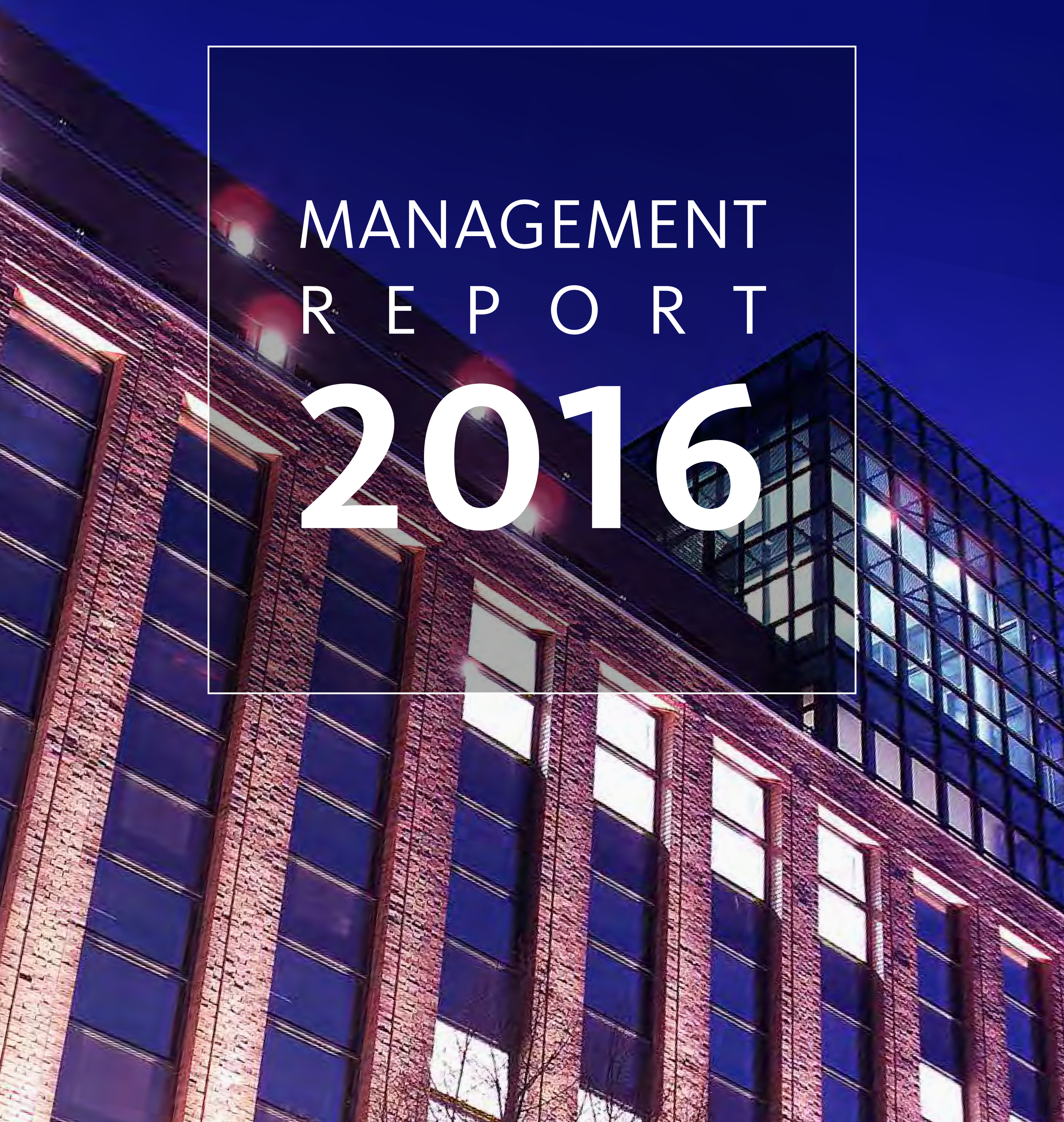
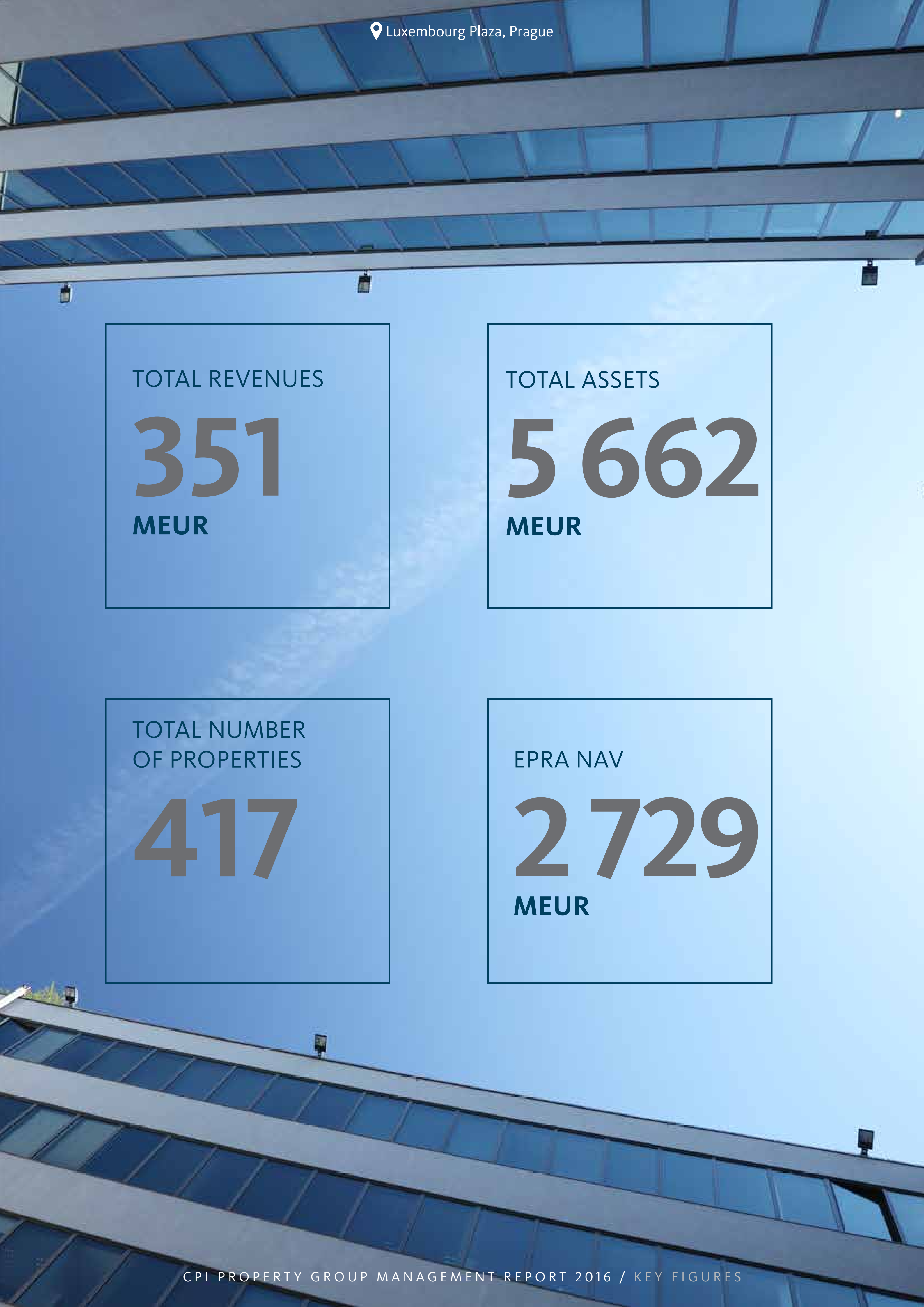
MANAGEMENT REPORT 2016





Luxembourg Plaza, Prague

TOTAL REVENUES

351

MEUR

TOTAL ASSETS

5 662

MEUR

TOTAL NUMBER OF PROPERTIES

417

EPRA NAV

2 729

MEUR

KEY FIGURES

PERFORMANCE		31-Dec-16	31-Dec-15	Change in %
Gross rental income	MEUR	**226**	218	4%
Occupancy in % *	%	**90%**	89%	--
Net rental income	MEUR	**207**	206	1%
Total revenues	MEUR	**351**	284	24%
Operating result	MEUR	**632**	210	201%
Funds from operations (FFO)	MEUR	**103**	83	24%
Profit before tax	MEUR	**544**	125	334%
Interest expense	MEUR	**94**	98	-4%
Net profit for the period	MEUR	**460**	89	417%

* Excluding hotels

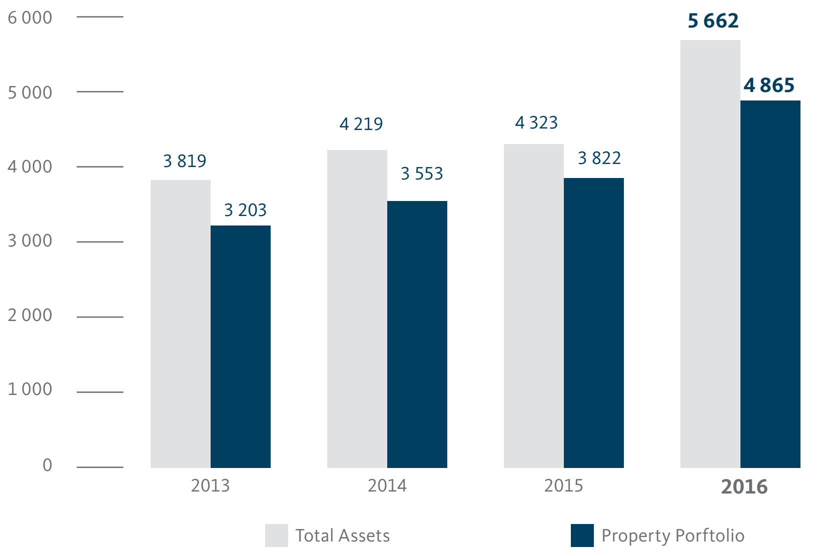
ASSETS		31-Dec-16	31-Dec-15	Change in %
Total assets	MEUR	**5 662**	4 323	31%
Property Portfolio	MEUR	**4 865**	3 822	27%
Gross leasable area *	sqm	**3 094 000**	2 977 000	4%
Total number of properties **	No	**417**	402	4%
Total number of residential units	No	**12 396**	12 483	-1%
Total number of hotel beds	No	**11 278**	10 331	9%
EPRA NAV	MEUR	**2 729**	1 732	58%

* Excluding hotels
** Excluding residential properties

FINANCING STRUCTURE		31-Dec-16	31-Dec-15	Change in %
Total equity	MEUR	**2 289**	1 338	71%
Equity ratio	%	**40%**	31%	--
Net debt	MEUR	**2 335**	2 248	4%
Loan to value ratio in % (Net LTV)	%	**48.0%**	58.8%	--

All data for CPI PROPERTY GROUP ("CPIPG" or the "Company", and together with its subsidiaries the "Group") covering years 2013 and 2014 presented under the assumption that CPI PROPERTY GROUP and Czech Property Investments, a.s. ("CPI") were combined as of 1 January 2013.

TOTAL ASSETS / PROPERTY PORTFOLIO (MEUR)

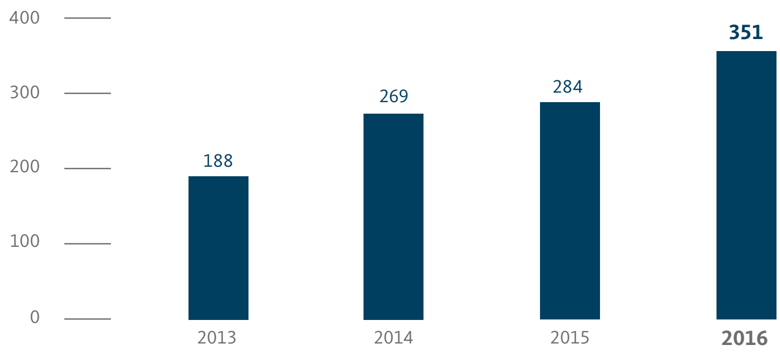


Total assets amount to EUR 5 662 million. The y-o-y increase in 2016 was 31%. The average increase in the period 2013-2016 is 14% p.a.

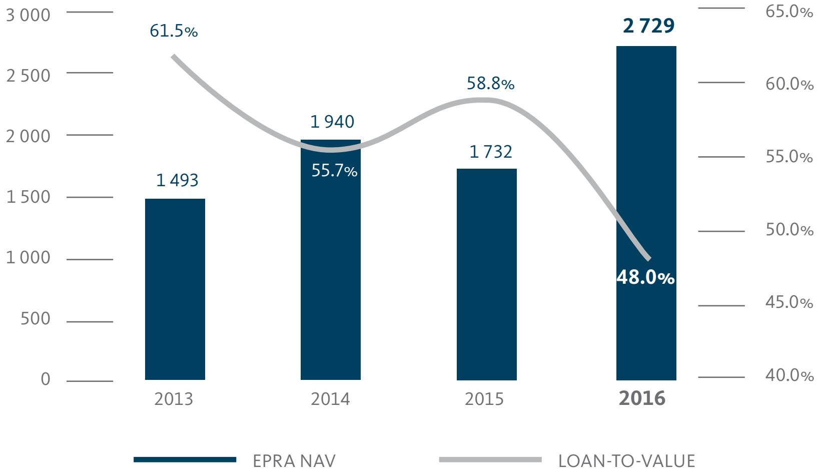
The value of Property portfolio reached EUR 4 865 million. The y-o-y increase in 2016 was 27%. The average increase in the period 2013-2016 is 15% p.a.

The total revenues hit another max value at EUR 351 million in 2016. The y-o-y increase in 2016 was 24%. The average increase in the period 2013-2016 is 23% p.a.

TOTAL REVENUES (MEUR)



EPRA NAV (MEUR) / LOAN-TO-VALUE (%)



Loan-to-Value ratio (LTV) maintains a descending trend - from 61.5% in 2013 LTV reduced to 48.0% as at 31 Dec 2016. Only in 2015 LTV increased due to a decline in equity through the acquisition of its own shares by the Company. EPRA NAV in 2016 reached EUR 2 729 million, which is nearly twofold as in 2013.


GSG Berlin Oranienstrasse

CONTENTS

CONTENTS

YEAR 2016

Nestlé HG, Prague

YEAR 2016

PORTFOLIO HIGHLIGHTS

ACQUISITION OF
HOTEL CHAIN IN CROATIA

ACQUISITION OF MAJOR STAKE IN SUNČANI HVAR

On 19 May 2016 the Group indirectly acquired 12 029 250 shares of SUNČANI HVAR d.d. (hereinafter as "SHH"), hotel company operating on the Island of Hvar, Croatia, representing 61.95% of the shareholding and voting rights in SHH. During the mandatory buyout procedure, shareholders of SHH tendered in aggregate 5 924 081 SHH shares at the price of HRK 24 per share. The tendered shares include 5 880 849 SHH shares previously held by the Restructuring and Sale Center of the Republic of Croatia, which decided to sell them on 27 July 2016. Following the acquisition of the tendered shares completed on 8 August 2016 and subsequent minor additional purchases of SHH shares, the Group now indirectly holds approximately 96.43% of the SHH shares.

ACQUISITION OF HOTEL OPERATOR CPI HOTELS

On 31 August 2016 the Group acquired 100% stake at CPI Hotels, a.s. (the „CPI Hotels") a long-term business partner of the Group that operates 24 hotels owned by the Group. The aggregate acquisition price was CZK 1 219 million (approx. EUR 45 million). Since 1997 CPI Hotels has been the exclusive representative of the international hotel chain Choice Hotels International known as the Clarion brand in Czechia and Slovakia. In 2009 CPI Hotels introduced the unique project of the five-star Buddha Bar Hotel Prague, the first hotel of the international chain Buddha-Bar Hotels & Resorts. CPI Hotels operates its own brands Fortuna Hotels and Spa & Kur Hotels. In 2014 the portfolio operated by CPI Hotels expanded to Mamaison Hotels & Residences.

ACQUISITION OF 97% STAKE IN ORCO PROPERTY GROUP

On 8 June 2016, CPI PROPERTY GROUP acquired indirectly 1 279 080 996 shares in ORCO Property Group a public limited liability company (société anonyme) incorporated under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 44 996 ("OPG"), representing 97.31% stake in OPG. By this acquisition the property portfolio increased more than EUR 250 million. OPG is an investor, developer and asset manager in the Central European real estate market. Based in Luxembourg, it is a public company listed on the Luxembourg Stock Exchange. Orco Property Group operates in a number of countries in Central Europe with its main focus on Czechia and Poland.

FURTHER EXPANSION IN **SHOPPING CENTRE PORTFOLIO**

ACQUISITION OF MLADÁ BOLESLAV SHOPPING CENTRE

On 1 February 2016, the Group acquired Bondy Centrum, the largest shopping centre in Mladá Boleslav, Czechia. The shopping centre with a leasable area of approximately 16 800 sqm comprises of 80 shops, food court, multiplex cinema and other amenities, as well as a 400 capacity car park. The centre also includes an office section, with a floor area of approximately 2 800 sqm.

ACQUISITION OF ČESKÉ BUDĚJOVICE SHOPPING CENTRE

In March 2016, the Group acquired Géčko shopping centre in České Budějovice, Czechia. The shopping centre with 11 000 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as a 450 capacity car park.

THE GROUP BOOSTS ITS RETAIL PORTFOLIO

The Group acquired the high-quality retail portfolio of predominantly 11 shopping centres located in Czechia, Hungary, Poland and Romania with a total leasable area of approximately 265 thousand sqm. The closing of this historic deal for the Group was completed on 29 March, 2017. The acquired portfolio consists of (i) major shopping centres Olympia Plzeň and Nisa Liberec in Czechia, Ogrody in Poland, Polus and Campona in Hungary and Felicia in Romania; (ii) multifunctional complexes Zlatý Anděl in Prague and Andrássy Complex in Budapest; and (iii) two Interspar stores in Hungary. The bank financing has been arranged through several loans at a total of EUR 440 million, with the Group providing the remaining amount from its own funds.

THE GROUP BEGINS WORK ON THE NEW IGY CENTRE IN ČESKÉ BUDĚJOVICE

The Group has started construction of the retail project New IGY Centre in České Budějovice, which involves the upgrade and modernisation of the existing IGY shopping centre and the construction of the new building, IGY2. Investment in the construction of IGY2 will reach EUR 16 million and the renovation of the current IGY is expected to be an additional EUR 12 million.

NOVÁ ZBROJOVKA, THE LARGEST DEVELOPMENT PROJECT IN THE GROUP'S HISTORY

The Group launched the revitalisation of the 20-hectare brownfield land in central Brno, Czechia. The Group's ambition is to create a lively, modern and easily accessible area, which expands the current supply of residential and leisure opportunities. The project is expected to comprise of 800 apartments, 30 000 sqm of office space and 40 000 sqm of industrial space etc. Total investments are planned to exceed EUR 150 million.

SALE OF LOZORNO LOGISTICS PARK

In February 2017 the Group disposed of Lozorno logistics park, located outside of Bratislava, Slovakia. The logistics park, comprising of 5 halls with total rentable space reaching 118 000 square meters, was sold in a share deal transaction.

CONSIDERABLE INCREASE IN EQUITY

CORPORATE NEWS

INCREASE OF SHARE CAPITAL BY MORE THAN EUR 500 MILLION

In 2016 the Group issued in several issuances in aggregate the 5 042 544 461 new ordinary shares. The new shares, having a par value of EUR 0.10 each, were issued in reserved capital increases under the Company's authorised share capital.

The aggregate subscription price of EUR 505 million was partially paid by cash contributions amounting to EUR 204 million in total and partially by contributions in kind amounting to EUR 297 million in total, through contributions of bonds issued by the Company and the Company's subsidiary Czech Property Investments, a.s.

The contributed bonds were valued at their nominal value inclusive of the accrued interest as of the date of contribution.

The corporate share capital of the Company amounts to EUR 779 561 784.60 represented by 7 795 617 846 shares.

'DOUBLE WIN' FOR CPI PROPERTY GROUP AT MICROSOFT PROJECT AWARDS 2016

In May 2016 the Group received more accolades at the Microsoft Project Awards, 2016. This year, along with its partner KPCS CZ, the company won the 'Solution for Business Mobility Award and together with its partner WEBCOM, was awarded the 'Solution for Automation, Integration and Management of Business Processes Award'. In 2016, CPI PG became the first company in the competition's 18 year history to win in two categories within the same year.

CAPITAL MARKET FINANCING

EUR 50 MILLION BONDS ISSUE

On 26 February 2016, the Group issued new bonds with the nominal amount of EUR 1 000 each and the aggregate amount of up to EUR 50 million. The bonds, due in 2020, are registered under ISIN code SK4120011487 and carry a fixed rate coupon of 5.00% p.a. The prospectus, which since has been approved by the National Bank of Slovakia on 23 February, 2016 is available in electronic form at www.cpifinanceslovakia.sk.

EUR 45 MILLION BONDS ISSUANCE

The Group issued EUR 45 million bonds with the nominal amount of EUR 1 000 each with maturity in 2022. The bonds are registered under ISIN code SK4120012097 and carry a fixed rate coupon of 5.00% p.a. The prospectus, approved by the National Bank of Slovakia on 28 September 2016 is available in electronic form at www.cpifinanceslovakiaii.sk.

EUR 49 MILLION BONDS REDEEMED

During Q1 2016, bonds CPI 6.05/16 in the total amount of EUR 46 million were repaid and bonds CPI VAR/19 (EUR) in the total amount of EUR 3 million were prepaid before maturity.

CZK 5 BILLION OF CPI BONDS REISSUED

After the change of their terms, the Group has reissued its own bonds for the total amount of CZK 5 billion (EUR 185 million) on the Czech market. Simultaneously, these bonds were made publicly available on the Prague Stock Exchange. Currently, these bonds have coupon between 4.65% - 4.85% per annum.

AMENDMENT OF TERMS OF CZK 2 BILLION OF CPI BONDS

The meeting of bondholders, held on 22 January, 2016 approved the amendment of the terms and conditions of CPI VAR CZK 2019 bonds. The approved amendment entails, inter alia, the decrease in the interest from 6M PRIBOR plus 6.5% to the fixed 5.1% p.a. has enabled a 2 year extension of maturity of bonds until 2021. The amendment of the terms and conditions has been in effect since 25 January, 2016.

'The Group is stronger than ever and we have reinforced our leading market position.'

THE CEO'S MESSAGE

Dear Shareholders,

CPI PROPERTY GROUP had an impressive year in 2016. We have accomplished significant large-scale acquisitions, strengthened both equity and debt financing and outperformed the market in asset management. The Group is stronger than ever and we have reinforced our leading market position.

The Group witnessed several milestones throughout the year, indicative of the expansion and capability of our broadening operations. We achieved a total assets breakthrough of EUR 5.66 billion with total revenues at all time high exceeding EUR 350 million. Major bond capitalisation injections alongside a boost of fresh cash equity from the Group's largest shareholder completed a successful reduction of LTV to an unprecedented 48%. EPRA NAV grew by 58% to EUR 2.73 billion. The Group's operating result rose close to EUR 650 million with leasing and other operations and property revaluation resulting in a net profit of EUR 460 million. The low interest environment has continued throughout the year significantly supporting liquidity, reducing the cost of debt and benefiting the entire industry.

Consistent with previous years, the majority of the Group's external growth and development has been attributed to major acquisitions and this year has been no exception. In fact, 2016 has been an extraordinarily eventful year. The Group has made major progress in its expansion of its shopping centre portfolio. Alongside major acquisitions of Bondy and Géčko shopping centres in the Czech Republic, we commenced the process to acquire one of the region's largest acquisitions - a retail portfolio of 11 shopping centres across the Czech Republic, Hungary, Poland and Romania. This acquisition boosted the Group's shopping centre portfolio to 20 and more than doubled the segment's total leasable area to 430,000 sqm. The acquisition of the portfolio valued at 650 MEUR was finalised in March 2017 and will drive the total assets in Q1/2017 to approximately EUR 6.3 billion. In addition, a decision was made to acquire Orco Property Group due to the value of its assets. The Group managed to acquire Sunčani Hvar hotels in Croatia, one of the leading hotel businesses in Croatia. Last but not least, the Group acquired CPI Hotels, which operates the hotel properties of the Group over the region.

In line with the Group's strategy of non-core asset reduction, we have divested over EUR 70 million last year and already over EUR 80 million this year, all in logistics, offices and small development assets, inclusive of our commitment to the disposal of Lozorno Logistics Park, in Slovakia completed in February, 2017.

The year observed the continuity of our strategic plan to refinance properties to secure lower interest and other favourable terms for another mid to long-term term period where we put together a new financing and refinancing package exceeding EUR 440 million. From 2013 to 2016, we managed to reduce the average interest rate from 3.75% p.a. to 2.1% p.a., an outstanding achievement, benefitting the company with lower average cost of debt for the next several years.

The Group conducted major operations in bonds where we have been considerably active, once again proving to be the market leader among real estate companies in the Czech Republic. Last year, the Group repaid CZK 1.5 billion of CPI 6.05/2016 bonds at their maturity and prepaid VAR 2019 EUR bonds. We agreed with holders of VAR 2019 CZK bonds to lower their coupon and extend maturity. Furthermore, we capitalised other bond issues, changed the terms and reissued them on new terms to the market. The demand from Czech investors was very strong and we managed to place CZK 5 billion. In the diversification effort, we also placed EUR 95 million of bonds with primarily Slovak investors. The new funds were used to repay more expensive debts as well as to support our acquisition appetite. The bond financing has without question become an indivisible part of our overall financial strategy, indicating a growing confidence within the Group where our bonds are proving to be highly attractive to investors.

This year has seen robust improvement with long-term occupancy rates increasing across all regions. Excellent market conditions in Berlin have raised segments across the board. The office letting market broke all records with office space take-up at 60% above the 10-year average, with vacancies falling a quarter over the course of year. This superb performance meant that the GSG Berlin portfolio retained its primary position as the most active office letting market in our portfolio. In the Czech Republic, we can see the highest occupancy rates in the office segment at 94.8% with retail and shopping centres at 93.4%. With vacancy rates at an unprecedented 6%, the Group is outperforming the market average by twofold.

Concerning the Group's development projects, we have continued our long-term strategy of investment to upgrade and revitalise our retail, office, hotel as well as residential portfolio throughout the region. The continuing expansion and refurbishment of IGY Shopping centre in České Budějovice is nearing completion. While proceedings with the Group's largest ever development Nová Zbrojovka are currently under way. The project will create new office, industrial and residential spaces within the coming years.

Despite a more uncertain interest rate environment in the coming years, the Central European property market fundamentals remain supportive. The economy is growing, its workforce expanding and demand for quality retail and office space remains robust. With new supply limited and vacancy rates near record lows, we expect to secure further leasing contracts generating attractive rental value growth across our portfolio.

Looking ahead, the Group is well positioned to take advantage of opportunities as they arise. We have a clear strategic focus; an opportunity-rich portfolio leased to a diverse tenant base; our balance sheet has never been stronger; plus we have a first class team to help us continue delivering long-term, market leading returns for shareholders.

In finishing, I would like to thank our employees for their dedicated efforts, the Board of Directors for their valued contribution as well as our shareholders, for their continued support. Together we look to continue to build upon our strong foundation, momentum and market leadership.

Luxembourg, 31 March 2017

Martin Němeček

Chief Executive Officer & Managing Director

Quadrio, Prague

GROUP OVERVIEW

GROUP OVERVIEW

CPI Property Group (the "Company" and together with its subsidiaries the "Group") is a leading real estate company with core activities in Germany, Czechia, Slovakia, Hungary, Poland, Switzerland, France and Romania, concentrating on long-term investments, Real estate lease and Asset Management.

The Group is established on solid foundations and secure backing from the major shareholder, Mr. Radovan Vítek, who has concentrated over 20 years of successful investment experience in the CEE markets. In June 2014, Mr. Vítek contributed 100% of CPI´s shares into that of the GSG Group. This unification under the newly titled CPI Property Group has created an extensive and very capable European real estate competitor which has empowered further opportunities in business activities and strategic diversification.

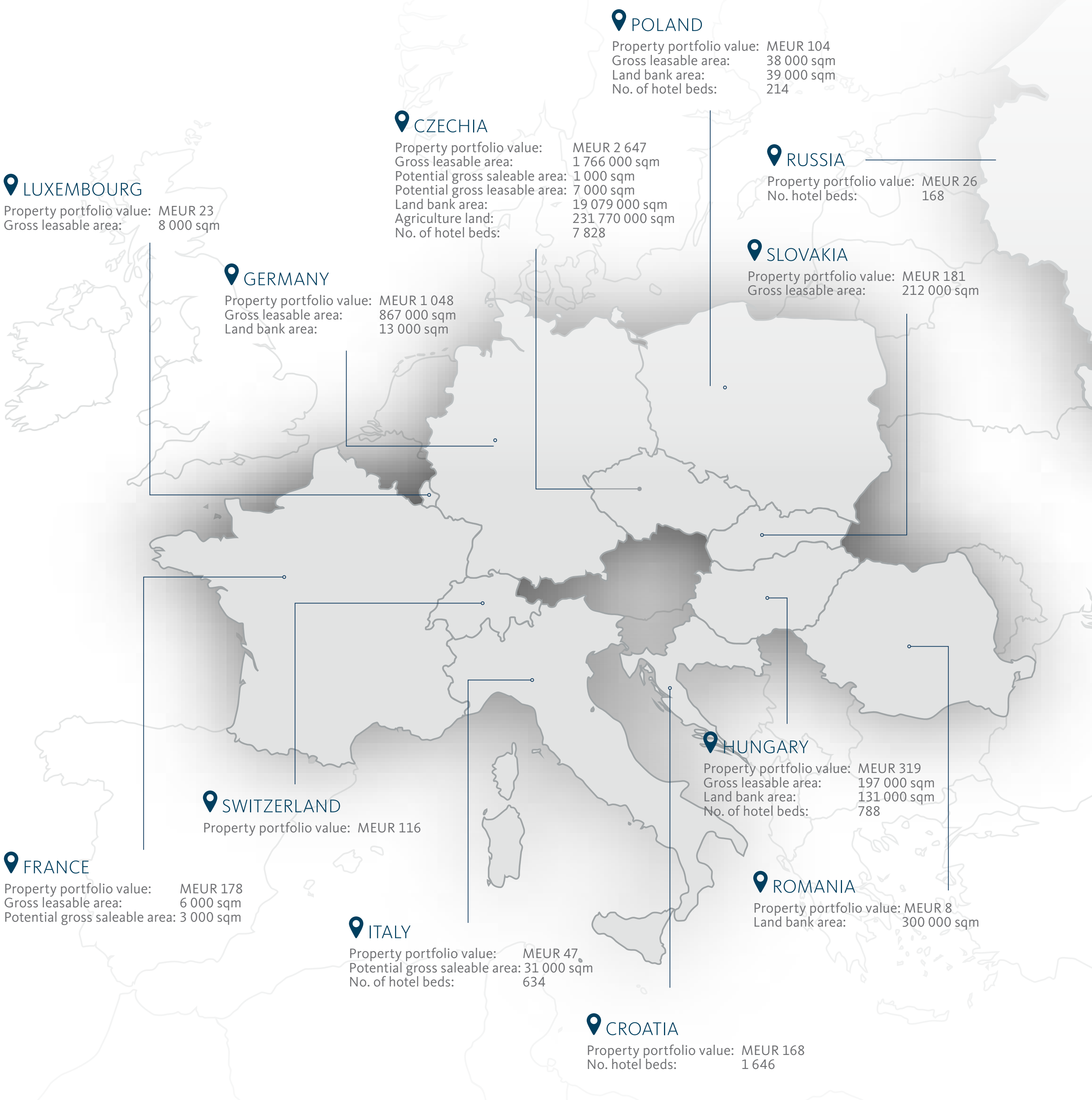
- The Group's focal point is predominantly on mid-sized shopping areas, retail parks and supermarkets with long-term contracts experiencing high occupancy rates and generating substantial yet reliable revenues. The high stability of retail has the advantage to adapt to market conditions and economic changes without substantial losses.
- The Group occupies the post of the largest and most successful Czech proprietor and developer of hotels across central Europe, within our extensive hotel portfolio there are well known brands such as Clarion, Mamaison and Buddha-Bar Hotels.
- The Group is a significant participant in the residential housing market. It is the second largest provider of residential leasing with over 12 300 high capacity apartments in Czechia alone.
- The office sector represents a primary segment of the company's portfolio with a total of 1 299 000 sqm leasable office space. The Group's 82 office assets include award-winning high quality architecture, up-to-date energy efficient technologies combined with excellent access to inner-city transportation links in prestigious locations. The Berlin portfolio of modern business parks and historical commercial properties has developed into a considerable component notably magnifying the Group's holdings by 867 000 sqm.
- The Group operates Crans-Montana-Aminona (CMA) SA, a luxury ski resort in the heart of the Swiss Alps.

As at 31 December 2016 the Group includes 352 companies in 18 countries around the Europe as indicated in the table below:

	NUMBER OF COMPANIES
COUNTRY	31-Dec-16
Czechia	193
Hungary	29
Germany	20
Slovakia	17
Poland	15
Romania	9
Other	69
CPI PROPERTY GROUP in total	352

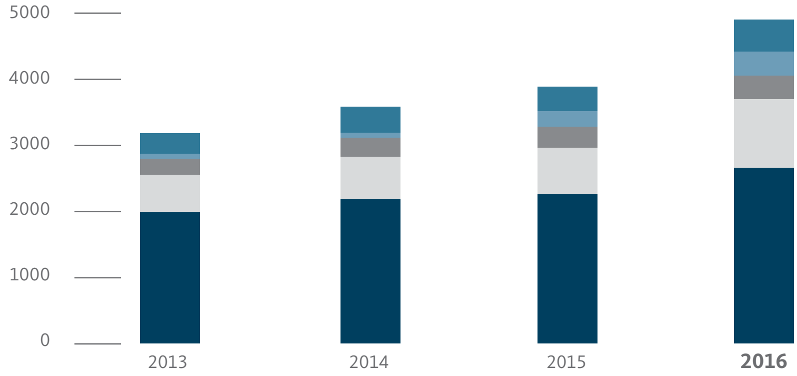
GEOGRAPHY OF THE GROUP

The Group is a real estate company concentrating on long-term investments and the lease of real estate, primarily in the Central European region and Germany. The Group's activities are focused on rental income generating properties such as retail, office, residential, industry and logistics and operation of its own hotels. Additionally, the Group develops office and retail assets for future rental and specific residential developments for future sale.



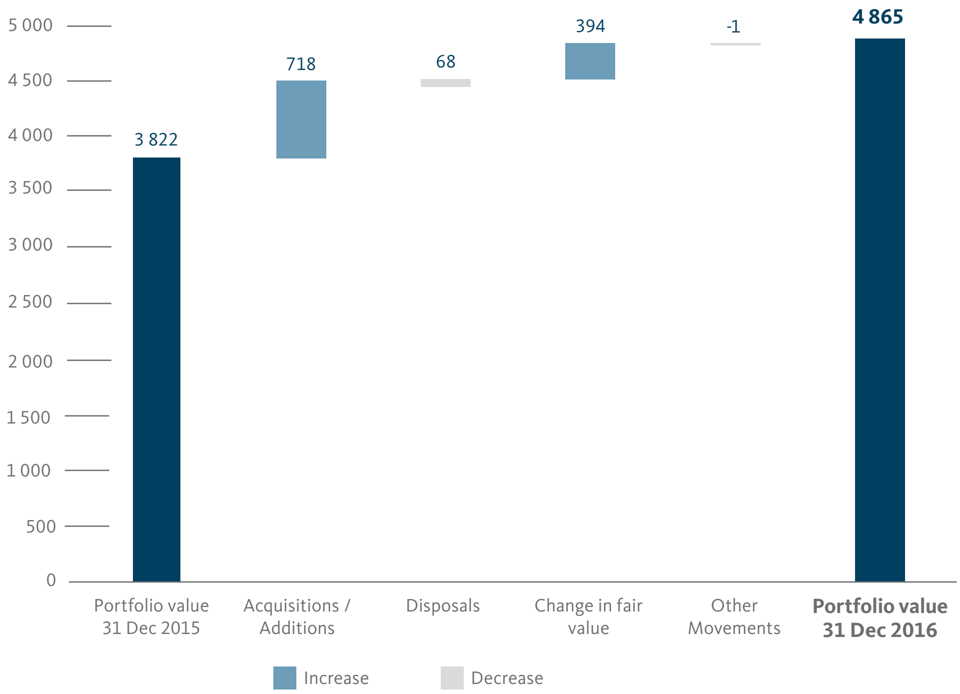
PROPERTY PORTFOLIO EVOLUTION

PROPERTY PORTFOLIO VALUE IN 2013-2016 (MEUR)



	2013	2014	2015	2016
CZECHIA	2 017	2 178	2 256	**2 647**
GERMANY	538	650	694	**1 048**
HUNGARY	271	307	316	**319**
OTHER WESTERN EUROPE	87	78	222	**364**
OTHER CEE	290	340	334	**487**
TOTAL	**3 203**	**3 553**	**3 822**	**4 865**

In recent years the Group has grown at a dynamic pace. One of the portfolio growth milestones was the combination of CPIPG and CPI in 2014. In 2015 and especially 2016, the Group continued with further major acquisitions and diversification of its portfolio in countries such as Hungary, Poland, Croatia, France, Switzerland etc. The average growth rate in the value of the Group's portfolio in the years 2013-2016 reached 15% p.a.



The main reasons for the change in the property portfolio's total value in 2016 were as follows:

- acquisition of a hotel group in Croatia, takeover of ORCO Property Group, acquisition of French villas, retail premises in Czechia etc. in total amount of EUR 718 million;
- disposals of in total amount of EUR 68 million; primarily M3 BC, Regionální Portfolio, Hotel Luna, Vaci 188 and 190
- valuation gain of EUR 394 million;
- Other movements include valuation impact in equity, impairment and FX translation.

ACCOUNTING RECONCILIATION OF THE PROPERTY PORTFOLIO

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

"Investment property" consists of rental properties, investment property under development, land bank and agriculture 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 and agriculture land bank.

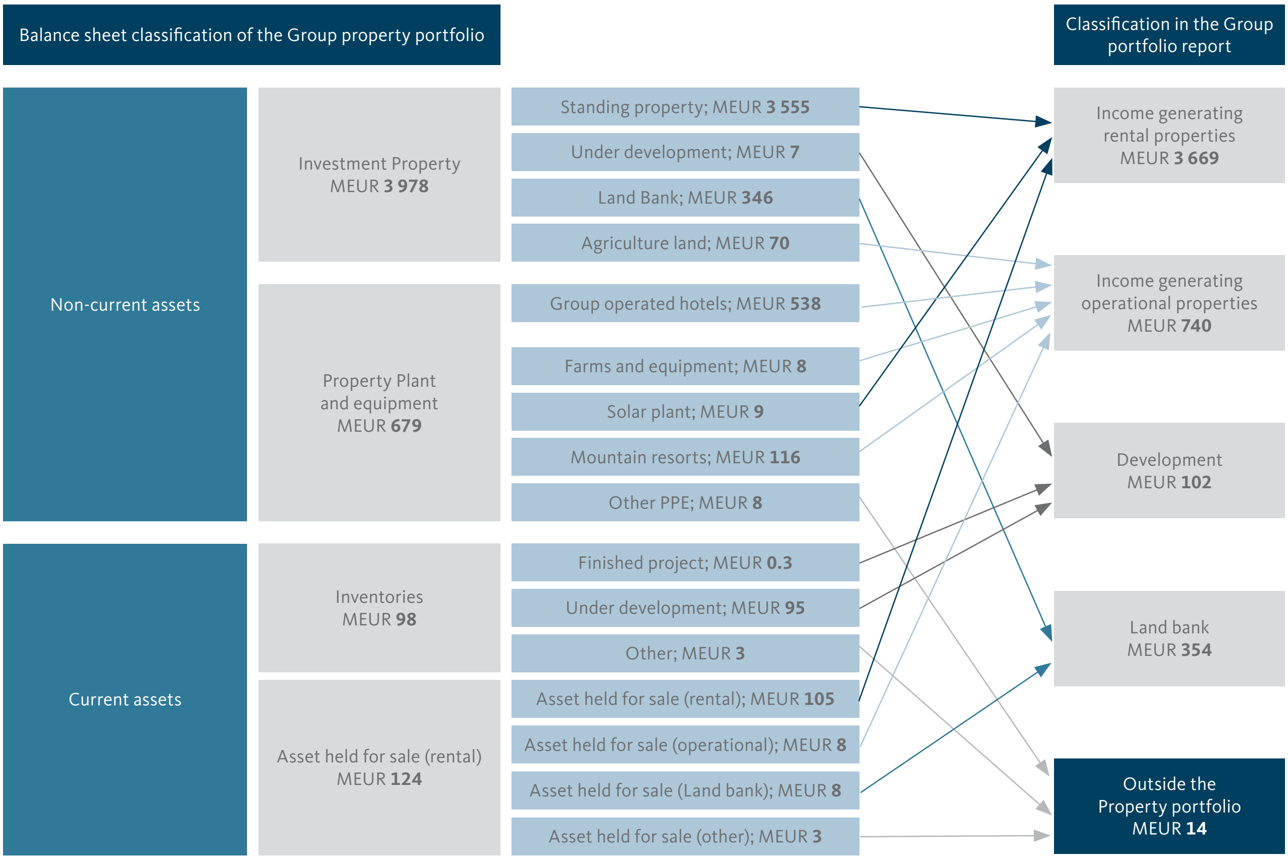
"Property, plant and equipment" include owner occupied properties comprising hotels operated by the Group, production farms and equipment used in the agriculture business and offices rented to the Group entities.

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

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

The property portfolio report covers all properties held by the Group, independent of the balance sheet classification.

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 31 December 2016 with the presentation in our portfolio report:



ECONOMIC REVIEW

Gateway Office Park, Budapest

MACROECONOMIC REVIEW

EUROPE[1]

Despite further monetary easing, the economic activity of EU countries grew more gradually again than the previous year. The growth in the first half of 2016 was counteracted by volatilities in emerging markets together with uncertainty associated with the Brexit referendum in June 2016. However, in the second half of the year the Brexit result did not have a negative impact on real economics with key economic indicators recovering. Nevertheless, the Eurozone economy is expected to decelerate its growth from 1.6% to 1.5% in 2017. Among EU members stronger growth is foreseen in Germany and CEE countries.

In March 2016, the European Central Bank lowered again its key interest rate to 0.0% and deposit rate to -0.4% and extended its bond purchasing programme. The accommodative monetary policy in recent years caused the spreads on government and corporate bonds in the Eurozone to have tightened. As reported by the OECD this stance of central banks, if held long enough, could lead to dependency on low interest and culmination of distortions on financial markets. Yet it also could be an opportunity for a fiscal stimulus in the coming years to return economies to a pre-crisis level of growth.

CZECHIA[2]

After an exceptionally successful 2015, the performance of the Czech economy also grew in 2016. According to the preliminary estimate, the gross domestic product (GDP) increased for the entire year of 2016 by 2.3%. GDP growth was contributed in particular by household consumption and external trade. Increasing domestic and external demand was favourable for the majority of the industries of the economy. The inflation rate increased to 2.0% (0.1% in 2015). It is the highest price growth since December 2012. The unemployment rate declined by 0.9% and dropped to 3.6%. Czechia together with Germany and Hungary show the lowest rates of unemployment in European Union.

GERMANY[3]

According to calculations of the Federal Office of Statistics, the gross domestic product (GDP) of 2016 rose by an annual average of 1.9% from the previous year. In the previous two years, the level of GDP growth was similar (1.7% in 2015 and 1.6% in 2014). The primary factor contributing to the positive development of the German economy in 2016 were household consumption (+2.0%) and the increase in government consumption expenditure (+4.2%). Consumer prices growth amounted to 1.7%. The immediate increase was caused by energy prices (+2.5%). The unemployment rate was 3.9% in December 2016.

HUNGARY[4]

In 2016, Hungarian GDP rose by 2.0%. The primary contributors to the growth were market-based services and agriculture. The performance of industry stagnated and construction continued diminishing the increase. Hungary´s unemployment rate as at year-end 2016 was 4.3% and hits the lowest level since 2013. In 2016 the consumer prices were 1.8% higher compared to the previous year.

[1] OECD, Eurostat
[2] Czech Office of Statistics
[3] Federal Office of Statistics
[4] Hungarian Central Statistical Office

POLAND[5]

The momentum of the Polish economy as reported by the preliminary estimate has decreased, the gross domestic product in 2016 increased by 2.8% in comparison to 3.9% in 2015. The growth was driven by consumption expenditure in the households sector which rose by 3.6% (in 2015 the growth was 3.2%). The unemployment rate in 2016 was in a downward trend, reaching 8.3% in December 2016 and was lowest since 2011. The consumer price level in line with the preliminary estimate in December 2016 was -0.2%.

KEY MACRO FIGURES FOR GROUP CORE ECONOMIES

COUNTRY	GROWTH RATE OF REAL GDP	ANNUAL INFLATION RATES	RATE OF UNEMPLOYMENT	GROSS PUBLIC DEBT 2016 (% OF GDP)
Germany	1.9%	1.7%	3.9%	68.2%
Czechia	2.3%	2.0%	3.6%	37.8%
Hungary	2.0%	1.8%	4.3%	73.5%
Poland	2.8%	-0.2%	8.3%	53.6%
EU average	1.9%	0.3%	8.5%	85.1%

Source: Eurostat

In general, developed markets have experienced a slowdown in their economic activity over the past periods. As could be seen in the table above the Group's core economies belong among developed markets that have higher above-average performance and key macroeconomic characteristics. It is a common expectation that all these markets have great prospects, too.

CURRENCIES

In 2017, Czech National Bank (CNB) will feasibly dispense its policy of exchange rate commitment set in November 2013. According to CNB representatives the exit from the policy will be possible within the first half of this year, provided that macroeconomic developments are in line with CNB forecast. However, rising consumer prices in the Eurozone provide a reason against a more immediate exit from the intervention regime and the exit occasion could shift to the second half of the year.

The European Central Bank policy of quantitative easing has led to a depreciation of European currency as in previous years. In comparsion to other major currencies the Euro depreciated by 3% against US dollar, by 2% against Swiss franc and appreciated against Pound sterling by more than 13% due to the Brexit effect.

[5] Central Statistical Office of Poland

PROPERTY VALUATION

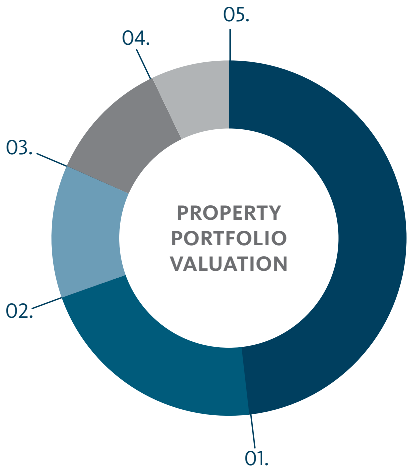
PROPERTY VALUATION

The consolidated financial statements for the year ended 31 December 2016 have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which include the application of the fair value method. Since the property portfolio owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The valuation reports are prepared in accordance with RICS[8] Standards (RICS Valuation - Professional Standards January 2014), insignificant minority is prepared according to Czech valuation standards.

The property portfolio valuation as at 31 Dec 2016 is based on reports issued by:

- Cushman&Wakefield (Prague, Warsaw, Paris);
- CBRE, CBRE Hotels (Prague, Munich, Berlin);
- Savills (Berlin);
- RSM TACOMA (Prague, Bratislava);
- Jones Lang LaSalle (Budapest, Bucharest, Prague, Bratislava, Warsaw);
- Mazars (Prague);
- Knight Frank (Prague);
- other valuers (Galtier, Hampton, Freraul Expertises etc.).



01. Cushman&Wakefield: **49%**
02. Savills: **21%**
03. Jones Lang LaSalle; Mazars: **12%**
04. RSM TACOMA; CBRE; Knight Frank: **11%**
05. Other: **7%**

* shares of each valuator are presented in relation to the fair value of total property portfolio

4 Royal Institution of Chartered Surveyors

CZECHIA[9]

RETAIL MARKET

Positive economic situation represented by low inflation and low rate of unemployment in Czechia is supported by an increase in private consumption. Overall retail trade increased by 5.2% y-o-y. The year 2017 is expected to perform similarly.

By the end of 2016, the total retail stock in Czechia exceeded 3 820 000 sqm of modern retail space. Shopping centres form approximately 70% of the space, retail parks are taking 26%. The remaining space is in factory outlet stores and modern department stores. There are also over 500 supermarkets and over 600 discounters spread around the whole of Czechia. The Czech retail market has become very stable and relatively easy to predict due to limited development. In 2017 three new shopping centres are scheduled to be completed with 60 000 sqm in total to be delivered.

The prime shopping centre rents growth by 9% y-o-y in Prague. In regions the prime shopping centre rent remained stable.

GROUP PORTFOLIO

Occupancy rates in Group portfolio remain high, the average rate is well above 90% for the couple of recent periods (2016: 93.4%). As the strategy of the Group's strategy is to focus on acquisitions of prime shopping centres, the occupancy is expected to rise even higher. In 2016 GLA increased by another 50 000 sqm; the rate of expansion is planned to keep at similar levels in a foreseeable future. Positive trends on Czech retail market were demonstrated by a robust increase in revaluation of Group portfolio which amounted to EUR 15 million (2015: EUR 1 million).

OFFICE MARKET

Office market is concentrated in capital and regional cities of the country. Strong demand along with low levels of new supply caused vacancy rates to fall to new minimum after-crisis levels.

In Prague, only a total of 33 000 sqm of modern office space was delivered to the market, of which a 2/3 share is already occupied. Vacancy rates decreased to 10.6% and it is expected it will decrease further in 2017. Prime rents remain unchanged and currently stand at 19.5 EUR/sqm/month.

The Brno office market has grown dynamically in the past few years as result of availability of highly qualified labour obtainable at lower cost in comparison to Prague and attraction of a large share of FDI. In 2016 take-up reached 60 000 sqm and is the second strongest in after-crisis period. Despite the significant new supply the vacancy rate decreased to 12.1%.

GROUP PORTFOLIO

Group portfolio records very low vacancy rates, rarely it is higher than 10%. In 2016 Group portfolio's average vacancy rate decreased to 5.2% (2015: 8.4%) due to new lease contracts such as with a worldwide company FNZ which set up its European HQ in Brno. GLA in 2016 increased by more than 10%, average rents per sqm remain stable. Revaluation gain at EUR 16 million y-o-y shows the Group portfolio gaining upward momentum with promising prospects.

RESIDENTIAL MARKET

In Q4 2016, the real estate price index[10] confirmed a sharp increase in prices of residential real estate which already started at the beginning of 2014. Land prices increased by 10.7% y-o-y due to the growing demand. The average market price of land and the flats reached 135.4 and 124.7 (2008 = 100).

[9] JLL, Cushman & Wakefield
[10] HB index announced by Hypoteční banka

GROUP PORTFOLIO

Group portfolio is a steady business with increasing revenues every year. In 2016 the revenues were higher than CZK 500 million (EUR 18 million) for the first time. The Group strategy is to keep the portfolio as a source of steady cashflow. Annual revaluation showed an increase by EUR 13 million (2015: EUR -7 million).

SUMMARY OF THE CZECH PORTFOLIO

	REVALUATION GAIN / (LOSS) 2016	FAIR VALUE 2016	REVALUATION GAIN / (LOSS) 2015	FAIR VALUE 2015
Retail	15	919	1	805
Office	16	712	6	640
Residential	13	287	-7	273
Land Bank	-3	302	-10	159
Hospitality & Hotels	-1	289	11	278
Other	17	138	-2	101
Total	**57**	**2 647**	**-1**	**2 256**

GERMANY [11]

The revaluation gain of the German portfolio in 2016 amounts to EUR 343 million. It is a huge improvement when compared to the 2015 value of EUR 32 million. This fact alone is the reason for taking a closer look at the Berlin portfolio.

SUMMARY OF THE BERLIN PORTFOLIO

	REVALUATION GAIN / (LOSS) 2016	FAIR VALUE 2016	REVALUATION GAIN / (LOSS) 2015	FAIR VALUE 2015
Office	343	1 032	25	680
Land bank	0	7	0	7
Other	2	9	7	7
Total	**345**	**1 048**	**32**	**694**

Our Berlin entities as a group are a leading provider of office and commercial space in Berlin with approximately 900 000 sqm and is in operation for more than 50 years (acquired in 2014 by the Group). It provides multi-function premises for all kinds of small and medium sized companies, whether start-up or high-tech company, manufacturing industry.

The Berlin portfolio is divided into three clusters:

- **X-Berg** represents assets which are located in the Kreuzberg/ Friedrichshain district - a district where there has always been a very high demand for premises.
- **Rest-West** aggregates assets which are located in several western districts in Berlin, most of these buildings have served industrial tenants in the past, but the buildings have changed during the past 10 years as we have seen a lesser extent of manufacturing sector tenants.
- **econoparks** cluster is characterised by assets from eastern parts of Berlin with good inner city connections; with plenty of space tenants can adjust their areas to match their business development.

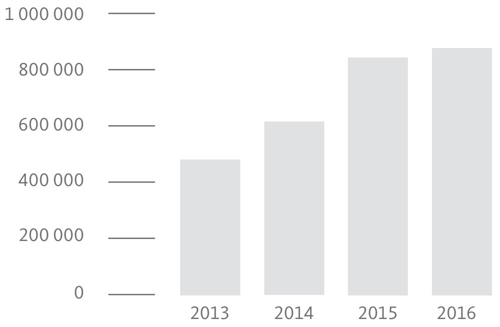
Econoparks gain momentum in take-up

Although office space take-up (area of leased premises) in the Berlin market reached a record high in 2015, this figure was exceeded again in 2016, with a total volume of 913 400 sqm and more than 1 000 deals, an increase of 4%. As a result, Berlin has established itself as the biggest office letting market in Germany.

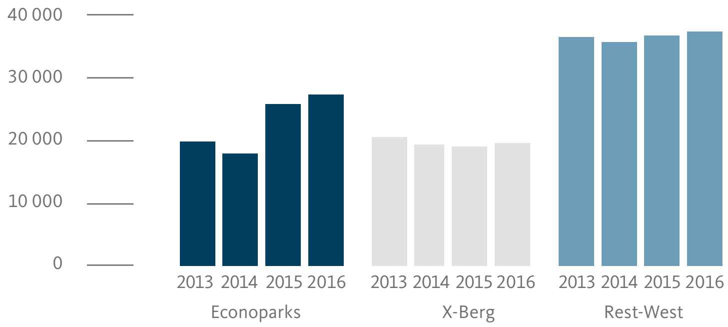
[11] JLL

TAKE-UP* (SQM)

BERLIN MARKET



BERLIN (GROUP PORTFOLIO)



Source: JLL
* area of leased out premises

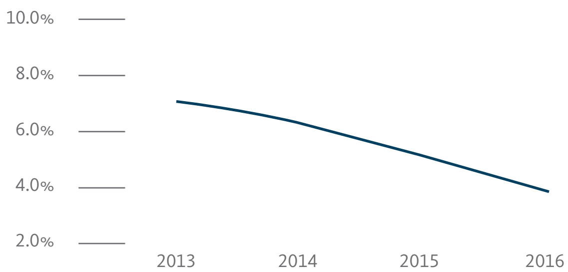
Except for econoparks segment the take-up in Berlin portfolio has been stable. This is due to the reason that vacancy rates in Berlin office market were higher than in our portfolio, except for econoparks segment which shows a growing rate of take-up in time, for vacancy rates see below. Also, the Group portfolio shows more stable take-up in time compared to Berlin market which is due to the additional GLA office premises being delivered to the Berlin market in this period.

Vacancy rates already at low levels

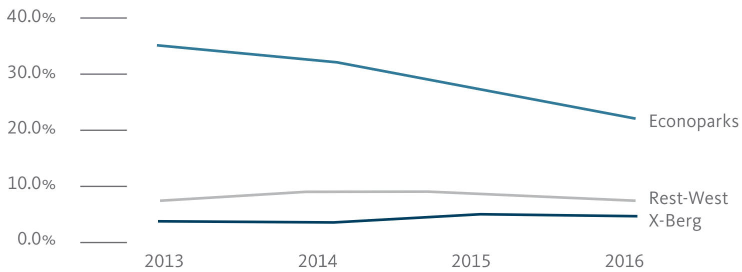
The vacancy rate has fallen for the tenth year in succession and has now reached 4.3%. There are very few premises now available in the city centre with more than 10 000 sqm of contiguous space, and the vacancy rate in some submarkets has fallen to below 4%. It is set to fall further in the near future due to the only moderate volume of speculative completions.

AVERAGE VACANCY RATE (%)

BERLIN MARKET



BERLIN (GROUP PORTFOLIO)



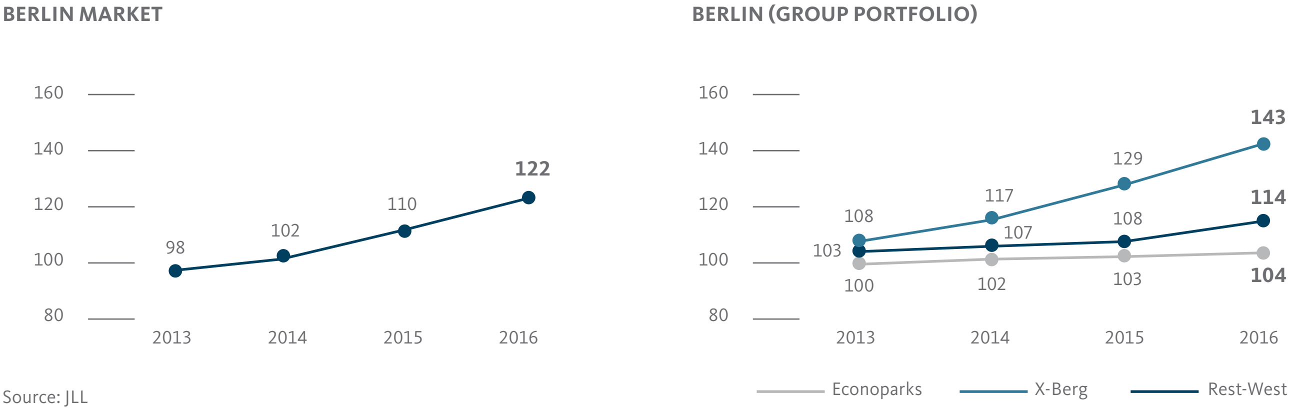
Source: JLL

In Group Berlin portfolio X-Berg and Rest-West segments are stabilised on the market keeping their vacancy rates in the vicinity of 5% during the period. The econoparks with rapidly decreasing vacancy rate have promising prospects of increasing rental income in the future.

X-Berg rents skyrocket, other clusters will follow

After deducting the 110 000 sqm destined for the Federal Intelligence Agency, less than 130 000 sqm will be completed in 2016, far below the average of the past five years. Projects under construction are unlikely to be completed until 2019 at the earliest and therefore will not ease the pressure on the office letting market until then. It is also likely that rents will continue to rise: the prime rent increased by €3.00 to €27.00/sqm/month in 2016 alone, with an average rent of €15.4/sqm/month.

AVERAGE RENTS PER SQM (2012=100)



Source: JLL

Rents per sqm in X-Berg cluster have risen twice as fast as the Berlin market, Rest-West rents are gaining momentum. Our econoparks cluster keeps rents per sqm at the same level as vacancy rate is still high compared to other clusters.

Outlook

As demand on the Berlin office market is exceeding supply and projects to be delivered in the near future are below the historical average, we expect additional pressure on the decrease in vacancy rates or increment on rent rates for the coming periods.

HUNGARY[12]

OFFICE MARKET

Office market is concentrated in the capital city, Budapest. Even though the total leasing volume shows a slight setback compared with 2015, the office market remained active in terms of activity in 2016.

At the end of the year, the total stock in Budapest reached 3.3 million sqm. The level of construction activity resulted in 96 270 sqm of new supply in 2016, which is almost double (+89%) compared to the last year. The vacancy rate stood at 9.5%, which is 2.6% lower compared with 2015 Q4 data and the lowest rate in post-crisis period. As a result, rents are under an upward pressure, but mainly at prime locations.

The new supply in 2017 is expected to be similar to this year with 91 700 sqm. The significant increase in supply is expected in 2018, when 211 000 sqm is expected to be delivered to the market. As a consequence of the slow delivery of the new supply and solid demand, net take up is expected to outpace new deliveries until early 2018, which suggests further decrease in vacancy rate in the class in 2017.

[12] JLL, CBRE

GROUP PORTFOLIO

Group portfolio's vacancy rate is still above market average vacancy rate but the trend is very promising as it has dropped from 35% in 2013 to 22% in 2016. It is also worth mentioning that key tenants in Hungary have prolonged lease contracts with the Group recently which greatly diminishes Group risk exposition in Hungary. Although the Group disposed of some of its office properties, the revaluation gain was slightly higher than in 2015. With revitalised Budapest market we expect the rate of revaluation gains to continue at a steady pace in the following years.

RETAIL MARKET

Due to the low inflation environment, increased disposable income of households and net real wage growth, retail sales continued reaching impressive levels of retail sales growth (2016: 4.6% y-o-y). The continuous increase reflects the country's positive economic performance and the strong consumer confidence.

The Hungarian market is concentrated in the Budapest area as 20% of the population live here and the differences in spending per capita between the capital and countryside is significant. The current modern retail stock reaches 2 000 000 sqm.

New retail supply reached historic lows, with only 68 000 sqm delivered in 2016. The volume of projects under construction is also insufficient as the most immediate major project is to be delivered in 2019. Average rents increased by 10%-15% y-o-y in capital, outside of the capital the rents appreciated even faster.

GROUP PORTFOLIO

Our vacancy rates remain low for a couple of recent periods and it is a stabilised portfolio, with constant revaluation gain of EUR 1 million (2015: EUR 1 million). Our strategy is the expansion of the retail market in Budapest and the regional cities to utilise upward momentum in Hungarian macroeconomic development. With government policy of lowering personal and VAT taxes we expect retail sales growth to sustain already impressive levels in forthcoming years.

SUMMARY OF THE HUNGARIAN PORTFOLIO

HUNGARY	REVALUATION GAIN / (LOSS) 2016	FAIR VALUE 2016	REVALUATION GAIN / (LOSS) 2015	FAIR VALUE 2015
Retail	1	37	1	35
Office	13	184	12	189
Hospitality & Hotels	0	43	6	38
Other	5	55	-1	54
Total	**19**	**319**	**18**	**316**

OTHER EUROPE [13]

HOTEL MARKETS IN CEE

The sub-prime crisis followed by the global economic meltdown pushed away investors that were historically interested in buying hotels in the region. These investors then started focusing largely at prime opportunities in key western European cities, eventually prime products in gateway cities of CEE region such as Prague, Warsaw or Budapest. The global economic market has during the past years shown signs of recovery from the most recent global financial crisis. The year 2014 was a strong year in terms of economic growth in the western world. Because of this growth, investors resurfaced in the hotel industry with a strong focus on the European market. The investment market gained momentum and from 2014 showed improvements in the number of transactions in the CEE region.

[13] Cushman & Wakefield

GROUP PORTFOLIO

Hotel portfolio became the third most important business sector in the Group. In 2016 the Group entered the Croatian market by extensive acquisitions of Hvar hotels. From its perspective the Group regards investment into seaside resorts as a contribution to effectively diversify the asset portfolio. The Croatian tourism market is experiencing a boom as demand by people of Western Europe jumped in 2016 to a new historic record (by tourist arrivals and tourist nights). Without any external shocks, the trend will undoubtedly continue continue to sustain high levels of growth as tourist infrastructure develops rapidly through massive investment.

SUMMARY OF THE OTHER[14] EUROPE PORTFOLIO

OTHER EUROPE	REVALUATION GAIN / (LOSS) 2016	FAIR VALUE 2016	REVALUATION GAIN / (LOSS) 2015	FAIR VALUE 2015
Retail	-10	124	-9	124
Office	2	89	0	58
Hospitality & Hotels	3	252	5	84
Other	-22	386	0	290
Total	**-27**	**851**	**-4**	**556**

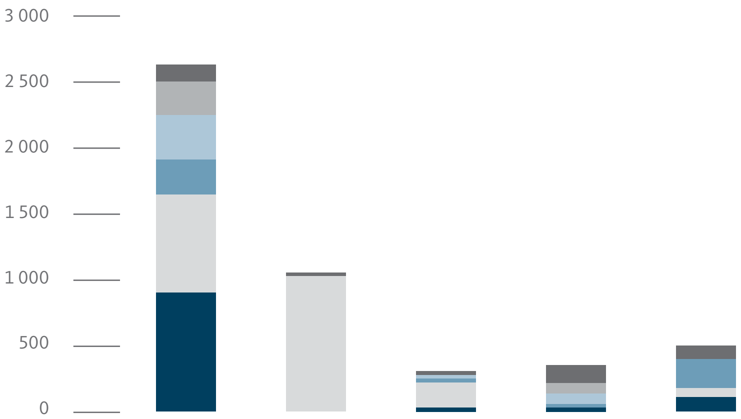
[14] includes France, Switzerland, Poland, Slovakia, Croatia, Luxembourg, Italy, Russia

PORTFOLIO SEGMENTS

PROPERTY PORTFOLIO SEGMENTS

The Group property portfolio value total of EUR 4 865 million as of 31 December 2016 (2015: EUR 3 822 million). The majority of assets is based in Czechia with 54% of the total value, followed by Germany with 22% and Hungary with 7%. The rest of the portfolio is located in Poland, Slovakia, Croatia, France etc. As shown in the chart below our core assets come from Office (42%) and Retail (22%) segments. In 2016 our Hospitality&Hotels segment strengthened its position and with a 12% share became the essential means of asset diversification. Other Group segments segments include Agriculture, Industry and Logistics and Mountain Resorts.

PROPETY PORTFOLIO BY COUNTRIES AND SEGMENTS (MEUR)



	CZECHIA	GERMANY	HUNGARY	OTHER WESTERN EUROPE	OTHER CEE	TOTAL	SHARE (%)
OFFICE	712	1 032	184	23	66	**2 017**	42%
RETAIL	919	0	37	0	124	**1 080**	22%
HOSPITALITY & HOTELS	289	0	43	38	214	**584**	12%
LAND BANK & DEVELOPMENT	321	7	33	83	12	**456**	9%
RESIDENTIAL	287	0	0	103	0	**390**	8%
OTHER SEGMENTS	119	9	22	117	71	**338**	7%
TOTAL	**2 647**	**1 048**	**319**	**364**	**487**	**4 865**	100%
SHARE (%)	54%	22%	7%	7%	10%	100%	--


BB Centrum, Prague
OFFICE

OFFICE

KEY FIGURES DECEMBER 2016

87.4 %
OCCUPANCY

MEUR
106
RENTAL INCOME 2016

SQM
1 299 000
GROSS LETTABLE AREA

82
NUMBER OF PROPERTIES

MEUR
2 017
CARRYING VALUE

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

	OFFICE 2016					OFFICE 2015				
	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %
GERMANY	44	1 032	51%	815	86.1%	44	680	43%	814	81.8%
CZECHIA*	27	712	35%	326	94.8%	33	640	41%	239	91.6%
HUNGARY	6	184	9%	119	77.2%	8	189	12%	136	70.3%
POLAND	3	59	3%	27	88.3%	2	49	3%	26	84.1%
LUXEMBOURG*	1	23	1%	8	86.9%	--	--	--	--	--
SLOVAKIA	1	7	1%	4	61.0%	1	9	1%	4	65.3%
THE GROUP	**82**	**2 017**	**100%**	**1 299**	**87.4%**	**88**	**1 567**	**100%**	**1 273**	**82.8%**

* Assets held for sale included

OCCUPANCY OVER 87% ON GROUP LEVEL.
IN BERLIN OCCUPANCY ROSE BY 5 PERCENTAGE POINTS IN 2016.

FNZ ONE OF THE LEADING COMPANIES PROVIDING TECHNOLOGY FOR FINANCIAL ASSET MANAGEMENT ESTABLISHED ITS LARGEST WORLDWIDE BRANCH OF OVER 450 EMPLOYEES IN OUR BRNO OFFICES.

Office portfolio is one of the leading segments in the Group portfolio. The office property is spread evenly between major office locations and strong regional economic centres in Germany, Czechia, Poland and other CEE countries. The occupancy rates are gradually rising and approaching 90% at the Group level.

The most notable acquisitions were two office properties in the centre of Prague, Czechia with a total value of EUR 65 million; the other is Capellen Office Building in Luxembourg with a value of EUR 24 million.

In addition to the extension of the portfolio, the Group has entered into many new rental contracts with the tenants and extended a number of current rental contracts. The Group was particularly successful in Germany with the extension and closure of new lease agreements with tenants from several industry sectors such as IT, manufacturing and marketing companies. There was an extension of contracts with tenants, Citibank and Magyar Posta in Hungary.

AMONG OTHER PROPERTIES, THE OFFICE PORTFOLIO INCLUDES:

QUADRIO, PRAGUE, CZECHIA

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

GSG-HOF HELMHOLTZSTRAßE, BERLIN, GERMANY

Located where OSRAM once produced the world-famous light bulbs, young and innovative companies can be found today. The renovated GSG-HOF is situated in Campus Charlottenburg with its internationally significant research facilities. Office space, factory loft or commercial space – the areas offered ranges from 70 sqm for offices to about 730 sqm for commercial space. Companies from the business fields of telematics and IT application can move into office rooms at the "European Telematics Factory".

CENTRAL TOWER, WARSAW, POLAND

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

ARENA CORNER, BUDAPEST, HUNGARY

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

LUXEMBOURG PLAZA, PRAGUE, CZECHIA

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

Olympia shopping centre, Mladá Boleslav

RETAIL

RETAIL

KEY FIGURES DECEMBER 2016

91.7%
OCCUPANCY

MEUR
73
RENTAL INCOME 2016

SQM
742 000
GROSS LETTABLE AREA

274
NUMBER OF PROPERTIES

MEUR
1 080
CARRYING VALUE

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 operates at high occupancy rates. The Group currently owns and manages retail spaces in Czechia, Slovakia, Hungary and Poland.

	RETAIL 2016					RETAIL 2015				
	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %
CZECHIA	251	919	85%	602	93.4%	243	805	84%	553	92.9%
SLOVAKIA	17	103	10%	90	81.3%	16	105	11%	83	99.9%
HUNGARY	4	37	3%	40	87.7%	4	35	4%	40	94.2%
POLAND	2	21	2%	10	95.2%	1	19	2%	8	94.3%
THE GROUP	**274**	**1 080**	**100%**	**742**	**91.7%**	**264**	**964**	**100%**	**684**	**93.9%**

The portfolio constantly maintains a high occupancy rate of well above 90%. Retail property in the core Czech market continues to advance its occupancy rates which reflect the impressive macroeconomic environment alongside solid retail market stability which in turn increase the confidence and interest of international retail brands. The Slovak portfolio performance was temporarily hit by the exit of TERNO brand but overall performance of Slovak assets is gradually recovering towards standard vacancy rates.

Retail portfolio provides about 742 000 sqm of lettable area which can be further divided as follows:

- Retail warehouse which comprise supermarkets, hypermarkets, hobby markets and retail parks of about 421 000 sqm of lettable area;
- Shopping centres and Galleries of about 202 000 sqm of lettable area;
- Special properties provide approximately 119 000 sqm of lettable area.

NEW ASSET: BONDY

LOCATION: MLADÁ BOLESLAV, CZECHIA

GLA: 16 800 SQM

OCCUPANCY: 99.5%

The Group has obtained another important asset in the retail sector by the acquisition of Bondy, the largest shopping centre in the city of Mladá Boleslav. The acquisition of the shopping centre Bondy ideally suits the Group portfolio of high quality shopping centres in attractive locations with stable tenants. The shopping centre Bondy with a total leasable area of 16 800 sqm and 80 store units has greatly expanded the CPI Property Group's network of shopping complexes. The Bondy centre includes popular brand name shops, a food court and multi-plex cinema in addition to the 400 capacity carpark available to visitors. The building also includes a 2 800 sqm leasable office area.

In 2016 the Group continued the expansion of the retail segment. The Group acquired Géčko shopping centre in České Budějovice, Czechia. The shopping centre with 11 150 sqm of leasable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The acquisition, structured as a share transaction, was completed in March 2016.

Excluding the tenants of the portfolio's new premises, the Group has entered into a number of new leases with existing tenants and extended a number of current rental contracts. Among the new tenants reside companies such as Kaufland. Current rental contracts were extended with tenants such as Billa.

Pharos, Hvar Bay Hill Hotel

HOSPITALITY & HOTELS

HOSPITALITY & HOTELS

KEY FIGURES DECEMBER 2016

34 NUMBER OF PROPERTIES	MEUR **584** CARRYING VALUE	
MEUR **70** RENEVUES 2016	**11 278** NUMBER OF BEDS	MEUR **14** RENTAL INCOME 2016

The Group is one of the largest Czech owners and developers of hotels. The hotel portfolio has grown and currently includes 34 hotels of which 33 hotels are operated by the Group and 1 hotel is leased to an outside operator. The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five star category. These hotels are located in capitals and major cities of Czechia, Hungary, Poland and Italy. The flagship of the Group is a network of four-star Clarion hotels aimed at the corporate and congress clientele.

In 2016, The Group acquired Sunčani Hvar Hotels, a hotel group on Croatia's premier island Hvar. Hvar is one of the most beautiful islands of the Mediterranean, its hillsides are covered in pine forests, with vineyards, olive groves, fruit orchards and lavender fields in the agricultural areas and its climate is characterized by mild winters, and warm summers with many hours of sunshine.

	HOSPITALITY & HOTELS 2016						HOSPITALITY & HOTELS 2015					
	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Number of beds	Average occupancy %	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Number of beds	Average occupancy %
CZECHIA*	19	289	50%	188	7 828	63.1%	20	278	69%	193	8 527	75.0%
CROATIA	7	168	29%	309	1 646	76.1%	--	--	--	--	--	--
HUNGARY	4	43	7%	16	788	82.4%	4	38	10%	16	788	74.8%
ITALY	1	38	7%	19	634	N/A**	1	36	9%	19	634	N/A**
RUSSIA	1	26	4%	1	168	78.8%	2	22	6%	9	214	54.0%
POLAND	2	20	3%	9	214	84.7%	1	26	6%	1	168	78.8%
THE GROUP	**34**	**584**	**100%**	**542**	**11 278**	**71.8%**	**28**	**400**	**100%**	**238**	**10 331**	**74.1%**

* Assets held for sale included
** Hotel in Italy is operated by third party

AMONG THE MAJOR HOTELS OF HOSPITALITY & HOTELS PORTFOLIO BELONGS:

MARRIOTT COURTYARD HOTEL BUDAPEST

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

MAMAISON HOTEL RIVERSIDE PRAGUE

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

IMPERIAL HOTEL OSTRAVA

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

MAMAISON RESIDENCE BELGICKÁ PRAGUE

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

CLARION CONGRESS HOTEL PRAGUE

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

AMFORA HVAR GRAND BEACH RESORT

The large 324 bedroom hotel is located on a sloping site, in a bay west of Hvar. The hotel's guest accommodation is based in east, west and north wings extending from a central amenities core, all arranged over 5 floors. To the south of this complex between the hotel and the beach is a large terrace with swimming pool and leisure facilities. A beach lies to the south of this complex, with access to a beachfront bar/restaurant. The hotel dates back to the 1960s, although parts were added in the 1980s. The conference centre and private beach were recently refurbished.

RIVA HVAR YACHT HARBOUR HOTEL

The hotel is well-located within the town of Hvar, on the west of Hvar Harbour. The waterfront hotel has an attractive original stone facade in the traditional style of Hvar architecture. The hotel previously traded as the two-star Hotel Slavija, however following EUR 5.3 million renovation works in 2005/6, the hotel re-opened as Hotel Riva in June 2006. Hotel Riva was Croatia's first member of Small Luxury Hotels of the World. The 2 555 sqm hotel is arranged over ground and three upper floors and is decorated internally in a contemporary style. It has 54 guestrooms, ranging from 18-50 sqm.

PHAROS HVAR BAY HILL HOTEL

This hotel is situated in a hilltop location, occupying a site of 15 322 sqm, surrounded by olive groves and providing excellent sea views. The property is located to the west of Adriana and Delfin hotels, while east of Amfora, in a raised location, but yet within a short walk to the town centre. The Pharos hotel is arranged across five separate accommodation blocks with a central reception and amenity block. There are 197 standard bedrooms, including 11 family bedrooms.

THE PALACE HVAR HOTEL

The hotel is situated to the north of Hvar Harbour, set back from the quayside. The hotel is physically connected and set behind a Venetian clock tower and loggia, which is owned by the City of Hvar local authority and used for all town hall purposes. The hotel entrance therefore has an exclusive feel, accessed from the harbour/town square. The Hotel Palace is a prominent and historic property which opened in 1903 as Hvar's first hotel. The main access is located adjacent to the loggia, up some marble steps. The hotel also has direct access through the loggia, which is owned by the municipality and can be used with the town hall's permission for events. The hotel is of 3 star quality, measuring over 4 058 sqm and arranged over basement, ground and four upper floors. The 73 bedrooms vary in size and outlook, with the front facing rooms enjoying views over the harbour and town square which can command a premium price.

Palais Maeterlinck, Nice

RESIDENTIAL

RESIDENTIAL

KEY FIGURES DECEMBER 2016

88.5%
OCCUPANCY

MEUR
19
RENTAL INCOME 2016

12 396
NUMBER OF RESIDENTIAL UNITS

MEUR
390
CARRYING VALUE

SQM
724 000
GROSS LETTABLE AREA

The Group is a significant player in the Czech residential housing market holding the position of the second largest provider of rental housing. The existing housing stock of the Group includes 12 383 rental flats in 15 cities across Czechia, principally concentrated in the Northern Moravia and the Northern and Central Bohemia regions. The rental housing portfolio is managed under the brand CPI BYTY, a.s.

The residential strategy continues to be the long-term rent of its portfolio supported through client's central networks and skilled professionals employed by the company. In all cities where CPI BYTY, a.s. operates, an internal property and sales department can be found.

	RESIDENTIAL 2016					RESIDENTIAL 2015				
	No. of residential units	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	No. of residential units	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %
CZECHIA-PRAGUE	484	51	13%	30	88.6%	500	44	16%	31	98.0%
CZECHIA-OTHER	11 899	236	60%	688	85.7%	11 980	229	83%	727	83.0%
FRANCE	13	103	27%	6	23%	3	3	1%	0	100.0%
THE GROUP	**12 396**	**390**	**100%**	**724**	**85.8%**	**12 483**	**276**	**100%**	**758**	**83.2%**

In November 2016, the Group acquired a number of luxury residential projects located near Nice, France. Each of the luxury properties has potential for leasing and/or redevelopment and further disposal. This investment perfectly fits the Group's portfolio along with other luxury projects such as Palais Maeterlinck in Nice, Porto Cervo villas in Sardinia and Crans-Montana portfolio in Switzerland.

IGY shopping centre, České Budějovice

DEVELOPMENT & LAND BANK

DEVELOPMENT & LAND BANK

KEY FIGURES DECEMBER 2016

SQM	SQM	SQM
19.5 million	**7 000**	**35 000**
TOTAL AREA	POTENTIAL GROSS LEASABLE AREA	POTENTIAL GROSS SALEABLE AREA

MEUR	MEUR	MEUR
354	**7**	**95**
CARRYING VALUE LAND BANK AREA	DEVELOPMENT FOR RENTAL	DEVELOPMENT FOR SALE

The land bank portfolio consists of land properties acquired and held by the Group for future development. After the works on a development project are commenced, the area is presented either as for future sale (Potential gross saleable area) or as for future rental (Potential gross leasable area).

	LAND BANK 2016		LAND BANK 2015	
	Total area thds. sqm	Carrying value MEUR	Total area thds. sqm	Carrying value MEUR
CZECHIA	19 079	302	17 379	159
GERMANY	13	7	13	7
HUNGARRY	131	33	168	38
POLAND	39	4	25	4
ROMANIA*	300	8	302	16
THE GROUP	**19 562**	**354**	**17 905**	**224**

* Assets held for sale included

	DEVELOPMENT 2016				DEVELOPMENT 2015			
	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale
CZECHIA	7	1	7	12	7	1	3	0
ITALY	0	31	0	9	0	31	0	6
FRANCE	0	3	0	74	0	3	0	77
THE GROUP	**7**	**35**	**7**	**95**	**7**	**34**	**3**	**83**

LAND BANK

Following the acquisition of Orco Property Group in H1 2016, the Group acquired an extensive land portfolio, in particular: Bubny Praha 7, Zbrojovka Brno, Klíčov land with carrying value in total amounting to EUR 225 million.

Land bank is comprised of an extensive portfolio of land plots throughout Czechia, 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 with their value continuing to increase with the growth of surrounding infrastructure. Out of the total plots area, approximately 8% are with zoning.

The Group sold 27 000 sqm of land bank representing selected projects in Hungary, which was unsuited to the corporate business strategy.

DEVELOPMENT PROJECT: IGY2

LOCATION: ČESKÉ BUDĚJOVICE, CZECHIA

TIC: EUR 14 MILLION

GLA: 8 000 SQM

PRE-LETTING: 87%

EXPECTED DELIVERY: NOVEMBER 2017

DEVELOPMENT

The Group views development as a mean of increasing the value of land and other assets by new construction. These assets will remain in the Group's portfolio as yielding property or are planned for future sale. Development projects are financed from external financing sources as well as via internal financing.

The largest focus is on the completion of current development projects – the reconstruction of the existing IGY shopping centre in České Budějovice, construction of the new building IGY2 as well as projects in France and Italy.

The extension of the IGY shopping centre is one of only three similar development projects to be delivered on the Czech market in 2017. The purpose of reconstruction is to bring a wider range of services, shops and entertainment with the most modern technologies including a nine screen multiplex cinema for our tenants and customers. Refurbishment of the current phase will deliver a unique building façade, refurbishment of the interiors, food court relocation, clear navigation system and modern furniture. New IGY (IGY1 + IGY2) with a total leasable area of 29 000 sqm will become the largest and most dominant shopping centre in both České Budějovice and the South Bohemian region. Development finalisation is planned at the end of 2017.

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 total area comprises of approximately 6 000 sqm of residential area and 3 hectares of land. Reconstruction enabled the creation of luxurious apartments, which are intended for sale.

Airport City Logistic Park, Budapest

OTHER SEGMENTS

INDUSTRY AND LOGISTICS

KEY FIGURES DECEMBER 2016

96.0%
OCCUPANCY

MEUR
12
RENTAL INCOME 2016

SQM
298 000
GROSS LETTABLE AREA

19
NUMBER OF PROPERTIES

MEUR
144
CARRYING VALUE

The Group currently owns 298 000 sqm of rental space and manages 19 objects used for light industrial production, including Airport City Logistics Park in Hungary.

	INDUSTRY AND LOGISTICS 2016					INDUSTRY AND LOGISTICS 2015				
	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	No. of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %
CZECHIA	13	41	29%	89	91.5%	12	37	25%	65	90.1%
SLOVAKIA*	1	72	49%	119	99.0%	1	84	58%	119	98.3%
GERMANY	1	9	7%	52	100.0%	1	7	5%	52	100.0%
HUNGARY	4	22	15%	38	91.2%	3	16	11%	27	86.5%
THE GROUP	**19**	**144**	**100%**	**298**	**96.0%**	**17**	**144**	**100%**	**263**	**95.4%**

* Assets held for sale included

During 2016 the Group acquired industrial park in Stříbro, Czechia. In addition, a new production hall has been completed in Brandýs, Czechia which enables our tenant Continental to expand its production and optimize its logistic processes.

AGRICULTURE

KEY FIGURES DECEMBER 2016

SQM
232 million
TOTAL AREA

MEUR
6
NET INCOME FROM AGRICULTURE

MEUR
78
CARRYING VALUE

MEUR
13
REVENUE FROM AGRICULTURE

The expansion into the agricultural business was an important move for the Group, as a good means for diversification of asset portfolio and as farmland is seen as one of the safest investments in property with a high potential for growth in value.

	AGRICULTURE 2016					AGRICULTURE 2015				
	Total area thds. sqm	Carrying value MEUR	Income from subsidies MEUR	Revenue from production MEUR	Net income from agriculture MEUR	Total area thds. sqm	Carrying value MEUR	Income from subsidies MEUR	Revenue from production MEUR	Net income from agriculture MEUR
CZECHIA 	231 774	78	8	9	6	230 770	61	8	7	4
THE GROUP	**231 774**	**78**	**8**	**9**	**6**	**230 770**	**61**	**8**	**7**	**4**

The agriculture portfolio was acquired during the 2014 acquisition of Spojené Farmy group ("Farmy") which is one of the largest owners of farmland and producers of high-quality organic food in Czechia. The portfolio includes over 11 600 hectares of land with a total value of EUR 70 million and production farms and equipment used for EUR 12 million of agriculture production. In addition to its own portfolio, Farmy operates 11 500 hectares of land leased outside of the Group. The agriculture business receives subsidies, which are provided by national funds and European Union funds.

MOUNTAIN RESORTS

KEY FIGURES DECEMBER 2016

1
NUMBER OF PROPERTIES

MEUR
116
CARRYING VALUE

MEUR
17
REVENUES

The Group operates Crans-Montana ski resort in Switzerland, in southwestern Switzerland, in the heart of the Swiss Alps in the French speaking canton of Valais. It is considered one of top Swiss resorts, together with Davos, St. Moritz, Verbier, and Zermatt.

The property comprises a Swiss entity holding and operating cable cars in the Crans-Montana ski resort and a Swiss entity holding certain real estate and rights to develop a hi-end hotel complex including spa, congress centre, shopping and entertainment areas as well as parking in Crans-Montana.

In 2016 the Group strengthened capital position in the Company holding Swiss assets and increased its equity by CHF 50 million (EUR 46 million). Moreover the Group invested more than CHF 40 million (EUR 37 million) into luxurious restaurant and ski lift accessories.

	MOUNTAIN RESORTS 2016				MOUNTAIN RESORTS 2015			
	No. of properties	Carrying value MEUR	Carrying value %	Net operating income	No. of properties	Carrying value MEUR	Carrying value %	Net operating income *
SWITZERLAND 	1	116	100%	0.7	1	100	100%	-0.6
THE GROUP	**1**	**116**	**100%**	**0.7**	**1**	**100**	**100%**	**-0.6**

*The performance presented in the table above is for the last two months of 2015.

Česká pojišťovna, Headquarters II., Prague

FINANCING

FINANCING

There are two necessary conditions for a dynamically growing group to succeed in a highly competitive real estate sector: acquiring managing a portfolio of quality assets and access to and managing optimally structured capital. The Group perceives both conditions as an integral part of the business rather than two complementary operating segments.

The year 2016 was another year of intensive financing activity for the Group, both in project financing and on debt capital markets. The Group deployed the continuing low interest-rate environment in both reducing its cost of debt and enhancing repayment tenor. Cost of external debt was compressed significantly below 3.0 % while the weighted average tenor stood at 3.6 years at year-end 2016.

LEVERAGE DECLINES - SIGNIFICANTLY

The external financing as of year-end stood at EUR 2 640 million which represents an increase by EUR 236 million (+10%, 2015: EUR 2 404 million). Cash and cash equivalents increased by EUR 146 million to EUR 305 million as of 31 Dec 2016 (+92%, 2015: EUR 159 million). The property portfolio saw a sharp increase and reached EUR 4 865 million as at 31 Dec 2016 (+27%, 2015: EUR 3 822 million). All of the above along with a robust build-up of equity (see Highlights) has led to a rapid improvement in the Loan-to-Value ratio, which decreased to 48.0% (2015: 58.8%).

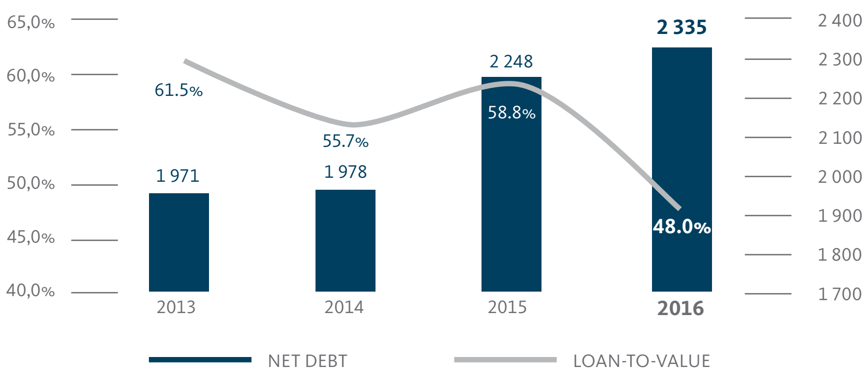
LOAN-TO-VALUE CALCULATION (MEUR)

LOAN -TO-VALUE*	31-Dec-16	31-Dec-15
Financial debts (non-current)	1 294	1 368
Financial debts (current)	639	324
Bonds issued (non-current)	657	656
Bonds issued (current)	50	59
Cash and cash equivalents	-305	-159
Net debt	2 335	2 248
Property Portfolio	4 865	3 822
Loan to value ratio in %	**48.0%**	**58.8%**

* Assets held for sale included

During the evolution analysis of Group's Loan-To-Value ratio over the period 2013-2016, a significant decline trend of the ratio during recent periods can be clearly seen. It clearly shows the Group's gradual progression in lowering cost per unit of property – through the effective management of the property portfolio with the growing performance of assets and optimisation of the Group's capital structure.

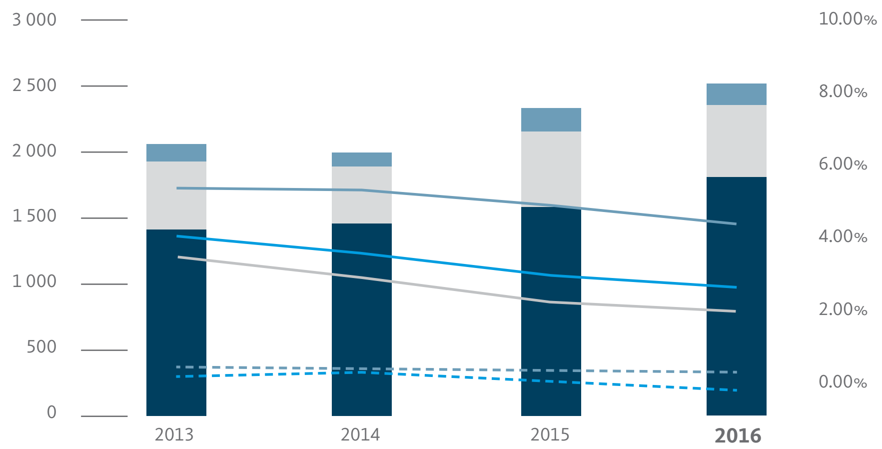
LOAN-TO-VALUE IN PERIOD 2013-2016



COST OF CAPITAL OPTIMISATION

The Group financing strategy focuses on establishing the most effective sources structure of external financing. This effort is reflected in the reduced cost of external capital over recent periods.

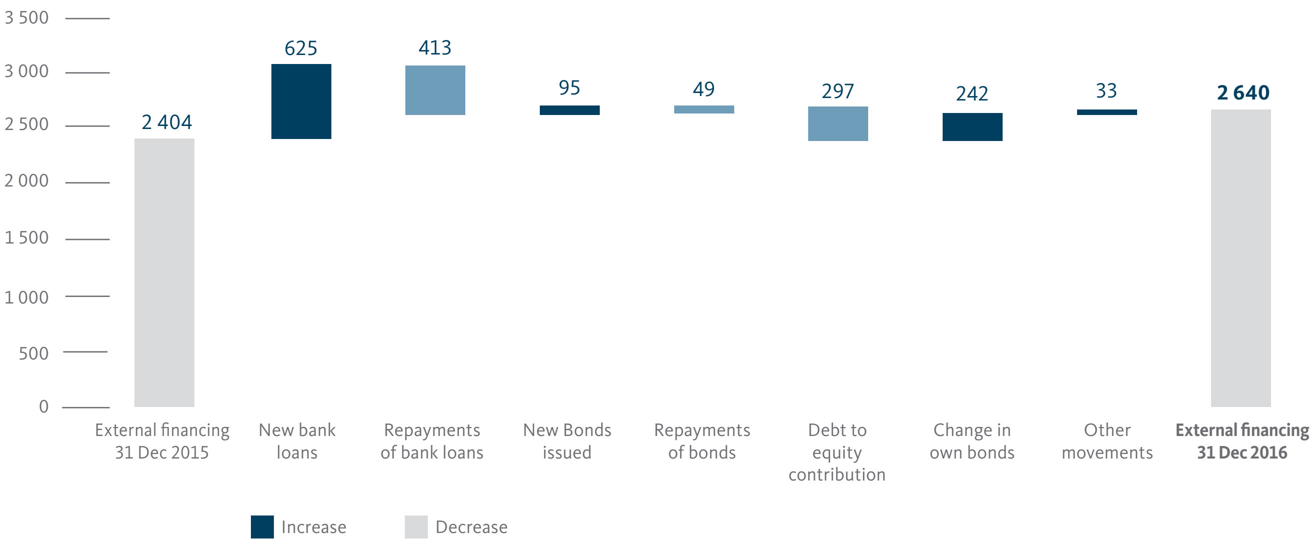
EXTERNAL DEBT - AVERAGE INTEREST RATES AND MARGIN



	2013	2014	2015	**2016**
PROJECT BONDS	120	159	160	**164**
CORPORATE BONDS	530	381	555	**543**
BANK LOANS	1 410	1 456	1 598	**1 829**
AVG. BANK LOAN INTEREST RATE	3.75%	3.14%	2.32%	**2.10%**
AVG. BOND INTEREST RATE	5.81%	5.80%	5.46%	**4.93%**
TOTAL AVERAGE INTEREST RATE	4.40%	3.86%	3.29%	**2.89%**
AVERAGE 3M EURIBOR	0.22%	0.21%	-0.02%	**-0.27%**
AVERAGE 3M PRIBOR	0.46%	0.36%	0.31%	**0.29%**

The average cost of external capital decreased from 4.40% in 2013 to 2.89% in 2016, of which bank loans decreased from 3.75% in 2013 to 2.10% in 2016. The monetary policies of European and Czech central banks cause the interest rates on financial markets to decrease in time. Despite this, the key reference interest rates remain on roughly the same levels (3M EURIBOR within -0.3% and -0.4% range and 3M PRIBOR around 0.3% during 2016) and the Group's average interest rate is steadily in decline. In particular, the difference between the average interest rate and reference interest rates (the "margin") is decreasing through the periods which generally demonstrates that the market appraises the Group's portfolio with gradually lower risk over time.

EXTERNAL FINANCING DURING 2016 IN DETAIL (MEUR)



The total volume of new financing and refinancing reached EUR 987 million in 2016, of which EUR 745 million represents newly raised or refinanced external debt and EUR 176 million represents financing acquired with the new portfolio. New drawings were compensated by bank loan repayments at EUR 438 million and repayment of bonds in amount of EUR 49 million.

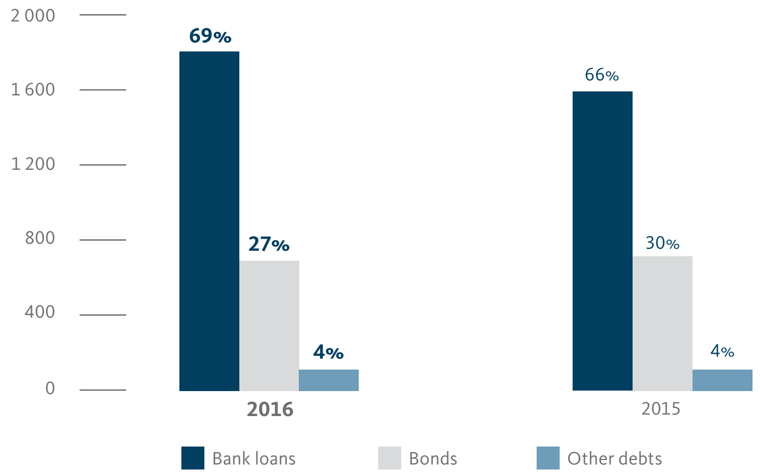
Despite the increase of 10% in the balance of external financing, interest expenses decreased by more than 4% to EUR 94 million in 2016 (2015: EUR 98 million) as a result of ongoing refinancing along with bank and bond debt at several levels in the corporate structure:

- During 2016, the Group refinanced more than EUR 400 million
- Principal 5 cases of refinancing include more than EUR 240 million of new debt and on average over 0.35% reduction of interest rate

STRUCTURE OF EXTERNAL FINANCING

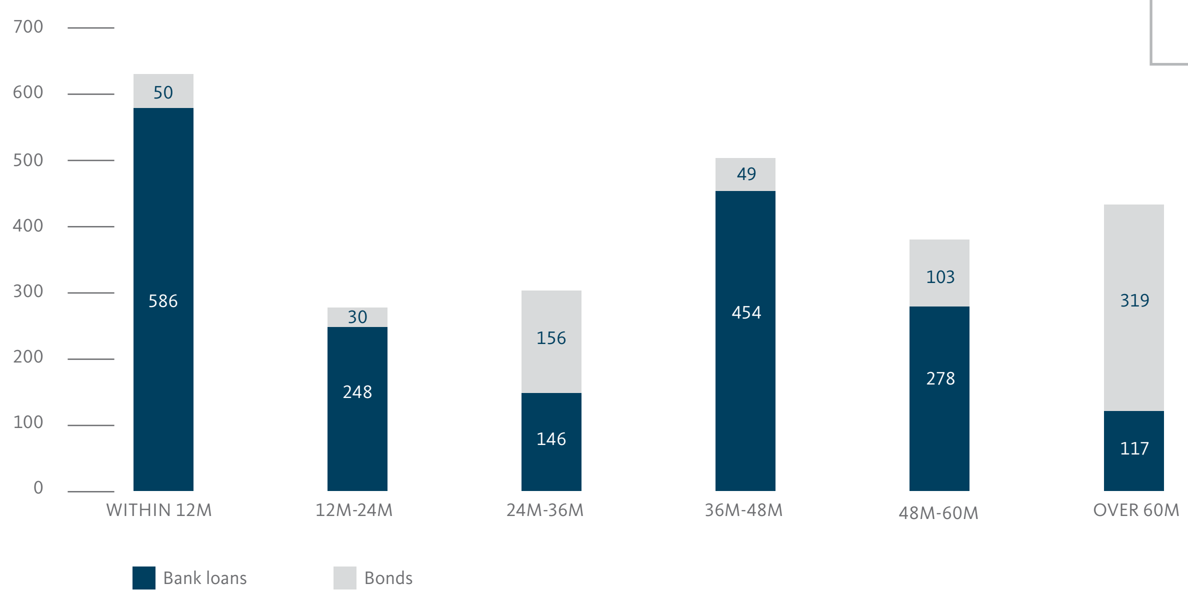
The external financing total of EUR 2 640 million as of 31 December 2016 (2015: EUR 2 404 million) of which financial debts represent EUR 1 933 million (2015: EUR 1 689 million) and issued bonds represent EUR 707 million (2015: EUR 715 million). The net interest expenses total EUR 83 million (2015: EUR 80 million). The external financing structure did not change compared to 31 December 2016 as bank loans and bonds represent 96% of the Group´s financing (2015: 96%).

STRUCTURE OF DEBT (MEUR)



The maturity profile of the Group's external financing as at 31 December 2016 is illustrated in the chart below:

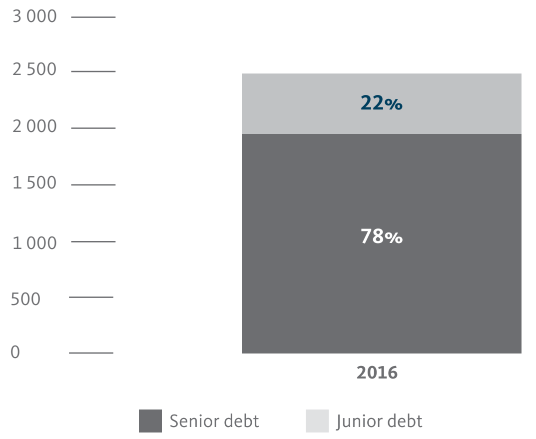
MATURITY PROFILE OF EXTERNAL FINANCING (MEUR)



The structure of external debt in 2016 has not significantly changed in comparison to 2015 as the debt with maturity within 5 years remained at relatively the equivalent level 82% (2015: 76%). Currently in 2017, the Group will undergo a thorough refinancing, the major part (EUR 280 million) of refinancing will take place in Berlin portfolio, which will once again lower the costs of external debt.

The Group focuses on senior financing; thus the majority of bank loans is drawn by the companies within the Group, which hold the respective real estate property. Specific companies use bonds as a secured financing. Unsecured financing is limited to corporate bonds and bank overdrafts mainly in the Group´s service entities.

SENIOR AND JUNIOR FINANCING (MEUR)



SENIOR BANK DEBT
1 820
MEUR

PROJECT BONDS
164
MEUR

JUNIOR BANK DEBT
9
MEUR

CORPORATE BONDS
543
MEUR

BANK LOANS

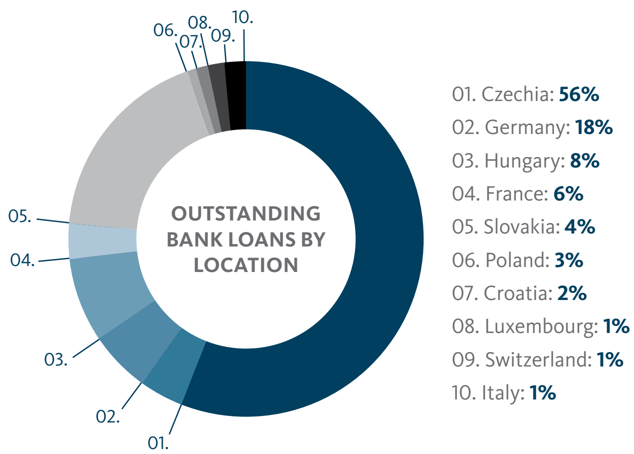
A significant component of the financial debts represent bank loans. The bank loans balance, including bank overdrafts and liabilities from assets held for sale which total EUR 1 829 million as of 31 December 2016 and compared of 31 December 2015 increased by EUR 232 million. The primary reasons of the upturn were as follows:

- loans acquired with new portfolio in a total value of EUR 181 million;
- new loans drawn in 2016 valued at EUR 444 million;

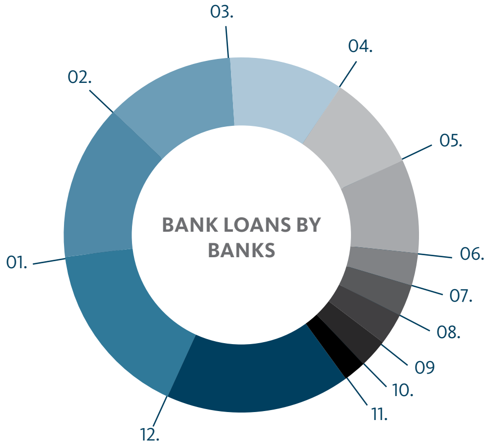
Further significant transitions include:

- loans repaid in 2016 valued at EUR 413 million;

A ratio of loans drawn in Czech crowns against loans drawn in Euro remains stable at the level of 34:66 as of 31 December 2016 (2015: 32:68). Effective costs of financing are 2.10 % p.a. (2015: 2.32% p.a.).



The Group benefits from long-term business relationships with a number of banks in the Czechia, Germany, France, Hungary 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.



01. UniCredit Group Bank: **17%**
02. Deutsche Genossenschafts-Hypothekenbank AG: **16%**
03. Československá obchodní banka: **12%**
04. Raiffeisenbank Group Bank: **10%**
05. Komerční banka: **9%**
06. Erste Group Bank: **8%**
07. Deutsche Pfandbriefbank AG: **3%**
08. Sberbank: **3%**
09. Barclays: **3%**
10. UBS Group AG: **3%**
11. Helaba Landesbank Hessen-Thüringen: **2%**
12. Other (21 various banks): **14%**

72% of outstanding bank loan balance (represented by EUR 1 317 million) is drawn from 6 financing bank groups; in total the Group cooperates with 32 banks.

BONDS

Bonds represent an additional source of the Group´s financing. During recent periods bonds have become a significant source of debt capital. Moreover, the Group now re-emits bonds and amends terms and conditions. Thus the costs of bonds per unit of capital decreases every year.

Bonds balance totals EUR 707 million as at 31 December 2016 (2015: EUR 715 million) and comprises of project bonds of EUR 164 million (2015: EUR 163 million) and corporate bonds of EUR 542 million (2015: EUR 552 million). Bonds bear an interest of EUR 36 million in 2016 (2015: EUR 49 million).

During 2016, the Group issued new ordinary shares in the total amount of EUR 505 million. By means of debt-to-equity contribution subscription price of EUR 297 million was paid.

In 2016, the Group issued the subsequent new bonds:

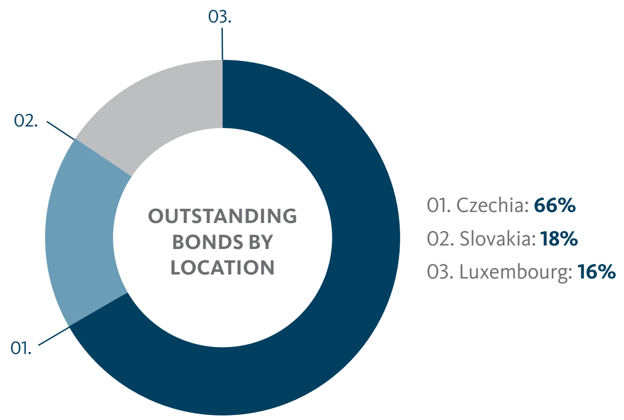
- corporate bonds in the total nominal value of EUR 50 million, with maturity in the year 2020, bearing a fixed interest of 5.00% p.a.
- corporate bonds in the total nominal value of EUR 45 million, with maturity in the year 2022, bearing a fixed interest of 5.00% p.a.

The Group repaid two emissions of bonds during 2016. On 23 March 2016, the Group prepaid CPI VAR/19 EUR (ISIN CZ0003501843) emission representing EUR 3 million. On 29 March 2016, the Group repaid CPI 6.05/16 (ISIN CZ0003510646) emission represented by nominal value of CZK 1 262 million (EUR 46 million) excluding accrued interest.

More than 55% of the bonds outstanding balance (EUR 387 million) provide unsecured financing, while the remaining represents bonds which are secured by a mortgage. Unsecured bonds are generally used as source of financing for current and future investment activities.

The significant volume of issued bonds (37% of the nominal balance) is held by other companies within the Group which provide a certain level of flexibility of financing the investment activities. Effective costs of financing are 4.93% p.a. (2015: 5.46% p.a.).

A ratio of bonds owned by third parties issued in Czech crowns against bonds owned by third parties issued in Euros is 66:34 as of 31 December 2016 (2015: 54:46).



More than 2/3 of bonds held by third parties (EUR 468 million) have been issued on the Czech capital market, of which EUR 164 million represent project financing. The rest of the bonds have been issued on the Luxembourg and Slovak capital markets, where both markets have roughly the same share.

Bonds with an outstanding balance of EUR 665 million (96%) were registered for trading on various European stock exchanges. Certain bonds are subject to covenants, which were all met as of 31 December 2016.


Rašínova, Brno

RESULTS AND NET ASSETS

RESULTS AND NET ASSETS

INCOME STATEMENT

Income statement for the period ended 31 December 2016 corresponds to the consolidated financial statements.

Income statement for the period ended 31 December 2016 is as follows:

MEUR	31-Dec-16	31-Dec-15
Gross rental revenue	226	218
Net service revenue	23	24
Property operating expenses	-42	-36
Net rental income	**207**	**206**
Net development income	**-2**	**2**
Hotel revenue	70	14
Hotel operating expenses	-42	-8
Net hotel income	**28**	**6**
Revenues from other business operations	30	18
Related operating expenses	-25	-13
Net income from other business operations	**5**	**5**
Total revenues	**351**	**284**
Total direct business operating expenses	**-113**	**-65**
Net business income	**238**	**219**
Net valuation gain or loss on investment property	394	45
Net gain or loss on disposals of assets	-1	18
Amortization, depreciation and impairments	-37	-23
Other operating income	74	7
Administrative expenses	-38	-37
Other operating expenses	2	-19
Operating result	**632**	**210**
Interest income	11	19
Interest expense	-94	-98
Other net financial result	-5	-6
Net finance income / (costs)	**-88**	**-85**
Profit before income tax	**544**	**125**
Income tax expense	-84	-36
Net profit for the period	**460**	89

NET RENTAL INCOME

Net rental income slightly increased by 1% to EUR 207 million in 2016 (2015: EUR 206 million). The positive impact of the increase in gross rental income of 4%, reflecting the improved property performance as well as the impact of the new acquisitions in late 2015 and during 2016, was compensated by higher property operating expenses which rose by EUR 6 million. The overall positive development in the real estate sector motivated the Group to invest more in repairs and maintenance costs to support the long-term value and marketability of the assets.

NET HOTEL INCOME

The substantial increase is attributable, primarily to the acquisition of Sunčani Hvar hotels portfolio in May 2016 and the acquisition of 100% share in CPI Hotels, a long-term business partner which operates 24 hotels owned by the Group, in August 2016.

NET INCOME FROM OTHER BUSINESS OPERATIONS

Net income from other business operations is represented by revenues from agriculture and mountain resorts. As the mountain resort was acquired in November 2015, the impact of its operations of EUR 17 million in 2016 represents the main driver of the substantial increase in the overall volume of related revenues and expenses.

NET VALUATION GAIN

The overall gain on revaluation of investment property totalling EUR 394 million was significantly contributed by Berlin's portfolio which soared by 51% (EUR 354 million). Its gain was driven primarily by the overall performance improvement of the projects as well as by improved assumptions (mainly on ERV and yields) retained by the external valuation experts.

OTHER OPERATING INCOME

The main reason for the increase in other operating income is represented by the gain on bargain purchase of EUR 66 million reflecting the acquisition of the Sunčani Hvar hotels portfolio.

OTHER OPERATING EXPENSES

The reduction in other operating expenses is directly attributable to the change in fair value by EUR 10 million of a contingent consideration that was recognised by the Group in 2015, reflecting the expected future settlement with the counterparty.

ADMINISTRATIVE EXPENSES

In spite of the Group's considerable business expansions and continuous growth, the volume of its administration expenses has remained almost on the same level as in 2015.

INTEREST EXPENSES

Despite the dramatic growth of the property portfolio, the Group was able to secure favourable conditions in refinancing its existing projects together with the financing of new acquisitions. This led to an overall decrease in interest expenses to EUR 94 million compared to EUR 98 million in 2015.

FUNDS FROM OPERATIONS (FFO)

In 2016 the Group generated EUR 103 million Funds from operations (FFO).

		31-Dec-16	31-Dec-15
Net profit for the period	**MEUR**	**460**	**89**
Deferred income tax	MEUR	71	29
Net valuation gain or loss on investment property	MEUR	-394	-45
Net valuation gain or loss on revaluation of derivatives	MEUR	0	-3
Net gain or loss on disposal of assets	MEUR	-1	-20
Amortization, depreciation and impairments	MEUR	37	26
Other non-recurring items	MEUR	-70	7
Funds from operations (FFO)	**MEUR**	**103**	**83**

BALANCE SHEET

Balance sheet as at 31 December 2016 corresponds to the consolidated financial statements.

MEUR	31-Dec-16	31-Dec-15
NON-CURRENT ASSETS		
Intangible assets and goodwill	117	73
Investment property	3 978	3 534
Property, plant and equipment	679	184
Deferrred tax asset	122	6
Other non-current assets	17	48
Total non-current assets	**4 913**	**3 845**
CURRENT ASSETS		
Inventories	98	85
Trade receivables	68	66
Cash and cash equivalents	304	159
Assets held for sale	124	26
Other current assets	155	142
Total current assets	**749**	**478**
TOTAL ASSETS	**5 662**	**4 323**
EQUITY		
Equity attributable to owners of the Company	2 259	1 317
Non controlling interests	30	21
Total equity	**2 289**	**1 338**
NON-CURRENT LIABILITIES		
Bonds issued	657	656
Financial debts	1 294	1 368
Deferred tax liabilities	504	410
Other non-current liabilities	38	41
Total non-current liabilities	**2 493**	**2 475**
CURRENT LIABILITIES		
Bonds issued	50	59
Financial debts	582	321
Trade payables	66	42
Liabilities linked to assets held for sale	59	3
Other current liabilities	123	85
Total current liabilities	**880**	**510**
TOTAL EQUITY AND LIABILITIES	**5 662**	**4 323**

TOTAL ASSETS AND TOTAL LIABILITIES

Total assets increased by EUR 1 339 million (31%) to EUR 5 662 million as at 31 December 2016. The increase is primarily connected with the increase in property portfolio which rose by EUR 1 043 million and increase in deferred tax assets by EUR 113 million that has been recognized by the Group.

Non-current and current liabilities total EUR 3 373 million as at 31 December which represents increase by EUR 388 million (13%) compared to 31 December 2015. Main driver of this increase was a growth in external financing as a result of this year acquisitions.

EQUITY (NET ASSETS VALUE)

Net assets value – NAV (total equity including non-controlling interest) totals EUR 2 729 million as at 31 December 2016 and compared to 31 December 2015 strongly rose by 58%. The issuances of the new shares and the robust profit in the period of 2016 represent the main contributor of the increase.

NET ASSET VALUE		31-Dec-16	31-Dec-15
Equity per the financial statements (NAV)	MEUR	2 259	1 317
Effect of exercise of options, convertibles and other equity interests	MEUR	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	MEUR	2 259	1 317
Revaluation of trading property and PPE	MEUR	4	29
Fair value of financial instruments	MEUR	15	17
Deferred tax on revaluations	MEUR	494	412
Goodwill as a result of deferred tax	MEUR	-43	-43
EPRA NAV	MEUR	**2 729**	1 732

Palais Maeterlinck, Nice

OUTLOOK

OUTLOOK

On the back of the Group's all-time strongest results, increased development and ever widening portfolio diversification, we look forward to strengthening our leading market position by taking advantage of the variable macro-economic environment where future acquisitions will be attainable.

The Group is anticipating to invest in strategic opportunities, continuing to demonstrate the delivery of attractive long-term returns. This in-turn, benefits and supports the development and co-ordination of an extensive property portfolio appropriately diversified by geography, sector, and property enterprise.

The Group intends to continue its increased expansion of its retail portfolio. The acquisition of the portfolio from two funds of CBRE Global Investors was finalised in March, 2017 upgrading our shopping centre portfolio over twofold. The construction and extension of the IGY shopping centre will be completed alongside further revitalisation plans of additional retail and office assets. We continue to make progress with Nová Zbrojovka in Brno, the Group's largest development project to date, alongside the commencement of further office, housing and luxury villa complexes across the region.

The endeavour of the Group is the generation of value for shareholders via the ownership, vigorous management and development of an unprecedented range of properties throughout Europe. The company looks to build upon its track record and recognised skills and wishes to intensify activities on dynamic, mixed-use retail properties. The company's priority remains the continued concentration on property portfolio investment encouraged by internal stability and a strong financial base.

Looking ahead, all indicators demonstrate a disposition towards a robust and prosperous year. Undeterred by expectations that 2017 will reveal movement in long-term interest rates, CPI Property Group has and will continue to invest, innovate and acclimate to the variable conditions and moreover to constitute the company as the forerunner and one of the largest representatives of the Central Eastern European real estate market.

Buddha-Bar Hotel, Prague

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

PRINCIPLES

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. The Company is dedicated to acting in the best interests of its shareholders and stakeholders.

The Company is committed to continual and progressive implementation of the industry's best practices with respect to the corporate governance and maintains to adjust and improve its internal practices in order to meet evolving standards. The Company aims to communicate regularly with its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

The Company follows the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules (https://www.bourse.lu/corporate-governance).

DESCRIPTION OF INTERNAL CONTROLS RELATIVE TO FINANCIAL INFORMATION PROCESSING

The Company has organised the management of internal control by the definition of control environment, the identification of the preeminent risks to which it is exposed together with the level of control of these risks, and strengthening the reliability of the financial reporting and communication process.

There is a limited and defined scope of power of attorneys granted.

The establishment of a senior internal auditor from the whose purpose is to strengthen the internal audit process of the Group.

For the annual closure, the Company's executive management members indicate any transactions they have carried out with the Company as "Related parties".

AUDIT COMMITTEE

The Audit Committee is comprised of the following members of the Board of Directors:

- Mr. Edward Hughes (the president);
- Mr. Philippe Magistretti;
- Mr. Tomáš Salajka.

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Company's reporting procedures by business lines, reviews risk factors and risk control procedures.

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE

The Remuneration and Related Party Transaction Committee (the "Remuneration Committee") is comprised of following people:

- Mr. Radovan Vítek;
- Mr. Martin Němeček;
- Mr. Edward Hughes.

The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programs to be offered to the management and the Directors of the Company. The Remuneration Committee also deals with related party transactions.

MANAGEMENT

MANAGEMENT

THE MEMBERS OF THE MANAGEMENT AS OF 31 DECEMBER 2016 ARE:

MARTIN NĚMEČEK

Chief Executive Officer

Mr. Martin Němeček, CEO of CPI Property Group, was appointed in March, 2014. Martin has recently led the acquisition and integration by CPI Property Group of Czech Property Investments. Before joining CPI Property Group, Martin was the Deputy CEO of CPI Group, where he was responsible for real estate acquisitions and the management of transactions with total values over €1.5 billion, including the Group's overseas expansion and the acquisition of Ablon and Endurance Fund. Martin also oversaw the bank project financing and legal affairs of CPI Group. From 2001 to 2011, he worked for the law firms, Salans (today Dentons), Linklaters and Kinstellar. Martin graduated from the Faculty of Law at Charles University in Prague and the University of Economics, Prague.

ZDENĚK HAVELKA

Executive Director

Mr. Zdeněk Havelka, Executive Director of CPI Property Group, was appointed in June, 2014. Before joining CPI Property Group, Zdeněk led CPI Group as CEO. He joined Czech Property Investments in 2002 as a senior accountant. Later, he was assigned to Chief Financial Officer. In 2005, he was nominated the Chief Executive Officer and his direct subordinates were the directors of the departments of internal audit, development, asset management, acquisitions, property management and operations. He was present during the most important milestones for the growth of the Group that has already expanded beyond the borders of Czechia. Zdeněk is a graduate of the Faculty of Agriculture, University of South Bohemia in České Budějovice.

TOMÁŠ SALAJKA

Director of Acquisitions, Asset Management & Sales

Mr. Tomáš Salajka, Director of Acquisitions, Asset Management & Sales of CPI Property Group, was appointed in June, 2014. Before joining CPI Property Group, Tomáš was the CEO of Orco Property Group and worked over the last 10 years for GE Real Estate Germany/CEE as Head of Asset Management & Sales CEE and previously for CSOB in Restructuring. He studied foreign trade at the University of Economics in Prague.

PAVEL MĚCHURA

Chief Financial Officer

Mr. Pavel Měchura, CFO of CPI Property Group, was appointed in June, 2014. Before joining the company, Pavel worked for almost 4 years for Czech Property Investments, firstly as an IFRS specialist, two years later, he became manager of IFRS and Analysis. In May 2014, he was appointed Chief Financial Officer and was responsible for the entire Czech Property Investment's accounting departments. 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 graduated from the Faculty of Economics at the Technical University of Liberec.

Quadrio, Prague

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Company is administered and supervised by the Board of Directors. The Board represents the collective shareholders and acts in the best interests of the Company. The Board of Directors meetings are held as often as deemed necessary or appropriate at the request of the Chairman. All members, and in particular the independent and non-executive members, are guided by the interests of the Company and its business, such interests include but are not limited to the interests of the Company's shareholders and employees.

The members of the Board of Directors are elected by the general meeting of shareholders for a period not exceeding six years. They are eligible for re-election and may be removed at any time, by a resolution adopted by a simple majority of votes of the general meeting of shareholders. The Directors may be either natural persons or legal entities. In the event of a vacancy on the Board of Directors, the remaining members may co-opt a new member. The Board of Directors has the following tasks and competencies, without such list being exhaustive:

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

As at 31 December 2016, the Board of Directors consisted of the following members:

- Edward Hughes, Chairman of the Board;
- Philippe Magistretti;
- Martin Němeček, Managing Director;
- Tomáš Salajka;
- Oliver Schlink; and
- Radovan Vítek.

The Board of Directors is comprised of:

- executive members representing the management of the Company: Martin Němeček, CEO, Tomáš Salajka, Director of Acquisitions, Asset Management & Sales, and Oliver Schlink, CFO of Company's subsidiary GSG Berlin;
- 2 independent, non-executive members: Philippe Magistretti and Edward Hughes; and
- non-executive member representing shareholders: Radovan Vítek.

The current Board members were appointed during the Company's annual general meeting of 2016 and their term expires at the annual general meeting of 2017 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2016.

Europeum, Budapest

OTHER REPORTING REQUIREMENTS

OTHER REPORTING REQUIREMENTS

SUBSEQUENT EVENTS

Please refer to Note 11 of the Consolidated Financial Statements as at 31 December 2016.

FINANCIAL RISKS EXPOSURE

For detail description of the principal risks and uncertainties, please refer to Note 2 Basis of Preparation of the Consolidated Financial Statements as at 31 December 2016.

REQUIRED INFORMATION

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

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

The share capital of the Company is represented by 7 795 617 846 ordinary shares of one class, out of which 230 056 445 shares (approximately 2.95% of the total number of shares), registered under ISIN code LU0251710041 are admitted to trading on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. The remaining 7 565 561 401 Company shares (approximately 97.05% of the total number of shares) are currently not listed and are non-tradeable on a regulated market.

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

There are no restrictions on the transfer of Company's securities. The 230 056 445 Company shares (approx. 2.95% of the total number of shares) registered under ISIN code LU0251710041 are admitted to trading on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. The remaining 7 565 561 401 Company shares (approx. 97.05% of the total number of shares) are currently not listed and not tradeable on a regulated market. There are no particular restrictions on the transfer of securities issued by the Company.

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

Based on the latest shareholders´ declarations received as at 31 December 2016, 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	6 946 037 846	89.10%
Others	756 404 549	9.70%
Treasury shares	93 175 451	1.20%
TOTAL	**7 795 617 846**	**100%**

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

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

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

The Company has no employee share scheme.

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

There are no restrictions on voting rights.

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

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

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

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

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

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

Please refer to the paragraph Board of Directors on page 79 of this Management report.

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

The Extraordinary General Meeting of the shareholders of the Company held on 26 May 2016 resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of one billion euro (EUR 1 000 000 000) for a period of five (5) years from 26 May 2016, which would authorise the issuance of up to ten billion (10 000 000 000) new ordinary shares. As at 31 December 2016, the authorised share capital of the Company amounts to EUR 747 214 674.10, which would authorize the issuance of up to 7 472 146 741 new ordinary shares.

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

Not applicable as of 31 December 2016.

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

Not applicable as of 31 December 2016.

DIRECTORS' COMPENSATION

Please refer to Note 10 of the Consolidated Financial Statements as at 31 December 2016.

OTHER INFORMATION

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

The Company does not have any branch.

GLOSSARY

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

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

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

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

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

GROSS SALEABLE AREA
Gross saleable area is the amount of floor space held by the Group with the intention to be sold. Gross saleable area is the area of property to be sold with a capital gain.

GROSS RENTAL INCOME
Gross rental income is the amount the Group collects in rent from its rental properties. It is one of the key figures by which the Group measures its performance.

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

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

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

FFO
FFO (Funds from operations) provides an indication of core recurring earnings. It assumes net income (computed in accordance with IFRS), excludes non-recurring (non-cash) items like gains (or losses) from sales of property and inventory, impact of derivatives revaluation and impairment transactions. Calculation excludes accounting adjustments for unconsolidated partnerships and joint ventures.

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

POTENTIAL GROSS LEASABLE AREA
Potential gross leasable area is the total amount of floor space and land area being developed which the Group is planning to rent after the development is complete.

POTENTIAL GROSS SALEABLE AREA
Potential gross saleable area is the total amount of floor space and land area being developed which the Group is planning to sell after the development is complete.

DECLARATION LETTER

ANNUAL FINANCIAL REPORT

AS AT 31 DECEMBER 2016

1.1. Person responsible for the Annual Financial Report

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

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

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

- the consolidated financial statements of the Company as at 31 December 2016, prepared in accordance with the International Accounting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company and its subsidiaries included in the consolidation taken as a whole;

- the separate financial statements of the Company as at 31 December 2016, prepared in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, give a true and fair view of the assets, liabilities, financial position and result of the Company; and

- the Management report as at 31 December 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. Martin Němeček.

Luxembourg, 31 March 2017

Mr. Martin Němeček
CEO & Managing Director

CPI PROPERTY GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	31 December 2016	31 December 2015
Gross rental revenue	5.1	225,809	217,787
Service revenue	5.1	9,113	13,609
Net service charge income	5.2	14,326	10,276
Property operating expenses	5.3	(41,935)	(35,599)
Net rental income		**207,313**	**206,073**
Development sales	5.4	2,170	10,022
Cost of goods sold	5.4	(1,627)	(7,533)
Development operating expenses	5.4	(2,332)	(160)
Net development income		**(1,789)**	**2,329**
Hotel revenue	5.5	69,898	13,867
Hotel operating expenses	5.5	(42,196)	(7,824)
Net hotel income		**27,702**	**6,043**
Revenue from other business operations	5.6	30,158	18,295
Cost of goods sold	5.6	(1,027)	(1,589)
Related operating expenses	5.6	(24,132)	(11,936)
Net income from other business operations		**4,999**	**4,770**
Total revenues		351,474	283,856
Total direct business operating expenses		(113,249)	(64,641)
Net business income		**238,225**	**219,215**
Net valuation gain	5.7	393,827	45,272
Net loss on the disposal of investment property	5.8	(2,571)	(414)
Net gain on disposal of subsidiaries and investees	5.9	1,615	18,224
Amortization, depreciation and impairments	5.10	(37,402)	(22,481)
Other operating income	5.11	74,392	6,820
Administrative expenses	5.12	(37,603)	(37,360)
Other operating expenses	5.13	1,923	(19,226)
Operating result		**632,406**	**210,050**
Interest income	5.14	10,564	18,815
Interest expense	5.15	(93,733)	(98,146)
Other net financial result	5.16	(5,394)	(6,125)
Net finance costs		**(88,563)**	**(85,456)**
Profit before income tax		**543,843**	**124,594**
Income tax expense	5.17	(84,341)	(35,390)
Net profit from continuing operations		**459,502**	**89,204**
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		(5,797)	32,466
Effective portion of changes in fair value of cash flow hedges		1,086	7,116
Income tax on other comprehensive expense		(5,095)	(1,291)
Revaluation of property, plant and equipment - hotels	6.3	30,181	--
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations		--	--
Other comprehensive income for the period, net of tax		20,375	38,291
Total comprehensive income for the year		**479,878**	**127,495**
Profit attributable to:			
Non controlling interests		**(10,815)**	**241**
Owners of the Company		**470,318**	**88,963**
Profit for the year		**459,502**	**89,204**
Total comprehensive income attributable to:			
Non controlling interests		**(10,603)**	**610**
Owners of the Company		**490,481**	**126,885**
Total comprehensive income for the year		**479,878**	**127,495**
Earnings per share			
Basic earnings in EUR per share	**6.13**	**0.09**	**0.03**
Diluted earnings in EUR per share		**0.09**	**0.03**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2016	31 December 2015
NON-CURRENT ASSETS			
Intangible assets and goodwill	6.1	117,091	73,319
Investment property	6.2	3,977,696	3,534,314
Property, plant and equipment	6.3	678,926	183,968
Hotels	6.3	*537,537*	--
Other property, plant and equipment	6.3	*141,389*	*183,968*
Biological Assets	6.4	2,004	2,042
Available-for-sale financial assets	6.5	599	497
Financial assets at fair value through profit or loss		--	1,125
Loans provided	6.6	14,264	31,247
Trade and other receivables	6.7	460	12,161
Deferred tax asset	5.17	122,314	6,169
Total non-current assets		**4,913,353**	**3,844,842**
CURRENT ASSETS			
Inventories	6.8	97,854	84,783
Biological Assets	6.4	4,193	4,231
Current income tax receivables		4,183	5,020
Available-for-sale financial assets	6.5	--	1,601
Trade receivables	6.7	68,291	65,964
Derivative instruments		--	5
Loans provided	6.6	35,136	95,023
Cash and cash equivalents	6.9	303,733	159,052
Other financial current assets	6.10	73,523	7,908
Other non-financial current assets	6.11	37,662	28,352
Assets held for sale	6.12	123,981	25,942
Total current assets		**748,556**	**477,881**
TOTAL ASSETS		**5,661,909**	**4,322,723**
EQUITY			
Equity attributable to owners of the Company	6.13	2,258,760	1,316,526
Non-controlling interests		29,707	21,553
Total equity		**2,288,467**	**1,338,079**
NON-CURRENT LIABILITIES			
Bonds issued	6.14	656,780	655,845
Financial debts	6.15	1,294,119	1,368,357
Derivative instruments	6.16	12,546	10,976
Deferred tax liabilities	5.17	503,619	410,379
Provisions	6.17	4,620	8,079
Other non-current liabilities	6.18	21,671	20,933
Total non-current liabilities		**2,493,354**	**2,474,569**
CURRENT LIABILITIES			
Bonds issued	6.14	50,101	59,482
Financial debts	6.15	582,284	321,133
Trade payables	6.19	65,718	42,341
Advance payments	6.20	72,702	48,885
Derivative instruments	6.16	2,809	6,313
Other financial current liabilities	6.21	24,394	14,052
Other non-financial current liabilities	6.22	23,480	14,896
Liabilities linked to assets held for sale	6.12	58,599	2,973
Total current liabilities		**880,088**	**510,075**
TOTAL EQUITY AND LIABILITIES		**5,661,909**	**4,322,723**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other reserves*	Retained earnings	Equity attributable to owners of the Company	Non controlling interests	Total equity
Balance at 1 January 2016		**275,308**	**1,085,445**	**(41,961)**	**5,845**	**(19,268)**	**197,766**	**(186,609)**	**1,316,526**	**21,553**	**1,338,079**
Comprehensive income:											
Profit /(loss) for the year		--	--	--	--	--	--	**470,318**	**470,318**	**(10,815)**	**459,502**
Total comprehensive income		--	--	(6,009)	--	--	--	--	(6,009)	212	(5,797)
Net changes in fair value of cash flow FX hedges		--	--	--	--	476	--	--	476	--	476
Related income tax on other comprehensive expense		--	--	--	--	(85)	--	--	(85)	--	(85)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	610	--	--	610	--	610
Related income tax on other comprehensive expense		--	--	--	--	(121)	--	--	(121)	--	(121)
Revaluation of property, plant and equipment		--	--	--	--	--	30,181	--	30,181	--	30,181
Related deferred tax effect		--	--	--	--	--	(4,889)	--	(4,889)	--	(4,889)
Total comprehensive income / (expense)		--	--	**(6,009)**	**--**	**880**	**25,293**	**--**	**20,163**	**212**	**20,375**
Total comprehensive income for the year		--	--	(6,009)	--	880	25,293	470,318	490,481	(10,603)	479,878
Contributions by and distributions to owners of the Company											
Capital increases	6.13	504,253	498	--	--	--	--	--	504,751	--	504,751
Acquisition of own shares	6.13	(15,913)	(43,037)	--	--	--	--	--	(58,951)	--	(58,951)
Sale of own shares	6.13	6,596	17,838	--	--	--	--	--	24,434	--	24,434
Effect of the acquisitions of subsidiaries under common control		--	--	--	--	--	--	(10,588)	(10,588)	--	(10,588)
Total contributions by and distributions to owners of the Company		**494,936**	**(24,701)**	--	--	--	**--**	**(10,588)**	**459,647**	--	**459,647**
Changes in ownership interests in subsidiaries											
Acquisition of subsidiaries with non-controlling interests		--	--	--	--	--	--	--	--	33,568	33,568
Transactions with NCI		--	--	--	--	--	--	(7,895)	(7,895)	(14,810)	(22,705)
Total changes in ownership interests in subsidiaries		--	--	--	--	--	--	(7,895)	(7,895)	18,757	10,863
Total transactions with owners of the Company		**494,936**	**(24,701)**	**--**	**--**	**--**	**--**	**(18,483)**	**451,752**	**18,757**	**470,508**
Balance at 31 December 2016		**770,245**	**1,060,744**	**(47,970)**	**5,845**	**(18,388)**	**223,058**	**265,226**	**2,258,760**	**29,707**	**2,288,467**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other reserves*	Retained earnings	Equity attributable to owners of the Company	Non controlling interests	Total equity
Balance at 1 January 2015		**330,377**	**1,371,877**	**(74,058)**	**5,845**	**(25,093)**	**197,766**	**(254,688)**	**1,552,026**	**6,782**	**1,558,808**
Comprehensive income:											
Profit for the year		**--**	**--**	--	--	--	--	88,963	88,963	241	89,204
Total comprehensive income		**--**	**--**	32,097	--	--	--	--	32,097	369	32,466
Net changes in fair value of cash flow FX hedges		--	--	--	--	7,286	--	--	7,286	--	7,286
Related income tax on other comprehensive expense		--	--	--	--	(1,325)	--	--	(1,325)	--	(1,325)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	(170)	--	--	(170)	--	(170)
Related income tax on other comprehensive expense		--	--	--	--	35	--	--	35	--	35
Total comprehensive income		--	--	32,097	--	5,825	--	--	37,922	369	38,291
Total comprehensive income for the year		--	--	**32,097**	**--**	**5,825**	**--**	**88,963**	**126,884**	**610**	**127,495**
Contributions by and distributions to owners of the Company											
Acquisition of own shares	6.13	(55,069)	(286,432)	--	--	--	--	--	(341,501)	--	(341,501)
Effect of the acquisitions of subsidiaries under common control		--	--	--	--	--	--	(27,215)	(27,215)	--	(27,215)
Total contributions by and distributions to owners of the Company		**(55,069)**	**(286,432)**	--	--	--	--	**(27,215)**	**(368,716)**	--	**(368,716)**
Changes in ownership interests in subsidiaries											
Acquisition of subsidiaries with non-controlling interests		--	--	--	--	--	--	--	--	18,812	18,812
Disposals of subsidiaries with non-controlling interests		--	--	--	--	--	--	--	--	1,682	1,682
Other changes in non-controlling interests		--	--	--	--	--	--	6,332	6,332	(6,332)	--
Total changes in ownership interests in subsidiaries		--	--	--	--	--	--	**6,332**	**6,332**	**14,161**	**20,494**
Total transactions with owners of the Company		**(55,069)**	**(286,432)**	--	--	--	**--**	**(20,883)**	**(362,384)**	**14,161**	**(348,223)**
Balance at 31 December 2015		**275,308**	**1,085,445**	**(41,961)**	**5,845**	**(19,268)**	**197,766**	**(186,609)**	**1,316,526**	**21,553**	**1,338,079**

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

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	31 December 2016	31 December 2015
PROFIT BEFORE INCOME TAX		**543,843**	**124,594**
Adjusted by:			
Net valuation gain on investment property	5.7	(393,827)	(45,272)
Gain on the disposal of investment property	5.8	2,571	414
Depreciation / amortization of tangible and intangible assets	5.10	17,918	5,710
Impairment of assets / Reversal of impairment of assets	5.10.1	19,484	16,771
Gain on the disposal of property, plant and equipment		--	303
Gain on the disposal of subsidiaries	5.9	(1,615)	(18,224)
Net finance costs	5.14, 5.15	82,788	59,986
Gain on bargain purchase	3.2	(66,651)	--
Exchange rate differences		(6,479)	12,021
Other non-cash adjustments		(779)	939
Profit before changes in working capital and provisions		**197,253**	**157,241**
(Increase) Decrease in inventories		(1,115)	874
Decrease in trade receivables		1,767	16,547
Decrease in trade payables		(52,234)	(27,700)
Increase (Decrease) in other liabilities		(4,046)	3,325
Income tax paid		(15,352)	(4,498)
NET CASH FROM OPERATING ACTIVITIES		**126,273**	**145,789**
Acquisition of subsidiaries, net of cash acquired		(236,178)	(72,628)
Acquisition of non-controlling interest		(22,705)	--
Acquisition of investment property		(48,827)	(40,640)
Expenditure on investment property under development		(2,658)	(4,974)
Proceeds from sale of investment property	5.8	22,219	12,752
Proceeds from sale of property, plant and equipment		453	856
Proceeds from disposals of subsidiaries, net of cash disposed	5.9	18,448	17,542
Cash out flow as result of subsidiary deconsolidation	3.8	--	(1,504)
Acquisition of property, plant and equipment		(41,501)	(8,186)
Acquisition of intangible assets		(1,037)	(1,781)
Acquisition of other investments		(111)	--
Proceeds from sale of other investments		1,601	--
Loans provided	6.6	(306,309)	(95,482)
Loans repaid	6.6	204,151	8,907
Interest received		10,989	5,142
NET CASH USED IN INVESTING ACTIVITIES		**(401,465)**	**(179,995)**
Proceeds from issue of share capital		238,021	--
Proceeds from bonds issued	6.14	346,642	469,148
Repayment of bonds issued	6.14	(64,899)	(440,827)
Interest paid		(88,839)	(83,727)
Drawings of loans and borrowings	6.15	590,352	445,385
Repayments of loans and borrowings	6.15	(599,248)	(305,294)
Drawings (repayment) of finance lease liabilities	6.15	(502)	424
NET CASH FROM FINANCING ACTIVITIES		**421,527**	**85,108**
NET INCREASE IN CASH		**146,335**	**50,902**
Cash and cash equivalents at the beginning of the year		159,052	108,172
Effect of movements is exchange rates on cash held		(3)	(22)
Less: Cash and cash equivalents reclassified to asset held for sale		(1,651)	--
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**303,733**	**159,052**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

CPI PROPERTY GROUP S.A. (hereinafter also the ”Company” or “CPI PG”, and together with its subsidiaries as the “Group”) is a real estate group founded in 2004 as ORCO Germany S.A.. Since its foundation it has been operating in Germany and concentrated mainly on commercial property, project development and asset management, principally in Berlin. With its subsidiary Gewerbesiedlungs-Gesellschaft (GSG), the Group is the largest lessor of commercial property in the Berlin area. After the incorporation into CPI in 2014, the Group has expanded into a number of CEE countries and significantly extended its curent Berlin portfolio.

The Group focuses on investment properties, realizes development potentials and offers full-service asset management for third parties.

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

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

Description of the ownership structure

As at 31 December 2016, Radovan Vítek indirectly owns 89.1% of CPI PROPERTY GROUP (90.18% voting rights).

For the list of shareholders as at 31 December 2016 refer to note 6.13.

Change in the Board of Directors and the management

Board of Directors

Board of Directors as at 31 December 2016
Chairman
Edward Hughes
CEO & Managing Director
Martin Němeček
Deputy CEO & Secretary of the Board of Directors
Tomáš Salajka

Members
Philippe Magistretti
Oliver Schlink
Radovan Vítek

Board of Directors as at 31 December 2015
Chairman
Edward Hughes
CEO & Managing Director
Martin Němeček
Deputy CEO & Secretary of the Board of Directors
Tomáš Salajka

Members
Philippe Magistretti
Oliver Schlink
Radovan Vítek

Change in the Board of Directors

The Annual General Meeting held on 26 May 2016 in Luxembourg resolved to re-appoint all Board members for another year, until the annual general meeting of 2017 concerning the approval of the annual accounts for the financial year ending 31 December 2016. No changes in the composition of the Board of Directors for 2016 have occurred.

The management

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

Employees

The Group 3,170 employees as at 31 December 2016 (2015 – 1,293 employees).
The significant employee's growth reflects the Group's expansion and extension of its investment properties and hotel portfolio. All of the above employees were engaged in the core business activities of the Group.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation of consolidated financial statements

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements were authorized for issue by the Board of Directors on 30 March 2017.

(b) New standards

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).
The nature and the impact of each new standard/amendment are described below:

- IAS 1, 'Presentation of Financial Statements' includes the following five, narrow-focus amendments to the disclosure requirements contained in the standard.

  "Materiality in IAS 1" has been amended to clarify that:

  - Immaterial information can detract from useful information.
  - Materiality applies to the whole of the financial statements.
  - Materiality applies to each disclosure requirement in an IFRS.

  "The order of the notes (including the accounting policies)" have been amended, to:

  - Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
  - Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

  These amendments have no impact on the Group´s financial statements and results for the financial year ending 31 December 2016.

- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' face are amended as follows:

  - *"Revenue-based depreciation banned for property, plant and equipment"* means that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  - *"New restrictive test for intangible assets"* deals with a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  These amendments have no impact on the Group´s results for the financial year ending 31 December 2016.

- IAS 16, ‘Property, Plant and Equipment‘ and IAS 41, ‘Agriculture‘ related amendments say that bearer plants being in the scope of IAS 16 instead of IAS 41, to reflect the fact that their operation is similar to that of manufacturing. These amendments to IAS 16, respectively to IAS 41 are effective for annual periods beginning on or after 1 January 2016.

  These amendments have no impact on the Group´s results for the financial year ending 31 December 2016.

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

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. It is very likely to affect the Group’s accounting treatment of financial instruments. The Group is yet to assess IFRS 9’s full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- IAS 12 'Income Taxes' amendments deals with the clarification of accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The entities would have to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the

reversal of that deductible temporary difference. The amendment was not yet endorsed by EU. The Group is yet to assess IAS 12's full impact.

- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 (standard not yet endorsed by EU) will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Group is currently assessing the impact of IFRS 16

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

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

Basis of measurement

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

- investment property is measured at fair values;
- property, plant and equipment, asset type Hotels, is measured at fair values;
- biological assets are measured at fair value less cost to sell;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro (EUR) has been rounded to the nearest thousand (TEUR), except when otherwise indicated. The functional currencies of other entities within the Group are listed in note 2.2(b).

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience, internal calculations and various other facts that the management believes to be reasonable under the circumstances. The actual result might differ from the estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 2.2(a) – Contingent consideration
- Note 2.2(c) – Classification of investment property

- Note 2.2(e) – Lease classification
- Note 2.2(m) – Commission revenue: determination of whether the Group acts as an agent in the transaction rather than as the principal

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:
- Note 2.3 – Valuation of investment property
- Note 2.3 – Valuation of biological assets
- Note 5.17 – Recognition of deferred tax assets - future utilization of carry forward tax losses
- Note 7 – Financial risk management
- Note 2.2(k) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs
- Note 2.2 (d) Investment property under construction

2.2 Significant accounting policies

Except for the changes described above in note 2.1(b) New standards, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The interest of non-controlling shareholders at the date of the business combination is generally recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value, unless the Group´s management has any other indicators about the non-controlling interest fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are scoped out from IFRS 3. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the financial statements of the acquire or at deemed costs if the local standards are different from IFRS adopted by EU. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

(iii) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.
Interests in associates and joint venture are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes transaction cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence is obtained until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Property asset acquisition

Transactions that are not in scope of IFRS 3 Business combinations due to the fact that the acquired company does not constitute of the business in accordance with the IFRS are accounted for as assets acquisition.

(b) Foreign currency

(i) Functional currencies

Functional currencies of the companies in the Group are the currency of the primary economic environment in which the entity operates and majority of its transactions are carried out in this currency.

Summary of countries and functional currencies:

Country	Functional currency
British Virgin Islands	EUR
Croatia	HRK
Cyprus	EUR
Czech Republic	CZK
France	EUR
Germany	EUR
Guernsey	EUR
Hungary	HUF
Ireland	EUR
Italy	EUR
Luxembourg	EUR or RUB
Malta	EUR
Monaco	EUR
Netherlands	EUR
Poland	PLN
Romania	RON
Russia	RUB
Slovak Republic	EUR
Switzerland	CHF

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in the other comprehensive income.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euros at the spot exchange rate at the date of the transaction.

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

The following exchange rates were used during translations:

Date	Closing exchange rate EUR/CZK	Average exchange rate EUR/CZK for the 12-month period
31 December 2016	0.037	0.037
31 December 2015	0.037	0.037
31 December 2014	0.036	0.036

Date	Closing exchange rate EUR/PLN	Average exchange rate EUR/PLN for the 12-month period
31 December 2016	0.227	0.229
31 December 2015	0.235	0.239
31 December 2014	0.234	0.239

Date	Closing exchange rate EUR/100 HUF	Average exchange rate EUR/100 HUF for the 12-month period
31 December 2016	0.323	0.321
31 December 2015	0.317	0.323
31 December 2014	0.317	0.324

Date	Closing exchange rate EUR/RON	Average exchange rate EUR/RON for the 12-month period
31 December 2016	0.220	0.223
31 December 2015	0.221	0.225
31 December 2014	0.223	0.225

Date	Closing exchange rate EUR/100 RUB	Average exchange rate EUR/100 RUB for the 12-month period
31 December 2016	1.555	1.355
31 December 2015	1.241	1.487
31 December 2014	1.382	1.992

Date	Closing exchange rate EUR/CHF	Average exchange rate EUR/CHF for the 12-month period
31 December 2016	0.931	0.917
31 December 2015	0.922	0.938

Date	Closing exchange rate EUR/HRK	Average exchange rate EUR/HRK for the period from 19 May 2016
31 December 2016	0.132	0.133

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

External independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2016 and 2015 respectively.

A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. The initial cost of a property interest held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease, i.e., the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy 2.2(o)(ii) .

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(d) Investment property under development

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

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

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy 2.2(o).

Property held under finance lease that meets the criteria of investment property is classified as such and is measured at fair value as described in accounting policy 2.2(c).

Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy 2.2(k)).

Leases other than finance leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's consolidated statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised in the Group's consolidated statement of financial position at its fair value. Lease payments are accounted for as described in accounting policy 2.2(o).

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured either at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 2.2(k)), or at revaluated amounts.

(ia) Hotels

Hotels from the Income generating rental properties operating segment, asset type hospitality, are stated at revalued amounts that are fair values based on appraisals prepared by external professional values each year or more frequently if maket factors indicate a material change in fair value. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated as follows:

- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Asset´s carrying value increase as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.
The decrease of asset´s carrying amount as a result of revaluation is recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

(ib) Other items of property, plant and equipment

Other tems of property, plant and equipment (except Hotels) are measured either the lower of cost less accumulated depreciation (see below) and impairment losses.
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, capitalised borrowing costs and an appropriate proportion of production overheads.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses the previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Assets	2016	2015
Property	30 – 50 years	30 – 50 years
Equipment	5 - 10 years	5 - 10 years
Motor vehicles	5 years	5 years
Fittings	3 - 5 years	3 - 5 years
Computers	3 years	3 years

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

(g) Intangible assets

(i) Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 2.2(a).

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is not amortised but is tested annually for impairment (see accounting policy 2.2(k)).

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortization (see (v) below) and accumulated impairment losses (see accounting policy 2.2(k)).

(iii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Trademarks

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

(v) Amortization

Except for goodwill and intangible assets with indefinite useful life, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.
The estimated useful lives for the current and comparative periods are as follows:

Assets	2016	2015
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

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

(h) Trading property - inventories

Trading property - inventories is measured at the lower of cost and net realisable value.
Cost includes expenditure that is directly attributable to the acquisition of the trading property - inventories. The cost of self-constructed trading property - inventories includes the cost of material and direct labour, any other costs directly attributable to bringing the trading property - inventories to a condition for their intended use and capitalised borrowing costs. Deemed costs of trading property – inventories reclassified from existing investment property is the fair value of such property.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(i) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss. The Group recognises a biological asset or agriculture produce only when the entity controls the asset as a result of past events, it is probable that future economic benefits will flow to the entity, and the fair value or cost of the asset can be measured reliably. Biological assets within the scope of IAS 41 are measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell, unless fair value cannot be reliably measured, in which case they are valued at cost.

The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period, are included in profit or loss.
All costs related to biological assets that are measured at fair value are recognised as expenses when incurred, other than costs to purchase biological assets.

(j) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, loans provided, trade and other receivables, and cash and cash equivalents.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans provided

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(k)).

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate calculated at initial recognition of these financial assets).
The Group classifies as current any part of long-term loans that is due within one year from the reporting date.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(k)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term cash commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.
The Company treats cash deposited as a security in accordance with bank loan covenants as cash and cash equivalents for cash flow purposes.

Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy 2.2(k)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings, bonds issued, bank overdrafts, and trade and other payables.

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the contractual cash flows of the financial liability.

Financial debts and bonds are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial debts and bonds are measured at amortised cost using the effective interest method.

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

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which it arises.

The Group classifies as a current portion any part of long-term loans or bonds that is due within one year from the date of the consolidated statement of financial position.

Transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds, net of transaction costs. Bond transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and shares options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects.

Treasury shares

Treasury shares represents shares of the Company which have been acquired by the Group. The cost of treasury shares is deducted from equity. When treasury shares are sold or reissued, the amount received is recognized as an increase in equity.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate and foreign currency risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised in OCI and accumulated in equity. To the extent that the hedge is ineffective, changes in the fair value of the derivative are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the anticipated transaction takes place, upon which it is reclassified in the profit and loss.

Other non-hedging derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(k) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

(ii) Non - financial assets

The carrying amounts of the Group's non-financial assets, other than investment property (see accounting policy 2.2(c)), property plant and equipment (only partially, see accounting policy 2.2(f)), inventories, and deferred tax assets (see accounting policy 2.2(q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into cash generating units (CGU's) -the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Contingent liability

Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company. Also reported as contingent liabilities are obligations arising from past events but that have not been recognized as a liability because it is not likely that an outflow of resources will be required to settle the obligation cannot be estimated with sufficient reliability.

(n) Revenue

(i) Rental revenue

Rental revenue from investment property is recognised as revenue on a straight-line basis over the term of the operating lease. Lease incentives granted are recognised as an integral part of the total rental revenue, over the term of the lease.
The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(ii) Hotel revenue

Represents revenues derived from hotel operations, including room rentals, food and beverage sales and other ancillary goods and services.

(iii) Service charges and expenses recoverable from tenants

Service charges and expenses recoverable from tenants are presented net in the consolidated statement of comprehensive income and disclosed separately in the notes to the consolidated financial statements. They are recorded based on issued invoices and accruals.

(iv) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(v) Commissions

When the Group acts in the capacity of an agent rather than as a principal in the transaction, the revenue recognized is the net amount of commission made by the Group.

(vi) Government grants

The Group recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(vii) Sale of investment property and trading property, investment in subsidiaries and equity-accounted investees

Revenue from the sale of investment property, trading property, investments in subsidiaries and equity-accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, usually on the date on which the application is submitted to the Land Registry for transfer of legal ownership title. The property has to be completed and the apartments are ready for sale, including the necessary regulatory permissions.

(viii) Utilities

In respect of utilities (energy, water, etc.) consumed by tenants the Company acts as an agent to its tenants. The Company performs payments to utilities providers on behalf of tenants, receives advances paid by tenants and issues final settlements to tenants based on actual utilities consumption. Amounts received from tenants and paid to utilities providers are recognised as payables and receivables respectively until final settlement and do not gross up revenues and expenses.

(ix) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(o) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it was a finance lease and the fair value model is used for the asset recognised.

(iii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(p) Interest income, Interest expense and Other net financial result

Interest income comprises interest income on funds invested, such as bank interest, interest on provided loans, interest on bonds purchased and interest on non-current receivables.
Interest costs comprise interest expense on loans and borrowings, on finance leases, on bonds issued and interest charges related to finance leases.

Other net financial result comprises dividend income, gains on disposal of available-for-sale financial assets, gains on derivative instruments that are recognised in profit or loss and reclassifications of amounts (losses) previously recognised in other comprehensive income, bank charges, losses on disposal of available-for-sale financial assets, losses on derivative instruments that are recognised in profit or loss and reclassifications of amounts (gains) previously recognised in other comprehensive income and foreign currency gains and losses that are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss (asset acquisition);
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Each segment within the group is periodically evaluated during the regular meetings of established task forces and results of such evaluations are reported during the Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.
Segment capital expenditure is the total expenditure incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Group's operating and geographical segments. The Group's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

(t) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:
   (I) has control or joint control over the reporting entity;
   (II) has significant influence over the reporting entity; or
   (III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

(I) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(II) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(III) Both entities are joint ventures of the same third party.

(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(V) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(VI) The entity is controlled or jointly controlled by a person identified in a).

(VII) A person identified in a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 Determination of fair value

Investment property and Property, plant and equipment

Investment properties are stated at fair value as at 31 December 2016 based on external valuations performed by professionally qualified valuers, except for insignificant part of portfolio valued by internal expert (see note 6.2.). The Group's property portfolio in Czech and Slovak Republic is valued mainly by Cushman & Wakefield and RSM TACOMA, a.s.. Valuations of selected properties in Czech Republic, particularly land (land bank) and hotels, was performed by RSM TACOMA, a.s. or other external valuation companies (Mazars, Jones Lang LaSalle, CBRE & Knight Frank). Property portfolio in Hungary, Poland and Romania is valued by Jones Lang LaSalle International or Cushman & Wakefield & CBRE. The valuation for Germany portfolio as at 31 December 2016 was prepared by Savills. Part of landbanks located in Czech Republic is valued by CPI internal valuation department.

The results of independent valuations were further reviewed by the Group's valuation committee and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions, impact of deferred tax liability on specific valuations, and current market conditions.

Valuation reflects, where appropriate, the type of tenants actually in occupation or responsible for meeting the lease commitments or likely to be in occupation after letting vacant accommodation and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices, and where appropriate counter notices, have been served validly and within the appropriate time.

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolios of the size similar to that of the Group one are very rare. Global volatility of the financial system was reflected also in local residential and commercial real estate markets. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2015 and 31 December 2016, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers to a greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

Following methods of investment property valuation were used with respect of its segment classification.
For a breakdown of assumptions used by valuators refer to note 7.5.3.

(i) Residential

Residential properties have been valued primarily using Discounted Cash Flow (DCF) method of valuation. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs, e.g. repairs and maintenance, property management fee, insurance, expenses standing for doubtful debtors, marketing expenses and other factors like overall condition of the property and applying a discount rate reflecting the current income risk and value for money. After ten years a determining residual value (exit scenario) is calculated. Sales comparison valuation technique has been used for the valuation of residential portfolio in France.

(ii) Retail, Office, Industry and Logistics

Retail, office, logistics and industry properties have been valued using predominantly income capitalization and discounted cash flow valuation technique. Income capitalization method is based on the capitalization of the net annual income the property generates or is potentially able to generate. On lease expiry future income flows have been capitalized into perpetuity at the estimated rental value, taking into account expiry voids and rent free periods. The net income is the total rental income reduced by the costs the landlord cannot cover from the tenants. The capitalisation yield (equivalent yield) is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing seller in the arm´s length transaction. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation. Sales comparison valuation technique has been used for smaller special retail assets in Czech Republic.

(iii) Land and vacant buildings

Land and vacant buildings have been valued using the direct comparison method to arrive at the value of the property in its existing state. Comparison of other similarly located and zoned plots of land/buildings that are currently on the market in the similar location was performed. This valuation method is most useful when a several of similar properties have recently been sold or are currently for sale in the subject property market. Using this approach a value indication by comparing the subject property to prices of similar properties is produced.

The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison. Percentage adjustments were then applied to the sale prices of the comparables because the prices of these properties are known, while the value of the subject property is not.

(iv) Hotels

Hotel properties have been valued using either the direct comparison method of valuation where price per bedroom was calculated and compared, or using the discounted cash flow method, or through the income capitalization method. In case of the direct comparison method, the valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

(v) Investment property under development / developments

The valuer used the Residual Value Approach for the valuation of the investment property under development. In order to assess the market value of the sites, the valuer undertook a development appraisal to assess the potential value (Gross Development Value) of the fully completed and leased development as currently proposed, and deducted hard costs, soft costs, financing costs and a developer's profit to reflect the required level of return to a developer and the risk of undertaking the scheme.

In assessing the Gross Development Value, the valuator adopted a market approach by estimating the market rental values for the accommodation being developed, and the appropriate capitalisation rate which a potential investor would require, to arrive at the Market Value of the completed and leased building. The Gross Development Value for the hotel properties under development have been estimated using the direct comparison method.

(vi) Agriculture
Investment properties have been valued using the direct comparison method of valuation.

For sensitivity analysis on changes in assumptions of Investment property and Hotels valuation refer to note 7.5.

Biological assets

Biological assets are stated at fair value less cost to sell based on internal valuations performed by the Group.

Valuation of livestock is measured at fair value. The livestock has been divided into categories according the species and age, e.g. vealer 0-6 month, heifer 6-24 month, chicken etc. Each category has been valued using the sales price per kilogram for specific category of livestock and the average weight (in kg) per head of cattle. The average weight represents Group management best estimate.

The sales prices are derived from the average of actual sales price on different markets as the Group sells its products on several European markets.

3 The Group Structure

Control of the Group
CPI Property Group is the Group's ultimate parent company.

As at 31 December 2016 the Group is formed by parent company and 352 subsidiaries controlled by the parent company and no associate (at 31 December 2015 - 291 subsidiaries, no associate). For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group in 2016

During 2016, the Group has acquired/founded the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
Bondy Centrum s.r.o.	acquisition	100.00%	1 February 2016
Obchodní a společenské centrum České Budějovice, s.r.o.	acquisition	100.00%	18 March 2016
Shopinvest a.s.	acquisition	100.00%	18 March 2016
Tarnów Property Development Sp. z o.o.	acquisition	100.00%	22 March 2016
Blue Yachts d.o.o.	acquisition	43.37%	19 May 2016
Hotel Sirena d.o.o.	acquisition	61.95%	19 May 2016
IVRAVODA LIMITED	acquisition	100.00%	19 May 2016
PTR PRIME TOURIST RE SORTS (CYPRUS) LIMITED	acquisition	100.00%	19 May 2016
Sunčani Hvar d.d.	acquisition	61.95%	19 May 2016
Asmihati Holding Limited	acquisition	97.31%	8 June 2016
Aspley Ventures Limited	acquisition	100.00%	8 June 2016
Brillant 1419 GmbH & Co. Verwaltungs KG	acquisition	97.31%	8 June 2016
Bubenská 1, a.s.	acquisition	97.31%	8 June 2016
Bubny Development, s.r.o.	acquisition	97.31%	8 June 2016
BYTY PODKOVA, a.s.	acquisition	97.31%	8 June 2016
Capellen Invest S.A.	acquisition	97.31%	8 June 2016
CEREM S.A.	acquisition	97.31%	8 June 2016
Darilia a.s.	acquisition	97.31%	8 June 2016
Data Trade s.r.o.	acquisition	97.31%	8 June 2016
Development Doupovská, s.r.o.	acquisition	72.98%	8 June 2016
Development Pražská s.r.o.	acquisition	97.31%	8 June 2016
Diana Property Sp. z o.o.	acquisition	97.31%	8 June 2016
Endurance Real Estate Management Company	acquisition	97.31%	8 June 2016
Estate Grand, s.r.o.	acquisition	97.31%	8 June 2016
Famiaco	acquisition	97.31%	8 June 2016
Fetumar Development Limited	acquisition	100.00%	8 June 2016
Grunt HZ s.r.o.	acquisition	97.31%	8 June 2016
HAGIBOR OFFICE BUILDING, a.s.	acquisition	97.31%	8 June 2016
Industrial Park Stříbro, s.r.o.	acquisition	97.31%	8 June 2016
Jagapa Limited	acquisition	100.00%	8 June 2016
JIHOVÝCHODNÍ MĚSTO, a.s.	acquisition	97.31%	8 June 2016
Marki Real Estate Sp. z o.o. (Orco Poland Sp.z.o.o.)	acquisition	97.31%	8 June 2016
Na Poříčí, a.s.	acquisition	97.31%	8 June 2016
NOVÁ ZBROJOVKA, s.r.o. (BIANKO, s.r.o.)	acquisition	97.31%	8 June 2016
Nupaky a.s.	acquisition	97.31%	8 June 2016
Oak Mill, a.s.	acquisition	97.31%	8 June 2016
OFFICE CENTER HRADČANSKÁ, a.s.	acquisition	97.31%	8 June 2016
ORCO Development Kft.	acquisition	97.31%	8 June 2016
Orco Praga, s.r.o., člen holdingu ORCO PROPERTY GROUP SA	acquisition	97.31%	8 June 2016
Orco Project Limited	acquisition	97.31%	8 June 2016
Orco Property Group S.A.	acquisition	97.31%	8 June 2016
STRM Alfa, a.s.	acquisition	97.31%	8 June 2016
STRM Beta, a.s.	acquisition	97.31%	8 June 2016
STRM Delta, a.s.	acquisition	97.31%	8 June 2016
STRM Gama, a.s.	acquisition	97.31%	8 June 2016
TQE Asset, a.s.	acquisition	97.31%	8 June 2016
Váci 190 Projekt Kft.	acquisition	97.31%	8 June 2016
Vinohrady SARL	acquisition	97.31%	8 June 2016

Entity	Change	Share in %	Date of acquisition/foundation
CPI Retails ROSA, s.r.o.	acquisition	100.00%	13 July 2016
CPI Hotels Hungary	acquisition	100.00%	31 August 2016
CPI Hotels Poland Sp. z o.o.	acquisition	100.00%	31 August 2016
CPI Hotels Slovakia, a.s.	acquisition	100.00%	31 August 2016
CPI Hotels, a.s.	acquisition	100.00%	31 August 2016
Hotel Lucemburská, s.r.o.	acquisition	100.00%	31 August 2016
CPI Retails Brandýs, s.r.o.	acquisition	100.00%	30 September 2016
CPI – Horoměřice, a.s.	acquisition	86.54%	1 October 2016
Jetřichovice Property, a.s.	acquisition	86.54%	1 October 2016
SCI MAS CANTAGRELI	acquisition	100.00%	29 November 2016
SCP AILEY	acquisition	100.00%	29 November 2016
SCP CISKEY	acquisition	100.00%	29 November 2016
SCP KANDLER	acquisition	100.00%	29 November 2016
SCP MADRID	acquisition	100.00%	29 November 2016
SCP NEW BLUE BIRD	acquisition	100.00%	29 November 2016
SCP PIERRE CHARRON	acquisition	100.00%	29 November 2016
CM Hôtels SA	acquisition	100.00%	1 December 2016
GSG Mobilien GmbH	acquisition	99.75%	13 December 2016
CPI Retails Třinec, a.s.	acquisition	100.00%	14 December 2016
SCP CAYO	acquisition	100.00%	14 December 2016
SCP VILLA DE TAHITI	acquisition	100.00%	14 December 2016
QTW Czech, s.r.o.	acquisition	100.00%	21 December 2016
NUKASSO HOLDINGS LIMITED	founded	100.00%	23 May 2016
CPI Finance Slovakia II, a. s.	founded	100.00%	16 August 2016
CPI Residential, a.s.	founded	100.00%	22 August 2016
CPI Retail Portfolio Holding Kft.	founded	100.00%	7 November 2016
Projekt Nisa, s.r.o.	founded	100.00%	19 December 2016
Projekt Zlatý Anděl, s.r.o.	founded	100.00%	19 December 2016

The following entities were disposed of/liquidated in 2016:

Entity	Change	Share in %	Date of disposal/liquidation
CPI City Center ÚL, a.s.	disposal	100.00%	30 June 2016
Hotel Rosslyn Kft.	disposal	100.00%	30 June 2016
Prague Property Development, s.r.o.	disposal	100.00%	30 June 2016
BAYTON Delta, a.s.	disposal	100.00%	30 September 2016
CPI Luna, s.r.o.	disposal	100.00%	30 September 2016
CURITIBA a.s.	disposal	100.00%	30 September 2016
Regionální Portfolio, a.s.	disposal	100.00%	30 September 2016
VERETIX a.s.	disposal	100.00%	30 September 2016
Oak Mill, a.s.	disposal	97.31%	1 November 2016
ORCO Development Kft.	disposal	97.31%	3 November 2016
Bright Site Kft.	disposal	100.00%	15 December 2016
TQE Asset, a.s.	disposal	97.31%	15 December 2016
Váci 190 Projekt Kft.	disposal	97.31%	15 December 2016
Orco Hotel Project Sp. Z. o.o	liquidation	100.00%	12 December 2016
Asmihati Holding Limited	liquidation	97.31%	16 December 2016

3.2 Acquisition through business combinations/property asset acquisitions/common control transaction

ORCO PROPERTY GROUP S.A. (hereinafter "OPG")

On 23 May 2016, the Group incorporated new Cypriot company NUKASSO HOLDINGS LIMITED (hereinafter "NUKASSO").

On 8 June 2016, NUKASSO acquired 100% stakes in three legal entities – Aspley Ventures Limited, Fetumar Development Limited and Jagapa Limited.

Aspley Ventures Limited

On 8 June 2016, the Group acquired 100% stake in Aspley Ventures Limited, company holding approximately 30.4% share in OPG. The net consideration paid represents EUR 54.21 million.
As at the date of acquisition, the identifiable assets of the acquired company represent investments in subsidiaries in the amount of EUR 53.6 million, available for sale financial assets (EUR 13 thousand) and cash and cash equivalents acquired in the amount of EUR 0.125 million. The carrying value of the identifiable liabilities at the date of acquisition was EUR 58 million (financial debts only).

Fetumar Development Limited

On 8 June 2016, the Group acquired 100% stake in Fetumar Development Limited, company holding approximately 30.4% share in OPG. The net consideration paid represents EUR 54.05 million.
The carrying value of investment in subsidiaries acquired as at the acquisition date amounted to EUR 53.6 million. Apart from these investments, cash and cash equivalents in the amount of EUR 5 thousand and other financial currents assets of EUR 4 thousand were purchased. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount of EUR 58.1 million.

Jagapa Limited

On 8 June 2016, the Group acquired 100% stake in Jagapa Limited, company holding approximately 30.4% share in OPG. The net consideration paid represents EUR 79.85 million.
As at the date of acquisition, the identifiable assets of the acquired company represent investments in subsidiaries in the amount of EUR 32 million, other financial current assets of EUR 1 thousand and cash and cash equivalents acquired in the amount of EUR 5 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount of EUR 32.3 million and trade payables (EUR 5 thousand).

On 8 June 2016 NUKASSO directly acquired 79,080,996 of OPG shares corresponding to approximately 6.02 % of voting rights in OPG. The consideration paid for this direct purchase of 6.02 % shares amounted to EUR 22.1 million.

As a result of the acquisitions stated above, NUKASSO acquired 1,279,080,996 of OPG shares. Altogether with 117,980 pcs of OPG shares hold directly by the Company, the Group has 97.31% stake in OPG as at 31 December 2016.

OPG Group is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in the development of properties for its own portfolio or intended to be sold in the ordinary course of business and is also active in leasing investment properties under operating leases as well as in asset management. OPG is a joint stock company incorporated for an unlimited term and registered in Luxembourg. OPG´s shares are listed on the regulated markets of Luxembourg Stock Exchange and Warsaw Stock Exchange.

As a result of the above stated acquisitions, NUKASSO was obliged to launch a mandatory takeover bid (the "OPG Takeover") to purchase any and all of the ordinary shares of OPG. NUKASSO filed with the Commission de Surveillance du Secteur Financier (the "CSSF") draft of the offer document for the approval.

Net assets acquired

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

	OPG Group
Investment property	251,664
Property, plant and equipment	718
Available-for-sale financial assets	58,951
Loans provided	6,795
Trade and other receivables	582
Deferred tax asset	114,231
Total non-current assets	**432,941**
Inventories	9,860
Current income tax receivables	2
Trade receivables	4,230
Derivative instruments	10,087
Loans provided	318
Cash and cash equivalents	8,942
Other financial current assets	302
Other non-financial current assets	34
Total current assets	**33,775**
Identifiable acquired assets	**466,716**

Portfolio description

OPG owns property classified as ***income generating rental properties*** in total amount of EUR 102.09 million. The most significant properties within this segment are the following:

Archa Palace, Czech Republic (Na Poříčí, a.s.)

The historically protected building is designed in rondocubistic style and comprises of four separate buildings, A, B, C and D. The oldest part of the property facing Na Poříčí Street dates back to 1921. The property went through a major redevelopment in 2009 due to which a grade A specification of the premises has been achieved. The building comprises mainly office premises, with retail units on the ground floor. Part of the building B is also leased to Archa theatre. The building allows for flexible office solutions including dedication of one of four main receptions to a single tenant. At the date of valuation over 80 % of the property was leased.

Hradčanská Office Building, Czech Republic (OFFICE CENTER HRADČANSKÁ, a.s.)

Hradčanská Office Centre is a newly reconstructed Grade B office building. The Property is made up of two separate buildings, each with its own reception area, which are interconnected via an elevated walkway. The property provides flexible office premises and retail units on the ground floor. The building is in a prominent position which makes for a highly visible location. It is also directly opposite the recently reconstructed Hradčanská metro station. At the date of valuation the property was 90 % leased to multiple office and retail tenants.

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

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

Capellen Building, Luxembourg (Capellen Invest S.A.)
Capellen is a district situated approximately 10 km northwest of Luxembourg City centre, and approximately 26 km from Luxembourg Airport. The location is within close proximity of the Belgian border and has good access from the A6 Ringroad. The property consists of a purpose-built office building arranged over three floors (ground, first and second) under a pitched roof. The building is accessed directly from the street, Rue Pafebruch.
The Group disposed of Capellen Invest S.A. (office project dislosed as asset held for sale as at 31 December 2016), on 25 January 2017 (note 11).

OPG owns property classified as ***land bank*** in total amount of EUR 149.57 million. Major properties are as follows:

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

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

NOVÁ ZBROJOVKA, s.r.o. (former BIANKO, s.r.o.)
NOVÁ ZBROJOVKA, s.r.o. is a former industrial area of arms factory Zbrojovka Brno. The premises are located in built-up area, approximately 2 km from city centre. The western part of the premises is bordered by the river Svitava and eastern part is bordered by the main railroad. Transportation access to the city centre is very good. There is a tram stop and a railway stop near the premises.

Deferred tax asset
As a result of the acquisition accounting, the Group recognized deferred tax asset from tax losses carried forward in total amount of EUR 112.8 million. As these tax losses relate primarily to the Luxembourg entities, they can be carried forward indefinitely. Group’s perspective of tax losses utilization is based on 10 years budget of taxable profits of the OPG. The budgets are based on Group’s management best estimates.

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

	OPG Group
Bonds issued	(12,621)
Financial debts	(18,940)
Deferred tax liabilities	(7,892)
Provisions	(457)
Other non-current liabilities	(4,367)
Total non-current liabilities	**(44,277)**
Bonds issued	(138)
Financial debts	(39,282)
Trade payables	(6,246)
Advance payments	(1,835)
Derivative instruments	(208)
Other financial current liabilities	(2,246)
Other non-financial current liabilities	(4,116)
Total current liabilities	**(54,071)**
Identifiable acquired liabilities	**(98,348)**

Financial debts in the amount of approximately 58 million relate to the bank financing of the OPG property portfolio. Bonds issued represent the outstanding balance of New Notes, refer to note 6.14.

Non-controlling interest

As at 31 December 2016, the Group holds (directly and indirectly) 1,279,198,976 pcs of OPG shares. The remaining 35,308,653 OPG shares (representing 2.69 % stake) represent the non-controlling interest. In order to reflect the fair value of the non-controlling interest, the Group valued the remaining part of the shares using the expected price per share to be paid to the minority shareholders, i. e. 0.28 EUR per share. The fair value of the non-controlling interest as at the acquisition date amounts to EUR 9.89 million.

The overall fair value of identifiable acquired assets, acquired through the acquisitions of Aspley Ventures Limited, Fetumar Development Limited, Jagapa Limited and OPG, amounts to EUR 466.9 million. The fair value of identifiable acquired liabilities amounts to EUR 246.74 million. Considering the fair value of the non-controlling interest (EUR 9.89 million) and the acquisition price of EUR 210.24 million, neither goodwill nor bargain purchase resulted from the acquisition accounting concerning the whole subgroup.

Although the acquisition became effective on 8 June 2016, the financial statements have been prepared using the consolidated financial information of OPG as of 30 June 2016. The difference between these dates is not deemed to be material.

Due to the acquisitions, the Group acquired cash and cash equivalents in the amount of EUR 9.1 million. The net cash outflow connected with the acquisition amounted to EUR 201.17 million.

The post-acquisition loss from date of acquisition until 31 December 2016 for the sub-group amounted to EUR 16 million and the post-acquisition total revenues amounted to EUR 8 million.

If the acquisition of the whole subgroup had occurred on 1 January 2016 with all other variables held constant, the Group total revenues for 2016 would have been EUR 356.5 million and net profit from continuing operations would have been EUR 464.6 million.

Sunčani Hvar acquisition

On 19 May 2016, the Group indirectly acquired 12,029,250 shares of SUNČANI HVAR d.d. (hereinafter as “**SHH**”), hotel company operating on the Island of Hvar, Croatia, representing 61.95 % of the shareholding and voting rights in SHH.

The purchase price amounted to EUR 0.64 million. The acquired holding company, PTR PRIME TOURIST RESORT (CYPRUS) LIMITED (hereinafter “PTR”), was a bidder in the mandatory takeover procedure aimed at the acquisition of all shares in SHH.

The acquisition of the whole sub-group triggered by the acquisition of IVRAVODA LIMITED, Cyprus based company holding 100 % stake of PTR. As mentioned above, following the mandatory takeover, PTR acquired directly 61.95% stake of SUNČANI HVAR d.d., company holding 100 % shares of Hotel Sirena d. d. o. and 70 % of shares in Blue Yachts d. d. o., both operating in Croatia.

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

	Sunčani Hvar Group
Intangible assets	99
Property, plant and equipment	162,094
Available-for-sale financial assets	8,237
Loans provided	7
Deferred tax asset	4,477
Total non-current assets	**174,914**
Inventories	387
Current income tax receivables	6
Trade receivables	856
Loans provided	67,060
Cash and cash equivalents	2,035
Other financial current assets	21,281
Other non-financial current assets	654
Total current assets	**92,279**
Identifiable acquired assets	**267,193**
Financial debts	(68,806)
Deferred tax liabilities	(14,489)
Provisions	(128)
Other non-current liabilities	(420)
Total non-current liabilities	**(83,843)**
Financial debts	(6,444)
Trade payables	(2,991)
Advance payments	(1,022)
Other financial current liabilities	(78,906)
Other non-financial current liabilities	(3,018)
Total current liabilities	**(92,381)**
Identifiable acquired liabilities	**(176,224)**

Non-controlling interest

As mentioned above, as at the acquisition date, the Group holds 61.95 % of SHH shares. In order to reflect the fair value of the non-controlling interest as at the acquisition date, the Group valued the remaining part of the shares using the expected price per share to be paid to minority shareholders. Thus the fair value of the non-controlling interest was set to EUR 23.68 million as at the acquisition date. On 8 August 2016, the Company acquired another 30.5 % of SHH share (refer to 3.3.).

Given the fact that the fair value of the assets represents EUR 267.2 million, fair value of the liabilities represents EUR 176.2 million and the fair value of the non-controlling interest represents EUR 23.68 million, the NAV acquired is EUR 67.29 million. As a result of the business combination, comparing the purchase price paid and the net identifiable assets of acquired entities, the Group recognized bargain purchase in the amount of EUR 66.6 million (note 5.11). The gain on bargain purchase is recognized as a part of other operating income.

The agreed purchase price for the acquired stake of 61.95% in Sunčani Hvar reflected the result of business negotiation between the Group and the counterparty and it took into account debts of the acquiree. The Group understood that the seller failed to agree with the Croatian state on the purchase of their shares for a price acceptable for and financeable by the seller and was under pressure to dispose his investment.

The value of PPE acquired has been supported by the valuation appraisal from an independent and reputable valuation expert and subsequently reflected in the acquisition accounting. As a result of the bargain purchase and following a review of the assets acquired, the Group deems that no intangible assets of any value have been acquired.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 2 million. The net cash inflow connected with the acquisition amounted to EUR 1.4 million.

The post-acquisition profit from date of acquisition until 31 December 2016 for the sub-group amounted to EUR 5.1 million and the post-acquisition total revenues amounted to EUR 23.8 million.

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group total revenues for the 2016 would have been EUR 352.9 million and net profit from continuing operations would have been EUR 456.9 million.

CPI HOTELS acquisition

On 31 August 2016, the Group acquired hotel operator CPI Hotels with 24 hotels situated in Czech Republic, Slovakia, Poland and Hungary.

Since 1997 CPI Hotels, a.s. has been the exclusive representative of the international hotel chain Choice Hotels International known as the Clarion brand in the Czech Republic and Slovakia. In 2009 CPI Hotels, a.s. introduced the unique project of the five-star Buddha Bar Hotel Prague, the first hotel of the international chain Buddha-Bar Hotels & Resorts. CPI Hotels, a.s. operates its own brand Fortuna Hotels and brand Spa & Kur Hotels. In 2014 the portfolio operated by CPI Hotels, a.s. expanded to Mamaison Hotels & Residences.

Due to this acquisition, the Group became both owner and operator of majority of the Group´s hospitality portfolio, which led to a change of the classification of these properties as owner-occupied buildings (note 6.2 and 6.3. subsequently).

The acquisition was carried out through the purchase of 100 % stake in CPI Hotels, a.s. group (including subsidiaries CPI Hotels Hungary Kft., CPI Hotels Poland Sp. z o.o., CPI Hotels Slovakia, s.r.o. and Hotel Lucemburská, s.r.o.)
The purchase price amounted to CZK 1,219 million (approximately EUR 44.9 million) and it was not paid by cash, but settled against outstanding receivable.

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

	CPI Hotels
Intangible assets	81
Property, plant and equipment	601
Loans provided	15,719
Deferred tax asset	13
Total non-current assets	**16,414**
Inventories	555
Current income tax receivables	2
Trade receivables	6,845
Loans provided	843
Cash and cash equivalents	2,963
Other financial current assets	19,371
Other non-financial current assets	2,338
Total current assets	**32,917**
Identifiable acquired assets	**49,331**
Financial debts	(13,915)
Provisions	(1)
Total non-current liabilities	**(13,916)**
Financial debts	(2,456)
Trade payables	(9,376)
Advance payments	(1,632)
Other financial current liabilities	(18,899)
Other non-financial current liabilities	(1,686)
Total current liabilities	**(34,049)**
Identifiable acquired liabilities	**(47,965)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 1.4 million. As a result of this business combination, the Group recognized goodwill in the amount of EUR 43.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 3 million. The net cash inflow connected with the acquisition amounted to EUR 2.96 million.

The post-acquisition profit from date of acquisition until 31 December 2016 amounted to EUR 11.6 million and the post-acquisition total revenues amounted to EUR 34.8 million.

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group total revenues for the 2016 would have been EUR 369.7 million and net profit from continuing operations would have been EUR 460 million.

Géčko Shopping Center

On 18 March 2016, the Group acquired Géčko Shopping Center in České Budějovice. The shopping center with 11,136 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The net consideration paid represents CZK 390.94 million (approximately EUR 14.45 million). The acquisition was carried out through the purchase of 100 % stake in Shopinvest a.s., company holding 100 % share in Obchodní a společenské centrum České Budějovice s.r.o.
This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.

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

	Shopinvest Group
Investment property	25,794
Property, plant and equipment	14
Total non-current assets	**25,808**
Inventories	1
Trade receivables	142
Cash and cash equivalents	1,590
Other financial current assets	491
Other non-financial current assets	5
Total current assets	**2,229**
Identifiable acquired assets	**28,037**
Financial debts	(12,698)
Deferred tax liabilities	(44)
Other non-current liabilities	(780)
Total non-current liabilities	**(13,522)**
Financial debts	(3)
Trade payables	342
Advance payments	(3)
Other financial current liabilities	(358)
Other non-financial current liabilities	(42)
Total current liabilities	**(64)**
Identifiable acquired liabilities	**(13,586)**

Net identifiable assets of subsidiaries acquired at the date of acquisition amounted to EUR 14.45 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.59 million. The net cash outflow connected with the acquisition amounted to EUR 12.86 million.

The post-acquisition profit from date of acquisition until 31 December 2016 amounted to EUR 1.8 million and the post-acquisition total revenues amounted to EUR 1.8 million.

Bondy Centrum Mladá Boleslav

On 1 February 2016, the Group acquired Bondy Centrum, the largest shopping centre in Mladá Boleslav, Czech Republic, with a leasable area of approx. 16,800 sqm and office section. Purchase price paid by the Group amounted to CZK 574.88 million (approximately EUR 21.27 million). The acquisition was carried out through the purchase of 100 % stake in Bondy Centrum s.r.o.

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

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

	Bondy Centrum s.r.o.
Investment property	47,205
Total non-current assets	**47,205**
Trade receivables	346
Cash and cash equivalents	551
Other financial current assets	847
Other non-financial current assets	55
Total current assets	**1,799**
Identifiable acquired assets	**49,004**
Financial debts	(25,554)
Other non-current liabilities	(525)
Total non-current liabilities	**(26,079)**
Trade payables	(393)
Advance payments	(920)
Other financial current liabilities	(33)
Other non-financial current liabilities	(309)
Total current liabilities	**(1,655)**
Identifiable acquired liabilities	**(27,734)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 21.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.55 million. The net cash outflow connected with this asset acquisition amounted to EUR 20.72 million.

The post-acquisition profit from date of acquisition until 31 December 2016 amounted to EUR 3.76 million and the post-acquisition total revenues amounted to EUR 3.7 million.

The Group´s statement of comprehensive income includes operations of Bondy Centrum s.r.o. for the whole twelve months of 2016.

French villas

During November/December 2016, the Group acquired portfolio of nine villas located in Monaco and France. The entities were acquired from companies controlled by major shareholder of Company and the acquisition is accounted for as a common control transaction.

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

	French villas
Intangible assets	132
Investment property	99,826
Property, plant and equipment	319
Trade and other receivables	2
Total non-current assets	**100,279**
Trade receivables	70
Cash and cash equivalents	4,677
Other financial current assets	5,051
Total current assets	**9,798**
Identifiable acquired assets	**110,077**
Financial debts	(62,215)
Total non-current liabilities	**(62,215)**
Financial debts	(45,580)
Trade payables	(2,747)
Other financial current liabilities	(5,136)
Total current liabilities	**(53,463)**
Identifiable acquired liabilities	**(115,678)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR -5.6 million. Total consideration paid was EUR 4.9 million. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to EUR -10.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 4.7 million. The net cash outflow connected with the acquisition amounted to EUR 0.2 million.

Although the acquisition became effective 29 November/14 December 2016, the consolidated financial statements have been prepared using the financial information of the acquired entity as at 31 December 2016. The difference between these dates is not deemed to be material.

Other acquisitions in 2016

Tarnów shopping center, Poland

On 22 March 2016, the Group acquired a small retail shopping asset in Tarnów, south of Poland. This acquisition, comprised of 5 retail units and totaling 2,161 sqm, is the first among other acquisitions of similar Polish retail shopping assets planned in the near future.
Consideration paid for the 100 % stake in Tarnów Property Development sp. Z o.o. amounted to PLN 4.17 million (approximately EUR 0.98 million). This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.

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

	Tarnów Property Development Sp. Z o.o.
Investment property	3,243
Total non-current assets	**3,243**
Trade receivables	14
Cash and cash equivalents	108
Other non-financial current assets	38
Total current assets	**160**
Identifiable acquired assets	**3,403**
Financial debts	(2,340)
Total non-current liabilities	**(2,340)**
Financial debts	(101)
Total current liabilities	**(101)**
Identifiable acquired liabilities	**(2,441)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 0.98 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.11 million. The net cash outflow connected with the acquisition amounted to EUR 0.87 million.

CPI Retails Brandýs, s.r.o.

On 30 September 2016, the Group acquired 100 % stake in EYEMAXX Český Krumlov s.r.o. in Prague. On 9 November 2016 subsidairy changed its name to CPI Retails Brandýs, s.r.o.
Consideration paid for 100% stake in EYEMAXX Český Krumlov s.r.o. amounted to CZK 37 million (approximately EUR 1.38 million). This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.

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

	CPI Retails Brandýs, s.r.o.
Intangible assets and goodwill	17
Investment property	4,630
Trade and other receivables	91
Total non-current assets	**4,738**
Cash and cash equivalents	5
Other non-financial current assets	121
Total current assets	**126**
Identifiable acquired assets	**4,864**
Financial debts	(2,800)
Other non-current liabilities	(27)
Total non-current liabilities	**(2,827)**
Financial debts	(15)
Trade payables	(620)
Other financial current liabilities	(30)
Other non-financial current liabilities	(1)
Total current liabilities	**(666)**
Identifiable acquired liabilities	**(3,493)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 1.38 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.005 million. The net cash outflow connected with the acquisition amounted to EUR 1.37 million.

QTW Czech, s.r.o.

On 21 December 2016, the Group acquired 100 % stake QTW Czech, s.r.o. This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.
Consideration paid for 100% stake in QTW Czech, s.r.o. amounted to CZK 145 million (approximately EUR 5.4 million).

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

	QTW Czech, s.r.o.
Investment property	10,238
Trade and other receivables	12
Total non-current assets	**10,250**
Trade receivables	41
Other non-financial current assets	83
Total current assets	**124**
Identifiable acquired assets	**10,374**
Other non-current liabilities	(26)
Total non-current liabilities	**(26)**
Financial debts	(4,894)
Trade payables	(25)
Other non-financial current liabilities	(63)
Total current liabilities	**(4,982)**
Identifiable acquired liabilities	**(5,008)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 5.4 million.

Due to the acquisition, the Group acquired no cash and cash. The net cash outflow connected with the acquisition amounted to EUR 5.4 million.

Although the acquisition became effective on 21 December 2016, the consolidated financial statements have been prepared using the financial information of the acquired entity as at 31 December 2016. The difference between these dates is not deemed to be material.

CPI Retails Třinec, a.s.

On 14 December 2016, the Group acquired 100 % stake in CPI Retails Třinec, a.s. This acquisition was recognized as a property asset acquisition as the company do not consists of business as defined by IFRS.
Consideration paid for 100% stake in CPI Retails Třinec, a.s. amounted to CZK 63 million (approximately EUR 2.3 million).

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

	CPI Retails Třinec, a.s.
Investment property	3,770
Total non-current assets	**3,770**
Cash and cash equivalents	142
Other non-financial current assets	4
Total current assets	**146**
Identifiable acquired assets	**3,916**
Financial debts	(1,575)
Other financial current liabilities	(9)
Total current liabilities	**(1,584)**
Identifiable acquired liabilities	**(1,584)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 2.33 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.14 million. The net cash outflow connected with the acquisition amounted to EUR 2.2 million.

Although the acquisition became effective on 14 December 2016, the financial statements have been prepared using the financial information of the acquired entity as at 31 December 2016. The difference between these dates is not deemed to be material.

CM Hôtels SA

On 1 December 2016, the Group acquired 100% stake in CM Hôtels SA. CM Hôtels SA was acquired from the major shareholder of Company and the acquisition is therefore accounted for as a common control transaction. As at the date of acquisition, the identifiable assets of the acquired company represent intangible assets and goodwill in the amount of EUR 0.25 million and financial assets at fair value through profit or loss in the amount of EUR 0.031 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount of EUR 0.3 million and trade payables (EUR 8 thousand).

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR -18 thousand. Total consideration paid was EUR 93 thousand. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to EUR -111 thousand.

Although the acquisition became effective on 1 December 2016, the consolidated financial statements have been prepared using the financial information of the acquired entity as at 31 December 2016. The difference between these dates is not deemed to be material.

CPI Retails ROSA, s.r.o.

On 13 July 2016, the Group acquired 100% stake in CPI Retails ROSA, s.r.o. The net consideration paid represents EUR 0.004 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 3.95 million, cash and cash equivalents acquired in the amount of EUR 0.043 million and other non-financial current assets in the amount of EUR 0.42 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount EUR 3.6 million, trade payables in the amount EUR 0.63 million and other non-current liabilities EUR 0.149 million.

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 0.004 million. The net cash inflow connected with the acquisition amounted to EUR 0.038 million.

CPI – Horoměřice, a.s.

On 1 October 2016, the Group acquired 100% stake in CPI – Horoměřice, a.s. The net consideration paid represents EUR 0.38 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 0.14 million, cash and cash equivalents acquired in the amount of EUR 0.24 million and other non-financial current (EUR 1 thousand).

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 0.38 million. The net cash outflow connected with the acquisition amounted to EUR 0.14 million.

Jetřichovice Property, a.s.

On 1 October 2016, the Group acquired 100% stake in Jetřichovice Property, a.s. The net consideration paid represents EUR 0.36 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 0.088 million, cash and cash equivalents acquired in the amount of EUR 0.272 million and trade receivables (EUR 1 thousand).
Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 0.36 million. The net cash outflow connected with the acquisition amounted to EUR 0.089 million.

GSG Mobilien GmbH

On 13 December 2016, the Group acquired 99.75 % stake in GSG Mobilien GmbH. The net consideration paid represents EUR 0.028 million.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 0.34 million and cash and cash equivalents acquired in the amount of EUR 0.025 million. The carrying value of the identifiable liabilities at the date of acquisition trade payables in the amount EUR 0.34 million.
Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 0.025 million. The net cash outflow connected with the acquisition amounted to EUR 0.003 million.

Acquisitions through business combinations – summary

The undermentioned table summarizes the amounts of revenue and profit or loss of the acquirees prior they were acquired by the Group and shows the total revenue and profit and loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

	OPG Group	Sunčani Hvar Group	CPI Hotels	Total revenues and profit / (loss) before acquisition	Total revenues and profit / (loss) as at 31 December 2016 of the Group	AS IF TOTAL REVENUES AND PROFIT
Rental revenues	4,037	--	(11,480)	**(7,443)**	249,248	**241,805**
Development sales	990	--	--	**990**	2,170	**3,160**
Hotel revenues	--	1,459	29,711	**31,170**	69,898	**101,068**
Revenue from other business operations	--	--	--	**--**	30,158	**30,158**
Total revenues	**5,027**	**1,459**	**18,231**	**24,717**	**351,474**	**376,191**
Net profit / (loss) from continuing operations	**5,127**	**(2,576)**	**469**	**3,020**	**459,502**	**462,522**

3.3 Acquisition of non-controlling interest in 2016

Additional acquisiton of SHH shares

During the mandatory buyout procedure, shareholders of SHH tendered in aggregate 5,924,081 SHH shares at the price of HRK 24 per share. The tendered shares include 5,880,849 SHH shares previously held by the Restructuring and Sale Center of the Republic of Croatia, which decided to sell them on 27 July 2016. Following the acquisition of the tendered shares completed on 8 August 2016 and subsequent minor additional purchases of SHH shares, the Company indirectly holds approximately 96.43 % of the SHH shares as at 31 December 2016. In December 2016, SHH shares were delisted from the regulated market of the Zagreb Stock Exchange.

In order to reflect the fair value of the non-controlling interest as at 31 December 2016, the Group valued the remaining part of the shares using the expected price per share to be paid to minority shareholders. The fair value of the non-controlling interest as at 31 December 2016 was set to EUR 2.49 million.

Resale of CMA Immobilier shares

In November 2016, Group increased the capital of Remontées Mécaniques Crans Montana Aminona (CMA) SA. Increase of capital was partially made in kind of 88.49% share in CMA Immobilier SA. The aforementioned transaction resulted in change of non-controlling interest. Effect of transaction has been recognized in the consolidated statement of changes in equity as a transaction with a non-controlling interest. The total effect recognized in equity in regards of this transaction amounts to EUR -9.7 million.

3.4 Disposal of subsidiaries in 2016

On 30 September 2016 the Group sold hotel Fortuna Luna (CPI Luna s.r.o.) located in Prague 8 to a third party. The net profit for the Group amounts to EUR 0.8 million.

The Group completed the sale of Regionální portfolio a.s. (entity which demerged from the portfolio of Marissa West, a.s. as at 1 January 2016) on 30 September 2016 resulting into a net loss of EUR 0.5 million.

Due to the optimizing purposes, during 2016 the Group gradually sold its 100% stakes in six Czech and four Hungarien entities with total effect of EUR 0.5 million gain on their sale.

3.5 Changes in the Group in 2015

During 2015, the Group has acquired/founded the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
Karviná Property Development, a.s.	acquisition	100.00%	1 June 2015
OC Futurum Kolín, a.s.	acquisition	100.00%	31 May 2015
ITL Alfa, s.r.o.	acquisition	100.00%	30 June 2015
Remontées Mécaniques Crans Montana Aminona (CMA) SA	acquisition	65.83%	30 October 2015
CMA Immobilier SA	acquisition	95.87%	30 October 2015
CMA Services S.á.r.l.	acquisition	80.85%	30 October 2015
JMB Lambda s.r.o.	acquisition	100.00%	22 December 2015
Gerossa – JMB, a.s.	acquisition	100.00%	22 December 2015
Mondello, a.s.	acquisition	100.00%	25 September 2015
CPI Finance Netherlands II, B. V.	founded	100.00%	14 January 2015
CPI Finance Ireland II Limited	founded	100.00%	22 January 2015
CPI Finance Slovakia, a.s.	founded	100.00%	16 February 2015
GSG Gewerbehöfe Berlin 6. GmbH Co. KG	founded	99.75%	17 February 2015
GSG Wupperstraße GmbH	founded	99.75%	27 May 2015
CPI Alberghi HI Roma S.r.l.	founded	100.00%	5 October 2015
CPI Finance Ireland III Limited	founded	100.00%	11 December 2015
CPI Finance Netherlands III, B. V.	founded	100.00%	17 December 2015
Farma Poustevna, s.r.o.	founded	100.00%	24 November 2015
Statek Mikulášovice, s.r.o.	founded	100.00%	24 November 2015
Šenovská zemědělská, s.r.o.	founded	100.00%	24 November 2015

The following entities were disposed of, liquidated or deconsolidated in 2015:

Entity	Change	Share in %	Date of disposal/liquidation
Polma 1, S.à r.l.	disposal	100.00%	1 May 2015
Orco Hospitality Services Sp. Z o.o.	disposal	94.00%	23 April 2015
Orco Investment Sp. Z o.o.	disposal	94.00%	23 April 2015
Valanto Consulting a.s.	disposal	94.00%	30 June 2015
MaMaison management, s.r.o.	disposal	94.00%	30 June 2015
ELAMOR, a.s.	disposal	100.00%	30 June 2015
Ablon s.r.o.	disposal	100.00%	1 October 2015
Airport City, s.r.o.	disposal	100.00%	30 June 2015
Baudry Alfa, a.s.	disposal	100.00%	30 June 2015
Beroun Property Alfa, a.s.	disposal	100.00%	30 June 2015
Marissa South, a.s.	disposal	100.00%	30 June 2015
Příkopy Property Development, a.s.	disposal	100.00%	4 November 2015
MaMaison Bratislava s.r.o.	disposal	94.00%	1 December 2015
Orco Hotel Ostrava, a.s.	disposal	94.00%	2 December 2015
Orco Hotel Riversie, s.r.o.	disposal	94.00%	2 December 2015
SCTO, Kft.	liquidation	100.00%	13 January 2015
ZPS Kft.	liquidation	100.00%	2 March 2015
Ятericon Projektentwicklung GmbH	deconsolidation	100.00%	31 December 2015

3.6 Acquisition through business combinations/property asset acquisitions/common control property transactions in 2015

OC Futurum Kolín, a.s.

On 31 May 2015, the Group acquired 100% share in OC Futurum Kolín, a.s. Due to the acquisition, the Group acquired Futurum Shopping Centre in Kolín, the Czech Republic. The shopping center, with a leasable area of 10,100 sqm comprises of supermarket, shopping gallery with 50 shops, restaurants and other amenities, as well as underground parking lot for 320 cars. The net consideration paid represents EUR 18.6 million, with bank financing at the level of EUR 17.3 million.
This acquisition was initially recognized as property asset acquisition.

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

	OC Futurum Kolín, a.s.
Investment property	23,034
Total non-current assets	**23,034**
Trade receivables	111
Cash and cash equivalents	2,256
Other financial current assets	508
Other non-financial current assets	107
Total current assets	**2,982**
Identifiable acquired assets	**26,016**
Financial debts	(6,462)
Other non-current liabilities	(394)
Total non-current liabilities	**(6,856)**
Financial debts	(30)
Trade payables	(234)
Advance payments	(9)
Other financial current liabilities	(285)
Other non-financial current liabilities	(36)
Total current liabilities	**(594)**
Identifiable acquired liabilities	**(7,450)**
Net ident. Assets of subsidiary acquired	**18,566**
Share acquired in %	**100.00%**
Share acquired	**18,566**
Consideration paid	**18,566**
Net ident. Assets of subsidiary acquired less consideration paid recognized in equity	**--**
Cash and cash equivalents acquired	**2,256**
Cash outflow	**16,310**
POST-acquisition profit*	**299**

*as at 1 July 2015 the company merged to Marissa Tau, a.s.

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been EUR 218.6 million and net profit from continuing operations would have been EUR 89.5 million.

Karviná Property Development, a.s.

On 1 June 2015, the Group acquired 100% share in Karviná Property Development. Due to the acquisition, the Group acquired more than 41 thousand sqm of land bank. The intention of the Group is to use the acquired plot for development purposes in the future.

Karvina Property Development was acquired from entiy controlled by major shareholder of Company and the acquisition is accounted for as a common control transaction. This acquisition was initially recognized as property asset acquisition within common control transaction.

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

	Karviná Property Development, a.s.
Investment property	1,354
Total non-current assets	**1,354**
Cash and cash equivalents	2
Other non-financial current assets	1
Total current assets	**3**
Identifiable acquired assets	**1,357**
Financial debts	(1,502)
Deferred tax liabilities	(12)
Total non-current liabilities	**(1,514)**
Financial debts	(283)
Trade payables	(4)
Total current liabilities	**(287)**
Identifiable acquired liabilities	**(1,801)**
Net ident. Liabilities of subsidiary acquired	**(444)**
Share acquired in %	**100.00%**
Share acquired	**(444)**
Consideration paid	**36**
Net ident. Assets of subsidiary acquired less consideration paid recognised in equity	**(480)**
Cash and cash equivalents acquired	**2**
Cash outflow	**34**
POST-acquisition (loss)	**(65)**

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been unchanged and net profit from continuing operations would have been EUR 89.2 million.

CMA Group

On 30 October 2015 the Group completed a transaction comprised of the direct acquisition of 65.83 % of shares in Remontées Mecaniques Crans-Montana-Aminona (CMA) SA ("CMA SA"), a Swiss entity holding and operating cable cars in the Crans-Montana ski resort and of 88.49 % of shares in CMA Immobilier SA, a Swiss entity holding certain real estate and rights to develop a hi-end hotel and residential complex including spa, congress centre, shopping and entertainment areas as well as parking in Crans-Montana. In addition to the 88.49 % of shares in CMA Immobilier SA acquired directly by the Company, CMA SA is holding additional 11.21 %, resulting in an aggregate stake of 95.87 % in CMA Immobilier SA. In addition CMA SA and CMA Immobilier SA each holds 50 % of shares in CMA Services S.á.r.l. The entities were acquired from companies controlled by major shareholder of Company and the acquisition is accounted for as a common control transaction.

Crans-Montana is a ski resort in southwestern Switzerland, in the Swiss Alps in the Frenchspeaking part of the canton of Valais. It is considered one of top Swiss resorts, together with Davos, St. Moritz, Verbier, and Zermatt. The skiing area of Crans-Montana is composed of 140 km of marked pistes, plus freeride areas and includes the glacier of Plaine Morte. The skiing area altitude ranges between 1,500 meters (resort altitude) and 3,000 meters (Plaine-Morte Glacier).

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

	CMA SA	CMA Immobilier SA	CMA Services S.á.r.l.	TOTAL
Property, plant and equipment	89,561	6,338	--	95,899
Deferred tax asset	--	2,244	--	2,244
Total non-current assets	**89,561**	**8,582**	**--**	**98,143**
Inventories	--	30	--	30
Trade receivables	--	13	8	21
Cash and cash equivalents	367	219	6	592
Other financial current assets	1,639	24	242	1,905
Other non-financial current assets	747	151	7	905
Total current assets	**2,752**	**438**	**263**	**3,453**
Identifiable acquired assets	**92,314**	**9,019**	**263**	**101,596**
Financial debts	(25,358)	(2,751)	--	(28,109)
Deferred tax liabilities	(6,094)	--	--	(6,094)
Provisions	(612)	--	--	(612)
Total non-current liabilities	**(32,064)**	**(2,751)**	**--**	**(34,815)**
Trade payables	(4,958)	(473)	(119)	(5,550)
Other financial current liabilities	(143)	(50)	--	(193)
Other non-financial current liabilities	(462)	(265)	(126)	(853)
Total current liabilities	**(5,563)**	**(788)**	**(245)**	**(6,596)**
Identifiable acquired liabilities	**(37,627)**	**(3,539)**	**(245)**	**(41,411)**
Net ident. Assets of subsidiary acquired	**54,687**	**5,480**	**18**	**60,185**
Share acquired in %	**65.83%**	**95.87%**	**80.85%**	**--**
Non-controlling interest	**18,686**	**226**	**3**	**18,915**
Share acquired	**36,001**	**5,254**	**15**	**41,270**
Consideration paid	**56,700**	**8,276**	**24**	**65,000**
Net ident. Assets of subsidiary acquired less consideration paid recognized in equity	**(20,700)**	**(3,021)**	**(9)**	**(23,730)**
Cash and cash equivalents acquired	**367**	**219**	**6**	**592**
Cash outflow/(inflow)	**5,409***	**8,057**	**18**	**13,484**
POST-acquisition profit / (loss)	**373**	**(936)**	**5**	**(558)**

*does not include advanced payment as of EUR 6.7 million done in 2014 and non-cash transfer (issued bonds as of EUR 44 million).

If the transaction had occurred on 1 January 2015 with all other variables held constant, the Group revenues from other operations for 2015 would have been EUR 20.5 million and net profit from continuing operations would have been EUR 82.9 million.

Holiday Inn Rome (acquired throught the founded entity CPI Alberghi HI Roma S.r.l.)

On 5 October 2015 the Company acquired the 4 star hotel in Rome by means of the acquisition of a hotel business conducted under the name "Holiday Inn Rome – Eur Parco dei Medici" of Rome for net acquisition price of EUR 5 million from third party. The transaction also includes the simultaneous lease-back of the hotel business to the seller. This acquisition was initially recognized as property asset acquisition.

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

	CPI Alberghi HI Roma S.r.l.
Investment property	31,200
Total non-current assets	**31,200**
Trade and other receivables	835
Cash and cash equivalents	14
Total current assets	**849**
Identifiable acquired assets	**32,049**
Financial debts	(26,241)
Total non-current liabilities	**(26,241)**
Other financial current liabilities	(798)
Total current liabilities	**(798)**
Identifiable acquired liabilities	**(27,039)**
Net ident. Assets of subsidiary acquired	**5,010**
Share acquired in %	**100.00%**
Share acquired	**5,010**
Consideration paid	**5,010**
Net ident. Assets of subsidiary acquired less consideration paid recognised in equity	**--**
Cash and cash equivalents acquired	**14**
Cash outflow	**4,996**
POST-acquisition profit	**2,954**

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been EUR 219 million and net profit from continuing operations would have been EUR 91.2 million.

JMB Group

As at the end of 2015 the Group enlarged its retail property portfolio in the Czech Republic by acquiring JMB Group consisting of Gerosa – JMB, a.s. and JMB Lambda s.r.o. (held indirectly). JMB Group holds 75 retail properties across the whole Czech Republic. Aggregated acquisition price is EUR 38.4 million. The acquired portfolio comprises of approximately 45 thousand sqm of lettable area and generates a rental income of app. EUR 2.4 million annually.

JMB Group was acquired from entity controlled by major shareholder of Company and the acquisition is accounted for as a common control transaction. This acquisition was initially recognized as property asset acquisition under common control transaction.

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

	JMB Group
Intangible assets	1
Investment property	33,407
Available-for-sale financial assets	226
Loans provided	3,045
Total non-current assets	**36,679**
Trade receivables	341
Loans provided	10,914
Cash and cash equivalents	303
Other financial current assets	17
Other non-financial current assets	74
Total current assets	**11,649**
Identifiable acquired assets	**48,328**
Deferred tax liabilities	(619)
Provisions	(17)
Other non-current liabilities	(667)
Total non-current liabilities	**(1,303)**
Financial debts	(10,914)
Trade payables	(109)
Advance payments	(5)
Other financial current liabilities	(315)
Other non-financial current liabilities	(307)
Total current liabilities	**(11,650)**
Identifiable acquired liabilities	**(12,953)**
Net ident. Assets of subsidiary acquired	**35,375**
Share acquired in %	**100.00%**
Share acquired	**35,375**
Consideration paid	**38,380**
Net ident. Assets of subsidiary acquired less consideration paid recognized in equity	**(3,005)**
Cash and cash equivalents acquired	**303**
Cash outflow	**38,077**
POST-acquisition profit	**--**

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been EUR 219 million and net profit from continuing operations would have been EUR 89.9 million.

The following table summarizes the effect of all acquisition through business combinations/property asset acquisitions/common control property transactions made by the Group in 2015:

	OC Futurum Kolín, a.s.	Karviná Property Develop ment, a.s.	CMA Group	CPI Alberghi HI Roma S.r.l.	JMB Group	Other	TOTAL
Intangible assets	--	--	--		1	96	97
Investment property	23,034	1,354	--	31,200	33,407	--	88,995
Property, plant and equipment	--	--	95,899	--	--	--	95,899
Available-for-sale financial assets	--	--	--	--	226	--	226
Loans provided	--	--	--	--	3,045	--	3,045
Deferred tax asset	--	--	2,244	--	--	--	2,244
Total non-current assets	**23,034**	**1,354**	**98,143**	**31,200**	**36,679**	**96**	**190,506**
Inventories	--	--	30	--	--	--	30
Trade receivables	111	--	21	835	341	--	1,308
Loans provided	--	--	--	--	10,914	--	10,914
Cash and cash equivalents	2,256	2	592	14	303	4	3,171
Other financial current assets	508	--	1,905	--	17	--	2,430
Other non-financial current assets	107	1	905	--	74	3	1,090
Total current assets	**2,982**	**3**	**3,453**	**849**	**11,649**	**7**	**18,943**
Identifiable acquired assets	**26,016**	**1,357**	**101,596**	**32,049**	**48,328**	**103**	**209,449**
Financial debts	(6,462)	(1,502)	(28,109)	(26,241)	--	--	(62,314)
Deferred tax liabilities	--	(12)	(6,094)	--	(619)	--	(6,725)
Provisions	--	--	(612)	--	(17)	--	(629)
Other non-current liabilities	(394)	--	--	--	(667)	--	(1,061)
Total non-current liabilities	**(6,856)**	**(1,514)**	**(34,815)**	**(26,241)**	**(1,303)**	**--**	**(70,729)**
Financial debts	(30)	(283)	--	--	(10,914)	--	(11,227)
Trade payables	(234)	(4)	(5,550)	--	(109)	(100)	(5,997)
Advance payments	(9)	--	--	--	(5)	--	(14)
Other financial current liabilities	(285)	(0)	(193)	(798)	(315)	--	(1,591)
Other non-financial current liabilities	(36)	--	(853)	--	(307)	--	(1,196)
Total current liabilities	**(594)**	**(287)**	**(6,596)**	**(798)**	**(11,650)**	**(100)**	**(20,025)**
Identifiable acquired liabilities	**(7,450)**	**(1,801)**	**(41,411)**	**(27,039)**	**(12,953)**	**(100)**	**(90,754)**
Net ident. Assets of subsidiary acquired	**18,566**	**(444)**	**60,185**	**5,010**	**35,375**	**3**	**118,695**
Share 55aintena in %	**100.00%**	**100.00%**	**--**	**100.00%**	**100.00%**	**100.00%**	**--**
Non-controlling interest	**--**	**--**	**18,915**	**--**	**--**	**--**	**18,915**
Share acquired	**18,566**	**(444)**	**41,270**	**5,010**	**35,375**	**3**	**99,780**
Consideration paid	**18,566**	**36**	**65,000**	**5,010**	**38,380**	**3**	**126,995**
Net ident. Assets of subsidiary acquired less consideration paid	**--**	**(480)**	**(23,730)**	**--**	**(3,005)**	**--**	**(27,215)**
Cash and cash equivalents acquired	**2,256**	**2**	**592**	**14**	**303**	**4**	**3,171**
Cash outflow/(inflow)	**16,310**	**34**	**13,484***	**4,996**	**38,077**	**(1)**	**72,900**
POST-acquisition profit / (loss)	**299**	**(65)**	**(558)**	**2,954**	**--**	**(68)**	**2,562**

*does not include advanced payment as of EUR 6.7 million done in 2014 and non-cash transfer (issued bond) as of EUR 44 milion.

3.7 Acquisition of non-controlling interest in 2015

In the end of 2015, the Group acquired non-controlling interest of Hospitality Group (consisting of 12% interest of the voting shares of Endurance Hospitality Finance S.á r.l., 12% interest of the voting shares of Endurance Hospitality Asset S.á r.l. and 6% interest of the voting shares of Hospitality Invest S.à.r.l.).

A cash consideration of EUR 3 was paid to the non-controlling shareholders. Carrying value of the non-controling interest acquired was EUR 6,332 thousand. The difference of EUR 6,332 thousand between the consideration paid and the carrying value of the interest acquired has been recognised in retained earnings.

3.8 Disposal of subsidiaries in 2015

On 4 November 2015 the Group sold the former Živnobanka building located at Na Příkopě street in the centre of Prague. The transaction comprised of the transfer of shares in the Živnobanka building project entity. Following the repayment of the project credit facility to the financing bank the net profit for the CPI PG group amounts to EUR 14.3 million.

In May 2015, the Company disposed 100% stake in Polma 1, S.à r.l., company domiciled in Luxembourg, which was acquired on 1 October 2014 altogether with its parent company CPI PG Management S.à r.l. (former Endurance Asset S.à r.l.).

Due to Group structure optimizing purposes other five companies were disposed as at 30 June 2015 and one as at 1 October 2015 all with neutral impact on Group´s financial results.

During 2015 the Group gradually sold its 94% stakes in two Polish, one Slovak and four Czech subsidiaries, which were purchased in 2014, as a part of the Hospitality Group. Net gain disposal effect from the sale of these entities was EUR 3.6 million.

As in the end of 2015 the management decided about deconsolidation of one of the Group´s entities belonging to German part of portfolio, VITERICON, due to loss of ability to control activities of the entity with significant effect on the return as a consequence of insolvency proceeding started in 2015. Net equity of the VITERICON as of the date of deconsolidation amounted to negative EUR 17.7 million.

4 Segment reporting

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

The structure of operating segments remains unchanged in 2016 compared to the financial statements as at 31 December 2015.

The structure of presented countries changed compared to financial statements as at 31 December 2015 as the operations in Netherland, Ireland, British Virgin Islands and Guernsey become immaterial for the Group.

Income generating rental properties

Within the segment "Income generating rental properties" the Group is considered to have six types of assets as at 31 December 2016, as follows:

- Retail – acquires, develops and leases shopping malls
- Office – acquires, develops and leases offices
- Logistics – acquires, develops and leases warehouses and factories
- Residential – rents residential property
- Hotels – acquires, develops and leases hotels to operators
- Other – primarily includes intergroup service and financing entities

Income generating operational properties

The segment includes properties which primarily generate income from other than rental activities. As at 31 December 2016 the segment includes three types of assets:

- Hospitality – operates hotel premises as hotel operator
- Agriculture – operates farmland and produces the high-quality organic food
- Mountain resorts – operates ski resort, rents restaurants and owns landbank designated for future development

Development

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

Land bank

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

2016

Consolidated profit or loss	Income generating – rental properties						Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2016	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Agriculture	Hospitality	Mountain resorts			
Gross rental revenue	106,223	73,408	18,771	11,806	14,230	250	--	--	--	1,121	--	225,809
Service revenue	943	149	7	1	31	7,980	--	--	--	2	--	9,113
Net service charge income	10,400	431	1	147	6	3,365	--	--	--	(24)	--	14,326
Property operating expenses	(16,612)	(6,619)	(8,094)	(1,005)	(3,363)	(5,418)	--	--	--	(765)	(59)	(41,935)
Net rental income	**100,954**	**67,369**	**10,685**	**10,949**	**10,904**	**6,177**	**--**	**--**	**--**	**334**	**(59)**	**207,313**
Development sales	--	--	--	--	--	--	--	--	--	2,170	--	2,170
Cost of goods sold	--	--	--	--	--	--	--	--	--	(1,627)	--	(1,627)
Development operating expenses	--	--	--	--	--	--	--	--	--	(1,920)	(412)	(2,332)
Net development income	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(1,377)**	**(412)**	**(1,789)**
Hotel revenue	--	--	--	--	--	--	--	69,898	--	--	--	69,898
Cost of goods sold	--	--	--	--	--	--	--	(97)	--	--	--	(97)
Hotel operating expenses	--	--	--	--	--	--	--	(42,099)	--	--	--	(42,099)
Net hotel income	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**27,702**	**--**	**--**	**--**	**27,702**
Revenue from other business operations	--	--	--	--	--	--	12,749	--	17,409	--	--	30,158
Cost of goods sold	--	--	--	--	--	--	(202)	--	(825)	--	--	(1,027)
Related operating expenses	--	--	--	--	--	--	(6,457)	--	(17,675)	--	--	(24,132)
Net income from other business operations	**--**	**--**	**--**	**--**	**--**	**--**	**6,090**	**--**	**(1,091)**	**--**	**--**	**4,999**
Total revenues	117,566	73,988	18,779	11,954	14,267	11,595	12,749	69,898	17,409	3,269	--	351,474
Total direct business operating expenses	(16,612)	(6,619)	(8,094)	(1,005)	(3,363)	(5,418)	(6,659)	(42,196)	(18,500)	(4,312)	(471)	(113,249)
Net business income	**100,954**	**67,369**	**10,685**	**10,949**	**10,904**	**6,177**	**6,090**	**27,702**	**(1,091)**	**(1,043)**	**(471)**	**238,225**
Net valuation gain or loss	372,781	5,506	12,759	(11,250)	1,624	--	19,274	--	--	(6,965)	98	393,827
Net gain or loss on the disposal of investment property	(1,077)	(108)	108	--	--	186	--	(18)	--	(1,662)	--	(2,571)
Net gain or loss on disposal of subsidiaries	(214)	--	--	--	980	1,737	--	--	--	(888)	--	1,615
Amortization, depreciation and impairments	4,390	(504)	(85)	1	(545)	(3,561)	(4,193)	(12,562)	(18,005)	51	(2,389)	(37,402)
Other operating income	1,594	1,222	196	67	89	4,047	--	66,877	50	250	--	74,392
Administrative expenses	(10,572)	(1,008)	(566)	(113)	(250)	(23,513)	--	(381)	(324)	(437)	(439)	(37,603)
Other operating expenses	3,915	(337)	(160)	(33)	(2,328)	(1,742)	--	2,936	(37)	(206)	(85)	1,923
Operating Results	**471,771**	**72,140**	**22,937**	**(379)**	**10,474**	**(16,669)**	**21,171**	**84,554**	**(19,407)**	**(10,900)**	**(3,286)**	**632,406**
Interest income	2,309	515	16	7	55	6,939	10	713	--	--	--	10,564
Interest expense	(24,721)	(17,598)	(5,829)	(4,304)	(2,284)	(32,987)	(762)	(3,571)	(955)	(58)	(665)	(93,733)
Other net financial result	(4,518)	(4,025)	(23)	(337)	(300)	(2,859)	(813)	5,856	2,036	(460)	50	(5,394)
Net finance income / (costs)	**(26,930)**	**(21,108)**	**(5,836)**	**(4,634)**	**(2,529)**	**(28,907)**	**(1,565)**	**2,998**	**1,081**	**(518)**	**(615)**	**(88,563)**
Profit / (Loss) before income tax	**444,841**	**51,032**	**17,101**	**(5,013)**	**7,945**	**(45,576)**	**19,606**	**87,552**	**(18,326)**	**(11,418)**	**(3,901)**	**543,843**
Income tax expense	(94,086)	(4,200)	(3,417)	15,815	19	(1,099)	(3,694)	1,214	2,707	4,133	(1,733)	(84,341)
Net profit / (Loss) from continuing operations	**350,755**	**46,832**	**13,684**	**10,802**	**7,964**	**(46,675)**	**15,912**	**88,766**	**(15,619)**	**(7,285)**	**(5,634)**	**459,502**

2015

Consolidated profit or loss	Income generating – rental properties						Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2015	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Hotels**	**Other**	**Agriculture**	**Hospitality**	**Mountain resorts**			
Gross rental revenue	99,837	68,115	18,080	11,345	19,541	221	--	--	--	484	164	217,787
Service revenue	773	117	11	2	10	12,647	--	--	--	8	41	13,609
Net service charge income	9,129	(1,205)	(9)	63	(40)	2,405	--	--	--	(80)	13	10,276
Property operating expenses	(15,073)	(3,146)	(9,932)	(561)	(1,185)	(4,435)	--	(95)	--	(831)	(341)	(35,599)
Net rental income	**94,666**	**63,881**	**8,150**	**10,849**	**18,326**	**10,838**	**--**	**(95)**	**--**	**(419)**	**(123)**	**206,073**
Development sales	--	--	7,954	--	--	--	--	--	--	846	1,222	10,022
Cost of goods sold	--	--	(7,306)	--	--	--	--	--	--	(227)	--	(7,533)
Development operating expenses	(25)	--	--	--	--	--	--	--	--	--	(135)	(160)
Net development income	**(25)**	**--**	**648**	**--**	**--**	**--**	**--**	**--**	**--**	**619**	**1,087**	**2,329**
Hotel revenue	--	--	--	--	434	--	--	13,433	--	--	--	13,867
Hotel operating expenses	--	--	--	--	(262)	--	--	(7,562)	--	--	--	(7,824)
Net hotel income	**--**	**--**	**--**	**--**	**172**	**--**	**--**	**5,871**	**--**	**--**	**--**	**6,043**
Revenue from other business operations	--	--	--	--	--	--	12,177	--	6,118	--	--	18,295
Cost of goods sold	--	--	--	--	--	--	(1,557)	--	(32)	--	--	(1,589)
Related operating expenses	--	--	--	--	--	--	(6,264)	--	(5,672)	--	--	(11,936)
Net income from other business operations	**--**	**--**	**--**	**--**	**--**	**--**	**4,356**	**--**	**414**	**--**	**--**	**4,770**
Total revenues	109,739	67,027	26,036	11,410	19,945	15,273	12,177	13,433	6,118	1,258	1,440	283,856
Total direct business operating expenses	(15,098)	(3,146)	(17,238)	(561)	(1,447)	(4,435)	(7,821)	(7,657)	(5,704)	(1,058)	(476)	(64,641)
Net business income	**94,641**	**63,881**	**8,798**	**10,849**	**18,498**	**10,838**	**4,356**	**5,776**	**414**	**200**	**964**	**219,215**
Net valuation gain or loss	43,211	(7,134)	(6,591)	4,169	21,845	--	1,316	--	--	(10,399)	(1,145)	45,272
Net gain or loss on the disposal of investment property	(565)	(312)	1,221	1	5	59	--	--	--	(803)	(20)	(414)
Net gain or loss on disposal of subsidiaries	--	--	--	--	2,542	242	--	1,140	--	--	14,300	18,224
Amortization, depreciation and impairments	(18,039)	(73)	217	98	(482)	(776)	(1,291)	(1,632)	(1,105)	(35)	637	(22,481)
Other operating income	499	820	168	14	486	2,116	--	74	--	326	2,317	6,820
Administrative expenses	(8,724)	(1,023)	(531)	(171)	(602)	(23,295)	(331)	(1,393)	--	(698)	(592)	(37,360)
Other operating expenses	(2,255)	(902)	(209)	(154)	(905)	(11,219)	6	(135)	(2)	(78)	(3,373)	(19,226)
Operating Results	**108,768**	**55,257**	**3,073**	**14,806**	**41,387**	**(22,035)**	**4,056**	**3,830**	**(693)**	**(11,487)**	**13,088**	**210,050**
Interest income	3,061	771	2	8	164	14,847	37	(82)	--	(2)	9	18,815
Interest expense	(23,673)	(16,907)	(5,857)	(2,768)	(4,843)	(41,472)	(1,023)	(477)	(35)	(158)	(933)	(98,146)
Other net financial result	9,276	(5,944)	(308)	(831)	226	(6,335)	245	(3,338)	313	(701)	1,272	(6,125)
Net finance income / (costs)	**(11,336)**	**(22,080)**	**(6,163)**	**(3,591)**	**(4,453)**	**(32,960)**	**(741)**	**(3,897)**	**278**	**(861)**	**348**	**(85,456)**
Profit / (Loss) before income tax	**97,432**	**33,177**	**(3,090)**	**11,215**	**36,934**	**(54,995)**	**3,315**	**(67)**	**(415)**	**(12,348)**	**13,436**	**124,594**
Income tax expense	(10,033)	(2,124)	863	(2,798)	(3,730)	(16,567)	(751)	233	(143)	(573)	233	(35,390)
Net profit / (Loss) from continuing operations	**87,399**	**31,053**	**(2,227)**	**8,417**	**33,204**	**(71,562)**	**2,564**	**166**	**(558)**	**(12,921)**	**13,669**	**89,204**

2016

Consolidated statement of financial position	Income generating – rental properties						Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2016	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Agriculture	Hospitality	Mountain resorts			
Gross assets value	**1,984,950**	**1,080,139**	**390,577**	**73,171**	**38,000**	**3,171**	**79,420**	**540,166**	**117,164**	**357,245**	**90,472**	**4,754,475**
Investment Property	1,973,333	1,079,717	390,257	73,171	38,000	--	69,683	--	--	346,104	7,430	3,977,696
Property, plant and equipment	11,550	413	320	--	--	3,154	8,464	538,935	116,064	26	--	678,926
Inventories	67	9	--	--	--	17	1,273	1,231	1,100	11,115	83,042	97,854
Biological assets	--	--	--	--	--	--	6,197	--	--	--	--	6,197
Other assets non-current	51,209	3,388	365	616	25	137,873	9,723	45,230	5,091	1,201	6	254,727
Other assets current	102,936	30,147	16,656	74,668	8,805	57,614	6,075	28,487	4,212	9,291	3,886	342,777
Cash and cash equivalents	43,445	46,161	15,526	4,423	637	160,251	2,280	15,198	810	2,558	12,444	303,733
Total Assets	**2,182,540**	**1,159,835**	**423,124**	**152,878**	**47,467**	**358,909**	**103,695**	**629,081**	**127,277**	**370,295**	**106,808**	**5,661,909**
Other payables non-current	318,694	95,498	44,737	5,185	2,429	1,958	13,015	32,760	6,346	19,018	2,814	542,454
Finance debts non-current	525,647	415,372	37,854	16,292	24,490	14,476	31,863	173,806	21,822	1,475	31,022	1,294,119
Bonds issued non-current	--	41,358	79,842	--	--	535,580	--	--	--	--	--	656,780
Other payables current	65,380	24,367	19,628	47,946	1,345	40,672	1,303	18,057	21,361	2,640	5,005	247,704
Finance debts current	319,407	105,536	44,520	14,132	--	49,602	1,506	18,580	28,825	176	--	582,284
Bonds issued current	--	10,828	32,438	--	--	6,835	--	--	--	--	--	50,101
Total Liabilities	**1,229,128**	**692,959**	**259,019**	**83,555**	**28,264**	**649,123**	**47,687**	**243,203**	**78,354**	**23,309**	**38,841**	**3,373,442**

2015

Consolidated statement of financial position	Income generating – rental properties						Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2015	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Agriculture	Hospitality	Mountain resorts			
Gross assets value	**1,551,282**	**964,792**	**275,893**	**143,526**	**336,816**	**3,304**	**61,678**	**56,902**	**100,257**	**223,195**	**85,420**	**3,803,065**
Investment Property	1,539,663	964,375	275,883	143,526	336,266	--	49,130	--	--	222,633	2,838	3,534,314
Property, plant and equipment	11,590	411	10	--	546	3,290	11,793	56,764	99,560	4	--	183,968
Inventories	29	6	--	--	4	14	755	138	697	558	82,582	84,783
Biological assets	--	--	--	--	--	--	6,273	--	--	--	--	6,273
Other assets non-current	67,570	9,795	--	73	9,022	27,508	10,019	377	--	41	113	124,518
Other assets current	64,367	20,119	12,130	1,138	14,095	104,757	6,647	650	2,300	1,497	2,115	229,815
Cash and cash equivalents	57,182	33,985	10,200	2,985	6,267	29,412	2,949	1,862	687	997	12,526	159,052
Total Assets	**1,740,401**	**1,028,691**	**298,223**	**147,722**	**366,200**	**164,981**	**87,566**	**59,791**	**103,244**	**225,730**	**100,174**	**4,322,723**
Other payables non-current	240,216	90,598	42,173	20,880	20,915	528	9,678	1,688	4,487	16,045	3,159	450,367
Finance debts non-current	694,337	321,348	3,570	64,154	142,729	46,221	33,310	22,910	7,177	1,578	31,023	1,368,357
Bonds issued non-current	--	51,043	108,564	--	--	493,278	2,960	--	--	--	--	655,845
Other payables current	52,291	20,710	15,757	1,927	7,885	12,673	1,986	2,622	9,865	1,477	2,267	129,460
Finance debts current	131,510	116,973	19	4,387	15,999	27,543	1,477	2,046	20,967	212	--	321,133
Bonds issued current	--	487	3,405	--	--	55,331	259	--	--	--	--	59,482
Total Liabilities	**1,118,354**	**601,159**	**173,488**	**91,348**	**187,528**	**635,574**	**49,670**	**29,266**	**42,496**	**19,312**	**36,449**	**2,984,644**

2016

Consolidated profit or loss 31 December 2016	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxembourg	Italy	Russia	Switzerland	Croatia	Monaco	Other*	Total consolidated
Gross rental revenue	136,616	13,843	48,933	16,863	6,263	--	84	1,047	2,160	--	--	--	--	--	225,809
Service revenue	7,725	3	890	98	174	--	7	216	--	--	--	--	--	--	9,113
Net service charge income	2,455	(91)	10,845	1,293	(229)	--	--	53	--	--	--	--	--	--	14,326
Property operating expenses	(24,859)	(1,246)	(11,187)	(2,271)	(1,511)	--	--	(463)	(398)	--	--	--	--	--	(41,935)
Net rental income	**121,937**	**12,509**	**49,481**	**15,983**	**4,697**	**--**	**91**	**853**	**1,762**	**--**	**--**	**--**	**--**	**--**	**207,313**
Development sales	2,112	--	--	58	--	--	--	--	--	--	--	--	--	--	2,170
Cost of goods sold	(1,614)	--	--	(13)	--	--	--	--	--	--	--	--	--	--	(1,627)
Development operating expenses	(1,920)	--	(12)	--	(1)	--	(528)	--	129	--	--	--	--	--	(2,332)
Net development income	**(1,422)**	**--**	**(12)**	**45**	**(1)**	**--**	**(528)**	**--**	**129**	**--**	**--**	**--**	**--**	**--**	**(1,789)**
Hotel revenue	31,726	348	--	7,732	2,493	--	--	--	--	3,818	--	23,781	--	--	69,898
Cost of goods sold	(86)	--	--	--	--	--	--	--	--	--	--	(11)	--	--	(97)
Hotel operating expenses	(21,451)	(249)	--	(4,940)	(1,491)	--	--	--	--	(2,296)	--	(11,672)	--	--	(42,099)
Net hotel income	**10,189**	**99**	**--**	**2,792**	**1,002**	**--**	**--**	**--**	**--**	**1,522**	**--**	**12,098**	**--**	**--**	**27,702**
Revenue from other business operations	12,749	--	--	--	--	--	--	--	--	--	17,409	--	--	--	30,158
Cost of goods sold	(202)	--	--	--	--	--	--	--	--	--	(825)	--	--	--	(1,027)
Related operating expenses	(6,457)	--	--	--	--	--	--	--	--	--	(17,675)	--	--	--	(24,132)
Net income from other business operations	**6,090**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(1,091)**	**--**	**--**	**--**	**4,999**
Total revenues	193,383	14,103	60,668	26,044	8,701	--	91	1,316	2,160	3,818	17,409	23,781	--	--	351,474
Total direct business operating expenses	(56,589)	(1,495)	(11,199)	(7,224)	(3,003)	--	(528)	(463)	(269)	(2,296)	(18,500)	(11,683)	--	--	(113,249)
Net business income	**136,794**	**12,608**	**49,469**	**18,820**	**5,698**	**--**	**(437)**	**853**	**1,891**	**1,522**	**(1,091)**	**12,098**	**--**	**--**	**238,225**
Net valuation gain or loss	56,916	(24,080)	344,514	18,544	4,265	(7,570)	100	(1,433)	2,571	--	--	--	--	--	393,827
Net gain or loss on the disposal of investment property	(817)	(2)	--	(1,752)	--	--	--	--	--	--	--	--	--	--	(2,571)
Net gain or loss on disposal of subsidiaries	3,045	--	--	(1,430)	--	--	--	--	--	--	--	--	--	--	1,615
Amortization, depreciation and impairments	(11,274)	(65)	4,577	(1,585)	(2,674)	(1)	(2,344)	4,664	(1)	(1,886)	(18,005)	(2,712)	--	(6,096)	(37,402)
Other operating income	2,305	578	522	525	156	--	--	2,379	--	--	50	66,651	--	1,226	74,392
Administrative expenses	(16,885)	(123)	(9,516)	(2,774)	(1,183)	(126)	(399)	(2,501)	(216)	(170)	(324)	(176)	--	(3,210)	(37,603)
Other operating expenses	(1,412)	9	4,829	(650)	2,032	(20)	(103)	(1,198)	(1,354)	14	(37)	(137)	--	(50)	1,923
Operating Results	**168,672**	**(11,075)**	**394,395**	**29,698**	**8,294**	**(7,717)**	**(3,183)**	**2,764**	**2,891**	**(520)**	**(19,407)**	**75,724**	**--**	**(8,130)**	**632,406**
Interest income	1,347	--	2,299	11	--	--	--	5,067	25	--	--	(9)	--	1,824	10,564
Interest expense	(55,124)	(7,175)	(13,020)	(2,576)	(1,503)	(10)	(721)	(10,524)	--	--	(955)	(1,049)	--	(1,077)	(93,733)
Other net financial result	(7,628)	(255)	163	(1,717)	(3,857)	540	(9)	(1,205)	(1)	7,039	2,036	(314)	--	(185)	(5,394)
Net finance income / (costs)	**(61,405)**	**(7,430)**	**(10,558)**	**(4,282)**	**(5,360)**	**530**	**(730)**	**(6,662)**	**24**	**7,039**	**1,081**	**(1,372)**	**--**	**562**	**(88,563)**
Profit / (Loss) before income tax	**107,267**	**(18,505)**	**383,837**	**25,416**	**2,934**	**(7,187)**	**(3,913)**	**(3,898)**	**2,915**	**6,519**	**(18,326)**	**74,352**	**--**	**(7,568)**	**543,843**
Income tax expense	(11,728)	16,387	(102,387)	12,052	(455)	--	(1,508)	1,913	(1,156)	534	2,707	(272)	--	(428)	(84,341)
Net profit / (Loss) from continuing operations	**95,539**	**(2,118)**	**281,450**	**37,468**	**2,479**	**(7,187)**	**(5,421)**	**(1,985)**	**1,759**	**7,053**	**(15,619)**	**74,080**	**--**	**(7,996)**	**459,502**

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

2015

Consolidated profit or loss 31 December 2015	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxembourg	Italy	Russia	Swizerland	Other*	Total consolidated
Gross rental revenue	131,092	16,012	45,985	17,690	6,674	--	84	--	250	--	--	--	217,787
Service revenue	9,197	4	733	30	157	--	49	2,495	--	--	--	944	13,609
Net service charge income	105	(82)	9,470	1,189	(406)	--	--	--	--	--	--	--	10,276
Property operating expenses	(20,624)	(579)	(11,510)	(1,809)	(937)	--	--	--	(46)	(94)	--	--	(35,599)
Net rental income	**119,770**	**15,355**	**44,678**	**17,100**	**5,488**	**--**	**133**	**2,495**	**204**	**(94)**	**--**	**944**	**206,073**
Development sales	8,700	--	1,222	100	--	--	--	--	--	--	--	--	10,022
Cost of goods sold	(7,495)	--	--	(38)	--	--	--	--	--	--	--	--	(7,533)
Development operating expenses	--	--	(160)	--	--	--	--	--	--	--	--	--	(160)
Net development income	**1,205**	**--**	**1,062**	**62**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**2,329**
Hotel revenue	3,931	459	--	4,918	434	--	--	--	--	4,125	--	--	13,867
Hotel operating expenses	(2,257)	(226)	--	(3,287)	(262)	--	--	--	--	(1,792)	--	--	(7,824)
Net hotel income	**1,674**	**233**	**--**	**1,631**	**172**	**--**	**--**	**--**	**--**	**2,333**	**--**	**--**	**6,043**
Revenue from other business operations	12,177	--	--	--	--	--	--	--	--	--	6,118	--	18,295
Cost of goods sold	(1,557)	--	--	--	--	--	--	--	--	--	(32)	--	(1,589)
Related operating expenses	(6,264)	--	--	--	--	--	--	--	--	--	(5,672)	--	(11,936)
Net income from other business operations	**4,356**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**414**	**--**	**4,770**
Total revenues	165,202	16,393	57,410	23,927	6,859	--	133	2,495	250	4,125	6,118	944	283,856
Total direct business operating expenses	(38,197)	(805)	(11,670)	(5,134)	(1,199)	--	--	--	(46)	(1,886)	(5,704)	--	(64,641)
Net business income	**127,005**	**15,588**	**45,740**	**18,793**	**5,660**	**--**	**133**	**2,495**	**204**	**2,239**	**414**	**944**	**219,215**
Net valuation gain or loss	(999)	(9,207)	32,292	18,368	982	(812)	--	--	4,648	--	--	--	45,272
Net gain or loss on the disposal of investment property	254	16	--	(684)	--	--	--	--	--	--	--	--	(414)
Net gain or loss on disposal of subsidiaries	15,844	1,140	--	(25)	1,040	--	--	225	--	--	--	--	18,224
Amortization, depreciation and impairments	(2,653)	2	(17,208)	(2,105)	(79)	(2)	--	1,044	(1)	(374)	(1,105)	--	(22,481)
Other operating income	3,474	105	574	645	22	--	1,869	124	--	7	--	--	6,820
Administrative expenses	(18,259)	(247)	(8,279)	(2,307)	(1,081)	(106)	(52)	(2,787)	(52)	(850)	--	(3,340)	(37,360)
Other operating expenses	(12,986)	(142)	(2,861)	(1,076)	(228)	(17)	(701)	(945)	(232)	(31)	(2)	(5)	(19,226)
Operating Results	**111,680**	**7,255**	**50,258**	**31,609**	**6,316**	**(937)**	**1,249**	**156**	**4,567**	**991**	**(693)**	**(2,401)**	**210,050**
Interest income	5,436	(68)	2,737	18	--	--	--	9,792	--	--	--	900	18,815
Interest expense	(74,309)	(4,655)	(10,503)	(3,121)	(1,505)	--	(65)	(2,109)	(33)	--	(35)	(1,811)	(98,146)
Other net financial result	(15,870)	(331)	16,974	(294)	(67)	(572)	728	(2,915)	(8)	(3,580)	313	(503)	(6,125)
Net finance income / (costs)	**(84,743)**	**(5,054)**	**9,208**	**(3,397)**	**(1,572)**	**(572)**	**663**	**4,768**	**(41)**	**(3,580)**	**278**	**(1,414)**	**(85,456)**
Profit / Loss before income tax	**26,937**	**2,201**	**59,466**	**28,212**	**4,744**	**(1,509)**	**1,912**	**4,924**	**4,526**	**(2,589)**	**(415)**	**(3,815)**	**124,594**
Income tax expense	(3,082)	279	(9,813)	(4,220)	368	--	(46)	(17,634)	(1,291)	196	(143)	(4)	(35,390)
Net profit / (Loss) from continuing operations	**23,855**	**2,480**	**49,653**	**23,992**	**5,112**	**(1,509)**	**1,866**	**(12,710)**	**3,235**	**(2,393)**	**(558)**	**(3,819)**	**89,204**

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

2016

Consolidated statement of financial position 31 December 2016	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxemburg	Italy	Russia	Swizerland	Croatia	Monaco	Other*	Total consolidated
Gross assets value	**2,635,556**	**109,864**	**1,049,090**	**319,521**	**103,997**	**--**	**85,733**	**--**	**46,712**	**26,050**	**117,164**	**168,435**	**92,342**	**11**	**4,754,475**
Investment Property	2,328,233	109,857	1,038,390	275,800	83,989	--	11,100	--	38,000	--	--	--	92,326	--	3,977,696
Property, plant and equipment	294,205	3	10,646	43,574	19,905	--	303	--	--	25,932	116,064	168,278	16	--	678,926
Inventories	13,118	4	54	147	103	--	74,330	--	8,712	118	1,100	157	--	11	97,854
Biological assets	6,197	--	--	--	--	--	--	--	--	--	--	--	--	--	6,197
Other receivables non-current	78,110	476	49,953	34	249	--	--	118,964	26	9	5,091	78	135	1,602	254,727
Other receivables current	144,549	74,747	46,422	5,123	1,234	7,759	6,776	37,073	2,768	250	4,212	365	323	11,176	342,777
Cash and cash equivalents	197,495	4,015	10,181	11,781	7,418	16	12,740	51,850	468	108	810	2,493	4,306	52	303,733
Total Assets	**3,061,907**	**189,102**	**1,155,646**	**336,459**	**112,898**	**7,775**	**105,249**	**207,887**	**49,974**	**26,417**	**127,277**	**171,371**	**97,106**	**12,841**	**5,661,909**
Other payables non-current	238,615	9,336	247,251	16,339	6,516	11	2,357	750	2,429	735	6,346	11,769	--	--	542,454
Finance debts non-current	898,357	39,040	41,007	120,625	45,328	303	34,522	52	24,490	--	21,822	34,238	34,292	43	1,294,119
Bonds issued non-current	421,860	122,773	--	--	--	--	--	112,147	--	--	--	--	--	--	656,780
Other payables current	82,649	45,668	28,725	8,089	2,985	5	9,341	40,998	1,335	999	21,361	3,602	311	1,636	247,704
Finance debts current	179,401	2,563	293,146	17,915	14,292	98	7,111	192	--	--	28,825	1,318	37,409	14	582,284
Bonds issued current	46,460	1,816	--	--	--	--	--	1,825	--	--	--	--	--	--	50,101
Total Liabilities	**1,867,342**	**221,196**	**610,129**	**162,968**	**69,121**	**417**	**53,331**	**155,964**	**28,254**	**1,734**	**78,354**	**50,927**	**72,012**	**1,693**	**3,373,442**

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

2015

Consolidated statement of financial position 31 December 2015	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxembourg	Italy	Russia	Swizerland	Other*	Total consolidated
Gross assets value	**2,253,906**	**197,163**	**695,128**	**298,728**	**94,428**	**15,274**	**80,068**	**--**	**42,014**	**26,088**	**100,257**	**11**	**3,803,065**
Investment Property	2,221,685	197,161	684,399	281,958	94,341	15,270	3,500	--	36,000	--	--	--	3,534,314
Property, plant and equipment	30,995	--	10,700	16,633	83	4	--	--	--	25,993	99,560	--	183,968
Inventories	1,226	2	29	137	4	--	76,568	--	6,014	95	697	11	84,783
Biological assets	6,273	--	--	--	--	--	--	--	--	--	--	--	6,273
Other assets non-current	26,466	157	67,465	46	88	--	--	22,340	2	18	--	7,936	124,518
Other assets current	83,004	1,122	28,410	20,318	847	1,064	543	83,589	2,714	174	2,300	5,730	229,815
Cash and cash equivalents	96,527	3,521	31,025	8,119	5,872	9	12,543	271	173	40	687	265	159,052
Total Assets	**2,466,176**	**201,963**	**822,028**	**327,211**	**101,235**	**16,347**	**93,154**	**106,200**	**44,903**	**26,320**	**103,244**	**13,942**	**4,322,723**
Other payables non-current	216,451	26,204	163,836	28,027	5,224	11	3,058	400	1,459	1,209	4,487	1	450,367
Finance debts non-current	738,438	93,661	329,062	109,558	30,589	188	34,523	127	25,033	--	7,177	1	1,368,357
Bonds issued non-current	335,835	29,525	--	--	--	--	--	290,485	--	--	--	--	655,845
Other payables current	68,898	1,484	30,739	8,189	2,228	122	2,532	1,728	1,278	1,048	9,865	1,349	129,460
Finance debts current	217,425	7,085	12,150	40,147	23,241	94	13	8	--	--	20,967	4	321,133
Bonds issued current	53,680	367	--	--	--	--	--	5,435	--	--	--	--	59,482
Total Liabilities	**1,630,727**	**158,326**	**535,787**	**185,921**	**61,282**	**415**	**40,125**	**298,183**	**27,770**	**2,257**	**42,496**	**1,355**	**2,984,644**

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

5 Consolidated statement of comprehensive income

5.1 Gross rental revenues

	31 December 2016	31 December 2015
Gross rental income (1)	225,809	217,787
Service revenue (2)	9,113	13,609
Total gross rental revenues	**234,922**	**231,396**

(1) Increase in rental revenue is generally attributable to Group's expansion in 2016 and in the end of 2015. The main favourable impacts represent the acquisition of NUKASSO leading to a net increase of EUR 3.9 million, the acquisition of Bondy Centrum in 2016 (increase of EUR 3.3 million), acquisition of JMB Group at the end of 2015 (net increase of EUR 2.4 million) and the acquisition of the Holiday Inn hotel in Rome in October 2015 leading to the net increase of EUR 1.9 million in gross rental revenue of the Group. Due to the acquisition of CPI Hotels in August 2016, the gross rental revenue of the Group decreased of EUR 9.1 million compared to 2015 (note 5.5).

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

(2) Decrease in service income relates mainly to the acquisition of CPI Hotels (note 3.2.).

5.2 Net service charge income

	31 December 2016	31 December 2015
Service charge income	43,815	38,336
Service charge expenses	(30,792)	(29,289)
Total	**13,023**	**9,047**
Revenues from sales of electricity	4,176	4,516
Cost of sales – electricity	(2,873)	(3,287)
Total	**1,303**	**1,229**
Total net service charge income	**14,326**	**10,276**

Significant increase in volume of service charge income and expenses reflects mainly increase in rental activity.

Profit from sale of electricity (the Group has license for the purchase and its further distribution) remains stable and also contributed to net positive result from service recharges.

5.3 Property operating expenses

	31 December 2016	31 December 2015
Building Maintenance (1)	(19,342)	(17,838)
Personnel expenses	(6,782)	(6,229)
Other property related expenses	(5,585)	(2,981)
Utilities Supplies	(3,667)	(2,524)
Real estate tax	(3,626)	(3,413)
Letting fee, other fees paid to real estate agents	(921)	(1,323)
Leases and rents	(760)	(534)
Insurance	(636)	(447)
Facility management	(616)	(310)
Total net property operating expenses	**(41,935)**	**(35,599)**

(1) Significant increase in building maintanance was caused mainly by acquisitions of the last year (note 3.5) fully impacting Consolidated Statement of Comprehensive Income in 2016 and by higher refurbishment in residential portfolio compared to 2015.

Property operating expenses also include Group's expenses related to vacant premises.

5.3.1 Utility services

	31 December 2016	31 December 2015
Energy consumption	(2,550)	(1,353)
Material consumption	(722)	(708)
Waste management	(159)	(126)
Security services	(153)	(257)
Cleaning services	(83)	(80)
Total utility services	**(3,667)**	**(2,524)**

5.3.2 Personnel expenses

	31 December 2016	31 December 2015
Personnel operating expenses		
Wages and salaries	(5,049)	(4,644)
Social and health security contributions	(1,579)	(1,443)
Other social expenses	(154)	(142)
Total personnel operating expenses	**(6,782)**	**(6,229)**
Personnel administrative expenses		
Wages and salaries	(12,084)	(11,459)
Social and health security contributions	(3,024)	(2,763)
Other social expenses	(369)	(296)
Total personnel administrative expenses (note 5.12)	**(15,477)**	**(14,518)**
Personnel expenses – hotel operations		
Wages and salaries	(12,602)	(1,889)
Social and health security contributions	(3,228)	(607)
Other social expenses	(330)	(116)
Total personnel expenses – hotel operations (note 5.5.)	**(16,160)**	**(2,612)**
Personnel expenses – other business operations		
Wages and salaries	(10,085)	(4,018)
Social and health security contributions	(2,169)	(1,142)
Other social expenses	(318)	159
Total personnel expenses – other business operations (note 5.6.)	**(12,572)**	**(5,001)**
Total personnel expenses	**(50,991)**	**(28,360)**

Overall increase in personnel expenses primarily reflects the extension of the Group's operations resulting in the increase of headcount.

The main driver for the increase of personnel expenses from other business activities was the acquisition of CMA Group in October 2015 resulting in the increase of EUR 7.6 million.

Personnel expenses from hotel operations increase mainly due to the acquisition of CPI Hotels leading to a net increase of EUR 8.4 million and also due to the acquisition of SHH in May 2016 (net increase of EUR 5.4 million), refer to note 3.2.

5.4 Net development income

	31 December 2016	31 December 2015
Development sales (1)	2,170	10,022
Cost of goods sold (1)	(1,627)	(7,533)
Development operating expenses (2)	(2,332)	(160)
Net development income (2)	**(1,789)**	**2,329**

(1) Development sales and related COGS in 2015 represents primarily sale of apartments from the residential portfolio of Quadrio Residence, s.r.o. (project “QUADRIO”) in the amount of EUR 7.9 million.

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

5.5 Net hotel income

	31 December 2016	31 December 2015
Hotel revenue	69,898	13,867
Personnel expenses (5.3.2)	(16,160)	(2,612)
Other hotel expenses	(25,939)	(5,206)
Cost of goods sold – hotel operations	(97)	(6)
Total net hotel income	**27,702**	**6,043**

Significant increase in net hotel income reflects the acquisition of SHH in May 2016, refer to note 3.2. The net hotel income of SHH from the acquisition date represents EUR 11.9 million.

In August 2016, the Group acquired CPI Hotels, hotel operator, which operates the majority of the Group´s hotel portfolio, refer to note 3.2. The acquisition of the CPI Hotels led to an increase in net hotel income of EUR 11.4 million. This increase on the other hand led to a decrese in the amount of gross rental revenue (note 5.1.).

5.6 Net income from other business operations

	31 December 2016	31 December 2015
Revenue from other business operations (1)	30,158	18,295
Cost of goods sold	(1,027)	(1,589)
Personnel expenses (5.3.2)	(12,572)	(5,001)
Related operating expenses	(11,560)	(6,935)
Net income from other business operations	**4,999**	**4,770**

Other business operations represent agriculture and mountain resort operations.

(1) In 2016, revenue from other business operations in the amount of EUR 17.4 million relates to the mountain resort operations (net increase of EUR 11.3 million compared to 2015). Revenues from agricultural activities remail stable (EUR 12.7 million in 2016).

5.7 Net valuation gain

	31 December 2016	31 December 2015
Valuation gains		
Agriculture	20,129	1,316
Development	98	--
Hotels	2,571	25,521
Industry and logistics	3,589	7,520
Land bank	15,690	2,683
Office	381,466	52,323
Residential	12,759	139
Retail	32,531	10,804
Total valuation gains	**468,833**	**100,306**
Valuation losses		
Agriculture	(855)	--
Development	--	(1,145)
Hotels	(947)	(3,676)
Industry and logistics	(14,839)	(3,351)
Land bank	(22,655)	(13,082)
Office	(8,685)	(9,112)
Residential	--	(6,730)
Retail	(27,025)	(17,938)
Total valuation losses	**(75,006)**	**(55,034)**
Net valuation gain	**393,827**	**45,272**

Considerable increase in valuation gain on investment property relates primarily to office segment in Germany, which increased for EUR 344.5 million that is result of improving market situation in Berlin.
Increase in agriculture relates to agriculture land located in Czech Republic that is result of overall increase of land value in Czech Republic.
The valuation gain recognized in connection with hotel portfolio decreased mainly due to the reclassification of major part of the hotel portfolio from investment property to property, plant and equipment (segment hospitality) which is measured using the revaluation model.
For the assumptions used for the preparation of appraisals by professional valuators refer to note 7.5.3.

5.8 Net loss on the disposal of investment property

	31 December 2016	31 December 2015
Proceeds from disposal of investment property	22,260	12,809
Carrying value of investment property disposed of and related cost	(24,831)	(13,223)
Total loss on the disposal of investment property	**(2,571)**	**(414)**

Main investment property disposal 2016 relate to the disposal of assets, disclosed as assets held for sale at the end of 2015:

- Office project – with fair value of EUR 17.9 million as at 31 December 2015;
- Land bank project – with fair value of EUR 1 million as at 31 December 2015.

At the date of sale, total carrying value of investment properties mentioned above was set to EUR 18.9 million in 2016.

In addition, another two land bank projects in Hungary with carrying value of EUR 1.7 million has been sold during 2016.

Other disposals of investment property in 2016 represent mainly sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of EUR 1.1 million.

5.9 Net gain or loss on disposal of subsidiaries and investees

The following table summarizes disposal effects of subsidiaries sold/liquidated in 2016.

Company	31 December 2016	31 December 2015
Intangible assets	--	8
Investment property	34,390	35,029
Property, plant and equipment	--	927
Loans provided	717	306
Deferred tax asset	921	153
Total non-current assets	**36,028**	**36,423**
Inventories		24
Current income tax receivables	59	12
Trade receivables	323	763
Loans provided	405	19
Cash and cash equivalents	474	681
Other financial current assets	43,595	46
Other non-financial current assets	71	86
Total current assets	**44,928**	**1,631**
Identifiable acquired assets	**80,956**	**38,054**
Financial debts	(4,577)	(9,661)
Deferred tax liabilities	(1,556)	(698)
Other non-current liabilities	(107)	(65)
Total non-current liabilities	**(6,240)**	**(10,424)**
Financial debts	(373)	(27,239)
Trade payables	(145)	(1,268)
Advance payments	(329)	(32)
Derivative instruments	(76)	(92)
Other financial current liabilities	(14,430)	(32)
Other non-financial current liabilities	(41)	(77)
Total current liabilities	**(15,394)**	**(28,740)**
Identifiable acquired liabilities	**(21,634)**	**(39,164)**
Net ident. Assets of subsidiary sold	**59,322**	**(1,101)**
Non-controlling interest	**--**	**(1,682)**
Related cost to sell	**--**	**--**
Share disposed in %	**100.00%**	**--**
Net assets attributable to the Group disposed of	**59,322**	**572**
Sales price	**60,937**	**18,796**
Net gain on disposal of subsidiary	**1,615**	**18,224**

For more details refer to note 3.4.

5.10 Amortization, depreciation and impairments

	31 December 2016	31 December 2015
Depreciation and amortization – rental	(2,285)	(1,853)
Depreciation and amortization – hotel (1)	(8,909)	(1,598)
Depreciation and amortization – other business operations (2)	(6,723)	(2,259)
Total impairment of assets (5.10.1)	(19,485)	(16,771)
Total depreciation, amortization and impairment	**(37,402)**	**(22,481)**

(1) Significant increase in the depreciation and amortization from hotel operations relates to the transfer of the majority of the hotels from the Group´s portfolio from investment property to property, plant and equipment due to the acquisition of CPI Hotels (note 6.2 and 6.3.) and aquisition of SHH (increase of EUR 1.8 million).

(2) Depreciation and amortization from other business operations increased due to the acquisition of CMA Group in October 2015 (net increase of EUR 4.4 million).

5.10.1 Impairment of assets / Reversal of impairment of assets

	31 December 2016	31 December 2015
Impairment of property, plant and equipment (1)	(19,207)	--
Impairment of other intangible assets	--	(5)
Impairment of trading property (2)	(2,331)	(6)
Impairment – FI	--	(192)
Impairment – other	(2,085)	3,953
Reversal of Impairment / Impairment of other receivables (3)	5,904	(17,217)
Reversal of Impairment / Impairment of trade receivables	912	(174)
Impairment of provided loans	(2,678)	(3,130)
Total impairment of assets	**(19,485)**	**(16,771)**

(1) In connection with the revaluation model used for the measurement of property, plant and equipment within the operating segment income generating operational properties, asset type hospitality, the Group recognized an impairment of property, plant and equipment in the amount of EUR 4.2 million.

(2) Impairment of trading property relates to "Palais Maeterlinck project", refer to note 6.10.

(3) Impairment reversal of other receivables in 2016 relates to (BÄR) Leipziger Platz dispute (note 6.7 and 6.10 and 8.)

5.11 Other operating income

	31 December 2016	31 December 2015
Gain on bargain purchase relating to acquisition (business combinations)(1)	66,651	--
Gain on assignment of receivables	496	361
Income from penalties	74	1,015
Income from compensation of rental revenues	452	440
Insurance claims	689	480
Other	5,409	4,828
Net result from sale of PPE	621	(304)
Total other operating income	**74,392**	**6,820**

(1) Gain on bargain purchase relates to the acquisition of SHH (EUR 66.6 million), refer to note 3.2. Based on the business negotiations with the counterparty the Group understood that the seller failed to agree with the Croatian state on the purchase of their shares for a price acceptable for and financeable by the seller and subseqeuently was under pressure to dispose his investment. Thus the Group's was able to acquire the stake of 96.43% for the favourable price.

5.12 Administrative expenses

	31 December 2016	31 December 2015
Personnel expenses (5.3.2)	(15,477)	(14,518)
Audit, tax and advisory services (1)	(6,363)	(8,591)
Legal services	(5,867)	(3,734)
IT expenses	(1,883)	(749)
Lease and rental expenses	(1,822)	(1,686)
Advertising expenses	(1,447)	(2,068)
Telecommunication, internet and software related expenses	(659)	(744)
Material consumption	(586)	(560)
Representation expenses	(513)	(1,256)
Other insurance expenses	(417)	(417)
Repairs and maintenance	(243)	(426)
Energy consumption	(91)	(37)
Other administrative expenses	(2,235)	(2,574)
Total administrative expenses	**(37,603)**	**(37,360)**

(1) Audit, tax and advisory expenses also include the cost of services provided by the Group´s auditor of EUR 1.62 million (EUR 1.37 million in 2015), of which:

- Fees related to audit services amount to EUR 1.35 million (EUR 1.07 million in 2015).
- Fees for other assurance and advisory services provided by the Group´s auditor total EUR 0.27 million (EUR 0.3 million in 2015).
- Fees paid to investment property valuators represent EUR 0.77 million in 2016 (EUR 0.45 million in 2015).

5.13 Other operating expenses

	31 December 2016	31 December 2015
Penalties	(132)	(337)
Tax non-deductible VAT expenses	(695)	(601)
Taxes and fees	(1,772)	(1,402)
Loss on assignment of receivables	(82)	(361)
Gifts	(138)	(506)
Change in provisions	4,927	(3,325)
Other (1)	(185)	(12,694)
Total other operating expenses	**1,923**	**(19,226)**

(1) Operating expenses in 2015 relates to the final settlement of EUR 10 million with the seller of the project acquired by the Group in prior periods. The value of the liability was initially set to zero in the previous reporting periods as the Group had no certain and valid indications concerning the project performance representing fundamental basis for the calculation of the contingent liability.

5.14 Interest income

	31 December 2016	31 December 2015
Bank interest income	28	46
Interest income on bonds	70	343
Interest income on loans and receivables (1)	10,466	18,426
Total interest income	**10,564**	**18,815**

(1) The decrease in interest income reflects the acquisition of own shares from the major shareholder in September 2015 that were predominantly settled by interest bearing loans and receivables.

5.15 Interest expense

	31 December 2016	31 December 2015
Interest expense related to bank and non-bank loans	(51,395)	(47,788)
Interest expense on bonds issued (1)	(35,856)	(49,287)
Interest expense related to finance leases	(2,925)	(485)
Interest expense on other non-current liabilities	--	(22)
Interest expense on bills of exchange	(3,557)	(564)
Total interest expense	**(93,733)**	**(98,146)**

(1) Decrease in interest expense on bonds issued relates mainly to the refinancing and repayment of bond emissions, refer to note 6.14.

5.16 Other net financial result

	31 December 2016	31 December 2015
Change in fair value and realized result on derivative instruments	385	2,726
Other net financial result (1)	(5,084)	16,619
Net foreign exchange gain	2,245	--
Net foreign exchange loss	--	(21,687)
Bank charges	(2,940)	(3,783)
Total other net financial result	**(5,394)**	**(6,125)**

(1) Other net financial result in 2015 primarily includes gain from the deconsolidation of the Group´s entity.

5.17 Income tax expense

Tax recognized in profit or loss

	31 December 2016	31 December 2015
Current income tax expense		
Current year	(10,885)	(6,135)
Adjustment for prior years	(2,836)	157
Total	**(13,721)**	**(5,978)**
Deferred income tax expense		
Origination and reversal of temporary differences	(88,481)	(17,540)
Changes in income tax rate	22,768	--
Recognition (derecognition) of tax losses	(4,907)	(11,872)
Total	**(70,620)**	**(29,412)**
Income tax from continuing operations recognised in profit and loss	**(84,341)**	**(35,390)**
Total income tax recognised in profit or loss	**(84,341)**	**(35,390)**

The Company´s effective tax rate in respect of continuing operations for 2016 was 15.51% (28.40% for 2015).

Reconciliation of effective tax rate

	31 December 2016	31 December 2015
Profit for the period	459,502	89,204
Total income tax recognised in profit or loss	84,341	(35,390)
Profit excluding income tax	**543,843**	**124,594**
Current income tax rate	29.22%	29.22%
Income tax expense using the domestic corporate income tax rate	(158,911)	(36,406)
Effect of tax rates in foreign jurisdictions	33,426	6,731
Changes in income tax rate	22,768	--
Non-deductible expense	(18,362)	(13,930)
Tax exempt income	19,414	36,803
Income tax adjustment for prior years	(322)	157
Effect of foreign exchange rates fluctuation	840	(104)
Change in unrecognized deferred tax asset	4,562	(31,179)
Change in the permanent tax differences	(2,158)	1,737
Other effects	14,402	801
Tax expense	**(84,341)**	**(35,390)**

The main tax rules imposed on the Group companies are as follows:

Luxembourg

The corporate income tax rate is 22.47 % (including 7 % solidarity surtax). Additionally, a municipal business tax is levied by the communes. The municipal business tax rate for Luxembourg City is 6.75 %. Since the Group´s ultimate parent headquarters is seated in the city of Luxembourg, the combined (i.e. corporate income tax, solidarity surtax and municipal business tax) effective tax rate is 29.22 %. Tax losses incurred until 31 December 2016 may be carried forward indefinitely, losses incurred as from 2017 should be limited to 17 years. For 2017 the effective tax rate changed to 27.08% and to for years after 2018 the effective tax rate decreased to 26.01%.

Czech Republic

The corporate income tax rate is 19 %. Tax losses can be carried forward for 5 years. Losses may not be carried forward on a substantial (approximately 25 %) change in the ownership of a company unless certain conditions are met.

Germany

Business profits are subject to two taxes, corporate income tax and trade tax. Corporate income tax and solidarity surcharge add up to a total of 15.825% rate. Trade tax rate varies by location. For City of Berlin, where the business of the Group is concentrated is 14.35 %. The overall tax burden is 30.20 %. Tax losses may be carried forward indefinitely and may be fully utilized against profit up to EUR 1 million and only 60 % on the excess. A direct or indirect change in the ownership 25 %/50 % result in partial/complete forfeiture of the tax losses carried forward.

Slovakia

The corporate income tax rate is 22 %. Tax losses may be carried forward and utilized equally over 4 years.

Hungary

The corporate income tax is levied at progressive rate, 10 % up to a tax base of HUF 500 million and 19 % on the excess. However, from 2017 the one flat rate of 9% will apply. Tax losses generated before 2015 may be carried forward until 2025, while tax losses generated from 2015 may be carried forward for 5 years. The utilization of tax losses in each year is capped at 50 % of the profit before tax.

Ireland

The corporate income tax rate for trading income is 12.5 % and 25 % for non-trading income. Tax losses may be carried forward indefinitely and carry back 1 year.

Netherlands

The corporate income tax is levied at progressive rate, 20 % on the taxable profits up to EUR 200,000 and 25 % on the excess. Tax losses may be carried forward up to 9 years and carry back 1 year.

France

The corporate income tax rate is 33.33 %, which will be reduced to 28% over the period from 2017 to 2020. Large-size companies are subject to additional 3.3% social surcharge applied to standard corporate income tax liability exceeding EUR 763,000. In addition, a corporate income tax surcharge of 10.7% is due on the companies whose turnover exceeds EUR 250 million. Tax losses may be carried forward indefinitely but may be fully utilized against profit up to EUR 1 million and 50 % on the excess.

Poland

The corporate income tax rate is 19 %. Tax losses may be carried forward for 5 years, but the loss utilization in each year is capped at the 50 % of the tax loss.

Romania

The corporate income tax rate is 16 %. Tax losses may be carried forward for 7 years.

Cyprus

The corporate income tax rate is 12.5 %. Tax losses may be carried forward for 5 years.

Guernsey

The corporate income tax rate of 0 % applies to most of the companies carrying business in Guernsey, except for certain financial activities which are subject to 10 % tax rate.

British Virgin Islands

The income is not taxed.

Italy

The corporate income tax rate is 27.5 % (reduced to 24% from 2017) plus the regional tax on productive activities (“IRAP”) of 4.82 % applicable in Roma where the business of the Group is situated. Tax losses may be carried forward indefinitely. However, tax losses may be offset only up to 80 % of taxable income in each year (the “minimum tax” rule). Tax losses incurred during the first 3 years of new activity may be used to fully offset corporate taxable income. Utilization of the tax losses carried forward is limited upon business reorganizations and a change of control.

Switzerland

Corporate income tax is imposed on the federal and cantonal/commune levels. Swiss federal corporate income tax rate is 8.5%. In canton Valais, where the business operations of the Group are situated, the cantonal/commune tax rate is 3 % up to CHF 150,000 and 9.5 % above CHF 150,000. Since the taxes are deductible, the overall effective tax rate is 10.74% up to CHF 150,000 and 16.51% above CHF 150,000. Tax losses may be carried forward for 7 years.

Croatia

The corporate income tax rate is 20 % (will be reduced to 18% from 2017). Tax losses may be carried forward for 5 years, certain limitations apply in case of change of control.

Monaco

The corporate income tax rate is 33.33% for companies that generate more than 25% of their turnover outside Monaco, otherwise 0%.

Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Intangible assets and goodwill	208	217	(2,732)	(650)	(2,524)	(433)
Investment property	9,777	9,548	(467,747)	(420,558)	(457,970)	(411,010)
Property, plant and equipment	5,434	2,981	(45,075)	(11,265)	(39,641)	(8,284)
Biological Assets	--	--	(699)	(758)	(699)	(758)
Inventories	176	--	(2,186)	(3,020)	(2,010)	(3,020)
Trade and other receivables	403	163	(726)	(93)	(323)	70
Financial debts	3,573	3,238	(1,218)	(1,777)	2,355	1,461
Derivative instruments	2,446	2,621	(492)	(490)	1,954	2,131
Provisions	114	101	--	(67)	114	34
Trade and other payables	1,197	1,659	(12,756)	(825)	(11,559)	834
Assets/disposal groups held for sale	--	--	--	(2,667)	--	(2,667)
Tax losses carried-forward	128,997	17,432	--	--	128,997	17,432
Gross deferred tax assets/(liabilities)	**152,325**	**37,960**	**(533,631)**	**(442,170)**	**(381,306)**	**(404,210)**
Set-off of tax	(30,011)	(31,791)	30,011	31,791	--	--
Tax assets/(liabilities) held for sale						
Net deferred tax assets/(liabilities)	**122,314**	**6,169**	**(503,620)**	**(410,379)**	**(381,306)**	**(404,210)**

Deferred tax assets and liabilities are offset to reflect the net deferred tax position of individual taxable entities.

Unrecognised deferred tax asset/liability

Deferred tax assets were not recognized with respect following items:

	31 December 2016	31 December 2015
Trade and other receivables	--	56
Tax losses carried-forward	114,497	80,939
Unrecognised deferred tax assets	**114,497**	**80,995**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Expiration of tax losses depends on jurisdiction of relevant country of which tax losses are derived from.

Movement in deferred tax balances during 2016

2016	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Disposal of subsidiaries	Transfers	Translation differences	Balance at 31 December 2016
Intangible assets and goodwill	(433)	(2,096)	--	--	--	--	5	(2,524)
Investment property	(411,010)	(57,501)	--	(6,070)	(239)	17,224	(374)	(457,970)
Property, plant and equipment	(8,284)	2,039	(4,889)	(11,087)	--	(17,224)	(196)	(39,641)
Biological Assets	(758)	65	--	--	--	--	(6)	(699)
Inventories	(3,020)	1,347	--	(345)	--	--	8	(2,010)
Trade and other receivables	70	(401)	--	--	--	--	8	(323)
Financial debts	1,461	933	--	--	--	--	(39)	2,355
Derivative instruments	2,131	--	(192)	--	--	--	15	1,954
Provisions	34	83	--	--	--	--	(3)	114
Trade and other payables	834	(12,923)	--	12	--	--	518	(11,559)
Assets/disposal groups held for sale	(2,667)	--	--		2,667	--	--	--
Tax losses carried-forward	17,432	(2,166)	--	113,910	--	--	(179)	128,997
Total	**(404,210)**	**(70,620)**	**(5,081)**	**96,420**	**2,428**	**--**	**(243)**	**(381,306)**

Movement in deferred tax balances during 2015

2015	Balance at 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Translation differences	Balance at 31 December 2015
Intangible assets and goodwill	(2,603)	2,047	--	--	123	(433)
Investment property	(389,965)	(15,878)	--	(545)	(4,622)	(411,010)
Property, plant and equipment	220	(4,720)	--	(3,935)	151	(8,284)
Biological Assets	(728)	(29)	--	--	(1)	(758)
Inventories	(3,020)	15	--	--	(15)	(3,020)
Trade and other receivables	(124)	245	--	--	(51)	70
Financial debts	1,888	(472)	--	--	45	1,461
Derivative instruments	3,391	(88)	(1,291)	--	119	2,131
Provisions	(69)	106	--	--	(3)	34
Other items	(2,322)	3,901	--	--	(745)	834
Assets/disposal groups held for sale	--	(2,667)	--	--	--	(2,667)
Tax losses carried-forward	28,929	(11,872)	--	--	375	17,432
Total	**(364,403)**	**(29,412)**	**(1,291)**	**(4,480)**	**(4,624)**	**(404,210)**

6 Consolidated statement of financial position

6.1 Intangible assets and goodwill

2016

	Goodwill	Software	Other	TOTAL
Cost				
Balance at 1 January 2016	**61,904**	**3,698**	**11,348**	**76,950**
Effect of business combinations (note 3.2)	43,532	174	406	44,112
Additions	--	873	164	1,037
Other disposals	--	(88)	(225)	(313)
Effect of movements in exchange rates	213	2	3	218
Balance at 31 December 2016	**105,649**	**4,659**	**11,696**	**122,004**
Amortization and impairment losses				
Balance at 1 January 2015	**2,014**	**1,189**	**428**	**3,631**
Amortization for the period (+)	--	876	435	1,311
Other disposals	--	(7)	(22)	(29)
Balance at 31 December 2016	**2,014**	**2,058**	**841**	**4,913**
Carrying amounts				
At 31 December 2015	**59,890**	**2,509**	**10,920**	**73,319**
At 31 December 2016	**103,635**	**2,601**	**10,855**	**117,091**

2015

	Goodwill	Software	Other	TOTAL
Cost				
Balance at 1 January 2015	**61,644**	**1,838**	**11,809**	**75,291**
Effect of business combinations (note 3.2)	--	96	1	97
Additions	--	1,590	191	1,781
Transfer	--	146	(146)	--
Other disposals	--	(19)	(648)	(667)
Effect of movements in exchange rates	260	47	141	448
Balance at 31 December 2015	**61,904**	**3,698**	**11,348**	**76,950**
Amortization and impairment losses				
Balance at 1 January 2015	**1,972**	**804**	**12**	**2,788**
Amortization for the period (+)	--	326	337	663
Effect of movements in exchange rates	42	59	79	180
Balance at 31 December 2015	**2,014**	**1,189**	**428**	**3,631**
Carrying amounts				
At 31 December 2014	**59,672**	**1,034**	**11,797**	**72,504**
At 31 December 2015	**59,890**	**2,509**	**10,920**	**73,319**

Goodwill

Opening balance of goodwill consists of:

- goodwill recognized as result of the combination of CPI and CPI PG in June 2014. The goodwill allocated to CPI PG cash-generating unit amounts to EUR 42.6 million and reflects the original goodwill recognized in CPI PG prior the acquisition. This goodwill relates to deferred tax liabilities recognized at CPI PG level that are not expected to crystalize in future years;
- amount of EUR 8.8 million relates to goodwill recognized at acquisition of Hospitality Group (Mamaisons brand hotels) in 2014;
- in connection with acquisition of Spojené farmy Group in 2014, goodwill in the amount of EUR 6.5 million was recognized;
- goodwill of EUR 1.8 million was recognized by the Group in 2013. The goodwill relates to acquisition of former ABLON Group on 30 June 2013. Goodwill is allocated to retail segment. The goodwill that arose on the business combination is attributed to the synergies expected to be derived from the combination.

In 2016, due to the acquisition of CPI Hotels, the Group recognized a goodwill in the amount of EUR 43.5 million. Goodwill is allocated to the hospitality segment.

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

Impairment of goodwill/trademark

General information

The Group performed its annual impairment tests in December 2016. The recoverable amounts of CGUs as of 31 December 2016, have been primarily determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the senior management covering a five-year period.

The key assumptions used in the estimation of the recoverable amount are set out below.

Summary of impairment testing

The Group does not identify any impairment for CPI PG Group´s related GW and Trademark impairment as at 31 December 2016 as this CGU´s “recoverable amount” is higher than its carrying value (calculation based on 2017 – 2021 budgeted numbers by using by using the following assumptions):

In percent	2016	2015
Pre-tax discount rate	5.38	5.94
Terminal value growth rate	2.00	2.00

The Group does not identify any impairment for Hospitality Group´s related GW impairment as at 31 December 2015 as this CGU´s “recoverable amount” is higher than its carrying value (calculation based on 2017 – 2021 budgeted numbers by using the following assumptions):

In percent	2016	2015
Pre-tax discount rate	7.07	7.44
Terminal value growth rate	3.00	3.00

No impairment has been identified in regards of Spojené farmy Group´s related GW as at 31 December 2016 as this CGU´s "recoverable amount" is higher than its carrying value (calculation based on 2017 – 2021 budgeted numbers by using the following assumptions):

In percent	2016	2015
Pre-tax discount rate	7.15	5.73
Terminal value growth rate	2.00	2.00

In respect of the GW recognized in 2016 due to the acquisition of CPI Hotels, no impairment charge arose as a result of the impairment test. The recoverable amounts were based on the fair values less costs of disposal. The fair values of the building were assessed based on the reports by external valuers. The external valuations are determined using discounted cash flow projections based on the following significant unobservable inputs:

In percent	2016
Pre-tax discount rate	12.62
Terminal value growth rate	2.00

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use of CGUs is most sensitive to the following assumptions:

- Budgeted EBITDA
- Discount rate
- Terminal value (perpetuity) growth rates

Budgeted EBITDA: the projection of EBITDA is updated on a regular basis and is approved by the senior management covering a five-year period.

Pre-tax discount rates: Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the post-tax discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Terminal value growth rates: Perpetuity growth rates used to extrapolate cash flows beyond the forecast period. Growth rates are based on published industry research.

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below.

CPI PG Group´s related GW

The estimated recoverable amount exceeded its carrying amount by approximately EUR 128.9 million (2015: EUR 171.8 million). Based on the impairment test performed in 2016, the management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

In percent	Change required for carrying amount to equal recoverable amount 31 December 2016
Pre-tax discount rate	0.54
Terminal value growth rate	(0.64)
Budgeted EBITDA decrease	(14.22)

The comparative sensitivity analysis is not provided, since in 2015 the recoverable amount was significantly higher than its carrying value.

Hospitality Group´s related GW

The estimated recoverable amount exceeded its carrying amount by approximately EUR 1.7 million (2015: EUR 49.3 million). Management has identified that a reasonably possible change in three key assumptions in 2016 could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

In percent	Change required for carrying amount to equal recoverable amount 31 December 2016
Pre-tax discount rate	0.06
Terminal value growth rate	(0.07)
Budgeted EBITDA decrease	(1.48)

The comparative sensitivity analysis is not provided, since in 2015 the recoverable amount was significantly higher than its carrying value.

Spojené farmy Group´s related GW

The estimated recoverable amount exceeded its carrying amount by approximately EUR 4.6 million (2015: EUR 14.6 million). Management has identified that a reasonably possible change in three key assumptions in 2016 could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

In percent	Change required for carrying amount to equal recoverable amount 31 December 2016
Pre-tax discount rate	0.26
Terminal value growth rate	(0.32)
Budgeted EBITDA decrease	(4.65)

The comparative sensitivity analysis is not provided, since in 2015 the recoverable amount was significantly higher than its carrying value.

CPI Hotels related GW

The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount based on the assumptions used by the external valuer:

In percent	Change required for carrying amount to equal recoverable amount 31 December 2016
Pre-tax discount rate	2.03
Terminal value growth rate	(3.19)
Budgeted EBITDA decrease	(22.03)

6.2 Investment property

	Income Generating - Rental properties					Subtotal - rental properties	Income Generating - operation properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels		Agriculture			
Balance at 1 January 2015	**1,470,346**	**891,922**	**277,146**	**138,608**	**266,683**	**3,044,705**	**44,897**	**236,362**	**47,087**	**3,373,050**
Investments/acquisitions	--	56,441	--	--	31,200	87,641	--	1,354	--	88,995
Transfers	13,885	2,787	--	(603)	16,162	32,231	--	404	(14,561)	18,074
Development costs	--	--	--	--	--	--	--	--	5,564	5,564
Additions	22,508	7,214	2,664	953	2,142	35,481	1,697	1,263	--	38,442
Disposals	(3)	(179)	(4,346)	(20)	(319)	(4,867)	--	(9,399)	(34,848)	(49,114)
Valuation gain/(loss)	43,211	(7,134)	(6,591)	4,169	21,845	55,500	1,711	(10,399)	(1,145)	45,667
Transfers in/from assets held for sale	(17,900)	--	--	--	(7,042)	(24,942)	--	(1,000)	--	(25,942)
Translation differences	7,616	13,324	7,010	419	5,595	33,964	825	4,048	741	39,578
Balance at 31 December 2015	**1,539,663**	**964,375**	**275,883**	**143,526**	**336,266**	**3,259,713**	**49,130**	**222,633**	**2,838**	**3,534,314**
Investments/acquisitions	101,276	98,833	99,826	1,150	--	301,085	--	149,803	--	450,888
Transfers	--	--	--	1,230	(295,083)	(293,853)	--	(4,714)	--	(298,567)
Development costs	--	--	--	--	--	--	--	--	4,492	4,492
Additions	19,385	11,879	3,002	10,039	2,747	47,052	440	1,335	--	48,827
Disposals	(24,433)	(268)	(1,271)	--	(116)	(26,088)	(36)	(7,891)	--	(34,015)
Valuation gain/(loss)	372,781	5,506	12,759	(11,250)	1,624	381,420	20,129	(6,965)	98	394,682
Transfers in/from assets held for sale	(33,973)	--	--	(71,530)	(7,850)	(113,353)	--	(8,076)	--	(121,429)
Translation differences	(1,366)	(608)	58	6	412	(1,498)	20	(20)	2	(1,496)
Balance at 31 December 2016	**1,973,333**	**1,079,717**	**390,257**	**73,171**	**38,000**	**3,554,478**	**69,683**	**346,105**	**7,430**	**3,977,696**

Investments/Acquistions

2016

In 2016 the Group acquired investment property in total value of EUR 450.9 million. The most significant items of investment property were acquired in the following transaction (note 3.2):

- Due to acquisition of OPG Group in June 2016, the Group acquired a major real estate portfolio in Central and Eastern Europe in total value of EUR 251.7 million.
- In February 2016 the Group acquired Bondy Centrum, shopping center with leasable area of approx. 16,800 sqm and office section in total value of EUR 47.2 million.
- In March 2016 the Group completed acquisition of Géčko Shopping Center (Shopinvest a.s.) in total value of EUR 25.8 million.
- In connection with the acquisition of French villas in November and December 2016, the Group acquired residential portfolio in total value of EUR 99.8 million.
- In December 2016 the Group acquired nine retail portfolio chains across the Czech Republic (QTW Czech, s.r.o.) in total value of EUR 10.2 million.

2015

In 2015 the Group acquired investment property in total value of EUR 89 million. The most significant items of investment property were acquired in following transactions (note 3.2):

- In December 2015 the Group acquired JMB Group (note 3.2) holding the retail property portfolio in total value of EUR 33.4 million in the Czech Republic.
- In connection with the acquisition of CPI Alberghi HI Roma S.r.l. in November 2015, the Group acquired the 4 star hotel in Rome in total value of EUR 31.2 million.
- In May 2015 the Group acquired OC Futurum Kolín, a.s., the shopping centre with leasable area of 10,100 sqm, in total value of EUR 23.0 million.

Transfers among segments

2016

During 2016, project Airport City Park G, was completed. Due to completion, the Group reclassified this project from land bank segment to segment income generating rental properties - Industry and logistics (EUR 1.2 million).

2015

At the end of April 2015, phase C of the project “Meteor Centre Office Park”, located in Prague – Karlín, was completed. Due to completion, the Group reclassified this project from development segment to segment income generating rental properties – office (EUR 11.0 million).
Due to the fact, that the Group ceased operation of hotel La Regina (EUR 16.2 million), from the portfolio of Hospitality Group acquired in 2014, this hotel has been transferred from property, plant and equipment to investment property.
Project “Jeseník City Park” was completed at the end of November 2015 and consequently transferred from development segment to Investment property (EUR 3.5 million).
In the end of 2015 the office project “Franklinestraße” was transferred from property, plant and equipment to investment property (EUR 3.0 million) due to expected change in tenant structure.

Transfers from investment property to property, plant and equipment

Investment property in the amount of EUR 295.1 million was transferred to property, plant and equipment due to the acquisition of CPI Hotels (note 3.2.), which led to the change in use of these hotels (commencement of owner-occupation). Refer to 6.3.

Transfers from investment property to inventories

Part of the land bank plots (Březiněves, a.s.) has been transferred to inventories (EUR 3.5 million) due to the launching of a new development project "Rodinné domy Březiněves" (note 6.8).

Development costs

2016

Development costs (EUR 4.5 million) relate to the construction of building expansion of the existing IGY center on 8,000 sqm of rentable area ("IGY 2" project) in České Budějovice.

2015

Development costs relates mainly to the "Jeseník City Park" project, which was completed in 2015 (EUR 2.8 million) and further to "Meteor Centre Office Park" project (EUR 1.7 million).

Additions

2016

Additions in the office segment relate mainly to capital expenditures in connection with the German portfolio (EUR 6.8 million) and project "QUADRIO" (EUR 1.7 million).
Capital expenditures in segment industry and logistics relate to logistic park in Brandýs nad Labem in the amount of EUR 6.1 million.
Additions in the amount of EUR 2.2 million relate to reconstruction of Spa & Kur Hotel Praha in Františkovy Lázně (LD Praha, a.s.).
Other additions in 2016 represent maily capital expenditures in the amount of EUR 3.5 million in connection with retail park IGY in České Budějovice (CB Property Development, a.s).

2015

Additions in the amount of EUR 7.5 million relates to the newly acquired office complex Ullsteinstrasse 73 within Berlin portfolio.
Other additions in 2015 represent capital expenditures concerning the "QUADRIO" project – EUR 6.1 million (office asset type) and EUR 3.2 million (retail asset type), the "Meteor Centre Office Park" project (office asset type) EUR 2.9 million and the "Jeseník City Park" project EUR 2.7 million (retail asset type).

Disposals

2016

Investment property in the amount of EUR 27.4 million was disposed of due to sale of three subsidiaries in 2016 (note 5.9).

2015

The main disposal represents the sale of former Živnobanka building with impact of EUR 34.9 million.
Disposals of land bank in the amount of EUR 7.3 million relates to Hungarian properties. Other disposals represent sale of apartments in Praha – Letňany to their current tenants (EUR 4.2 million).

Valuation gain/loss

Refer to 5.7.

Reconciliation between the values obtained from the external valuers and the reported values

	31 December 2016	31 December 2015
Market value as estimated by the external valuer	3,809,296	3,255,598
Market value as estimated by the internal valuer	42,723	40,055
Add: finance lease obligation recognised separately	1,509	--
Add: transaction value of property used (1)	124,168	238,662
Reported value in consolidated financial statements	**3,977,696**	**3,534,314**

(1) Transaction value of property in 2016 relates to the acquisitions carried out in H2 2016, the company believes that the transaction value of the property agreed between two independent parties reflects the reported value of the property as at 31 December 2016. Out of it properties in amount of EUR 99.8 million were valued by external expert for the purpose of acquisition shortly before the year end.

Transfers in/from assets held for sale

Amount EUR 121.4 million was transfer from investment property to assets held for sale, refer to note 6.12.

Translation differences

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

Leased investment properties

Investment properties at an aggregate value of EUR 92.1 million at 31 December 2016 (2015: EUR 29.9 million) are held under long-term finance lease arrangements, which expire at varying dates between 2022 and 2033. For liabilities related to leased investment properties refer to note 6.15.

Pledged investment properties

For information related to pledged investment properties refer to note 6.15.

6.3 Property, plant and equipment

a) Hotels

In accordance with IAS 16, the Group decided to use revaluation model for the measurement of property, plant and equipment from the income generating operational properties operating segment, asset type hospitality (i.e. for hotels operated by the Group).

	Hotel
Fair value	
Balance at 1 January 2016	--
Acquisitions	161,061
Additions	6,359
Other disposals	(4,074)
Transfer from/ to investment property	295,083
Transfer from PPE valued using revaluation model	60,381
Transfer	--
Effect of movements in exchange rates	1,103
Valuation Gain/Loss through other comprehensive income	30,181
Balance at 31 December 2016	**550,094**
Accumulated depreciation and impairment losses	
Balance at 1 January 2016	--
Depreciation for the period	8,909
Impairment loss/ (reversal of impairment loss)	4,164
Other disposals	(3,554)
Transfer from PPE valued using cost model	3,012
Effect of movements in exchange rates	26
Balance at 31 December 2016	**12,557**
Carrying amounts	
At 31 December 2015	--
At 31 December 2016	**537,537**

Reclassification of PPE

As at 1 January 2016, all hotels from income generating operational properties operating segment, asset type hospitality, have been transferred from PPE valued using cost model to PPE valued to fair value (revaluation model) and revaluated to its fair value (based on the valuation prepared by the independent valuators). Following hotels have been revaluated as at 1 January 2016:

- Marriott Hotel Budapest (value as at 1 January 2016 - EUR 21.6 million fair value / cost model value EUR 16.4 million);
- Courtyard by Marriott Prague City (value as at 1 January 2016 - EUR 14.1 million fair value/ cost model value EUR 14.1 million);
- MaMaison Pokrovka Hotel, Russia (value as at 1 January 2016 – EUR 26.1 million fair value/ cost model value EUR 26.1 million).

The elimination approach was used in case of the accumulated depreciation as at 1 January 2016.

Transfers from investment property

Due to the acquisition of CPI Hotels, the Group became both owner and operator of its hotel portfolio (except the Holiday Inn Rome hotel), which is why as at 30 June 2016, the majority of the hotel portfolio has been transfered from investment property to property, plant and equipment. Subsequently, these hotels has been revaluated to its fair value as at 31 December 2016 based on the valuations prepared by the independent valuator.

Acquisitions

Increase of balance of property, plant and equipment in the amount of EUR 161 million is attributable to acquisition of SHH in May 2016 (note 3.2).

Valuation gain through OCI (revaluation surplus)

Valuation gain in the amount of EUR 30.2 million has been recognized in connection with the revalulation of the Group´s hospitality portfolio.

Fair value of Hotels was determined using either the direct comparison method of valuation where price per bedroom was calculated and compared, or using the discounted cash flow method, or through the income capitalization method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 December 2016, the fair values of Hotels are based on valuations performed by independent and experienced valuer. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3.

If Hotels were measured using the cost model, the carrying amounts would be EUR 507,356 thousand.

Impairment losses

In 2016, the Group recognized an impairment expense in the amount of EUR 4.2 million in connection with the revaluation of its hospitality portfolio.

b) Other property, plant and equipment

	Hotel	Owner occupied buildings	Plant and equipment	PPE under finance leases	Property under construction	Other	TOTAL
Cost							
Balance at 1 January 2016	**59,579**	**27,750**	**95,563**	**1,384**	**5,895**	**2,061**	**192,232**
Acquisitions through business combinations	--	--	1,043	14	1,307	323	2,688
Additions	--	11,868	22,991	--	282	--	35,142
Other disposals	--	(2)	(2,144)	(30)	(519)	(5)	(2,701)
Transfer to PPE valued using revaluation model	(59,579)	--	--	--	(802)	--	(60,381)
Transfer	--	41,116	(35,563)	--	(5,553)	--	--
Effect of movements in exchange rates	--	640	396	1	(22)	(13)	1,002
Balance at 31 December 2016	**--**	**81,372**	**82,286**	**1,369**	**588**	**2,367**	**167,982**
Accumulated depreciation and impairment losses							
Balance at 1 January 2016	**3,012**	**675**	**2,983**	**967**	**370**	**257**	**8,264**
Depreciation for the period	--	1,264	6,422	7	--	4	7,697
Impairment loss/ (reversal of impairment loss)	--	12,304	2,739	--	--	--	15,043
Other disposals	--	--	(1,269)	(29)	--	(3)	(1,301)
Transfer to PPE valued using revaluation model	(3,012)	--	--	--	--	--	(3,012)
Effect of movements in exchange rates	--	--	(97)	--	--	--	(97)
Balance at 31 December 2016	**--**	**14,242**	**10,778**	**946**	**370**	**257**	**26,593**
Carrying amounts							
At 31 December 2015	**56,567**	**27,075**	**92,580**	**417**	**5,525**	**1,804**	**183,968**
At 31 December 2016	**--**	**67,130**	**71,508**	**423**	**218**	**2,110**	**141,389**

	Hotel	Owner occupied buildings	Plant and equipment	PPE under finance leases	Property under construction	Other	TOTAL
Cost							
Balance at 1 January 2015	**75,653**	**13,882**	**7,164**	**1,622**	**7,673**	**3,224**	**109,219**
Acquisitions	--	16,190	79,709	--	--	--	95,899
Additions	46	381	1,712	167	5,706	174	8,186
Disposals out of the Group	(738)	--	--	--	--	(191)	(929)
Other disposals	(13)	(12)	(640)	(449)	(1,856)	--	(2,970)
Transfer from/to investment property	(16,162)	(2,902)	--	--	--	--	(19,064)
Transfer	--	--	6,838	--	(5,657)	(1,181)	--
Translation differences	793	211	780	44	29	35	1,892
Balance at 31 December 2015	**59,579**	**27,750**	**95,563**	**1,384**	**5,895**	**2,061**	**192,232**
Accumulated depreciation and impairment losses							
Balance at 1 January 2015	**1,504**	**69**	**725**	**974**	**1,262**	**117**	**4,650**
Depreciation for the period	1,524	606	2,873	(9)	--	53	5,047
Impairment loss/ (reversal of impairment loss)	--	--	8	--	8	--	16
Disposals out of the Group	(1)	--	--	--	--	(1)	(2)
Other disposals	(6)	--	(640)	(23)	(891)	--	(1,560)
Translation differences	(9)	--	17	25	(9)	88	113
Balance at 31 December 2015	**3,012**	**675**	**2,983**	**967**	**370**	**257**	**8,264**
Carrying amounts							
At 31 December 2014	**74,149**	**13,812**	**6,439**	**648**	**6,412**	**3,107**	**104,567**
At 31 December 2015	**56,567**	**27,075**	**92,580**	**417**	**5,525**	**1,804**	**183,968**

Other property, plant and equipment, except hotels from hospitality segment, is valued using cost model. The major part of property, plant and equipment represents portfolio of CMA Group acquired in 2015 (asset type - mountain resorts; operating segment - income generating operational properties) with value as at 31 December 2016 EUR 116.1 million. Acquisitions of the property, plant and equipment in 2016 in the amount of EUR 1.1 million relate to the acquisition of SHH.

Impairment on Other property, plant and equipment

From total amount of EUR 141.4 million of Other property plant and equipment, the Group has obtained the valuation appraisals from the independent valuation companies in total value of EUR 124 million as at 31 December 2016. These valuation reports relate to the CMA – mountain resort and agriculture properties respectively. Based on these reports the Group recognized the impairment of EUR 15 million in 2016. For the remaining part of Other property, plant and equipment, there have not been any valuation appraisals prepared however the management has no indication concerning the potential impairment as at 31 December 2016.

For the key assumptions made in relation of Other property plant and equipment valuations refer to note 7.5.3.

Carrying amount of property, plant and equipment pledged as collateral for liabilities represents EUR 601 million (EUR 53 million as at 31 December 2015).

6.4 Biological assets

Biological assets	
Cost	
Balance at 1 January 2015	**6,009**
Additions	2,060
Other disposals	(1,557)
Fair value adjustment (change in fair value)	(395)
Effect of movements in exchange rates	156
At 31 December 2015	**6,273**
Additions	982
Other disposals	(202)
Fair value adjustment (change in fair value)	(855)
Effect of movements in exchange rates	(1)
At 31 December 2016	**6,197**

	31 December 2016	31 December 2015
Biological assets	**6,197**	**6,273**
Non-current	2,004	2,042
Current	4,193	4,231

Net realisable value of biological assets at the acquisition date and at the end of the reporting period is based on internal valuations performed by the Group (see note 2.3).

6.5 Available-for-sale financial assets

	31 December 2016	31 December 2015
Equity securities	488	497
Total equity investments	**488**	**497**
Debentures	111	--
Total available-for-sale financial assets (Non-current)	**599**	**497**
Debentures	--	1,601
Total available-for-sale financial assets (Current)	**--**	**1,601**

6.6 Loans provided

Non-current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	10,130	6.82%	19,643	8.03%
Loans provided - third parties	811	5.53%	14,217	7.80%
Bills of exchange – third parties	3,323	5.26%	--	--
Total non-current loans provided	**14,264**	**--**	**33,860**	**--**
Impairment to non-current loans provided to third parties	--	--	(2,613)	--
Total non-current loans provided net of impairment	**14,264**	**--**	**31,247**	**--**

Current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	15,436	5.31%	81,916	6.18%
Loans provided - third parties (2)	16,700	8.96%	5,589	5.16%
Bills of exchange - third parties	3,037	5.38%	7,549	5.89%
Total current loans provided	**35,173**	**--**	**95,054**	**--**
Impairment to current loans provided to third parties	(37)	--	(31)	--
Total current loans provided net of impairment	**35,136**	**--**	**95,023**	**--**

(1) Loans provided to related parties decreased significantly due to the repayment of a loan provided to the Group by the major shareholder (EUR 39.4 million decrease in the amount of loans provided). Another factor of the decrease is the acquisition of OPG (loans provided to OPG as at 31 December 2015 amounted to EUR 29.3 million) as well as the acquisition of CPI Hotels (loans provided to CPI Hotels as at 31 December 2015 amounted to EUR 14.9 million).

(2) Loan provided to third party in the amount of EUR 16.34 million acquired due to the acquisition of CPI Hotels represent a receivable, that may be under certain conditions assigned by the Group to the major shareholder. Eventual assignment would happen at carrying value of receivables.

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

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

The maturity of non-current loans provided at 31 December 2016 and as at 31 December 2015 was as follows:

2016

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	3,816	6,314	--	10,130
Loans provided - third parties	--	811	--	811
Bill of exchange	--	3,323	--	3,323
Total the maturity of non-current loans provided	**3,816**	**10,448**	**--**	**14,264**

2015

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	--	19,643	--	19,643
Loans provided - third parties	3,350	2,391	5,863	11,604
Total the maturity of non-current loans provided	**3,350**	**22,034**	**5,863**	**31,247**

6.7 Trade and other receivables

Non-current

	31 December 2016	31 December 2015
Advances paid	353	146
Trade receivables due from third parties	8	1
Advances paid for financial investments	--	(71)
Other receivables due from third parties (1)	15	34,856
Other items of trade and other receivables	84	84
Impairment of other receivables due from third parties (1)	--	(22,855)
Total non-current trade and other receivables	**460**	**12,161**

Current

	31 December 2016	31 December 2015
Trade receivables due from related parties	15	6,020
Trade receivables due from third parties (2)	84,329	74,602
Impairment to trade receivables due from third parties	(16,053)	(14,658)
Total current trade and other receivables	**68,291**	**65,964**

(1) In 2015 other non-current receivables mainly include the receivable from the sale of the Group's project in prior periods, the Leipziger Platz project. The receivable was partially impaired in 2015. In January 2017, the involved counterparties concluded the agreement on the final settlement. Based on this settlement, the Group released the impairment of EUR 22.9 million that was recognized as at 31 December 2015. There is no impairment recognized in respect of this dispute as at 31 December 2016. Moreover the Group has written-off the part of the receivable in the nominal value of EUR 16.9 million to reflect the expected and agreed amount to be paid by the debtor. The settlement is due in 2017 and the receivable was reclassified to other current receivables (see note 6.11). Refer to the section 8 for more details.

(2) Major part of the trade receivables represents trade receivables from tenant and receivables from invoicing of utilities. Receivables from invoicing of utilities will be settled against advances received from tenants when final amount of utilities consumption is known and final utilities invoicing is performed.

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

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2016	31 December 2015
Impairment of trade receivables – creation	(3,067)	(1,740)
Impairment of trade receivables – release	6,255	4,453
Impairment of trade receivables - written off	(2,276)	(2,887)
Total impact to profit/loss	**912**	**(174)**

6.8 Inventories

	31 December 2016	31 December 2015
Projects and property for resale (1)	83,251	76,676
Impairment of projects and property for resale (1)	(2,344)	--
Projects under development (2)	13,351	6,508
Other inventory	3,596	1,599
Total inventories	**97,854**	**84,783**

(1) Project and property for resale primarily relates to “Palais Maeterlinck project” in total amount of EUR 76.6 million (2015: EUR 76.6 million) classified as project under development. Based on the impairment test performed by the Group and supported by the appraisal prepared by the independent valuer, impairment in the amount of EUR 2.3 million has been recognized (note 5.10) decreasing the net value of Palais Maeterlinck project to EUR 74.3 million in 2016.
Increase in projects and property for is due to acquisition of OPG in amount EUR 6.5 million.

(2) Projects under development in the amount of EUR 8.7 million (2015: EUR 6 million) relates to the development project in Italy and to a new development project “Rodinné domy Březiněves” in the amount EUR 4.1 million.

Carrying amount of inventory pledged as collateral for liabilities represents EUR 74.3 million as at 31 December 2016 (2015: EUR 76.6 million).

6.9 Cash and cash equivalents

	31 December 2016	31 December 2015
Bank balances	301,326	157,374
Cash on hand	2,407	1,678
Total cash and cash equivalents	**303,733**	**159,052**

Total restricted cash in bank amounts to EUR 60.3 million in 2016 (2015: EUR 61.7 million). Use of these accounts is subject to the bank´s approval, these accounts are held for special purposes under the loan agreements.

Undrawn borrowings´ facilities

The amount of undrawn borrowings´ facilities available for future operation activities represents EUR 25.92 million as at 31 December 2016 (2015 – EUR 86.2 million). Majority of the undrawn borrwings relates to development projects and will be drawn according to the development cost incurred.

6.10 Other financial current assets

	31 December 2016	31 December 2015
Other receivables due from related parties (1)	11,784	2,104
Other receivables due from third parties (1)	37,262	4,032
Other items of trade and other receivables (2)	22,643	2,337
Impairment - other receivables due from other parties	(260)	(1,168)
Receivables from receivables cession	1,430	--
Receivables due from employees	662	594
Interest to debentures issued by third parties	2	9
Total other financial current assets	**73,523**	**7,908**

(1) In 2016, the Group has a right, under certain condition to assign its receivables in total nominal value of EUR 33.63 million to the major shareholder. Receivable due from third parties in the amount of EUR 21.96 million relates to the acquisition of SHH and receivable due from related parties relate to the assignment of loan provided (EUR 11.67 million) to a related party to another related party. Eventual assignment of these receivables to the major shareholder would happen at receivables carrying value.

(2) Other items of trade and other receivables in the amount of EUR 20 million relate to (BÄR) Leipziger Platz dispute (note 11). In 2015, these receivables have been recognized as non-current receivables (EUR 34.86 million) and have been partially impaired (note 6.7). Related impairment (EUR 22.86 million disclosed in 2015) have been reversed in 2016 (note 5.10).

6.11 Other non-financial current assets

	31 December 2016	31 December 2015
Other advances paid to third parties	9,380	6,032
Value added tax receivables	6,540	3,503
Other tax receivables (excl. CIT and VAT)	451	199
Agricultural subsidies (1)	5,340	5,973
Prepaid expenses	15,951	12,634
Advances paid for FI	--	11
Total other non-financial current assets	**37,662**	**28,352**

(1) Mercuda a.s. (Spojené farmy a.s.) obtains agricultural subsidies paid to farmers and agriculture businesses to supplement their income.

6.12 Assets/Liabilities linked to assets held for sale

The following table summarizes the effect of the reclassification made in connection with projects transferd in both 2016 and 2015 to assets held for sale and related liabilities:

	31 December 2016	31 December 2015
NON-CURRENT ASSETS		
Investment property	121,429	25,942
CURRENT ASSETS		
Trade receivables	599	--
Cash and cash equivalents	1,651	--
Other non-financial current assets	302	--
Assets held for sale	**123,981**	**25,942**
NON-CURRENT LIABILITIES		
Financial debts	(54,284)	(2,973)
Derivative instruments	(310)	--
Other non-current liabilities	(583)	--
CURRENT LIABILITIES		
Financial debts	(2,485)	--
Trade payables	(278)	--
Advance payments	(563)	--
Other financial current liabilities	(23)	--
Other non-financial current liabilities	(72)	--
Liabilities linked to assets held for sale	**(58,599)**	**(2,973)**

2016

Due to the management´s intention to dispose some projects in 2017, the respective assets and liabilities were classified as Assets held for sale/Liabilities linked to assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

As at 31 December 2016, fair value of properties intended for disposal has been determined considering the expected/actual selling price and related costs of the project based on the sales agreement/letter of intents available as at the date of the publication of these financial statements.

The following projects are dislosed as held for sale as at 31 December 2016:

- Hotel project (CPI Rhea, s.r.o.) – with fair value of property disposed of EUR 7.9 million and related financing of EUR 0.03 million as at 31 December 2016. On 9 February 2017 the Group sold this project (note 11).
- Two office projects – with total fair value of EUR 33.9 million and related financing of EUR 14.9 million as at 31 December 2016. Capelen Invest S.A. was sold on 25 January 2017 and the sale of Office Center Purkyňova was completed on 7 March 2017 (note 11).
- Land bank projects in Romania and Poland – with total fair value of properties of EUR 8.1 million as at 31 December 2016; and
- Industry and logistics project (Lozorno Logistics Park) – with fair value of the property of EUR 71.5 million and related financing EUR 43.6 million as at 31 December 2016. Logistic park Lozorno was disposed of on 28 February 2017 (note 11).

The remaining balances of assets held for sale (EUR 2.6 million) and liabilities from assets held (EUR 0.7 million) represent other non-core assets and liabilities related to these projects.

2015

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" the management intended the sale of following assets in 2016 as they do not correspond with the Group´s corporate strategy.

- Hotel project – with fair value of EUR 7 million and related bank financing represents of EUR 3 million;
- Office project – with fair value of EUR 17.9 million as at 31 December 2015;
- Land bank project – with fair value of EUR 1 million as at 31 December 2015.

6.13 Equity

Changes in equity

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

Share capital and share premium

As of 31 December 2016 the share capital of the Company amounts to EUR 779,561,784 and is represented by 7,795,617,846 ordinary fully paid shares (incl. treasury shares) with a nominal value of EUR 0.10 each.

Based on the latest shareholders´ declarations received to the 31 December 2016, the following table sets out information regarding the ownership of the Company´s shares:

Shareholder	Number of shares	Share held	Voting rights
Mr. Vítek and entities controlled by Mr. Vítek	6,946,043,946	89.10%	90.18%
Others	756,404,549	9.70%	9.82%
Treasury shares held by the Group	93,169,351	1.20%	0.00%
Total	**7,795,617,846**	**100.00%**	**100.00%**

The share premium opening balance of 2016 comprised the amount received in excess of the nominal value of the shares issued by way of subsequent issue of ordinary shares predominantly in connection with consequential increases of share capital in 2015 as shown in table below.

	Number of shares	Share Capital	Share premium
Balance at 31 December 2015	3,303,768,300	275,308	1,085,446
Capital increase of 21 April 2016	2,514,691,202	251,469	--
Cancellation of treasury shares on 26 May 2016	(550,694,915)	--	--
Capital increase of 7 June 2016	185,000,000	18,500	--
Capital increase of 9 June 2016	550,000,000	55,000	--
Capital increase of 15 June 2016	448,338,849	44,834	498
Capital increase of 23 November 2016	1,300,000,000	130,000	--
Capital increase of 14 December 2016	44,514,410	4,451	--
Treasury shares held by the Group	--	(9,317)	(25,200)
Balance at 31 December 2016	**7,795,617,846**	**770,245**	**1,060,744**

Authorized capital not issued:

The Extraordinary General Meeting of the shareholders of the Company held on 26 May 2016 resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of one billion euro (EUR 1,000,000,000) for a period of five (5) years from 26 May 2016, which would authorise the issuance of up to ten billion (10,000,000,000) new ordinary shares As at 31 December 2016, the authorised share capital of the Company amounts to EUR 747,214,674.10, which would authorize the issuance of up to 7,472,146,741 new ordinary shares.

Subscription rights:

On 26 May the Extraordinary Generaly Meeting of shareholders approved capital raising goal of EUR 330,376,830 to be raised through new authorised share capital adopted by giving Company's shareholders a possibility to participate at future capital increase through contribution in cash at an issue price of EUR 0.1 per share.

Transactions with treasury shares in 2016

- On 26 May 2016 the Company canceled 550,694,915 of treasury shares that had held as of 31 December 2015;
- On 8 June 2016 the Company acquired through the OPG acquisition, refer to the note 3.2, 159,132,897 pcs of its shares and recognized them as a treasury shares in a acquisition value of EUR 58.95 million in total, i.e. 0.37 per share;
- On 29 August 2016 the Company exercised the put option and sold 65,957,446 pcs of treasury shares to the major shareholder for the price of 0.52 EUR per share;
- On 29 November 2016 the Company partially settled its liability arising from the common control trasnsaction (French villas acquisition see 3.2) by 6,100 pcs of own shares in total value of EUR 610, i.e. 0.10 EUR per share.

Share buy-back program

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

The Company is allowed to purchase another 199,298,985 pieces of its own shares from existing and/or future shareholders until 28 August 2019.

Translation reserve

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

Hedging reserve

Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate. Refer to note 6.16.

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

Other reserves

Other reserves are created from other equity operations, such as scope variations, variation of detention, or revaluation of assets (revaluation reserve). Revaluation reserve comprises gains and losses from the revaluation of hotels (property, plant and equipment). These reserves may not be subject to the distribution of dividends.

Retained earnings

Retained earnings are created from accumulated profits and losses and these reserves may be subject to the distribution of dividends.

Earnings per share

	31 December 2016	31 December 2015
At the beginning of the period	2,753,073,385	3,303,768,300
Shares issued	3,303,768,300	3,303,768,300
Tresury shares held by the Group	(550,694,915)	--
Weighted average movements	2,471,448,961	(146,349,060)
Issue of new shares	2,538,668,692	--
Treasury shares held by the Group	(67,219,731)	(146,349,060)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**5,224,522,346**	**3,157,419,240**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**5,224,522,346**	**3,157,419,240**
Net (loss)/profit attributable to the Equity holders of the Company	**470,318**	**88,963**
Net (loss)/profit attributable to the Equity holders of the Company after assumed conversions/exercises	**470,318**	**88,963**
Total Basic earnings in EUR per share	0.09	0.03
o/w discontinued operations	--	--
Diluted earnings in EUR per share	0.09	0.03
o/w discontinued operations	--	--

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

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

6.14 Bonds issued

6.14.1 Non-current bonds issued

Czech Property Investment, a.s.	31 December 2016 No. of bonds issued	Value	31 December 2015 No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/18	--	--	100,000	100,000
Less: bonds owned by Group	--	--	(99,500)	(99,500)
Less: transaction costs	--	--	--	(162)
CPI VAR/18	**--**	**--**	**500**	**338**
Proceeds from issued bonds - CPI 5.10/2021	2,000,000,000	74,019	2,000,000,000	74,006
Less: transaction costs		(69)	--	(200)
CPI 5.10/2021 (1)	**2,000,000,000**	**73,951**	**2,000,000,000**	**73,806**
Proceeds from issued bonds - CPI VAR/19 (EUR)	--	--	116,000	58,000
Less: bonds owned by Group	--	--	(108,916)	(54,458)
Less: transaction costs	--	--	--	(965)
CPI VAR/19 (EUR)	**--**	**--**	**7,084**	**2,577**
Proceeds from issued bonds - CPI 2021	--	--	1,215	89,917
Less: bonds owned by Group	--	--	(1,215)	(89,917)
CPI 2021	**--**	**--**	**--**	**--**
Proceeds from issued bonds - CPI II 4.65/22	1,000,000,000	37,010	1,000,000,000	37,003
Less: bonds owned by Group	--	--	(1,000,000,000)	(37,003)
Less: transaction costs	--	(756)	--	(57)
CPI II 4.65/22 (2)	**1,000,000,000**	**36,254**	**--**	**(57)**
Proceeds from issued bonds - CPI III 4.65/22	1,000,000,000	37,010	1,000,000,000	37,003
Less: bonds owned by Group	--	--	(923,333,633)	(34,166)
Less: transaction costs	--	(756)	--	(57)
CPI III 4.65/22 (3)	**1,000,000,000**	**36,254**	**76,666,367**	**2,780**
Proceeds from issued bonds - CPI IV 4.65/22	1,000,000,000	37,010	1,000,000,000	37,003
Less: bonds owned by Group	--	--	(1,000,000,000)	(37,003)
Less: transaction costs	--	(758)	--	(59)
CPI IV 4.65/22 (4)	**1,000,000,000**	**36,252**	**--**	**(59)**
Proceeds from issued bonds - CPI I 4.75/42	1,000,000,000	37,010	1,000,000,000	37,003
Less: bonds owned by Group	--	--	(52,000,000)	(1,924)
Less: transaction costs	--	(783)	--	(84)
CPI I 4.75/42 (5)	**1,000,000,000**	**36,227**	**948,000,000**	**34,995**
Proceeds from issued bonds - CPI V 4.85/42	1,000,000,000	37,010	1,000,000,000	37,003
Less: bonds owned by Group	(150,000,000)	(5,551)	(766,477,976)	(28,362)
Less: transaction costs	--	(781)	--	(82)
CPI V 4.85/42 (6)	**850,000,000**	**30,677**	**233,522,024**	**8,559**
Proceeds from issued bonds - CPI 4.75/19	150,000	55,514	150,000	55,504
Less: bonds owned by Group	(10,335)	(3,825)	(11,436)	(4,232)
Less: transaction costs		(642)	--	(942)
CPI 4.75/19 (7)	**139,665**	**51,047**	**138,564**	**50,330**
Subtotal - bonds issued by Czech Property Investments as.	**6,850,139,665**	**300,661**	**3,258,334,539**	**173,268**

CPI BYTY, a.s.	31 December 2016 No. of bonds issued	Value	31 December 2015 No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)*	--	--	300,000	11,101
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)*	--	--	500,000	18,501
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	900,000	33,309	900,000	33,302
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	500,000	18,505	500,000	18,501
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	800,000	29,608	800,000	29,602
Less: transaction costs	--	(1,579)	--	(2,444)
Subtotal bonds - CPI BYTY, a.s. (8)	**2,200,000**	**79,842**	**3,000,000**	**108,565**

*Bonds CPI BYTY 2.50/17 and CPI BYTY 3.50/17 are disclosed as current as at 31 December 2016, since they mature on 7 May 2017

CPI Alfa, a.s.	31 December 2016 No. of bonds issued	Value	31 December 2015 No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA REAL ESTATE	--	--	279,000,000	10,324
Less: transaction costs	--	--	--	(87)
Subtotal bonds - CPI Alfa, a.s. (9)**	**--**	**--**	**279,000,000**	**10,237**

**Bonds CPI Alfa, a.s. are disclosed as current as at 31 December 2016, since they mature on 26 October 2017

CPI RETAIL PORTFOLIO I, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds – CPI RETAIL PORTFOLIO I 5.00/2019	112,500	41,636	112,500	41,628
Less: transaction costs	--	(278)	--	(823)
Subtotal bonds - CPI Retail Portfolio I, a.s. (10)	**112,500**	**41,358**	**112,500**	**40,805**

CPI Finance Slovakia, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.85/2018	30,000	30,000	30,000	30,000
Less: transaction costs	--	(252)	--	(475)
CPI 5.85/2018	**30,000**	**29,748**	**30,000**	**29,525**
Proceeds from issued bonds – CPI 5.00/2020	50,000	50,000	--	--
Less: transaction costs	--	(763)	--	--
CPI 5.00/2020	**50,000**	**49,237**	**--**	**--**
Subtotal bonds - CPI Finance Slovakia, a.s. (11)	**80,000**	**78,985**	**30,000**	**29,525**

Spojené farmy, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - Spojené farmy a.s.	80,000,000	2,961	80,000,000	2,960
Less: bonds owned by Group	(80,000,000)	(2,961)	--	--
Subtotal bonds - Spojené farmy, a.s. (12)	**--**	**--**	**80,000,000**	**2,960**

CPI PROPERTY GROUP S.A. (New Notes)	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI PROPERTY GROUP, S.A.	5,000	495,065	5,000	494,285
Less: bonds owned by Group	(3,954)	(395,400)	(2,038)	(203,800)
Subtotal bonds - CPI PROPERTY GROUP S.A. (13)	**1,046**	**99,665**	**2,962**	**290,485**

CPI Finance Slovakia II, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds – CPI Finance Slovakia II, a.s.	45,000	45,000	--	--
Less: transaction costs	--	(1,212)	--	--
5Subtotal bonds – CPI Finance Slovakia II, a.s. (14)	**45,000**	**43,788**	**--**	**--**

ORCO PROPERTY GROUP S.A. (New Notes)	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - ORCO PROPERTY GROUP, S.A.	1,514,461	12,482	--	--
Subtotal bonds - ORCO PROPERTY GROUP S.A. (15)	**1,514,461**	**12,482**		
Total non-current bonds		**656,780**		**655,845**

6.14.2 Current bonds issued

Czech Property Investment, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 6.05/16	--	--	150,000	55,352
Less: bonds owned by Group	--	--	(23,820)	(8,814)
Less: transaction costs	--	--	--	(338)
CPI 6.05/16 (15)	--	--	126,180	46,200
Subtotal - bonds issued by Czech Property Investments a.s.	**--**	**--**	**126,180**	**46,200**

CPI Alfa, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI Alfa, a.s.	279,000,000	10,326	--	--
Less: transaction costs	--	(20)	--	--
Subtotal – bonds issued by CPI Alfa, a.s. (9)	**279,000,000**	**10,306**	**--**	**--**

CPI BYTY, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/15 (CZ0003512485)	300,000	11,103	--	--
Proceeds from issued bonds - CPI BYTY 3.50/15 (CZ0003510687)	500,000	18,505	--	--
Less: transaction costs	--	(574)	--	--
Subtotal – bonds issued by CPI BYTY, a.s. (8)	**800,000**	**29,033**	**--**	**--**
Accrued interest on bonds		**10,762**		**13,282**
Total current bonds		**50,101**		**59,482**
Total bonds		**706,881**		**715,327**

(1) CPI 5.10/2021 (former VAR 19 (CZK)), ISIN CZ0003501868

The bonds CPI 5.10/2021 were issued on 29 March 2012. The bonds mature on 29 March 2021.The nominal value of each bond is CZK 1 and the total nominal value of bonds issued amounts to TCZK 2,000,000.
CPI 5.10/2021 bonds bear the fixed interest rate 5.10% per annum. Interests are due semi-annually, on 29 March and 29 September respectively.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 5.10/2021, ISIN CZ0003501868).
Bonds were accepted for trading at the Prague Stock Exchange.

(2) CPI II 4.65/22 (former CPI 7.00/22), ISIN CZ0003502916

CPI II 4.65/22 bonds were issued on 6 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI II 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and on 6 November. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI II 4.65/22, ISIN CZ0003502916). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050356/CNB/570 that came into force on 5 May 2016.
Bonds were accepted for trading at the Prague Stock Exchange.

(3) CPI III 4.65/22 (former CPI 7.00/22), ISIN CZ0003502924

CPI III 4.65/22 bonds were issued on 11 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI III 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI III 4.65/22, ISIN CZ0003502924). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050358/CNB/570 that came into force on 5 May 2016.
Bonds were accepted for trading at the Prague Stock Exchange.

(4) CPI IV 4.65/22 (former, CPI 7.00/22), ISIN CZ0003502957

CPI IV 4.65/22 bonds were issued on 13 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI IV 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI IV 4.65/22, ISIN CZ0003502957). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050359/CNB/570 that came into force on 5 May 2016.
Bonds were accepted for trading at the Prague Stock Exchange.

(5) CPI I 4.75/42 (former CPI 8.00/42), ISIN CZ0003502932

CPI I 4.75/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI I 4.75/42 bonds bear fixed interest of 4.75% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI I 4.75/42, ISIN CZ0003502932). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097371/CNB/570 that came into force on 20 August 2016.
Bonds were accepted for trading at the Prague Stock Exchange.

(6) CPI V 4.85/42 (former CPI 8.00/42), ISIN CZ0003502940
CPI V 4.85/42 bonds were issued on 17 December 2012. The bonds mature on 22 August 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.
CPI V 4.85/42 bonds bear fixed interest of 4.85% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI V 4.85/22, ISIN CZ0003502940). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097389/CNB/570 that came into force on 20 August 2016.
Bonds were accepted for trading at the Prague Stock Exchange.

(7) CPI 4.75/19, ISIN CZ0003512782
CPI 4.75/19 were issued on 24 August 2015. The bonds mature on 24 August 2019. The nominal value of each bond is CZK 10,000. The Group issued bonds up to maximal value of TCZK 150,000.
CPI 4.75/19 bonds bear fixed interest of 4.75% per annum. Interests are due quarterly, on 24 February, on 24 May, on 24 August and on 24 November, respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 4.75/19, ISIN CZ0003512782).
Bonds were accepted for trading at the Prague Stock Exchange.

(8) CPI BYTY bonds
The CPI BYTY bond issues were issued as a part of a bond programme, with an overall volume of TCZK 17,000,000. The overall volume of unpaid bonds issued under the bond programme must not at any time exceed TCZK 3,000,000.
The separation into 5 issues enabled investors to choose the duration of their investment, from 2 to maximum 8 years, with fixed coupons ranging from 2.5 to 5.8 %.
CPI BYTY bonds were accepted for trading at Prague Stock Exchange.
The detailed breakdown of individual issues is as follows:

CPI BYTY 3.50/17, ISIN CZ0003510687
CPI BYTY 3.50/17 bonds were issued on 7 May 2013. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 3.50 % per annum. Interests are due annually on 7 May.

CPI BYTY 4.80/19, ISIN CZ0003510695
CPI BYTY 4.80/19 bonds were issued on 7 May 2013. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 4.80 % per annum. Interests are due annually on 7 May.

CPI BYTY 5.80/21, ISIN CZ0003510703
CPI BYTY 5.80/21 bonds were issued on 7 May 2013. The bonds mature on 7 May 2021. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 5.80 % per annum.
Interests are due annually on 7 May.

CPI BYTY Real Estate 4.80/19, ISIN CZ00035111412
CPI BYTY Real Estate 4.80/19 bonds were issued on 30 April 2014. The bonds mature on 7 May 2019. The nominal value of each bonds is TCZK 1 and the total nominal value amounts to TCZK 500,000. Bonds bear fixed interest rate of 4.80 % per annum. Interest are due annually on 7 May.

CPI BYTY 2.50/17, ISIN CZ0003512485
CPI BYTY 2.50/17 bonds were issued on 11 May 2015. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 2.50 % per annum. Interests are due annually on 7 May.
These bonds are traded on Prague Stock Exchange, altogether with other emissions issued by CPI BYTY, a.s.

(9) CPI ALFA REAL ESTATE, ISIN CZ0003502205

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

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

Bonds CPI ALFA REAL ESTATE bear the fix interest rate 5.5% p.a. Interests are due quarterly, on 26 January, on 26 April, on 26 July and on 26 October respectively.
The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

(10) CPI Retail Portfolio I 5.00/2019, ISIN CZ0003511164

CPI Retail Portfolio I 5.00/2019 bonds were issued on 25 April 2014. The nominal value of each bond is CZK 10,000. The total nominal value of bonds issued amounts to TCZK 1,125,000. The bonds mature on 25 April 2019 and bear fixed interest of 5% per annum. Interest are due semi-annually on 25 April and 25 October. Issuer of the bonds is the Group´s company CPI Retail Portfolio I, a.s. The issuer issued above mentioned bonds through other members of emission group (CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o.; and CPI Retail Portfolio VII, s.r.o.), on the basis of commission contract.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI Retail Portfolio I 5.00/2019).
Bonds were accepted for trading at the Prague Stock Exchange.

(11) CPI 5.85/2018, ISIN SK4120010653

CPI 5.85/2018 bonds were issued on 16 April 2015. The bonds mature on 16 April 2018. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 30 million. CPI 5.85/2018 bonds bear the fixed interest rate of 5.85 % p.a. Interests are due quarterly, on 16 April, 16 July, 16 October and 16 January.
Bonds were issued as bearer notes in listed form (registred in Central Securities Depository, the abbreviation is CPI 5.85/2018, ISIN SK4120010653). The prospectus and the issuing terms were approved by the decision of the National Bank of Slovakia on 9 April 2015, reference number ODT-3557/2015-1 that came into force on 10 April 2015.
Bonds were accepted for trading on the Bratislava Stock Exchange.

CPI 5.00/2020, ISIN SK4120011487

CPI 5.00/2020 bonds were issued on 26 February 2016. The bonds mature on 26 February 2020. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 50 million. CPI 5.00/2020 bonds bear the fixed interest rate of 5.00 % p.a. Interests are due semi-annually on 26 February and 26 August.
Bonds were issued as bearer notes in listed form (registred in Central Securities Depository, the abbreviation is CPI 5.00/2020, ISIN SK4120011487).
The prospectus and the issuing terms were approved by the decision of the National Bank of Slovakia on 23 February 2016, reference number ODT-1846/2016-1 that came into force on 23 February 2016.
Bonds were accepted for trading on the Bratislava Stock Exchange.

(12) Spojené farmy a.s., ISIN CZ0003507717

On 31 December 2012, Spojené farmy a.s. issued 80,000,000 pieces of bonds, each with nominal value of CZK 1. The bonds mature on 31 December 2022 and bear fixed interest rate of 8.75% p.a. Interest are due annually on 15 July.

(13) CPI Property Group S.A., ISIN XS1279550260

On 20 August 2015, CPI Property Group S.A. issued 5,000 pieces of bonds, each with nominal value of EUR 100,000. The bonds mature on 20 August 2025 and bear fixed interest rate of 5.0% p.a. Interest are due annually on 20 August. Bonds were issued as bearer notes in listed form and are governed by Luxembourg law. Bonds were accepted for trading on the Luxembourg Stock Exchange.

(14) CPI 5.00/2022, ISIN SK4120012097

CPI 5.00/2022 bonds were issued on 29 September 2016. The bonds mature on 29 September 2022. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 45 million. CPI 5.00/2022 bonds bear the fixed interest rate of 5.00 % p.a. Interest are due semi-annually on 29 March and 29 September.

Bonds were issued as bearer notes in listed form (registred in Central Securities Depository, the abbreviation is CPI 5.00/2022, ISIN SK4120012097). The prospectus and the issuing terms were approved by the decision of the National Bank of Slovakia on 27 September 2016, reference number ODT-11520/2016-1 that came into force on 28 September 2016.

Bonds were accepted for trading on the Bratislava Stock Exchange.

(15) Orco Property Group S.A., ISIN XS0820547742

In 2012, OPG issued New Notes, registered under ISIN XS0820547742. Bonds are traded on Luxembourg Stock Exchange. The bonds bear 7 % interest per annum, interest is due semi-annually on 7 May and 7 November. New Notes mature on 7 November 2019.

Changes in 2016

On 23 March 2016, the Group early repaid CPI VAR/19 EUR bonds (ISIN CZ0003501843), which were issued on 23 March 2012. The nominal value of bonds issued amounted EUR 70 million. Prior to the repayment date, the Group decreased the volume of the issue from 116,000 pcs to 7,084 pcs.

On 27 March 2016 were approved the amendment of terms and conditions of the CPI BYTY bonds programme.

On 29 March 2016, the Group repaid CPI 6.05/16 bonds (ISIN CZ0003510646), which were issued on 29 March 2013. Prior to the repayment, the Group decreased the volume of the issue from 150,000 pcs to 126,180 pcs and as at the repayment date, volume of the issue repaid represented nominal value of CZK 1,261.8 million.

In May 2016 were renamed and modified prospectus terms in emissions CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42 and CPI 5.10/2021.

On 26 November 2016, the Group early repaid CPI VAR/18 bonds (ISIN CZ0003511024), which were issued on 26 November 2013. The nominal value of bonds issued amounted EUR 100 million.

On 21 December 2026, the Group early repaid CPI 2021 bonds (ISIN CZ0003501496), which were issued on 8 February 2007. The nominal value of bonds issued amounted CZK 2,500 million.

Covenants

Issued bonds CPI 5.10/2021, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42, CPI 4.75/19, CPI ALFA REAL ESTATE, CPI Retail Portfolio I 5.00/2019, CPI BYTY, CPI 5.85/2018, CPI 5.00/2020, CPI 5.00/2022 and New Notes are subject to a number of covenants. All covenant ratios were met as at 31 December 2016.

6.15 Financial debts

	31 December 2016	31 December 2015
Loans from related parties	1,067	1
Loans from third parties (1)	22,437	9,068
Bank loans	1,243,128	1,305,602
Finance lease liabilities	21,723	18,998
Bills of exchange (3)	5,764	34,688
Total non-current financial debts	**1,294,119**	**1,368,357**

	31 December 2016	31 December 2015
Loans from related parties	38	20
Loans from third parties (1)	9,108	5,887
Bank loans (2)	529,005	291,963
Finance lease liabilities	2,599	1,897
Bills of exchange (3)	41,534	21,366
Total current financial debts	**582,284**	**321,133**

(1) Increase in loans from third parties relates mainly to the CMA Group (increase of EUR 14.8 million).
(2) Increase of current bank loans relates to German portfolio, financing of which is currently under renegotiation.
(3) The change in the structure of issued bills of exchange relates to the replacing of long term bills of exchange by short term instruments.

Bank loans

With respect of bank loans, the Group has pledged the following assets as collateral:

Investment property

The Group has pledged investment property with total value of EUR 3,105 million at 31 December 2016 (2015: EUR 2,905 million).

Property, plant and equpiment

The Group has pledged PPE with total value of EUR 601 million at 31 December 2016 (2015: EUR 53 million).

Trade receivables

Total carrying amount of pledged trade receivables represents EUR 43.2 million at 31 December 2016 (2015: EUR 45 million).

Bank accounts

Total amount of pledged bank accounts represents EUR 85 million at 31 December 2016 (2015: EUR 73 million).

Shares of subsidiaries

Agrome s.r.o., Airport City Ingatlanbefektetési Kft., Airport City Phase B Kft., Angusland s.r.o., Arkáda Prostějov, s.r.o., Balvinder, a.s., Baudry Beta, a.s., BAYTON Alfa, a.s., BC 30 Property Kft., BC 91 Real Estate Kft., Beroun Property Development, a.s., Best Properties South, a.s., Biochov s.r.o., Biopark s.r.o., Biopotraviny s.r.o., Brandýs Logistic, a.s., Buy-Way Dunakeszi Ktf., Buy-Way Soroksár Kft., Carpenter Invest, a.s., CB Property Development, a.s., Central Tower 81 Sp. z o.o., Conradian, a.s., CPI - Real Estate, a.s., CPI - Štupartská, a.s., CPI Alberghi HI Roma S.r.l. , CPI Byty, a.s., CPI Delta, a.s., CPI Jihlava Shopping, a.s., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., CPI Palmovka Office, s.r.o., CPI Retail MB s.r.o., CPI Retail Portfolio VIII s.r.o., CPI Retails ONE, a.s., CPI Retails THREE, a. s., CPI Retails TWO, a.s., CPI Shopping MB, a.s., CPI Shopping Teplice, a.s., Čáslav Investments, a.s., Českolipská farma s.r.o., Český Těšín Property Development, a.s., “DIANA DEVELOPMENT” Sp. z o.o., Diana Property Sp. z o.o., Dienzenhoferovy sady 5, s.r.o., EMH North, s.r.o., EMH South, s.r.o., EMH West, s.r.o., Europeum Kft., Farhan, a.s., Farma Poustevna, s.r.o., Farma Svitavka s.r.o., GATEWAY Office Park Kft., Gebauer Höfe Liegenschaften GmbH, GSG Asset GmbH & Co. Verwaltungs KG, GSG Berlin Invest GmbH, GSG Gewerbehöfe Berlin 1. GmbH Co. KG, GSG Gewerbehöfe Berlin 2. GmbH & Co. KG, GSG Gewerbehöfe Berlin 3. GmbH & Co. KG, GSG Gewerbehöfe Berlin 4. GmbH & Co. KG, GSG Gewerbehöfe Berlin 5. GmbH & Co. KG, GSG Gewerbehöfe Berlin 6. GmbH & Co KG, Hotel Andrássy Zrt., Hraničář, a.s., JAGRA spol. s r.o., Janáčkovo nábřeží 15, s.r.o., Jeseník Investments, a.s., Kerina, a.s., LD Praha, a.s., Limagro s.r.o., Lockhart, a.s., Lucemburská 46, a.s., Marissa Gama, a.s., Marissa Omikrón, a.s. (Gerosa - JMB, a.s.), Marissa Tau, a.s., Marissa West, a.s., MB Property Development, a.s., Modřanská Property, a.s., MUXUM, a.s., Na Poříčí, a.s., NERONTA, a. s., Nymburk Property Development, a.s., OC Nová Zdaboř a.s., OC Spektrum, s.r.o., OFFICE CENTER HRADČANSKÁ, a.s., Office Center Poštová, s.r.o., Olomouc City Center, a.s., Olomouc Office, a.s., LE REGINA WARSAW Sp. z o.o., Ozrics Kft., Pelhřimov Property Development, a.s., Prosta 69 Sp. z o.o., Příbor Property Development, s. r.o., PV - Cvikov s.r.o., Residence Belgická, s.r.o., Residence Izabella, Zrt., Statek Mikulášovice, s.r.o., Svitavy Property Alfa, a.s., Šenovská zemědělská, s.r.o., Trutnov Property Development, a.s., Třinec Investments, s.r.o., Třinec Property Development, a.s., Tyršova 6, a.s., Vigano, a.s., Vyškov Property Development, a.s., Zelená farma s.r.o., Zelená louka s.r.o., Zelená pastva s.r.o., ZEMSPOL s.r.o., Ždírec Property Development, a.s.,

Guarantees provided

As at 31 December 2016, bank loans (acquired within the acquisition of French villas) in the amount of EUR 65.1 million are guaranteed by the major shareholder of the Group.

Covenants

Bank loans are subject to a number of covenants. The Group has three bank loans of EUR 41.3 million (2015: EUR 27.06 million) with covenant breach and discloses them as current as at 31 December 2016. In 2017 bank provided waiver for loan of EUR 27.8 million.

Maturity analysis - loans from third parties

2016

	< 1 year	1-5 years	>5years	Total
Loans from third parties	9,108	7,787	14,650	31,545
Bank loans	529,005	1,126,607	116,520	1,772,133
Total	**538,113**	**1,123,214**	**131,170**	**1,792,498**

2015

	< 1 year	1-5 years	>5years	Total
Loans from third parties	5,887	4,456	4,612	14,955
Bank loans	291,963	1,087,456	218,146	1,597,565
Total	**297,850**	**1,091,912**	**222,758**	**1,612,520**

Finance lease liabilities

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

2016

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	2,097	8,019	15,075	25,191
Interest	(404)	(1,264)	(1,653)	(3,321)
Net present value of future minimum lease payments	**1,693**	**6,755**	**13,422**	**21,870**

2015

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	1,692	6,351	14,853	22,896
Interest	(476)	(1,585)	(1,781)	(3,842)
Net present value of future minimum lease payments	**1,216**	**4,766**	**13,072**	**19,054**

Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

2016

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	921	1,554	--	2,475
Interest	(15)	(8)	--	(23)
Net present value of future minimum lease payments	**906**	**1,546**	**--**	**2,452**

2015

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	717	1,194	--	1,911
Interest	(36)	(34)	--	(70)
Net present value of future minimum lease payments	**681**	**1,160**	**--**	**1,841**

No additional payments are contingent on changes in future price indices.

The total of the future minimum sublease payments expected to be received under non-cancellable subleases at the 31 December 2016 amounts to EUR 37.8 million (EUR 41.2 million as at 31 December 2015).

No single leasing arrangement represents a material portion of the overall amount of the finance lease libilities.

6.16 Derivative instruments

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to manage some of its foreign currency exposures. The foreign exchange forward contracts are not subject to the hedge accounting and are entered into for periods consistent with foreign currency exposure of the underlying transactions.

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank loans.
The aggregate fair value of the interest rate swaps open at 31 December 2016 is summarized in the following table:

	31 December 2016	31 December 2015
Interest rate swaps used for hedging	6,270	1,637
Other interest rate swap and option contracts	6,251	9,329
Foreign exchange forward contracts	24	10
Total non-current liabilities from derivatives	**12,546**	**10,976**

	31 December 2016	31 December 2015
Interest rate swaps used for hedging	--	445
Other interest rate swap and option contracts	2,759	5,407
Other forward exchange contracts	50	461
Total current liabilities from derivatives	**2,809**	**6,313**

a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of EUR 189.6 million (2015: EUR 87.23 million) whereby it pays a fixed interest rate of 0.3 % - 1.85 % (2015: 0.3 % - 2.32 %) and receives a variable rate based on 3M EURIBOR/3M PRIBOR.
The loans and interest rate swaps have the same critical terms, hedge accounting has been applied and instruments are considered as highly effective.

b) Other interest rate swap and option contracts

Contracts with notional amounts of EUR 783 million (2015: EUR 915.47 million) have fixed interest payments at an average rate of 0.71 % (2015: 1.0 %) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate this part of derivatives as hedging instruments under the hedge accounting model and recognizes changes in the fair value of the derivatives in profit or loss.

c) Foreign exchange forward contracts

Foreign exchange forward contracts with notional amounts EUR 1.53 million (2015: EUR 1.94 million) include mainly three FX FORWARD EUR/CZK with average foreign exchange rate of 26.71 (min. 26.54, max. 27.02). Decrease in current liabilities from derivatives is caused by paid seven FX FORWARD during 2016.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

6.17 Non-current provisions

	2016	2015
Balance at 1 January	**8,079**	**16,630**
Provisions acquired through business combination	498	629
Provisions created in the period	1,421	1,514
Provisions used in the period (1)	(6,298)	(1,120)
Deconsolidation impact (2)	--	(12,338)
Transfer	1,170	2,761
Effect of movements in exchange rates	(250)	3
Balance at 31 December	**4,620**	**8,079**

(1) The release of the provision of EUR 6.3 million primarily relates to the concluded final settlement with the counterparty in (BÄR) Leipziger Platz dispute. Based on this settlement, the Group release the provision of EUR 5.2 million that was recognized as at 31 December 2015. There is no provision recognized in respect of this dispute as at 31 December 2016. Refer to the section 8 for more details.

(2) The impact of EUR 12.3 million in 2015 relates to the deconsolidation of one of the Group´s entities and consequently resulting into the removal of provisions of the respective entity from the Group´s consolidated financial statements (note 3.4).

6.18 Other non-current liabilities

Non-current trade and other payables	31 December 2016	31 December 2015
Advances received	637	619
Trade payables due to third parties	434	49
Tenant deposits (1)	12,648	14,481
Payables from retentions	2,865	2,045
Other payables due to third parties (2)	5,087	3,739
Total other non-current liabilities	**21,671**	**20,933**

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

(2) Other payables due to third parties increase mainly due to acquisition with OPG (net increase of EUR 1.6 million).

6.19 Trade payables

Current trade payables	31 December 2016	31 December 2015
Trade payables due to related parties	319	2,637
Trade payables due to third parties (1)	65,399	39,704
Total trade payables	**65,718**	**42,341**

(1) Increase in trade payables relates mainly to the acquisitions occurred in 2016 (EUR 3.5 million) and to CMA Group (EUR 10.1 million).

6.20 Advance payments

Advances	31 December 2016	31 December 2015
Advances received from related parties (1)	24,500	1,108
Advances received from third parties	34,764	35,253
Tenant deposits (2)	13,438	12,524
Total advance payments	**72,702**	**48,885**

(1) Main increase in advances received from related parties relates to the advance to liability for major shareholder in the amount of EUR 24.5 million.

(2) Advances received from tenants in both 2016 and 2015 represented payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and final respective invoicing is performed.

6.21 Other financial current liabilities

	31 December 2016	31 December 2015
Deferred income/revenue and accrued liabilities	7,076	7,316
Payables from unpaid capital contributions	--	59
Other payables due to related parties	1,222	415
Other payables due to third parties (1)	16,096	6,262
Total other financial current liabilities	**24,394**	**14,052**

(1) The main increase in other payables due to third parties relates to the acquisition of French Villas in the amount of EUR 5 million (note 3.2).

6.22 Other non-financial current liabilities

	31 December 2016	31 December 2015
Current income tax liabilities	8,505	4,989
Value added tax payables	6,008	4,661
Other tax payables (excl. CIT and VAT)	824	948
Payables due to employees, SHI, employees income tax	5,252	3,689
Provisions (1)	2,891	605
Liabilities from grants	--	4
Total other non-financial current liabilities	**23,480**	**14,896**

(1) Increase in provisions relates to the acquisition of OPG (EUR 0.9 million) and Sunčani Hvar (EUR 1.3 million).

6.22.1 Current provisions

	2016	2015
Balance at 1 January	**605**	**5,597**
Provisions acquired through business combination	3,359	--
Provisions created in the period	1,100	3,302
Provisions used in the period	(1,066)	(371)
Deconsolidation impact	--	(4,086)
Transfer	(1,170)	(3,798)
Effect of movements in exchange rates	63	(39)
Balance at 31 December	**2,891**	**605**

Analysis of total provisions

	31 December 2016	31 December 2015
Non-current provisions	4,620	8,079
Current provisions	2,891	605
Total provisions	**7,511**	**8,684**

6.23 Operating leases

	31 December 2016	31 December 2015
Less than one year	175,352	167,500
Between one and five years	503,078	507,080
More than five years	361,454	363,240
Total operating leases	**1,039,884**	**1,037,820**

The rent contracts in residential portfolio mostly include the cancellation period of three months and the cancelled contracts are replaced by the new ones continuously.

6.24 Borrowings' maturity

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

In 2016

At 31 December 2016	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	**50,101**	**337,665**	**319,115**	**706,881**
Financial debts	**582,284**	**1,148,841**	**145,279**	**1,876,404**
Bank loans (incl. overdraft)	**529,005**	**1,126,607**	**116,520**	**1,772,132**
Bank loans fixed rate	48,075	85,295	24,377	157,747
Bank loans floating rate	480,930	1,041,312	92,143	1,614,385
Loans from related parties	**38**	**381**	**686**	**1,105**
Loans from third parties	**9,108**	**7,787**	**14,650**	**31,545**
Other borrowings	**44,133**	**14,065**	**13,422**	**71,620**
Total	**632,385**	**1,486,506**	**464,394**	**2,583,285**

In 2015

At 31 December 2015	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	**59,482**	**287,394**	**368,451**	**715,327**
Financial debts	**321,133**	**1,132,527**	**235,830**	**1,689,490**
Bank loans (incl. overdraft)	**291,963**	**1,087,456**	**218,146**	**1,597,565**
Bank loans fixed rate	50,340	44,263	7,495	102,098
Bank loans floating rate	241,623	1,043,193	210,651	1,495,467
Loans from related parties	**20**	**1**	**--**	**21**
Loans from third parties	**5,887**	**4,456**	**4,612**	**14,955**
Other borrowings	**23,263**	**40,614**	**13,072**	**76,949**
Total	**380,615**	**1,419,921**	**604,281**	**2,404,817**

7 Financial risk management

Exposure to various risks arises in the normal course of the Group's business. Financial risk comprises:

- credit risk (refer to note 7.1)
- liquidity risk (refer to note 7.2)
- market risk including currency risk, interest rate risk and price risk (refer to note 7.3)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.
The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.
Supervision of the Group's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.
Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.
The Group limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Group a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Group's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Group's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Group maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The following tables present financial assets as of 31 December 2016 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk profile at 31 December 2016:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	**599**	**--**	**--**	**599**
Loans provided	**47,936**	**1,464**	**(37)**	**49,400**
- loans	41,576	1,464	(37)	43,040
- bills of exchange	6,360	--	--	6,360
Trade and other receivables*	**147,610**	**32,328**	**(16,313)**	**179,938**
Cash and cash equivalents	**303,733**	**--**	**--**	**303,733**
Assets held for sale**	**2,552**	**--**	**--**	**2,552**
Total	**502,430**	**33,792**	**(16,350)**	**536,222**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

** Excluding non-financial assets

Breakdown of overdue financial assets which are not impaired at 31 December 2016

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	**109**	**344**	**340**	**383**	**288**	**1,464**
- loans	109	344	340	383	288	1,464
Trade and other receivables*	**8,543**	**2,312**	**2,128**	**4,066**	**15,279**	**32,328**
Total	**8,652**	**2,656**	**2,468**	**4,449**	**15,567**	**33,792**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

Credit risk profile at 31 December 2015:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	**497**	**--**	**--**	**497**
Financial assets at fair value through profit or loss	**1,125**	**--**	**--**	**1,125**
Loans provided	**125,682**	**588**	**(2,644)**	**126,270**
- loans	118,133	588	(2,644)	118,721
- bills of exchange	7,549	--	--	7,549
Trade and other receivables*	**89,952**	**24,433**	**(38,681)**	**114,385**
Cash and cash equivalents	**159,052**	**--**	**--**	**159,052**
Total	**376,307**	**25,021**	**41,325**	**401,328**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

Breakdown of overdue financial assets which are not impaired at 31 December 2015

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	--	--	**234**	**354**	**588**
- loans	--	--	--	234	354	588
Trade and other receivables*	**6,884**	**5,092**	**4,214**	**1,711**	**6,532**	**24,433**
Total	**6,884**	**5,092**	**4,214**	**1,945**	**6,886**	**25,021**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

Trade and other receivables

	31 December 2016
Customers rated externally (i.e. by rating agency etc).	**1,552**
HGHI (Leipziger Platz) as per note 8	**20,000**
Receivables which may be assigned to the major shareholder (note 6.6 and 6.10)	**33,628**
Other customers	**92,430**
Five or more years trading history with the Group	69,698
Two to five years trading history with the Group	15,397
Less than two years trading history with the Group	11,335
Total	**147,610**

The comparative of the credit quality of trade and other receivables information has not been disclosed since in 2015 the Group did not collect these data. The cost of retrospective data collection would outweight the benefits for the users of financial statements. Majority of the loans and receivables which were neither due nor impaired in 2015 and matured in 2016 were settled or impaired if necessary, however the Group does not have any major disputes which would cause doubt of the credibility of its customers (note 8).

Cash and cash equivalents

Cash and cash equivalents, neither past due nor impaired (Moody's ratings of respective counterparties):

	31 December 2016	31 December 2015
A1	65,528	12,680
A2	19,497	21,142
A3	4,717	3,307
Aa3	650	650
Baa1	94,387	54,430
Baa2	66,339	2,933
Baa3	3,269	2,069
Not rated	49,346	61,841
Total cash and cash equivalents	**303,733**	**159,052**

Loans provided

The Group categorized the loans provided to four categories considering the expected recoverability of these receivables. Class A represent receivables with high probability of its recovery considering the reputation of the debtor. Low to medium credit risk receivables are those, where the Group considers the recoverability slightly lower, but still almost certain. C class receivables with the probability above average. High credit risk of recoverability is where the Group sees the potential risk these receivables will not be settled.

Loans provided per Group internal risk category	31 December 2016	31 December 2015
A - low credit risk	91.78%	95.27 %
B - low to medium credit risk	0.13%	0.08 %
C - medium tu above-average risk	1.16%	4.65 %
D – high credit risk	6.93%	--

In 2016, receivable ranked as D category, i.e. high credit risk relates to bill of exchange issued by Hagibor Office Building, a.s. due in 2019, which is being impaired to expected recoverable amount.

7.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's funding sources.
The Group manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Group's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.
The Group monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

Liquidity risk analysis

The following table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Group's liabilities based on contractual maturity and includes non-derivative as well as derivate financial liabilities.

2016

	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	TOTAL
Bonds issued	**706,881**	**5,702**	**69,955**	**62,196**	**375,163**	**412,663**	**925,679**
Financial debts	**1,876,403**	**119,203**	**490,323**	**277,996**	**938,310**	**164,201**	**1,990,033**
- loans from related parties	1,105	24	39	25	390	750	1,228
- loans from third parties	31,545	3,093	6,572	1,790	6,544	18,090	36,089
- bank loans	1,772,133	102,992	452,004	267,215	924,033	128,823	1,875,067
- finance lease liabilities	24,322	1,006	2,263	3,202	7,343	16,538	30,352
- bills of exchange	47,298	12,088	29,445	5,764	--	--	47,297
Derivative instruments	**15,355**	**196**	**2,613**	**2,458**	**9,937**	**149**	**15,355**
Other non-current liabilities	**21,671**	**--**	**--**	**7,745**	**6,293**	**7,633**	**21,671**
Other current liabilities*	**183,404**	**134,906**	**48,498**	**--**	**--**	**--**	**183,404**
Liabilities from assets held for sale	**58,599**	**58,599**	**--**	**--**	**--**	**--**	**58,599**
Total**	**2,862,313**	**318,606**	**611,389**	**350,395**	**1,329,703**	**584,646**	**3,194,741**

*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities
** provisions are not included

2015

	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	TOTAL
Bonds issued	**715,327**	**52,990**	**32,225**	**74,891**	**330,912**	**520,651**	**1,011,669**
Financial debts	**1,689,490**	**104,041**	**259,426**	**586,023**	**648,312**	**279,030**	**1,876,832**
- loans from related parties	21	--	20	--	1	--	21
- loans from third parties	14,955	5,483	487	966	3,714	5,481	16,131
- bank loans	1,597,565	89,681	244,115	548,477	639,140	257,889	1,779,302
- finance lease liabilities	20,895	453	1,862	2,858	4,491	15,660	25,324
- bills of exchange	56,054	8,424	12,942	33,722	966	--	56,054
Derivative instruments	**17,289**	**389**	**5,924**	**780**	**9,258**	**938**	**17,289**
Other non-current liabilities	**20,933**	**--**	**--**	**4,696**	**8,229**	**8,008**	**20,933**
Other current liabilities*	**119,569**	**95,238**	**24,331**	**--**	**--**	**--**	**119,569**
Total**	**2,562,608**	**252,658**	**321,906**	**666,390**	**996,711**	**808,627**	**3,046,292**

*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities
**provisions are not included

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

7.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments or could cause future cash flows related to financial instruments to fluctuate.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group's market risks mainly arise from open positions in (a) foreign currencies and (b) loans provided and financial debts, to the extent that these are exposed to general and specific market movements.

The Group uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

7.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CZK, but also others (see note 2.2(b) (i)).

Functional currency of the most Group companies is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2016

	Currency	Carrying amount
Cash and cash equivalents	TEUR	100,609
	TCZK	3,653
	TUSD	154
	TGBP	1
	TPLN	8
	THUF	1,309
	TRUB	233
	THRK	2
	TCHF	7
Trade and other receivables	TEUR	25,028
	TRUB	6,469
Loans provided	TEUR	3,579
	TUSD	3,502
Trade and other payables	TEUR	(72,446)
	TCZK	(787)
	TUSD	(19)
	TGBP	(2)
	TPLN	(3)
	THUF	(135)
	TRUB	(66,158)
Financial debts	TEUR	(627,789)
Derivative instruments	TEUR	(1,662)
Net position	**TEUR**	**(572,681)**
Net position	**TCZK**	**2,865**
Net position	**TUSD**	**3,638**
Net positon	**TGBP**	**(1)**
Net position	**TPLN**	**5**
Net position	**THUF**	**1,174**
Net position	**TCHF**	**7**
Net position	**TRUB**	**(59,455)**
Net position	**THRK**	**2**

2015

	Currency	Carrying amount
Cash and cash equivalents	TEUR	24,458
	TCZK	2,861
	TUSD	5
	THUF	767,768
	TRON	6
	TPLN	1
Trade and other receivables	TEUR	1,779
	THUF	1,378,333
	TCZK	78
	TUSD	2
	TGBP	6
	TRON	289
	TRUB	5,853
Loans provided	TEUR	12,768
Available for sale financial assets	TEUR	1,383
Trade and other payables	TEUR	(2,429)
	TCZK	(187,817)
	TUSD	(20)
	TPLN	(7)
	THUF	(1,780, 459)
	TRON	(108)
	TRUB	(51,366)
	TCHF	(51)
Financial debts	TEUR	(453,328)
Bonds issued	TEUR	(4,704)
Derivative instruments	TEUR	(1,599)
Net position	**TEUR**	**(421,671)**
Net position	**TCZK**	**(184,879)**
Net position	**TUSD**	**(13)**
Net positon	**TGBP**	**5**
Net position	**TPLN**	**(6)**
Net position	**THUF**	**365,643**
Net position	**TRON**	**188**
Net position	**TCHF**	**(51)**
Net position	**TRUB**	**(45,513)**

The Group hedges itself against the risk of changes in the EUR/CZK exchange rate by entering into loans denominated in EUR. The Group defines as the hedged items the future collections from leasing contracts up to the net present value of the loan.

The Group accounted for above transactions as a cash flow hedges with the application of hedge accounting. The hedge accounting is applicable for the whole accounting period ending 31 December 2016. The hedging foreign currency loans are measured at fair value attributable to the foreign currency risk as at the balance sheet date and the effective part of this revaluation (foreign exchange gains and losses) is recognized in the Hedging reserve within the Group’s equity.

Future expected collection from leasing contract designated as hedged item	in TEUR
within 1 year	19,317
1-2 years	21,498
2-5 years	44,558
5-10 years	86,500
more than 10 years	84,139
Total	**256,012**

Sensitivity analysis – exposure to currency risk

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR, USD, GBP, PLN, RON, CHF, HRK or HUF would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

Foreign currency risk 2016 – sensitivity analysis

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	100,609	10,056	(10,056)
	TCZK	3,653	14	(14)
	TUSD	154	15	(15)
	TGBP	1	--	--
	TPLN	8	--	--
	THUF	1,309	--	--
	TRUB	233	--	--
	THRK	2	--	--
	TCHF	7	1	(1)
Trade and other receivables	TEUR	25,028	2,502	(2,502)
	TRUB	6,469	10	(10)
Loans provided	TEUR	3,579	358	(358)
	TUSD	3,502	332	(332)
Trade and other payables	TEUR	(72,446)	(7,241)	7,241
	TCZK	(787)	(3)	3
	TUSD	(19)	(2)	2
	TGBP	(2)	--	--
	TPLN	(3)	--	--
	THUF	(135)	--	--
	TRUB	(66,158)	(103)	103
Financial debts	TEUR	(627,789)	(62,749)	62,749
Derivative instruments	TEUR	(1,662)	(166)	166
Net exposure to currency risk	**TEUR**	**(572,681)**	**(57,241)**	**57,241**
Net exposure to currency risk	**TCZK**	**2,865**	**11**	**(11)**
Net exposure to currency risk	**TUSD**	**3,638**	**345**	**(345)**
Net exposure to currency risk	**TGBP**	**(1)**	**--**	**--**
Net exposure to currency risk	**TPLN**	**5**	**--**	**--**
Net exposure to currency risk	**THUF**	**1,174**	**--**	**--**
Net exposure to currency risk	**TCHF**	**7**	**1**	**(1)**
Net exposure to currency risk	**TRUB**	**(59,455)**	**(92)**	**92**
Net exposure to currency risk	**THRK**	**2**	**--**	**--**
Impact on profit/loss	**TEUR**		**(35,044)**	**35,044**
Impact on equity	**TEUR**		**(21,933)**	**21,933**

Foreign currency risk 2015 – sensitivity analysis

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	24,458	2,423	(2,423)
	TCZK	2,861	10	(10)
	TUSD	5	--	--
	THUF	767,768	241	(241)
	TRON	6	--	--
	TPLN	1	--	--
Trade and other receivables	TEUR	1,779	176	(176)
	TCZK	78	--	--
	TUSD	2	--	--
	THUF	1,378,333	432	(432)
	TRON	289	6	(6)
	TGBP	6	1	(1)
	TRUB	5,853	7	(7)
Loans provided	TEUR	12,768	1,265	(1,265)
Available for sale financial assets	TEUR	1,383	137	(137)
Trade and other payables	TEUR	(2,429)	(241)	241
	TCZK	(187,817)	(688)	688
	TUSD	(20)	(2)	2
	TPLN	(7)	--	--
	THUF	(1,780,459)	(558)	558
	TRON	(108)	(2)	2
	TRUB	(51,366)	(63)	63
	TCHF	(51)	(5)	5
Financial debts	TEUR	(453,328)	(44,904)	44,904
Bonds issued	TEUR	(4,704)	(466)	466
Derivative instruments	TEUR	(1,599)	(158)	158
Net exposure to currency risk	**TEUR**	**(421,671)**	**(41,768)**	**41,768**
Net exposure to currency risk	**TCZK**	**(184,879)**	**(678)**	**678**
Net exposure to currency risk	**TUSD**	**(13)**	**(1)**	**1**
Net exposure to currency risk	**TGBP**	**5**	**1**	**(1)**
Net exposure to currency risk	**TPLN**	**(6)**	**--**	**--**
Net exposure to currency risk	**THUF**	**365,643**	**115**	**(115)**
Net exposure to currency risk	**TRON**	**188**	**4**	**(4)**
Net exposure to currency risk	**TRUB**	**(45,513)**	**(56)**	**56**
Net exposure to currency risk	**TCHF**	**(51)**	**(5)**	**5**
Impact on profit/loss	**TEUR**		**(16,198)**	**16,198**
Impact on equity	**TEUR**		**(26,190)**	**26,190**

7.3.2 Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.6 for financial assets and under notes 6.15 financial liabilities respectively.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

The Group's objective of the interest rate hedge is to fix the variability in the interest outflows attributable to changes in the EURIBOR and PRIBOR rates. Hedge effectiveness is assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

Loans provided by the Group require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Group are usually based on Group's borrowing interest rates.

As the loans provided are based on fixed rates, and no financial debt is measured at fair value through profit and loss the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These obligations primarily include bank loans, finance lease liabilities and bonds issued.

Bank loans have flexible interest rates based on EURIBOR or PRIBOR rates for the reference period from 1 to 6 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to interest risk exceed predefined level so the Group entered into several transactions with the financial institutions to hedge the interest rate risk (refer to note 6.16). Bonds issued comprise fixed rate instruments.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A change of interest rates by 100 basis points at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A 100 basis points change in the interest rate would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

2016

	Effective interest rate	Liability with variable interest rate	Interest calculated
Financial debts			
Loans received & finance lease liabilities	1.82%	1,628,989	29,724
Total		**1,628,989***	**29,724**

* The amount of liability with variable interest does not include accrued interest.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Financial debts						
Loans received & finance lease liabilities	2.82%	46,014	(16,290)	0.82%	13,434	16,290
Total		**46,014**	**(16,290)**		**13,434**	**16,290**

2015

	Effective interest rate	Liability with variable interest rate	Interest calculated
Bonds issued	6.94%	78,048	5,416
Financial debts			
Loans received & finance lease liabilities	2.71%	1,514,911	41,099
Total		**1,592,959***	**46,515**

* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Bonds issued	7.94%	6,197	(780)	5.94%	4,636	780
Financial debts						
Loans received & finance lease liabilities	3.71%	56,248	(15,149)	1.71.%	25,950	15,149
Total		**62,445**	**(15,929)**		**30,586**	**15,929**

Effective interest rate and repricing analysis

In respect of financial debts, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

2016

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
Bonds issued (1)	**4.94%**	**706,881**	--	--	**706,881**
Financial debts		**1,829,105**	**1,587,742**	**45,062**	**196,300**
- loans from related parties	2.33%	1,105	60	--	1,045
- loans from third parties (2)	1.90%	31,545	429	--	31,116
- bank loans (3)	1.53%	1,772,133	1,576,177	38,208	157,747
- finance lease liabilities	2.86%	24,322	11,076	6,854	6,392
Total		**2,535,986**	**1,587,742**	**45,062**	**903,181**

(1) Including unpaid interest of EUR 10.8 million

(2) Including unpaid interest of EUR 1.75 million (fixed interest rate)

(3) Unpaid intrest represent EUR 0.97 million

2015

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
Bonds issued (1)	5.46%	**715,327**	--	**78,711**	**636,616**
Financial debts		**1,633,436**	**1,475,879**	**39,029**	**118,528**
- loans from related parties	0.06%	21	--	--	21
- loans from third parties (2)	2.32%	14,955	396	--	14,559
- bank loans (3)	2.72%	1,597,565	1,463,851	31,607	102,107
- finance lease liabilities	2.19%	20,895	11,632	7,422	1,841
Total		**2,348,763**	**1,475,879**	**117,740**	**755,144**

(1) Including unpaid interest of EUR 13.3 million

(2) Including unpaid interest of EUR 2.5 million (fixed interest rate)

(3) Unpaid intrest represent EUR 1.2 million

7.3.3 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 7.5.

7.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

CPI Property Group as property investor is mainly influenced by the fact that it leverages its project financing by using bank debt and by bond issues. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Group monitors capital on the basis of the gearing ratio and loan to value.

Gearing ratio

This ratio is calculated as total debt divided by total equity. Debt is defined as all non-current and current liabilities. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Debt	3,373,442	2,984,644
Equity	2,288,467	1,338,079
Gearing ratio in %	**147%**	**223 %**

Loan to value (LTV) ratio

This ratio is calculated as total net debt divided by totoval value of property portfolio.

Net debt is defined as all non-current and current interest bearing liabilities (bonds and financial debts) decreased by balance of cash and cash equivalents.

The LTV ratios at 31 December 2016 and at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Bonds issued	706,881	715,327
Financial debts	1,876,403	1,689,490
Liabilities linked to assets held for sale	58,599	2,973
Cash and cash equivalents	303,733	159,052
Net debt*	**2,338,150**	**2,248,738**
Property portfolio	**4,865,026**	**3,821,579**
Loan to value ratio in %	**48.1%**	**58.8 %**

* Net debt is defined as interest bearing debt (financial debt, bonds issued) less cash and cash equivalents.

7.5 Fair value measurement

7.5.1 Fair value of financial instruments

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

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

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

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

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

- For the available-for-sale financial assets and for the bonds, the fair values as of 31 December 2016 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

Accounting classification

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

31 December 2016 FINANCIAL ASSETS	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Fair value Level 1	Level 2	Level 3
Long-term Equity investments	--	488	488	--	--
Debentures issued by third parties	--	111	111	--	--
Financial assets available-for-sale	**--**	**599**			
Advances paid	--	353	--	--	--
Loans provided	--	10,941	--	--	10,950
Bills of Exchange		3,323	--	--	3,323
Other non-current receivables		107			107
Non-current loans and receivables	**--**	**14,724**			
Trade and other receivables	--	68,291	--	--	--
Loans provided	--	32,099	--	--	33,227
Bills of Exchange	--	3,037	--	--	3,037
Other current financial assets	--	73,523	--	--	--
Cash and cash equivalent	--	303,733	--	--	--
Current financial assets*	**--**	**480,683**	**--**	**--**	**--**
FINANCIAL LIABILITIES					
Bonds	--	656,780	674,050	--	
Financial debt (floating rate bank debts)	--	1,133,455	--	--	1,133,455
Financial debt (fixed rate bank debts)	--	109,672	--	--	110,037
Financial debt (other borrowings)	--	50,992	--	--	42,395
Derivative instruments	12,546	--	--	12,546	--
Non-current financial liabilities	**12,546**	**1,950,899**			
Bonds	--	39,339**	39,933	--	--
Financial debt (floating rate bank debts)	--	480,930	--	--	480,930
Financial debt (fixed rate bank debts)	--	48,075	--	--	51,036
Financial debt (other borrowings)	--	53,279	--	--	53,508
Derivates instruments	2,809	--	--	2,809	--
Advanced payments	--	72,702	--	--	--
Trade payables	--	65,718	--	--	--
Other financial current liabilities	--	24,394	--	--	--
Liabilities linked to assets held for sales		58,599	--	--	58,599
Current financial liabilities*	**2,809**	**843,036**			

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

(**) Accrued interest is not included.

31 December 2015	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Fair value		
FINANCIAL ASSETS			**Level 1**	**Level 2**	**Level 3**
Call option	1,125	--	--	1,125	--
Financial assets at fair value through profit or loss (**)	**1,125**	**--**			
Long-term Equity investments	--	497	--	--	--
Financial assets available-for-sale	**--**	**497**			
Deferred consideration	--	12,001	--	--	12,001
Advances paid	--	75	--	--	--
Loans provided	--	31,247	--	--	36,411
Non-current loans and receivables	**--**	**43,323**			
Trade and other receivables	--	65,964	--	--	--
Debentures issued by third parties	--	1,601	--	--	1,670
Derivative instruments	5	--	--	5	--
Loans provided	--	87,474	--	--	95,253
Bills of Exchange	--	7,549	--	--	7,669
Other current financial assets	--	7,908	--	--	--
Cash and cash equivalent		159,052	--	--	--
Current financial assets*	**5**	**329,548**			
FINANCIAL LIABILITIES					
Bonds	--	655,845	619,710	--	69,693
Financial debt (floating rate bank debts)	--	1,253,844	--	--	1,253,844
Financial debt (fixed rate bank debts)	--	51,758	--	--	51,729
Financial debt (other borrowings)	--	62,755	--	--	60,410
Derivative instruments	10,976	--	--	10,976	--
Non-current financial liabilities	**10,976**	**2,024,202**			
Bonds	--	46,200***	47,741	--	--
Financial debt (floating rate bank debts)	--	241,623	--	--	241,623
Financial debt (fixed rate bank debts)	--	50,340	--	--	51,709
Financial debt (other borrowings)	--	29,170	--	--	29,380
Derivates instruments	6,313	--	--	6,313	--
Advanced payments	--	48,885	--	--	--
Trade payables	--	42,341	--	--	--
Other financial current liabilities	--	14,052	--	--	--
Current financial liabilities*	**6,313**	**472,611**			

(*) 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.

(***) Accrued interest is not included.

Valuation technique used for measurement of fair value of derivatives

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

7.5.2 Fair value measurement of investment property / hotels / biological assets

The Group's investment properties, hotels and biological assets were valued at 31 December 2016 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all these properties, their current use equates to the highest and best use.

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

The independent valuer provides appraisal of the Group´s property portfolio annually.

7.5.3 Main observable and unobservable inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for each class of property owned by the Group, used by the valuators as at the end of 31 December 2015 and 31 December 2016 respectively.

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	19 EUR/sqm	-	78 EUR/sqm	(51 EUR/sqm)
				Net current income per sqm	17 EUR/sqm	-	101 EUR/sqm	(44 EUR/sqm)
				Equivalent yield	8.00%	-	12.00%	(8.48%)
				Vacancy rate	20.60%	-	37.23%	(24.4%)
Hungary	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	39 EUR/sqm	-	57 EUR/sqm	(51 EUR/sqm)
				Net current income per sqm	21 EUR/sqm	-	54 EUR/sqm	(42 EUR/sqm)
				Equivalent yield	8.22%	-	8.82%	(8.63%)
				Vacancy rate	5.88%	-	20.50%	(9.22%)
Germany	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(18 EUR/sqm)
				Net current income per sqm		-		(14 EUR/sqm)
				Equivalent yield		-		(12.00%)
				Vacancy rate		-		(0.00%)
Czech Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	43 EUR/sqm	-	132 EUR/sqm	(96 EUR/sqm)
				Net current income per sqm	14 EUR/sqm	-	166 EUR/sqm	(99 EUR/sqm)
				Equivalent yield	7.25%	-	9.00%	(7.74%)
				Vacancy rate	1.35%	-	84.69%	(2.59%)
Czech Republic - Retail Warehouse	**Retail**	Comparable	Level 3	Fair value per sqm	474 EUR/sqm	-	1.381 EUR/sqm	(1.058 EUR/sqm)
Czech Republic - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	121 EUR/sqm	-	292 EUR/sqm	(188 EUR/sqm)
				Net current income per sqm	92 EUR/sqm	-	295 EUR/sqm	(186 EUR/sqm)
				Equivalent yield	4.29%	-	9.06%	(6.15%)
				Vacancy rate	0.32%	-	18.49%	(5.36%)
Czech Republic - So-called special properties	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	13 EUR/sqm	-	165 EUR/sqm	(81 EUR/sqm)
				Net current income per sqm	(1 EUR/sqm)	-	153 EUR/sqm	(72 EUR/sqm)
				Equivalent yield	5.75%	-	10.00%	(7.84%)
				Vacancy rate	3.27%	-	100.00%	(12.36%)
Czech Republic - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm	312 EUR/sqm	-	573 EUR/sqm	(557 EUR/sqm)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Hungary - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	54 EUR/sqm	-	55 EUR/sqm	(55 EUR/sqm)
				Net current income per sqm	21 EUR/sqm	-	41 EUR/sqm	(35 EUR/sqm)
				Equivalent yield	8.56%	-	8.89%	(8.79%)
				Vacancy rate	11.68%	-	13.23%	(12.17%)
Hungary - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(210 EUR/sqm)
				Net current income per sqm		-		(207 EUR/sqm)
				Equivalent yield		-		(7.69%)
				Vacancy rate		-		(1.22%)
Hungary - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm		-		(543 EUR/sqm)
Slovak Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	70 EUR/sqm	-	125 EUR/sqm	(100 EUR/sqm)
				Net current income per sqm	(2 EUR/sqm)	-	141 EUR/sqm	(92 EUR/sqm)
				Equivalent yield	6.42%	-	8.66%	(7.77%)
				Vacancy rate	2.82%	-	100.00%	(11.37%)
Slovak Republic - Retail Warehouse	**Retail**	Comparable	Level 3	Fair value per sqm	474 EUR/sqm	-	1,381 EUR/sqm	(1,195 EUR/sqm)
Poland - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(127 EUR/sqm)
				Net current income per sqm		-		(118 EUR/sqm)
				Equivalent yield		-		(8.50%)
				Vacancy rate		-		(0.00%)
Poland - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(187 EUR/sqm)
				Net current income per sqm		-		(153 EUR/sqm)
				Equivalent yield		-		(8.00%)
				Vacancy rate		-		(6.15%)
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	55 EUR/sqm	-	292 EUR/sqm	(177 EUR/sqm)
				Net current income per sqm	27 EUR/sqm	-	1,330 EUR/sqm	(201 EUR/sqm)
				Equivalent yield	4.46%	-	9.24%	(6.37%)
				Vacancy rate	0.07%	-	46.48%	(4.16%)
Germany	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	42 EUR/sqm	-	155 EUR/sqm	(83 EUR/sqm)
				Gross current income per sqm	28 EUR/sqm	-	154 EUR/sqm	(74 EUR/sqm)
				Equivalent yield	4.25%	-	6.25%	(5.38%)
				Vacancy rate	0.94%	-	51.90%	(11.28%)
Hungary	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	89 EUR/sqm	-	297 EUR/sqm	(146 EUR/sqm)
				Net current income per sqm	25 EUR/sqm	-	140 EUR/sqm	(122 EUR/sqm)
				Equivalent yield	7.62%	-	13.30%	(8.20%)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
				Vacancy rate	0.00%	-	77.13%	(16.41%)
Hungary	Office	Comparable	Level 3	Fair value per sqm		-		(1.268 EUR/sqm)
Poland	Office	Income capitalisation	Level 3	Estimated rental value per sqm	153 EUR/sqm	-	241 EUR/sqm	(213 EUR/sqm)
				Net current income per sqm	98 EUR/sqm	-	234 EUR/sqm	(183 EUR/sqm)
				Equivalent yield	6.50%	-	8.75%	(8.41%)
				Vacancy rate	5.38%	-	21.08%	(9.27%)
Slovak Republic	Office	Income capitalisation	Level 3	Estimated rental value per sqm		-		(148 EUR/sqm)
				Net current income per sqm		-		(89 EUR/sqm)
				Equivalent yield		-		(8.33%)
				Vacancy rate		-		(39.01%)
Czech Republic	Residential	Comparable	Level 3	Fair value per sqm	1,755 EUR/sqm	-	4,033 EUR/sqm	(2,038 EUR/sqm)
Czech Republic	Residential	DCF	Level 3	Estimated rental value per sqm	19 EUR/sqm	-	59 EUR/sqm	(35 EUR/sqm)
				Net current income per sqm	12 EUR/sqm	-	52 EUR/sqm	(28 EUR/sqm)
				Exit yield	3.60%	-	9.50%	(6.65%)
				Vacancy rate	2.03%	-	45.23%	(15.79%)
				Discount rate	4.35%	-	10.00%	(7.49%)
France	Residential	Comparable	Level 3	Fair value per sqm	7,077 EUR/sqm	-	28,000 EUR/sqm	(19,602 EUR/sqm)
Italy - 4* hotel	Hotel	DCF	Level 3	Rate per key		-		(175,115 EUR/key)
				Net current income per sqm		-		(88 EUR/sqm)
				Exit yield		-		(7.10%)
				Discount rate		-		(7.00%)
Czech Republic	Land Bank	Comparable	Level 3	Fair value per sqm	2 EUR/sqm	-	3,042 EUR/sqm	(277 EUR/sqm)
Hungary	Land Bank	Comparable	Level 3	Fair value per sqm	48 EUR/sqm	-	1,870 EUR/sqm	(838 EUR/sqm)
Poland	Land Bank	Comparable	Level 3	Fair value per sqm		-		(151 EUR/sqm)
Germany	Land Bank	Comparable	Level 3	Fair value per sqm		-		(494 EUR/sqm)
Czech Republic	Development	Development Appraisal	Level 3	Total EMRV		-		(1.433.002 EUR)
				Gross development value		-		(21.700.000 EUR)
				Development margin		-		(10.00%)
Switzerland	Development	Development Appraisal	Level 3	Gross development value		-		(247.617.166 EUR)
				Development margin		-		(20.00%)
Czech Republic	Agriculture	Comparable	Level 3	Fair value per sqm	0.30 EUR/sqm	-	0.61 EUR/sqm	(0.61 EUR/sqm)
Czech Republic - 3* hotel	Hotel	Comparable	Level 3	Rate per key	32,395 EUR/key	-	90,884 EUR/key	(54,805 EUR/key)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic - 4* hotel	**Hotel**	DCF	Level 3	Rate per key	103,727 EUR/key	-	144,194 EUR/key	(121,704 EUR/key)
				Net current income per sqm	270 EUR/sqm	-	1.234 EUR/sqm	(698 EUR/sqm)
				Exit yield	7.00%	-	7.75%	(7.33%)
				Discount rate	9.00%	-	9.25%	(9.11%)
Czech Republic - 4* hotel	**Hotel**	Comparable	Level 3	Rate per key	86,139 EUR/key	-	188,980 EUR/key	(126,512 EUR/key)
Czech Republic - 5* hotel	**Hotel**	Comparable	Level 3	Rate per key	72,900 EUR/key	-	521,630 EUR/key	(348,689 EUR/key)
Czech Republic - Hostel	**Hotel**	Comparable	Level 3	Rate per key		-		(19,804 EUR/sqm)
Hungary - 4* hotel	**Hotel**	DCF	Level 3	Rate per key	92,025 EUR/key	-	163,158 EUR/key	(115,057 EUR/key)
				Net current income per sqm	5 EUR/sqm	-	494 EUR/sqm	(294 EUR/sqm)
				Exit yield	7.25%	-	7.50%	(7.29%)
				Discount rate	9.25%	-	10.25%	(9.79%)
Poland - 4* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(169,565 EUR/key)
				Net current income per sqm		-		(139 EUR/sqm)
				Exit yield		-		(7.00%)
				Discount rate		-		(9.00%)
Poland - 5* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(195,082 EUR/key)
				Net current income per sqm		-		(194 EUR/sqm)
				Exit yield		-		(7.00%)
				Discount rate		-		(9.00%)
Russia - 5* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(308,333 EUR/key)
				Net current income per sqm		-		(1,625 EUR/sqm)
				Exit yield		-		(7.80%)
				Discount rate		-		(10.80%)
Croatia	**Hotel**	DCF	Level 3	Rate per key		-		(238,869 EUR/key)
				Exit yield		-		(8.79%)
				Discount rate		-		(10.01%)

31 December 2015	Asset Type	Valuation technique	Fair value hierachy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic	**Development**	Development Appraisal	Level 3	Total EMRV		-		(1,449,750 EUR)
			Level 3	Gross development value		-		(20,710,716 EUR)
			Level 3	Development margin		-		(17.50%)
Czech Republic	**Agriculture**	Comparable	Level 3	Fair value per sqm		-		(0.43 EUR/sqm)
Czech Republic	**Land Bank**	Comparable	Level 3	Fair value per sqm	3 EUR/sqm	-	3,430 EUR/sqm	(306 EUR/sqm)
Hungary	**Land Bank**	Comparable	Level 3	Fair value per sqm	48 EUR/sqm	-	860 EUR/sqm	(434 EUR/sqm)
Romania	**Land Bank**	Comparable	Level 3	Fair value per sqm	30 EUR/sqm	-	777 EUR/sqm	(119 EUR/sqm)
Poland	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(160 EUR/sqm)
Germany	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(494 EUR/sqm)
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	32 EUR/sqm	-	55 EUR/sqm	(49 EUR/sqm)
			Level 3	Net current income per sqm	24 EUR/sqm	-	50 EUR/sqm	(35 EUR/sqm)
			Level 3	Equivalent yield	8.00%	-	12.00%	(8.51%)
			Level 3	Vacancy rate	43.58%	-	43.58%	(3.94%)
Slovak Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(51 EUR/sqm)
			Level 3	Net current income per sqm		-		(54 EUR/sqm)
			Level 3	Equivalent yield		-		(8.20%)
			Level 3	Vacancy rate		-		(1.72%)
Hungary	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	55 EUR/sqm	-	57 EUR/sqm	(56 EUR/sqm)
			Level 3	Net current income per sqm	51 EUR/sqm	-	56 EUR/sqm	(52 EUR/sqm)
			Level 3	Equivalent yield	9.04%	-	9.15%	(9.12%)
			Level 3	Vacancy rate	5.91%	-	16.15%	(13.33%)
Germany	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(6 EUR/sqm)
			Level 3	Net current income per sqm		-		(9 EUR/sqm)
			Level 3	Equivalent yield		-		(12.00%)
			Level 3	Vacancy rate		-		(0.00%)
Czech Republic	**Residential**	Comparable	Level 3	Fair value per sqm		-		(3,540 EUR/sqm)
Czech Republic	**Residential**	DCF	Level 3	Estimated rental value per sqm	29 EUR/sqm	-	71 EUR/sqm	(30 EUR/sqm)
			Level 3	Exit yield	4.75%	-	7.85%	(7.83%)
			Level 3	Vacancy rate	23.84%	-	27.45%	(23.87%)
			Level 3	Discount rate	5.75%	-	8.88%	(8.86%)
France	**Residential**	Comparable	Level 3	Fair value per sqm		-		(20,536 EUR/sqm)
Czech Republic - 3* hotel	**Hotel**	Comparable	Level 3	Rate per key	40,305 EUR/key	-	229,227 EUR/key	(137,472 EUR/key)
Czech Republic - 4* hotel	**Hotel**	DCF	Level 3	Rate per key	78,908 EUR/key	-	175,590 EUR/key	(131,791 EUR/key)

31 December 2015	Asset Type	Valuation technique	Fair value hierachy	Significant unobservable inputs	Min.		Max.	Avg.
			Level 3	Net current income per sqm	45 EUR/sqm	-	262 EUR/sqm	(143 EUR/sqm)
			Level 3	Exit yield	6.53%	-	7.01%	(6.79%)
			Level 3	Discount rate	7.25%	-	8.00%	(7.66%)
Czech Republic - 4* hotel	**Hotel**	Comparable	Level 3	Rate per key	105,346 EUR/key	-	126,000 EUR/key	(116,414 EUR/key)
Czech Republic - 5* hotel	**Hotel**	Comparable	Level 3	Rate per key	54,136 EUR/key	-	450,634 EUR/key	(288,078 EUR/key)
Czech Republic - Hostel	**Hotel**	Comparable	Level 3	Rate per key		-		(19,225 EUR/key)
Hungary - 4* hotel	**Hotel**	DCF	Level 3	Rate per key	117,647 EUR/key	-	184,211 EUR/key	(141,104 EUR/key)
			Level 3	Net current income per sqm	118 EUR/sqm	-	143 EUR/sqm	(129 EUR/sqm)
			Level 3	Exit yield	7.50%	-	7.50%	(7.50%)
			Level 3	Discount rate	9.50%	-	9.50%	(9.50%)
Poland - 4* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(193 333 EUR/key)
			Level 3	Net current income per sqm		-		(153 EUR/sqm)
			Level 3	Exit yield		-		(7.50%)
			Level 3	Discount rate		-		(9.50%)
Poland - 5* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(221,311 EUR/key)
			Level 3	Net current income per sqm		-		(213 EUR/sqm)
			Level 3	Exit yield		-		7.50%
			Level 3	Discount rate		-		10.50%
Italy - 4* hotel	**Hotel**	Comparable	Level 3	Rate per key		-		(113,565 EUR/key)
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	89 EUR/sqm	-	356 EUR/sqm	(186 EUR/sqm)
			Level 3	Net current income per sqm	57 EUR/sqm	-	341 EUR/sqm	(173 EUR/sqm)
			Level 3	Equivalent yield	5.00%	-	9.26%	(6.76%)
			Level 3	Vacancy rate	2.74%	-	39.47%	(8.21%)
Czech Republic	**Office**	Comparable	Level 3	Fair value per sqm		-		(1,960 EUR/sqm)
Germany	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	43 EUR/sqm	-	109 EUR/sqm	(72 EUR/sqm)
			Level 3	Net current income per sqm	38 EUR/sqm	-	88 EUR/sqm	(55 EUR/sqm)
			Level 3	Equivalent yield	5.63%	-	8.00%	(6.27%)
			Level 3	Vacancy rate	11.79%	-	24.66%	(17.42%)
Hungary	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	67 EUR/sqm	-	151 EUR/sqm	(136 EUR/sqm)
			Level 3	Net current income per sqm	20 EUR/sqm	-	150 EUR/sqm	(112 EUR/sqm)
			Level 3	Equivalent yield	7.78%	-	14.03%	(8.51%)
			Level 3	Vacancy rate	6.93%	-	68.75%	(22.94%)
Poland	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	148 EUR/sqm	-	225 EUR/sqm	(200 EUR/sqm)
			Level 3	Net current income per sqm	88 EUR/sqm	-	194 EUR/sqm	(161 EUR/sqm)

31 December 2015	Asset Type	Valuation technique	Fair value hierachy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
			Level 3	Equivalent yield	8.24%	-	9.46%	(8.62%)
			Level 3	Vacancy rate	8.39%	-	25.33%	(13.70%)
Slovak Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(148 EUR/sqm)
			Level 3	Net current income per sqm		-		(105 EUR/sqm)
			Level 3	Equivalent yield		-		(7.25%)
			Level 3	Vacancy rate		-		(34.73%)
Czech Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	60 EUR/sqm	-	109 EUR/sqm	(93 EUR/sqm)
			Level 3	Net current income per sqm	61 EUR/sqm	-	119 EUR/sqm	(95 EUR/sqm)
			Level 3	Equivalent yield	5.87%	-	9.00%	(7.76%)
			Level 3	Vacancy rate	0.12%	-	27.76%	(2.94%)
Czech Republic - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	95 EUR/sqm	-	356 EUR/sqm	(197 EUR/sqm)
			Level 3	Net current income per sqm	91 EUR/sqm	-	280 EUR/sqm	(181 EUR/sqm)
			Level 3	Equivalent yield	4.07%	-	9.02%	(6.52%)
			Level 3	Vacancy rate	0.21%	-	31.82%	(8.59%)
Czech Republic - So-called special properties	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	50 EUR/sqm	-	101 EUR/sqm	(66 EUR/sqm)
			Level 3	Net current income per sqm	46 EUR/sqm	-	98 EUR/sqm	(63 EUR/sqm)
			Level 3	Equivalent yield	9.20%	-	9.20%	(6.18%)
			Level 3	Vacancy rate	3.81%	-	16.30%	(12.21%)
Czech Republic - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm		-		(539 EUR/sqm)
Hungary - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	54 EUR/sqm	-	55 EUR/sqm	(55 EUR/sqm)
			Level 3	Net current income per sqm	31 EUR/sqm	-	41 EUR/sqm	(38 EUR/sqm)
			Level 3	Equivalent yield	8.82%	-	9.35%	(9.19%)
			Level 3	Vacancy rate	0.56%	-	10.07%	(3.50%)
Hungary - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(283 EUR/sqm)
			Level 3	Net current income per sqm		-		(231 EUR/sqm)
			Level 3	Equivalent yield		-		(5.27%)
			Level 3	Vacancy rate		-		(4.96%)
Hungary - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm		-		(883 EUR/sqm)

31 December 2015	Asset Type	Valuation technique	Fair value hierachy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Slovak Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	90 EUR/sqm	-	126 EUR/sqm	(109 EUR/sqm)
			Level 3	Net current income per sqm	89 EUR/sqm	-	141 EUR/sqm	(108 EUR/sqm)
			Level 3	Equivalent yield	7.38%	-	11.00%	(7.91%)
			Level 3	Vacancy rate	0.00%	-	0.00%	(0.00%)
Poland - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(195 EUR/sqm)
			Level 3	Net current income per sqm		-		(151 EUR/sqm)
			Level 3	Equivalent yield		-		(7.75%)
			Level 3	Vacancy rate		-		(5.69%)

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

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

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

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

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

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

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

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

Sensitivity analysis on changes in assumptions of property valuation

The Group has performed a sensitivity analysis on changes in assumptions of property valuation.

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the Group portfolio are:

- Equivalent Yield or Discount rate
- Estimated Rental Value (ERV) or Rental Growth for rental asset
- Development margin for development

Change of the valuation rates would result in the following fair values – analysis of the portfolio of assets valued by discounted cash flow and income capitalization method:

31 December 2016

Czech Republic

	Retail		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	801	790	780
	--	829	817	807
	5.00%	857	845	834

	Office		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	745	742	739
	--	774	771	768
	5.00%	804	800	797

	Residential		Yield	
	MEUR	(0.50%)	--	0.50%
Rental income	(5.00%)	282	264	248
	--	298	279	263
	5.00%	315	295	277

	Industrial		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	40	40	40
	--	41	41	41
	5.00%	43	42	42

Development	MEUR
Developer´s Profit 8.00%	7.78
Developer´s Profit 9.00%	7.60
Developer´s Profit 10.00%	7.43
Developer´s Profit 11.00%	7.26
Developer´s Profit 12.00%	7.09

	Hospitality		Discount Rate	
	MEUR	(0.25%)	--	0.25%
Rental income	(5.00%)	32	31	29
	--	32	30	29
	5.00%	31	30	28

Slovak Republic

	Retail		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	95	93	92
	--	99	97	96
	5.00%	103	101	100

	Office		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	7	7	7
	--	7	7	7
	5.00%	8	8	7

Hungary

	Industry		Discount Rate	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	22	21	21
	--	22	22	22
	5.00%	23	23	22

	Office		Discount Rate	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	167	164	162
	--	175	172	169
	5.00%	182	179	176

	Retail		Discount Rate	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	35	34	34
	--	37	36	35
	5.00%	39	38	37

	Hospitality		Discount Rate	
	MEUR	(0.25%)	--	0.25%
Rental growth	(5.00%)	47	45	43
	--	45	43	42
	5.00%	44	42	41

Poland

ERV	Retail	Yield		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	21	20	20
	--	22	21	21
	5.00%	23	22	22

Rental growth	Hospitality	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	21	21	20
	--	21	20	19
	5.00%	20	19	18

ERV	Office	Yield		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	56	55	54
	--	58	58	57
	5.00%	61	60	60

Germany

Market Rent	Office	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	997	976	957
	--	1,050	1,029	1,008
	5.00%	1,104	1,082	1,059

Market Rent	Industry	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	9.54	9.45	9.37
	--	9.54	9.45	9.37
	5.00%	9.54	9.45	9.37

Italy

Rental income	Hotel	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	38	37	37
	--	38	38	38
	5.00%	39	39	39

Russia

Rental growth	Hospitality	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	28	27	26
	--	27	26	25
	5.00%	26	25	24

Croatia

Rental growth	Hospitality	Discount Rate		
	MEUR	(0.25%)	--	0.25%
	(5.00%)	168	162	157
	--	173	168	162
	5.00%	179	173	167

Fair Values listed in segments may differ from carrying values for segments, because of calculation multisegments properties into predominant segment in Sensitive analyses.

31 December 2015

The comparative sensitivity analysis as at 31 December 2015 is presented as already published in the consolidated financial statements for the Group for 2015. Restatement of the comparative would be both costly and impracticable since for 2015 these data are not available in the necessary format and quality. The management of the Group believes that this change of the presentation of the sensitivity analysis better reflects the IFRS requirements on disclosure and it enhances the explanatory power of these annual consolidated financial statement has for the users.

Change in yield

2015	Current average yield*	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 25 bp in yield	6.82%	2,647,564	7.07%	2,553,944	(93,620)

* current average yield was calculated based on adjusted (annualized) rental income to reflect the acquisitions of subsidiaries in 2015.

Change in income

2015	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
Industry and logistics	11,345	143,526	12,480	157,879	14,353
Office	99,837	1,539,663	109,821	1,693,629	153,966
Retail	68,115	964,375	74,927	1,060,813	96,438
Increase by 10% in income	**179,297**	**2,647,564**	**197,228**	**2,912,321**	**264,757**

The tables below presents the sensitivity of profit or loss before tax as at 31 December 2015 due to changes in assumptions used for the valuation of the residential portfolio:

	Current average yield	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
2015	6.55%	275,883	6.80%	265,740	(10,143)

	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
2015	18,080	275,883	19,888	303,471	27,588

8 Contingencies and Litigations

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

CPI PG has guaranteed certain debt of Orco Property Group (“OPG")

On 7 November 2014, the Company entered into a trust deed (the “Orco Trust Deed”) pursuant to which it unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by Orco Property Group in relation to its notes (New Notes, note 6.15) registered under ISIN code XS0820547742, which were issued on 4 October 2012 (and amended and restated pursuant to the Orco Trust Deed). The Group has also undertaken in the Orco Trust Deed to be bound by certain limitations on its activities and to maintain certain financial ratios.

In May 2016 OPG purchased approximately 77 % of the New Notes, which shall be cancelled. As of the date hereof, the principal amount outstanding of the New Notes is EUR 12.48 million. Interest on the New Notes accrues at a rate of 7 % per annum, payable semi-annually in arrears. Unless previously redeemed, or purchased and cancelled, the New Notes will be redeemed at their then outstanding principal amount on 7 November 2019.

In consideration of Group's entry into the Orco Trust Deed and the guarantee given thereunder, Orco Property Group has agreed to pay to the Group a guarantee fee of three percents. of the outstanding principal balance of the New Notes, payable on a payment in kind (PIK) basis falling due on the business day after all amounts payable in connection with the New Notes have been paid in full. For more details about the New Notes please refer to Orco Trust Deed available at www.orcogroup.com.

The Company agreed to guarantee certain warranties given by OPG to the buyer of Capellen building in Luxembourg. The guaranteed warranties related to pending claims in relation to the building and are limited to EUR 250,000. The duration of the guarantee is 24 months from 25 January 2017.

Kingstown dispute

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

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 judicatum solvi plea*, which consists in requiring the entity who initiated the proceedings and who does not reside in the European Union or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered on 19 February 2016 a judgement, whereby each claimant has to place a legal deposit in the total amount of 90,000 EUR with the "*Caisse de Consignation*" in Luxembourg in order to continue the proceedings. Kingstown paid the deposit in January 2017. Until the date of financial statements no date of hearing was set by the court.

(BÄR) Leipziger Platz dispute (Litigation - HGHI against Orco Immobilien GmbH)
As part of the Leipziger Platz Project Orco Immobilien GmbH (subsidiary of CPI PG latter referred as "OI") entered in 2010 into an separate agreement („OG-HGHI-Agreement") with HGHI 1 LP GmbH and HGHI 2 LP GmbH (together referred to as „HGHI") to regulate the handling of a neighbor dispute with the neighbor B.Ä.R. Grundstücks GmbH & Co. Voß-/Wilhelmstraße KG and B.Ä.R.a.n.o. Gesellschaft für Grundbesitz Berlin GmbH und Co. KG (hereinafter jointly: „BÄR"). The main point of the agreement was OI deposited an amount of EUR 10 million into an escrow account to be used to cover compensation or indemnification payments with regard to neighbor agreements with BÄR and to cover the costs of the trustees and the proceedings.

In 2013 HGHI has sued Orco Immobilien GmbH for the release of the remaining amounts (about EUR 9 million) and payment to HGHI. Orco Immobilien defend themselves against the claim and accordingly the court has dismissed the claim in total. HGHI has appealed against this first instance verdict.

In the second instance the parties agreed within an general settlement between Group and HGHI in January 2017 that HGHI will withdraw their suit and furthermore that the remaining amounts on the escrow (about EUR 8.7 million) shall be paid out to Orco Immobilien GmbH. Currently the trustee refuses to follow the resulting payment order which he has received from both parties (HGHI and Orco) and brings up formal reasons. From Group's perspective, the trustee is in payment default. Correspondence on this matter is running which could end within a payment litigation of Orco Immobilien GmbH against the trustee.
With respect to the litigation concerning the deferred compensation of EUR 30 million to be paid by HGHI to Group in relation to the Leipziger Platz project disposal, the parties agreed at the second instance hearing that HGHI has to pay to Group EUR 20 million by 2 May 2017. With the settlement of these main proceedings the two other corresponding litigations (the information claim and the injunction measures) were also ended.

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

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

9 Capital and other commitments

Capital commitments

The Group has capital commitments of EUR 29.5 million in respect of capital expenditures contracted for at the date of the statement of financial statements (EUR 3.1 million in 2015). There are no other commitments except as disclosed above.

10 Related party transactions

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

Key management personnel and members of Board of Directors

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

TEUR	31 December 2016	31 December 2015
Remuneration paid to key management personnel and members of Board of Directors	484	621
Total remuneration	**484**	**621**

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

Balances at	31 December 2016	31 December 2015
Loans provided	359	89
Trade receivables	2	3
Other receivables	9	6
Impairment of other receivables	(5)	--
Prepaid expenses	13	--
Bonds issued	282	--
Transactions		
Interest income and other revenues	14	6
Other cost	17	--
Legal services	35	--
Revenue from sale of goods and merchandise	--	978

Other related parties Entities over which the majority shareholder has control		
Balances at	**31 December 2016**	**31 December 2015**
Bonds issued	--	244,772
Trade receivables	3	--
Loans received	279	--
Transactions		
Advisory and accounting services	2	--
Interest income	1	--
Other costs	6	--
Interest expense on bonds issued	3,571	1,718

Other related parties		
Entities over which the sole shareholder has significant influence		
Balances at	**31 December 2016**	**31 December 2015**
Trade receivables	--	716
Other receivables	--	1,956
Loans provided	--	29,360
Trade payables	--	884
Other – other non-current invesment	--	2
Transactions		
Service charge income	2	51
Rental income	--	93
Interest income	537	536
Other finance income	1,050	1,956
Advisory and accounting services	552	1,504
Accounting and other services	--	9
Other property operating expenses	--	7
Service charge expenses	--	9

Close family members/entities controlled by close family members of sole shareholders		
Balances at	**31 December 2016**	**31 December 2015**
Trade receivables	--	1
Other receivables	11,665	82
Loans provided	--	10,963
Other payables	807	--
Transactions		
Interest income	703	10,170

Entities controlled by members of Board of Directors		
Balances at	**31 December 2016**	**31 December 2015**
Trade receivables	8	5,300
Other receivables	52	--
Advances received	--	1,108
Loans provided	8,042	14,874
Trade payables	226	1,753
Loans received	787	--
Prepaid expenses	13	--
Impairment of trade receivables and other receivables	(4)	--
Impairment of loans	(35)	--
Transactions		
Interest expense	--	17
Interest income	133	1,110
Material consuption	20	1
Other property related expenses	--	39
Lease and rental expenses	55	--
Proceeds from sale of subsidiaries	42,453	--
Dividend income	3,274	--
Advisory and accounting services	32	--
Impairment	17	--
Audit, tax and advisory services	--	9
Rental income and other services	--	16,921
Letting fee	2	--
Revenue from other operations	--	39

Major shareholder of CPI PG		
Balance at	**31 December 2016**	**31 December 2015**
Loans provided	17,166	46,273
Loans received	39	20
Trade receivables	2	--
Other receivables	58	58
Other payables	415	415
Bonds issued	30,000	--
Advances received	24,500	--
Trade payables	93	--
Other items	4,797	--
Transactions		
Interest income	1,620	1,597
Other revenues	2	--
Revenues from sale of goods and merchandise	--	2,575
Interest expenses	1,102	--

Main selected transactions with other related parties

Transactions with OPG[1]

Management Fees

CPI Property, s.r.o. has provided property management services to certain assets of OPG in the Czech Republic. The value of such services amounted to EUR 6 thousand for the 6 months of 2016 (EUR 9 thousand for 2015). From 1 July 2014, the Group began providing outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of OPG in the Czech Republic. The value of such services amounted to EUR 0.7 million for the six month of 2016 (EUR 1.5 million for 2015).

New shares

During year 2016 CPI PROPERTY GROUP S.A. issued 4,386,744,624 shares to Majority shareholder, his close relatives or to entities controlled by him. Out of which 1,850,000,000 were in form of cash contribution, 44,514,410 were issued as settlement of liability arising from asset acquisition and remaining part was in form of bond contribution.
CPI PROPETY GROUP S.A. issued 30,123,712 new shares to top management.

Transactions connected with the major shareholder of the Company

French villas acquisition

During the period November-December 2016, the Group acquired portfolio of nine villas located in Monaco and France. The consideration paid represented EUR 4.9 million. These entities were acquired from companies controlled by major shareholder of Company and the acquisition was accounted for as a common control transaction.

Acquisition of CM Hotels SA

On 1 December 2016, the Group acquired CM Hotels SA (note 3.2.). The consideration paid represented EUR 93 thousand. CM Hotels SA was acquired from the major shareholder of Company and the acquisition is accounted for as a common control transaction.

[1] Since OPG was acquired on 30 June 2016 (note 3.2.) transactions for the six months period are disclosed as transactions with related party.

11 Events after the reporting period

11.1 Acquisition of subsidiaries

On 7 March 2017, the Group acquired Rezidence Masarykova 36, company owning Hotel Vladimír in Ústí nad Labem. The operation of this hotel will be secured by CPI Hotels a.s., operator of the majority of the Group´s hospitality portfolio.

On 27 March 2017, the Group successfully acquired the high-quality retail portfolio of predominantly 11 shopping centres located in the Czech Republic, Hungary, Poland and Romania with a total leasable area of approximately 265 thousand sqm from two funds managed by CBRE Global Investors. The acquired portfolio consists of (i) major shopping centres Olympia Plzeň and Nisa Liberec in the Czech Republic, Ogrody in Poland, Polus and Campona in Hungary and Felicia in Romania; (ii) multifunctional complexes Zlatý Anděl in Prague and Andrássy Complex in Budapest; and (iii) two Interspar stores in Hungary.
The bank financing has been arranged through several loans at a total of EUR 440 million, with Company providing the remaining amount from its own funds. In the Czech Republic, financing has been provided by a bank syndicate composed of Helaba and ČSOB; in Poland, solely provided by Helaba; in Hungary by UniCredit Bank, Raiffeisenbank and Sberbank; and in Romania by HypoNoe Bank. ČSOB was also covering the whole transaction as the escrow agent.

11.2 Disposal of subsidiaries

The Group disposed of Capellen Invest S.A., an office project dislosed as asset held for sale as at 31 December 2016, on 25 January 2017.

The sale of hotel Rhea (note 6.12) was completed on 9 February 2017.

On 28 February 2017, the Group sold Lozorno Logistics Park, located outside of Bratislava, comprising of 5 halls with total rentable space reaching up to 118,000 square meters.

On 7 March 2017 the Company disposed of the Purkynova office building located in Brno, Czech Republic. The modern building with an area exceeding 11,300 sqm was sold in a share deal transaction. The Company decided to proceed with this disposal since it considered Purkynova office building as a non-core asset.

11.3 Other events after reporting

In January 2017 Group agreed on settlement with HGHI concerning Leipziger Platz dispute (see note 8).

12 APPENDIX I – LIST OF GROUP ENTITIES

Subsidiaries fully consolidated

Company	Country	31 December 2016	31 December 2015
"Diana Development" Sp. Z o.o.	Poland	100.00%	100.00%
ABLON Sp. z o.o.	Poland	100.00%	100.00%
Agrome s.r.o.	Czech Republic	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City Phase B Kft.	Hungary	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Angusland s.r.o.	Czech Republic	100.00%	100.00%
Arena Corner Kft. (1)	Hungary	100.00%	100.00%
Arkáda Prostějov, s.r.o.	Czech Republic	100.00%	100.00%
Aspley Ventures Limited	Cyprus	100.00%	--
AVACERO LIMITED	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Delta, a.s.	Czech Republic	--	100.00%
BAYTON Gama, a.s.	Czech Republic	86.54%	86.54%
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
Biochov s.r.o.	Czech Republic	100.00%	99.98%
Biopark s.r.o.	Czech Republic	100.00%	100.00%
Biopotraviny s.r.o.	Czech Republic	100.00%	99.20%
Blue Yachts d.o.o.	Croatia	67.50%	--
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Bright Site Kft.	Hungary	--	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	97.31%	--
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	97.31%	--
Bubny Development, s.r.o.	Czech Republic	97.31%	--
Budaörs Office Park Kft.	Hungary	100.00%	100.00%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
BYTY PODKOVA, a.s.	Czech Republic	97.31%	--
Camuzzi, a.s.	Czech Republic	97.31%	100.00%
Capellen Invest S.A.	Luxembourg	97.31%	--
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	97.31%	100.00%
CENTRAL TOWER 81 Sp. z o.o.	Poland	100.00%	100.00%
CEREM S.A.	Luxembourg	97.31%	--
CM Hôtels SA	Switzerland	100.00%	--
CMA Immobilier SA	Switzerland	85.07%	95.87%
CMA Services S.à.r.l.	Switzerland	85.21%	80.85%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Facility, a.s.	Czech Republic	100.00%	100.00%
CPI - Horoměřice, a.s.	Czech Republic	86.54%	--

Company	Country	31 December 2016	31 December 2015
CPI - Krásné Březno, a.s.	Czech Republic	97.31%	99.96%
CPI - Land Development, a.s.	Czech Republic	97.31%	100.00%
CPI - Orlová, a.s.	Czech Republic	100.00%	100.00%
CPI - Real Estate, a.s. (2)	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alberghi HI Roma S.r.l.	Italy	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI City Center ÚL, a.s.	Czech Republic	--	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o.	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%
CPI Finance Ireland II Limited	Ireland	100.00%	100.00%
CPI Finance Ireland III Limited	Ireland	100.00%	100.00%
CPI Finance Ireland Limited	Ireland	100.00%	100.00%
CPI Finance Netherlands B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands II B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands III B.V.	Netherland	100.00%	100.00%
CPI Finance Slovakia II, a. s.	Slovak Republic	100.00%	--
CPI Finance Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI FRANCE aSASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Heli, s.r.o.	Czech Republic	100.00%	100.00%
CPI Hotels Hungary Kft.	Hungary	100.00%	--
CPI HOTELS POLAND Sp. z o.o.	Poland	100.00%	--
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Slovakia, s.r.o.	Slovak Republic	100.00%	--
CPI Hotels, a.s.	Czech Republic	100.00%	--
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l.	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI North, s.r.o.	Czech Republic	100.00%	100.00%
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.96%	99.96%
CPI PG Management, S.á r.l	Luxembourg	100.00%	100.00%
CPI Poland Sp. z o.o.	Poland	100.00%	100.00%
CPI Property, s.r.o.	Czech Republic	100.00%	100.00%
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Residential, a.s.	Czech Republic	100.00%	--
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio Holding Kft.	Hungary	100.00%	--
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retails Brandýs, s.r.o.	Czech Republic	100.00%	--
CPI Retails FIVE, a.s.	Slovak Republic	--	100.00%
CPI Retails FOUR, a.s.	Slovak Republic	--	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails ROSA s.r.o.	Slovak Republic	100.00%	--
CPI Retails THREE, a.s. (3)	Slovak Republic	100.00%	100.00%
CPI Retails Třinec, a.s.	Czech Republic	100.00%	--
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Rhea, s.r.o. (2)	Czech Republic	100.00%	--
CPI Romania S.R.L.	Romania	100.00%	100.00%
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	97.58%	100.00%
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
CURITIBA a.s.	Czech Republic	--	100.00%
Czech Property Investments, a.s.	Czech Republic	100.00%	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	100.00%
Českolipská farma s.r.o.	Czech Republic	100.00%	100.00%
Českolipská zemědělská a.s.	Czech Republic	100.00%	75.00%
Český Těšín Property Development, a.s.	Czech Republic	100.00%	100.00%
Darilia a.s.	Czech Republic	97.31%	--
Data Trade s.r.o.	Czech Republic	97.31%	--
Děčínská zemědělská a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	72.98%	--
Development Pražská s.r.o.	Czech Republic	97.31%	--
Diana Property Sp. z o.o.	Poland	97.31%	--
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	99.96%
Ekodružstvo Severozápad, družstvo	Czech Republic	100.00%	100.00%
EMH North, s.r.o.	Czech Republic	100.00%	100.00%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
EMH West, s.r.o.	Czech Republic	100.00%	100.00%
Endurance Hospitality Asset S.á r.l.	Luxembourg	100.00%	88.00%
Endurance Hospitality Finance S.á r.l.	Luxembourg	100.00%	88.00%
Endurance Real Estate Management Company	Luxembourg	97.31%	--
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	97.31%	--
Europeum Kft.	Hungary	100.00%	100.00%
Famiaco	Cyprus	97.31%	--
Farhan, a.s.	Czech Republic	100.00%	100.00%
Farma Javorská, a.s.	Czech Republic	100.00%	100.00%
Farma Krásný Les, a.s.	Czech Republic	100.00%	100.00%
Farma Ploučnice a.s.	Czech Republic	100.00%	91.04%
Farma Poustevna, s.r.o.	Czech Republic	100.00%	100.00%
Farma Radeč, a.s.	Czech Republic	100.00%	100.00%
Farma Svitavka s.r.o.	Czech Republic	100.00%	100.00%
Farma Valteřice, a.s.	Czech Republic	100.00%	100.00%
Farmy Frýdlant a.s.	Czech Republic	100.00%	65.00%
Fetumar Development Limited	Cyprus	100.00%	--
First Site Kft.	Hungary	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
FL Property Development, a.s.	Czech Republic	100.00%	100.00%
Fogarasi 3 BC Kft.	Hungary	100.00%	100.00%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	94.74%	94.74%
Gerossa - JMB, a.s.	Czech Republic	--	100.00%
Gewerbesiedlungs-Gesellschaft GmbH	Germany	99.75%	99.75%
GLOBAL INVESTMENT Kft.	Hungary	100.00%	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
Grunt HZ s.r.o.	Czech Republic	97.31%	--
GSG 1. Beteiligungs GmbH	Germany	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG (4)	Germany	99.75%	99.75%
GSG Berlin Invest GmbH	Germany	94.66%	94.66%
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 6. GmbH & Co. KG (4)	Germany	99.75%	99.75%
GSG Holding 2 GmbH	Germany	100.00%	100.00%
GSG Mobilien GmbH	Germany	99.75%	--
GSG Solar Berlin GmbH	Germany	99.75%	99.75%
GSG Wupperstraße GmbH	Germany	99.75%	99.75%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	97.31%	--
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
Hofnetz und IT Services GmbH	Germany	99.75%	99.75%
Hospitality Invest Sàrl	Luxembourg	100.00%	100.00%
Hotel Andrássy Zrt. (5)	Hungary	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	--
Hotel Pokrovka , org. Unit	Russia	100.00%	100.00%
Hotel Rosslyn Kft.	Hungary	--	100.00%
Hotel Sirena d.o.o.	Croatia	96.43%	--
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	97.31%	--
Insite Kft.	Hungary	100.00%	100.00%
Isalotta GP GmbH & Co.Verwaltungs KG (4)	Germany	94.99%	94.99%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
ITL Alfa, s.r.o.	Czech Republic	100.00%	100.00%
IVRAVODA LIMITED	Cyprus	100.00%	--
Jagapa Limited	Cyprus	100.00%	--
JAGRA spol. s r.o.	Czech Republic	100.00%	100.00%
Janáčkovo nábřeží 15, s.r.o.	Czech Republic	100.00%	100.00%
Janovická farma, a.s.	Czech Republic	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
Jetřichovice Property, a.s.	Czech Republic	86.54%	--
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	97.31%	--
JMB Lambda, s.r.o.	Czech Republic	--	100.00%
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	97.31%	100.00%
Kerina, a.s.	Czech Republic	100.00%	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
LE REGINA WARSAW Sp. z o.o. (6)	Poland	100.00%	100.00%
Leriegos Kft.	Hungary	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
Levice Property Development, a.s. (7)	Slovak Republic	100.00%	100.00%
Limagro s.r.o.	Czech Republic	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Lucemburská 46, a.s.	Czech Republic	100.00%	100.00%
M3 BC Kft.	Hungary	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s. (8)	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s. (9)	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s. (10)	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate Sp. z o.o. (11)	Poland	97.31%	--
Mařenická farma, a.s.	Czech Republic	100.00%	100.00%
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
Mercuda, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L	Romania	88.00%	88.00%
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%
MMR Russia S.à r.l	Luxembourg	100.00%	100.00%
Modřanská Property, a.s.	Czech Republic	100.00%	100.00%
Mondello, a.s.	Czech Republic	100.00%	100.00%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
Na Poříčí, a.s.	Czech Republic	100.00%	--
NERONTA, a. s.	Slovak Republic	100.00%	100.00%
New Age Kft.	Hungary	100.00%	100.00%
New Field Kft.	Hungary	100.00%	100.00%
NOVÁ ZBROJOVKA, s.r.o. (12)	Czech Republic	97.31%	--
NUKASSO HOLDINGS LIMITED	Cyprus	100.00%	--
Nupaky a.s.	Czech Republic	97.31%	--
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
Obchodní a společenské centrum České Budějovice, s.r.o.	Czech Republic	100.00%	--
OC Nová Zdaboř a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	100.00%	--
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%
Office Center Purkyňova, a.s. (9)	Czech Republic	100.00%	--
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
Orco Germany Prague, s.r.o.	Czech Republic	100.00%	100.00%
Orco Germany Sp. z o.o.	Poland	100.00%	100.00%
Orco Hotel Development Sp. z o.o.	Poland	100.00%	100.00%
ORCO Hotel Management Kft.	Hungary	100.00%	100.00%
Orco Hotel Project Sp. z o.o.	Poland	100.00%	100.00%
Orco Immobilien Gmbh	Germany	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orco Praga, s.r.o., člen holdingu ORCO PROPERTY GROUP SA	Czech Republic	97.31%	--
Orco Project Limited	Guernsey	97.31%	--
Orco Property Group S.A.	Luxembourg	97.31%	--
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Ozrics, Kft.	Hungary	100.00%	100.00%
Parco delle Case Bianche SRL	Italy	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
Pastviny a.s.	Czech Republic	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
Platnéřská 10 s.r.o.	Czech Republic	100.00%	100.00%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prague Property Development, s.r.o.	Czech Republic	--	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
Projekt Nisa, s.r.o.	Czech Republic	100.00%	--
Projekt Zlatý Anděl, s.r.o.	Czech Republic	100.00%	--
Prosta 69 Sp. z o.o.	Poland	100.00%	100.00%
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
PTR PRIME TOURIST RE SORTS (CYPRUS) LIMITED	Cyprus	100.00%	--
PV - Cvikov s.r.o.	Czech Republic	100.00%	100.00%
QTW Czech, s.r.o.	Czech Republic	100.00%	--
Quadrio Residence, s.r.o.	Czech Republic	100.00%	100.00%
R40 Real Estate Kft.	Hungary	100.00%	100.00%
Remontées Mécaniques Crans Montana Aminona (CMA) SA	Switzerland	85.33%	65.83%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
RL - Management s.r.o.	Czech Republic	100.00%	100.00%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
SASHKA LIMITED	Cyprus	100.00%	100.00%
SCI MAS CANTAGRELI	France	100.00%	--
SCP AILEY	Monaco	100.00%	--
SCP CAYO	Monaco	100.00%	--
SCP CISKEY	Monaco	100.00%	--
SCP KANDLER	Monaco	100.00%	--
SCP MADRID	Monaco	100.00%	--
SCP NEW BLUE BIRD	Monaco	100.00%	--
SCP PIERRE CHARRON	Monaco	100.00%	--
SCP VILLA DE TAHITI	Monaco	100.00%	--
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Shopinvest a.s.	Czech Republic	100.00%	--
Spišská Nová Ves Property Development, a.s. (13)	Slovak Republic	100.00%	100.00%
Spojené farmy a.s.	Czech Republic	100.00%	100.00%
ST Project Limited	Guernsey	100.00%	100.00%
Statek Mikulášovice, s.r.o.	Czech Republic	100.00%	100.00%
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	97.31%	100.00%
STRM Alfa, a.s.	Czech Republic	97.31%	--
STRM Beta, a.s.	Czech Republic	97.31%	--
STRM Delta, a.s.	Czech Republic	97.31%	--
STRM Gama, a.s.	Czech Republic	97.31%	--
Sunčani Hvar d.d.	Croatia	96.43%	--
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	97.31%	100.00%
Szolgáltatóház Kft.	Hungary	100.00%	100.00%
Šenovská zemědělská, s.r.o.	Czech Republic	100.00%	100.00%
Tarnów Property Development Sp. z o.o.	Poland	100.00%	--
Telč Property Development, a.s.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Trutnov Property Development, a.s.	Czech Republic	100.00%	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	100.00%	100.00%
Týniště Property Development, s.r.o.	Czech Republic	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
Tyršova 6, a.s.	Czech Republic	100.00%	100.00%
U Svatého Michala, a.s.	Czech Republic	100.00%	100.00%
Valdovská zemědělská, a.s.	Czech Republic	100.00%	100.00%
Valkeřická ekologická, a.s.	Czech Republic	100.00%	100.00%
VERETIX a.s.	Czech Republic	--	100.00%
Verneřický Angus a.s.	Czech Republic	100.00%	92.70%
Vigano, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	97.31%	--
VM Property Development, a.s.	Czech Republic	100.00%	100.00%
VOLANTI LIMITED	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
Wertpunkt Real Estate Experts GmbH	Germany	99.75%	99.75%
Zelená farma s.r.o.	Czech Republic	100.00%	93.73%
Zelená louka s.r.o.	Czech Republic	100.00%	90.85%
Zelená pastva s.r.o.	Czech Republic	100.00%	100.00%
ZEMSPOL s.r.o.	Czech Republic	100.00%	96,20%
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Žďár Property Development, a.s.	Czech Republic	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

1) ACGATE Kft. changed its name to Arena Corner Kft. with effective date of 14 January 2016.
2) On 9 August 2016, CPI – Real Estate, a.s. demerged resulting into establishment of two new companies – CPI Rhea, s.r.o. and CPI Luna, s.r.o. Part of the portfolio of CPI – Real Estate, a.s. has been transferred to newly established companies. On 30 September 2016, subsidiary CPI Luna, s.r.o. was sold to a third party.
3) CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. has merged with CPI Retails THREE, a.s. (the „successor company“) with the effective date of 12 November 2016. All assets and liabilities of CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. passed to the successor company.
4) The following subsidiaries (included in these consolidated financial statements) are exempted from the obligation to prepare and publish an annual financial statement and a management report in accordance with §264b HGB.
   GSG Asset GmbH & Co. Verwaltungs KG, Berlin;
   GSG Gewerbehöfe Berlin 1. GmbH & Co. KG, Berlin;
   GSG Gewerbehöfe Berlin 2. GmbH & Co. KG, Berlin;
   GSG Gewerbehöfe Berlin 3. GmbH & Co. KG, Berlin;
   GSG Gewerbehöfe Berlin 4. GmbH & Co. KG, Berlin;
   GSG Gewerbehöfe Berlin 5. GmbH & Co. KG, Berlin;
   GSG Gewerbehöfe Berlin 6. GmbH & Co. KG, Berlin;
   Isalotta GP GmbH & Co. Verwaltungs KG, Berlin.
5) Orco Hotel, Zrt. changed its name to Hotel Andrássy Zrt. with the effective date of 26 October 2016.
6) Orco Warsaw Sp. z o.o. changed its name to LE REGINA WARSAW Sp. z o.o. with the effective date of 3 June 2016.
7) Zvolen Property Development, a.s. changed its name to Levice Property Development, a.s. with the effective date of 3 August 2016.
8) Gerossa – JMB, a.s. and JMB Lambda, s.r.o. has merged with Marissa Omikrón, a.s. (the „successor company“) with the effective date of 11 October 2016. All assets and liabilities of Gerossa – JMB, a.s. and JMB Lambda, s.r.o. passed to the successor company.
9) Marissa West, a.s. demerged on 9 August 2016. Two new companies - Regionální portfolio, a.s. and Office Center Purkyňova, a.s. – were established on 9 August 2016. Part of the portfolio of Marissa West, a.s. has been transferred to newly established companies. On 30 September 2016, subsidiary Regionální portfolio, a.s. was sold to a third party.
10) Bondy Centrum s.r.o. has merged with Marissa Ypsilon, a.s. (the "successor company”) with the effective date of 31 December 2016. Bondy Centrum s.r.o. was acquired as at 1 February 2016 (note 3.2). All assets and liabilities of Bondy Centrum s.r.o. passed to the successor company.
11) Orco Poland Sp. z.o.o. changed its name to Marki Real Estate Sp. z o.o. with the effective date of 5 December 2016.
12) BIANKO, s.r.o. changes its name to NOVÁ ZBROJOVKA, s.r.o. with the effective date of 30 September 2016.
13) Ružomberok Property Development, a.s. changed its name to Spišská Nová Ves Property Development, a.s. with the effective date of 3 August 2016.

KPMG

KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L - 1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

To the Shareholders of
CPI Property Group S.A.
40, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of CPI Property Group S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of comprehensive income and changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of CPI Property Group S.A., as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and consolidated financial statements of undertakings, as amended.

Report on other legal and regulatory requirements

The management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 31 March 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

CPI Property Group

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT

OF THE REVISEUR D'ENTREPRISES AGREE

DECEMBER 31, 2016

40, rue de la Vallée
L-2661 Luxembourg
Share Capital: EUR 779,561,784
R.C.S. Luxembourg B 102.254

CPI Property Group
Société Anonyme
R.C.S. Luxembourg B 102.254

TABLE OF CONTENTS

KPMG

KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L - 1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

To the Shareholders of
CPI Property Group S.A.
40, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

We have audited the accompanying annual accounts of CPI Property Group S.A., which comprise the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of CPI Property Group S.A., as of December 31, 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the annual accounts and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Report on other legal and regulatory requirements

The management report, is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, March 31, 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

RCSL Nr.: B102254	Matricule: 2004 2214 745
	eCDF entry date:

BALANCE SHEET

Financial year from 01 01/01/2016 **to** 02 31/12/2016 *(in* 03 EUR)

CPI PROPERTY GROUP

40, rue de la Vallée
L-2661 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
B. Formation expenses	1107	107	108
C. Fixed assets	1109	109 2.268.506.177,00	110 1.866.628.058,00
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

RCSL Nr.: B102254	Matricule: 2004 2214 745

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135	Note 3	135	2.268.506.177,00	136	1.866.628.058,00
1. Shares in affiliated undertakings	1137	Note 3.1	137	1.903.540.445,00	138	1.848.257.747,00
2. Loans to affiliated undertakings	1139	Note 3.2	139	364.965.732,00	140	18.370.311,00
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145		145		146	
6. Other loans	1147		147		148	
D. Current assets	1151		151	248.642.515,00	152	484.462.146,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	197.663.198,00	164	142.787.053,00
1. Trade debtors	1165		165	3.223.242,00	166	2.191.879,00
a) becoming due and payable within one year	1167	Note 4.1	167	3.223.242,00	168	2.191.879,00
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171		171	7.926.112,00	172	4.210.410,00
a) becoming due and payable within one year	1173	Note 4.2	173	7.926.112,00	174	4.210.410,00
b) becoming due and payable after more than one year	1175		175		176	
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	
a) becoming due and payable within one year	1179		179		180	
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183	Note 5	183	186.513.844,00	184	136.384.764,00
a) becoming due and payable within one year	1185	Note 5.1	185	70.784.844,00	186	123.037.784,00
b) becoming due and payable after more than one year	1187	Note 5.2	187	115.729.000,00	188	13.346.980,00

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189	2.420,00	190	341.504.287,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209	Note 8.1	209	0,00	210	341.501.867,00
3. Other investments	1195	Note 6	195	2.420,00	196	2.420,00
IV. Cash at bank and in hand	1197		197	50.976.897,00	198	170.806,00
E. Prepayments	1199	Note 7	199	4.935.138,00	200	5.715.500,00
TOTAL (ASSETS)			201	2.522.083.830,00	202	2.356.805.704,00

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	Note 8	301	1.631.886.495,00	302	1.533.657.954,00
I. Subscribed capital	1303	Note 8.1	303	779.561.785,00	304	330.376.830,00
II. Share premium account	1305	Note 8.3	305	1.086.420.153,00	306	1.372.353.521,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	56.727.853,00	310	56.727.853,00
1. Legal reserve	1311	Note 8.3	311	56.727.853,00	312	56.727.853,00
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319	-225.800.250,00	320	-207.063.160,00
VI. Profit or loss for the financial year	1321		321	-65.023.046,00	322	-18.737.090,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331	400.000,00	332	400.000,00
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337	400.000,00	338	400.000,00
C. Creditors	1435		435	889.797.335,00	436	822.747.750,00
1. Debenture loans	1437		437	114.025.139,00	438	301.634.617,00
a) Convertible loans	1439		439		440	
i) becoming due and payable within one year	1441		441		442	
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445	Note 9	445	114.025.139,00	446	301.634.617,00
i) becoming due and payable within one year	1447		447	1.925.139,00	448	5.434.617,00
ii) becoming due and payable after more than one year	1449		449	112.100.000,00	450	296.200.000,00
2. Amounts owed to credit institutions	1355		355		356	
a) becoming due and payable within one year	1357		357		358	
b) becoming due and payable after more than one year	1359		359		360	

RCSL Nr.: B102254	Matricule: 2004 2214 745

		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361		361		362	
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367		367	0,00	368	1.268.018,00
a) becoming due and payable within one year	1369		369	0,00	370	1.268.018,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	Note 10	379	730.694.555,00	380	498.334.692,00
a) becoming due and payable within one year	1381	Note 10.1	381	488.801.399,40	382	354.216.732,00
b) becoming due and payable after more than one year	1383	Note 10.2	383	241.893.155,60	384	144.117.960,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451		451	45.077.641,00	452	21.510.423,00
a) Tax authorities	1393	Note 19	393	577.949,00	394	3.151,00
b) Social security authorities	1395		395		396	
c) Other creditors	1397	Note 11	397	44.499.692,00	398	21.507.272,00
i) becoming due and payable within one year	1399		399	44.499.692,00	400	21.507.272,00
ii) becoming due and payable after more than one year	1401		401		402	
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	2.522.083.830,00	406	2.356.805.704,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B102254	Matricule: 2004 2214 745
	eCDF entry date:

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2016 **to** 02 31/12/2016 *(in* 03 EUR *)*

CPI PROPERTY GROUP

40, rue de la Vallée
L-2661 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701	701	702
2. Variation in stocks of finished goods and in work in progress	1703	703	704
3. Work performed by the undertaking for its own purposes and capitalised	1705	705	706
4. Other operating income	1713 Note 12	713 36.449.869,00	714 48.231.129,00
5. Raw materials and consumables and other external expenses	1671 Note 13	671 -17.391.018,00	672 -16.459.749,00
a) Raw materials and consumables	1601	601	602
b) Other external expenses	1603	603 -17.391.018,00	604 -16.459.749,00
6. Staff costs	1605 Note 14	605 -119.960,00	606 -121.583,00
a) Wages and salaries	1607	607 -85.612,00	608 -97.272,00
b) Social security costs	1609	609 -34.348,00	610 -24.311,00
i) relating to pensions	1653	653	654
ii) other social security costs	1655	655 -34.348,00	656 -24.311,00
c) Other staff costs	1613	613	614
7. Value adjustments	1657 Note 3	657	658 12.798.174,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	659	660
b) in respect of current assets	1661	661	662 12.798.174,00
8. Other operating expenses	1621 Note 15	621 -209.519,00	622 -38.294.391,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B102254	Matricule : 2004 2214 745

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727 Note 16	727 14.207.781,00	728 18.211.003,00
a) derived from affiliated undertakings	1729 Note 16.1	729 8.125.956,00	730 4.247.343,00
b) other interest and similar income	1731 Note 16.2	731 6.081.825,00	732 13.963.660,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665 Note 3	665 -75.862.504,00	666 -23.351.188,00
14. Interest payable and similar expenses	1627	627 -22.097.696,00	628 -19.746.835,00
a) concerning affiliated undertakings	1629 Note 17	629 -11.893.208,00	630 -12.466.781,00
b) other interest and similar expenses	1631 Note 18	631 -10.204.488,00	632 -7.280.054,00
15. Tax on profit or loss	1635 Note 19	635	636 -3.610,00
16. Profit or loss after taxation	1667	667 -65.023.047,00	668 -18.737.050,00
17. Other taxes not shown under items 1 to 16	1637	637	638
18. Profit or loss for the financial year	1669	669 -65.023.047,00	670 -18.737.050,00

NOTE 1 - GENERAL INFORMATION

CPI Property Group Société Anonyme (the "Company" or "CPI PG"), formerly named ORCO GERMANY S.A., was incorporated on July 22, 2004 and is organized under the laws of Luxembourg as a Société Anonyme for an unlimited period. On May 13, 2014 the Shareholders of the Company decided to change the name from ORCO GERMANY S.A. to GSG GROUP. Subsequently, the General Meeting of the Shareholders, held on August 28, 2014, resolved to change the name: from GSG GROUP S.A. to CPI Property Group S.A..

The object of the Company is the investment in real estate, thus as the purchase, the sale, the construction, the exploitation, the administration and the letting of real estate as well as the property development, for its own account or through the intermediary of its affiliated companies. The Company has also for object the taking of participating interests, in whatsoever form in other, either Luxembourg or foreign, companies, and the management, control and development of such participating interests. The Company may in particular acquire all types of transferable securities, either by way of contribution, subscription, option, purchase or otherwise, as well as realize them by sale, transfer, exchange or otherwise. The Company may borrow and grant any assistance, loan, advance or guarantee to companies in which it has participation or in which it has a direct or indirect interest. The Company may carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on movable property, which it may deem useful to the accomplishment of its purposes.

The registered office of the Company is established at 40, rue de la Vallée, L-2661 Luxembourg, R.C.S. Luxembourg B 102 254.

The financial year is from January 1, 2016 to December 31, 2016.

CPI PG is a real estate company which is listed on the Regulated Market of the Frankfurt Stock Exchange in the General Standard segment.

As at December 31, 2016, CPI PG is indirectly controlled by Radovan Vítek at 89.10% (2015: 90.57%) through his investment vehicles (Voting rights 2016: 90.18%; 2015: 90.57%).

The consolidated financial statements and separate annual accounts of the Company can be obtained at their registered office, 40, rue de la Vallée, L-2661 Luxembourg and at the following website: www.cpipg.com.

The provisions of the law of December 18, 2015 on the annual accounts and consolidated accounts and the grand-ducal regulation of December 18, 2015 on the layout of balance sheet and profit and loss accounts, amending the law of December 19, 2002 have been transposed in these annual accounts.

The layout and the headings of certain balance sheet and profit and loss account captions have been modified accordingly.

Some comparative figures have been reclassified for the same reason.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

Basis of preparation and going concern

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of August 10, 1915, as subsequently amended, determined and applied by the Board of Directors.

The Company has prepared cash flow forecasts for the Group (companies included in CPI Property group consolidated financial statements), for a period in excess of 12 months from the date of approval of the 2016 consolidated financial statements and annual accounts. These forecasts reflect an assessment of current and future conditions on real estate markets and their impact on the Group's future performance. The forecasts show the Group’s strong performance and that the Group is able to operate within the current committed debt facilities and show continued compliance with the Group financial covenants.

As a result of the steady positive cash flow from the rental and other activities of its subsidiaries, the Board of Directors has concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2016 on a going concern basis.

Significant accounting policies

Financial assets

Financial assets are valued individually at the lower of their acquisition price or market value. Amounts owed by affiliated undertakings and amounts owed by undertakings with which the Company is linked by virtue of participating interest shown under “Financial fixed assets” are recorded at their nominal value. A value adjustment is recorded when the recovery value is lower than the nominal value.

Where there is a durable diminution in value in the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Trade debtors and other debtors

Trade debtors and other debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

NOTE 2- ACCOUNTING PRINCIPLES, RULES AND METHODS (continued)

Other investments

Other transferable securities are valued individually at the lower of purchase cost or market value. A value adjustment is recorded where the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Conversion of foreign currencies

The Company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency. All financial information presented in euro (EUR) has been rounded to the nearest thousand (KEUR), except when otherwise indicated.

During the financial year, the acquisitions and sales of financial assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the financial fixed assets expressed in currency other than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are valued at the closing rate. The unrealised and realised losses, as well as the realised gains are recorded in the profit and loss account.

Prepayments

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year. Financing fees linked to the issuance of those bonds are also recorded under the caption "Prepayments" and are amortised through profit and loss account over the period of the bonds under the caption "interest payable and similar charges".

Provisioning

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost

Value adjustments

Value adjustments are deducted directly from the related asset.

Net turnover

Net turnover includes income from invoicing of operating costs.

Convertible and non-convertible loans

Convertible and non-convertible loans are recorded at their nominal value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayments" and is written off over the period of the bonds on a linear basis under the caption "Interest payable and similar charges".

Trade creditors and other creditors, amounts owed to affiliated undertakings

Trade creditors, amounts owed to affiliated undertakings and other creditors are valued at their nominal value.

NOTE 3 - FINANCIAL ASSETS

2016 in KEUR	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
Cost		
Balance at January 1, 2016	1,925,578	86,345
Additions for the year	101,386	388,550
Disposals for the year	(14,248)	(152)
Balance at December 31, 2016	2,012,716	474,743
Impairment		
Balance at January 1, 2016	(77,321)	(67,975)
Impairment reversals for the year	855	1,002
Impairments for the year	(32,711)	(42,804)
Balance at December 31, 2016	(109,177)	(109,777)
Net value as at December 31, 2016	**1,903,540**	**364,966**
Net value as at December 31, 2015	**1,848,258**	**18,370**

In 2015, due to the sale of its subsidiaries, the release of impairments on shares and on loans had generated a gain of EUR 12.8 million.

3.1 Shares in affiliated undertakings

In 2016, the Company increased its stake in Czech Property Investments, a.s., Remontéées Mécaniques Crans-Montana-Aminona. The Company acquired stakes in Ivravoda Limited, Villa de Tahiti, SCP CAYO and CM Hotels S.A..

The Board of Directors of the Company is of the opinion that the investments in some affiliated undertakings of the Company are permanently impaired as at December 31, 2016. Therefore, some shares in affiliated undertakings with net equity significantly lower than acquisition cost as at December 31, 2016, are value adjusted to the higher of zero or of the net positive equity of each concerned affiliated undertaking as at December 31, 2016.

As a result of positive result and generated cash flow, the Company‘s management have no indicators of the impairment concerning its investment into Czech Property Investment a.s. and Mercuda a.s. as at December 31, 2016.

Undertakings in which the Company holds participation in their share capital are detailed in the table on the following page.

Name of the undertaking	Country	Cur.	% held as at 31 Dec 2016	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying value	Carrying value	Net equity (***)	Result of 2016
				12/31/2015	in 2016	12/31/2016	12/31/2016	12/31/2016	12/31/2015	12/31/2016		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
CM Hotels SA** (****)	Swiss	CHF	100%	--	92	92	(92)	(92)	--	--	(18)	--
CMA Immobilier SA* (****)	Swiss	CHF	0.00%	14,038	(14,038)	--	--	--	14,038	--	--	--
CPI Alberghi HI Romas s.à.r.l.	Italy	EUR	100.00%	5,000	--	5,000	--	--	5,000	5,000	9,588	1,624
CPI Finance Ireland II Limited*(****)	Ireland	EUR	0.00%	210	(210)	--	--	--	210	--	--	--
CPI Finance Netherlands II B.V.*	Netherland	EUR	0.00%	--	--	--	--	--	--	--	--	--
CPI Finance Slovakia II**	Slovakia	EUR	100.00%	--	30	30	(7)	(7)	--	23	23	(7)
CPI North, s.r.o.	Czech Republic	CZK	100.00%	4	--	4	--	--	4	4	245	91
Czech Property Investment a.s.	Czech Republic	EUR	100.00%	1,344,654	48,313	1,392,967	--	--	1,344,654	1,392,967	1,425,816	126,507
GSG Holding 2 GmbH	Germany	EUR	100.00%	198	--	198	--	(198)	--	--	--	--
GSG-Gewerbesiedlungsges mbH	Germany	EUR	94,99%	74,768	--	74,768	--	--	74,768	74,768	574,138	274,709
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94.99%	3,755	10	3,765	855	--	2,900	3,765	28,764	14,811
ITL Alfa s.r.o.	Italy	EUR	100.00%	3	--	3	(3)	(3)	3	--	(330)	(205)
Ivravoda Limited**	Cyprus	EUR	100.00%	--	640	640	--	--	--	640	76,826	70,690
SCP Kandler**	Monaco	EUR	100.00%	--	14	14	(14)	(14)	--	--	(1,197)	--
Mercuda, a.s.	Czech Republic	EUR	100.00%	37,186	--	37,186	--	--	37,186	37,186	54,595	15,587
Mondello, a.s.	Czech Republic	CZK	100.00%	341,502	--	341,502	--	--	341,502	341,502	342,652	(4)
SCP New Blue Bird**	Monaco	EUR	100.00%	--	--	--	--	--	--	--	(1,712)	--
Nukasso Holdings Limited**	Cyprus	EUR	100.00%	--	1	1	(1)	(1)	--	--	(33,139)	(12,607)
CPI Blue, s.r.o. (formerly Orco Germany Prague s.r.o.)	Czech Republic	EUR	100.00%	--	--	--	--	--	--	--	(13)	(2)
ORCO Germany Sp. z.o.o.	Poland	EUR	100.00%	1	--	1	(1)	(1)	1	--	(28)	(10)
Orco Immobilien GmbH, Berlin	Germany	EUR	100.00%	12,906	--	12,906	--	(12,906)	--	--	(45,036)	4,128
Orco Property Group S.A.	Luxembourg	EUR	0.00%	27	--	27	--	--	27	27	--	--
Parco delle Case Bianche S.r.l.	Italy	EUR	100.00%	154	490	645	(645)	(645)	154	--	(751)	(761)
Remontées Mécaniques Crans-Montana-Aminona (CMA) SA	Swiss	CHF	85.33%	50,962	46,927	97,889	(31,063)	(54,215)	27,810	43,674	43,674	(1,625)
SCI Mas Cantagreli** (****)	France	EUR	100.00%	--	1	1	(1)	(1)	--	--	(438)	--
SCP Ailey** (****)	Monaco	EUR	100.00%	--	1	1	(1)	(1)	--	--	(430)	--
SCP CAYO** (****)	Monaco	EUR	100.00%	--	1,379	1,379	(256)	(256)	--	1,123	1,123	--
SCP CISKEY**	Monaco	EUR	100.00%	--	116	116	(116)	(116)	--	--	(3,772)	--
SCP Madrid** (****)	Monaco	EUR	100.00%	--	1	1	(1)	(1)	--	--	(260)	--
SCP Pierre Charron ** (****)	Monaco	EUR	100.00%	--	19	19	(19)	(19)	--	--	(1,769)	--
SCP VILLA DE TAHITI** (****)	Monaco	EUR	100.00%	--	3,351	3,351	(490)	(490)	--	2,861	2,861	--
Viterіcon Projektentwicklung GmbH	Germany	EUR	100.00%	40,210	--	40,210	--	(40,210)	--	--	(44,026)	(960)
Total				**1,925,578**	**87,138**	**2,012,716**	**(31,855)**	**(109,177)**	**1,848,258**	**1,903,540**	**2,429,386**	**1,903,540**

(*) Company disposed during reporting period

(**) Acquisition occurred during the reporting period

(***) Net equity calculation is based on unaudited Financial Statements in accordance with IFRS as adopted by EU

(****) Transaction with related parties

NOTE 3 - FINANCIAL FIXED ASSETS (continued)

3.2 Loans to affiliated undertakings

	Int. rate	2016	2015
		KEUR	KEUR
Brilliant 1419.GmbH & Co.Verwaltungs KG	0%	--	76
CPI Alberghi HI Romas s.à.r.l.	6%	1,488	1,487
CPI Finance the Netherlands II BVI	3%	--	76
Isalotta II GmbH	6%	38	36
SCP Kandler	0%	2,572	--
Mercuda a.s.	4%	38	35
SCP New Blue Bird	0%	1,489	--
Nukasso Holdings Limited	3%	358,277	--
CPI Blue, s.r.o. (formerly Orco Germany Prague s.r.o.)	6%	2	--
Orco Germany Sp. Z.o.o.	0%	27	25
ORCO Immobilien GmbH	4%	54,816	53,632
Parco delle Case Bianche s.á.r.l.	8%	10,019	7 360
SCI MAS Cantagreli	0%	1,277	--
SCP Ailey	0%	535	--
SCP Cayo	0%	3,294	--
SCP CISKEY	0%	12,967	--
SCP Madrid	0%	375	--
SCP Pierre Charron	0%	1,298	--
SCP Villa de Tahiti	0%	2,612	--
Vitericon Projektentwicklung GmbH	0%	23,620	23,620
Total cost		**474,743**	**86,345**
Provision for impairment		(109,777)	(67,975)
Net value		**364,966**	**18,370**

The amounts owed by affiliated undertakings have been considered as impaired as follows:

	2016	2015
	KEUR	KEUR
CPI Alberghi HI Romas s.à r.l.	(751)	--
Isalotta II GmbH	--	(35)
SCP Kandler	(1,197)	--
SCP New Blue Bird	(1,489)	--
Nukasso Holding Ltd	(33,139)	
Orco Germany Sp z o.o.	(27)	--
CPI Blue, s.r.o. (formerly Orco Germany Prague s.r.o.)	(2)	--
ORCO Immobilien GmbH	(43,354)	(44,320)
SCI MAS Cantagreli	(438)	--
SCP Ailey	(430)	--
SCP Ciskey	(3,772)	--
SCP Madrid	(260)	--
SCP Pierre Charron	(1,298)	--

Ватерicon		

NOTE 4 - CURRENT ASSETS

4.1 Trade debtors becoming due and payable within one year

In 2016, trade debtors are mainly composed of Guarantor fees on New Notes KEUR 3,223 (2015: KEUR 1,957) receivable from Orco Property Group S.A. (see note 20).

4.2 Amounts owed by affiliated undertakings becoming due and payable within one year

The amounts owed by affiliated undertakings becoming due and payable within one year contain receivables from affiliated undertakings and the interest accrued on the amounts owed by affiliated undertakings.

			2016	2015
	KEUR	KEUR	KEUR	KEUR
	Receivables	Interest	Total	Total
Brilliant 1419.GmbH & Co.Verwaltungs KG	--	--	--	5
CPI Alberghi HI Romas s.à.r.l.	--	103	103	13
CPI Finance the Netherlands II BVI	--	--	--	1
Gewerbesiedlungs-Gesellschaft GmbH	358	--	358	290
Isalotta II GmbH	--	2	2	2
Nukasso Holdings Limited	--	6,169	6,169	--
Orco Germany Sp. z. o.o.	--	2	2	1
Orco Immobilien GmbH	30	2,204	2,234	3,239
Parco delle Case Bianche s.á.r.l.	--	1,226	1,226	626
Vitericon Projektentwicklung GmbH	33	--	33	33
Others	1	4	5	2
Total cost	**422**	**9,710**	**10,132**	**4,212**
Provision for impairment	--	(2,206)	(2,206)	(2)
Net value	**422**	**7,504**	**7,926**	**4,210**

The amounts owed by affiliated undertakings becoming due and payable within one year have been considered as impaired as follows:

	2016	2015
	KEUR	KEUR
Isalotta II GmbH	--	(2)
Orco Germany Sp z o.o.	(2)	--

Orco Immobilien GmbH	(2,204)	--
Total provision for impairment	**(2,206)**	**(2)**

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NOTE 5 - OTHER DEBTORS

5.1 Becoming due and payable within one year

		2016				2015			
		Principal	Interest	Receivable	Total	Principal	Interest	Receivable	Total
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Anojthan Entreprises Limited	--	-	-	11,665	11,665	--	--	--	--
CPI Finance the Netherlands II B.V.	3%	169	5	30,703	30,877	--	--	30,703	30,703
CPI Hotels a.s.	8.1%	13,347	1,626	--	14,973	--	1,527	--	1,527
CPI Hungary Kft	--	--	--	283	283	--	--	--	--
CPI Management s.r.o.	--	--	--	--	--	--	--	1,950	1,950
CPI Poland Sp. z.o.o.	--	--	--	--	--	--	--	167	167
CPI Services a.s.	--	--	--	11,161	11,161	--	--	7,827	7,827
Hospitality Invest S.à.r.l.	6%	--	--	--	--	1,074	28	--	1,102
MMR Russia S.à.r.l.	--	--	--	332	332	--	--	171	171
Mr. Radovan Vitek	5%	--	--	--	--	38,156	1,192	--	39,348
Orco Property Group S.A.	5%	--	--	255	255	28,660	619	--	29,279
Spojene Farmy a.s.	8%	--	74	--	74	--	--	--	--
Scampia	--	--	--	--	--	--	--	10,963	10,963
Prime Tourist Resorts Limited	3%	--	1,003		1,003	--	--	--	--
Other	--	--	--	161	161	--	--	--	--
Total		**13,516**	**2,708**	**54,560**	**70,784**	**67,890**	**3,366**	**51,781**	**123,037**

The management has not identified any impairment indicator.

5.2 Becoming due and payable after more than one year

In 2016, other debtors are mainly composed of two new long term loans granted to Prime Tourist Resorts Limited (Interest rate of 3% with maturity up to May 16, 2026) of KEUR 114,814 and to Spojené farmy a.s. (Interest rate of 8% with maturity up to December 31, 2022) of KEUR 916.

In 2015 this position consists mainly of a short-term loan (Interest rate: 8.10%) to CPI Hotels, a.s. of KEUR 13,347.

The management has not identified any impairment indicator.

NOTE 6 - OTHER INVESTMENTS

The Company has the following transferable securities in 2016 (same as 2015):

Depositary bank	Security	ISIN Code	Quantity	Amount EUR
KBC	OPG	XS0290764728	15,125	2,420
		Total transferable securities:		**2,420**

NOTE 7 - PREPAYMENTS

As of December 31, 2016, the Company recognized a prepayment amounting to EUR 4.9 million in relation to its bonds issuance (see Note 9) (2015: EUR 5.7 million). An amortization amounting to 0.8 MEUR was recognized during the year (2015: nil). Amortization on CPI PG bonds is recognized on P&L under caption “Other interest and similar financial charges”.

NOTE 8 - CAPITAL AND RESERVES

8.1 Subscribed capital and share premium account

2016

As of December 31, 2016 the share capital amounts to EUR 779,561,785 and is represented by 7,795,617,840 shares with a nominal value of EUR 0.10 each fully paid in.

During the year 2016 the Company issued 4,491,849,546 new ordinary shares at a subscription price of EUR 0.10 per share:

- On April 21, 2016, the Company issued 2,514,691,202 new ordinary shares in a debt to equity contribution. The aggregate subscription price of EUR 251 MEUR was paid by transfer of bonds issued the Company and its subsidiary Czech Property Investment a.s, the new shares were subscribed by two entities owned by Mr. Radovan Vitek (2,483,429,178 pcs) and certain other holders of bonds including some members of the of Management of the Company).
- On May 26, 2016 : cancellation of 550,694,915 shares held in treasury which led to a decrease of corporate capital of KEUR 55,069,
- On June 7, 2016, 185,000,000 new ordinary shares were issued to Misoman Industry Limited (entity associated with Marek Galvas),
- On June 9, 2016, 55,000,000 new ordinary shares were issued to Efimacor (entity closely associated with Mr Radovan Vitek),
- On June 15, 2016, 448,338,849 new ordinary shares were issued in a debt to equity contribution. The aggregate subscription price of MEUR 45,332 was paid by contribution of bonds issued by the Company subsidiary Czech Property Investment a.s.,
- On November 23, 2016, 1.3 billion new ordinary shares were issued to Efimacor (entity closely associated with Mr Radovan Vitek),
- On December 14, 2016, 44,514,410 new ordinary shares were issued to Mr Radovan Vitek, his family member and his holding entity. The new shares were fully paid in kind by contribution of two entities holding real estate located in south of France.

2015

Acquisition of own shares

On September 25, 2015 the Company and its major shareholder Mr. Vítek entered into an agreement, pursuant to which the Company acquired 550,694,915 of its own shares indirectly held by Mr. Vítek through the company Mondello, a.s.. The purchase price has been set in CZK and EUR denominations and amounts to EUR 341.5 million in aggregate. In consideration for the share buyback, Mr. Vítek obtained a combination of monetary receivables (EUR 264 million) that do not form core business of the Company and the Company's bonds (EUR 77.4 million). The acquisition of its own shares was done under the buyback framework approved by the Company's extraordinary general meeting held on August 28, 2014. The acquired shares are treated as treasury shares, the voting rights and right to dividend related to them are suspended as long as they are held by the Company. The total number of outstanding CPI PG shares (including own shares held by the Company) remains the same and equals to 3,303,768,300. The number of CPI PG shares, excluding own shares held by the Company, was 2,753,073,385 as at December 31, 2015.

In accordance with Luxembourg legal and regulatory framework, the own shares were disclosed as a part of financial assets.

For the initial valuation of the transfer of shares, the Company used the EPRA NAV as at transaction date (EUR 0.62). As at December 31, 2015 EPRA NAV was estimated amounting to EUR 0.63.

On May 26, 2016 the Company cancelled 550,694,915 pieces of treasury shares that it had held as of December 31, 2015.

On November 26, 2016, the Company bought 6,100 pieces of its own shares from Orco Property Group S.A. for an amount of EUR 0.33095 per share. Those shares were used for acquisition of SCP Tahiti and SCP CAYO.

As of December 31, 2016, the Company holds none of its own shares.

Kingstown dispute

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

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 judicatum solvi plea, which consists in requiring the entity which initiated the proceedings and which does not reside in the European Union or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered on February, 19 2016 a judgement, whereby each claimant has to pay a legal deposit in the total amount of EUR 90,000 with the “Caisse de Consignation” in Luxembourg in order to continue the proceedings. Kingstown paid the deposit in January 2017.

8.2 Authorized capital not issued

At an extraordinary general meeting of April 26, 2012, the shareholders resolved to set the existing authorized share capital to an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting.

Following the capital increases of September 27, 2012 and December 4, 2013, the remaining authorized share capital was EUR 70,411,488.80 as of December 31, 2013.

An extraordinary general meeting of the shareholders of the Company, held on May 13, 2014, resolved to renew, modify and replace the existing authorized share capital clause in the Company´s Articles of Association and to set the Company´s authorized share capital at an amount of EUR 400,000,000 for a period of 5 years from the date of the General Meeting.

According to article 5 of the Articles of Association, the Company has an authorized, but unissued share capital of EUR 174,500,303 (the “Authorized Capital”) as of December 31, 2015.

The Board of Directors of the Company is authorized and empowered within the limits of the authorized capital to:

- realize any increase of the share capital or equity of the Company with or without the issuance of new shares; and

- Issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments.

For the avoidance of doubt, any increase in the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to April 26, 2012 under the former authorized share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new authorized capital.

Such authorization will expire five years after the date of general meeting of shareholders of the Company held on April 26, 2012, and can be renewed in accordance with the applicable legal provisions.

8.3 Legal reserve

In accordance with the commercial company law, the Company must appropriate to the legal reserve a minimum of 5% of the annual net profit until such reserve equals 10% of the subscribed capital. Distribution by the way of dividends of the legal reserve is prohibited.

Movements in capital and reserves

	Subscribed capital	Share premium account	Legal Reserve	Loss brought forward	Profit / (loss) for the financial year	TOTAL
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Situation as at December 31, 2015	**330,377**	**1,372,353**	**56,728**	**(207,063)**	**(18,737)**	**1,533,658**
Allocation of the result from December 31, 2015	--	--	--	(18,737)	18,737	--
Capital increase from April 21, 2016	251,469	--	--	--	--	251,469
Cancellation of own shares May 26, 2016	(55,069)	(286,432)	--	--	--	(341,502)
Capital increase from June 7, 2016	18,500	--	--	--	--	18,500
Capital increase from June 9, 2016	55,000	--	--	--	--	55,000
Capital increase from June 15, 2016	44,834	499	--	--	--	45,333
Capital increase from November 23, 2016	130,000	--	--	--	--	130,000
Capital increase from December 14, 2016	4,451	--	--	--	--	4,451
Profit for the year	--	--	--	--	(65,023)	(65,023)
Situation as at December 31, 2016	**779,562**	**1,086,420**	**56,728**	**(225,800)**	(65,023)	**1,631,887**

NOTE 9 - NON - CONVERTIBLE LOANS

ISIN XS1279550260

On 20 August 2015, CPI Property Group S.A. issued 5,000 pieces (in two tranches: 1,700 and 3,300) of bonds, each with nominal value of EUR 100,000. The bonds mature on August 20, 2025 and bear fixed interest rate of 5.0% p.a. Interest is due annually on August 20. Bonds were issued as bearer notes in listed form and are governed by Luxembourg law. Bonds were accepted for trading on the Luxembourg Stock Exchange.

Bonds

Nominal amount	500,000,000 EUR
Number of bonds	5,000
Issue price per bond	100,000 EUR
Maturity date	August 20, 2025
Nominal interest rate	5 per cent per annum
ISIN	XS1279550260
Listing	Luxembourg Stock Exchange

In 2016, the number of bonds in issuance is 1,121 bonds (2015: 2,962 bonds) (nominal value: EUR 112.1 million (2015: EUR 296.2 million)) and generated EUR 8.189 million (2015: 5.434 million) of interest expenses. Furthermore, the prepayment includes EUR 4.9 million which is the difference between amount received and the nominal value of the bonds, amortized over the life of the bond.

Additionally to interest, an amortization of bonds amounting to 0.8 MEUR (2015: nil) was booked during the year.

The position of CPI PG Bonds are summarized on following table until their maturity:

Non - convertible loans			2016			2015
	within one year	within 5 years	after more than 5 year	within one year	within 5 years	after more than 5 year
			KEUR			KEUR
nominal value	--	--	112,100	--	--	296,200
interest	1,925	--	--	5,435	--	--
Total non-convertible loans (Nominal Value)	**1,925**	**0**	**112,100**	**5,435**	**0**	**296,200**
prepayment	(569)	(2,278)	(2,088)	(780)	(2,278)	(2,657)
Total after prepayment	**1,356**	**(2,278)**	**110,012**	**4,655**	**(2,278)**	**293,543**

NOTE 10 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

10.1 Amounts owed to affiliated undertakings, becoming due and payable within one year

This position mainly consists of short-term liabilities towards entities below:

	2016	2015
	KEUR	KEUR
Czech Property Investment a.s.	145,933	10,928
Gewerbesiedlungs-Gesellschaft mbH	--	326
Mondello, a.s.	342,575	342,529
Orco Immobilien GmbH	283	434
Remontées Mécaniques Crans-Montana-Aminona (CMA) SA	9	--
Other	1	--
Total	**488,801**	**354,217**

10.2 Amounts owed to affiliated undertakings, becoming due and payable after more than one year

This position mainly consists of long term liabilities towards entities below:

			2016			2015
	within 5 years	more than 5 year	total	within 5 years	more than 5 year	total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Czech Property Investment a.s.	224,142	--	224,142	--	130,421	130,421
GSG Gewerbesiedlungs GmbH	--	--	--	--	5,301	5,301
GSG Gewerbehöfe Berlin GmbH&Co.KG 1-5	--	6,676	6,676	--	5,942	5,942
Orco Immobilien GmbH	2,762	--	2,762	2,454	--	2,454
Remontées Mécaniques Crans-Montana-Aminona (CMA) SA	8,313	--	8,313	--	--	--
Total	**235,217**	**6,676**	**241,893**	**2,454**	**141,664**	**144,118**

NOTE 11 - OTHER CREDITORS

Other creditors becoming payable within one year are composed as follow:

	2016	2015
	KEUR	KEUR
CPI Management International Ltd	7,878	9,795
CPI Finance (BVI) Limited	2,082	2,082
CPI Services, a.s.	--	2
Codiazella Ltd	9,180	9,180
GSG Asset GmbH & Co. Verwaltungs KG	92	92
GSG Gewerbehöfe Berlin GmbH&Co.KG	--	356
Radovan Vitek	24,593	--
Other	674	--
Total	**44,499**	**21,507**

NOTE 12 - OTHER OPERATING INCOME

Other income includes management fees charged by the Company to entities within the Group's and other entities as a new management structure has been applied since January 1, 2015 and proceeds from sales of its subsidiaries.

	2016	2015
	KEUR	KEUR
Capellen Invest a.s.	132	245
CPI Facility Slovakia, a.s.	1,398	1,372
CPI Hungary Kft.	940	849
CPI Management s.r.o.		--
CPI Poland Sp. z.o.o.	481	418
CPI Services, a.s.	13,395	11,402
GSG Gewerbesiedlungs, GmbH	1,047	2,290
MMR Russia S.à.r.l.	161	171
OPG S.A.	150	300
Sale of CPI Finance Netherlands B.V.	--	30,703
Sale of Orco Berlin Invest GmbH	--	481
Sale of CMA Immobilier S.A.(to Remontées Mécaniques Crans Montana)	18,745	--
Other	--	--
Total	**36,449**	**48,231**

NOTE 13 - OTHER EXTERNAL EXPENSES

Other external expenses mainly include management fee charged by the Group's entities as the Group has applied new management structure since January 1, 2015.

	2016	2015
	KEUR	KEUR
Supplies, rental, maintenance and repairs	12	36
Management fee- related parties	15,491	14,276
Financial services	223	115
Professional fees	671	784
Advertising, Publications, public relations	62	64
Insurance	--	114
Travelling costs	4	23
Other accruals	143	800
Various bank fees	431	--
Other	4	25
Total	**17,391**	**16,460**

NOTE 14 - STAFF COSTS

The Company had four employees in 2016 (2015: four). Total staff costs incurred in 2016 are amounting to KEUR 120 (2015: KEUR 122).

NOTE 15 - OTHER OPERATING EXPENSES

In 2016, the Company recognize a loss amounting to KEUR 210 (see Note 3.1) relating to disposal of CPI Finance Ireland II.

In 2015, the amount of other operating charges (KEUR 38,294) mainly includes the disposal of Orco Berlin Invest GmbH (investment release amounting to KEUR 32,023 and reversal of impairment KEUR 24,524) and reversal of receivable of Hospitality Invest S.à.r.l. (KEUR 30,704).

NOTE 16 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

16.1 Derived from affiliated undertakings

In 2016, other interest receivable from affiliated undertakings mainly concerned entities below:

	2016	2015
	KEUR	KEUR
Remontées Mécaniques Crans-Montana-Aminona (CMA) SA	52	--
CPI Alberghi HI Romas, S.à.r.l.	90	13
CPI Finance Netherlands II B.V.	--	1
Czech Property Investment a.s.	--	453
Isalotta GP GmbH & Co. Verwaltung KG	2	2
Mercuda a.s.	1	1
Nukasso Holdings Limited	6,169	--
Orco Germany Prague s.r.o	--	--
Orco Germany Sp. z.o.o.	--	1
ORCO Immobilien GmbH	1,134	3,209
Parco Delle Case Bianche S.r.l.	600	567
Spojené farmy a.s.	74	--
Viterícon Projektentwicklung GmbH (former Orco Grundstück-u Bet. GmbH)	--	--
Others	4	--
Total	**8,126**	**4,247**

16.2 Other interest and similar income

In 2016, other interest and similar income is composed as follow:

	2016	2015
	KEUR	KEUR
Brilliant 1419.GmbH & Co.Verwaltungs KG	--	5
CPI Hotels a.s.	1,099	1,102
Endurance Hospitality Asset	--	5
Endurance Hospitality Finance	--	69
Gebauer Höfe Liegenschaften GmbH	--	97
GSG Gewerbehöfe Berlin GmbH&Co.KG	--	225
Hospitality Invest S.à.r.l.	51	277
Mr. Radovan Vítek	1,304	1,105
Orco Berlin Invest GmbH	--	219
Orco Property Group S.A.	535	533
Orco Propery Group-Guarantor fees (Note 20)(*)	1,266	1,956
Prime Tourist Resorts limited	1,003	--
Scampia a.s.	702	6,602

Short term securities	--	1,768
Foreign exhcange currency gains	23	--
Other Interest	98	--
Total	**6,081**	**13,963**

(*) In 2016, the Company corrected its Guarantor fees presentation by reclassifying them from "Other interest and similar expenses" to "Other Interest and similar income".

NOTE 17 - INTEREST PAYABLE AND SIMILAR EXPENSES - CONCERNING AFFILIATED UNDERTAKINGS

	2016	2015
	KEUR	KEUR
Gewerbesiedlungsgesellschaft GmbH	46	326
GSG Gewerbehöfe Berlin GmbH&Co.KG	378	356
Orco Immobilien GmbH	156	151
Czech Property Investment a.s.	11,302	11,634
Other	11	--
Total	**11,893**	**12,467**

NOTE 18 - INTEREST PAYABLE AND SIMILAR EXPENSES - OTHER INTEREST AND SIMILAR EXPENSES

The increase primarily reflects interest expense on bonds issued by the Company in August 20, 2015 as described in Note 9.

	2016	2015
	KEUR	KEUR
Foreign currency exchange loss	--	4,016
Interest on CPI PG Bonds	8,971	2,059
Interest on Loan received from Radovan Vitek	1,101	(18)
Other interest	132	--
Waiver of interest	--	1,222
Total	**10,204**	**7,279**

NOTE 19 - TAX ON PROFIT OR LOSS

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2016, the Company has a payable amounting to KEUR 577 (2015: KEUR 3) towards Luxembourgish Administration.

NOTE 20 - OFF BALANCE SHEET COMMITMENTS

The Company issued a subordination of loan and a comfort letter without any limit for the following affiliated companies:

- Orco Immobilien GmbH
- GSG Berlin Invest GmbH
- Gebauer Höfe Liegenschaften GmbH
- GSG Asset GmbH & Co. Verwaltungs KG

In 2012 the Company issued the following comfort letters to GSG Asset KG for their contracting partner Techem Energy Contracting GmbH still valid in 2016:

- Wattstrasse, limited to EUR 139,334
- Geneststrase, limited to EUR 152,000
- Zossener Strasse, limited to EUR 140,433
- Adalbertstrasse, limited to EUR 56,468
- Waldemarstrasse, limited to EUR 130,532
- Gneisenaustrasse, limited to EUR 126,133
- Lübarser Strasse, limited to EUR 119,000

<u>CPI PG concluded the following main credit facility agreements:</u>

- Agreement with CPI Hotels a.s., up to an amount of EUR 16 Mio with an interest rate of 8.1% (Maturity Date is September 30, 2017).
- Agreements with Czech Property Investment a.s for 2 following loans :
  Up to MEUR 400 with an interest rate of 4% (maturity date is December 31, 2019);
  Up to MCZK 7,039 with an interest rate of 5.25% (maturity date is December 31, 2017)

Furthermore, the Company has entered into the following commitment:

Type	Description
Pledge of shares	Shares of GSG Asset GmbH & Co Verwaltungs KG and GSG 1. Beteiligungs GmbH are pledged to guarantee a loan granted by a group of banks to an affiliated undertaking.

In connection with the financing of some subsidiaries, the Company pledged its shares to the group of 5 banks providing the loan.

CPI PG guarantee to the OPG Bonds:

On November 7, 2014, the Company entered into a trust deed (the "Orco Trust Deed") pursuant to which it unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by Orco Property Group ("OPG") in relation to its notes registered under ISIN code XS0820547742, which were issued on October 4, 2012 and amended and restated pursuant to the Orco Trust Deed (the "Orco Notes"). The Company has also undertaken in the Orco Trust Deed to be bound by certain limitations on its activities and to maintain certain financial ratios.

As of the date hereof, the principal amount outstanding of the Orco Notes is EUR 13,488,755 (2015: EUR 65,064,248.49). Interest on the Orco Notes accrues at a rate of 7 per cent. per annum, payable semi-annually in arrears. Unless previously redeemed, or purchased and cancelled, the Orco Notes will be redeemed at their then outstanding principal amount on November 7, 2019.

In consideration of Company's entry into the Orco Trust Deed and the guarantee given thereunder, OPG has agreed to pay to the Company a guarantee fee of three per cent. of the outstanding principal balance of the Orco Notes, payable on a payment in kind (PIK) basis falling due on the business day after all amounts payable in connection with the Orco Notes have been paid in full. For more details about the Orco Notes please refer to Orco Trust Deed available at www.orcogroup.com.

NOTE 21 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board and Committees attendance compensation for the year 2016 amounts to EUR 72,000 (EUR 72,000 for 2015). The Annual General Meeting held on May 28, 2014 resolved to approve, with the effect as of January 1, 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.

NOTE 22 - RELATED PARTY TRANSACTIONS

The main transactions connected with the major shareholder of the Company:

French villas acquisition

On November 3, 2016, the Company acquired portfolio of nine villas located in Monaco and France. The consideration paid represented EUR 4.9 million. The Company acquired portfolio of loans provided to villas, the consideration paid represented EUR 25,7 million. These entities and loans were acquired from companies controlled by major shareholder of Company.

Acquisition of CM Hotels SA

On November 26, 2016, the Company acquired CM Hotels SA (note 3.1.). The consideration paid represented KEUR 93. CM Hotels SA was acquired from the major shareholder of Company.

The other related party transactions or connected to key Management /shareholders of the Company are as follows:

Related party Name	Nature of relathionship	Disclosure	Type of transaction
Anojthan Entreprises Ltd	Owner holding a participating interest into undertakings	Note 5.1	sales of debt portfolio
Capellen Invest S.A.	Owner holding a participating interest into undertakings	Note 12	Management services
Codiazella Ltd	Owner holding a participating interest into undertakings	Note 11	sales of debt portfolio
CPI Facility Slovakia a.s	Undertakings in which the undertakings itself has a participating interest	Note 12	Management services
CPI Finance the Netherlands B.V.	Undertakings in which the undertakings itself has a participating interest	Note 5.1	Financing
CPI Finance the Netherlands II B.V.	Undertakings in which the undertakings itself has a participating interest	Note 5.1	Financing
CPI Hotels a.s.	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 16.2	Financing
CPI Hungary Kft	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 12	Management services
CPI Management s.r.o.	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 12	Management services
CPI Poland Sp z o.o.	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 12	Management services
CPI Services a.s.	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 12	Management services
Efimacor s.à r.l.	Owner holding a participating interest into undertakings	Note 8.1	Capital Contribution
Endurance Hospitality Asset s.à r.l.	Undertakings in which the undertakings itself has a participating interest	Note 16.2	Financing
Endurance Hospitality Finance s.à r.l.	Undertakings in which the undertakings itself has a participating interest	Note 16.2	Financing
GSG Gewerbehofe Berlin 1-5 GmbH&Co.KG	Undertakings in which the undertakings itself has a participating interest	Note 10.2 / Note 11 / Note 16.2 / Note 17	Financing
Marie Vitkova	Shareholder	Note 8.1	Acquisition of assets

Related party Name	*Nature of relathionship*	*Disclosure*	*Type of transaction*
Misoman Industry Ltd	Owner holding a participating interest into undertakings	Note 8.1	Shareholder
MMR Russia s.à r.l.	Undertakings in which the undertakings itself has a participating interest	Note 5.1 / Note 12	Management services
Orco Berlin Invest GmbH	Undertakings in which the undertakings itself has a participating interest	Note 16.2	Various transactions
Orco Property Group S.A.	Undertakings in which the undertakings itself has a participating interest	Notes 4.1/ Note 6 / Note 12/Note 16.2	Financing
Prime Tourist Resorts Ltd	Undertakings in which the undertakings itself has a participating interest	Note 5.1 /Note 16.2	Financing
Ravento s.à r.l.	Shareholder (entity closely related to Mr Radovan Vitek)	Note 8.1	Capital contribution
Radovan Vitek	Major Shareholder / holder of EUR 30 million of CPI PG Bonds	Note 5.1 / Note 11/ Note 16.2 / Note 18	Financing
Scampia a.s.	Owner holding a participating interest into undertakings	Note 5.1/Note 16.2	Various transactions
Spojené farmy, a.s.	Undertakings in which the undertakings itself has a participating interest	Note 5.1	Financing
St Project Ltd	Undertakings in which the undertakings itself has a participating interest	Note 11 /Note 12	Management services

NOTE 23 - POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to these annual accounts.