

# FINANCIAL INFORMATION

## 2016



Including the  
**Consolidated financial statements**  
for the period of 6 months ended as at 30 June 2016



PROPERTY GROUP

# SUMMARY

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<b>Part I.</b>	<b>Management report</b>
<b>Part II.</b>	<b>Declaration letter</b>
<b>Part III.</b>	<b>Condensed consolidated interim financial information</b>



PROPERTY GROUP

# Management Report as at 30 June 2016

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ORCO PROPERTY GROUP, société anonyme (the “Company” or “OPG”) and its subsidiaries (together the “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.

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

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

## 1 Message from the management

Dear Shareholders,

In every respect, 2016 has witnessed a major shift in the future of the Company. The challenges we faced last year set into motion the significant transitions necessary to re-establish the Company as an important player on the real estate development market in the Czech Republic and CEE. The management successfully completed the financial and operational streamlining of the corporate structure which resulted in significant savings in administrative costs and improved focus.

The most significant event of 2016 occurred on 8 June, when CPI Property Group’s fully owned subsidiary Nukasso Holdings Limited directly and indirectly acquired approximately 97.31% of shares in the Company. As a consequence, Nukasso Holdings Limited from the CPI Property Group has an obligation to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company. On 22 August 2016, the Czech Office for the Protection of Competition granted the merger clearance for the acquisition of the Company by CPI Property Group, whereas its decision became final and binding on 23 August 2016.

Reducing interest charges, improving the yield of our current investment properties and generating income out of our land bank shall continue improving our profitability. We are reducing our overheads and centralizing costs in line with the downsizing of our peripheral businesses. Our operating result improved dramatically from the loss of EUR 11.2 million incurred in H1 2015 to the profit of EUR 12.5 million generated in H1 2016.

Following an in-depth review of its structure, operational and financial performance and costs related to its listing on Euronext Paris as well as taking the liquidity and trade volumes into account, the Company voluntarily requested the delisting of all of its shares from Euronext Paris in December 2015. Following the completion of the sales facility procedure aimed at the protection of shareholder’s interests, the Company shares were delisted from Euronext Paris as of 18 February 2016.

In line with the Company’s strategy to dispose some of its non-core assets and to withdraw from certain regions, in March 2016, the Company completed the disposal of the industrial logistics project in Marki, Poland. The purchase price of an asset deal amounted to EUR 4 million and following the repayment of the project credit facility to the financing bank, the net proceeds amounted to EUR 1.07 million. Furthermore, in April 2016, the Company sold 3,062,196 shares in Sunčani Hvar d.d., corresponding to 15.77% of the shareholding and voting rights for an aggregate price of EUR 8.15 million.

The Company was also able to attract new as well as existing investors and on 10 May 2016 implemented a reserved capital increase of EUR 80 million and issued 1 billion new shares. The total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 1,315 million as of 10 May 2016. The Company used the proceeds from the capital increase to repay its existing liabilities as well as to purchase significant portion of the OrcoPropertyGrp 7% 07/11/2019 notes which represented a substantial cash flow burden for the Company with the annual coupon of approximately EUR 4.5 million. Following this deleveraging, the Company’s LTV decreased from 40.9% as at 31 December 2015 to 18.7%.

On 29 August 2016, the Company also disposed 65,957,446 pieces of ordinary shares of CPI Property Group for an aggregate consideration of EUR 34.59 million. The disposal of shares was based on the Agreement on Put Option over Shares entered into by the Company and Mr. Radovan Vitek on 24 September 2014. The disposal price per share equals to EUR 0.47, plus a 6.00% p.a. interest from 24 September 2014 until 29 August 2016. The shares were acquired by a holding entity of Mr. Vitek. The Company continues to hold 93,175,451 shares in CPI Property Group, which represents app. 1.45% of the shareholding.



As a result of the shareholder changes that occurred in June 2016 and following the disposal of its stake in the Company, on 26 July 2016, Mr. Pavel Španko resigned from the board of directors of the Company with immediate effect. Following the resignation of Mr. Španko, the board of directors resolved to co-opt Mr. Erik Morgenstern to the board of directors. Mr. Morgenstern currently serves as the Chief Financial Officer of the Company.

We are of the view that in 2016, the company achieved many essential ambitions in its transformation towards a more cost effective streamlined structure with optimization of its operations remaining to be the Company's primary intention for the rest of year and 2017.

Jiri Dederá,  
CEO & Managing Director

## **2 Key events: first half 2016 and post-closing key events**

### **2.1 Disposal of CPI Property Group shares**

On 29 August 2016 the Company disposed of 65,957,446 pieces of ordinary shares of CPI Property Group (the "CPI PG") for an aggregate consideration of EUR 34.59 million. The disposal of shares was based on the Agreement on Put Option over Shares entered into by the Company and Mr. Radovan Vitek on 24 September 2014. The disposal price per share equals to EUR 0.47, plus a 6.00% p.a. interest from 24 September 2014 until 29 August 2016. The shares were acquired by a holding entity of Mr. Vitek. The Company continues to hold 93,175,451 shares in CPI Property Group, which represents app. 1.45% of the shareholding.

### **2.2 Acquisition of the Company by CPI PG**

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

The Company was informed by the Luxembourg Stock Exchange that it decided to suspend the trading of the Company shares (ISIN LU0122624777) on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange decided to proceed with such suspension from its own initiative.

The trading of the Company shares continues on the regulated market of the Warsaw Stock Exchange.

### **2.3 Deleveraging Through Purchase of Notes on Loan Repayment**

The Company completed a substantial deleveraging through the purchase of approximately 77% of the OrcoPropertyGrp 7% 07/11/2019 notes, registered under ISIN code XS0820547742 (the "Notes") as well as the repayment of a loan.

The Company managed to purchase in aggregate 5,630,662 pieces of the Notes for an aggregate consideration of EUR 49.16 million, whereby the minimum price per one purchased Note was 95% and maximum 98% of their outstanding principal amount. The purchased Notes, which represent approximately 77% of the number of the issued Notes, have been cancelled.

The Notes are result of the 2012 debt-to equity swap, whereby the Company successfully completed the group's bond restructuring, which restructured EUR 549 million in remaining Safeguard payments and EUR 129 million of former ORCO Germany bond debt. This debt was partially equitized and partially converted into the Notes. The Company decided to purchase the Notes given their 7% coupon, that is substantially higher than current market standards, as well the 3% guarantee fee. Following the last year successful termination of the Company's Safeguard procedure, the Notes represent the last crisis heritage of the Company. The Notes represent a substantial cash flow burden, with the annual coupon of approximately EUR 4.5 million. With the purchase of the Notes, the Company will save approximately EUR 3.5 million annually on coupon payments.

The Company also repaid the short term loan to CPI PROPERTY GROUP, which amounted in aggregate to EUR 32.1 million.

### **2.4 The Company raises EUR 80 million and issues 1 billion new shares**

On 10 May 2016, the Company's board of directors agreed to issue and issued 1 billion new ordinary shares having a par value of EUR 0.01 each, at a subscription price of EUR 0.08 per new share, for a global cash contribution of EUR 80 million. These new shares were subscribed by two of the Company's existing shareholders and one new investor, as follows:

- (i) 300,000,000 new shares were subscribed for a total subscription price of EUR 24,000,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Španko;
- (ii) 300,000,000 new shares were subscribed for a total subscription price of EUR 24,000,000 by FETUMAR DEVELOPMENT LIMITED, Cyprus, an entity closely associated with Mr. Jan Gerner, and;
- (iii) 400,000,000 new shares were subscribed for a total subscription price of EUR 32,000,000 by JAGAPA LIMITED, Cyprus, an entity closely associated with Mr. Július Strapek.

The new shares are not listed upon their issue.

The corporate share capital of the Company has been increased from EUR 3,145,076.29 represented by 314,507,629 shares to EUR 13,145,076.29 represented by 1,314,507,629 shares.

## 2.5 Disposal of Suncani Hvar shares

On 4 April 2016 the Company entered into an agreement concerning the disposal of its stakes in Suncani Hvar d.d. ("SHH"). The Company sold 3,062,196 SHH shares corresponding to 15.77% of the shareholding and voting rights in SHH. The aggregate price equals to app. EUR 8.15 million and is based on the nominal value of the transferred shares, i.e. HRK 20 per share. Further to this transaction, OPG exited all of its investments in Croatia.

## 2.6 Disposal of Marki project in Poland

On 29 February 2016 the Company disposed of the industrial – logistics project in Marki, near Warsaw, Poland. This transaction comprised of a transfer of 36 thousand sqm C class warehouse – logistics facility with the related land plots of app. 193 thousand sqm. The purchase price in an asset deal amounts to EUR 4 million + VAT. Following the repayment of the project credit facility to the financing bank the net proceeds amount to EUR 1.07 million. The Company decided to dispose of the Marki project in line with its strategy, aimed at exiting of the Polish market.

## 2.7 Company Shares Delisted from Euronext Paris

Since 18 February 2016, the Company shares have been delisted from Euronext Paris. The 314,507,629 Company shares continue to be listed on the regulated market of the Luxembourg Stock Exchange under the same ISIN code LU0122624777.

## 2.8 Changes in Board Composition

On 28 July 2016 the director of the Group Mr. Pavel Spanko resigned from the Board of directors with immediate effect. The board of directors acknowledged his resignation. Following the resignation of Mr. Spanko, the board of directors resolved to co-opt Mr. Erik Morgenstern to the board of directors, who serves as the Chief Financial Officer of the company.

## 3 Market environment

### 3.1.1 Global macro-economic conditions

#### 3.1.1.1 Czech Republic

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

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

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

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

#### 3.1.1.2 Hungary

Based on the data published by the Hungarian Central Statistical Office, the gross domestic product of Hungary increased by 2.6% in the Q2 2016 compared to the corresponding period of the previous year. Consumer prices decreased by 0.2%

compared to H1 2015. In Q2 2016, the number of unemployed people was 234 thousand, 76 thousand fewer than in the same period of 2015, and the unemployment rate decreased by 1.8% to 5.1%.

### 3.1.1.3 *Poland<sup>1</sup>*

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

## 3.1.2 *Selected market focus*

### 3.1.2.1 *Prague office market*

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

### 3.1.2.2 *Prague residential market<sup>2</sup>*

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

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

### 3.1.2.3 *Czech industrial market*

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

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

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



#### 3.1.2.4 *Budapest office market*

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

#### 3.1.2.5 *Warsaw office market*

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

## 4 **Portfolio: Gross Asset Value<sup>3</sup> and operational performance**

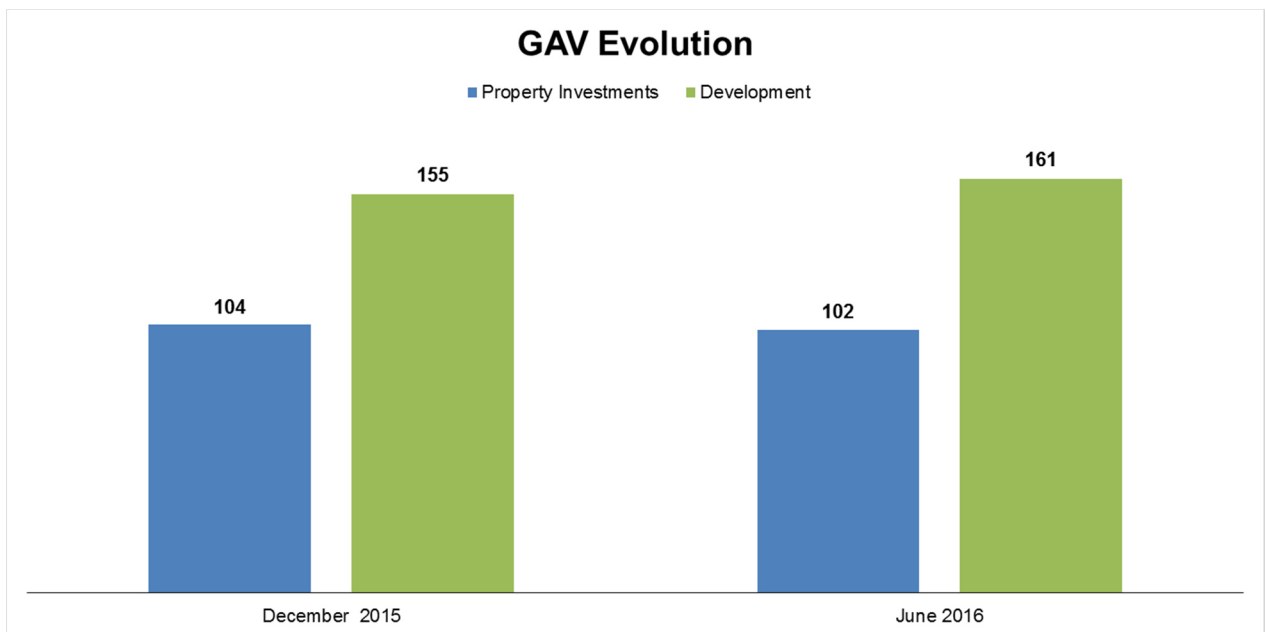
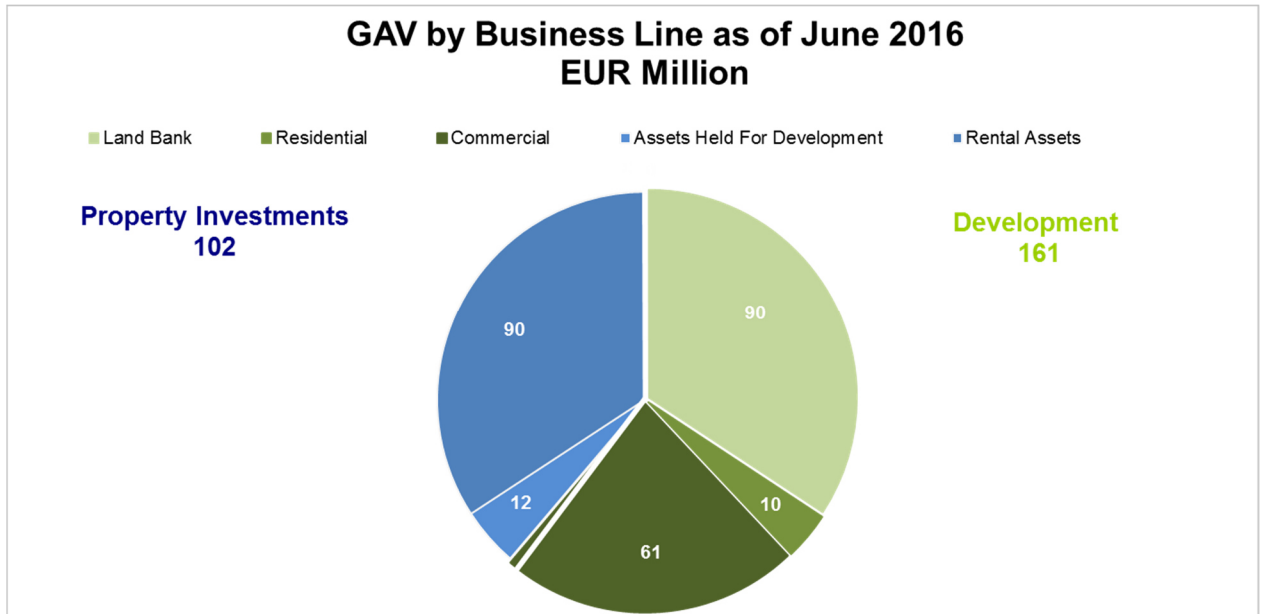
### 4.1 **Total portfolio evolution**

The Gross Asset Value ("GAV") corresponds to the sum of fair value of all real estate assets held by the Group. The value of the assets owned in joint ventures is included at the percentage of economic interest.

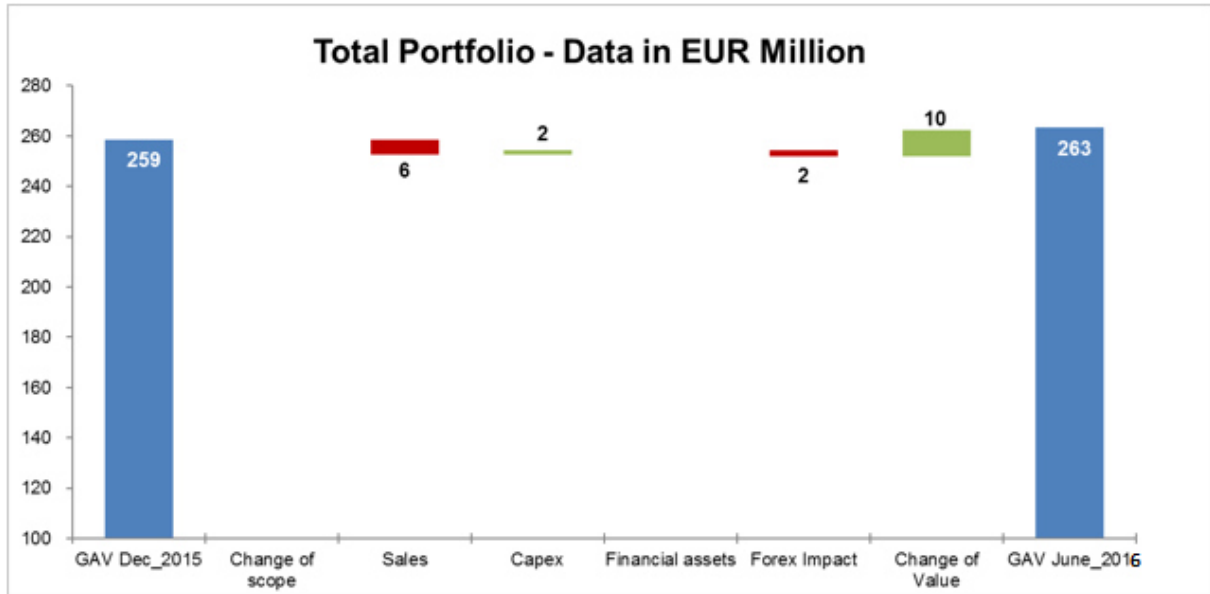
Over the first 6 months of the year 2016, the GAV increased from EUR 259 million up to EUR 263 million. The GAV breaks down into 39% of Property Investments and 61% of projects or land bank for the Development business line.

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<sup>3</sup> The classification of GAV is in line with the vision of the management and is not always reflecting the IFRS classification disclosed in the Financial Statements.



Over the first half year 2016, the total GAV remained relatively stable.

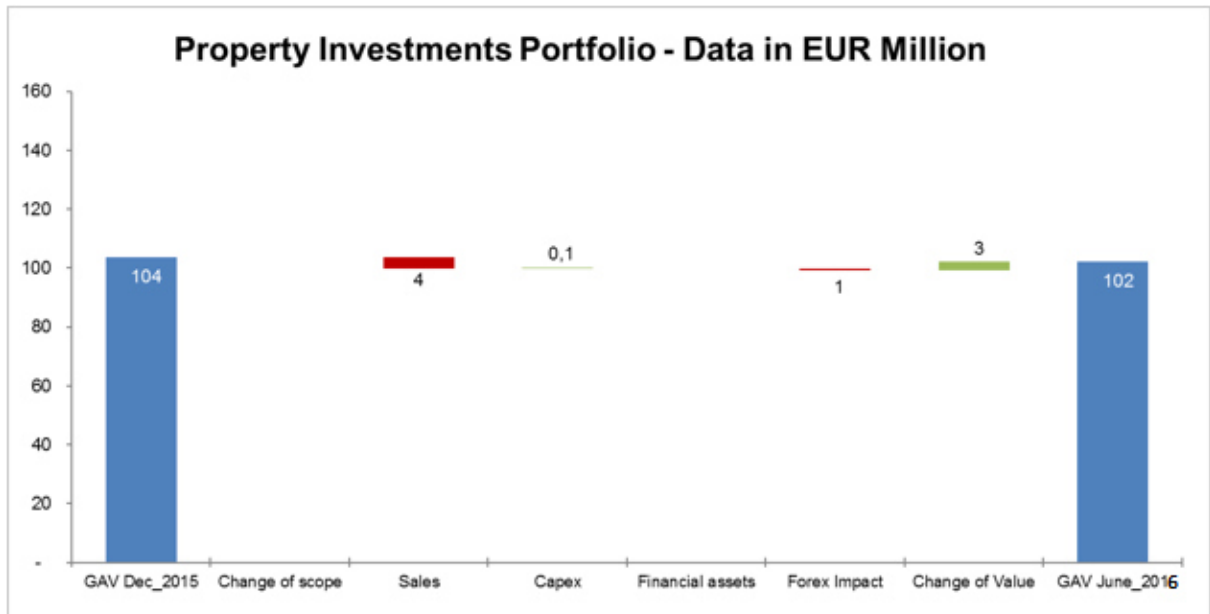


## 4.2 Property Investments evolution

### 4.2.1 Gross asset value

As of June 2016, the GAV of the Group's Property Investments business line represents EUR 102 million in value (88% for rental assets and 12% of Asset held for Development).

The EUR 2 million decrease, in comparison with amounts as of December 2015 was caused primarily by the disposal of Marki project in Poland.



#### **4.2.2** *Rental assets and Assets held for development*

##### **4.2.2.1** *Valuation changes in rental assets*

As of June 2016, the rental assets' value is estimated at EUR 90 million. In December 2015 the GAV of rental assets amounted to EUR 93 million. The changes during H1 2016 can be split into:

- EUR 4 million of disposal (Marki in Poland),
- EUR 1 million of negative forex impact,
- EUR 3 million of increase in value.

##### **4.2.2.2** *Changes in Assets Held for Development*

As of June 2016, the Assets held for Development portfolio's value is estimated at EUR 12 million. In December 2015 the GAV of these assets amounted to EUR 11 million. The EUR 1 million change is composed of positive change in market value for project Vaci 190.

##### **4.2.2.3** *Business review*

The Group is concentrating on long-term investments and the lease of real estate, mainly in the Central European region and Luxembourg. The activities of the Group are focused on rental income generating properties such as office and industry and logistics. Additionally, the Group develops some residential development for future sale.

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

"Property Investments" consist of rental properties and Asset held for sale.

"Development" consist of land bank (represents properties held for development and/or capital appreciation), inventories, residential and Asset held for sale (comprise properties are intended for a future sale in the ordinary course of business).

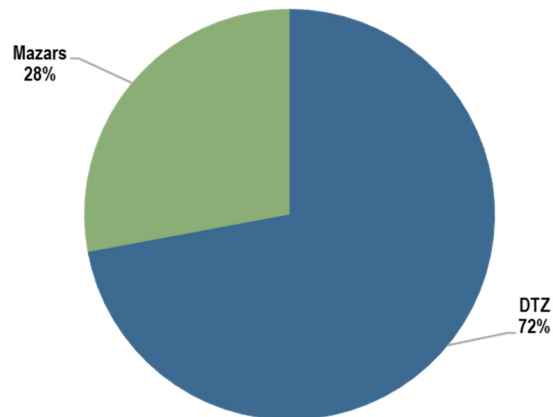
##### **4.2.2.4** *Property valuation*

The consolidated interim condensed financial information of the Group as of 30 June 2016 were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation as at 30 June 2016 is based on reports issued by:

- DTZ. DTZ is a global leader in property services. The organization has more than 24,000 employees, operating in more than 200 offices in 52 countries and offers a complete range of tailored services on any scale, across multiple service lines and geographies. In the Czech Republic provides occupiers and investors on a local, regional and international scale with industry leading, end to end property solutions. DTZ in the Czech Republic has over 80 employees operating across 2 offices;
- Mazars. Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. Mazars operate in 260 offices across the globe and located in 77 countries and draw on the expertise of over 17,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.

Property Portfolio by valuator



The following table shows the carrying value of the Group's property portfolio as of 30 June 2016 and 31 December 2015:

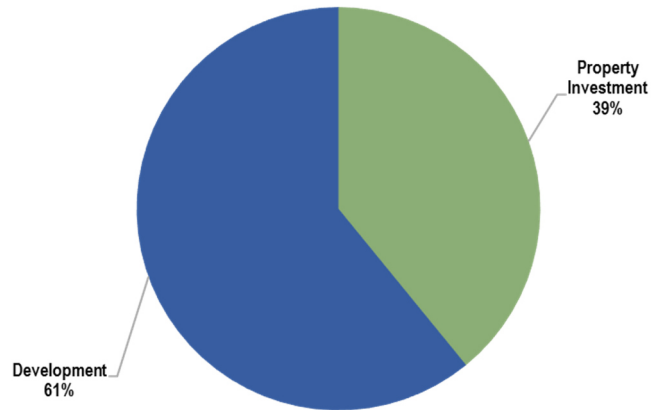
Property portfolio 30 Jun 2016	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic	65,151	161,236	226,387	86%	41,447
Hungary	8,600	0	8,600	3%	0
Poland	4,730	2	4,732	2%	1,944
Luxembourg	23,610	0	23,610	9%	14,788
<b>CE property portfolio</b>	<b>102,091</b>	<b>161,238</b>	<b>263,329</b>	<b>100%</b>	<b>58,179</b>

Property portfolio 31 December 2015	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic*	63,582	151,061	214,643	84%	42,992
Hungary	7,550	-	7,550	3%	-
Poland*	9,870	240	10,110	4%	4,895
Luxembourg	23,610	-	23,610	9%	15,161
<b>CE property portfolio</b>	<b>104,612</b>	<b>151,301</b>	<b>255,913</b>	<b>100%</b>	<b>63,048</b>

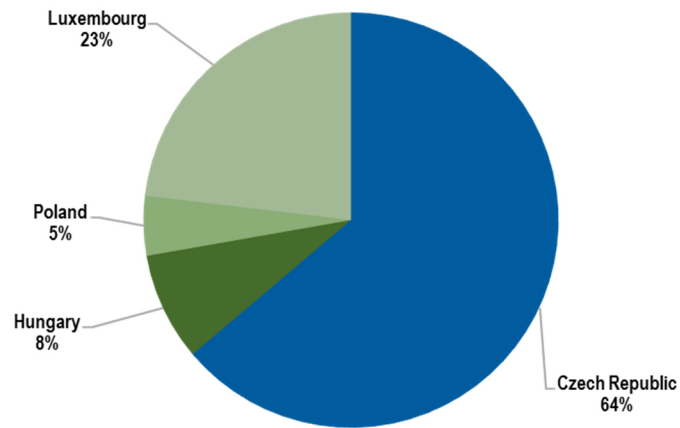
\*include asset held for sale

The Group property value total EUR 261 million as of 30 June 2016 (31 Dec 2015: EUR 260 million). As showed in the chart below, 39% of the Group property portfolio value is made of property investment assets. The majority of the income generating assets are located in the Czech Republic with 64% of the total value, followed by Luxembourg with 23%, Hungary with 8% and Poland with 5%.

Property Portfolio



Investment property by country



4.2.2.5 *Property Investment*

Investment Property – renting 30 Jun 2016	Carrying value	Carrying value	Gross lettable area thds. sqm	Occupancy %	Average rent EUR / SQM	Bank Loans TEUR
	TEUR	%				
Prague, Czech republic	65,151	64%	60	83.5%	9.1	40,245
Budapest, Hungary	8,600	8%	16	11.1%	7.8	0
Warsaw, Poland	4,730	5%	16	8.8%	19.4	1,944
Capellen, Luxembourg	23,610	23%	8	82.3%	23.2	14,788
<b>Portfolio total</b>	<b>102,091</b>	<b>100%</b>	<b>100</b>	<b>60.1%</b>	<b>10.8</b>	<b>56,977</b>

Investment Property - renting 31 December 2015	Carrying value TEUR	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Average rent EUR / SQM	Bank Loans TEUR
Prague, Czech republic	63,582	61%	60	80.2%	8.2	42,992
Budapest, Hungary	7,550	7%	16	10.8%	4.5	-
Warsaw, Poland*	9,870	9%	36	24.7%	4.6	1,994
Capellen, Luxembourg	23,610	23%	8	91.0%	22.0	15,161
<b>Portfolio total</b>	<b>104,612</b>	<b>100%</b>	<b>120</b>	<b>55.0%</b>	<b>9.1</b>	<b>60,147</b>

\*asset held for sale included

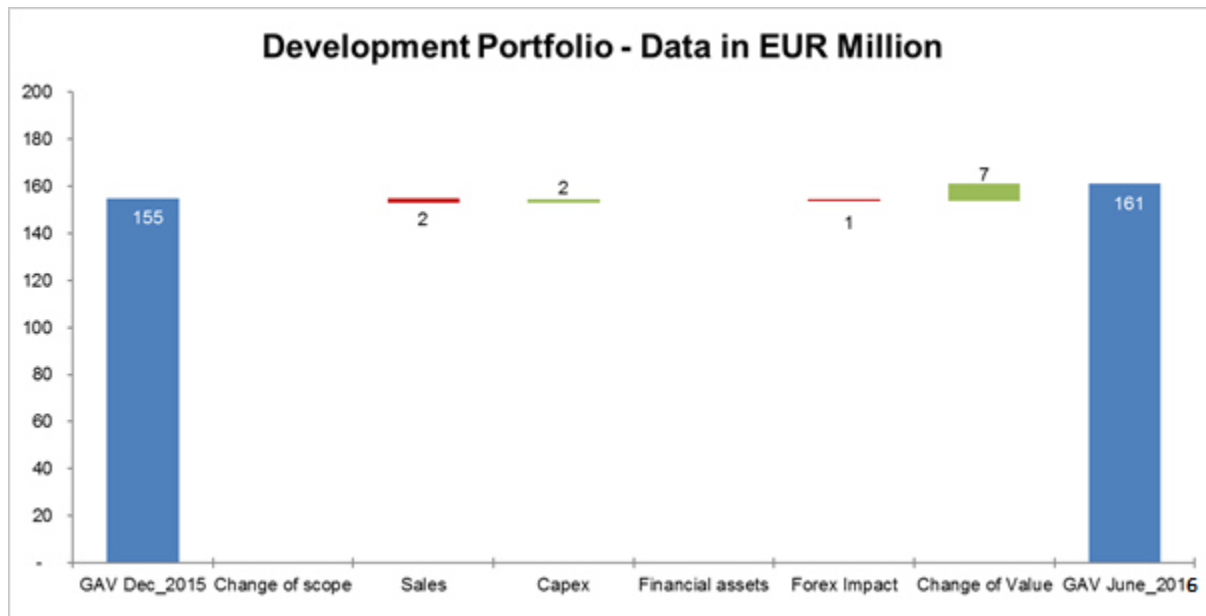
Investment property renting portfolio with a carrying value of EUR 102 million (31 December 2015: EUR 105 million) represents the major part of the Group's property portfolio. The Group is renting out a great variety of assets but is primarily focusing on office and industrial. Together it carrying value 100 thousand sqm of lettable area. There has been significant changes (Marki property in Poland was sold.) in the portfolio compared to 31 December 2015 where those portfolio has 120 thousand sqm of lettable area.

The renting investment property portfolio is financed by bank loans in total of EUR 57 million (31 December 2015: EUR 60 million).

### 4.3 Development evolution

#### 4.3.1 Gross asset value

The Group's development portfolio consists of commercial properties or land designated as future development, to be transferred to the Property Investments business line or sold, and residential projects made of land bank to be developed or buildings to be refurbished/converted, to be sold.



As of June 2016, the Group's development GAV amounts to EUR 161 million (56% land bank, 38% commercial and mixed use developments and 6% of residential developments). The development assets are mainly located in the Czech Republic (99%) with key projects such as Bubny and Benice in Prague.

#### 4.3.2 Commercial developments

##### 4.3.2.1 Changes in commercial developments

The commercial development portfolio consists of properties and land plots that the Company has developed or is developing across CEE region to keep and manage or sell. The ongoing and finished projects are office, retail or mixed-use projects but also land plots for which the Company acts as a land developer.

The GAV of commercial developments portfolio, which mainly encompasses the Bubny project, increased to EUR 59 million. This increase of EUR 5 million is mainly due to increase in market value, which is impacted by uncertainty regarding the future change of Bubny masterplan.

##### 4.3.2.2 Business review

Key Project held in portfolio as of June 2016						
Committed	Location	Asset type	Area in SQM	Permit status	Current value June 2016 EUR million	ERV EUR million
Bubny	Czech Republic, Prague	Mixed commercial	24 ha*	Pending	59.0	NA
*3.6 ha of the Bubny landplot are now held at 20% through a joint venture with Unibail Rodamco and are not included in the value above						

Bubny is a challenging long term development project close to the city centre. Bubny remains the last brownfield plot in the centre of Prague and the Group intends to develop mixed-use area consisting of residential and commercial units, offices and shops as well as educational, medical, and cultural facilities. In addition, a modern train terminal on Vltavská metro station and large green spaces will be incorporated. The main goal for the mid-term period period is to continue in the process to change the Bubny masterplan.

#### 4.3.3 Residential developments

##### 4.3.3.1 Changes in residential developments

The Group's opportunistic residential developments are aimed at the middle and upper market segments in Prague.

The increase of EUR 1 million over the first half of the year 2016 (December 2015 GAV amounting to EUR 9 million compared to December 2014 EUR 15 million) is explained by increased FV of residential projects Benice Phase II-V.

##### Projects completed - Inventory

Over the H1 2016, the completed inventories were almost sold out.

- Mostecka: The project is a mixed-use space with ground floor, basement and inner courtyard designated for retail and commercial space, and upper floors used for apartments. As of December 2014, 100% of the residential area was delivered with remaining of one commercial unit (former cinema) for a total area of 2,6 thousand SQM. This unit was transferred into its own SPV and the Group is now negotiating about the sale with one potential buyer.
- Klonowa Aleja: the Property, located in the Targówek district of Warsaw, comprises 284 apartments as well as retail space and underground car parking facilities (402 parking spaces). The project was completed at the beginning of the year 2010 and as of December 2015 remain unsold 2 retail units and two cellars.

##### Projects under construction

As of June 2016, there were ongoing residential development Benice 1 in Prague.

- Benice – Phase 1: the Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city center. Phase 1B is currently on offer comprising 32 row houses, semi-attached and detached houses, which were completed during H1 2014, and 4 apartments and 2 commercial units to be



completed in Q4 2014. As of June 2016, 95% SQM of the project is delivered. An additional phase, Benice 1C with 9 houses is currently under the construction with completion planned for 2016.

#### 4.3.4 Land bank and assimilated

The total GAV of the land bank and assimilated (including empty buildings and land plots to develop or redevelop classified in the IFRS financial information under investment properties or inventories) increased from EUR 89 million in December 2015 up to EUR 90 million in June 2016.

This increase of EUR 1 million is driven by:

- EUR 0.4 million of change due to CAPEX;
- EUR 1.1 million of change due to increase in market value;
- EUR 0.4 million of negative forex impact.

As of June 2016, the Group holds some 1.7 million SQM of land plots (0.1 million SQM zoned and 1.8 million SQM unzoned). The potential GEFA development is currently estimated at 0.7 million SQM. Potential GEFA is not estimated on all the land plots and should be considered here as only an indication of the potential pipeline on the short to mid-term basis.

The table below summarizes the land bank status per country and gives an estimate of the current projected GEFA. In the “other category” are land plots included in the reported gross asset value of other sub group of the portfolio (rental, commercial development or residential development).

Country	With zoning		Without zoning		Total	
	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	76 586 sqm	88 665 sqm	800 305 sqm	66 250 sqm	876 891 sqm	154 915 sqm
Poland	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Sub-total land bank	76 586 sqm	88 665 sqm	800 305 sqm	66 250 sqm	876 891 sqm	154 915 sqm
The Czech Republic	0 sqm	0 sqm	885 813 sqm	530 400 sqm	885 813 sqm	530 400 sqm
Poland	14 479 sqm	0 sqm	0 sqm	0 sqm	14 479 sqm	0 sqm
Sub-total other category	14 479 sqm	0 sqm	885 813 sqm	530 400 sqm	900 292 sqm	530 400 sqm
Total	91 065 sqm	88 665 sqm	1 686 118 sqm	596 650 sqm	1 777 183 sqm	685 315 sqm

GEFA estimated\*: the figure is presented here as an estimation only on the basis of the latest internal study performed. Only building permit determine the authorized GEFA. All the land plot are not systematically covered with a GEFA estimate.

Over H1 2016, the Land bank decreased due to the sale of land plot in Croatia and Czech Republic, approximately 37 thousands SQM.

The land bank provides the support for the future pipeline of the Group. Praga, Benice 2-5 or Nupaky in Prague amounting to circa 870,000 SQM of landbank, of which 31,500 are zoned, are currently under review to be potentially developed for residential development projects over the coming years. The plot of Bubny amounting to nearly 240,000 SQM of land in Prague 7 (including joint venture with Unibail Rodamco) is at the core of the commercial development pipeline in Central Europe.

## 5 Liabilities and financial profile

### 5.1 Loan to value

The calculation of the Loan to value (LTV) as at 30 June 2016 is shown in the table below.

	30 June 2016	31 December 2015
<b>Non current liabilities</b>		
Financial debts	13,706	20,394
Non-current Bonds	9,871	60,714
<b>Current liabilities</b>		
Financial debts	44,338	68,512
Current Bonds	138	668
Accrued interest	1	621
Liabilities linked to assets held for sale	-	2,901
<b>Current assets</b>		
Current financial assets	-	-
Cash and cash equivalents	(8,945)	(3,264)
<b>Net debt</b>	<b>59,109</b>	<b>150,546</b>
Investment property	251,259	241,825
Investments in equity affiliates	9	35
Financial assets at fair value through profit or loss	-	-
Financial assets available-for-sale	52,303	106,522
Non current loans and receivables	6,128	6,873
Inventories	9,804	7,774
Assets held for sale	-	6,314
Revaluation gains / (losses) on projects and properties	18	(21)
<b>Fair value of portfolio</b>	<b>319,521</b>	<b>369,322</b>
<b>Loan to Value</b>	<b>18.5%</b>	<b>40.8%</b>

The LTV ratio as at 30 June 2016 is 18.5 % and significantly decreased compared to 40.8 % as at 31 December 2015. The main reason of this decrease is the repayment of the loan provided by CPI PG to the Group (EUR 32.1 million) and the acquisition of New Notes (EUR 49.2 million). Total amount of financial liabilities including bonds is EUR 68.1 million as at the end of June 2016 in comparison to EUR 150.3 million at the end of 2015.

## 5.2 EPRA Net Asset Value

The EPRA Net Asset Value (EPRA NAV) per share as of 30 June 2016 is EUR 0.23 compared to EUR 0.65 as at 31 December 2015.

The Triple NAV amounts to EUR 0.22 per share compared to EUR 0.65 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below.

	30 June 2016	31 December 2015
<b>Consolidated equity</b>	<b>293,836</b>	<b>204,402</b>
Fair Value adjustment on asset held for sales	-	(21)
Fair value adjustments on inventories	-	-
Deferred taxes on revaluations	4,772	1,446
Goodwills	-	-
Own equity instruments	-	-
<b>EPRA Net asset value</b>	<b>298,608</b>	<b>205,827</b>
Existing shares (in thousands)	1,314,508	314,508
<b>Net asset value in EUR per share</b>	<b>0.23</b>	<b>0.65</b>
<b>EPRA Net asset value</b>	<b>298,608</b>	<b>205,827</b>
Deferred taxes on revaluations	(4,772)	(1,446)
<b>EPRA Triple Net asset value (*)</b>	<b>293,836</b>	<b>204,381</b>
Fully diluted shares	1,314,508	314,508
<b>Triple net asset value in EUR per share</b>	<b>0.22</b>	<b>0.65</b>

(\*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

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

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

Over the first half of 2016 the consolidated equity increased by EUR 90 million. The main driver is the increase of the share capital (EUR 80 million) and the gain of the period amounting to EUR 8.5 million.

## 6 Income statement

The first half of 2016 is reflecting noticeable changes in items of revaluation on investment property and positive Other net financial results mainly due to sale of Suncani Hvar. In line with this, the Group recorded significant net gain attributable to owners of the Company in the amount of EUR 8.6 million compared to a loss of EUR 17.1 million over the same period of 2015.

## 6.1 Consolidated income statement

	6 months 2016	6 months 2015
<b>Revenue</b>	<b>5,027</b>	<b>7,330</b>
<i>Sale of goods</i>	432	770
<i>Rent</i>	3,474	3,974
<i>Hotels and restaurants</i>	-	-
<i>Services</i>	1,121	2,586
Net gain from fair value adjustments on investment property	10,303	(13,976)
Other operating income	315	108
Net result on disposal of assets	(430)	73
Cost of goods sold	(373)	(865)
Employee benefits	(129)	(514)
Amortisation, impairments and provisions	1,601	4,994
Operating expenses	(3,769)	(8,346)
<b>Operating result</b>	<b>12,545</b>	<b>(11,196)</b>
Interest expense	(4,124)	(5,717)
Interest income	384	441
Foreign exchange result	(841)	1,638
Other net financial results	2,233	(7,104)
<b>Financial result</b>	<b>(2,348)</b>	<b>(10,742)</b>
<b>Share of profit or loss of entities accounted for using the equity method</b>	<b>1,041</b>	<b>3,004</b>
<b>Profit/ (Loss) before income taxes</b>	<b>11,238</b>	<b>(18,934)</b>
Income taxes	(2,682)	1,520
<b>Profit/ (Loss) from continuing operations</b>	<b>8,556</b>	<b>(17,414)</b>
Loss after tax from discontinued operations	-	-
<b>Net Profit/ (Loss) for the period</b>	<b>8,556</b>	<b>(17,414)</b>
<b>Total loss attributable to:</b>		
Non controlling interests	8	(324)
<b>Owners of the Company</b>	<b>8,548</b>	<b>(17,090)</b>

The income statement and relevant tables in the notes which provide detailed breakdown of the income or expense refer to continuing operations only.

## 6.2 Operating result

The operating result as of June 2016 is a gain of EUR 12.5 million compared to a loss of EUR 11.2 million over the same period in 2015. The improvement of EUR 23.7 million is driven mainly by reducing of Other operating expense (see Note 6.4) and valuation gain from project Bubny (increase EUR 5.5 million) compared to the previous half-year (decrease EUR 13.1 million).

## 6.3 Revenue by Business line

Revenue decreased year on year to EUR 5.0 million for the first half of 2016 compared to EUR 7.3 million over the same period in 2015 (-31 % y-o-y). This decrease comes primarily from the Property Investment business line due to the disposal of entities providing services to the third parties.

	Development	Property Investments	Total
<b>YTD Revenue</b>			
As at June 2016	990	4,037	5,027
As at June 2015	1,342	5,988	7,330
<b>Variation</b>	<b>(352)</b>	<b>(1,951)</b>	<b>(2,303)</b>

### 6.3.1 Development

#### 6.3.1.1 Residential

Residential development sales have decreased from EUR 0.8 million as of June 2015 to EUR 0.4 million as of June 2016. The main contributors to the revenue is the project Benice I in Prague (EUR 0.3 million).

#### 6.3.1.2 Commercial

Commercial development revenue of H1 2016 is EUR 0.5 million. The only contributor is rental revenue generated on project Zbrojovka Brno.

### 6.3.2 Property Investments

The Property Investments revenue decreased by 33.3% compared to 2015, it reached EUR 4.0 million as of June 2016 (compared to EUR 6.0 million in 2015).

## 6.4 Operating expenses and Employee benefits

The total operating expenses including employee benefits amount to EUR 3.9 million compared to EUR 8.9 million in H1 2015.

	30 June 2016	30 June 2015
<b>Other operating expenses</b>	<b>(3,769)</b>	<b>(8,347)</b>
Leases and rents	(121)	(57)
Building maintenance and utilities supplies	(1,212)	(1,303)
Marketing and representation costs	(106)	(220)
Administration costs	(1,765)	(4,111)
Taxes other than income tax	(336)	(366)
Other operating expenses	(229)	(2,290)
<b>Employee benefits</b>	<b>(129)</b>	<b>(514)</b>
<b>Total operating expenses</b>	<b>(3,898)</b>	<b>(8,861)</b>

Total operating expenses significantly decreased by EUR 5.0 million (by 56%) compared to H1 2015. This decrease is mainly due to that in H1 2015 was created relevant write-off of receivables towards disposed Hungarian entities (EUR 2.0 million) and reduction of legal costs in Luxembourg (EUR 0.8 million) caused by end of Safeguard bonds and litigation of Suncani Hvar.

The decrease is also due to the further gradual shrinking of the whole Group.

Furthermore employee benefits were reduced by 75% between halves as a result of continuing reduction in headcount.

## 6.5 Valuation adjustment and impairments

The net revaluation gain for the first six months of 2016 amounts to EUR 10.3 million which is the result of new valuations performed in June on all properties.

The impact of fair value and impairments on real estate assets or investments is detailed by country as follows :

	Freehold buildings	Land bank	TOTAL
Czech Republic	1,777	7,213	8,990
Poland	178	-	178
Hungary	1,135	-	1,135
<b>At 30 June 2016</b>	<b>3,090</b>	<b>7,213</b>	<b>10,303</b>

## 6.6 Adjusted EBITDA<sup>4</sup>

The adjusted EBITDA increased by EUR 4.0 million and amounts to EUR 1.1 million as at 30 June 2016, compared to EUR - 2.3 million in 2015.

Following the improvement of operational result, development segment reports improved adjusted EBITDA (EUR 0.7 million).

In Property Investments, the positive variation of EUR 2.7 million is mainly impacted by the improvement of operational result (reasoning - see Note 6.2).

	Development	Property Investments	TOTAL
<b>Operating Result - 6m 2016</b>	<b>8,561</b>	<b>3,984</b>	<b>12,545</b>
Net gain or loss from fair value adjustments on investment property	(7,213)	(3,090)	(10,303)
Amortisation, impairments and provisions	(1,676)	75	(1,601)
Termination indemnities	-	-	-
Net result on disposal of assets	9	421	430
<b>Adjusted EBITDA - 6m 2016</b>	<b>(319)</b>	<b>1,390</b>	<b>1,701</b>
<b>Adjusted EBITDA - 6m 2015</b>	<b>(977)</b>	<b>(1,311)</b>	<b>(2,288)</b>
<b>Variation YoY</b>	<b>658</b>	<b>2,701</b>	<b>3,989</b>

## 6.7 Other net financial result

The financial result improved from a loss of EUR 7.1 million to a gain of EUR 2.2 as at 30 June 2016.

	30 June 2016	30 June 2015
Change in fair value and realized result on derivative instruments	121	158
Change in fair value and realized result on other financial assets	405	(2,121)
Other net financial results	(338)	(156)
Realized result on repayment of borrowings	-	(4,188)
Result on disposal of subsidiaries	2,045	(797)
<b>Total</b>	<b>2,233</b>	<b>(7,104)</b>

<sup>4</sup> The Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortizations, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries. Revenues and costs are allocated at the project level instead of the SPV level as some multi-project SPVs relate to both Development and Asset Management.

Change in fair value of derivative instruments is mainly from the fair value gain on derivatives of EUR 0.1 million for Na Poříčí. Change in fair value and realized result on other financial assets relates to impairment of RFE receivable of (EUR 0.4 million). Result on disposal of subsidiaries (EUR 2.1 million) relates chiefly to sale of T-O Green (EUR 1.5 million).

## 7 Table of location of EPRA indicators

EPRA Net Asset Value

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## 8 Glossary & definitions

### Adjusted EBITDA

The Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortizations, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

### EPRA

European Public Real Estate Association.

### EPRA NAV per share

EPRA NAV divided by the diluted number of shares at the period end. Formula is available into the EPRA NNNAV definition.

### EPRA Net Initial Yield

The annualized rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. (Calculated by the Group's external valuer).

### EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

#### Methodology:

*The triple net NAV is an EPRA recommended performance indicator.*

*Starting from the NAV following adjustments are taken into consideration:*

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

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

### Estimated rental value (ERV)

The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation. (Calculated by the Group's external appraiser).

**Gross asset value (GAV)**

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

**Gross Lettable Area (GLA)**

GLA is the floor space contained within each tenancy at each floor level by measuring from the dominant portion of the outside faces of walls, to the center line of internal common area/inter-tenancy walls.

**Gross operating profit (GOP)**

Total gross operating revenues (including room, food & beverage and other revenue) less gross operating expenses.

**Gross rental income**

Rental income from let properties after taking into account the net effects of straight-lining for lease incentives, including rent free periods. It includes turnover-based rents, surrender premiums, car parking income and other possible rental income.

**Interests Cover Ratio (ICR)**

The ICR is calculated by dividing the adjusted EBITDA of one period by the company's interests expenses of the same period.

**Like-for-Like portfolio (L-f-L)**

All properties held in portfolio since the beginning of the period, excluding those acquired, sold or included in the development program at any time during the period

**Market value**

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

**Net Lettable Area (NLA)**

NLA (measured in square meters) is the floor space between the internal finished surfaces of permanent internal walls and the internal finished surfaces of dominant portions of the permanent outer building walls. It generally includes window frames and structural columns and excludes toilets, cupboards, plant/motor rooms and tea rooms where they are provided as standard facilities in the building. It also excludes areas dedicated as public spaces or thoroughfares such as foyers, atrium and building service areas.

**Net rental income**

Gross rental income less ground rents payable, service charge expenses and other non-recoverable property operation expenses.

**Occupancy rate (sq.m)**

The ratio of leased premises to leasable premises

**Passing rent**

The estimated annualised cash rental income being received as at the reporting date, excluding the net effects of straight-lining for lease incentives.

**Reversion**

The estimated change in rent at review, based on today' market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).





**Vacancy**

The amount of all physically existing space empty at the end of the period.



**ORCO PROPERTY GROUP S.A.**

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

**DECLARATION LETTER  
INTERIM FINANCIAL REPORT  
AS AT 30 JUNE 2016**

**1.1. Person responsible for the Semi - Annual Financial Report**

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

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

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

- the condensed consolidated interim financial statements of the Company as at 30 June 2016, prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole; and
- the Management Report as at 30 June 2016 provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Jiří Dederá.

Luxembourg, on 31 August 2016

A handwritten signature in blue ink, appearing to read "J. Dederá", written over a light blue horizontal line.

Mr. Jiří Dederá  
CEO, Managing Director

# ORCO PROPERTY GROUP

*Société Anonyme*

**Condensed consolidated interim financial information**

**for the period of six months ended 30 June 2016**

Orco Property Group's Board of Directors has approved the condensed consolidated interim financial information for the period ended 30 June 2016 on 31 August 2016.

All the figures in this report are presented in thousands of Euros except if explicitly stated.

## I. Condensed consolidated interim income statement

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	Note	6 months 2016	6 months 2015
<b>Revenue</b>	4	<b>5,027</b>	<b>7,330</b>
<i>Sale of goods</i>		432	770
<i>Rent</i>		3,474	3,974
<i>Hotels and restaurants</i>		-	-
<i>Services</i>		1,121	2,586
Net loss from fair value adjustments on Investment Property	4/8	10,303	(13,976)
Other operating income	4	315	108
Net result on disposal of assets	4	(430)	73
Cost of goods sold	4/10	(373)	(865)
Employee benefits	4	(129)	(514)
Amortization, impairments and provisions	4	1,601	4,994
Other operating expenses	4	(3,769)	(8,346)
<b>Operating result</b>		<b>12,545</b>	<b>(11,196)</b>
Interest expense	15.4	(4,124)	(5,717)
Interest income		384	441
Foreign exchange result		(841)	1,638
Other net financial results	5	2,233	(7,104)
<b>Financial result</b>		<b>(2,348)</b>	<b>(10,742)</b>
<b>Share of profit or loss of entities accounted for using the equity method</b>		<b>1,041</b>	<b>3,004</b>
<b>Profit / (Loss) before income taxes</b>		<b>11,238</b>	<b>(18,934)</b>
Income taxes		(2,682)	1,520
<b>Profit / (Loss) from continuing operations</b>		<b>8,556</b>	<b>(17,414)</b>
Loss after tax from discontinued operations		-	-
<b>Net profit / (loss) for the period</b>		<b>8,556</b>	<b>(17,414)</b>
<b>Total profit/(loss) attributable to:</b>			
Non-controlling interests		8	(324)
<b>Owners of the Company</b>		<b>8,548</b>	<b>(17,090)</b>
Basic earnings in EUR per share	6	0.01	(0.05)
Diluted earnings in EUR per share	6	0.01	(0.05)

The condensed consolidated interim income statement and relevant tables in the Notes which provide detailed breakdown of the income or expense refer to continuing operations only.

## II. Condensed consolidated interim statement of comprehensive income

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	6 months 2016	6 months 2015
<b>Net profit/(loss) for the period</b>	<b>8,556</b>	<b>(17,414)</b>
<b>Other comprehensive income/ (loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>886</b>	<b>15,131</b>
Currency translation differences	(2,146)	3,355
Change in value of available-for-sale financial assets	2 3,032	11,776
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>
Remeasurements of post-employment benefit obligations	-	-
<b>Total comprehensive profit / (loss) attributable to:</b>	<b>9,442</b>	<b>(2,283)</b>
Owners of the Company	9,434	(1,966)
Non-controlling interests	8	(317)

### III. Condensed consolidated interim statement of financial position

The accompanying notes form an integral part of this condensed consolidated interim financial information.

<b>ASSETS</b>			
	Note	30 June 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>		<b>310,042</b>	<b>355,607</b>
Intangible assets		-	-
Investment property	8	251,259	241,825
Property, plant and equipment		343	353
Fixtures and fittings		343	353
Equity method investments		9	35
Financial assets at fair value through profit or loss		-	-
Financial assets available-for-sale	9.1	52,303	106,522
Non-current loans and receivables	9.2	6,128	6,873
<b>CURRENT ASSETS</b>		<b>73,755</b>	<b>16,641</b>
Inventories	10	9,804	7,774
Trade receivables		3,168	3,409
Derivative instruments	11	49,232	-
Cash and cash equivalents	13	8,945	3,264
Other current financial assets		934	404
Other current non-financial assets		1,672	1,790
<b>ASSETS HELD FOR SALE</b>	12	<b>-</b>	<b>6,314</b>
<b>TOTAL</b>		<b>383,797</b>	<b>378,562</b>

<b>EQUITY &amp; LIABILITIES</b>			
		30 June 2016	31 December 2015
<b>EQUITY</b>		<b>294,140</b>	<b>204,589</b>
Equity attributable to owners of the Company	7	293,836	204,402
Non-controlling interests		304	187
<b>LIABILITIES</b>		<b>89,657</b>	<b>173,974</b>
<b>Non-current liabilities</b>		<b>32,599</b>	<b>88,113</b>
Bonds	15.1	9,871	60,714
Other financial debts	15.3	13,706	20,394
Provisions and other long term liabilities		2,548	3,129
Deferred tax liabilities		6,474	3,876
<b>Current liabilities</b>		<b>57,058</b>	<b>81,909</b>
Current bonds	15.1	138	668
Other financial debts	15.3	44,338	68,512
Trade payables		5,118	4,937
Advance payments		1,899	1,845
Derivative instruments		208	332
Other current financial liabilities		2,090	2,606
Other current non-financial liabilities		3,267	3,009
<b>LIABILITIES HELD FOR SALE</b>	12	<b>-</b>	<b>3,951</b>
<b>TOTAL</b>		<b>383,797</b>	<b>378,562</b>

#### IV. Condensed consolidated interim statement of changes in equity

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
<b>At 31 December 2014</b>	31,451	686,364	8,686	-	(520,991)	205,510	506	206,016
<b>Comprehensive income:</b>								
Loss for the period					(17,090)	(17,090)	(324)	(17,414)
Other comprehensive income			3,348		11,776	15,124	7	15,131
<b>Total comprehensive loss</b>	-	-	<b>3,348</b>	-	<b>(5,314)</b>	<b>(1,966)</b>	<b>(317)</b>	<b>(2,283)</b>
<b>At 30 June 2015</b>	31,451	686,364	12,034	-	(526,305)	203,544	289	203,733
<b>Comprehensive income:</b>								
Loss for the period					(20,471)	(20,471)	(329)	(20,800)
Other comprehensive income / (expense)			5,200		14,163	19,363	10	19,373
<b>Total comprehensive loss</b>	-	-	<b>5,200</b>	-	<b>(6,308)</b>	<b>(1,108)</b>	<b>(319)</b>	<b>(1,427)</b>
<b>At 31 December 2015</b>	31,451	686,364	13,886	-	(527,299)	204,402	187	204,589
<b>Comprehensive income:</b>								
Profit for the period					8,548	8,548	8	8,556
Other comprehensive income			(2,146)		3,032	886	(1)	885
<b>Total comprehensive loss</b>	-	-	<b>(2,146)</b>	-	<b>11,580</b>	<b>9,435</b>	<b>7</b>	<b>9,442</b>
Capital decrease on 2 May 2016	(28,306)				28,306	-		-
Capital increase on 10 May 2016	10,000	70,000				80,000		80,000
Non-controlling interests' transactions						-	110	110
<b>Balance at 30 June 2016</b>	13,145	756,364	11,740	-	(487,413)	293,836	304	294,140

## Definitions

**Share Capital** is the initial nominal (or par) value of the shares which the shareholders subscribed from the issuing company.

**Share Premium** is an excess amount received by the Company over the par value of its shares. This amount forms a part of the non-distributable reserves of the Company which usually can be used only for purposes specified under corporate legislation.

**Translation Reserve** includes exchange differences relating to the translation of the results and net assets of the group's foreign operations from operational to the Group's consolidation currency. Exchange differences previously accumulated in the translation reserve are reclassified to profit or loss on the disposal of the respective foreign assets and operations.

**Treasury Shares** are shares issued by the Company and controlled by itself. Treasury shares come from a repurchase or buyback from shareholders. These shares do not pay dividends, have suspended voting rights, and are not included in voting rights calculations.

**Other Reserves** are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends.

**Non-controlling interests** are interests of the Group's equity not attributable, directly or indirectly, to a parent. They belong to those shareholders who do not have a controlling interest in the Group.



## V. Condensed consolidated interim statement of cash flows

The accompanying notes form an integral part of this condensed consolidated interim financial information.

		30 June 2016	30 June 2015
<b>OPERATING RESULT</b>		<b>12,545</b>	<b>(11,196)</b>
Net (loss) from fair value adjustments on investment property	4/8	(10,303)	13,976
Amortization, impairments and provisions	4	(1,601)	(4,994)
Net result on disposal of assets	4	-	(73)
Other non-cash transactions		-	1,505
<b>Adjusted operating loss</b>		<b>641</b>	<b>(782)</b>
Financial result		(1,614)	(84)
Income tax paid		(109)	79
<b>Financial result and income taxes paid</b>		<b>(1,723)</b>	<b>(5)</b>
<b>Changes in operating assets and liabilities</b>		<b>945</b>	<b>1,095</b>
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>(137)</b>	<b>308</b>
Capital expenditures and tangible assets acquisitions		-	(752)
Acquisition of investment property		(170)	-
Expenditure on investment property under development		(79)	-
Proceeds from sales of non-current tangible assets		-	73
Proceeds from sales of investment property		4,814	-
Proceeds from sales of inventories		1,500	-
Proceeds from sales of financial assets available-for-sale		8,019	-
Purchase of intangible assets		-	-
Purchase of financial assets		-	-
Loans granted to joint ventures and associates		-	(60)
Dividends received		-	542
Disposal of subsidiaries net of cash acquired		1,725	472
Changes in the Group		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>15,809</b>	<b>275</b>
Proceeds from issuance of ordinary shares		80,000	-
Proceeds from borrowings	15.3	3,560	7,710
Net interest paid		(4,874)	(1,981)
Repayment of New Notes	15.1	(51,576)	(2,226)
Repayments of borrowings	15.3	(34,789)	(3,914)
Repayment interests on Safeguard bonds and New Notes	15.1	(2,313)	(2,588)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(9,992)</b>	<b>(2,999)</b>
<b>NET (DECREASE) IN CASH</b>		<b>5,680</b>	<b>(2,416)</b>
Cash and cash equivalents at the beginning of the year		3,264	7,103
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale		-	(736)
Exchange difference on cash and cash equivalents		-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	13	<b>8,945</b>	<b>3,951</b>

## Selected notes to the condensed consolidated interim financial information

### 1 General information

ORCO PROPERTY GROUP, *société anonyme* (the “Company”) and its subsidiaries (together the “Group” or “OPG”) is a real estate group with a major portfolio in Central and Eastern Europe. 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.

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

As at 30 June 2016 the Company’s shares were listed on the regulated markets of the Warsaw Stock Exchange and of the Luxembourg Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 August 2016.

The structure of the shareholders as at 30 June 2016 is as follows:

CPI PROPERTY GROUP (directly and indirectly) 1 279 198 976 shares 97.31% voting rights

Others 35 308 653 shares 2.69% voting rights

Total 1 314 507 629 shares 100.00% voting rights

As at 30 June 2016 the Board of Directors consists of the following directors:

Mr. Jiri Dederá

Mr. Edward Hughes

Mr. Pavel Španko

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

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

The condensed consolidated interim financial statements are presented in thousands of Euros and all values are rounded to the nearest thousand except when otherwise indicated. The Group’s operations are predominantly not any subject to seasonal fluctuations. These condensed consolidated interim financial statements have not been audited.

#### Going concern

In determining the appropriate basis of preparation of the condensed consolidated financial statements, the Board of Directors is required to consider whether the Group can continue in operational existence for the foreseeable future. The Board of Directors is of the view that no material uncertainty towards going concern exists as at 30 June 2016 primarily based on the following reasons:

- Substantial deleveraging of the Group in H1 2016 following the capital increase by EUR 80 million in May 2016

- The Group has recognised a net profit after tax of EUR 8.6 million for the 6-month period ended 30 June 2016 (net loss after tax of EUR 17.4 million as at 30 June 2015).
- Current assets exceed current liabilities by EUR 16.7 million.
- The Group had a cash and cash equivalents balance of EUR 8.9 million as at 30 June 2016.
- Net cash operating inflow for the six-month period ended by 30 June 2016 represents EUR 3.9 million.
- The Group has a stake of 2.472 % in CPI PROPERTY GROUP ("CPI PG") as at 30 June 2016. The Group has concluded a put option agreement with Mr. Vitek concerning a significant portion of the shares in CPI PG (approximately 41 % of the total shares held by the Group). The Group is entitled to request Mr. Vitek, the major shareholder of CPI PG, to purchase part of these shares for a defined price (EUR 31.0 million) and consequently to ensure the liquidity for satisfaction of the Group's future liabilities, refer to Events after the reporting period, note 20.

Based on these facts, the Board of Directors considers the going concern basis of preparation to be appropriate for the condensed consolidated interim financial information. Accordingly, the condensed consolidated interim financial information as at 30 June 2016 has been prepared on the going concern basis that contemplates the continuity of regular business activities and realization of assets together with the settlement of liabilities in the ordinary course of business.

## 2.2 Accounting policies

The accounting policies have been consistently applied by the Group's entities and are consistent with those applied by the Group for its 31 December 2015 consolidated financial statements.

The application of the revised standards and interpretation applied as from 1 January 2016 are described below:

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

## 2.3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### 2.3.1 Properties fair value measurement and valuation process

The fair value of properties is based on the highest and best use of the assets as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Valuation results are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

#### 2.3.1.1 Valuation update as at 30 June 2016

Generally, the property portfolio has not been completely revalued using new independent appraisals as of 30 June 2016. 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 valuers in their appraisals as of 31 December 2015. As a result, the fair value of the majority of the property portfolio as of 30 June 2016 was determined based on the management's analysis described above and it does not significantly differ from the fair value as of 31 December 2015.

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

### 2.3.2 Fair value estimation

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 further disclosure relating to financial assets at fair value.

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

## Accounting classification and fair values

The following tables show the carrying amounts and fair value of financial assets and liabilities, including their level in the fair value hierarchy.

30 June 2016	Carrying amount		Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Investments in joint ventures	-	9	-	-	9
<b>Equity method investments</b>	-	<b>9</b>			
CPI PROPERTY GROUP shares (**)	52,303	-	-	-	52,303
<b>Financial assets available-for-sale</b>	<b>52,303</b>	-			
Radio Free Europe deferred consideration	-	3,161	-	-	3,161
Loan granted to the Uniborc joint venture	-	2,852	-	-	2,852
Other	-	115	-	-	-
<b>Non-current loans and receivables</b>	-	<b>6,128</b>			
Trade receivables	-	3,168	-	-	-
Derivative instruments	49,232	-	-	-	49,232
Other current financial assets	-	935	-	-	-
Cash and cash equivalent	-	8,945	-	-	-
<b>Current financial assets</b>	<b>49,232</b>	<b>13,048</b>			
<b>Financial liabilities</b>					
New Notes	-	9,871	-	-	9,871
Financial debt (floating rate bank debts)	-	5,883	-	-	5,883
Financial debt (fixed rate bank debts)	-	7,752	-	-	7,752
Financial debt (other borrowings)	-	71	-	-	71
Long term liabilities	-	1,094	-	-	1,094
<b>Non-current financial liabilities</b>	-	<b>24,671</b>			
Current Bonds	-	138	-	-	138
Financial debt (floating rate bank debts)	-	43,801	-	-	43,801
Financial debt (fixed rate bank debts)	-	537	-	-	537
Derivative instruments	208	-	-	208	-
Advanced payments	-	1,899	-	-	-
Trade payables	-	5,118	-	-	-
Other current financial liabilities	-	2,090	-	-	-
<b>Current financial liabilities</b>	<b>208</b>	<b>53,583</b>			

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

(\*\*) Designated at fair value.

31 December 2015	Carrying amount		Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Investments in joint ventures	-	35	-	-	35
<b>Equity method investments</b>	-	<b>35</b>			
Suncani Hvar shares	8,019	-	-	-	8,019
CPI Property Group shares (**)	98,503	-	-	-	98,503
<b>Financial assets available-for-sale</b>	<b>106,522</b>	-			
Radio Free Europe deferred consideration	-	2,991	-	-	2,991
Loan granted to the Uniborc joint venture	-	3,479	-	-	3,479
Other	-	403	-	-	-
<b>Non-current loans and receivables</b>	-	<b>6,873</b>			
Trade receivables	-	3,409	-	-	-
Other current financial assets	-	404	-	-	-
Cash and cash equivalent	-	3,264	-	-	-
<b>Current financial assets</b>	-	<b>7,077</b>			
<b>Financial liabilities</b>					
New Notes	-	60,714	-	-	60,714
Financial debt (floating rate bank debts)	-	12,271	-	-	12,271
Financial debt (fixed rate bank debts)	-	8,025	-	-	8,025
Financial debt (other borrowings)	-	98	-	-	98
Long term liabilities	-	989	-	-	989
<b>Non-current financial liabilities</b>	-	<b>82,097</b>			
Current Bonds	-	668	-	-	668
Financial debt (floating rate bank debts)	-	39,330	-	-	39,330
Financial debt (fixed rate bank debts)	-	522	-	-	522
Financial debt (other borrowings)	-	28,660	-	-	28,660
Derivative instruments	332	-	-	332	-
Advanced payments	-	1,845	-	-	-
Trade payables	-	4,937	-	-	-
Other financial current liabilities	-	2,606	-	-	-
<b>Current financial liabilities</b>	<b>332</b>	<b>78,568</b>			

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

(\*\*) Designated at fair value.

### **3 The Group Structure**

#### **3.1 Changes in the Group structure**

Over the first half of 2016, the following changes occurred in the Group:

##### **3.1.1 The Group shares delisted from Euronext Paris**

On 18 February 2016 the Company delisted its shares from Euronext Paris. This decision was based on in-depth review of Company's structure, operational and financial performances and costs related to its listing on Euronext Paris as well as taking the liquidity and trade volumes.

##### **3.1.2 Disposal of Marki project**

On 29 February 2016 the Group entered into an agreement concerning a disposal of project Marki in Poland. The transaction comprises of a transfer of 36 thousand sqm C class warehouse – logistic facility with the related land plots of app. 193 thousand sqm. The purchase price in an asset deal amount to EUR 4 million plus VAT. Following the repayment of the project credit facility to the financing bank the net proceeds amount to EUR 1.07 million.

##### **3.1.3 Disposal of Suncani Hvar shares**

On 4 April 2016 the Company disposed of its stakes in Suncani Hvar d.d. ("SHH"). The Company sold 3,062,196 SHH shares corresponding to 15.77% of the shareholding and voting rights in SHH. The aggregate price of app. EUR 8.15 million was based on the nominal value of the transferred shares, i.e. HRK 20 per share. Further to this transaction, the Group exited all of its investments in Croatia.

##### **3.1.4 Decrease of the Company's capital**

On 2 May 2016 the Company's extraordinary general meeting resolved to decrease the corporate capital of the Company from its then present amount of EUR 31,450,762.90 to EUR 3,145,076.29 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 0.10 to EUR 0.01.

##### **3.1.5 Increase of the Company's capital**

On 10 May 2016, the Company's board of directors agreed to issue 1 billion new ordinary shares, at a subscription price of EUR 0.08 per new share, for a global cash contribution of EUR 80 million.

##### **3.1.6 Purchase of New Notes and CPI PG loan repayment**

On 11 May 2016 the Company managed to purchase 5,630,662 pieces of the New Notes for an aggregate consideration of EUR 49.2 million. The acquired New Notes were cancelled.

The Company also repaid the short term loan to CPI PROPERTY GROUP, which amounted in total to EUR 32.1 million.

##### **3.1.7 Disposal of subsidiaries in H1 2016**

In H1 2016 the Group disposed through the sale to the third parties the following entities: T-O Green Europe a.s., Seattle, s.r.o. Rubeška Development, s.r.o. and CWM 35 Ktf. Total proceeds from the disposal represent EUR 1.5 million, total result from the disposal EUR 1.9 million.

## 4 Segment reporting

The Board of Directors is the responsible body making decisions for all acquisitions and disposals of projects. The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortization ("adjusted EBITDA" as defined below).

Corporate expenses are allocated on the basis of the revenue realized by each activity.

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of the non-cash and non-recurring items (Net gain or loss on fair value adjustments; Amortization, impairments and provisions; Net gain or loss on the sale of abandoned developments; Net gain or loss on disposal of assets; Termination expenses) and the net results on sale of assets or subsidiaries.

The Group structure lies on two main activities to which the Board of Directors is allocating the investment capacity on the basis of the defined strategy. On one hand, the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Board of Directors. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value accretion. On the other hand, the Group is actively investing in and managing its own or third parties' real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analyzed.

These two segments or business lines can be defined as the following:

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;
- Property Investment business line covers all real estate assets operated (such as logistic parks) and rented out assets or that will be sold without any major refurbishment.

The level of indebtedness of each asset, which is to finance projects and operations, is decided by the Board of Directors above certain thresholds. The funds allocation after draw down is independent from the asset pledged or leveraged. Since the segmentation by business line of the finance debt based on the pledged project is not representative of operational cash allocation, this information is not disclosed as it is not relevant.



## 4.1 Segment Reporting - 30 June 2016

Profit or loss 30 June 2016	Development	Property Investments	TOTAL
<b>Revenue</b>	<b>990</b>	<b>4,037</b>	<b>5,027</b>
<i>Sale of goods</i>	432	-	432
<i>Rent</i>	466	3,008	3,474
<i>Hotels, Extended Stay &amp; Restaurants</i>	-	-	-
<i>Services</i>	92	1,029	1,121
Net (loss) from fair value adjustments on investment property	7,213	3,090	10,303
Cost of goods sold	(373)	-	(373)
Impairments - Allowance	(9)	(35)	(44)
Impairments - Write-Back	1,712	337	2,049
Amortization and provisions	(26)	(378)	(404)
Other operating results	(945)	(3,068)	(4,013)
<b>Operating Result</b>	<b>8,561</b>	<b>3,984</b>	<b>12,545</b>
Net loss from fair value adjustments on investment property	(7,213)	(3,090)	(10,303)
Impairments - Allowance	9	35	44
Impairments - Write-Back	(1,712)	(337)	(2,049)
Amortization and provisions	26	378	404
Termination expenses	-	-	-
Net result on disposal of assets	9	421	430
<b>Adjusted EBITDA</b>	<b>(319)</b>	<b>1,390</b>	<b>1,071</b>
<b>Financial Result</b>			<b>(2,349)</b>
<b>Share of profit or (loss) of entities accounted for using the equity method</b>	1,041	-	<b>1,041</b>
<b>Profit/ (loss) before Income Tax</b>			<b>11,238</b>
<b>Statement of financial position &amp; Cash Flow 30 June 2016</b>	<b>Development</b>	<b>Property Investments</b>	<b>TOTAL</b>
<b>Segment Assets</b>	<b>158,972</b>	<b>102,100</b>	<b>261,072</b>
Investment Property	149,168	102,091	251,259
Property, plant and equipment	-	-	-
Inventories	9,804	-	9,804
Assets held for sale	-	-	-
Equity method investments	-	9	9
<i>Unallocated assets</i>			122,725
<b>Total Assets</b>			<b>383,797</b>
<b>Segment Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities linked to assets held for sale	-	-	-
<i>Unallocated liabilities</i>			89,657
<b>Total Liabilities</b>			<b>89,657</b>
<b>Cash flow elements</b>	<b>178</b>	<b>71</b>	<b>248</b>
Capital expenditure	178	71	248
<b>Direct Operating Expenses 30 June 2016</b>	<b>Development</b>	<b>Property Investments</b>	<b>TOTAL</b>
Direct operating expenses arising from investment property that:			
- generated rental income	(745)	(2,706)	(3,451)
- did not generated rental income	(69)	(12)	(81)

## 4.2 Segment Reporting - 30 June 2015

Profit or loss 30 June 2015	Development	Property Investments	TOTAL
<b>Revenue</b>	<b>1,342</b>	<b>5,988</b>	<b>7,330</b>
<i>Sale of goods</i>	770	-	770
<i>Rent</i>	477	3,497	3,974
<i>Hotels, Extended Stay &amp; Restaurants</i>	-	-	-
<i>Services</i>	94	2,492	2,586
Net gain or (loss) from fair value adjustments on investment property	(11,321)	(2,655)	(13,976)
Cost of goods sold	(853)	(12)	(865)
Impairments – Allowance	(447)	(592)	(1,039)
Impairments - Write-Back	990	2,709	3,699
Amortization and provisions	280	2,054	2,334
Other operating results	(1,465)	(7,214)	(8,679)
<b>Operating Result</b>	<b>(11,475)</b>	<b>279</b>	<b>(11,196)</b>
Net loss from fair value adjustments on investment property	11,321	2,655	13,976
Impairments – Allowance	448	591	1,039
Impairments - Write-Back	(990)	(2,709)	(3,699)
Amortization and provisions	(280)	(2,054)	(2,332)
Termination expenses	-	-	-
Net result on disposal of assets	-	(73)	(73)
<b>Adjusted EBITDA</b>	<b>(976)</b>	<b>(1,311)</b>	<b>(2,287)</b>
<b>Financial Result</b>			<b>(10,742)</b>
<b>Share of profit or (loss) of entities accounted for using the equity method</b>	(942)	3,947	<b>3,004</b>
<b>Profit/ (loss) before Income Tax</b>			<b>(18,934)</b>
<b>Statement of financial position &amp; Cash Flow 30 June 2015</b>	<b>Development</b>	<b>Property Investments</b>	<b>TOTAL</b>
<b>Segment Assets</b>	<b>151,705</b>	<b>109,322</b>	<b>261,027</b>
Investment Property	141,174	98,652	239,826
Property, plant and equipment	-	-	-
Inventories	8,304	-	8,304
Assets held for sale	2,145	6,679	8,824
Equity method investments	82	3,991	4,073
<i>Unallocated assets</i>			116,254
<b>Total Assets</b>			<b>377,281</b>
<b>Segment Liabilities</b>	<b>38</b>	<b>3,975</b>	<b>4,013</b>
Liabilities held for sale	38	3,975	4,013
<i>Unallocated liabilities</i>			169,535
<b>Total Liabilities</b>			<b>173,548</b>
<b>Cash flow elements</b>	<b>712</b>	<b>40</b>	<b>752</b>
Capital expenditure	712	40	752
<b>Direct Operating Expenses 30 June 2015</b>	<b>Development</b>	<b>Property Investments</b>	<b>TOTAL</b>
Direct operating expenses arising from investment property that:			
- generated rental income	(828)	(6,163)	(6,991)
- did not generated rental income	(22)	(47)	(69)

## 5 Other net financial results

	30 June 2016	30 June 2015
Change in carrying value of liabilities at amortized cost	-	-
Change in fair value and realized result on derivative instruments	121	158
Change in fair value and realized result on other financial assets	405	(2,121)
Other net financial results	(338)	(156)
Realized result on repayment of borrowings	-	(4,188)
Result on disposal of subsidiaries	2,045	(797)
<b>Total</b>	<b>2,233</b>	<b>(7,104)</b>

Change in fair value of derivative instruments is mainly from the fair value gain on derivatives of EUR 0.1 million for Na Poříčí.

Change in fair value and realized result on other financial assets relates to impairment of RFE receivable of (EUR 0.4 million).

Other net financial result contains the gain from purchase of New Notes (EUR 1.1 million).

Result on disposal of subsidiaries (EUR 2.1 million) relates mainly to sale of T-O Green (EUR 1.5 million).

## 6 Earnings per share

	30 June 2016	30 June 2015
<b>At the beginning of the period</b>	<b>314,507,629</b>	<b>314,507,629</b>
Shares issued	314,507,629	314,507,629
Treasury shares	-	-
<b>Weighted average movements</b>	<b>279,452,055</b>	<b>-</b>
Issue of new shares	279,452,055	-
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>593,959,684</b>	<b>314,507,629</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>593,959,684</b>	<b>314,507,629</b>
<b>Net profit / (loss) attributable to the Equity holders of the Company</b>	<b>8,548</b>	<b>(17,090)</b>
<b>Net profit / (loss) attributable to the Equity holders of the Company after assumed conversions / exercises</b>	<b>8,548</b>	<b>(17,090)</b>
<b>Total Basic earnings in EUR per share</b>	<b>0.01</b>	<b>(0.05)</b>
o/w continuing operations	0.01	(0.05)
o/w discontinued operations	-	-
<b>Diluted earnings in EUR per share</b>	<b>0.01</b>	<b>(0.05)</b>
o/w continuing operations	0.01	(0.05)
o/w discontinued operations	-	-

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

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

The warrants were not taken into account in the EPS calculation.

## 7 Equity holders

### 7.1 Share capital

	Number of shares	Share Capital	Share premium
Balance at 1 January 2015	314,507,629	31,451	686,364
Balance at 31 December 2015	314,507,629	31,451	686,364
Capital decrease on 2th of May 2016		(28,306)	
Capital increase on 10th of May 2016	1,000,000,000	10,000	70,000
Balance at 30 June 2016	1,314,507,629	13,145	756,364

#### ❖ In 2016

On 2 May 2016 the extraordinary general meeting resolved to decrease the corporate capital of the Company from the amount of EUR 31,450,762.90 to EUR 3,145,076.29 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 0.10 to EUR 0.01 per share, without distribution of the reduction proceeds to the shareholders of the Company, such reduction proceeds being allocated to a non-distributable reserve of the Company. The purpose of such decrease of the share capital is to adapt the share capital and the accounting par value of shares to the prevailing market situation, notably the Company's share price. The Extraordinary Meeting also approved the report issued by the board of directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorized share capital of the Company.

On 10 May 2016, the Company's board of directors agreed to issue and issued 1 billion new ordinary shares, at a subscription price of EUR 0.08 per new share, for a global cash contribution of EUR 80 million. These new shares were subscribed by two of the Company's existing shareholders and one new investor, as follows:

- 300,000,000 new shares were subscribed for a total subscription price of EUR 24,000,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Španko,
- 300,000,000 new shares were subscribed for a total subscription price of EUR 24,000,000 by FETUMAR DEVELOPMENT LIMITED, Cyprus, an entity closely associated with Mr. Jan Gerner,
- 400,000,000 new shares were subscribed for a total subscription price of EUR 32,000,000 by JAGAPA LIMITED, Cyprus, an entity closely associated with Mr. Július Strapek.

The corporate capital of the Company has been increased from EUR 3,145,076.29 represented by 314,507,629 shares to EUR 13,145,076.29 represented by 1,314,507,629 shares.

#### ❖ In 2015

The subscribed and fully paid-up capital of the Company of EUR 31,450,762.90 is represented by 314,507,629 ordinary shares, without nominal value. The shares of the Company have an accounting par value of EUR 0.10 per share and are fully paid. Each share is entitled to a prorate portion of the profits and share capital of the Company, as well as to a voting right and representation at the time of a general meeting, all in accordance with statutory and legal provisions.

No change in the share capital of the Company occurred in 2015 until the date of this financial information.

#### **Authorized capital not issued**

The extraordinary general meeting of 17 February 2015 approved resolutions to modify, renew and replace the existing authorized share capital and to set it to an amount of one hundred million euros (EUR 100,000,000.00) for a period of five (5) years from 17 February 2015, which has authorized the issuance of up to one billion (1,000,000,000) new ordinary shares in addition to the 314,507,629 shares outstanding as of 17 February 2015.

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

the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors was authorized, during a period of five (5) years from the date of the extraordinary general meeting of shareholders held on 17 February 2015, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors was authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

### **Securities giving access to equity (warrants)**

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

- "2012 Warrants" issued under the ISIN code LU0234878881 with the following major terms: number of outstanding 2012 Warrants: 21,161; exercise ratio: one warrant gives the right to subscribe to 1.03 share; exercise period: 31 December 2019; exercise price: EUR 7.21; listing: Euronext Paris.
- "2014 Warrants" issued under the ISIN code XS0290764728 with the following major terms: number of outstanding 2014 Warrants: 2,871,021; exercise ratio: one warrant gives the right to subscribe to 1.73 share; exercise period: 31 December 2019; exercise price: EUR 11.20; listing: Euronext Brussels and Paris.

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

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

## **7.2 Dividends per share**

The Board of Directors has decided not to propose any dividend payment at the annual general meeting of the Company for the year 2015.

## 8 Investment property

	Freehold buildings	Land bank	TOTAL
<b>At 1 January 2015</b>	<b>105,561</b>	<b>143,675</b>	<b>249,236</b>
Investments / acquisitions	399	715	1,114
Asset sales	(69)	(344)	(413)
Revaluation through income statement	(3,919)	(11,021)	(14,940)
Acquisition of group of assets	-	5,568	5,568
Transfers to/from asset held for sale	(4,241)	-	(4,241)
Translation differences	1,742	3,759	5,501
<b>At 31 December 2015</b>	<b>99,473</b>	<b>142,352</b>	<b>241,825</b>
Investments / acquisitions	71	178	249
Revaluation through income statement	3,090	7,213	10,303
Translation differences	(544)	(574)	(1,118)
<b>At 30 June 2016</b>	<b>102,090</b>	<b>149,169</b>	<b>251,259</b>

### ❖ In 2016

5 investment properties with a net book value of EUR 92.3 million located in special purpose entities (SPV) have been pledged as a security for bank loans amounting to EUR 56.8 million.

#### Revaluation through the income statement

	Freehold buildings	Land bank	TOTAL
Czech Republic	1,777	7,213	8,990
Poland	178	-	178
Hungary	1,135	-	1,135
<b>At 30 June 2016</b>	<b>3,090</b>	<b>7,213</b>	<b>10,303</b>

The movements in fair value of the assets are related to the land bank and freehold buildings:

- In the Czech Republic, the fair value increased for Bubny (EUR 5.5 million)
- In Hungary, the decrease is mainly attributable to the freehold building Váci 188 (EUR 0.7 million);
- In Poland, the fair value increased for Diana Office (EUR 0.2 million).

### ❖ In 2015

5 investment properties with a carrying value of EUR 90.8 million located in special purpose entities (SPV) have been pledged as a security for bank loans amounting to EUR 60.2 million.

#### a) Investment / Acquisitions

In 2015, the Group has invested EUR 0.4 million into refurbishment of buildings in the office portfolio in Prague and EUR 0.7 million into construction works in the development.

#### b) Asset sales

During 2015 the following projects were sold:

- In the Czech Republic, the sale of project OBI Děčín (EUR 0.3 million);
- In Croatia was sold the project Istria Plot (EUR 0.1 million).

### c) Revaluation through the income statement

	Freehold buildings	Land bank	TOTAL
Czech Republic	(76)	(10,617)	(10,693)
Poland	(2,335)	-	(2,335)
Croatia	-	(404)	(404)
Hungary	(3,348)	-	(3,348)
Luxembourg	1,840	-	1,840
<b>Total for 2015</b>	<b>(3,919)</b>	<b>(11,021)</b>	<b>(14,940)</b>

The movements in fair value are related to the land bank and freehold buildings:

- In the Czech Republic, the fair value decreased for Bubny (EUR 13.1 million) and increased for Zbrojovka Brno (EUR 5.3 million);
- In Poland, the fair value decreased for Marki (EUR 2.5 million);
- In Hungary, the decrease is mainly attributable to the freehold building Váci 188 (EUR 2.7 million);
- In Luxembourg, the fair value increased for Capellen 2 (EUR 1.8 million).

### d) Acquisition of Group of assets

In 2014, the Group entered into an agreement concerning the development project located in Prague 10. The project comprises of approximately 33 thousand sqm of developable land. The completion was subject to certain corporate approvals on seller's side, which were granted on 10 March 2015. The purchase price for transfer of shares and receivables was EUR 5.7 million.

### e) Transfer to assets held for sale

The property Marki in Poland was transferred to assets held for sale because of its sale in February 2016 (see Note 12).

## 9 Non-Current Financial assets

### 9.1 Financial assets available-for-sale

Share in CPI PROPERTY GROUP

- As at 30 June 2016 the Group's share in CPI PROPERTY GROUP is 2.472% and is valued at EUR 52.3 million (2015 – EUR 98.5 million). For the valuation as at 30 June 2016 the share is valued using the adjusted EPRA NAV per share of CPI PG as at 31 March 2016. The adjustment reflects the estimated impact of the capital increases by the issuance of new CPI PG shares (issued in April 2016 and June 2016) on EPRA NAV per share. The adjusted EPRA NAV CPI PG was 0.329 EUR per share as at 31 March 2016.

Share in Suncani Hvar

- On 4 April 2016 the Group sold its stake 15.76% in Suncani Hvar. The sale price EUR 8.2 million is based on the nominal value of the transferred shares, i.e. HRK 20 per share.

### 9.2 Non-current loans and receivables

The "Non-current loans and receivables" mainly include:

- The loan including interest granted to the company Uniborc amounts to EUR 4.2 million in 2015 (EUR 4.9 million in 2015). This joint venture with Unibail Rodamco, started in April 2013, is mainly financed through an equity loan by both partners in the same proportion as their respective shareholdings. The value of the loan was reduced by EUR 1.4 million in 2015 to provide for the negative equity of the joint venture.
- Receivable amounting to EUR 3.2 million related to Radio Free Europe / Hagibor Office Building deferred consideration.

## 10 Inventories

	June 2016	December 2015
<b>Opening Balance</b>	<b>7,774</b>	<b>9,422</b>
Impairments - Allowance	-	(83)
Impairments - Write-Back	1,629	212
Transfer to held for sale	(207)	(1,193)
Translation differences	(60)	242
Net increase in inventories	1,041	1,357
Cost of goods sold	(373)	(2,183)
<b>Closing Balance</b>	<b>9,804</b>	<b>7,774</b>

### ❖ In 2016

No project assets located in special purpose entities have been pledged as a security for bank loans.

In the first half of 2016, the non-residential unit of the former cinema located at Mostecká, Prague 1, was sold in carrying value EUR 1.4 million. Increase in inventories represents development costs related mainly to capitalization of expenses and development investments.

Significant part of the costs of sold units is attributable to the Prague residential project Benice 1 (EUR 0.3 million) where almost 97 % of family houses were delivered by the end of June.

### ❖ In 2015

No project assets located in special purpose entities have been pledged as a security for bank loans.

In the first half of 2015, the non-residential unit of the former cinema located at Mostecká, Prague 1, is intended for sale in carrying value EUR 1.2 million. The inventories related to this project were transferred to assets held for sale.

Increase in inventories represents development costs related mainly to capitalization of expenses and development investments.

Significant part of the costs of sold units is attributable to the Prague residential project Benice 1 (EUR 0.6 million) where almost 94 % of family houses were delivered by the end of the period. Over the year 2015, the units were sold at another Prague project V Mezihorí with a book value of EUR 0.2 million and Klonowa Aleja in Poland of EUR 0.5 million. In addition, the Group sold in 2015 the Sunny House project in Croatia with a carrying value of EUR 0.6 million.

## 11 Derivative instruments

The amount of EUR 49.2 million includes:

- The fair value of put option of EUR 12.8 million. The Group has a stake of 2.47 % in CPI PROPERTY GROUP as at 30 June 2016. The fair value of this stake as at 30 June 2016, valued at adjusted EPRA NAV as at 31 March 2016, represents EUR 52.3 million (see Note 9.1). The Group has concluded a put option agreement with Mr. Vitek concerning a significant portion of the shares in CPI PG (approximately 41 % of the total shares held by the Group). The Group is entitled to request Mr. Vitek, the major shareholder of CPI PG, to purchase part of these shares for a defined price (EUR 31.0 million). The put option is exercisable at any time till 24 September 2016. The fair value of the put option reflects the difference of CPI PG's shares valued at adjusted EPRA NAV as at 31 March 2016 and the strike price, refer to Events after the reporting period, note 20.
- In connection with the capital increases of CPI PG completed in May and June 2016 respectively, the board of directors of CPI PG has approved in principle the capital raising goal, to be implemented through the new authorised share capital, by giving to the CPI PG's shareholders a possibility to participate at a future capital increase of CPI PG, through contributions in cash, at a subscription price of EUR 0.10 per new share to. In addition, the extraordinary general meeting of CPI PG acknowledged, approved and ratified this decision of the board of directors. 1 share held by the Company, at the time of the capital increase, would entitled to subscribe for 1 share at the subscription price of EUR 0.10 per share. The value of EUR 36.4 million reflects the difference of CPI PG's shares valued at adjusted EPRA NAV as at 31 March 2016 and the subscription price of EUR 0.10 per share.



## 12 Assets and liabilities classified as held for sale

### ❖ In 2016

During the first half 2016 the Group has no assets and liabilities classified under Held for sale (AHS).

### ❖ In 2015

In 2015, the total amount of assets held for sale was EUR 6.3 million and the total amount of liabilities held for sale was EUR 4.0 million. The significant portion of the changes in the assets and liabilities held for sale related to the Marki property in Poland were classified as held for sale (assets EUR 6.7 million, liabilities EUR 4.0 million).

## 13 Cash and cash equivalents

As at 30 June 2016, cash and cash equivalents consist of short-term deposits of EUR 77 thousand (EUR 78 thousand as at 31 December 2015), cash in bank of EUR 8.858 thousand (EUR 3.179 thousand as at 31 December 2015) and cash in hand for EUR 9 thousand (EUR 7 thousand as at 31 December 2015).

The cash in bank includes restricted cash for EUR 2.8 million in half of 2016 (EUR 2.7 million as of 31 December 2015) representing:

- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 0.6 million (EUR 0 million as of 31 December 2015);
- Cash deposited in accounts reserved as collateral for loans related to property for EUR 2.2 million (EUR 2.7 million as of 31 December 2015).

## 14 Non-controlling interest transactions

### ❖ In 2016 and 2015

The only non-controlling interest recognized as of June 2016 and whole year 2015 is related to the Czech entity holding land bank project Doupovska.

## 15 Financial debts

### 15.1 Bonds

Non-current bonds	Non-convertible bonds and New Notes
<b>Balance at 1 January 2015</b>	<b>62,237</b>
Interest on Safeguard Bonds	231
Repayment on New Notes	(2,225)
Transfer of accrued interest to current part	(668)
Interest on New Notes	7,136
Safeguard bond settlement	2,966
Repayment of Safeguard bonds	(4,375)
Payment of interest on New Notes	(4,588)
<b>Balance at 31 December 2015</b>	<b>60,714</b>
Interest on New Notes	733
Acquisition of New Notes	(51,576)
<b>Balance at 30 June 2016</b>	<b>9,871</b>

Current bonds	Non-convertible bonds and New Notes
<b>Balance at 1 January 2015</b>	<b>278</b>
Repayment interests on Safeguard Bonds	(278)
Transfer from long term to short term on Safeguard Bonds	668
<b>Balance at 31 December 2015</b>	<b>668</b>
Repayment interests on New Notes	(530)
<b>Balance at 30 June 2016</b>	<b>138</b>

#### ❖ In 2016

On 11 May 2016, the Company managed to purchase in aggregate 5,630,662 pieces of the Notes for an aggregate consideration of EUR 49.2 million. The purchased Notes, which represent approximately 77% of the number of the issued Notes, shall be cancelled.

On 1 June 2016, the Company purchased additional 62 956 pieces of the New Notes in amount of EUR 1.4 million.

#### ❖ In 2015

Based on the judgement of the Paris Commercial Court (the "Court"), the Company paid on 28 August 2015 the amount of EUR 4,375,934 for the remaining Safeguard bond debt to the Safeguard administrator. During October 2015 the Safeguard bonds were repaid to their holders and also delisted and cancelled.

Settlement per bonds is described below:

- Bonds 2010, FR0010249599: repayment in aggregate of EUR 75,727.07;
- Bonds 2011, ISIN CZ0000000195: repayment in aggregate of EUR 2,979,113;
- Bonds 2012, ISIN XS0223586420, repayment in aggregate of EUR 219,015.37;
- Bonds 2013, ISIN FR0010333302; repayment in aggregate of EUR 985,971.41;
- Bonds 2014, ISIN XS0291838992; repayment in aggregate of EUR 116,106.97.

Further to the disposal of Zlota 44 project a mandatory prepayment in the amount of EUR 2.2 million was distributed to the holders of New Notes on 30 January 2015.

Following the Safeguard bonds settlement, the Company remaining derivatives are New Notes (see Note 15.2).

## 15.2 New Notes

The terms and condition of the Notes after the amendment in November 2014 are as follows:

Interest	Cash interest will be paid semi-annually in arrears on 7 May and 7 November in each year, or the following business day if such day is not a business day, beginning 7 May 2015  7 % cash interest per annum
Repayment date	7 November 2019, repayment of the outstanding principal amount of the New Notes
Guarantee	Implementation of guarantee by CPI PG which guarantees the due and punctual payment of all sums payable by the Company
Covenants	Financial covenants, restriction on payments and certain transactions with shareholders and affiliates
ISIN	XS0820547742
Listing	Luxembourg Stock Exchange
Governing law	English

### 15.3 Bank loans and other borrowings

Non-current loans and borrowings	Bank loan	Other non-current borrowings	Total
<b>Balance at 1 January 2015</b>	<b>65,178</b>	<b>74</b>	<b>65,252</b>
Changes in the Group	-	22	22
Repayments of loans	(5,608)	-	(5,608)
Other transfers	(40,097)	2	(40,095)
Translation differences	823	-	823
<b>Balance at 31 December 2015</b>	<b>20,296</b>	<b>98</b>	<b>20,394</b>
Issue of new loans and drawdowns	-	47	47
Repayments of loans	(525)	(201)	(726)
Merger	-	742	742
Other transfers	(6,088)	(282)	(6,370)
Translation differences	(48)	(333)	(381)
<b>Balance at 30 June 2016</b>	<b>13,635</b>	<b>71</b>	<b>13,706</b>

#### ❖ In 2016

The repayments of loans are solely related to Capellen bank loan (EUR 0.5 million).

During the first six months of 2016, the other transfers relate to transfers from long-term to short-term part of bank loans financing projects Bubenská (EUR 4.2 million) and Diana Property (EUR 1.8 million).

#### ❖ In 2015

The repayments of loans are solely related to BIANKO bank loan (EUR 5.6 million) that was prematurely repaid.

The other major change in Non-current loans and borrowings is transfer of Current part of the non-current bank loans (EUR 40.0 million) included in Other transfers.

Current loans and borrowings	Bank loans - current part	Other current borrowings	Bank loans and Other borrowings linked to Liabilities held for sale	Total
<b>Balance at 1 January 2015</b>	<b>11,668</b>	<b>1,889</b>	<b>-</b>	<b>13,557</b>
Issue of new loans and drawdowns	-	26,708	-	26,708
Acquisition of group assets	-	-	-	-
Repayments of loans	(9,500)	(1)	-	(9,501)
Repayments of loans upon sales	-	-	-	-
Disposal of the Group assets	-	(23)	-	(23)
Transfers to Liabilities held for sale	(2,901)	-	2,901	-
Other transfers	40,097	87	-	40,184
Translation differences	488	-	-	488
<b>Balance at 31 December 2015</b>	<b>39,852</b>	<b>28,660</b>	<b>2,901</b>	<b>71,413</b>
Issue of new loans and drawdowns	1,251	-	-	1,251
Repayments of loans	(2,664)	(28,660)	(2,901)	(34,225)
Other transfers	6,088	-	-	6,088
Translation differences	(189)	-	-	(189)
<b>Balance at 30 June 2016</b>	<b>44,338</b>	<b>-</b>	<b>-</b>	<b>44,338</b>

#### ❖ In 2016

The new bank loan is related with the project Benice 1c (EUR 1.2 million).

Repayments of bank loans of EUR 2.7 million relate mainly to Bubenská (EUR 1.9 million), Na Poříčí (EUR 0.6 million) and Hradčanská (EUR 0.2 million).

During the first half of year 2016 was repaid the loan provided by CPI PG to the Group reported in Other current borrowings in amount of EUR 28.7 million.

The bank loan related to project Marki, which was reclassified as held for sale during the first half of 2015 was repaid in amount EUR 2.9 million.

Other transfers in amount of EUR 6.1 million are explained as transfers from long-term part of bank loans to short-term part and relate to Bubenská (EUR 4.2 million) and Diana Property (EUR 1.8 million).

#### ❖ In 2015

Issue of new loans and drawdowns related to Other current borrowings is only composed of short-term loan provided by CPI PG to the Company.

- The repayments of bank loans are mainly related to BIANKO (EUR 1.0 million), Bubny development (EUR 3.9 million), Bubenska (EUR 1.9 million), Capellen (EUR 1.0 million) and Na Porici (EUR 1.0 million). BIANKO bank loan was prematurely fully repaid and Bubny development bank loan was fully repaid according to its repayment schedule.

The transfers to Liabilities held for sale are related solely to Marki project because of its sale in February 2016.

### 15.4 Maturity of borrowings

#### ❖ In 2016

At 30 June 2016	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
<b>Bonds</b>	-	-	<b>9,871</b>	-	<b>9,871</b>
<b>Financial debts</b>	-	<b>2,165</b>	<b>2,410</b>	<b>9,131</b>	<b>13,706</b>
<b>Bank loans</b>	-	<b>2,165</b>	<b>2,339</b>	<b>9,131</b>	<b>13,635</b>
<i>Bank loans fixed rate</i>	-	1,163	1,293	5,296	7,752
<i>Bank loans floating rate</i>	-	1,002	1,046	3,835	5,883
<b>Other non-current borrowings</b>	-	-	<b>71</b>	-	<b>71</b>
<b>Sub-total - Non current</b>	-	<b>2,165</b>	<b>12,281</b>	<b>9,131</b>	<b>23,577</b>
<b>Current bonds</b>	<b>138</b>	-	-	-	<b>138</b>
<b>Financial debts</b>	<b>44,338</b>	-	-	-	<b>44,338</b>
<b>Bank loans - current part</b>	<b>44,338</b>	-	-	-	<b>44,338</b>
<i>Bank loans fixed rate</i>	537	-	-	-	537
<i>Bank loans floating rate</i>	43,801	-	-	-	43,801
<b>Sub-total - Current</b>	<b>44,476</b>	-	-	-	<b>44,476</b>
<b>Total</b>	<b>44,476</b>	<b>2,165</b>	<b>12,281</b>	<b>9,131</b>	<b>68,053</b>

## ❖ In 2015

At 31 December 2015	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
<b>Bonds</b>	-	-	60,714	-	60,714
<b>Financial debts</b>	-	6,703	3,957	9,734	20,394
<b>Bank loans</b>	-	6,605	3,957	9,734	20,394
<i>Bank loans fixed rate</i>	-	1,133	1,259	5,633	8,025
<i>Bank loans floating rate</i>	-	5,472	2,698	4,101	12,271
<b>Other non-current borrowings</b>	-	98	-	-	98
<b>Sub-total - Non current</b>	-	6,703	64,671	9,734	81,108
<b>Current bonds</b>	668	-	-	-	668
<b>Financial debts</b>	68,512	-	-	-	68,512
<b>Bank loans - current part</b>	39,852	-	-	-	39,852
<i>Bank loans fixed rate</i>	522	-	-	-	522
<i>Bank loans floating rate</i>	39,330	-	-	-	39,330
<b>Other current borrowings</b>	28,660	-	-	-	28,660
<b>Borrowings linked to liabilities held for sale (*)</b>	2,901	-	-	-	2,901
<b>Sub-total - Current</b>	72,081	-	-	-	72,081
<b>Total</b>	72,081	6,703	64,671	9,734	153,189

(\*) Includes only the financial debts.

The Group has entered into interest rate derivatives representing 15.4 % of the non-current floating rate borrowings (49,8% in 2014) and 68,7% of the current floating rate borrowings (37,6% in 2014), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

The bank loans include EUR 37.9 million for which the financing banks have no recourse on the Group. These loans finance assets with a total secured value of EUR 57.7 million.

## 16 Loans with covenant breaches

### ❖ In 2016

As at 30 June 2016, there are no bank loans in breach.

### ❖ In 2015

As at 31 December 2015, there are no bank loans in breach.

## 17 Capital and other commitments

### Capital commitments

The Group has capital commitments of EUR 1.7 million in respect of capital expenditures contracted for at the date of the statement of financial statements (EUR 1.3 million in H1 2015). There are no other commitments except as disclosed above.

## 18 Related party transactions

### Transactions with key management personnel

#### a) Remuneration of key management personnel

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

Total compensation given as short term employee benefits to the top managers for the first half of 2016 was EUR 0.1 million (EUR 0.1 million for the first half of 2015).

The Board and Committees attendance compensation for the first half of 2016 was EUR 18,000 (EUR 36,000 for the first half of 2015). The annual general meeting held on 28 May 2014 resolved to approve, with the effect as of 1 January 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowered the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to independent, non-executive Directors of the Company.

b) Termination and change of control clauses

As at 30 June 2016, there are no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labor codes.

c) Loans and advances to key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As of the date hereof, litigation is pending in front of Luxembourg court. Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461. These litigations are pending as at 30 June 2016.

d) Other transactions with key management personnel

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek entered on into a put option agreement 25 September 2014 concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. On 29 August 2016 the Company exercised put option. Mr. Radovan Vitek pursuant to the Agreement is obliged to purchase 65,957,446 ordinary shares issued by CPI PROPERTY GROUP.

In 2014, the Company transferred 1 share to Jiri Dederá and Tomas Salajka each for free and while they hold the Board function. Further to the resignation of Mr. Salajka on 10 November 2014, 1 share was automatically transferred back to the Company.

## Transactions with CPI PG group

### Management Fees

CPI PG companies, affiliated with Mr. Radovan Vitek, have provided in the previous half-year 2015 property management services to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 6 thousand in the first half of 2015. In the current half-year such services were not provided.

CPI PG companies are providing outsourcing services in the field of consultancy services, accounting, reporting to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 0.6 million in the first half of 2016.

## 19 Litigations

Certain shareholders of OPG, notably Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II LP of Delaware, Ktown LP of Delaware (collectively "Kingstown") challenged the CPI PG capital increases of 4 December 2013 and 5 March 2014 in court proceedings in Luxembourg. These shareholders demanded, inter alia, cancellation of these capital increases and consequences against the Board of Directors. Some of these shareholders also contested the validity of the general meeting held on 6 January 2014 in Luxembourg. On 13 February 2015 the Tribunal d'Arrondissement de et a Luxembourg (the "Court") accepted a request to withdraw Kingstown's legal action against the Company. The legal action, filed on 19 February 2014, sought inter alia the nullity of decision of the Company's board meeting and general meeting of 6 January 2014, as well as the nomination of a provisory manager. For the avoidance of doubt the Company states that the decision of the Court did not resolve on a new legal action by Kingstown that was notified on 20 January 2015 (see below).

On 20 January 2015 the Company was served with a summons by Kingstown, claiming on former shareholders of the Company. The action was filed with the „Tribunal d'Arrondissement de et a Luxembourg“ - Luxembourg District Court and seeks condemnation of the Company, CPI PG and certain members of the Company's board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown's allegation the damage claimed arose inter alia from the alleged violation of the Company's minority shareholders rights. The management of the Company has been taking all available legal actions to oppose these allegations in order to protect the corporate interest as well as the interest of its shareholders. Accordingly, the parties sued by Kingstown raised the exceptio iudicatum solvi plea, which consists in requiring the entity who initiated the

proceedings and who does not reside in the EU or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered on 19 February 2016 a judgement, whereby each claimant has to pay a legal deposit in the total amount of 90.000 EUR with the "Caisse de Consignation" in Luxembourg. To the best knowledge of the Company, Kingstown has not paid the deposit, thus the proceedings are stayed.

In March 2016, the insolvency administrator of the Company's subsidiary HAGIBOR OFFICE BUILDING ("HOB"), filed a lawsuit, requesting that the Company returns to HOB in aggregate USD 16.49 million, paid by HOB to the Company in 2012. The Company is of the opinion that the lawsuit has no merits given that in 2012 HOB duly repaid its loan to the Company. The Company will defend against this lawsuit. In August 2016, the litigation has been stayed until litigation concerning the ownership of Radio Free Europe building is resolved.

## **20 Events after the reporting period**

### **20.1 Put option over shares exercised**

On 29 August 2016 the Company with reference to Agreement on Put Option over Shares entered into by the Company as seller and Mr. Radovan Vitek as purchaser (the „Agreement“) exercised put option. Mr. Radovan Vitek pursuant to the Agreement is obliged to purchase 65,957,446 ordinary shares issued by CPI PROPERTY GROUP at price in amount of EUR 30,999,999.62 (i.e. 65,957,446 x EUR 0.47) together with interest of 6% p.a. from 24 September 2014 until 29 August 2016 EUR 3,592,603 (i.e. EUR 30,999,999.62 x 11.59%).

### **20.2 Changes in Board Composition**

On 28 July 2016 the director of the Group Mr. Pavel Spanko resigned from the board of directors with immediate effect. The board of directors acknowledged his resignation. Following the resignation of Mr. Spanko, the board of directors resolved to co-opt Mr. Erik Morgenstern to the board of directors, who serves as the Chief Financial Officer of the company.

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