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
Call option	40,695	--	--	40,695	--
<b>Financial assets at fair value through profit or loss (**)</b>	<b>40,695</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Long-term Equity investments	--	11,748	--	--	--
Debentures issued by third parties	--	9,110	9,865	--	--
<b>Financial assets available-for-sale</b>	<b>--</b>	<b>20,858</b>	<b>--</b>	<b>--</b>	<b>--</b>
Advances paid	--	3,956	--	--	--
Loans provided	--	5,353,061	--	--	5,367,868
Other non-current receivables	--	1,564	--	--	1,564
<b>Non-current loans and receivables</b>	<b>--</b>	<b>5,358,581</b>	<b>--</b>	<b>--</b>	<b>--</b>
Trade and other receivables	--	1,744,912	--	--	--
Derivative instruments	136	--	--	136	--
Loans provided	--	3,105,221	--	--	3,169,557
Bills of exchange	--	80,092	--	--	82,287
Other current financial assets	--	679,946	--	--	--
Cash and cash equivalent	--	2,814,011	--	--	--
<b>Current financial assets</b>	<b>136</b>	<b>8,424,182</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FINANCIAL LIABILITIES</b>					
Bonds	--	11,256,672	11,523,350	--	--
Financial debt (floating rate bank debts)	--	24,363,510	--	--	24,363,510
Financial debt (fixed rate bank debts)	--	--	--	--	--
Financial debt (other borrowings)	--	1,680,007	--	--	1,678,124
Derivative instruments	304,230	--	--	304,230	--
Long term liabilities	--	380,564	--	--	380,564
<b>Non-current financial liabilities</b>	<b>304,230</b>	<b>37,680,753</b>	<b>--</b>	<b>--</b>	<b>--</b>
Bonds	--	782,505***	800,000	--	--
Financial debt (floating rate bank debts)	--	9,213,598	--	--	9,213,598
Financial debt (fixed rate bank debts)	--	94,000	--	--	97,377
Financial debt (other borrowings)	--	1,259,574	--	--	1,269,592
Derivative instruments	54,230	--	--	54,230	--
Advanced payments	--	905,864	--	--	--
Trade payables	--	1,216,062	--	--	--
Liabilities linked to assets held for sale	--	80,649	--	--	--
Other financial current liabilities	--	1,418,006	--	--	--
<b>Current financial liabilities</b>	<b>54,230</b>	<b>14,970,258</b>	<b>--</b>	<b>--</b>	<b>--</b>

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

(\*\*) Designated at fair value.

(\*\*\*) Accrued interest is not included

31 December 2015	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
Call option	30,403	--	--	30,403	--
<b>Financial assets at fair value through profit or loss (**)</b>	<b>30,403</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Long-term Equity investments	--	11,749	--	--	--
Debentures issued by third parties	--	--	--	--	--
<b>Financial assets available-for-sale</b>	<b>--</b>	<b>11,749</b>	<b>--</b>	<b>--</b>	<b>--</b>
Advances paid	--	3,957	--	--	--
Loans provided	--	495,493	--	--	618,004
Other non-current receivables	--	168	--	--	--
<b>Non-current loans and receivables</b>	<b>--</b>	<b>499,618</b>	<b>--</b>	<b>--</b>	<b>--</b>
Trade receivables	--	1,336,701	--	--	--
Debentures issued by third parties	--	43,271	--	--	45,324
Loans provided	--	3,966,709	--	--	4,036,770
Bills of exchange	--	204,013	--	--	207,244
Other current financial assets	--	416,594	--	--	--
Cash and cash equivalent	--	3,346,620	--	--	--
<b>Current financial assets*</b>	<b>--</b>	<b>9,313,908</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FINANCIAL LIABILITIES</b>					
Bonds issued	--	9,793,882	8,742,862	--	1,796,172
Financial debt (floating rate bank debts)	--	24,541,118	--	--	24,541,118
Financial debt (fixed rate bank debts)	--	273,374	--	--	269,178
Financial debt (other borrowings)	--	1,577,750	--	--	1,573,638
Derivative instruments	292,198	--	--	292,198	--
<b>Non-current financial liabilities</b>	<b>292,198</b>	<b>36,186,124</b>	<b>--</b>	<b>--</b>	<b>--</b>
Bonds issued	--	1,453,620	1,290,191	--	--
Financial debt (floating rate bank debts)	--	6,203,259	--	--	6,203,259
Financial debt (fixed rate bank debts)	--	858,651	--	--	867,154
Financial debt (other borrowings)	--	819,397	--	--	831,365
Derivative instruments	39,092	--	--	39,092	--
Advanced payments	--	848,675	--	--	--
Trade payables	--	1,030,842	--	--	--
Other financial current liabilities	--	1,135,325	--	--	--
<b>Current financial liabilities*</b>	<b>39,092</b>	<b>12,349,769</b>	<b>--</b>	<b>--</b>	<b>--</b>

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

(\*\*) Designated at fair value.

### Valuation technique used for measurement of fair value of derivatives

Liabilities from derivative are measured by discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

## 7.2 Fair value measurement of investment property

The Group's investment properties were valued at 31 December 2014 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

The independent valuer provides appraisal of the Group's investment property at least once a year.

At 1 January 2016 the fair value measurement for investment property of CZK 74,718.3 million has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

31 December 2015	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
<b>Czech Republic - Central Bohemia</b>	<b>Industry and logistics</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,205 CZK/sqm	1,481 CZK/sqm	(1,385 CZK/sqm)
				Net current income per sqm	764 CZK/sqm	1,354 CZK/sqm	(969 CZK/sqm)
				Equivalent yield	8.00%	12.00%	(8.16%)
				Vacancy rate	0.00%	0.00%	(0.00%)
<b>Czech Republic - West Bohemia</b>	<b>Industry and logistics</b>	Income capitalisation	Level 3	Estimated rental value per sqm			860 CZK/sqm
				Net current income per sqm			646 CZK/sqm
				Equivalent yield			12.00%
				Vacancy rate			43.58%
<b>Slovakia</b>	<b>Industry and logistics</b>	Income capitalisation	Level 3	Estimated rental value per sqm			1,391 CZK/sqm
				Net current income per sqm			1,472 CZK/sqm
				Equivalent yield			8.20%
				Vacancy rate			1.72%
<b>Hungary</b>	<b>Industry and logistics</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,497 CZK/sqm	1,540 CZK/sqm	(1,509 CZK/sqm)
				Net current income per sqm	1,369 CZK/sqm	1,505 CZK/sqm	(1,406 CZK/sqm)
				Equivalent yield	9.04%	9.15%	(9.12%)
				Vacancy rate	5.91%	16.15%	(13.33%)
<b>Czech Republic - Prague Center</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	4,515 CZK/sqm	9,616 CZK/sqm	(9,144 CZK/sqm)
				Net current income per sqm	4,057 CZK/sqm	7,577 CZK/sqm	(7,251 CZK/sqm)
				Equivalent yield	4.85%	5.00%	(4.86%)
				Vacancy rate	4.93%	14.18%	(13.33%)
<b>Czech Republic - Prague Other</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,882 CZK/sqm	5,070 CZK/sqm	(3,786 CZK/sqm)
				Net current income per sqm	1,805 CZK/sqm	5,551 CZK/sqm	(3,995 CZK/sqm)
				Equivalent yield	5.27%	9.00%	(6.20%)
				Vacancy rate	3.39%	19.69%	(6.27%)
<b>Czech Republic - Other</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,340 CZK/sqm	5,597 CZK/sqm	(1,477 CZK/sqm)
				Net current income per sqm	1,231 CZK/sqm	5,608 CZK/sqm	(3,337 CZK/sqm)
				Equivalent yield	5.87%	9.20%	(7.48%)
				Vacancy rate	0.00%	31.82%	(6.05%)
<b>Czech Republic - Other</b>	<b>Retail</b>	Comparable	Level 3	FV per sqm			14 580 CZK/sqm
<b>Hungary - Budapest Center</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,453 CZK/sqm	7,642 CZK/sqm	4,379 CZK/sqm
				Net current income per sqm	838 CZK/sqm	6,256 CZK/sqm	3,495 CZK/sqm

31 December 2015	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
				Equivalent yield	4.07%	9.35%	6.75%
				Vacancy rate	0.56%	- 100.00%	6.31%
<b>Slovakia</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,432 CZK/sqm	3,405 CZK/sqm	(2,941 CZK/sqm)
				Net current income per sqm	2,407 CZK/sqm	3,803 CZK/sqm	(2,907 CZK/sqm)
				Equivalent yield	7.38%	- 11.00%	(7.91%)
				Vacancy rate	0.00%	- 1.04%	(0.13%)
<b>Poland</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm			5,277 CZK/sqm
				Net current income per sqm			4,091 CZK/sqm
				Equivalent yield			7.75%
				Vacancy rate			5.69%
<b>Czech Republic - Prague</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,406 CZK/sqm	9,616 CZK/sqm	(5,153 CZK/sqm)
				Net current income per sqm	1,547 CZK/sqm	9,222 CZK/sqm	(4,800 CZK/sqm)
				Equivalent yield	5.00%	- 9.26%	(6.73%)
				Vacancy rate	0.00%	- 23.91%	(7.86%)
<b>Czech Republic - Prague</b>	<b>Office</b>	Comparable	Level 3	FV per sqm			52,959 CZK/sqm
<b>Czech Republic - Other</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,531 CZK/sqm	3,944 CZK/sqm	2,806 CZK/sqm
				Net current income per sqm	1,585 CZK/sqm	3,944 CZK/sqm	2,208 CZK/sqm
				Equivalent yield	7.50%	- 8.00%	7.84%
<b>Poland</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm			5,415 CZK/sqm
				Net current income per sqm			4,340 CZK/sqm
				Equivalent yield			8.62%
				Vacancy rate			13.70%
<b>Hungary</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,802 CZK/sqm	4,086 CZK/sqm	(3,689 CZK/sqm)
				Net current income per sqm	551 CZK/sqm	4,046 CZK/sqm	(3,025 CZK/sqm)
				Equivalent yield	7.78%	- 14.03%	(8.51%)
				Vacancy rate	0.00%	- 68.75%	(22.94%)
<b>Slovakia</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm			3,997 CZK/sqm
				Net current income per sqm			2,851 CZK/sqm
				Vacancy rate			34.73%
				Equivalent yield			7.25%
<b>Czech</b>	<b>Residential</b>	DCF method	Level 3	Estimated rental value per sqm	794 CZK/sqm	1,920 CZK/sqm	(802 CZK/sqm)
				Exit yield	4.75%	- 7.85%	(7.83%)
				Vacancy rate	23.84%	- 27.45%	(23.87%)
				Discount rate	5.75%	- 8.88%	(8.86%)
<b>France</b>	<b>Residential</b>	Comparable	Level 3	Price/sqm			555 TCZK/sqm
<b>Czech Republic - Prague</b>	<b>Hotel</b>	Comparable method	Level 3	Rate per key	(1,763 TCZK/key)	(12,178 TCZK/key)	(4,679 TCZK/key)

31 December 2015	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
Czech Republic - Prague	Hostel	Comparable method	Level 3	Rate per key	520 TCZK/key	520 TCZK/key	(520 TCZK/key)
Czech Republic - Other	Hotel	Comparable method	Level 3	Rate per key	(1,089 TCZK/key)	(3,208 TCZK/key)	(2,556 TCZK/key)
Czech Republic - Other	Hotel	DCF method	Level 3	Net current income per sqm			1,205 CZK/sqm
				Exit yield			7.01%
				Discount rate			8.00%
Hungary	Hotel	DCF method	Level 3	Net current income per sqm	3,189 CZK/sqm	3,861 CZK/sqm	3,482 CZK/sqm
				Exit yield	7.50%	7.50%	7.50%
				Discount rate	9.50%	9.50%	9.50%
Poland	Hotel	DCF method	Level 3	Net current income per sqm	4,142 CZK/sqm	5,755 CZK/sqm	5,122 CZK/sqm
				Exit yield	7.50%	7.50%	7.50%
				Discount rate	9.50%	10.50%	10.11%
Land Bank - Czech Republic - Prague Center	Land bank	Comparable method	Level 3	Sales price per sqm	71,977 CZK/sqm	71,977 CZK/sqm	(71,977 CZK/sqm)
Land Bank - Czech Republic - Prague	Land bank	Comparable method	Level 3	Sales price per sqm	1,053 CZK/sqm	92,685 CZK/sqm	(50,212 CZK/sqm)
Land Bank - Czech Republic - Other	Land bank	Comparable method	Level 3	Sales price per sqm	85 CZK/sqm	24,431 CZK/sqm	(964 CZK/sqm)
Hungary	Land bank	Comparable method	Level 3	Sales price per sqm	1,308 CZK/sqm	23,232 CZK/sqm	(11,725 CZK/sqm)
Land Bank - Romania - Bucharest	Land bank	Comparable method	Level 3	Sales price per sqm			(21,003 CZK/sqm)
Romania - Other	Land bank	Comparable method	Level 3	Sales price per sqm	811 CZK/sqm	3,790 CZK/sqm	(2,047 CZK/sqm)
Poland	Land bank	Comparable method	Level 3	Sales price per sqm	4,320 CZK/sqm	4,320 CZK/sqm	(4,320 CZK/sqm)
Czech Republic - Other - Project 1	Investment property under development	Development Appraisal	Level 3	Gross development value			559,707 TCZK/sqm
				Residual value			358,750 TCZK/sqm

## 8 Contingencies and Litigations

The Group does not have in evidence any contingent liabilities. No legal proceeding is active the result of which would influence consolidated financial statements and the Group is not aware about any potential enter upon the law-suit.

## 9 Capital and other commitments

### Capital commitments

The Group has capital commitments of CZK 1,143 million in respect of capital expenditures contracted for at the date of the statement of financial statements (CZK 83.7 million in 2015). There are no other commitments except as disclosed above.

## 10 Related party transactions

The Group has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholder and companies in which these parties held controlling or significant influence or are joint ventures.

### Key management personnel and members of Board of Directors

The remuneration of key management personnel and members of Board of Directors are summarized in following table:

	30 June 2016	31 December 2015
Remuneration paid to key management personnel and members of Board of Directors	6,463	14,980
<b>Total remuneration</b>	<b>6,463</b>	<b>14,980</b>

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

Balance at	30 June 2016	31 December 2015
Loans provided	2,330	2,378
Trade receivables	119	73
Other receivables	169	164
Impairment of other receivables	(151)	--
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Interest income and other revenues	92	78

Other related parties		
Entities over which the sole shareholder has control		
Balance at	30 June 2016	31 December 2015
Trade receivables	54	2
Trade payables	55	--
Other payables	1,000	--
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Advisory and accounting services	2	--
Interest income	13	--
Interest expense	--	(181)

Entities over which the sole shareholder has significant influence		
Balance at	30 June 2016	31 December 2015
Trade receivables	35,803	19,356
Trade payables	41,430	23,583
Advances received	372	--
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Service charge income	54	--
Rental Income	4	--
Advisory and accounting services	13,132	990
Lease and rental expenses	--	(248)
Other services	--	(711)

Close family members/entities controlled by close family members		
Balance at	30 June 2016	31 December 2015
Trade receivables	--	15
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Interest income	--	97,357
Interest expense	--	(335)

<b>Entities controlled by members of Board of Directors</b>		
<b>Balance at</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Trade receivables	148	143,188
Advances received	--	29,939
Trade payables	1,670	44,174
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Material consumption	--	(23)
Other property related expenses	--	(1,060)
Audit, tax and advisory services	--	(208)
Lease and rental expenses	(3,340)	--
Taxes and fees	--	(1)
Rental income and other services	--	404,478
<b>CPI PROPERTY GROUP</b>		
<b>Balance at</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Loans provided	7,860,519	3,808,901
Loans received	34,138	78,958
Other receivables	334,622	338,161
Trade receivables	399,602	271,350
Trade payables	301,776	268,928
Other payables	832,965	829,741
Bills of exchange	814,504	135,269
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Interest income	113,399	9,329
Interest expense	(1,252)	(8,966)
Interest expense on bonds issued	--	(43,659)
Interest expense on bills of exchange	(8,233)	--
Advisory and accounting services	213,379	220,294
Accounting and other services	(199,391)	(180,343)
Facility management	(240)	--
Service charge expenses	(19,176)	--
<b>Major shareholder of CPI PG</b>		
<b>Balance at</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Loans provided	192,822	173,677
Loans received	--	24,330
Trade receivables	1	--
Trade payables	17,120	--
Other payables	11,264	10
Advances received	--	13,938
<b>Transactions for the six month period ended</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Interest income and other revenues	3,787	6,674

## Main selected transactions with other related parties

### Transactions with CPI PG

The Company provides two loans to CPI PG. First loan was provided by the Company in 2014 up to the amount of EUR 30 million. Loan bears interest of 4 % p.a. and is due on 31 December 2019. The outstanding amount as at 30 June 2016 amounts to CZK 4,928.4 million.

In 2015, CPI PG was provided by the Company with second loan bearing fixed interest of 5.25 % p.a. Loan matures on 31 December 2016. The outstanding amount as at 30 June 2016 amounts to CZK 2,917.3 million.

### Transactions with Orco Property Group ("OPG")

#### Management Fees

CPI Property, s.r.o. has provided property management services to certain assets of OPG in the Czech Republic. The value of such services amounted to CZK 0.2 million in the first half of 2016 (CZK 0.2 million for 6 months of 2015).

From 1 July 2014, the Group began providing outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of OPG in the Czech Republic. The value of such services amounted to CZK 18.9 million in the first half of 2016 (CZK 16.5 million in the first half of 2015).



## 11 Events after the reporting period

### 11.1 Acquisition of CPI Hotels

On 31 August 2016, the Group acquired 100 % of shares of CPI Hotels, a.s. ("CPI Hotels"), entity operating hotels in Czech Republic, Slovak Republic, Poland and Hungary. CPI Hotels is one of the largest hotel group in the Czech Republic and a long-term business partner of the Group that operates 25 hotels owned by the Group. 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 5-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 of CPI Hotels has expanded to Mamaison Hotels & Residences. The aggregate price for the acquisition of 100% stake amounted to CZK 1,219 million.

### 11.2 Disposal of subsidiaries

On 1 July 2016, the Group disposed of its subsidiaries CPI City Center ÚL, a.s. and Prague Property Development, s.ro., which were sold to a third party.

### 11.3 Amended terms of bonds issued

#### **CPI I 4.75/42 (former CPI I 8.00/42), ISIN CZ0003502932**

As of 22 August 2016, CPI I 8.00/42 bonds, based on the amended prospectus terms, were renamed to CPI I 4.75/42. Bonds were accepted for trading on the Prague Stock Exchange. Interest rate of these bonds changed from 8 % p.a. to 4.75 % p.a. Interest are due semiannually on 22 August and 22 February. Bonds mature on 22 August 2042. There were also modifications in the covenants section of the prospectus.

#### **CPI V 4.85/42 (former CPI V 8.00/42), ISIN CZ0003502940**

As of 22 August 2016, CPI V 8.00/42 bonds, based on the amended prospectus terms, were renamed to CPI V 4.85/42. Bonds were accepted for trading on the Prague Stock Exchange. Interest rate of these bonds changed from 8 % p.a. to 4.85 % p.a. Interest are due semiannually on 22 August and 22 February. Bonds mature on 22 August 2042. There were also modifications in the covenants section of the prospectus.

Prague, 30 September 2016

**Zdeněk Havelka**

Chairman of the Board of Directors

**Martin Němeček**

Member of the Board of Directors

## APPENDIX I – LIST OF GROUP ENTITIES

### Subsidiaries fully consolidated

Company	Country	30 June 2016	31 December 2015
ABLON sp. z o.o.	Poland	100.00%	100.00%
ACGATE Kft.	Hungary	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City Phase B Kft.	Hungary	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Arkáda Prostějov, s.r.o.	Czech Republic	100.00%	100.00%
AVACERO LIMITED	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Delta, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	86.54%	86.54%
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
Bondy Centrum s.r.o.	Czech Republic	100.00%	--
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Bright Site Kft.	Hungary	100.00%	100.00%
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Budaörs Office Park Kft.	Hungary	100.00%	100.00%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	100.00%	100.00%
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	100.00%	100.00%
CENTRAL TOWER 81 Sp. z o.o.	Poland	100.00%	100.00%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Facility, a.s.	Czech Republic	100.00%	100.00%
CPI - Krásné Březno, a.s.	Czech Republic	99.96%	99.96%
CPI - Land Development, a.s.	Czech Republic	100.00%	100.00%
CPI - Orlová, a.s.	Czech Republic	100.00%	100.00%
CPI - Real Estate, a.s. (1)	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI City Center ÚL, a.s.	Czech Republic	100.00%	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o.	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%

Company	Country	30 June 2016	31 December 2015
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%
CPI Finance Ireland III Limited	Ireland	100.00%	100.00%
CPI Finance Ireland II Limited	Ireland	100.00%	--
CPI Finance Ireland Limited	Ireland	100.00%	100.00%
CPI Finance Netherlands B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands II, B. V.	Netherland	100.00%	--
CPI Finance Netherlands III, B. V.	Netherland	100.00%	100.00%
CPI Finance Slovakia	Slovak Republic	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Heli, s.r.o.	Czech Republic	100.00%	100.00%
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.96%	99.96%
CPI PG Management, S.á r.l	Luxembourg	100.00%	100.00%
CPI Poland Sp. Z o.o.	Poland	100.00%	100.00%
CPI Property, s.r.o.	Czech Republic	100.00%	100.00%
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retails FIVE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails FOUR, a. s.	Slovak Republic	100.00%	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails THREE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Romania S.R.L.	Romania	100.00%	100.00%
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	100.00%	100.00%
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
CURITIBA a.s.	Czech Republic	100.00%	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	100.00%
Český Těšín Property Development, a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	100.00%	100.00%
Diana Development Sp. Z o.o.	Poland	100.00%	100.00%
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	99.96%

Company	Country	30 June 2016	31 December 2015
EMH North, s.r.o.	Czech Republic	100.00%	100.00%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
EMH West, s.r.o.	Czech Republic	100.00%	100.00%
Endurance Hospitality Asset S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Hospitality Finance S.á r.l.	Luxembourg	100.00%	100.00%
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Europeum Kft.	Hungary	100.00%	100.00%
Farhan, a.s.	Czech Republic	100.00%	100.00%
First Site Kft.	Hungary	100.00%	100.00%
FL Property Development, a.s.	Czech Republic	100.00%	100.00%
Fogarasi 3 BC Kft.	Hungary	100.00%	100.00%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z.o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
Gerossa - JMB, a.s.	Czech Republic	100.00%	100.00%
GLOBAL INVESTMENT Kft.	Hungary	100.00%	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
Hospitality Invest S.à r.l.	Luxembourg	100.00%	100.00%
Hotel Pokrovka , org. Unit	Russia	100.00%	100.00%
Hotel Rosslyn Kft.	Hungary	100.00%	100.00%
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Insite Kft.	Hungary	100.00%	100.00%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
Janáčkovo nábřeží 15, s.r.o.	Czech Republic	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
JMB Lambda, s.r.o.	Czech Republic	100.00%	100.00%
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	100.00%	100.00%
Kerina, a.s.	Czech Republic	100.00%	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
Leriegos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Lucemburská 46, a.s.	Czech Republic	100.00%	100.00%
M3 BC Kft.	Hungary	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s. (2)	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L	Romania	88.00%	88.00%

Company	Country	30 June 2016	31 December 2015
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%
MMR Russia S.à r.l	Luxembourg	100.00%	100.00%
Modřanská Property, a.s.	Czech Republic	100.00%	100.00%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
NERONTA, a. s.	Slovak Republic	100.00%	100.00%
New Age Kft.	Hungary	100.00%	100.00%
New Field Kft.	Hungary	100.00%	100.00%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
Obchodní a společenské centrum České Budějovice, s.r.o.	Czech Republic	100.00%	--
OC Nová Zdaboř a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
Orco Hotel Development Sp. z o.o.	Poland	100.00%	100.00%
ORCO Hotel Management Kft.	Hungary	100.00%	100.00%
Orco Hotel Project Sp. z o.o.	Poland	100.00%	100.00%
Orco Hotel, Zrt.	Hungary	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orco Warsaw Sp. z o.o.	Poland	100.00%	100.00%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Ozrics, Kft.	Hungary	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
Platněřská 10 s.r.o.	Czech Republic	100.00%	100.00%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prague Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
Prosta 69 Sp. Z o.o.	Poland	100.00%	100.00%
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Quadrio Residence, s.r.o.	Czech Republic	100.00%	100.00%
R40 Real Estate Kft.	Hungary	100.00%	100.00%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
Ružomberok Property Development, a.s.	Slovak Republic	100.00%	100.00%
SASHKA LIMITED	Cyprus	100.00%	100.00%
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Shopinvest a.s.	Czech Republic	100.00%	--
ST Project Limited	Guernsey	100.00%	100.00%
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	100.00%	100.00%
Szolgálatóház Kft.	Hungary	100.00%	100.00%
Tarnów Property Development sp. z o.o.	Poland	100.00%	--
Telč Property Development, a.s.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Trutnov Property Development, a.s.	Czech Republic	100.00%	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	100.00%	100.00%
Týniště Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Tyršova 6, a.s.	Czech Republic	100.00%	100.00%
U Svatého Michala, a.s.	Czech Republic	100.00%	100.00%

Company	Country	30 June 2016	31 December 2015
VERETIX, a.s.	Czech Republic	100.00%	100.00%
Vigano, a.s.	Czech Republic	100.00%	100.00%
VM Property Development, a.s.	Czech Republic	100.00%	100.00%
Volanti Ltd.	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Zvolen Property Development, a.s.	Slovak Republic	100.00%	100.00%
Žďár Property Development, a.s.	Czech Republic	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

- (1) On 9 August 2016, CPI – Real Estate, a.s. demerged resulting into establishment of two new companies - CPI Rhea, s.r.o. and CPI Luna, s.r.o. Part of the portfolio of CPI – Real Estate, a.s. has been transferred to newly established companies.
- (2) Marissa West, a.s. demerged on 9 August 2016. Two new companies - Regionální portfolio, a.s. and Office Center Purkyňova, a.s. – were established on 9 August 2016. Part of the portfolio of Marissa West, a.s. has been transferred to newly established companies.