

G S G | GROUP



MANAGEMENT REPORT

as at 30 June 2014

KEY FIGURES

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

Performance		30-Jun-14	30-Jun-13	Change in %
Gross rental income	MEUR	101	76	32%
Occupancy in % *	%	86%	84%	3%
Net rental income	MEUR	96	67	43%
Total revenues	MEUR	110	82	35%
Operating result	MEUR	169	72	136%
Funds from operations (FFO)	MEUR	82	57	45%
FFO ratio on Real estate portfolio (FFO yield)	%	4.8%	4.5%	8%
Profit before tax	MEUR	153	74	108%
Net interest expense	MEUR	32	18	78%
Net profit for the period	MEUR	113	55	104%

* Excluding hotels

Assets		30-Jun-14	31-Dec-13	Change in %
Total assets	MEUR	4,091	3,816	7%
Real Estate Portfolio	MEUR	3,405	3,201	6%
Gross lettable area *	sqm	2,895,000	2,837,000	2%
Total number of properties **	No	322	315	2%
Total number of residential units	No	12,574	12,602	0%
Total number of hotel beds	No	8,129	8,129	0%
EPRA NAV	MEUR	1,693	1,493	13%

* Excluding hotels

** Excluding residential properties

Financing structure		30-Jun-14	31-Dec-13	Change in %
Total equity	MEUR	1,360	1,199	13%
Equity ratio	%	33%	31%	6%
Net debt	MEUR	2,012	1,971	2%
Loan to value ratio in %	%	59%	62%	-4%

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2014 HIGHLIGHTS

Corporate highlight

Capital increases

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

Acquisition of control over the Company and mandatory takeover offer

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

Mandatory public takeover offer

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

Contribution of Czech Property Investments, a.s. (“CPI”) to GSG GROUP

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

Change of the name

The Extraordinary General Meeting held on 13 May 2014 resolved to change the Company’s name from ORCO GERMANY S.A. to GSG GROUP.

The Board of Directors resolved to submit to the Extraordinary General Meeting scheduled on 28 August 2014 a decision to change the name from GSG GROUP to CPI PROPERTY GROUP.

Change in the Board of Directors and Management

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

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

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

Investments

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

Investments in Central Europe

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

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

Berlin portfolio expansion

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

Financial transactions

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

The Company acquired a 50% share in Hospitality Invest S.a.r.l. (“HI”) at a price of EUR 8.5 million representing a 10% discount to the acquired net asset value as of December 2013. The HI portfolio represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels under Mamaison brand, mostly located in prime central locations of the CEE capitals. The Company has joined the partnership agreement with OPG. After this acquisition, the Company agreed to invest EUR 10.5 million into HI in exchange for a modified cash waterfall between the Company and OPG. The proceeds were further used for a partial repayment of the current bank financing. As a result, the Company and OPG jointly achieved the extension of the bank financing of EUR 62 million for one year.

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

Capital market financing

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

Acquisition of CPI bonds

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

Refinancing of the Berlin portfolio

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

MESSAGE FROM CEO

Dear business partners, colleagues and stakeholders,

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

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

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

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

The Group’s investment strategy is focused on:

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

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

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

Luxembourg, 27 August 2014

Martin Němeček

Chief Executive Officer

GROUP OVERVIEW

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

Czech Property Investments, a.s. (“CPI”) is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central and Eastern European region. It has been operating on the real estate market since the end of 1990s. The group is active across all real estate segments in the Czech Republic, Slovakia, Hungary, Poland and Romania.

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

Country	Number of Companies
	30-June-14
Czech Republic:	145
Germany:	17
Hungary:	31
Slovakia:	16
Poland:	16
Romania:	9
Other	30
GSG GROUP in total	264
<i>There of Joint-Ventures</i>	<i>25</i>

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

Shareholders structure

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

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

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

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

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

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

Based on the latest shareholders' declarations received to the date of this report, the following table sets out information regarding the ownership of the Company's shares.

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

The Group Management

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



Martin Němeček

CEO

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



Zdeněk Havelka

Deputy CEO

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



Tomáš Salajka

Director of Asset Management & Sales

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



Pavel Semrád

Deputy Director of Asset Management & Sales

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



Yves Désiront

Group CFO

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



Pavel Měchura

Deputy CFO

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



Pavel Menšík

Director of Investments

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



Igor Klajmon

Director of Development

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



Martin Stibor

Head of Property Management

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



Štěpán Rázga

Chief Operations Officer

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

The Company and CPI business combination

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

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

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

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

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

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

ECONOMIC DEVELOPMENT IN THE CORE COUNTRIES OF THE GROUP

Czech Republic

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

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

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

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

Germany

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

Hungary

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

Slovakia

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

Poland

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

THE PROPERTY MARKETS IN THE CORE COUNTRIES OF THE GROUP

Czech Republic

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

Retail Market

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

Prague office market

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

Residential Market

In Q2 2014 Real estate price index announced by Hypoteční banka (HB INDEX) confirmed a slight increase in prices of residential real estate which already started at the beginning of 2014. The most striking shift was observed in the prices of family houses, which has increased by 2.7 p.p. and reached HB INDEX 103.9. That is the highest level since the beginning of 2010. The land prices increased only slightly by 0.3 p.p., followed by a slight increase in flats by 0.7 p.p. The average market price of land and the flats reached HB INDEX 94.4 and 116.8, retrospectively in Q2 2014.

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

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

Hotel Market

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

Industrial Market

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

Germany

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

Berlin office market

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

Slovakia

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

Retail Market

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

Industry and Logistic Market

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

Hungary

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

Budapest office market

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

Budapest retail market

The total shopping center stock of Budapest remained unchanged as no new completions were delivered in H1 2014 and stands at 771,500 sqm in 25 assets. Shopping centre density amounts to 443 sqm per 1,000 inhabitants. Finally, retail sales started to improve during the second half of 2013 and reached an annual growth of 1.7%. The positive trend remained stable during the first five months of 2014 and an outstanding year-on-year growth was reported in March 2014 at 8.5%. In general, after a long time, an increasing interest for Hungary as a target location for network expansion is noted, not only among mass market brands, but premium and luxury retailers as well. Typical shopping centre rents range between EUR 20 and 65 /sqm /month in Budapest while downtown high street rents at Váci utca are around EUR 80 to 100 /sqm /month and EUR 40 to 80 /sqm /month on Andrásy Avenue.

Budapest industrial market

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

Budapest hotel market

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

Poland

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

Warsaw office market

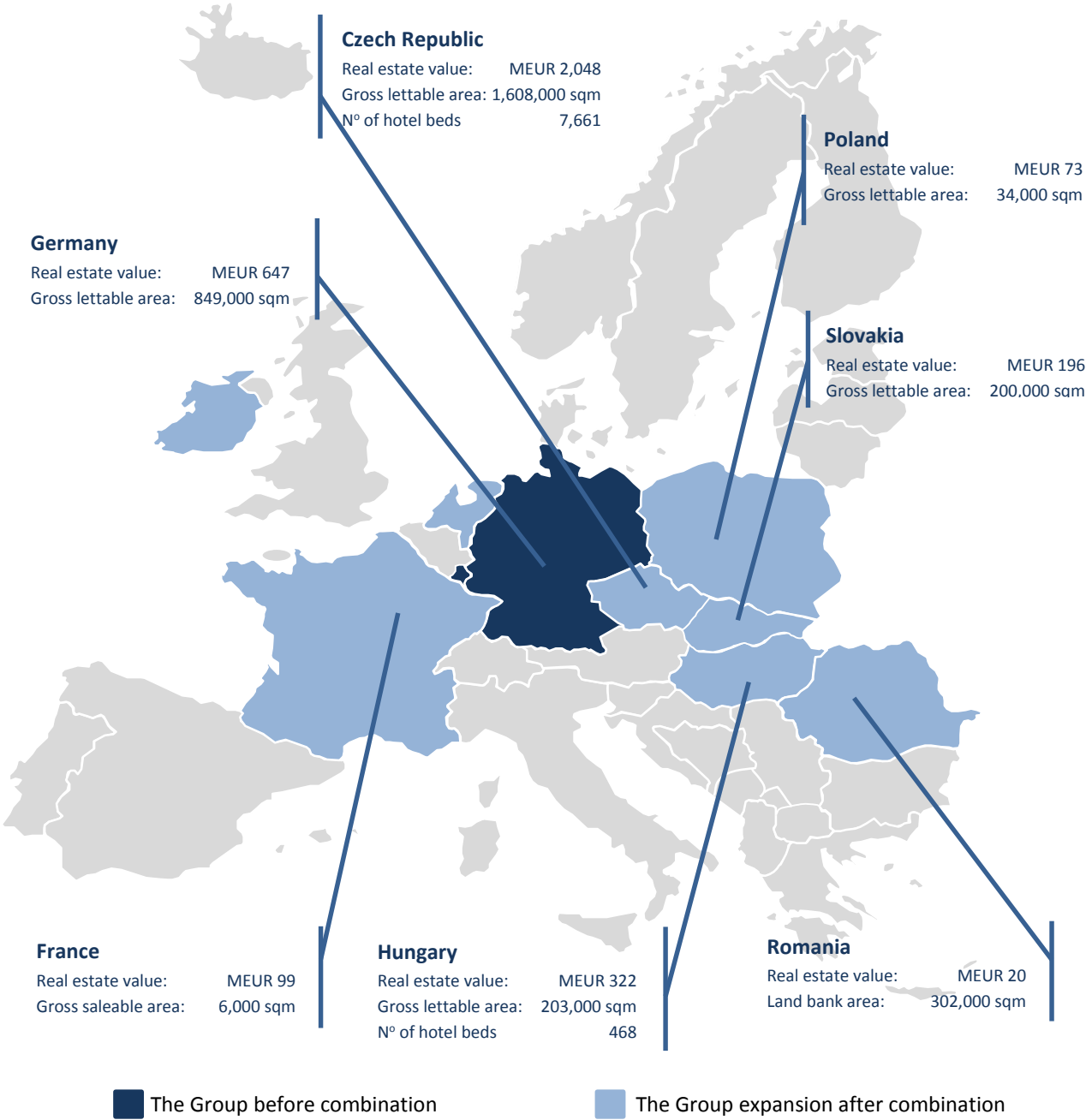
The modern office space delivered to the Warsaw market over the course of H1 2014 exceeded 190,300 sqm. Construction activity in Warsaw remains high, with more than 578,900 sqm under active construction and 61,800 sqm under refurbishment. Total office stock reached more than 4.3 million sqm at the end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

Retail Market in Poland

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

REAL ESTATE PORTFOLIO REPORT

The Group is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central European region and Germany. As a result of combination with CPI in June 2014, the Group portfolio now includes number of properties in a variety of segments. The Group activities are focused on rental income generating properties such as retail, office, hotels, residential, industry and logistics or operating own hotels. Additionally, the Group develops office and retail assets for future rental and some residential development for future sale.



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

- Investment property
- Property, plant and equipment
- Inventories

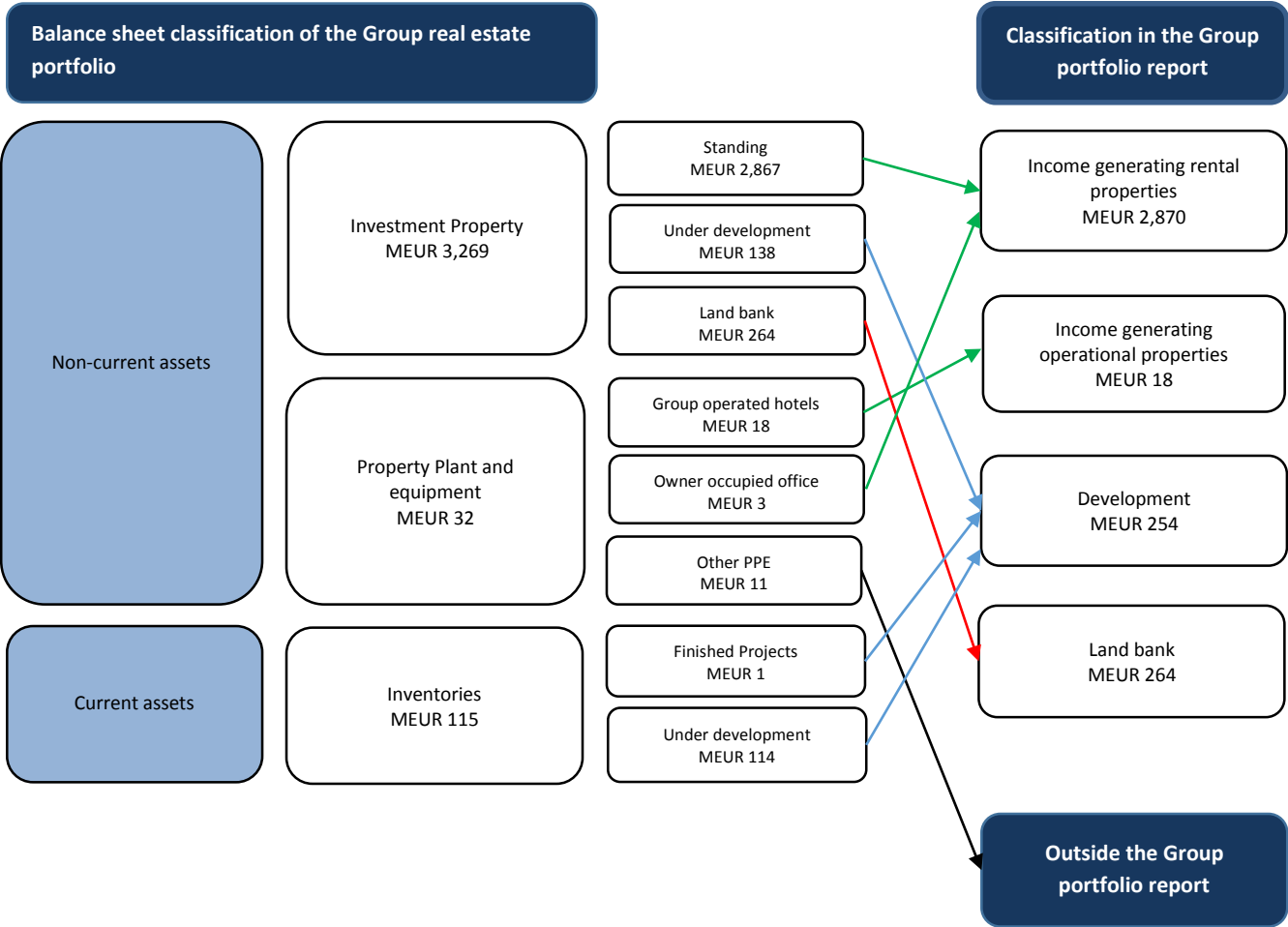
“Investment property” consists of rental properties, investment property under development and land bank. Investment property under development represents development projects currently in progress, which will be reclassified by the Group as rental properties after completion. Land bank represents properties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

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

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

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

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 30 June 2014 with the presentation in our portfolio report:



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

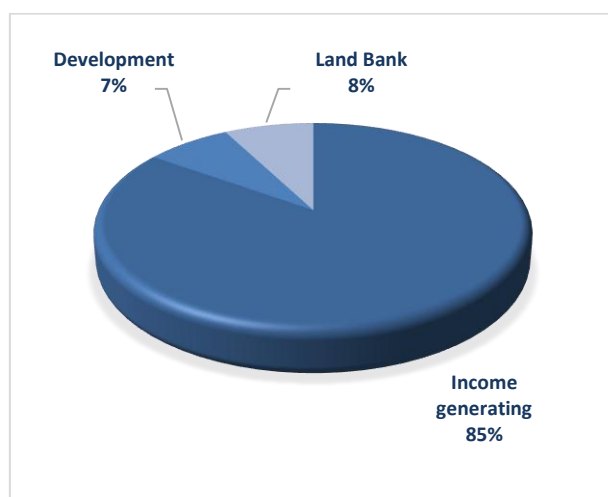
REAL ESTATE PORTFOLIO	N° of properties *	N° of residential units	N° of hotel beds	Income generating	Development	Land Bank	Carrying value	Carrying value
				MEUR	MEUR	MEUR	MEUR	%
Czech Republic	240	12,574	7,661	1,715	150	182	2,048	60%
Slovakia	17	0	0	196	0	0	196	6%
Germany	45	0	0	637	4	6	647	19%
Hungary	16	0	468	270	0	52	322	9%
Poland	3	0	0	69	0	4	73	2%
Romania	0	0	0	0	0	20	20	1%
France	1	0	0	0	99	0	99	3%
The Group	322	12,574	8,129	2,888	254	264	3,405	100%

*excluding Residential units

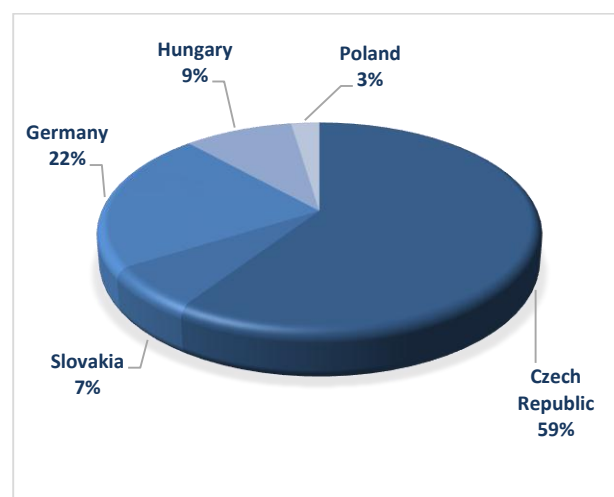
The real estate portfolio valuation as at 30 June 2014 is based on a management's analysis of the current situation on the real estate market and on reports issued by external valuation experts as at 31 December 2013, except to Berlin portfolio. Berlin portfolio was valued by CBRE valuation experts.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

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

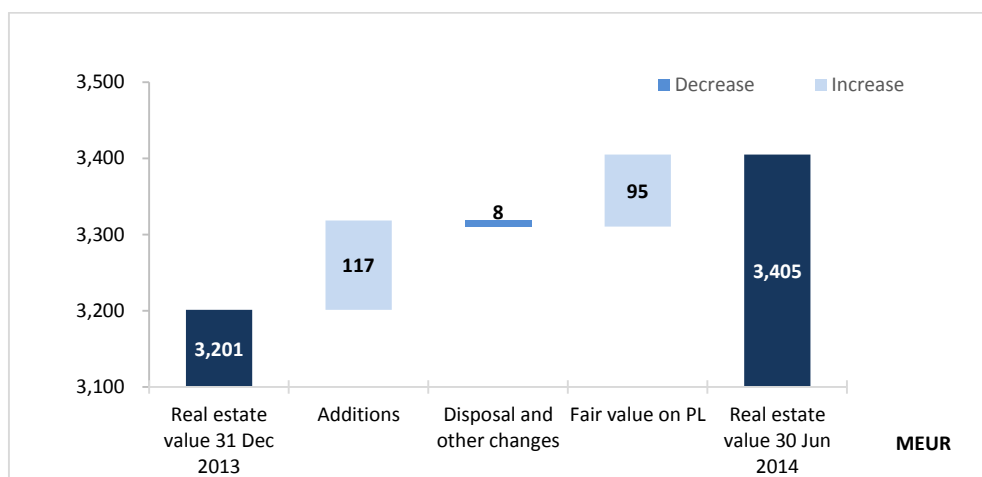
Real estate portfolio



Income generating by country



Real estate portfolio



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

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

INCOME GENERATING

Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES	N° of properties ***	Carrying value	Carrying value	Gross lettable area th. sqm	Occupancy ** %	Pro forma rental income H1 2014*	Rent per sqm EUR	FFO ratio on Real estate portfolio	WALL
		MEUR	%			MEUR		%	
Office	85	1,409	49%	1,245	83.0%	44	7.5	5.2%	3.5
Retail	187	822	29%	620	93.3%	33	8.9	6.0%	5.8
Residential	0	276	9%	768	74.8%	11	2.3	3.5%	--
Hotels	16	224	8%	162	100.0%	7	7.4	5.7%	13.7
Industry and Logistics	17	138	5%	262	95.8%	6	4.0	8.6%	3.7
The Group	305	2,870	100%	3,057	86.7%	101	6.0	5.8%	3.7

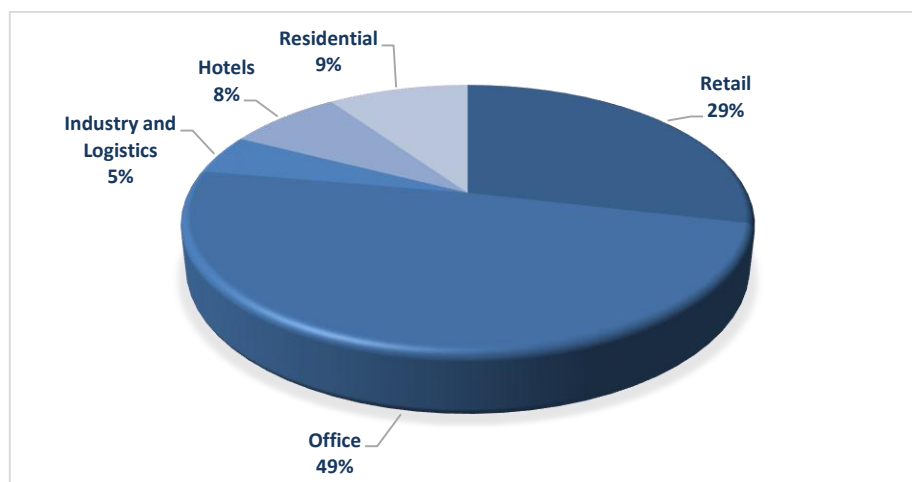
*as if CPI and GSG GROUP were combined as of 1 January 2013

**the Group occupancy rate do not include hotels

**excluding residential properties

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

Income generating rental properties by type of asset



Income generating operational properties

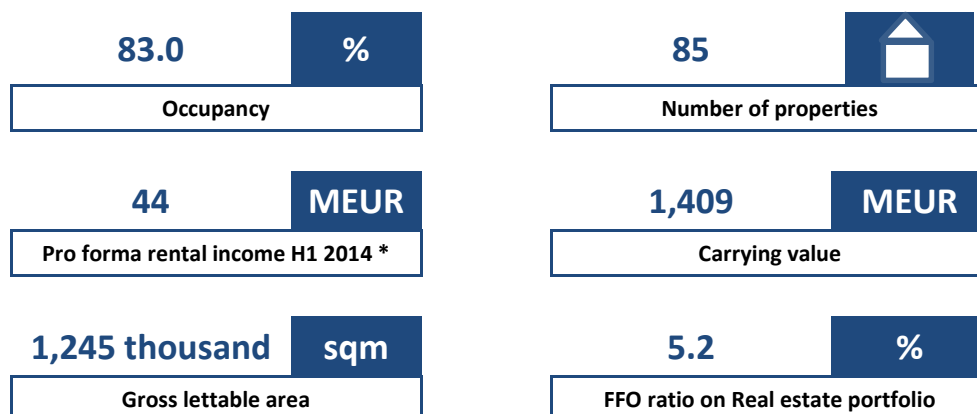
Income generating operational properties currently include segment hospitality and represents hotel operated by the Group under the brand of Courtyard by Marriott. Hotel is located in Budapest, Hungary.

INCOME GENERATING OPERATIONNAL PROPERTIES	N° of properties	Carrying value	Carrying value	Number of beds	Pro forma hotel revenues H1 2014*	Pro forma net hotel income H1 2014*	Average occupancy	Average daily rate
		MEUR	%		MEUR	MEUR	%	EUR
Hospitality	1	18	100%	468	2	1	67.7	52.8
The Group	1	18	100%	468	2	1	67.7	52.8

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

OFFICE

Key Figures – June 2014



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

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

OFFICE	N° of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%			th. sqm		MEUR	
Germany	43	636	45%	797	82.1%	20	5.2	4.2%	2.3
Czech Republic	32	528	37%	284	93.6%	18	11.7	6.7%	5.1
Hungary	8	195	14%	138	68.9%	5	11.4	4.1%	2.8
Poland	2	50	4%	26	70.9%	2	4.4	6.2%	1.9
The Group	85	1,409	100%	1,245	83.0%	44	7.5	5.2%	3.5

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

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

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

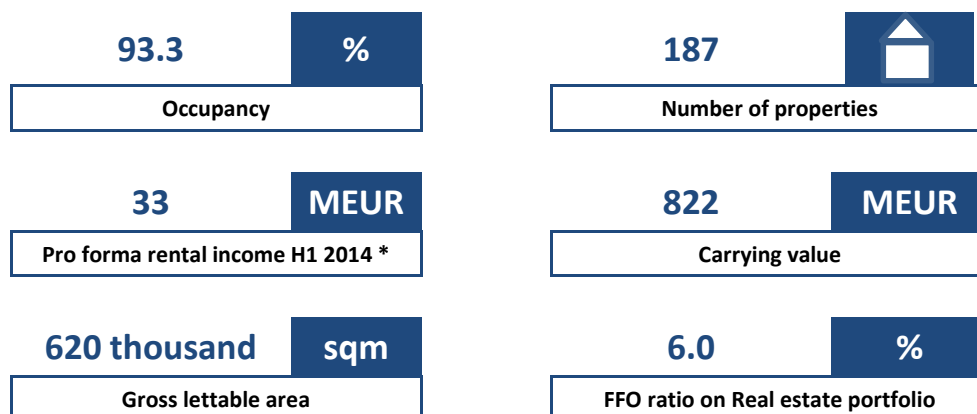
In addition to extension of the portfolio, the Group has entered 30 new leases with the tenants and extended a number of current rental contracts in the Czech Republic. Among new tenants belong companies such as DHL Express, GMC Software Technology and Allianz. Current contract were extended with tenants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

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

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

RETAIL

Key Figures – June 2014



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

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

RETAIL	N° of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%			th. sqm	%	MEUR	
Czech Republic	166	652	79%	491	93.6%	26	8.8	5.7%	5.9
Slovakia	16	112	14%	82	99.9%	5	9.4	7.7%	7.1
Hungary	4	39	5%	39	76.2%	1	7.0	4.4%	2.2
Poland	1	19	2%	8	91.9%	1	17.2	8.6%	1.9
The Group	187	822	100%	620	93.3%	33	8.9	6.0%	5.8

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

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

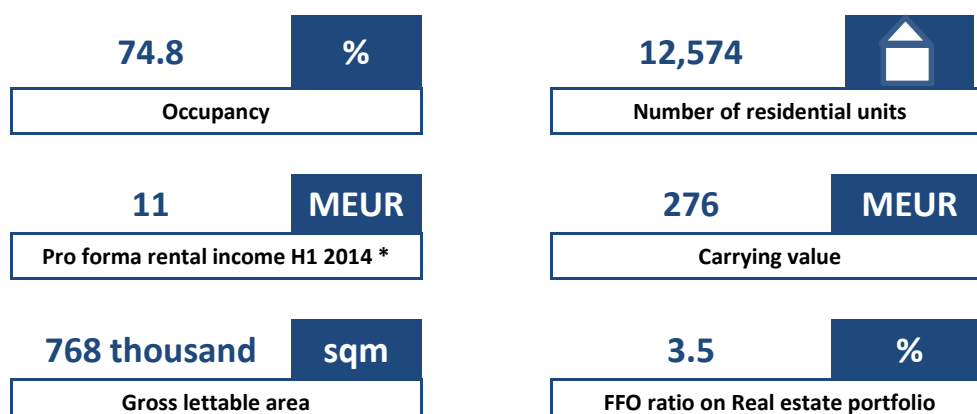
Retail portfolio provides about 620 thousand sqm of lettable area which can be further divided as follows:

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

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

RESIDENTIAL

Key Figures – June 2014



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

The Group is an important player in the Czech Republic residential housing market holding the position of the second largest provider of the rental housing. The existing housing stock of the Group includes 12,574 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions. Rental housing portfolio is managed under the brand CPI BYTY, a.s.

RESIDENTIAL	N° of residential units	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	Churn rate
		MEUR	%	th. sqm	%	MEUR	EUR	%	%
Czech Republic - Prague	610	49	18%	41	97.4%	1	4.5		4.6%
Czech Republic - other	11,964	227	82%	726	73.5%	10	2.2	3.5%	5.8%
The Group	12,574	276	100%	768	74.8%	11	2.3	3.5%	5.7%

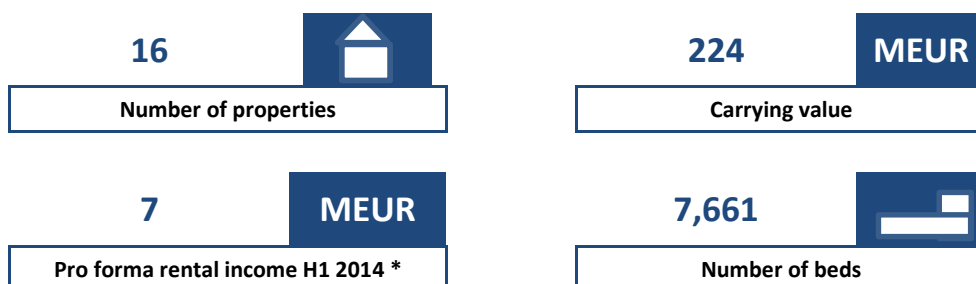
*as if CPI and GSG GROUP were combined as of 1 January 2013

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

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

HOTELS

Key Figures – June 2014



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

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

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

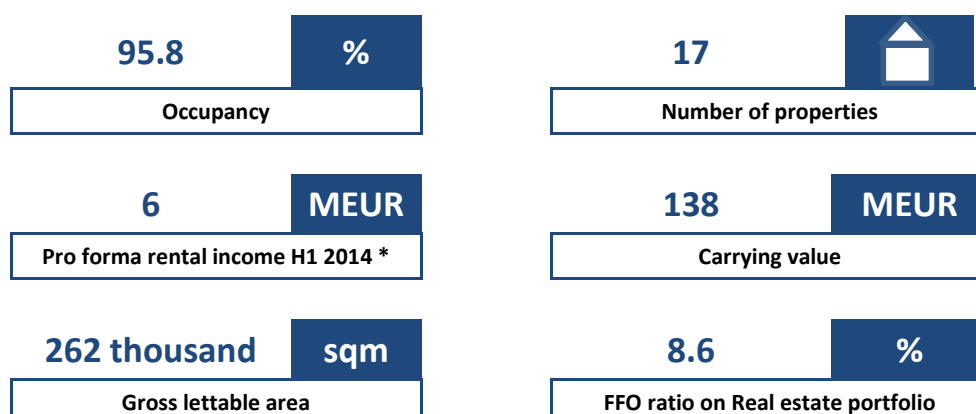
HOTELS	N° of properties	Carrying value	Carrying value	Gross lettable area	Number of beds	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%			th. sqm	MEUR	EUR	
Czech Republic	16	224	100%	162	7,661	7	7.4	5.7%	13.7
The Group	16	224	100%	162	7,661	7	7.4	5.7%	13.7

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

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

INDUSTRY AND LOGISTICS

Key Figures – June 2014



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

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

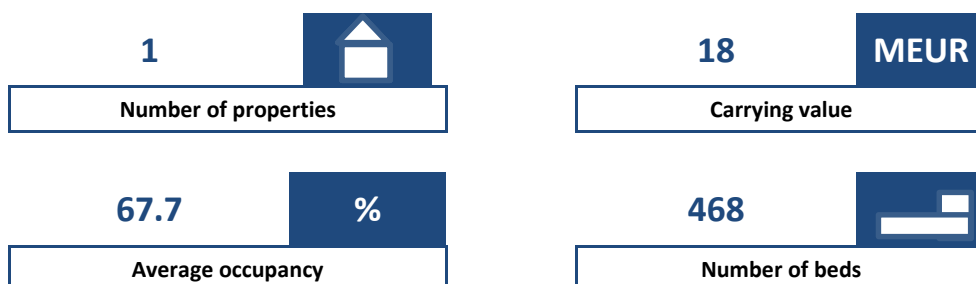
INDUSTRY AND LOGISTICS	N° of properties	Carrying value	Carrying value	Gross lettable area	Occupancy	Pro forma rental income H1 2014*	Rent per sqm	FFO ratio on Real estate portfolio	WALL
		MEUR	%			th. sqm	MEUR	EUR	
Slovakia	1	84	61%	118	98.4%	3	4.7	7.5%	3.9
Czech Republic	12	36	26%	66	87.8%	2	4.2	8.7%	4.4
Hungary	3	18	13%	27	95.3%	1	5.5	8.4%	4.6
Germany	1	1	0%	52	100.0%	1	2.6	157.9%	1.0
The Group	17	138	100%	262	95.8%	6	4.0	8.6%	3.7

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

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

HOSPITALITY

Key Figures – June 2014



The Courtyard by Marriott Budapest City Center hotel, acquired in June 2013 has become a new addition to the portfolio. It is the only hotel that is currently directly owned and operated by the Group. It is located at the heart of Budapest, only a few minutes away from the Rudas Thermal Bath, Buda Castle and Erzsébet Bridge. The hotel which is among the newest hospitality offerings of the Hungarian capital, having opened in 2010, has 235 bedrooms and is a part of the Europeum Shopping Centre.

HOSPITALITY	N° of properties	Carrying value	Carrying value	Number of beds	Pro forma hotel revenues H1 2014*	Pro forma net hotel income H1 2014*	Average occupancy	Average daily rate
		MEUR	%		MEUR	MEUR	%	EUR
Hungary	1	18	100%	468	2	1	67.7	52.8
The Group	1	18	100%	468	2	1	67.7	52.8

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

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

DEVELOPMENT

Key Figures – June 2014

72 thousand	sqm	139	MEUR
Potential gross leasable area		Development for rental	
85 thousand	sqm	115	MEUR
Potential gross saleable area		Development for sale	

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

DEVELOPMENT	Potential GLA	Potential GSA	Development for rental	Development for sale	Development for rental	Development for sale	Remaining development costs
	th. sqm	th. sqm	MEUR	MEUR	%	%	MEUR
Czech Republic	72	77	139	11	100%	10%	45
France	0	6	0	99	0%	86%	10
Germany	0	2	0	4	0%	3%	2
The Group	72	85	139	115	100%	100%	57

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

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

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

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

Palais Maeterlinck represents the first foreign development project of the Group. This former home of Belgian poet Maurice Maeterlinck is located on the Cote d'Azur which is one of the most popular locations on the French Riviera. The area comprises about 6,000 sq. m. of residential area and 3 hectares of land. Reconstruction enable the creation of luxurious apartments, which are intended for sale. The project is planned to be finished in 2014, with the interior customised to each client's specifications by spring of 2015.

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

LAND BANK

Key Figures – June 2014

18,102 thousand	sqm	264	MEUR
Total area		Carrying value	

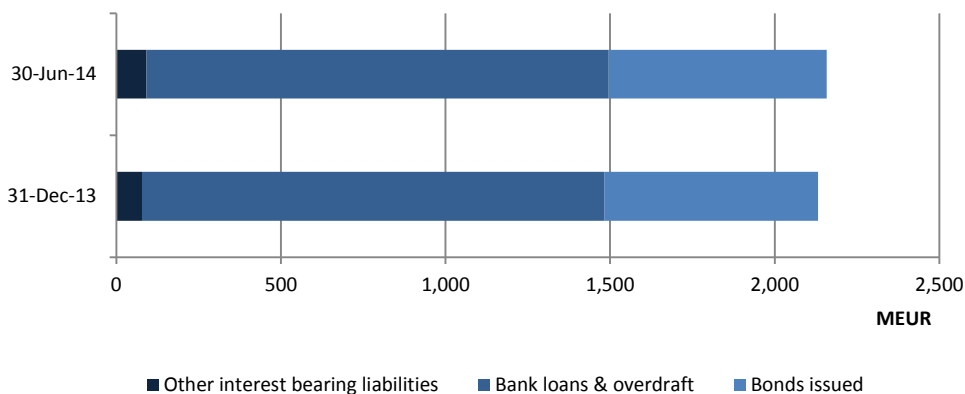
LAND BANK	Total area	Area with zoning	Area without zoning	Carrying value	Carrying value
	th. sqm	th. sqm	th. sqm	MEUR	%
Czech Republic	17,479	1,060	16,420	182	69 %
Hungary	186	186	0	52	20%
Romania	302	269	34	20	8%
Germany	20	20	0	6	2%
Poland	115	90	25	4	1%
The Group	18,102	1,624	16,478	264	100%

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

FINANCING

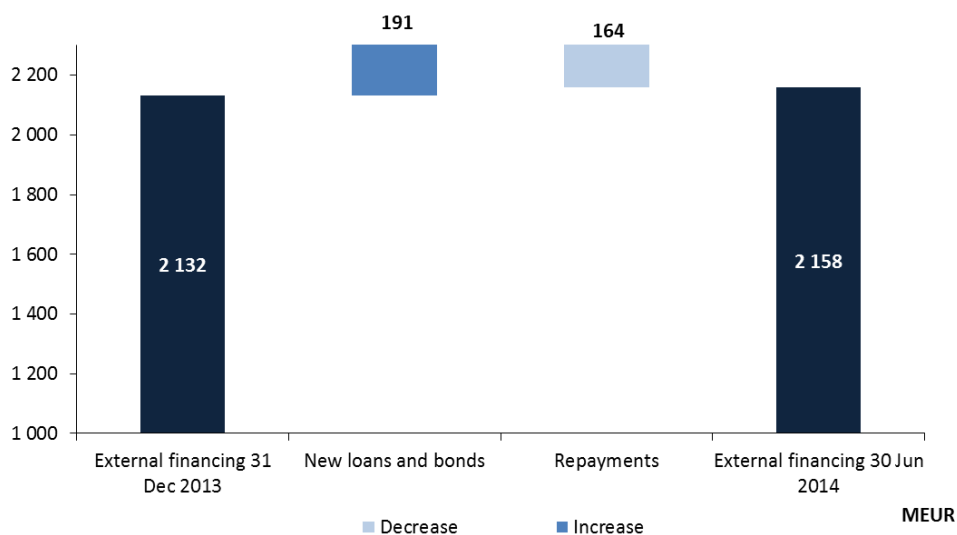
The external financing total EUR 2,158 million as at 30 June 2014 (31 Dec 2013: EUR 2,132 million) of which financial debts represents EUR 1,496 million (31 Dec 2013: EUR 1,482 million) and issued bonds represents EUR 662 million (31 Dec 2013: MEUR 650). Net interest expenses total EUR 32 million (30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

Structure of external financing



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

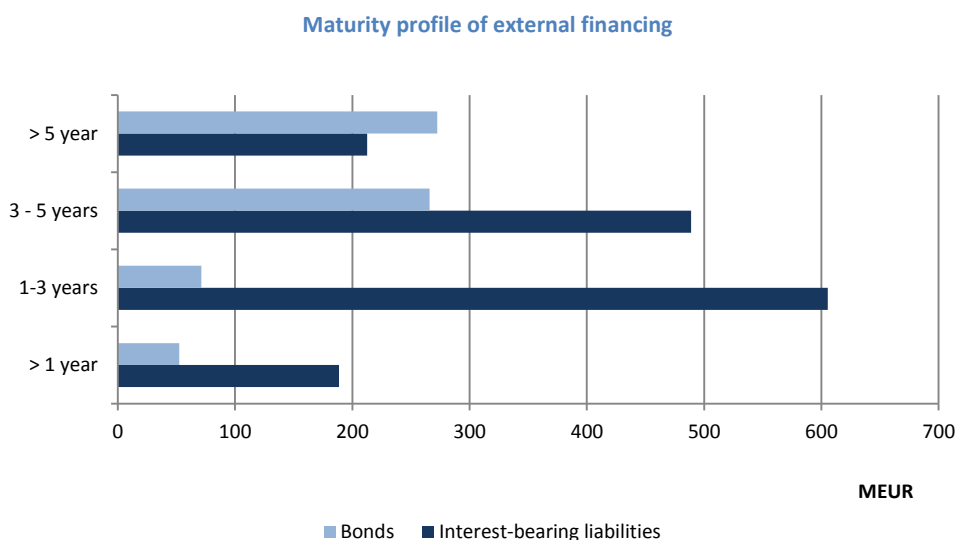
Changes in external financing



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

Net Debt		30-Jun-14	Pro forma 31-Dec-13
Financial debts (non-current)	MEUR	1,307	1,261
Financial debts (current)	MEUR	189	221
Bonds issued (non-current)	MEUR	610	629
Bonds issued (current)	MEUR	54	21
Cash and cash equivalents	MEUR	-147	-161
Net debt	MEUR	2,012	1,971
Real Estate Portfolio	MEUR	3,405	3,201
Loan to value ratio in %	%	59%	62%

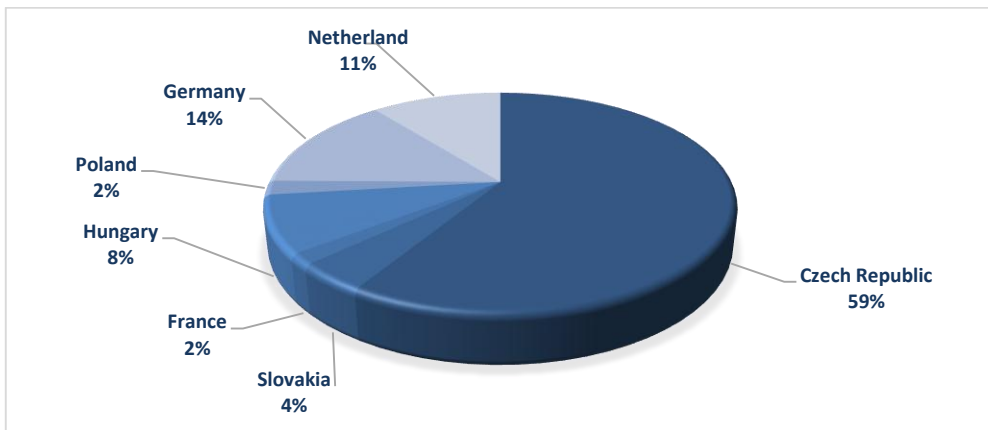
The maturity profile of the Group's external financing, including accrued interest, as at 30 June 2014 is showed in the chart below:



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

The Group benefits from long-term business relationships with a number of banks in the Czech Republic, Germany, France and other CEE countries. With this diversification, the Group is not dependent on the actions of individual lenders and has access to a wide variety of financing sources.

Outstanding bank loans and bonds by location

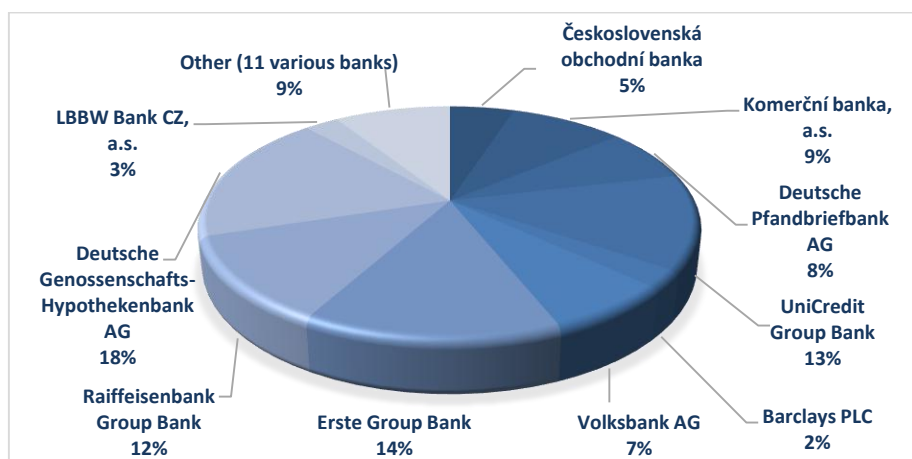


Netherland financing share of 11% represents bonds issued by the financing group entity based in Netherland. Out of the 59% share of Czech Republic, 21% represent bonds financing.

Bank loans

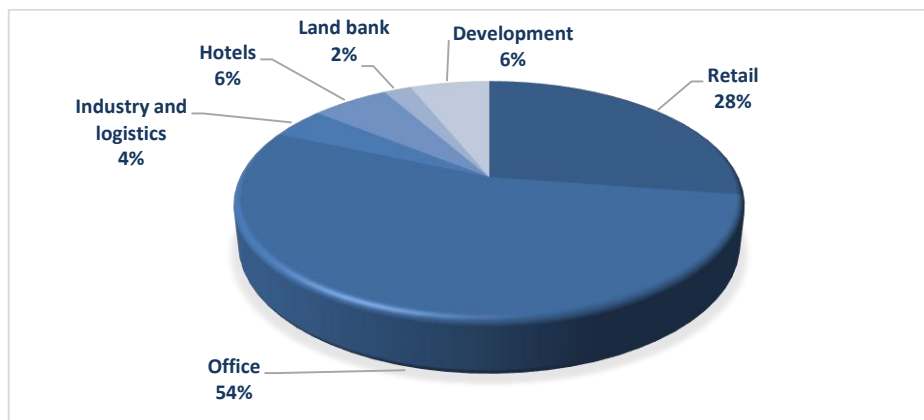
Significant part of the interest-bearing liabilities represents bank loans. Bank loans balance, including bank overdrafts remained stable at EUR 1,404 million as at 30 June 2014 compared to 31 December 2013. A ratio of loans drawn in Czech crowns against loans drawn in Euro is 30:70 as at 30 June 2014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

Bank loans by banks



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

Bank loans by segments



Interest rate fluctuation could have significant impact on the Group's profit. The Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. The fair value of the swap open position is negative of EUR 18 million (31 Dec 2013: EUR 8 million), an increase resulted from new interest rate swaps concluded in H1 2014.

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

Corporate bonds

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

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

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

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

RESULTS AND NET ASSETS

Pro forma income statements

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

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

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

Net rental income

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

Net valuation gain on investment property

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

Amortization, depreciation and impairments

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

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

Administrative expenses

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

Net finance income / costs

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

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

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

Funds from operations (FFO)

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

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

Income statement – as reported

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

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

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

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

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

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

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

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

Pro forma balance sheet

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

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

Total assets and total liabilities

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

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

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

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

Equity (Net assets value)

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

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