Czech Property Investments, a.s.
HALF – YEAR REPORT
2018

unaudited

KEY FIGURES

Czech Property Investments, a.s. (hereinafter referred to as “The Company” or “CPI” and together with its subsidiaries “the Group”).

PERFORMANCE		30-Jun-18	30-Jun-17	Change in %
Gross rental income	CZK millions	2,944	2,470	19%
Gross return	%	6.1	6.5	-0.4 pp
Net rental income	CZK millions	2,652	2,328	14%
Result from operating activities	CZK millions	3,831	5,939	-35%
Profit before tax	CZK millions	3,246	4,483	-28%
Net profit for the period	CZK millions	2,782	3,811	-27%

ASSETS		30-Jun-18	31-Dec-17	Change in %
Total assets	CZK millions	155,535	137,713	13%
Property Portfolio	CZK millions	124,788	117,009	7%
Gross leasable area *	sqm	2,382,000	2,351,000	1%
EPRA vacancy rate*	%	5.7	6.3	-0.6 pp
Total number of properties**	No	359	361	-1%
Total number of residential units	No	12,295	12,392	-1%
Total number of hotel beds	No	8,208	8,208	0%
EPRA NAV	CZK millions	68,427	65,424	5%

* excluding Hotels
** excluding Residential properties

FINANCING STRUCTURE		30-Jun-18	31-Dec-17	Change in %
Total equity	CZK millions	64,640	59,044	9%
Equity ratio	%	41.6%	42.9%	-1.3 pp
Net debt	CZK millions	65,057	57,507	13%
Loan to value ratio	%	52.1%	49.1%	3.0 pp

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2018 HIGHLIGHTS

New investment and portfolio news

ACQUISITION OF FUTURUM HRADEC KRÁLOVÉ SHOPPING CENTRE

In April 2018, the Group acquired Futurum Hradec Králové Shopping Centre. Futurum Shopping Centre is the dominant shopping centre in Hradec Kralove. It opened in 2000 and was substantially extended and modernised in 2012. The centre has a total floor area of 39,000 sqm and 1,350 parking spaces and consist of 110 stores including an anchor Tesco hypermarket and a multiplex cinema.

ACQUISITION OF ATRIUM CENTRUM & ATRIUM PLAZA OFFICE BUILDINGS IN WARSAW

In May 2018, the Group acquired Atrium Centrum & Atrium Plaza office buildings in Warsaw, Poland. Atrium Centrum & Atrium Plaza are seven-storey office buildings located in the centre of Warsaw, near the most important transportation and business hub of Warsaw – Rondo. The two office buildings have an aggregate GLA of 31,869 sqm and include a medical centre, a restaurant, a bank, a pharmacy, a premium fashion store and 410 parking lots.

ACQUISITION OF RETAIL PARKS IN POLAND

In April 2018, the Group acquired a portfolio of five retail parks in Poland. The portfolio, totalling 19,000 sqm of gross leasable area, consists of four existing retail parks and one retail park under development. The retail parks are operated under the HopStop brand and are located in Warsaw and regional cities of Poland.

ACQUISITION OF ZGORZELEC RETAIL PARK

On 10 January 2018, the Group acquired the company Zgorzelec Property Development sp. z o.o., being the owner of the retail park in Zgorzelec, in Poland.

DISPOSAL OF BUDAORS OFFICE PARK

In January 2018, the Group disposed of Budaors Office Park in Hungary. Budaors Office Park is located near Budapest and has 18,512 sqm of gross area and a 23,941 sqm plot.

DISPOSAL OF SMALL RETAIL ASSETS IN THE CZECH REPUBLIC

In June 2018, the Group disposed of five small retail properties located in regional cities of northern Czech Republic, totalling approximately 25,700 sqm. The disposal was consistent with the Company's strategy, which is focused on dominant shopping centres in the Czech Republic and other core CEE countries.

DISPOSAL OF ČESKÝ TĚŠÍN PROPERTY DEVELOPMENT

On 2 May 2018, the Group disposed of the retail park located in Český Těšín, Czechia. The commercial area has approximately 1,674 sqm and part of the retail park is also parking.

Financing activity

REFINANCING OF QUADRIO

In February 2018, the Group agreed with UniCredit Bank on the refinancing of our flagship Quadrio property. The five-year financing totaled EUR 114.8 million at extremely attractive pricing for the Group.

REPAYMENT OF CPI FINANCE SLOVAKIA BONDS

On 16 April 2018, CPI Finance Slovakia bonds were repaid. The nominal value of each bond was EUR 1,000 and the total nominal value of bonds issued amounted to EUR 30 million (app. CZK 758 million).

REPURCHASE OF HIGHER-COST SENIOR SECURED BONDS

On 2 August 2018, the Company´s subsidiary ORCO PROPERTY GROUP successfully aquired approximately CZK 2 billion of senior secured 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 Group announced, that all tranches of CPI BYTY bonds programme will be early repaid. The nominal value of bonds issued as part of CPI BYTY bond programme amounted to CZK 3,000 million and was early repaid on 12 September 2018.

MESSAGE FROM THE BOARD OF DIRECTORS

Dear Stakeholders,

I am pleased to announce that the performance of the Group during the first half of 2018, mirrors the policy standards we have vigorously maintained in current years: effective asset management, a responsibility to robust investment grade credit ratings, efficient acquisitions and a determined and sustained investment forecast. Our team has deliberately advanced upon our prior accomplishments, exceeded all predictions, and affirms our portfolio is acutely well-established for the future. Subject to all elements we monitor in the market, the Group has the ideal assets, in the ideal locations, at the ideal time. Total revenues came to CZK 4,436 million, a gain of 13% in contrast to H1 2017.

Subsequently, our prominence as the principal holder of property in the Czech Republic and the CEE region has never been healthier. We concentrate on the long-term, and affirm we have the finest assets and people in place to accomplish our ambitions.

The Group's Prague office portfolio remains the primary choice for regional headquarters of multinational companies like Siemens and WPP that identify our capacity to provide, deliver and invest in space for tenants which corresponds to their requirements. While we recognise the inherent influence of e-commerce universally, we regard our Czech Republic retail portfolio is appropriately situated. Tenants in our leading regional shopping centres across the Czech Republic are witnessing expanded sales, and our investments (such as the redevelopment of IGY Shopping Centre in České Budějovice) are concentrated on establishing "experiences" which promote footfall, sales, and continual benefits for our tenants. During the first half of 2018, the Group also acquired Futurum shopping centre in Hradec Kralove which added a top-quality operating property that precisely integrates into our regional shopping centre portfolio.

Our total assets now exceed CZK 155.5 billion, with our property portfolio stretching into a new landmark of CZK 124.8 billion. The Group's modus operandi is remarkably efficient: we will maintain to concentrate predominantly on offices and regional major shopping centres and will particularly invest in properties where we see long-term advantageous capability. The Group will also continue to divest assets which no longer suit our portfolio, such as our recent sale of small retail assets in northern Czech Republic.

Confident economic progressions across the CEE region have also generated possibilities in our complementary assets portfolio. In Hungary, our office and retail properties continue to operate effectively and our team on the ground continues to improve occupancy and rents. In Poland, we further boosted our portfolio by acquiring two high-quality, well-located office buildings in Warsaw (Atrium Centrum & Atrium Plaza) where we are confident to improve performance through our active asset management strategies and long-term horizon.

Looking forward to the remainder of 2018, the Group endeavours to sustain our current productive path. We do not take the prosperity for granted: I want to personally thank our team for their achievements to improve operations and strengthen the company to overcome any future market conditions. With these guidelines, I am convinced we will continue to deliver constructive outcomes for all our stakeholders.

Prague, 26 September 2018

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

A CUT ABOVE THE GROUP

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

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

The Group owns and manages 514,000 sqm of office space; 1,035,000 sqm of retail space; 27 hotels with 8,208 beds, 128,000 sqm of space intended for light industry and storage and with almost 12,300 apartments, it is the second largest provider of rental housing in Czechia.

The goal of the Group is to develop the potential of its property portfolio, to create a new business opportunities and increase its commercial value. Cooperation with tenants and support of mutual relationships are the key points for its success.

Parent Company

The parent company of the Group is Czech Property Investments, a.s. (hereinafter also referred to as “the parent company“ or “the Company”).

The Company with its registered office at Prague 1, Vladislavova 1390/17, 110 00, IČ (Company Identification Number) 427 16 161, LEI: 315700MCSQUE7FLY3J94, was established on 17 December 1991 for an indefinite period of time.

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

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

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

REPORT ON OPERATIONS

Economic development in the core countries of The Group

Czechia[1]

In the first half od 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. The Czech Republic has the lowest unemployment rate among EU states followed by Germany, Hungary, and Poland.

Hungary[2]

Hungary's economy continued to perform robustly in the first half of 2018. Its GDP expanded by 4.4% y-o-y and by 0.9% q-o-q in Q2 2018. Actual final consumption and gross capital formation, which increased by 5.0% and 17.0% y-o-y, respectively, contributed positively to the growth of Hungarian economy in Q1 2018. At the same time, trade balance did not have a meaningful effect on the GDP growth rate. In Q2 2018, inflation rose to 2.7% from 2.08% in Q2 2017 and 1.98% in Q1 2018. The highest price increases during June 2017-June 2018 were observed for other goods (6.2%), particularly for motor fuels (15%), and alcoholic beverages and tobacco (5.9%). In May 2018[3], the (seasonally adjusted) unemployment rate reached 3.6%, which represents a 0.7-p.p. decrease compared to the corresponding period of the previous year.

Poland[4]

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.

[1] Czech Office of Statistics, OECD, Eurostat
[2] Hungarian Central Statistical Office, Eurostat, OECD
[3] Comparable information on the unemployment rate in Hungary (recorded in June 2018) will become available on 31 August 2018.
[4] Central Statistical Office of Poland, Eurostat, OECD

The property markets in the core countries of The Group

Czechia[5]

Retail Market

In the first half of 2018, economic conditions for buoyant household consumption, such as sufficiently low inflation and growing wages, continued to hold. In Q2 2018, retail trade volume adjusted for calendar effects rose by 4.4%, y-o-y. Although the magnitude of this increase is considerable, it is somewhat smaller compared to the growth achieved in Q2 2017 (6.1%).

By the end of Q1 2018, the shopping centre stock in The Czech Republic totaled 2,720,000 sqm. Shopping centres and retail parks made up approximately 70% and 27% of modern retail space, respectively. The remaining space was taken by factory outlet stores and modern department stores. Retail transactions constituted 33% of all investment transactions in the first half of 2018. During the same period, Prague The Style Outlet opened and Galerie Butovice underwent major refurbishment. In Fall 2018, (i) the shopping centre Géčko Ostrava is projected to deliver 10,700 sqm of new space and (ii) Outlet Arena Moravia (phase I: 11,700 sqm) is scheduled to open. Furthermore, the construction of three new shopping centers, OC Letna (13,000 sqm), Borislavka (10,000 sqm), and Galerie na Smetance (6,500 sqm) in Vsetin, is planned to start in 2018.

Although prime yields remained broadly unchanged in Q2 2018, their compression (to 4.50% for shopping centers and 3.50% for the high street) is expected to occur this year. During H1 2018, prime rents remained stable in the case of both shopping centres and the high street. However, by the end of 2018, monthly prime rents are forecasted to increase by 3.8% y-o-y (to 140 euros per sqm) and by 2.3% y-o-y (to 230 euros per sqm) for shopping centers and on the high street, respectively.

Office market[6]

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.

Brno, which is known as the local R&D centre, has the second largest office market in The Czech Republic. By the end of 2018, six buildings (with approximately 42,000 sqm under construction) are scheduled to be completed. The substantial amount of new supply is likely to result in the vacancy rate falling below 8%. The demand is projected to be driven mainly by (i) companies moving into new offices and (ii) companies looking for additional space.

[5] JLL, Czech Statistical Office, CBRE, BNP Paribas Real Estate
[6] JLL Cushman & Wakefield, CBRE

Residential Market[7]

In Q2 2018, prices of residential real estate increased in all Czech regions, especially in Zlín Region. The y-o-y growth of apartment prices continued to exceed 10%-threshold. Although land prices were stagnating at the end of 2017, they were consistently rising during the first half of 2018, thereby reaching a 1.9 p.p.- and 2-p.p. increase (q-o-q) in Q1 and Q2 2018, respectively. In Q1 2018, the actual average prices of apartments ranged from 76,500 Czech crowns per sqm in Prague to 14,700 Czech crowns per sqm in Ústí nad Labem[8]. During the same period, Prague accounted for 66.4% of apartment sales in The Czech Republic.

Hotel Market[9]

Prague is one of the most popular destinations in Europe and is highly attractive for group and professional travel. In Q1 2018, the number of guests in Prague hotels increased by 8.8%, y-o-y. The total number of overnight stays in Prague grew by 7.7%, y-o-y. Prague is forecasted to have high occupancy across the hotel sector of 81% in 2018 and 82.3% in 2019. Other key performance indicators are expected to rise during 2018, with RevPAR and ADR estimated growth reaching 6.8% and 8.2%, respectively.

Hungary

Office market[10]

Office market is concentrated in the capital city Budapest. In Q2 2018, the modern office stock totaled 3,503,170 sqm. During the same period, gross take-up volume reached 161,550 sqm in Budapest, which represents a 64% improvement on a year-over-year basis. The Váci Corridor submarket recorded the highest occupational activity, satisfying about 36% of the total demand.

In 2018, the number of new office completions in Budapest is expected to be the highest since 2009. In Q2 2018, 57,000 sqm of new space was supplied to the market. During the second half of 2018, 170,000 sqm is scheduled to be handed over; 76% of the new office space that is expected to be delivered throughout this year is already pre-let.

In Q2 2018, the (office) vacancy rate in Budapest modestly increased to 7.6% from a record level of 7.3% in Q1 2018. The percentage of vacant units varied vastly from 4.4% in the Non-Central Pest submarket to 30.0% in the Periphery. In H1 2018, prime office rents remained constant at €22.5 sqm/month.

Retail market[11]

In Q2 2018, Hungary continued to experience solid private consumption growth due to a tight labor market, soaring real earnings, and strong consumer sentiment. During H1 2018, the volume of retail sales (adjusted for calendar effects) increased by 6.9% compared to the corresponding period of 2017.

The Hungarian retail market is concentrated in Budapest due to considerably higher spending power as opposed to the countryside. In addition, around 17% of the national population lives in Budapest attracted by the city's crucial role in national higher education, traffic infrastructure, and economic opportunities.

As a result of persistently strong occupier demand in Q2 2018, prime Váci-utca rents and rents in Fashion Street units increased by 7.7% and 4.5% q-o-q, respectively. Both high-street yields and prime retail park yields

[7] Hypoteční banka, Deloitte
[8] Only regional capitals are included in the analysis.
[9] PricewaterhouseCoopers (PwC), Prague City Tourism
[10] JLL, Colliers International, Cushman & Wakefield
[11] Cushman & Wakefield, Hungarian Central Statistical Office

compressed by 25 bps during Q2 2018. Further yield compression and upward pressure on prime high-street rents are anticipated throughout 2018.

Hotel market[12]

Budapest is undoubtedly the most popular tourist destination in Hungary. Due to its reputation of a city with rich and diverse cultural history, Budapest continues to attract numerous tourists what positively affects its local hotel market. In 2017, tourism activity was growing, and guest nights registered in Budapest increased by 6.9% compared to 2016.

In 2017, Budapest hotels attained the occupancy rate of 77.5% and 15.5% net-RevPAR growth rate. The latter rate was the highest amongst Prague, Budapest, Warsaw, and Bratislava. ADR, which totaled EUR 84.3 in 2017, is expected to grow by 10-15% during 2018-2019. This increase is forecasted to result in rising RevPAR even despite high expected supply of 2,531 hotel rooms between Q2 2018 and Q4 2020.

Poland

Office market[13]

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.

Retail Market[14]

In Q2 2018, positive development of Polish retail market was driven primarily by high GDP growth, rising wages, and historically low unemployment. During January-June 2018, the volume of retail sales experienced a 6.8% increase, y-o-y.

There are several reasons for the concentration of Polish retail market in Warsaw. The city had 1,764,615 residents at the end of 2017, and average gross monthly salary amounted to approximately 5,983 PLN (€1,385) in May 2018. During the same period, unemployment rate in Warsaw was 1.8%. Both income and employment compare favorably to their counterparts recorded in other members of Big Eight, such as Kraków, Wrocław, Tri-City, Poznań, Łódź, Katowice, and Szczecin.

At the end of Q1 2018, the modern retail stock in the Warsaw agglomeration reached 1.78 million sqm, whose largest share (ca. 70%) was represented by shopping centers. In the first two quarters of the year, prime yield was 4.75% in Warsaw, which is below regional levels (5.00-5.75%). Substantial volume of space under construction (approximately 193,100 sqm) is scheduled to be completed during 2018-2020.

[12] Colliers International
[13] JLL, Cushman & Wakefield, CBRE
[14] JLL, Cushman & Wakefield, Poland Quarterly Statistics, BNP Paribas Real Estate, Central Statistical Office of Poland

Hotel market[15]

Number of arrivals, similarly as overnight stays, experienced noticeable growth during past years. In 2017 it exceeded 3.3 million and the number has constantly been growing since 2012 with average annual growth rate of 7.7 %.

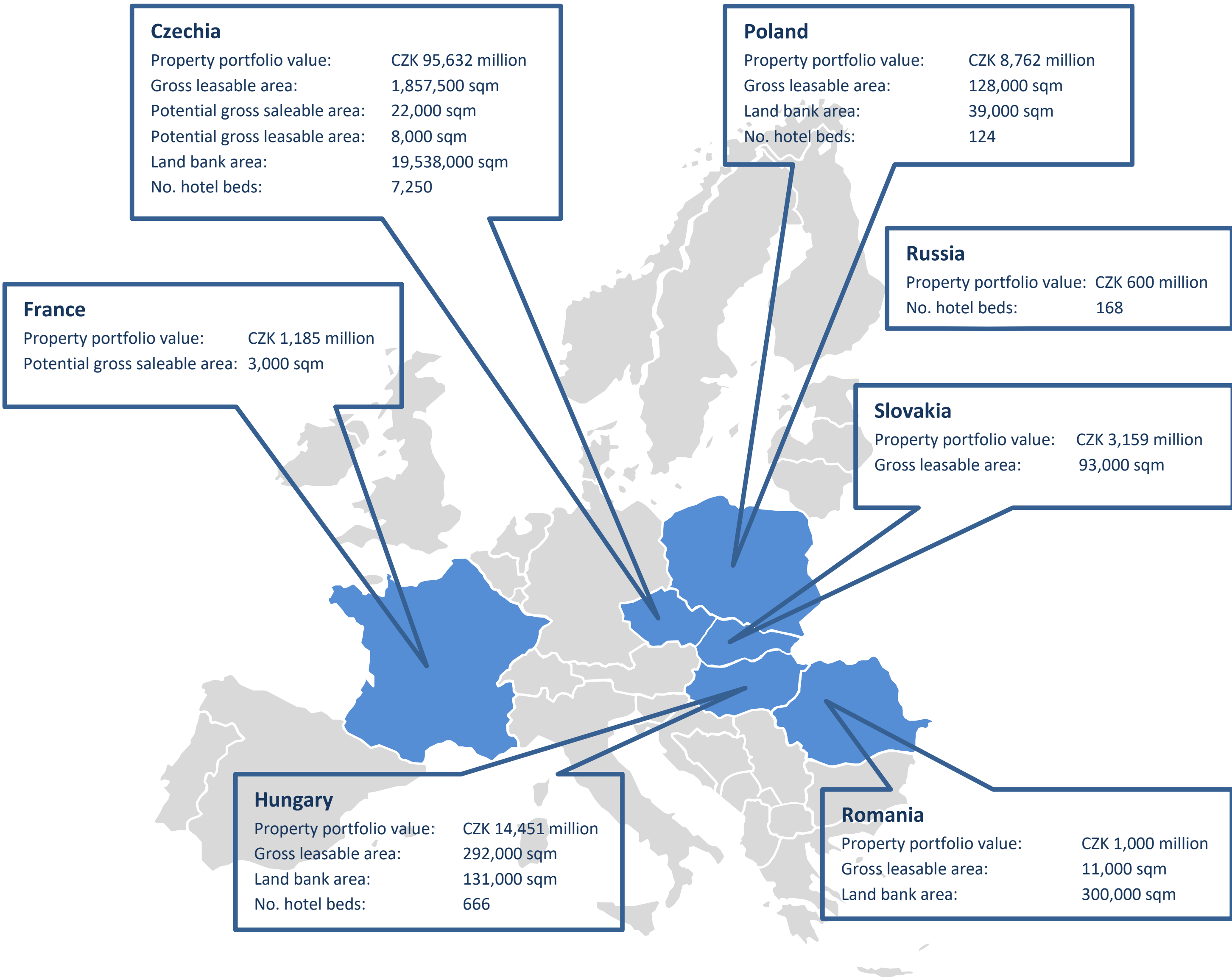
At the end of 2017 Warsaw featured 85 hotels with more than 13,000 rooms. The most noticeable openings already in 2018 were Hampton by Hilton Warsaw Mokotów (163 rooms), Rennaisance Warsaw Airport (225 rooms), ibis Styles Warszawa City (220 rooms), Raffles Europejski Warsaw (106 rooms) or Arche Poloneza (150 rooms).

Between 2013 and 2017, the average annual PLN RevPAR growth of 3.5% has been observed. However, June 2018 YTD results show decrease of occupancy rate, leading to RevPAR being 1,7% lower than for similar period last year, which is caused mainly by significant increase in supply (ca. 1,200 hotel rooms entered the market in H2 2017 and H1 2018).

[15] Cushman & Wakefield

PROPERTY PORTFOLIO REPORT

The real estate Group concentrates on long-term investments and the lease of real estate, primarily in the Central European region. The Group's activities are focused on rental income generating properties such as retail, office, hotels, residential, industry and logistics and the operation of its own hotels. Additionally, the Group develops office and retail assets for future rental and some residential 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
- Equity-accounted investees

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

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

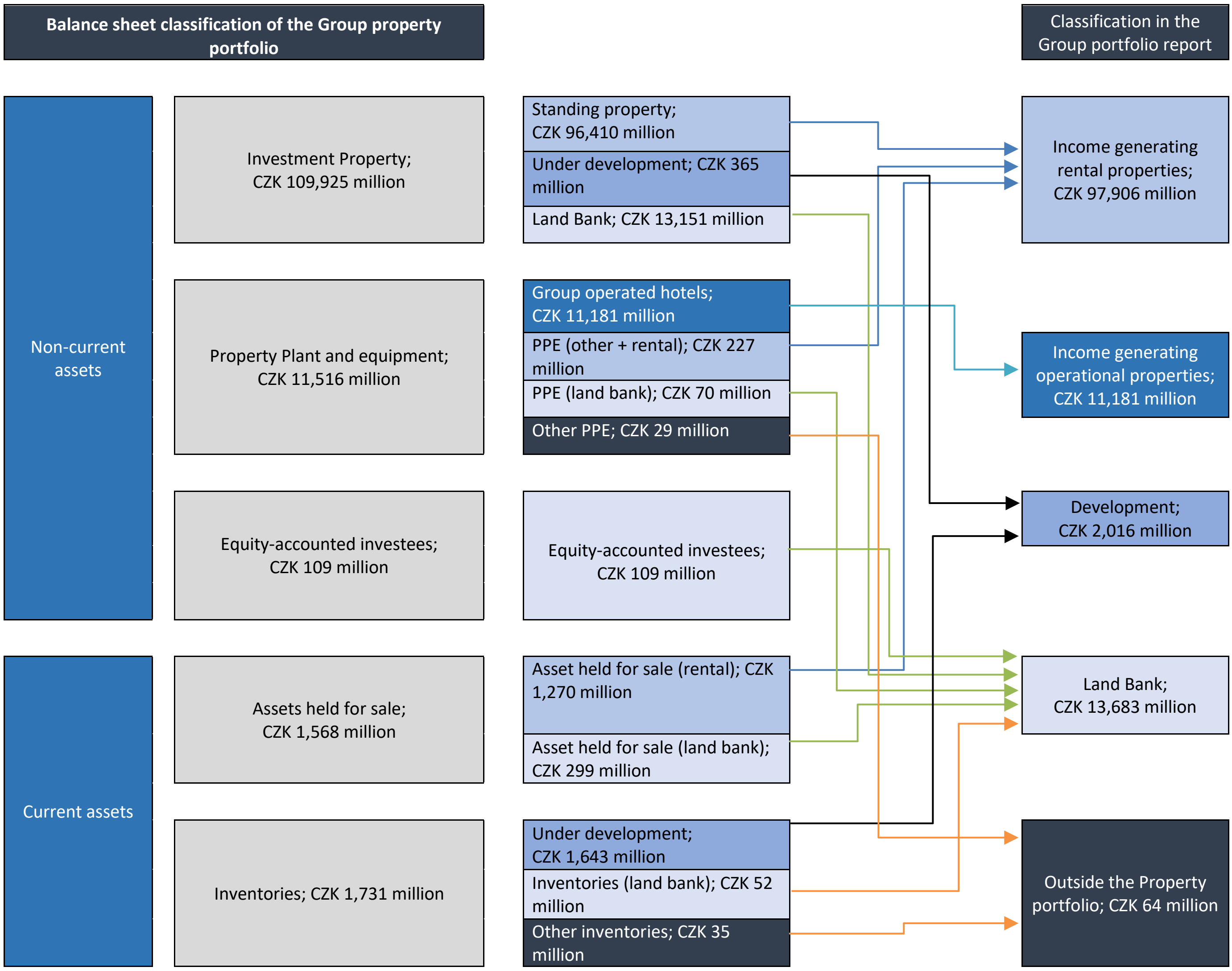
“Inventories” comprise properties that are under development or have been finished and are intended for a future sale in the ordinary course of business.

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

“Equity-accounted investees” (a joint venture) are a business or project in which two or more companies or individuals have invested, with the intention of working together.

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:



The financial statements of the Group as at 30 June 2018 were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

Property valuation

The condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method.

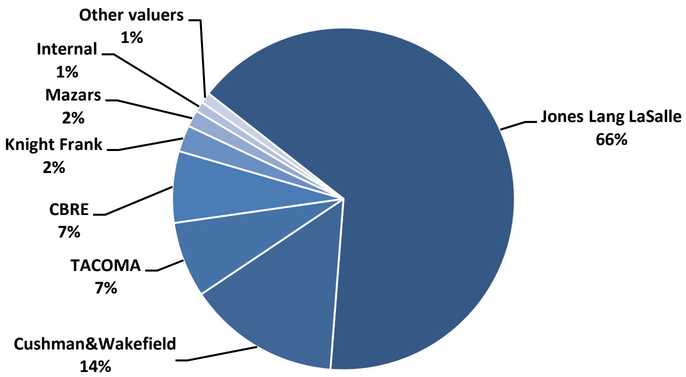
Since the property portfolio owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended. The Group’s management analysed the situation on the real estate market at the time together with current yields and then applied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

In instances where there have been indications of significant changes and therefore with potential impact on the property value during the first half of 2018, the value of the property has been updated based on the external or internal appraisals as at 30 June 2018.

The property portfolio expert valuation was based on reports issued by:

- Jones Lang LaSalle
- Cushman & Wakefield
- RSM TACOMA
- CBRE
- and other appraisers (Knight Frank, Mazars, etc.)

Chart 1: Portfolio by valuator



The following tables show the amount of the Group's property portfolio as at 30 June 2018 and 31 December 2017:

PROPERTY PORTFOLIO as at 30 June 2018	Nº properties *	Nº residential units	Nº hotel beds	Income generating assets CZK million	Development CZK million	Land Bank CZK million	Carrying value CZK million	Carrying value %	Outstanding financing CZK million
Czechia	301	12,292	7,250	82,277	777	12,578	95,632	77%	24,887
Hungary	22	--	666	13,495	--	956	14,451	12%	5,422
Poland	15	--	124	8,663	--	98	8,762	7%	2,009
Slovakia	18	--	--	3,159	--	--	3,159	3%	1,029
France	1	3	--	94	1,090	--	1,185	1%	--
Romania	1	--	--	800	--	200	1,000	1%	--
Russia	1	--	168	600	--	--	600	0%	--
The GROUP	**359**	**12,295**	**8,208**	**109,088**	**1,867**	**13,832**	**124,788**	**100%**	**33,348**

*excluding Residential units

PROPERTY PORTFOLIO as at 31 December 2017	Nº properties *	Nº residential units	Nº hotel beds	Income generating assets CZK million	Development CZK million	Land Bank CZK million	Carrying value CZK million	Carrying value %	Outstanding financing CZK million
Czechia	309	12,389	7,250	78,015	769	12,064	90,848	78%	23,540
Hungary	23	--	666	13,387	--	938	14,325	12%	6,062
Poland	8	--	124	5,830	--	105	5,935	5%	1,989
Slovakia	18	--	--	2,979	--	--	2,979	2%	776
France	1	3	--	93	1,258	--	1,351	1%	--
Romania	1	--	--	785	--	197	982	1%	--
Russia	1	--	168	589	--	--	589	1%	--
The GROUP	**361**	**12,392**	**8,208**	**101,678**	**2,027**	**13,304**	**117,009**	**100%**	**32,367**

*excluding Residential units

The Group property value totalled CZK 124,788 million as at 30 June 2018 (31 Dec 2017: CZK 117,009 million). As showed in the chart below, 87% of the Group property portfolio value is made of income generating assets of which CZK 97,906 million (90%) are income generating rental properties and CZK 11,181 million (10%) are income generating operational properties. The majority of the income generating assets are located in Czechia with 76% of the total value, followed by Hungary with 12%, Poland with 8%, Slovakia with 3% and Romania 1%.

Chart 2: Property portfolio

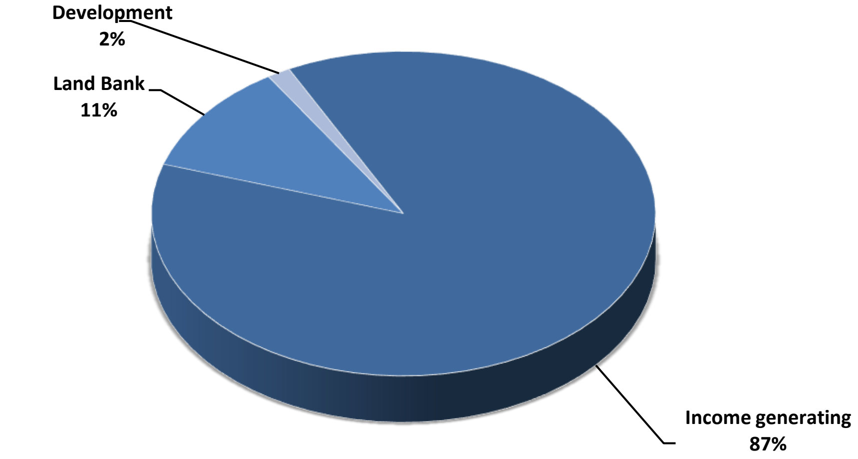
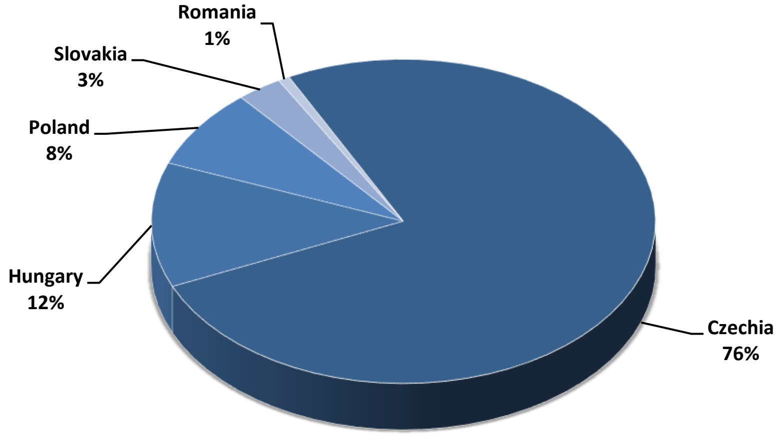


Chart 3: Income generating by country



Total increase of CZK 7,779 million in the portfolio value in H1 2018 was mainly attributable to the following:

- acquisition of the shopping centre Futurum in Hradec Králové in total amount of CZK 3,066 million;
- acquisition of two office buildings in Warsaw in total amount of CZK 2,112 million;
- acquisition of six retail parks in Poland in total amount of CZK 614 million;
- disposal of retail parks and supermarkets in Czechia and office property in Budapest in total amount CZK 1,273 million;
- net valuation gain of CZK 1,598 million.

Income generating assets

Income generating rental properties

Income generating rental portfolio of CZK 97,906 million represents the major part of the Group´s property portfolio. The Group is renting out a great variety of assets but is primarily focusing on office and retail. These two together represent 87% of the portfolio value and provide about 1,549,000 sqm of lettable area.

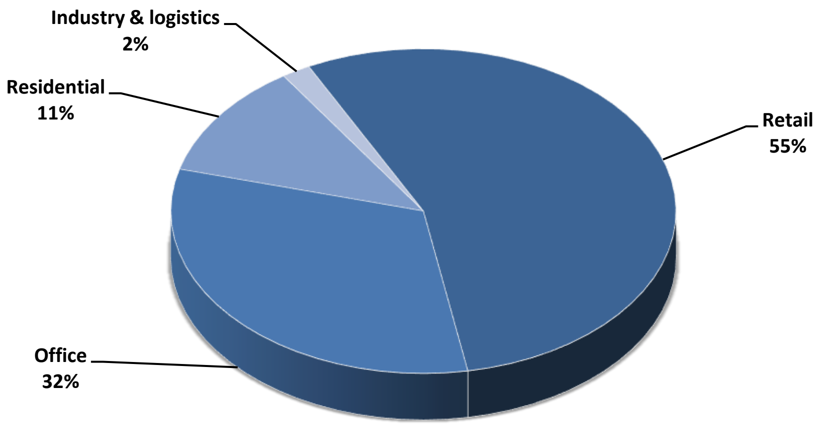
INCOME GENERATING RENTAL PROPERTIES 30 June 2018	N° properties *	Carrying value CZK million	Carrying value %	Gross lettable area thds. sqm	EPRA vacancy rate %	Rental income 30 June 2018 CZK million	Rent per sqm 30 June 2018 CZK	Gross Return 30 June 2018 %	Outstanding financing CZK million
Retail	269	53,538	55%	1,035	5.3%	1,740	299	6.7%	19,042
Office	39	31,311	32%	514	4.7%	825	304	5.5%	8,266
Industry & logistics	17	1,801	2%	128	11.1%	73	107	8.2%	161
Residential	--	11,256	11%	705	10.9%	272	74	4.9%	2,978
THE GROUP	**325**	**97,906**	**100%**	**2,382**	**5.7%**	**2,910**	**155**	**6.1%**	**30,447**

**excluding Residential*

INCOME GENERATING RENTAL PROPERTIES 31 December 2017	N° properties *	Carrying value CZK million	Carrying value %	Gross lettable area thds. sqm	EPRA vacancy rate %	Rental income 30 June 2017 CZK million	Rent per sqm 30 June 2017 CZK	Gross Return 30 June 2017 %	Outstanding financing CZK million
Retail	272	49,590	55%	1,021	5.6%	1,305	223	7.1%	18,061
Office	38	28,508	31%	493	6.1%	789	307	6.0%	8,633
Industry & logistics	17	1,773	2%	128	8.6%	71	104	8.2%	--
Residential	--	10,820	12%	709	10.9%	259	72	5.5%	3,037
THE GROUP	**327**	**90,691**	**100%**	**2,351**	**6.3%**	**2,424**	**141**	**6.5%**	**29,731**

**excluding Residential*

Chart 4: Income generating rental by type of segment



Retail

Key Figures – June 2018

5.3 % EPRA vacancy rate	**269** Number of properties
1,740 million CZK Rental income 30 June 2018	**53,538 million CZK** Property value
1,035,000 sqm Gross leasable area	**6.7 %** Gross return*

*Gross return is based on the annualized 6-months 2018 income

Retail is a very stable category of income generating assets which is flexible to adapt to market conditions and economic changes without substantial losses. The Group's retail portfolio also comprises midsized shopping areas such as retail parks and supermarkets with long-term contracts generating long-lasting income and operates at high occupancy rates. The Group currently owns and manages retail spaces in Czechia, Hungary, Slovakia, Poland and Romania.

In January 2018 the Group acquired a retail park in Zgorzelec in Poland with building value of CZK 57 million (EUR 2,2 million) and with GLA of 1,606 sqm.

In April 2018 the Group acquired a four HopStop retail parks located in Poland, specifically in cities Warsaw, Zamość, Radom and Zamość. In total, the Group obtained properties with building value amounting to CZK 556 million (EUR 21,4 million) and with GLA of 14,400 sqm.

Also in April 2018 the Group acquired Futurum Shopping Centre, located in Hradec Kralove, Czechia. The Futurum HK offers GLA of 39,000 sqm and building value is exceeding CZK 3,000 million (EUR 117,8 million).

RETAIL 30 June 2018	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2018 CZK million	Rent per sqm 30 June 2018 CZK	Gross return 30 June 2018 %	Outstanding financing CZK million
Czechia*	236	39,806	74%	728	6.2%	1,226	300	6.3%	12,776
Hungary	7	5,657	11%	138	3.2%	249	310	9.0%	3,228
Poland	8	4,307	8%	68	2.6%	127	349	6.5%	2,009
Slovakia	17	2,969	6%	90	5.4%	99	198	6.8%	1029
Romania*	1	800	1%	11	0.1%	39	573	9.9%	--
THE GROUP	**269**	**53,538**	**100%**	**1,035**	**5.3%**	**1 740**	**299**	**6.7%**	**19,042**

*Includes Assets held for sale

RETAIL 31 December 2017	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2017 CZK million	Rent per sqm 30 June 2017 CZK	Gross return 30 June 2017 %	Outstanding financing CZK million
Czechia*	244	36,898	74%	730	5.9%	975	244	6.3%	12,050
Hungary	7	5,489	11%	138	3.2%	141	135	8.7%	3,246
Poland	3	3,625	7%	52	3.2%	69	175	6.4%	1,989
Slovakia	17	2,793	6%	90	11.3%	100	229	7.0%	776
Romania*	1	785	2%	11	5.7%	20	205	5.0%	--
THE GROUP	**272**	**49,590**	**100%**	**1,021**	**5.6%**	**1 305**	**223**	**7.1%**	**18,061**

*Includes Assets held for sale

The portfolio constantly maintains a high occupancy rate of well above 90%. One of the main reasons is that the core Czech market has performed very well in recent periods and retail sales maintain high rates of growth.

The Retail portfolio provides approximately 1,035,000 sqm of lettable area which can be further divided as follows:

- Retail warehouse which comprise supermarkets, hypermarkets, hobby markets and retail parks of about 415,000 sqm of lettable area;
- Shopping centres and galleries of approximately 498,000 sqm of lettable area;
- Special properties (separate units and establishments, usually B class) provide approximately 112,000 sqm of lettable area.

Excluding the tenants of the portfolio's new premises, the Group has entered into a number of new leases with the tenants and extended a number of current rental contracts. Among the new tenants reside companies representing brands such as PEPCO, New Yorker and Kaufland. Current rental contracts were extended with tenants such as KIK Textil, TAKKO Fashion, Reserved and others.

Among other properties, the Retail portfolio includes:

ZLATÝ ANDĚL, PRAGUE, CZECHIA

Zlatý Anděl represents a modern office development with associated parking, storage and retail accommodation. The building was constructed in 1999 and is well maintained with the last renovation in 2016. It extends to a total lettable area of 20,997 sqm and offers 218 car parking spaces. The property is constructed between three interconnected buildings (A, B, C). Section A is constructed over 7 floors and Section B is constructed over 8 floors. The property benefits from high levels of foot fall and perfect visibility.

OGRODY SHOPPING CENTRE, ELBLAG, POLAND

Ogrody shopping centre was constructed in 2002 and initially provided a GLA of 17,600 sqm. In 2013, the property was under reconstruction which was completed in March 2015. At the valuation date it extends to total lettable area of 41,931 sqm with 1 250 car parking spaces. The floor layout is "L" shaped. The two retail floors are served with two pairs of escalators, one of them located in the central area. Additionally, the second floor, occupied by a cinema and a fitness club. The shopping centre provides in total 127 retail units with most of them being located on the ground and first floor.

CAMPONA SHOPPING CENTRE, BUDAPEST, HUNGARY

Campona is a shopping centre constructed in two phases between 1997 and 2000. The 1st phase consists of the retail units in a two-storey shopping centre while the 2nd phase consists of the Tropicarium and a cinema. There is a car park in a separate building providing approximately 2,000 parking spaces over 3 floors.

KRÁLOVO POLE SHOPPING CENTRE, BRNO, CZECHIA

Královo Pole Shopping Centre, which was constructed in 2004, consists of a two-level gallery with 78 shops and a food court. The shopping centre occupies 26,500 sqm of gross leasable area and provides 900 parking spaces, which are located indoor and outdoor in front of the property. The hypermarket has a potential in attracting 250,000 inhabitants with above average purchasing power who can reach it within 20 minutes.

FUTURUM HRADEC KRÁLOVÉ SHOPPING CENTRE, HRADEC KRÁLOVÉ, CZECHIA

Futurum Shopping Centre, located in Hradec Králové, Czechia, was opened in 2000 and was substantially extended and modernised in 2012. The centre, with a total floor area of 39,000 square meters and 1,350 parking spaces, consists of 110 stores including an anchor Tesco hypermarket and a multiplex cinema. Futurum Shopping Centre is the dominant shopping centre in the Hradec Králové administrative region.

OLYMPIA PLZEŇ SHOPPING CENTRE, PILSEN, CZECHIA

Olympia Plzeň shopping centre was opened in 2004 and immediately ranked among the most modern shopping centres throughout the whole Czechia. In Plzeň and West Bohemia, Olympia is clearly the basic measure of quality shopping and service. Already in 2004 Olympia won the prestigious national award "Best of Reality". The centre, with a total floor area of 50,000 sqm and 1,865 parking spaces, consists of more than 100 stores including an anchor Albert hypermarket and a multiplex cinema.

Office

Key Figures – June 2018

4.7 %	EPRA vacancy rate
39	Number of properties
825 million CZK	Rental income 30 June 2018
31,311 million CZK	Property value
514,000 sqm	Gross leasable area
5.5 %	Gross return*

* Gross return is based on the annualized 6-months 2018 income

Office portfolio represents an important segment of investment activities of the Group. The Group owns buildings in the capitals cities of Czechia, Hungary, Poland and Slovakia as well as in regional cities of Czechia.

OFFICE 30 June 2018	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2018 CZK million	Rent per sqm 30 June 2018 CZK	Gross return 30 June 2018 %	Outstanding financing CZK million
Czechia*	26	21,613	69%	335	2.0%	583	324	5.5%	6,494
Hungary*	7	5,828	19%	116	6.2%	168	257	5.9%	1,772
Poland	5	3,680	12%	60	12.9%	68	287	5.0%	--
Slovakia	1	190	1%	4	4.7%	6	282	6.5%	--
THE GROUP	**39**	**31,311**	**100%**	**514**	**4.7%**	**825**	**304**	**5.5%**	**8,266**

*Includes Assets held for sale

OFFICE 31 December 2017	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2017 CZK million	Rent per sqm 30 June 2017 CZK	Gross return 30 June 2017 %	Outstanding financing CZK million
Czechia*	26	20,851	73%	330	2.5%	569	318	5.9%	6,241
Hungary*	8	5,928	21%	132	13.5%	165	258	6.3%	2,392
Poland	3	1,543	5%	27	7.8%	50	377	6.9%	--
Slovakia	1	186	1%	4	39.0%	5	336	4.8%	--
THE GROUP	**38**	**28,508**	**100%**	**493**	**6.1%**	**789**	**307**	**6.0%**	**8,633**

*Includes Assets held for sale

Office portfolio is one of the leading segments in the Group's portfolio. The office property is spread evenly between major office locations and strong regional economic centres in Czechia, Poland and other CEE countries. The occupancy rates are gradually rising and approach to 95 % on Group level.

In February 2018 the Group disposed Budaörs Office Park near Budapest with total GLA of 18,512 sqm and plot size of 23,941 sqm.

In April 2018 the Group acquired a two office buildings Atrium Centrum and Atrium Plaza located in Warsaw. Atrium Plaza´s building value amounts to CZK 929 million (EUR 35.7 million) and GLA is approximately 14,700 sqm. The second one of acquired property is Atrium Centrum with building value of CZK 1,182 million (EUR 45.5 million) and GLA is approximately 17,500 sqm.

The Group has entered into many new rental contracts with the tenants and extended a number of current rental contracts. The Group has extended lease contracts with a lot of tenants such as Siemens (until 2027 for 24,000 sqm), WPP (until 2038 for 16,000 sqm), SOTIO, MAPEI and others. Siemens and WPP were the largest leasing transactions in the Prague office market during the first half of 2018.

Among other properties, the Office portfolio includes:

QUADRIO, PRAGUE, CZECHIA

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

CENTRAL TOWER, WARSAW, POLAND

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

ARENA CORNER, BUDAPEST, HUNGARY

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

LUXEMBOURG PLAZA, PRAGUE, CZECHIA

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

ANDRÁSSY COMPLEX, BUDAPEST, HUNGARY

Andrássy Complex represents a modern Grade A office development with associated parking and storage accommodation extending to a total lettable area of 8,636 sqm with 161 parking spaces. The project includes two office buildings with entrances from Andrássy Avenue and Paulay Ede street. The parking facility is located on 4 underground floors of a separate residential building at Káldy Gyula street, in circa 50 m distance from the Paulay building.

Residential

Key Figures – June 2018

10.9 %
EPRA vacancy rate

12,295
Number of residential units

272 million CZK
Rental income 30 June 2018

11,256 million CZK
Property value

705,000 sqm
Gross leasable area

4.9 %
Gross return*

* Gross return is based on the annualized 6-months 2018 income

The Group is a significant player in the Czech residential housing market holding the position of the second largest provider of rental housing. The existing housing stock of the Group includes 12,295 rental flats in 15 cities across Czechia, principally concentrated in the regions of Northern Moravia and Central Bohemia. The rental housing portfolio is managed under the brand CPI BYTY, a.s.

The residential strategy in the Czech portfolio continues to be the long-term rent of its portfolio supported through client's centre networks and skilled professionals employed by the company. In all cities where Group assets of Residential portfolio operate, an internal property and sales department can be found.

RESIDENTIAL 30 June 2018	Nº residential units	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2018 CZK million	Rent per sqm 30 June 2018 CZK	Gross return 30 June 2018 %	Churn rate 30 June 2018 %	Outstanding financing CZK million
Czechia	12,292	11,161	99%	705	11.0%	271	74	5.0%	9.6%	2,978
France	3	94	1%	0.17	0.0%	1	1,047	2.3%	--	--
THE GROUP	**12,295**	**11,256**	**100%**	**705**	**10.9%**	**272**	**74**	**4.9%**	**9.6%**	**2,978**

RESIDENTIAL 31 December 2017	Nº residential units	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2017 CZK million	Rent per sqm 30 June 2017 CZK	Gross return 30 June 2017 %	Churn rate 30 June 2017 %	Outstanding financing CZK million
Czechia	12,389	10,727	99%	709	11.0%	258	72	5.5%	5.1%	3,037
France	3	93	1%	0.17	0.0%	1	1,100	2.3%	--	--
THE GROUP	**12,392**	**10,820**	**100%**	**709**	**10.9%**	**259**	**72**	**5.5%**	**5.1%**	**3,037**

Picture 1: CPI Byty

Industry and logistic

Key Figures – June 2018

11.1	%	EPRA vacancy rate
17		Number of properties
73 million	CZK	Rental income 30 June 2018
1,801 million	CZK	Property value
128,000	sqm	Gross leasable area
8.2	%	Gross return*

* Gross return is based on the annualized 6-months 2018 income

The Group currently owns about 128,000 sqm of rental space and manages 17 objects used for light industrial production, including the Continental Logistics Park, Industrial Park Stříbro in the Czechia, as well as the Airport City Logistics Park in Hungary.

INDUSTRY AND LOGISTICS 30 June 2018	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2018 CZK million	Rent per sqm 30 June 2018 CZK million	Gross return 30 June 2018 %	Outstanding financing CZK million
Czechia	13	1,156	64%	90	6.4%	49	100	8.7%	161
Hungary	4	645	36%	38	20.5%	24	126	7.4%	--
The GROUP	**17**	**1,801**	**100%**	**128**	**11.1%**	**73**	**107**	**8.2%**	**161**

INDUSTRY AND LOGISTICS 31 December 2017	Nº properties	Carrying value CZK million	Carrying value %	GLA thds. sqm	EPRA vacancy rate %	Rental income 30 June 2017 CZK million	Rent per sqm 30 June 2017 CZK million	Gross return 30 June 2017 %	Outstanding financing CZK million
Czechia	13	1,140	64%	90	9.5%	47	100	8.4%	--
Hungary	4	633	36%	38	6.9%	24	113	8.0%	--
The GROUP	**17**	**1,773**	**100%**	**128**	**8.6%**	**71**	**104**	**8.2%**	**--**

The Group has succeeded in its extension of lease contracts with several tenants in the Industrial hall Vestec, Industrial park Vysočany and the Industrial hall Říčany – Jažlovice. This segment retains relatively high occupancy at 88.9% in spite of decrease since December, 2017 (91.4%).

Picture 2: Industrial Area Brandýs nad Labem

Income generating operational properties

Income generating operational properties currently include segment Hotels which represents all hotels operated by the Group under hotel operator CPI Hotels.

INCOME GENERATING OPERATIONAL PROPERTIES 30 June 2018	Nº properties	Carrying value CZK million	Carrying value %	Number of beds	Average occupancy %	Outstanding financing CZK million
Hotels	27	11,181	100%	8,208	70.1%	2,466
THE GROUP	**27**	**11,181**	**100%**	**8,208**	**70.1%**	**2,466**

INCOME GENERATING OPERATIONAL PROPERTIES 31 December 2017	Nº properties	Carrying value CZK million	Carrying value %	Number of beds	Average occupancy %	Outstanding financing CZK million
Hotels	27	10,987	100%	8,208	70.4%	2,564
THE GROUP	**27**	**10,987**	**100%**	**8,208**	**70.4%**	**2,564**

Hotels

Key Figures – June 2018

27 Number of properties	**11,181 million CZK** Property value
70.1 % Average occupancy	**8,208** Number of beds

The Group is one of the largest Czech owners and developers of hotels. The hotel portfolio has grown up and currently includes 27 hotels which are operated by the Group. The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five star categories. These hotels are located in capitals and main cities of Czechia, Hungary and Poland. The flagship of the Group is a network of four-stars Clarion hotels aimed at the corporate and congress clientele.

HOTELS 30 June 2018	Nº properties	Carrying value CZK million	Carrying value %	Number of beds	Average occupancy %	Outstanding financing CZK million
Czechia	20	8,540	76%	7,250	68.9%	2,118
Hungary	4	1,365	12%	666	78.4%	348
Russia	1	600	5%	168	83.0%	--
Poland	2	676	6%	124	76.9%	--
THE GROUP	**27**	**11,181**	**100%**	**8,208**	**70.1%**	**2,466**

HOTELS 31 December 2017	Nº properties	Carrying value CZK million	Carrying value %	Number of beds	Average occupancy %	Outstanding financing CZK million
Czechia	20	8,399	76%	7,250	69.6%	2,212
Hungary	4	1,337	12%	666	78.1%	351
Russia	1	589	5%	168	83.2%	--
Poland	2	662	6%	124	82.7%	--
THE GROUP	**27**	**10,987**	**100%**	**8,208**	**70.4%**	**2,563**

The leading hotels within the portfolio:

SPA HOTEL POKROVKA RESIDENCE MOSCOW

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

MARRIOTT COURTYARD HOTEL PRAGUE

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

MARRIOTT COURTYARD HOTEL BUDAPEST

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

MAMAISON HOTEL RIVERSIDE PRAGUE

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

IMPERIAL HOTEL OSTRAVA

Imperial Hotel Ostrava is one of the best-known hotels in the city of Ostrava in Northern Silesia which has been offering above-standard services to guests continuously since it was opened in 1904. The combination of over a century of tradition and modern hotel trends makes this renowned hotel the perfect place for business meetings as well as for pleasant relaxation following a demanding day. The hotel offers 162 comfortable, modern rooms and an extensive conference centre for 490 guests.

MAMAISON RESIDENCE BELGICKÁ PRAGUE

Opened in 2002, the Residence Belgicka is situated in the heart of Prague's trendy Vinohrady District, within walking distance to Metro Station (500 meters). Residence Belgicka was designed in a Feng-Shui style. Surrounded by parks, historic gardens and churches, Residence Belgicka is located within a residential section of Prague 2. The Hotel includes 30 rooms (24 suites and 6 business studios), breakfast room, one meeting room for up to 10 people, fitness centre, sauna and billiard room.

CLARION CONGRESS HOTEL PRAGUE

Clarion Congress Hotel Prague was opened in March 2008. Currently, it is one of the largest and most state-of-the-art congress hotels in Czechia. Because of the large space of the congress facilities (up to 2 500 people), cutting-edge technical equipment, a corresponding accommodation capacity and, primarily, a comprehensive offer of services, the hotel became a popular venue for a number of specialist, social and sports events and meetings. The Hotel was pronounced the Best Clarion Hotel of 2009 in Europe and Clarion Hotel of the Year 2012 in Central Europe within the network Choice Hotels International. In 2012 it also became Hotel of the Year in the category of congress hotels in the Czech Hotel Awards competition.

MAMAISON HOTEL ANDRASSY BUDAPEST

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

MAMAISON HOTEL LE REGINA WARSAW

Mamaison Hotel Le Regina Hotel Warsaw, a boutique hotel expertly blends historic charm with a modern, chic interior design .The hotel offers excellent facilities, comfortable surroundings and top-class accommodation in 61 rooms. Set within the historic Mokrowski Palace, the hotel is not far away from the city's central train station and airport.

Development

Key Figures – June 2018

8,000 sqm	**373 million CZK**
Potential gross leasable area	Development for rental
25,000 sqm	**1,494 million CZK**
Potential gross saleable area	Development for sale

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

DEVELOPMENT 30 June 2018	Nº properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental CZK million	Development for sale CZK million	Development for rental %	Development for sale %	Remaining development costs CZK million
Czechia	6	8	22	373	403	100%	27%	118
France	1	--	3	--	1,090	--	73%	--
THE GROUP	**7**	**8**	**25**	**373**	**1,494**	**100%**	**100%**	**118**

DEVELOPMENT 31 December 2017	Nº properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental CZK million	Development for sale CZK million	Development for rental %	Development for sale %	Remaining development costs CZK million
Czechia	6	8	22	320	449	100%	26%	118
France	1	--	3	--	1,258	--	74%	--
THE GROUP	**7**	**8**	**25**	**320**	**1,707**	**100%**	**100%**	**118**

The largest focus is on the completion of current development projects Prague and Český Krumlov:

- **May house (Prague)** – The office development under construction will offer tenants two basements and six above ground levels. The development will offer approximately 8,000 sqm of leasable modern office space, 460 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 approximatelly mid 2019.
- **Four star boutique hotel (Český Krumlov)** – The Group owns a historical building in the centre of Český Krumlov. The property will be completely reconstructed into a four star boutique hotel with approximately 30 rooms. The hotel is expected to open in mid 2019.

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

The Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city centre. 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).

Land bank

Key Figures – June 2018

20,009,000	sqm
Total area	

13,832 million	CZK
Property value	

The Land bank portfolio consists of land properties acquired and held by the Group for future development.

LAND BANK 30 June 2018	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value CZK million	Carrying value %	Outstanding financing CZK million
Czechia	19,538	1,831	17,708	12,578	91%	--
Hungary	131	131	--	956	7%	75
Romania*	300	267	34	200	1%	--
Poland*	39	14	25	98	1%	--
THE GROUP	**20,009**	**2,243**	**17,766**	**13,832**	**100%**	**75**

*Includes Assets held for sale

LAND BANK 31 December 2017	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value CZK million	Carrying value %	Outstanding financing CZK million
Czechia	19,558	1,850	17,708	12,064	91%	--
Hungary	131	131	--	938	7%	73
Romania*	300	266	34	197	1%	--
Poland*	39	14	25	105	1%	--
THE GROUP	**20,028**	**2,261**	**17,767**	**13,304**	**100%**	**73**

*Includes Assets held for sale

Land bank is comprised of an extensive portfolio of land plots throughout Czechia, as well as in Hungary, Poland and Romania. Plots are often in attractive locations, either separate or adjacent to existing commercial buildings or in the city centre and their value continues to increase with the growth of surrounding infrastructure. Out of the total plots area, approximately 11% are with zoning.

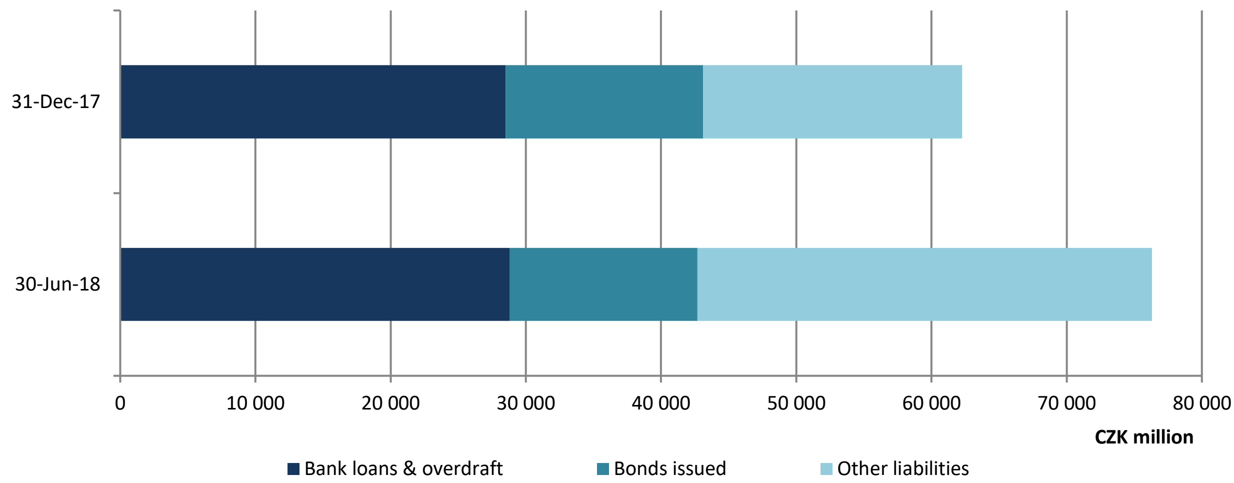
In March 2018 the Group disposed the part of the land plot in Svitavy in total site area of 19,667 sqm.

Picture 3: CPI Park Žďárek (visualization)

FINANCING

External financing totals CZK 76,302 million as at 30 June 2018 (31 Dec 2017: CZK 62,263 million) and the costs of financing total CZK 1,073 million (30 Jun 2017: CZK 1,503 million). The structure of external financing changed compared to 31 December 2017. Other liabilities rose from 31% to 44%, whereas the absolute values of bank loans and overdraft and of bonds remained quite stable.

Chart 5: Structure of external financing



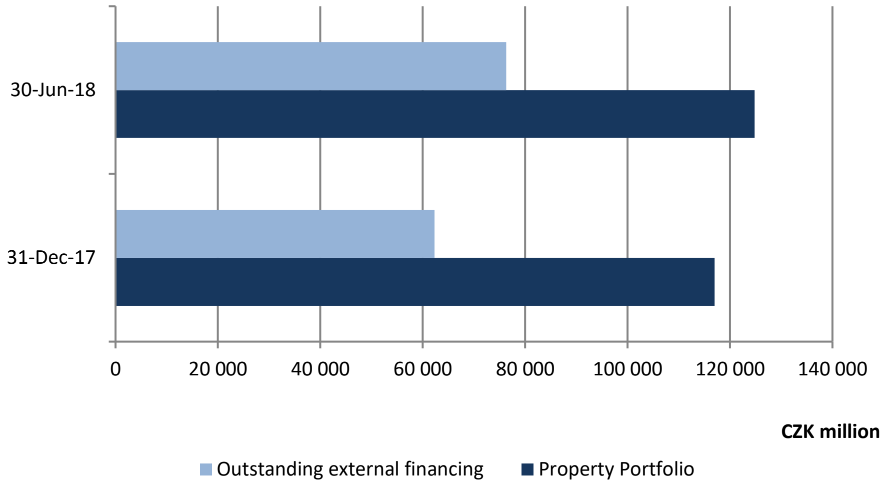
The Group continues to focus on establishing the most effective structure of sources of external financing alongside successful management of the property portfolio. The share of net debt on property value slightly rose by 3 percentage points from 49.1% to 52.1% as shown in the table below:

Loan – to – value (CZK million)*	30 June 2018	31 December 2017
Financial debts (non-current)	50,497	43,112
Financial debts (current)	11,677	4,278
Bonds issued (non-current)	10,456	10,743
Bonds issued (current)	3,430	3,882
Liabilities linked to assets available for sale	203	180
Cash and cash equivalents	-11,246	-4,688
Net debt	**65,017**	**57,507**
Property Portfolio	124,788	117,009
Loan to value ratio in %	**52.1%**	**49.1%**

*Assets held for sale included

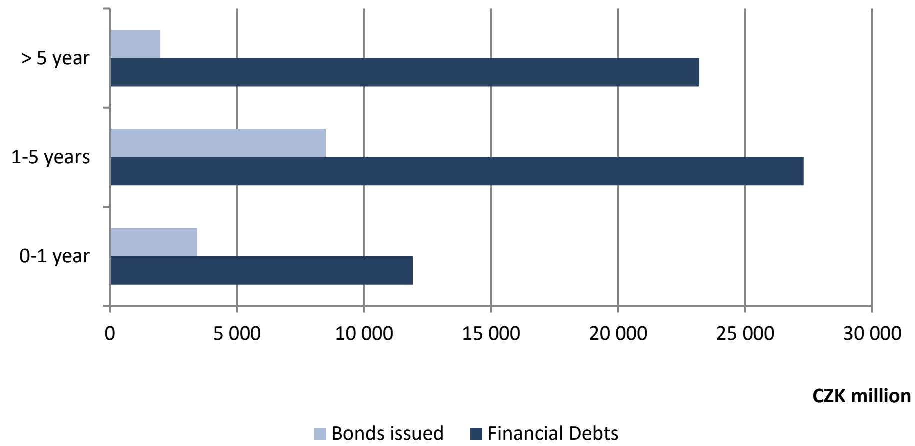
The graph below shows the magnitude of changes in the amount of external financing and property portfolio value during the first half of 2018. While property portfolio value grew by about 7%, the level of external financing increased by 23% due to the rise of other liabilities.

Chart 6: Group portfolio and external financing



The maturity profile of the Group's financing, including accrued interest as at 30 June 2018 is presented in the chart below:

Chart 7: Maturity profile of external financing

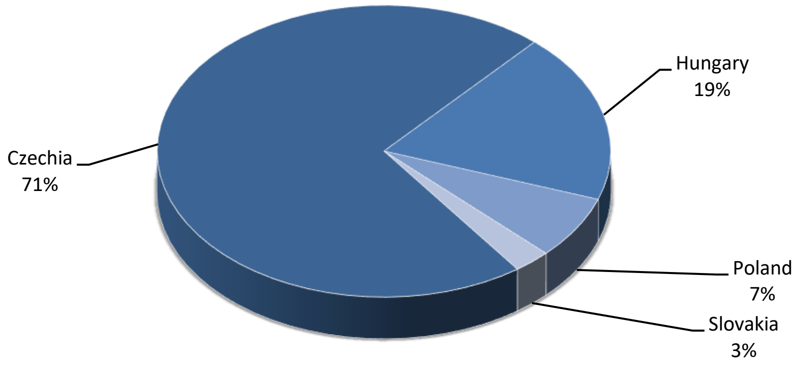


67% of the outstanding balance of external financing is due within 5 years. While 97% of bank loans and overdrafts are payable within 5 years, 86% of bonds mature within the same period.

Bank loans

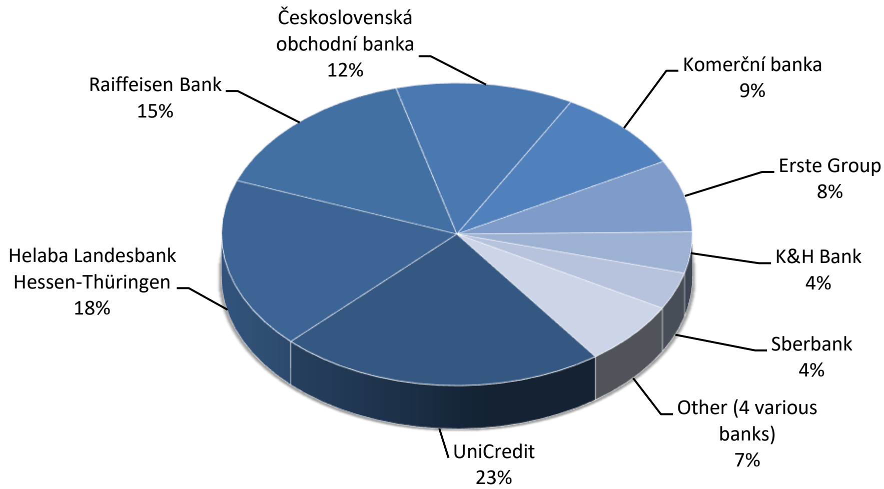
Bank loans represent a significant component of the Group's financial debts. The bank loans balance (including bank overdrafts and liabilities from assets held for sale) totalled CZK 28,815 million. The Group's bank loans are denominated in euros and Czech crowns. Bank loans drawn in euros represented dominant 82% (31 Dec 2017: 78%) of the total amount.

Chart 8: Bank loans by location



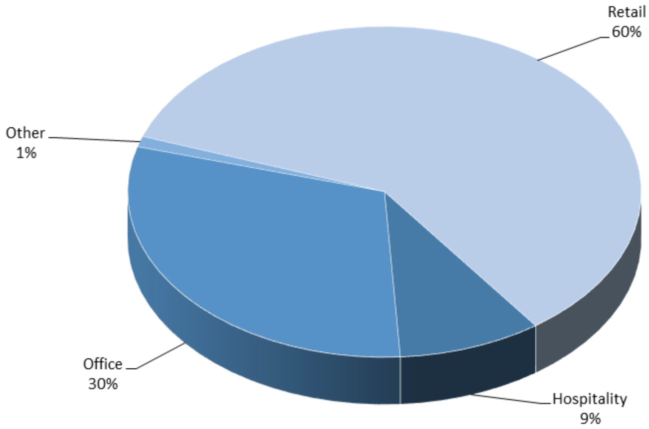
The Group benefits from strong underlying markets in Czechia, Hungary, Slovakia, and other European countries. The pricing available for secured loans in the Group's key markets remains attractive.

Chart 9: Bank loans by banks



85% of outstanding bank loan balance (represented by CZK 24,425 million) is drawn from 6 financing bank groups; in total the Group has secured loans from 12 banks, which are active in the CEE region.

Chart 10: Bank loans by segments



In comparison to 31 December 2017, the distribution of bank loans across segments remained unchanged as at 30 June 2018. The share of loans associated with retail properties created 60%. The second largest group of bank loans were those associated with office properties with 30% and loans associated with hotel properties constituted 9%.

Bonds issued

Bonds represent a significant additional source of the Group´s financing. Balance totals CZK 13,886 million as at 30 June 2018 (31 Dec 2017: CZK 14,624 million).

The Group repaid one maturing tranche of Group´s subsidiary CPI Finance Slovakia, a.s. bonds amounting to CZK 758 million in April 2018.

Bonds issued in Czech crowns made up 91% of the total as at 30 June 2018, which represents a substantial increase compared to their share (86%) as at 31 December 2017.

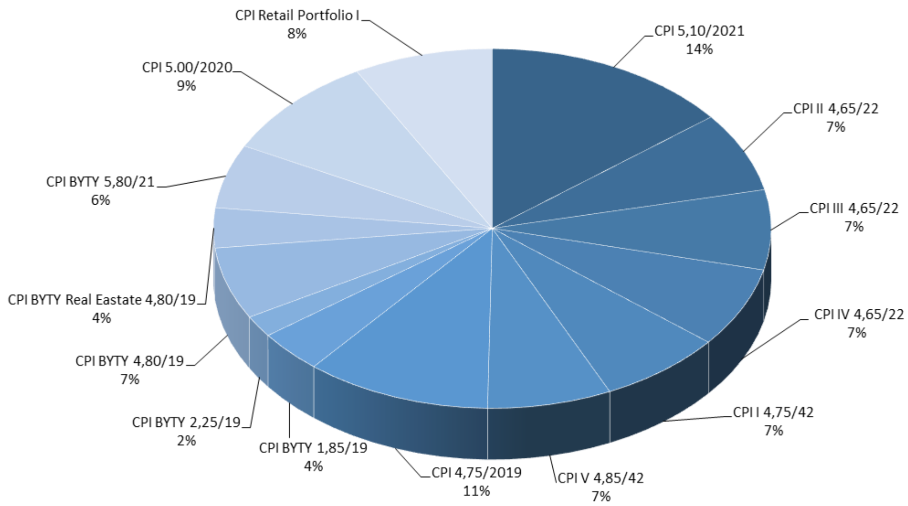
The bonds issued by the Group as at 30 June 2018 are summarised in the table below:

Group company	ISIN	Type	Currency	Balance as at 30 June 2018 Nominal issued (CZK million)	Owned by group (CZK million)	Owned by external (CZK million)	Interest rate	Maturity	Traded on*	Traded from
CPI	CZ0003501868	CPI 5.10/2021	CZK	2,000	0	2,000	5.10% p.a.	29.03.2021	BCPP	29.03.2012
CPI	CZ0003502916	CPI II 4.65/22	CZK	1,000	0	1,000	4.65% p.a.	06.11.2022	BCPP	06.12.2012
CPI	CZ0003502924	CPI III 4.65/22	CZK	1,000	0	1,000	4.65% p.a.	06.11.2022	BCPP	11.12.2012
CPI	CZ0003502957	CPI IV 4.65/22	CZK	1,000	0	1,000	4.65% p.a.	06.11.2022	BCPP	13.12.2012
CPI	CZ0003502932	CPI I 4.75/42	CZK	1,000	0	1,000	4.75% p.a.	22.08.2042	BCPP	5.12.2012
CPI	CZ0003502940	CPI V 4.85/42	CZK	1,000	0	1,000	4,85% p.a.	22.08.2042	BCPP	17.12.2012
CPI	CZ0003512782	CPI 4.75/2019	CZK	1,500	0	1,500	4.75 % p.a.	24.08.2019	BCPP	24.08.2015
CPI BYTY	CZ0003516551	CPI BYTY 1.85/19	CZK	530	0	530	1.85% p.a.	07.05.2019	BCPP	10.05.2017
CPI BYTY	CZ0003516569	CPI BYTY 2.25/19	CZK	270	0	270	2.25% p.a.	07.05.2019	BCPP	10.05.2017
CPI BYTY	CZ0003510695	CPI BYTY 4.80/19	CZK	900	0	900	4.8 % p.a.	07.05.2019	BCPP	07.05.2013
CPI BYTY	CZ0003511412	CPI BYTY Real Eastate 4.80/19	CZK	500	0	500	4.8 % p.a.	07.05.2019	BCPP	30.04.2014
CPI BYTY	CZ0003510703	CPI BYTY 5.80/21	CZK	800	0	800	5.8 % p.a.	07.05.2021	BCPP	07.05.2013
CPI Finance Slovakia	SK4120011487	CPI 5.00/2020	EUR	1,301	0	1,301	5 % p.a.	26.02.2020	BCPB	26.2.2016
CPI Retail Portfolio	CZ0003511164	CPI Retail Portfolio I	CZK	1,125	0	1,125	5 % p.a.	25.04.2019	BCPP	25.4.2014
Total balance due to bondholders				**13,926**	**0**	**13,926**				
Accrued transaction cost (CZK million)						-193				
Accrued interest (CZK million)						153				
Total balance after transaction cost						**13,886**				

*BCPP = Prague Stock Exchange, BCPB = Bratislava Stock Exchange

Except of bonds CPI BYTY and CPI Retail Portfolio I which are secured by mortgage, all other bonds provide unsecured financing mainly at the parent company level and are generally used as source of financing for current and future investment activities.

Chart 11: Outstanding balance of bonds



All issued bonds are subject to a number of covenants. All covenant ratios were met as at 30 June 2018.

RESULTS AND NET ASSETS

Profit and Loss statement

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

Reported profit or loss statement in CZK millions for the period of six months ended 30 June 2018 is as follows:

PROFIT OR LOSS STATEMENT	6 month period ended 30 June 2018	30 June 2017
Gross rental income	2,944	2,470
Service revenue	154	346
Net service charge income	78	10
Property operating expenses	(524)	(498)
Net rental income	**2,652**	**2,328**
Development sales	202	46
Cost of goods sold	(187)	(40)
Development operating expenses	(19)	--
Net development result	**(5)**	**6**
Hotel revenue	1,058	1,061
Cost of goods sold	(3)	(3)
Hotel operating expenses	(740)	(726)
Net hotel income	**316**	**332**
Total revenues	4,436	3,933
Total direct business operating expenses	(1,473)	(1,267)
Net business income	**2,963**	**2,666**
Net valuation gain	1,598	4,134
Net loss on the disposal of investment property	(9)	(5)
Net loss on disposal of subsidiaries and investees	(2)	(64)
Amortization, depreciation and impairments	(214)	(241)
Other operating income	13	141
Administrative expenses	(467)	(636)
Other operating expenses	(52)	(57)
Operating result	**3,831**	**5,939**
Interest income	166	537
Interest expense	(1,073)	(1,503)
Other net financial result	332	(489)
Net finance costs	**(576)**	**(1,456)**
Share of loss of equity-accounted investees (net of tax)	(9)	--
Profit before income tax	**3,246**	**4,483**
Income tax expense	(464)	(672)
Net profit from continuing operations	**2,782**	**3,810**

Gross rental income

Increase in rental income is generally attributable to the Group´s expansion in 2018 and 2017. The main favourable impact represents the acquisition of CBRE GI portfolio in March 2017 leading to a net increase of CZK 405.2 million. Gross rental income in 2018 includes 6 months operations of Královo Pole shopping centre (acquired in July 2017) with net increase of CZK 56.4 million. Due to the acquisition of MB Futurum HK (in April 2018) the gross rental income increased by CZK 26.9 million and due to the acquisition of Atrium Complex (in March 2018) the gross rental income increased by CZK 12.4 million. Also the acquisition of the HopStop portfolio (in April 2018) contributed to the growth of gross rental income by CZK 7.2 million.
Disposal of entities (primarily Budaörs Office Park and Arkáda Prostějov shopping galery) is reflected in a slight decrease of gross rental income (CZK 25 million).

Service revenue

Significant drop in service revenue relate to the advisory and accounting services provided by the Group to CPI PG in 2017 (CZK 207.5 million), which are being provided via OPG in 2018 and are therefore eliminated as intercompany.

Net development income

Development sales in 2018 represent primarily sale of two apartments in France (CZK 185.1 million). Development operating expenses cover all property operating expenses occurred in connection with development (utility services, real estate agents services, maintenance etc.). Development expenses relate solely to development projects in France.

Chart 12: Gross rental income

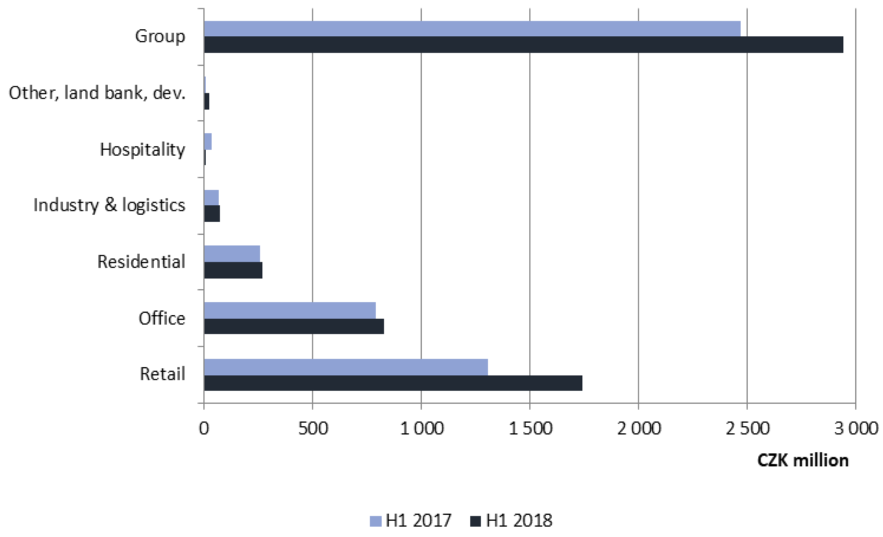
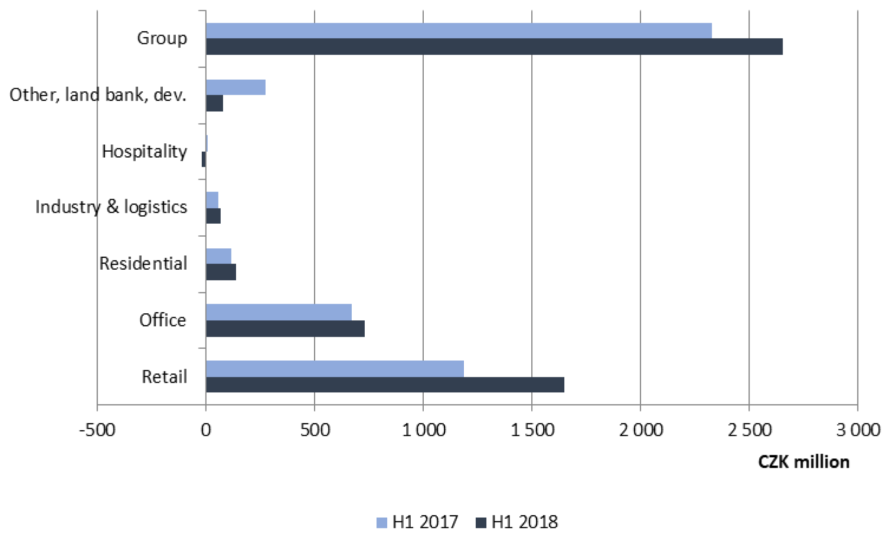


Chart 13: Net rental and service related income



Net valuation gain on investment property

The overall gain on revaluation of the property portfolio totals CZK 1,598 million. The value of the property has been updated based on the external or internal appraisals as of 30 June 2018. The gain was driven primarily by the overall performance improvement of the projects and current situation on the Czech residential market.

Administrative expenses

Administrative expenses decreased to CZK 466 million in H1 2018 (H1 2017: CZK 636 million). The significant decrease of accounting and other services in the amount of CZK 11.7 million in H1 2018 (in H1 2017 CZK 224.7 million) is due to the change of service provider from CPI PG to OPG, which is part of the consolidated group.

Interest income

Interest income on loans and receivables decreased in connection with the acquisition of OPG in June 2017. Interest income from loans provided to OPG is eliminated as intercompany in 2018 (net decrease of CZK 268.6 million). Loan provided by the Group to major shareholder (CPI PG) was offseted against the loan provided to NUKASSO by CPI PG in connection with the acquisition, leading to decrease in interest income by CZK 236.5 million. Interest income on loans in 2018 relates primarily to loans provided to CPI PG and to entities controlled by the ultimate shareholder related parties.

Interest expense

Interest expense related to bank and non-bank loans decreased mainly due to the acquisition of OPG in June 2017 (net effect of CZK 481.6 million).
Decrease in interest expense on bills of exchange relates to the repayment of bills of exchange.

Other net financial result

Significant part of the foreign exchange gain/loss represents unrealised valuation gains/losses (gain of CZK 1,491.4 million for six months of 2018) from the revaluation of the Group´s property portfolio as major part of the Hungarian, as well as Czech and Polish, portfolio is based on EUR valuation reports, i.e. the appraisal is not based on the functional currency of respective SPV´s.

Foreign exchange gain on property portfolio, recognized for the six months of 2018, was partially offsetted by unrealized foreign exchange loss of 1,210 million in 2018. As there have been many financing transactions between Group entities with different functional currencies, and due to the fact that major part of the outstanding external financial debts is still EUR denominated, following the appreciation of EUR, the Group recorded foreign exchange loss primarily on Hungarian and Polish entities.

Statement of financial position

Statement of financial position in CZK millions as at 30 June 2018 corresponding to the semi-annual consolidated financial statements.

STATEMENT OF FINANCIAL POSITION	30 June 2018	31 December 2017
NON-CURRENT ASSETS		
Intangible assets and goodwill	1,535	1,535
Investment property	109,925	101,168
Property, plant and equipment	11,516	11,316
Equity-accounted investees	109	117
Other investments	2,901	2,686
Derivative instruments	108	118
Loans provided	5,226	2,373
Trade and other receivables	86	105
Deferred tax asset	3,384	3,335
Total non-current assets	**134,791**	**122,754**
CURRENT ASSETS		
Inventories	1,731	1,736
Current income tax receivables	147	97
Trade receivables	1,514	1,765
Derivative instruments	3	--
Loans provided	2,033	2,081
Cash and cash equivalents	11,246	4,688
Other financial current assets	1,570	941
Other non-financial current assets	850	774
Assets held for sale	1,649	2,877
Total current assets	**20,743**	**14,960**
TOTAL ASSETS	**155,535**	**137,713**
EQUITY		
Equity attributable to owners of the Company	59,831	57,042
Non controlling interests	4,809	2,002
Total equity	**64,640**	**59,044**
NON-CURRENT LIABILITIES		
Bonds issued	10,456	10,743
Financial debts	50,497	43,112
Derivative instruments	124	66
Deferred tax liabilities	8,775	8,371
Provisions	41	40
Other non-current liabilities	667	582
Total non-current liabilities	**70,559**	**62,914**
CURRENT LIABILITIES		
Bonds issued	3,430	3,882
Financial debts	11,677	4,278
Trade payables	1,706	1,862
Advance payments	1,111	3,295
Derivative instruments	8	16
Other financial current liabilities	1,703	1,670
Other non-financial current liabilities	391	346
Liabilities linked to assets held for sale	309	407
Total current liabilities	**20,335**	**15,755**
TOTAL EQUITY AND LIABILITIES	**155,535**	**137,713**

Total assets and total liabilities

As at 30 June 2018, total assets increased by CZK 17,822 million (13%) to CZK 155,535 million compared to 31 December 2017. The increase is a result of valuation of Investment property and new drawdown of the long-term loan provided by OPG S.A. to CPI PG.

Cash and cash equivalent total CZK 11,246 million which is by 140% higher than as at 31 December 2017.

Non-current and current liabilities total CZK 90,894 million as at 30 June 2018 which represents a noticable increase of CZK 12,225 million (16%) compared to 31 December 2017. Main drivers of this increase were growth in loans from related parties in total by CZK 14,630 million.

Equity (EPRA Net assets value)

EPRA Net assets value – NAV totals CZK 68,427 million as at 30 June 2018 and compared to 31 December 2017 rose by 5%.

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

CZK million	30-Jun-18	31-Dec-17
Equity per the financial statements (NAV)	**59,831**	**57,042**
Effect of exercise of options, convertibles and other equity interests	--	--
Diluted NAV, after the exercise of options, convertibles and other equity interests	**59,831**	**57,042**
Revaluation of trading properties	--	88
Fair value of financial instruments	21	(49)
Deferred tax on revaluation	8,575	8,343
Goodwill as a result of deferred tax	--	--
EPRA NAV	**68,427**	**65,424**

INFORMATION ON EQUITY

Data on shares

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

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

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

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

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

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

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

Data on share capital

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

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

Shareholder structure of CPI as at 30 June 2018:

Shareholder	Share in share capital
CPI PROPERTY GROUP, Luxembourg	100.00%
Total	**100.00%**

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

OUTLOOK

On the back of the Group's increased development and ever widening portfolio diversification, we are now extremely well-positioned to take advantage of the variable macro-economic environment where potential acquisition opportunities will be within reach. We have a clear strategic focus: prudent governance and financial policy, improvement in our credit ratios, plus smart acquisitions and active asset management. To achieve our goals, the Group will continue to pursue best -in-class standards in financial reporting, communications and corporate governance. We believe our past efforts in these areas have fortified the confidence of our investors and business partners.

The Group has also developed a positive corporate culture which attracts and retains the best professionals in our field. Like me, our team is optimistic about our core markets for the rest of 2018 and beyond. GDP growth in our region remains well above the EU average, governments are stable and have low levels of debt. The economy is growing, its workforce expanding and demand for quality retail and office space remains robust. With new supply limited and vacancy rates near record lows, we expect to secure further leasing contracts generating attractive rental value growth across our portfolio.

Looking ahead, the Group looks to build upon its track record, recognised skills and intensified activities. Our priority remains the continued concentration on property portfolio investment encouraged by internal stability and a strong financial base.

OTHER

Corporate Social Responsibility

Philanthropy is an integral part of the corporate culture, and is characterised by the Group as a long-term supporter of education, culture, sports, and community life in the form of corporate donations. The use of one’s own capabilities and resources for the benefit of others is one of the underlying concepts of the Company´s charitable activities. Since its beginning, the Group has provided financial and non-financial support to many charities and non-profit organisations throughout Czechia. Its support is chiefly directed at child social and healthcare.

The Group shows its inclination for the non-profit sector at two levels. The first level is direct financial support to specific entities such as hospitals, specialised healthcare and social institutions, civic associations and foundations. The second level represents support in the form of technical assistance, marketing services or provision of space for activities of non-profit organisations.

The Group cooperates with a number of entities whose primary focus is to help sick, handicapped or socially disadvantaged children and adults such as Na Františku Hospital.

Significantly, the Group has teamed up for the third consecutive year to support the Good Angel Foundation in its New Year’s celebrations. The Group included this cooperation into its long-term marketing plan, such as Christmas gifts and cards for clients. Last year, the Group donated a total of CZK 333,000 to the Good Angel Foundation, whereby tens of thousands of donors, known as “Good Angels”, can provide much needed help to thousands of people facing serious illness.

Commercial Partnership

The Group directs its commercial partnerships specifically to promote sports and cultural events. The Company also supports professional associations and subjects to enhance its business interests. A significant partnership is the agreement with the Association for Real Estate Market Development (AREMD) as a non-profit civic association with influence and extent of development activities focused on the general public. AREMD includes almost 70 experts in all fields of the real estate market including: investment, architecture, finance, consultancy, law and brokerage as well as those in public services and academic fields. The major aims of AREMD are the enhancement of the quality, stability and transparency of the Czech real estate market, the standardisation of the markets’ methods and processes, together with the increase in the knowledge of specialists and non-professionals in this field and the promotion of the market at home and abroad.

Research and Development

The Group does not engage in research and development of new products or procedures.

Environment and Human Resources

The activities of the Group do not endanger the environment. As part of HR management, the Group strives to improve the organization of work and increase the qualifications of its employees through various training programs (e.g. intensive language training and technical courses).

The Group had 2,833 employees as at 30 June 2018 (at 31 Dec 2017 – 3,119 employees). All of the above included employees were engaged in the core business activities of the Group.

With respect to employment relationships, the Group adheres to all applicable legislation.

Branches abroad

The Group has no branches abroad.

CORPORATE GOVERNANCE

(A separate part of the annual report in accordance with § 188 (4j) of the Act No. 256/2004 Coll.).

In connection with new Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the "Business Corporations Act") the Company amended the Articles of Association with effective date of 5 June 2014 and also decided on fully submission to Business Corporations Act.

In the year 2016, CPI has established the Audit Committee.

General Meeting of CPI

In accordance with the Articles of Association, the statutory bodies of Czech Property Investments, a.s. (hereinafter also referred to as "CPI" or "the Company") are the General Meeting, the Board of Directors and the Supervisory Board while the General Meeting as the supreme body elects and removes members of the Board of Directors and members of the Supervisory Board. The executive body is the management of the Group.

The General Meeting is the supreme body of CPI.

The exclusive scope of powers of the General Meeting particularly includes:

- decisions to amend the Articles of Association, unless it is an amendment resulting from an increase of the registered capital by a duly authorised board of directors or an amendment occurring on the basis of other legal facts;
- decisions to change the amount of registered capital and to authorise the Board of Directors to increase the registered capital;
- decisions to allow the possibility to set off a pecuniary receivable towards the company against a receivable from the payment of the issue price;
- decisions to issue convertible or preferential bonds;
- appointment and recall of members of the Board of Directors;
- appointment and recall of substitute members of the Board of Directors and if more substitutes are to be appointed the General Meeting shall provide the sequence in which substitutes shall take up the vacant position of the member of the Board of Directors;
- appointment and recall of members of the Supervisory Board;
- appointment and recall of substitute members of the Supervisory Board and if more substitutes are to be appointed the General Meeting shall provide the sequence, in which substitutes shall take up the vacant position of a member of the Supervisory Board;
- approval of ordinary, extraordinary or consolidated financial statements as well as, where their preparation is required under another legal regulation, of interim financial statements;
- decisions to distribute profit or the company's other own resources, or to cover the loss;
- decisions to file an application to have the company's participating securities admitted for trading on a European regulated market or to exclude such securities from trading on a European regulated market;
- decisions to dissolve the company with liquidation;
- appointment and recall of a liquidator;
- approval of the proposed distribution of the liquidation balance;

- approval of a transfer or a pledge of an enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change in the objects or activity of the company;
- decisions to assume the effects of actions taken on behalf of the company before its incorporation;
- approval of a silent partnership agreement, including approval of its amendments and termination;
- any other decisions falling under the powers of the general meeting by provisions of the Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the "Business Corporations Act") or of the Articles of Association.

The General Meeting has a quorum if the present shareholders have shares, the nominal value of which amount to at least 30% of the share capital of the Company. One vote is assigned to each share with a nominal value of CZK 800. The General Meeting shall decide according to § 415 of the Business Corporations Act by the majority of present shareholders, unless the law or the Articles of Association of CPI require another majority. In matters according to § 416 (1) and § 417 (1) of the Business Corporations Act, the law requires a two-third majority of present shareholders. In matters according to § 417 (2) of the Business Corporations Act, the law requires the consent of at least three quarters of present shareholders who have these shares. Likewise, a three-quarter majority of present shareholders is required for decisions on matters listed in § 417 (3) of the Business Corporations Act. The consent of all shareholders, whose shares are supposed to be reverse split, is required according to § 417 (4) of the Business Corporations Act in order to reach a valid decision of the General Meeting on a reverse share split.

Other actions and decision-making processes of the General Meeting, as well as the participation in the General Meeting and the rights of shareholders at the General Meeting, the manner of convening the General Meeting and a replacement General Meeting are governed by the CPI Articles of Association.

Supervisory Board of CPI

The Supervisory Board is a supervisory body of CPI and has all rights in the extent of generally binding legal regulations, these Articles of Incorporation and the decisions of the General Meeting of CPI.

The Supervisory Board oversees the performance of the scope of powers assigned to the Board of Directors and the performance of business activities of CPI.

The Supervisory Board is particularly entitled:

- to review ordinary, extraordinary, consolidated and interim financial statements and the proposal for profit distribution or loss settlement and to submit its opinion to the General Meeting;
- to convene a General Meeting, if required by the interests of CPI;
- to submit its opinions, recommendations and suggestions to the General Meeting and the Board of Directors;
- to inspect all documents and records relating to the activities of CPI and to control whether accounting records are properly kept in accordance with the facts and whether business activities of CPI are performed in accordance with the law, the Articles of Incorporation and instructions of the General Meeting.

The Supervisory Board has a quorum if an absolute majority of its members is present at the meeting. In order to approve of the decision in all matters discussed by the Supervisory Board, it is necessary that an absolute majority of all, not only present, members of the Supervisory Board votes for them.

The composition, appointment and terms of the Supervisory Board, convening meetings of the Supervisory Board, meetings of the Supervisory Board, duties of members of the Supervisory Board and shares in profit and remuneration of members of the Supervisory Board are governed by the Articles of Incorporation of CPI.

Supervisory Board of CPI as at 30 June 2018:

Milan Trněný, member of the Supervisory Board since 5 June 2014.

As at 30 June 2018 Mr. Milan Trněný acts as a member of the Supervisory board or the board of directors of the following entities which are significant from the perspective of the Company:
Member of the Supervisory board:

Austenit, a.s.; Balvinder, a.s.; Baudry Beta, a.s.; Baudry, a.s.; BAYTON Alfa, a.s.; BAYTON Gama, a.s.; Benjina, a.s.; Beroun Property Development, a.s.; Best Properties South, a.s.; BPT Development, a.s.; Brandýs Logistic, a.s.; Brno Property Development, a.s.; Bubenská 1, a.s.; BYTY PODKOVA, a.s.; Camuzzi, a.s.; Carpenter Invest, a.s.; CB Property Development, a.s.; Conradian, a.s.; CPI - Bor, a.s.; CPI - Horoměřice, a.s.; CPI - Krásné Březno, a.s.; CPI - Land Development, a.s.; CPI - Orlová, a.s.; CPI - Real Estate, a.s.; CPI - Štupartská, a.s.; CPI - Zbraslav, a.s.; CPI Alfa, a.s.; CPI Beet, a.s.; CPI Beta, a.s.; CPI City Center ÚL, a.s.; CPI Delta, a.s.; CPI Energo, a.s.; CPI Epsilon, a.s.; CPI Finance CEE, a.s.; CPI Flats, a.s.; CPI HOLDING, SE; CPI Hotels Properties, a.s.; CPI Jihlava Shopping, a.s.; CPI Lambda, a.s.; CPI Park Mlýnec, a.s.; CPI Park Žďárek, a.s.; CPI Reality, a.s.; CPI Residential, a.s.; CPI Retail Portfolio I, a.s.; CPI Retail Portfolio II, a.s.; CPI Retails ONE, a.s.; CPI Retails TWO, a.s.; CPI Shopping MB, a.s.; CPI Shopping Teplice, a.s.; Czech Property Development, a.s.; Czech Property Investments, a.s.; Čáslav Investments, a.s.; Českolipská zemědělská a.s.; Darilia, a.s.; Děčínská zemědělská a.s.; Farhan, a.s.; Farma Javorská, a.s.; Farma Krásný Les, a.s.; Farma Ploučnice a.s.; Farma Radeč, a.s.; Farma Valteřice, a.s.; Farmy Frýdlant a.s.; Felisa, a.s.; FL Property Development, a.s.; Garribba, a.s.; GRANDHOTEL ZLATÝ LEV a.s.; Hraničář, a.s.; IGY2 CB, a.s.; Janovická farma, a.s.; Jeseník Investments, a.s.; Jetřichovice Property, a.s.; JIHOVÝCHODNÍ MĚSTO, a.s.; Karviná Property Development, a.s.; Kerina, a.s.; Land Properties, a.s.; LD Praha, a.s.; Lockhart, a.s.; Lucemburská 46, a.s.; Malerba, a.s.; Marcano, a.s.; Marissa Gama, a.s.; Marissa Kappa, a.s.; Marissa Omikrón, a.s.; Marissa Tau, a.s.; Marissa Théta, a.s.; Marissa West, a.s.; Marissa Yellow, a.s.; Marissa Ypsilon, a.s.; Marissa, a.s.; Mařenická farma, a.s.; MB Property Development, a.s.; Mercuda, a.s.; MQM Czech, a.s.; Na Poříčí, a.s.; Novegro, a.s.; Nupaky a.s.; OC Nová Zdaboř a.s.; OFFICE CENTER HRADČANSKÁ, a.s.; Ogwell, a.s.; Olomouc City Center, a.s.; Olomouc Office, a.s.; Pastviny a.s.; Pelhřimov Property Development, a.s.; PG-Hazlov a.s.; Polygon BC, a.s.; PROJECT FIRST a.s.; Rivaroli, a.s.; Robberg, a.s.; Rosenfeld, a.s.; SG - Industry, a.s. - V konkursu; Spojené farmy a.s.; Statenice Property Development, a.s.; Strakonice Property Development, a.s.; STRM Alfa, a.s.; STRM Beta , a.s.; STRM Gama, a.s.; STRM Property, a.s.; Svitavy Property Alfa, a.s.; Tandis, a.s.; Telč Property Development, a.s.; TOTO CZ a.s.; Třinec Property Development, a.s.; Turf Holding, a.s.; Turf Praha a.s.; Tyršova 6, a.s.; Valdovská zemědělská, a.s.; Valkeřická ekologická, a.s.; Verneřický Angus a.s.; Vigano, a.s.; Vinice Property Development a.s., in liquidation; Vyškov Property Development, a.s.; Wanchai, a.s.; Ždírec Property Development, a.s.

Member of the board of directors:

Březiněves, a.s., Společenství vlastníků Na Výši 1013, Praha 5, Saleya, a.s., Sidoti, a.s., in liquidation,Vedant, a.s., Vila Anička, a.s., Pietroni, s.r.o., Cerrini, s.r.o., SV Fáze III, s.r.o., Arodance CZ, s.r.o.,MULTICREDIT GROUP a.s. "in liquidation".

As at 30 June 2018 Mr. Milan Trněný does not have any ownership interest in other entities.

The work address of the members of the Supervisory Board is Prague 1, Vladislavova 1390/17, 110 00.

Board of Directors of CPI

The Board of Directors is a statutory body that manages the activities of CPI and acts on its behalf. The Board of Directors decides on all matters of CPI, which are not assigned to the scope of authority of the General Meeting or the Supervisory Board by binding legal regulations or the Articles of Association of CPI.

The Board of Directors is particularly entitled:

- to perform management and business management and take care of operational matters of CPI;
- to exercise the employer's rights;
- to convene the General Meeting;
- to submit a report on business activities of CPI and its assets to the General Meeting within six months of the last day of the fiscal period;
- to submit proposals to amend and supplement the Articles of Association to the General Meeting;
- to submit the ordinary, extraordinary or consolidated financial statements to the General Meeting for approval;
- to submit a proposal for profit distribution or loss settlement to the General Meeting;
- to execute resolutions or decisions of the General Meeting;
- to ensure proper keeping of records, accounting books, business books and other company documents;
- to grant and revoke procuration;
- to decide on an increase in the share capital in the extent authorized by the General Meeting in accordance with § 511 of the Business Corporations Act.

The Board of Directors has a quorum if all members of the Board are present at the meeting. In order to adopt a decision in all matters discussed at a meeting of the Board of Directors, it is necessary that all members of the Board of Directors vote for it. If all members of the Board of Directors agree, the Board may vote in writing or using communication technology even outside the meeting. The voters are then considered as present. A report is made on the result of the vote at the next meeting of the Board of Directors.

The composition, appointment and terms of the Board of Directors, convening meetings of the Board of Directors, meetings of the Board of Directors, duties of members of the Board of Directors and share in profit and remuneration of members of the Board of Directors are governed by the Articles of Association of CPI.

Members of the Board of Directors of CPI as at 30 June 2018:

Zdeněk Havelka, Chairman of the Board of Directors since 13 November 2014;

Martin Němeček, member of the Board of Directors since 29 April 2016.

As at 30 June 2018 Zdeněk Havelka acts as **a member of the board of directors** of the following entities which are significant from the perspective of the Company:

Agro 2014 s.r.o.; Agrome s.r.o.; Angusland s.r.o.; Austenit, a.s.; Balvinder, a.s.; Baudry Beta, a.s.; Baudry, a.s.; BAYTON Alfa, a.s.; BAYTON Gama, a.s.; BAYTON ONE, s.r.o.; Benjina, a.s.; Beroun Property Development, a.s.; Best Properties South, a.s.; Biohovězí s.r.o.; Biochov s.r.o.; Biopark s.r.o.; Biopotraviny s.r.o.; BPT Development, a.s.; Brandýs Logistic, a.s.; Brno Property Development, a.s.; Bubenská 1, a.s.; Bubny Development, s.r.o.; Byty Lehovec, s.r.o.; BYTY PODKOVA, a.s.; Camuzzi, a.s.; Carpenter Invest, a.s.; CB Property Development, a.s.; CD Property s.r.o.; Conradian, a.s.; CPI - Bor, a.s.; CPI - Horoměřice, a.s.; CPI - Krásné Březno, a.s.; CPI - Land Development, a.s.; CPI - Orlová, a.s.; CPI - Real Estate, a.s.; CPI - Štupartská, a.s.; CPI - Zbraslav, a.s.; CPI Alfa, a.s.; CPI Beet, a.s.; CPI Beta, a.s.; CPI Blatiny, s.r.o.; CPI BYTY, a.s.; CPI City Center ÚL, a.s.; CPI Delta, a.s.; CPI East,s.r.o.; CPI Energo, a.s.; CPI Epsilon, a.s.; CPI Finance CEE, a.s.; CPI Flats, a.s.; CPI Group, a.s.; CPI HOLDING, SECPI Hotels Properties, a.s.; CPI Jihlava Shopping, a.s.; CPI Kappa, s.r.o.; CPI Lambda, a.s.; CPI Management, s.r.o.; CPI Meteor Centre, s.r.o.; CPI Národní, s.r.o.; CPI North, s.r.o.; CPI Office Prague, s.r.o.; CPI Palmovka Office, s.r.o.; CPI Park Mlýnec, a.s.; CPI Park Žďárek, a.s.; CPI Property a Facility, s.r.o.; CPI Reality, a.s.; CPI Residential, a.s.; CPI Retail MB s.r.o.; CPI Retail Portfolio I, a.s.; CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o.; CPI Retail Portfolio VII, s.r.o.; CPI Retail Portfolio

VIII s.r.o.; CPI Retails ONE, a.s.; CPI Retails TWO, a.s.; CPI Services, a.s.; CPI Shopping MB, a.s.; CPI Shopping Teplice, a.s.; CPI South, s.r.o.; CPI West, s.r.o.; Czech Property Development, a.s.; Czech Property Investments, a.s.; Čáslav Investments, a.s.; Českolipská farma s.r.o.; Českolipská zemědělská a.s.; Darilia, a.s.; Děčínská zemědělská a.s.; Development Doupovská, s.r.o.; Dienzenhoferovy sady 5, s.r.o.; Ekofarma Lipná, s.r.o.; Ekofarma Opatov, s.r.o.; Ekofarma Postřelná, s.r.o.; EMH South, s.r.o.; Estate Grand, s.r.o.; Farhan, a.s.; Farma Javorská, a.s.; Farma Krásný Les, a.s.; Farma Liščí, s.r.o.; Farma Ploučnice a.s.; Farma Poustevna, s.r.o.; Farma Radeč, a.s.; Farma Svitavka s.r.o.; Farma Třebeň, s.r.o.; Farma Valteřice, a.s.; Farma zelená sedma, s.r.o.; Farmy Frýdlant a.s.; Felisa, a.s.; FL Property Development, a.s.; Garribba, a.s.; HD Investment s.r.o.; HOTEL U PARKU, s.r.o.; Hraničář, a.s.; IGY2 CB, a.s.; Industrial Park Stříbro, s.r.o.; ITL Alfa, s.r.o.; JAGRA spol. s r.o.; Janáčkovo nábřeží 15, s.r.o.; Janovická farma, a.s.; Jeseník Investments, a.s.; Jetřichovice Property, a.s.; JIHOVÝCHODNÍ MĚSTO, a.s.; Jizerská farma, s.r.o.; Karviná Property Development, a.s.; Kerina, a.s.; KOENIG Shopping, s.r.o.; Land Properties, a.s.; LD Praha, a.s.; Limagro s.r.o.; Lockhart, a.s.; Lucemburská 46, a.s.; Malerba, a.s.; Marcano, a.s.; Marissa Gama, a.s.; Marissa Kappa, a.s.; Marissa Omikrón, a.s.; Marissa Tau, a.s.; Marissa Théta, a.s.; Marissa West, a.s.; Marissa Yellow, a.s.; Marissa Ypsilon, a.s.; Marissa, a.s.; Mařenická farma, a.s.; MB Futurum HK s.r.o.; MB Property Development, a.s.; Mercuda, a.s.; MQM Czech, a.s.; MULTICREDIT GROUP a.s. "in liquidation"; MUXUM, a.s.; Na Poříčí, a.s.; Naturland s.r.o.; NOVÁ ZBROJOVKA, s.r.o.; Nupaky a.s.; Nymburk Property Development, a.s.; OC Nová Zdaboř a.s.; OC Spektrum, s.r.o.; OFFICE CENTER HRADČANSKÁ, a.s.; Ogwell, a.s.; Olomouc City Center, a.s.; Olomouc Office, a.s.; Outlet Arena Moravia, s.r.o.; Pastviny a.s.; Pelhřimov Property Development, a.s.; PG-Hazlov a.s.; Platnéřská 10 s.r.o.; Polygon BC, a.s.; PROJECT FIRST a.s.; Projekt Nisa, s.r.o.; Projekt Zlatý Anděl, s.r.o.; Příbor Property Development, s. r.o.PV - Cvikov s.r.o.; Residence Belgická, s.r.o.; Rezidence Jančova, s.r.o.; Rezidence Malkovského, s.r.o.; Rezidence Pragovka, s.r.o.; Rivaroli, a.s.; RL - Management s.r.o.; Robberg, a.s.; Rolnická Skalná s.r.o.; Rosenfeld, a.s.; Spojené farmy a.s.; Společenství vlastníků pro dům U Stadionu 21; SPO-ZEM Nový Kostel s.r.o.; Statek Blatiny, s.r.o.; Statek Mikulášovice, s.r.o.; Statek Petrovice, s.r.o.; Statenice Property Development, a.s.; Strakonice Property Development, a.s.; STRM Alfa, a.s.; STRM Beta , a.s.; STRM Gama, a.s.; STRM Property, a.s.; Svitavy Property Alfa, a.s.; Svitavy Property Development, a.s.; Šenovská zemědělská, s.r.o.; Tandis, a.s.; Telč Property Development, a.s.; Tepelné hospodářství Litvínov s.r.o.; TMM s.r.o.; TOTO CZ a.s.; Třinec Investments, s.r.o.; Třinec Property Development, a.s.; Turf Holding, a.s.; Turf Praha a.s.; Tyršova 6, a.s.; U svatého Michala, a.s.; Valdovská zemědělská, a.s.; Valkeřická ekologická, a.s.; Vedant, a.s.; Verneřický Angus a.s.; Vigano, a.s.; Vinice Property Development a.s., in liquidation; Vyškov Property Development, a.s.; Wanchai, a.s.; Zákupská farma, s.r.o.; Zelená farma s.r.o.; Zelená louka s.r.o.; Zelená pastva s.r.o.; ZEMSPOL s.r.o.; Ždírec Property Development, a.s.;

Member of the Supervisory board:

Saleya, a.s., Sidoti, a.s., Vila Anička, a.s.

As at 30 June 2018 Zdeněk Havelka does not have any ownership interest in other entities.

As at 30 June 2018 Martin Němeček acts as **a member of the board of directors** of the following entities which are significant from the perspective of the Company:

Agro 2014 s.r.o.; Agrome s.r.o.; Angusland s.r.o.; Austenit, a.s.; Balvinder, a.s.; Baudry Beta, a.s.; Baudry, a.s.; BAYTON Alfa, a.s.; BAYTON Gama, a.s.; BAYTON ONE, s.r.o.; Benjina, a.s.; Beroun Property Development, a.s.; Best Properties South, a.s.; Biohovězí s.r.o.; Biochov s.r.o.; Biopark s.r.o.; Biopotraviny s.r.o.; BPT Development, a.s.; Brandýs Logistic, a.s.; Brno Property Development, a.s.; Březiněves, a.s.; Bubenská 1, a.s.; Bubny Development, s.r.o.; Byty Lehovec, s.r.o.; BYTY PODKOVA, a.s.; Camuzzi, a.s.; Carpenter Invest, a.s.; CB Property Development, a.s.; CD Property s.r.o.; Conradian, a.s.; CPI - Bor, a.s.; CPI - Horoměřice, a.s.; CPI - Krásné Březno, a.s.; CPI - Land Development, a.s.; CPI - Orlová, a.s.; CPI - Real Estate, a.s.; CPI - Štupartská, a.s.; CPI - Zbraslav, a.s.; CPI Alfa, a.s.; CPI Beet, a.s.; CPI Beta, a.s.; CPI Blatiny, s.r.o.; CPI BYTY, a.s.; CPI City Center ÚL, a.s.; CPI Delta, a.s.; CPI East,s.r.o.; CPI Energo, a.s.; CPI Epsilon, a.s.; CPI Finance CEE, a.s.; CPI Flats, a.s.; CPI Group, a.s.; CPI Hotels Properties, a.s.; CPI Jihlava Shopping, a.s.; CPI Kappa, s.r.o.; CPI Lambda, a.s.; CPI Management, s.r.o.; CPI Meteor Centre, s.r.o.; CPI Národní, s.r.o.; CPI North, s.r.o.; CPI Office Prague, s.r.o.; CPI Palmovka Office, s.r.o.;

CPI Park Mlýnec, a.s.; CPI Park Žďárek, a.s.; CPI Property a Facility, s.r.o.; CPI Reality, a.s.; CPI Residential, a.s.; CPI Retail MB s.r.o.; CPI Retail Portfolio I, a.s.; CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o.; CPI Retail Portfolio VII, s.r.o.; CPI Retail Portfolio VIII s.r.o.; CPI Retails ONE, a.s.; CPI Retails TWO, a.s.; CPI Services, a.s.; CPI Shopping MB, a.s.; CPI Shopping Teplice, a.s.; CPI South, s.r.o.; CPI West, s.r.o.; Czech Property Development, a.s.; Czech Property Investments, a.s.; Čáslav Investments, a.s.; Českolipská farma s.r.o.; Českolipská zemědělská a.s.; Darilia, a.s.; Děčínská zemědělská a.s.; Development Doupovská, s.r.o.; Dienzenhoferovy sady 5, s.r.o.; Ekofarma Lipná, s.r.o.; Ekofarma Opatov, s.r.o.; Ekofarma Postřelná, s.r.o.; EMH South, s.r.o.; Estate Grand, s.r.o.; Farhan, a.s.; Farma Javorská, a.s.; Farma Krásný Les, a.s.; Farma Liščí, s.r.o.; Farma Ploučnice a.s.; Farma Poustevna, s.r.o.; Farma Radeč, a.s.; Farma Svitavka s.r.o.; Farma Třebeň, s.r.o.; Farma Valteřice, a.s.; Farma zelená sedma, s.r.o.; Farmy Frýdlant a.s.; Felisa, a.s.; FL Property Development, a.s.; Garribba, a.s.; HD Investment s.r.o.; HOTEL U PARKU, s.r.o.; Hraničář, a.s.; IGY2 CB, a.s.; Industrial Park Stříbro, s.r.o.; ITL Alfa, s.r.o.; JAGRA spol. s r.o.; Janáčkovo nábřeží 15, s.r.o.; Janovická farma, a.s.; Jeseník Investments, a.s.; Jetřichovice Property, a.s.; JIHOVÝCHODNÍ MĚSTO, a.s.; Jizerská farma, s.r.o.; Karviná Property Development, a.s.; Kerina, a.s.; KOENIG Shopping, s.r.o.; Land Properties, a.s.; LD Praha, a.s.; Limagro s.r.o.; Lockhart, a.s.; Lucemburská 46, a.s.; Malerba, a.s.; Marcano, a.s.; Marissa Gama, a.s.; Marissa Kappa, a.s.; Marissa Omikrón, a.s.; Marissa Tau, a.s.; Marissa Théta, a.s.; Marissa West, a.s.; Marissa Yellow, a.s.; Marissa Ypsilon, a.s.; Marissa, a.s.; Mařenická farma, a.s.; MB Futurum HK s.r.o.; MB Property Development, a.s.; MQM Czech, a.s.; MUXUM, a.s.; Na Poříčí, a.s.; Naturland s.r.o.; NOVÁ ZBROJOVKA, s.r.o.; Nupaky a.s.; Nymburk Property Development, a.s.; OC Nová Zdaboř a.s.; OC Spektrum, s.r.o.; OFFICE CENTER HRADČANSKÁ, a.s.; Ogwell, a.s.; Olomouc City Center, a.s.; Olomouc Office, a.s.; Outlet Arena Moravia, s.r.o.; Pastviny a.s.; Pelhřimov Property Development, a.s.; PG-Hazlov a.s.; Polygon BC, a.s.; Prague Equestrian Centre, z. s.; PROJECT FIRST a.s.; Projekt Nisa, s.r.o.; Projekt Zlatý Anděl, s.r.o.; Příbor Property Development, s. r.o.; PV - Cvikov s.r.o.; Residence Belgická, s.r.o.; Rezidence Jančova, s.r.o.; Rezidence Malkovského, s.r.o.; Rezidence Pragovka, s.r.o.; RL - Management s.r.o.; Robberg, a.s.; Rolnická Skalná s.r.o.; Rosenfeld, a.s.; Spojené farmy a.s.; SPO-ZEM Nový Kostel s.r.o.; Statek Blatiny, s.r.o.; Statek Mikulášovice, s.r.o.; Statek Petrovice, s.r.o.; Statenice Property Development, a.s.; Strakonice Property Development, a.s.; STRM Alfa, a.s.; STRM Beta , a.s.; STRM Gama, a.s.; STRM Property, a.s.; Svitavy Property Alfa, a.s.; Svitavy Property Development, a.s.; Šenovská zemědělská, s.r.o.; Tandis, a.s.; Telč Property Development, a.s.; Tepelné hospodářství Litvínov s.r.o.; TMM s.r.o.; TOTO CZ a.s.; Třinec Investments, s.r.o.; Třinec Property Development, a.s.; Turf Holding, a.s.; Turf Praha a.s.; Tyršova 6, a.s.; U svatého Michala, a.s.; Valdovská zemědělská, a.s.; Valkeřická ekologická, a.s.; Verneřický Angus a.s.; Vigano, a.s.; Vyškov Property Development, a.s.; Wanchai, a.s.; Zákupská farma, s.r.o.; Zelená farma s.r.o.; Zelená louka s.r.o.; Zelená pastva s.r.o.; ZEMSPOL s.r.o.; Ždírec Property Development, a.s.

Member of the Supervisory board:

Beta Development, a.s.

As at 30 June 2018 Martin Němeček does not have any ownership interest in other entities.

Audit Committee

The Audit Committee is a supervisory body that monitors in particular the effectiveness of internal control, the risk management system, and monitors the preparation of the financial statements. It further assesses the independence of the statutory auditor and audit firm and the provision of non-audit services to the Company.

Members of the Audit Committee of CPI as at 30 June 2018:

Jiří Medřický - chairman of the Audit Committee, independent

Iveta Krašovicová - member of the Audit Committee, independent

Zdeněk Havelka - member of the Audit Committee

A description of the diversity policy applied to the managing authorities

Given that there is no binding diversity regime in the Czech Republic that the Company must adhere to, the Company does not commit itself to complying with any specific diversity policy at the date of the Half-year Report 2018.

Irrespective of age, gender or other characteristics, the Company focuses on the pursuit and appointment of the most suitable candidates to the Company's governing bodies (Board of Directors, Supervisory Board or Audit Committee), taking into account their knowledge, experience and qualifications for the performance of a member of the relevant managing authority. The Company also assesses the knowledge of candidates in the Company's business and the nature of the activities of the competent authority.

All persons eligible for office in the Company's administrative bodies are selected in a non-discriminatory manner.

Management of the Group

The management of the CPI Property Group is responsible for managing the organizational units of the Group. The organizational structure is based on specializations by business function.

The members of the management as at 30 June 2018 are:

Martin Němeček

Chief Executive Officer

Martin Němeček was appointed CEO of CPI Property Group in March 2014. Martin is responsible for the Group's corporate strategy, business development and legal matters. He led the integration of CPI and GSG into CPIPG in 2014, managed the foreign expansion of the group and has completed acquisitions with a total value exceeding €2.5 billion. Martin has 17 years of real estate experience with a 10-year legal background for Linklaters and Dentons law firms.

Zdeněk Havelka

Executive Director

Zdeněk Havelka was appointed Executive Director of CPI Property Group in June 2014. Zdeněk is responsible for the Group's property management, operational risk management, communications and information technology. Zdeněk has 15 years of real estate experience in CPIPG, working as Chief Financial Officer as well as Chief Executive Officer.

Tomáš Salajka

Director of Acquisitions, Asset Management & Sales

Tomáš Salajka was appointed Director of Acquisitions, Asset Management & Sales of CPI Property Group, in June 2014. Tomáš is responsible for asset management of the Group's portfolio, including all the transactions and platforms in Germany, Poland and Hungary. Tomáš has 17 years of real estate experience, with 4 years at CPIPG, previously working for GE Real Estate CEE/Germany and ČSOB for 10 years.

David Greenbaum

Chief Financial Officer

David Greenbaum was appointed CFO of CPI Property Group in February 2018. David is responsible for the Group's capital structure, external financing, corporate finance and other strategic matters. David joined CPIPG after 15 years at Deutsche Bank, where he was most recently co-head of debt capital markets for the CEEMEA region.

Pavel Měchura

Group Finance Director

Pavel Měchura was appointed Group Finance Director of CPI Property Group in February 2018. Pavel is responsible for the Group's accounting and reporting, consolidation, valuations, and strategic planning. Pavel has 11 years of real estate experience, 8 years at CPIPG and 6 years with KPMG.

Jan Kratina

Director of CPI Hotels

Jan Kratina has served for more than 12 years as Chief Executive Officer and 9 years as Chairman of the Board of CPI Hotels. He is responsible for strategic development of the Group's hotel portfolio including key projects such as entering into Slovakia, Poland, Hungary, Russia and Croatia in 2014. Jan has over 20 years of experience in hospitality.

Internal Control System and Risk Report

The internal accounting guidelines of the Group, which define procedures, responsible persons and dates for individual tasks, form an integral part of the internal control system. The internal policies applied by the Group include mainly signing and accountability rules, the circulation of accounting records, a chart of accounts, an internal guideline on tangible and intangible fixed assets, inventory policies, rules for recognizing expenses and revenues, stocktaking guidelines, rules for recognizing adjustments and the establishment and release of provisions, rules for the preparation of financial statements, and other internal guidelines.

Continuous controls are carried out within the Group, focusing on links between accounts relating to fixed assets, inventories, short-term investments and settlements. The control process is regularly reviewed and if any deficiencies are identified, immediate steps are taken to correct them and prevent them in the future. Quarterly financial statements are presented to the Management of the Group.

The internal control system of the Group consists of both internal regulations containing control mechanisms and active work of the Supervisory Board, as well as an external audit, which is conducted at the year end. Results of external audits are presented to the Board of Directors and the Supervisory Board of the Group, which charges the Management of the Group with drawing conclusions and taking follow-up steps.

As at 30 June 2018, the Group was exposed to the following risks arising from financial assets and financial liabilities:

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Liquidity risk

Liquidity risk refers to the possibility of the Group being unable to meet its cash obligations mainly in relation to the settlement of amounts due to bondholders, bank loans and suppliers. This particularly refers to a risk arising from the Group's loan agreements, according to which the creditor is entitled to require immediate settlement of the loan in the case of a breach of contractual conditions.

The Group monitors its risk of shortage of funds using different liquidity planning tools. These tools comprise e.g. the following activities:

- maintaining a sufficient balance of liquid funds;
- flexible utilization of bank loan, overdrafts and facilities;
- projection of future cash flows from operating activities.

Market Risk

Market risk includes the possibility of negative changes in value of assets of the Group due to unexpected changes in the underlying market parameters, such as exchange rates or interest rates.

Currency risk

The Group is exposed to a currency risk mainly connected with the sale, purchase and financing activities denominated in Euro currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk relates primarily to long-term debt financing of the Group, for which a floating interest rate is contracted in a substantial extent. Long-term debt financing include bank loans, issued bonds and leasing obligations.

As at 30 June 2018, the Group was exposed to the following risks arising from its business activities:

The risk of competition

The Group operates in a real estate market and should be responsive to changing market situation and changing behaviour of competition and customers.

The risk of losing key people

The risk of losing key people is the risk that the Group will not able to retain and motivate persons who are crucial for the ability of the Group to create and implement key strategies of the Group. Key persons include members of the the Group’s management.

The risk of information leakage

The Group employs persons having access to the business strategic information, such as planned development project, new marketing strategies and overall strategy of the Group. Leakage of such sensitive information may jeopardize the operation of the entire the Group and consequently its current market position can be lost which could ultimately lead to a deterioration of the Group’s financial results.

The dependence of the Group on rental properties

Due to the fact that the Group engages in the lease of real estate, its financial results depend on the existence of tenants who are willing and able to lease and operate real estate owned by the Group. If there was a substantial loss of tenants, this fact could adversely affect the economic and financial situation of the Group.

The risk of early termination of lease by current or future tenants

The risk of early termination of lease by the current or future tenants is the risk that in the event of an early termination of the lease the Group (as the lessor) will not be immediately able to find another tenant willing to enter into a lease agreement under comparable conditions. Significant part of current lease agreements represents long-term leases of commercial properties (retail shopping centres, office buildings and logistics centres) and therefore an early termination of lease by a major tenant could have a significant impact on the Group economic performance.

The risk associated with market rent development

The Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments, commercial or industrial properties substantially exceeds the demand for rental of these properties. Any reduction in market rents could have a negative impact on the Group.

A significant part of the Group’s business Czechia is rental housing. Gradual rent liberalization under the Act on unilateral rent increases has had a positive impact on the financial performance of the Group. Deregulation of rent in Czechia finished as of 31 December 2012, and thereafter rent for all apartments should be determined solely based on market conditions. Market rent, as opposed to regulated rent, reflects the relationship of supply and effective demand on the local housing market. The Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments substantially exceeds the demand for rental housing (for example, as a result of economic recovery, the income of individuals increases and mortgage loans again become more readily available, which will in turn boost interest in becoming a homeowner). Any reduction in market rents could have a negative impact on the Group. Although new market rent has been negotiated with tenants well in advance, the the Group could not avoid potential legal proceedings from those tenants who have not agree with the rental increase.

The dependence of the Group on the degree of indebtedness of its target tenant groups

To a certain extent, the Group is dependent on the solvency of its target tenant groups, yet it is unable to influence tenants’ payment behaviour. The total increase in the indebtedness of households may lead to failure to pay the agreed rent, which could negatively affect the cash flow of the Group while increasing the cost of litigation and debt recovery.

Changes in lifestyle and living standards may adversely affect interest in rental housing

Future changes in tenants' preferences, housing trends and higher living standards of the population in a certain location may lead to a significant reduction in interest in rental housing. The increased preference to own housing rather than renting the apartment may ultimately mean a significant loss of rental housing tenants.

The risk associated with low liquidity of real estate

The risk of investing in real estate is linked to their low liquidity. Unlike financial assets, the sale of real estate is a complex and long-term transaction which may adversely affect the profitability of investments in real estate.

The risk of insolvency proceedings

The commencement of insolvency proceedings against a debtor generally entails certain legal effects (in particular, restrictions on the debtor's ability to dispose of their property), which occur regardless of whether or not the insolvency petition is substantiated. Generally, we cannot rule out that, in the event of an unsubstantiated petition for the commencement of insolvency proceedings against CPI, CPI would be limited, for an indefinite time, in the disposal of its property, which could adversely affect the financial situation of the entire Group.

Risks associated with the property insurance

The Group has entered into property insurance of its major assets. However, the Group cannot guarantee that the potential costs connected with natural hazards or other unexpected events will not have a negative impact on its assets and the economic and financial situation, due to loss of cash flow generating assets.

Risks associated with development projects

These risks include risk related to the construction of new projects and risk related to the location of new development projects.

Risk related to the construction of new projects

Construction of the real estate is a quite long process during which the Group might misestimate the market demand in the related segment or overestimate future value of developed real estate, which might impact overall profitability of the project.

Risk related to the location of new development projects

As the value of the real estate depends also on its location, improper location of new development project might have an impact on the future ability of the Group to sale or rent finished real estate.

Corporate Governance Code

CPI and the Group have not adopted any binding code of corporate governance. CPI complies with all provisions of the Business Corporations Act concerning the rights of shareholders – particularly to their right to influence CPI in matters such as the election of members of the Board of Directors and changes to the Articles of Association. CPI duly convenes general meetings and ensures equal treatment of all shareholders. In carrying out its statutory duties, CPI regularly reports on its financial situation, performance, ownership and management.

Above and beyond its statutory duties, CPI and the Group regularly report on all significant matters affecting their business.

The reason, why the Group has not created or adopted any Code is mainly the fact that the shares issued by CPI are not publicly traded, as well as the existing straightforward shareholding structure consisting of a sole shareholder.

PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT 2018

Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated half-year report 2018 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for six months period ended 30 June 2018, and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group. No facts have been omitted that could change the meaning of this report.

Prague, 26 September 2018

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

GLOSSARY

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 Company and assist in discussion with outside parties.
- APMs in some cases might better reflect key trends in the Company'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.

Average occupancy

The average occupancy is caculated by dividing sold rooms by available rooms. This measure is a standard performance measure in a hotel business. The Company would like to stress out that the hotel business is operated by the Group whereas the other segment of the Group's business is mainly based on rental activities of particular assets (and at which EPRA vacancy rate is presented).

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 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 vacancy rate

The EPRA vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces). The rationale for using the EPRA vacancy rate is that it can be clearly defined, should be widely used by all participants in the direct real estate market and comparable from one company to the next.

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).

Equity ratio

Equity Ratio provides a general assessment of financial risk undertaken. It is calculated as Total Equity divided by Total Assets.

Gross Return

Gross Return is a proportion of annual/annualized rental income and the market value of the underlying asset. The low gross return could for example indicate inappropriately fixed price of rent or valuation of asset which it's not in line with the current market situation; This indicator could not be used separate, it have to be always use in conjunction with other contexts and relevant facts.

Loan-to-Value

Loan-to-Value provides a general assessment of financing risk undertaken. It is calculated as Net Debt divided by total value of Property Portfolio. Net debt is defined as all non-current and current interest bearing liabilities (bonds and financial debts) decreased by balance of 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.

FINANCIAL STATEMENTS

Condensed consolidated interim financial statements as at 30 June 2018

Czech Property Investments, a.s.

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

(UNAUDITED)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

	Note	6 month period ended 30 June 2018	30 June 2017
Gross rental income	6.1	2,943,993	2,470,148
Service revenue	6.1	154,347	345,819
Net service charge income	6.2	77,651	10,412
Property operating expenses	6.3	(524,317)	(498,279)
Net rental income		**2,651,674**	**2,328,100**
Development sales	6.4	201,782	45,587
Cost of goods sold	6.4	(187,447)	(40,070)
Development operating expenses	6.4	(18,836)	--
Net development income		**(4,503)**	**5,517**
Hotel revenue	6.5	1,058,263	1,061,261
Cost of goods sold	6.5	(2,802)	(2,749)
Hotel operating expenses	6.5	(739,814)	(726,067)
Net hotel income		**315,647**	**332,445**
Total revenues		4,436,036	3,933,227
Total direct business operating expenses		(1,473,218)	(1,267,165)
Net business income		**2,962,818**	**2,666,062**
Net valuation gain	6.6	1,598,480	4,134,256
Net loss on the disposal of investment property	6.7	(8,990)	(5,081)
Net loss on disposal of subsidiaries and investees		(2,143)	(64,066)
Amortization, depreciation and impairments	6.8	(213,911)	(240,802)
Other operating income	6.9	13,109	140,928
Administrative expenses	6.10	(466,558)	(635,959)
Other operating expenses	6.11	(51,637)	(56,741)
Operating result		**3,831,168**	**5,938,595**
Interest income	6.12	165,583	536,686
Interest expense	6.13	(1,073,411)	(1,502,996)
Other net financial result	6.14	331,969	(489,465)
Net finance costs		**(575,859)**	**(1,455,775)**
Share of loss of equity-accounted investees (net of tax)		(9,231)	--
Profit before income tax		**3,246,078**	**4,482,820**
Income tax expense	6.15	(464,189)	(672,423)
Net profit from continuing operations		**2,781,889**	**3,810,397**
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		(56,634)	(175,308)
Effective portion of changes in fair value of cash flow hedges		(274,820)	374,771
Income tax on other comprehensive expense		52,151	(66,977)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		174,647	(128,627)
Income tax on other comprehensive expense		(28,699)	22,549
Revaluation of CPI PG shares		160,625	--
Other comprehensive income for the period, net of tax		**27,270**	**26,408**
Total comprehensive income for the period		**2,809,159**	**3,836,805**
Profit attributable to:			
Non-controlling interests		**15,826**	**63**
Owners of the Company		**2,766,063**	**3,810,334**
Profit for the period		**2,781,889**	**3,810,397**
Total comprehensive income attributable to:			
Non-controlling interests		**15,826**	**63**
Owners of the Company		**2,793,333**	**3,836,742**
Total comprehensive income for the period		**2,809,159**	**3,836,805**
Earnings per share	7.14		
Basic earnings in CZK per share		**357.66**	**492.69**
Diluted earnings in CZK per share		**357.66**	**492.69**

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 and goodwill	7.1	1,535,224	1,535,226
Investment property	7.2	109,925,376	101,167,981
Property, plant and equipment	7.3	11,515,713	11,315,844
Hotels		*11,168,033*	*10,979,778*
Other property, plant and equipment		*347,680*	*336,066*
Biological Assets		506	567
Equity-accounted investees	7.5	109,414	116,743
Other investments	7.4	2,900,528	2,686,360
Derivative instruments		107,966	118,188
Loans provided	7.6	5,226,289	2,373,476
Trade and other receivables	7.7	86,148	104,501
Deferred tax asset	7.8	3,384,293	3,334,651
Total non-current assets		**134,791,457**	**122,753,537**
CURRENT ASSETS			
Inventories	7.9	1,730,727	1,735,583
Biological Assets		6	6
Current income tax receivables		146,812	97,024
Trade receivables	7.7	1,514,430	1,765,263
Derivative instruments		3,006	--
Loans provided	7.6	2,032,971	2,081,327
Cash and cash equivalents	7.10	11,245,506	4,688,112
Other financial current assets	7.11	1,570,260	941,061
Other non-financial current assets	7.12	850,493	774,473
Assets held for sale	7.13	1,648,951	2,876,961
Total current assets		**20,743,162**	**14,959,810**
TOTAL ASSETS		**155,534,619**	**137,713,347**
EQUITY			
Equity attributable to owners of the Company	7.14	59,831,100	57,042,272
Non-controlling interests		4,808,907	2,001,837
Total equity		**64,640,007**	**59,044,109**
NON-CURRENT LIABILITIES			
Bonds issued	7.15	10,456,003	10,742,564
Financial debts	7.16	50,496,794	43,112,180
Derivative instruments		123,717	66,449
Deferred tax liabilities		8,775,372	8,371,191
Provision		40,500	39,806
Other non-current liabilities	7.17	666,927	582,245
Total non-current liabilities		**70,559,313**	**62,914,435**
CURRENT LIABILITIES			
Bonds issued	7.15	3,429,866	3,881,544
Financial debts	7.16	11,676,608	4,277,801
Trade payables	7.18	1,706,210	1,862,035
Advance payments	7.19	1,111,272	3,294,645
Derivative instruments		7,986	15,938
Other financial current liabilities	7.20	1,703,244	1,670,202
Other non-financial current liabilities	7.21	391,044	345,935
Liabilities linked to assets held for sale	7.13	309,069	406,703
Total current liabilities		**20,335,299**	**15,754,803**
TOTAL EQUITY AND LIABILITIES		**155,534,619**	**137,713,347**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Revaluation reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2018 (audited)		**6,186,997**	**652,364**	**(105,325)**	**143,480**	**368,987**	**1,746,718**	**17,772,495**	**30,276,556**	**57,042,272**	**2,001,837**	**59,044,109**
Effect of the change of the accounting method (IFRS 9)		--	--	--	--	--	--	--	(64,951)	(64,951)	--	(64,951)
Balance at 1 January 2018		**6,186,997**	**652,364**	**(105,325)**	**143,480**	**368,987**	**1,746,718**	**17,772,495**	**30,211,605**	**56,977,321**	**2,001,837**	**58,979,158**
Comprehensive income for the period												
Profit for the period		**--**	**--**	**--**	**--**	**--**	**--**	**--**	**2,766,063**	**2,766,063**	**15,826**	**2,781,889**
Foreign currency translation differences - foreign operations		--	--	(56,634)	--	--	--	--		(56,634)	--	(56,634)
Net changes in fair value of cash flow FX hedges		--	--	--	--	(216,185)	--	--	--	(216,185)	--	(216,185)
Income tax on other comprehensive expense		--	--	--	--	41,075	--	--	--	41,075	--	41,075
Net changes in fair value of cash flow IRS hedges		--	--	--	--	(58,635)	--	--	--	(58,635)	--	(58,635)
Income tax on other comprehensive expense		--	--	--	--	11,076	--	--	--	11,076	--	11,076
Revaluation of property, plant and equipment	7.3	--	--	--	--	--	174,647	--	--	174,647	--	174,647
Related deferred tax effect		--	--	--	--	--	(28,699)	--	--	(28,699)	--	(28,699)
Revaluation of CPI PG shares		--	--	--	--	--	160,625	--	--	160,625	--	160,625
Total other comprehensive income/(expense)		**--**	**--**	**(56,634)**	**--**	**(222,669)**	**306,573**	**--**	**--**	**27,270**	**--**	**27,270**
Total comprehensive income for the period		--	--	**(56,634)**	--	**(222,669)**	**306,573**	--	**2,766,063**	**2,793,333**	**15,826**	**2,809,159**
Owner´s contribution		--	--	--	--	--	--	60,447	--	60,447	--	60,447
Total contributions by and distributions to owners of the Company		**--**	**--**	**--**	**--**	**--**	**--**	**60,447**	**--**	**60,447**	**--**	**60,447**
Disposal of non-controlling interests under common control		--	--	--	--	--	--	--	--	--	2,791,244	2,791,244
Total changes in ownership interests in subsidiaries		**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	--	**2,791,244**	**2,791,244**
Total transactions with owners of the Company		**--**	**--**	**--**	**--**	**--**	**--**	**60,447**	**--**	**60,447**	**2,791,244**	**2,851,691**
30 June 2018		**6,186,997**	**652,364**	**(161,959)**	**143,480**	**146,318**	**2,053,290**	**17,832,942**	**32,977,668**	**59,831,100**	**4,808,907**	**64,640,007**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Revaluation reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2017		**6,186,997**	**652,364**	**167,079**	**143,682**	**(473,139)**	**527,797**	**11,622,575**	**19,699,102**	**38,526,457**	**66,921**	**38,593,378**
Comprehensive income for the period												
Profit for the period		**--**	**--**	**--**	**--**	**--**	**--**	**--**	**3,810,334**	**3,810,334**	**63**	**3,810,397**
Foreign currency translation differences - foreign operations		--	--	(175,308)	--	--	--	--	--	(175,308)	--	(175,308)
Net changes in fair value of cash flow FX hedges		--	--	--	--	289,585	--	--	--	289,585	--	289,585
Income tax on other comprehensive expense		--	--	--	--	(52,065)	--	--	--	(52,065)	--	(52,065)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	85,187	--	--	--	85,187	--	85,187
Income tax on other comprehensive expense		--	--	--	--	(14,912)	--	--	--	(14,912)	--	(14,912)
Revaluation of property, plant and equipment	7.3	--	--	--	--	--	(128,627)	--	--	(128,627)	--	(128,627)
Related deferred tax effect		--	--	--	--	--	22,549	--	--	22,549	--	22,549
Total other comprehensive income/(expense)		**--**	**--**	**(175,308)**	**--**	**307,794**	**(106,078)**	**--**	**--**	**26,408**	**--**	**26,408**
Total comprehensive income for the period		**--**	**--**	**(175,308)**	**--**	**307,794**	**(106,078)**	**--**	**3,810,334**	**3,836,742**	**63**	**3,836,805**
Effect of the acquisitions of subsidiaries under common control		--	--	198,152	--	--	--	--	2,648,460	2,846,612	271,124	3,117,736
Total contributions by and distributions to owners of the Company		**--**	**--**	**198,152**	**--**	**--**	**--**	**--**	**2,648,460**	**2,846,612**	**271,124**	**3,117,736**
Disposal of subsidiaries		--	--	--	(201)	--	--	--	--	(201)	--	(201)
Total changes in ownership interests in subsidiaries		**--**	**--**	**--**	**(201)**	**--**	**--**	**--**	**--**	**(201)**	**--**	**(201)**
Total transactions with owners of the Company		**--**	**--**	**198,152**	**(201)**	**--**	**--**	**--**	**2,648,460**	**2,846,411**	**271,124**	**3,117,535**
30 June 2017		**6,186,997**	**652,364**	**189,923**	**143,481**	**(165,345)**	**421,719**	**11,622,575**	**26,157,896**	**45,209,610**	**338,108**	**45,547,718**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

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		**3,246,078**	**4,482,820**
Adjusted by:			
Net valuation gain	6.6	(1,598,480)	(4,134,256)
Loss on the disposal of investment property	6.7	8,990	5,081
Depreciation/amortisation of tangible and intangible assets	6.8	183,716	163,965
Impairment of assets	6.8	30,195	76,838
Loss on the disposal of subsidiaries and investees		2,143	64,066
Net finance costs	6.12, 6.13	955,481	1,019,246
Share of profit of equity accounted investees		9,231	--
Gain on bargain purchase		--	(78,118)
Exchange rate differences		(281,383)	547,354
Profit before changes in working capital and provisions		**2,555,971**	**2,146,997**
Decrease in inventories		4,763	9,849
Decrease in receivables		259,094	29,726
Increase/(Decrease) in liabilities		(124,445)	39,205
Changes in provisions		695	(17)
Income tax paid		(49,813)	(20,824)
NET CASH FROM OPERATING ACTIVITIES		**2,646,264**	**2,204,936**
Acquisition of subsidiaries, net of cash acquired	3.2	(3,837,909)	(3,537,871)
Expenditure on investment property under development		(44,585)	(201,386)
Proceeds from sale of investment property	6.7	104,280	18,821
Proceeds from sale of property, plant and equipment		1,493	--
Proceeds from disposals of subsidiaries, net of cash disposed		587,773	777,294
Acquisition/additions of investment property		(665,015)	(356,251)
Acquisition of property, plant and equipment		(146,802)	(68,025)
Acquisition of intangible assets		(24,880)	(4,447)
Loans provided	7.6	(4,615,081)	(10,713,007)
Loans repaid	7.6	80,072	171,120
Interest received		96,989	532,677
NET CASH USED IN INVESTING ACTIVITIES		**(8,463,666)**	**(13,381,075)**
Proceeds from bonds issued	7.15	--	953,862
Repayment of bonds issued	7.15	(715,120)	(800,000)
Interest paid		(921,247)	(1,036,633)
Drawdowns of loans and borrowings	7.16	17,022,699	14,033,727
Repayments of loans and borrowings	7.16	(2,976,979)	(2,818,550)
Drawdowns/(Repayments) of finance lease liabilities		2,980	(502)
NET CASH USED IN FINANCING ACTIVITIES		**12,412,332**	**10,331,904**
NET INCREASE/(DECREASE) IN CASH		**6,594,930**	**(844,235)**
Cash and cash equivalents at the beginning of the year		4,688,112	6,192,688
Effect of movements in exchange rates on cash held		(29,318)	460
Less: Cash and cash equivalents reclassified to asset held for sale		(8,218)	--
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**11,245,506**	**5,348,911**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company was established on 17 December 1991 and is registered in the Commercial Register kept by the Municipal Court in Prague. The registration number of the Company is 427 16 161.
The address of its registered office is Vladislavova 1390/17, Praha 1, 110 00.

Principal activities

Principal activities of the Group are described in note 4.

Description of ownership structure

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

CPI PROPERTY GROUP is a Luxembourg based *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment.

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

Management

Board of Directors

Board of Directors as at 30 June 2018
Chairman
Zdeněk Havelka, since 13 November 2014
Member
Martin Němeček, since 29 April 2016

Board of Directors as at 31 December 2017
Chairman
Zdeněk Havelka, since 13 November 2014
Member
Martin Němeček, since 29 April 2016

Supervisory Board

Supervisory Board as at 30 June 2018
Member
Milan Trněný, since 5 June 2014

Supervisory Board as at 31 December 2017
Members
Milan Trněný, since 5 June 2014

The management

The management team of the Company is comprised of the following members: Martin Němeček, CEO; Zdeněk Havelka, Executive Director; Tomáš Salajka, Acquisitions, Asset Management and Sales Director; David Greenbaum, CFO; Pavel Měchura, Group Finance Director; Pavel Semrád, Asset and Letting Director; Petr Beránek, Construction Director and Martin Matula, General Counsel.

Employees

The Group has 2,833 employees as at 30 June 2018 (at 31 December 2017 – 3,119 employees).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 June 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 Czech koruna 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 26 September 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.

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 2018 (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:

Gross rental income	
Revenue stream	**Conclusion**
The largest portion of revenue is generated from rental of Group's investment property. Currently all of the rental revenue is from operating leases. Rental revenue is recognized as revenue on a straight-line basis over the term of the operating lease. 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 treaded according to IAS 17/ IFRS 16.

Service revenue	
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**
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 reinvoicing 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 reinvoiced 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.	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.

Development sales	
Revenue stream	**Conclusion**
Apart from the main activity (rent and related services) the Group also undertakes real estate development projects. In past years such projects included luxury apartments in Nice, France or residential homes in Březiněves, Czech Republic. 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.	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.

Hotel revenue	
Revenue stream	**Conclusion**
The Group provides **accommodation services**. Commonly, hotel guests pay advances for the reservations. Such payments are booked as liabilities and recognized as revenue together with the remaining balance over the time when the service is provided. Room rentals are an example of services which are consumed as the services are performed and therefore the revenue shall be recognized over time (IFRS 15.35a).	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.
The Group and **travel agencies** agree a set room rate to which the travel agencies add their margin. The Group collects only the set price (without the travel agency margin) and records this amount as revenue. If certain sales volumes are reached, the travel agencies are entitles to a retrospective volume discount (approximately 2-6%). This bonus is calculated and invoiced as credit note annually and the amount is recorded as an expense.	The Group should determine the transaction price with respect to the retrospective discount. The discount should not be booked as expense, but as reduction of revenue recognized and liability for the discount amount should be created. However, the Group analyzed, that the volume of discount granted to travel agencies in 2016 and 2017 were around CZK 3 million (i.e. according to IFRS, the hotel revenue for 2016 and 2017 should have been lower by this amount, as well as the expense). Considering the hotel revenue of the Group for 2017 amounted to CZK 1,061.3 million, such amount was considered to be immaterial, and therefore no adjustment has been made to the opening statement of equity.
When the booking is done through a **reservation portal** (e.g. booking.com), the portals charge the Group a commission (e.g. 15% of the room rate). The commission fee is recognized as an expense. The commission fee may with its character represent so called cost of obtaining a contract. The new standard includes specific guidance on when these costs should be capitalized. However, if the expected period of amortization for the incremental costs of obtaining contract is a year or less, capitalization is not required and the costs are accounted for as an expense. Since the commission applies on one certain stay in the hotel which is not expected to be longer than one year, this practical expedient applies.	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.

Customer loyalty programs:

1) Choice Privileges: The Group participate in a bonus point program called "Choice Privileges", which is offered by Choice Privileges hotels around the world, thus not only the Group. This program applies only within the Clarion hotels. Customer earns points for booking a hotel stay (10 points per dollar for up to four rooms per night) or a meeting room (4 points per dollar spent). The customer is eligible to exchange the points for different services, such as travel rewards, dining rewards, airline miles as well as free nights at the Choice Privileges hotels. The points expire after 2 years if a program member is inactive. Customers participating in this program can spend their points on free nights at Clarion hotels (or other hotels within the Choice Privileges network). No other benefits besides free nights are provided by the Group. At the time when points are earned, the Group doesn't record any liability. As the award bonus points are redeemed by a customer the Group recognizes costs related to the free night. The Group also obtains 25 EUR (app. CZK 650) as a compensation for these reservations from Choice hotels, which is recorded as revenue. This represents about one third of a normal price charged for night. If the hotel has 100% occupancy in given time period, then Choice pays 90% of the rate. The Group issues an invoice and Choice hotels pay the invoice in a standard way. The benefits from the loyalty program are considered customers' options to acquire additional goods or services for free (or at a discount) and IFRS 15 provides a guideline how to treat such options to customers. Due to the fact that the customer acquires additional service/good (e.g. free nights), which he would not receive without entering into the contract, the option provides material right and shall be accounted for a separate performance obligation. Additionally, the price that the customers pay on the exercise of the points on the future purchase is not the stand-alone selling price of those items (e.g. the stays are free of charge). Thus the customer paid for the points when purchasing goods or services and the selling price of the loyalty points should be determined based on the likelihood of redemption. The revenue from royalty points shall be booked at the point of redemption.	Application of the new standard requires to estimate the redemption rate of the loyalty points. As the points represent material right, they are considered a separate performance obligation. The customer paid for the points when purchasing the accommodation. In determining the stand-alone selling price of loyalty points the Group should considered the likelihood of redemption. Transaction price shall be allocated between the accommodation and points on the relative stand-alone selling price basis. The revenue for accommodation will be recognized over the stay period and the revenue from redeemed points will be deferred until the redemption date. The extent of this impact can be assessed through the historical use of free nights at Clarion through this program. Over the years, the number of redeemed free nights wasn't significant and further, the Group is compensated for 33-90% of the night rate. As such, the impact on the consolidated financial statements has been considered to be immaterial.
2) CPI bonus program: The Group also provide bonus program when customers have the eleventh night for free in any of the following hotels: Hotel Fortuna City, Hotel Fortuna West and Hotel Černigov. The eleventh night is paid by voucher – a card filled in with 10 stamps. The period within the customers have to use this voucher is not limited. During 2017 customers utilized approximately 30 free nights through this program. Under IFRS 15 this falls under the category customer option for additional services. As mentioned above the entity shall account for customer option as a performance obligation if the option provides material right to the customer. In this case the entity grants the customer an option to acquire additional service, which he would not receive without entering into the initial sale agreement. The option does give the customer the right to acquire additional service at a price which does not reflect the stand-alone selling price of the service (e.g. the stay is for free). Similarly to Choice Privileges program, the option rises a performance obligation and the entity must estimate stand-alone selling price. However, since the amount of revenues generated from these free nights would be about CZK 30 thousand (app. EUR 1 thousand) and the Group plans to close these hotels in the near future, this impact is deemed to be immaterial.	According to the new standard, the Group shall estimate the redemption rate of the program. The payment for each night shall be split between revenue of accommodation and deferred revenue for the free night option (or alternative way to describe this is that the revenue for the accommodation shall be reduced by the value allocated to the free night option). The revenue of the option will be recognized at the time of redemption. However, since the amount of revenues generated from these free nights would be about CZK 30 thousand (app. EUR 1 thousand) and the Group plans to close these hotels in the near future, this impact is deemed to be immaterial.

3)„The Club“ and „ The BGIP“ bonus program: All Czech Group hotels provide bonus programs for business partners. Program "The Club" is used for Czech partners and "The BGIP" for foreign partners. The program is based on collection of points for nights in hotels, when 1 nights equals to 10 points. The points can be then exchanged for vouchers, the minimum amount of points for exchange is 200 points. The points expire each year (everyone has zero balance of points every January). The partners have the chance to collect their vouchers until February. CPI keeps track of points and every quarter sends emails to partners with the information how many points they have and that are eligible to exchange them for vouchers. The vouchers are not automatically generated, the partners must send the request for issuing the voucher. The voucher then expires after a year. Under IFRS 15 this will as well falls under the category customer option for additional services, as mentioned above. Partners option represents separate performance obligation if the option provides material right to the partner. The vouchers can be also viewed as additional service, which is provided at a price which does not reflect the stand-alone selling price of the service. Similarly to programs above, the option rises a performance obligation and the entity must estimate stand-alone selling price. Throughout 2017, the total amount of collected points were 278 200 from which 168 270 was converted to vouchers. Consider the minimum amount of points for one voucher, these points would transfer to 841 vouchers. This vouchers allow customers to use services in amount of CZK 320 thousand (app. EUR 12.5 thousand) (at cost). Such amount is considered immaterial from the Group's perspective.	According to the new standard, the Group shall estimate the usage rate of vouchers. The payment for each night shall be split between revenue of accommodation and deferred revenue for the additional service (voucher). The revenue of the option will be recognized at the time of redemption. Considering the total amount of points collected in 2017 and the overal impact on the Group consolidated financial statements, the amount converted to vouchers is not material for the Group and the financial statements have not been adjusted in this regards.
Food and beverage sales: The Group offers to its customers food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognized when services are provided. According to IFRS 15 each order is considered as a separate performance obligation and should be recognized at point in time.	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.
Services: The Group also offer wellness, fitness, car rental, taxi, concierge etc. to their hotel customers. While at some hotels these services may be provided directly by the hotel, it often is a service provided by some other company (e.g. taxi operator) and the Group acts as intermediary in providing these services. In such cases the Group receives a commission and do not influence the price of the service. The current practice is that the Group recognizes the consideration received from a customer as revenue (price of the service plus the commission) and record an expense and liability to the service provider.	The fact that the price cannot be influenced and the service is fully under the control of 3rd party, indicates that the Group may be acting as an agent in certain types of transactions. Therefore revenues from such transactions should be reported net of related expenses. CPI thus shall present as the revenue only the commission received and should not present the revenues and expenses on gross basis. According to the Group findings, account 518100 includes services for which the Group act as an agent most often (sightseeing, bus, taxi). For the period ending 31 December 2017 this account included approximately EUR 100 thousand (CZK 2.6 million) worth of expenses which should be reported as a deduction of revenue. However, with the hotel revenue of CZK 1,061.3 million, such amount has been considered as immaterial.
Further the Group recognize revenues from **conferences** – such revenue will include rent of premises, rent of technology and catering. The customers often pay advances, however these payments are booked as liability and revenues are recognized at the time when services are provided. According to IFRS 15, the question rises whether the contract with a customer contains one or more performance obligations. In light of IFRS 15.27a) it can be concluded that the customer can benefit from each of the services separately (catering, rental of the meeting rooms, etc.). On the other hand, the Group provides a significant service of integrating the services into a bundle that represents the combined output for the customer. In other words, the customer orders a bundle of services and the value to the customer is in the package of the services rather than in each service individually. Therefore, it was concluded that the conference services are a single performance obligation within one contract or an order. Conference services are an example of services which are consumed as the services are performed and therefore the revenue shall be recognized over time (IFRS 15.35a).	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.

Other operating income	
Revenue stream	**Conclusion**
Revenues from technical improvement of assets: Revenues are recognized from the technical improvements that tenants make to the lease property before cancelling the leasing. After the tenant moves out of the CPI premises, CPI performs evaluation of the property and includes the technical improvements into their assets against revenues.	IAS 16 and IAS 40 shall be applied on the revenue from technical improvement. Therefore the recognition of revenue is not in the scope of IFRS 15.
Compensation for construction: CPI as landlord carries out premises modification, according to instructions of the lessee, at his own expense. The tenant then pays the lessor additional rent in connection with the increased standard of premises. Such payments are received monthly together with the lease payment. The revenue is recognized monthly when the payment is made.	Due to the fact that no goods or service is transferred, we consider that this payment should be recognized together with the lease payment under IAS17 / IFRS16, which is consistent with current practice.
Management fee: In some of the rented properties the Group charges its tenants management fee. Fee represents a contribution to management costs of the property and is paid together with leasing installment. Revenue is booked monthly. Since the contract contains a lease coupled with a non-lease component, the non-lease component is identified separately from the lease component under IFRS 15. Landlords are required to apply IFRS 15 for allocation of consideration between the non-lease and lease component generally on the basis of stand-alone selling prices. The stand-alone selling price is the price at which the entity would sell the promise service to customer separately. In the case of management fee this price is set in the contract. The service is consumed by the customer throughout each month (over-time), thus also the revenue should be recognized accordingly.	The amount and timing of the revenue recognized according to IFRS 15 is consistent with the Group´s practice.

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 (7.6)	(89,071)
Deferred tax assets	24,120
TOTAL ASSETS	**(64,951)**
Retained earnings from previous periods	(64,951)
TOTAL EQUITY AND LIABILITIES	**(64,951)**

The impact, net of tax, of transition to IFRS 9 on the opening balance of equity is CZK 64.951 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
Derivatives (used for hedging)		Fair value - hedging instrument	Fair value - hedging instrument	118,188	118,188
Other investments		Available for sale	Debt investments at FVOCI	2,686,360	2,686,360
Loans provided	a)	Loans and receivables	Amortised cost	4,454,803	4,365,732
Trade and other receivables		Loans and receivables	Amortised cost	104,501	104,501
Trade receivables		Loans and receivables	Amortised cost	1,765,263	1,765,263
Cash and cash equivalents		Loans and receivables	Amortised cost	4,688,112	4,688,112
Other financial current assets		Loans and receivables	Amortised cost	941,060	941,060
Total financial assets				**14,758,287**	**14,669,216**

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 CZK 89 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 hat 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 ('Probability of Default')*LGD ('Loss Given Default')*EAD ('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 CZK 89.1 million as at 1 January 2018. Additional impairment has not been recorded in profit or loss for the six months period of 2018 as it was considered as negligible.

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 CZK 3.4 million, which was considered as immaterial with respect to the total balance of cash and cash equivalents (CZK 4,688 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 CZK 10.5 million, which was considered as immaterial with respect to the total balance of trade and other financial receivables (CZK 2,811 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.

C/ *Hedge accounting*

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Extensive additional disclosures regarding an entity’s risk management and hedging activities are required.

IFRS 9 provides an accounting policy choice: entities can either continue to apply the hedge accounting requirements of IAS 39 until the macro hedging project is finalised, or they can apply IFRS 9. This accounting policy choice will apply to all hedge accounting and cannot be made on a hedge-by-hedge basis. The Group elected to follow the IAS 39 requirements in respect of hedge accounting.

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 recognize 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 applied to the consolidated financial statements for the year ended 31 December 2017.

3 THE GROUP STRUCTURE

Control of the Group

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

As at 30 June 2018 the Group is formed by parent company, 274 subsidiaries controlled by the parent company (at 31 December 2017 - 274 subsidiaries and no associate) and three joint ventures. For the list of subsidiaries refer to Appendix I.

3.1 Changes in the Group in 2018

During the first six months of 2018, the Group has acquired/founded the following entities:

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Zgorzelec Property Development sp. z o.o.	Acquisition	100.00%	10 January 2018
Atrium Complex sp. z o.o. (1)	Acquisition	100.00%	21 March 2018
MB Futurum HK s.r.o.	Acquisition	100.00%	06 April 2018
HopStop 6 sp. z o.o.	Acquisition	100.00%	17 April 2018
Zamość Property Development sp. z o.o. (2)	Acquisition	100.00%	17 April 2018
HopStop Zamość 2 sp. z o.o.	Acquisition	100.00%	17 April 2018
RT Development sp. z o.o.	Acquisition	100.00%	17 April 2018
Sint Maarten sp. z o.o.	Acquisition	100.00%	24 April 2018
CPI Hotels Catering, s.r.o. (3)	Founded	100.00%	14 February 2018

(1) Changed its name from Montserrat sp. z o.o. to Atrium Complex sp. z o.o. with the effective date of 27 April 2018.

(2) Changed its name from HopStop Zamość 1 sp. z o.o. to Zamość Property Development sp. z o.o. with the effective date of 24 May 2018.

(3) Changed its name from CPI Catering, s.r.o. to CPI Hotels Catering, s.r.o. with the effective date of 20 February 2018.

The following entities were disposed of/liquidated during the first six months of 2018:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
Budaörs Office Park Kft.	Disposal	100.00%	31 January 2018
Český Těšín Property Development, a.s.	Disposal	100.00%	02 May 2018
Trutnov Property Development, a.s.	Disposal	100.00%	21 June 2018
R40 Real Estate Kft.	Disposal	100.00%	27 June 2018
Orco Project Limited	Liquidation	97.31%	28 January 2018

3.2 Property asset acquisitions in 2018

Acquisition of retail parks in Poland ("HopStop portfolio")

On 17 April the Group acquired as share deal 4 existing retail parks in Poland. The retail parks are operated under HopStop brand and are located in Warsaw and regional cities of Poland with totalling 19,000 sqm of gross leasable area from Polish developer, Katharsis Development.

HopStop is a genuinely Polish project of retail parks chain with comfortable parking places, with separated supply zone, representing simple, esthetic and modern architecture. Some of the projects are also enriched with petrol stations and car washes, offering customers wide scope of services.

Retail park HopStop Zamość 1

The acquisition was carried out through the purchase of 100% stake in Zamość Property Development sp. z o.o. (former HopStop Zamość 1 sp. z o.o.) for the consideration paid of EUR 1.2 million (app. CZK 31.5 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	161,201
Total non-current assets	**161,201**
Trade receivables	1,566
Cash and cash equivalents	16,620
Other non-financial current assets	500
Total current assets	**18,686**
Identifiable acquired assets	**179,887**
Financial debts	(142,730)
Other non-current liabilities	(1,670)
Total non-current liabilities	**(144,400)**
Trade payables	(808)
Other financial current liabilities	(2,265)
Other non-financial current liabilities	(882)
Total current liabilities	**(3,956)**
Identifiable acquired liabilities	**(148,356)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 31.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 16.6 million. The net cash outflow connected with the acquisition amounted to CZK 14.9 million.

Retail park HopStop Zamość 2

The acquisition was carried out through the purchase of 100% stake in HopStop Zamość 2 sp. z o.o. for the consideration paid of EUR 1.4 million (app. CZK 36.7 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	212,614
Total non-current assets	**212,614**
Current income tax receivables	462
Trade receivables	2,478
Cash and cash equivalents	9,242
Other non-financial current assets	2,282
Total current assets	**14,464**
Identifiable acquired assets	**227,078**
Financial debts	(178,901)
Other non-current liabilities	(559)
Total non-current liabilities	**(179,460)**
Trade payables	(724)
Other financial current liabilities	(8,741)
Other non-financial current liabilities	(1,425)
Total current liabilities	**(10,891)**
Identifiable acquired liabilities	**(190,351)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 36.7 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 9.2 million. The net cash outflow connected with the acquisition amounted to CZK 27.5 million.

Retail park HopStop Rembertów

The acquisition was carried out through the purchase of 100% stake in HopStop 6 sp. z o.o. for the consideration paid of EUR 54 thousand (app. CZK 1.3 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	105,699
Total non-current assets	**105,699**
Trade receivables	1,075
Cash and cash equivalents	20,815
Other financial current assets	3,727
Other non-financial current assets	665
Total current assets	**26,282**
Identifiable acquired assets	**131,981**
Financial debts	(128,871)
Other non-current liabilities	(294)
Total non-current liabilities	**(129,165)**
Trade payables	(1,402)
Other non-financial current liabilities	(51)
Total current liabilities	**(1,452)**
Identifiable acquired liabilities	**(130,618)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 1.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 20.8 million. The net cash outflow connected with the acquisition amounted to CZK -19.5 million.

Retail park Hop Stop Radom

The acquisition was carried out through the purchase of 100% stake in RT Development sp. z o.o. for the consideration paid of EUR 1.3 million (app. CZK 32.1 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	66,052
Total non-current assets	**66,052**
Current income tax receivables	140
Trade receivables	686
Cash and cash equivalents	4,019
Other non-financial current assets	176
Total current assets	**5,020**
Identifiable acquired assets	**71,072**
Financial debts	(37,008)
Other non-current liabilities	(363)
Total non-current liabilities	**(37,371)**
Trade payables	(133)
Other financial current liabilities	(1,136)
Other non-financial current liabilities	(351)
Total current liabilities	**(1,620)**
Identifiable acquired liabilities	**(38,990)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 32.1 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 4.0 million. The net cash outflow connected with the acquisition amounted to CZK 28.1 million.

Zgorzelec retail Park, Poland

On 10 January 2018, the Group acquired the company Zgorzelec Property Development sp. z o.o., being the owner of the retail park in Zgorzelec, in Poland.

This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.

Consideration paid for 100% stake amounted to PLN 2.94 million (app. CZK 18.2 million).

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

Investment property	59,314
Total non-current assets	**59,314**
Trade receivables	585
Cash and cash equivalents	640
Other financial current assets	3,765
Total current assets	**4,990**
Identifiable acquired assets	**64,303**
Financial debts	(15,463)
Total non-current liabilities	**(15,463)**
Financial debts	(23,792)
Trade payables	(6,890)
Total current liabilities	**(30,682)**
Identifiable acquired liabilities	**(46,144)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 18.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 0.6 million. The net cash outflow connected with the acquisition amounted to CZK 17.6 million.

Atrium Complex

On 21 March 2018 the Group acquired 100% share of Atrium Complex sp. z o.o. (formerly Montserrat sp. z o.o.) for the purchase price of 9,000 PLN (app. CZK 54,000). The entity had no assets at the time of acquisition.

During May 2018 the Group acquired Atrium Centrum & Atrium Plaza office buildings in Warsaw, Poland. Atrium Centrum & Atrium Plaza are seven-storey office buildings located in the centre of Warsaw, near the most important transportation and business hub of Warsaw – Rondo. The two office buildings have an aggregate GLA of 31,869 sqm and include a medical centre, a restaurant, a bank, a pharmacy, a premium fashion store and 410 parking lots.

Consideration paid for two office buildings amounted to PLN 331 million (app. CZK 1,986 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	1,986,027
Total non-current assets	**1,986,027**
Cash and cash equivalents	54
Total current assets	**54**
Identifiable acquired assets	**1,986,081**
Identifiable acquired liabilities	**--**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 1,986 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 54 thousand. The net cash outflow connected with the acquisition amounted to CZK 1,986 million.

MB Futurum HK s.r.o.

On 6 April 2018, the Group acquire Futurum Hradec Králové Shopping Centre which was opened in 2000 and modernised in 2012 with a total floor area 39,000 sqm and 1,350 parking spaces. Shopping Centre is the Group´s first prime shopping centre in the north-eastern part of Czechia and total purchased value is EUR 121 million (app. CZK 3,066 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Intangible assets and goodwill	141
Investment property	3,066,140
Total non-current assets	**3,066,281**
Inventories	12
Trade receivables	60,952
Cash and cash equivalents	78,646
Other financial current assets	3,341
Other non-financial current assets	10,931
Total current assets	**153,882**
Identifiable acquired assets	**3,220,164**
Financial debts	(1,224,349)
Deferred tax liabilities	(17,019)
Other non-current liabilities	(28,070)
Total non-current liabilities	**(1,269,438)**
Financial debts	(27,367)
Trade payables	(22,290)
Derivative instruments	(5,560)
Other financial current liabilities	(24,421)
Other non-financial current liabilities	(9,033)
Total current liabilities	**(88,670)**
Identifiable acquired liabilities	**(1,358,108)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 1,862 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 78.6 million. The net cash outflow connected with the acquisition amounted to CZK 1,783 million.

3.3 Disposal of subsidiaries in 2018

The Group decided to proceed with this disposal of the following subsidiaries, since they were considered as a non-core assets:

- the disposal of Budaörs Office Park property in Hungary was completed on 31 January 2018. The disposal was structured as a share deal transaction and the counterparty was a Hungarian real estate fund. Budaörs Office Park represents an office complex near Budapest. The sales price amounted to EUR 9.4 million (app. CZK 237.5 million);
- on 2 May 2018, disposal of Český Těšín Property Development for final selling price of CZK 54.2 million;
- the Group disposed five small retail properties located in regional cities of northern Czechia, totalling app. 25,700 sqm. The deal was completed on 21 June 2018 with the selling price of CZK 138 million;
- on 27 June 2018, disposal of R40 Real Estate Kft. to GRANDHOTEL ZLATÝ LEV a.s. with final selling price of EUR 918 (app. CZK 24 thousand).

3.4 Disposal of non-controlling interest in 2018

On 26 June 2018, OPG SA 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 Group will continue to consolidate and manage Bubny Development, s.r.o. pursuant to shareholders agreement, entered into between OPG SA 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 OPG SA demonstrates the control over Bubny Development, s.r.o. Bubny Development, s.r.o. is therefore consolidated in the Group's financial statements as at and for the period ended 30 June 2018.

Both OPG SA 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 (app. CZK 2,145.4 million) in 2017 (note 7.19). The remaining part of the purchase price EUR 23.3 million (app. CZK 605.6 million) has not yet been paid and therefore is recognised as due as at 30 June 2018 (refer to note 7.11).

3.5 Changes in the Group in 2017

During 2017, the Group has acquired/founded the following entities:

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Brno Property Development, a.s.	Acquisition	86.56%	17 January 2017
REZIDENCE MASARYKOVA 36, s.r.o.	Acquisition	100.00%	07 March 2017
Andrássy Real Kft.	Acquisition	100.00%	29 March 2017
CAMPONA Shopping Center Kft.	Acquisition	100.00%	29 March 2017
Centrum Ogrody Sp. z o.o.	Acquisition	100.00%	29 March 2017
Centrum Olympia Plzeň s.r.o.	Acquisition	100.00%	29 March 2017
City Gardens Sp. z o.o.	Acquisition	100.00%	29 March 2017
FELICIA SHOPPING CENTER SRL	Acquisition	100.00%	29 March 2017
IS Nyír Kft.	Acquisition	100.00%	29 March 2017
IS Zala Kft.	Acquisition	100.00%	29 March 2017
Nisa OC s.r.o.	Acquisition	100.00%	29 March 2017
PFCE Prague investments, s.r.o.	Acquisition	100.00%	29 March 2017
Pólus Shopping Center Zrt.	Acquisition	100.00%	29 March 2017
Polus Társasház Üzemeltető Kft.	Acquisition	100.00%	29 March 2017
Aspley Ventures Limited	Acquisition	100.00%	30 June 2017
Beta Development, s.r.o.	Acquisition	34.06%	30 June 2017
Brillant 1419 GmbH & Co. Verwaltungs KG	Acquisition	97.31%	30 June 2017
Brillant 1419. Verwaltungs GmbH	Acquisition	47.68%	30 June 2017
Bubenská 1, a.s.	Acquisition	97.31%	30 June 2017
Bubny Development, s.r.o.	Acquisition	97.31%	30 June 2017
BYTY PODKOVA, a.s.	Acquisition	97.31%	30 June 2017
Camuzzi, a.s.	Acquisition	97.31%	30 June 2017
CD Property s.r.o.	Acquisition	97.31%	30 June 2017
CEREM S.A.	Acquisition	97.31%	30 June 2017
CPI - Krásné Březno, a.s.	Acquisition	97.31%	30 June 2017
CPI - Land Development, a.s.	Acquisition	97.31%	30 June 2017
CPI South, s.r.o.	Acquisition	97.58%	30 June 2017
Darilia, a.s.	Acquisition	97.31%	30 June 2017
Development Doupovská, s.r.o.	Acquisition	72.98%	30 June 2017
Development Pražská, s.r.o.	Acquisition	97.31%	30 June 2017
Diana Property Sp. z o.o.	Acquisition	97.31%	30 June 2017
Endurance Real Estate Management Company Sàrl	Acquisition	97.31%	30 June 2017
Estate Grand, s.r.o.	Acquisition	97.31%	30 June 2017
Fetumar Development Limited	Acquisition	100.00%	30 June 2017
HAGIBOR OFFICE BUILDING, a.s.	Acquisition	97.31%	30 June 2017
Industrial Park Stříbro, s.r.o.	Acquisition	97.31%	30 June 2017
Jagapa Limited	Acquisition	100.00%	30 June 2017
JIHOVÝCHODNÍ MĚSTO, a.s.	Acquisition	97.31%	30 June 2017
Karviná Property Development, a.s.	Acquisition	97.31%	30 June 2017
Marki Real Estate Sp. z o.o.	Acquisition	97.31%	30 June 2017
NOVÁ ZBROJOVKA, s.r.o.	Acquisition	97.31%	30 June 2017
NUKASSO HOLDING LIMITED	Acquisition	100.00%	30 June 2017
Nupaky a.s.	Acquisition	97.31%	30 June 2017
Orco Project Limited	Acquisition	97.31%	30 June 2017
Rezidence Pragovka, s.r.o.	Acquisition	97.31%	30 June 2017
Strakonice Property Development, a.s.	Acquisition	97.31%	30 June 2017
STRM Alfa, a.s.	Acquisition	19.46%	30 June 2017
STRM Beta, a.s.	Acquisition	97.31%	30 June 2017
STRM Delta, a.s.	Acquisition	97.31%	30 June 2017
STRM Gama, a.s.	Acquisition	97.31%	30 June 2017
Svitavy Property Development, a.s.	Acquisition	97.31%	30 June 2017
Uniborc S.A.	Acquisition	34.06%	30 June 2017
Vinohrady s.a.r.l.	Acquisition	97.31%	30 June 2017
KOENIG, s.r.o. (1)	Acquisition	100.00%	26 July 2017
Tepelné hospodářství Litvínov, s.r.o.	Acquisition	100.00%	07 August 2017
Kolín Centrum, a.s.	Acquisition	100.00%	17 October 2017
MQM Czech, a.s.	Acquisition	19.46%	15 November 2017
Polygon BC, a.s.	Acquisition	19.46%	15 November 2017
HOTEL U PARKU, s.r.o.	Acquisition	86.56%	13 December 2017
PROJECT FIRST a.s.	Acquisition	86.56%	13 December 2017

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Rezidence Jančova, s.r.o.	Founded	100.00%	27 February 2017
Rezidence Malkovského, s.r.o.	Founded	100.00%	27 February 2017
Tepelná Litvínov, s.r.o.	Founded	100.00%	27 February 2017
CPI Retail One Kft.	Founded	100.00%	04 April 2017
CPI Retail Store Kft.	Founded	100.00%	06 April 2017
CPI Retail Two Kft.	Founded	100.00%	06 April 2017
CPI Kappa, s.r.o.	Founded	100.00%	26 May 2017
Nový Projekt CPI, s.r.o.	Founded	100.00%	26 May 2017
CPI Blatiny, s.r.o.	Founded	100.00%	23 June 2017
Outlet Arena Moravia, s.r.o.	Founded	100.00%	03 November 2017
Statek Blatiny, s.r.o.	Founded	100.00%	16 November 2017
Labská Property, s.r.o.	Founded	100.00%	07 December 2017
BAYTON ONE, s.r.o.	Founded	86.56%	13 December 2017
BAYTON TWO, s.r.o.	Founded	86.56%	13 December 2017

(1) Changed its name from Bainbridge Czech Republic Brno Královo Pole Holding s.r.o. to KOENIG, s.r.o. with the effective date of 26 July 2017.

The following entities were disposed of/liquidated in 2017:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
New Field Kft.	Disposal	100.00%	19 January 2017
CPI Rhea, s.r.o.	Disposal	100.00%	21 February 2017
NERONTA, a.s.	Disposal	100.00%	28 February 2017
Office Center Purkyňova, a.s.	Disposal	100.00%	7 March 2017
Týniště Property Development, s.r.o.	Disposal	100.00%	1 April 2017
VM Property Development, a.s.	Disposal	100.00%	1 April 2017
Žďár Property Development, a.s.	Disposal	100.00%	1 April 2017
Quadrio Residence, s.r.o.	Disposal	100.00%	16 June 2017
M3 BC Kft.	Disposal	100.00%	29 June 2017
Arkáda Prostějov, s.r.o.	Disposal	100.00%	2 August 2017
Insite Kft.	Disposal	100.00%	1 September 2017
First Site Kft.	Disposal	100.00%	1 September 2017
ORCO Hotel Management Kft.	Disposal	100.00%	7 September 2017
Fogarasi 3 BC Kft.	Disposal	100.00%	27 September 2017
STRM Delta, a.s.	Disposal	100.00%	7 November 2017
VRL Heli, s.r.o.	Disposal	100.00%	9 November 2017
Development Pražská, s.r.o.	Disposal	100.00%	13 December 2017
GLOBAL INVESTMENT Kft.	Disposal	100.00%	20 December 2017
Orco Hotel Project Sp. z o.o.	Liquidation	100.00%	13 January 2017
Orco Hotel Development Sp. z o.o.	Liquidation	100.00%	21 March 2017
Ablon sp.z o.o.	Liquidation	100.00%	30 September 2017

3.6 Acquisition through property asset acquisitions / Common control transactions in 2017

Portfolio acquired from CBRE Global Investors ("CBRE GI portfolio")

On 29 March 2017, the Group has successfully acquired the high-quality retail portfolio of predominantly shopping centres located in the Czech Republic, Hungary, Poland and Romania with a total leasable area of approximately 280 thousand sqm from two funds managed by CBRE Global Investors.

The acquired portfolio primarily consists of:

Regionally dominant shopping centres:
Olympia shopping centre (Plzeň, Czech Republic)
Nisa shopping centre (Liberec, Czech Republic)
Ogrody shopping centre (Elblag, Poland)
Felicia shopping centre (Iasi, Romania)
Pólus shopping centre (Budapest, Hungary)
Campona shopping centre (Budapest, Hungary)

Mix of prime high-street and office space:
Zlatý Anděl (Prague, Czech Republic)
Andrássy Complex (Budapest, Hungary)

Retail warehouses:
Interspar (Zalaegerszeg, Hungary)
Interspar (Nyiregyhaza, Hungary)

Olympia shopping centre

Olympia Plzeň was completed in 2004. It is designated as a retail shopping centre with cinema and extensive outdoor and indoor parking. The property offers 40,790 sqm of retail area distributed over two above ground floors.
The acquisition also comprises a single storey retail park comprising of two buildings with gross lettable area of 8,155 sqm and car park with 426 parking spaces. Internally the property currently provides 11 retail units.

The acquisition was carried out through the purchase of 100% stake in Centrum Olympia Plzeň s.r.o. for the consideration paid of EUR 64.7 million (app. CZK 1,748 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Intangible assets and goodwill	80
Investment property	3,617,276
Property, plant and equipment	512
Total non-current assets	**3,617,868**
Inventories	199
Trade receivables	752
Cash and cash equivalents	26,198
Other non-financial current assets	60,938
Total current assets	**80,088**
Identifiable acquired assets	**3,705,956**
Financial debts	(1,794,751)
Other non-current liabilities	(30,519)
Total non-current liabilities	**(1,825,343)**
Financial debts	(99,549)
Trade payables	(9,160)
Advance payments	(779)
Derivative instruments	(18,020)
Other financial current liabilities	(2,580)
Other non-financial current liabilities	(2,586)
Total current liabilities	**(132,673)**
Identifiable acquired liabilities	**(1,958,016)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 1,748 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 26.2 million. The net cash outflow connected with the acquisition amounted to CZK 1,721.8 million.

Nisa shopping centre

Nisa represents a modern shopping centre with associated parking, constructed in 1999 and extended in 2008. It offers 49,931 sqm of lettable area. It is constructed over two or three above ground floors and is of rectangular layout. The upper floor is accommodates cinema, casino and restaurant. The ground and first floor levels include retail units. Internally the property currently provides 160 retail units.

The acquisition was carried out through the purchase of 100% stake in Nisa OC s.r.o. for the consideration paid of EUR 10.9 million (app. CZK 295.8 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Intangible assets and goodwill	59
Investment property	2,203,207
Total non-current assets	**2,203,266**
Inventories	20
Trade receivables	11,063
Cash and cash equivalents	79,920
Other non-financial current assets	55,146
Total current assets	**146,150**
Identifiable acquired assets	**2,349,416**
Financial debts	(1,873,706)
Other non-current liabilities	(34,063)
Total non-current liabilities	**(1,907,770)**
Financial debts	(69,670)
Trade payables	(14,177)
Advance payments	(8,461)
Other financial current liabilities	(39,359)
Other non-financial current liabilities	(14,139)
Total current liabilities	**(145,807)**
Identifiable acquired liabilities	**(2,053,577)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 295.8 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 79.9 million. The net cash outflow connected with the acquisition amounted to CZK 215.9 million.

Ogrody shopping centre

Ogrody shopping center is located approximately 3.5 km to the north of Elblag city center. It was constructed in 2002 and its reconstruction was completed in March 2015. It provides a total gross lettable area of approximately 41,931 sqm with ca. 1,250 parking spaces. The shopping centre provides in total 127 retail units with most of them being located on the ground and first floor.

The acquisition was carried out through the purchase of 100% stakes in City Gardens Sp. z o.o. and Centrum Ogrody Sp. z o.o. for the consideration paid of EUR 2.2 million (app. CZK 58.3 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	3,022,243
Total non-current assets	**3,022,243**
Trade receivables	17,873
Cash and cash equivalents	49,413
Other financial current assets	4,074
Other non-financial current assets	1,932
Total current assets	**73,291**
Identifiable acquired assets	**3,095,534**
Financial debts	(2,893,175)
Other non-current liabilities	(8,260)
Total non-current liabilities	**(2,901,435)**
Financial debts	(109,926)
Trade payables	(11,112)
Advance payments	(1,462)
Other financial current liabilities	(1,896)
Other non-financial current liabilities	(11,409)
Total current liabilities	**(135,804)**
Identifiable acquired liabilities	**(3,037,240)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 58.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 49.4 million. The net cash outflow connected with the acquisition amounted to CZK 8.9 million.

Felicia shopping centre

Felicia shopping centre is located south-east of Iasi city, within the industrial district. Commercial gallery spread on ground level, part of a traditional medium shopping centre of approximately 26,500 sqm of gross lettable area, anchored by Carrefour hypermarket. The property also includes shopping gallery, part of common areas and office space located at first floor.

The acquisition was carried out through the purchase of 100% stake in FELICIA SHOPPING CENTER SRL for the consideration paid of EUR 6 million (app. CZK 162.3 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Intangible assets and goodwill	32
Investment property	675,512
Total non-current assets	**675,544**
Inventories	255
Trade receivables	17,834
Cash and cash equivalents	19,954
Other non-financial current assets	2,528
Total current assets	**40,572**
Identifiable acquired assets	**716,116**
Financial debts	(513,095)
Trade payables	(4,363)
Advance payments	(4,464)
Other financial current liabilities	(15,736)
Other non-financial current liabilities	(16,212)
Total current liabilities	**(553,870)**
Identifiable acquired liabilities	**(553,870)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 162.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 20 million. The net cash outflow connected with the acquisition amounted to CZK 142.3 million.

Polus shopping centre

Polus shopping center represents a shopping centre development with associated parking and office accommodation completed in 1996. It extends to a total lettable area of approximately 40,274 sqm with 2,500 car parking spaces.

The acquisition was carried out through the purchase of 100% stakes in Pólus Shopping Center Zrt. and Polus Társasház Üzemeltető Kft. for the consideration paid of EUR 1.8 million (app. CZK 48.7 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	2,029,705
Property, plant and equipment	21
Trade and other receivables	11,996
Total non-current assets	**2,041,722**
Trade receivables	8,760
Cash and cash equivalents	82,749
Other financial current assets	4
Other non-financial current assets	19,427
Total current assets	**110,941**
Identifiable acquired assets	**2,152,663**
Financial debts	(2,025,007)
Other non-current liabilities	(21,942)
Total non-current liabilities	**(2,046,949)**
Trade payables	(52,032)
Advance payments	(11)
Other financial current liabilities	(378)
Other non-financial current liabilities	(4,551)
Total current liabilities	**(56,972)**
Identifiable acquired liabilities	**(2,103,921)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 48.7 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 82.7 million. The net cash inflow connected with the acquisition amounted to CZK 34 million.

Campona shopping centre

Campona shopping centre was constructed in two phases between 1997 and 2000. The first phase consists of the retail units in a two-storey shopping centre while the second phase consists of the Tropicarium and the cinema. There is and open parking house in a separate building providing about 2,000 parking spaces on three floors.

The acquisition was carried out through the purchase of 100% stake in Campona Shopping Center Kft. for the consideration paid of EUR 2.2 million (app. CZK 59.6 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	1,790,723
Trade and other receivables	8,612
Total non-current assets	**1,799,335**
Trade receivables	15,044
Cash and cash equivalents	40,404
Other financial current assets	6,244
Other non-financial current assets	35,821
Total current assets	**97,513**
Identifiable acquired assets	**1,896,848**
Financial debts	(1,754,659)
Other non-current liabilities	(25,241)
Total non-current liabilities	**(1,779,900)**
Trade payables	(30,787)
Advance payments	(126)
Other non-financial current liabilities	(26,403)
Total current liabilities	**(57,316)**
Identifiable acquired liabilities	**(1,837,216)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 59.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 40.4 million. The net cash outflow connected with the acquisition amounted to CZK 19.2 million.

Zlatý Anděl

Zlatý Anděl represents a modern office development with associated parking, storage and retail accommodation. The building was constructed in 1999 and well maintained with last renovation in 2016. It extends to a total lettable area of 20,997 sqm and offers 218 car parking spaces. The property benefits from high levels of foot fall and perfect visibility.

The acquisition was carried out through the purchase of 100% stake in PFCE Prague investments s.r.o. for the consideration paid of EUR 49.1 million (app. CZK 1,328.2 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	2,741,474
Total non-current assets	**2,741,474**
Inventories	164
Current income tax receivables	1,578
Trade receivables	11,957
Cash and cash equivalents	40,278
Other non-financial current assets	42,643
Total current assets	**96,620**
Identifiable acquired assets	**2,838,094**
Financial debts	(1,356,406)
Other non-current liabilities	(15,180)
Total non-current liabilities	**(1,371,586)**
Financial debts	(75,353)
Trade payables	(11,405)
Derivative instruments	(13,651)
Other financial current liabilities	(33,356)
Other non-financial current liabilities	(4,496)
Total current liabilities	**(138,261)**
Identifiable acquired liabilities	**(1,509,847)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 1,328.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 40.2 million. The net cash outflow connected with the acquisition amounted to CZK 1,288 million.

Andrássy Complex

Andrássy Complex represents a modern office development with associated parking and storage accommodation extending to a total lettable area of 8,637 sqm with 161 parking spaces. The project includes two office buildings. The parking facility is located on four underground floors of a separate residential building.

The acquisition was carried out through the purchase of 100% stake in Andrássy Real Kft. for the consideration paid of EUR 4.1 million (app. CZK 111.8 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	440,793
Trade and other receivables	263
Total non-current assets	**441,056**
Trade receivables	6,963
Cash and cash equivalents	5,637
Other financial current assets	16
Other non-financial current assets	1,593
Total current assets	**14,208**
Identifiable acquired assets	**455,264**
Financial debts	(334,238)
Other non-current liabilities	(3,080)
Total non-current liabilities	**(337,318)**
Trade payables	(7,001)
Other non-financial current liabilities	836
Total current liabilities	**(6,174)**
Identifiable acquired liabilities	**(343,492)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 111.8 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 5.6 million. The net cash outflow connected with the acquisition amounted to CZK 106.2 million.

Interspar Zala

Interspar Zalaegerszeg represents a retail warehouse development with associated office, parking, storage and loading areas delivered to the market in 1999. It extends to a total lettable area of approximately 9,082 sqm with 308 surface parking spaces. The property is constructed over two above ground floors including ground floor and partially first floor for offices. The property is currently undergoing refurbishment.

The acquisition was carried out through the purchase of 100% stake in IS Zala Kft. for the consideration paid of EUR 164 thousand (app. CZK 4.4 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	239,033
Trade and other receivables	21,174
Total non-current assets	**260,208**
Trade receivables	1,361
Cash and cash equivalents	3,000
Other non-financial current assets	33
Total current assets	**4,394**
Identifiable acquired assets	**264,601**
Financial debts	(237,513)
Total non-current liabilities	**(237,513)**
Trade payables	(2,027)
Other non-financial current liabilities	(20,633)
Total current liabilities	**(22,660)**
Identifiable acquired liabilities	**(260,174)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 4.4 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 3 million. The net cash outflow connected with the acquisition amounted to CZK 1.4 million.

Interspar Nyír

Interspar Nyíregyháza represents a retail warehouse development with associated office, parking, storage and loading areas completed in 1999. It extends to a total lettable area of approximately 8,723 sqm with 280 surface parking spaces. The subject property is constructed over three above ground floors including ground floor used as parking area, upper ground floor and partially first floor for offices.

The acquisition was carried out through the purchase of 100% stake in IS Nyír Kft. for the consideration paid of EUR 543 thousand (app. CZK 14.7 million).

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Investment property	97,661
Total non-current assets	**97,661**
Trade receivables	54
Cash and cash equivalents	5,079
Other financial current assets	44
Total current assets	**5,177**
Identifiable acquired assets	**102,838**
Financial debts	(84,767)
Total non-current liabilities	**(84,767)**
Trade payables	(853)
Other financial current liabilities	(44)
Other non-financial current liabilities	(2,496)
Total current liabilities	**(3,393)**
Identifiable acquired liabilities	**(88,160)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 14.7 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 5.1 million. The net cash outflow connected with the acquisition amounted to CZK 9.6 million.

ORCO PROPERTY GROUP S.A. (hereinafter “OPG”, together with its subsidiaries “OPG Group”)

On 27 June 2017, the Group incorporated Cypriot company NUKASSO HOLDINGS LIMITED (hereinafter “NUKASSO“) entity holding 100% stakes in three legal Cypriot entities Aspley Ventures Limited, Fetumar Development Limited and Jagapa Limited. Furthermore, NUKASSO holds directly and indirectly (through the above mentioned three Cypriot entities) 97.31% stake in OPG.

NUKASSO was acquired from the major shareholder of the Company and the acquisition is accounted for as a common control transaction.

OPG Group 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 and is also active in leasing investment properties under operating leases as well as in asset management. OPG is a joint stock company incorporated for an unlimited term and registered in Luxembourg. OPG´s shares are listed on the regulated markets of Luxembourg Stock Exchange and Warsaw Stock Exchange.

Major properties acquired through the OPG acquisition are as follows:

Bubny Site, Czech Republic (Bubny Development, s.r.o.)
The Property comprises land of 202,177 sqm zoned for commercial purposes. The subject property parcels fill the major part of a large quadrilateral shaped plot situated between Argentinská, Železničářů and Bubenská Streets. The former industrial structures have been almost partly removed, only the foundations or basement parts of some buildings remain, together with some of the original asphalt roads and old paved car park. The site is mostly fenced off to limit public access. Based on public notice 33/1999 there is building moratorium related to large part of Prague 7 district. The moratorium has been active since year 2000. The moratorium imposes of ban of any construction until the final urban concept of the affected area is not solved and approved by all relevant actors.

Rezidence Pragovka, s.r.o.
Rezidence Pragovka, s.r.o. is a former industrial area of machinery factory Praga located in Prague 15 – Hostivař (Southeast Prague). Pragovka site is without old structures prepared for residential development. Transportation access to the city centre is good. There is a tram and bus stop near the site.

CPI - Land Development, a.s.
Sites in ownership of CPI - Land Development, a.s. consists of several groups of land parcels (continuous and discontinuous) located on the D8 motorway in northwest Bohemia. Most sites are not zoned for development, part (close to the Ústí nad Labem) is designed for industry, logistic and commercial.

STRM Alfa Klíčov, Czech Republic (STRM Alfa, a.s.)
Brownfield STRM Alfa is located on northern outskirts of Prague close to the D8 highway and Bus Depot Klíčov (used by Prague public transport). There are two bus stations in the imminent vicinity. The closest metro station “Letňany” is located approximately 500 meters northern from the site. The surrounding area consists of the bus depot on the west and further on the east is a military airport Kbely. The broader area is mainly residential. Under the Land is located the underground line of metro C.

NOVÁ ZBROJOVKA, s.r.o. (former BIANKO, s.r.o.)
NOVÁ ZBROJOVKA, s.r.o. is a former industrial area of arms factory Zbrojovka Brno. The premises are located in built-up area, approximately 2 km from city centre. The western part of the premises is bordered by the river

Svitava and eastern part is bordered by the main railroad. Transportation access to the city centre is very good. There is a tram stop and a railway stop near the premises.

Diana Property, Poland (Diana Property SP. z.o.o.)

The Property is located in Warsaw city centre, along Chmielna Street. The Diana property was constructed in 2004 .The building is of a reinforced concrete structure with hip roof. The property is fully occupied to Goethe Institut.

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

Intangible assets and goodwill	23
Investment property	8,380,278
Property, plant and equipment	700
Available-for-sale financial assets	913,941
Financial assets at fair value through profit or loss	54
Loans provided	14,296,065
Trade and other receivables	2,404
Deferred tax asset	2,958,528
Total non-current assets	**26,551,992**
Inventories	175,209
Current income tax receivables	7,420
Trade receivables	97,087
Derivative instruments	1,097,642
Loans provided	510,686
Cash and cash equivalents	39,016
Other financial current assets	18,864
Other non-financial current assets	12,492
Assets held for sale	10,286
Total current assets	**1,968,701**
Identifiable acquired assets	**28,520,693**
Bonds issued	(331,491)
Financial debts	(22,672,774)
Deferred tax liabilities	(650,290)
Provisions	(35,696)
Other non-current liabilities	(138,843)
Total non-current liabilities	**(23,829,093)**
Bonds issued	(3,690)
Financial debts	(1,335,223)
Trade payables	(42,678)
Advance payments	(6,667)
Other financial current liabilities	(91,656)
Other non-financial current liabilities	(93,922)
Total current liabilities	**(1,573,837)**
Identifiable acquired liabilities	**(25,402,930)**

Net identifiable assets acquired at the date of acquisition amounted to CZK 3,117.8 million. Total consideration paid was EUR 1 thousand (app. CZK 26 thousand). Therefore the acquisition resulted in the increase in equity of CZK 3,117.8 million.

Derivative instrument

The Extraordinary General Meeting of CPI PG held on 26 May 2016 approved the capital raising goal of EUR 330,376,830, by giving to the CPI PG shareholders a possibility to participate at a future capital increase of OPG, on terms to be further determined, at an issue price of EUR 0.10 per new share to be issued. OPG obtained a confirmation from CPI PG that the Company is entitled to subscribe to the respective portion of CPI PG shares at EUR 0.10 until 31 December 2017.

As at 31 December 2016 OPG recognized a finance asset of EUR 38.7 million in this respect. The valuation reflected the lower subscription price than the value of CPI PG shares valued at EPRA NAV as at 31 December 2016 together with the dilution effect of potential new subscribed shared by OPG on the value of EPRA NAV per share. As at the acquisition date, the value of the finance asset recognised in this respect amounted to EUR 42.9 million (app. CZK 1,097.6 million).

On 22 December 2017 Company subscribed to 159,132,897 of new shares of CPI PG (refer to note 7.4).

Non-controlling interest

As at 31 December 2017, the Group holds (directly and indirectly) 1,279,198,976 pcs of OPG shares. The remaining 35,308,653 OPG shares (representing 2.69 % stake) represent the non-controlling interest. In order to reflect the fair value of the non-controlling interest, the Group valued the remaining part of the shares using the expected price per share to be paid to the minority shareholders, i. e. 0.34 EUR per share. The fair value of the non-controlling interest as at the acquisition date amounts to CZK 312.5 million.

Although the acquisition became effective on 27 June 2017, the financial statements have been prepared using the consolidated financial information of OPG as of 30 June 2017. The difference between these dates is not deemed to be material.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 39 million. The net cash inflow connected with the acquisition amounted to CZK 39 million.

Hotel Vladimír, Ústí nad Labem

On 7 March 2017, the Group acquired 100% stake of REZIDENCE MASARYKOVA 36, s.r.o. company owning and operating Hotel Vladimír in Ústí nad Labem. As at 31 December 2017 the operation of this hotel has already been secured by CPI Hotels a.s., operator of the majority of the Group´s hospitality portfolio.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

Consideration paid for 100% stake amounted to CZK 62.5 million.

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

Investment property	68,419
Total non-current assets	**68,419**
Trade receivables	601
Other non-financial current assets	11
Total current assets	**612**
Identifiable acquired assets	**69,031**
Deferred tax liabilities	(6,430)
Total non-current liabilities	**(6,430)**
Trade payables	(54)
Other non-financial current liabilities	(47)
Total current liabilities	**(101)**
Identifiable acquired liabilities	**(6,531)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 62.5 million.

Due to the acquisition, the Group acquired no cash and cash equivalents. The net cash outflow connected with the acquisition amounted to CZK 62.5 million.

Královo Pole Shopping Centre, Brno

On 26 July 2017, the Group acquired 100% stake in KOENIG, s.r.o. The company owning Královo Pole Shopping Centre located in Brno, Czechia. Královo Pole Shopping Centre comprises a two-level gallery with 78 shops and a food court with a total of 26,500 sqm gross leasable area and 900 parking spaces.

Consideration paid for 100% stake amounted to CZK 924.6 million.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

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

Intangible assets and goodwill	139
Investment property	1,538,720
Loans provided	58,916
Deferred tax asset	542
Total non-current assets	**1,598,317**
Trade receivables	4,051
Loans provided	2,481
Cash and cash equivalents	44,120
Other financial current assets	69,268
Other non-financial current assets	8,737
Total current assets	**128,657**
Identifiable acquired assets	**1,726,974**
Financial debts	(705,954)
Other non-current liabilities	(22,324)
Total non-current liabilities	**(728,278)**
Financial debts	(40,691)
Trade payables	(9,219)
Other financial current liabilities	(8,916)
Other non-financial current liabilities	(15,233)
Total current liabilities	**(74,059)**
Identifiable acquired liabilities	**(802,337)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 924.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 44.1 million. The net cash outflow connected with the acquisition amounted to CZK 880.5 million.

Kolín Centrum a.s.

On 17 October 2017, the Group acquired 100% stake in company Kolín Centrum a.s. for the purchase price of CZK 50 million.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 50.4 million, cash and cash equivalents acquired in the amount of CZK 192 thousand and current liabilities of CZK 0.6 million.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of CZK 50 million. The net cash outflow connected with the acquisition amounted to CZK 49.8 million.

Land bank projects, Czech Republic

Polygon BC, a.s. and MQM Czech, a.s.

On 15 November 2017 the Group acquired two real estate projects that can be used for future residential developments.

These acquisitions were recognized as a property asset acquisitions as the acquired companies do not constitute business as defined by IFRS.

In 2017, the Group entered into shareholder agreements with the related party GSG Europa Beteiligungs GmbH (hereafter "GSG") in regard to Polygon BC, a.s., MQM Czech, a.s., and STRM Alfa, a.s. (collectively "the entities"). The Group and GSG own shares of the entities in the percentage of 20% and 80%, respectively. The shareholder agreements detail the cooperation, among other things, in which the Group and GSG will execute decisions that impact the entities. Based on these shareholder agreements, and in consideration of IFRS 10's assessment of control, management concluded that the Group demonstrates the control over the entities and therefore the entities are fully consolidated in the Group's financial statements as at and for the period ended 31 December 2017.

The first project, with land plots of approximately 55.8 thousand sqm, is located in an attractive part of Prague 9. The 20% stake in company Polygon BC, a.s. was acquired for the purchase price of CZK 191 million. The company was acquired from companies controlled by the major shareholder of the Company and the acquisition is accounted for as a common control transaction.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 956.9 million, cash and cash equivalents acquired in the amount of CZK 212 thousand and other non-financial current assets acquired in the amount of CZK 110 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents other both financial and non financial current liabilities in the amount of CZK 1.3 million.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of CZK 956 million. As at 31 December 2017, the Group holds 20% stake and the 80% stake (CZK 760.9 million) represents the non-controlling interest. The net cash outflow connected with the acquisition amounted to CZK 191 million.

The second project, with land plots of approximately 395 thousand sqm, is located in Řitka, approximately 30 kilometers southwest of Prague.

The Group acquired 20% stake in company MQM Czech, a.s. for the purchase price of CZK 70.4 million. The company was acquired from companies controlled by the major shareholder of the Company and the acquisition is accounted for as common control transaction.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 351.7 million and cash and cash equivalents in the amount of CZK 206 thousand.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of CZK 352 million. As at 31 December 2017, the Group holds 20% stake and the 80% stake (CZK 280.2 million) represents the non-controlling interest. The net cash outflow connected with the acquisition amounted to CZK 70.2 million.

Brno Property Development, a.s.

On 17 January 2017, the Group acquired 100% stake in Brno Property Development, a.s. The acquired entity owns land bank of approximately 5,358 sqm. The consideration paid amounted to CZK 32 million.

This acquisition was recognized as a property asset acquisition as the acquired company do not constitute business as defined by IFRS.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 75.7 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount CZK 43.2 million and other non-financial current liabilities in the amount of CZK 0.5 million.
Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to CZK 41.7 million. The net cash outflow connected with the acquisition amounted to CZK 41.7 million.

The net identifiable assets of the subsidiary acquired at the date of acquisition amounted to CZK 32 million. The net cash outflow connected with the acquisition amounted to CZK 32 million.

Merlég office building, Budapest

On 13 December 2017 the Group acquired a unique building located downtown Budapest. The building directly neighbors with the Starlight Hotel owned by the Group. The building currently serves as an office building but the Group intends to refurbish it together with the Starlight Hotel into a 3 star hotel.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

The value of the property amounted to EUR 9.2 million (app. CZK 243 million) as at 31 December 2017.

Future boutique hotel in Český Krumlov, Czech Republic

On 13 December 2017, the Group acquired a historical building located in Český Krumlov, Czech Republic. The building is situated in the heart of this medieval town inscribed on the UNESCO World Heritage List, within walking distance to all major tourist attractions. The property will be completely reconstructed into a four star boutique hotel with approximately 30 rooms. The hotel is expected to open in mid-2019.

The 100% stake in PROJECT FIRST a.s. was acquired for the purchase price of CZK 109 million.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 109 million, cash and cash equivalents in the amount of CZK 19 thousand and other non-financial current assets in the amount of CZK 59 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents trade payables in the amount of CZK 27 thousand.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of CZK 109 million. The net cash outflow connected with the acquisition amounted to CZK 109 million.

Ibis hotel, Olomouc

On 13 December 2017, the Group acquired IBIS hotel, located in Olomouc, Czech Republic. The hotel is located in proximity of the historic old town with the UNESCO monuments and city parks. The hotel, operated under ibis brand, offers 90 rooms, 5 fully equipped conference rooms and onsite parking.

The 100% stake in HOTEL U PARKU s.r.o. was acquired for the purchase price of CZK 23.7 million.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS.

As at the date of acquisition, the identifiable assets of the acquired company represent intangible assets and goodwill in the amount of CZK 97 thousand, investment property in the amount of CZK 134.2 million, inventories in the amount of CZK 358 thousand, trade receivables in the amount of CZK 841 thousand, cash and cash equivalents in the amount of CZK 9.1 million, other financial current assets in the amount of CZK 123 thousand and other non-financial current assets in the amount of CZK 7 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount of CZK 116.9 million and other both current and non-current liabilities in the amount of CZK 9.6 million.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of CZK 23.7 million. The net cash outflow connected with the acquisition amounted to CZK 14.6 million.

3.7 Acquisition through business combinations in 2017

Tepelné hospodářství Litvínov s.r.o.

On 7 August 2017, the Group acquired 100% stake in company Tepelné hospodářství Litvínov s.r.o. for the purchase price of CZK 170.5 million.

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

Property, plant and equipment	209,628
Total non-current assets	**209,628**
Trade receivables	79,053
Cash and cash equivalents	140
Other financial current assets	229
Other non-financial current assets	6,837
Total current assets	**86,260**
Identifiable acquired assets	**295,889**
Deferred tax liabilities	(24,149)
Total non-current liabilities	**(24,149)**
Financial debts	(8,170)
Trade payables	(1,823)
Advance payments	(89,043)
Other financial current liabilities	(2,234)
Total current liabilities	**(101,271)**
Identifiable acquired liabilities	**(125,419)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 170.5 million. Neither goodwill, nor bargain purchase was recognized as a result of this business combination.

Due to the business combination, the Group acquired cash and cash equivalents in the amount of CZK 140 thousand. The net cash outflow connected with the acquisition amounted to CZK 170.4 million.

The post-acquisition profit from date of acquisition until 31 December 2017 amounted to CZK 1.8 million and the post-acquisition total revenues amounted to CZK 18.4 million.

If the acquisition had occurred on 1 January 2017 with all other variables held constant, Group total revenues for 2017 would have been CZK 8,428.16 million and net profit from continuing operations would have been CZK 8,035.07 million.

3.8 Disposal of subsidiaries in 2017

The Group decided to proceed with the disposal of the following subsidiaries, since they were considered as non core assets:

- the sale of hotel Rhea was completed on 21 February 2017;
- on 28 February 2017, the Group sold Lozorno Logistics Park, located outside of Bratislava, comprising of 5 halls with total rentable space reaching up to 118,000 square meters;
- on 7 March 2017 the Group disposed of the Purkyňova office building located in Brno, Czech Republic, an modern building with an area exceeding 11,300 sqm;
- on 8 August, the Group sold Arkády Prostějov shopping gallery, with the total gross leasable area of approximately 10,000 square meters, located in Prostějov, eastern part of the Czech Republic;
- the Group sold three land bank projects located in the Czech Republic on 1 April 2017;
- the remaining twelve entities disposed of (seven Hungarian and five Czech) represent companies without property which were sold during 2017 to a third party.

3.9 Disposal of non-controlling interest in 2017

On 15 November 2017, the Group disposed of 80% stake of STRM Alfa, a.s. representing a non-controlling interest. The disposed share was sold to an entity controlled by the major shareholder, which is why this transaction is recorded in the Group´s equity.

4 SEGMENT REPORTING

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

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

The structure of operating segments remains unchanged in 2018 compared to the financial statements as at 31 December 2017.

Income generating rental properties

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

- Retail – acquires, develops and leases shopping malls
- Office – acquires, develops and leases offices
- Logistics – acquires, develops and leases warehouses and factories
- Residential – rents residential property
- Hotels – acquires, develops and leases hotels to operators *(no asset is recognized within this segment as at 30 June 2018)*
- Other – primarily includes intergroup service and financing entities

Income generating operational properties

The segment includes properties which primarily generate income from other than rental activities. As at 30 June 2018 the segment includes the following types of assets:

- Hospitality – operates hotel premises as hotel operator

Development

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

Land bank

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

As at 30 June 2018

For the six-month period ended

Consolidated profit or loss	Income generating - rental properties					Income generating - operational properties	Land bank	Development	Total consolidated
30 June 2018	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Other**	**Hospitality**			
Gross rental income	827,086	1,741,763	272,204	--	3,546	7,334	19,267	249	2,943,993
Service revenue	665	18,275	--	--	135,382	--	--	--	154,347
Net service charge income	20,491	20,152	616	--	36,841	(2,436)	(2,302)	--	77,651
Property operating expenses	(116,419)	(132,622)	(134,085)	--	(97,512)	(21,321)	(13,035)	(560)	(524,317)
Net rental income	**731,823**	**1,647,568**	**138,735**	**--**	**78,257**	**(16,423)**	**3,930**	**(311)**	**2,651,674**
Development sales	--	--	1,224	--	--	2,538	2,477	195,542	201,782
Cost of goods sold	--	--	--	--	--	--	(191)	(187,256)	(187,447)
Development operating expenses	--	--	--	--	--	--	--	(18,836)	(18,836)
Net development income	**--**	**--**	**1,224**	**--**	**--**	**2,538**	**2,286**	**(10,550)**	**(4,503)**
Hotel revenue	--	--	--	--	2,649	1,055,614	--	--	1,058,263
Cost of goods sold	--	--	--	--	--	(2,802)	--	--	(2,802)
Hotel operating expenses	--	--	--	--	(2,557)	(737,257)	--	--	(739,814)
Net hotel income	**--**	**--**	**--**	**--**	**92**	**315,555**	**--**	**--**	**315,647**
Total revenues	848,242	1,780,190	274,044	76,858	178,418	1,063,050	19,442	195,791	4,436,036
Total direct business operating expenses	(116,419)	(132,622)	(134,085)	(8,764)	(100,069)	(761,380)	(13,226)	(206,653)	(1,473,218)
Net business income	**731,823**	**1,647,568**	**139,959**	**68,094**	**78,349**	**301,670**	**6,216**	**(10,862)**	**2,962,818**
Net valuation gain	672,508	413,892	512,070	--	--	--	10	--	1,598,480
Net gain or loss on the disposal of investment property	64	(22,700)	406	--	1,277	(53)	12,016	--	(8,990)
Net gain or loss on disposal of subsidiaries	(4,893)	3,802	--	--	(1,052)	--	--	--	(2,143)
Amortization, depreciation and impairments	(7,753)	(27,010)	22	--	(68,835)	(110,362)	52	(25)	(213,911)
Other operating income	2,065	5,860	1,076	933	2,047	440	688	--	13,109
Administrative expenses	(17,593)	(41,008)	(6,976)	(2,171)	(371,078)	(10,768)	(8,732)	(8,232)	(466,558)
Other operating expenses	(4,439)	(10,868)	(1,766)	(462)	(27,412)	(4,570	(1,684)	(436)	(51,637)
Operating result	**1,371,782**	**1,969,536**	**644,791**	**66,394**	**(386,704)**	**176,357**	**8,566**	**(19,555)**	**3,831,168**
Interest income	1,856	3,654	--	180	160,952	(1,169)	110	--	165,583
Interest expense	(113,878)	(247,822)	(73,164)	(2,241)	(598,968)	(36,912)	(426)	--	(1,073,411)
Other net financial result	170,581	(10,293)	(349)	19,768	168,846	(120,854)	104,382	(111)	331,969
Net finance income/(costs)	**58,559**	**(254,461)**	**(73,513)**	**17,707**	**(269,171)**	**(158,935)**	**104,066**	**(111)**	**(575,859)**
Share of loss of entities accounted for using equity method	--	--	--	--	(9,231)	--	--	--	(9,231)
Profit/(loss) before income tax	**1,430,341**	**1,715,075**	**571,278**	**84,101**	**(665,106)**	**17,422**	**112,632**	**(19,666)**	**3,246,078**
Income tax expense	(186,119)	147,214	(97,411)	(6,307)	(288,591)	(49,563)	16,418	170	(464,189)
Net profit/(loss) from continuing operations	**1,244,222**	**1,862,289**	**473,867**	**77,794**	**(953,697)**	**(32,141)**	**129,050**	**(19,496)**	**2,781,889**

As at 30 June 2017

For the six-month period ended

Consolidated profit or loss	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
30 June 2017	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Hotels**	**Other**	**Hospitality**			
Gross rental income	789,382	1,305,441	259,115	70,755	--	(2,594)	37,419	10,630	--	2,470,148
Service revenue	1,068	5,498	103	31	--	338,549	339	231	--	345,819
Net service charge income	6,052	(17,750)	220	(4,891)	--	29,689	13	(2,921)	--	10,412
Property operating expenses	(121,404)	(104,181)	(140,849)	(4,580)	--	(92,694)	(28,401)	(6,232)	62	(498,279)
Net rental income	**675,097**	**1,189,009**	**118,589**	**61,315**	**--**	**272,950**	**9,370**	**1,708**	**62**	**2,328,100**
Development sales	20	--	--	--	--	--	1,437	37,922	6,208	45,587
Cost of goods sold	--	--	--	--	--	--	--	(34,138)	(5,932)	(40,070)
Net development income	**20**	**--**	**--**	**--**	**--**	**--**	**1,437**	**3,784**	**276**	**5,517**
Hotel revenue	--	--	--	--	--	--	1,061,261	--	--	1,061,261
Cost of goods sold	--	--	--	--	--	--	(2,749)	--	--	(2,749)
Hotel operating expenses	--	--	--	--	--	--	(726,067)	--	--	(726,067)
Net hotel income	**--**	**--**	**--**	**--**	**--**	**--**	**332,445**	**--**	**--**	**332,445**
Total revenues	796,522	1,293,190	259,438	65,895	--	365,644	1,100,469	45,862	6,208	3,933,227
Total direct business operating expenses	(121,404)	(104,181)	(140,850)	(4,580)	--	(92,694)	(757,217)	(40,370)	(5,870)	(1,267,165)
Net business income	**675,118**	**1,189,009**	**118,588**	**61,315**	**--**	**272,950**	**343,252**	**5,492**	**338**	**2,666,062**
Net valuation gain	284,461	2,408,870	1,438,854	--	--	--	--	2,071	--	4,134,256
Net gain or loss on the disposal of investment property	(230)	(9,564)	7,592	(136)	--	(1,415)	(49)	(1,279)	--	(5,081)
Net gain or loss on disposal of subsidiaries	235,996	--	(3,190,445)	(142,733)	(198,145)	3,222,679	--	8,582	--	(64,066)
Amortization, depreciation and impairments	(1,536)	(17,341)	366	(802)	--	(43,947)	(175,241)	(5,301)	3,000	(240,802)
Other operating income	24,706	92,479	1,597	99	--	18,263	2,653	1,131	--	140,928
Administrative expenses	(20,526)	(52,520)	(8,926)	(1,936)	--	(535,257)	(12,619)	(3,689)	(486)	(635,959)
Other operating expenses	(17,859)	(22,550)	(1,971)	(1,712)	--	2,479	51,619	(54,399)	(12,348)	(56,741)
Operating Results	**1,180,128**	**3,588,383**	**(1,634,345)**	**(85,905)**	**(198,145)**	**2,935,752**	**209,615**	**(47,392)**	**(9,496)**	**5,938,595**
Interest income	4	15,535	--	363	--	482,932	37,852	--	--	536,686
Interest expense	(188,305)	(448,883)	(77,135)	(14,491)	--	(662,821)	(125,936)	23,386	(8,811)	(1,502,996)
Other net financial result	(99,803)	(306,101)	(303)	(226)	1,676	(21,775)	(65,443)	(938)	3,448	(489,465)
Net finance income/(costs)	**(288,105)**	**(739,448)**	**(77,438)**	**(14,354)**	**1,676**	**(201,664)**	**(153,527)**	**22,448**	**(5,363)**	**(1,455,775)**
Profit/(Loss) before income tax	**892,023**	**2,848,935**	**(1,711,783)**	**(100,259)**	**(196,469)**	**2,734,088**	**56,088**	**(24,944)**	**(14,859)**	**4,482,820**
Income tax expense	(74,865)	(327,955)	(273,088)	942	--	(13,296)	15,933	(1,324)	749	(672,423)
Net profit/(Loss) from continuing operations	**817,639**	**2,520,980**	**(1,984,871)**	**(99,317)**	**(196,469)**	**2,720,792**	**72,021**	**(26,268)**	**(14,110)**	**3,810,397**

As at 30 June 2018

Consolidated statement of financial position	Income generating - rental properties					Income generating - operational properties	Land bank	Development	Total consolidated
30 June 2018	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Other**	**Hospitality**			
Gross assets value	**30,833,069**	**52,762,655**	**11,128,564**	**1,801,370**	**267,966**	**11,229,072**	**13,080,403**	**2,068,717**	**123,171,816**
Investment Property	30,809,408	52,744,941	11,127,310	1,801,365	--	--	13,077,829	364,523	109,925,376
Property, plant and equipment	23,660	17,328	--	--	265,481	11,198,668	1,757	8,819	11,515,713
Inventories	1	386	1,254	5	2,485	30,404	817	1,695,375	1,730,727
Biological assets							512	--	512
Other assets non-current	80,512	131,455	13,306	13,687	11,585,980	1,428,302	31,245	65,375	13,349,862
Other assets current	941,232	1,939,757	453,857	22,324	3,758,308	254,726	332,270	64,449	7,766,923
Cash and cash equivalents	1,400,962	2,971,525	70,484	49,334	6,223,281	433,651	68,561	27,708	11,245,506
Total Assets	**33,255,775**	**57,805,392**	**11,666,211**	**1,886,715**	**21,835,535**	**13,345,751**	**13,512,991**	**2,226,249**	**155,534,619**
Other payables non-current	2,295,343	3,264,338	1,833,727	91,837	314,575	787,602	978,123	40,971	9,606,516
Finance debts non-current	6,476,123	16,372,893	1,339	104,489	24,851,978	2,619,567	70,405	--	50,496,794
Bonds issued non-current	--	--	788,790	--	9,667,213	--	--	--	10,456,003
Other payables current	819,523	1,213,294	530,604	25,231	1,891,515	371,770	105,637	271,249	5,228,823
Finance debts current	2,357,597	908,066	--	12,730	8,198,388	185,116	14,711	--	11,676,608
Bonds issued current	--	1,130,009	2,188,954	--	110,903	--	--	--	3,429,866
Total Liabilities	**11,948,586**	**22,888,600**	**5,343,414**	**234,287**	**45,034,572**	**3,964,055**	**1,168,876**	**312,220**	**90,894,611**

As at 31 December 2017

Consolidated statement of financial position	Income generating - rental properties					Income generating - operational properties		Land bank	Development	Total consolidated
31 December 2017	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Other**	**Agriculture**	**Hospitality**			
Gross assets value	**27,772,475**	**47,859,185**	**10,604,570**	**1,773,565**	**256,232**	**--**	**11,038,051**	**12,887,588**	**2,027,742**	**114,219,408**
Investment Property	27,753,263	47,834,663	10,604,540	1,773,565	--	--	--	12,882,013	319,937	101,167,981
Property, plant and equipment	19,212	24,098	--	--	255,159	--	11,011,312	5,085	978	11,315,844
Inventories	--	424	30	--	1,073	--	26,739	490	1,706,827	1,735,583
Biological assets	--	--	--	--	--	--	--	573	--	573
Other assets non-current	81,383	173,058	12,365	13,686	8,449,626	--	1,462,603	11,563	64,859	10,269,144
Other assets current	1,318,413	2,856,281	328,391	28,188	3,326,071	4	316,749	328,083	33,928	8,536,108
Cash and cash equivalents	943,975	1,713,518	102,221	23,564	1,293,326	--	497,573	39,970	73,965	4,688,112
Total Assets	**30,116,246**	**52,602,042**	**11,047,547**	**1,839,003**	**13,325,255**	**4**	**13,314,976**	**13,267,777**	**2,200,494**	**137,713,347**
Other payables non-current	2,096,643	3,212,783	1,736,087	96,655	68,991	--	774,579	976,440	97,513	9,059,691
Finance debts non-current	6,090,418	16,394,158	1,449	110,500	18,097,063	--	2,346,745	71,847	--	43,112,180
Bonds issued non-current	--	1,114,755	--	--	9,627,809	--	--	--	--	10,742,564
Other payables current	1,001,977	1,253,533	433,525	39,072	4,113,686	--	415,958	78,149	259,559	7,595,459
Finance debts current	2,423,247	910,864	--	12,605	336,819	--	579,951	14,315	--	4,277,801
Bonds issued current	--	10,312	3,036,971	--	834,260	--	--	--	--	3,881,544
Total Liabilities	**11,612,285**	**22,896,405**	**5,208,032**	**258,832**	**33,078,628**	**--**	**4,117,233**	**1,140,751**	**357,072**	**78,669,239**

As at 30 June 2018

For the six-month period ended

Consolidated profit or loss 30 June 2018	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
Gross rental income	2,159,598	104,748	--	443,713	195,472	38,830	1,071	561	--	--	2,943,993
Service revenue	116,624	(11)	--	4,544	211	3,299	--	29,680	--	--	154,347
Net service charge income	50,836	(5,282)	--	38,434	(8,875)	2,538	--	--	--	--	77,651
Property operating expenses	(409,113)	(10,884)	--	(91,444)	(11,667)	(1,171)	(36)	(3)	--	--	(524,317)
Net rental income	**1,917,945**	**88,571**	**--**	**395,247**	**175,141**	**43,496**	**1,035**	**30,238**	**--**	**--**	**2,651,674**
Development sales	16,499	--	--	--	152	--	185,130	--	--	--	201,782
Cost of goods sold	(190)	--	--	--	--	--	(187,257)	--	--	--	(187,447)
Development operating expenses	(105)	--	--	--	--	--	(18,731)	--	--	--	(18,836)
Net development income	**16,204**	**--**	**--**	**--**	**152**	**--**	**(20,858)**	**--**	**--**	**--**	**(4,503)**
Hotel revenue	797,250	8,439	--	138,302	57,033	--	--	--	56,574	--	1,058,263
Cost of goods sold	(2,593)	--	--	(209)	--	--	--	--	--	--	(2,802)
Hotel operating expenses	(573,507)	(6,630)	--	(87,137)	(41,351)	--	--	--	(31,189)	--	(739,814)
Net hotel income	**221,150**	**1,809**	**--**	**51,621**	**15,682**	**--**	**--**	**--**	**25,385**	**--**	**315,647**
Total revenues	3,140,807	107,894	--	625,658	243,993	44,667	186,201	30,241	56,574	--	4,436,036
Total direct business operating expenses	(985,508)	(17,514)	--	(178,790)	(53,018)	(1,171)	(206,024)	(3)	(31,189)	--	(1,473,218)
Net business income	**2,155,299**	**90,380**	**--**	**446,868**	**190,975**	**43,496**	**(19,823)**	**30,238**	**25,385**	**--**	**2,962,818**
Net valuation gain	1,279,549	111,939	--	59,228	147,764	--	--	--	--	--	1,598,480
Net loss on the disposal of investment property	(8,990)	--	--	--	--	--	--	--	--	--	(8,990)
Net gain or loss on disposal of subsidiaries	2,458	--	--	(4,641)	--	--	--	--	--	40	(2,143)
Amortization, depreciation and impairments	(151,637)	(26)	--	(14,274)	(21,439)	(23)	--	(36,362)	9,850	--	(213,911)
Other operating income	8,860	1,135	--	2,243	2,191	(1,293)	--	(27)	--	--	13,109
Administrative expenses	(282,759)	(2,430)	(20)	(71,352)	(20,642)	(5,828)	(3,837)	(35,542)	(3,050)	(41,098)	(466,558)
Other operating expenses	(24,180)	(262)	--	(14,248)	8,219	(1,904)	(446)	(18,950)	305	(171)	(51,637)
Operating Results	**2,978,600**	**200,736**	**(20)**	**403,824**	**307,068**	**34,448**	**(24,106)**	**(60,643)**	**32,490**	**(41,229)**	**3,831,168**
Interest income	51,729	--	--	195	9	22	--	113,473	--	155	165,583
Interest expense	(713,405)	(60,877)	--	(80,437)	(21,475)	(57)	--	(196,818)	(10)	(332)	(1,073,411)
Other net financial result	401,453	(1,706)	(3)	274,988	(87,485)	9,294	(84)	(210,983)	(43,051)	(10,453)	331,969
Net finance income/(costs)	**(260,223)**	**(62,583)**	**(3)**	**194,746**	**(108,951)**	**9,259**	**(84)**	**(294,328)**	**(43,061)**	**(10,630)**	**(575,859)**
Share of loss of entities accounted for using the equity method	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(9,231)**	**--**	**--**	**(9,231)**
Profit/(Loss) before income tax	**2,718,377**	**138,153**	**(23)**	**598,570**	**198,117**	**43,707**	**(24,190)**	**(364,202)**	**(10,571)**	**(10,475)**	**3,246,078**
Income tax expense	(297,858)	(35,039)	--	(52,211)	(65,050)	(4,121)	--	(423)	(4,267)	(5,221)	(464,189)
Net profit/(Loss) from continuing operations	**2,420,519**	**103,114**	**(23)**	**546,359**	**133,067**	**39,586**	**(24,190)**	**(364,625)**	**(14,838)**	**(15,696)**	**2,781,889**

**Other countries includes operations in Netherland, Ireland, Cyprus, British Virgin Islands and Guernsey.*

As at 30 June 2017

For the six-month period ended

Consolidated profit or loss 30 June 2017	Czech Republic	Slovak Republic	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
Gross rental income	1,889,006	104,828	335,701	119,159	20,329	1,125	--	--	--	2,470,148
Service revenue	44,905	1,884	1,985	2,475	454	103	--	--	294,013	345,819
Net service charge income	16,841	(5,641)	13,831	(14,956)	337	--	--	--	--	10,412
Property operating expenses	(400,008)	(10,380)	(82,574)	(5,168)	(149)	--	--	--	--	(498,279)
Net rental income	**1,550,744**	**90,691**	**268,943**	**101,510**	**20,971**	**1,228**	**--**	**--**	**294,013**	**2,328,100**
Development sales	44,851	--	736	--	--	--	--	--	--	45,587
Cost of goods sold	(39,895)	--	(175)	--	--	--	--	--	--	(40,070)
Net development income	**4,956**	**--**	**561**	**--**	**--**	**--**	**--**	**--**	**--**	**5,517**
Hotel revenue	798,017	7,805	132,302	64,893	--	--	--	58,244	--	1,061,261
Cost of goods sold	(2,749)	--	--	--	--	--	--	--	--	(2,749)
Hotel operating expenses	(555,734)	(7,148)	(82,162)	(42,058)	--	--	--	(38,965)	--	(726,067)
Net hotel income	**239,534**	**657**	**50,140**	**22,835**	**--**	**--**	**--**	**19,279**	**--**	**332,445**
Total revenues	2,793,620	108,876	484,556	171,571	21,120	1,228	--	58,244	294,013	3,933,227
Total direct business operating expenses	(998,386)	(17,528)	(164,912)	(47,226)	(149)	--	--	(38,965)	--	(1,267,165)
Net business income	**1,795,234**	**91,348**	**319,644**	**124,345**	**20,971**	**1,228**	**--**	**19,279**	**294,013**	**2,666,062**
Net valuation gain	3,180,802	--	653,398	149,329	150,727	--	--	--	--	4,134,256
Net loss on the disposal of investment property	(4,770)	--	(311)	--	--	--	--	--	--	(5,081)
Net gain or loss on disposal of subsidiaries	131,374	(142,733)	357,708	--	--	--	--	--	(410,415)	(64,066)
Amortization, depreciation and impairments	(203,494)	--	(13,049)	(34,452)	(253)	--	--	10,446	--	(240,802)
Other operating income	64,451	50	31,954	12,366	32,106	--	--	--	1	140,928
Administrative expenses	(417,460)	(23,796)	(79,236)	(20,839)	(1,261)	--	(5,262)	(3,571)	(84,534)	(635,959)
Other operating expenses	(34,196)	(234)	(14,424)	52,610	(527)	(12,565)	(941)	252	(46,716)	(56,741)
Operating Results	**4,511,939**	**(75,365)**	**1,255,684**	**283,359**	**201,763**	**(11,337)**	**(6,203)**	**26,406**	**(247,651)**	**5,938,595**
Interest income	515,139	--	18	--	3	--	2,760	--	18,766	536,686
Interest expense	(1,276,003)	(77,465)	(124,066)	(35,239)	20,086	(9,565)	--	--	(744)	(1,502,996)
Other net financial result	(419,686)	(1,448)	(59,815)	52,815	(12,227)	150	(6,684)	(39,496)	(3,074)	(489,465)
Net finance income/(costs)	**(1,180,550)**	**(78,913)**	**(183,863)**	**17,576**	**7,862**	**(9,415)**	**(3,924)**	**(39,496)**	**14,948**	**(1,455,775)**
Profit/(Loss) before income tax	**3,331,389**	**(154,278)**	**1,071,821**	**300,935**	**209,625**	**(20,752)**	**(10,127)**	**(13,090)**	**(232,703)**	**4,482,820**
Income tax expense	(577,590)	(12,204)	(54,909)	13,199	(44,893)	--	(367)	6,215	(1,874)	(672,423)
Net profit/(Loss) from continuing operations	**2,753,801**	**(166,482)**	**1,016,912**	**314,134**	**164,732**	**(20,752)**	**(10,494)**	**(6,875)**	**(234,577)**	**3,810,397**

**Other countries includes operations in Netherland, Ireland, Cyprus, British Virgin Islands and Guernsey.*

As at 30 June 2018

Consolidated statement of financial position 30 June 2018	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
Gross assets value	**95,097,803**	**3,159,125**	**--**	**14,461,352**	**8,664,932**	**102**	**1,184,863**	**--**	**603,345**	**294**	**123,171,816**
Investment Property	85,599,711	3,158,583	--	13,085,570	7,987,059	--	94,453	--	--	--	109,925,376
Property, plant and equipment	8,865,863	491	--	1,372,689	676,510	102	--	--	600,058	--	11,515,713
Inventories	632,229	51	--	3,093	1,363	--	1,090,410	--	3,287	294	1,730,727
Biological assets	512	--		--	--	--	--	--	--	--	512
Other receivables non-current	4,418,205	89	--	16,983	1,044	--	56,166	8,786,923	129	70,323	13,349,862
Other receivables current	3,330,794	31,546	127	165,324	207,351	1,044,964	62,666	2,297,326	4,157	622,668	7,766,923
Cash and cash equivalents	7,466,243	141,388	1,062	748,120	243,190	438	7,834	2,516,295	13,805	107,131	11,245,506
Total Assets	**110,313,557**	**3,332,148**	**1,189**	**15,391,779**	**9,116,517**	**1,045,504**	**1,311,529**	**13,600,544**	**621,436**	**800,416**	**155,534,619**
Other payables non-current	8,295,680	326,957	--	598,636	375,867	290	5,923	--	3,163	--	9,606,516
Finance debts non-current	23,925,756	957,784	--	5,073,342	1,984,011	--	--	18,555,900	--	1	50,496,794
Bonds issued non-current	9,166,496	1,289,507	--	--	--	--	--	--	--	--	10,456,003
Other payables current	3,354,190	20,784	352	319,018	146,456	58,038	63,727	414,673	34,529	817,056	5,228,823
Finance debts current	3,231,547	71,189	--	348,928	115,095	10,607	--	7,890,557	--	8,685	11,676,608
Bonds issued current	3,407,460	22,406	--	--	--	--	--	--	--	--	3,429,866
Total Liabilities	**51,381,129**	**2,688,627**	**352**	**6,339,924**	**2,621,429**	**68,935**	**69,650**	**26,861,130**	**37,692**	**825,742**	**90,894,611**

**Other countries includes operations in Netherland, Ireland, Cyprus, British Virgin Islands and Guernsey.*

As at 31 December 2017

Consolidated statement of financial position 31 December 2017	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
Gross assets value	**89,386,084**	**2,979,291**	**--**	**14,077,888**	**5,832,579**	**(1)**	**1,350,555**	**--**	**592,723**	**289**	**114,219,408**
Investment Property	80,192,414	2,979,139	--	12,735,238	5,168,480	--	92,710	--	--	--	101,167,981
Property, plant and equipment	8,723,734	50	--	1,340,478	662,607	--	--	--	588,975	--	11,315,844
Inventories	469,936	102	--	2,172	1,492	(1)	1,257,845	--	3,748	289	1,735,583
Biological assets	573	--	--	--	--	--	--	--	--	--	573
Other assets non-current	3,870,291	104	--	21,610	(584)	--	55,114	6,253,472	108	69,028	10,269,144
Other assets current	4,081,233	35,619	101	440,839	160,259	1,037,348	17,323	1,909,255	4,097	850,034	8,536,108
Cash and cash equivalents	3,506,338	111,326	1,074	545,421	110,083	343	5,596	274,485	4,455	128,991	4,688,112
Total Assets	**100,844,519**	**3,126,340**	**1,175**	**15,085,758**	**6,102,337**	**1,037,690**	**1,428,588**	**8,437,212**	**601,383**	**1,048,342**	**137,713,346**
Other payables non-current	7,891,437	281,346	--	568,713	289,991	285	5,814		22,105	--	9,059,691
Finance debts non-current	22,620,375	974,005	--	5,679,387	1,975,757	--	--	11,862,683	--	(27)	43,112,180
Bonds issued non-current	9,479,187	1,263,377	--	--	--	--	--	--	--	--	10,742,564
Other payables current	3,607,698	25,130	329	365,549	96,854	57,301	63,959	2,552,649	21,946	804,044	7,595,459
Finance debts current	3,659,212	69,093	--	382,866	105,284	10,355	--	39,109	--	11,882	4,277,801
Bonds issued current	3,137,003	744,540	--	--	--	--	--	--	--	--	3,881,544
Total Liabilities	**50,394,912**	**3,357,491**	**329**	**6,996,515**	**2,467,886**	**67,941**	**69,773**	**14,454,441**	**44,051**	**815,899**	**78,669,239**

**Other countries includes operations in Netherland, Ireland, Cyprus, British Virgin Islands 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 tables, revenue is disaggregated by the major revenue streams (as described in note 2.2):

	Income generating - rental properties					Income generating - operational properties	Land bank	Development	Total consolidated
30 June 2018	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Other**	**Hospitality**			
Advisory and accounting services	584	10,720	--	25	133,577	--	--	--	144,906
Other services	81	7,555	--	--	1,805	--	--	--	9,441
Service revenue	**665**	**18,275**	**--**	**25**	**135,382**	**--**	**--**	**--**	**154,347**
Net service charge income	**20,491**	**20,152**	**616**	**4,289**	**36,841**	**(2,436)**	**(2,302)**	**--**	**77,651**
Development sales	**--**	**--**	**1,224**	**--**	**--**	**2,538**	**2,477**	**195,542**	**201,782**
Room rentals	--	--	--	--	--	674,659	--	--	674,659
- room rentals - accommodation	--	--	--	--	--	*321,053*	--	--	*321,053*
- room rentals - travel agencies	--	--	--	--	--	*142,428*	--	--	*142,428*
- room rentals - reservation portals	--	--	--	--	--	*211,178*	--	--	*211,178*
Services	--	--	--	--	--	65,551	--	--	65,551
Food and beverage sales	--	--	--	--	--	275,169	--	--	275,169
Conferences	--	--	--	--	--	42,884	--	--	42,884
Hotel revenue	**--**	**--**	**--**	**--**	**--**	**1,058,263**	**--**	**--**	**1,058,263**
Gain on assignment of receivables	--	872	125	--	2	85	--	--	1,084
Income from penalties	465	552	509	12	2	10	10	--	1,560
Insurance claims	(213)	903	122	22	(1,852)	172	250	--	(596)
Other - other operating income	1,813	3,533	320	899	3,895	173	428	--	11,061
Other operating income	**2,065**	**5,860**	**1,076**	**933**	**2,047**	**440**	**688**	**--**	**13,109**

30 June 2017	Income generating - rental properties					Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Other	Hospitality			
Advisory and accounting services	1,068	859	--	31	338,226	335	231	--	340,750
Other services	--	4,639	103	--	323	4	--	--	5,069
Service revenue	**1,068**	**5,498**	**103**	**31**	**338,549**	**339**	**231**	**--**	**345,819**
Net service charge income	**6,052**	**(17,750)**	**220**	**(4,891)**	**29,689**	**13**	**(2,921)**	**--**	**10,412**
Development sales	**20**	**--**	**--**	**--**	**--**	**1,437**	**37,922**	**6,208**	**45,587**
Room rentals	--	--	--	--	--	680,431	--	--	680,431
- room rentals - accommodation	--	--	--	--	--	*315,904*	--	--	*315,904*
- room rentals - travel agencies	--	--	--	--	--	*137,929*	--	--	*137,929*
- room rentals - reservation portals	--	--	--	--	--	*226,598*	--	--	*226,598*
Services	--	--	--	--	--	63,124	--	--	63,124
Food and beverage sales	--	--	--	--	--	270,475	--	--	270,475
Conferences	--	--	--	--	--	47,231	--	--	47,231
Hotel revenue	**--**	**--**	**--**	**--**	**--**	**1,061,261**	**--**	**--**	**1,061,261**
Gain on assignment of receivables	--	1,269	--	--	(1,269)	--	--	--	--
Income from penalties	186	1,801	1,172	5	11,546	--	5	--	14,715
Insurance claims	238	1,175	225	--	365	776	--	--	2,779
Other - other operating income	24,282	10,117	200	94	7,621	1,877	1,126	--	45,317
Gain on bargain purchase relating to business combinations	--	78,117	--	--	--	--	--	--	78,117
Other operating income	**24,706**	**92,479**	**1,597**	**99**	**18,263**	**2,653**	**1,131**	**--**	**140,928**

30 June 2018	Czech Republic	Slovak Republic	Hungary	Poland	Romania	France	Luxembourg	Total consolidated
Advisory and accounting services	114,793	(11)	371	73	--	--	29,680	144,906
Other services	1,831	--	4,173	138	3,299	--	--	9,441
Service revenue	**116,624**	**(11)**	**4,544**	**211**	**3,299**	**--**	**29,680**	**154,347**
Net service charge income	**50,836**	**(5,282)**	**38,434**	**(8,875)**	**2,538**	**--**	**--**	**77,651**
Development sales	**16,499**	**--**	**--**	**152**	**--**	**185,130**	**--**	**201,782**
Room rentals	470,351	7,391	108,904	41,849	44,055	--	2,111	674,661
- room rentals - accommodation	*226,237*	*3,440*	*48,547*	*13,869*	*26,849*	--	*2,111*	*321,053*
- room rentals - travel agencies	*127,024*	*63*	*13,358*	*894*	*1,090*	--	--	*142,429*
- room rentals - reservation portals	*117,090*	*3,888*	*46,999*	*27,086*	*16,116*	--	--	*211,179*
Services	55,726	489	5,684	3,334	318	--	--	65,551
Food and beverage sales	231,166	559	21,601	11,851	9,989	--	--	275,166
Conferences	40,006	--	2,778	--	102	--	--	42,886
Hotel revenue	**797,249**	**8,439**	**138,967**	**57,034**	**54,464**	**--**	**2,111**	**1,058,263**
Gain on assignment of receivables	239	845	--	--	--	--	--	1,084
Income from penalties	1,484	--	41	--	35	--	--	1,560
Insurance claims	(770)	174	--	--	--	--	--	(596)
Other – other operating income	7,907	116	2,202	2,191	(1,328)	--	(27)	11,061
Other operating income	**8,860**	**1,135**	**2,243**	**2,191**	**(1,293)**	**--**	**(27)**	**13,109**

30 June 2017	Czech Republic	Slovak Republic	Hungary	Poland	Romania	France	Luxembourg	Other*	Total consolidated
Advisory and accounting services	44,288	1,884	--	107	454	--	--	294,013	340,746
Other services	617	--	1,985	2,368	--	103	--	--	5,073
Service revenue	**44,905**	**1,884**	**1,985**	**2,475**	**454**	**103**	**--**	**294,013**	**345,819**
Net service charge income	**16,841**	**(5,641)**	**13,831**	**(14,956)**	**337**	**--**	**--**	**--**	**10,412**
Development sales	**44,851**	**--**	**736**	**--**	**--**	**--**	**--**	**--**	**45,587**
Room rentals	474,122	6,764	104,503	47,137	44,904	--	3,001	--	680,431
- room rentals - accommodation	*228,190*	*3,128*	*43,302*	*16,683*	*21,599*	--	*3,001*	--	*315,903*
- room rentals - travel agencies	*120,621*	*118*	*14,811*	*941*	*1,438*	--	--	--	*137,929*
- room rentals - reservation portals	*125,311*	*3,518*	*46,390*	*29,513*	*21,867*	--	--	--	*226,599*
Services	52,120	443	6,028	4,013	519	--	--	--	63,123
Food and beverage sales	226,861	598	19,633	13,743	9,641	--	--	--	270,476
Conferences	44,915	--	2,137	--	179	--	--	--	47,231
Hotel revenue	**798,017**	**7,805**	**132,302**	**64,894**	**55,243**	**--**	**3,001**	**--**	**1,061,261**
Income from penalties	13,300	--	22	1,391			--	--	14,713
Insurance claims	2,756	22	--	--	--	--			2,778
Other - other operating income	35,148	28	(835)	10,975	--	--	--	1	45,317
Gain on bargain purchase relating to business combinations	13,247	--	32,767	--	32,106	--			78,120
Other operating income	**64,451**	**50**	**31,954**	**12,366**	**32,106**	**--**	**--**	**1**	**140,928**

**Other countries includes operations in Netherland, Ireland, Cyprus, British Virgin Islands and Guernsey.*

6 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

6.1 Gross rental income

	6 month period ended	
	30 June 2018	**30 June 2017**
Gross rental income (1)	2,943,993	2,470,148
Service revenue (2)	154,347	345,819
Total gross rental income	**3,098,340**	**2,815,967**

(1) Increase in rental income is generally attributable to the Group´s expansion in 2018 and 2017. The main favourable impact represents the acquisition of CBRE GI portfolio in March 2017 leading to a net increase of CZK 405.2 million. Gross rental income in 2018 includes 6 months operations of Královo Pole shopping centre (acquired in July 2017) with net increase of CZK 56.4 million. Due to the acquisition of MB Futurum HK (in April 2018) the gross rental income increased by CZK 26.9 million and due to the acquisition of Atrium Complex (in March 2018) the gross rental income increased by CZK 12.4 million. Also the acquisition of the HopStop portfolio (in April 2018) contributed to the growth of gross rental income by CZK 7.2 million.

Disposal of entities (primarily Budaörs Office Park and Arkáda Prostějov shopping galery) is reflected in a slight decrease of gross rental income (CZK 25 million).

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

(2) Service revenue includes main advisory and accounting services, which relate to service provided to non-consolidated entities. These services derive directly from rental activities performed by the Group so they are disclosed as a part of service income.

Significant drop in service revenue relate to the advisory and accounting services provided by the Group to CPI PG in 2017 (CZK 207.5 million), which are being provided via OPG in 2018 and are therefore eliminated as intercompany. The Group recognized significant drop in trade receivables in respect to change of the service recipient (note 7.7).

6.2 Net service charge income

	6 month period ended	
	30 June 2018	**30 June 2017**
Service charge income	404,870	382,056
Service charge expenses	(382,603)	(389,280)
Total	**22,267**	**(7,224)**
Revenues from sales of energy	166,042	59,445
Cost of sales - energy	(110,658)	(41,809)
Total	**55,384**	**17,636**
Total net service charge income	**77,651**	**10,412**

Profit from sale of energies (the Group has license for the purchase and its further distribution) increased mainly due to the acquisition of Tepelné hospodářství Litvínov in August 2017 (net increase of CZK 20.6 million).

6.3 Property operating expenses

	6 month period ended 30 June 2018	30 June 2017
Building Maintenance (1)	(208,556)	(191,830)
Utilities Services (6.3.1)	(71,910)	(51,150)
Personnel expenses (6.3.2)	(91,188)	(85,679)
Real estate tax	(23,748)	(11,060)
Facility management	(30,032)	(37,507)
Insurance	(9,780)	(7,766)
Letting fee, other fees paid to real estate agents	(26,691)	(14,261)
Other property related expenses	(55,797)	(90,969)
Leases and rents	(6,615)	(8,057)
Total property operating expenses	**(524,317)**	**(498,279)**

(1) Increase of property operating expenses relates mainly to the Czech and Poland part of the Group´s portfolio (net increase of CZK 19.3 million).

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

6.3.1 Utility services

	6 month period ended 30 June 2018	30 June 2017
Energy consumption	(34,142)	(24,692)
Material consumption	(17,451)	(14,289)
Waste management	(3,646)	(2,568)
Security services	(11,397)	(6,469)
Cleaning services	(5,274)	(3,132)
Total utility services	**(71,910)**	**(51,150)**

The increase of utility services relates mainly to the acquisition of CBRE GI portfolio in March 2017 (net increase of CZK 9.4 million) and acquisition of Tepelné hospodářství Litvínov in August 2017 (increase of CZK 5 million).

6.3.2 Personnel expenses

	6 month period ended 30 June 2018	30 June 2017
Personnel operating expenses		
Wages and salaries	(66,385)	(62,281)
Social and health security contributions	(22,318)	(21,174)
Other social expenses	(2,486)	(2,224)
Total personnel operating expenses	**(91,188)**	**(85,679)**
Personnel administrative expenses		
Wages and salaries	(141,803)	(106,903)
Social and health security contributions	(44,453)	(34,144)
Other social expenses	(3,258)	(2,378)
Total personnel administrative expenses	**(189,514)**	**(143,425)**
Personnel expenses - hotel operations		
Wages and salaries	(204,435)	(188,264)
Social and health security contributions	(62,399)	(58,000)
Other social expenses	(4,142)	(5,317)
Total personnel expenses - hotel operations	**(270,976)**	**(251,581)**
Total personnel expenses	**(551,678)**	**(480,685)**

Significant increase in personnel administrative expenses relates to increase of number of employees, mainly due to the acquisitions made in H2 2017 and H1 2018 and due to the acquisition of OPG in June 2017.
An increase in personnel expenses from hotel operations relates primarily to the increase of number of employees of CPI Hotels (comparison with June 2017) with net increase of CZK 16.9 million.

6.4 Net development income

	6 month period ended	
	30 June 2018	**30 June 2017**
Development sale (1)	201,782	45,587
Cost of goods sold	(187,447)	(40,070)
Development operating expenses (2)	(18,836)	--
Total net development income	**(4,503)**	**5,517**

(1) Development sales in 2018 represent primarily sale of two apartments in France (CZK 185.1 million).

(2) Development operating expenses cover all property operating expenses occurred in connection with development (utility services, real estate agents services, maintenance etc.). Development expenses relate solely to development projects in France.

6.5 Net hotel income

	6 month period ended	
	30 June 2018	**30 June 2017**
Hotel revenue	1,058,263	1,061,261
Personnel expenses (6.3.2)	(270,976)	(251,581)
Other hotel expenses	(468,838)	(474,486)
Cost of goods sold – hotel operations	(2,802)	(2,749)
Total net hotel income	**315,647**	**332,445**

6.6 Net valuation gain on investment property

Investment properties and Hotels are stated at fair value as at 31 December 2017 based on external valuations performed by professionally qualified valuers, except for minor part of portfolio valued by internal expert. The Group utilizes independent professionally qualified valuers, who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all these properties, their current use equates to the highest and best use. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

For the determination of the fair value as at 30 June 2018 the Group's management analyzed 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 valuators in their appraisals as of 31 December 2017. As a result, the fair value of the majority of the property portfolio as of 30 June 2018 was determined based on the management's analysis described above and it does not significantly differ from the fair value as of 31 December 2017.

In instances where there have been indications of significant changes and therefore with potential material impact on the property value during the first half of 2018, the value of the property has been updated based on the external or internal appraisals as of 30 June 2018.

	6 month period ended	
	30 June 2018	**30 June 2017**
Valuation gains		
Office	672,484	300,895
Retail	523,570	2,412,830
Residential	512,070	1,438,854
Land bank	--	2,071
Total valuation gains	**1,708,124**	**4,154,650**
Valuation losses		
Retail	(109,644)	(3,960)
Office	--	(16,434)
Total valuation losses	**(109,644)**	**(20,394)**
Net valuation gain	**1,598,480**	**4,134,256**

Major part of the revaluation gain relates to office segment. Valuation gain in office segment relates to revaluation of office part of QUADRIO shopping center (CZK 515.9 million).

Valuation gain in retail segment relate mainly to the revaluation of selected shopping centres located in the Czech Republic, Hungary, Poland and Slovak Republic. Major part of the revaluation gain relates to the revaluation of QUADRIO shopping center in Prague (CZK 260.1 million).

The current situation on the residential market reports strong increase of selling prices within the whole Czech Republic. Based on that indication the Group revalued internally the residential portfolio using the comparable method based on the most recent transactions of apartments in same localities. The information on the most recent transactions was obtained from cadastral office. Revaluation in residential segment relates to the portfolio of CPI BYTY, a.s. (gain of CZK 512.1 million).

For the assumptions the professional valuators used for the preparation of appraisals as at 30 June 2018 refer to note 8.2.1.

6.7 Net loss on the disposal of investment property

	6 month period ended	
	30 June 2018	**30 June 2017**
Proceeds from disposal of investment property	104,280	29,085
Carrying value of investment property disposed of and related cost	(113,270)	(34,166)
Total loss on the disposal of investment property	**(8,990)**	**(5,081)**

Disposals of investment property in 2018 represent mainly sale of three retail properties from the portfolio of CPI Reality, a.s. (carrying value of CZK 39.4 million), sale of retail park in Český Těšín (carrying value of CZK 36.3 million) and sale of land banks near business zone in Svitavy (carrying value of CZK 17.2 million).

6.8 Amortization, depreciation and impairments

	6 month period ended	
	30 June 2018	**30 June 2017**
Depreciation and amortization – rental	(35,608)	(136,931)
Depreciation and amortization – hotel	(148,108)	(27,034)
Impairment of assets (6.8.1)	(30,195)	(76,838)
Total depreciation, amortization and impairment	**(213,911)**	**(240,802)**

6.8.1 Impairment of assets / Reversal of impairment of assets

	6 month period ended	
	30 June 2018	**30 June 2017**
Reversal / (Impairment) of property, plant and equipment (1)	50,581	(26,135)
Impairment of trade receivables	(45,137)	(50,703)
Impairment of provided loans (2)	(35,639)	--
Total impairment of assets	**(30,195)**	**(76,838)**

(1) In connection with the revaluation model used for the measurement of property, plant and equipment within the operating segment income generating operational properties, asset type hospitality, the Group recognized a reversal of property, plant and equipment in the amount of CZK 50.6 million.

(2) Impairment in the amount of CZK 35.6 million in 2018 million relates to loans provided to third parties from OPG (acquired in June 2017).

6.9 Other operating income

	6 month period ended 30 June 2018	30 June 2017
Gain on assignment of receivables	1,083	--
Income from penalties	1,560	14,713
Insurance claims	(596)	2,778
Other	11,054	44,689
Gain on bargain purchase (1)	--	78,118
Income from sale of PPE	7	630
Total other operating income	**13,109**	**140,928**

(1) Gain on bargain purchase in first half of 2017 relates to the preliminary accounting in respect of the acquisition of CBRE GI portfolio.

6.10 Administrative expenses

	6 month period ended 30 June 2018	30 June 2017
Personnel expenses	(189,514)	(143,425)
Audit, tax and advisory services	(69,619)	(97,995)
Legal services	(63,693)	(69,848)
Other administrative expenses	(25,260)	(16,694)
Advertising expenses	(23,803)	(18,661)
Lease and rental expenses	(19,801)	(15,042)
IT expenses	(19,472)	(7,488)
Accounting and other services (based on mandate contracts) (1)	(13,057)	(224,751)
Valuation services	(12,438)	(5,673)
Material consumption	(7,030)	(5,989)
Representation expenses	(6,689)	(4,674)
Repairs and maintenance	(6,425)	(6,348)
Telecommunication, internet and software related expenses	(4,488)	(13,996)
Other insurance expenses	(4,143)	(5,217)
Energy consumption	(1,126)	(158)
Total administrative expenses	**(466,558)**	**(635,959)**

(1) Accounting and other services in the amount of CZK 11.7 million (in H1 2017 CZK 224.7 million) provided by related parties relate to services provided by CPI PG to certain SPV´s within the Group. The significant decrease is related to the change of service provider from CPI PG to OPG, which is part of the consolidated group.

6.11 Other operating expenses

	6 month period ended 30 June 2018	30 June 2017
Penalties	(1,488)	(2,086)
Tax non-deductible VAT expenses	(9,692)	(14,868)
Taxes and fees	(15,589)	(12,836)
Loss on assignment of receivables	--	(1,565)
Gifts	(4,767)	742
Change in provisions	(607)	(2,505)
Other	(19,494)	(23,623)
Total other operating expenses	**(51,637)**	**(56,741)**

6.12 Interest income

	6 month period ended	
	30 June 2018	**30 June 2017**
Bank interest income	166	135
Interest income on bonds	53	64
Interest income on loans and receivables (1)	164,018	534,520
Interest income on other non-current receivables	1,346	1,967
Total interest income	**165,583**	**536,686**

(1) Interest income on loans and receivables decreased in connection with the acquisition of OPG in June 2017 (note 3.5). Interest income from loans provided to OPG is eliminated as intercompany in 2018 (net decrease of CZK 268.6 million). Loan provided by the Group to major shareholder (CPI PG) was offset against the loan provided to NUKASSO by CPI PG in connection with the acquisition, leading to decrease in interest income by CZK 236.5 million. Interest income on loans in 2018 relates primarily to loans provided to CPI PG and to entities controlled by the ultimate shareholder related parties (note 11).

6.13 Interest expense

	6 month period ended	
	30 June 2018	**30 June 2017**
Interest expense related to bank and non-bank loans (1)	(683,054)	(1,056,816)
Interest expense on bonds issued	(380,651)	(397,087)
Interest expense related to finance leases	(5,331)	(5,971)
Interest expense on other non-current liabilities	(614)	--
Interest expense on bills of exchange (2)	(3,761)	(43,123)
Total interest expenses	**(1,073,411)**	**(1,502,996)**

(1) Interest expense related to bank and non-bank loans decreased mainly due to the acquisition of OPG in June 2017 (net effect of CZK 481.6 million).

(2) Decrease in interest expense on bills of exchange relates to the repayment of bills of exchange, refer to note 7.16.

6.14 Other net financial results

	6 month period ended	
	30 June 2018	**30 June 2017**
Net foreign exchange gain/(loss) (1)	379,624	(541,165)
Other net financial results	(48,075)	(16,012)
Change in fair value and realized result on derivative instruments	15,614	120,125
Bank charges	(15,194)	(52,413)
Total other net financial results	**331,969**	**(489,465)**

(1) Significant part of the foreign exchange gain/loss represents unrealised valuation gains/losses (gain of CZK 1,491.4 million for six months of 2018) from the revaluation of the Group´s property portfolio as major part of the Hungarian, as well as Czech and Polish, portfolio is based on EUR valuation reports, i.e. the appraisal is not based on the functional currency of respective SPV´s.

Foreign exchange gain on property portfolio, recognized for the six months of 2018, was partially offset by unrealized foreign exchange loss of 1,210 million in 2018. As there have been many financing transactions between Group entities with different functional currencies, and due to the fact that major part of the outstanding external financial debts is still EUR denominated, following the appreciation of EUR, the Group recorded foreign exchange loss primarily on Hungarian and Polish entities.

6.15 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	(46,385)	--
Adjustment for prior years	(632)	(5,388)
Total	**(47,017)**	**(5,388)**
Deferred income tax expense		
Origination and reversal of temporary differences	(417,172)	(667,035)
Total	**(417,172)**	**(667,035)**
Income tax from continuing operations recognized in profit and loss	**(464,189)**	**(672,423)**
Total income tax recognized in profit or loss	**(464,189)**	**(672,423)**

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 14.3 %.

7 CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

7.1 Intangible assets and goodwill

Reconciliation of carrying amount

	Goodwill
Cost	
Balance at 1 January 2018	**1,509,873**
Effect of movements in exchange rates	4,183
Balance at 30 June 2018	**1,514,056**
Impairment losses	
Balance at 1 January 2018	**54,403**
Amortisation for the period (+)	14,594
Balance at 30 June 2018	**68,997**
Carrying amounts	
Balance at 1 January 2018	**1,455,470**
Balance at 30 June 2018	**1,445,059**

	Goodwill
Cost	
Balance at 1 January 2017	**1,522,859**
Effect of movements in exchange rates	(12,986)
Balance at 31 December 2017	**1,509,873**
Impairment losses	
Balance at 1 January 2017	**54,403**
Goodwill written off	--
Effect of movements in exchange rates	--
Balance at 31 December 2017	**54,403**
Carrying amounts	
Balance at 1 January 2017	**1,468,456**
Balance at 31 December 2017	**1,455,470**

Goodwill

The opening balance of goodwill consists of:

- goodwill recognized in 2014 within the acquisition of Hospitality Group (Mamaisons brand hotels) in the amount of CZK 224.8 million;
- goodwill of CZK 48.7 million was recognized by the Group in 2013. The goodwill relates to acquisition of former ABLON Group on 30 June 2013. Goodwill is allocated to retail segment;
- in 2016, due to the acquisition of CPI Hotels, the Group recognized a goodwill in the amount of CZK 1,181.9 million. Goodwill is allocated to the Income generating operational properties segment, asset type hospitality.

None of the goodwill recognized is expected to be deductible for tax purposes.

Impairment of goodwill

The Group performed its annual impairment tests in December 2017. The recoverable amounts of CGUs as of 31 December 2017, have been primarily determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the senior management covering a five-year period.

The key assumptions used in the estimation of the recoverable amount are described in the annual financial statements of the Group as at 31 December 2017.

As at 30 June 2018 there are no indicators for goodwill impairment.

7.2 Investment property

	Income Generating - Rental properties						Subtotal - rental properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels	Other				
Balance at 1 January 2017	**25,339,675**	**29,173,951**	**7,847,422**	**1,688,492**	**--**	**--**	**64,049,539**	**3,083,703**	**200,758**	**67,333,999**
Investments/acquisitions	2,242,978	16,888,993	--	32,220	68,419	4,059	19,236,669	9,289,047	106,246	28,631,962
Transfers	--	644,062	--	--	(68,419)	--	575,643	(132,851)	(492,996)	(50,204)
Development costs	--	--	--	--	--	--	--	--	300,878	300,878
Additions	561,542	695,768	41,313	42,496	--	--	1,341,119	189,025	--	1,530,144
Disposals	(6,159)	(359,415)	(5,887)	(13,012)	--	--	(384,473)	(190,288)	--	(574,761)
Valuation gain/(loss)	1,277,836	4,079,098	2,727,044	99,406	--	(4,059)	8,179,324	876,575	205,081	9,260,980
Translation to/from assets held for sale	(722,846)	(1,745,748)	--	--	--	--	(2,468,594)	(100,937)	--	(2,569,531)
Translation differences	(939,762)	(1,542,045)	(5,352)	(76,037)	--	--	(2,563,196)	(132,260)	(29)	(2,695,485)
Balance at 31 December 2017	**27,753,264**	**47,834,663**	**10,604,540**	**1,773,565**	**--**	**--**	**87,966,031**	**12,882,014**	**319,938**	**101,167,981**
Investments/acquisitions	1,986,027	3,671,020	--	--	--	--	5,657,047	--	--	5,657,047
Development costs	--	--	--	--	--	--	--	--	44,585	44,585
Additions	163,575	368,660	10,856	1,520	--	--	544,611	120,404	--	665,015
Disposals	(3,726)	(95,768)	(1,899)	--	--	--	(101,393)	(14,217)	--	(115,610)
Valuation gain	672,484	503,475	512,070	--	--	--	1,688,029	--	--	1,688,029
Translation differences	237,784	462,891	1,743	26,280	--	--	728,698	89,628	--	818,326
Balance at 30 June 2018	**30,809,408**	**52,744,941**	**11,127,310**	**1,801,365**	**--**	**--**	**96,483,024**	**13,077,829**	**364,523**	**109,925,376**

Investments/acquisitions

2018

In 2018 the Group acquired investment property in total value of CZK 5,657 million. The most significant items of investment property were acquired in the following transaction (note 3.2):

- in 2018 the Group acquired MB Futurum HK s.r.o. in total value of CZK 3,066 million;
- acquisition of retail parks in Poland in total value of CZK 604.9 million;
- acquisition of Atrium Complex in Poland in total value of CZK 1,986 million.

2017

In 2017 the Group acquired investment property in total value of CZK 28,663.2 million. The most significant items of investment property were acquired in the following transaction (note 3.5):

- in May 2017 the Group acquired CBRE GI portfolio, high-quality retail portfolio with predominantly 11 shopping centers in Europe in total value of CZK 16,899.5 million;
- in connection with the acquisition of Brno Property Development, a.s. in January 2017, the Group acquired land bank of approximately 5,358 sqm in total value of CZK 75.7 million;
- in connection with the acquisition of OPG in June 2017, the Group acquired land bank of approximately 13,469,868 sqm in total value of CZK 7,854.8million;
- in March 2017 the Group acquire Hotel Vladimír in Ústí nad Labem in total value of CZK 68.4 million.

Transfers

2017

Investment property in the amount of CZK 68.4 million was transferred to property, plant and equipment due to fact, that CPI Hotels became the new operator of Hotel Vladimír in Ústí nad Labem, acquired in 2017.
Amount of CZK 100.9 million was transferred from investment property to assets held for sale in 2017.

Development costs

2018

Development costs in the amount of CZK 44.4 million relate to the construction of office building Mayhouse, located in Prague.

2017

Development costs in the amount of CZK 300.9 million relate to the construction of the building extension of the existing IGY center in České Budějovice.

Additions

2018

Capital expenditure in segment office relate primarily to Czech portfolio (CZK 111.6 million), primarily reconstruction of Bubenská 1 (CZK 50.1 million), and to Hungarian portfolio (CZK 32 million).
Additions in the retail segment represent mainly to capital expenditures in connection with refurbishment of Olympia Teplice (CZK 99.6 million), IGY in České Budějovice (CZK 34.4 million) and Galerie Fénix in Prague (CZK 41.4 million).
Capital expenditures in segment land bank in the amount of CZK 84.6 million relate to the revitalization of Nová Zbrojovka in Brno.

2017

Capital expenditure in segment office relate mainly to the Hungarian portfolio (CZK 211.2 million).
Additions in the retail segment represent mainly capital expenditures in the amount of CZK 328.8 million retail park IGY in České Budějovice (CB Property Development, a.s.).
Additions in the amount of CZK 184.5 million relate to QUADRIO project.
Capital expenditures in segment industry and logistics relate to logistic park in Brandýs nad Labem in the amount of CZK 39.9 million.
In 2017, the increase of land bank is due to the purchase of new land plots, mainly in the Czech Republic (CZK 187.7 million).

Disposals

2018

The Group sold department store in Znojmo (CZK 39.4 million) and retail park in Český Těšín (CZK 36.3 million).

2017

Disposal of Group´s retail portfolio relates mainly to the sale of Arkáda Prostějov Shopping Centre (note 3.8) in the amount of CZK 261 million.
Investment property in the amount of CZK 30.4 million was disposed of due to sale of department store in Neratovice (CPI Reality, a.s.).

Valuation gain

Refer to 6.6.

Translation differences

Translation differences related to investment property arise primarily in connection with translation of financial information of subsidiaries having other currency than CZK as functional currency to presentation currency of consolidated financial statements (CZK).

7.3 Property, plant and equipment

a) Hotels

For the measurement of property, plant and equipment from the income generating operational properties operating segment, asset type hospitality (i.e. for hotels operated by the Group), revaluation model is used.

As at 30 June 2018

	Hotel
Fair value	
Balance at 1 January 2018	**11,953,772**
Additions	107,455
Other disposals	(7,901)
Effect of movements in Exchange rates	1,938
Valuation Gain/Loss through OCI	174,647
Balance at 30 June 2018	**12,229,911**
Accumulated depreciation and impairment losses	
Balance at 1 January 2018	**973,992**
Depreciation for the period	139,192
Impairment loss / (reversal of impairment loss)	(50,581)
Other disposals	(6,656)
Effect of movements in Exchange rates	5,931
Balance at 30 June 2018	**1,061,878**
Carrying amounts	
At 31 December 2017	**10,979,778**
At 30 June 2018	**11,168,033**

As at 31 December 2017

	Hotel
Fair value	
Balance at 1 January 2017	**10,359,900**
Acquisitions through property acquisitions	134,156
Additions	134,190
Other disposals	(12,326)
Transfer from/ to investment property	68,419
Transfer	1,509
Effect of movements in exchange rates	(138,267)
Valuation Gain through other comprehensive income	1,406,191
Balance at 31 December 2017	**11,953,772**
Accumulated depreciation and impairment losses	
Balance at 1 January 2017	**362,312**
Depreciation for the period	262,232
Impairment loss	362,516
Other disposals	(11,544)
Effect of movements in exchange rates	(1,524)
Balance at 31 December 2017	**973,992**
Fair value	
At 31 December 2016	**9,997,588**
At 31 December 2017	**10,979,778**

Transfers from investment property

2017

Transfer of property, plant and equipment in the amount of CZK 68.4 million relates to Hotel Vladimír in Ústí nad Labem. As at the acquisition date, in accordance with IAS 40, this hotel was recognized as investment property. During Q2 2017, the Group became the operator of this hotel, which is why this hotel is recognized in PPE section and valued using revaluation model.

Valuation gain through OCI (revaluation surplus)

2018

The Group´s hotel portfolio has not been revalued as of 30 June 2018. The Group's management analyzed 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 valuators in their appraisals as of 31 December 2017. As a result, the fair value of the majority of the property portfolio as of 30 June 2018 was determined based on the management's analysis described above and it does not significantly differ from the fair value as of 31 December 2017.

Increase of the valuation surplus in the amount of CZK 174.6 million reflects primarily the capital expenditures incurred.

If Hotels were measured using the cost model, the carrying amounts would be CZK 9,494.6 million as at 30 June 2018 (CZK 9,377.4 million as at 31 December 2017).

2017

Fair value of Hotels was determined using either the direct comparison method of valuation where price per bedroom was calculated and compared, or using the discounted cash flow method, or through the income capitalization method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 December 2017, the fair values of Hotels are based on valuations performed by independent and experienced valuer. For the key assumptions made in relation of hotel property valuations refer to note 8.2.1.

If Hotels were measured using the cost model, the carrying amounts would be CZK 9,476 million as at 31 December 2017.

Impairment losses/reversal of impairment losses

2018

Reversal of impairment losses in the amount of CZK 50,581 million recognized as at 30 June 2018 relates primarily to revaulation of Mamaison Residence Pokrovka in Moscow.

2017

In 2017, the Group recognized an impairment expense in the amount of CZK 362.5 million in connection with the revaluation of its hospitality portfolio.

b) Other property, plant and equipment

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

Impairment on Other property, plant and equipment

For Other property, plant and equipment in the amount of CZK 347.7 million as at 30 June 2018, there have not been any valuation appraisals prepared, however the management has no indication concerning the potential impairment neither as at 31 December 2017.

7.4 Other investments

	30 June 2018	31 December 2017
CPI PROPERTY GROUP S.A. (1)	2,885,566	2,671,403
Vodovody a kanalizace Přerov, a.s. (share 1.60%)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1.99%)	4,614	4,614
COOP Centrum Družstvo	300	300
STRM Delta a.s. (share 0.07%)	--	50
Moravský Peněžní Ústav - spořitelní družstvo	--	2
Other investments	391	387
Total equity investments (2)	**2,897,653**	**2,683,538**
Debentures (3)	2,875	2,822
Total available-for-sale financial assets (Non-current)	**2,900,528**	**2,686,360**

(1) Due to the acquisition of OPG in June 2017, the Group acquired 93,169,351 shares in CPI PG S.A., which represented app. 1.12% of the shareholding and it was valued at CZK 913.9 million as at the acquisition date.

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.

On 22 December 2017, OPG subscribed 159,132,897 new shares in CPI PG, having a par value and a subscription price of EUR 0.10 per share. The total acquisition price of the new shares subscribed includes the par value of EUR 0.10 per share (EUR 15.9 million for the total subscribed shares) and the value of the derivatives as at the execution date that represented EUR 50.1 mil (app. CZK 1,280 million), i.e. EUR 0.31 per share. The total acquisition price for 159,132,897 newly subscribed shares represented EUR 66.0 million (app. CZK 1,686 million), i.e. EUR 0.41 per share.

As at 30 June 2018 the Group holds 252,302,248 shares in CPI PG (252,302,248 shares as at 31 December 2017), which represents app. 2.66% of the shareholding and is valued at EUR 110.9 million (CZK 2,885.6 million) as at 30 June 2018 (EUR 104.6 million at 31 December 2017). For the valuation of the CPI PG shares held EPRA NAV per CPI PG share as at 30 June 2018 and 31 December 2017 respectively was used. The change in the valuation of CPI PG shares is recognized in equity

(2) Other equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 30 June 2018.

(3) In April 2016, the Group purchased 100 pcs of bonds CESDRA 4,125 07/23/19 (ISIN XS0807706006) issued by České Dráhy, a.s. The bonds are trade on Luxembourg stock exchange and bear fixed interest 4.125 % p.a. Interest are due annually. Bonds are due on 23 July 2019.

7.5 Equity accounted investees

Equity accounted investment in the amount of CZK 109.4 million (CZK 116.7 million as at 31 December 2017) represents investment in Uniborc S.A. 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 %.

The share of loss of equity-accounted investees in amount of CZK 9.2 million represents the share of loss on the revaluation of assets on the basis of the revaluation review of Bubny Development and recognized deferred tax liabilities.

7.6 Loans provided

Non-current

	30 June 2018	31 December 2017
Loans provided - related parties and joint ventures (1)	5,227,206	2,152,803
Loans provided - third parties	88,154	122,740
Bills of exchange - third parties	--	97,933
Total non-current loans provided	**5,315,360**	**2,373,476**
Impairment to non-current loans provided to related parties (2)	(89,071)	--
Total non-current loans provided net of impairment	**5,226,289**	**2,373,476**

Current

	30 June 2018	31 December 2017
Loans provided - related parties and joint ventures	1,844,837	1,998,449
Loans provided - third parties	5,281	1,545
Bills of exchange - third parties	182,853	81,333
Total current loans provided	**2,032,971**	**2,081,327**
Impairment to current loans provided to related parties	--	--
Total current loans provided net of impairment	**2,032,971**	**2,081,327**

(1) Loans provided increased mainly due to the new drawdown of loan provided by the OPG S.A. to CPI PG in the amount of CZK 2,011 million. Loan provided by the Group to CPI PG increased by CZK 765 million compared to 31 December 2017.

(2) Impairment to provided loans relates to the ECL model (IFRS 9). Impairment of CZK 89.1 million relates to its initial application (affecting the opening balance of equity, while not affecting the comparative amounts), note 2.2. No additional impairment was recognized for the six-months period ended 2018.

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

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

7.7 Trade and other receivables

Non-current

	30 June 2018	31 December 2017
Advances paid	19,537	23,935
Other receivables due from third parties	3,419	3,386
Advances paid for financial investments	63,192	77,180
Total non-current receivables	**86,148**	**104,501**

Current

	30 June 2018	31 December 2017
Trade receivables due from related parties (1)	163,146	327,078
Trade receivables due from third parties	1,601,987	1,685,392
Impairment to trade receivables due from third parties	(250,703)	(247,207)
Total current receivables	**1,514,430**	**1,765,263**

(1) Trade receivables due to related parties dropped significantly due to the change of the counterparty (service recipient) from CPI PG to OPG (net effect of CZK 214.9 million) in respect of the provision of advisory and accounting services, note 6.1.

Significant part of impairment to trade receivables due from third parties is created for trade receivables from tenants overdue more than 181 days. Creation of adjustments for receivables is recognized in statement of comprehensive income as impairment loss.

7.8 Deferred tax assets

The Group recognized the deferred tax assets from tax losses carried forward in total amount of CZK 3,384 million as at 30 June 2018 (as at 31 December 2017 – CZK 3,335 million). Deferred tax asset from tax losses carried forward in total amount of CZK 3,215 million as at 30 June 2018 (as at 31 December 2017 – CZK 3,156 million) relate primarily to the Luxembourg entities and 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 OPG SA. The budgets are based on Group's management best estimates.

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

7.9 Inventories

	30 June 2018	31 December 2017
Projects and property for resale (1)	1,888,247	2,044,088
Impairment of projects and property for resale (1)	(635,877)	(624,147)
Projects under development (2)	453,885	287,172
Other inventory	24,472	28,470
Total inventories	**1,730,727**	**1,735,583**

(1) Projects and property for resale primarily relates to "Palais Maeterlinck project" in total amount of CZK 1,090 million (2017: CZK 1,258 million). Due to the sale of two apartments, the value of the project decrease compared to 31 December 2017 (note 6.4).

(2) The increase in the amount of projects under development in the amount of CZK 118.7 million relates to the new development project "Rodinné domy Březiněves" and CZK 37.2 million to residential project Křivoklátská.

7.10 Cash and cash equivalents

	30 June 2018	31 December 2017
Bank balances	11,229,434	4,670,435
Cash on hand	16,072	17,677
Total cash and cash equivalents	**11,245,506**	**4,688,112**

7.11 Other financial current assets

	30 June 2018	31 December 2017
Interest to debentures issued by third parties	101	47
Receivables due from employees	2,407	1,836
Receivables from receivables cession	48,764	39,574
Other receivables due from related parties (1)	1,361,284	746,408
Other receivables due from third parties	187,486	167,658
Other items of trade and other receivables	2,238	138
Impairment - other receivables due from other parties	(32,020)	(14,600)
Total other financial current assets	**1,570,260**	**941,060**

(1) Other receivables due from related parties stepped up mainly due to receivable from sale of 80% stake of Bubny Development, s.r.o. to related party (GSG Europa Beteiligungs GmbH) in the amount of EUR 23.3 million (app. CZK 605.6 million), refer to note 3.4.

7.12 Other non-financial current assets

	30 June 2018	31 December 2017
Other advances paid due from related parties	--	909
Other advances paid to third parties (1)	225,060	168,436
Value added tax receivables	44,732	68,927
Other tax receivables (excl. CIT and VAT)	56,733	4,680
Prepaid expenses	523,968	531,521
Total other non-financial current assets	**850,493**	**774,473**

(1) Other advances paid to third parties represent mainly payments paid for utilities that will be settled against trade payables when final amount of utilities consumption is known and final invoicing is received (increase of CZK 42.6 million relates to CPI BYTY, a.s.).

7.13 Assets/Liabilities linked to assets held for sale

The following table summarizes the effect of the reclassification made in connection with projects transferred in both 2018 and 2017 to assets held for sale and related liabilities:

	30 June 2018	31 December 2017
NON-CURRENT ASSETS		
Investment property	1,567,612	2,750,318
CURRENT ASSETS		
Inventories	769	930
Current income tax receivables	186	3,192
Trade receivables	36,218	39,584
Cash and cash equivalents	40,067	71,755
Other financial current assets	--	164
Other non-financial current assets	4,099	11,018
Assets held for sale	**1,648,951**	**2,876,961**
NON-CURRENT LIABILITIES		
Financial debts	(229,174)	(235,193)
Deferred tax liabilities	(35,404)	(108,843)
Other non-current liabilities	--	(3,353)
CURRENT LIABILITIES		
Financial debts	(13,679)	(16,198)
Trade payables	(6,435)	(11,526)
Advance payments	(7,171)	(12,115)
Other financial current liabilities	(13,997)	(13,682)
Other non-financial current liabilities	(3,209)	(5,793)
Liabilities linked to assets held for sale	**(309,069)**	**(406,703)**

Due to the management´s intention to dispose some projects, 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”.

2018

The following projects are disclosed as held for sale as at 30 June 2018:

- one retail project in Romania – with total fair value of property of CZK 798.8 million as at 30 June 2018;
- one office project in Czech Republic – with total fair value of property of CZK 470 million as at 30 June 2018 (the project was sold on 30 August 2018, refer to 12.2); and
- land bank projects in Romania and Poland – with total fair value of properties of CZK 298.8 million as at 30 June 2018.

Budaörs Office Park (Hungarian office project disclosed as held for sale as at 31 December 2017) was sold on 31 January 2018. The sales price amounted to EUR 9.4 million (app. CZK 239.7 million), refer to note 3.3.

Retail park Český Těšín (disclosed as held for sale as at 31 December 2017) was sold on 2 May 2018 (note 3.3).

Five small retail properties located in regional cities of northern Czechia (disclosed as held for sale as at 31 December 2017), were disposed in June 2018. Disposal of these projects is consistent with the Group´s strategy, which is focused on dominant shopping centres in the Czech Republic and other core CEE countries.

2017

The following projects are disclosed as held for sale as at 31 December 2017:

- two retail projects in Czech Republic and one in Romania – with total fair value of properties of CZK 1,726.2 million;
- two office projects (one in the Czech Republic and the other in Hungary) – with total fair value of properties of CZK 722.9 million and related financing of CZK 251.4 million; and
- land bank projects in Romania and Poland – with total fair value of properties of CZK 301.3 million as at 31 December 2017.

The remaining balances of assets held for sale (CZK 126.6 million) and liabilities from assets held (CZK 155.3 million) as at 31 December 2017 represent other non-core assets and liabilities related to these projects.

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

For the six-month period ended 30 June 2018, the Company didn't subscribe any new shares. The subscribed capital of the Company as at 30 June 2018 was CZK 6,186,997 thousand (as at 31 December 2017 – CZK 6,186,997 thousand), comprising 7,733,746 shares (as at 31 December 2017 – 7,733,746 shares), each with a nominal value of CZK 800 (as at 31 December 2017 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

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

Translation reserve

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

Hedging reserve

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

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

Revaluation reserve

Revaluation reserve relates to the revaluation of Hotels (note 6.3). These reserves may not be subject to the distribution of dividends.

Other capital funds

Increase in other capital funds in 2018 by CZK 60.5 million is attributable to contribution made by CPI Property Group S.A., the owner of the Company. Other capital funds amount to CZK 17,832.9 million as at 30 June 2018 (CZK 17,772.5 million as at 31 December 2017).

Earnings per share

For the six-month period ended

	30 June 2018	30 June 2017
At the beginning of the period	7,733,746	7,733,746
Shares issued	7,733,746	7,733,746
Weighted average movements	--	--
Shares issued	--	--
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**7,733,746**	**7,733,746**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**7,733,746**	**7,733,746**
Net (loss)/profit attributable to the Equity holders of the Company	**2,766,063**	**3,810,334**
Net (loss)/profit attributable to the Equity holders of the Company after assumed conversions/exercises	**2,766,063**	**3,810,334**
Total Basic earnings in CZK per share	357.66	492.69
o/w discontinued operations	--	--
Diluted earnings in CZK per share	357.66	492.69
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.

7.15 Bonds issued

7.15.1 Non-current bonds issued

Czech Property Investments, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.10/2021	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(4,821)	--	(9,103)
CPI 5.10/2021	**2,000,000,000**	**1,995,179**	**2,000,000,000**	**1,990,897**
Proceeds from issued bonds - CPI II 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(19,623)	--	(20,844)
CPI II 4.65/22	**1,000,000,000**	**980,377**	**1,000,000,000**	**979,156**
Proceeds from issued bonds - CPI III 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(20,600)	--	(20,844)
CPI III 4.65/22	**1,000,000,000**	**979,400**	**1,000,000,000**	**979,156**
Proceeds from issued bonds - CPI IV 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(19,116)	--	(20,844)
CPI IV 4.65/22	**1,000,000,000**	**980,884**	**1,000,000,000**	**979,156**
Proceeds from issued bonds - CPI I 4.75/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(18,402)	--	(18,541)
CPI I 4.75/42	**1,000,000,000**	**981,598**	**1,000,000,000**	**981,459**
Proceeds from issued bonds - CPI V 4.85/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(18,412)	--	(18,541)
CPI V 4.85/42	**1,000,000,000**	**981,588**	**1,000,000,000**	**981,459**
Proceeds from issued bonds - CPI 4.75/19	150,000	1,500,000	150,000	1,500,000
Less: transaction costs	--	(21,321)	--	(26,850)
CPI 4.75/2019	**150,000**	**1,478,679**	**150,000**	**1,473,150**
Subtotal - bonds issued by Czech Property Investments a.s.	**7,000,150,000**	**8,377,706**	**7,000,150,000**	**8,364,433**

CPI BYTY, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	800,000	800,000	--	--
Less: transaction costs	--	(11,210)	--	--
Subtotal bonds - CPI BYTY, a.s.	**800,000**	**788,790**	**--**	**--**

CPI RETAIL PORTFOLIO I, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI RETAIL PORTFOLIO I 5.00/2019	--	--	112,500	1,125,000
Less: transaction costs	--	--	--	(10,245)
Subtotal bonds - CPI Retail Portfolio I, a.s.	**--**	**--**	**112,500**	**1,114,755**

CPI Finance Slovakia, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.00/2020	50,000	1,301,000	50,000	1,277,000
Less: transaction costs	--	(11,493)	--	(13,624)
Subtotal bonds - CPI Finance Slovakia, a.s.	**50,000**	**1,289,507**	**50,000**	**1,263,376**

Total non-current bonds		**10,456,003**		**10,742,564**

7.15.2 Current bonds issued

CPI BYTY, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 1,85/19 (CZ0003516551)	530,000	530,000	530,000	530,000
Proceeds from issued bonds - CPI BYTY 2,25/19 (CZ0003516569)	270,000	270,000	270,000	270,000
Proceeds from issued bonds - CPI BYTY 4,80/19 (CZ0003510695)	900,000	900,000	900,000	900,000
Proceeds from issued bonds - CPI BYTY 4,80/19 (CZ0003511412)	500,000	500,000	500,000	500,000
Proceeds from issued bonds - CPI BYTY 5,80/21 (CZ0003510703)	--	--	800,000	800,000
Less: transaction costs	--	(30,828)	--	(48,989)
Subtotal bonds - CPI BYTY, a.s.	**2,200,000**	**2,169,172**	**3,000,000**	**2,951,011**

CPI Finance Slovakia, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.85/2018	--	--	30,000	766,200
Less: bonds owned by Group	--	--	(2,000)	(51,080)
Less: transaction costs	--	--	--	(1,768)
Subtotal - CPI Finance Slovakia, a.s.	**--**	**--**	**28,000**	**713,352**

CPI Retail Portfolio I, a.s.	30 June 2018		31 December 2017	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI RETAIL PORTFOLIO I 5.00/2019	112,500	1,125,000	--	--
Less: transaction costs	--	(16,992)	--	--
Subtotal bonds - CPI Retail Portfolio I, a.s.	**112,500**	**1,108,008**	**--**	**--**

Accrued interest on bonds	30 June 2018	31 December 2017
CPI 5.10/2021	25,803	26,067
CPI II 4.65/22	7,104	6,846
CPI III 4.65/22	7,104	6,846
CPI IV 4.65/22	6,981	6,841
CPI I 8.00/42	16,757	17,681
CPI V 8.00/42	17,425	18,096
CPI 4.75/19	7,323	7,343
CPI BYTY, a.s.	19,782	85,960
CPI Retail Portfolio I	22,001	10,313
CPI 5.85/2018	--	21,916
CPI 5.00/2020	22,406	9,272
Total accrued interest on bonds	152,686	217,181
Total current bonds	**3,429,866**	**3,881,544**

Total bonds	**13,885,869**	**14,624,108**

Changes in the six months period ended 30 June 2018

CPI 5.85/2018 (ISIN SK4120010653)

On 16 April 2018, emission CPI 5.85/2018 was repaid. The total nominal value amounted to EUR 30 million (app. CZK 760 million).

Covenants

Issued bonds CPI 5.10/2021, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42, CPI 4.75/19, CPI Retail Portfolio I 5.00/2019 and CPI 5.00/2020 are subject to a number of covenants. All covenant ratios were met as at 30 June 2018.

Structure of bond financing

As at 30 June 2018, total value of unsecured bonds amounts to CZK 9,778.1 million (CZK 10,462.1 million as at 31 December 2017). Bonds in the amount of CZK 4,107.8 million (CZK 4,162 million as at 31 December 2017) represent secured financing.

7.16 Financial debts

	30 June 2018	31 December 2017
Loans from related parties (1)	24,819,509	17,685,007
Loans from third parties	3,439	4,195
Bank loans (2)	25,150,455	24,772,956
Finance lease liabilities	523,297	537,472
Bills of exchange third parties (3)	94	112,550
Total non-current financial debts	**50,496,794**	**43,112,180**

	30 June 2018	31 December 2017
Loans from related parties (1)	8,031,584	535,065
Loans from third parties	41,731	47,311
Bank loans including overdraft (2)	3,421,197	3,479,853
Finance lease liabilities	44,014	43,483
Bills of exchange third parties (3)	138,082	172,089
Total current financial debts	**11,676,608**	**4,277,801**

(1) Significant increase of overall balance of loans from related parties relates to the new loans provided to the OPG by CPI PG (increase of CZK 14,343.1 million). These loans are denominated in EUR and matured in 2028.

(2) In 2018, the Group agreed with UniCredit Bank on five year financing of QUADRIO shopping centre amounting to CZK 2,955.7 million. On the contrary, the pace of debt refinancing, in order to optimize the capital structure of the Group continued also during the first half of 2018.

(3) Bills of exchange decreased mainly due to repayment of bills of exchange in the amount of CZK 146.5 million.

As at 30 June 2018, total value of unsecured financial debts amounts to CZK 33,176 million (CZK 18,700.6 million as at 31 December 2017). Financial debts in the amount of CZK 28,997 million (CZK 28,689.4 million as at 31 December 2017) represent secured financing.

7.17 Other non-current liabilities

	30 June 2018	31 December 2017
Advances received	38,408	41,488
Trade payables due to third parties	5,668	25,486
Tenant deposits (1)	500,817	379,208
Payables from retentions	75,869	88,807
Other payables due to third parties	46,165	47,256
Total other non-current liabilities	**666,927**	**582,245**

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

7.18 Trade payables

	30 June 2018	31 December 2017
Trade payables due to related parties (1)	243,288	445,792
Trade payables due to third parties	1,462,922	1,416,243
Total trade payables	**1,706,210**	**1,862,035**

(1) Trade payables due to related parties dropped significantly due to the change of the counterparty (service provided) from CPI PG to OPG (net effect of CZK 185.7 million) in respect of the provision of advisory and accounting services, note 6.10.

7.19 Advance payments

	30 June 2018	31 December 2017
Advances received from related parties (1)	680	2,145,360
Advances received from third parties	512,447	945,183
Tenant deposits (2)	598,145	204,102
Total advance payments	**1,111,272**	**3,294,645**

(1) Decrease of advances received from related parties relate to the connection with the sale of 80% stake of Bubny Development, s.r.o. to related party (GSG Europa Beteiligungs GmbH) in the amount of EUR 84 million (app. CZK 2,145.4 million).

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

7.20 Other financial current liabilities

	30 June 2018	31 December 2017
Deferred income/revenue and accrued liabilities	299,436	254,860
Payables from unpaid capital contributions	2,975	--
Other payables due to related parties	1,204,762	1,182,537
Other payables due to third parties	196,071	232,805
Total other financial current liabilities	**1,703,244**	**1,670,202**

7.21 Other non-financial current liabilities

	30 June 2018	31 December 2017
Current income tax liabilities	61,603	95,670
Value added tax payables	174,580	153,829
Other tax payables (excl. CIT and VAT)	20,774	(4,901)
Payables due to employees, SHI, employees income tax	101,769	67,897
Provisions	32,318	33,440
Total other non-financial current liabilities	**391,044**	**345,935**

8 FINANCIAL INSTRUMENTS AND FAIR VALUES

8.1 Fair value measurement

8.1.1 Fair value of financial instruments

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

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

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

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

- for the derivatives (interest rate swaps, options and forwards) the valuation is provided by the Group's banks;

- for the available-for-sale financial assets and for the bonds, the fair values as of 30 June 2018 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

Accounting classification and fair values

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

	Carrying amount						Fair value			
30 June 2018	**Fair value - hedging instruments**	**Mandatorily at FVTPL - others**	**FVOCI - debt instruments**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS MEASURED AT FAIR VALUE										
Derivative instruments (used for hedging) - non-current	107,966	--	--	--	--	107,966	--	107,966	--	**107,966**
Non-current - derivative instruments	**107,966**	**--**	**--**	**--**	**--**	**107,966**				
Derivative instruments (used for hedging) - non-current	3,006	--	--	--	--	3,006	--	3,006	--	**3,006**
Current - derivative instruments	**3,006**	**--**	**--**	**--**	**--**	**3,006**				
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE										
Long-term Equity investments	--	--	2,885,566	--	--	2,885,566	--	2,885,566	--	**2,885,566**
Debentures issued by third parties	--	--	2,875	--	--	2,875	2,875	--	--	**2,875**
Other equity investments			12,087			12,087	--	--	12,087	**12,087**
Other investments	**--**	**--**	**2,900,528**	**--**	**--**	**2,900,528**				
Advances paid	--	--	--	19,537	--	19,537	--	--	--	**--**
Loans provided	--	--	--	5,226,289	--	5,226,289	--	--	4,842,654	**4,842,654**
Other non-current receivables	--	--	--	66,611	--	66,611	--	--	--	**--**
Non-current financial assets at amortised cost	**--**	**--**	**--**	**5,312,437**	**--**	**5,312,437**				
Trade and other receivables	--	--	--	1,514,430	--	1,514,430	--	--	--	**--**
Loans provided	--	--	--	1,850,118	--	1,850,118	--	--	1,911,429	**1,911,429**
Bills of exchange	--	--	--	182,853	--	182,853	--	--	186,029	**186,029**
Other current financial assets	--	--	--	1,570,260	--	1,570,260	--	--	--	**--**
Cash and cash equivalent	--	--	--	11,245,506	--	11,245,506	--	--	--	**--**
Current financial assets at amortised cost	**--**	**--**	**--**	**16,363,167**	**--**	**16,363,167**				
FINANCIAL LIABILITIES										
Bonds	--	--	--	--	10,456,003	10,456,003	13,698,295	--	--	**13,698,295**
Financial debt (floating rate bank debts)	--	--	--	--	25,150,455	25,150,455	--	--	25,150,455	**25,150,455**
Financial debt (other borrowings)	--	--	--	--	25,346,339	25,346,339	--	--	23,792,294	**23,792,294**
Derivative instruments	--	123,717	--	--	--	123,717	--	123,717	--	**123,717**
Non-current financial liabilities	**--**	**123,717**	**--**	**--**	**60,952,796**	**61,076,513**				
Bonds	--	--	--	--	3,277,180*	3,277,180	3,319,913	--	--	**3,319,913**
Financial debt (floating rate bank debts)	--	--	--	--	3,421,197	3,421,197	--	--	3,421,197	**3,421,197**
Financial debt (other borrowings)	--	--	--	--	8,255,411	8,255,411	--	--	8,466,874	**8,466,874**
Derivative instruments	--	7,986	--	--	--	7,986	--	7,986	--	**7,986**
Advanced payments	--	--	--	--	1,111,272	1,111,272	--	--	--	**--**
Trade payables	--	--	--	--	1,706,210	1,706,210	--	--	--	**--**
Other financial current liabilities	--	--	--	--	1,703,244	1,703,244	--	--	--	**--**
Liabilities linked to assets held for sale	--	--	--	--	309,069	309,069	--	--	309,069	**309,069**
Current financial liabilities	**--**	**7,986**	**--**	**--**	**19,783,583**	**19,791,569**				

(*) Accrued interest is not included.

31 December 2017	Carrying amount: Fair value - hedging instruments	Mandatorily at FVTPL - others	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value: Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE										
Derivative instruments (used for hedging) - non-current	118,188	--	--	--	--	118,188	--	118,188	--	**118,188**
Non-current - derivative instruments	**118,188**	**--**	**--**	**--**	**--**	**118,188**				
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE										
Long-term Equity investments	--	--	2,671,403	--	--	2,671,403	--	2,671,403	--	**2,671,403**
Debentures issued by third parties	--	--	2,822	--	--	2,822	2,822	--	--	**2,822**
Other equity investments			12,135	--	--	12,135	--	--	12,135	**12,135**
Financial assets available-for-sale	**--**	**--**	**2,686,360**	**--**	**--**	**2,686,360**				
Advances paid	--	--	--	23,935	--	23,935	--	--	--	**--**
Loans provided	--	--	--	2,275,543	--	2,275,543	--	--	2,241,720	**2,241,720**
Bills of exchange	--	--	--	97,933	--	97,933	--	--	98,867	**98,867**
Other non-current receivables	--	--	--	80,566	--	80,566	--	--	--	**--**
Non-current loans and receivables	**--**	**--**	**--**	**2,477,977**	**--**	**2,477,977**				
Trade and other receivables	--	--	--	1,765,263	--	1,765,263	--	--	--	**--**
Loans provided	--	--	--	1,999,994	--	1,999,994	--	--	2,182,373	**2,182,373**
Bills of exchange	--	--	--	81,333	--	81,333	--	--	84,686	**84,686**
Other current financial assets	--	--	--	941,060	--	941,060	--	--	--	**--**
Cash and cash equivalent	--	--	--	4,688,112	--	4,688,112	--	--	--	**--**
Current financial assets	**--**	**--**	**--**	**9,475,762**	**--**	**9,475,762**				
FINANCIAL LIABILITIES										
Bonds	--	--	--	--	10,742,564	10,742,564	14,016,158	--	--	**14,016,158**
Financial debt (floating rate bank debts)	--	--	--	--	24,772,956	24,772,956	--	--	24,772,956	**24,772,956**
Financial debt (other borrowings)	--	--	--	--	18,339,224	18,339,224	--	--	18,118,169	**18,118,169**
Derivative instruments	--	66,449	--	--	--	66,449	--	66,449	--	**66,449**
Non-current financial liabilities	**--**	**66,449**	**--**	**--**	**53,854,744**	**53,921,193**				
Bonds	--	--	--	--	3,664,363*	3,664,363	3,759,633	--	--	**3,759,633**
Financial debt (floating rate bank debts)	--	--	--	--	3,479,853	3,479,853	--	--	3,479,853	**3,479,853**
Financial debt (other borrowings)	--	--	--	--	797,948	797,948	--	--	1,317,190	**1,317,190**
Derivative instruments	--	15,938	--	--	--	15,938	--	15,938	--	**15,938**
Advanced payments	--	--	--	--	3,294,645	3,294,645	--	--	--	**--**
Trade payables	--	--	--	--	1,862,035	1,862,035	--	--	--	**--**
Other financial current liabilities	--	--	--	--	1,670,203	1,670,203	--	--	--	**--**
Liabilities linked to assets held for sale	--	--	--	--	406,703	406,703	--	--	406,703	**406,703**
Current financial liabilities	**--**	**15,938**	**--**	**--**	**15,175,750**	**15,191,688**				

(*) Accrued interest is not included.

Valuation technique used for measurement of fair value of derivatives

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

8.2 Fair value measurement

The Group's investment properties were valued at 31 December 2017 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

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

The fair value of the majority of the property portfolio as of 30 June 2018 was determined based on the management's analysis described in note 6.6 and it does not significantly differ from the fair value as of 31 December 2017.

In instances where there have been indications of significant changes and therefore with potential impact on the property value during the first half of 2018, the value of the property has been updated based on the external or internal appraisals as of 30 June 2018.

At 1 January 2018 the fair value measurement for investment property (CZK 101,168.0 million) and Hotels (CZK 10,979.8 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.

8.2.1 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 revaluated as at 30 June 2018.

30 June 2018	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(17,408 CZK/sqm)
				Net current income per sqm		-		(15,784 CZK/sqm)
				Equivalent yield		-		(3.50%)
				Vacancy rate		-		(4.24%)
				Fair value				3,600 MCZK
Czech Republic - Shopping Centres and Galleries	**Retail**	DCF	Level 3	Estimated rental value per sqm	4,052 CZK/sqm	-	6,271 CZK/sqm	(5,374 CZK/sqm)
				Net current income per sqm	3,696 CZK/sqm	-	5,676 CZK/sqm	(4,849 CZK/sqm)
				Discount Rate	6.00%	-	6.25%	(6.11%)
				Exit Yield	5.75%	-	6.00%	(5.89%)
				Vacancy rate	1.20%	-	27.23%	(10.81%)
			Level 3	Fair value				3,561 MCZK
Hungary - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm	1,377 CZK/sqm	-	2,754 CZK/sqm	(2,284 CZK/sqm)
				Net current income per sqm	1,421 CZK/sqm	-	2,761 CZK/sqm	(2,289 CZK/sqm)
				Discount Rate	8.75%	-	9.50%	(9.07%)
				Exit Yield	8.40%	-	8.90%	(8.57%)
				Vacancy rate	0.00%	-	7.99%	(2.30%)
				Fair value				651 MCZK

30 June 2018	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Hungary - Shopping Centres and Galleries	**Retail**	DCF	Level 3	Estimated rental value per sqm	4,054 CZK/sqm	-	4,888 CZK/sqm	(4,503 CZK/sqm)
				Net current income per sqm	3,430 CZK/sqm	-	4,601 CZK/sqm	(4,060 CZK/sqm)
				Discount Rate	8.25%	-	8.50%	(8.38%)
				Exit Yield		-		(7.95%)
				Vacancy rate	1.61%	-	3.45%	(2.46%)
				Fair value				4,158 MCZK
Slovak Republic - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm	1,860 CZK/sqm	-	2,974 CZK/sqm	(2,592 CZK/sqm)
				Net current income per sqm	125 CZK/sqm	-	3,640 CZK/sqm	(2,388 CZK/sqm)
				Discount Rate	7.50%	-	9.00%	(7.80%)
				Exit Yield	7.15%	-	8.00%	(7.30%)
				Vacancy rate	0.00%	-	84.57%	(4.38%)
				Fair value				3,068 MCZK
Remaining part	**Retail**			Fair value		-		36,908 MCZK
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(6,662 CZK/sqm)
				Net current income per sqm		-		(6,428 CZK/sqm)
				Equivalent yield		-		(4.40%)
				Vacancy rate		-		(9.37%)
				Fair value				2,464 MCZK
Hungary	**Office**	DCF	Level 3	Estimated rental value per sqm	3,943 CZK/sqm	-	4,756 CZK/sqm	(4,114 CZK/sqm)
				Gross current income per sqm	3,747 CZK/sqm	-	5,131 CZK/sqm	(4,038 CZK/sqm)
				Discount rate	7.70%	-	7.75%	(7.74%)
				Exit Yield	7.25%	-	7.50%	(7.45%)
				Vacancy rate	0.00%	-	7.04%	(5.56%)
				Fair value				2,422 MCZK
Poland	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	5,420 CZK/sqm	-	5,634 CZK/sqm	(5,539 CZK/sqm)
				Net current income per sqm	4,112 CZK/sqm	-	4,606 CZK/sqm	(4,389 CZK/sqm)
				Discount rate	7.44%	-	7.75%	(7.58%)
				Exit Yield	7.75%	-	8.00%	(7.86%)
				Vacancy rate	12.61%	-	19.52%	(16.48%)
				Fair value				2,112 MCZK
Remaining part	**Office**			Fair value				23,341 MCZK
Czech Republic	**Residential**	Comparable	Level 3	Fair value per sqm	8,703 CZK/sqm	-	74,450 CZK/sqm	(49,073 CZK/sqm)
				Fair value				4,591 MCZK
Remaining part	**Residential**			Fair value				6,536 MCZK
	Hospitality			Fair value				11,199 MCZK
	Industry and Logistic			Fair value				1,801 MCZK

30 June 2018	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
	Land Bank			Fair value				12,779 MCZK
	Development			Fair value				365 MCZK
	Asset Held For Sale			Fair value				1,568 MCZK

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for each class of property owned by the Group, used by the valuators as at the end of 31 December 2017.

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	519 CZK/sqm	-	2,130 CZK/sqm	1,321 CZK/sqm
				Net current income per sqm	455 CZK/sqm	-	2,762 CZK/sqm	1,384 CZK/sqm
				Equivalent yield	7.65%	-	12.00%	8.20%
				Vacancy rate	0.00%	-	35.12%	3.51%
				Fair value				1,140 MCZK
Hungary	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	1,017 CZK/sqm	-	1,525 CZK/sqm	1,392 CZK/sqm
				Net current income per sqm	898 CZK/sqm	-	1,446 CZK/sqm	1,146 CZK/sqm
				Equivalent yield	7.63%	-	7.99%	7.87%
				Vacancy rate	0.00%	-	17.27%	6.68%
				Fair value				616 MCZK
Czech Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	1,181 CZK/sqm	-	3,492 CZK/sqm	(2,700 CZK/sqm)
				Net current income per sqm	1,212 CZK/sqm	-	3,518 CZK/sqm	(2,664 CZK/sqm)
				Equivalent yield	6.90%	-	9.75%	(7.42%)
				Vacancy rate	0.00%	-	47.91%	(3.05%)
				Fair value				3,197 MCZK
Czech Republic - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm	1,130 CZK/sqm	-	3,381 CZK/sqm	(2,703 CZK/sqm)
				Net current income per sqm	1,161 CZK/sqm	-	4,434 CZK/sqm	(2,700 CZK/sqm)
				Discount Rate	7.00%	-	8.50%	(7.67%)
				Exit Yield	7.00%	-	8.00%	(7.42%)
				Vacancy rate	0.00%	-	18.52%	(0.99%)
				Fair value				5,618 MCZK
Czech Republic - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	3,455 CZK/sqm	-	10,576 CZK/sqm	(6,315 CZK/sqm)
				Net current income per sqm	2,549 CZK/sqm	-	9,882 CZK/sqm	(6,069 CZK/sqm)
				Equivalent yield	4.00%	-	6.68%	(5.70%)
				Vacancy rate	0.00%	-	4.93%	(1.51%)

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
				Fair value				5,279 MCZK
Czech Republic - Shopping Centres and Galleries	Retail	DCF	Level 3	Estimated rental value per sqm	3,333 CZK/sqm	-	7,694 CZK/sqm	(4,958 CZK/sqm)
				Net current income per sqm	2,666 CZK/sqm	-	8,033 CZK/sqm	(4,916 CZK/sqm)
				Discount Rate	5.50%	-	7.75%	(6.38%)
				Exit Yield	5.50%	-	7.00%	(5.96%)
				Vacancy rate	0.00%	-	27.23%	(7.74%)
				Fair value				19,738 MCZK
Czech Republic - So-called special properties	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	370 CZK/sqm	-	4,486 CZK/sqm	(2,171 CZK/sqm)
				Net current income per sqm	14 CZK/sqm	-	4,150 CZK/sqm	(2,057 CZK/sqm)
				Equivalent yield	5.50%	-	10.00%	(7.55%)
				Vacancy rate	0.00%	-	100.00%	(16.07%)
				Fair value				1,785 MCZK
Czech Republic - So-called special properties	Retail	Comparable	Level 3	Fair value per sqm	6,614 CZK/sqm	-	14,212 CZK/sqm	(13,968 CZK/sqm)
				Fair value				311 MCZK
Hungary - Retail Warehouse	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,419 CZK/sqm	-	2,844 CZK/sqm	(1,973 CZK/sqm)
				Net current income per sqm	983 CZK/sqm	-	2,891 CZK/sqm	(1,922 CZK/sqm)
				Equivalent yield	8.19%	-	10.93%	(9.13%)
				Vacancy rate	0.00%	-	6.76%	(3.47%)
				Fair value				948 MCZK
Hungary - Shopping Centres and Galleries	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	2,650 CZK/sqm	-	5,511 CZK/sqm	(4,062 CZK/sqm)
				Net current income per sqm	3,267 CZK/sqm	-	6,031 CZK/sqm	(4,222 CZK/sqm)
				Equivalent yield	6.54%	-	8.19%	(7.98%)
				Vacancy rate	2.17%	-	4.33%	(3.24%)
				Fair value				4,541 MCZK
Slovak Republic - Retail Warehouse	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,642 CZK/sqm	-	3,260 CZK/sqm	(2,451 CZK/sqm)
				Net current income per sqm	141 CZK/sqm	-	3,699 CZK/sqm	(2,559 CZK/sqm)
				Equivalent yield	6.29%	-	9.60%	(7.47%)
				Vacancy rate	0.00%	-	100.00%	(8.41%)
				Fair value				2,793 MCZK

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Poland - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm		-		(3,475 CZK/sqm)
				Net current income per sqm		-		(3,346 CZK/sqm)
				Discount rate		-		(8.50%)
				Exit Yield				(8.75%)
				Vacancy rate		-		(0.00%)
				Fair value				81 MCZK
Poland - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(5,069 CZK/sqm)
				Net current income per sqm		-		(4,757 CZK/sqm)
				Equivalent yield		-		(6.30%)
				Vacancy rate		-		(3.93%)
				Fair value				3,061 MCZK
Poland - Shopping Centres and Galleries	**Retail**	DCF	Level 3	Estimated rental value per sqm		-		(5,132 CZK/sqm)
				Net current income per sqm		-		(4,469 CZK/sqm)
				Discount rate		-		(7.75%)
				Exit yield				(7.50%)
				Vacancy rate		-		(7.50%)
				Fair value				483 MCZK
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	3,412 CZK/sqm	-	8,895 CZK/sqm	(7,968 CZK/sqm)
				Net current income per sqm	2,517 CZK/sqm	-	8,311 CZK/sqm	(7,333 CZK/sqm)
				Equivalent yield	4.45%	-	8.00%	(4.96%)
				Vacancy rate	0.00%	-	21.07%	(2.16%)
				Fair value				4,267 MCZK
Czech Republic	**Office**	DCF	Level 3	Estimated rental value per sqm	1,758 CZK/sqm	-	5,991 CZK/sqm	(4,294 CZK/sqm)
				Net current income per sqm	1,563 CZK/sqm	-	7,735 CZK/sqm	(4,442 CZK/sqm)
				Discount rate	5.75%	-	8.75%	(6.86%)
				Exit Yield	5.00%	-	8.50%	(6.34%)
				Vacancy rate	0.00%	-	31.79%	(1.88%)
				Fair value				15,183 MCZK

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	3,783 CZK/sqm	-	4,356 CZK/sqm	(3,973 CZK/sqm)
				Gross development value	61,967 CZK/sqm	-	91,169 CZK/sqm	(81,490 CZK/sqm)
				Development margin	13.00%	-	20.00%	15.32%
				Fair value				898 MCZK
Hungary	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	2,744 CZK/sqm	-	4,769 CZK/sqm	(4,042 CZK/sqm)
				Net current income per sqm	2,013 CZK/sqm	-	4,273 CZK/sqm	(3,136 CZK/sqm)
				Equivalent yield	7.00%	-	9.42%	(7.41%)
				Vacancy rate	0.00%	-	41.68%	(9.12%)
				Fair value				5,440 MCZK
Hungary	**Office**	Comparable	Level 3	Fair value per sqm		-		(49,683 CZK/sqm)
				Fair value				235 MCZK
Poland	**Office**	DCF	Level 3	Estimated rental value per sqm	4,029 CZK/sqm	-	5,661 CZK/sqm	(5,109 CZK/sqm)
				Net current income per sqm	3,429 CZK/sqm	-	6,331 CZK/sqm	(4,436 CZK/sqm)
				Discount rate	7.50%	-	8.50%	(8.28%)
				Exit Yield	7.25%	-	8.25%	(8.09%)
				Vacancy rate	0.00%	-	8.48%	(7.65%)
				Fair value				1,543 MCZK
Slovak Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(6,127 CZK/sqm)
				Net current income per sqm		-		(4,677 CZK/sqm)
				Equivalent yield		-		(8.60%)
				Vacancy rate		-		(10.80%)
				Fair value				186 MCZK
Czech Republic	**Residential**	Comparable	Level 3	Fair value per sqm	1,562 CZK/sqm	-	162,308 CZK/sqm	(20,104 CZK/sqm)
				Fair value				10,411 MCZK
France	**Residential**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(27,001 CZK/sqm)
				Net current income per sqm		-		(13,026 CZK/sqm)
				Initial yield		-		2.16%
				Vacancy rate		-		0.00%
				Fair value				93 MCZK

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic	**Land Bank**	Comparable	Level 3	Fair value per sqm	70 CZK/sqm	-	84,104 CZK/sqm	(12,413 CZK/sqm)
				Fair value				12,197 MCZK
Hungary	**Land Bank**	Comparable	Level 3	Fair value per sqm	1,437 CZK/sqm	-	19,268 CZK/sqm	(7,533 CZK/sqm)
				Fair value				956 MCZK
Czech Republic	**Development**	Development Appraisal	Level 3	Total EMRV		-		(4,006 CZK/sqm)
				Gross development value		-		(70,274 CZK/sqm)
				Development margin		-		15.00%
				Fair value				214 MCZK
Czech Republic - 3* hotel	**Hospitality**	DCF	Level 3	Rate per key	439,881 CZK/key	-	1,555,814 CZK/key	(1,177,585 CZK/key)
				Exit yield	5.53%	-	7.25%	6.31%
				Discount rate	5.53%	-	8.75%	7.05%
				Fair value				968 MCZK
Czech Republic - 3* hotel	**Hospitality**	Comparable	Level 3	Rate per key		-		(1,489,833 CZK/key)
				Fair value				134 MCZK
Czech Republic - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key	545,783 CZK/key	-	4,656,793 CZK/key	(3,410,265 CZK/key)
				Exit yield	5.53%	-	7.50%	6.35%
				Discount rate	5.53%	-	9.00%	6.93%
				Fair value				6,393 MCZK
Czech Republic - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(13,627,319 CZK/key)
				Exit yield		-		4.25%
				Discount rate		-		5.25%
				Fair value				492 MCZK
Czech Republic - Hostel	**Hospitality**	DCF	Level 3	Rate per key		-		(465,815 CZK/key)
				Exit yield		-		8.25%
				Discount rate		-		9.75%
				Fair value				412 MCZK
Hungary - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key	2,587,835 CZK/key	-	5,430,611 CZK/key	(3,703,803 CZK/key)
				Exit yield	7.00%	-	7.50%	7.27%
				Discount rate	9.00%	-	10.00%	9.61%
				Fair value				1,337 MCZK
Poland - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(5,527,991 CZK/key)
				Exit yield		-		7.25%
				Discount rate		-		9.25%
				Fair value				249 MCZK

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
Poland - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-	(6,703,203 CZK/key)
				Exit yield		-	7.00%
				Discount rate		-	9.00%
				Fair value			412 MCZK
Russia - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-	(7,005,257 CZK/key)
				Exit yield		-	8.50%
				Discount rate		-	11.50%
				Fair value			589 MCZK
Assets Held For Sale				Valued on transaction basis			2,750 MCZK

Discounted cash flow method (DCF) – *application guidance provided by IVSC, www.ivsc.org*

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Market comparable method – *application guidance provided by IVSC, www.ivsc.org*

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied is the price per square metre (sqm).

Income capitalisation method - *application guidance provided by IVSC, www.ivsc.org*

Under the income capitalisation method, a property´s fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor´s rate of return). The difference between gross and net rental income includes expense categories such as vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. When using the income capitalisation method, the mentioned expenses have to be included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised.

9 CONTINGENCIES AND LITIGATIONS

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

Kingstown dispute

CPI PG announced that on 20 January 2015 it was served with a summons containing petition of the three companies namely Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II, LP of Delaware and Ktown LP of Delaware (together referred to as „**Kingstown**“), claiming to be the shareholders of OPG, filed with the „Tribunal d´Arrondissement de et a Luxembourg“. The petition seeks condemnation of CPI PG together with OPG and certain members of OPG´s board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 (app. CZK 376.9 million) and compensation for moral damage in the amount of EUR 5,000,000. (app. CZK 130 million) According to Kingstown´s allegation the claimed damage has arisen as a consequence of inter alia alleged violation of OPG´s minority shareholders rights. To the best of CPI PG´s knowledge, Kingstown was not at the relevant time (and is not up to now) a shareholder of CPI PG. Therefore and without any assumption regarding the possible violation, CPI PG believes that it cannot be held liable for the violation of the rights of the shareholders of another entity.

The Management of the CPI PG 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 judicatum solvi plea*, which consists in requiring the entity who initiated the proceedings and who does not reside in the European Union 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 on 19 February 2016 a judgement, whereby each claimant has to place a legal deposit in the total amount of 90,000 EUR (app. CZK 2.4 million) with the "*Caisse de Consignation*" in Luxembourg in order to continue the proceedings.

Kingstown paid the deposit in January 2017 and the litigation, currently being in a procedural stage, is pending.

Disputes related to warrants issued by OPG

CPI PG's subsidiary OPG 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 OPG for approximately EUR 1.2 million (app. CZK 31.2 million) in relation to the Change of Control Notice published by OPG, 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 OPG for approximately EUR 1 million (app. CZK 26 million) in relation to the alleged change of control which allegedly occurred in 2013.

OPG will defend itself against these lawsuits. It is reminded that in accordance with the judgement of the Paris Commercial Court (the "Court") pronounced on 26 October 2015 concerning the termination of the OPG'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 OPG's Safeguard will be unenforceable. As such, only claims of holders of the 2014 Warrants, whose potential claims were admitted to the OPG'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 OPG's Safeguard will be unenforceable against OPG. To the best of CPI PG's knowledge, none of the holders of the 2014 Warrants who sued OPG filed their claims 2014 Warrants-related claims in the OPG's Safeguard Plan.

HAGIBOR OFFICE BUILDING dispute

In March 2016, the insolvency administrator of the OPG's subsidiary HAGIBOR OFFICE BUILDING ("**HOB**"), filed a lawsuit, requesting that the OPG returns to HOB in aggregate USD 16.49 million, paid by HOB to OPG in 2012. OPG is of the opinion that the lawsuit has no merit given that in 2012 HOB duly repaid its loan to OPG. OPG 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 OPG 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

As at the date of the publication of the consolidated financial statements, the Group does not have evidence of any other contingent liabilities except those mentioned above. No legal proceeding is currently active the result of which would influence the consolidated financial statements.

10 CAPITAL AND OTHER COMMITMENTS

Capital commitments

The Group has capital commitments of CZK 1,232 million in respect of capital expenditures contracted for at the date of the statement of financial statements (CZK 637 million in 2017). There are no other commitments except as disclosed above.

11 RELATED PARTY TRANSACTIONS

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

Key management personnel and members of Board of Directors

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

	30 June 2018	31 December 2017
Remuneration paid to key management personnel and members of Board of Directors	7,417	8,087
Total remuneration	**7,417**	**8,087**

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

Balance at	30 June 2018	31 December 2017
Loans provided	2,670	2,607
Trade receivables	244	922
Other receivables	282	282
Advances received	679	--
Impairment of other receivables	--	(586)
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Interest income and other revenues	63	139
Legal services	--	(100)
Other cost	(767)	--
Rental income	1	--
Audit, tax and advisory services	(14,691)	--

Other related parties		
Entities over which the sole shareholder has control		
Balance at	**30 June 2018**	**31 December 2017**
Trade receivables	55,957	7,409
Other receivables	278	--
Loans provided	1,420,465	1,528,540
Trade payables	424	--
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Advisory and accounting services	77	--
Interest income	70,266	--
Lease and rental expenses	--	(3,630)
Rental income	51	--
Entities over which the sole shareholder has significant influence		
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Interest income on loans	--	268,595
Rental income	--	119
Advisory and accounting services	--	10,952
Lease and rental expenses	--	(492)
Other services	--	506
Interest expenses to non-banks loans	--	(481,635)
Close family members/entities controlled by close family members		
Balance at	**30 June 2018**	**31 December 2017**
Trade receivables	--	726
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Advisory and accounting services	--	3
Entities controlled by members of Board of Directors		
Balance at	**30 June 2018**	**31 December 2017**
Trade receivables	1,340	456
Other receivables	250	--
Advances paid	--	909
Trade payables	287	868
Loans provided	123,680	--
Impairment of trade receivables and other receivables	(698)	(222)
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Interest income on loans	3,325	221
Interest expense	--	(212)
Advisory and accounting services	--	500
Lease and rental expenses	--	(3,343)
Letting fee	--	(76)
Rental income and other services	--	18
Proceeds from sale of subsidiaries	--	1,815
Impairments of trade receivables	(109)	--
CPI PROPERTY GROUP		
Balance at	**30 June 2018**	**31 December 2017**
Loans provided	5,244,727	2,353,786
Loans received	32,851,093	18,220,072
Other receivables	1,360,474	746,126
Trade receivables	103,555	315,517
Trade payables	242,577	444,924
Other payables	1,197,406	1,175,317
Advances received	1	2,145,360
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Interest income	63,724	238,097
Interest expense	(321,493)	(79,516)
Interest expense on bills of exchange	--	(15,546)
Advisory and accounting services	10,219	212,519
Accounting and other services	(11,681)	(221,079)
Rental income	523	--
Major shareholder of CPI PG		
Balance at	**30 June 2018**	**31 December 2017**
Trade receivables	2,049	2,049
Other payables	7,356	7,220
Transactions for the six-month period ended	**30 June 2018**	**30 June 2017**
Interest income and other revenues	--	5,652

Joint ventures		
Balances at	**30 June 2018**	**31 December 2017**
Loans provided	280,502	266,320
Transactions	**30 June 2018**	**30 June 2017**
Interest income	8,994	5,048

Main selected transactions with other related parties

Transactions connected with OPG

Since OPG was acquired on 30 June 2017 (note 3.5) transactions for the first six-month period in 2017 are disclosed as transactions with related party.

Transactions connected with CPI PROPERTY GROUP

Management Fees

The Group both provides and obtains management services to/from CPI PG.

Services in the amount of CZK 11.7 million (for first half of 2017 CZK 221.1 million) were provided by CPI PG to certain SPV´s within the Group (note 6.10).

The management fee invoiced to CPI PG for management services by the Group in 2017 amounted to CZK 10.2 million (CZK 212.5 million for first half of 2017).

Loans provided

As at 30 June 2018, the Group provides three loans to CPI PG.

The first loan was provided by the Company in 2014. Loan bears interest of 4 % p.a. and is due on 31 December 2019. The outstanding amount as at 30 June 2018 amounts to CZK 2,173.9 million (CZK 1,408.8 million as at 31 December 2017).

In 2015, CPI PG was provided by the Company with second loan bearing fixed interest of 5.25 % p.a. The outstanding amount as at 30 June 2018 amounts to CZK 61.3 million (CZK 33.3 million as at 31 December 2017).

In 2017, the Group provided CPI PG a loan bearing a fixed interest of 2.47% p.a. and due in 2022. The outstanding balance of this loan as at 30 June 2018 was CZK 2,315 million (CZK 279.8 million as at 31 December 2017).

Transactions connected with the ultimate shareholder of the Company

Loans provided to entities controlled by the ultimate shareholder

As at 30 June 2018, the Group provides four loans in the total outstanding amount of CZK 1,544 million to entities closely related to the ultimate shareholder of the Company (CZK 1,528.5 as at 31 December 2017). The loans bear interests of 5.5 % and 10 % p.a.

12 EVENTS AFTER THE REPORTING PERIOD

12.1 Early repayment of CPI BYTY bonds

At the beginning of August 2018, Company´s subsidiary ORCO PROPERTY GROUP successfully 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., were due (or callable) in May 2019.

On 28 August 2018, following the bondholders meeting, the Group announced, that all tranches of CPI BYTY bonds programme will be early repaid. The nominal value of bonds issued as part of CPI BYTY bond programme amounted to CZK 3,000 million and it was early repaid on 12 September 2018.

12.2 Disposal of subsidiaries

On 30 August 2018, the Group disposed of an office building located in Prague. The building, with approximately 10,000 sqm of usable space, serves as the headquarters of Nestlé for the Czech and Slovak Republic. The buyer is a local real estate investment group.

12.3 Bondholders meeting

On 19 September 2018, the Group announced a date of bondholders meeting in respect of CPI Retail Portfolio I 5.00/2019 bonds (ISIN CZ0003511164) which is going to be held on 4 October 2018. The purpose of the meeting is the change of the bonds prospectus in terms of the possibility of early redemption of bonds.

Prague, 26 September 2018

Zdeněk Havelka
Chairman of the Board of Directors

APPENDIX I – LIST OF GROUP ENTITIES

Subsidiaries fully consolidated

Company	Country	30 June 2018	31 December 2017
"Diana Development" Sp. z o.o.	Poland	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City Phase B Kft.	Hungary	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Andrássy Real Kft.	Hungary	100.00%	100.00%
Arena Corner Kft.	Hungary	100.00%	100.00%
Aspley Ventures Limited	British Virgin Islands	100.00%	100.00%
Atrium Complex sp. z o.o. (1)	Poland	100.00%	--
AVACERO LIMITED	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	86.56%	86.56%
BAYTON ONE, s.r.o.	Czech Republic	86.56%	86.56%
BAYTON TWO, s.r.o. (11)	Czech Republic	86.56%	86.56%
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	97.31%	97.31%
Brno Property Development, a.s.	Czech Republic	86.56%	86.56%
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	97.31%	97.31%
Bubny Development, s.r.o.	Czech Republic	99.26%	97.31%
Budaörs Office Park Kft.	Hungary	--	100.00%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
BYTY PODKOVA, a.s.	Czech Republic	97.31%	97.31%
CAMPONA Shopping Center Kft.	Hungary	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	97.31%	97.31%
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	97.31%	97.31%
CENTRAL TOWER 81 Sp. z o.o.	Poland	100.00%	100.00%
Centrum Ogrody Sp. z o.o.	Poland	100.00%	100.00%
CEREM S.A.	Luxembourg	97.31%	97.31%
City Gardens Sp. z o.o.	Poland	100.00%	100.00%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Horoměřice, a.s.	Czech Republic	86.56%	86.56%
CPI - Krásné Březno, a.s.	Czech Republic	97.31%	97.31%
CPI - Land Development, a.s.	Czech Republic	97.31%	97.31%
CPI - Orlová, a.s.	Czech Republic	86.56%	86.56%
CPI - Real Estate, a.s.	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%

Company	Country	30 June 2018	31 December 2017
CPI Beet, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI Blatiny, s.r.o.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o.	Czech Republic	100.00%	100.00%
CPI Energo, a.s. (2)	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Management Kft.	Hungary	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%
CPI Finance Ireland II Limited	Ireland	100.00%	100.00%
CPI Finance Ireland III Limited	Ireland	100.00%	100.00%
CPI Finance Ireland Limited	Ireland	100.00%	100.00%
CPI Finance Netherlands B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands II B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands III B.V.	Netherland	100.00%	100.00%
CPI Finance Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Catering, s.r.o. (3)	Czech Republic	100.00%	--
CPI Hotels Hungary Kft.	Hungary	100.00%	100.00%
CPI HOTELS POLAND Sp. z o.o.	Poland	100.00%	100.00%
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Slovakia, s.r.o.	Slovak Republic	100.00%	100.00%
CPI Hotels, a.s.	Czech Republic	100.00%	100.00%
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l.	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Kappa, s.r.o. (4)	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI Office Prague, s.r.o.	Czech Republic	100.00%	100.00%
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	97.25%	97.25%
CPI PG Management, S.á r.l	Luxembourg	100.00%	100.00%
CPI Poland Sp. z o.o.	Poland	100.00%	100.00%
CPI Property a Facility, s.r.o. (5)	Czech Republic	100.00%	100.00%
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Residential, a.s.	Czech Republic	100.00%	100.00%
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail One Kft.	Hungary	100.00%	100.00%
CPI Retail Portfolio Holding Kft.	Hungary	100.00%	100.00%
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Store Kft.	Hungary	100.00%	100.00%
CPI Retail Two Kft.	Hungary	100.00%	100.00%

Company	Country	30 June 2018	31 December 2017
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails ROSA s.r.o.	Slovak Republic	100.00%	100.00%
CPI Retails THREE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Romania S.R.L.	Romania	100.00%	100.00%
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	97.58%	97.58%
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	100.00%
Český Těšín Property Development, a.s.	Czech Republic	--	100.00%
Darilia, a.s.	Czech Republic	99.26%	97.31%
DERISA LIMITED	Cyprus	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	72.98%	72.98%
Diana Property Sp. z o.o.	Poland	97.31%	97.31%
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land (9)	Czech Republic	97.27%	97.27%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
Endurance Hospitality Asset S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Hospitality Finance S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Real Estate Management Company	Luxembourg	97.31%	97.31%
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	97.31%	97.31%
Europeum Kft.	Hungary	100.00%	100.00%
Farhan, a.s.	Czech Republic	100.00%	100.00%
FELICIA SHOPPING CENTER SRL	Romania	100.00%	100.00%
Fetumar Development Limited	Cyprus	100.00%	100.00%
FL Property Development, a.s.	Czech Republic	86.56%	86.56%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	97.31%	97.31%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
HopStop 6 sp z o.o. (10)	Poland	100.00%	--
HopStop Zamość 2 sp. z o.o.	Poland	100.00%	--
Hospitality Invest Sàrl	Luxembourg	100.00%	100.00%
Hotel Andrássy Zrt.	Hungary	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	100.00%
Hotel Pokrovka , org. Unit	Russia	100.00%	100.00%
HOTEL U PARKU, s.r.o.	Czech Republic	86.56%	86.56%
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	97.31%	97.31%
IS Nyír Kft.	Hungary	100.00%	100.00%
IS Zala Kft.	Hungary	100.00%	100.00%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
Jagapa Limited	Cyprus	100.00%	100.00%
Janáčkovo nábřeží 15, s.r.o.	Czech Republic	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
Jetřichovice Property, a.s.	Czech Republic	86.56%	86.56%

Company	Country	30 June 2018	31 December 2017
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	97.31%	97.31%
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	97.31%	97.31%
Kerina, a.s.	Czech Republic	100.00%	100.00%
KOENIG, s.r.o. (6)	Czech Republic	--	100.00%
Kolín Centrum a.s. (4)	Czech Republic	--	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
Labská Property, s.r.o.	Czech Republic	100.00%	100.00%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
LE REGINA WARSAW Sp. z o.o.	Poland	100.00%	100.00%
Leriegos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
Levice Property Development, a.s.	Slovak Republic	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Lucemburská 46, a.s.	Czech Republic	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s. (7)	Czech Republic	100.00%	100.00%
Marissa West, a.s.	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate Sp. z o.o.	Poland	97.31%	97.31%
MB Futurum HK s.r.o.	Czech Republic	100.00%	--
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L	Romania	88.00%	88.00%
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%
MMR Russia S.à r.l	Luxembourg	100.00%	100.00%
Modřanská Property, a.s.	Czech Republic	100.00%	100.00%
MQM Czech, a.s.	Czech Republic	99.26%	99.26%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
Na Poříčí, a.s.	Czech Republic	100.00%	100.00%
New Age Kft.	Hungary	100.00%	100.00%
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	97.31%	97.31%
Nový Projekt CPI, s.r.o. (6)	Czech Republic	100.00%	100.00%
NUKASSO HOLDINGS LIMITED	Cyprus	100.00%	100.00%
Nupaky a.s.	Czech Republic	97.31%	97.31%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
OC Nová Zdaboř a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	100.00%	100.00%
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orco Project Limited	Guernsey	--	97.31%
Orco Property Group S.A.	Luxembourg	97.31%	97.31%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Outlet Arena Moravia, s.r.o.	Czech Republic	100.00%	100.00%
Ozrics, Kft.	Hungary	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
Platnéřská 10 s.r.o.	Czech Republic	100.00%	100.00%

Company	Country	30 June 2018	31 December 2017
Pólus Shopping Center Zrt.	Hungary	100.00%	100.00%
Polus Társasház Üzemeltető Kft.	Hungary	100.00%	100.00%
Polygon BC, a.s.	Czech Republic	99.26%	99.26%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
PROJECT FIRST a.s.	Czech Republic	86.56%	86.56%
Projekt Nisa, s.r.o.	Czech Republic	100.00%	100.00%
Projekt Zlatý Anděl, s.r.o.	Czech Republic	100.00%	100.00%
Prosta 69 Sp. z o.o.	Poland	100.00%	100.00%
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
R40 Real Estate Kft.	Hungary	--	100.00%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
Rezidence Jančova, s.r.o.	Czech Republic	100.00%	100.00%
Rezidence Malkovského, s.r.o.	Czech Republic	100.00%	100.00%
REZIDENCE MASARYKOVA 36, s.r.o. (7)	Czech Republic	--	100.00%
Rezidence Pragovka, s.r.o.	Czech Republic	97.31%	97.31%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
RT Development sp. z o.o. (13)	Poland	100.00%	--
SASHKA LIMITED	Cyprus	100.00%	100.00%
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Sint Maarten sp. z o.o. (12)	Poland	100.00%	--
Spišská Nová Ves Property Development, a.s.	Slovak Republic	100.00%	100.00%
ST Project Limited	Guernsey	100.00%	100.00%
Statek Blatiny, s.r.o.	Czech Republic	100.00%	100.00%
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	97.31%	97.31%
STRM Alfa, a.s.	Czech Republic	99.26%	99.26%
STRM Beta, a.s.	Czech Republic	97.31%	97.31%
STRM Gama, a.s.	Czech Republic	97.31%	97.31%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	97.31%	97.31%
Tarnów Property Development Sp. z o.o.	Poland	100.00%	100.00%
Telč Property Development, a.s.	Czech Republic	86.56%	86.56%
Tepelná Litvínov, s.r.o.	Czech Republic	100.00%	100.00%
Tepelné hospodářství Litvínov s.r.o.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Trutnov Property Development, a.s.	Czech Republic	--	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	100.00%	100.00%
Tyršova 6, a.s.	Czech Republic	100.00%	100.00%
U svatého Michala, a.s.	Czech Republic	100.00%	100.00%
Vigano, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	97.31%	97.31%
VOLANTI LIMITED	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
Zamość Property Development sp. z o.o. (8)	Poland	100.00%	--
Zgorzelec Property Development sp. z o.o.	Poland	100.00%	--
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

Joint ventures

Company	Country	30 June 2018	31 December 2017
Beta Development, s.r.o.	Czech Republic	34.06%	34.06%
Brillant 1419. Verwaltungs GmbH	Germany	47.68%	47.68%
Uniborc S.A.	Luxembourg	34.06%	34.06%

1) Montserrat sp. z o.o. changed its name to Atrium Complex sp. z o.o. with the effective date of 27 April 2018.
2) CPI – Facility, a.s. changed its name to CPI Energo, a.s. with effective date of 12 February 2018.
3) CPI Catering, s.r.o. changed its name to CPI Hotels Catering, s.r.o. with effective date of 20 February 2018.
4) Kolín Centrum a.s. has merged with CPI Kappa, s.r.o. (the "successor company") with the effective date of 30 June 2018. All assets and liabilities of Kolín Centrum a.s. passed to the successor company.
5) CPI Property, s.r.o. changed its name to CPI Property a Facility, s.r.o. with effective date of 12 February 2018.
6) KOENIG, s.r.o. has merged with Nový Projekt CPI, s.r.o. (the "successor company") with the effective date of 30 June 2018. All assets and liabilities of KOENIG, s.r.o. passed to the successor company. Nový Projekt CPI, s.r.o. changed its name to KOENIG Shopping, s.r.o. with effective date of 9 July 2018.
7) REZIDENCE MASARYKOVA 36, s.r.o. has merged with Marissa Théta, a.s. (the "successor company") with the effective date of 31 March 2018. All assets and liabilities of REZIDENCE MASARYKOVA 36, s.r.o. passed to the successor company.
8) HopStop Zamość 1 sp. z o.o. changed its name to Zamość Property Development sp. z o.o. with effective date of 24 May 2018.
9) Družstvo Land changed its name to Land Properties, a.s. with effective date of 1 July 2018.
10) HopStop 6 sp. z o.o. changed its name to Rembertów Property Development sp. z o.o. with effective date of 12 July 2018.
11) BAYTON TWO, s.r.o. changed its name to Byty Lehovec, s.r.o. with effective date of 1 August 2018.
12) Sint Maarten sp. z o.o. changed its name to CPI Property Development sp. z o.o. with effective date of 17 August 2018.
13) RT Development sp. z o.o. changed its name to Radom Property Development sp. z o.o. with effective date of 20 August 2018.