

FINANCIAL INFORMATION

2018



Including the

Consolidated financial statements

for the period of 6 months ended as at 30 June 2018

(Unaudited)

ORCO PROPERTY GROUP S. A. * Société Anonyme * 40 rue de la Vallée, L2661 Luxembourg

R. C. S. Luxembourg – B 44.996

SUMMARY

Part I.	Management report
Part II.	Declaration letter
Part III.	Condensed consolidated interim financial information

Management Report as at 30 June 2018

MESSAGE FROM THE MANAGEMENT	6
FIRST HALF 2018 AND POST-CLOSING KEY EVENTS	7
Annual General Meeting of Shareholders	7
Disposal of non-controlling interest	7
Reconstruction of office building Bubenská 1	7
Acquisition of CPI BYTY Bonds	7
MARKET ENVIRONMENT	8
PROPERTY PORTFOLIO	10
Total Property Portfolio	10
Property Valuation.....	11
Income Generating	15
Land Bank	18
Development	20
FINANCING.....	22
Cash and cash equivalents	22
Loan to value	22
Financial liabilities	22
RESULTS AND NET ASSETS.....	23
Income statement.....	23
Balance sheet.....	25
CORPORATE GOVERNANCE	27
Principles	27
Board of Directors.....	27
Committees of the Board of Directors.....	30
Description of internal controls relative to financial information processing	31
Remuneration and benefits	31
Corporate Governance rules and regulations	31
Additional information	34
SHAREHOLDING	37
Share capital and voting rights.....	37
Shareholder holding structure	37
Authorized capital not issued.....	37
CORPORATE RESPONSIBILITY	39
Environmental, social and ethical matters	39

Environmental matters 39

Social matters 39

Ethical and matters 39

GLOSSARY & DEFINITIONS 40

ORCO PROPERTY GROUP, *société anonyme* (the “**Company**”) and its subsidiaries (together the “**Group**” or “**OPG**”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in the development of properties for its own portfolio or intended to be sold in the ordinary course of business as well as providing of equity loans and management services to other entities within the CPI PG Group. The Company is a subsidiary of CPI Property Group (also as “**CPI PG**”), which indirectly holds approximately 97% of the Company shares.

The Company is a joint stock company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, rue de la Vallée, L-2661 Luxembourg, Grand-Duchy of Luxembourg.

The Company’s shares are listed on the regulated markets of the Luxembourg Stock Exchange and Warsaw Stock Exchange.

MESSAGE FROM THE MANAGEMENT

Dear Shareholders,

Throughout the first half of 2018, the Company continued to maintain its structure, optimize its framework and operations and further enhance its activities. As a result of past transitions, the Company has continued streamlining its long-term future approach.

Total assets increased by EUR 658.7 million (33.3%) to EUR 2,639.0 million as at 30 June 2018. The EPRA Net Asset Value per share as of 30 June 2018 and 31 December 2017 is EUR 0.46. The Triple NAV amounts to EUR 0.44 per share compared to EUR 0.43 at the end of last year.

The Company achieved an operating profit of EUR 2.4 million compared to EUR 78.2 million in H1 2017. The total net profit was EUR 18.5 million compared to EUR 62.6 million in H1 2017.

Resulting from the Company's integration into CPI PROPERTY GROUP in 2016, one of its roles is to function as an intergroup financing vehicle to the entities within CPI PROPERTY GROUP. As of 30 June 2018, the outstanding balance of the provided loans amounted to approximately EUR 1.8 billion. The Company also started providing strategic management and advisory services to entities within the CPI Property Group.

In June, the Group acquired the multinational WPP group into its tenant portfolio, more specifically to its unique functionalist Bubenská 1 building in Prague. The WPP group includes 12 media companies and creative agencies such as Ogilvy, Young & Rubicam among others, all to be relocated under one roof at Bubenská. The heritage protected building, will undergo extensive reconstruction, delivering tenants a top-quality working environment while maintaining the building's unique architecture. The 18 year long-term lease agreement will begin in 2020.

In June, the Group disposed of its 80% stake in Bubny Development, s.r.o., a vehicle holding Bubny land in Prague, to GSG Europa. The Company will continue to consolidate and manage Bubny Development, s.r.o. Both the Company and GSG Europa belong under the consolidation of CPI PROPERTY GROUP.

In August, the Company acquired approximately CZK 2 billion of bonds issued by CPI BYTY, a.s. The acquired bonds, issued under the bond programme of CPI BYTY, a.s., will be redeemed by CPI BYTY a.s. on 12 September 2018.

During the Annual General Meeting in May, the Company's shareholders approved the statutory and annual accounts in addition to the financial results for the year ending 31 December 2017. The meeting also reappointed Mr Jiri Dederá, Mr Edward Hughes and Mr Erik Morgenstern to the Board of Directors of the Company until the next Annual General Meeting to be held in 2019. Mr Jiri Dederá was also elected Managing Director of the Company.

We are of the view that in the first half 2018, the Company achieved the progress in its transformation to a more efficient, consolidated framework with operational development remaining the key factor for the rest of the year.



Jiri Dederá,
CEO & Managing Director

FIRST HALF 2018 AND POST-CLOSING KEY EVENTS

Annual General Meeting of Shareholders

The annual general meeting of the shareholders of the Company was held on 31 May 2018 in Luxembourg (the "Annual Meeting"), with approximately 97.45% of the voting rights present or represented.

The Annual Meeting approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2017, as well as the allocation of financial results for the financial year ending 31 December 2017. The Annual Meeting further granted a discharge to the members of the Company's Board of Directors as well as to the auditors for the performance of their duties during the financial year ending 31 December 2017.

The Annual Meeting also resolved to re-appoint the following persons as members of the Company's Board of Directors until the annual general meeting of 2019: Jiri Dedera, Edward Hughes, and Erik Morgenstern. Jiri Dedera was also elected Managing Director (*administrateur délégué*) of the Company. The Annual Meeting finally resolved to appoint KPMG Luxembourg as an auditor (*réviseur d'entreprises agréé*) of the Company until the annual general meeting of 2019.

Disposal of non-controlling interest

On 26 June 2018, the Company transferred 80% stake in Bubny Development, s.r.o., a vehicle holding the Bubny land plots in Prague, to GSG Europa Beteiligungs GmbH ("**GSG Europa**").

The Company will continue to consolidate and manage Bubny Development, s.r.o. pursuant to shareholders agreement, entered into between the Company and GSG Europa. The shareholders agreement details the governance, control and cooperation between the shareholders, among other things.

Both the Company and GSG Europa belong under the consolidation of CPI PG. The disposal price in this intragroup transaction price was based on the IFRS NAV value.

Reconstruction of office building Bubenská 1

The Bubenská 1 building will undergo an extensive reconstruction, thanks to which the tenants will get a top-quality work environment while maintaining a unique architecture. The total investment exceeds CZK 1 billion (app. EUR 38.4 million).

The first and largest tenant of the administrative part of the building became the WPP group. The WPP group includes twelve world-renowned creative, media, digital, content and research agencies such as Ogilvy, GroupM, Kantar, Wunderman, Young & Rubicam and many others. Individual WPP companies, formerly operating in various Prague buildings, will find their new home under one common roof.

The office building Bubenská 1 has 25,500 m² of lettable area. Twelve WPP agencies occupy a total of nearly two thirds of the area (16,316 m²). The long-term lease agreement is concluded from 2020 to 18 years.

Acquisition of CPI BYTY Bonds

At the beginning of August 2018, the Company successfully acquired approximately CZK 2 billion (app. EUR 76.9 million) of bonds issued by CPI BYTY, a.s. The acquired bonds, issued under the bond programme of CPI BYTY, a.s., were due (or callable) in May 2019.

On 28 August 2018, following the bondholders meeting, CPI BYTY announced, that all tranches of CPI BYTY bonds programme will be early repaid on 12 September 2018. The nominal value of bonds issued as part of CPI BYTY bond programme amount to CZK 3,000 million (app. EUR 115.3 million).

MARKET ENVIRONMENT

Global macro-economic conditions

Czechia¹

In the first half of 2018, the growth of the Czech economy slowed from its high pace in 2017. Compared to the corresponding quarters of 2017, GDP growth made up 4.2% and 2.3% in Q1 and Q2 2018, respectively, after + 5.0% in Q4 2017. In Q1 2018, the major force supporting Czech economy's growth was domestic demand. The first contributor to its increase was growing investment activity of businesses, households, and general government. In Q1 2018, the gross fixed capital formation was by 10.5% higher, y-o-y. During the same period, household consumption expenditure went up by 4.0% y-o-y; this increase was mainly attributed to increased household spending on durables and services. Finally, consumption expenditure of general government increased by 3.6%, y-o-y, and by 1.4%, q-o-q. In Q2 2018, the annual inflation rate was 2.3%, which represents a modest increase relative to 2.2% in the corresponding period of 2017 and 1.9% in the previous quarter. In June 2018, the seasonally-adjusted unemployment rate dropped to 2.4% relative to its value (2.9%) in June 2017. Czechia has the lowest unemployment rate among EU states followed by Germany, Hungary, and Poland.

Poland²

The pace of Poland's economic growth remained solid in the first half of 2018. On a year-over-year basis, the GDP rose by 5.0% in Q2 2018 while a quarter-over-quarter increase made up 0.9%. Factors that contributed to economic growth in Q1 2018 include the following: final consumption expenditure 4.5% increase y-o-y), gross fixed capital formation (8.1% increase y-o-y), and inventories. In Q2 2018, the annual inflation rate remained the same (1.9%) compared to the corresponding quarter of 2017 but increased by 0.2 p.p. relatively to Q1 2018. Higher prices related to Transport, Food, and Dwelling contributed to an increase in the consumer price index in June 2018. During the same month, the unemployment rate dropped to 3.7% from its value of 4.8% in June 2017.

Selected market focus

Prague office market³

Office market is concentrated in the capital and regional cities of the country. The positive economic sentiment represented by strong demand is expected to persist throughout 2018.

In Q2 2018, gross-take up in Prague was well above the five-year average and reached 145,200 sqm of leased office space. Manufacturing companies and firms rendering advertising and media services predominately contributed to gross demand. The yearly take-up in Prague is forecasted to again exceed 300,000 sqm. More than 203,000 sqm is expected to be delivered to the market during this year. CBRE estimates that 290,000 sqm will remain under construction at the end of the year if high building activity persists. Due to robust leasing activity, the vacancy rate in Prague fell from 8.6% in Q2 2017 to 6.9% in Q2 2018. The lowest shares of available space were recorded in Prague 2 (3.5%) and Prague 10 (3.9%). During the first half of 2018, prime headline rents in the center of Prague stayed roughly the same fluctuating between €20.0 and €21.0 sqm/month.

¹ Czech Office of Statistics, OECD, Eurostat

² Central Statistical Office of Poland, Eurostat, OECD

³ JLL, Cushman & Wakefield, CBRE

*Warsaw office market*⁴

The undisputed leader of the Polish office market is Warsaw, which continuously unlocks its vast potential. Increasing business activity, constantly improving quality of life, and developing infrastructure contribute to Warsaw's attractiveness.

Solid economic growth in H1 2018 led to robust occupier demand in Warsaw. Gross take-up amounted to 425,700 sqm and thus reached the half-year record high. As buoyant demand is expected to outbalance the limited amount of new supply, vacancy rates in Warsaw are likely to decrease in the second half of 2018. Nevertheless, during Q2 2018, the vacancy rate rose to 11.1% (by 0.3 p.p. compared to its value in Q1 2018, which represented the lowest level since mid-2013). This increase probably resulted from vast supply (150,000 sqm) of new office space in Q2 2018. During the first half of the year, prime rents in Warsaw central locations increased, and the rising trend is forecasted to last till 2020.

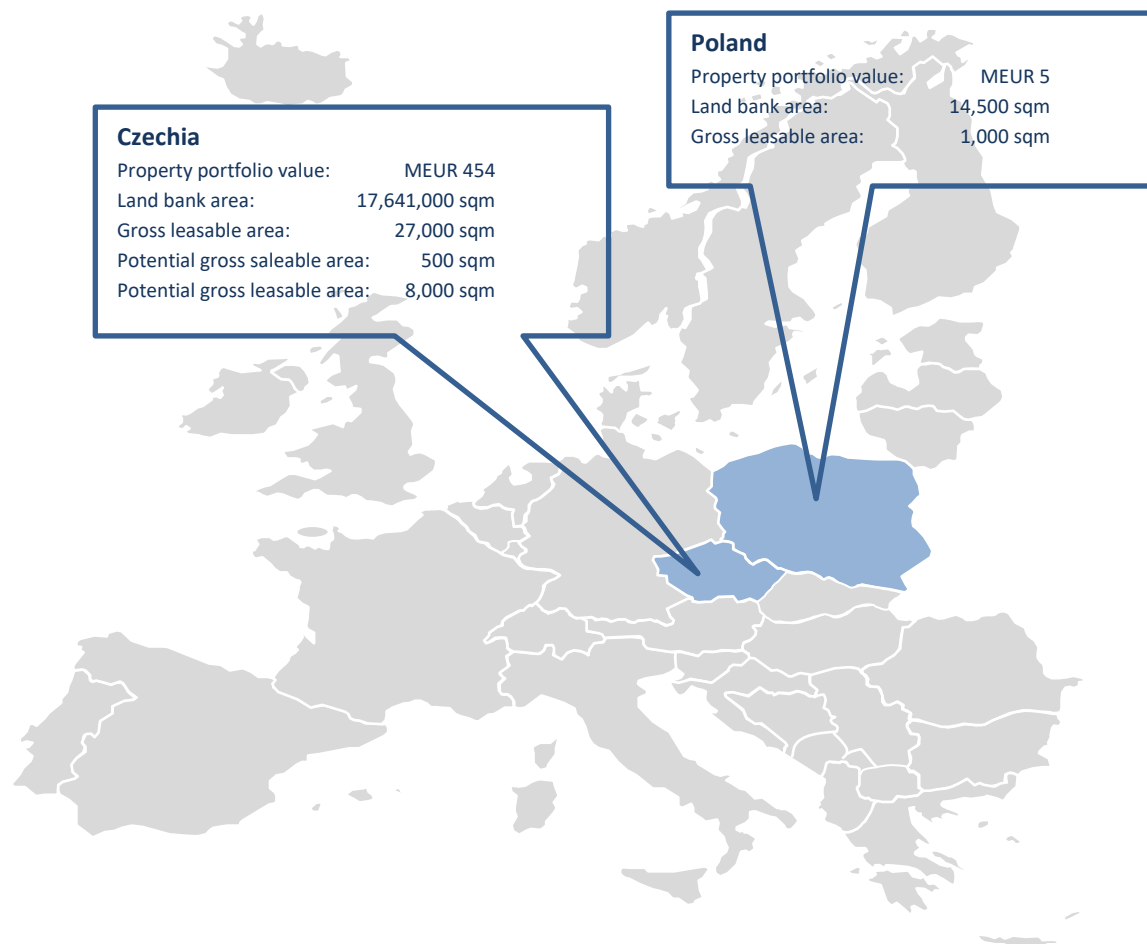
The volume of space currently under construction, whose completion is scheduled mostly for 2020, amounted to 671,700 sqm in Q2 2018.

⁴ JLL, Cushman & Wakefield, CBRE

PROPERTY PORTFOLIO

Total Property Portfolio

The Group concentrates on long-term investments and real-estate lease, mainly in the Central European region. The activities of the Group are focused on an extensive portfolio of land plots throughout Czechia and Poland. The Group owns rental income generating properties such as offices and industry & logistics. Additionally, the Group has some development for future sale.



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

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

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

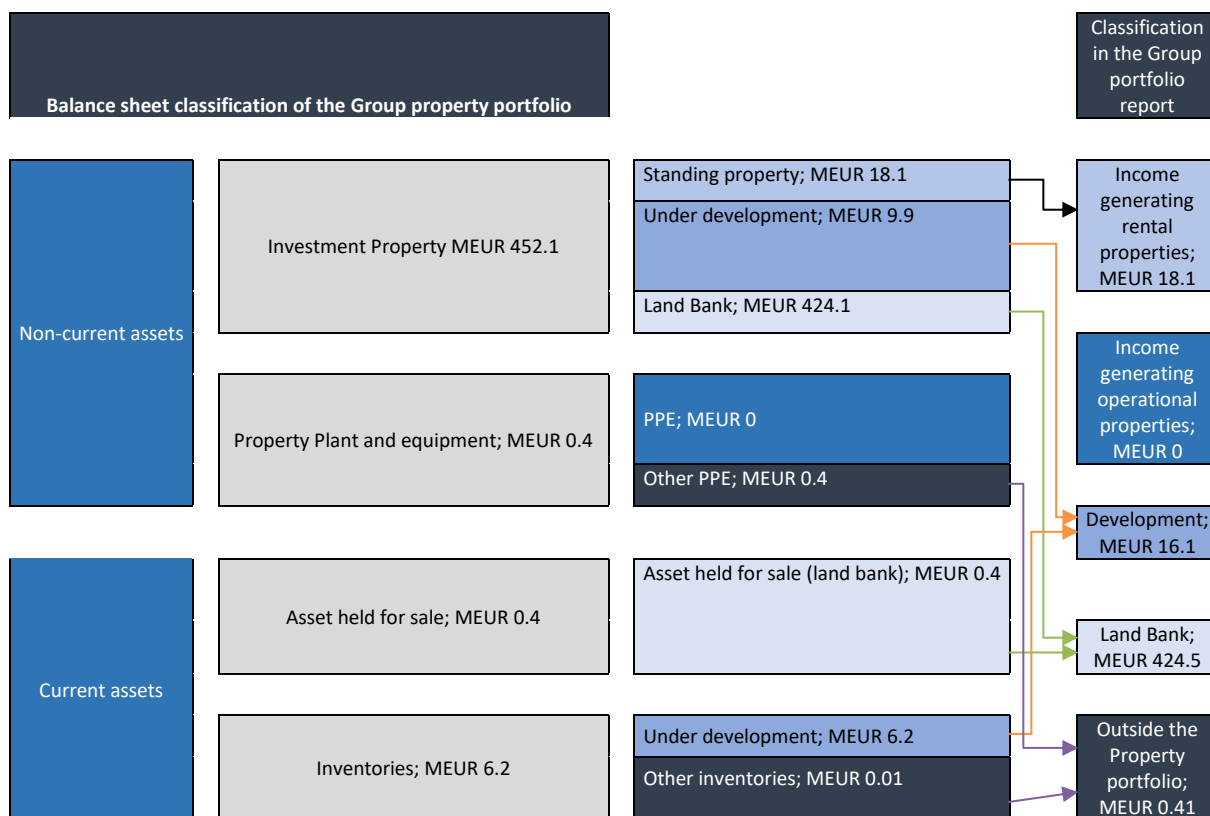
“Property, plant and equipment” consists advances paid for construction works on the projects.

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

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

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

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 30 June 2018 with the presentation in our portfolio report:



Property Valuation

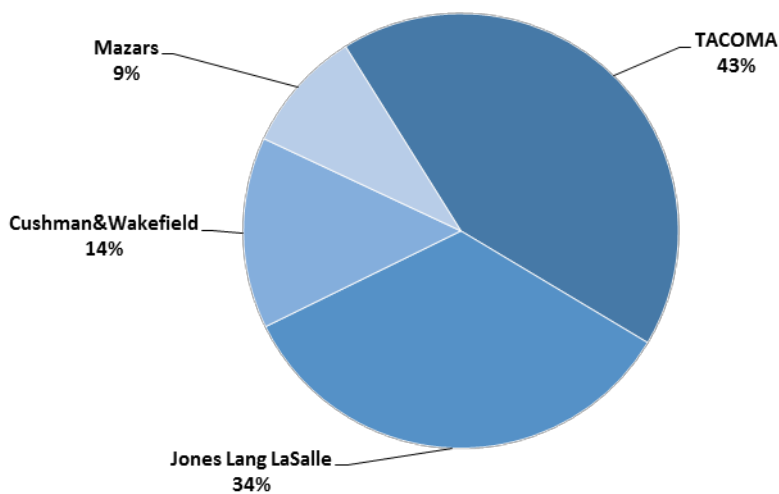
The condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by European Union, which include the application of the fair value method.

Since the property portfolio owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended. The Group’s management analysed the situation on the real estate market at the time together with current yields and then applied discount rates and other factors used by independent valuers in their appraisals as of 31 December 2017. As a result, the fair value of the property portfolio as of 30 June 2018 was determined based on the management’s analysis described above and it does not differ from the fair value as of 31 December 2017.

The property portfolio valuation as at 31 December 2017 is based on reports issued by:

- Cushman&Wakefield (further “C&W”). C&W is a one of the leading commercial real estate services company, providing a full range of services to real estate occupiers, developers and investors on a local and international basis. C&W has about 250 offices in 60 countries, employing more than 16,000 professionals.
- Jones Lang LaSalle (further “JLL”). JLL is a financial and professional services firm specializing in real estate services and investment management. JLL has more than 82,000 employees across 300 corporate offices in more than 80 countries and serve the local, regional and global real estate needs of their clients.
- Mazars. Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. Mazars operates in 300 offices across the globe located in 86 countries and draws on the expertise of over 20,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.
- RSM TACOMA a.s. (further “TACOMA”). TACOMA is part of the seventh largest network of professional firms RSM International. RSM International operates in 120 countries, has over 800 offices and more than 41,000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll.

Property portfolio by valuator as of 31 December 2017



The following table shows the carrying value of the Group's property portfolio as of 30 June 2018 and 31 December 2017:

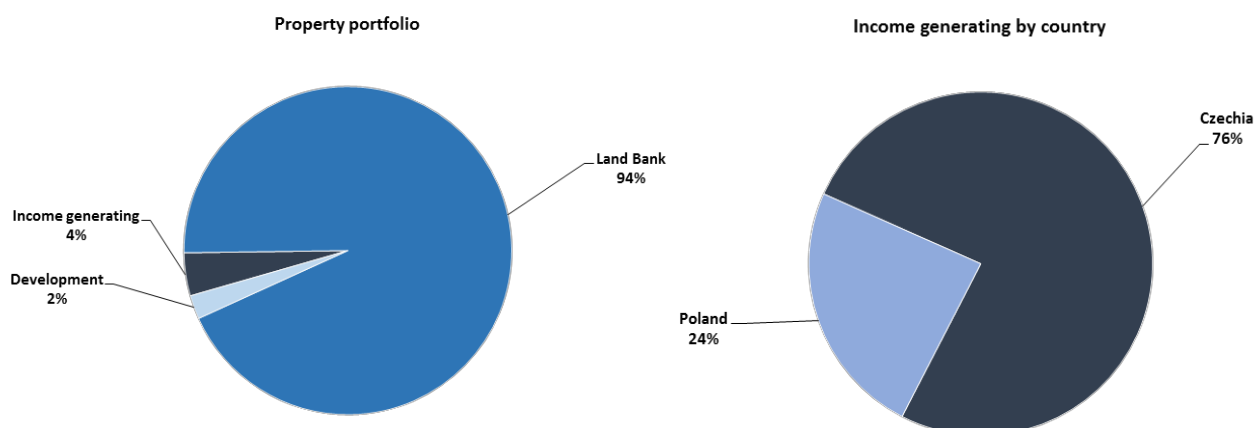
PROPERTY PORTFOLIO as at 30 June 2018	No of properties	GLA thousand sqm	Income generating MEUR	Development MEUR	Land bank MEUR	Carrying value MEUR	Carrying value %
Czechia	5	27	15	11	428.2	454	99%
Poland*	1	1	4	--	0.4	5	1%
The GROUP	6	28	19	11	429	459	100%

*Asset held for sale included

PROPERTY PORTFOLIO as at 31 December 2017	No of properties	GLA thousand sqm	Income generating MEUR	Development MEUR	Land bank MEUR	Carrying value MEUR	Carrying value %
Czechia	5	27	13	14	425	452	99%
Poland*	1	1	5	--	0.4	5	1%
The GROUP	6	28	18	14	425	457	100%

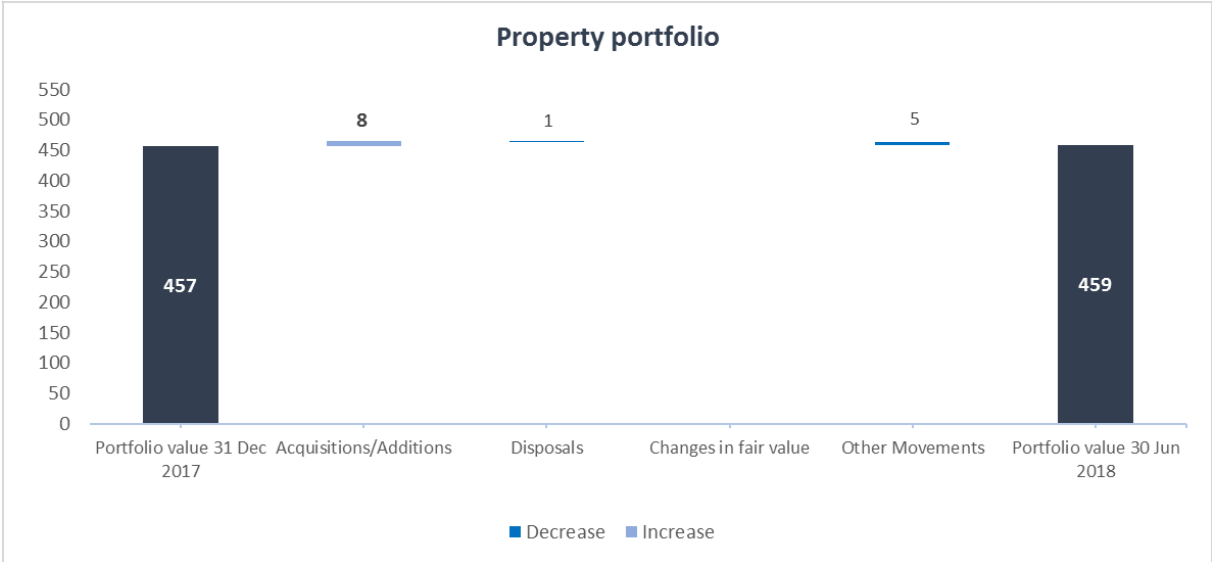
*Asset held for sale included

The Group property value total EUR 459 million as of 30 June 2018 (31 Dec 2017: EUR 457 million). As showed in the chart below, 4% of the Group property portfolio value is made of income generating assets of which EUR 19 million are income generating rental properties. The majority of the income generating assets is located in Czechia with 76% of the total value, followed by Poland with 24%.



The total net change of EUR 2 million in the portfolio value in first half-year 2018 was mainly attributable to the following:

- Disposal of the land in amount EUR 1 million (Svitavy Property Development, a.s.);
- Additions of EUR 8 million on Investment Property within whole Group;
- Negative currency conversion of EUR 5 million mainly related to weakening of Czech koruna.



Income Generating

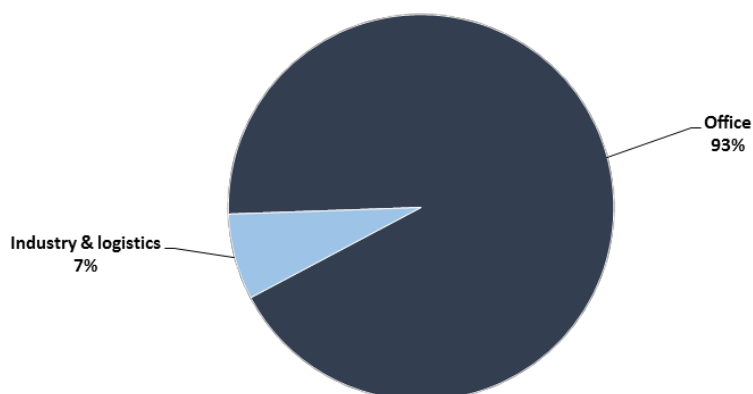
Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES 30 Jun 2018	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing EUR
Office	2	18	93%	19	7.5%	19.0	--
Industry & logistics	1	1	7%	9	87.6%	1.8	--
THE GROUP	3	19	100%	28	47.5%	4.5	--

INCOME GENERATING RENTAL PROPERTIES 31 Dec 2017	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing EUR
Office	2	17	92%	19	74.6%	4.7	--
Industry & logistics	1	1	8%	9	89.9%	2.3	--
THE GROUP	3	18	100%	28	82.2%	3.8	--

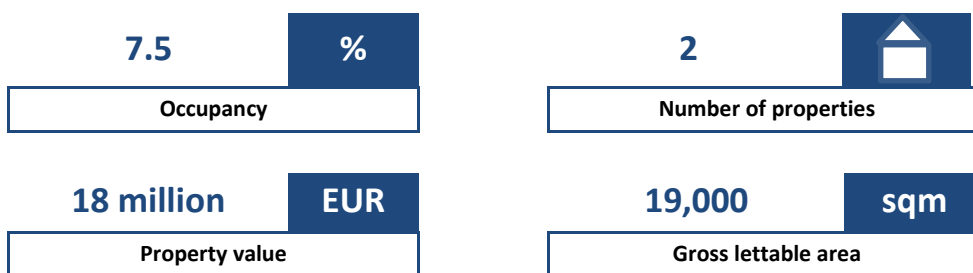
Income generating rental portfolio of EUR 19 million represents 4% of the Group’s property portfolio. The Group leases assets, its primary focus is office and Industry & logistics. These two together provide about 28,000 sqm of GLA.

Income generating rental by type of asset



Office

Key Figures – June 2018



Office portfolio represents an important segment of investment activities of the Group. The Group owns buildings in the capital cities of Czechia and Poland.

OFFICE 30 Jun 2018	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	13	74%	18	0.0%	0.0	--
Poland	1	5	26%	1	100.0%	19.0	--
The GROUP	2	18	100%	19	7.5%	19.0	--

OFFICE 31 Dec 2017	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	12	71%	18	72.5%	3.1	--
Poland	1	5	29%	1	100.0%	18.9	--
The GROUP	2	17	100%	19	74.5%	4.7	--

Among other properties, the Office portfolio includes:

Bubenská, Prague

The Property was constructed during the 1930s. The building belongs to the most distinguished functionalist buildings in Prague. The property provides office and storage units. Additionally the building houses the ambulance service for Prague 7 which is accessible from the rear of the property. There are small retail/commercial units with direct street access located along the front of the Property and also two small courtyards used for parking.



The Bubenská 1 building will undergo an extensive reconstruction, thanks to which the tenants will get a top-quality work environment while maintaining a unique architecture. The first and largest tenant of the administrative part of the building became the WPP group.

Due to the planned reconstruction, the building was closed and most of the lease agreements were terminated as of the end of 2017, only the ambulance service ended the lease in February 2018.

Diana Office, Warsaw

The property was constructed in 2004 and comprises 1,429.00 sqm of rentable area. The Property is located in Warsaw city centre, along Chmielna Street, which forms one of the best recognizable retail streets of the city. The building is of a reinforced concrete structure with hip roof. The property is fully let to one tenant - Goethe Institut.



The office portfolio value increased from EUR 17 million to EUR 18 million as at 30 June 2018.

Industry and Logistic

Key Figures – June 2018



The Group currently owns about 9,000 sqm of rental space and manages complex Industrial Park Stříbro used for light industry, located in Plzeňský region in Czechia.

INDUSTRY AND LOGISTICS 30 Jun 2018	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	1	100%	9	87.6%	1.8	--
The GROUP	1	1	100%	9	87.6%	1.8	--

INDUSTRY AND LOGISTICS 31 Dec 2017	N° of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	1	100%	9	89.9%	2.3	--
The GROUP	1	1	100%	9	89.9%	2.3	--

Land Bank

Key Figures – June 2018

17,655,000	sqm	429 million	EUR
Total area		Property value	

Land bank is comprised of an extensive portfolio of land plots throughout Czechia and Poland. 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 7% are with zoning.

LAND BANK 30 Jun 2018	Total area	Area with zoning	Area without zoning	Carrying value	Carrying value	Outstanding financing
	thds. sqm	thds. sqm	thds. sqm	MEUR	%	MEUR
Czechia	17,641	1,307	16,334	432.7	99.9%	--
Poland*	14	14	--	0.4	0.1%	--
THE GROUP	17,655	1,321	16,334	433	100%	--

*Asset held for sale included

LAND BANK 31 Dec 2017	Total area	Area with zoning	Area without zoning	Carrying value	Carrying value	Outstanding financing
	thds. sqm	thds. sqm	thds. sqm	MEUR	%	MEUR
Czechia	17,661	1,327	16,334	424.3	99.8%	--
Poland*	14	14	--	0.4	0.2%	--
THE GROUP	17,675	1,341	16,334	425	100%	--

*Asset held for sale included

Among land bank plots, the Land Bank portfolio includes:

- **Former brownfield:**
 - (1) **Praga** in Prague amounting to circa 64,400 sqm, which are zoned, are prepared for residential development with expected start in 2019 – 2020;
 - (2) **Nová Zbrojovka** in Brno with almost 230,000 sqm with zoning allowing mixed development (Commercial & Residential).
- **Bubny** EUR 149 million (31 December 2017: EUR 149 million) located close to the city centre. Bubny remains the last brownfield plot in the centre of Prague and the Group intends to develop mixed-use area consisting of residential and commercial units, offices and shops as well as educational, medical, and cultural facilities. In addition, a modern train terminal at Vltavská metro station and large green spaces will be incorporated. The main goal for the mid-term period is to continue the process of changing the Bubny masterplan. The plot of Bubny amounting to nearly 240,000 sqm of land in Prague 7 (including joint venture with Unibail Rodamco) is at the core of the commercial development pipeline in Central Europe.

On 26 June 2018, the Group disposed of 80% stake of Bubny Development, s.r.o. In accordance with IFRS 10, through remaining 20% stakes the Group gained control over this subsidiary which is why it's being consolidated by the Company.

Development

Key Figures – June 2018



The Group’s development portfolio consists of properties that the Company has developed or is developing across Czechia region and plans to keep, manage or sell.

DEVELOPMENT 30 Jun 2018	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale MEUR	Development for rental %	Development for sale %	Outstanding financing MEUR
Czechia	3	8	0.5	10	0.5	100%	100%	--
THE GROUP	3	8	0.5	10	0.5	100%	100%	--

DEVELOPMENT 31 Dec 2017	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale MEUR	Development for rental %	Development for sale %	Outstanding financing MEUR
Czechia	3	8	0.5	8	6	100%	100%	--
THE GROUP	3	8	0.5	8	6	100%	100%	--

The development portfolio includes:

- May house** - The administrative project located in the sought-after area of Pankrác. The office development under construction will offer accommodation on two basements and six above ground levels. The development will offer approximately 7,200 sqm of leasable modern office space, 490 sqm of retail space on the ground floor, and 315 sqm of canteen. There are also 69 parking spaces in the underground parking garage. The construction works have started in the second half of 2017 with expected delivery in approximately mid 2019.
- Benice** – The Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city center. Phase 1B started in 2007 and the phase 1B was finalised in 2014. Benice 1B is conceived as a luxurious and comfortable living in separate houses, semi-detached houses (32 units) and apartments (4 units). As at the date of the valuation there is one unsold commercial unit currently leased to a kindergarten. We also understand that there are several plots of land being a part of Benice 1B. Plots of land number 312/17 (1,048 sqm) and newly also 312/205 (1,618 sqm) which are zoned as agriculture land have commercial use and plots of land no. 312/70 (3,276 sqm), 312/69 (584 sqm) and newly also 312/206 (196 sqm) which do not have commercial use. An additional phase, Benice 1C with 9 family houses: eight semi-detached 5+kk houses, each with total internal area of 165 sqm and one detached 5+kk house with total internal area of 195 sqm. The area of respective land plots vary from 391 sqm to 558 sqm. Part of the subject site (4,719 sqm in total) is

situated in the protected zone of high voltage lines and therefore can not be used for development. Construction started in Q1 2015 and was completed in the second half of 2016 and all houses were sold by the end of first half of 2017. Phases II-V, whose value is not included in the table above as they are categorized as land bank, will be developed in the future.

FINANCING

Cash and cash equivalents

As at 30 June 2018, cash and cash equivalents consist of cash in bank for EUR 98.9 million (2017: EUR 11.2 million) and cash in hand for EUR 1 thousand (2017: EUR 22 thousand).

Loan to value

The calculation of the Project LTV ratio as at 30 June 2018 is shown in the table below.

	30 June 2018	31 December 2017
Non current liabilities		
Financial debts – adjusted*	271	310
Current liabilities		
Financial debts – adjusted*	18	19
Current assets		
Current financial assets	--	--
Cash and cash equivalents	(98,914)	(11,230)
Net debt	(98,625)	(10,901)
Investment property	452,085	450,373
Inventories	6,224	6,348
Fair value of portfolio	458,309	456,721
Loan to Value	-21.5%	-2.4%

*Financial debts – adjusted = Financial debts excluding the loans from related parties

The Project LTV ratio as at 30 June 2018 is -21.5% and decreased compared to -2.4% as at 31 December 2017. Total amount of financial liabilities is EUR 0.3 million as at the end of June 2018. Fair value of portfolio increased from EUR 456.7 million to EUR 458.3 million.

Financial liabilities

Financial liabilities amount to EUR 1,786.9 million including the loans mainly from Czech Property Investment, a.s. (EUR 542.1 million) and CPI PG (EUR 1,007.1 million).

Financial liabilities increased by EUR 618.4 million. This variation is caused mainly due to additional drawdown of long-term loan provided by CPI PG (EUR 542.6 million).

RESULTS AND NET ASSETS

Income statement

Income statement for the six-month period ended 30 June 2018 corresponds to the semi-annual consolidated financial statements.

Reported income statement for the period of six months ended 30 June 2018 is as follows:

	6 month period ended	
	30 June 2018	30 June 2017
Gross rental income	800	1,189
Service revenue	9,136	--
Net service charge income	(119)	(55)
Property operating expenses	(608)	(837)
Net rental income	9,209	297
Development sales	5	198
Cost of goods sold	(7)	(61)
Net development income	(2)	137
Total revenues	9,822	1,332
Total direct business operating expenses	(615)	(898)
Net business income	9,207	434
Net valuation gain	--	74,499
Net loss on the disposal of investment property	471	(21)
Net gain on disposal of subsidiaries	--	1,056
Gain related to changes in purchase price	2,532	--
Amortization, depreciation and impairments	(2,567)	3,098
Other operating income	23	163
Administrative expenses	(7,182)	(913)
Other operating expenses	(75)	(103)
Operating result	2,409	78,213
Interest income	49,275	19,212
Interest expense	(24,184)	(10,708)
Other net financial result	(4,794)	(8,410)
Net finance income / (costs)	20,297	94
Share of profit of equity-accounted investees (net of tax)	(362)	(1,009)
Profit before income tax	22,344	77,298
Income tax expense	(3,867)	(14,686)
Net profit from continuing operations	18,477	62,612

Service revenue

Service revenue increased to EUR 9.1 million in H1 2018 (H1 2017: EUR 0 million). The increase is due to providing of advisory services to entities controlled by the ultimate shareholder of the Group.

Net valuation gain

The fair value of the property portfolio as of 30 June 2018 was determined based on the management's analysis and it does not differ from the fair value as of 31 December 2017.

Administrative expenses

Administrative expenses increased to EUR 7.2 million in H1 2018 compared to EUR 0.9 million in H1 2017. During 2018 there was a significant increase of management services relating to the related parties.

Net finance income

Total net finance income has risen from EUR 0.1 million in H1 2017 to EUR 20.3 million in H1 2018. The interest income increased from EUR 19.2 million in H1 2017 to EUR 49.1 million in H1 2018. The increase in interest income reflects the providing of loans by the Company to the related parties. These loans bear interest rate between 6% - 14%.

Other net financial result

The other net financial result has improved from a loss of EUR 8.4 million in H1 2017 to a loss of EUR 4.8 million in H1 2018. The main cause of this improvement is decrease of the exchange rate loss (EUR 4.7 million) resulting from the transactions between the Company and CPI PG Group (mainly CPI a.s., whose functional currency is Czech koruna).

Balance sheet

Balance sheet as at 30 June 2018 corresponds to semi-annual consolidated financial statements.

	30 June 2018	31 December 2017
NON-CURRENT ASSETS		
Investment property	452,085	450,373
Property, plant and equipment	370	35
Equity-accounted investees	4,209	4,571
Other investments	110,913	104,613
Loans provided	1,697,777	1,196,932
Trade and other receivables	12	12
Deferred tax asset	123,565	123,565
Total non-current assets	2,388,931	1,880,101
CURRENT ASSETS		
Inventories	6,224	6,348
Current income tax receivables	326	279
Trade receivables	11,355	4,540
Loans provided	100,745	68,490
Cash and cash equivalents	98,914	11,230
Other financial current assets	31,151	8,069
Other non-financial current assets	950	849
Assets held for sale	379	397
Total current assets	250,044	100,202
TOTAL ASSETS	2,638,975	1,980,303
EQUITY		
Equity attributable to owners of the Company	578,205	565,688
Non-controlling interests	170,012	62,683
Total equity	748,217	628,371
NON-CURRENT LIABILITIES		
Financial debts	1,392,977	1,113,884
Deferred tax liabilities	34,583	33,048
Provisions	1,557	1,559
Other non-current liabilities	1,874	1,991
Total non-current liabilities	1,430,991	1,150,482
CURRENT LIABILITIES		
Financial debts	393,902	54,581
Trade payables	8,965	2,723
Advance payments	251	84,505
Other financial current liabilities	53,196	56,018
Other non-financial current liabilities	3,453	3,623
Total current liabilities	459,767	201,450
TOTAL EQUITY AND LIABILITIES	2,638,975	1,980,303

Total assets and total liabilities

Total assets increased by EUR 658.7 million (33.3%) to EUR 2,639.0 million as at 30 June 2018. The main reason is the increase of long-term loans provided to CPI PG.

Non-current and current liabilities total EUR 1,890.8 million as at 30 June 2018 which represents an increase by EUR 538.8 million (39.9%) compared to 31 December 2017. Main driver of this increase was an additional drawdown of loan provided to the Group by CPI Property Group.

EPRA Net assets value

The EPRA Net Asset Value per share as of 30 June 2018 and 31 December 2017 is EUR 0.46.

The Triple NAV amounts to EUR 0.44 per share compared to EUR 0.43 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below.

	June 2018	December 2017
Consolidated equity	578,205	565,688
Fair Value adjustment on asset held for sales	--	--
Fair value adjustments on inventories	--	--
Deferred taxes on revaluations	31,633	33,048
Goodwill	--	--
Own equity instruments	--	--
EPRA Net asset value	609,838	598,736
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	0.46	0.46
EPRA Net asset value	609,838	598,736
Deferred taxes on revaluations	(31,633)	(33,048)
Fair value adjustment of bonds issued by the Group	--	--
EPRA Triple Net asset value (*)	578,205	565,688
Fully diluted shares	1,314,508	1,314,508
Triple net asset value in EUR per share	0.44	0.43

(*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

- Effect of dilutive instruments: financial instruments issued by company are taken into account when they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.
- Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.
- Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.

As part of the EPRA requirements, OPG discloses the calculation of EPRA NAV and EPRA NNNAV.

The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

Over the first half of 2018 the consolidated equity increased by EUR 12.5 million. The main driver of this increase is the profit of the period amounting to EUR 18.5 million, which is partially offset by foreign exchange loss of EUR 7.5 million.

CORPORATE GOVERNANCE

Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. The Company is dedicated to acting in the best interests of its shareholders and stakeholders. Towards these ends, it is recognized that sound corporate governance is critical. The Company is committed to continually and progressively implementing industry best practices with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards. The Company aims to communicate regularly to its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

Since the Company was founded in 1991, its accounts have been audited regularly each year. KPMG has been appointed Company's auditor since the general meeting in 2013. In addition, the Company's portfolio of assets is regularly evaluated by independent experts.

In 2007, the Company's Board of Directors adopted the Director's Corporate Governance Guide and continues to communicate throughout the Group based on the values articulated by this guide.

As a company incorporated in Luxembourg, the Company's primary regulator is the Commission de Surveillance du Secteur Financier (the "CSSF"). The Company's procedures are designed to comply with applicable regulations, in particular those dealing with market abuse. The Company also has a risk assessment procedure designed to identify and limit risk. In addition, the Company aims to implement corporate governance best practices inspired by the recommendations applicable in Luxembourg and Poland.

On 23 May 2012, the Board of Directors elected the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules (<https://www.bourse.lu/corporate-governance>).

Board of Directors

The Company is administered and supervised by a Board of Directors made up of at least three members.

Appointment of Directors

The Directors are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the office of a Director, the remaining Directors may provisionally fill such vacancy, in which case the general meeting of shareholders will hold a final election at the time of its next meeting.

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.

However, if five Director positions become vacant, an extraordinary general meeting of shareholders will be convened for the purpose of renewing the Board of Directors.

Legal entities appointed as Directors must designate a representative, who must be a natural person, to attend meetings of the Board of Directors in their name. Such representative is subject to the same conditions and obligations and will incur the same liability as if he had been appointed as Director in his own name, without prejudice to the joint and several liability of the legal entity he represents. A power of attorney evidencing the fact that he is empowered to validly represent and to bind the said legal entity during his period of office must be delivered to the Company at the time the Board of Directors is appointed.

At the time of renewal of the mandate of a legal entity appointed as director, the power of attorney of the agent for such legal entity must be renewed.

In the event that the legal entity revokes the power of attorney of its representative, it must notify such dismissal to the Company without delay by registered letter, and include in such letter the identity of its new representative. The same applies in the event of the death, resignation or lengthy impediment or prevention of the permanent representative.

Any employee of the Company may be appointed Director subject to an employment contract being executed prior to appointment, and corresponding to an actual employment. The number of Directors linked to the Company by an employment contract may in no event exceed one third of the Directors in office.

Current Board of Directors

As of 30 June 2018 the Board of Directors consisted of: 2 executive members representing the management of the Company: Mr. Jiri Dederá and Mr. Erik Morgenstern and 1 independent member, Mr. Edward Hughes.

The current Board of Directors is appointed until the annual general meeting of 2019 concerning the approval of the annual accounts for the financial year ending 31 December 2018.

The independent directors are not involved in management, are not employees or advisors with a regular salary and do not give professional services such as external audit services or legal advice. Furthermore, they are not related persons or close relatives of any management member or majority shareholder of the Company.

The Board of Directors meetings are held as often as deemed necessary or appropriate. All members, and in particular the independent and non-executive members, are guided by the interests of the Company and its business, such interests including but not limited to the interests of the Company's shareholders and employees.

Powers of the Board of Directors

The Board of Directors represents the shareholders and acts in the best interests of the Company. Each member, whatever his/her designation, represents the Company's shareholders.

The Board of Directors is empowered to carry out all and any acts deemed necessary or useful to accomplish the corporate purpose of the Company. All matters that are not reserved for the general meeting of shareholders by law or by the Articles of Association are within its authority.

In its relationship with third parties, the Company is bound by acts exceeding its corporate purpose, unless it can prove that the third party knew such act exceeded the Company's corporate purpose or should have known under the circumstances.

The Directors do not contract any personal obligation with regard to the commitments of the Company.

The Directors however remain responsible to the Company in accordance with common law as regards the due discharge of their duties as given and any faults committed during their period in office.

The Directors are jointly and severally liable, to the Company or to third parties if applicable, for all and any damages resulting from infractions to the provisions of the Luxembourg act of 10 August 1915 on commercial companies, as amended, or to the Articles of Association of the Company. They may only be granted discharge from such liability, with respect to infractions in which they have taken part, if no fault may be attributed to them and they have denounced such infractions before the next general meeting of shareholders as soon as they have become aware of such infractions.

Deliberations

The Board of Directors may only deliberate if a majority of its members are present or represented by proxy, which may be given in writing, by telegram, telex or fax. In cases of emergency the Directors may vote in writing, by telegram, telex, fax, electronic signature or by any other secured means.

The decisions of the Board of Directors must be made by majority vote; in case of a tie, the Chairman of the meeting shall have the deciding vote.

Resolutions signed unanimously by the members of the Board of Directors are as valid and enforceable as those taken at the time of a duly convened and held meeting of the Board.

The Board will regularly evaluate its performance and its relationship with the management.

Delegations of powers to Managing Directors

The Board of Directors may delegate all or part of its powers regarding the daily management as well as the representation of the Company with regard to such daily management to one or more Directors, who need not be shareholders. Actions in the daily management of the Company include all operations carried out in relation to the corporate purpose, such as real estate acquisitions, taking ownership interests and making loans to group companies, bank financing operations without limit as to their amount, as well as any kind of investment.

Any such delegation to a member of the Board of Directors is subject to the prior approval of the general meeting of shareholders, and any delegation must be filed with the Luxembourg Trade and Companies Register in accordance with the provisions of Article 9 of the Luxembourg act of 10 August 1915 on commercial companies, as amended.

The Board of Directors designates a Secretary, who is not required to be on the Board of Directors. The Secretary is in charge of convening the meetings of the Board of Directors, keeping the register of attendance and minutes and delivering requested copies or abstracts of the minutes.

In the event of the absence or impediment of the Managing Director, the Board of Directors will designate at the time of each meeting one of its members to act as Chairman of the meeting. Barring another agreement, the most senior Director will chair the meeting.

The Managing Director and Secretary are always eligible for re-election.

The general meeting of shareholders held on 31 May 2018 appointed Jiri Dederá as Managing Director (*administrateur délégué*) of the Company until the annual general meeting of shareholders concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2018.

Signatory powers within the Board of Directors

The Company may be validly bound either by the joint signatures of any two Directors or by the single signature of a Managing Director.

Special commitments in relation to the election of the members of the Board of Directors

The Company is not aware of commitments that are in effect as of the date of this report by any parties relating to the election of members of the Board of Directors.

Management of the Company

The management is entrusted with the day-to-day running of the Company and among other things to:

- be responsible for preparing complete, timely, reliable and accurate financial reports in accordance with the accounting standards and policies of the Company;
- submit an objective and comprehensible assessment of the company's financial situation to the Board of Directors;
- regularly submit proposals to the Board of Directors concerning strategy definition;
- participate in the preparation of decisions to be taken by the Board of Directors;
- supply the Board of Directors with all information necessary for the discharge of its obligations in a timely fashion;
- set up internal controls (systems for the identification, assessment, management and monitoring of financial and other risks), without prejudice to the Board's monitoring role in this matter; and
- regularly account to the Board for the discharge of its responsibilities.

The members of the management meet on a regular basis to review the operating performance of the business lines and the containment of operating expenses.

As of 30 June 2018, the Company's management consisted of the following members:

Jiri Dedera, Chief Executive Officer & Managing Director, previously appointed as Deputy CEO, joined the Company in January 2014. Jiri has also been a Director of the Company since 4 February 2013 and is a member of the Company's Audit Committee and Remuneration Committee. Before joining the Company, Jiri was working for CPI Group as the Investment Director and before that for Deloitte and PricewaterhouseCoopers in Czechia and in the United States. He graduated from the Technical University of Brno, Czechia.

Erik Morgenstern, Chief Financial Officer, has over 12 years of experience in various finance positions in the real estate sector, including Director of Accounting and IFRS and CFO. Prior to joining the Company Mr. Morgenstern worked for CPI PROPERTY GROUP. He graduated from the University of Economics Prague, Czechia.

Committees of the Board of Directors

As of 30 June 2018 the Board of Directors has the following committees:

- Audit Committee
- Remuneration, Appointment and Related Party Transaction Committee

The implementation of decisions taken by these committees enhances the Company's transparency and corporate governance.

Independent and non-executive directors are a significant part of these committees.

Audit Committee

Following the changes in the Board of Directors composition throughout 2015 and 2016 the Audit Committee is now comprised of one independent member of the Board of Directors, Edward Hughes (chairman) and one executive director, Jiri Dedera. Company's CFO and Director, Erik Morgenstern also attends the Audit Committee meetings.

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Company's reporting procedures by business lines, reviews risk factors and risk control procedures, analyzes the Company's group structure, assesses the work of external auditors, examines consolidated accounts, verifies the valuations of real estate assets, and audits reports.

The Audit Committee has therefore invited persons whose collaboration is deemed to be advantageous to assist it in its work and to attend its meetings.

Remuneration, Appointment and Related Party Transaction Committee

Following the changes in the Board of Directors composition throughout 2015 the Remuneration, Appointment and Related Party Transaction Committee (the "Remuneration Committee") is now comprised of one independent member of the Board of Directors, Edward Hughes (chairman), and one executive director, Jiri Dederá. The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programs to be offered to the management and the Directors of the Company. The Remuneration Committee also deals with related party transactions.

The role of the Remuneration Committee is among other things to submit proposals to the Board regarding the remuneration of executive managers, to define objective performance criteria respecting the policy fixed by the Company regarding the variable part of the remuneration of top management (including bonus and share allocations, share options or any other right to acquire shares) and that the remuneration of non-executive Directors remains proportional to their responsibilities and the time devoted to their functions.

Given the reduced size of the Board, there was no meeting of the Remuneration Committee in the first half of 2018.

Description of internal controls relative to financial information processing.

The Company has organized the management of internal control by defining control environment, identifying the main risks to which it is exposed together with the level of control of these risks, and strengthening the reliability of the financial reporting and communication process.

Control Environment

For the annual closure, the Company's management fills an individual questionnaire so that any transactions they have carried out with the Company as "Related parties" can be identified.

The Audit Committee has a specific duty in terms of internal control; the role and activities of the Audit Committee are described in this Management Report.

Remuneration and benefits

Board of Directors

See Note 1 in the Consolidated financial statements.

Corporate Governance rules and regulations

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 only one class of shares carrying same rights.

The Company shares (ISIN LU0122624777) had been listed on the regulated market of Euronext Paris since 2000 and until their delisting as of 18 February 2016. Out of 1,314,507,629 Company shares the 314,507,629 Company shares (representing app. 23.9% of the total share capital) have been admitted to trading on the regulated market of the Luxembourg Stock Exchange on 15 October 2015. The 114,507,629 Company shares (representing app. 8.7% of the total share capital) have been admitted to trading on the regulated market of the Warsaw Stock Exchange.

(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:

There is no restriction on the transfer of securities of the Company as of 30 June 2018.

(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:

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 30 June 2018. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
CPI PROPERTY GROUP (directly and indirectly)	1,279,198,976	97.31%
Others	35,308,653	2.69%
Total	1,314,507,629	100.0%

In 2013, the Company transferred 1 share to Edward Hughes for free and until he holds the Board function. In 2014, the Company transferred 1 share to Jiri Dederá for free and until he holds the Board function. In 2016, the Company transferred 1 share to Erik Morgenstern for free and until he holds the Board function.

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

None of the Company's shareholders has voting rights different from any other holders of the Company's shares.

On 8 June 2016 CPI Property Group's fully owned subsidiary Nukasso Holdings Limited directly and indirectly acquired approximately 97.31% of shares in the Company. As a consequence, Nukasso Holdings Limited from the CPI Property Group became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company (the "Mandatory Takeover Offer"). On 22 August 2016, the Czech Office for the Protection of Competition granted the merger clearance for the acquisition of the Company by CPI Property Group, whereas its decision became final and binding on 23 August 2016.

On 8 December 2017 the CSSF published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to the Company. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts.

As of the date of this report, the Company has not received any formal decision in relation to the Mandatory Takeover Offer.

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

This is not applicable. 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 is 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:

To the knowledge of the Company, no shareholder agreements have been entered by and between shareholders that are in effect as of the date of this report.

97.31% of shares in the Company are held directly and indirectly by subsidiaries of CPI PROPERTY GROUP.

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

See section Appointment of Directors of this report.

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

See section Powers of the Board of Directors of this report and section Authorized capital not issued.

(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:

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in a potential liability for the Company due to "Change of Control Compensation Amount".

On 10 June 2016 the Company received a major shareholder notification stating, that NUKASSO (CYP) and CPI PROPERTY GROUP, which are ultimately held by Mr. Radovan Vitek, hold directly and indirectly 1 279 198 976 of the Company's shares corresponding to 97.31% of voting rights as at 8 June 2016. Accordingly, the Company issued a Change of Control Notice notifying the holders of the 2014 Warrants that the Change of Control, as defined in the Securities Note and the Summary for the 2014 Warrants, occurred on 8 June 2016.

In accordance with the judgement of the Paris Commercial Court (the "Court") pronounced on 26 October 2015 concerning the termination of the Company's Safeguard Plan, liabilities that were admitted to the Safeguard, but are conditional or uncalled (such as uncalled bank guarantees, conditional claims of the holders of 2014 Warrants registered under ISIN code XS0290764728, provided that they were admitted to the Safeguard plan), will be paid according to their contractual terms. Pre-Safeguard liabilities that were not admitted to the Company's Safeguard will be unenforceable. As such, only claims of holders of the 2014 Warrants, whose potential claims were admitted to the Company's Safeguard Plan, could be considered in respect of the present Change of Control. Claims of holders of the 2014 Warrants that were not admitted to the Company's Safeguard will be unenforceable against the Company.

To the knowledge of the Company, no other agreements have been entered by the Company.

(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:

As at 30 June 2018, there are no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labour codes.

Additional information

Legal form and share capital

ORCO PROPERTY GROUP is a public limited company ("société anonyme") incorporated and existing under Luxembourg law. Its corporate capital, subscribed and fully paid-up capital of EUR 13,145,076.29 is represented by 1,314,507,629 shares without nominal value. The accounting par value price is EUR 0.01 per share.

Date of incorporation and termination

The Company was incorporated by deed drawn on 9 September 1993 by Maître Frank Baden, for an indeterminate period of time.

Jurisdiction and applicable laws

The Company exists under the Luxembourg Act of 10 August 1915 on commercial companies, as amended.

Object of business

As described in article 4 of the updated Articles of Association of the Company, its corporate purpose is the direct acquisition of real property, the holding of ownership interests and the making of loans to companies that form part of its group. Its activity may consist in carrying out investments in real estate, such as the purchase, sale, construction, valorization, management and rental of buildings, as well as in the promotion of real estate, whether on its own or through its branches.

It has as a further corporate purpose the holding of ownership interests, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign companies, whether they are part of the group or not, the acquisition of all and any securities and rights by way of ownership, contribution, subscription, underwriting or purchase options, or negotiation, and in any other way, and in particular the acquisition of patents and licenses, their management and development, the granting to undertakings in which it holds a direct or indirect stake of all kinds of assistance, loans, advances or guarantees and finally all and any activities directly or indirectly relating to its corporate purpose. It may thus play a financial role or carry out a management activity in enterprises or companies it holds or owns.

The Company may likewise carry out all and any commercial, property, real estate and financial operations likely to relate directly or indirectly to the activities defined above and susceptible to promoting their fulfillment.

Trade register

RCS Luxembourg B 44 996.

Financial year

The Company's financial year begins on the first day of January and ends on the thirty-first day of December.

Distribution of profits and payment of dividends

Each year, at least five per cent of the net corporate profits are set aside and allocated to a reserve. Such deduction ceases being mandatory when such reserve reaches ten per cent of the corporate capital, but will

resume whenever such reserve falls below ten per cent. The general meeting of shareholders determines the allocation and distribution of the net corporate profits.

Payment of dividends:

The Board of Directors is entitled to pay advances on dividends when the legal conditions listed below are fulfilled:

- an accounting statement must be established which indicates that the available funds for the distribution are sufficient;
- the amount to be distributed may not exceed the amount of revenues since the end of the last accounting year for which the accounts have been approved, increased by the reported profits and by the deduction made on the available reserves for this purpose and decreased by the reported losses and by the sums allocated to reserves in accordance with any legal and statutory provision;
- the Board of Directors' decision to distribute interim dividends can only be taken within two months after the date of the accounting statement described above;
- the distribution may not be determined less than six months after the closing date of the previous accounting year and before the approval of the annual accounts related to this accounting year;
- whenever a first interim dividend has been distributed, the decision to distribute a second one may only be taken at least three months after the decision to distribute the first one; and
- the statutory and independent auditor(s) in its (their) report to the Board of Directors confirm(s) the conditions listed above are fulfilled.

Under general Luxembourg law, the conditions for making advances on dividends are less stringent than the conditions listed above, however, the more restrictive provisions of the Company's Articles of Association will prevail as the recent changes under Luxembourg law have not yet been reflected in the Articles of Association of the Company.

When an advance distribution exceeds the amount of dividend subsequently approved by the general meeting of shareholders, such advance payment is considered an advance on future dividends.

Exceeding a threshold

Any shareholder who crosses a threshold limit of 2.5%, 5%, 10%, 15%, 33 1/3%, 50% or 66 2/3% of the total of the voting rights must inform the Company, which is then obliged to inform the relevant controlling authorities. Any shareholder not complying with this obligation will lose his voting rights at the next general meeting of shareholders, and until proper major shareholding notification is made.

Documents on display

Copies of the following documents may be inspected at the registered office of the Company (tel: +352 26 47 67 1), 40 rue de la Vallée, L-2661 Luxembourg, on any weekday (excluding public holidays) during normal business hours:

1. Articles of Association of the Company;
2. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2017, 2016, and 2015, prepared in accordance with IFRS adopted by the European Union;

The registration document(s) and most of the information mentioned are available on the Company's website: www.orcogroup.com.

The registration document(s) is available on the website of Luxembourg Stock Exchange: www.bourse.lu.

External Auditors

KPMG Luxembourg are the external auditors of the Company. The appointment of KPMG expires at the end of the annual general meeting of shareholders to be convened in 2019 to approve the accounts for the financial year ended 31 December 2018.

Reporting

Consolidated management report and the stand-alone management report are presented under the form of a sole report.

SHAREHOLDING

Share capital and voting rights

The subscribed and fully paid-up capital of the Company of EUR 13,145,076.29 is represented by 1,314,507,629 shares without nominal value. The accounting par value is EUR 0.01 per share.

In addition to the issued and subscribed corporate capital of EUR 13,145,076.29, the Company has also an authorized, but unissued and unsubscribed share capital set at EUR 10,000,000.

All the shares issued by the Company are fully paid and have the same value. The shares will be either in the form of registered shares or in the form of bearer shares, as decided by the shareholder, except to the extent otherwise provided by law.

The shareholder can freely sell or transfer the shares. The shares are indivisible and the Company only recognizes one holder per share. If there are several owners per share, the Company is entitled to suspend the exercise of all rights attached to such shares until the appointment of a single person as owner of the shares. The same applies in the case of usufruct and bare ownership or security granted on the shares.

Joint owners of shares must be represented within the Company by one of them considered as sole owner or by a proxy, who in case of conflict may be legally designated by a court at the request of one of the owners.

Shareholder holding structure

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 30 June 2018. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
CPI PROPERTY GROUP (directly and indirectly)	1,279,198,976	97.31%
Others	35,308,653	2.69%
Total	1,314,507,629	100.0%

Authorized capital not issued

The Company's extraordinary general meeting of 2 May 2016 resolved to modify, renew and replace the then existing authorized share capital and to set it to an amount of twenty million euro (EUR 20,000,000.00) for a period of five (5) years from 2 May 2016. Following the capital increase implemented in 2016, the Company now has the authorized, but unissued and unsubscribed share capital set at EUR 10,000,000, which would authorize the issuance of up to one billion (1,000,000,000) new ordinary shares in addition to the 1,314,507,629 shares currently outstanding.

The Company's Board of Directors was thus granted an authorization to increase the Company's share capital in accordance with article 32-3 (5) of the 1915 Luxembourg company law. The Board of Directors was granted full power to proceed with the capital increases within the authorized capital under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors was authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 2 May 2016, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors was authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the

conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

CORPORATE RESPONSIBILITY

Corporate responsibility and sustainable development is at the core of the strategy of the Company. The Group top management actively foster best practices as an opportunity to improve the cost efficiency of internal processes and the value creation of our it main activity - Development of properties.

Environmental, social and ethical matters

The Group is committed to high standards in environmental, social and ethical matters. Our staff receive training on our policies in these areas, and are informed when changes are made to the policy. Our environmental policy is to comply with all applicable local regulations, while pursuing energy-efficient solutions and green / LEED certification wherever possible. Ethical practice is a core component of our corporate philosophy; we have achieved top-quality standards in reporting and communications, and have invested in the best professionals. From a social perspective, we care deeply about all our stakeholders. Our corporate culture is centered around respect and professionalism, and we believe in giving back to our community.

Environmental matters

The Group follows a pragmatic approach to environmental aspects of its business. Environmental criteria are one of the main aspects of the Group's development and construction projects.

Before each potential asset investment, the Group examines the environmental risks. Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring advisors. Health, safety and environmental risks are monitored before and during construction.

Health and safety, as well as the technical and security installations are periodically inspected for checking of their status and the conformity with applicable legislation and local regulation.

As a priority item for apartment building renovations, the Group replaces older heating systems with natural gas systems, and seeks to improve the overall level of thermal insulation in its buildings.

Social matters

The Group aims to promote personal development of its employees. The Group provides a work environment that is motivating, competitive and reflects the needs of the employees. The Group promotes diversity and equal opportunity in the workplace.

Employees of the Group conduct annual reviews with their managers, covering also the relationships of the employees with their work and working place, as well as the Group in general.

Ethical and matters

The Group has policies addressing conduct, including conflicts of interest, confidentiality, abuse of company property and business gifts.

GLOSSARY & DEFINITIONS

Alternative Performance Measures

The Company presents alternative performance measures (APMs). The APMs used in our report are commonly referred to and analysed amongst professionals participating in the Real Estate Sector to reflect the underlying business performance and to enhance comparability both between different companies in the sector and between different financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The presentation of APMs in the Real Estate Sector is considered advantageous by various participants, including banks, analysts, bondholders and other users of financial information:

- APMs provide additional helpful and useful information in a concise and practical manner.
- APMs are commonly used by senior management and Board of Directors for their decisions and setting of mid and long-term strategy of the Group and assist in discussion with outside parties.
- APMs in some cases might better reflect key trends in the Group's performance which are specific to that sector, i.e. APMs are a way for the management to highlight the key value drivers within the business that may not be obvious in the consolidated financial statements.

In this period the Company redefined and changed the title one of APM – *Loan-to-Value* changed to *Project Loan-to-Value*. For new definition and reasons for the change, see below.

EPRA NAV

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations and the fair value of deferred tax liabilities are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialize. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Similarly, trading properties are adjusted to their fair value under EPRA's NAV measure.

The performance indicator has been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

EPRA NAV per share

EPRA NAV divided by the diluted number of shares at the period end.

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Starting from the NAV following adjustments are taken into consideration:

- Effect to dilutive instruments: financial instruments issued by company are taken into account. When they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.

- Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.
- Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.

The objective of the EPRA NNAV measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

The performance indicator has been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

Project Loan-to-Value

Project Loan-to-Value ("Project LTV ratio") provides a general assessment of financing risk undertaken. It is calculated as Adjusted Net Debt divided by fair value of Property Portfolio. Net Debt is borrowings plus bank overdraft less sum of borrowings from within CPI Property Group and cash and cash equivalents. Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

In 2017 the Group redefined "LTV ratio" to "Project LTV ratio" due to:

- The Company received loans from related entities within CPI Property Group;
- These loans are not connected to any of OPG projects;
- These loans are provided by related entities and are part of a financing structure within CPI Property Group structure;

If included in LTV ratio calculation it the information would be misleading as it would not provide the reader an information on financing risk undertaken by the Group.

In 2017 the Group redefined "Property portfolio" due to:

- Previous definition of Property portfolio included derivative instruments, intragroup loans etc. which are not means of the Group business
- The Group decided to include only those assets which clearly show business focus of the Group

Comparative figure of newly defined Project LTV ratio has been disclosed.

Other definitions

EPRA

European Public Real Estate Association.

Development for rental

Development for Rental represents carrying value of developed assets – ie. under development or finished assets – being held by the Group with the intention to rent the assets in the foreseeable future.

Development for sale

Development for Sale represents carrying value of developed assets – ie. under development or finished assets – being held by the Group with the intention to sell the assets in the foreseeable future.

Gross Asset Value (GAV) or Fair value of Property portfolio

The sum of fair value of all real estate assets held by the Group on the basis of the consolidation scope and real estate financial investments (being shares in real estate funds, loans to third parties active in real estate or shares in non-consolidated real estate companies).

Gross Leasable Area (GLA)

GLA is the amount of floor space available to be rented. GLA is the area for which tenants pay rent, and thus the area that produces income for the property owner.

Gross Saleable Area (GSA)

GSA is the amount of floor space held by the Group with the intention to be sold. GSA is the area of property to be sold with a capital gain.

Market value

The estimated amount determined by the Group's external valuer in accordance with the RICS Valuation Standards, for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Occupancy rate

The ratio of leased premises to leasable premises

Potential gross leasable area

Potential Gross Leasable Area is the total amount of floor space and land area being developed which the Group is planning to rent after the development is complete.

Potential gross saleable area

Potential Gross Saleable Area is the total amount of floor space and land area being developed which the Group is planning to sell after the development is complete.



ORCO PROPERTY GROUP S.A.

40 rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 44996
(the "Company")

**DECLARATION LETTER
INTERIM FINANCIAL REPORTS
AS AT 30 JUNE 2018**

1.1. Person responsible for the Semi - Annual Financial Report

- Mr. Jiří Dedera, acting as Chief Executive Officer and Managing Director of the Company, with professional address at 40 rue de la Vallée, L-2661 Luxembourg, Grand-Duchy of Luxembourg, email: jdedera@orcogroup.com.

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

The undersigned hereby declares that, to the best of his knowledge:

- the condensed consolidated interim financial statements of the Company as at 30 June 2018, prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole; and
- that the Management Report as at 30 June 2018 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. Jiří Dedera.

Luxembourg, on 31 August 2018

A handwritten signature in blue ink, appearing to read "J. DEDERA", with a long horizontal flourish extending to the right.

Mr. Jiří Dedera
CEO, Managing Director

ORCO PROPERTY GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(UNAUDITED)

ORCO PROPERTY GROUP's Board of Directors has approved the condensed consolidated interim financial statements for the six-month period ended 30 June 2018 on 29 August 2018.

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.

For the six-month period ended	Note	30 June 2018	30 June 2017
Gross rental income	6.1	800	1,189
Service revenue	6.1	9,136	--
Net service charge expense	6.2	(119)	(55)
Property operating expenses	6.3	(608)	(837)
Net rental income		9,209	297
Development sales		5	198
Cost of goods sold		(7)	(61)
Net development income		(2)	137
Total revenues		9,822	1,332
Total direct business operating expenses		(615)	(898)
Net business income		9,207	434
Net valuation gain	6.4	--	74,499
Net gain / (loss) on the disposal of investment property		471	(21)
Net gain on disposal of subsidiaries		--	1,056
Gain related to changes in purchase price	3.1	2,532	--
Amortization, depreciation and impairments	6.5	(2,567)	3,098
Other operating income		23	163
Administrative expenses	6.6	(7,182)	(913)
Other operating expenses	6.7	(75)	(103)
Operating result		2,409	78,213
Interest income	6.8	49,275	19,212
Interest expense	6.9	(24,184)	(10,708)
Other net financial result	6.10	(4,794)	(8,410)
Net finance income/(costs)		20,297	94
Share of profit of equity-accounted investees (net of tax)		(362)	(1,009)
Profit before income tax		22,344	77,298
Income tax expense	6.11	(3,867)	(14,686)
Net profit from continuing operations		18,477	62,612
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		(7,449)	8,424
Effective portion of changes in fair value of available-for-sale financial assets		6,204	1,848
Other comprehensive income for the period, net of tax		(1,245)	10,272
Total comprehensive income for the period		17,232	72,884
Profit attributable to:			
Non-controlling interests		57	--
Owners of the Company		18,420	62,612
Profit for the period		18,477	62,612
Total comprehensive income attributable to:			
Non-controlling interests		57	--
Owners of the Company		17,175	72,884
Total comprehensive income for the period		17,232	72,884
Earnings per share			
	7.14		
Basic earnings in EUR per share		0.01	0.05
Diluted earnings in EUR per share		0.01	0.05

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

	Note	30 June 2018	31 December 2017
NON-CURRENT ASSETS			
Intangible assets	7.1	--	--
Investment property	7.2	452,085	450,373
Property, plant and equipment	7.3	370	35
Equity-accounted investees	7.4	4,209	4,571
Other investments	7.5	110,913	104,613
Loans provided	7.6	1,697,777	1,196,932
Trade and other receivables		12	12
Deferred tax asset	7.7	123,565	123,565
Total non-current assets		2,388,931	1,880,101
CURRENT ASSETS			
Inventories	7.8	6,224	6,348
Current income tax receivables		326	279
Trade receivables	7.9	11,355	4,540
Loans provided	7.6	100,745	68,490
Cash and cash equivalents	7.10	98,914	11,230
Other financial current assets	7.11	31,151	8,069
Other non-financial current assets	7.12	950	849
Assets held for sale	7.13	379	397
Total current assets		250,044	100,202
TOTAL ASSETS		2,638,975	1,980,303
EQUITY			
Equity attributable to owners of the Company	7.14	578,205	565,688
Non-controlling interests		170,012	62,683
Total equity		748,217	628,371
NON-CURRENT LIABILITIES			
Financial debts	7.15	1,392,977	1,113,884
Deferred tax liabilities		34,583	33,048
Provisions		1,557	1,559
Other non-current liabilities	7.16	1,874	1,991
Total non-current liabilities		1,430,991	1,150,482
CURRENT LIABILITIES			
Financial debts	7.15	393,902	54,581
Trade payables	7.17	8,965	2,723
Advance payments	7.18	251	84,505
Other financial current liabilities	7.19	53,196	56,018
Other non-financial current liabilities	7.20	3,453	3,623
Total current liabilities		459,767	201,450
TOTAL EQUITY AND LIABILITIES		2,638,975	1,980,303

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	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2018 (audited)	13,145	784,670	25,027	(257,154)	565,688	62,683	628,371
Effect of the change of the accounting method (IFRS 9)	--	--	--	(4,658)	(4,658)	--	(4,658)
Balance at 1 January 2018	13,145	784,670	25,027	(261,812)	561,030	62,683	623,713
Comprehensive income:							
<i>Profit for the period</i>	--	--	--	18,420	18,420	57	18,477
Total comprehensive income	--	--	(7,544)	6,299	(1,245)	--	(1,245)
Total comprehensive income/(expense)	--	--	(7,544)	6,299	(1,245)	--	(1,245)
Total comprehensive income for the period	--	--	(7,544)	24,719	17,175	57	17,232
Total contributions by and distributions to owners of the Company	--	--	--	--	--	--	--
Disposal of non-controlling interests under common control	--	--	--	--	--	107,272	107,272
Total changes in ownership interests in subsidiaries	--	--	--	--	--	107,272	107,272
Total transactions with owners of the Company	--	--	--	--	--	--	--
Balance at 30 June 2018	13,145	784,670	17,483	(237,093)	578,205	170,012	748,217

Note	Share capital	Share premium	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2017	13,145	784,670	10,178	(395,195)	412,798	475	413,273
Comprehensive income:							
<i>Profit for the period</i>	--	--	--	62,612	62,612	--	62,612
Total comprehensive income	--	--	8,424	1,848	10,272	--	10,272
Total comprehensive income/(expense)	--	--	8,424	1,848	10,272	--	10,272
Total comprehensive income for the period	--	--	8,424	64,460	72,884	--	72,884
Total contributions by and distributions to owners of the Company	--	--	--	--	--	--	--
Total changes in ownership interests in subsidiaries	--	--	--	--	--	--	--
Total transactions with owners of the Company	--	--	--	--	--	--	--
Balance at 30 June 2017	13,145	784,670	18,602	(330,735)	485,682	475	486,157

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

For the six-month period ended	Note	30 June 2018	30 June 2017
PROFIT BEFORE INCOME TAX		22,344	77,298
<i>Adjusted by:</i>			
Net valuation gain on investment property	6.4	--	(74,499)
(Gain)/Loss on the disposal of investment property		(471)	21
Depreciation/amortisation of tangible and intangible assets	6.5	--	46
Impairment of assets/Reversal of impairment of assets	6.5	2,567	(3,144)
Gain on the disposal of subsidiaries		--	(1,056)
Gain related to changes in purchase price	3.1	(2,532)	--
Net finance income	6.8,6.9,6.10	(25,028)	(10,825)
Share of profit of equity accounted investees		362	--
Exchange rate differences		5,002	11,612
Profit/(loss) before changes in working capital and provisions		2,244	(545)
Decrease in inventories		126	262
Decrease/(increase) in trade receivables		(6,827)	152
Increase in trade payables		3,024	3,766
Changes in provisions		(57)	14
Income tax paid		(705)	460
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(2,195)	4,108
(Acquisition)/settlement of subsidiaries, net of cash disposed		2,532	--
Acquisition of investment property	7.2	(6,117)	(784)
Expenditure on investment property under development	7.2	(1,741)	--
Acquisition of property, plant and equipment		(335)	--
Proceeds from sale of investment property		1,045	--
Proceeds from disposals of subsidiaries, net of cash disposed		--	9,004
Loans provided		(699,026)	(419,861)
Loans repaid		179,405	34,416
Interest received		8,985	460
NET CASH USED IN INVESTING ACTIVITIES		(515,251)	(376,765)
Drawdowns of loans and borrowings		615,819	381,584
Repayments of loans and borrowings		(8,124)	(8,995)
Interest paid		(2,597)	(665)
NET CASH FROM FINANCING ACTIVITIES		605,098	371,924
NET INCREASE/(DECREASE) IN CASH		87,651	(733)
Cash and cash equivalents at the beginning of the year		11,230	2,215
Effect of movements in exchange rates on cash held		33	--
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		98,914	1,483

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

ORCO PROPERTY GROUP, *société anonyme* (the “**Company**”) and its subsidiaries (together the “**Group**” or “**OPG**”) is a real estate group with a major portfolio in Central and Eastern Europe. The core business of the Group is principally the development of properties for its own portfolio or intended to be sold in the ordinary course of business as well as providing of equity loans and management services to other entities within the CPI PG Group (as defined below).

The Company is a joint stock company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg. The trade registry number of the Company is B 44 996.

The Company’s shares registered under ISIN code LU012262477 are listed on the regulated markets of the Luxembourg Stock Exchange and the Warsaw Stock Exchange.

Description of the ownership structure

As at 30 June 2018, CPI PROPERTY GROUP S.A. indirectly owns 97.31% of the Company shares (97.31% voting rights).

CPI PROPERTY GROUP S.A. (hereinafter also the “**CPI PG**”, and together with its subsidiaries as the “**CPI PG Group**”) is a real estate group founded in 2004. CPI PG is a Luxembourg *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. As at 30 June 2018, Radovan Vitek indirectly owns 88.60% of CPI PG (91.15% voting rights).

For the list of shareholders as at 30 June 2018 refer to note 7.14.

Change in the Board of Directors

As at 30 June 2018 and 31 December 2017 the Board of Directors consists of the following directors:

Mr. Jiří Dederá

Mr. Edward Hughes

Mr. Erik Morgenstern

Employees

The Group has 12 employees as at 30 June 2018 (as at 31 December 2017 – 7 employees).

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2018 as compared with the consolidated financial statements for the year ended 31 December 2017.

The condensed consolidated interim financial statements are presented in thousands of Euros and all values are rounded to the nearest thousand except when otherwise indicated. The Group's objectives and policies for managing capital, credit risk and liquidity risk were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

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

These condensed consolidated interim financial statements have not been audited.

The condensed consolidated interim financial statements were authorized for the issue by the Board of Directors on 29 August 2018.

2.2 Changes in accounting policies

The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those used to prepare the financial statements for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

New accounting standards and amendments

For the preparation of these condensed consolidated interim financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).

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

IFRS 15, 'Revenue from contracts with customers' provides a framework that replaces existing revenue recognition guidance in IFRS.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The clarifications to IFRS 15 clarify some of the standard’s requirements and provide additional transitional relief for companies that are implementing the new standard.

The Group adopted the standard in the annual period beginning 1 January 2018.

The Group adopted IFRS 15 using the cumulative effect method (under this method the cumulative effect of initially applying the new standard is recorded as an adjustment to the opening balance of equity at the date of initial application and comparative period amounts were not restated).

The Group analyzed the impact of IFRS 15 application on entities revenue streams and based on disclosure of comparable under both standards, the Group does not identified any material impact neither to the opening balance of equity nor on the Group’s interim financial statements (interim statement of cash flows, interim statement of financial position, interim statement of profit or loss and OCI).

Under IFRS 15, revenue is recognised, when a customer obtains control of the goods/services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group’s various goods and services are set out below:

<u>Gross rental revenue</u>	
Revenue stream	Conclusion
Rental revenue from investment property is recognized as revenue on a straight-line basis over the term of the operating lease. Currently all of the rental revenue is from operating leases. Lease incentives granted are recognized as an integral part of the total rental revenue, over the term of the lease.	These revenues represent rental income, which is not in scope of IFRS 15 and is treated according to IAS 17/ IFRS 16.

<u>Service revenue</u>	
Revenue stream	Conclusion
The Group contains service entities which provide services to other entities within the Group or to third parties. The services provided are accounting and advisory services or facility management. Revenue from such services is recognized in profit or loss by reference to the stage of completion, i.e. revenue is recognized in the accounting periods in which the services are rendered.	Under IFRS 15 the first condition of IFRS15 par. 35 is fulfilled (the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs) and therefore the over the time recognition is allowed.

Other service revenues include revenues from services provided by the Group. The Group provides additional maintenance to tenants or other third parties based on their orders. Currently the revenues are recognized in profit or loss by reference to the stage of completion, i.e. revenue is recognized in the accounting periods in which the services are rendered.

According to IFRS 15 each order will be considered as a separate performance obligation. Often the services will be simultaneously received and consumed by the customer (IFRS 15.35 criterion 1) or the entity’s performance enhances an asset that the customer controls as the asset is created or enhanced (IFRS 15.35 criterion 2). If one of these criteria is fulfilled, then the revenue shall be recognized over time. The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group’s practice.

Net service charge income

Revenue stream	Conclusion
<p>In addition to the lease payments, tenants are charged for maintenance, utilities, cleaning etc. Such income is commonly referred to as service charge income. In some premises the service charges are direct re invoicing of the provided services (e.g. electricity). The customer pays advances which are settled on annual basis based on the actual expense. In this case the amount due from the tenant as well as the amount due to the supplier of such service is recorded only to the balance sheet. However, tenants at certain premises pay flat monthly fee for service charges and such fee is recognized as a revenue based on issued invoices and accruals. The service charge income and revenues from sales of electricity are presented together with service charge expenses and cost of sales – electricity in the financial statement line Net service charge income. The Group assessed that the services provided to the tenants under the lease agreement shall be considered one or multiple performance obligations. The service charge covers services such as maintenance, cleaning, utilities etc. Group provides a significant service of integrating the services into a bundle that represents the combined output for the tenant. In simple terms, the tenants expects certain level of services (running water, working heating and electricity, cleaning etc.) and the value to the tenants is in the package of the services rather than in each service individually. Therefore, it can was concluded that these non-lease services are a single performance obligation within the terms of the lease agreements. Certain non-lease services are directly re invoiced based on the suppliers’ invoices, therefore the Group considers the price for the service charge to be at the stand-alone selling price level. For the services charged at monthly fee, the calculation of the monthly fee is done in a way to at least cover the related expenses. The Group commonly does not give discounts on the services. The prices for the lease component are always considered to be the market price at the date of the agreement. Therefore, the allocation of the price between lease and non-lease component according to IFRS 15 would not differ to the prices set in the contract.</p>	<p>The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group’s practice.</p>

Development sales

Revenue stream	Conclusion
<p>Apart from the activity (rent and related services) the Group also undertakes real estate development projects. Generally, revenue from the sale of trading property is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, usually on the date on which the application is submitted to the land registry for transfer of legal ownership title. The property has to be completed and the apartments are ready for sale, including the necessary regulatory permissions. Under IFRS 15, Step 2 is one of the key considerations whether the sale of building included elements, which could be separate performance obligation (such as property management service). This assessment can have an impact in the timing of revenue recognition as different performance obligations may be transferred to customer in different time. No such good or service was identified among the Group’s contracts, each one included only one performance obligation. Group assesses this on the contract by contract basis. Other important consideration is in the Step 5, when IFRS 15 requires an entity to recognize revenues progressively over time if criteria of IFRS 15.35 are met. Generally, second criterion is met for construction element of real estate development when land is a separate performance obligation transferred at point in time before the start of construction. The construction work is then an enhancement of asset controlled by customer. Third criterion is most relevant for multi-unit residential developments, as title to the land and building elements of contract generally transfer on completion of construction. In such case the Group needs to assess whether its performance does not create an asset with an alternative use to the entity and the Group has an enforceable right to payment for performance completed to date.</p>	<p>The timing of the revenue recognized according to IFRS 15 related to the selected contract shall be consistent with the current practice. However, each contract needs to be treated separately, particularly in cases where contract is in place prior the construction is finished, where the contract contains multiple performance obligations or there is a variable component to the price.</p>

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 5 for the disclosure on disaggregated revenue.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The significant change with an impact for the Group is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group adopted the standard in the annual period beginning 1 January 2018 and used the cumulative effect method.

The Group recorded the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at the date of initial application. The comparative period amounts were not restated and are continue to be reported under the accounting standards in effect for those periods. The following table summarizes the impact, net of tax, on transition to IFRS 9 on the opening balance of retained earnings:

	1 January 2018
Impairment - loans and interest (6.5)	(6,388)
TOTAL ASSETS	(6,388)
Retained earnings from previous periods	(4,658)
TOTAL EQUITY	(4,658)
Decrease of deferred tax liabilities	(1,730)
Non-current liabilities	(1,730)
TOTAL EQUITY AND LIABILITIES	(6,388)

The impact, net of tax, of transition to IFRS 9 on the opening balance of equity is EUR 4.7 million.

A/ Classification and measurement of financial assets and financial liabilities

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI (FVOCI) and fair value through P&L (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gain and losses including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Other investments		Available for sale	Equity investments at FVOCI	104,599	104,599
Other investments		Available for sale	Debt investments at FVOCI	14	14
Loans provided	a)	Loans and receivables	Amortised cost	1,265,422	1,259,034
Trade and other receivables		Loans and receivables	Amortised cost	12	12
Trade receivables		Loans and receivables	Amortised cost	4,540	4,540
Cash and cash equivalents		Loans and receivables	Amortised cost	11,230	11,230
Other financial current assets		Loans and receivables	Amortised cost	8,069	8,069
Total financial assets				1,393,886	1,387,498

a) Loans provided that were classified as loans and receivables under IAS 39 are now classified at amortised cost. On transition to IFRS 9, an allowance for impairment of EUR 6.4 million was recognised as a decrease in opening retained earnings as at 1 January 2018.

B/ Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IAS 39, credit losses were taken into account when the loss occurred, hence the term 'incurred loss'. IFRS 9 requires to follow a forward-looking ECL model.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date;
- Lifetime ECLs: these are ECLs that result from possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents and loans provided.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment methodology

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition:

Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-months ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the default will occur in the next 12 months.

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition, but that are not credit impaired. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3: includes financial assets are credit impaired at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

IFRS 9 requires Management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

The Group applied a definition of default that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument, and the Group considers qualitative factors (for example, financial covenants), where appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The most common approach is to calculate the impairment value as $EL = PD \text{ ('Probability of Default')} * LGD \text{ ('Loss Given Default')} * EAD \text{ ('Exposure At Default')}$ and discount the result using effective interest rate. The Group adopted basic principles of this approach and derived respective IFRS 9 parameters respectively.

Loans provided: In general, annual interest rate of any loan covers cost of the funding, liquidity, credit risk and other risks. Therefore rough estimation of the credit spread (and consequently probability of default) can be estimated as:

PD ("Probability of Default") represents an estimate of the likelihood of default over a given time horizon;

LGD ("Loss Given Default") represents an estimate of the loss arising on default;

EAD ("Exposure At Default"): represents an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

As the loans do not show any significant risk increase and they are not considered defaulted nor credit impaired, the EL is estimated for 1year period and discounted by the original EIR.

The effect of the initial application of IFRS 9, in respect of the loans provided, represent impairment of EUR 6.4 million as at 1 January 2018 and additional EUR 1.4 million recognized in profit or loss for the six-months period of 2018 (note 6.5 and 7.6 respectively).

For bank exposures (e.g. the Group's deposits at bank accounts) the Group uses similar methodology as in case of the loans provided. Probability of Default (PD) was derived from individual banks rating according to Moody's rating.

The total impact on the opening balance of equity as at 1 January 2018 calculated using the above mentioned methodology would have been approximately EUR 13 thousand, which was considered as immaterial with respect to the total balance of cash and cash equivalents (EUR 11.2 million as at 31 December 2017), which is why the Group decided not to reflect this adjustment into the interim consolidated financial statements of the Group as at 30 June 2018.

Regarding **trade and other receivables**, if the receivable is past due, Probability of Default (PD) is estimated as a ratio of (past due amount ≥ 180) / total yearly income, that reflects debtors ability to repay outstanding debt within one year. If the receivable is not past due PD was set to 0.35%. Exposure at Default is balance (both not past due and past due) of the trade and other receivables, no discounting is used as total impact of EL to trade and other receivables is negligible.

The total impact on the opening balance of equity as at 1 January 2018 calculated using the above mentioned methodology would have been approximately EUR 13 thousand, which was considered as immaterial with respect to the total balance of trade and other financial receivables (EUR 12.6 million as at 31 December 2017), which is why the Group decided not to reflect this adjustment into the interim consolidated financial statements of the Group as at 30 June 2018.

New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been early adopted by the Group:

- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 (early application is permitted), will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Group is currently assessing the impact of IFRS 16.

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

The Group refers to the endorsement status of the new IFRS standards and amendments to standards and interpretations as they are published by the European Union.

2.3 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

3 The Group Structure

Control of the Group

Orco Property Group is the Group's ultimate parent company.

As at 30 June 2018 the Group comprises its parent company and 33 subsidiaries controlled by the parent company and no associates (at 31 December 2017 – 34 subsidiaries, no associates) and three joint ventures. For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group structure in 2018

Over the first half of 2018, the following changes occurred in the Group structure:

3.1.1 Liquidation of Orco Project Limited

Following the liquidation of Orco Project Limited on 28 January 2018, the entity was deconsolidated.

3.1.2 Acquisitions of subsidiaries

No subsidiaries have been acquired during the first six months of 2018. However, following the acquisition of 99.96% stake in Družstvo Land at the end of 2017 (common control transaction, as the entity was acquired from companies controlled by the major shareholder of the Company), there has been a correction of the purchase price in 2018 based on the net asset value of the subsidiary acquired, as it should have been lower by EUR 2.5 million (recognized in the statement of comprehensive income at 'Gain related to changes in purchase price' line).

3.1.3 Disposal of non-controlling interest

On 26 June 2018, the Company transferred 80% stake in Bubny Development, s.r.o., a vehicle holding the Bubny land plots in Prague, to GSG Europa Beteiligungs GmbH ("GSG Europa").

The Company will continue to consolidate and manage Bubny Development, s.r.o. pursuant to shareholders agreement, entered into between the Company and GSG Europa. The shareholders agreement details the governance, control and cooperation between the shareholders, among other things. Based on the shareholders agreement, and in consideration of IFRS 10's assessment of control, the management concluded that the Company demonstrates the control over Bubny Development, s.r.o. Bubny Development, s.r.o. is therefore consolidated in the Company's financial statements as at and for the period ended 30 June 2018.

Both the Company and GSG Europa are being consolidated by CPI PG, which is why the disposal price in this intragroup transaction was based on the IFRS NAV value.

The purchase price for the 80% stake in Bubny amounted to EUR 107.3 million. In respect of this transaction, the Group received an advance payment of EUR 84 million in 2017 (note 7.18). The remaining part of the purchase price (EUR 23.3) has not yet been paid and therefore is recognised as due as at 30 June 2018 (refer to note 7.11).

3.2 Changes in the Group structure in 2017

During 2017, the Group has acquired the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
MQM Czech, a.s.	acquisition	20.00%	15 November 2017
Polygon BC, a.s.	acquisition	20.00%	15 November 2017
Družstvo Land	acquisition	99.96%	29 December 2017
CPI Park Žďárek, a.s.	acquisition	99.96%	29 December 2017

The following entities were disposed of/liquidated in 2017:

Entity	Change	Share in %	Date of disposal/liquidation
Capellen S.A.	disposal	100.00%	25 January 2017
STRM Delta, a.s.	disposal	100.00%	7 November 2017
Development Pražská, s.r.o.	disposal	100.00%	13 December 2017

4 Segment reporting

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

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

Income generating rental properties

Within the segment “Income generating rental properties” the Group is considered to have three types of assets as at 30 June 2018, as follows:

- Office – acquires, develops and leases offices
- Industry and Logistics – acquires, develops and leases warehouses and factories
- Other – primarily includes intergroup service and financing entities

Development

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

Land bank

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

As at 30 June 2018

Consolidated profit or loss	Income generating - rental properties			Land bank	Development	Total consolidated
	Office	Industry and Logistics	Other			
30 June 2018						
Gross rental income	178	81	32	499	10	800
Service revenue	--	--	9,136	--	--	9,136
Net service charge income/(expense)	45	(9)	(1)	(154)	--	(119)
Property operating expenses	(217)	(28)	--	(351)	(12)	(608)
Net rental income	6	44	9,167	(6)	(2)	9,209
Development sales	--	--	--	5	--	5
Cost of goods sold	--	--	--	(7)	--	(7)
Net development income	--	--	--	(2)	--	(2)
Total revenues	223	72	9,167	350	10	9,822
Total direct business operating expenses	(217)	(28)	--	(358)	(12)	(615)
Net business income	6	44	9,167	(8)	(2)	9,207
Net gain on the disposal of investment property	--	--	--	471	--	471
Gain related to changes in purchase price	--	--	2,532	--	--	2,532
Amortization, depreciation and impairments	3	--	(2,572)	2	--	(2,567)
Other operating income	4	--	(1)	20	--	23
Administrative expenses	(61)	(16)	(6,888)	(209)	(8)	(7,182)
Other operating expenses	(5)	--	(48)	(22)	--	(75)
Operating result	(53)	28	2,190	254	(10)	2,409
Interest income	--	--	49,275	--	--	49,275
Interest expense	--	--	(24,183)	(1)	--	(24,184)
Other net financial result	122	25	(7,934)	2,888	105	(4,794)
Net finance income	122	25	17,158	2,887	105	20,297
Share of profit or loss of entities accounted for using the equity method	--	--	(362)	--	--	(362)
Profit before income tax	69	53	18,986	3,141	95	22,344
Income tax expense	28	--	(4,688)	793	--	(3,867)
Net profit from continuing operations	97	53	14,298	3,934	95	18,477

As at 30 June 2017

Consolidated profit or loss	Income generating - rental properties			Land bank	Development	Total consolidated
	Office	Industry and Logistics	Other			
30 June 2017						
Gross rental income	436	77	50	616	10	1,189
Service revenue	--	--	--	--	--	--
Net service charge expense	(7)	(10)	--	(38)	--	(55)
Property operating expenses	(169)	(63)	(36)	(547)	(22)	(837)
Net rental income	260	4	14	31	(12)	297
Development sales	--	--	--	29	169	198
Cost of goods sold	--	--	--	(2)	(59)	(61)
Net development income	--	--	--	27	110	137
Total revenues	429	67	50	607	179	1,332
Total direct business operating expenses	(169)	(63)	(36)	(549)	(81)	(898)
Net business income	260	4	14	58	98	434
Net valuation gain	5,133	--	--	69,366	--	74,499
Net loss on the disposal of investment property	--	--	--	(21)	--	(21)
Net gain on disposal of subsidiaries	--	--	1,056	--	--	1,056
Amortization, depreciation and impairments	(6)	--	2,672	18	414	3,098
Other operating income	5	47	71	40	--	163
Administrative expenses	(55)	(13)	(516)	(325)	(4)	(913)
Other operating expenses	--	--	(158)	57	(2)	(103)
Operating result	5,337	38	3,139	69,193	506	78,213
Interest income	--	--	19,213	(1)	--	19,212
Interest expense	(103)	--	(10,676)	71	--	(10,708)
Other net financial result	134	(38)	(4,465)	(4,044)	3	(8,410)
Net finance costs	31	(38)	(4,072)	(3,974)	3	94
Share of profit or loss of entities accounted for using the equity method	--	--	(1,009)	--	--	(1,009)
Profit before income tax	5,368	--	6,202	65,219	509	77,298
Income tax expense	(961)	(4)	92	(13,813)	--	(14,686)
Net profit/(loss) from continuing operations	4,407	(4)	6,294	51,406	509	62,612

As at 30 June 2018

Statement of financial position 30 June 2018	Income generating – rental properties			Land bank	Development	Total consolidated
	Office	Industry and Logistics	Other			
Gross assets value	18,053	1,400	--	422,754	16,472	458,679
Investment Property	18,052	1,400	--	422,719	9,914	452,085
Property, plant and equipment	1	--	--	30	339	370
Inventories	--	--	--	5	6,219	6,224
Other assets non-current	472	526	1,934,404	1,074	--	1,936,476
Other assets current	152	167	143,752	793	42	144,906
Cash and cash equivalents	1,312	13	96,349	670	570	98,914
Total Assets	19,989	2,106	2,174,505	425,291	17,084	2,638,975
Other payables non-current	1,096	--	2,448	33,364	1,106	38,014
Finance debts non-current	271	--	1,392,706	--	--	1,392,977
Other payables current	1,023	218	60,394	3,818	412	65,865
Finance debts current	18	--	393,883	1	--	393,902
Total Liabilities	2,408	218	1,849,431	37,183	1,518	1,890,758

As at 31 December 2017

Statement of financial position 31 December 2017	Income generating – rental properties			Land bank	Development	Total consolidated
	Office	Industry and Logistics	Other			
Gross assets value	16,355	1,400	--	424,302	14,699	456,756
Investment Property	16,355	1,400	--	424,256	8,362	450,373
Property, plant and equipment	--	--	--	35	--	35
Inventories	--	--	--	11	6,337	6,348
Other assets non-current	481	536	1,428,285	391	--	1,429,693
Other assets current	161	342	81,204	871	26	82,624
Cash and cash equivalents	307	31	10,534	345	3	11,230
Total Assets	17,304	2,309	1,520,023	425,909	14,758	1,980,303
Other payables non-current	1,152	7	164	34,134	1,141	36,598
Finance debts non-current	284	--	1,113,573	27	--	1,113,884
Other payables current	298	367	143,154	2,331	719	146,869
Finance debts current	19	--	54,561	1-	--	54,581
Total Liabilities	1,753	374	1,311,452	36,493	1,860	1,351,932

As at 30 June 2018

Consolidated profit or loss	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
30 June 2018					
Gross rental income	605	32	163	--	800
Service revenue	--	9,136	--	--	9,136
Net service charge expense	(102)	--	(17)	--	(119)
Property operating expenses	(603)	--	(5)	--	(608)
Net rental income	(100)	9,168	141	--	9,209
Development sales	5	--	--	--	5
Cost of goods sold	(7)	--	--	--	(7)
Net development income	(2)	--	--	--	(2)
Total revenues	508	9,168	146	--	9,822
Total direct business operating expenses	(610)	--	(5)	--	(615)
Net business income	(102)	9,168	141	--	9,207
Net gain on the disposal of investment property	471	--	--	--	471
Gain related to changes in purchase price	--	2,532	--	--	2,532
Amortization, depreciation and impairments	(531)	(2,036)	--	--	(2,567)
Other operating income	24	(1)	--	--	23
Administrative expenses	(273)	(6,873)	(21)	(15)	(7,182)
Other operating expenses	(53)	(21)	(1)	--	(75)
Operating result	(464)	2,769	119	(15)	2,409
Interest income	--	49,275	--	--	49,275
Interest expense	(1)	(24,183)	--	--	(24,184)
Other net financial result	3,617	(8,497)	86	--	(4,794)
Net finance income/(costs)	3,616	16,595	86	--	20,297
Share of profit of equity-accounted investees (net of tax)	--	(362)	--	--	(362)
Profit/(Loss) before income tax	3,152	19,002	205	(15)	22,344
Income tax expense	793	(4,688)	28	--	(3,867)
Net profit/(loss) from continuing operations	3,945	14,314	233	(15)	18,477

*Other countries include operations in France and Germany.

As at 30 June 2017

Consolidated profit or loss	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
30 June 2017					
Gross rental income	977	50	162	--	1,189
Net service charge expense	(7)	--	(48)	--	(55)
Property operating expenses	(833)	--	(4)	--	(837)
Net rental income	137	50	110	--	297
Development sales	198	--	--	--	198
Cost of goods sold	(59)	--	(2)	--	(61)
Net development income	139	--	(2)	--	137
Total revenues	1,168	50	114	--	1,332
Total direct business operating expenses	(892)	--	(6)	--	(898)
Net business income	276	50	108	--	434
Net valuation gain	74,499	--	--	--	74,499
Net loss on the disposal of investment property	(21)	--	--	--	(21)
Net gain on disposal of subsidiaries	--	1,056	--	--	1,056
Amortization, depreciation and impairments	2,025	1,119	(46)	--	3,098
Other operating income	89	72	2	--	163
Administrative expenses	(130)	(748)	(33)	(2)	(913)
Other operating expenses	(217)	(6)	120	--	(103)
Operating result	76,521	1,543	151	(2)	78,213
Interest income	(1)	19,212	--	--	19,212
Interest expense	5	(10,676)	(37)	--	(10,708)
Other net financial result	(5,484)	(3,062)	136	--	(8,410)
Net finance costs	(5,480)	5,475	99	--	94
Share of profit of equity-accounted investees (net of tax)	--	(1,009)	--	--	(1,009)
Profit/(Loss) before income tax	71,041	6,009	250	(2)	77,298
Income tax expense	(14,818)	93	39	--	(14,686)
Net profit/(loss) from continuing operations	56,223	6,102	289	(2)	62,612

*Other countries include operations in France, Germany and Guernsey.

As at 30 June 2018

Consolidated statement of financial position 30 June 2018	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
Gross assets value	453,990	--	4,689	--	458,679
Investment Property	447,396	--	4,689	--	452,085
Property, plant and equipment	370	--	--	--	370
Inventories	6,224	--	--	--	6,224
Other assets non-current	13	1,936,463	--	--	1,936,476
Other assets current	4,536	139,955	410	5	144,906
Cash and cash equivalents	2,465	96,308	100	41	98,914
Total Assets	461,004	2,172,726	5,199	46	2,638,975
Other payables non-current	35,001	2,950	63	--	38,014
Finance debts non-current	--	1,392,706	271	--	1,392,977
Other payables current	6,286	58,033	1,425	121	65,865
Finance debts current	1	393,883	18	--	393,902
Total Liabilities	41,288	1,847,572	1,777	121	1,890,758

*Other countries include operations in France and Germany.

As at 31 December 2017

Consolidated statement of financial position 31 December 2017	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
Gross assets value	452,053	--	4,703	--	456,756
Investment Property	445,670	--	4,703	--	450,373
Property, plant and equipment	35	--	--	--	35
Inventories	6,348	--	--	--	6,348
Other assets non-current	3,847	1,425,846	--	--	1,429,693
Other assets current	1,001	81,198	421	4	82,624
Cash and cash equivalents	640	10,494	54	42	11,230
Total Assets	457,541	1,517,538	5,178	46	1,980,303
Other payables non-current	36,498	--	100	--	36,598
Finance debts non-current	26	1,113,574	284	--	1,113,884
Other payables current	4,507	140,748	1,488	126	146,869
Finance debts current	1	54,561	19	--	54,581
Total Liabilities	41,032	1,308,883	1,891	126	1,351,932

*Other countries include operations in France, Germany and Guernsey.

5 Revenues

The Group's operations and main revenue streams are those described in note 2.2.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in 2.2.

In the following table, revenue is disaggregated by the major revenue streams (as described in note 2.2):

Consolidated profit or loss	Income generating - rental properties			Land bank	Total consolidated
	Office	Industry and Logistics	Other		
30 June 2018					
Advisory and accounting services	--	--	9,136	--	9,136
<i>Related parties</i>	--	--	9,118	--	9,118
<i>Third parties</i>	--	--	18	--	18
Service revenue	--	--	9,136	--	9,136
Other services	45	(9)	(1)	(154)	(119)
<i>Related parties</i>	(42)	--	--	--	(42)
<i>Third parties</i>	87	(9)	(1)	(154)	(77)
Net service charge expense	45	(9)	(1)	(154)	(119)
Development sales	--	--	--	5	5
Other operating income	4	--	(1)	20	23

Consolidated profit or loss	Income generating - rental properties			Land bank	Development	Total consolidated
	Office	Industry and Logistics	Other			
30 June 2017						
Other services	(7)	(10)	--	(38)	--	(55)
<i>Third parties</i>	(7)	(10)	--	(38)	--	(55)
Net service charge expense	(7)	(10)	--	(38)	--	(55)
Development sales	--	--	--	29	169	198
Other operating income	5	47	71	40	--	163

Consolidated profit or loss				
	Czech Republic	Luxembourg	Poland	Total consolidated
30 June 2018				
Advisory and accounting services	--	9,136	--	9,136
<i>Related parties</i>	--	9,118	--	9,118
<i>Third parties</i>	--	18	--	18
Service revenue	--	9,136	--	9,136
Other services	(102)	--	(17)	(119)
<i>Related parties</i>	--	--	(42)	(42)
<i>Third parties</i>	(102)	--	25	(77)
Net service charge income	(102)	--	(17)	(119)
Development sales	5	--	--	5
Other operating income	24	(1)	--	23

*Other countries include operations in France and Germany.

Consolidated profit or loss				
	Czech Republic	Luxembourg	Poland	Total consolidated
30 June 2017				
Other services	(7)	--	(48)	(55)
<i>Related parties</i>	--	--	--	--
<i>Third parties</i>	(7)	--	(48)	(55)
Net service charge income	(7)	--	(48)	(55)
Development sales	198	--	--	198
Other operating income	89	72	2	163

*Other countries include operations in France, Germany and Guernsey.

6 Condensed consolidation interim statement of comprehensive income

6.1 Gross rental income

	6 month period ended	
	30 June 2018	30 June 2017
Gross rental income	800	1,189
Service revenue (1)	9,136	--
Total gross rental income	9,936	1,189

(1) Since 1 January 2018, the Group provides advisory services to entities controlled by the ultimate shareholder of the Group. Related service revenue amounted to EUR 9.1 million for the first six months of 2018.

6.2 Net service charge expense

	6 month period ended	
	30 June 2018	30 June 2017
Service charge income	130	311
Service charge expenses	(261)	(372)
Total	(131)	(61)
Revenues from sales of energy	12	6
Total	12	6
Total net service charge expense	(119)	(55)

6.3 Property operating expenses

	6 month period ended	
	30 June 2018	30 June 2017
Leases and rents	(2)	--
Utilities Supplies	(267)	(261)
Building maintenance	(135)	(59)
Real estate tax	(72)	(40)
Facility management	(43)	(145)
Letting fee, other fees paid to real estate agents	(17)	(12)
Insurance	(12)	(12)
Other property related expenses	(60)	(308)
Total property operating expenses	(608)	(837)

6.4 Net valuation gain

For the determination of the fair value as at 30 June 2018 the Group's management analysed the situation on the real estate market at the time together with current yields and then applied discount rates and other factors used by independent valuers in their appraisals as of 31 December 2017. As a result, the fair value of the property portfolio as of 30 June 2018 was determined based on the management's analysis and it does not differ from the fair value as of 31 December 2017.

	6 month period ended	
	30 June 2018	30 June 2017
Valuation gains		
Land bank	--	69,366
Office	--	5,133
Total valuation gains	--	74,499
Net valuation gain	--	74,499

6.5 Amortization, depreciation and impairments

	6 month period ended	
	30 June 2018	30 June 2017
Depreciation and amortization - rental	--	(46)
Total impairment of assets/reversal of impairment (1)	(2,567)	3,144
Total depreciation, amortization and impairments	(2,567)	3,098

- (1) In first half of 2018, impairment in the amount of EUR 2 million relate to the application of the new impairment model (ECL) as required by IFRS 9, refer to note 2.2 for more information. Impairment of EUR 0.5 million is attributable to Radio Free Europe receivable.

6.6 Administrative expenses

	6 month period ended	
	30 June 2018	30 June 2017
Personnel expenses	(454)	(169)
Audit, tax and advisory services (1)	(5,768)	(241)
Legal services	(450)	(156)
Other administrative expenses	(35)	(71)
Lease and rental expenses	(90)	(68)
Advertising expenses	(57)	(43)
IT expenses	(7)	--
Telecommunication, internet and software related expenses	(8)	(7)
Representation expenses	(9)	(14)
Other insurance expenses	(225)	(117)
Material consumption	(6)	(3)
Repairs and maintenance	(3)	(1)
Valuation services	(70)	(23)
Total administrative expenses	(7,182)	(913)

- (1) Audit, tax and advisory expenses also mainly include the management services related to related parties in amount of EUR 5.4 million.

6.7 Other operating expenses

	6 month period ended	
	30 June 2018	30 June 2017
Penalties	(2)	--
Tax non-deductible VAT expenses	(13)	(8)
Taxes and fees	(3)	--
Gifts	--	(2)
Change in provision	(27)	--
Other	(30)	(93)
Total other operating expenses	(75)	(103)

6.8 Interest income

	6 month period ended	
	30 June 2018	30 June 2017
Interest income on loans and receivables	49,275	19,212
Total interest income	49,275	19,212

Significant increase in interest income on loans and receivables relates mainly to loans provided to related parties (refer to note 7.6 and 12).

6.9 Interest expense

	6 month period ended	
	30 June 2018	30 June 2017
Interest expense related to bank and non-bank loans (1)	(24,184)	(10,036)
Interest expense on bonds issued	--	(672)
Total interest expense	(24,184)	(10,708)

- (1) Interest expense related to bank and non-bank loan increased mainly due to new drawdown of the existing loans provided to the Group by related party, refer to note 7.15 and 12.

6.10 Other net financial result

	6 month period ended	
	30 June 2018	30 June 2017
Change in fair value and realized result on derivative instruments	--	3,179
Other net financial results	(44)	(660)
Net foreign exchange loss (1)	(4,731)	(10,903)
Bank charges	(19)	(26)
Total other net financial results	(4,794)	(8,410)

- (1) As there have been significant financing transactions between the Company and CPI PG Group (mainly CPI a.s., whose functional currency is Czech koruna – refer to note 7.15), this was the major factor leading to this net foreign exchange loss in the first half of 2018.

6.11 Income tax expense

Tax recognized in profit or loss

	6 month period ended	
	30 June 2018	30 June 2017
Current income tax expense		
Current year	(2)	8
Adjustment for prior years	(4)	92
Total	(6)	100
Deferred income tax expense		
Origination and reversal of temporary differences	(3,861)	(14,786)
Total	(3,861)	(14,786)
Income tax from continuing operations recognised in profit and loss	(3,867)	(14,686)
Total income tax recognised in profit or loss	(3,867)	(14,686)

Tax expense for the six-month period ended 30 June 2018 is recognized based on management's best estimate of the effective tax rate for full financial year 2018. The Company's effective tax rate in respect of continuing operations for the six-month period ended 30 June 2018 was approximately 19 %.

7 Condensed consolidated interim statement of financial position

7.1 Intangible assets

Intangible assets comprise of concession rights for using of softwares which are fully impaired.

7.2 Investment property

	Income Generating - Rental properties		Subtotal - rental properties	Land bank	Development	Total
	Office	Industry and logistics				
Balance at 1 January 2017	13,115	1,222	14,337	225,453	--	241,825
Investments/acquisitions	--	--	--	91,392	--	91,392
Transfers	--	--	--	(4,389)	4,389	--
Development costs	--	--	--	--	1,211	1,211
Additions	440	8	448	2,252	--	2,700
Disposals	(21)	--	(21)	(7,424)	--	(7,445)
Valuation gain	2,234	165	2,399	108,217	2,397	113,013
Translation differences	588	5	593	8,754	365	9,712
Balance at 31 December 2017	16,356	1,400	17,756	424,255	8,362	450,373
Development costs	--	--	--	--	1,741	1,741
Additions	1,965	--	1,965	4,152	--	6,117
Disposals	(16)	--	(16)	(558)	--	(574)
Translation differences	(251)	--	(251)	(5,131)	(190)	(5,572)
Balance at 30 June 2018	18,054	1,400	19,454	422,718	9,913	452,085

Investments/Acquisitions

2017

In 2017 the Group acquired investment property located in the Czech Republic in total value of EUR 91.4 million (refer to note 3.2).

Development costs

Development costs in the amount of EUR 1.7 million (EUR 1.2 million in 2017) relate to the construction of the MAYHOUSE office building in Prague, Czech Republic.

Additions

2018

Additions in the office segment relate to starting reconstruction of building Bubenská 1 in Prague (EUR 2.0 million).

Additions in the amount of EUR 4.2 million relate to construction works on the project Nová Zbrojovka in Brno.

Disposals

2018

The Group sold the land in Svitavy, Czech Republic, the carrying value was EUR 0.7 million.

2017

Investment property in the amount of EUR 7.4 million was disposed of due to sale of the Czech subsidiary STRM Delta in 2017 (refer to note 3.2).

7.3 Property, plant and equipment

Property, plant and equipment consists mainly of advance payments for construction works on the office project MAYHOUSE.

7.4 Equity-accounted investees

7.4.1 Investments in joint ventures

The amounts recognized in the consolidated statement of financial position and income statement are follows:

	30 June 2018	31 December 2017
Consolidated statement of financial position	4,209	4,571
Consolidated statement of comprehensive income – joint ventures	(362)	6,217

The Group is involved in the following joint venture consolidated under the equity method, which is material to the Group:

Uniborc S.A.

The Group recognized the investment in amount of EUR 4.2 million due to the positive net asset value of the joint venture amount to EUR 12.0 million.

Uniborc S.A. is a joint venture constituted in 2013 with Unibail Rodamco aimed at developing a shopping center in the Bubny area, Prague. The Group's shareholding is 35%.

7.5 Other investments

Share in CPI PROPERTY GROUP

As at 30 June 2018 the Company holds 252,302,248 shares in CPI PG, which represents app. 2.80% of the CPI PG's shareholding and is valued at EUR 110.9 million (in 2017 EUR 104.6 million).

The valuation of CPI PG shares held by the Group is based on alternative valuation model. The management determined the use of EPRA NAV per share (Net asset value per share determined based on the methodology of European Public Real Estate Association, www.epra.com) of CPI PG as the most representative alternative valuation model primarily due to the followings:

- EPRA NAV is a globally recognized measure of fair value;
- EPRA NAV takes into consideration the fair value of the net assets of a company, applying known aspects of the company's business model.

For the valuation of the CPI PG shares held as at 30 June 2018 EPRA NAV per CPI PG share as at 30 June 2018 was used. The same valuation approach was used as at 31 December 2017, when the Company used for the valuation of CPI PG shares EPRA NAV per share of CPI PG as at 31 December 2017. EPRA NAV per share of CPI PG (EUR 0.44) differs to from the price at the stock-exchange (EUR 0.63) as at 30 June 2018.

The change in the valuation of CPI PG shares is recognized in equity.

The detail calculation of EPRA NAV per share of CPI PG is presented in the Half year management report of this Group available at www.cpipg.com.

7.6 Loans provided

7.6.1 Non-current loans provided

	30 June 2018	31 December 2017
Loans provided - related parties and joint ventures	1,705,563	1,193,098
Bills of exchange - third parties	--	10,881
Total non-current loans provided	1,705,563	1,203,979
Impairment to non-current loans provided to related parties	(7,786)	(7,047)
Total non-current loans provided net of impairment	1,697,777	1,196,932

7.6.2 Current loans provided

	30 June 2018	31 December 2017
Loans provided - related parties and joint ventures	96,955	68,490
Bills of exchange – third parties	11,232	--
Total current loans provided	108,187	68,490
Impairment – bills of exchange – third parties	(7,442)	--
Total current loans provided net of impairment	100,745	68,490

Loans provided substantially increased due to new loans provided to related parties and new drawdown of existing loans. These loans bear interest rate between 6% - 14% p.a. and mature between years 2018 - 2033. For more information refer to note 12.

Loans provided to joint venture include loan plus interest granted to the company Uniborc (JV with Unibail Rodamco) in the amount of EUR 10.8 million as at 30 June 2018 (EUR 10.4 million as at 31 December 2017). This joint venture with Unibail Rodamco, started in April 2013, is mainly financed through an equity loan by both partners in the same proportion as their respective shareholdings. The maturity date of this loan is 31 December 2099.

Bills of exchange in the net amount of EUR 3.8 million as at 30 June 2018 (EUR 3.8 million as at 31 December 2017) relate to Radio Free Europe/HAGIBOR OFFICE BUILDING deferred consideration.

Impairment to provided loans relates to the ECL model (IFRS 9). Impairment of EUR 6.4 million relates to its initial application (affecting the opening balance of equity, while not affecting the comparative amounts), note 2.2, and additional impairment of EUR 1.4 million was recognized for the six-months period ended 2018 (note 7.6.1).

7.7 Deferred tax assets

The Company recognized the deferred tax assets from tax losses carried forward in total amount of EUR 123.6 million as at 30 June 2018 (as at 31 December 2017 – EUR 123.6 million). As these tax losses relate primarily to the Luxembourg entities, they can be carried forward indefinitely. Group's perspective of tax losses utilization is based on 10 years budget of expected taxable profits from core activities of the Company. The budgets are based on Group's management best estimates.

The recognition of the deferred tax assets is based on the future taxable profits that are expected to be generated in connection with the incorporation of the Company into the corporate structure of CPI PG. The expected profits reflect the strategy of CPI PG in which the Company is expected to rendering of financial services for all entities of CPI PG together with gradually realizing its development projects.

7.8 Inventories

	30 June 2018	31 December 2017
Projects and property for resale (1)	6,224	6,347
Construction contracts - work in progress	--	1
Total inventories	6,224	6,348

(1) Projects and property for resale both in 2018 and 2017 relate primarily to Prague's development project Benice 1b.

7.9 Trade and other receivables

	30 June 2018	31 December 2017
Trade receivables due from related parties (1)	10,582	3,679
Trade receivables due from third parties	870	943
Impairment – trade receivables due from other parties	(97)	(82)
Total current trade and other receivables	11,355	4,540

(1) Trade receivables due from related parties mainly composed of management services in the amount of EUR 6.9 million.

7.10 Cash and cash equivalents

	30 June 2018	31 December 2017
Bank balances	98,913	11,208
Cash on hand	1	22
Total cash and cash equivalents	98,914	11,230

7.11 Other financial current assets

	30 June 2018	31 December 2017
Other receivables due from related parties (1)	31,125	8,034
Other receivables due from third parties	186	206
Impairment – other receivables due from other parties	(160)	(171)
Total other financial current assets	31,151	8,069

- (1) Increase of other receivables due from related parties relates to receivable from sale of 80 % stake of Bubny Development, s.r.o. to GSG Europa Beteiligungs GmbH (EUR 23.3 million) and assignment of receivables of CPI PG (EUR 7.9 million).

According to Agreement between the Company and GSG Europa Beteiligungs GmbH was calculated final purchase price amount to EUR 107.3 million which was settled with advance payment of EUR 84 million received in 2017, see note 7.18. The additional payment for final purchase price of EUR 23.3 million is due in July 2018.

7.12 Other non-financial current assets

	30 June 2018	31 December 2017
Other advances paid to third parties	446	82
Value added tax receivables	221	297
Other tax receivables (excl. CIT and VAT)	13	3
Prepaid expenses	270	467
Total other non-financial current assets	950	849

7.13 Assets/Liabilities linked to assets held for sale

Due to the management's intention to dispose some projects in 2018, the respective assets and liabilities were classified as Assets held for sale/Liabilities linked to assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

As at 30 June 2018, the polish project Marki was classified as asset held for sale (EUR 0.4 million).

7.14 Equity

Changes in equity

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

Share capital and share premium

The subscribed and fully paid-up capital of the Company of EUR 13,145,076.29 is represented by 1,314,507,629 ordinary shares. The shares of the Company have an accounting par value of EUR 0.01 per share and are fully paid. Each share is entitled to a prorated portion of the profits and share capital of the Company, as well as to a voting right and representation at the time of a general meeting, all in accordance with statutory and legal provisions.

To the best of Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as at 30 June 2018:

Shareholder	Number of shares	Share held	Voting rights
CPI PROPERTY GROUP	1,279,198,976	97.31%	97.31%
Others	35,308,653	2.69%	2.69%
Total	1,314,507,629	100.00%	100.00%

No change in the share capital of the Company occurred during the first half of 2018.

Securities giving access to equity (warrants)

Within the authorized capital, the Board of Directors decided to issue Bonds with Warrants ("OBSAR") without preferential subscription rights:

"2012 Warrants" issued under the ISIN code LU0234878881 with the following major terms: number of outstanding 2012 Warrants: 21,161; exercise ratio: one warrant gives the right to subscribe to 1.03 share; exercise period: December 31, 2019; exercise price: EUR 7.21; listing: Euronext Paris.

"2014 Warrants" issued under the ISIN code XS0290764728 with the following major terms: number of outstanding 2014 Warrants: 2,871,021; exercise ratio: one warrant gives the right to subscribe to 1.73 share; exercise period: December 31, 2019; exercise price: EUR 11.20; listing: Euronext Brussels and Paris.

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in a liability for the Company due to "Change of Control Compensation Amount" of up to EUR 23,685,923.25. According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control. This price per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise [.]". The Change of Control Compensation Amount with respect to 2014 Warrants has been admitted in the Company's Safeguard plan in the amount of EUR 707,826.24. The Company holds 1,361,679 2014 Warrants (In 2017: 1,361,679).

Mandatory takeover bid over Company shares

On 8 June 2016 CPI Property Group's fully owned subsidiary Nukasso Holdings Limited directly and indirectly acquired approximately 97.31% of shares in the Company. As a consequence, Nukasso Holdings Limited from the CPI Property Group became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company (the "Mandatory Takeover Offer"). On 22 August 2016, the Czech Office for the Protection of Competition granted the merger clearance for the acquisition of the Company by CPI Property Group, whereas its decision became final and binding on 23 August 2016.

On 8 December 2017 the CSSF published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to the Company. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts.

As of the date of this report, the Company has not received any formal decision in relation to the Mandatory Takeover Offer.

Earnings per share

	30 June 2018	30 June 2017
At the beginning of the period	1,314,507,629	1,314,507,629
Shares issued	1,314,507,629	1,314,507,629
Weighted average movements	--	--
Issue of new shares	--	--
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	1,314,507,629	1,314,507,629
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	1,314,507,629	1,314,507,629
Net profit attributable to the Equity holders of the Company	18,477	62,612
Net profit attributable to the Equity holders of the Company after assumed conversions/exercises	18,477	62,612
Total Basic earnings in EUR per share	0.01	0.05
o/w discontinued operations	--	--
Diluted earnings in EUR per share	0.01	0.05
o/w discontinued operations	--	--

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

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

The warrants issued by the Company were not taken into account in the diluted EPS calculation.

7.15 Financial debts

7.15.1 Non-current financial debts

	30 June 2018	31 December 2017
Loans from related parties (1)	1,392,706	1,113,574
Loans from third parties	--	27
Finance lease liabilities	271	283
Total non-current financial debts	1,392,977	1,113,884

- (1) As at 30 June 2018 the most significant increase of non-current financial debts is due to the principal of loan received from CPI Property Group S.A. in amount of EUR 713.1 million (EUR 464.5 million as at 31 December 2017). This loan bear interest rate 2.47% and 2.31% p.a. The principal of the loan provided by Czech Property Investments, a.s. to the Group amounts to EUR 542.1 million (EUR 552.4 million as at 31 December 2017). The interest rate is 5.26% p.a. Refer to note 12.

7.15.2 Current financial debts

	30 June 2018	31 December 2017
Loans from related parties (1)	393,884	54,562
Loans from third parties	--	--
Finance lease liabilities	18	19
Total current financial debts	393,902	54,581

- (1) Loans provided to the Group by CPI PG Group increased to EUR 393.9 million as at 30 June 2018. CPI Property Group S.A. provided the loan to the Group in amount of EUR 294.0 million. These loans bear interest rate of 3% p.a. and mature in 2018.

7.16 Other non-current liabilities

	30 June 2018	31 December 2017
Tenant deposits	34	58
Payables from retentions	188	249
Other payables due to third parties	1,652	1,684
Total other non-current liabilities	1,874	1,991

7.17 Trade payables

	30 June 2018	31 December 2017
Trade payables due to related parties (1)	4,845	341
Trade payables due to third parties	4,120	2,382
Total trade payables	8,965	2,723

(1) Trade payables due to related parties increased due to management services (EUR 4.0 million).

7.18 Advance payments

	30 June 2018	31 December 2017
Advances received from related parties (1)	--	84,000
Advances received from third parties	218	412
Tenant deposits	34	93
Total advance payments	251	84,505

(1) Decrease of advances received from related parties is due to the use of an advance on the sale of 80% stake of Bubny Development, s.r.o. to GSG Europa Beteiligungs GmbH (EUR 84.0 million). The sale was realized in Q2 2018 and the Group maintains a control over Bubny Development through the ownership of the 20% stake.

7.19 Other financial current liabilities

	30 June 2018	31 December 2017
Deferred income/revenue	26	20
Other payables due to related parties (1)	53,101	55,929
Other payables due to third parties	69	56
Payables from retentions	--	13
Total other financial current liabilities	53,196	56,018

(1) Other payables due to related parties contain the assignment of receivables to the Company by Czech Property Investment, a.s. (EUR 19.5 million), CPI Hotels, a.s. (EUR 17.7 million) and CPI PG (EUR 11.6 million) and Guarantor fees (EUR 3.6 million).

7.20 Other non-financial current liabilities

	30 June 2018	31 December 2017
Current income tax liabilities	4	63
Value added tax payables	2,227	2,297
Other tax payables (excl. CIT and VAT)	5	8
Payables due to employees, SHI, employees income tax	36	19
Provisions	1,181	1,236
Total	3,453	3,623

8 Fair value measurement

8.1 Fair value of financial instruments

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

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

The fair value of financial instruments traded in active markets (such as trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet 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 balance sheet 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.

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.

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

30 June 2018	Carrying amount					Fair value			
	FVOCI - debt instruments	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3*	Total
FINANCIAL ASSETS									
CPI Property Group shares (**)	--	110,899	--	--	110,899	--	--	110,899	110,899
Financial assets measured at fair value - non-current	--	110,899	--	--	110,899				
Loans provided	--	--	1,686,997	--	1,686,997	--	--	1,686,997	1,686,997
Loans provided to joint venture	--	--	10,780	--	10,780	--	--	10,780	10,780
Trade and other receivables	--	--	12	--	12	--	--	--	--
Other investment	14	--	--	--	14	--	--	14	14
Financial assets not measured at fair value - non-current	14	--	1,697,789	--	1,697,803				
Trade and other receivables	--	--	11,355	--	11,355	--	--	--	--
Radio Free Europe deferred consideration	--	--	3,790	--	3,790	--	--	3,826	3,826
Loans provided	--	--	96,955	--	96,955	--	--	96,955	96,955
Other current financial assets	--	--	31,151	--	31,151	--	--	--	--
Cash and cash equivalent	--	--	98,914	--	98,914	--	--	--	--
Financial assets not measured at fair value - current	--	--	242,165	--	242,165				
FINANCIAL LIABILITIES									
Financial debt (other borrowings)	--	--	--	1,392,977	1,392,977	--	--	1,392,977	1,392,977
Long term liabilities	--	--	--	1,874	1,874	--	--	1,874	1,874
Financial liabilities not measured at fair value - non-current	--	--	--	1,394,851	1,394,851				
Financial debt (other borrowings)	--	--	--	393,902	393,902	--	--	393,902	393,902
Advanced payments	--	--	--	251	251	--	--	--	--
Trade payables	--	--	--	8,965	8,965	--	--	--	--
Other financial current liabilities	--	--	--	53,196	53,196	--	--	--	--
Financial liabilities not measured at fair value - current	--	--	--	456,314	456,314				

* The fair values of the financial assets and financial liabilities included in the level 3 category 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, with exception of loans provided to/ received from entities controlled by the major shareholder of the Company, which do not represent any credit risk from the Group's perspective.

** For the valuation as at 30 June 2018 the shares are valued using EPRA NAV per share of CPI PG as at 30 June 2018 (refer to note 7.5).

In the first half of 2018 there were no transfers between levels.

ORCO PROPERTY GROUP

31 December 2017	Carrying amount				Fair value			Total
	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	
FINANCIAL ASSETS								
CPI Property Group shares (**)	104,599	--	--	104,599	--	--	104,599	104,599
Financial assets measured at fair value - non-current	104,599	--	--	104,599				
Loans provided	--	1,193,098	--	1,193,098	--	--	1,193,098	1,193,098
Radio Free Europe deferred consideration	--	3,834	--	3,834	--	--	3,871	3,871
Trade and other receivables	--	12	--	12	--	--	--	--
Other investment	14	--	--	14	--	--	14	14
Financial assets not measured at fair value - non-current	14	1,196,944	--	1,196,958				
Trade and other receivables	--	4,540	--	4,540	--	--	--	--
Loans provided to joint venture	--	10,428	--	10,428	--	--	10,428	10,428
Loans provided	--	58,062	--	58,062	--	--	58,062	58,062
Other current financial assets	--	8,069	--	8,069	--	--	--	--
Cash and cash equivalent	--	11,230	--	11,230	--	--	--	--
Financial assets not measured at fair value - current	--	92,329	--	92,329				
FINANCIAL LIABILITIES								
Financial debt (other borrowings)	--	--	1,113,884	1,113,884	--	--	1,113,884	1,113,884
Long term liabilities	--	--	1,991	1,991	--	--	1,991	1,991
Financial liabilities not measured at fair value - non-current	--	--	1,115,875	1,115,875				
Financial debt (other borrowings)	--	--	54,581	54,581	--	--	54,581	54,581
Advanced payments	--	--	84,505	84,505	--	--	--	--
Trade payables	--	--	2,723	2,723	--	--	--	--
Other financial current liabilities	--	--	56,018	56,018	--	--	--	--
Financial liabilities not measured at fair value - current	--	--	197,827	197,827				

* The fair values of the financial assets and financial liabilities included in the level 3 category 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, with exception of loans provided to/ received from entities controlled by the major shareholder of the Company, which do not represent any credit risk from the Group's perspective.

** For the valuation as at 31 December 2017 the shares are valued using EPRA NAV per share of CPI PG as at 31 December 2017 (refer to note 7.5).

In 2017 there were no transfers between levels.

8.1.1 Fair value measurement of investment property

The fair value of the property portfolio as of 30 June 2018 was determined based on the management's analysis described in note 6.4. and it does not differ from the fair value as of 31 December 2017.

At 1 January 2018 the fair value measurement for investment property of EUR 450.4 million has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the first half of 2018.

8.1.2 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 the respective part of each class of property, which has been valued as at 31 December 2017.

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
Czech Republic	Office	Office - Development Appraisal****	Level 3	Total EMRV **	-		(165 EUR)
			Level 3	Gross development value	-		(2,499 EUR)
			Level 3	Development margin	-		(20.00%)
				Fair value			12 MEUR
Poland	Office	DCF***	Level 3	Estimated rental value per sqm	-		(214 EUR/sqm)
			Level 3	Net current income per sqm	-		(240 EUR/sqm)
			Level 3	Discount rate	-		(7.50%)
			Level 3	Exit Yield	-		(7.25%)
			Level 3	Vacancy rate	-		(0.00%)
			Fair value			5 MEUR	
Czech Republic	Industry and Logistic	Income capitalisation	Level 3	Estimated rental value per sqm	-		(24 EUR/sqm)
			Level 3	Net current income per sqm	-		(20 EUR/sqm)
			Level 3	Equivalent yield	-		(10.70%)
			Level 3	Vacancy rate	-		(10.11%)
			Fair value			1 MEUR	
Czech Republic - Prague	Land Bank *	Comparable	Level 3	Fair value per sqm	8 EUR/sqm	3,293 EUR/sqm	(587 EUR/sqm)
				Fair value			115 MEUR
Czech Republic - Brno	Land Bank	Comparable	Level 3	Fair value per sqm	-		(129 EUR/sqm)
				Fair value			30 MEUR
Czech Republic - Rest	Land Bank	Comparable	Level 3	Fair value per sqm	3 EUR/sqm	2,789 EUR/sqm	(91 EUR/sqm)
				Fair value			129 MEUR
Czech Republic	Development	Development Appraisal	Level 3	Total EMRV	-		(152 EUR)
			Level 3	Gross development value	-		(2,837 EUR)

			Level 3	Development margin	-	(15.00%)
				Fair value		8 MEUR

* Bubny Development not included.

** EMRV = Estimated market rental value

*** DCF = Discounted cash flow

**** The valuation method changed compared to 2016 given the fact that the Group has clear intention to redevelop the office building. The Group has already obtained the construction permit and terminated lease contracts with its tenants.

Land bank - Bubny

Not included in the table above is the land bank “Bubny”. Bubny is a land bank with a size over 202 thousand square meters and is located near the Prague inner city center. The majority of the site is currently unused / vacant. As at 31 December 2017, a valuation of the land bank was conducted by external valuation expert.

The fair value of Bubny included in the consolidated financial statements as at 31 December 2017 is EUR 150 million (31 December 2016: EUR 56 million).

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
Bubny	Land Bank	Comparable	Level 3	Fair value per sqm	-		(742 EUR/sqm)
				Fair value			150 MEUR

9 Contingencies

In June 2007 the Company issued a guarantee up to a maximum amount of EUR 5 million to secure all payment claims of IBB Holding and BTGI against inter alia Gewerbesiedlungs-Gesellschaft (Berlin), Orco Russian Retail, and MSREF V/MSREF Turtle B.V under an option agreement dated 22/23 May 2006 as amended on 24/25 April 2007 concerning the acquisition of all shares in Gewerbesiedlungs-Gesellschaft.

According to the framework agreement dated 18 August 2011 between the Company and MSREF V Turtle, the Company assumed the obligation to release the Morgan Stanley companies (MSREF V and MSREF V Turtle) from all claims under the Morgan Stanley guarantee by issuing a respective back to back guarantee of EUR 10 million.

IBB Holding and BTGI agreed to accept a top up of OPG guarantee and the release of Morgan Stanley companies from their engagement as per the option agreement. In June 2015 the Company issued the EUR 5 million top up guarantee in favor IBB Holding and BTGI and obtained a release from Morgan Stanley back to back guarantee. The aggregate guarantee of the Company to the benefit of IBB Holding and BTGI amounts to EUR 10 million.

As at the date of the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in note 9.

10 Litigations

In January 2015 the Company was served with a summons by Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II LP of Delaware, Ktown LP of Delaware (collectively referred to as "**Kingstown**"), claiming on former shareholders of the Company. The action was filed with the "*Tribunal d'Arrondissement de et a Luxembourg*" (the "**Court**") and seeks condemnation of the Company, CPI PG and certain members of the Company's board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown's allegation the damage claimed arose inter alia from the alleged violation of the Company's minority shareholders rights. The management of the Company has been taking all available legal actions to oppose these allegations in order to protect the corporate interest as well as the interest of its shareholders. Accordingly, the parties sued by Kingstown raised the exceptio iudicatum solvi plea, which consists in requiring the entity who initiated the proceedings and who does not reside in the EU or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered a judgement on 19 February 2016, whereby each claimant has to pay a legal deposit in the total amount of 90,000 EUR to the "Caisse de Consignation" in Luxembourg. Kingstown paid the deposit in January 2017 and the litigation, currently being in a procedural stage, is pending.

In March 2016, the insolvency administrator of the Company's subsidiary HAGIBOR OFFICE BUILDING ("**HOB**"), filed a lawsuit, requesting that the Company returns to HOB in aggregate USD 16.49 million, paid by HOB to Company in 2012. The Company is of the opinion that the lawsuit has no merit given that in 2012 HOB duly repaid its loan to the Company. The Company will defend itself against this lawsuit. In August 2016, the litigation has been stayed until litigation concerning the ownership of the Radio Free Europe building is resolved. In December 2016 the Company filed a lawsuit claiming the non-existence of pledges registered on the Radio Free Europe building in favor of the financing bank. A hearing on the matter of the non-existence of pledges is expected in September 2018.

The Company was sued by holders of the warrants holders of 2014 Warrants registered under ISIN code XS0290764728 (the "**2014 Warrants**"). The first group of the holders of the Warrants sued the Company for approximately EUR 1.2 million in relation to the Change of Control Notice published by the Company, notifying the holders of the 2014 Warrants that the Change of Control, as defined in the Securities Note and the Summary for the 2014 Warrants, occurred on 8 June 2016. The second holder of the 2014 Warrants sued the Company for approximately EUR 1 million in relation to the alleged change of control which allegedly occurred in 2013.

The Company will defend itself against these lawsuits and reminds that in accordance with the judgement of the Paris Commercial Court pronounced on 26 October 2015 concerning the termination of the Company's Safeguard Plan, liabilities that were admitted to the Safeguard, but are conditional or uncalled (such as uncalled

bank guarantees, conditional claims of the holders of 2014 Warrants registered under ISIN code XS0290764728, provided that they were admitted to the Safeguard plan), will be paid according to their contractual terms. Pre-Safeguard liabilities that were not admitted to the Company's Safeguard will be unenforceable. As such, only claims of holders of the 2014 Warrants, whose potential claims were admitted to the Company's Safeguard Plan, could be considered in respect of the present Change of Control. Claims of holders of the 2014 Warrants that were not admitted to the Company's Safeguard will be unenforceable against the Company. To the best of Company's knowledge, none of the holders of the 2014 Warrants who sued the Company filed their claims 2014 Warrants-related claims in the Company's Safeguard Plan.

11 Capital and other commitments

Capital and other commitments

The Group has capital commitments of EUR 28.1 million in respect of capital expenditures contracted for at the date of the consolidated financial statements (EUR 2.1 million in H1 2017). There are no other commitments except as disclosed above.

12 Related party transactions

Transactions with key management personnel

a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the management of the Company are considered the key management personnel of the Group.

Total compensation given as short-term employee benefits to the top managers for the first half of 2018 was EUR 0.3 million (EUR 0.1 million for the first half of 2017).

The Board and Committees attendance compensation for the first half of 2018 was EUR 18,000 (EUR 18,000 for the first half of 2017). The annual general meeting held on 28 May 2014 resolved to approve, with the effect as of 1 January 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowered the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to independent, non-executive Directors of the Company.

b) Termination and change of control clauses

As at 30 June 2018, there are no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labor codes.

c) Loans and advances to key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As of the date hereof, litigation is pending in front of Luxembourg court.

Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461 (app. EUR 1.2 million). In the second semester of 2017 this case was settled.

d) Other transactions

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek entered on into a put option agreement 24 September 2014 concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. The Company exercised the put option and on 29 August 2016 Mr. Vitek purchased 65,957,446 ordinary shares issued by CPI PG for an aggregate consideration of EUR 34.59 million.

In August 2018, the Company acquired approximately CZK 2 billion (app. EUR 76.9 million) of CPI BYTY bonds from the major shareholder of the CPI PG Group.

In 2014, the Company transferred 1 share to Jiří Dederá and Tomáš Salajka each for free and while they hold the Board function. Further to the resignation of Mr. Salajka on 10 November 2014, 1 share was automatically transferred back to the Company. In 2016 the Company transferred 1 share to Mr. Erik Morgenstern, who has been co-opted to the Board of Directors following the resignation of Mr. Pavel Španko.

Transactions with CPI PG Group

Loans provided non-current

	30 June 2018	31 December 2017
Airport City Kft.	9,919	9,049
Airport City Phase B Kft.	1,426	1,444
Andrássy Real Kft.	1,019	1,019
Andrássy Hotel Zrt.	3,840	3,737
Arena Corner Kft.	37,993	16,878
Balvinder, a.s.	5,506	5,991
Baudry Beta, a.s.	12,822	13,116
Baudry, a.s.	3,905	3,979
BAYTON Alfa, a.s.	5,839	5,276
BAYTON ONE, s.r.o.	72,058	--
BC 99 Office Park Kft.	3,337	--
Beroun Property Development, a.s.	10,935	11,473
Best Properties South, a.s.	14,443	12,433
Brandýs Logistic, a.s.	17,363	18,543
Brno Property Development, a.s.	1,412	1,439
Březiněves, a.s.	11,601	10,160
Budaörs Office Park Kft.	--	5,767
CAMPONA Shopping Center Kft.	21,716	19,866
Carpenter Invest, a.s.	1,915	1,952
CB Property Development, a.s.	61,867	42,698
Conradian, a.s.	6,030	5,316
CPI - Orlová, a.s.	997	1,210
CPI - Real Estate, a.s.	1,205	1,150
CPI - Štupartská, a.s.	5,977	6,166
CPI Alfa, a.s.	10,952	12,481
CPI Blatiny, s.r.o.	2,035	1,730
CPI Delta, a.s.	3,194	3,294
CPI East, s.r.o.	40,086	40,848
CPI Hotels Properties, a.s.	1,878	1,559
CPI IMMO, S.a.r.l.	3,797	3,514
CPI Jihlava Shopping, a.s.	12,190	12,099
CPI Kappa, s.r.o.	1,576	1,527
CPI Lambda, a.s.	10	--
CPI Meteor Centre, s.r.o.	18,342	18,409
CPI Národní, s.r.o.	159	110,000
CPI Office Prague, s.r.o.	30,664	31,246
CPI Palmovka Office, s.r.o.	5	--
CPI Park Mlýnec, a.s.	9	9
CPI PROPERTY GROUP S.A.	88,006	10,906
CPI Reality, a.s.	42,654	1,113
CPI Retail MB s.r.o.	8,980	9,699
CPI Retail One Kft.	9,140	9,000
CPI Retail Portfolio Holding Kft.	20,355	12,325
CPI Retail Portfolio V, s.r.o.	1,459	1,487
CPI Retail Portfolio VIII s.r.o.	4,350	4,407
CPI Retails ONE, a.s.	1,817	1,851
CPI Retails ROSA s.r.o.	2,245	2,245
CPI Retails THREE, a.s.	9,459	9,459
CPI Retails TWO, a.s.	2,311	749
CPI Shopping MB, a.s.	12,613	12,172
CPI Shopping Teplice, a.s.	41,625	41,353
Czech Property Investments, a.s.	328,206	18,916

	30 June 2018	31 December 2017
Čadca Property Development, s.r.o.	1,398	1,398
Čáslav Investments, a.s.	2,682	2,787
Český Těšín Property Development, a.s.	--	4,784
Dienzenhoferovy sady 5, s.r.o.	6,963	6,963
EMH South, s.r.o.	4,552	4,638
Farhan, a.s.	57,332	23,442
FELICIA SHOPPING CENTER SRL	--	10
FL Property Development, a.s.	193	197
HD Investment s.r.o.	--	6
Hraničář, a.s.	18,795	19,694
IGY2 CB, a.s.	29,095	15,213
IS Nyír Ingatlanhasznosítóés Vagyonkezelő Kft.	716	716
IS Zala Ingatlanhasznosítóés Vagyonkezelő Kft.	2,837	2,837
Janáčkovo náměstí 15, s.r.o.	3,884	3,884
Jeseník Investments, a.s.	2,071	2,953
Kerina, a.s.	7,904	9,112
KOENIG, s.r.o.	--	3,288
Kolín Centrum a.s.	--	4
Komárno Property Development, a.s.	2,550	2,700
LD Praha, a.s.	1,717	1,750
Levice Property Development, a.s.	3,734	3,934
Liptovský Mikuláš Property Development, a.s.	4,007	3,937
Lockhart, a.s.	23,166	23,275
Lucemburská 46, a.s.	9,033	9,033
Malerba, a.s.	186	189
Marissa Gama, a.s.	47,111	48,844
Marissa Kappa, a.s.	3,812	3,885
Marissa Omikrón, a.s.	25,377	26,920
Marissa Tau, a.s.	6,417	6,194
Marissa Théta, a.s.	1,762	--
Marissa West, a.s.	29,981	30,359
Marissa Yellow, a.s.	9,921	10,109
Marissa Ypsilon, a.s.	44,306	45,532
Marissa, a.s.	10,130	10,322
MB Futurum HK s.r.o.	47,106	--
MB Property Development, a.s.	1,405	1,597
Michalovce Property Development, a.s.	4,557	4,687
Modřanská Property, a.s.	6,837	6,967
MUXUM, a.s.	4,151	4,230
Na Poříčí, a.s.	48,362	30,914
Nový Projekt CPI, s.r.o.	21,579	20,290
OC Nová Zdaboř a.s.	10,509	12,348
OC Spektrum, s.r.o.	11,267	11,399
Office Center Poštová, s.r.o.	4,772	4,902
Olomouc City Center, a.s.	11,736	12,508
Olomouc Office, a.s.	2,279	2,322
Outlet Arena Moravia, s.r.o.	2,500	2,500
Ozrics Kft.	3,051	3,087
Pelhřimov Property Development, a.s.	2,935	3,463
Pólus Shopping Center Zrt.	15,481	23,480
Považská Bystrica Property Development, a.s.	2,577	2,677
Prievidza Property Development, a.s.	3,341	3,102
Projekt Nisa, s.r.o.	28,663	29,120
Projekt Zlatý Anděl, s.r.o.	32,130	32,740
Příbor Property Development, s.r.o.	372	418
Residence Belgická, s.r.o.	1,883	1,883
Residence Izabella, Zrt.	3,356	3,396
REZIDENCE MASARYKOVA 36, s.r.o.	--	1,819
Spišská Nová Ves Property Development, a.s.	3,604	3,604
Statenice Property Development, a.s.	1,913	1,942
Svitavy Property Alfa, a.s.	4,963	5,057
Telč Property Development, a.s.	455	479
Tepelná Litvínov, s.r.o.	5,554	5,091
Trebišov Property Development, s.r.o.	379	399
Trutnov Property Development, a.s.	--	19,463
Třinec Investments, s.r.o.	2,636	3,186

	30 June 2018	31 December 2017
Třinec Property Development, a.s.	4,654	4,949
Tyršova 6, a.s.	4,743	4,743
U svatého Michala, a.s.	2,977	3,079
Vigano, a.s.	7,763	7,910
Vyškov Property Development, a.s.	4,147	5,954
ZLATICO LIMITED	6,530	6,520
Ždírec Property Development, a.s.	861	904
Total loans provided non-current - related parties	1,694,902	1,193,098
Uniborc S.A.	10,661	--
Total loans provided non-current - joint ventures	10,661	--
Total loans provided non-current - related parties and joint ventures	1,705,563	1,193,098

Loans provided current

	30 June 2018	31 December 2017
Airport City Kft.	77	44
Airport City Phase B Kft.	11	6
Andrássy Hotel Zrt.	25	19
Andrássy Real Kft.	51	--
Arena Corner Kft.	468	--
Balvinder, a.s.	199	50
Baudry Beta, a.s.	172	65
Baudry, a.s.	118	--
BAYTON Alfa, a.s.	312	--
BAYTON Gama, a.s.	3	3
BAYTON ONE, s.r.o.	918	--
BC 99 Office Park Kft.	14	--
Beroun Property Development, a.s.	313	50
Best Properties South, a.s.	792	--
Brandýs Logistic, a.s.	386	100
Brno Property Development, a.s.	43	--
Březiněves, a.s.	475	2
CAMPONA Shopping Center Kft.	1,010	--
Carpenter Invest, a.s.	103	6
CB Property Development, a.s.	1,387	149
Conradian, a.s.	301	14
CPI - Orlová, a.s.	35	3
CPI - Real Estate, a.s.	69	--
CPI - Štupartská, a.s.	129	32
CPI Alfa, a.s.	342	105
CPI Blatiny, s.r.o.	98	--
CPI Delta, a.s.	140	15
CPI East, s.r.o.	2,419	--
CPI Hotels Properties, a.s.	52	2
CPI IMMO, S.a.r.l.	44	13
CPI Jihlava Shopping, a.s.	717	--
CPI Kappa, s.r.o.	76	--
CPI Meteor Centre, s.r.o.	240	110
CPI Národní, s.r.o.	1	109
CPI Office Prague, s.r.o.	1,657	--
CPI PROPERTY GROUP S.A.	965	49
CPI Reality, a.s.	300	--
CPI Retail MB s.r.o.	103	77
CPI Retail One Kft.	219	56
CPI RETAIL PORTFOLIO HOLDING Kft.	734	--
CPI Retail Portfolio II, a.s.	15	15
CPI Retail Portfolio V, s.r.o.	77	3
CPI Retail Portfolio VIII s.r.o.	130	31
CPI Retails ONE, a.s.	106	15
CPI Retails Rosa s.r.o.	113	--
CPI Retails THREE, a.s.	476	--
CPI Retails TWO, a.s.	83	--
CPI Shopping MB, a.s.	607	--
CPI Shopping Teplice, a.s.	915	192
Czech Property Investments, a.s.	1,907	55

	30 June 2018	31 December 2017
Čadca Property Development, s.r.o.	70	--
Čáslav Investments, a.s.	104	24
Český Těšín Property Development, a.s.	--	33
Dienzenhoferovy sady 5, s.r.o.	172	37
EMH South, s.r.o.	275	--
Farhan, a.s.	1,212	--
FL Property Development, a.s.	6	--
GAMALA LIMITED	54,591	55,140
Hraničář, a.s.	451	53
IGY2 CB, a.s.	537	77
IS Nyír Kft.	36	--
IS Zala Kft.	143	--
Janáčkovo nábřeží 15, s.r.o.	148	59
Jeseník Investments, a.s.	44	30
Kerina, a.s.	144	47
Komárno Property Development, a.s.	135	--
LD Praha, a.s.	104	--
Levice Property Development, a.s.	197	--
Liptovský Mikuláš Property Development, a.s.	199	--
Lockhart, a.s.	616	81
Lucemburská 46, a.s.	126	47
Malerba, a.s.	6	--
Marissa Gama, a.s.	1,242	122
Marissa Kappa, a.s.	143	28
Marissa Omikrón, a.s.	564	55
Marissa Tau, a.s.	323	--
Marissa Théta, a.s.	38	--
Marissa West, a.s.	1,499	60
Marissa Yellow, a.s.	599	--
Marissa Ypsilon, a.s.	1,080	162
Marissa, a.s.	306	--
MB Futurum HK s.r.o.	112	--
MB Property Development, a.s.	16	13
Michalovce Property Development, a.s.	234	--
Modřanská Property, a.s.	344	--
MUXUM, a.s.	209	--
Na Poříčí, a.s.	1,226	95
Nový Projekt CPI, s.r.o.	1,370	--
OC Nová Zdaboř a.s.	133	96
OC Spektrum, s.r.o.	310	48
Office Center Poštová, s.r.o.	108	18
Olomouc City Center, a.s.	357	--
Olomouc Office, a.s.	138	--
Outlet Arena Moravia, s.r.o.	75	15
Ozrics, Kft.	20	16
Pelhřimov Property Development, a.s.	64	19
Polus Shopping Center Zrt.	1,076	--
Považská Bystrica Property Development, a.s.	135	--
Prievidza Property Development, a.s.	161	--
Projekt Nisa, s.r.o.	1,726	--
Projekt Zlatý Anděl, s.r.o.	1,938	--
Příbor Property Development, s.r.o.	6	5
Residence Belgická, s.r.o.	44	15
Residence Izabella, Zrt.	22	18
REZIDENCE MASARYKOVA 36, s.r.o.	--	7
Spišská Nová Ves Property Development, a.s.	181	--
Statenice Property Development, a.s.	62	5
Svitavy Property Alfa, a.s.	250	--
Telč Property Development, a.s.	15	2
Tepelná Litvínov, s.r.o.	100	4
Trebišov Property Development, s.r.o.	19	--
Trutnov Property Development, a.s.	9	93
Třinec Investments, s.r.o.	58	16
Třinec Property Development, a.s.	185	28
Tyršova 6, a.s.	67	25
U svatého Michala, a.s.	99	8

	30 June 2018	31 December 2017
Vigano, a.s.	416	26
Vyškov Property Development, a.s.	138	41
ZLATICO LIMITED	328	--
Ždírec Property Development, a.s.	33	4
Total loans provided current - related parties	96,835	58,062
Uniborc S.A.	120	10,428
Total loans provided current - joint ventures	120	10,428
Total loans provided current - related parties and joint ventures	96,955	68,490

Financial debts non-current

	30 June 2018	31 December 2017
BC 30 Property Kft.	10,292	--
BC 91 Real Estate Kft.	4,539	--
CPI PROPERTY GROUP S.A.	713,140	464,475
Czech Property Investments, a.s.	542,098	552,395
ST Project Limited	122,637	96,704
Total financial debts non-current - related parties	1,392,706	1,113,574

Financial debts current

	30 June 2018	31 December 2017
BC 30 Property Kft.	136	--
BC 91 Real Estate Kft.	61	--
Brno Property Development, a.s.	15,342	--
CPI - Bor, a.s.	2,210	2,064
CPI – Horoměřice, a.s.	261	--
CPI - Zbraslav, a.s.	2,790	2,755
CPI Epsilon, a.s.	4,858	4,735
CPI Národní, s.r.o.	2,852	--
CPI PROPERTY GROUP S.A.	303,250	1,531
CPI Reality, a.s.	1	302
CPI Retail Portfolio I, a.s.	1,759	1,766
CPI Retail Portfolio II, a.s.	3,025	3,038
CPI Retail Portfolio III, s.r.o.	1,678	1,685
CPI Retail Portfolio IV, s.r.o.	734	503
CPI Retail Portfolio VI, s.r.o.	504	312
CPI Retail Portfolio VII, s.r.o.	560	446
Czech Property Investments, a.s.	36,243	24,868
Jetřichovice Property, a.s.	277	--
MUXUM, a.s.	3,545	3,494
Nymburk Property Development, a.s.	7,081	6,652
OFFICE CENTER HRADČANSKÁ, a.s.	5	101
PROJECT FIRST a.s.	5,179	--
ST Project Limited	1,531	310
Total financial debts current - related parties	393,884	54,562

Interest income

	6 month period ended	
	30 June 2018	30 June 2017
AIRPORT CITY Kft.	157	--
Airport City Phase B Kft.	23	--
Andrássy Hotel Zrt.	53	--
Andrássy Real Kft.	51	27
Arena Corner Kft.	468	--
Arkáda Prostějov, s.r.o.	--	24
Balvinder, a.s.	209	56
Baudry Beta, a.s.	311	55
Baudry, a.s.	119	1
BAYTON Alfa, a.s.	316	6

	6 month period ended	
	30 June 2018	30 June 2017
BAYTON Gama, a.s.	918	24
BC 99 Office Park Kft.	14	--
Beroun Property Development, a.s.	327	--
Best Properties South, a.s.	800	564
Brandýs Logistic, a.s.	400	210
Brno Property Development, a.s.	43	26
Březiněves, a.s.	480	138
Budaörs Office Park Kft.	--	202
CAMPONA Shopping Center Kft.	1,010	521
Carpenter Invest, a.s.	97	85
CB Property Development, a.s.	1,425	367
Centrum Olympia Plzeň s.r.o.	--	23
Conradian, a.s.	290	192
CPI - Orlová, a.s.	32	32
CPI - Real Estate, a.s.	70	45
CPI - Štupartská, a.s.	133	64
CPI Alfa, a.s.	370	55
CPI Blatiny, s.r.o.	99	--
CPI Delta, a.s.	143	105
CPI East, s.r.o.	2,447	1,374
CPI Epsilon, a.s.	--	32
CPI Hotels Properties, a.s.	51	29
CPI IMMO, S.a.r.l.	21	--
CPI Jihlava Shopping, a.s.	725	437
CPI Kappa, s.r.o.	77	--
CPI Meteor Centre, s.r.o.	381	176
CPI Národní, s.r.o.	408	--
CPI Office Prague, s.r.o.	1,676	--
CPI Park Žďárek, a.s.	--	68
CPI Property a Facility, s.r.o.	8	--
CPI PROPERTY GROUP S.A.	917	--
CPI Reality, a.s.	302	517
CPI Retail MB s.r.o.	222	--
CPI Retail One Kft.	433	--
CPI Retail Portfolio Holding Kft.	734	245
CPI Retail Portfolio I, a.s.	--	59
CPI Retail Portfolio II, a.s.	--	14
CPI Retail Portfolio III, s.r.o.	--	24
CPI Retail Portfolio V, s.r.o.	74	18
CPI Retail Portfolio VIII s.r.o.	138	41
CPI Retails ONE, a.s.	133	80
CPI Retails ROSA s.r.o.	113	165
CPI Retails THREE, a.s.	476	--
CPI Retails TWO, a.s.	83	28
CPI Shopping MB, a.s.	614	401
CPI Shopping Teplice, a.s.	937	454
Czech Property Investments, a.s.	1,858	961
Čadca Property Development, s.r.o.	70	--
Čáslav Investments, a.s.	108	23
Český Těšín Property Development, a.s.	90	4
Dienzenhoferovy sady 5, s.r.o.	212	--
Družstvo Land	--	57
EMH North, s.r.o.	--	1,012
EMH South, s.r.o.	278	171
Farhan, a.s.	1,226	712
FL Property Development, a.s.	6	5
GAMALA LIMITED	2,755	--
Hraničář, a.s.	523	271
IGY2 CB, a.s.	661	171
IS Nyír Ingatlanhasznosítóés Vagyonkezelő Kft.	36	19
IS Zala Ingatlanhasznosítóés Vagyonkezelő Kft.	143	74
Janáčkovo nábřeží 15, s.r.o.	155	--
Jeseník Investments, a.s.	92	2
Kerina, a.s.	245	82
Komárno Property Development, a.s.	135	129

	6 month period ended	
	30 June 2018	30 June 2017
LD Praha, a.s.	105	219
Levice Property Development, a.s.	197	155
Liptovský Mikuláš Property Development, a.s.	199	97
Lockhart, a.s.	628	285
Lucemburská 46, a.s.	136	--
Malerba, a.s.	6	3
Marissa Gama, a.s.	1,286	341
Marissa Kappa, a.s.	116	314
Marissa Omikrón, a.s.	747	--
Marissa Tau, a.s.	350	196
Marissa Théta, a.s.	31	--
Marissa West, a.s.	1,515	1,163
Marissa Yellow, a.s.	606	--
Marissa Ypsilon, a.s.	1,525	470
Marissa, a.s.	309	247
MB Futurum HK s.r.o.	112	--
MB Property Development, a.s.	33	--
Michalovce Property Development, a.s.	234	179
Modřanská Property, a.s.	348	--
MUXUM, a.s.	211	93
Na Poříčí, a.s.	1,263	125
Nový Projekt CPI, s.r.o.	1,370	5
OC Nová Zdaboř a.s.	305	--
OC Spektrum, s.r.o.	379	13
Office Center Poštová, s.r.o.	110	38
Olomouc City Center, a.s.	361	236
Olomouc Office, a.s.	139	71
Outlet Arena Moravia, s.r.o.	60	--
Ozrics, Kft.	43	--
Pelhřimov Property Development, a.s.	102	32
Pólus Shopping Center Zrt.	1,076	631
Považská Bystrica Property Development, a.s.	135	129
Prievidza Property Development, a.s.	161	127
Projekt Nisa, s.r.o.	1,746	850
Projekt Zlatý Anděl, s.r.o.	1,960	1,058
Příbor Property Development, s.r.o.	14	--
Residence Belgická, s.r.o.	48	--
Residence Izabella, Zrt.	47	--
Spišská Nová Ves Property Development, a.s.	181	142
ST Project Limited	--	54
Statenice Property Development, a.s.	58	52
Svitavy Property Alfa, a.s.	252	154
Svitavy Property Development, a.s.	--	22
Telč Property Development, a.s.	14	14
Tepelná Litvínov, s.r.o.	98	--
Trebišov Property Development, s.r.o.	19	--
Trutnov Property Development, a.s.	496	3
Třinec Investments, s.r.o.	87	--
Třinec Property Development, a.s.	188	--
Tyršova 6, a.s.	73	--
U svatého Michala, a.s.	92	94
Vigano, a.s.	395	346
VM Property Development, a.s.	--	3
Vyškov Property Development, a.s.	150	5
ZLATICO LIMITED	329	171
Ždírec Property Development, a.s.	34	14
Total interest income - related parties	48,400	18,831
Uniborc S.A.	353	188
Total interest income - joint ventures	353	188
Total interest income - related parties and joint ventures	48,753	19,019

Interest expense

	6 month period ended	
	30 June 2018	30 June 2017
BC 30 Property Kft.	136	--
BC91 Real Estate Kft.	61	--
Brno Property Development, a.s.	55	--
CPI - Bor, a.s.	32	18
CPI - Horoměřice, a.s.	4	--
CPI - Zbraslav, a.s.	40	23
CPI Epsilon, a.s.	72	--
CPI Národní, s.r.o.	33	114
CPI PROPERTY GROUP S.A.	7,718	--
CPI Reality, a.s.	1	--
CPI Retail MB s.r.o.	--	26
CPI Retail Portfolio I, a.s.	26	--
CPI Retail Portfolio II, a.s.	45	2
CPI Retail Portfolio III, s.r.o.	25	--
CPI Retail Portfolio IV, s.r.o.	10	5
CPI Retail Portfolio VI, s.r.o.	6	3
CPI Retail Portfolio VII, s.r.o.	7	4
Czech Property Investments, a.s.	14,504	9,584
Jetřichovice Property, a.s.	4	--
Český Těšín Property Development, a.s.	--	5
Družstvo Land	--	22
Hraničář, a.s.	--	6
Marissa Théta, a.s.	--	22
MB Property Development, a.s.	--	4
MUXUM, a.s.	51	32
Nymburk Property Development, a.s.	98	95
OC Nová Zdaboř a.s.	--	18
OFFICE CENTER HRADČANSKÁ, a.s.	1	2
PROJECT FIRST a.s.	33	--
Příbor Property Development, s. r.o.	--	7
ST Project Limited	1,222	--
Třinec Property Development, a.s.	--	42
Total interest expense – related parties	24,184	10,035

Management Fees

CPI PG Group have provided property management services and other outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 5.6 million for the first half of 2018.

Loan by CPI PG Group

As at 30 June 2018 the outstanding balance amounts to EUR 1,738.3 million with calculated the accrued interest in the amount of EUR 48.3 million. The most significant loans were with counterpart Czech Property Investments, a.s. with outstanding amounts of EUR 542.1 million and accrued interest in amount of EUR 36.2 million (interest rate is 5.26% p.a. and maturity of this loan is in 2030) and CPI PG with outstanding amounts to EUR 1,007.1 million and accrued interest in amount of EUR 9.2 million. This loan bear interest rate 2.47% and 2.31% p.a. and is repayable in 2024.

Loan to CPI PG Group

The Company has provided the loans to CPI PG Group. For more information see note 7.6.

13 Events after the reporting period

At the beginning of August 2018, the Company successfully acquired approximately CZK 2 billion (app. EUR 76.9 million) of bonds issued by CPI BYTY, a.s. The acquired bonds, issued under the bond programme of CPI BYTY, a.s., were due (or callable) in May 2019.

On 28 August 2018, following the bondholders meeting, the Company announced, that all tranches of CPI BYTY bonds programme will be early repaid on 12 September 2018. The nominal value of bonds issued as part of CPI BYTY bond programme amount to CZK 3,000 million (app. EUR 115.3 million).

APPENDIX I – LIST OF GROUP ENTITIES

Entities fully consolidated

Company	Country	30 June 2018	31 December 2017
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	100.00%	100.00%
Bubny Development, s.r.o.	Czech Republic	20.00%	100.00%
BYTY PODKOVA, a.s.	Czech Republic	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	100.00%	100.00%
CEREM S.A.	Luxembourg	100.00%	100.00%
CPI - Krásné Březno, a.s.	Czech Republic	100.00%	100.00%
CPI - Land Development, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.94%	99.94%
CPI South, s.r.o.	Czech Republic	90.00%	90.00%
Darília, a.s.	Czech Republic	20.00%	100.00%
Development Doubovská, s.r.o.	Czech Republic	75.00%	75.00%
Diana Property Sp. z o.o.	Poland	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	99.96%
Endurance Real Estate Management Company Sàrl	Luxembourg	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	100.00%	100.00%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	100.00%	100.00%
JHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate Sp. z o.o.	Poland	100.00%	100.00%
MQM Czech, a.s.	Czech Republic	20.00%	20.00%
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	100.00%	100.00%
Nupaky a.s.	Czech Republic	100.00%	100.00%
Orco Project Limited	Guernsey	--	100.00%
Polygon BC, a.s.	Czech Republic	20.00%	20.00%
Rezidence Pragovka, s.r.o.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	100.00%	100.00%
STRM Alfa, a.s.	Czech Republic	20.00%	20.00%
STRM Beta, a.s.	Czech Republic	100.00%	100.00%
STRM Gama, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	100.00%	100.00%

Equity method investments

Company	Country	30 June 2018	31 December 2017
Beta Development, s.r.o.	Czech Republic	35.00%	35.00%
Brillant 1419. Verwaltungs GmbH	Germany	49.00%	49.00%
Uniborc S.A.	Luxembourg	35.00%	35.00%