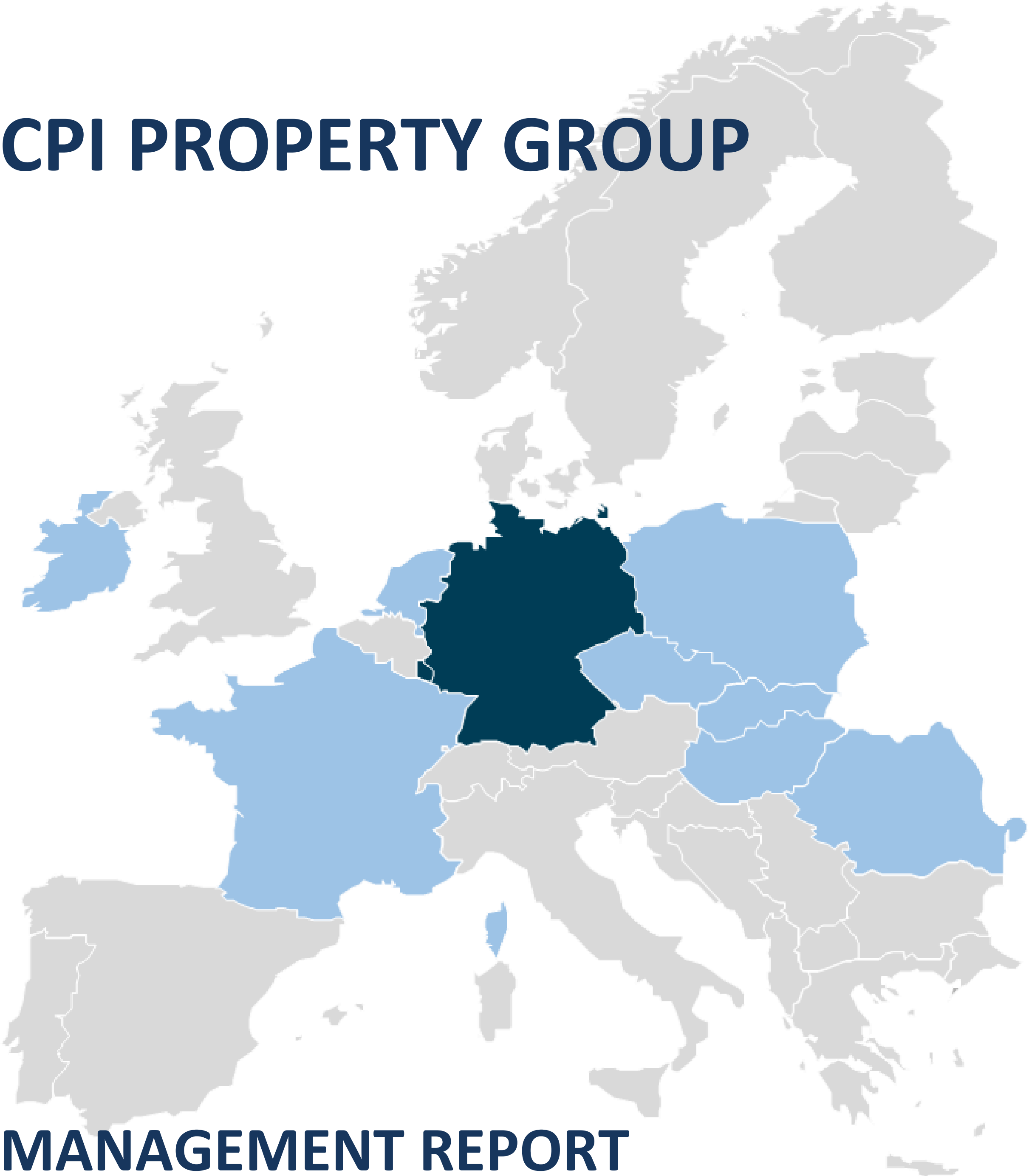
CPI PROPERTY GROUP



MANAGEMENT REPORT

as at 30 June 2014

(UNAUDITED)

KEY FIGURES

All data presented in this Management report as at 30 June 2014 and also comparable data as at 31 December 2013 and 30 June 2013 were compiled under assumption that CPI PROPERTY GROUP and Czech Property Investments, a.s. were combined as of 1 January 2013.

Performance		30-Jun-14	30-Jun-13	Change in %
Gross rental income	MEUR	101	76	32%
Occupancy in % *	%	86%	84%	3%
Net rental income	MEUR	95	67	43%
Total revenues	MEUR	110	82	35%
Operating result	MEUR	170	71	136%
Funds from operations (FFO)	MEUR	82	57	45%
FFO ratio on Real estate portfolio (FFO yield)	%	4.8%	4.5%	8%
Profit before tax	MEUR	151	73	108%
Net interest expense	MEUR	32	18	78%
Net profit for the period	MEUR	112	54	104%

* Excluding hotels

Assets		30-Jun-14	31-Dec-13	Change in %
Total assets	MEUR	4,108	3,816	7%
Real Estate Portfolio	MEUR	3,405	3,201	6%
Gross lettable area *	sqm	2,895,000	2,837,000	2%
Total number of properties **	No	322	315	2%
Total number of residential units	No	12,574	12,602	0%
Total number of hotel beds	No	8,129	8,129	0%
EPRA NAV	MEUR	1,693	1,493	13%

* Excluding hotels
** Excluding residential properties

Financing structure		30-Jun-14	31-Dec-13	Change in %
Total equity	MEUR	1,360	1,199	13%
Equity ratio	%	33%	31%	6%
Net debt	MEUR	2,011	1,971	2%
Loan to value ratio in %	%	59%	62%	-4%

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2014 HIGHLIGHTS

Corporate highlight

Capital increases

On 29 November 2013, the Board of Directors of CPI PROPERTY GROUP (at that time ORCO Germany S.A., hereinafter also as the "Company" and together with its subsidiaries as the "Group") resolved to raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the Extraordinary General Meeting of 26 April 2012. On 3 March 2014, the Board of Directors further resolved to increase its capital raising goal from EUR 100 million to EUR 126 million. Between December 2013 and April 2014 the Company raised EUR 105.3 million in three capital increases subscribed for in cash by some large shareholders of ORCO PROPERTY GROUP ("OPG") or their respective affiliates, namely Alchemy Special Opportunities Fund II LP, Société Générale, Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott and Tandis, a.s., an entity affiliated with Mr. Radovan Vítek. The subscription price was EUR 0.47 per share in each case. The primary uses of the proceeds raised in these capital increases are the investments and financing of various projects within the Group as well as OPG

Acquisition of control over the Company and mandatory takeover offer

On 12 June 2014 Mr. Vítek (through his 100% owned entity Materali, a.s.) purchased the Company shares from Gamala and third parties (Aspley Ventures, Kamoro, and Stationway Properties Limited). As a result of these purchases Mr. Vítek increased his shareholding in the Company from 25.30 % to 71.29 %.

Mandatory public takeover offer

On 24 July 2014 Materali, a.s. notified the Company about publication of a mandatory public takeover offer (the „Mandatory Offer") to the shareholders of the Company. The Mandatory Offer concerns the acquisition of the Company shares at the price of EUR 0.53 per share. The acceptance period for the Mandatory Offer is from 24 July 2014 to 21 August 2014. At the time of the publication of the Mandatory Offer Mr. Vítek directly or indirectly held 94.02% of the shares and voting rights in the Company. According to website of Materali, a.s. (www.materali.cz) the Mandatory Offer was accepted for a total of 35,447,176 Company shares (approximately 1.21 % of the share capital) as of the end of the acceptance period of 21 August 2014, at 24:00hrs.

Contribution of Czech Property Investments, a.s. ("CPI") to CPI PROPERTY GROUP

Mr. Vítek proposed to the Board of Directors to join within the Company his fully controlled Central European real estate activities located within CPI. After approval by the Board of Directors, Mr. Vítek contributed 100% of the shares of CPI to the Company in exchange of 2,466,902,565 newly issued Company shares on 16 and 17 June 2014. Following this capital increase the shareholding interest of Mr. Vítek in the Company increased to 94.02 %. The combination of CPI and the Company has created a European real estate player with a well-balanced and diversified portfolio, which includes a wide range of properties located in the Czech Republic, Germany, Slovakia, Hungary, Poland and Romania.

Change of the name

The Extraordinary General Meeting of shareholders of the Company held on 13 May 2014 resolved to change the Company's name from ORCO GERMANY S.A. to GSG GROUP. The Extraordinary General Meeting of shareholders of the Company held on 28 August 2014 resolved to change the Company's name from GSG GROUP to CPI PROPERTY GROUP.

Change in the Board of Directors and Management

During the General Meeting of shareholders of the Company held on 10 March 2014 the following directors were removed: Jean-François Ott, Brad Taylor, Nicolas Tommasini and Ales Vobruba and the following directors have been appointed: Edward Hughes, Martin Nemecek, Jean-François Ott, Tomas Salajka, Nicolas Tommasini and Radovan Vitek. Edward Hughes was appointed Chairman of the Board of Directors. On 18 March 2014, the new Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor, and agreeing to comply with their termination packages. The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.

Mr. Ott and Mr. Tommasini resigned from the Board as of 27 March 2014. During the General Meeting of shareholders of the Company held on 28 May 2014 the following directors have been appointed: Ian Cash, Philippe Magistretti, and Oliver Schlink. Ian Cash resigned from the Board as of 14 August 2014. As of the date of this report, the Board of Directors of the Company is comprised of the following members: Edward Hughes, Philippe Magistretti, Martin Nemecek, Tomas Salajka, Oliver Schlink and Radovan Vitek.

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

Investments

Most of the proceeds raised with the capital increases have been used in the investment and financing of various projects within all the segments of activities of the Group.

Investments in Central Europe

Over the first half of 2014, the Group closed via CPI the acquisition of EUR 59 million additional real estate assets financed by EUR 40 million interest bearing liabilities:

- Acquisition of 100% shares in Arena Corner Kft., a Hungarian company that owns 29,600 sqm of prime office premises in Budapest.
- Acquisition of 100% shares in Kouge s.r.o. (further renamed to CPI Retail Portfolio VIII, s.r.o.) that owns 4 supermarkets with a total lettable area about 5,300 sqm in the north of the Czech Republic
- Acquisition of 100% shares in a Czech based company, which owns 8,000 sqm of land designated for retail development located in Caslav, 30 kilometers from Prague.

Berlin portfolio expansion

With the increasing occupancy of existing portfolio the Board of Directors validated a conservative expansion strategy by acquiring assets coherent with existing portfolio. In March 2014, the Group concluded the purchase of a 1,700 sqm property on Voltastrasse in close proximity to existing Group assets. In May 2014, the Group closed another acquisition contract for a 12,500 sqm asset in Kreuzberg which fits well to the existing Berlin portfolio. The total investment before refurbishment amounts to EUR 12 million. The acquisition has been partially financed through bank loan of EUR 8.0 million.

Financial transactions

The Company acquired receivables of two bank creditors of Suncani Hvar d.d. (“SHH”) for a total investment of EUR 24 million and nominal value including accrued interests of EUR 32 million. The receivables secured by mortgages have been later sold at nominal value allowing the Group to recognize a gain of EUR 9 million.

The Company acquired a 50% share in Hospitality Invest S.a.r.l. (“HI”) at a price of EUR 8.5 million representing a 10% discount to the acquired net asset value as of December 2013. The HI portfolio 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. The Company has joined the partnership agreement with OPG. After this acquisition, the Company agreed to invest EUR 10.5 million into HI in exchange for a modified cash waterfall between the Company and OPG. The proceeds were further used for a partial repayment of the current bank financing. As a result, the Company and OPG jointly achieved the extension of the bank financing of EUR 62 million for one year.

In June 2014, the Board of Directors decided to grant OPG a three months unsecured loan with an annual interest rate of 8%.

Capital market financing

CPI PROPERTY GROUP is looking for acquisitions in the Central and Eastern Europe, its main area of business, but also “high-end” projects further west in countries including France or Switzerland. The Board of Directors intends to raise capital looking for the best funds offers on the capital markets first with a long term financial partner and potentially in a second phase with a public offering. The funds raised will be used to finance acquisitions using opportunities from restructuring and to deleverage the Group.

Acquisition of CPI bonds

In order to deleverage the Group, EUR 43 million of bonds issued by CPI consolidated subsidiary has been acquired before the end of June 2014. During the months of July and August, additional net acquisitions have been closed for EUR 6 million.

Refinancing of the Berlin portfolio

With the improved operational performance and values, the Company has been studying the possibility to refinance existing mid-term bank loans with a long term financing to acquire additional funds for further enhancement of the new investment strategy. The issuance of bonds has been put on hold due to unsatisfactory market conditions and the Company is currently negotiating alternative refinancing options.

MESSAGE FROM CEO

Dear business partners, colleagues and stakeholders,

Over the last months, some major steps in the conversion of the Group have been achieved with mainly capital increases in cash for a total of EUR 105 million since December 2013, the combination with CPI and the restructuring of the management. The Combination of CPI PROPERTY GROUP with CPI creates a new major real estate listed player in Central Europe with an EPRA NAV of EUR 1.7 billion and a total balance sheet of EUR 4.1 billion.

With the combination of the activities of CPI, the Group has grown its activities outside Germany having now two major home markets in Berlin and Central Europe. The enlarged Group presents a well-balanced and diversified portfolio, which includes a wide range of properties located in the Germany, Czech Republic, Slovakia, Hungary, Poland and Romania. Mr. Vítek, who has become the largest shareholder of the Company, is fully committed to support the long term investment strategy of the Group.

The Group is active in 4 business segments but income generating activities represent more than 85% of the total portfolio. Over the first half of 2014, on a pro forma basis we are reaching 4.8% yield of funds from operations on the real estate portfolio value. This demonstrates the high cash flow generating capacity of our portfolio. The remaining 15% of the portfolio is concentrated on developments for future rental or sale including a diversified land bank.

CPI PROPERTY GROUP continues to seek acquisitions in Central Europe, its main area of business, but also “high-end” projects further west in countries including France or Switzerland. The Board of Directors intends to raise capital looking for the best funds offers on the capital markets first with a long term financial partner and potentially in a second phase with a public offering. The funds raised will be used to finance external growth to rapidly seize existing opportunities from restructuring and to deleverage the Group.

The Group’s investment strategy is focused on:

- Stable income generating real estate assets or real estate assets acquired opportunistically at distressed prices
- Geographic diversification in the CEE region and Western Europe
- Strategic diversification across several real estate sub-sectors

CPI PROPERTY GROUP has now become independent from its former controlling shareholder OPG. Still, the board approved to provide OPG with a EUR 3.5 million short term unsecured loan in June 2014.

We will also continue to consolidate the Group activities to maintain a low cost structure based on efficient and fully integrated asset, property and facility management platforms.

Luxembourg, 27 August 2014

Martin Němeček

Chief Executive Officer

GROUP OVERVIEW

CPI PROPERTY GROUP ("the Company" and together with its subsidiaries ("the Group") is a real estate group founded in 2004. Since foundation it was operating in Germany and concentrates on commercial property, project development and asset management especially in Berlin. With its subsidiary Gewerbesiedlungs-Gesellschaft (GSG), the Group is the largest lessor of commercial property in the Berlin area. The Group focuses on investment properties, realizes development potentials and offers full-service asset management for third parties.

Czech Property Investments, a.s. ("CPI") 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 Republic, Slovakia, Hungary, Poland and Romania.

In the first half of 2014, after the combination with CPI, the Group has expanded into number of CEE countries and significantly extended its current Berlin portfolio. As at 30 June 2014 the Group includes 264 companies in 14 countries around the Europe as indicated in the table below:

Country	Number of Companies 30-June-14
Czech Republic:	145
Germany:	17
Hungary:	31
Slovakia:	16
Poland:	16
Romania:	9
Other	30
CPI PROPERTY GROUP in total	**264**
There of Joint-Ventures	*25*

The parent company of the Group is CPI PROPERTY GROUP, ("the Company") a Luxembourg based property company listed on the Regulated Market of the Frankfurt Stock Exchange in the General Standard segment.

Shareholders structure

On 5 March 2014 the Company issued 76,600,000 new ordinary shares for a total subscription price of EUR 36,002 million to Stationway Properties Limited. The issue price was of EUR 0.47 per share. On 30 April 2014, the Company issued 31,914,894 new shares for a total subscription price of EUR 15 million to Alchemy Special Opportunities Fund II L.P., Guernsey, and 750,000 new shares for a total subscription price of EUR 352,500 to Société Générale, Paris. The issue price was of EUR 0.47 per share.

On 31 May 2014, the Company and Mr. Radovan Vítek (sole shareholder of CPI.) signed Heads of Terms related to the subscription of 2,466,902,565 new ordinary shares of the Company by Mr. Vítek, at the subscription price of EUR 0.47 per share or EUR 1,159 million in aggregate. This transaction was approved by the Board of Directors on 27 May 2014 and was subject to various conditions and regulatory approvals. The new shares were issued under the existing authorized share capital of the Company against the contribution of ordinary shares of Czech Property Investments, a.s. ("CPI") in four tranches as follows:

- 576,673,203 new shares were issued against the contribution of 1,807,872 CPI shares, valued at EUR 271 million on 16 June 2014
- 701,297,979 new shares were issued against the contribution of 2,198,571 CPI, valued at EUR 330 million on 17 June 2014;

- 550,694,915 new shares were issued against the contribution of 1,726,430 CPI shares, valued at EUR 259 million on 17 June 2014;
- 638,236,468 new shares were issued against the contribution of 2,000,873 CPI shares, valued at EUR 300 million on 17 June 2014.

The new shares were not listed upon their issue, but the Company will seek to list them on the Frankfurt Stock Exchange as soon as reasonably practicable, subject to legal and regulatory requirements.

Following all these capital increases implemented during the first half of 2014, the share capital of the Company increased from EUR 34 million represented by 344,656,445 shares to EUR 292 million represented by 2,920,823,904 shares. As such, the total number of shares comprising the total number of voting rights attached thereto was 2,920,823,904 as of 17 June 2014.

Based on the latest shareholders´ declarations received to 30 June 2014, the following table sets out information regarding the ownership of the Company's shares.

Shareholder	Number of shares	Share held
Radovan Vítek and entities controlled by Mr Vítek	2,746,212,226	94.02%
ORCO PROPERTY GROUP	81,644,192	2.80%
Others	92,967,486	3.18%
Total	**2,920,823,904**	**100%**

The Group Management

In July 2014 the Board of Directors decided to implement changes in the management structure of the Group notably including top managers of CPI and CPI PROPERTY GROUP into one management team, with the effective date as of 1 August 2014. Effective the change, the members of the Group management are:

Martin Němeček

CEO

Mr. Martin Němeček, CEO, was appointed in March 2014. Martin has recently led the integration of CPI and CPI PROPERTY GROUP. Before joining CPI PROPERTY GROUP, Martin was the Deputy CEO of CPI, where he was responsible for the real estate acquisitions and had managed transactions with total values over EUR 1.5 billion, including the foreign expansions. Martin also oversaw the bank project financing and legal affairs of CPI. From 2001 to 2011, he worked for Salans (today Dentons), Linklaters and Kinstellar law firms.

Zdeněk Havelka

Deputy CEO

Mr. Zdeněk Havelka, Deputy CEO, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Zdeněk led CPI as CEO. He joined the CPI in 2002 as a senior accountant. Later, he was appointed CFO. In 2005, he was appointed CEO and his direct subordinates were directors of departments of internal audit, development, asset management, acquisitions, property management and operations. He attended the milestones the most important for the growth of CPI that has already expanded beyond the Czech Republic borders.

Tomáš Salajka

Director of Asset Management & Sales

Mr. Tomáš Salajka, Director of Asset Management & Sales, was appointed in June 2014. He is also at a position of CEO of ORCO PROPERTY GROUP. Before joining CPI PROPERTY GROUP, Tomas was working over the last 10 years for GE Real Estate Germany/CEE where his latest position was the Head of Asset Management & Sales CEE and before that for CSOB in the Restructuring Department.

Pavel Semrád

Deputy Director of Asset Management & Sales

Mr. Pavel Semrád, Deputy Director of AM & Sales, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Pavel was working for CPI as the Director of Asset Management. He strengthened the CPI in 2002 as a project manager, in 2005, he was appointed the Director of the Development Department, and subsequently he took up his post as the Property Management Director.

Yves Désiront

Group CFO

Mr. Yves Désiront, Group CFO, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Yves was working as Group CFO for ORCO PROPERTY GROUP. Yves joined ORCO PROPERTY GROUP in 2005 after a seven-year position as head of consolidation in Groupe Bruxelles Lambert, a Belgian holding company listed on Euronext Brussels and a three-year middle management position at Générale de Banque (Fortis).

Pavel Měchura

Deputy CFO

Mr. Pavel Měchura, Deputy CFO, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Pavel was working almost 4 years for CPI, at first as the IFRS specialist, two years later, he became manager of IFRS and analysis. In May 2014 he was appointed CFO and was responsible for the entire real estate accounting groups of CPI. Pavel gained many years of experience at KPMG where he was responsible for leading audit engagements of large companies, mainly from the automotive, real estate and petrochemical industries.

Pavel Menšík

Director of Investments

Pavel Menšík was appointed Director of Investments in March 2014. Pavel has a 10 years' experience within ORCO PROPERTY GROUP where he recently was the Senior Manager in Transactions and Finance, overseeing bank financing and transactions of sales and purchase of assets in real estate business. Between 2004 - 2009, he worked in ORCO as the Head of Group Project Finance, responsible for project finance, asset and share transactions, cash management and treasury. Before that, from 2002 to 2004, he was the Corporate Relationships Manager in ČSOB Bank (KBC Group).

Igor Klajmon

Director of Development

Mr. Igor Klajmon, Director of Development, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Igor was working as the Director of Development for CPI. His most significant projects include the QUADRIO, a multifunctional complex in the centre of Prague, and the Palais Maeterlinck, a luxury residential housing project in the French resort of Nice. He has many years of experience in working on large commercial and residential projects in Central Europe, United Kingdom and Brazil. He is a graduate of the Technical University in Brno, then he studied at the Mackenzie University in Sao Paolo (Brazil), and at the London Business School (UK).

Martin Stibor

Head of Property Management

Mr. Martin Stibor, Head of Property Management, was appointed in June 2014. Previously he has been working for the CPI, being responsible for technical, administrative and operating management of all properties of the CPI portfolio. He has gained valuable experience during his mission in the top management at the EMCM. Mr. Stibor graduated from the Technical University in Brno.

Štěpán Rázga

Chief Operations Officer

Mr. Štěpán Rázga, COO, was appointed in June 2014. Before joining the CPI PROPERTY GROUP, Štěpán was working for CPI, at first as the financial analyst, and later he held the position of a divisional manager. In 2013, he was appointed the Chief Operating Officer. In past, he worked as a financial manager, and subsequently in the controlling of the Czech-Slovak investment group. He graduated from the University of Economics in Prague, Faculty of Business Administration.

The Company and CPI business combination

On 29 November 2013, the Board of Directors of the Company resolved to raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 3 March 2014, the Board of Directors further resolved to increase its capital raising goal from EUR 100 million to EUR 126 million. Between December 2013 and April 2014 the Company raised EUR 105.3 million in three capital increases subscribed for in cash by some large shareholders of ORCO PROPERTY GROUP ("OPG") or their respective affiliates, namely Alchemy Special Opportunities Fund II LP, Société Générale, Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott and Tandis, a.s., an affiliated to Mr. Radovan Vítek. The subscription price was EUR 0.47 per share in each case. The primary uses of the proceeds raised in these capital increases are the investments and financing of various projects within the Group as well as OPG.

On 12 June 2014 Mr. Vítek (through his 100% owned entity Materali, a.s.) purchased the Company shares from third parties (Aspley Ventures, Kamoro, and Stationway Properties Limited). As a result of these purchases Mr. Vítek increased his shareholding in the Company from 25.30 % to 71.29 %.

Mr. Vítek proposed to the Board of Directors to join within the Company his fully controlled Central European real estate activities located within CPI. After approval by the Board of Directors, Mr. Vítek contributed 100% of the shares of CPI to the Company in exchange of 2,466,902,565 newly issued Company shares on 16 and 17 June 2014. Following this capital increase the shareholding interest of Mr. Vítek in the Company increased to 94.02 %.

This transaction is a business combination of activities under common control since both of the groups were controlled by Mr. Vítek at the date of acquisition, although being an individual not subject to the financial reporting requirements of IFRSs. The Board of Directors considers the pooling of interest method as the most appropriate method for this transaction.

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All data presented in this management report as at 30 June 2014 and also comparable data as at 31 December 2013 or 30 June 2013 were compiled under assumption that the Company and CPI were combined as of 1 January 2013.

Disclosed data might include rounding difference which resulted from data processing of rounded amounts and percentage rates.

ECONOMIC DEVELOPMENT IN THE CORE COUNTRIES OF THE GROUP

Czech Republic

The following macroeconomics data and description were published by the Czech Statistical Office (unless otherwise stated).

The gross domestic product adjusted for price, seasonal, and calendar effects increased in the first quarter of 2014 by 2.9% year-on-year. The economy of the Czech Republic benefited from increasing of both foreign and domestic demand as well as from a very low comparison base, Q1 2013 was indeed the weakest for the last four years in terms of economic performance. The final consumption expenditure increased in total by 1.4%, year-on-year. The total gross capital formation increased by 2.5%, year-on-year, when drop of production and goods inventories was more than compensated by growth of fixed capital formation by 5.8%. Increased investments were directed to transport equipment, machinery equipment, and buildings and structures except for dwellings. Quarter-on-quarter, the fixed capital formation increased by 1.2%.

The consumer price level in June 2014 was the same as in June 2013 (annual change 0.0%). This development came particularly from prices in 'food and non-alcoholic beverages', which moved from a growth of 2.5% in May to a decline (-1.1%) in June. The increase in the average consumer price index over the twelve months to June 2014 compared to the average consumer price index over the previous twelve months, stood at 0.7% in June 2014.

The general unemployment rate according to the International Labour organization (ILO) definition in the age group 15-64 years attained 6.1% in Q2 2014 and decreased by 0.7 p.p. year-on-year. The number of unemployed persons reached 318.6 thousand decreasing by 39.4 thousand persons, year-on-year.

Germany

Based on data taken from DTZ and CBRE Research, the German economy continues its upward trend. In contrast to the moderate growth of recent years the German economy continued to gain momentum in Q1 2014. Gross domestic product rose by 0.8% compared to the previous quarter. The price adjusted GDP in Berlin grew by 1.2% in 2013 and is therefore three times the rate for the whole Germany (0.4%). The economic institute Oxford Economics estimate the economy of Berlin continued to demonstrate a stabilised growth which is expected at 1.9% to outperform Germany's growth rate of 1.7% estimated for 2014 to 2018. The good economic outlook, the good infrastructure created and Berlin's reputation as a progressive, cosmopolitan capital city is estimated to further increase the number of employees subject to social insurance contribution and office worker's jobs by 0.4% and 0.5%, retrospectively on an annual basis until 2018. . All in all, Berlin still needs to catch up compared to other major cities but is progressing rapidly.

Hungary

Based on the data published by the Hungarian Central Statistical Office, the gross domestic product of Hungary increased year-on-year by 3.5% over the first quarter of 2014. Consumer prices decreased by 0.3% compared to June 2013. In Q2 2014, the number of unemployed people was 359 thousand, 91 thousand fewer than in the same period of 2013, and the unemployment rate decreased by 2.3 p.p. to 8.0%.

Slovakia

Based on the data published by the Statistical Office of the Slovak Republic, the gross domestic product measured at current prices increased by 1.9 %, year-on-year. In quarter-on-quarter comparison, compared with the Q4 2013, after seasonal adjustment, it increased by 0.6 %. That was the second consecutive quarter when economic growth was affected by both a year-on-year growth of foreign demand and domestic demand. In June 2014 the annual inflation rate measured by harmonized index of consumer prices reached the value of 0.1 %. The unemployment decreased, year-on-year, for the second consecutive quarter. Compared with the Q1 2013, it was reduced by 3.2 %. The unemployment rate for Q1 2014 is 14.1%.

Poland

Over Q1 2014 seasonally adjusted gross domestic product was higher by 1.1% than in the previous quarter and 3.5% higher year-on-year, based on the data published by the Polish Central Statistical Office. The positive impact of domestic uses on GDP growth became stronger with smaller, yet still positive, impact of net exports. The prices of consumer goods and services increased by 0.8% over the period of April 2013 to March 2014 in relation to the preceding twelve months, similarly to one month earlier. Consumer prices according to the harmonized index of consumer prices grew by 0.6% year-on-year. The unemployment rate at the end of March 2014 comprised 13.5% of the economically active population; it was by 0.p.p. higher than in Q4 2013. Whereas compared to the same period of the last year, the unemployment rate decreased by 0.8 p.p.

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 report published by JLL (unless otherwise stated).

Retail Market

Total modern retail stock in the Czech Republic exceeded 3 million sqm. The supply in Q2 2014 reached almost 36,400 sqm. In H2 2014 another 63,300 sqm will be delivered to the Czech retail market. The highest shopping centre density of 1,440 sqm per 1,000 inhabitants is currently in Teplice, followed by Liberec with 1,400 sqm per 1,000 inhabitants. The Czech Republic remains the 2nd most sought after market in CEE after Poland. It registers a healthy retail demand which is focused on Prague. Rents on the prime high streets of Prague remained stable at around EUR 180 /sqm /month. Prime shopping center rents in Prague for a unit of 100 sqm remained at a level of EUR 95 /sqm /month while varied between EUR 25 – EUR 50 /sqm /month in the region. Retail parks rents varied from EUR 10 – EUR 15 /sqm /month in Prague EUR 6 – EUR 12 /sqm /month in the region.

Prague office market

The new supply delivered in H1 2014 was almost 73,300 sqm and a further 102,800 sqm to be delivered over H2 2014. Currently about 290,000 sqm is under construction, which is the highest pipeline under construction recorded since 2008. Total office stock reached more than 2.96 million sqm in Q2 2014. The leasing activity in Q2 2014 reached 61,082 sqm which represents a year-on-year decline of 16%. Q2 2014 vacancy rate grew to 14.62% and a bigger hike of vacancy is expected in the for coming quarters as there will be more, mainly speculative, projects coming to the market. During Q2 2014, another slight drop in the perception of prime headline rents has been observed. The prime office rent stood at EUR 18.50-19.50 /sqm /month in city centre.

Residential Market

In Q2 2014 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 most striking shift was observed in the prices of family houses, which has increased by 2.7 p.p. and reached HB INDEX 103.9. That is the highest level since the beginning of 2010. The land prices increased only slightly by 0.3 p.p., followed by a slight increase in flats by 0.7 p.p. The average market price of land and the flats reached HB INDEX 94.4 and 116.8, retrospectively in Q2 2014.

HB Index is regularly presented by Hypoteční banka, a.s. and is based on realistic estimates of market prices of real estates. INDEX HB itself is calculated for the entire Czech Republic, and for the three types of real-estates - flats, houses and land. For Basic 100.0 were selected real estate prices as of 1 January 2008.

In June 2014, the interest rates of mortgage loans under the aggregate index of Fincentrum (Hypoindex) fell again to record 2.76%. Interest rates are likely to rise during the holidays.

Hotel Market

2013 was the fourth consecutive record year for tourism in Prague with a total of 5.9 million arrivals and 14.6 million bed nights, reflecting the strength of Prague as a leading global tourism destination. The city remains dominated by international guests, accounting for approximately 89% of total bed nights in 2013. As at June 2014, Prague´s hotel supply comprised of 339 hotels with approximately 26,100 rooms. 4- and 5-star establishments dominate the market accounting for 51% of all graded hotel supply. 3-star hotels also have a significant presence, representing 39% of the market. Four new hotels scheduled to open in 2014 are under construction.

Industrial Market

The total modern A-class industrial stock in the Czech Republic was 4.64 million sqm at the end of Q2 2014. In H1 2014, the total new supply reached 169,000 sqm which represents and improvement of 57% compared to the same period last year. The gross take-up reached 502,000 sqm over H1 2014, which is almost the same result as in H1 2013 whilst the net take-up of 253,000 sqm remained only 3% below H1 2013 levels. The top regions in both gross and net take-up activity were Greater Prague and the Ostrava region. The vacancy rate in the Czech Republic decreased by 58 bps year-on-year and reached a level of 8.1%. Prime headline rents in Prague remained stable at EUR 3.80-4.25 /sqm /month. Prime rents in the Brno region are also stable at EUR 3.90-4.25 /sqm /month.

Germany

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

Berlin office market

Total stock of office space is still around 17.85 million sqm at the end of H1 2014. Over the first six months, only 17,800 sqm office space was completed. A further 214,200 sqm is expected to come onto the market by the end of the year. The Berlin office market ended H1 2014 with a take-up of 274,400 sqm exceeding the previous year´s level by 25%. This is the second strongest result since 2004. The vacancy level has decreased over the last twelve months from 1.56 to 1.49 million sqm, i.e. a reduction in the vacancy rate of 0.4 p.p. to 8.4% due to conversions and the low proportion of speculative completions. The prime rent is further stabilizing in the core locations at EUR 22.50 /sqm /month. The weighted average rent rose from EUR 12.97 /sqm /month to EUR 13.20 /sqm /month between the mid-year points of 2013 and 2014.

Slovakia

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

Retail Market

Throughout the beginning of H1 2014 the retail market showed confidence with a positive outlook for the rest of the year. Especially fashion tenants started to consider expansion strategies. No significant deliveries were recorded over H1 2014 in Slovakia and the retail stock of approximately 1.4 million sqm stays unchanged. The total stock of modern retail space in Bratislava stands at approximately 530,000 sqm. The highest retail stock density of 1,335 sqm per 1,000 inhabitants is currently in Zilina, followed by Bratislava with 1,286 sqm per 1,000 inhabitants. Prime high street rent has stayed on the level of EUR 40 /sqm /month. Average traditional shopping centre rent remained at the level of EUR 23.50 /sqm /month.

Industry and Logistic Market

A total modern industrial supply in Slovakia equalled to 1,223,000 sqm at the end of H1 2014, another 55,000 sqm is currently under construction. The Greater Bratislava region maintains its leading position as far as industrial stock is concerned (68%). The ratio between net take-up and renewals was split as follows – approx. 43,000 sqm of new leases and 20,000 sqm of renewals in Q2 2014. The vacancy rate as of Q2 2014 recorded a slight increase to 7.02%. Prime headline rents in the Greater Bratislava area are at EUR 3.80-4.80 /sqm /month and in Eastern Slovakia, prime headline rents are at EUR 3.60-3.90 /sqm /month.

Hungary

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

Budapest office market

Almost 35,600 sqm were delivered to the office market over H1 2014. The total office stock stands at 3.2 Million sqm as at end of H1 2014. The half-year gross take-up totalled 248,900 sqm, which set a new record high in the Budapest office market. 51% of it (128,470 sqm) was driven by net take up, which is 40% higher than over the corresponding period of 2013. Despite the strong occupier activity in Q2, the gross take-up is not expected to exceed 400,000 sqm in 2014. The vacancy rate significantly improved by 230 bps year-on-year to 17.6%. This is the lowest rate over the past 5 years. Prime rent stands at EUR 20 /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. Average asking rents did not change significantly on the previous quarter; they remained in the range of EUR 11-14 /sqm /month for A class offices with generous incentive packages.

Budapest retail market

The total shopping center stock of Budapest remained unchanged as no new completions were delivered in H1 2014 and stands at 771,500 sqm in 25 assets. Shopping centre density amounts to 443 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 2014 and an outstanding year-on-year growth was reported in March 2014 at 8.5%. In general, after a long time, an increasing interest for Hungary as a target location for network expansion is noted, not only among mass market brands, but premium and luxury retailers as well. Typical shopping centre rents range between EUR 20 and 65 /sqm /month in Budapest while downtown high street rents at Váci utca are around EUR 80 to 100 /sqm /month and EUR 40 to 80 /sqm /month on Andrássy Avenue.

Budapest industrial market

The modern industrial stock remained unchanged with 1.8 million sqm, as there were no new handovers in Budapest over Q2 2014. Over H1 2014, the completion volume totalled only 11,100 sqm. The half-yearly gross take-up reached a record high with 181,260 sqm, out of which net take-up comprised 86,290 sqm. The later volume represents a more than 100% growth on the corresponding period of 2013 and the highest amount since 2008. The Budapest South submarket attracted the most demand by far with 58% of the total leasing activity. The vacancy rate rapidly decreased in Q2 2014. The rate sunk by a massive 380 bps year-on-year and stood at 19.1% at the end of June 2014. Asking rents in logistics parks are at around EUR 2.80-3.80 /sqm /month, while, in the more centrally located city centre logistics rents are around EUR 4.50-5.00 /sqm /month.

Budapest hotel market

Budapest is by far the most popular tourist destination in Hungary and tourism plays a critical role in the city´s economy. In 2012, bed nights grew by 12.4% year-on-year to a new peak of 7.4 million. 89% of total bed nights in 2013 were of international origin. As at June 2014, Budapest had approximately 174 hotels with about 18,300 rooms. The majority of hotels are concentrated in the 3- and 4-stars' segment, accounting for approximately 80% of all graded hotel bad stock in the city. 2013 saw occupancy levels reach 65.8%, the highest level since the global financial crisis of 2008/9.

Poland

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

Warsaw office market

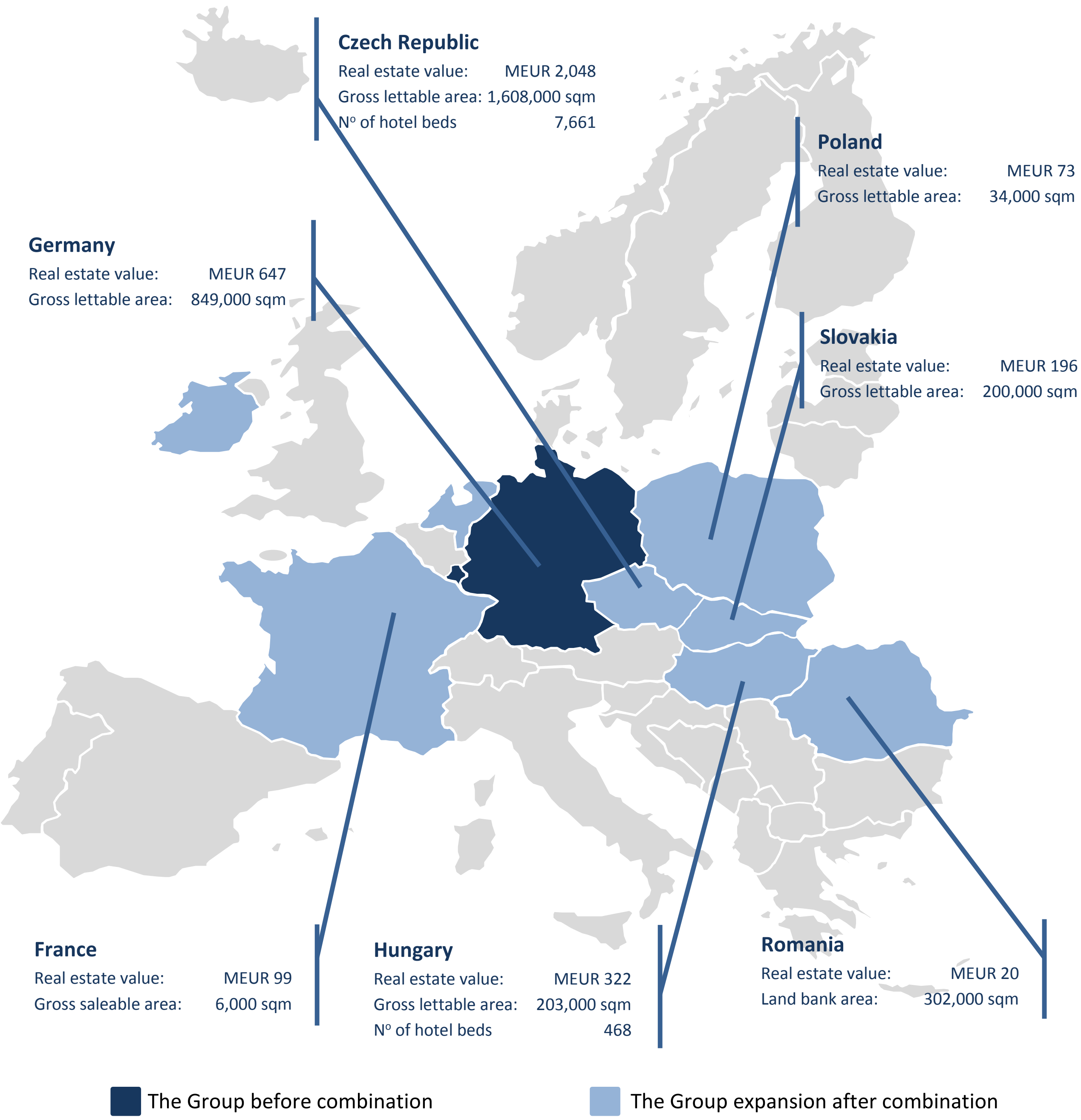
The modern office space delivered to the Warsaw market over the course of H1 2014 exceeded 190,300 sqm. Construction activity in Warsaw remains high, with more than 578,900 sqm under active construction and 61,800 sqm under refurbishment. Total office stock reached more than 4.3 million sqm at the end of H1 2014. The gross take-up stood at 258,900 sqm over H1 2014, which represents a decrease of 30% year-on-year. New deals and renewals are still taking a clear lead, with a 50% and 35% share, respectively. The vacancy rate in Warsaw increased over H1 2014 when compared to the end of 2013, from 11.8% to 13.4%. Given the strong pipeline supply expected in 2014 and 2015, the vacancy rates are likely to continue to increase throughout the second half of 2014. Prime headline rents currently range between EUR 22-24 /sqm /month in central locations.

Retail Market in Poland

The total supply of modern retail stock in Poland reached 12.5 million sqm as at end of H1 2014. H1 2014 ended with a total of 266,000 sqm of new gross leasable area having been delivered to the market in 13 new projects and three extensions of existing schemes. A large shopping & leisure complex with 73,000 sqm was opened in Lublin in H1 2014. As a result of this new project Lublin reached a shopping centre stock density of 770 sqm per 1,000 inhabitants. Over the first five months of 2014 retail sales increased by 5.9% which is a significant result compared to 0.4% evidenced over the same period last year. Prime shopping centre rents peaked at EUR 90-100 /sqm /month for top retail assets in Warsaw and oscillate between EUR 43-55 /sqm /month in other major agglomerations.

REAL ESTATE PORTFOLIO REPORT

The Group is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central European region and Germany. As a result of combination with CPI in June 2014, the Group portfolio now includes number of properties in a variety of segments. 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 real estate portfolio of the Group is reported on the balance sheet under the following positions:

- Investment property
- Property, plant and equipment
- Inventories

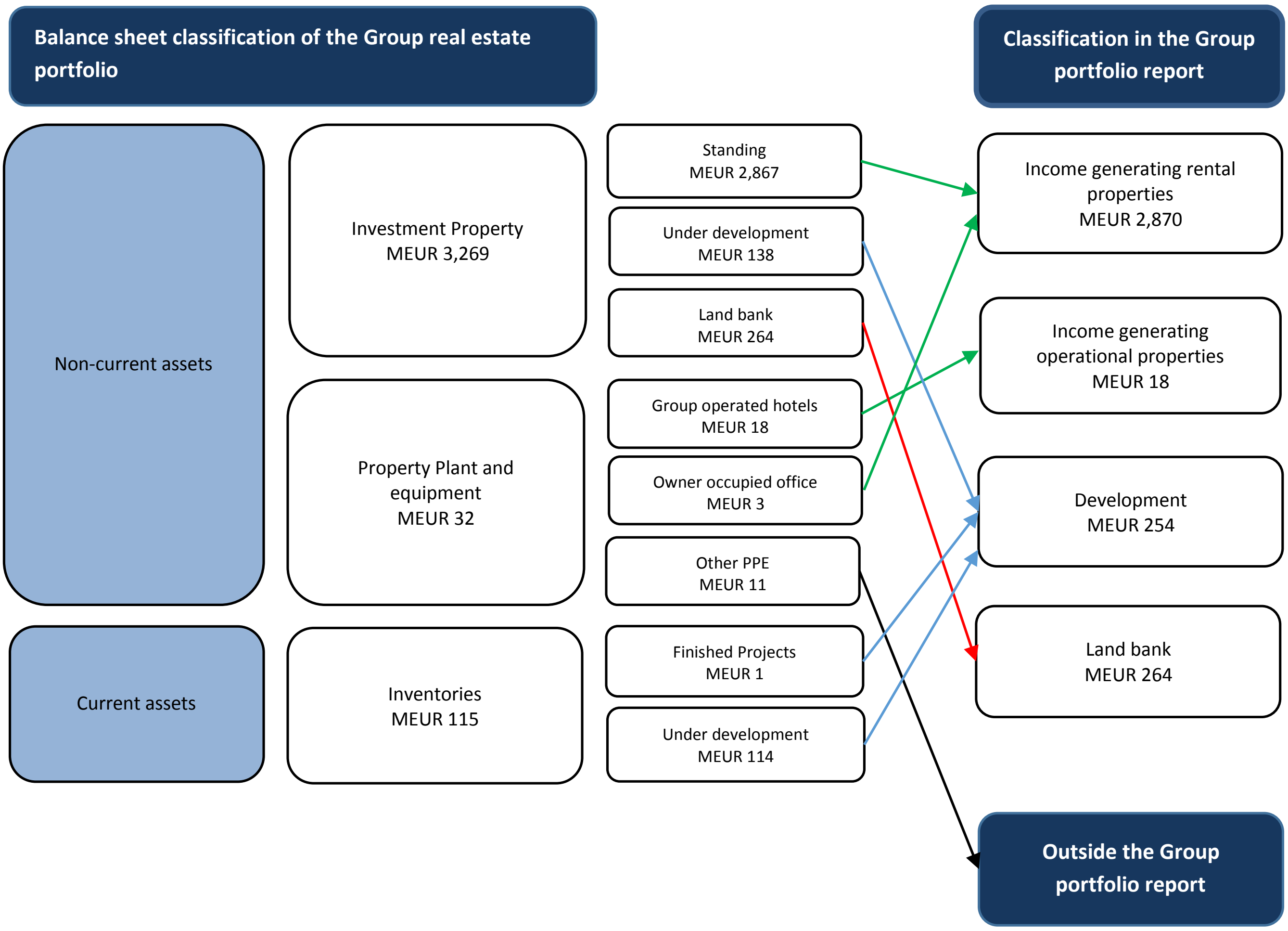
"Investment property" consists of rental properties, investment property under development and land bank. Investment property under development represents development projects currently in progress, which will be reclassified by the Group as rental properties after completion. Land bank represents properties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

"Property, plant and equipment" include owner occupied properties comprising mainly hotels operated by the Group and offices rented out to the Group entities.

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

The real estate 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 2014 with the presentation in our portfolio report:



The following table shows the carrying amount of the Group's real estate portfolio as of 30 June 2014 after the combination of the two groups:

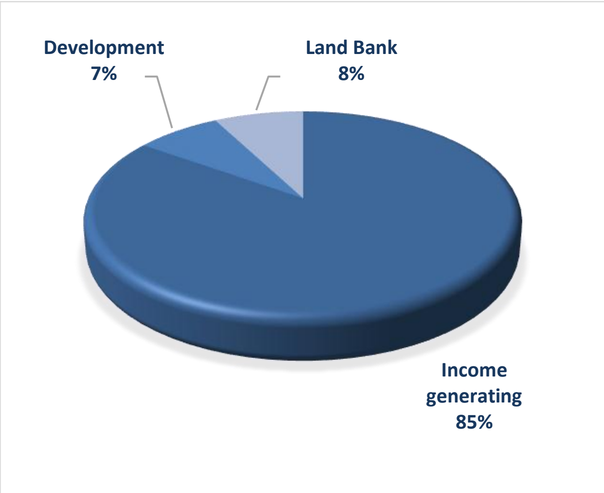
REAL ESTATE PORTFOLIO	Nº of properties *	Nº of residential units	Nº of hotel beds	Income generating	Development	Land Bank	Carrying value	Carrying value
				MEUR	MEUR	MEUR	MEUR	%
Czech Republic	240	12,574	7,661	1,715	150	182	2,048	60%
Slovakia	17	0	0	196	0	0	196	6%
Germany	45	0	0	637	4	6	647	19%
Hungary	16	0	468	270	0	52	322	9%
Poland	3	0	0	69	0	4	73	2%
Romania	0	0	0	0	0	20	20	1%
France	1	0	0	0	99	0	99	3%
The Group	**322**	**12,574**	**8,129**	**2,888**	**254**	**264**	**3,405**	**100%**

*excluding Residential units

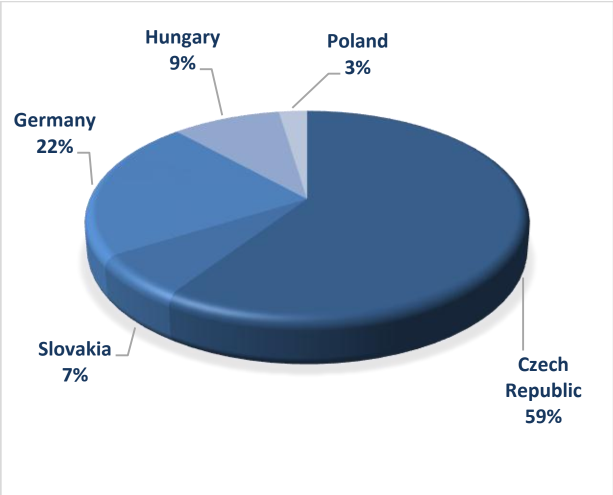
The real estate portfolio valuation as at 30 June 2014 is based on a management's analysis of the current situation on the real estate market and on reports issued by external valuation experts as at 31 December 2013, except to Berlin portfolio. Berlin portfolio was valued by CBRE valuation experts. The change in value is driven by the improved assumptions (mainly on ERV and yields) retained by the independent expert on the rental Berlin market.

The Group property value total EUR 3,405 million as of 30 June 2014 (31 Dec 2013: EUR 3,201 million). As showed in the chart below, 85% of the Group real estate portfolio value is made of income generating assets of which EUR 2,870 million (99.4%) are income generating rental properties and EUR 18 million (0.6%) are income generating operational properties. The majority of the income generating assets are located in the Czech Republic with 59% of the total value, followed by Germany with 22%, Hungary with 9% and Slovakia with 7%.

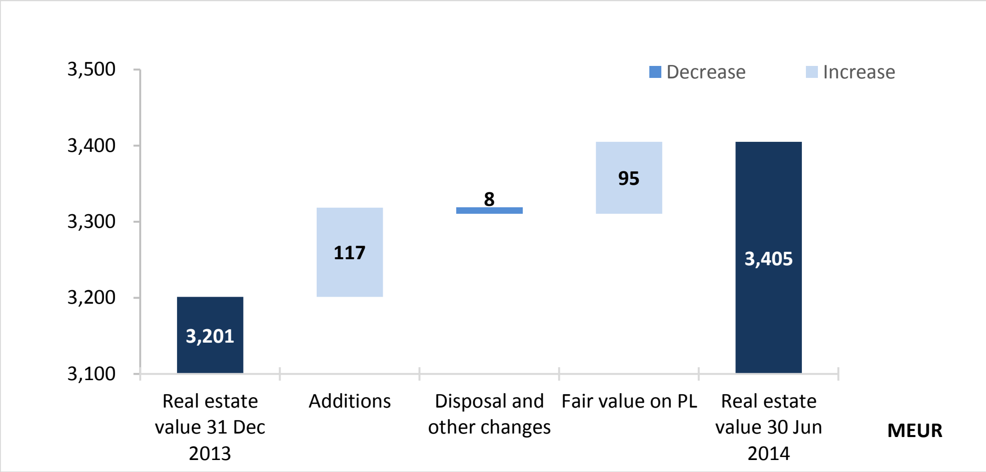
Real estate portfolio



Income generating by country



Real estate portfolio



The main reasons for increase in the portfolio value over H1 2014 were as follows:

- revaluation gain on Berlin portfolio of EUR 95 million;
- acquisition in Hungary of new office premises for EUR 50 million;
- investment in the construction of multifunctional complex QUADRIO of EUR 26 million and residential property Palais Maeterlinck of EUR 12 million;
- acquisition of AQUA Carree in Berlin for EUR 12 million;
- new property acquired in retail segment in total of EUR 5 million;

INCOME GENERATING

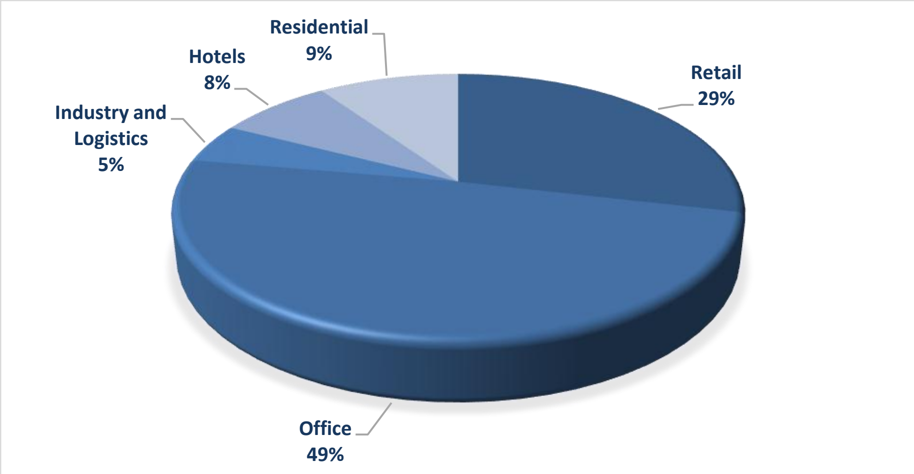
Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES	Nº of properties ***	Carrying value	Carrying value	Gross lettable area	Occupancy **	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%	th. sqm	%	MEUR	EUR	%	
Office	85	1,409	49%	1,245	83.0%	44	7.5	5.2%	3.5
Retail	187	822	29%	620	93.3%	33	8.9	6.0%	5.8
Residential	0	276	9%	768	74.8%	11	2.3	3.5%	--
Hotels	16	224	8%	162	100.0%	7	7.4	5.7%	13.7
Industry and Logistics	17	138	5%	262	95.8%	6	4.0	8.6%	3.7
The Group	**305**	**2,870**	**100%**	**3,057**	**86.7%**	**101**	**6.0**	**5.8%**	**3.7**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013
**the Group occupancy rate do not include hotels
**excluding residential properties

Income generating rental portfolio with a carrying value of EUR 2,870 million represents the major part of the Group´s real estate portfolio. The Group is renting out a great variety of assets but is primarily focusing on office and retail that together contribute 78% of the real estate portfolio carrying value and 1.9 million sqm of lettable area.

Income generating rental properties by type of asset



Income generating operational properties

Income generating operational properties currently include segment hospitality and represents hotel operated by the Group under the brand of Courtyard by Marriott. Hotel is located in Budapest, Hungary.

INCOME GENERATING OPERATIONNAL PROPERTIESS	Nº of properties	Carrying value	Carrying value	Number of beds	Pro forma hotel revenues H1 2014*	Pro forma net hotel income H1 2014*	Average occupancy	Average daily rate
		MEUR	%		MEUR	MEUR	%	EUR
Hospitality	1	18	100%	468	2	1	67.7	52.8
The Group	**1**	**18**	**100%**	**468**	**2**	**1**	**67.7**	**52.8**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

OFFICE

Key Figures – June 2014

83.0 %	**85**
Occupancy	**Number of properties**
44 MEUR	**1,409 MEUR**
Pro forma rental income H1 2014 *	**Carrying value**
1,245 thousand sqm	**5.2 %**
Gross lettable area	**FFO ratio on Real estate portfolio**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

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

OFFICE	Nº of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%	th. sqm	%	MEUR	EUR	%	
Germany	43	636	45%	797	82.1%	20	5.2	4.2%	2.3
Czech Republic	32	528	37%	284	93.6%	18	11.7	6.7%	5.1
Hungary	8	195	14%	138	68.9%	5	11.4	4.1%	2.8
Poland	2	50	4%	26	70.9%	2	4.4	6.2%	1.9
The Group	**85**	**1,409**	**100%**	**1,245**	**83.0%**	**44**	**7.5**	**5.2%**	**3.5**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

Over H1 2014, the Group acquired administrative building Arena Corner in Budapest, an A class building complex providing 29,000 sqm of office and minor retail spaces on 8th floors in 3 office towers with direct connections to each other. The complex is situated in the sport and business hub of the city and is well connected to public transportation.

Another significant extension of the portfolio relates to the purchase of the AQUA Carree complex in Berlin-Kreuzberg. The building was constructed between 1883 and 1889 and has a total floor area of 12,500 sqm divided into units ranging in size from 10 to 900 sqm. The acquisition not only marks a milestone in the almost 50 year history of growth of GSG in Berlin, but also a consolidation of its portfolio over nearly two decades. Until 1997, the AQUA Carré complex was the site of a metal foundry and lamp making factory owned by F. Butzke & Co. However, since 2000, it has evolved into a popular location for Berlin's creative industries, with a permanently strong demand for rental space.

In addition to extension of the portfolio, the Group has entered 30 new leases with the tenants and extended a number of current rental contracts in the Czech Republic. Among new tenants belong companies such as DHL Express, GMC Software Technology and Allianz. Current contract were extended with tenants such as Burda and Credit One.

In June 2014**,** the Group successfully signed the lease contract with Vodafone Hungary for 13,800 sqm. Vodafone extended its current lease to 8,200 sqm and, in addition to this, leased another 5,600 sqm.

These transactions have positive impact on the occupancy in the Czech Republic and Hungary which increased from 92% to 93.6% and 64.9% to 68.9%, respectively. Reflecting a slight decrease in occupancy in Poland, average occupancy of office portfolio of 83% is comparable to December one of 83.9%.

RETAIL

Key Figures – June 2014

93.3 % Occupancy	**187** Number of properties
33 MEUR Pro forma rental income H1 2014 *	**822 MEUR** Carrying value
620 thousand sqm Gross lettable area	**6.0 %** FFO ratio on Real estate portfolio

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

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

RETAIL	Nº of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%	th. sqm	%	MEUR	EUR	%	
Czech Republic	166	652	79%	491	93.6%	26	8.8	5.7%	5.9
Slovakia	16	112	14%	82	99.9%	5	9.4	7.7%	7.1
Hungary	4	39	5%	39	76.2%	1	7.0	4.4%	2.2
Poland	1	19	2%	8	91.9%	1	17.2	8.6%	1.9
The Group	**187**	**822**	**100%**	**620**	**93.3%**	**33**	**8.9**	**6.0%**	**5.8**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

Over H1 2014, the Group acquired four new supermarkets in the Czech Republic with total rentable space of 5,338 sqm.

Retail portfolio provides about 620 thousand sqm of lettable area which can be further divided as follows:

- Retail warehouse which comprise supermarkets, hypermarkets, hobby markets and retail parks of about 387 thousand sqm of lettable area;
- Shopping centres and galleries of about 145 thousand sqm of lettable area;
- So-called special properties (separate units and establishments, usually B class) which provide about 88 thousand sqm of lettable area.

Existing lease contracts were renewed at almost all shopping centres owned by the Group which resulted to increase in average segment occupancy to 93.3% (2013: 90.4%)

RESIDENTIAL

Key Figures – June 2014

74.8	%	Occupancy
12,574		Number of residential units
11	MEUR	Pro forma rental income H1 2014 *
276	MEUR	Carrying value
768 thousand	sqm	Gross lettable area
3.5	%	FFO ratio on Real estate portfolio

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

The Group is an important 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 12,574 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions. Rental housing portfolio is managed under the brand CPI BYTY, a.s.

RESIDENTIAL	Nº of residential units	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	Churn rate
		MEUR	%	th. sqm	%	MEUR	EUR	%	%
Czech Republic - Prague	610	49	18%	41	97.4%	1	4.5	3.5%	4.6%
Czech Republic - other	11,964	227	82%	726	73.5%	10	2.2		5.8%
The Group	**12,574**	**276**	**100%**	**768**	**74.8%**	**11**	**2.3**	**3.5%**	**5.7%**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

As for the prior years, the Group is implementing a long term and thorough refurbishment plan of the portfolio. Planned annual expenditures of EUR 3 million, out of which EUR 2 million has already been spent should cover reconstruction of roofs and sewers connections and reconstruction of flats that are intended for new lease.

In addition to ongoing refurbishment plan, the Group continues to create Client´s centres in each location, which provides rent-related advisory services to the tenants. The personal approach through the Client´s centres and continuous refurbishment of the apartments contribute positively to the long-term and stable relationship with the tenants and form the basis for a firm rental income.

HOTELS

Key Figures – June 2014

16
Number of properties

224 MEUR
Carrying value

7 MEUR
Pro forma rental income H1 2014 *

7,661
Number of beds

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

The Group is one of the largest Czech owner and developer of hotels. The hotels' network currently include 16 hotels in Prague and regional cities of the Czech Republic. The set of activities in this segment includes reconstruction of original buildings and construction of entirely new hotels of various standards. The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five stars category. The flagship of the Group is a network of four-stars Clarion hotels aimed at the corporate and congress clientele.

The existing and newly opened hotels show that the Group cutting-edge facilities, in conjunction with an experienced and quality operator, are easily able to compete in this segment inside and also outside Prague.

HOTELS	Nº of properties	Carrying value	Carrying value	Gross lettable area	Number of beds	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%	th. sqm		MEUR	EUR	%	
Czech Republic	16	224	100%	162	7,661	7	7.4	5.7%	13.7
The Group	**16**	**224**	**100%**	**162**	**7,661**	**7**	**7.4**	**5.7%**	**13.7**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

Except of the ongoing renovations of hotels in Northern Bohemia region and in Prague district, there have not been any significant changes in the portfolio in H1 2014

INDUSTRY AND LOGISTICS

Key Figures – June 2014

95.8	**%**	**17**	
Occupancy		**Number of properties**	
6	**MEUR**	**138**	**MEUR**
Pro forma rental income H1 2014 *		**Carrying value**	
262 thousand	**sqm**	**8.6**	**%**
Gross lettable area		**FFO ratio on Real estate portfolio**	

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

Logistics is the most recent class of assets in which CPI started to invest and in which the Group will continue to expand. The portfolio grew thanks to a Logistics Park acquired in Hungary in the first half of 2013. The Group currently owns about 262,000 sqm of rental space and manages 17 objects used for light industrial production, including the Autologistics Park Lozorno in Slovakia, the Continental Logistics Park in the Czech Republic, as well as the Airport City Logistics Park in Hungary.

INDUSTRY AND LOGISTICS	Nº of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%	th. sqm	%	MEUR	EUR	%	
Slovakia	1	84	61%	118	98.4%	3	4.7	7.5%	3.9
Czech Republic	12	36	26%	66	87.8%	2	4.2	8.7%	4.4
Hungary	3	18	13%	27	95.3%	1	5.5	8.4%	4.6
Germany	1	1	0%	52	100.0%	1	2.6	157.9%	1.0
The Group	**17**	**138**	**100%**	**262**	**95.8%**	**6**	**4.0**	**8.6%**	**3.7**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

The Group succeeded to extend the lease contracts with several tenants in Airport City Logistics Park and the Autologistics Park Lozorno. The segment keeps relatively high occupancy at 96% which is slightly higher than the 93% achieved in December 2013.

HOSPITALITY

Key Figures – June 2014

1 — Number of properties

18 MEUR — Carrying value

67.7 % — Average occupancy

468 — Number of beds

The Courtyard by Marriott Budapest City Center hotel, acquired in June 2013 has become a new addition to the portfolio. It is the only hotel that is currently directly owned and operated by the Group. It is located at the heart of Budapest, only a few minutes away from the Rudas Thermal Bath, Buda Castle and Erzsébet Bridge. 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.

HOSPITALITY	Nº of properties	Carrying value	Carrying value	Number of beds	Pro forma hotel revenues H1 2014*	Pro forma net hotel income H1 2014*	Average occupancy	Average daily rate
		MEUR	%		MEUR	MEUR	%	EUR
Hungary	1	18	100%	468	2	1	67.7	52.8
The Group	**1**	**18**	**100%**	**468**	**2**	**1**	**67.7**	**52.8**

*as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013

The hotel generated revenue of MEUR 2 and net income of MEUR 1 for the 6 months ended 30 June 2014. Average occupancy rose from 63.3% in H1 2013 to 67.7% in H1 2014. ADR also showed positive development and increased by 2% compared to June 2013.

DEVELOPMENT

Key Figures – June 2014

72 thousand	sqm
Potential gross leasable area	

139	MEUR
Development for rental	

85 thousand	sqm
Potential gross saleable area	

115	MEUR
Development for sale	

The Group views development as a mean of increasing the value of land or 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	Potential GLA	Potential GSA	Development for rental	Development for sale	Development for rental	Development for sale	Remaining development costs
	th. sqm	th. sqm	MEUR	MEUR	%	%	MEUR
Czech Republic	72	77	139	11	100%	10%	45
France	0	6	0	99	0%	86%	10
Germany	0	2	0	4	0%	3%	2
The Group	**72**	**85**	**139**	**115**	**100%**	**100%**	**57**

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

DEVELOPMENT FINANCING	Bank loans	Other external financing	Internal financing
	MEUR	MEUR	MEUR
Czech Republic	52	9	71
France	33	0	50
Germany	0	0	2
The Group	**86**	**9**	**123**

The biggest attention is now devoted to the completion of current development projects which mainly include construction of QUADRIO, a multipurpose project of office, retail and residential complex in Prague; reconstruction of the residential complex Palais Maeterlinck in France and reconstruction of unique historical building in Prague.

QUADRIO multifunctional business complex, located in the centre of Prague, represents the largest current project of the Group. The business complex includes a four floor shopping mall at total lettable area of 8,500 sqm; A class office lettable space of 16,400 sqm and 13 residential units. The residential area includes apartments ranging from small up to large and luxurious. Prices range from 100 to 150 thousand CZK per sqm, and at the end of June 2014, there were only 3 apartments available for sale. Completion of the complex is scheduled for autumn 2014.

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 area comprises about 6,000 sqm of residential area and 3 hectares of land. Reconstruction enable the creation of luxurious apartments, which are intended for sale. The project is planned to be finished in 2014, with the interior customised to each client's specifications by spring of 2015.

In 2013, the Group started a unique development project for the future use of historically valuable building in the centre of Prague. Once refurbished, the building will be opened to the public and will offer to Prague several exhibition spaces for a total area of 3,500 sqm that will be one of the largest exhibition dedicated to glass and utility design. The concept will also include a café and a restaurant, thematic programs for families, and also boutiques, showrooms and offices. The public areas will be complemented by retail spaces with glass, light and design and a wide variety of events and educational programs.

LAND BANK

Key Figures – June 2014

18,102 thousand sqm	264 MEUR
Total area	**Carrying value**

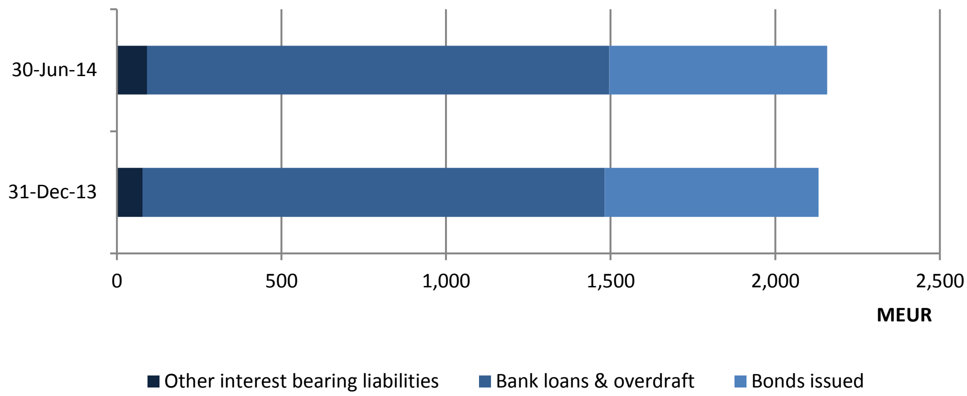
LAND BANK	Total area	Area with zoning	Area without zoning	Carrying value	Carrying value
	th. sqm	th. sqm	th. sqm	MEUR	%
Czech Republic	17,479	1,060	16,420	182	69 %
Hungary	186	186	0	52	20%
Romania	302	269	34	20	8%
Germany	20	20	0	6	2%
Poland	115	90	25	4	1%
The Group	**18,102**	**1,624**	**16,478**	**264**	**100%**

Land bank is comprised of a rather extensive portfolio of land plots throughout the Czech Republic and Slovakia, as well as in Hungary, Poland, Romania and Germany. 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.

FINANCING

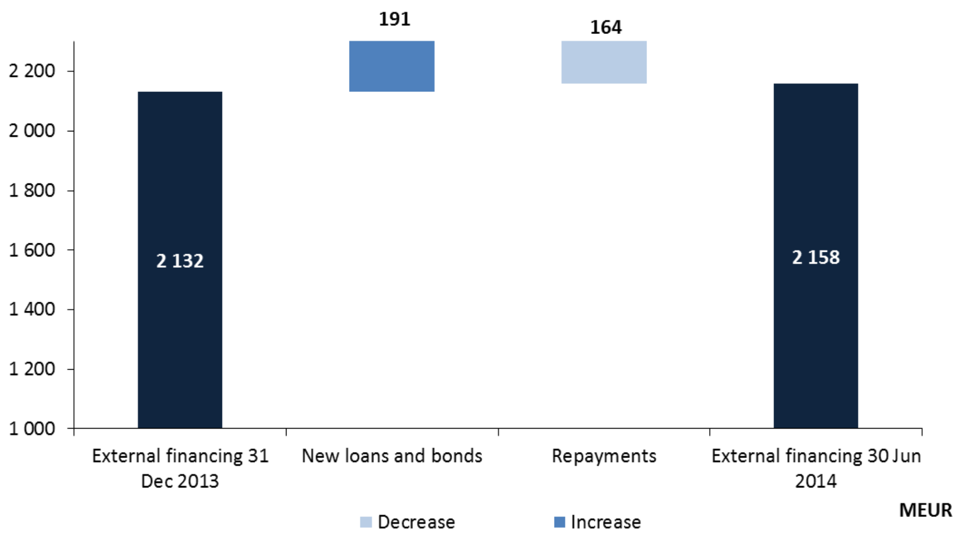
The external financing total EUR 2,158 million as at 30 June 2014 (31 Dec 2013: EUR 2,132 million) of which financial debts represents EUR 1,496 million (31 Dec 2013: EUR 1,482 million) and issued bonds represents EUR 662 million (31 Dec 2013: MEUR 650). Net interest expenses total EUR 32 million (30 Jun 2013: EUR 18 million). The structure of external financing did not change significantly compared to 31 December 2013 and bank loans and bonds represent 96% of the Group´s financing (31 Dec 2013: 96%).

Structure of external financing



In H1 2014 total volume of new financing reach EUR 191 million, of which EUR 40 million represents acquired loans. New drawing were almost fully compensated by repayments of EUR 164 million.

Changes in external financing

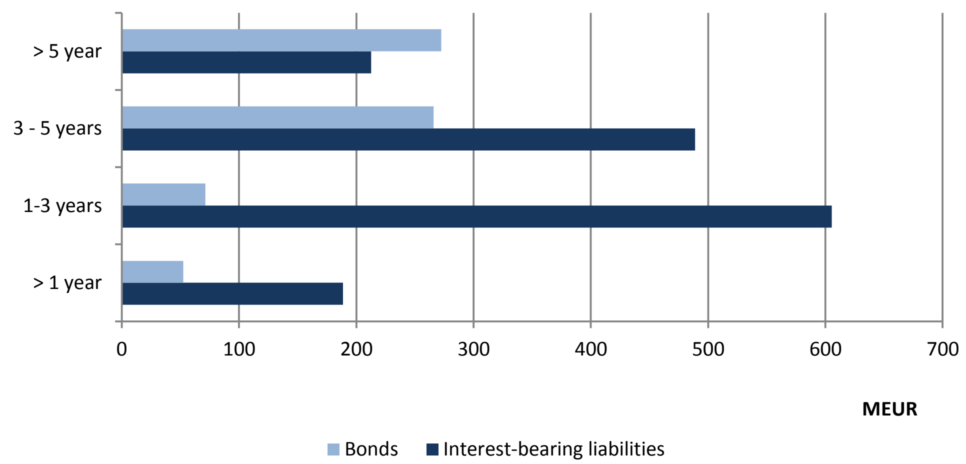


The Group continues to focus on establishing the most effective structure of sources of external financing alongside successful management of the real estate portfolio. Loan to value ratio of 59% improved as at 30 June 2014 (31 Dec 2013: 62%) as showed in the table below:

Net Debt		30-Jun-14	Pro forma 31-Dec-13
Financial debts (non-current)	**MEUR**	1,307	1,261
Financial debts (current)	**MEUR**	189	221
Bonds issued (non-current)	**MEUR**	610	629
Bonds issued (current)	**MEUR**	52	21
Cash and cash equivalents	**MEUR**	-147	-161
Net debt	**MEUR**	**2,011**	**1,971**
Real Estate Portfolio	**MEUR**	3,405	3,201
Loan to value ratio in %	**%**	**59%**	**62%**

The maturity profile of the Group's external financing, including accrued interest, as at 30 June 2014 is showed in the chart below:

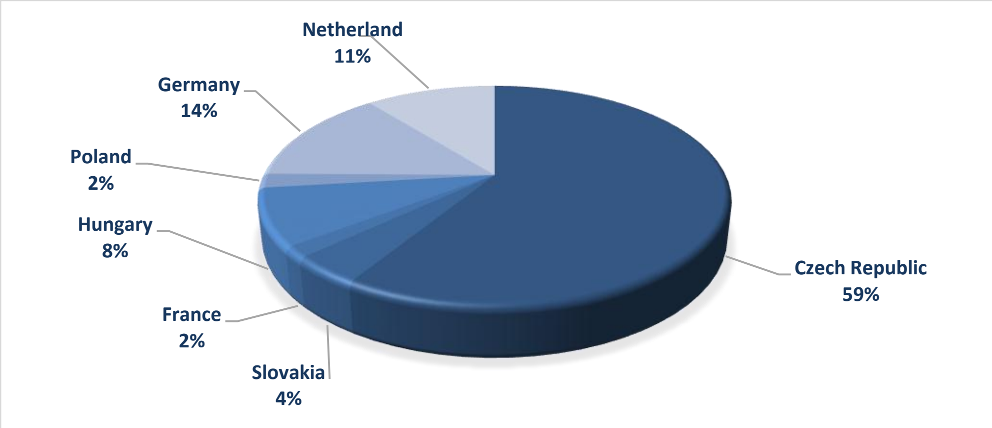
Maturity profile of external financing



78% of the outstanding balance of external financing is due within 5 years. This is substantially driven by the maturity of interest-bearing liabilities of which 86% is payable within 5 years. On the other hand 41% of the bonds outstanding balance will mature after 5 years.

The Group benefits from long-term business relationships with a number of banks in the Czech Republic, Germany, France and other CEE 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.

Outstanding bank loans and bonds by location

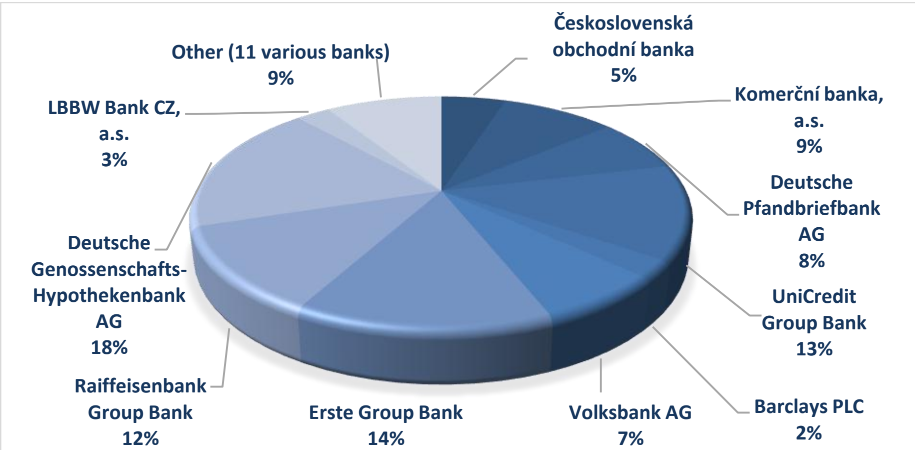


Netherland financing share of 11% represents bonds issued by the financing group entity based in Netherland. Out of the 59% share of Czech Republic, 21% represent bonds financing.

Bank loans

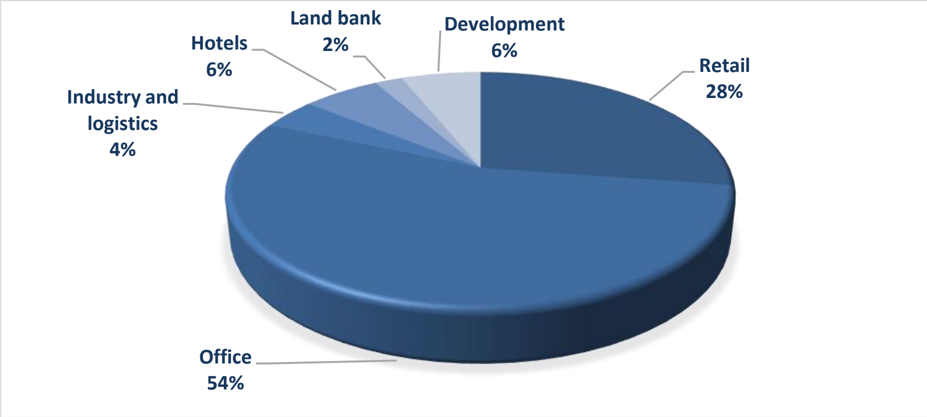
Significant part of the interest-bearing liabilities represents bank loans. Bank loans balance, including bank overdrafts remained stable at EUR 1,404 million as at 30 June 2014 compared to 31 December 2013. A ratio of loans drawn in Czech crowns against loans drawn in Euro is 30:70 as at 30 June 2014 (31 Dec 2013: 37:63). About 74% of outstanding bank loan balance is drawn from 6 financing bank groups; in total the Group draws 136 bank loan facilities from 36 banks.

Bank loans by banks



The Group focuses on the secured financing; therefore majority of bank loans is drawn by the companies within the Group, which held the respective real estate property. Unsecured financing is limited to bank overdrafts mainly in the Group´s service entities.

Bank loans by segments



Interest rate fluctuation could have significant impact on the Group´s profit. 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 EUR 18 million (31 Dec 2013: EUR 8 million), an increase resulted from new interest rate swaps concluded in H1 2014.

Within the outstanding bank loans balance, 64% bears variable interest but is hedged by derivatives, 32% bears variable interest and 4% bears a fixed interest.

Corporate bonds

Bonds represents significant additional source of the Group´s financing. Bond balance total EUR 662 million as at 30 June 2014 (31 Dec 2013: EUR 650 million). The Group issued new Czech crowns project bonds in total nominal value of EUR 41 million with a maturity in 2019, bearing a fixed interest of 5 % p.a. Moreover, bonds of EUR 8 million which were owned by the Group at 31 December 2013 were sold to the external holders and net interest of EUR 7 million was accrued as at 30 June 2014.

Major part of the bonds outstanding balance (EUR 475 million; 72%) provide unsecured financing mainly at CPI level, while remaining part represents bonds which are secured by mortgage. Unsecured bonds are generally used as source of financing for current and future investment activities. The significant volume of issued bonds (28% of the nominal balance) is owned by other companies within the Group which provide certain level of flexibility of financing the investment activities.

A ratio of bonds issued in Czech crowns against bonds issued in Euro is 76:24 as at 30 June 2014 (31 Dec 2013: 76:23)

Bonds with outstanding balance of EUR 273 million; (41%) were registered for trading on the Prague Stock Exchange. Certain bonds are subject of covenants, which were met as at 30 June 2014.

RESULTS AND NET ASSETS

Pro forma income statements

Pro forma income statement represents the Group´s income and expenses as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013.

Pro forma income statement for the period of 6 months ended 30 June 2014 is as follows:

MEUR	Pro forma 30-Jun-14	Pro forma 30-Jun-13
Gross rental revenue	101	76
Net service revenue	6	5
Property operating expenses	-12	-14
Net rental income	**95**	**67**
Hotel revenue	2	0
Cost of goods sold	0	0
Hotel operating expenses	-2	0
Net hotel income	**1**	**0**
Total revenues	**110**	**82**
Total direct business operating expenses	**-14**	**-14**
Net business income	**96**	**67**
Net valuation gain or loss on investment property	95	11
Net gain or loss on disposal of investment property	1	-1
Amortization, depreciation and impairments	-5	4
Other operating income	2	1
Administrative expenses	-14	-9
Other operating expenses	-4	-3
Operating result	**170**	**71**
Interest income	11	18
Interest expense	-43	-36
Other net financial result	12	21
Net finance income / (costs)	**-19**	**2**
Profit / (Loss) before income tax	**151**	**73**
Income tax expense	-39	-18
Net profit / (Loss) for the period	**112**	**54**

Net rental income

Net rental income grew significantly by 41% to EUR 95 million in H1 2014 (H1 2013: EUR 67 million). The positive development in net rental income was driven mainly by significant increase in gross rental income. This substantial increase is generally attributable to acquisitions performed by the Group over the last 12 months that were not contributing the revenues over the first half of 2013. Total impact of these acquisitions to H1 2014 gross and net rental income is EUR 18 million and EUR 17 million, respectively. Property operating expenses was positively influenced by year-on-year decline in repairs and maintenance costs of EUR 2 million related mainly to residential portfolio. In addition, refurbishment cost of EUR 2 million which are expected to increase a value of real estate portfolio were capitalised to the carrying value as at 30 June 2014.

Net valuation gain on investment property

Net valuation gain of EUR 95 million resulted from revaluation of the Berlin portfolio. In the framework of the Berlin portfolio refinancing analysis, the Group did commission a valuation of its Berlin portfolio at 31 March 2014. Following the proposal of its financial and legal advisers, the Company organized a tender to select a suitable valuation expert. CBRE was chosen to perform such valuation. The increase was driven by the improved assumptions (mainly on ERV and yields) retained by the independent expert on the rental Berlin market.

Amortization, depreciation and impairments

Amortization, depreciation and impairments in H1 2014 represent mainly impairment of trade receivables and loans in total amount of EUR 4 million.

Net gain of EUR 4 million in H1 2013 was essentially determined by a gain of bargain purchase on CPI Národní acquisition (the Czech entity) totalling EUR 6 million. The gain was partially offset by impairments on trade receivables of EUR 1 million.

Administrative expenses

Administrative expenses increased by 55% to EUR 14 million in H1 2014 (H1 2013: EUR 9 million). The exceptional management termination costs of EUR 3 million, of which EUR 2 million paid in kind, was the main contributor to that increase. The Group expects major savings related to on-going management benefits in the future. After elimination of this one-off impact the increase in administrative expenses corresponds mainly to the integration of the Ablon activities in Hungary.

Net finance income / costs

Total net finance result dropped from net income of EUR 2 million in H1 2013 to net loss of EUR 19 million in H1 2014. An increase in interest expenses of EUR 7 million reflecting mainly additional costs of financing in respect of the Group’s real estate portfolio extension was further followed by a decrease in interest income by EUR 7 million, reflecting repayment of provided loans in 2013.

The other net financial results also decreased to a profit of EUR 12 million in H1 2014 compared to EUR 21 million in H1 2013. In H1 2014 the Group recognized EUR 17 million gain on acquisition and further resale of discounted receivable. Mainly two operations were closed. The first one with a gain of EUR 9 million on receivables acquired from two bank creditors of Suncani Hvar and subsequently sold for a price equalled to the nominal value. On the second transaction, the Group recognized a profit of EUR 8 million on acquisition and resale of discounted bank loans in the Czech Republic. The profit on receivables was partially offset by loss on the revaluation of derivatives of EUR 3 million and expenses on advisory services of EUR 3 million rendered on studies to refinance existing mid-term loans by a long term financing.

H1 2013 net finance profit was significantly driven by non-recurring profit of EUR 14 million resulting from purchase of receivables with discount and subsequent collection of the nominal amount. Gain on revaluation of derivatives of EUR 3 million also had favourable impact on H1 2013 net finance result.

Funds from operations (FFO)

Over H1 2014 the Group generated EUR 82 million Funds from operations (FFO) which represents a yield of 4.8% on the total value of the Group real estate portfolio. The real estate value as at June 2013 has been adjusted to deduct the assets of Ablon (EUR 339 million) that did not contribute to the operational profits over the first half of 2013.

Funds from operations (FFO)		Pro forma 30-Jun-14	Pro forma 30-Jun-13
Operating result	**MEUR**	**170**	**71**
Net valuation gain or loss on investment property	**MEUR**	-95	-11
Net gain or loss on disposal of investment property	**MEUR**	-1	1
Amortization, depreciation and impairments	**MEUR**	5	-4
Other non-recurring items	**MEUR**	3	0
Funds from operations (FFO)	**MEUR**	**82**	**57**
FFO ratio on Real estate portfolio (FFO yield)	**%**	**4.8%**	**4.5%**

Income statement – as reported

The pooling of interest method has been elected by the Group as the most appropriate method to reflect the transaction under IFRS. The income statement should include transactions from the date the combined entities were under common control. This is considered to be close to the end of H1 2014 and the reported income statement include only transaction of the CPI PROPERTY GROUP excluding any result from the activities of CPI.

Reported income statement for the period of 6 months ended 30 June 2014 is as follows:

MEUR	Reported 30-Jun-14	Reported 30-Jun-13
Gross rental revenue	21	20
Net service revenue	3	2
Property operating expenses	-3	-3
Net rental income	**21**	**20**
Net valuation gain or loss on investment property	95	16
Net gain or loss on disposal of investment property	0	0
Amortization, depreciation and impairments	0	-1
Other operating income	0	0
Administrative expenses	-6	-3
Other operating expenses	-3	-2
Operating result	**107**	**29**
Interest income	2	1
Interest expense	-6	-7
Other net financial result	10	4
Net finance income / (costs)	**6**	**-1**
Profit / (Loss) before income tax	**112**	**28**
Income tax expense	-33	-6
Net profit / (Loss) for the period	**79**	**22**

Gross rental revenue increased by 5% mainly due to increase in net average rent in Berlin.

Net valuation gain of EUR 95 million resulted from revaluation of the Berlin portfolio. The increase was driven by the improved assumptions (mainly on ERV and yields) retained by the independent expert on the rental Berlin market.

Administrative expenses increased by 100% to EUR 6 million. The exceptional management termination costs of EUR 3 million, of which EUR 2 million paid in kind, was the main contributor to that increase.

Other net financial result increased mainly due to profit of EUR 9 million recognised on receivables acquired from two bank creditors of Suncani Hvar and subsequently sold for a price equalled to the nominal value.

Deferred taxes increased along with the fair value increase of real estate portfolio.

Pro forma balance sheet

Pro forma balance sheet represent the Group´s financial position as if CPI and CPI PROPERTY GROUP were combined as of 1 January 2013.

MEUR	30-Jun-14	Pro forma 31-Dec-13
NON-CURRENT ASSETS		
Intangible assets and goodwill	53	52
Investment property	3,269	3,081
Property, plant and equipment	32	28
Financial assets at fair value through profit or loss	27	0
Other non-current assets	55	171
Total non-current assets	**3,435**	**3,331**
CURRENT ASSETS		
Inventories	115	98
Trade receivables	52	52
Cash and cash equivalents	147	161
Other current assets	359	175
Total current assets	**673**	**486**
TOTAL ASSETS	**4,108**	**3,816**
EQUITY		
Equity attributable to owners of the Company	1,357	1,196
Non controlling interests	3	3
Total equity	**1,360**	**1,199**
NON-CURRENT LIABILITIES		
Bonds issued	610	629
Financial debts	1,307	1,261
Deferred tax liabilities	372	331
Other non-current liabilities	30	34
Total non-current liabilities	**2,319**	**2,255**
CURRENT LIABILITIES		
Bonds issued	52	21
Financial debts	189	221
Trade payables	30	33
Other current liabilities	158	88
Total current liabilities	**430**	**362**
TOTAL EQUITY AND LIABILITIES	**4,108**	**3,816**

Total assets and total liabilities

Total assets increased by EUR 292 million (8%) to EUR 4,108 million as at 30 June 2014. The increase is primarily connected with increase in real estate portfolio which rose by EUR 204 million. In addition, as a part of acquisition of 50% share in Hospitality Invest S.a.r.l., the Group acquired profit participating loan to this joint-venture, disclosed under financial assets as at 30 June 2014.

Drop in other non- current assets by EUR 116 million and growth in other current assets by EUR 184 million mainly relate to change in the maturity profile of loans and other receivables.

Cash and cash equivalent total EUR 147 million which is by 9% lower than as at 31 December 2013.

Non- current and current liabilities total EUR 2,749 million as at 30 June 2014 which represents increase by EUR 131 million (5%) compared to 31 December 2013. Main drivers of this increase were growth in external financing and related financial derivatives in total by EUR 37 million; EUR 41 million increase in deferred tax liabilities resulted especially from revaluation of real estate portfolio and cash deposits received from future buyers of apartments in Palais Maeterlinck of EUR 35 million.

Equity (Net assets value)

Net assets value – NAV (total equity including non-controlling interest) totals EUR 1,693 million as at 30 June and compared to 31 December 2013 rose by 13%. Alongside the result for the period, the change was also driven by cash capital increases of EUR 51 million.

Net Asset Value		30-Jun-14
Equity per the financial statements (NAV)	**MEUR**	**1,357**
Effect of exercise of options, convertibles and other equity interests	**MEUR**	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**MEUR**	**1,357**
Revaluation of trading property and PPE	**MEUR**	13
Fair value of financial instruments	**MEUR**	13
Deferred tax	**MEUR**	353
Goodwill	**MEUR**	-43
EPRA NAV	**MEUR**	**1,693**

OTHER REPORTING REQUIREMENTS

Subsequent events

Please refer to Note 10 of the Condensed Consolidated Interim Financial Statements as at 30 June 2014.

Financial risks exposure

For detail description of the principal risks and uncertainties, please refer to Note 3 Financial Risk Management of the Consolidated Financial Statements as at 31 December 2013.

Required information

In reference to the information required by paragraphs (a) to (k) of Article 11(1) of the Law of 19 May 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the Board of Directors states the following elements:

(a) The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:

The share capital of the Company is represented by 2,920,823,904 ordinary shares of one class. 230,056,445 of shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange, the General Standard segment. Outstanding balance of 2,690,767,459 shares is currently not listed and not tradeable on a regulated market.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:

230,056,445 of shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange, the General Standard segment. Outstanding balance of 2,690,767,459 shares is currently not listed and not tradeable on a regulated market.

There are no any restrictions on the transfer of securities.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:

Please refer to the paragraph Shareholders structure of this Management report and Note 6.11 of the Condensed Consolidated Interim Financial Statements as at 30 June 2014.

(d) The holders of any securities with special control rights and a description of those rights:

None of the Company’s principal shareholders has voting rights different from any other holders of the Company’s shares. The Company respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

(e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees:

The Company has no employee share scheme.

(f) Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:

There are no restriction on voting rights.

(g) Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC:

In relationship to mandatory public takeover offer (the „Mandatory Offer“) to the shareholders of the Company by Materali, a.s., and according to the related offer document, Materali, a.s. and Deutsche Bank AG entered into non-tender agreements with each of Orco Property Group S.A., Brillant 1419. GmbH & Co. Verwaltungs KG and Linkskaters Limited (the "Major Shareholders") under which the Major Shareholders have undertaken not to tender a total of 137,464,693 Company shares held by the Major Shareholders into the Mandatory Offer or to exercise their right to tender. Furthermore, in July 2014, Materali, a.s. and Deutsche Bank AG entered into security blockage agreements with each of the Major Shareholders and their depositary banks (except for Brillant 1419. GmbH & Co. Verwaltungs KG and its depositary bank) in order to ensure that the depositary banks do not, without the Materali, a.s.' and Deutsche Bank AG's consent (i) transfer the Major Shareholder's Company shares to any other securities or sub-securities account, (ii) deliver the Majority Shareholder's Company shares to the Major Shareholders or to any third party, (iii) execute any sales orders regarding the Majority Shareholder's Company shares or (iv) assist, carry out or otherwise support the transfer or other disposition of any of the Major Shareholder's Company shares.

To the knowledge of the Company, there are no shareholder or other agreements entered into by and between shareholders that are in effect as of the date of this report with similar effects.

(h) The rules governing the appointment and replacement of board members and the amendment of the articles of association:

The Company is managed by Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors shall be composed of the number of members determined by the general meeting of the shareholders, and shall amount to at least three members. The Directors are elected by the general meeting of shareholders for a period of maximum six years. The directors are eligible for re-election and may be removed with or without cause at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The articles of association may be modified by an extraordinary general meeting of the shareholders, deliberating with a quorum of at least half of the corporate capital and deciding by a vote of at least a two-thirds majority of the votes cast.

(i) The powers of board members, and in particular the power to issue or buy back shares:

The Board of Directors has the following tasks and competencies, without such list being exhaustive:

- Setting the objectives and management policies of the Company;
- Preparing the annual operating and financing plans;
- Managing the Company's business affairs and performing all the acts and operations relating to the corporate purpose that do not fall within the duties attributed to other bodies of the Company;
- Representing the Company in or out of court;
- Acquiring, selling real estates;
- Incorporating companies;
- Adopting resolutions regarding issuance of bonds or other securities;
- New shares may be issued pursuant to the authorized share capital.

The Extraordinary General Meeting of the shareholders of the Company held on 28 August 2014 authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of 750,000,000 Company shares from the existing and/or future shareholders of the Company, for a purchase price comprised in the range between one eurocent (EUR 0.01-) and five euro (EUR 5.-), for a period of five (5) years from the date of the General Meeting.

The Extraordinary General Meeting of the shareholders of the Company held on 28 August 2014 also resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of four hundred million euro (EUR 400,000,000.00) for a period of five (5) years from the date of the General Meeting. As such, the Board of Directors is authorised to issue up to 4 billion new Company shares under this authorization within the period of 5 years, in addition to the 2,920,823,904 currently outstanding shares of the Company.

(j) Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements:

Not applicable as of 30 June 2014.

(k) Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid:

Not applicable as of 30 June 2014.

Directors’ compensation

Please refer to Note 9 of the Condensed Consolidated Interim Financial Statements as at 30 June 2014.

Other information

The Group does not have any activities in research and development.

The Company does not have any branch.

CPI PROPERTY GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(UNAUDITED)

CPI PROPERTY GROUP's Board of Directors has approved the condensed consolidated interim financial statements for the six-month period ended 30 June 2014 on 19 September 2014.
All the figures in this report are presented in thousands of Euros, 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	6 months 2014	6 months 2013
Gross rental revenue	5.1	21,038	19,891
Service revenue	5.1	669	418
Net service charge income	5.2	2,303	2,059
Property operating expenses	5.3	(3,286)	(2,845)
Net rental income		**20,724**	**19,523**
Revenue from other business operations (activities)		12	190
Cost of goods sold		(8)	(6)
Net income from other business operations (activities)		**5**	**184**
Total revenues		**24,022**	**22,558**
Total direct business operating expenses		**(3,294)**	**(2,850)**
Net business income		**20,728**	**19,707**
Net valuation gain or loss on investment property	6.2	94,645	15,827
Amortization, depreciation and impairments		154	(827)
Other operating income		233	277
Administrative expenses	5.4	(6,171)	(3,311)
Other operating expenses		(2,933)	(2,246)
Operating result		**106,656**	**29,427**
Interest income		1,962	995
Interest expense		(5,813)	(6,762)
Other net financial result	5.5	9,674	4,398
Net finance income / (costs)		**5,823**	**(1,369)**
Share of profit of equity-accounted investees (net of tax)		--	(13)
Profit / (Loss) before income tax		**112,479**	**28,045**
Income tax expense		(33,373)	(6,414)
Net profit / (Loss) for the period		**79,106**	**21,630**
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		(883)	--
Other comprehensive income for the period, net of tax		**(883)**	**--**
Total comprehensive income for the period		**78,223**	**21,630**
Net profit or loss attributable to:			
Non-controlling interests		**142**	**12**
Owners of the Company		**78,963**	**21,618**
Total comprehensive income attributable to:			
Owners of the Company		**78,083**	**21,618**
Non-controlling interests		**140**	**12**
Basic earnings in EUR per share	**6.11**	**0.13**	**0.11**
Diluted earnings in EUR per share	**6.11**	**0.13**	**0.11**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

	Note	30 June 2014	31 December 2013
NON-CURRENT ASSETS			
Intangible assets and goodwill	6.1	52,571	49,872
Investment property	6.2	3,269,259	532,234
Property, plant and equipment	6.3	31,767	4,126
Available-for-sale financial assets	6.4	1,973	168
Financial assets at fair value through profit or loss	6.5	26,696	--
Loans provided	6.6	16,313	50
Trade and other receivables	6.7	33,684	22,597
Deferred tax asset		2,455	--
Total non-current assets		**3,434,718**	**609,047**
CURRENT ASSETS			
Inventories	6.9	114,630	2,682
Current income tax receivables		5,817	3,560
Trade receivables	6.7	51,632	13,632
Derivative instruments		13	32
Loans provided	6.6	1,595	--
Cash and cash equivalents	6.10	147,154	51,586
Other financial current assets	6.7	312,223	2,382
Other non-financial current assets	6.7	39,685	14,704
Total current assets		**672,748**	**88,579**
TOTAL ASSETS		**4,107,466**	**697,626**
EQUITY			
Equity attributable to owners of the Company	6.11	1,357,022	261,070
Non-controlling interests		2,649	(104)
Total equity		**1,359,671**	**260,966**
NON-CURRENT LIABILITIES			
Bonds issued	6.12	609,490	43
Financial debts	6.13	1,307,283	248,724
Derivative instruments	6.14	4,332	--
Deferred tax liabilities		371,618	105,116
Provisions		14,987	15,042
Other non-current liabilities		10,491	2
Total non-current liabilities		**2,318,201**	**368,927**
CURRENT LIABILITIES			
Bonds issued	6.12	52,298	--
Financial debts	6.13	189,422	35,167
Trade payables		30,436	1,420
Advance payments	6.15	50,474	13,726
Derivative instruments	6.14	13,194	691
Other financial current liabilities	6.16	77,931	8,478
Other non-financial current liabilities		15,838	8,249
Total current liabilities		**429,594**	**67,732**
TOTAL EQUITY AND LIABILITIES		**4,107,466**	**697,626**

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	Treasury Shares	*Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2014		34,466	277,006	(3)	--	(50,399)	261,070	(104)	260,966
Comprehensive income:									
Profit /(loss) for the period		--	--	--	--	78,963	78,963	142	79,106
Other comprehensive income		--	--	(880)	--	--	(880)	(3)	(883)
Total comprehensive income		**--**	**--**	**(880)**	**--**	**78,963**	**78,083**	**139**	**78,223**
Capital increase of 5 March 2014	6.11	7,660	28,342	--	--	--	36,002	--	36,002
Capital increase of 28 April 2014	6.11	3,191	11,809	--	--	--	15,000	--	15,000
Capital increase of 29 April 2014	6.11	75	278	--	--	--	353	--	353
Issue of ordinary shares related to business combinations	1	246,690	912,754	--	--	--	1,159,444	--	1,159,444
Business combination with CPI	1	--	--	--	--	(193,271)	(193,271)	2,842	(190,429)
Disposal of subsidiary with non-controlling interests		--	--	--	--	--	--	76	76
Non-controlling interests' transactions		--	--	--	--	342	342	(305)	37
Balance at 30 June 2014		**292,082**	**1,230,188**	**(883)**	**--**	**(164,365)**	**1,357,022**	**2,649**	**1,359,671**

* **Other Reserves** are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends. This item also includes measurements of post-employment defined benefit obligation.

CONDENSED CONSOLIDATED INTERIM 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	Treasury Shares	*Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2013		20,203	217,450	(3)	(1,540)	(79,574)	156,536	(94)	156,442
Comprehensive income:									
Profit /(loss) for the period		--	--	--	--	21,618	21,618	12	21,630
Total comprehensive income		**--**	**--**	**--**	**--**	**21,618**	**21,618**	**12**	**21,630**
Capital increase of 6 June 2013	6.11	2,803	17,154	--	--	--	19,957	--	19,957
Own equity instruments	6.11	--	--	--	1,540	(780)	760	--	760
Non-controlling interests' transactions		--	--	--	--	(9)	(9)	--	(9)
Balance at 30 June 2013		23,006	234,604	(3)	--	(58,745)	198,862	(82)	198,780
Comprehensive income:									
Profit /(loss) for the period		--	--	--	--	8,190	8,190	(24)	8,166
Other comprehensive income		--	--	--	--	16	16	--	16
Total comprehensive income		**--**	**--**	**--**	**--**	**8,207**	**8,207**	**(24)**	**8,183**
Capital increase of 4 December 2013	6.11	11,460	42,402	--	--	--	53,862	--	53,862
Non-controlling interests' transactions		--	--	--	--	139	139	2	141
Balance at 31 December 2013		**34,466**	**277,006**	**(3)**	**--**	**(50,399)**	**261,070**	**(104)**	**260,966**

* **Other Reserves** are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends. This item also includes measurements of post-employment defined benefit obligation.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

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

	Note	6 months 2014	6 months 2013
PROFIT BEFORE INCOME TAX		**112,479**	**28,045**
Adjusted by:			
Net valuation (gain)/ loss on investment property	6.2	(94,645)	(15,827)
Depreciation / amortisation of tangible and intangible assets		312	405
Impairment of assets/(Reversal of impairment of assets)		(466)	422
Net finance (income)/ costs	5.5	(5,823)	1,369
Profit before changes in working capital and provisions		**11,858**	**14,414**
(Increase)/ Decrease in inventories	6.8	(1,245)	(173)
(Increase)/ Decrease in trade receivables	6.7	1,279	1,698
(Increase)/ Decrease in other current assets	6.7	(17,411)	(582)
Increase /(Decrease) in trade payables		811	(1,885)
Increase /(Decrease) in other liabilities		5,065	768
Income tax paid		(763)	(911)
NET CASH FROM /(USED IN) OPERATING ACTIVITIES		**(408)**	**13,329**
Acquisition of subsidiaries, net of cash acquired	1	107,772	(5)
Capital expenditure and acquisition of investment property	6.2	(15,052)	(803)
Expenditure and purchase of property, plant and equipment	6.2.1	(4,765)	--
Purchase of other tangible and intangible assets		--	(4)
Proceeds from sale of property, plant and equipment		--	602
Acquisition of financial assets	6.5, 5.5	(33,050)	(9)
Disposal of financial assets	5.5	33,962	--
Loans provided to related parties	9	(3,489)	--
Interest received		1,228	995
NET CASH FROM INVESTING ACTIVITIES		**86,606**	**776**
Net issue of equity instruments to shareholders	6.11	51,355	--
Proceeds from disposal of treasury shares	6.11	--	760
Proceeds from borrowings	6.13	11,813	893
Interest paid		(4,820)	(6,358)
Repayments of borrowings	6.13	(5,577)	(8,025)
Repurchase of Group bonds	6.12	(43,139)	--
Refinancing fees and bank charges		(165)	(211)
NET CASH USED IN FINANCING ACTIVITIES		**9,467**	**(12,941)**
NET INCREASE/(DECREASE) IN CASH		**95,665**	**1,164**
Cash and cash equivalents at the beginning of the year	6.10	51,586	7,675
Exchange gains/(losses) on cash and cash equivalents		(98)	--
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.10	**147,154**	**8,839**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

CPI PROPERTY GROUP (formerly named ORCO Germany S.A. and GSG GROUP respectively, hereinafter also "the Company") together with its subsidiaries (the "Group") 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.

The parent company of the Group is CPI PROPERTY GROUP, a Luxembourg based *Société Anonyme* listed on the Regulated Market of the Frankfurt Stock Exchange in the General Standard segment.

Change in the ownership and expansion outside of Germany

On 3 March 2014, the Board of Directors of the Company resolved to increase its capital raising goal from EUR 100 million to EUR 126 million. Between December 2013 and April 2014 the Company raised EUR 105.3 million in three capital increases subscribed for in cash by some large shareholders of ORCO PROPERTY GROUP ("OPG") or their respective affiliates, namely Alchemy Special Opportunities Fund II LP, Société Générale, Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott and Tandis, a.s., an entity affiliated with Mr. Radovan Vítek.

On 12 June 2014 Mr. Vítek (through his 100% owned entity Materali, a.s.) purchased the Company shares from third parties (Aspley Ventures, Kamoro and Stationway Properties Limited). As a result of these purchases Mr. Vítek increased his shareholding in the Company from 25.30 % to 71.29 %.

Mr. Vítek proposed to the Board of Directors to join within the Company his fully controlled Central European real estate activities located within Czech Property Investments, a. s. ("CPI"). After approval by the Board of Directors, Mr. Vítek contributed 100% of the CPI shares to the Company in exchange for 2,466,902,565 newly issued Company shares on 16 and 17 June 2014. Following this capital increase the shareholding interest of Mr. Vítek in the Company increased to 94.02 %. For equity holders details please refer to Chapter 6.11.

For further details regarding business combination with CPI into CPI PROPERTY GROUP please refer to the text below.

Change of the name

The Extraordinary General Meeting of shareholders of the Company held on 13 May 2014 resolved to change the Company's name from ORCO GERMANY S.A. to GSG GROUP. The Extraordinary General Meeting of shareholders of the Company held on 28 August 2014 resolved to change the Company's name from GSG GROUP to CPI PROPERTY GROUP.

Change in the Board of Directors and the management

Board of Directors

During the General Meeting of shareholders of the Company held on 10 March 2014 the following directors were removed: Jean-François Ott, Brad Taylor, Nicolas Tommasini and Aleš Vobruba and the following directors have been appointed: Edward Hughes, Martin Němeček, Jean-François Ott, Tomáš Salajka, Nicolas Tommasini and Radovan Vítek. Edward Hughes was appointed Chairman of the Board of Directors. On 18 March 2014, the new Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor, and agreeing to comply with their termination packages. The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.

Mr. Ott and Mr. Tommasini resigned from the Board as of 27 March 2014. During the General Meeting of shareholders of the Company held on 28 May 2014 the following directors have been appointed: Ian Cash, Philippe Magistretti and Oliver Schlink. Ian Cash resigned from the Board as of 14 August 2014. As of the date of this report, the Board of Directors of the Company is comprised of the following members: Edward Hughes, Philippe Magistretti, Martin Němeček, Tomáš Salajka, Oliver Schlink and Radovan Vítek.

Board of Directors as at 30 June 2014

Chairman

Edward Hughes

Members

Martin Němeček

Tomáš Salajka

Radovan Vítek

Oliver Schlink

Philippe Magistretti

Board of Directors as at 31 December 2013

Members

Jean-François Ott

Brad Taylor

Aleš Vobruba

Nicolas Tommasini

The management

The management team of the Company is comprised of the following members: Mr. Martin Němeček, CEO; Mr. Zdeněk Havelka, Deputy CEO; Mr. Tomáš Salajka, Director of Asset Management & Sales; Pavel Semrád, Deputy Director of Asset Management & Sales; Mr. Yves Désiront, Group CFO; Mr. Pavel Měchura, Deputy CFO; Mr. Pavel Menšík, Director of Investments; Mr. Igor Klajmon, Director of Development; Mr. Martin Stibor, Head of Property Management; Mr. Štěpán Rázga, Chief Operations Officer; and Mr. Martin Matula, General Counsel.

Employees

The Group has 593 employees as at 30 June 2014.

The Group Structures

The Company and CPI business combination

On 29 November 2013, the Board of Directors of the Company resolved to raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 3 March 2014, the Board of Directors further resolved to increase its capital raising goal from EUR 100 million to EUR 126 million. Between December 2013 and April 2014 the Company raised EUR 105.3 million in three capital increases subscribed for in cash by some large shareholders of ORCO PROPERTY GROUP ("OPG") or their respective affiliates, namely Alchemy Special Opportunities Fund II LP, Société Générale, Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott and Tandis, a.s., an affiliated to Mr. Radovan Vítek. The subscription price was EUR 0.47 per share in each case. The primary uses of the proceeds raised in these capital increases are the investments and financing of various projects within the Group as well as OPG.

On 12 June 2014 Mr. Vítek (through his 100% owned entity Materali, a.s.) purchased the Company shares from third parties (Aspley Ventures, Kamoro, and Stationway Properties Limited). As a result of these purchases Mr. Vítek increased his shareholding in the Company from 25.30 % to 71.29 %.

Mr. Vítek proposed to the Board of Directors to join within the Company his fully controlled Central European real estate activities located within CPI. After approval by the Board of Directors, Mr. Vítek contributed 100% of the shares of CPI to the Company in exchange of 2,466,902,565 newly issued Company shares on 16 and 17 June 2014. Following this capital increase the shareholding interest of Mr. Vítek in the Company increased to 94.02 %.

This transaction is a business combination of activities under common control since both of the groups were controlled by Mr. Vítek at the date of acquisition, although being an individual not subject to the financial reporting requirements of IFRSs. The Board of Directors considers the pooling of interest method as the most appropriate method for this transaction.

The assets and liabilities acquired were recognised in the condensed consolidated statement of financial position at the carrying amounts recognised previously in the CPI's condensed consolidated interim financial statements. No goodwill nor gain from bargain purchase was recorded as a result of the combination and the difference between the net book value of the acquired business and the consideration transferred was recognised in equity.

CPI is a real estate group concentrating on long-term investments and the lease of real estate. 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 Republic, Slovakia, Hungary, Poland and Romania.

CPI owns and manages 447,000 sqm of office space; 620,000 sqm of retail space; 17 hotels with over 8,000 beds, 210,000 sqm of space intended for light industry and storage and with over 12,500 apartments, it is the second largest provider of rental housing in the Czech Republic.

After the combination with CPI, the Group has expanded into number of CEE countries and significantly extended its current Berlin portfolio. As at 30 June 2014 the Group includes 264 companies in 14 countries around the Europe (for Group structure refer to Appendix I).

The carrying amounts of identifiable assets and liabilities at the date of acquisition were as follows:

	Czech Property Investments, a.s.
Intangible assets and goodwill	2,691
Investment property	2,631,579
Property, plant and equipment	23,412
Available-for-sale financial assets	1,806
Loans provided	12,784
Trade and other receivables	9,578
Deferred tax asset	2,458
Total non-current assets	**2,684,307**
Inventories	110,710
Current income tax receivables	1,552
Trade receivables	39,279
Loans provided	1,595
Cash and cash equivalents	107,772
Other financial currents assets	296,326
Other non-financial current assets	21,122
Total current assets	**578,356**
Identifiable acquired assets	**3,262,663**
Bonds issued	653,141
Financial debts	1,052,260
Derivative instruments	4,336
Deferred tax liabilities	234,328
Other non-current liabilities	10,498
Total non-current liabilities	**1,954,564**
Bonds issued	52,298
Financial debts	154,537
Trade payables	28,205
Advance payments	33,457
Derivative instruments	8,610
Other financial current liabilities	61,977
Total current liabilities	**339,084**
Identifiable acquired liabilities	**2,293,648**

Consideration transferred	**1,159,444**
Net identifiable assets	969,015
Non-controlling interests identified	(2,842)
Net identifiable assets attributable to the Group	**966,173**
Effect of acquisition taken to equity	**193,271**

The consideration transferred consists of 2,466,902,565 newly issued shares of the Company at the subscription price of EUR 0.47 per share or EUR 1,159 million in aggregate.

Acquisition of 50 % share in Hospitality Invest

In April 2014, the Group acquired a 50% share in Hospitality Invest S.a.r.l. ("HI") together with profit participating loan (PPL) provided to HI by the former shareholder at a total price of EUR 8.5 million. The HI portfolio 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. The Group has joined the partnership agreement with ORCO PROPERTY GROUP ("OPG"). After this acquisition, the Group agreed to invest further EUR 10.5 million into the PPL in exchange for a modified cash waterfall between the Group and OPG. The proceeds were further used for a partial repayment of the current bank financing. As a result, the Group and OPG jointly achieved the extension of the bank financing of EUR 62.0 million for one year.

The investment in HI is classified as a joint venture and is accounted for under the equity method as at 30 June 2014. The shares have been purchased for 1 EUR and, due to the accumulated losses of the joint venture and its negative equity value, the Group interest in HI is recognised at a nil value in the Group condensed consolidated statements of financial position as at 30 June 2014. No provisions has been accrued in respect of the accumulated losses of the joint venture since the Group did not provide any corporate guarantees to cover these losses.

The table below summarises the total assets and liabilities of the hospitality joint venture group as at 30 June 2014.

	30 June 2014
Intangible assets and goodwill	453
Property, plant and equipment	99,752
Total non-current assets	**100,205**
Inventories	264
Trade and other receivables	1,974
Cash and cash equivalents	1,500
Total current assets	**3,738**
Total assets	**103,943**
Financial debts	139,825
Deferred tax liabilities	1,975
Other non-current liabilities	7
Total non-current liabilities	**141,807**
Financial debts	72,489
Trade payables	2,530
Advance payments	315
Derivative instruments	21
Other current liabilities	4,523
Total current liabilities	**79,878**
Total liabilities	**221,685**

2 Summary of 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 are presented in thousands of Euros and have been prepared under the historical cost convention except for the following material items in the consolidated statement of financial position:

- Investment property;
- Available for sale financial assets;
- Financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss;
- Retirement benefit obligations;
- Contingent consideration assumed in a business combinations.

Following the combination with CPI, the scope of activities and geographical area where the Group is present have been significantly enlarged. The condensed consolidated interim financial statements encompass new items for which accounting policies and principles had to be newly defined. Although no changes were made to current accounting policies, the Group management finds it appropriate to disclose the full set of the Group´s accounting policies (see note 11).

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six month period ended 30 June 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group's entities and are consistent with those applied for its 31 December 2013 consolidated financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2014 (as described below).

2.2.1 New and amended standards adopted by the Group in 2014

Several new standards and amendments apply for the first time in 2014, however they do not have any material impact on the interim condensed consolidated statements of the Group.

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

In 2013, the Group has early applied the following standards which are effective from 1 January 2014: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of interests in other entities. The impact of the application has been described in the 2013 Consolidated Financial Statements.

Amendments to IFRS 10, *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. This amendment has no impact to the Group, since none of the Group´s entities qualifies to be and investment entity under IFRS 10.

The Group has adopted IFRIC 21 'Levies'. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial statements for the period ended 30 June 2014. The Group does not expect IFRIC 21 to have a significant effect on the results for the financial year ending 31 December 2014.

IAS 32, *Financial Instruments: Presentation* – Amendments to IAS 32. These amendments to IAS 32 do not have any impact to the Group, they clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

IAS 39, Financial *Instruments: Recognition and Measurement* – Amendments to IAS 39. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IAS 36, *Impairment of Assets* – Amendments to IAS 36. The amendment introduced disclosure requirements regarding the recoverable amount of impaired assets in case that amount is based on fair value less costs of disposal. IAS 36 require to disclose the recoverable amounts of assets or cash-generating units, for which an impairment loss has been recognised or reversed during the period in the interim financial statements. These amendments have no impact on the Group.

2.2.2 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 30 June 2014 and have not been early adopted by the Group:

IFRS 9 - Financial Instruments. This standard addresses classification and measurement of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. It is very likely to affect the Group's accounting treatment of financial instruments. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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).

3 Critical accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3.1 Fair value measurement

The techniques and estimates used for determination of fair value of assets and liabilities which are measured at fair value are disclosed in the following notes:

6.2.1 Fair value measurement of investment property
6.8 Fair value of financial instruments

3.2 Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sell for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by an independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

3.3 Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 11.24, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of a share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

3.4 Impairment on owner occupied building

For the purpose of determining the impairment on owner-occupied building, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property.

3.5 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using number of assumptions. The assumptions used in determining the net cost (income) for pensions include discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

3.6 Impairment on goodwill and trademark

The Group tests on an annual basis whether goodwill and trademark have suffered any impairment, in accordance with the accounting policy stated in note 11.4 and 11.8. Further information is disclosed in note 6.1.

4 Segment reporting

For all the 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.
As a result of combination with CPI Group to the Group (see Note 1), the management of the Group decided to modify the structure of reportable operating segments in order to reflect new asset types acquired and due to the extended geographical structure of the Group.

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 2014, 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 2014 the segment includes hotel operations only.

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

For six month period ended 30 June	Income generating - rental properties						Land bank		Development		Total consolidated	
	Office		Industry and Logistics		Other							
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	**22,717**	**21,372**	**789**	**789**	**507**	**156**	**--**	**--**	**9**	**241**	**24,022**	**22,558**
Sale of goods	--	--	--	--	12	--	--	--	--	190	**12**	**190**
Rent	20,061	19,057	789	789	180	1	--	--	8	44	**21,038**	**19,891**
Services	353	256	--	--	315	155	--	--	1	7	**669**	**418**
Net service charge income	2,303	2,059	--	--	--	--	--	--	--	--	**2,303**	**2,059**
Net gain or loss from fair value adjustments on investment property	95,597	16,327	(497)	(500)	--	--	(455)	--	--	--	**94,645**	**15,827**
Cost of goods sold	(8)	(6)	--	--	--	--	--	--	--	--	**(8)**	**(6)**
Impairments	446	(406)	11	(11)	8	(2)	--	--	1	(3)	**446**	**(422)**
Amortization and provisions	(306)	(411)	(8)	5	3	--	--	--	(1)	1	**(312)**	**(405)**
Other operating results	(11,495)	(7,856)	(381)	(313)	(96)	193	--	--	(185)	(149)	**(12,157)**	**(8,125)**
Operating Results	**106,951**	**29,019**	**(86)**	**(30)**	**422**	**348**	**(455)**	**--**	**(176)**	**90**	**106,656**	**29,427**

Due to the fact that new asset types which form the majority of segments were acquired in June 2014, they do not contribute to the published income statement for the first six months of 2014. Thus, some items in the segment report do not include transactions for 6 month period ended 30 June 2014 in most of the columns representing new segments, because the old portfolio of the Group was not so diversified.

	Income generating - rental properties									
	Office		Retail		Residential		Industry and Logistics		Hotels	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Segment Assets	**1,409,152**	**530,114**	**822,500**	--	**276,387**	--	**138,100**	**1,100**	**223,545**	**--**
Investment Property	1,406,151	527,140	822,500	--	276,387	--	138,100	1,100	223,545	--
Property, plant and equipment(*)	3,001	2,974	--	--	--	--	--	--	--	--
Inventories (**)	--	--	--	--	--	--	--	--	--	--
Unallocated assets (***)	--	--	--	--	--	--	--	--	--	--
Total Assets	**1,409,152**	**530,114**	**822,500**	**--**	**276,387**	**--**	**138,100**	**1,100**	**223,545**	**--**
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--
Total Liabilities	**--**		**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Cash flow elements										
Capital expenditure	15,052	1,381	--	--	--	--	--	--	--	--

Statement of financial position & Cash Flow	Income generating - operational properties		Land bank		Development		Total consolidated	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Segment Assets	**18,147**	**--**	**263,598**	**3,994**	**253,452**	**2,572**	**3,404,881**	**537,780**
Investment Property	--	--	263,598	3,994	138,978	--	3,269,259	532,234
Property, plant and equipment(*)	18,147	--	--	--	--	--	21,148	2,974
Inventories (**)	--	--	--	--	114,474	2,572	114,474	2,572
Unallocated assets (***)	--	--	--	--	--	--	**702,585**	**159,846**
Total Assets	**18,147**	**--**	**263,598**	**3,994**	**253,452**	**2,572**	**4,107,466**	**697,626**
Unallocated liabilities	--	--	--	--	--	--	**4,107,466**	**697,626**
Total Liabilities	**--**	**--**	**--**	**--**	**--**	**--**	**4,107,466**	**697,626**
Cash flow elements								
Capital expenditure	--	--	--	--	1,358	79	**16,410**	**1,460**

*Includes Hotels and owner occupied buildings

**The only allocable inventories relate to real estate properties

*** Unallocated assets include other assets which are not allocated into segments

5 Condensed consolidated interim statement of comprehensive income

5.1 Gross rental revenues

For six month period ended 30 June	2014	2013
Gross rental revenue	21,038	19,891
Service revenue	669	418
Total	**21,707**	**20,309**

Gross rental revenue increased by 5% which resulted from an increase in average rent of portfolio of GSG Berlin.

5.2 Net service charge income

For six month period ended 30 June	2014	2013
Service charge income	10,154	9,772
Service charge expenses	(7,851)	(7,713)
Total	**2,303**	**2,059**

5.3 Property operating expenses

For six month period ended 30 June	2014	2013
Leases and rents	(196)	(217)
Building Maintenance	(2,097)	(1,728)
Communication and IT Maintenance	(523)	(437)
Utilities Supplies	(6,875)	(6,663)
Insurance	(327)	(303)
Taxes other than income tax	(1,119)	(1,210)
Total	**(11,137)**	**(10,558)**
Service charges re-invoiced to tenants	7,851	7,713
Net Property operating expenses	**(3,286)**	**(2,845)**

5.4 Administrative expenses

For six month period ended 30 June	2014	2013
Salaries	(2,602)	(2,479)
Social security expenses	(394)	(378)
Pension costs	(54)	(90)
Other personnel expenses (1)	(3,121)	(364)
Total	**(6,171)**	**(3,311)**

(1) On 18 March 2014, the Board of Directors of the Company decided to implement changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor. An indemnity payment was agreed with the former management amounting to EUR 3.0 million which included cash settlement of EUR 1.15 million and transfer of Hakeburg property in Berlin at the net asset value of EUR 1.9 million. These extraordinary termination expenses are reported on the line Other personnel expenses.

5.5 Other net financial results

For six month period ended 30 June	2014	2013
Change in fair value and realized result on derivative instruments (1)	(3,920)	4,496
Change in fair value and realized result on other financial assets (2)	16,515	(49)
Other net financial results (3)	(2,921)	(49)
Total	**9,674**	**4,398**

(1) Change in the fair value of derivative instruments essentially arise from the fair value losses and gains on derivatives as follows:
- losses on derivatives of EUR 4.1 million related to GSG Berlin portfolio;
- gains on derivatives of EUR 0.2 million related to Gebauer Höfe.

(2) Change in the fair value and realized result on other financial assets is related to the following:
- During the first half of 2014, the Group acquired receivables due by Suncani Hvar Hotels ("SHH") from two bank creditors for EUR 24.0 million with a material discount to the nominal value. Suncani Hvar is a company with portfolio of seaside hotels in Croatia of which shares are partially held by Orco Property Group. All these receivables were secured by pledges on SHH assets, mainly on Amfora, Adriana and Riva hotels. In June 2014 the Group disposed of these receivables for a sale price equal to the nominal value and accrued interest with a gain of EUR 8.8 million;
- gain on Profit participating loan revaluation of EUR 7.8 million (refer to Note 6.5)

(3) Other net finance results are mainly composed of bank expenses as bank charges and restructuring fees.

6 Condensed consolidated interim statement of financial position

6.1 Intangible assets and goodwill

The line intangible assets consists mainly of goodwill and trademark recognized at the acquisition of Gewerbesiedlungs-Gesellschaft (“GSG”) in 2007. The goodwill allocated to GSG cash-generating unit amounts to EUR 42.6 million as at 30 June 2014 (2013: EUR 42.6 million) and is subject to annual test for impairment. No impairment charge has been recognized in 2014, in 2013 an impairment of EUR 0.05 million has been recognised in the consolidated financial statements.

The carrying amount of GSG trademark is EUR 7.2 million as at 30 June 2014 (2013: EUR 7.2 million).

In connection with the business combination with CPI (see Note 1), the Group acquired goodwill in the amount of EUR 1.8 million. The goodwill relates to the acquisition of ABLON Group in the first half of 2013. Goodwill is allocated to retail segment. None of the goodwill recognized is expected to be deductible for tax purposes. As at 30 June 2014, there is no indication of impairment of this goodwill.
Remaining part of the acquired intangible assets in the amount of EUR 0.9 million represents mainly software.

6.2 Investment property

	Income Generating - Rental properties					Subtotal - rental properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels				
Balance at 1 January 2013	499,845	--	--	2,150	--	501,995	2,750	--	504,745
Investments/acquisitions	1,362	--	--	--	--	1,362	79	--	1,441
Revaluation through statement of comprehensive income	26,453	--	--	(1,050)	--	25,403	(805)	--	24,598
Changes in classification	(1,970)	--	--	--	--	(1,970)	1,970	--	--
Transfers in/from assets held for sale	1,450	--	--	--	--	1,450	--	--	1,450
Balance at 31 December 2013	527,140	--	--	1,100	--	528,240	3,994	--	532,234
Combination with CPI (refer to note 1)	773,502	823,249	276,639	137,622	223,749	2,234,761	257,713	139,105	2,631,579
Changes in the Group	--	--	--	--	--	--	(1,854)	--	(1,854)
Investments/acquisitions	15,049	--	--	--	--	15,049	3	--	15,052
Revaluation through statement of comprehensive income	95,596	--	--	(497)	--	95,100	(455)	--	94,645
Changes in classification	(4,433)	--	--	--	--	(4,433)	4,433	--	--
Translation differences	(704)	(750)	(252)	(125)	(204)	(2,035)	(235)	(127)	(2,397)
Balance at 30 June 2014	**1,406,151**	**822,499**	**276,387**	**138,100**	**223,545**	**2,866,682**	**263,599**	**138,978**	**3,269,259**

In 2014

Combination with CPI

In June 2014, the Group acquired through business combination under common control (see note 1) a portfolio of investment properties in total amount of EUR 2,631.6 million.

Changes in the Group

Following the changes in the management, the Group reached an agreement with former management members regarding compensation for their dismissal from the managerial functions. The compensation was partially paid in kind through transfer of ownership to the entity holding investment property Hakeburg in Berlin; the carrying amount of this entity as at the date of derecognition was EUR 1.9 million.

Investments / Acquisitions

In the first half of 2014, the Group purchased two assets in Berlin. In March, a property Voltastraße 29 & 30 in total amount of EUR 0.4 million was acquired. Another acquisition was concluded in the second quarter of 2014 – the Group purchased an investment property Aqua Carré in Berlin – Kreuzberg area for total consideration of EUR 13.2 million.
Further, an investment of EUR 1.4 million represents capital expenditure into refurbishment of buildings and installation of fit-outs for new tenants in the current office portfolio.

Revaluation through statement of comprehensive income

As a result of the updated valuation performed as at 31 March 2014 (see Note 6.2.1) the fair value of the rental properties increased by EUR 95.1 million. The most significant increases were recorded on Plauener Straße (EUR 11.5 million), Gustav-Meyer-Allee (EUR 8.2 million), Reuchlinstraße (EUR 7.8 million) and Helmholtzstraße (EUR 7.2 million). In contrary, the value of Geneststraße and Saalmannstraße assets went down by EUR 1.8 million and EUR 1.4 million, respectively.

The downward movement in Land bank is explained by decrease in value of plots located at Franklinstrasse (EUR 0.5 million).

Transfers

Changes in classification

The Group management reassessed the best use of the land plots which were previously considered part of the area attached to investment properties. It is the intention of the Group management to enhance the value of the land plots by their separation and individual recognition. The recently separated land plots were transferred from office into land bank class at book value of EUR 4.4 million.

In 2013

Investments / Acquisitions

In 2013, the Group invested EUR 1.4 million mainly in the form of improvement and installing new equipment and fit-outs in the existing offices in Berlin.
During 2013, the Group did not proceed with any asset acquisition nor acquisitions through business combinations.

Revaluation through the income statement

The fair value of office portfolio went up by EUR 24.6 million, of which the most significant increase was recorded on Schlesische Str. (EUR 3.4 million), Gustav Meyer (EUR 2.2 million), Zossener Str. (EUR 1.9 million) and Volta Str. 5 (EUR 1.8 million).

Transfers

Office and Land bank – Changes in classification

Part of the Gebauer Höfe rental property with a prospect of future development on the site was transferred to land bank in the amount of EUR 1.97 million.

Office – Transfers from Assets Held for Sale

As the sale was cancelled the Group has decided to transfer back the freehold building Skalitzer Str. in Berlin of EUR 1.45 million from Held for Sale Assets.

6.2.1 Fair value measurement of investment property

6.2.1.1 Valuation of German portfolio

With the improved operational performance and positive market development of the Berlin real estate market, the management was considering the possibility to replace the existing mid-term bank loans financing the GSG Berlin portfolio with a larger long term financing to acquire additional funds for the new investment strategy and expansion of the Group. As part of this process and based on the recommendation of Group's advisors the valuation of GSG Berlin properties was performed as at 31 March 2014 and the Group appointed CBRE GmbH (CBRE) as external appraiser. The valuation as at 31 December 2013 was prepared by DTZ Debenham Tie Leung (DTZ).

All GSG Berlin properties were subject of the external valuation as at 31 March 2014 and as at 31 December 2013 the property in fair value of EUR 2.1 million was valued based on a letter of interest.

The following table presents the main assumptions used by independent valuators supporting the valuation of the German portfolio as at 31 March 2014:

Per asset type	Q2 2014	
	Min	Max
Equivalent yield	5.1%	20.0%

Per asset type	Q2 2014	
	Min	Max
Equivalent yield	5.1%	20.0%

Per asset type	Equivalent yield	
	Min	Max
Germany - office	5.1%	7.9%
Germany - industrial	20.0%	20.0%

Per rate type	2013		2012	
	Min	Max	Min	Max
Discount rate	6.0%	9.4%	5.5%	9.6%
Cap rate	6.0%	8.3%	5.6%	8.3%

Sensitivity information

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the entity's portfolios are:

- Equivalent yield (EY);
- Estimated Rental Value (ERV) for rental asset or Gross Development Value (GDV) for development.

A change in the equivalent yield and estimated rental value would have the following impact on the portfolio's assets:

Portfolio	ERV		Equivalent Yield	
	ERV - 50 cent	ERV + 50 cent	EY - 25 bps	EY + 25 bps
Germany - office	(50,400)	50,200	28,500	(26,300)

The Group´s management analysed current situation on real estate market together with current yields, discount rates applied and other inputs used by independent valuers in their appraisals as at 31 March 2014. Fair value of investment property as at 30 June 2014 was determined based on management´s analysis described above and it does not significantly differ from fair value as at 31 March 2014.

6.2.1.2 Valuation of other than German portfolio

As a result of the business combination with CPI (see Note 1), the Group´s investment property portfolio enlarged significantly as at 30 June 2014 compared to 31 December 2014. Acquired investment property was contributed in carrying amounts and was not subject to revaluation for the purposes of purchase price allocation as the combination has been treated as a transaction under common control and the properties were recognised in the Group consolidated statement of financial position at the book values of the predecessor. Investment property portfolio of CPI had been valued at 31 December 2013 by 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.

The Group´s management analysed current situation on real estate market together with current yields, discount rates applied and other inputs used by independent valuers in their appraisals as at 31 December 2013. Fair value of investment property as at 30 June 2014 was determined based on management´s analysis described above and it does not significantly differ from fair value as at 31 December 2013.

6.2.1.3 Main observable and unobservable inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for each class of property owned by the Group, used by the valuators as at the end of 31 December 2013 and 31 March 2014 respectively.

30 June 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Germany	Office	Hardcore Topslice	Level 3	Equivalent Yield	6.3%
				ERV/SQM/Year in EUR	78.6
				Initial void (if applicable) in Month	12.2
				Structural Repairs (Dach&Fach)	4.5
				Tenant Improvements in EUR/SQM	29.1
				Total Area in SQM	783,056
	Industrial	Hardcore Topslice	Level 2	Price /SQM	11.6
				Total Area in SQM	52,000
	Land Bank	Standard Land Value	Level 3	Price /SQM	337.5
				Total Area in SQM	18,135

30 June 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Czech Republic - Central Bohemia	Industry and logistics	Income capitalisation	Level 3	ERV/SQM/Year in EUR	47 EUR/sqm
				Net current income per sqm	60 EUR/sqm
				Equivalent yield	8.92%
				Vacancy rate	0%
Czech Republic - West Bohemia	Industry and logistics	Income capitalisation	Level 3	ERV/SQM/Year in EUR	26 EUR/sqm
				Net current income per sqm	20 EUR/sqm
				Equivalent yield	12%
				Vacancy rate	41.20%
Slovakia	Industry and logistics	Income capitalisation	Level 3	ERV/SQM/Year in EUR	51 EUR/sqm
				Net current income per sqm	55 EUR/sqm
				Equivalent yield	8.25%
				Vacancy rate	6.3%
Hungary	Industry and logistics	Income capitalisation	Level 3	ERV/SQM/Year in EUR	61 EUR/sqm
				Net current income per sqm	61 EUR/sqm
				Equivalent yield	9.05%
				Vacancy rate	4.59%
				Exit yield	9.18%
Czech Republic - Prague Center	Retail	Income capitalisation	Level 3	ERV/SQM/Year in EUR	161 EUR/sqm
				Net current income per sqm	143 EUR/sqm
				Equivalent yield	5%
				Vacancy rate	5%

30 June 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Czech Republic - Prague Other	Retail	Income capitalisation	Level 3	ERV/SQM/Year in EUR	91 EUR/sqm
				Net current income per sqm	89 EUR/sqm
				Equivalent yield	8.7%
				Vacancy rate	11%
Czech Republic - Other	Retail	Income capitalisation	Level 3	ERV/SQM/Year in EUR	109 EUR/sqm
				Net current income per sqm	126 EUR/sqm
				Equivalent yield	6.93%
				Vacancy rate	5%
Hungary - Budapest Center	Retail	DCF method	Level 3	ERV/SQM/Year in EUR	276 EUR/sqm
				Net current income per sqm	229 EUR/sqm
				Equivalent yield	8.19%
				Vacancy rate	12%
				Discount rate	8.25%
Hungary - Other	Retail	DCF method	Level 3	ERV/SQM/Year in EUR	57 EUR/sqm
				Net current income per sqm	37 EUR/sqm
				Equivalent yield	9.24%
				Vacancy rate	25%
				Discount rate	10%
Slovakia	Retail	Income capitalisation	Level 3	ERV/SQM/Year in EUR	109 EUR/sqm
				Net current income per sqm	112 EUR/sqm
				Equivalent yield	7.93%
				Vacancy rate	0.12%
Poland	Retail	DCF method	Level 3	ERV/SQM/Year in EUR	209 EUR/sqm
				Net current income per sqm	205 EUR/sqm
				Equivalent yield	8.54%
				Vacancy rate	0%
				Discount rate	8.75%
Czech Republic - Prague	Office	Income capitalisation	Level 3	ERV/SQM/Year in EUR	144 EUR/sqm
				Net current income per sqm	142 EUR/sqm
				Equivalent yield	6.87%
				Vacancy rate	4%
Czech Republic - Other	Office	Income capitalisation	Level 3	ERV/SQM/Year in EUR	103 EUR/sqm
				Net current income per sqm	98 EUR/sqm
				Equivalent yield	7.75%
				Vacancy rate	33.58 %
Poland	Office	Income capitalisation	Level 3	ERV/SQM/Year in EUR	212 EUR/sqm
				Net current income per sqm	177 EUR/sqm
				Equivalent yield	7.82%
				Vacancy rate	18.43%
Hungary	Office	Income capitalisation	Level 3	ERV/SQM/Year in EUR	136 EUR/sqm

30 June 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
				Net current income per sqm	111 EUR/sqm
				Equivalent yield	5.06%
				Vacancy rate	29.1%
Czech	Residential	DCF method	Level 3	ERV/SQM/Year in EUR	26 EUR/sqm
				Net current income per sqm	20 EUR/sqm
				Exit yield	6.49%
				Vacancy rate	24.1%
				Discount rate	7.35%
				Doubtful debtors	3.92%
Hungary	Residential	Market comparable method	Level 3	ERV/SQM/Year in EUR	1 580 EUR/sqm
Czech Republic - Prague	Special Assets	Income capitalisation	Level 3	ERV/SQM/Year in EUR	188 EUR/sqm
				Equivalent yield	6.25%
				Vacancy rate	100%
Czech Republic - Prague	Hotels	Market comparable method	Level 3	Rate per key	81 TEUR
				Net current income per sqm	732 EUR/sqm
Czech Republic - Prague	Hotels	Market comparable method	Level 3	Rate per key	10 TEUR
				Net current income per sqm	82 EUR/sqm
Czech Republic - Other	Hotels	Market comparable method	Level 3	Rate per key	49 TEUR
				Net current income per sqm	49 EUR/sqm
Czech Republic - Prague Center	Land Bank	Sales comparison	Level 3	Sales price per sqm	3 097 EUR/sqm
Czech Republic - Prague	Land Bank	Sales comparison	Level 3	Sales price per sqm	119 EUR/sqm
Czech Republic - Other	Land Bank	Sales comparison	Level 3	Sales price per sqm	105 EUR/sqm
Hungary	Land Bank	Sales comparison	Level 3	Sales price per sqm	1 597 EUR/sqm
Romania - Bucharest	Land Bank	Sales comparison	Level 3	Sales price per sqm	904 EUR/sqm
Romania - Other	Land Bank	Sales comparison	Level 3	Sales price per sqm	123 EUR/sqm
Poland	Land Bank	Sales comparison	Level 3	Sales price per sqm	155 EUR/sqm
Czech Republic - Prague - Project 1	Investment property under development	Development Apprisal/Residual Method	Level 3	Gross development value	163 MEUR
				Residual value	45 MEUR
Czech Republic - Prague - Project 2	Investment property under development	Development Apprisal/Residual Method	Level 3	Gross development value	12 MEUR
				Residual value	3 MEUR
Czech Republic - Other	Investment property under development	Development Apprisal	Level 3	Gross development value	20 MEUR
				Estimated rental value	2 MEUR

6.3 Property, plant and equipment

	30 June 2014	31 December 2013
Hotels and owner occupied buildings (1)	21,148	2,974
Fixture and fittings	5,854	1,152
Properties under development (2)	4,765	--
Total	**31,767**	**4,126**

(1) In connection with the business combination with CPI, the most significant item of property, plant and equipment represents Marriott Budapest City Center Hotel in Budapest. The carrying amount of the hotel is EUR 18.1 million as at 30 June 2014.
The remaining part represents Group's headquarter in Berlin, classified as owner-occupied building. As of 30 June 2014, the net book value of the building amounts to EUR 3.0 million (2013: EUR 3.0 million).

(2) In 2014, the Group launched a project of installation of rooftop solar power plant which is aimed to produce and distribute electricity in Berlin. Over the first half of 2014 an advance payment of EUR 4.8 million was paid to the supplier of the solar panels.

No impairment was indicated as at 30 June 2014. In 2013, the Group reversed previously recognized impairment as a result of increasing market value of the owner-occupied building of EUR 0.1 million.

6.4 Available-for-sale financial assets

	30 June 2014	31 December 2013
Vodovody a kanalizace Přerov, a.s. (share 1.60%) (1)	247	--
Vodovody a kanalizace Hodonín, a.s. (share 1.99%) (1)	168	--
GSG Holding 2 GmbH	168	168
Other equity securities (1)	15	--
Total equity investments	**598**	**168**
Debentures (2)	1,375	--
Total available-for-sale financial assets	**1,973**	**168**

(1) Equity investments of EUR 0.4 million are connected with the combination with CPI (see Note 1). 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 2014.

(2) Debentures of EUR 1.4 million are connected with the combination with CPI (see Note 1). Debentures are denominated in EUR and bear interest rate of 10% p.a. and are due on 10 December 2016. Interest is paid on annual basis and debentures are neither traded nor secured.

6.5 Financial assets at fair value through profit or loss

	30 June 2014	31 December 2013
Profit participating loan	26,696	--
Total	**26,696**	--

This item consists of the profit participating loan (PPL) granted to the Hospitality joint venture. The Group acquired 50 % share in Hospitality Invest S.à r.l. from AIG in April 2014. The PPL has been fair valued on the basis of the management estimates regarding the net asset value of the joint venture (see note 6.8). The PPL fair value amounts to EUR 27.7 million as at 30 June 2014. The Group did not grant any guarantee in favour of the joint venture and, as the equity value in the Group consolidated financial information is nil, the maximum risk to the Group is limited to the PPL value. The capacity to recover the PPL value depends on the capacity of the joint venture to refinance its bank loan with a balance as at 30 June 2014 of EUR 72.5 million which matures in July 2014. With approval of the OPG, the Group negotiated with ERSTE bank the possibility to refinance the existing bank loan. One of the conditions precedent to accomplish successful refinancing is the up-front payment of EUR 10.0 million. The Group provided this amount to meet the renegotiations conditions. As a result of this additional cash contribution the joint venture partners agreed the following share in the distribution of cash from the joint venture: 60 % for the Group, 40% for the OPG. As of end of July, the refinancing has been approved which guarantee going concern of the joint venture and increases the capacity to collect the fair value of the PPL (see Note 10.4).

6.6 Loans provided

Non-current	30 June 2014	31 December 2013
Loans provided - related parties (1)	9,534	--
Loans provided - joint ventures	52	50
Loans provided - third parties (2)	6,727	--
Total	**16,313**	**50**

Current	30 June 2014	31 December 2013
Loans provided - related parties (1)	268	--
Loans provided - third parties (2)	3,661	--
Total current loans provided	**3,928**	**--**
Impairment to current loans provided to third parties	(2,334)	--
Total	**1,595**	**--**

(1) Increase in loans provided resulted from the combination with CPI (see Note 1). Non-current loans provided to related parties bears interest of 8% p.a. and current loans bears interest between 4% - 6% p.a.

(2) Increase in loans provided resulted from the combination with CPI (see Note 1). As at 30 June 2014, the Group provides non-current and current loans to third parties with interest rates between 4% - 8% p.a. and 5% - 9.25% p.a., respectively.

6.7 Trade and other receivables

Non-current	30 June 2014	31 December 2013
Other advances paid	562	--
Other receivables due from third parties (1)	30,581	29,039
Other receivables due from related parties	8,983	--
Impairment of other receivables due from third parties (1)	(6,442)	(6,442)
Total	**33,684**	**22,597**

(1) Under Other receivables due from third parties, the Group recognises the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 24.1 million (EUR 22.6 million in 2013) after capitalization of interest of EUR 3.7 million and impairment of EUR 6.4 million. This receivable is due in June 2015 at the latest depending on the finalization of the construction. In order to reflect longer than expected

collection of receivables related to past sale of this asset, higher credit and litigation risks margin has been integrated in the net present value inducing impairment of EUR 6.4 million.

Current	30 June 2014	31 December 2013
Trade receivables	78,395	22,436
Impairment of trade receivables	(26,763)	(8,804)
Trade receivables net of impairment	**51,632**	**13,632**
Other financial current assets	313,901	3,261
Impairment of other financial current assets	(1,678)	(879)
Other financial current assets net of impairment (1)	**312,223**	**2,382**
Advances paid	6,127	--
Prepaid expenses	29,762	12,484
Other non-financial current assets	4,027	2,451
Impairment of other non-financial current assets	(231)	(231)
Non-financial current assets net of impairment	**39,685**	**14,704**
Total	**403,540**	**30,718**

(1) Other financial current assets in the amount of EUR 296.3 million have been acquired in connection with the combination with CPI (see Note 1). Major part of the receivable represent receivable related to the assignment of receivables (EUR 277.2 million). Receivables were assigned to the related party of the Group (see Note 9).

6.8 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 valuation of Profit Participating Loan (PPL) granted to Hospitality joint venture (see Note 6.5), the fair value as of 30 June 2014 is estimated based on the net asset value of the joint venture (including

properties measured at fair value as detailed in the Note 6.2.1) and the proportion of the Group contractual rights in the cash distribution from the joint venture. In July 2014, new repayment schedule has been agreed with the financing bank. One of the conditions precedent to successfully close the refinancing agreement was partial repayment of EUR 10.0 million. The Group, which acquired the 50 % stake in the joint venture from the former joint partner, provided this amount to meet the renegotiation conditions. As a result of this additional cash contribution, the joint venture partners agreed on a new distribution of cash from the joint venture: 60 % for the Group; 40% for the OPG;

- For the debentures issued by third parties and for the bonds issued, the fair values as of 30 June 2014 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.

The increase of financial assets at fair value through profit or loss by EUR 26.7 million in 2014 is fully attributable to the Profit Participating Loan (PPL) granted to the Hospitality joint venture (refer to Note 6.5).

Increase in Derivative instruments, Other loans provided and Bonds mainly relates the business combination with CPI, refer to Note 1.

30 June 2014	Carrying amount Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Fair value Level 1	Level 2	Level 3
FINANCIAL ASSETS					
PPL granted to the Hospitality Joint Ventures	26,696	--	--	--	26,696
Financial assets at fair value through profit or loss	26,696	--			
Long-term Equity investments	--	598	--	--	--
Debentures issued by third parties	--	1,375	--	--	1,476
Financial assets available-for-sale	--	1,973			
Leipziger Platz deferred consideration	--	24,114	--	--	--
Advances paid	--	562	--	--	--
Receivable related to assignment of receivables	--	9,008	--	--	--
Loan granted to the OPG	--	3,489	--	--	--
Other loans provided	--	12,824	--	--	13,239
Non-current loans and receivables	--	49,997			
Trade and other receivables	--	51,632	--	--	--
Derivative instruments	13	--	--	13	--
Loans provided	--	1,594	--	--	--
Other current financial assets	--	312,223	--	--	--
Cash and cash equivalent	--	147,154	--	--	--
Current financial assets	13	512,603			
FINANCIAL LIABILITIES					
Bonds	--	609,490	--	--	592,662
Financial debt (floating rate bank debts)	--	1,234,518	--	--	--
Financial debt (fixed rate bank debts)	--	11,106	--	--	--
Financial debt (other borrowings)	--	61,659	--	--	--
Long term liabilities	--	10,491	--	--	--
Non-current financial liabilities	--	1,927,264			
Bonds	--	52,298	--	--	--
Financial debt (floating rate bank debts)	--	157,556	--	--	--
Financial debt (fixed rate bank debts)	--	458	--	--	--
Financial debt (other borrowings)	--	31,408	--	--	--
Derivate instruments	13,194	--	--	13,194	--
Advanced payments	--	50,474	--	--	--
Trade payables	--	30,436	--	--	--
Other financial current liabilities	--	77,931	--	--	--
Current financial liabilities	13,194	400,561			

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

31 December 2013	Carrying amount Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Fair value Level 2	Level 3
FINANCIAL ASSETS					
Long-term Equity investments	--	168	--	--	--
Financial assets available-for-sale	--	168			
Leipziger Platz deferred consideration	--	22,597	--	--	--
Other loans provided	--	50	--	--	--
Non-current loans and receivables	--	22,647			
Trade and other receivables	--	13,632	--	--	--
Derivative instruments	32	--	--	32	--
Other current financial assets	--	2,382	--	--	--
Cash and cash equivalent	--	51,586	--	--	--
Current financial assets	32	67,600			
FINANCIAL LIABILITIES					
Safeguard Bonds	--	43	--	--	--
Financial debt (floating rate bank debts)	--	247,740	--	--	--
Financial debt (fixed rate bank debts)	--	600	--	--	--
Financial debt (other borrowings)	--	384	--	--	--
Long term liabilities	--	2	--	--	--
Non-current financial liabilities	--	248,769			
Financial debt (floating rate bank debts)	--	34,792	--	--	--
Financial debt (fixed rate bank debts)	--	--	--	--	--
Financial debt (other borrowings)	--	375	--	--	--
Derivate instruments	691	--	--	691	--
Advanced payments	--	13,726	--	--	--
Trade payables	--	1,420	--	--	--
Other financial current liabilities	--	8,478	--	--	--
Current financial liabilities	691	58,791			

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

6.9 Inventories

	30 June 2014	31 December 2013
Projects and property for resale	158	--
Projects under development (1)	109,104	(2,641)
Other inventory	5,368	5,323
Total	**114,630**	**2,682**

Properties classified as inventories are developed with the intention to be sold within the ordinary course of business. In connection with the business combination with CPI (see Note 1) inventory balance increased by EUR 110.7 million.

(1) Project under development consists mainly of seaside residential complex „Palais Maeterlinck” in Nice, France (EUR 98.9 million) and residential apartment in multifunctional business complex „QUADRIO“ in Prague, the Czech Republic (EUR 3.1 million). Moreover, projects under development include project Naunynstraße in Berlin amounts to EUR 3.9 million (2013: EUR 2.6 million).

No impairment was indicated as at 30 June 2014.

6.10 Cash and cash equivalents

	30 June 2014	31 December 2013
Bank balances	146,287	51,580
Cash in hand	867	6
Total	**147,154**	**51,586**

The balance of cash and cash equivalents went up by EUR 107.7 million as a result of the combination with CPI (see Note 1). No cash consideration was paid to the former shareholder as CPI was contributed in exchange to newly issued shares of the Company.

6.11 Equity

Changes in equity

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

Share capital and share premium

	Number of shares	Share Capital	Share premium
Balance at 31 December 2012	202,027,463	20,203	217,450
Capital decrease of 6th of June 2013	28,028,982	2,803	17,154
Capital increase of 4th of December 2013	114,600,000	11,460	42,402
Balance at 31 December 2013	344,656,445	34,466	277,006
Capital increase of 5th of March 2014	76,600,000	7,660	28,342
Capital increase of 30th of April 2014	32,664,894	3,266	12,086
Capital increase of 16th of June 2014	576,673,203	57,667	213,369
Capital increase of 17th of June 2014	1,890,229,362	189,023	699,385
Balance at 30 June 2014	**2,920,823,904**	**292,082**	**1,230,188**

In 2014

On 5 March 2014 the Company issued 76,600,000 new ordinary shares for a total subscription price of EUR 36.0 million to Stationway Properties Limited. The issue price was of EUR 0.47 per share. On 30 April 2014, the Company issued 31,914,894 new shares for a total subscription price of EUR 15 million to Alchemy Special Opportunities Fund II L.P., Guernsey, and 750,000 new shares for a total subscription price of EUR 352,500 to Société Générale, Paris. The issue price was of EUR 0.47 per share.

On 31 May 2014, the Company and Mr. Radovan Vítek (sole shareholder of CPI) signed Heads of Terms related to the subscription of 2,466,902,565 new ordinary shares of the Company by Mr. Vítek, at the subscription price of EUR 0.47 per share or EUR 1,159 million in aggregate. This transaction was approved by the Board of Directors on 27 May 2014 and was subject to various conditions and regulatory approvals. The new shares were issued under the existing authorized share capital of the Company against the contribution of ordinary shares of CPI in four tranches as follows:

- 576,673,203 new shares were issued against the contribution of 1,807,872 CPI shares, valued at EUR 271 million on 16 June 2014
- 701,297,979 new shares were issued against the contribution of 2,198,571 CPI, valued at EUR 330 million on 17 June 2014;
- 550,694,915 new shares were issued against the contribution of 1,726,430 CPI shares, valued at EUR 259 million on 17 June 2014;
- 638,236,468 new shares were issued against the contribution of 2,000,873 CPI shares, valued at EUR 300 million on 17 June 2014.

The new shares were not listed upon their issue, but the Company will seek to list them on the Frankfurt Stock Exchange as soon as reasonably practicable, subject to legal and regulatory requirements.

Following all these capital increases implemented during the first half of 2014, the share capital of the Company increased from EUR 34.5 million represented by 344,656,445 shares to EUR 292.1 million represented by 2,920,823,904 shares. As such, the total number of shares comprising the total number of voting rights attached thereto was 2,920,823,904 as of 30 June 2014 with a nominal value of EUR 0.10 each.

Based on the latest shareholders´ declarations received to the 30 June 2014, the following table sets out information regarding the ownership of the Company's shares.

Shareholder	Number of shares	Share held
Radovan Vítek and entities controlled by Mr Vítek	2,746,212,226	94.02%
ORCO PROPERTY GROUP	81,644,192	2.80%
Others	92,967,486	3.18%
Total	**2,920,823,904**	**100%**

In 2013

As of 31 December 2013 the share capital of the Company amounts to EUR 34,465,644.50 and is represented by 344,656,455 ordinary fully paid shares with a nominal value of EUR 0.10 each.

On 6 June 2013, 28,028,982 new ordinary shares of the Company were issued and paid by the contribution in kind of 22,886 Orco Germany bonds. All of the issued shares were subscribed by OPG.

The Board of Directors resolved on 29 November 2013 to implement a reserved capital increase pursuant to the authorization granted by shareholders during the Extraordinary General Meeting of 26 April 2012. On 29 November, 114,600,000 new ordinary shares at a subscription price of EUR 0.47 per share were subscribed by a Czech company Tandis, a.s. These shares were issued on 4 December 2013. Following this issuance, the total share capital amounts to EUR 34,465,644.50 and the share premium to EUR 277,006,095.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Authorized capital not issued:

The Company has an authorized, but unissued share capital of EUR 400,000,000.00 (the “Authorized Capital”) as of the date of issue of these financial statements.

At the Extraordinary General Meeting of 26 April 2012, the shareholders resolved to increase the existing authorized share capital by an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting. Following the capital increases of 27 September 2012, 6 June 2013 and 4 December 2013, the remaining authorized share capital was EUR 70,411,488.80 as of 31 December 2013. Following the capital increase of 5 March 2014 and 30 April 2014, the remaining authorized capital has been further decreased to EUR 59,484,999.40.

The Extraordinary General Meeting held on 13 May 2014 resolved to modify, renew and replace the existing authorised share capital clause in the Company's articles of association and to set the Company's authorised share capital at an amount of four hundred million euros (EUR 400,000,000.00) for a period of five years from the date of the General Meeting.

Following the capital increases on 16 and 17 June 2014 in respect of the combination with CPI, the remaining authorized capital has been decreased to EUR 153,309,743.50.

The Extraordinary General Meeting held on 28 August 2014 resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of four hundred million euro (EUR 400,000,000.00) for a period of five years from the date of the General Meeting. As such, the Board of Directors

is authorised to issue up to 4 billion new Company shares under this authorization within the period of 5 years from 28 August 2014, in addition to the 2,920,823,904 currently outstanding shares of the Company.
The Board of Directors is authorised and empowered within the limits of the authorised capital to (i) realize any increase of the share capital or equity of the Company with or without the issuance of new shares it being understood that the Board of Directors is authorised to issue such new shares in one or several issues and (ii) issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments, it being understood that (a) if such instruments are issued before or during the period set forth in the paragraph below, the new shares upon the conversion or exercise of such instruments may be issued after the expiry of said period and (b) the Board of Directors is authorised to issue such new shares in one or several issues. For the avoidance doubt, any increase of the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to 28 August 2014 under the former authorised share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new Authorised Capital.

Such authorisation conferred to the Board of Directors will expire five (5) years after the date of the general meeting of shareholders held on 28 August 2014 and can be renewed in accordance with the applicable legal provisions, it being understood that the Board of Directors can proceed to an increase of share capital or issue of the above mentioned instruments as of the date of the general meeting of shareholders held on 28 August 2014.

Share buy-back programme

The Extraordinary General Meeting held on 28 August 2014 resolved to approve the terms and conditions of the buy-back programme of the Company, enabling the redemption of Company’s own shares. The Extraordinary General Meeting authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of 750,000,000 Company shares from the existing and/or future shareholders of the Company, for a purchase price comprised in the range between one eurocent (EUR 0.01) and five euro (EUR 5) for a period of five (5) years from the date of the Extraordinary General Meeting.

Earnings per share

	30 June 2014	30 June 2013
At the beginning of the period	344,656,445	200,127,463
Shares issued	344,656,445	202,027,463
Treasury shares	--	(1,900,000)
Weighted average movements	240,890,415	4,307,198
Issue of new shares	240,890,415	3,737,198
Treasury shares	--	570,000
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**585,546,860**	**204,434,661**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**585,546,860**	**204,434,661**
Net (loss)/ profit attributable to the Equity holders of the Company	**78,963**	**21,618**
Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises	**78,963**	**21,618**
Total Basic earnings in EUR per share	0.13	0.11
o/w discontinued operations	0.13	0.11
Diluted earnings in EUR per share	0.13	0.11
o/w discontinued operations	0.13	0.11

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.

6.12 Bonds issued

6.12.1 Non-current bonds issued

CZECH PROPERTY INVESTMENTS, a.s.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/18 – EUR (ISIN CZ0003511024) (1)	100,000	92,430
Less: bonds owned by Group	(53,990)	(53,990)
Less: transaction costs	--	(35)
CPI VAR/18 (EUR)	46,010	38,405
Proceeds from issued bonds - CPI VAR/19 – CZK (ISIN CZ0003501868) (2)	2,000,000,000	72,860
Less: transaction costs	--	(1,618)
CPI VAR/19 (CZK)	2,000,000,000	71,242
Proceeds from issued bonds - CPI VAR/19 – EUR (ISIN CZ0003501843) (3)	116,000	58,000
Less: transaction costs	--	(1,212)
CPI VAR/19 (EUR)	116,000	56,788
Proceeds from issued bonds - CPI 2021 (ISIN CZ0003501496) (4)	1,215	88,525
Less: bonds owned by Group	(1,215)	(88,525)
CPI 2021	--	--
Proceeds from issued bonds - CPI 6,05/16 (ISIN CZ0003510646) (5)	150,000	53,590
Less: transaction costs	--	(668)
CPI 6,05/16	150,000	52,923
Proceeds from issued bonds - CPI 7,00/22 (ISIN CZ0003502916) (6)	1,000,000,000	36,430
Less: bonds owned by Group	(1,000,000,000)	(36,430)
Less: transaction costs	--	(67)
CPI 7,00/22	--	(67)
Proceeds from issued bonds - CPI 7,00/22 (ISIN CZ0003502924) (7)	1,000,000,000	36,430
Less: bonds owned by Group	(938,098)	(34,175)
Less: transaction costs	--	(67)
CPI 7,00/22	999,061,902	2,188
Proceeds from issued bonds - CPI 7,00/22 (ISIN CZ0003502957) (8)	1,000,000,000	36,430
Less: bonds owned by Group	(1,000,000,000)	(36,430)
Less: transaction costs	--	(67)
CPI 7,00/22	--	(67)
Proceeds from issued bonds - CPI 8,00/42 (ISIN CZ0003502932) (9)	1,000,000,000	36,430
Less: transaction costs	--	(90)
CPI 8,00/42	1,000,000,000	36,340
Proceeds from issued bonds - CPI 8,00/42 (ISIN CZ0003502940) (10)	1,000,000,000	36,430
Less: bonds owned by Group	(968,866,627)	(35,296)
Less: transaction costs	--	(90)
CPI 8,00/42	31,133,373	1,044
Subtotal - bonds issued by Czech Property Investments a.s.	**4,030,507,285**	**258,796**

CPI FINANCE NETHERLANDS B.V.	30 June 2014	
	No. of bonds issued	Value
Proceed from issued bonds - CPI Finance Netherlands B.V. (11)	500	182,149
Less: bonds owned by Group	(21)	(7,650)
CPI Finance Netherlands B.V. (2011)	479	174,499
Proceed from issued bonds - CPI Finance Netherlands B.V. (12)	100	36,430
Less: bonds owned by Group	(21)	(7,650)
CPI Finance Netherlands B.V. (2012)	79	28,780
Proceed from issued bonds - CPI Finance Netherlands B.V. (13)	100	3,643
Less: bonds owned by Group	(84)	(3,060)
CPI Finance Netherlands B.V. (2013)	16	583
Subtotal - bonds issued by CPI Finance Netherlands B. V.	**574**	**203,862**

CPI BYTY, a.s.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 3,50/17 (CZ0003510687) (14)	500,000	18,215
Proceeds from issued bonds - CPI BYTY 4,80/19 (CZ0003510695) (14)	900,000	32,787
Proceeds from issued bonds - CPI BYTY Real Estate 4,80/19 (CZ0003511412) (14)	500,000	18,215
Proceeds from issued bonds - CPI BYTY 5,80/21 (CZ0003510703) (14)	800,000	29,144
Less: transaction costs	--	(2,473)
Subtotal - bonds issued by CPI BYTY, a.s.	**2,700,000**	**95,888**

CPI ALFA, a.s.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA (ISIN CZ0003502205) (15)	279,000,000	10,164
Less: transaction costs	--	(169)
Subtotal–- bonds issued by CPI Alfa, a.s.	**279,000,000**	**9,995**

CPI RETAIL PORTFOLIO I	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI Retail Portfolio I (ISIN CZ0003511164) (16)	112,500	40,984
Less: transaction costs	--	(77)
Subtotal - bonds issued by CPI Retail Portfolio I	**112,500**	**40,906**

CPI PROPERTY GROUP S.A.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI PROPERTY GROUP S.A.	148,077	43
S–btotal - bonds issued by CPI PROPERTY GROUP S.A.	**148,077**	**43**

TOTAL NON-CURRENT BONDS	**609,490**

6.12.2 Current bonds issued

CZECH PROPERTY INVESTMENTS, a.s.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/15 – EUR (ISIN CZ0003501835) (17)	30,000	15,000
Less: transaction costs	--	(101)
CPI VAR/15 (EUR)	30,000	14,899
Subtotal - bonds issued by Czech Property Investments a.s.	**30,000**	**14,899**

CPI BYTY, a.s.	30 June 2014	
	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2,50/15 (ISIN CZ0003510679) (14)	300,000	10,929
CPI BYTY 2,50/15	300,000	10,929
Subtotal - bonds issued by CPI BYTY, a.s.	**300,000**	**10,929**

ACCRUED INTEREST ON BONDS	30 June 2014
CPI VAR/15 (EUR)	310
CPI VAR/18 (EUR)	1,668
CPI VAR/19 (CZK)	1,322
CPI VAR/19 (EUR)	1,123
CPI 6,05/16	948
CPI 7,00/22 (ISIN CZ0003502924)	66
CPI 8,00/42 (ISIN CZ0003502932)	1,676
CPI 8,00/42 (ISIN CZ0003502940)	49
CPI Finance Netherlands B.V. (2011)	17,379
CPI Finance Netherlands B.V. (2012)	714
CPI Finance Netherlands B.V. (2013)	10
CPI BYTY, a.s.	799
CPI Alfa, a.s.	102
CPI Retail Portfolio I	304
Subtotal - accrued interest on bonds	**26,470**

TOTAL CURRENT BONDS	**52,298**

(1) CPI VAR/18 ISIN CZ0003511024
CPI VAR/18 bonds were issued on 26 November 2013. The bonds mature on 26 November 2018. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 100,000,000.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/18, ISIN CZ0003511024). Bonds CPI VAR/18 bear the interest rate based on 12M EURIBOR + 5.5% margin. Interests are due annually, on 26 November respectively.

(2) CPI VAR/19 (CZK), ISIN CZ0003501868
CPI VAR/19 bonds were issued on 29 March 2012. The bonds mature on 29 March 2019. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 2,000,000.
CPI VAR/19 bonds bear the interest rate based on 6M PRIBOR + 6.5% margin. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501868). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 27 March 2012, reference number 2012/2781/570 that came into force on 27 March 2012.
Bonds were accepted for trading at the Prague Stock Exchange.

(3) CPI VAR/19 (EUR), ISIN CZ0003501843
CPI VAR/19 bonds were issued on 23 March 2012. The bonds mature on 23 March 2019. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 70,000,000.
CPI VAR/19 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501843). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2445/570 that came into force on 19 March 2012.
Bonds were accepted for trading at the Prague Stock Exchange.

(4) CPI 2021, ISIN CZ0003501496
CPI 2021 bonds were issued on 8 February 2007. The bonds mature on 8 August 2021. The nominal value of each bond is TCZK 2,000 and the total nominal value of bonds issued amounts to TCZK 2,430,000. In 2012, the Group bought back the remaining part of the bonds which are thereby hold entirely by the Group. The Group could issue bonds up to maximum value of TCZK 2,500,000 (1,250 bonds with nominal value of TCZK 2,000 each).
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 2021, ISIN CZ0003501496). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 17 January 2007, reference number 45/N/175/2006/4 that came into force on 22 January 2007.
Bonds CPI 2021 bear the interest rate based on 6M PRIBOR + 3.5% margin. Interests are due semi-annually, on 8 February and 8 August respectively.

(5) CPI 6.05/16 (CZK) ISIN CZ0003510646
CPI 6.05/16 bonds were issued on 29 March 2013. The bonds mature on 29 March 2016. The nominal value of each bond is TCZK 10. The Group could issue bonds up to maximum value of TCZK 1,500,000 with optional issue extension up to TCZK 2,250,000.
CPI 6.05/16 bonds bear the fixed interest rate of 6.05%. Interests are due semi-annually, on 29 March and 29 September respectively.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 6.05/16, ISIN CZ0003510646). The prospectus was approved by the decision of the Czech National Bank on 27 March 2013, reference number 2013/3802/570 that came into force on 27 March 2013.
Bonds were accepted for trading at the Prague Stock Exchange.

(6) CPI 7.00/22, ISIN CZ0003502916
CPI 7.00/22 bonds were issued on 6 December 2012. The bonds mature on 6 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 6 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502916).

(7) CPI 7.00/22, ISIN CZ0003502924
CPI 7.00/22 bonds were issued on 11 December 2012. The bonds mature on 11 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 11 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502924).

(8) CPI 7.00/22, ISIN CZ0003502957
CPI 7.00/22 bonds were issued on 13 December 2012. The bonds mature on 13 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 13 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502957).

(9) CPI 8.00/42, ISIN CZ0003502932
CPI 8.00/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 5 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8.00/42, ISIN CZ0003502932).

(10) CPI 8.00/42, ISIN CZ0003502940
CPI 8.00/42 bonds were issued on 17 December 2012. The bonds mature on 17 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 17 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502940).

(11) CPI Finance NL 5% 2011-2021
On 15 December 2011 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 500 bearer bonds up to maximum value of TCZK 5 000 000 with a nominal value of TCZK 10 000 each. The principal of bearer bonds is due on 15 December 2021. In 2012, the Group issued bonds in total nominal value of TCZK 1,850,000.
Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(12) CPI Finance NL 5% 2012-2022
On 15 December 2012 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 10,000 each. The total nominal value of bonds issued amounts to TCZK 1,000,000. The principal of bearer bonds is due on 15 December 2022. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(13) CPI Finance NL 5% 2013-2013

On 15 December 2013 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 1,000 each. The total nominal value of bonds issued amounts to TCZK 100,000.

The principal of bearer bonds is due on 15 December 2023. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(14) CPI BYTY bonds

The CPI BYTY bond issues were issued as a part of a bond programme, with an overall volume of TCZK 3,800,000. The overall volume of unpaid bonds issued under the bond programme must not at any time exceed TCZK 3,000,000.

The separation into 5 issues enabled investors to choose the duration of their investment, from 2 to maximum 8 years, with fixed coupons ranging from 2.5 to 5.8 %.

CPI BYTY bonds were accepted for trading at Prague Stock Exchange.

The detailed breakdown of individual issues is as follows:

CPI BYTY 2.50/15 ISIN CZ0003510679

CPI BYTY 2.50/15 bonds were issued on 7 May 2013. The bonds mature on 7 May 2015. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 2.50 % per annum. Interests are due annually on 7 May.

CPI BYTY 3.50/17 ISIN CZ0003510687

CPI BYTY 3.50/17 bonds were issued on 7 May 2013. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 3.50 % per annum. Interests are due annually on 7 May.

CPI BYTY 4.80/19 ISIN CZ0003510695

CPI BYTY 4.80/19 bonds were issued on 7 May 2013. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 4.80 % per annum. Interests are due annually on 7 May.

CPI BYTY 5.80/21 ISIN CZ0003510703

CPI BYTY 5.80/21 bonds were issued on 7 May 2013. The bonds mature on 7 May 2021. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 5.80 % per annum.

Interests are due annually on 7 May.

CPI BYTY Real Estate 4.80/19 ISIN CZ00035111412

CPI BYTY Real Estate 4.80/19 bonds were issued on 30 April 2014. The bonds mature on 7 May 2019. The nominal value of each bonds is TCZK 1 and the total nominal value amounts to TCZK 500,000. Bonds bear fixed interest rate of 4.80 % per annum. Interest are due annually on 7 May.

(15) CPI Alfa, ISIN CZ0003502205

On 26 October 2012 the Group (through its subsidiary CPI Alfa, a.s.) issued bonds in total nominal value of TCZK 279 000. Bonds mature on 26 October 2017. The nominal value of each bond is CZK 1.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, ISIN CZ0003502205).

Bonds CPI Alfa bear the fix interest rate 5.5% p.a. Interests are due quarterly, on 26 January, on 26 April, on 26 July and on 26 October respectively.

The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

(16) CPI Retail Portfolio I 5.00/2019 ISIN CZ0003511164

CPI Retail Portfolio I 5.00/2019 bonds were issued on 25 April 2014. The nominal value of each bond is CZK 10,000. The total nominal value of bonds issued amounts to TCZK 1,125,000. The bonds mature on 25 April 2019 and bear fixed interest of 5% per annum. Interest are due semi-annually on 25 April and 25 October.

Issuer of the bonds is the Group´s company CPI Retail Portfolio I, a.s. The issuer issued above mentioned bonds through other members of emission group (CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o. and CPI Retail Portfolio VII, s.r.o.), on the basis of commission contract.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI Retail Portfolio I 5.00/2019).

(17) CPI VAR/15 (EUR), ISIN CZ0003501835

CPI VAR/15 bonds were issued on 23 March 2012. The bonds mature on 23 March 2015. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 15,000,000.

CPI VAR/15 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/15, ISIN CZ0003501835). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2446/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

Non-current bonds	Non-convertible bonds and New Notes
Balance at 1 January 2013	20,000
Conversion of loan to equity	(19,957)
Balance at 31 December 2013	43
Combination with CPI (refer to note 1)	653,141
Repurchase of Group bonds	(43,139)
Translation differences	(555)
Balance at 30 June 2014	**609,490**

In 2014

No new bonds have been issued in 2014. The increase is fully attributable to the combination with CPI, refer to Note 1. In order to deleverage the Group, EUR 43.1 million of bonds issued by subsidiary CPI have been repurchased before the end of June 2014.

Current bonds	Non-convertible bonds and New Notes
Balance at 1 January 2013	--
Balance at 31 December 2013	--
Combination with CPI (refer to note 1)	52,298
Balance at 30 June 2014	**52,298**

In 2014

The increase is fully attributable to the combination with CPI, refer to Note 1.

6.13 Financial debts

Non-current liabilities - Financial debts	30 June 2014	31 December 2013
Loans from related parties	21,118	383
Loans from third parties	9,935	--
Bank loans	1,245,710	248,341
Finance lease liabilities	19,625	--
Bills of exchange	10,895	--
Total	**1,307,283**	**248,724**

Non-current liabilities - Financial debts	Bank loan	Other non-current borrowings	Total
Balance at 1 January 2013	**282,352**	**12,610**	**294,962**
Issue of new loans and drawdowns	--	20	20
Repayments of loans	(3,628)	(13,486)	(17,114)
Transfers	(30,384)	1,240	(29,144)
Balance at 31 December 2013	**248,340**	**384**	**248,724**
Issue of new loans and drawdowns	10,795	66	10,861
Repayments of loans	--	(155)	(155)
Combination with CPI (refer to note 1)	990,842	61,418	1,052,260
Transfers	(3,451)	2	(3,449)
Translation differences	(902)	(56)	(958)
Balance at 30 June 2014	**1,245,624**	**61,659**	**1,307,283**

In 2014

Issue of new loans and drawdowns is related to the acquisition of project Aqua-carre (EUR 7.8 million) and to the Solar project in Germany (EUR 3.0 million).

In connection with the business combination with CPI (see Note 1), non-current financial debts in the amount of EUR 1.1 billion were acquired. Except from acquired bank loans (EUR 990.8 million), other current borrowings (EUR 61.4 million) relates mainly to loans received from both related and third parties and from finance lease liabilities.

The transfers are mainly explained as following:

- Current part of the non-current loans mainly related to the loans financing the GSG Berlin portfolio (EUR 3.5 million).

Current liabilities – Financial debts and Liabilities held for sale	30 June 2014	31 December 2013
Bank overdraft	9	--
Loans from related parties	1,220	--
Loans from joint ventures	--	--
Loans from third parties	14,816	23
Bank loans	158,668	35,144
Finance lease liabilities	1,565	--
Bills of exchange	13,143	--
Total	**189,422**	**35,167**

Current liabilities - Financial debts and Liabilities held for sale	Long-term Debt - current part	Other current borrowings	Total
Balance at 1 January 2013	7,942	1,440	9,382
Issue of new loans and drawdowns	--	3	3
Repayments of loans	(3,534)	(323)	(3,857)
Transfers	30,384	(745)	29,639
Balance at 31 December 2013	34,792	375	35,167
Issue of new loans and drawdowns	627	325	952
Repayments of loans	(4,451)	(971)	(5,422)
Combination with CPI (refer to note 1)	123,707	30,830	154,537
Transfers	3,451	926	4,377
Translation differences	(112)	(77)	(189)
Balance at 30 June 2014	**158,014**	**31,408**	**189,422**

In 2014

The repayments of bank loans were mainly related to GSG (EUR 4.2 million) and Gebauer Höfe (EUR 0.3 million). The transfers represent reclassification of current part from non-current loans mainly related to the loans financing the GSG portfolio (EUR 3.5 million).

Financial debts in the amount EUR 154.5 million are connected with the combination with CPI (see Note 1). Acquired financial debts consists of bank loans (EUR 123.7 million) and of current loans received from both related and third parties and from finance lease liabilities (EUR 30.8 million).

6.14 Derivative instruments

The Group uses various types of interest rate derivative contracts to protect against changes in the fair value of its financial assets and liabilities due to fluctuations in interest rates.
Interest rate derivatives represent interest rate swaps, collars and caps. Recorded at fair value, interest rate swaps, collars and caps cover floating interest rates against fixed interest rates.
CPI derivative instruments are presented within current assets when their fair value is positive, within other current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately through profit and loss under other financial results.

Non-current liabilities from derivatives	30 June 2014	31 December 2013
Other interest rate swap contracts	4,332	--
Total	**4,332**	**--**

Movement in non-current liabilities from derivatives	Other interest rate swaps	Total
Balance at 31 December 2013	**--**	**--**
Combination with CPI (refer to note 1)	4,336	4,336
Translation differences	(4)	(4)
Balance at 30 June 2014	**4,332**	**4,332**

Current liabilities from derivatives	30 June 2014	31 December 2013
Interest rate swaps used for hedging	2,153	--
Other interest rate swap contracts	11,042	691
Total	**13,194**	**691**

Movement in current liabilities from derivatives	Interest rate swaps used for hedging	Other interest rate swaps	Total
Balance at 1 January 2013	**4,521**	**--**	**4,521**
Fair value revaluation	(3,830)	--	--
Balance at 31 December 2013	**691**	**--**	**691**
Combination with CPI (refer to note 1)	2,155	6,455	8,610
Fair value revaluation	3,901	--	3,901
Translation differences	(2)	(6)	(8)
Balance at 30 June 2014	**6,747**	**6,455**	**13,194**

6.15 Advance payments

Within the combination with CPI (see Note 1), the Group acquired advance payments in the amount of EUR 33.5 million. Advance payments represent mainly 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.

6.16 Other financial current liabilities

In connection with the combination with CPI (see Note 1), other current liabilities in the amount of EUR 62 million were acquired. The major part of the acquired liabilities represents deferred income in the amount of EUR 43.2 million that relates primarily to the presales of apartments from the portfolio of CPI France, a SASU, which are not yet finished, so the related income is booked as deferred income. Remaining portion of the acquired other liabilities mainly consist of tax, social and payroll liabilities.

6.17 Borrowings maturity

The table below represents the carrying amount of the debts allocated by date of repayment.
Most floating interest debt instruments have a fixing period of maximum 3 months.
The Group's borrowings are denominated in EUR and in CZK.

In 2014

At 30 June 2014	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	--	71,139	265,907	272,444	609,490
Financial debts	--	602,549	486,310	218,424	1,307,283
Bank loans	--	568,128	482,103	195,393	1,245,624
Bank loans fixed rate	--	964	8,550	1,592	11,106
Bank loans floating rate	--	567,164	473,553	193,801	1,234,518
Other non-current borrowings	--	34,421	4,207	23,031	61,659
Sub-total - Non-current	**--**	**673,688**	**752,217**	**490,868**	**1,916,773**
Current bonds	52,298	--	--	--	52,298
Financial debts	189,422	--	--	--	189,422
Bank loans - current part	158,014	--	--	--	158,014
Bank loans fixed rate	458	--	--	--	458
Bank loans floating rate	157,556	--	--	--	157,556
Other current borrowings	31,408	--	--	--	31,408
Sub-total - Current	**241,720**	**--**	**--**	**--**	**241,720**
Total	**241,720**	**673,688**	**752,217**	**490,868**	**2,158,493**

In 2013

At 31 December 2013	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	--	43	--	--	43
Financial debts	--	15,399	233,325	--	248,724
Bank loans	--	15,015	233,325	--	248,340
Bank loans floating rate	--	15,015	--	--	15,015
Other non-current borrowings	--	384	--	--	384
Sub-total - Non-current	**--**	**15,442**	**233,325**	**--**	**248,767**
Financial debts	35,167	--	--	--	35,167
Bank loans - current part	34,792	--	--	--	34,792
Bank loans floating rate	34,792	--	--	--	34,792
Other current borrowings	375	--	--	--	375
Sub-total - Current	**35,167**	**--**	**--**	**--**	**35,167**
Total	**35,167**	**15,442**	**233,325**	**--**	**283,934**

6.18 Loans with covenant breaches

In 2014, no loans are in covenant breach. In 2013, the short-term loans in breach due to financial covenant breach were composed of the loan financing the asset Gebauer Höfe (EUR 26.2 million).

7 Contingencies and litigations

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor and provisions where needed.

As of 30 June 2014, contingent liability of EUR 5.9 million related to BAR (Leipziger Platz transaction – see Note 6.7) exists.

The capital increases of 4 December 2013 and of 5 March 2014, resulting in a capital raise of EUR 90 million are challenged by some OPG shareholders in court proceedings in Luxembourg. These shareholders are requesting, inter alia, the cancellation of these capital increases. As of the date of this report proceedings are pending in front of the Luxembourg courts.

As at the date of the publication of the condensed consolidated interim financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed above.

8 Capital and other commitments

Capital commitments

The Group has capital commitments of EUR 22.4 million in respect of capital expenditures contracted for at the date of the statement of financial statements (EUR 0 million in 2013). There are no other commitments except as disclosed above.

9 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.

TEUR	30 June 2014
Remuneration paid to key management personnel and members of Board of directors	828
Termination indemnities (see Note 5.4)	3,046
Total	**3,874**

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

Balances at	30 June 2014
Loans provided	6,313
Trade receivables	1
Other receivables	7,680
Loans received	846
Other advances paid	140

Main selected transactions with other related parties

Transactions with OPG

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 EUR 25 thousand for the six months period ended June 2014 (EUR 54 thousand for 2013).

CPI Management, s.r.o. has started outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of OPG in the Czech Republic as of 1 July 2014. The value of such services amounted to EUR 58 thousand a month.

In June 2014, the Group provided the OPG with loan bearing the following main characteristics: EUR 3.5 million principal, interest rate 8 % p.a., interests to be paid with the repayment. The outstanding balance is EUR 3.5 million as at 30 June 2014 and the Group agreed with OPG to extend the term of the loan until 31 December 2014.

Transactions with Scampia, a.s.

Before combination with CPI (see Note 1), CPI had performed financial assets restructuring and consolidation of a number of receivables of related parties. Such receivables of the third parties were assigned to Scampia, a.s., an entity closely associated with Mr. Vítek, in order to simplify related parties transaction structure. Following this operation, the aggregate amount of receivables of the Group from Scampia, a.s. amounts to EUR 275 million and bear interest rate between 5-7 % p.a.

Transactions with Materali, a.s.

In June 2014, Materali, a.s.,an entity closely associated with Mr. Vítek, provided interest bearing loan to the Group. As at 30 June 2014 the nominal value of the loan amounts to EUR 20.1 million. The loan is denominated in EUR and is due on 30 June 2017.

Transactions with Mercuda, a.s.

In February and May 2014, Mercuda, a.s., an entity closely associated with Mr. Vítek, was provided with an interest bearing loans by the Group. As at 30 June 2014 the nominal value of the loans amounts to EUR 14.5 million. The loan is denominated in CZK and is due on 31 December 2014.

10 Events after the reporting period

10.1 Mandatory public takeover offer

On 24 July 2014 Materali, a.s. notified the Company about publication of a mandatory public takeover offer („Mandatory Offer") to the shareholders of the Company. The Mandatory Offer concerns the acquisition of the Company shares at the price of EUR 0.53 per share. The acceptance period for the Mandatory Offer was from 24 July 2014 to 21 August 2014. At the time of the publication of the Mandatory Offer Mr. Vítek directly or indirectly held 94.02% of the shares and voting rights in the Company. According to website of Materali, a.s. (www.materali.cz) the Mandatory Offer was accepted for a total of 35,447,176 Company shares (approximately 1.21 % of the share capital) as of the end of the acceptance period of 21 August 2014, at 24:00hrs.

10.2 Extraordinary General Meeting held on 28 August 2014 - Change of the name, authorized capital and share buy-back program

The Extraordinary General Meeting of 28 August 2014 resolved to change the name of the Company from GSG GROUP to CPI PROPERTY GROUP.

The General Meeting resolved to approve the terms and conditions of the buy-back programme of the Company, enabling the redemption of Company's own shares. As such, the General Meeting authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of 750,000,000 Company shares from the existing and/or future shareholders of the Company, for a purchase price comprised in the range between one eurocent (EUR 0.01) and five euro (EUR 5.0), for a period of five (5) years from the date of the General Meeting.

The General Meeting further resolved to approve the report of the Company's Board of Directors relating to the possibility of the Board of Directors to cancel or limit any preferential subscription right of the shareholders upon the increases of capital in the framework of the authorised share capital.

The General Meeting also resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of four hundred million euro (EUR 400,000,000.00) for a period of five (5) years from the date of the General Meeting. As such, the Board of Directors is authorised to issue up to 4 billion new Company shares under this authorization within the period of 5 years from today, in addition to the 2,920,823,904 currently outstanding shares of the Company.

The General Meeting resolved to modify the Company's articles of association in order to reflect the above decisions and to adapt certain other provisions of the Company's articles.

10.3 Change in the Board of Directors and the management

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

10.4 Refinancing of the Hospitality portfolio

On 21 July 2014, the Group and OPG jointly achieved the extension of the bank loan of EUR 62.5 million financing the activities of Hospitality Invest (acquired in 2014 - see note 1) by one year.

11 Accounting policies

11.1 Consolidation

11.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

11.1.2 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes also the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquirer’s net assets.

Any contingent consideration transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to the comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. The gain on bargain purchase arising on an acquisition is recognized in the consolidated income statement.

11.1.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

11.1.4 Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the combination had taken place at the latter of the beginning of the earliest comparative period presented and the date on which the combining entities first came under common control. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group’s controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity. No goodwill is recorded and the comparative periods are restated for those periods in which common control existed.

11.1.5 Joint ventures

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are arrangements in which the Group has join control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.
Joint ventures are accounted for using the equity method.
Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.
Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.
The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012 and has changed accounting policies for joint ventures as from 1 January 2012. For the impact of change please refer to 2013 Consolidated Financial Statements.

11.1.6 Associates

Associates are those entities in which the Group exercises a significant influence over the operational and financial policies, but not control. The Group's investments in associates are accounted for under the equity method.
Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses by a provision (liability), unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

11.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of a Group. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Group.

11.3 Foreign currency translation

11.3.1 Functional and presentation currency

The consolidated financial statements are presented in Euro (EUR), which is the Group's presentation currency. All financial information presented in Euro has been rounded to the nearest thousand (TEUR), except when otherwise indicated. Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').
Summary of countries and functional currencies:

Country	Functional currency
Czech Republic	CZK
Germany	EUR
Slovak Republic	EUR
France	EUR
British Virgin Islands	EUR
Poland	PLN/EUR
Hungary	HUF/EUR
Romania	RON
Netherlands	CZK
Ireland	CZK
Cyprus	CZK

11.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except for the differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognized in the other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Translation differences on non-monetary assets and liabilities held at fair value are recognized in the consolidated income statement as part of the fair value gain or loss.

11.3.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement presented are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- All resulting exchange differences are recognized as a separate component of consolidated equity.

Foreign currency differences arising on translation of foreign operations are recognized in other comprehensive income, and presented in foreign currency translation reserve (Translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as a part of gain or loss on the disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while

retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated income statement.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

11.4 Intangible assets

11.4.1 Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

11.4.2 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives.
Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.
Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding three years).

11.4.3 Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment or whenever there is an indication of impairment. They are carried at cost less accumulated impairment losses.

11.4.4 Amortization of intangible assets

The estimated useful lives for the current and comparative periods are as follows:

Assets	2014	2013
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

11.5 Investment property

11.5.1 Recognition and measurement

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land plots held under operating lease and buildings held under finance lease.

Land plot held under operating lease is classified and accounted for as investment property when the definition of investment property is met. Investment property is measured initially at its cost, including related transaction costs.

Freehold lands for which the destination is not specified at the acquisition date are classified under Investment property as land bank. The specific destination (if any) is to be determined by the investment committee approving the acquisition. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered to be when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification. If the start of a development of a freehold land with the objective to keep the asset for future rental or value accretion, the property will not be transferred. All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

Property that is being constructed or developed for future use as investment property is classified as development and measured at fair value until construction or development is completed. Any gain or loss arising on the measurement is recognized in the consolidated income statement.

The Group capitalize external borrowing costs on qualifying investment properties under development.

Investment property is measured at cost on initial recognition. After initial recognition, investment property is carried at fair. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed semi-annually and annually by an independent expert, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements.

Changes in fair values are recorded in the consolidated statement of comprehensive income under “Net valuation gain or loss on investment property”.

11.5.2 Valuation process

The valuation process is performed at least once a year. The management communicates the list of assets to be reviewed to the external independent appraiser, who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The external appraiser has access to all the required documents to support his review including details of the properties, actual figures and budgets. The result of the review is then discussed with the management and the Company internal valuation coordinator in order to ensure that the highest and best use assumption is respected and that the fair value reflects the latest update on the projects. Material valuation changes, assumptions and inputs are systematically reviewed and challenged by the controlling department and management. Once finalized, the valuations are then presented to the audit committee of the parent company by the external appraiser before communication internally for reporting purposes.

In some specific cases the valuation is supported by a letter of interest or specific circumstances related to ownership. In those cases the carrying amount is different from the externally appraised value.

11.5.3 Valuation technique

The fair value of properties is based on the highest and best use of the assets as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.
Each group of assets is then categorized according to the valuation hierarchy which is directly related to the valuation methodology:

- 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). Only assets valued under the Sales comparison approach are described as being Level 2 assets. Sales comparison approach is a market approach, the value is based on comparable transactions or recently recorded prices on similar inventory items. When the Group is in advance stage of negotiation with potential buyer, the fair value as at the reporting date is adjusted to the estimated sales price. Transaction price is based on verified interest from a potential buyer.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Level 3 fair value valuation method integrates non-observable inputs and includes:
    - Income approach such as discounted cash flow and income capitalization method. It requires the non-observable inputs such as discount rates, exit capitalization rates or equivalent yield.
    - Comparison method for the valuation of surplus land. It requires input data such as prices meter or standard land values per square meter.
    - Development appraisal or residual value method requiring the estimate of the expected gross development value of the project, the required costs to complete the project and the margin that a potential investor would require to complete the project.

Discounted cash flow

The discounted cash flow method involves period-by-period estimation of gross income and expenditure, to calculate the net income (cash flow) for each period, explicitly taking into account a range of variables including changes in rent due to contractual agreements and growth in market value, expenditure on maintenance, repairs and renovation, timing of vacancies (void period) etc. over a period of the time horizon (10 years). At the end of the time horizon, using forecasts of the then rental income and appropriate investment yield (terminal capitalization rate or exit yield), on the assumption that it will be sold at that point. The resulting net cash flows are then discounted at a selected discount rate (discount rate), normally set by comparing with money-market rates and allowing for the relative disadvantages of real estate ownership, in order to arrive at the net present value. After allowing for purchaser's costs if appropriate, the result is the fair value.

Income Capitalization method

The income capitalization method is based on capitalization of the current and market net rental income from the properties, adjusted for landlord's expenditure, at a rate obtained by direct or indirect comparison with sales of real estate in the market. This method does not reflect e.g. rental growth and expenditure forecasts explicitly; rather their effect is implicit in the yield (equivalent yield) that is adopted.
The so-called "hardcore topslice" income capitalization method is dividing expected cash-flow into two or more sections and assigning a value into perpetuity on the following basis:

- A core rate of expected return, which is applied to income deemed to be the lowest risk
- One or more 'top slices', to which designated rates of expected return are applied based on the deemed riskiness of the income stream (which would apply, for example, to rents perceived to be above-market).

Deductions are made from income to reflect management and maintenance costs, whereas the costs of any outstanding repairs, as well as current and estimated future capital costs and the purchaser's cost of transfer are deducted from capital costs.

Comparison method

The valuation of surplus land is based on the comparison method taking into account standard land values (Bodenrichtwert) published by Berlin's committee of valuation experts. Due to the fact that those land values are not directly derived from the investment market (based on estimates of the authority) they do not fulfil the requirements of the level 2 input data in the context of IFRS 13.

Development appraisal

Development appraisal or residual value method requiring the estimate of the expected gross development value of the project (GDV), the required costs to complete the project and the margin (developer profit) that a potential investor would require to complete the project.

11.5.4 Subsequent expenditure

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.
A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. The initial cost of a property interest held under an operating lease and classified as an investment property is recognized as prescribed for a property held under a finance lease, i.e. the asset is recognized at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognized as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy.

11.5.5 Reclassification to property, plant and equipment

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised.

11.6 Property, plant and equipment

11.6.1 Recognition and measurement

Owner-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is owner operated real estate assets (hotels, logistics warehouses or owner-occupied office buildings).

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see note 11.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

11.6.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

11.6.3 Depreciation

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the costs over the asset's estimated useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Assets	2014	2013
Property	30 – 50 years	30 – 80 years
Equipment	5 - 10 years	5 - 10 years
Motor vehicles	5 years	5 years
Fittings	3 - 20 years	3 - 20 years
Computers	3 years	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

11.6.4 Reclassification to investment property

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated condensed statement of comprehensive income.

11.7 Leases

11.7.1 A Group company is the lessee

11.7.1.1 Operating lease

Leases other than finance leases are operating leases and, except for investment property, the leased assets are not recognized in the Group's consolidated statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. See Note 11.5.1 for the accounting policy relating to land held on an operating lease and used as investment property.

Investment property held under an operating lease is recognized in the Group's consolidated statement of financial position at its fair value.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

11.7.1.2 Finance lease

Leases of assets where the Group supports substantially all the risks and rewards of the ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The investment properties acquired under finance leases are carried at their fair value. Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

11.7.2 A Group company is the lessor

11.7.2.1 Operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position. See Note 11.27 for the recognition of rental income.

11.7.2.2 Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

11.8 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortization and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Other non-financial assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

11.9 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered as highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell.

11.10 Non-derivative financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.
The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.
The Group’s financial assets consist equity and debt securities, loans provided, trade and other receivables and cash and cash equivalents.

11.11 Loans and receivables

Financial assets recognized in the consolidated balance sheet as loans provided, trade and other receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
Management assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. The recoverable amount of loans and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition of these financial assets).
Impairment testing of trade receivables is described in note 11.18.

11.12 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.
Held-to-maturity financial assets comprise bonds.

11.13 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets so designated by management or held for trading. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated condensed statement of comprehensive income. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

11.14 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to the consolidated income statement.

Available-for-sale financial assets which are investments in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate are carried at cost.

Available-for-sale financial assets comprise equity securities.

11.15 Impairment of financial assets

Financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost (provided loans, trade and other receivables, held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in the consolidated income statement and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to the consolidated income statement. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in the consolidated income statement. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event after the impairment loss was recognized, then the impairment loss is reversed through the consolidated income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

11.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

11.17 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.
All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

11.18 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

11.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. The Group treats cash deposited as a security in accordance with bank loan covenants and cash with restricted use as cash and cash equivalents for cash flow purposes.

11.20 Share capital

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.
The shares of the Company (CPI PROPERTY GROUP S.A.) held by the Group (Treasury shares) are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

11.21 Non-derivative financial liabilities

Non-derivative financial liabilities comprise elements recorded under the captions Bonds (bonds issued), Financial debts (loans and borrowings) and Bank overdrafts.

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds allocated to the conversion option is recognized in equity, net of income tax effect.

It may be elected to account for a liability at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. In such a case the liability is initially recognized at fair value, and transaction costs are expensed in the consolidated income statement.

The Group uses bank overdrafts for financing their short term liabilities.

Loans and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

11.22 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

11.23 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

11.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on the fair value of land and buildings held by the Group as investment properties even when they are located in special purpose entities. Generally, each special purpose entity is meant to hold one specific project or a coherent portfolio of projects. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal might be exempted from any tax.

11.25 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the net defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any), are charged or credited to other comprehensive income in the period in which they arise. Net interest expense and other expenses related to the defined benefit plans are recognized in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations

once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.
The valuation of the pension obligation is performed by an independent actuary. For its subsidiaries, the Group offers benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the consolidated financial statements in payroll charges.

11.26 Derivative financial instruments and hedging activities

Derivative instruments are initially recognized in the consolidated statement of financial position at their fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group holds derivative financial instruments to hedge risk associated with its interest rate and foreign currency risk exposures.
On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.
The effective portion of changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognized in other comprehensive income and accumulated in equity. To the extent that the hedge is ineffective, changes in the fair value of the derivative are recognized in the consolidated income statement.
If the hedging instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the anticipated transaction takes place.
When a derivative instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated income statement under “other net financial results”.

11.27 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.
Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.
Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.
The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.
For each development project, the amount of cost of goods sold for the period is since 2011 derived from the percentage of the total area sold during the period applied to opening inventory. Coefficients are allocated to different types of area in order to underweight secondary floor area (balcony, terrace, garage and garden) in comparison with primary floor area (apartments). The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

11.28 Critical judgments in applying the Group's accounting policies

11.28.1 Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the process of supply of services or for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group treats for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

11.28.2 Transfer between Inventories and Investment property

If a commercial and office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as Investment Property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

11.28.3 Transfer between Investment property and Inventories

Freehold land for which the destination is not determined at acquisition is classified under Investment property as land bank. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained sufficient support from state or city authorities in order to start working on the master plan modification.

11.28.4 Classification of non-current assets as held for sale

The Management determines whether a non-current asset is to be classified as held for sale when the following conditions are met:

- there is a formal decision taken by the Investment Committee to sell the asset at a price which is reasonable compared to its current fair value;
- the asset is available for immediate sale;
- the sale is highly probable and should be completed within the 12 months following the balance sheet date.

APPENDIX I – LIST OF GROUP ENTITIES

Subsidiaries fully consolidated

Company	Country	30 June 2014	31 December 2013
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.0%	0.0%
ALAMONDO LIMITED	Cyprus	100.0%	0.0%
Avacero Ltd.	Cyprus	100.0%	0.0%
AVIDANO LIMITED	Cyprus	100.0%	0.0%
BREGOVA LIMITED	Cyprus	100.0%	0.0%
Codiazella Ltd	Cyprus	100.0%	0.0%
CPI CYPRUS LIMITED	Cyprus	100.0%	0.0%
DERISA LIMITED	Cyprus	100.0%	0.0%
DORESTO LIMITED	Cyprus	100.0%	0.0%
GOMENDO LIMITED	Cyprus	100.0%	0.0%
GORANDA LIMITED	Cyprus	100.0%	0.0%
ISTAFIA LIMITED	Cyprus	100.0%	0.0%
JONVERO LIMITED	Cyprus	100.0%	0.0%
LERIEGOS LIMITED	Cyprus	100.0%	0.0%
MESARGOSA LIMITED	Cyprus	100.0%	0.0%
OSMANIA LIMITED	Cyprus	100.0%	0.0%
PRINGIPO LIMITED	Cyprus	100.0%	0.0%
Sashka LIMITED	Cyprus	100.0%	0.0%
SHAHEDA LIMITED	Cyprus	100.0%	0.0%
TUNELIA LIMITED	Cyprus	100.0%	0.0%
Volanti Ltd.	Cyprus	100.0%	0.0%
ZLATICO LIMITED	Cyprus	100.0%	0.0%
ABLON s.r.o.	Czech Republic	100.0%	0.0%
Airport City s.r.o.	Czech Republic	100.0%	0.0%
Arkáda Prostějov, s.r.o.	Czech Republic	100.0%	0.0%
Balvinder, a.s.	Czech Republic	100.0%	0.0%
Baudry Alfa, a.s.	Czech Republic	100.0%	0.0%
Baudry Beta, a.s.	Czech Republic	100.0%	0.0%
Baudry, a.s.	Czech Republic	100.0%	0.0%
BAYTON Alfa, a.s.	Czech Republic	100.0%	0.0%
BAYTON Delta, a.s.	Czech Republic	100.0%	0.0%
BAYTON Gama, a.s.	Czech Republic	86.5%	0.0%
Beroun Property Alfa, a.s.	Czech Republic	100.0%	0.0%
Beroun Property Development, a.s.	Czech Republic	100.0%	0.0%
Best Properties South, a.s.	Czech Republic	100.0%	0.0%
BPT Development, a.s.	Czech Republic	100.0%	0.0%
Brandýs Logistic, a.s.	Czech Republic	100.0%	0.0%

Company	Country	30 June 2014	31 December 2013
Březiněves, a.s.	Czech Republic	100.0%	0.0%
Camuzzi, a.s.	Czech Republic	100.0%	0.0%
Carpenter Invest, a.s.	Czech Republic	100.0%	0.0%
CB Property Development, a.s.	Czech Republic	100.0%	0.0%
CD Property s.r.o.	Czech Republic	100.0%	0.0%
Conradian, a.s.	Czech Republic	100.0%	0.0%
CPI - Bor, a.s.	Czech Republic	100.0%	0.0%
CPI - Facility, a.s.	Czech Republic	100.0%	0.0%
CPI - Krásné Březno, a.s.	Czech Republic	100.0%	0.0%
CPI - Land Development, a.s.	Czech Republic	100.0%	0.0%
CPI - Orlová, a.s.	Czech Republic	100.0%	0.0%
CPI - Real Estate, a.s.	Czech Republic	100.0%	0.0%
CPI - Štupartská, a.s.	Czech Republic	100.0%	0.0%
CPI - Zbraslav, a.s.	Czech Republic	100.0%	0.0%
CPI Alfa, a.s.	Czech Republic	100.0%	0.0%
CPI Beta, a.s.	Czech Republic	100.0%	0.0%
CPI BYTY, a.s.	Czech Republic	100.0%	0.0%
CPI City Center ÚL, a.s.	Czech Republic	100.0%	0.0%
CPI Delta, a.s.	Czech Republic	100.0%	0.0%
CPI East,s.r.o.	Czech Republic	100.0%	0.0%
CPI Epsilon, a.s.	Czech Republic	100.0%	0.0%
CPI Flats, a.s.	Czech Republic	100.0%	0.0%
CPI Group, a.s.	Czech Republic	100.0%	0.0%
CPI Heli, s.r.o.	Czech Republic	100.0%	0.0%
CPI Hotels Properties, a.s.	Czech Republic	100.0%	0.0%
CPI Jihlava Shopping, a.s.	Czech Republic	100.0%	0.0%
CPI Lambda, a.s.	Czech Republic	100.0%	0.0%
CPI Management, s.r.o.	Czech Republic	100.0%	0.0%
CPI Meteor Centre, s.r.o.	Czech Republic	100.0%	0.0%
CPI Národní, s.r.o.	Czech Republic	100.0%	0.0%
CPI North, s.r.o.	Czech Republic	100.0%	0.0%
CPI Palmovka Office, s.r.o.	Czech Republic	100.0%	0.0%
CPI Park Mlýnec, a.s.	Czech Republic	100.0%	0.0%
CPI Park Žďárek, a.s.	Czech Republic	100.0%	0.0%
CPI Property, s.r.o.	Czech Republic	100.0%	0.0%
CPI Reality, a.s.	Czech Republic	100.0%	0.0%
CPI Retail MB s.r.o.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio I, a.s.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio II, a.s.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.0%	0.0%

Company	Country	30 June 2014	31 December 2013
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.0%	0.0%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.0%	0.0%
CPI Retails ONE, a.s.	Czech Republic	100.0%	0.0%
CPI Retails TWO, a.s.	Czech Republic	100.0%	0.0%
CPI Services, a.s.	Czech Republic	100.0%	0.0%
CPI Shopping MB, a.s.	Czech Republic	100.0%	0.0%
CPI Shopping Teplice, a.s.	Czech Republic	100.0%	0.0%
CPI South, s.r.o.	Czech Republic	100.0%	0.0%
CPI West, s.r.o.	Czech Republic	100.0%	0.0%
CURITIBA, a.s.	Czech Republic	100.0%	0.0%
Czech Property Investments, a.s.	Czech Republic	100.0%	0.0%
Čáslav Investments, a.s.	Czech Republic	100.0%	0.0%
Český Těšín Property Development, a.s.	Czech Republic	100.0%	0.0%
Družstvo Land	Czech Republic	100.0%	0.0%
EMH North, s.r.o.	Czech Republic	100.0%	0.0%
EMH South, s.r.o.	Czech Republic	100.0%	0.0%
EMH West, s.r.o.	Czech Republic	100.0%	0.0%
Farhan, a.s.	Czech Republic	100.0%	0.0%
FL Property Development, a.s.	Czech Republic	100.0%	0.0%
HD Investment s.r.o.	Czech Republic	100.0%	0.0%
Hraničář, a.s.	Czech Republic	100.0%	0.0%
IGY2 CB, a.s.	Czech Republic	100.0%	0.0%
Jeseník Investments, a.s.	Czech Republic	100.0%	0.0%
Kerina, a.s.	Czech Republic	100.0%	0.0%
LD Praha, a.s.	Czech Republic	100.0%	0.0%
Lockhart, a.s.	Czech Republic	100.0%	0.0%
Malerba, a.s.	Czech Republic	100.0%	0.0%
Marissa Delta, a.s.	Czech Republic	100.0%	0.0%
Marissa East, a.s.	Czech Republic	100.0%	0.0%
Marissa Epsilon, a.s.	Czech Republic	100.0%	0.0%
Marissa Gama, a.s.	Czech Republic	100.0%	0.0%
Marissa Ióta, a.s.	Czech Republic	100.0%	0.0%
Marissa Kappa, a.s.	Czech Republic	100.0%	0.0%
Marissa Lambda, a.s.	Czech Republic	100.0%	0.0%
Marissa North, a.s.	Czech Republic	100.0%	0.0%
Marissa Omega, a.s.	Czech Republic	100.0%	0.0%
Marissa Omikrón, a.s.	Czech Republic	100.0%	0.0%
Marissa Sigma, a.s.	Czech Republic	100.0%	0.0%
Marissa South, a.s.	Czech Republic	100.0%	0.0%
Marissa Tau, a.s.	Czech Republic	100.0%	0.0%
Marissa Théta, a.s.	Czech Republic	100.0%	0.0%
Marissa West, a.s.	Czech Republic	100.0%	0.0%
Marissa Yellow, a.s.	Czech Republic	100.0%	0.0%

Company	Country	30 June 2014	31 December 2013
Marissa Ypsilon, a.s.	Czech Republic	100.0%	0.0%
Marissa, a.s.	Czech Republic	100.0%	0.0%
MB Property Development, a.s.	Czech Republic	100.0%	0.0%
Modřanská Property, a.s.	Czech Republic	100.0%	0.0%
MQM Czech, s.r.o.	Czech Republic	100.0%	0.0%
MUXUM, a.s.	Czech Republic	100.0%	0.0%
Nymburk Property Development, a.s.	Czech Republic	100.0%	0.0%
OC Nová Zdaboř a.s.	Czech Republic	100.0%	0.0%
OC Spektrum, s.r.o.	Czech Republic	100.0%	0.0%
Olomouc City Center, a.s.	Czech Republic	100.0%	0.0%
Olomouc Office, a.s.	Czech Republic	100.0%	0.0%
Orco Germany Prague, s.r.o.	Czech Republic	100.0%	0.0%
Pelhřimov Property Development, a.s.	Czech Republic	100.0%	0.0%
Polygon BC s.r.o.	Czech Republic	100.0%	0.0%
Prague Property Development, s.r.o.	Czech Republic	100.0%	0.0%
Příbor Property Development, s.r.o.	Czech Republic	100.0%	0.0%
Příkopy Property Development, a.s.	Czech Republic	100.0%	0.0%
Quadrio Residence, s.r.o.	Czech Republic	100.0%	0.0%
Statenice Property Development, a.s.	Czech Republic	100.0%	0.0%
Strakonice Property Development, a.s.	Czech Republic	100.0%	0.0%
Svitavy Property Alfa, a.s.	Czech Republic	100.0%	0.0%
Svitavy Property Development, a.s.	Czech Republic	100.0%	0.0%
Telč Property Development, a.s.	Czech Republic	100.0%	0.0%
Trutnov Property Development, a.s.	Czech Republic	100.0%	0.0%
Třinec Investments, s.r.o.	Czech Republic	100.0%	0.0%
Třinec Property Development, a.s.	Czech Republic	100.0%	0.0%
Týniště Property Development, s.r.o.	Czech Republic	100.0%	0.0%
U Svatého Michala, a.s.	Czech Republic	100.0%	0.0%
VERETIX, a.s.	Czech Republic	100.0%	0.0%
Vigano, a.s.	Czech Republic	100.0%	0.0%
VM Property Development, a.s.	Czech Republic	100.0%	0.0%
Vyškov Property Development, a.s.	Czech Republic	100.0%	0.0%
Žďár Property Development, a.s.	Czech Republic	100.0%	0.0%
Ždírec Property Development, a.s.	Czech Republic	100.0%	0.0%
ABLON s.r.o.	Czech Republic	100.0%	0.0%
CPI France, a SASU	France	100.0%	0.0%
Gebauer Höfe Liegenschaften GmbH	Germany	95.0%	95.0%
Gewerbesiedlungs-Gesellschaft mbH	Germany	100.0%	100.0%
GSG 1. Beteilungs GmbH	Germany	100.0%	100.0%
GSG Asset GmbH & Co Verwaltungs KG	Germany	100.0%	100.0%
GSG Berlin Invest GmbH (former ORCP Berlin Invest GmbH)	Germany	94.9%	100.0%
GSG Gewerbehöfe Berlin 1. GmbH & Co KG	Germany	100.0%	100.0%
GSG Gewerbehöfe Berlin 2. GmbH & Co KG	Germany	100.0%	100.0%

Company	Country	30 June 2014	31 December 2013
GSG Gewerbehöfe Berlin 3. GmbH & Co KG	Germany	100.0%	100.0%
GSG Gewerbehöfe Berlin 4. GmbH & Co KG	Germany	100.0%	100.0%
GSG Gewerbehöfe Berlin 5. GmbH & Co KG	Germany	100.0%	100.0%
GSG Holding 2 GmbH	Germany	100.0%	100.0%
GSG Solar Berlin GmbH	Germany	100.0%	100.0%
Hofnetz und IT Services GmbH	Germany	100.0%	100.0%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	95.0%	95.0%
Orco Grundstücks und Beteiligungs Geselschaft mbH	Germany	100.0%	100.0%
Orco Immobilien Gmbh	Germany	100.0%	100.0%
Vivaro GmvH & Co. Grundbesitzt KG (sold)	Germany	0.0%	94.3%
Vivaro GmvH & Co. Zeite Grundbesitzt KG (merged)	Germany	0.0%	100.0%
Vivaro Vermögensverwaltung GmbH (sold)	Germany	0.0%	100.0%
Wertpunkt Real Estate Experts GmbH	Germany	100.0%	100.0%
CPI Management International Limited	Guernsey	100.0%	0.0%
ABLON Kft.	Hungary	100.0%	0.0%
ACGATE Kft.	Hungary	100.0%	0.0%
Airport City Kft.	Hungary	100.0%	0.0%
Arena Corner Ingatlanfejlesztő Kft.	Hungary	100.0%	0.0%
B.C.P. Kft.	Hungary	100.0%	0.0%
Bright Site Kft.	Hungary	100.0%	0.0%
Budaörs Business Park Kft.	Hungary	100.0%	0.0%
Century City Kft.	Hungary	100.0%	0.0%
Duna Office Center Kft.	Hungary	100.0%	0.0%
First Chance Kft.	Hungary	100.0%	0.0%
First Site Kft.	Hungary	100.0%	0.0%
GLOBAL CENTER Kft.	Hungary	100.0%	0.0%
GLOBAL DEVELOPMENT Kft.	Hungary	100.0%	0.0%
GLOBAL ESTATES Kft.	Hungary	100.0%	0.0%
Global Immo Kft.	Hungary	100.0%	0.0%
GLOBAL INVESTMENT Kft.	Hungary	100.0%	0.0%
GLOBAL MANAGEMENT Kft.	Hungary	100.0%	0.0%
GLOBAL PROPERTIES Kft.	Hungary	100.0%	0.0%
Hotel Rosslyn Kft.	Hungary	100.0%	0.0%
HUNGATE 2013 Kft.	Hungary	100.0%	0.0%
ICL 1 Budapest Kft.	Hungary	100.0%	0.0%
Insite Kft.	Hungary	100.0%	0.0%
Leriegos Kft.	Hungary	100.0%	0.0%
New Field Kft.	Hungary	100.0%	0.0%
New Sites Kft.	Hungary	100.0%	0.0%
STRIPMALL Management Kft.	Hungary	100.0%	0.0%
Szolgáltatóház Kft.	Hungary	100.0%	0.0%
CPI Finance Ireland Limited	Ireland	100.0%	0.0%
Orco Germany Investment S.A.	Luxembourg	0.0%	100.0%

Company	Country	30 June 2014	31 December 2013
CPI Finance Netherland	Netherland	100.0%	0.0%
ABLON sp. z o.o.	Poland	100.0%	0.0%
CPI Poland Sp. Z o.o.	Poland	100.0%	0.0%
GADWALL, Sp. z o.o.	Poland	100.0%	0.0%
GARET Investment Sp. z.o.o.	Poland	100.0%	0.0%
ORCO APARTMENTS, Sp. z o.o.	Poland	100.0%	0.0%
Orco Germany Sp. z o.o.	Poland	100.0%	0.0%
SPH Properties Sp. z o.o.	Poland	100.0%	0.0%
WARSAW WEST GATE, SP. z o.o.	Poland	100.0%	0.0%
WWG2013 Sp. z o.o.	Poland	100.0%	0.0%
ABLON Bucharest Real Estates Development S.R.L	Romania	100.0%	0.0%
DH Est-Europe Real Estate SRL	Romania	100.0%	0.0%
ES Bucharest Development S.R.L.	Romania	100.0%	0.0%
ES Bucharest Properties S.R.L.	Romania	100.0%	0.0%
ES Hospitality S.R.L.	Romania	100.0%	0.0%
LN Est-Europe Development SRL	Romania	100.0%	0.0%
MH Bucharest Properties S.R.L	Romania	88.0%	0.0%
RSL Est-Europe Properties SRL	Romania	100.0%	0.0%
RSL Real Estate Development S.R.L.	Romania	100.0%	0.0%
CPI Facility Slovakia, a.s.	Slovak Republic	100.0%	0.0%
CPI Retails FIVE, a.s.	Slovak Republic	100.0%	0.0%
CPI Retails FOUR, a. s.	Slovak Republic	100.0%	0.0%
CPI Retails THREE, a.s.	Slovak Republic	100.0%	0.0%
Čadca Property Development, s.r.o.	Slovak Republic	100.0%	0.0%
ELAMOR, a.s.	Slovak Republic	100.0%	0.0%
Komárno Property Development, a.s.	Slovak Republic	100.0%	0.0%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.0%	0.0%
Michalovce Property Development, a.s.	Slovak Republic	100.0%	0.0%
NERONTA, a. s.	Slovak Republic	100.0%	0.0%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.0%	0.0%
Prievidza Property Development, a.s.	Slovak Republic	100.0%	0.0%
Ružomberok Property Development, a.s.	Slovak Republic	100.0%	0.0%
Trebišov Property Development, s. r. o.	Slovak Republic	100.0%	0.0%
Zvolen Property Development, a.s.	Slovak Republic	100.0%	0.0%

Joint ventures and associates consolidated under the equity method

Company	Country	30 June 2014	31 December 2013
Diensehoferovy sady 5 s.r.o.	Czech Republic	50.0%	0.0%
Janáčkovo nábřeží 15, s.r.o.	Czech Republic	50.0%	0.0%
Mamaison management, s.r.o.	Czech Republic	50.0%	0.0%
Orco Hotel Ostrava, a.s.	Czech Republic	50.0%	0.0%
Orco Hotel Riverside, s.r.o.	Czech Republic	50.0%	0.0%

Orco Property Start a.s.	Czech Republic	50.0%	0.0%
Residence Belgická, s.r.o.	Czech Republic	50.0%	0.0%
Tyršova 6, a.s.	Czech Republic	50.0%	0.0%
Valanto Consulting a.s.	Czech Republic	50.0%	0.0%
ORCO Hotel Management Kft.	Hungary	50.0%	0.0%
Orco Hotel, Zrt.	Hungary	50.0%	0.0%
Ozrics, Kft.	Hungary	50.0%	0.0%
Residence Izabella, Zrt.	Hungary	50.0%	0.0%
Hospitality Invest Sàrl	Luxembourg	50.0%	0.0%
Hotel Pokrovka , org. Unit	Russia	50.0%	0.0%
MMR Russia S.à r.l	Russia	50.0%	0.0%
Diana Development Sp. Z o.o.	Poland	50.0%	0.0%
K.B.P. BUSINESS PARK sp. Zoo	Poland	50.0%	0.0%
Orco Hospitality Services Sp. z o.o.	Poland	50.0%	0.0%
Orco Hotel Development Sp. z o.o.	Poland	50.0%	0.0%
Orco Hotel Project Sp. z o.o.	Poland	50.0%	0.0%
Orco Investment Sp. z o.o.	Poland	50.0%	0.0%
Orco Warsaw Sp. z o.o.	Poland	50.0%	0.0%
Orco Pokrovka Management o.o.o.	Russia	50.0%	0.0%
MaMaison Bratislava, s.r.o.	Slovak Republic	50.0%	0.0%

CPI PROPERTY GROUP
Société Anonyme
40, rue de la Vallée
L-2661 Luxembourg
R.C.S. LUXEMBOURG B 102254
(the "**Company**")

DECLARATION LETTER
INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2014

1.1. Person responsible for the Semi - Annual Financial Report

- Mr. Martin Němeček, acting as Managing Director of the Company, with professional address at 40 rue de la Vallee, L-2661 Luxembourg, Grand-Duchy of Luxembourg, m.nemecek@cpipg.com.

1.2. Declaration by the persons responsible for the Semi - Annual Financial Report

The undersigned hereby declare that, to the best of its knowledge:

- the condensed set of financial statement of the Company as at 30 June 2014, prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the interim financial statements, give true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the interim management report as at 30 June 2014, provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Martin Němeček.

Luxembourg, 19 September 2014

Mr. Martin Němeček
CEO, Managing Director