CPI Property Group

2017

MANAGEMENT REPORT

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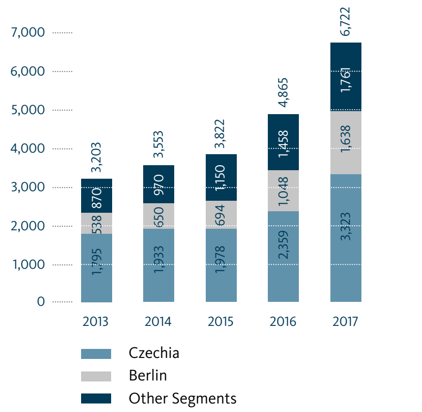
Providing people
with space for
opportunity

01 KEY FIGURES

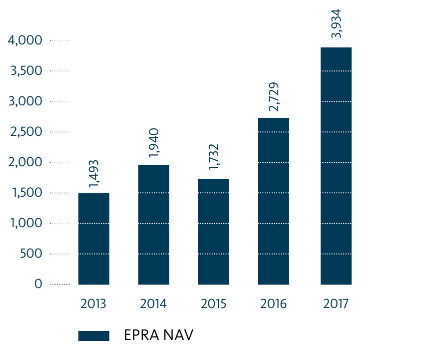
KEY FIGURES

In 2017, CPI PROPERTY GROUP (the "Company," "CPIPG," or together with its subsidiaries, the "Group") continued to build upon our dominant presence in our core markets of Czechia, Berlin and the CEE region. CPIPG's active asset management strategy, successful acquisitions and strong underlying markets resulted in record levels of income, total assets, property portfolio, occupancy and EPRA NAV. The Group's LTV continued to decline, reflecting our commitment to a conservative financial policy.

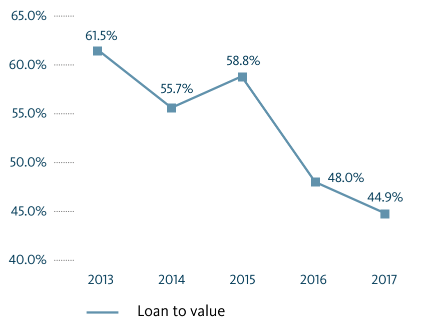
Property portfolio by segments (in € million)



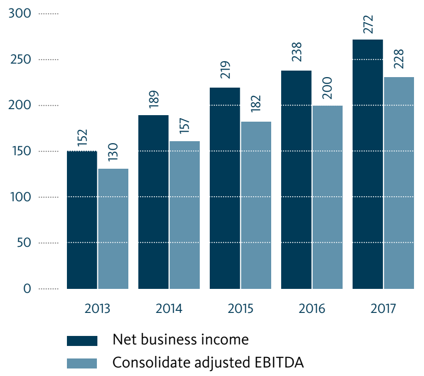
EPRA NAV (in € million)



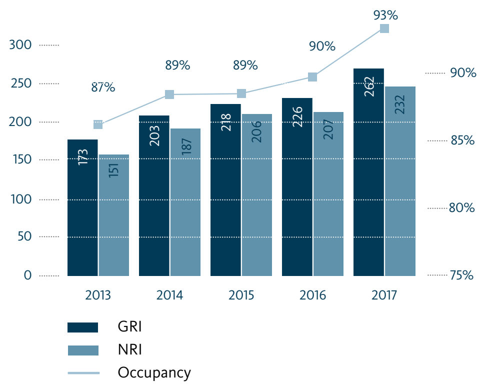
Net LTV (in %)



Net business income and EBITDA (in € million)



Gross and net rental income and occupancy rate (in € million and %)



KEY FIGURES

Performance		31-DEC-17	31-DEC-16	CHANGE
Total revenues	€ million	438	351	25%
Net business income	€ million	272	238	14%
Operating result	€ million	1,011	632	60%
Funds from operations (FFO)	€ million	127	103	23%
Profit before tax	€ million	841	544	55%
Interest expense	€ million	99	94	5%
Net profit for the period	€ million	695	460	51%

Assets		31-DEC-17	31-DEC-16	CHANGE
Total assets	€ million	7,529	5,662	33%
Property Portfolio	€ million	6,722	4,865	38%
Gross leasable area	sqm	3,329,000	3,094,000	8%
Occupancy in %	%	93	90	3 p.p.
Total number of properties *	No	420	417	1%
Total number of residential units	No	12,402	12,396	0%
Total number of hotel beds	No	10,488	11,278	-7%
EPRA NAV	€ million	3,934	2,729	44%

* Excluding residential properties

Financing structure		31-DEC-17	31-DEC-16	CHANGE
Total equity	€ million	3,315	2,289	45%
Equity ratio	%	44	40	4 p.p.
Net debt	€ million	3,015	2,335	29%
Loan to value ratio (Net LTV)	%	44.9%	48.0%	-3.1 p.p.
Secured debt as of total debt	%	59%	77%	-18 p.p.
Unencumbered assets	%	43%	23%	20 p.p.
Net ICR		2.6x	2.4x	0.2x

Operating result

€1bn

Property portfolio

€6.7bn

02

THE CEO'S MESSAGE

THE CEO'S MESSAGE

"We have achieved new heights, reinforced our market position and continued to promote stability while creating platforms for future growth."

Dear Stakeholders,

I am extremely proud to present the accomplishments of CPI Property Group for the 2017 financial year. The Group has gained considerable ground, recording our best financial results ever. We completed large-scale acquisitions, made significant loan repayments, reduced our interest costs, and became an investment-grade rated company. The Moody's Baa3 rating and establishment of our Euro Medium Term Note Programme were important milestones, and allowed the Group to access the international capital markets. The success of our inaugural bond offerings, and other refinancing efforts during the year, reaffirmed our status as the dominant owner of real estate in Czechia, Berlin, and the CEE region. We have achieved new heights, reinforced our market position and continued to promote stability while creating platforms for future growth.

This year, the Group substantially strengthened our balance sheet. We achieved a breakthrough in total assets of €7.5 billion, an increase of €1.9 billion from 2016. Targeted acquisitions of €1 billion and thorough asset revaluation primarily in Berlin and Czechia drove a record high value for our property portfolio of €6.7 billion. Together, Czechia and Berlin now account for 78% of our total portfolio. Total revenues rose by €87 million to €438 million, and EPRA NAV grew by 44% to €3.9 billion aided by a €150 million capital increase from our primary shareholder. The Company's operating result reached over €1 billion, reflecting the combined effects of higher net business income of €272 million (up 14% vs. 2016) and higher valuations in our property portfolio.

Excellence in asset management remains a core focus of the Group. Our headquarters and local teams have continued to execute our detailed, tenant-focused approach towards improving rents and occupancy. The results are clear: occupancy rates increased by 3 p.p. to 93%, a record level for the Group. Like-for-like growth in rents exceeded 5% for 2017. We continued to invest in our tenant relationships, including efforts to support our retail tenants in improving customer relations, sales skills and turnover.

In September 2017, CPIPG received an investment grade rating of Baa3 (stable outlook) from Moody's Investor Service and established a €1.25 billion Euro Medium Term Note Programme. In October, we issued our inaugural €600 million 7-year bond, with an orderbook which was 3 times oversubscribed. Building on the positive performance of our bonds, CPIPG completed a €225 million increase or "tap" of the bonds in December 2017. The coupon achieved on the bonds was 2.125%, reflecting strong interest from well-known institutional investors in the UK, Germany, France and greater Europe. We used the vast majority of the proceeds from our bond offerings to repay higher-cost secured and priority debt.

Obtaining a credit rating and accessing the international bond market were terrific opportunities for the Group to meet new stakeholders, and we were pleased to receive positive feedback on our strategy and management team.

The Group has achieved and intends to maintain a conservative capital structure. The Baa3 rating from Moody's was an important step, but we continued to take steps throughout 2017: we repaid loans across our capital structure and received an additional equity investment from our primary shareholder. As a result, our Net Loan to Value (LTV) declined to a record low of 44.9% at year end. Going forward, our long-term objective is to maintain an LTV of 45% or below. The Group's ratio of secured debt to total debt decreased from 76% to 59%, and our ratio of unencumbered assets to total assets increased to 43% from 22% at year-end 2016. Our debt maturity profile has lengthened considerably, and together with a new €150 million 2-year revolving credit facility signed in March 2018 ensures that the Group has ample access to liquidity without refinancing pressures.

While the Group will continue to take actions to reduce our reliance on secured debt and increase our level of unencumbered assets, we also seek to optimize our total cost of debt. Due to extremely strong market conditions in Germany and the quality of our portfolio in Berlin, we were able to complete a secured loan refinancing of the Berlin portfolio for €510 million during 2017. The loan was refinanced for 7-years at a record-low cost of borrowing for our Group.

Our net interest coverage ratio was 2.6x for 2017, a modest improvement which does not reflect the dramatic reduction in our overall cost of debt which was only achieved in the last quarter. However, the Group fully expects to realize the benefits of our refinancing efforts in 2018 and beyond. Our target is an ICR which significantly exceeds 3x going forward.

The Group's acquisitions in 2017 strengthened our position as the leading owner of commercial real estate owner in Czechia, Berlin and the CEE Region. In March, we acquired 11 shopping centres across our core CEE markets valued at €625 million from two funds managed by CBRE Global Investors, more than doubling gross leasable area in our retail segment. In July, the Group acquired Kralovo Pole shopping centre in Brno, Czechia which increased our total portfolio of shopping centres to 21.

The Group understands the significance of shopping centre dominance and the importance of entertainment and food service. We continue to explore opportunities to acquire high-quality retail assets which meet our criteria, in addition to ongoing investments in our own portfolio. In Czechia, we completed a €25 million redevelopment of IGY Centre in České Budějovice, the region's largest shopping centre. The upgraded IGY Centre experienced more than 30% expansion, and now offers over 33,000 sqm of retail space with 120 stores.

In December, we also acquired 4 high-quality commercial properties in Berlin and Karlsruhe, expanding the Group's Germany portfolio to approximately 1 million sqm. The performance of our portfolio in Berlin remains extremely strong, as we have established ourselves as the market leader. All three of our segments in Berlin (Kreuzberg, Rest-West, Econoparks) experienced positive trends in 2017 and we will continue to invest in this platform going forward.

In Prague, strong demand for office space gave the Group confidence to utilize a small portion of our land bank and begin work on the 7,700 sqm Mayhouse office development in downtown Prague, with completion set for the first half 2019. In Hungary, the Company completed the second phase of the Balance Loft redevelopment project. Once all phases are complete, the building will boast 15,500 sqm of downtown office space.

In line with the Group's strategy to improve the quality of our portfolio and focus on our core geographies and sectors, divestments of €142 million were completed in 2017. Divested assets included the Capellen Building in Luxembourg, Arkády Prostějov and Purkyňova Office building in the Czech Republic and Lozorno Logistics Park in Slovakia. In January 2018, we also sold the Budaors Office Park in Hungary.

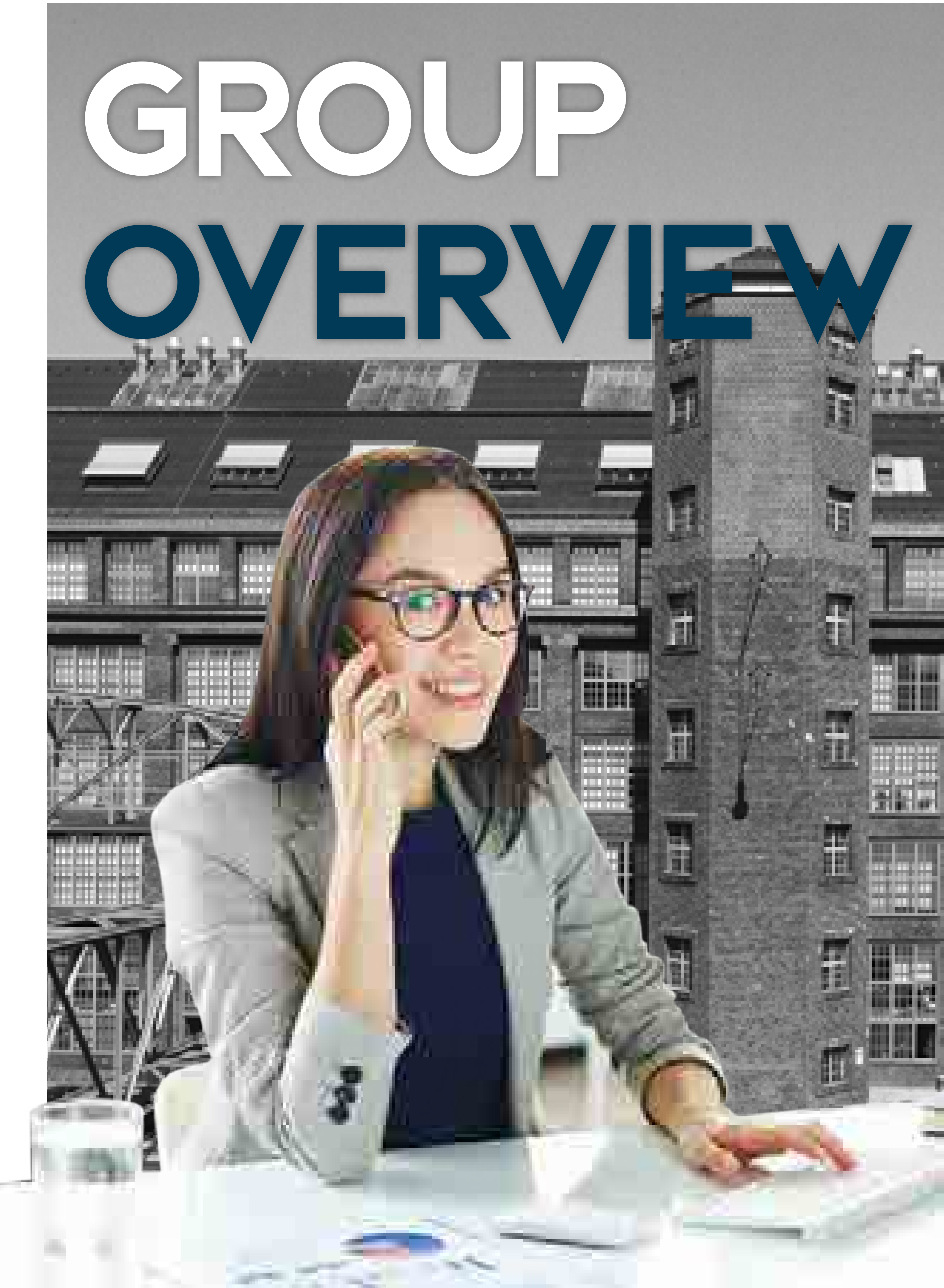
As a result of our actions, the Group is now extremely well-positioned to take advantage of potential opportunities. We have a clear strategic focus: prudent governance and financial policy, improvement in our credit ratios and a commitment to strong investment grade credit ratings, plus smart acquisitions and active asset management. To achieve our goals, the Group will continue to pursue best-in-class standards in financial reporting, communications and corporate governance. We believe our past efforts in these areas have fortified the confidence of our investors and business partners.

The Group has also developed a positive corporate culture which attracts and retains the best professionals in our field. Like me, our team is optimistic about our core markets for 2018 and beyond. GDP growth in our region remains well above the EU average, governments are stable and have low levels of debt. Our tenants will continue to need space for opportunity, and CPIPG is ready to deliver.

In conclusion, the important milestones we achieved in 2017 would never have been possible without strong support from our employees, tenants, banks, bond investors, and shareholders. I express genuine thanks for their contributions, and count on their partnership for a successful 2018.

Luxembourg, 29 March 2018
Martin Němeček

GROUP OVERVIEW



Our size, long-term investment horizon and local presence allow us to meet the needs of our tenants.

03

2002

ISSUANCE OF FIRST BONDS ON THE CZECH MARKET

The Group moves to the forefront of the most significant Czech real estate investors

2014

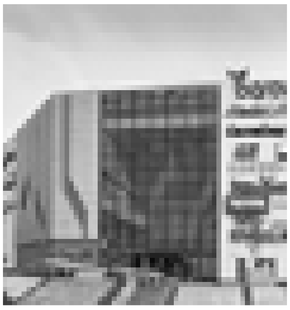
INTEGRATION OF CPI & GSG AND ESTABLISHMENT OF CPI PROPERTY GROUP

This step created an extraordinarily strong European property group with a balanced portfolio

2017

ACQUISITION OF RETAIL PORTFOLIO FROM CBRE GLOBAL INVESTORS

The largest acquisition of the Group: a retail portfolio of 11 shopping centres in Czechia, Hungary, Poland and Romania



2017

RATING AND SENIOR NOTES ISSUES

Baa3 rating by Moody's and issue of inaugural senior unsecured bonds of €825 million

1991

FOUNDATION OF CPIAS

1965

FOUNDATION OF GSG

CPIPG MILESTONES

2012 2013 2014 2015 2016 2017

2014

QUADRIO PROJECT COMPLETION

Most significant completed development project of CPIPG PG

2017

TOTAL PROPERTY PORTFOLIO BREAKING €6 BILLION

1999–03

ACQUISITIONS OF RESI PORTFOLIO

Purchase of residential portfolios that together make up the current range of 12,500 units under the brand CPI Byty

2013

EXPANSION ABROAD

Acquisition of investments and development company ABLON Group Limited, which owned a significant property portfolio in CEE

2016

MAJOR BOND OPERATIONS

Active issuance in local bond markets to capture strong credit appetite, further enhancing our funding profile

2017

FURTHER EXPANSION IN GERMANY

Acquisition of high quality commercial assets in Berlin and close to Karlsruhe

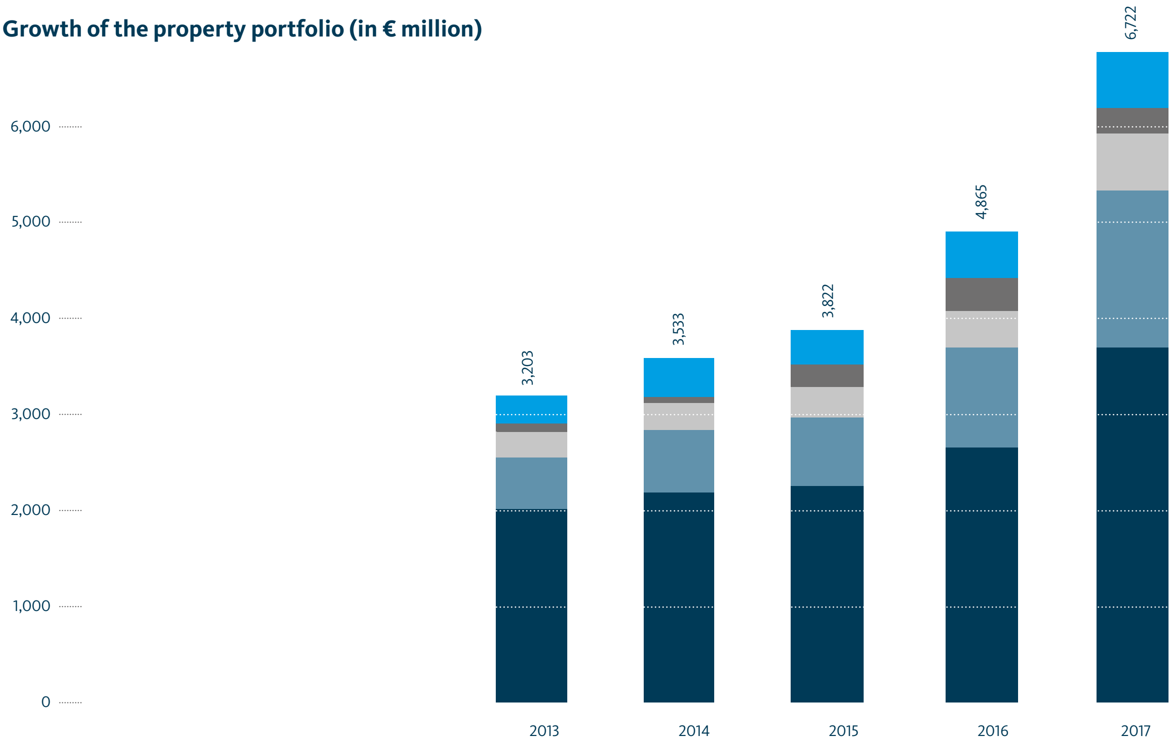
GROUP OVERVIEW

The Group's property portfolio has experienced significant growth in recent years, reflecting the combined impact of strong underlying markets, targeted acquisitions, and the successful efforts of our asset management team to increase occupancy and rents. We also believe that the growth of our portfolio reflects the success of our long-term investment horizon.

As of 31 December 2017, our core geographies of Czechia and Berlin account for 78% of our total portfolio by property value.

The Group is primarily focused on income generating properties in office and retail, which account for 70% of our portfolio by property value. Our Czechia residential and hotel portfolios have continued to perform positively, demonstrating the tangible impact of continued investment and strong management teams. Development remains less than 10% of the Group's portfolio, and is primarily comprised of our high-quality, liquid land bank.

Growth of the property portfolio (in € million)



	2013	2014	2015	2016	2017
Czechia	2,017	2,178	2,256	2,647	3,652
Germany	538	650	694	1,048	1,638
Hungary	271	307	316	319	561
Other CEE	290	340	334	487	582
Other western Europe	87	78	222	364	289
Total	**3,203**	**3,553**	**3,822**	**4,865**	**6,722**

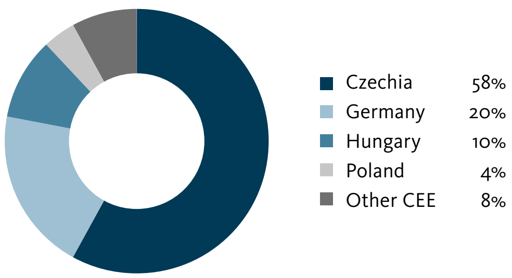
OUR GROUP OPERATES IN FOUR KEY SEGMENTS

Our four key segments are Czechia, Berlin, Hotels & Resorts, and Value-add. The Czechia segment encompasses our retail, office, landbank, residential and other properties. The Berlin segment reflects our office business in Berlin, GSG. Hotels and Resorts includes our congress hotels, city hotels, mountain resorts and other hotels. Value-add includes mostly retail and office assets in other core countries primarily in CEE.

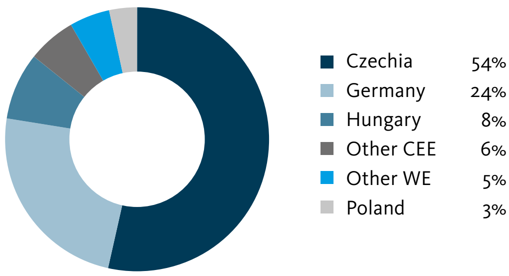
The Group has no current plans to expand beyond our core geographies. Our focus will continue to be on these four segments, and we intend to concentrate our efforts on markets we fully understand and where our asset management teams can bring value and expertise. We truly believe the platform and portfolio we have built are irreplaceable.

€ million	2017	Share of total	2016	Share of total
Czechia	**3,323**	**49%**	**2,359**	**48%**
retail	1,444	21%	919	19%
office	817	12%	712	15%
landbank	472	7%	303	6%
residential	420	6%	287	6%
other	170	3%	138	3%
Berlin	**1,638**	**24%**	**1,048**	**22%**
office	1,629	24%	1,039	21%
other	9	0%	9	0%
Hotels & resorts	**728**	**11%**	**700**	**14%**
Value-add	**1,033**	15%	**757**	**16%**
retail	497	7%	160	3%
office	300	4%	272	6%
land bank	49	2%	103	2%
other	188	1%	280	-33%
Total	**6,722**	**100%**	**4,865**	**100%**

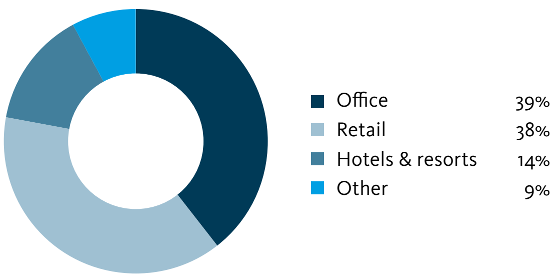
Net business income by geography
as of 31 Dec 2017



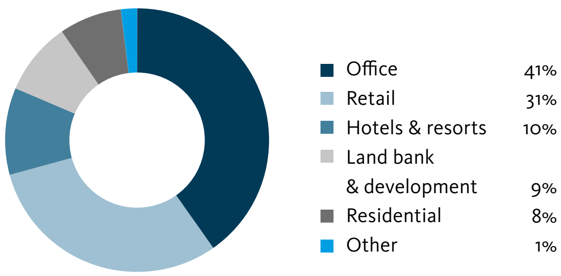
Property portfolio by geography
as of 31 Dec 2017



Net business income by sector
as of 31 Dec 2017



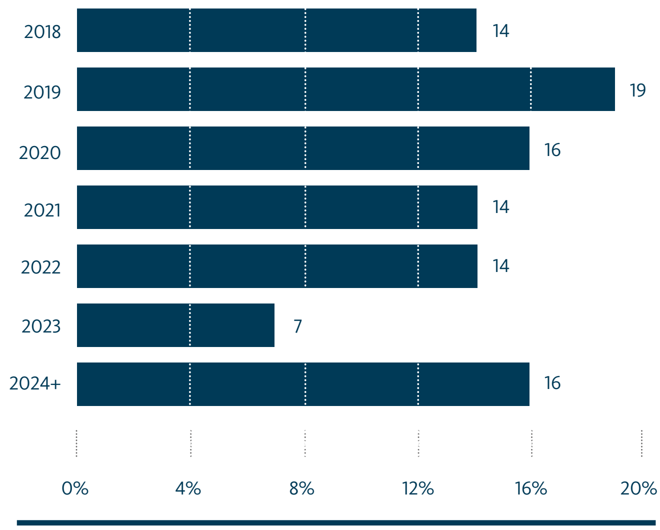
Property portfolio by sector
as of 31 Dec 2017



OUR TENANTS

The strength of the Group's property portfolio is reflected in the international nature and diversity of our tenant base. Our offices in Czechia host the regional headquarters of CEZ, Generali, Siemens and Nestle. Our largest tenant (Ahold Delhaize) accounts for 5.4% of gross rental income, while our top 10 tenants represent 19.1% of gross rental income. In Berlin, our unique office platform continues to meet the needs of a wide variety of tenants, including the vibrant technology sector.
The Group's lease maturity profile is well balanced, with no more than 19% of leases up for renewal in any year and a WAULT of 3.85 years. While the Group typically prefers lease terms of 5 to 10 years in retail and 5 years in office, maintaining a slightly shorter WAULT in areas like Berlin has allowed us to capture the benefits of rising market rents.

Maturity profile of fixed rental agreements (in%)
as at each year-end

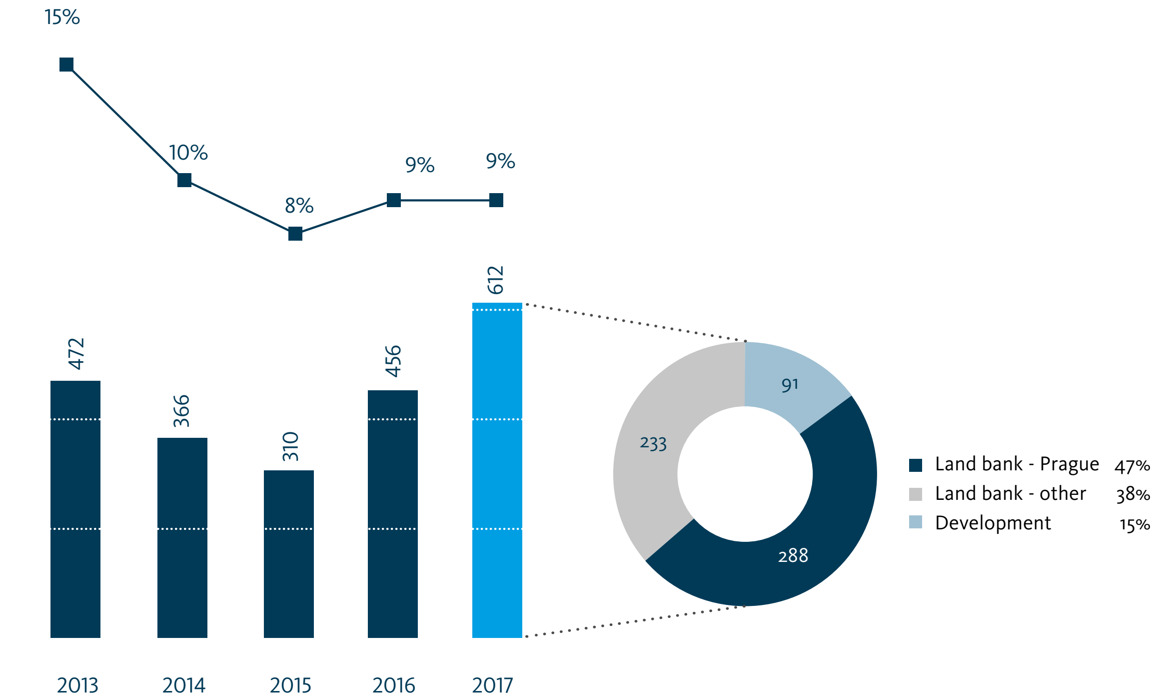


TOP 10 tenants by rental income
as at 31 Dec 2017

Tenant	€ million	Rent as % of GRI	WAULT (in years)
Ahold	14.0	5.4	4.5
TESCO	6.1	2.3	7.4
GENERALI	6.0	2.3	5.7
SIEMENS	4.9	1.9	2.4
CEZ GROUP	4.6	1.8	9.3
PENNY	3.6	1.4	6.3
OBI	3.2	1.2	7.2
BILLA	3.1	1.2	3.6
Continental	2.4	0.9	10.6
TAKKO	2.0	0.8	3.4
Total	**50.0**	**19.1**	**5.7**

DEVELOPMENT AND LAND BANK

The Group is primarily focused on long-term investments in income generating properties. Development and land bank comprised 9% of our total portfolio by value as of the end of 2017, and consists primarily of land bank (85% of total), of which the largest portion is in Prague. Our land bank is both high-quality and unencumbered, and could also be considered as another potential source of liqudiity for the group. Development primarily includes properties under refurbishment or redevelopment.



OUR TEAM

The Group operates our portfolio through a combination of headquarters staff focused on asset management and finance, plus a strong local presence in each of our core geographies. Property managers responsible for key assets work closely with our asset management teams at headquarters to optimize performance, maintain positive relationships with our tenants, and implement changes to meet the needs of each asset. Our entire team collaborates on a highly detailed annual budgeting process, which gives the Group excellent transparency into the expected future performance of our portfolio.

Property portfolio value:
€6,722
million

Net business Income:
€272
million

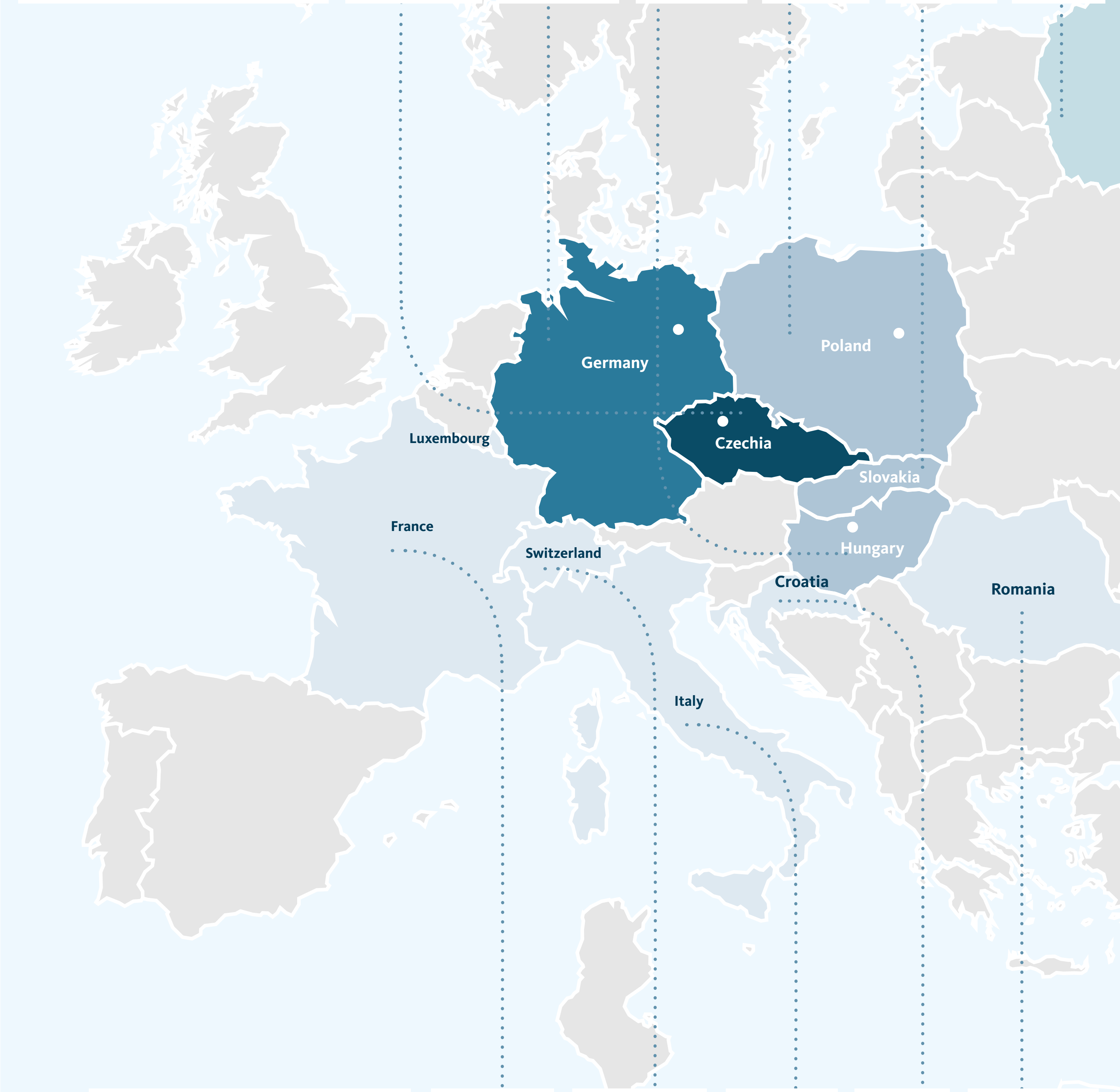
Total Revenues:
€438
million

Gross Rental Income:
€262
million

GEOGRAPHY OF THE GROUP

Leading real estate group focused on long-term investments in Czechia, Berlin, and the CEE region

	CZECHIA	GERMANY	HUNGARY	POLAND	SLOVAKIA	RUSSIA
Property portfolio value (in € million)	3,653	1,638	561	232	117	23
Gross leasable area (in sqm)	1,855,000	975,000	309,000	80,000	93,000	--
Land bank area (in k sqm)	19,558	--	131	39	--	--
Agriculture land (in k sqm)	232,510	--	--	--	--	--
No. of hotel beds (units)	7,250	--	666	124	--	168



	FRANCE	SWITZERLAND	ITALY	CROATIA	ROMANIA
Property portfolio value (in € million)	151	88	50	171	38
Gross leasable area (in sqm)	6,000	--	--	--	11,000
Land bank area (in k sqm)	--	--	--	--	300
Gross Saleable Area (in k sqm)	3	--	2	--	--
No. of hotel beds (units)	--	--	634	1,646	--

04

BUSINESS REVIEW

BUSINESS REVIEW

PORTFOLIO HIGHLIGHTS

EXPANDING OUR POSITION IN RETAIL THROUGH OUR LARGEST-EVER ACQUISITION

In March 2017, the Group acquired 11 shopping centres across our core CEE markets valued at €625 million from two funds managed by CBRE Global Investors. The 11 centres represented approximately 280,000 sqm, more than doubled the gross leasable area in our retail segment, and complemented our existing portfolio. 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. As we are not focused on Romania, we may look to divest this asset in the future, depending on performance and valuation.

ACQUISITION OF KRALOVO POLE SHOPPING CENTRE IN BRNO

On 26 July 2017, the Group acquired Královo Pole Shopping Centre in Brno, Czechia. The shopping centre was built in 2004 by Carrefour and comprises a two-level gallery with 78 shops and a food court with a total of 26,500 sqm GLA and 900 parking spaces. The hypermarket was originally anchored by Carrefour until 2007, when it was taken over by Tesco. Královo Pole is the dominant shopping centre in northern Brno featuring a large catchment area of 250,000 inhabitants within 20 minutes with above average purchasing power. The shopping centre offers redevelopment and extension potetial having a valid building permit in place for a further 12,000 sqm GLA expansion.

ACQUISITION OF COMMERCIAL ASSETS IN GERMANY

In December the Group's Berlin subsidiary, GSG, acquired a 94.9% stake in a German company which holds four high quality commercial assets. Two of the assets are located in Berlin with a total GLA of approximately 76,100 sqm and two assets are located close to Karlsruhe (Baden-Württemberg) with a total GLA of approximately 31,500 sqm. This transaction strengthens the position of GSG Berlin as Berlin's dominant office platform with a portfolio close to 1 million sqm.

ACQUISITIONS OF HOTEL PROPERTIES IN CZECHIA AND HUNGARY

In December 2017, the Group completed the acquisitions of hotel properties in Czechia and Hungary. On 13 December 2017 the Company acquired a historical building located in Český Krumlov, Czechia. The property will be completely reconstructed into a four star boutique hotel with approximately 35 rooms. The hotel is expected to open in mid-2019. On 13 December 2017 the Company acquired Hotel Ibis Olomouc Centre, ideally located in Olomouc, Czechia. On 13 December 2017 the Company also acquired a unique building located in downtown Budapest.

NEW IGY CENTRE OPENS ITS DOORS TO THE PUBLIC

In České Budějovice, we opened our upgraded and expanded IGY Centre, the largest shopping centre in South Bohemia. The total GLA was expanded by over 30% and the centre now boasts 120 stores, an all-new CineStar multiplex cinema, gastronomy zone, 29,000 sqm of retail space and a 700-capacity car park. New tenants include favourites such as H&M, Sportisimo, Datart, S.Oliver, Zoot, A3 Sport, Ecco, Costa Coffee and Česká spořitelna from Erste Group. We believe this is a strong example of how the Group invests in our properties and follows the latest trends in retail.

SALE OF OFFICE BUILDING IN CAPELLEN

The Group sold our office building in Capellen, Luxembourg to a private investor. The building has a leasable area of approximately 7,700 sqm, located in the Capellen business park just outside of the City of Luxembourg. The transaction, structured as a share deal, was completed on 25 January 2017. Following this transaction, the Group has no further properties in Luxembourg.

SALE OF LOZORNO LOGISTIC 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 sqm, was sold in a share transaction. The Group is not focused on the logistics segment, and this sale is consistent with our strategy to divest non-core assets.

CORPORATE NEWS

EQUITY INVESTMENT OF €151 MILLION FROM OUR PRIMARY SHAREHOLDER

During 2017, the Company issued 1,693,104,764 new ordinary shares for a global subscription price of €169,310,476.4. Out of the newly issued shares, 1,515,000,000 were subscribed by current shareholder RAVENTO S.à r.l., an entity closely associated with Mr. Radovan Vítek. 159,132,897 new shares have been subscribed by ORCO PROPERTY GROUP and 18,971,867 new shares have been subscribed by the Company's management.

The new shares have a par value and a subscription price of €0.10 each. The corporate share capital of the Company has thus been increased from €779,561,784.60 represented by 7,795,617,846 shares to €948,872,261 represented by 9,488,722,610 shares. The total number of shares comprising the share capital of the Company is 9,488,722,610 as of 31 December 2017.

SHARE BUYBACK PROGRAM APPROVED AND REPURCHASE OF SHARES

The Extraordinary General Meeting of the shareholders of the Company held on 1 March 2018 (the "2018 EGM") approved the terms and conditions of a buy-back programme of the Company enabling the repurchase by the Company of its own shares and authorised the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the EGM authorised the board of directors of the Company to repurchase, in one or several steps, a maximum number of one billion (1,000,000,000) shares in the Company from the existing and/or future shareholders of the Company, for a purchase price comprised in the range between one eurocent (€0.01) and five euros (€5), for a period of five (5) years from the date of the 2018 EGM. The 2018 EGM further resolved to grant power to the board of directors of the Company (i) to proceed with the payment of the relevant repurchase price out of the Company's available funds, (ii) to take all required actions to complete any repurchase of shares and (iii) to verify that the process of share repurchase is made in compliance with the legal provisions.

On the basis of the authorization by the 2018 EGM, the Board has decided on 1 March 2018, to proceed to a buy-back of certain shares of the Company under the Programme, the terms of which are set forth in the buy-back offer published by the Company on 2 March 2018. A total of 724,853,952 shares in the Company with a par value of EUR 0.10 each have been acquired for the proposed acquisition price of €0.20 per share (representing in aggregate app. €145 million). The shares were bought-back from an entity affiliated with the major shareholder. This represents a direct holding by the Company of 7.64% of the Company's share capital and 7.64% of the voting rights in the Company.

FINANCING ACTIVITY

INVESTMENT GRADE RATING FROM MOODY'S AND INAGURAL INTERNATIONAL BOND OFFERINGS

In September 2017, Moody's Investors Service ("Moody's") assigned a first-time Baa3 (stable) long-term issuer rating to CPI Property Group, a (P)Baa3 rating to the Group's €1.25 billion Euro Medium Term Note programme and a Baa3 rating to senior unsecured notes issued under the Programme.

Currently rated

Baa3

(stable) by Moody's, committed to a solid investment grade credit profile

The Moody's rating took into account the scale of the Group and the diversification of the Group's portfolio across geographies and asset classes. Moody's also noted that a majority of the Group's assets are located in economies with stable macroeconomic environments and good growth prospects, and also benefit from favourable property markets with strong occupational demand and solid investor appetite for real estate assets.

The investment grade rating was an important element in the Group's successful senior unsecured bond transactions, which were completed in October and November 2017.

The Group is committed to maintaining and improving our investment grade rating, and may consider pursuing ratings from additional agencies to further improve the quality of information available to our current and potential credit investors.

€825 MILLION BONDS ISSUED UNDER €1.25 BILLION EMTN PROGRAMME

In October 2017, CPIPG established a €1.25 billion Euro Medium Term Note Programme. The programme created a platform for CPIPG to access the international bond markets on an expedited basis. In October, CPIPG also completed our inaugural drawdown under the Programme by issuing €600 million of senior unsecured notes maturing in October 2024 with a fixed coupon of 2.125% per annum. The orderbook for the Notes was more than three times oversubscribed, reflecting strong appetite from leading global institutional investors. The Notes were listed on the regulated market of the Irish Stock Exchange.

In November 2017, CPIPG completed €225 million increase or "tap" of the 2.125% notes due 2024. The notes are consolidated and form a single series with the €600 million 2.125% notes due 2024.

REFINANCING OF THE OF THE GSG BERLIN PORTFOLIO

In September 2017, the Group successfully completed a refinancing of the GSG Berlin portfolio. The new financing was provided by BerlinHyp in the amount of €510 million for a period of seven years. The refinancing provided the Group with more than €200 million of additional funds which were reinvested in the Group's business. Thanks to the quality of the portfolio and positive market conditions, GSG Berlin was able to contract for a margin below 1% p.a., which significantly reduces GSG Berlin's and the Group's cost of debt.

A STRONGER CAPITAL STRUCTURE

In 2017 the Group's Net Loan to Value (LTV) declined to a record low of 44.9% at year end. Going forward, our objective is to maintain an LTV of 45% or below.

The Group used the proceeds from the €825 million senior bond offerings primarily to refinance high-cost secured and priority debt. As a result, the Group's ratio of secured debt to total debt decreased from 77% to 59%, and our ratio of unencumbered assets to total assets increased to 43% from 22% at year-end 2016.

ECONOMIC REVIEW

ECONOMIC REVIEW

EUROPE[1]

During 2017, European countries continued progressing toward economic recovery. The improvement in performance of the European economy can be attributed to resilient private consumption, decreasing unemployment, and stronger global growth. Economic sentiment (a joint measure of business and consumer confidence) improved substantially. Risks to growth remain demographic trends, slowing productivity growth and the expected unwind of economic stimulus.

Real GDP growth in the EU markedly surpassed Fall 2016 expectations amounting to 2.4% in 2017. However, the growth of the European economy is projected to ease to 2.1% in 2018. Compared to other EU members, CEE countries are expected to achieve higher levels of growth. The economic outlook for Germany is promising, and Berlin continues to outperform in terms of growth within Germany.

The main interest rate and deposit rate set by the European Central Bank remained at the same levels (0.0% and -0.4%, respectively) throughout the year. The annual inflation in the European Union increased to 1.7% in 2017 from 0.3% in 2016. Although the inflation rate is generally moving in the desired direction, it is still not sufficiently close to the 2.0% target. Therefore, the European Central Bank is expected to maintain an accomodative policy for the time being.

CZECHIA[2]

The steady growth of the Czech economy continued in 2017. According to preliminary estimates, real GDP rose by 4.5% in 2017, which is significantly higher compared to 2016 (2.6%). A variety of factors contributed to the solid expansion of the Czech economy. Household consumption increases were supported by rapidly increasing wages, low interest rates, diminishing savings rates, and high consumer confidence. Another growth factor was reviving investment activity, which was driven by the private sector. Finally, net exports positively contributed to GDP growth thanks to strong external demand. In 2017, the average inflation rate was 2.4%, which reflects the highest price growth since 2012. The seasonally-adjusted unemployment rate dropped by 1.3% compared to December 2016, thereby reaching 2.3% in December 2017. Czechia has the lowest unemployment rate among EU states followed by Germany, Malta, and Hungary.

[1] IMF, Eurostat, ECB
[2] Czech Office of Statistics, Eurostat, Ministry of Finance of the Czech Republic

GERMANY[3]

The German economy showed strong growth (2.2%) in 2017, which, according to the Federal Office of Statistics, considerably exceeded the average of 10 previous years. Consumption characterized by an increase in both household (2.0%) and government (1.4%) expenditure represented the main growth driver. Gross fixed capital formation also accounted for a considerable portion of the German GDP growth (+3.0%). In contrast, the balance of trade only slightly contributed to the expansion of German economy (+ 0.2 p.p.). The average inflation rate was 1.7% in 2017 as opposed to 0.4% in 2016. Prices of energy, food, goods (total), and services (total) had an upward effect on the inflation rate. The unemployment rate decreased from 3.9% in December 2016 to 3.6% in December 2017.

HUNGARY[4]

In 2017, Hungary's GDP rose by 3.8% relative to 2.2% in 2016. A crucial driver of the accelerated growth was private consumption. Domestic demand was strong due to rapidly rising wages, continued employment growth, and high consumer confidence. Household and business investment, which showed a robust increase, boosted the growth of Hungarian economy. In addition, gross fixed capital formation grew fast due to the resumed absorption of EU funds under the "Multiannual Financial Framework" (MFF) 2014-2020. In contrast, the contribution of net exports to GDP growth was negative. Strong domestic demand pushed inflation up from 0.4% in 2016 to 2.4% in 2017. The highest price rises were recorded for alcoholic beverages and tobacco (4.8%), other goods (3.6%), food (2.8%), and services (1.5%). In October-December 2017, the unemployment rate reached 3.8%, which represents a 0.7 p.p. decrease compared to the corresponding period of the previous year.

POLAND[5]

The pace of Poland's economic growth (4.6%) accelerated in 2017 after a temporary slowdown (2.9%) in 2016. The growth was driven primarily by private consumption while the positive contribution of net exports was modest. Public investment seemed to recover from 2016 levels; however, private investment showed ambiguous dynamics across sectors. The average inflation rate experienced a noticable increase from -0.2% in 2016 to 1.6% in 2017. Prices of food and non-alcoholic beverages and transport-related prices grew strongly. At the end of December 2017, the unemployment rate dropped to 6.6%, which, according to the Central Statistical Office of Poland, hit bottom over a 25-year periodwas the lowest in 25 years.

[3] Federal Office of Statistics, Eurostat
[4] Hungarian Central Statistical Office, Eurostat
[5] Central Statistical Office of Poland, Eurostat

Key macro figures for group core economies

	Growth rate of real GDP (in %)	Annual inflation (in %)	Unemployment rate (in %)	Gross public debt (% of GDP)
Czechia	4.5	2.4	2.3	38.1
Germany	2.2	1.7	3.6	65.8
Hungary	3.8	2.4	3.8	73.4
Poland	4.6	1.6	6.6	53.0
EU average	**2.4**	**1.7**	**7.3**	**83.1**

Source: Eurostat
Note: The table uses December 2017 unemployment rates. An exception is Hungary for which the unemployment rate prevalent in October-December 2017 is presented. Gross public debt (as a percentage of GDP) was calculated as an unweighted average of the respective values across three quarters of year 2017.

The CEE states combine competitive labor costs with relatively fast productivity growth.

ECONOMIC REVIEW

CURRENCIES[6]

In April 2017, the Czech National Bank (CNB) discontinued its exchange rate commitment. Although the CNB anticipated currency fluctuations as a result of the ended intervention, Czech crown (CZK) appreciated gradually. CZK rose by 5.8% against euro and by more than 17% against USD since the end of the exchange rate commitment. The appreciation of CZK is expected to continue in 2018.

Despite continuing quantitative easing by the European Central Bank (ECB), the euro appreciated against other major currencies during 2017. Particularly, it rose by more than 13% against US dollar, by almost 9% against Swiss franc, and by more than 3.5% against the Pound sterling. According to the ECB, temporary exogenous shocks to the exchange rate (leading to stronger euro) will not cause significant disinflationary effects as long as policy is effective in simulating economic growth.

[6] ECB, CNB, own calculations

INVESTMENT ATTRACTIVENESS OF THE CEE REGION[7]

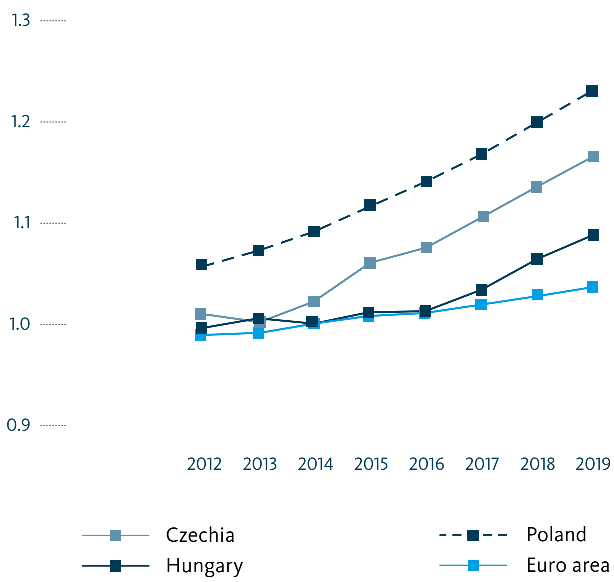
There are several factors which make the CEE region a promising destination for foreign investment. First, the local labor force evidences relatively fast productivity growth, which is especially appealing taking into account its low cost. While in 2016 labor costs per hour amounted to 29.8 euros in the euro area, they were 10.2 euros, 8.6 euros, and 8.3 euros in Czechia, Poland, and Hungary, respectively. Along with wage competitiveness, the CEE countries almost always outperform the euro area (as the below graph shows) in terms of the pace of labor productivity growth. Whereas GDP per hour worked used to grow at approximately the same rate in Hungary as it did in the euro area, Hungary's growth is projected to accelerate in 2017-2019. The forecasts for Czechia and Poland are favorable as well: both countries are expected to continue diverging from a growth rate of labor productivity typical for the euro area. The persistence of relatively high growth of GDP per hour worked in the CEE region may eventually close the productivity gap between it and Western Europe.

Further, favorable business climate adds to the attractiveness of the CEE region. The selected indicators from the World Bank's Doing Business report 2018 show that:

- The CEE states of interest compare well in terms of the ease of doing business to the EU average. Hungary is slightly lagging behind.
- Hungary, Poland, and Czechia tend to grant easier access to credit compared to an average EU state.
- Regulatory and institutional support of borrowers' and lenders' rights appears to be relatively strong in the CEE states of interest.

During recent years, the CEE region undertook a significant number of reforms aimed at making it easier to do business locally. Particularly, a series of positive tax -related changes occurred. According to the World Bank's Doing Business report 2018, Czechia and Poland mostly focused on (i) simplifying administrative procedures and tax processes and (ii) promoting/introducing the use of electronic facilities. Hungary abolished several taxes (e.g. the community tax in 2013 or the special tax in 2015), thereby making it easier for companies to pay taxes. In 2017, Hungary allowed additional deduction for acquisitions of land and buildings and thus reduced the cost of paying taxes for small and medium-sized enterprises.
Another competitive advantage of CEE states is their relatively stable political environment and safety. According to Global Terrorism Index 2017, Czechia, Hungary, and Poland are among the countries least impacted by terrorism. Furthermore, Czechia occupies a high position (6) in Global Peace Ranking 2017 followed by Hungary (15) and Poland (33). These three countries are rated as having a very high or high state of peace, which reflects a decent level of their societal safety and security, a low degree of militarization, and low involvement in ongoing domestic or international conflict.

Labor productivity growth measured as an index with 2010=1



Note: The graph is based on historical data and forecasts (for 2017-2019) retrieved from the OECD's Economic Outlook No 102 from November 2017

[7]OECD (Outlook No 102, November 2017), Eurostat, World Bank (Doing Business report 2018), Institute for Economics & Peace

BUSINESS SEGMENTS

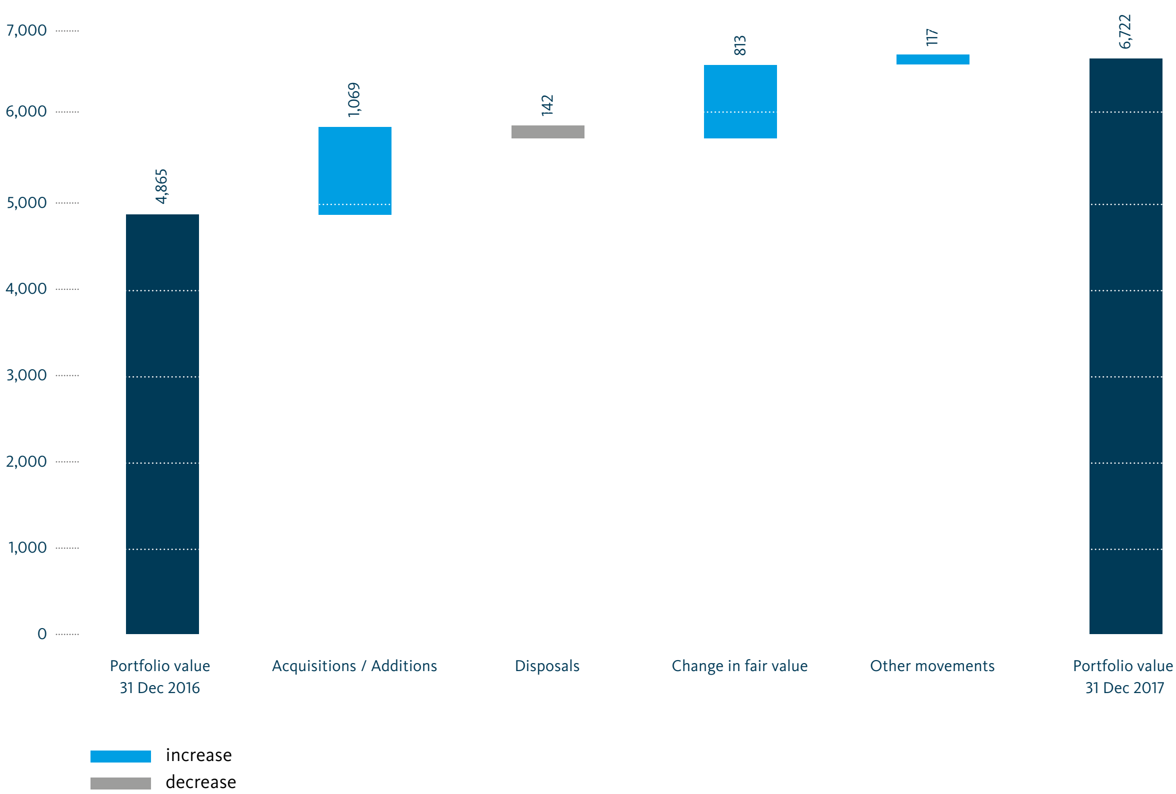
High quality portfolio augmented by acquisitions and refurbishments

BUSINESS SEGMENTS

The Group primarily operates in four key segments: Czechia, Berlin, Hotels & Resorts, and Value-add. In each of these segments, we explore aquisitions and continue to invest in our assets to improve performance. Where appropriate, we also consider asset sales to continue improving the overall quality and geographic/sector focus of our portfolio.

The value of our property portfolio was €6.7 billion as of the end of 2017. The increase in valuation was primarily driven by aquisitions and increasing valuations in our property portfolio, offset by selected divestitures of properties during the year.

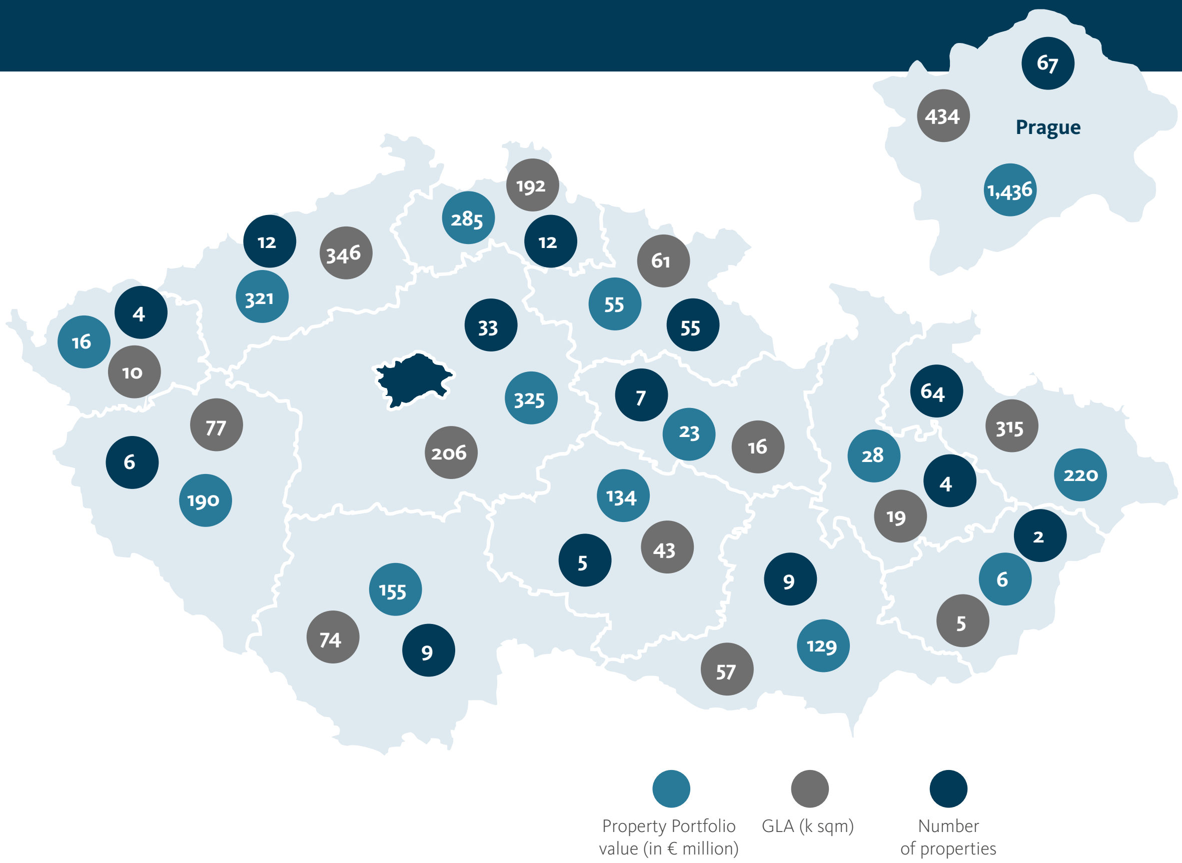
Property portfolio growth in 2017 (€ million)



Changes to the total property portfolio value in 2017 were as follows:

- acquisitions of €939 million, including retail assets acquired from CBRE, German assets in December 2017, and the shopping centre Královo Pole in Brno;
- developments costs totalling €11 million
- additions (improvements, CapEx) in total amount of €119 million;
- disposals represent €142 million; primarily Lozorno industrial park in Slovakia, and Capellen office in Luxembourg;
- valuation gain of €834 million, of which 49% came from Germany (Berlin) and 44% from Czechia
- other movements include non-cash FX translation adjustments.

CZECHIA



#1 retail landlord in Czechia

#1 office landlord in Prague

#2 residential landlord in Czechia

6.5% retail market share in Czechia

Annual footfall of over 67 million in our shopping centres

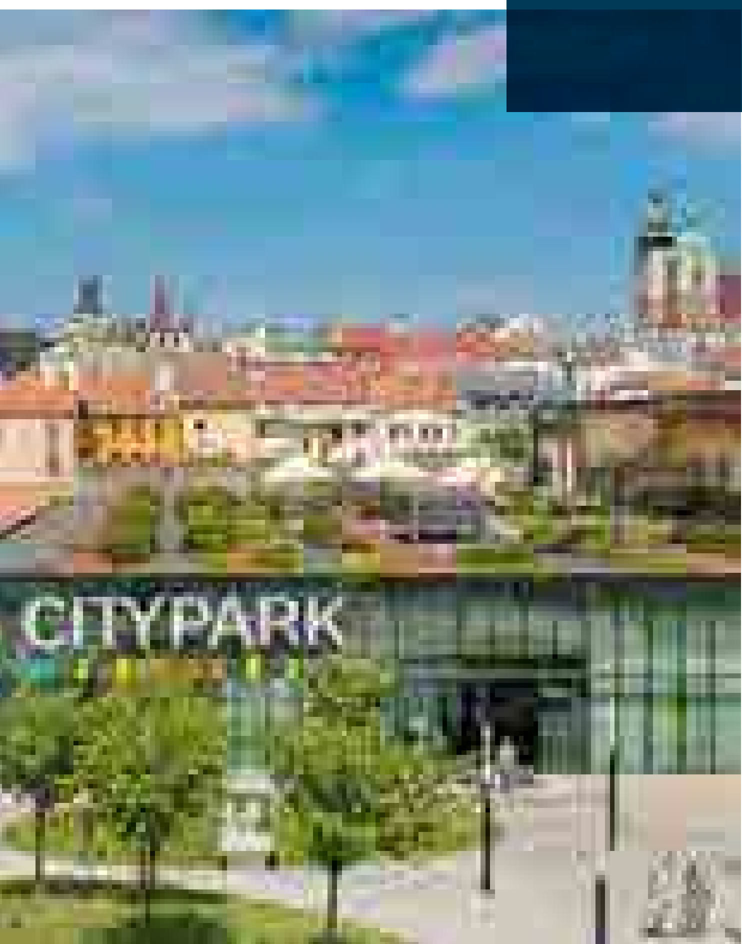
8.5% market share on Prague office market

Owner of the largest diversified real estate portfolio in Czechia

Czechia segment summary

	CZECHIA 2017					CZECHIA 2016				
	No. of properties	PP value (in € million)	GLA (in k sqm)	Occupancy (in %)	Land area (in k sqm)	No. of properties	PP value (in € million)	GLA (in k sqm)	Occupancy (in %)	Land area (in k sqm)
Retail	244	1,444	730	94.1	--	251	919	602	95.3	--
Office*	39	862	420	97.0	--	40	754	414	96.1	--
Development	6	502	--	--	19,558	5	321	--	--	19,079
Residential	--	420	705	89.6	--	--	287	719	83.0	--
Agriculture	--	95	--	--	232,510	--	78	--	--	231,774
Total	289	3,323	1,855	94.4	252,068	296	2,359	1,735	93.6	250,853

* Includes Logisitics properties which have elements of office



The Group's Czechia business segment comprises our office, retail, and residential assets in Czechia. We believe our real estate portfolio is the largest in Czechia. Our strategy in Czechia is to be active in regionally dominant shopping centres and convenience shopping, while maintaining a strong presence in Prague / Brno office and continuing to invest in our residential portfolio.

RETAIL MARKET

Favorable economic conditions represented by relatively low inflation and increasing wages positively affected household consumption. In 2017, retail trade volume increased by by 5.6%, y-o-y, which is the second highest rise since the global economic downturn. In 2018, retail trade growth is forecast to slow down slightly.

By the end of 2017, the total retail stock in Czechia exceeded 3,900,000 sqm of modern retail space. Shopping centres and retail parks make up approximately 70% and 27% of the space, respectively. The remaining space is taken by factory outlet stores and modern department stores. In addition, more than 500 supermarkets and over 600 discounters are located across Czechia. Modest development activity made the Czech retail market stable and easily predictable. During 2017, one new shopping centre (Crestyl)

[8]JLL, Czech Statistical Office, CBRE

in Jablonec nad Nisou in the Liberec region was completed and extensions of two shopping centres, Centrum Chodov (Unibail-Rodamco) and IGY České Budějovice (CPIPG), were finished. In 2018, an extension of the shopping centre Galerie Butovice is scheduled to be completed. Furthermore, the opening of Prague The Style Outlet's first phase is planned for the first half of 2018.

Substantial demand led to a decline in prime yields from 6.25% in 2013 to 4.75% in 2017. Prime shopping centre rents dynamically grew by 7.4% y-o-y in 2017 and a further 4% increase is expected in 2018 (inconsistent numeration)[8].

RETAIL PROPERTIES

Czech retail summary

	RETAIL 2017					RETAIL 2016				
	No. of properties	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)	No. of properties	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)
Prague	41	265	101	11	86.5	45	171	91	8	85.8
Major cities	26	754	305	35	94.2	22	346	169	23	94.8
Other	177	425	324	29	98.0	184	402	342	27	97.1
Total	244	1,444	730	75	94.1	251	919	602	58	95.3

Retail occupancy was 94.1% at year-end 2017, versus 95.3% in 2016. However, this figure includes the effect of redevelopments. For instance, all of our assets in Prague have undergone / are undergoing some phase of redevelopment. In Quadrio, we closed the first floor to improve the food court. Spectrum will be redeveloped next year, and Fenix is undergoing refurbishment.

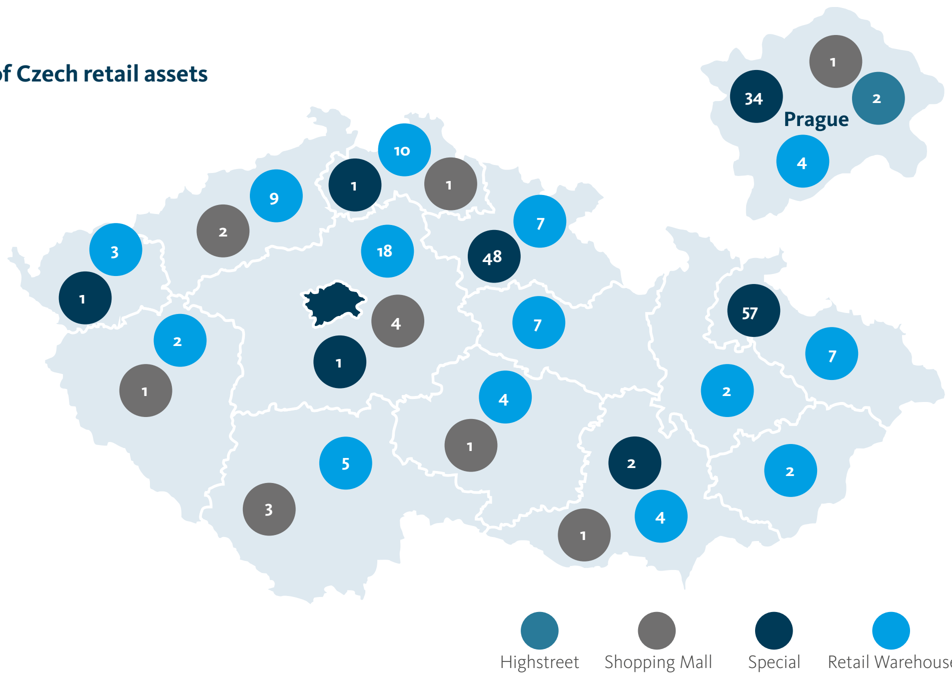
Importantly, annual turnover in our shopping centres increased by 8.3% on a like-for-like basis. City Park Jihlava saw an annual increase in turnover of 10.5%. Footfall on a like-for-like basis increased by 2.5%. Quadrio in Prague keeps showing its potential with annual increase in footfall by more than 10.5%.

Gross leasable area increased by 128,000 sqm (including disposals in 2017) due to the acquisition of four properties from CBRE (112,000 sqm), the acquisition of Královo Pole in Brno (27,000 sqm) and the completion of IGY2 project and its delivery in November 2017 (8,000 sqm).

The value of our retail portfolio increased by 6% on like-for-like basis and in total by 57% or €524 million. The key drivers were acquisition of new assets amounting to €401 million and increase in fair value by €112 million.

The following map shows distribution of the Group retail assets.

Distribution of Czech retail assets



Retail warehouses include hypermarkets, supermarkets, hobby markets and retail parks. Special assets are retail assets located in non-prime locations. While the Group's high street assets are concentrated in Prague, the remainder of its retail asset portfolio is well diversified across regions.

TENANTS

Three tenants that generated the largest shares of retail rental income in the Czech Republic (in 2017) are Ahold Delhaize, Tesco and Penny Market. During 2017, the Group has entered into new rental contracts with well known tenants and extended a number of current rental contracts. New lease agreements were signed with Datart International, Delmart and Sportisimo. Prolongations were made in the case of contracts with Billa, C&A, New Yorker CZ, and others.

OFFICE MARKET

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

In Prague, a total of 136,000 sqm of new office space was supplied to the market in 2017. Strong leasing activity pushed the vacancy rate further down to 7.5% in Q4 2017. This level is the lowest since 2008. For the whole year, gross office take-up reached 536,000 sqm, which represents a 29% increase compared to the previous year and is considered to be a new record level for the Prague market. An increase in newly completed office space is expected to be insufficient for raising the vacancy rate, which is projected to fluctuate around 7% during 2018.

Brno, which is known as the local R&D centre, has the second largest office market in Czechia. As a result of growing economy in 2017, there was excessive demand for new office space in Brno, which led to rising rental prices. Low new development together with high take-up pushed the vacancy rate below 10% in 2017. However, high amount of new supply expected in 2018 is likely to raise the vacancy rate back above 12%[9].

OFFICE PROPERTIES

Occupancy level achieved a new record by reaching 97.5% (2016: 96.2%). Four of Group's best office assets, Luxembourg Plaza, City West, Quadrio and Pankrác have almost 100% occupancy reflecting increased demand for office spaces in Prague. Outside Prague the demand is also increasing.

The value of our office portfolio increased by 8% on like-for-like basis and by €103 million or 14% on a current portfolio basis. The key drivers were (i) acquisition of new assets amounting to €40 million and (ii) increase in fair value by €39 million.

[9] JLL, Cushman & Wakefield, CBRE

Czech office summary

	OFFICE 2017					OFFICE 2016				
	No. of properties	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)	No. of properties	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)
Prague	21	775	303	42	97.7	21	664	287	36	96.0
Major cities	5	42	27	3	94.4	6	49	39	4	100.0
Other	--	--	--	--	--	--	--	--	--	--
Total	26	817	330	45	97.5	27	713	326	39	96.2

Three tenants that generated the largest shares of office rental income in the Czech Republic (in 2017) are Česká pojišťovna, Siemens and ČEZ. New lease agreements were signed, for example, with BOHEMIA ENERGY or E.ON Česká republika. Prolongations and extensions were made in the case of contracts with ŠKODA AUTO, Česká pojišťovna, Riverside and others.

RESIDENTIAL MARKET

In Q4 2017, prices of residential real estate recorded another increase, according to the real estate price index. Land prices increased by 4.4 p.p., y-o-y.

RESIDENTIAL PROPERTIES

Czech residential summary

	RESIDENTIAL 2017					RESIDENTIAL 2016				
	No. of units	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)	No. of units	PP value (in € million)	GLA (in k sqm)	NRI (in € million)	Occupancy (in %)
Prague	484	70	30	1	99.0	485	53	30	1	98.6
Ostrava region	4,323	168	264	2	75.3	4,323	96	266	4	75.8
Ústí region	5,486	111	279	5	100.0	5,479	92	291	4	83.1
Liberec region	2,019	66	127	1	89.8	2,019	44	127	2	87.0
Central Bohemia	77	5	5	0.3	88.7	77	2	5	0.4	89.3
Total	12,389	420	705	9	89.6	12,383	287	719	11	83.0

The Group's portfolio is a stable business with increasing revenues every year. In 2017 the revenues reached €20 million (2016: €18 million). The Group's strategy is to keep the portfolio as a source of steady cash flow. Prices of residential assets on the Czech market are accelerating and the Group portfolio goes hand in hand with this trend. Revaluation shows an increase by €104 million (2016: €13 million).

DEVELOPMENT PROPERTIES

Development properties consist of land bank acquired and held by the Group for future development and assets under development. Once work on a development project is commenced, the area is presented either as a future sale (Potential gross saleable area) or as a future rental (Potential gross leasable area).

Czech development summary

	DEVELOPMENT 2017					DEVELOPMENT 2016				
	LAND BANK		DEVELOPMENT			LAND BANK		DEVELOPMENT		
	Total Area (in k sqm)	PP value (in € million)	Potential GLA	Potential GSA	PP value (in € million)	Total Area (in k sqm)	PP value (in € million)	Potential GLA	Potential GSA	PP value (in € million)
Prague	1,313	285	8	22	26	1,269	130	--	1	11
Major cities	401	38	--	--	--	448	40	7	--	7
Other	17,844	149	--	--	4	17,362	133	--	--	--
Total	19,558	472	8	22	30	19,079	303	7	1	18

In 2017 the Group completed IGY shopping centre which is now part of our Retail segment; further the Group completed a phase in Březiněves project.

The above tables demonstrates that pure development assets are a small portion (6% in 2017) of development properties. The remainder of our development properties are land bank, the largest segment of which is in Prague.

[10] Hypoteční banka

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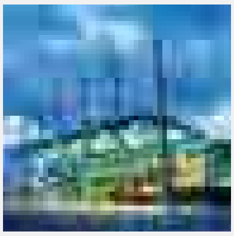
[10] Hypoteční banka

TOP ASSETS in Czechia segment



Olympia Teplice

Country: Czechia
City: Teplice
PP value: €67 million
GLA: 32,000 sqm

Quadrio

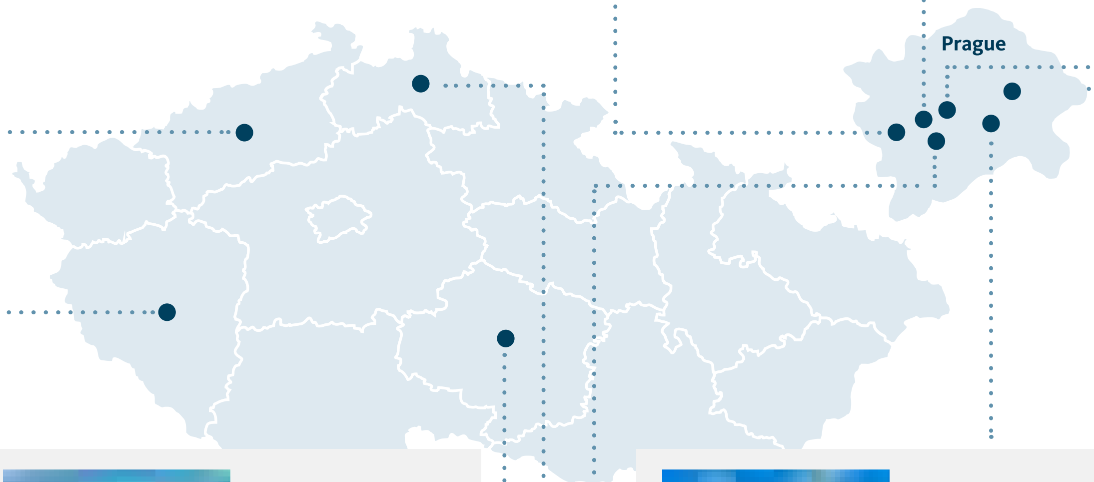
Country: Czechia
City: Prague
PP value: €207 million
GLA: 27,000 sqm

City West

Country: Czechia
City: Prague
PP value: €82 million
GLA: 29,000 sqm

Zlatý Anděl

Country: Czechia
City: Prague
PP value: €123 million
GLA: 21,000 sqm

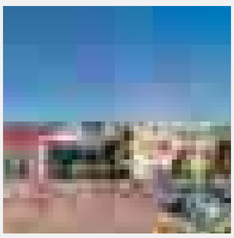


City Park

Country: Czechia
City: Jihlava
PP value: €113 million
GLA: 29,000 sqm

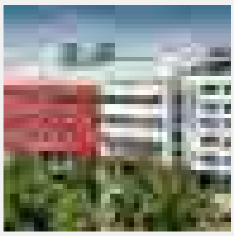
Luxembourg Plaza

Country: Czechia
City: Prague
PP value: €68 million
GLA: 23,000 sqm



Olympia Plzeň

Country: Czechia
City: Plzeň
PP value: €149 million
GLA: 41,000 sqm



Pankrác

Country: Czechia
City: Prague
PP value: €77 million
GLA: 37,000 sqm

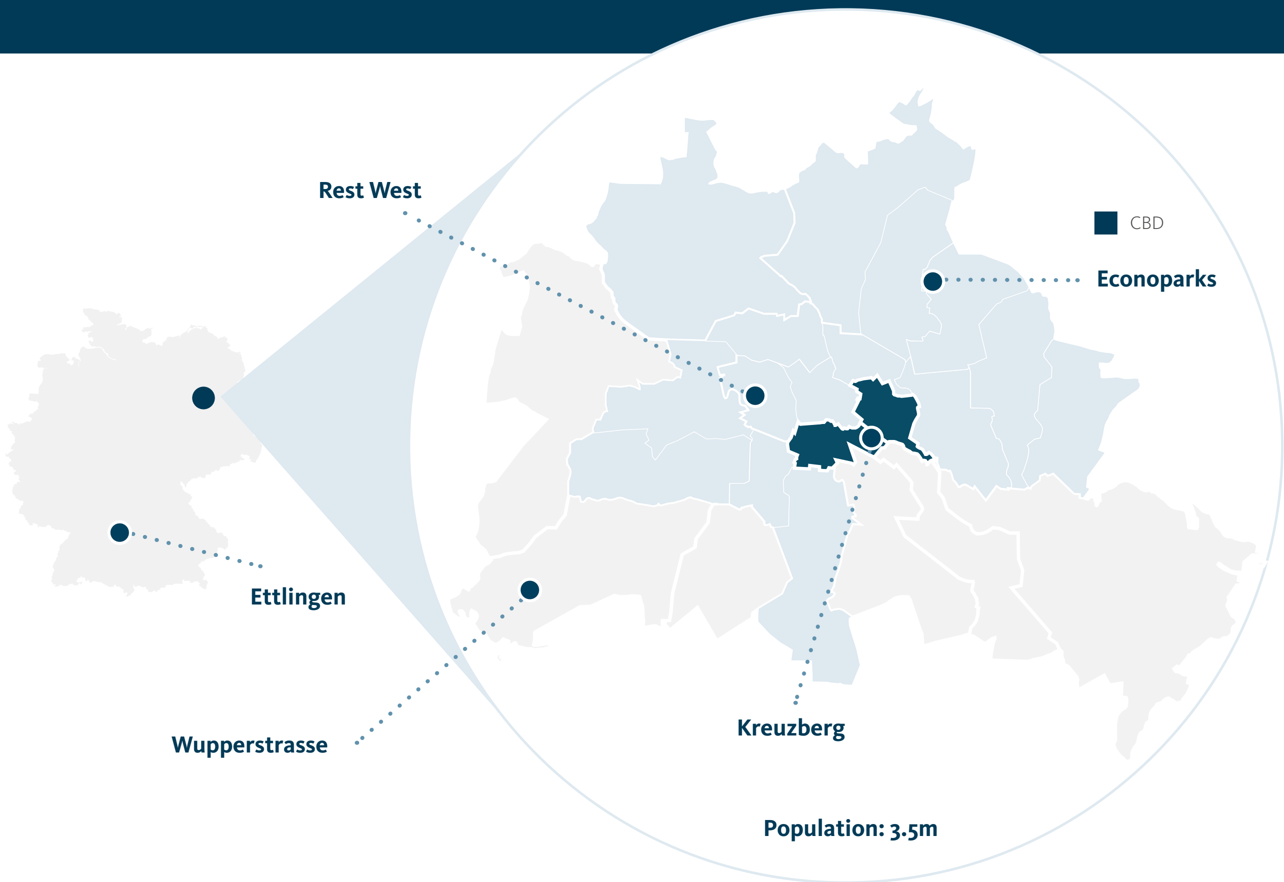
Nisa

Country: Czechia
City: Liberec
PP value: €102 million
GLA: 50,000 sqm

BB Centrum

Country: Czechia
City: Prague
PP value: €67 million
GLA: 16,000 sqm

BERLIN



#1 office landlord in Berlin	Increased occupancy by 9 p.p. since 2012	42% rental income growth since 2012
Unique, irreplaceable platform	53 years of track record	Berlin is the most dynamic real estate market in Europe

Berlin segment summary

	BERLIN 2017				BERLIN 2016			
	No. of properties	PP value (in € million)	NRI (in € million)	Occupancy** (in %)	No. of properties	PP value (in € million)	NRI (in € million)	Occupancy** (in %)
Rest-West	16	753	26	92.4	15	502	23	89.9
X-Berg	25	619	16	89.6*	24	368	14	90.6
Econoparks	5	234	11	81.6	5	169	12	78.2
Ettlingen	2	23	--	100.0	--	--	--	--
Wupperstraße	1	9	1	100.0	1	9	1	100.0
Total	**49**	**1,638**	**54**	**89.7**	**45**	**1,048**	**50**	**87.7**

* Includes the effect of aquisitions completed at the end of 2017, where the Group intends to take measures to grow occupancy going forward.

** Based on Estimated Rental Value

The Group's Berlin subsidiary, GSG, is a leading provider of office and commercial space in Berlin with approximately 975,000 sqm of GLA and has been in operation for more than 50 years. It provides multi-functional premises for all kinds of small and medium sized companies, whether from start-up, high-tech or manufacturing industry.

The Berlin portfolio is divided into three main clusters:

Kreuzberg represents assets which are located in the Friedrichshain-Kreuzberg – a CBD 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 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 needs and development.

By the end of the year 2017 the Berlin portfolio has been increased by acquisition of four ARMO assets of which two properties perfectly fit into Berlin portfolio, the other two properties are located in Ettlingen, near Karlsruhe.

BERLIN MARKETS

Germany's economy grew at a healthy pace in 2017. Companies' assessment of business expectations and their own current business situation was substantially above the long-term average. Favorable conditions on the labor market also contributed to the positive sentiment.

Demand for office space was very strong in Berlin with full-year take-up volume equal to 939,500 sqm. Compared to Q4 2016, prime office yield fell by 0.3 p.p. to 3.1% in Q4 2017. Prime office rents rose by 9.1% during the same period. The increasing trend is expected to persist due to robust demand and shortage of modern space, which is also reflected in the low vacancy rate (2.2%) .[11]

BERLIN PROPERTIES

For the Group's Berlin properties the year 2017 has been another strong year, which shows a total rental income increased by 8.8% y-o-y.

The main drivers behind rental income growth are an increase in occupancy levels and an increase in average rent.

[11]Cushman & Wakefield, CBRE

Occupancy by Berlin clusters (and effect of aquisitions)

	2013	2014	2015	2016	2017(1)	2017(2)
Econoparks	64.5%	67.5%	72.9%	77.1%	80.9%	80.9%
X-Berg	91.0%	91.2%	90.2%	90.2%	90.8%	91.8%
Rest West	90.6%	88.2%	89.1%	90.4%	92.3%	93.1%
Wupperstraße	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ettlingen	--	--	--	--	--	100.0%
Total	**83.1%**	**83.1%**	**85.1%**	**86.9%**	**89.0%**	**90.1%**

Note: ARMO properties acquired by the end of 2017; occupancy rates based on GLA
(1) excluding ARMO
(2) including ARMO

2.1%-points reduction of vacancy reflects a reduction of vacant spaces by 16% y-o-y. Remaining vacancies concentrate on storage in Kreuzberg, two large assets in the East and fluctuation.

Average rent per sqm by Berlin clusters

	2013	2014	2015	2016	2017
Econoparks	4.23	4.32	4.41	4.44	4.48
X-Berg	6.10	6.59	7.22	8.00	9.00
Rest West	5.67	5.92	5.95	6.30	6.62
Wupperstraße	2.53	2.53	1.20	2.03	2.05
Total	**5.18**	**5.42**	**5.49**	**5.86**	**6.22**

Berlin properties achieved 6% increase of average rent compared to Q4 2016. The increase is driven by Kreuzberg (+13% y-o-y) but also by Rest-West (+5% y-o-y). Since 2013 the annual increase in Kreuzberg has averaged above 10% with a rising trend. In 2017 top 10 lease agreements with new tenants reached above €17 per sqm which is well above the Group's average. Moreover, only 2 of these new lease agreements relate to Kreuzberg cluster, the rest relates to Rest-West cluster.

TOP ASSETS in Berlin segment

Reuchlinstraße 10-11

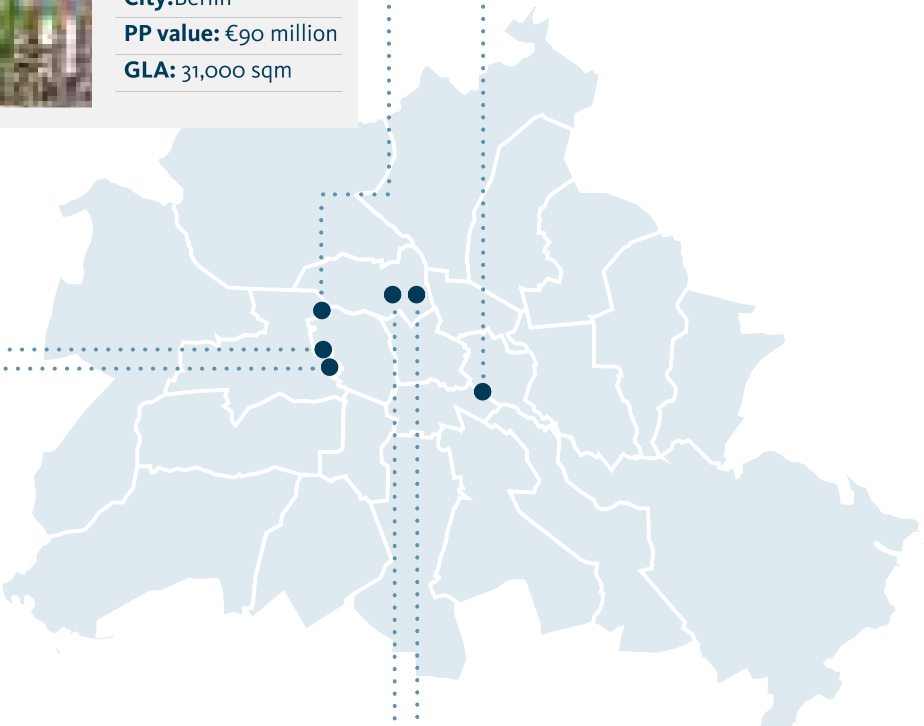
Country: Germany
City: Berlin
PP value: €104 million
GLA: 49,000 sqm

Schlesische Straße 26

Country: Germany
City: Berlin
PP value: €93 million
GLA: 51,000 sqm

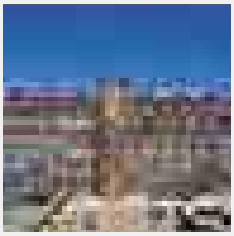
Franklinstraße 9-15a

Country: Germany
City: Berlin
PP value: €90 million
GLA: 31,000 sqm



Helmholtzstraße 2-9

Country: Germany
City: Berlin
PP value: €81 million
GLA: 37,000 sqm



TIB Tor 1 GSG-HOF Gustav-Meyer-Allee 25

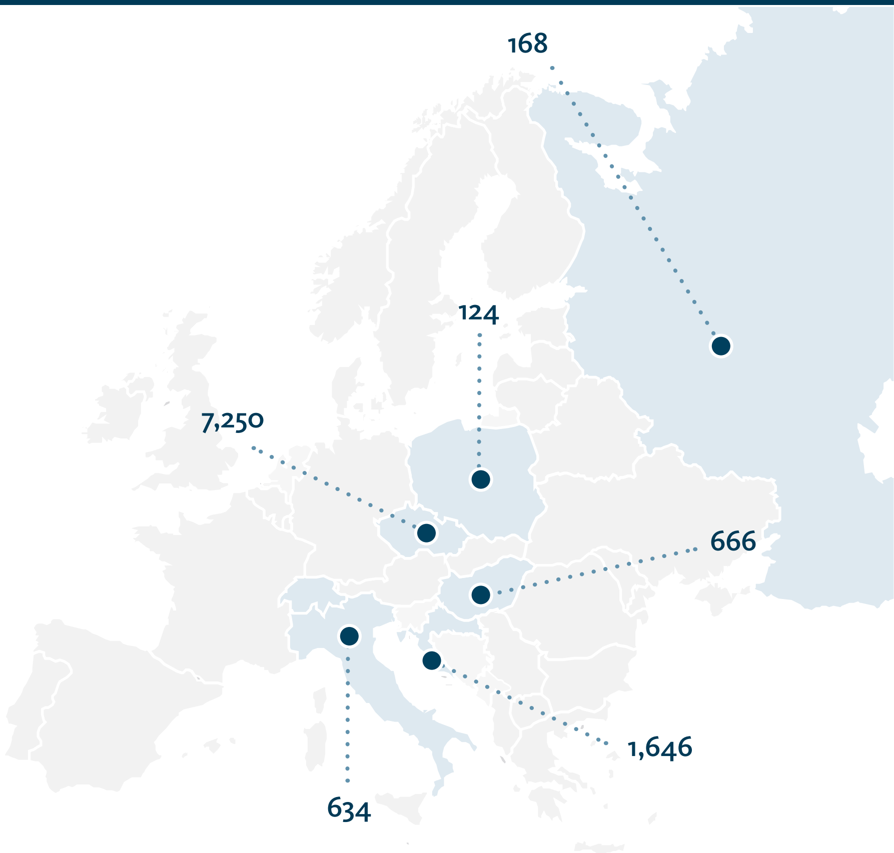
Country: Germany
City: Berlin
PP value: €89 million
GLA: 76,000 sqm

TIB Tor 2 GSG-HOF Voltastraße 5

Country: Germany
City: Berlin
PP value: €75 million
GLA: 34,000 sqm

The first point of contact for SMEs in Berlin

HOTELS & RESORTS



Note: The figures represent hotel beds in each country

#1 convention hotels provider in Czechia

#1 resort on premier island Hvar, Croatia

3*** and 21**** hotels**

7% YoY increase in RevPAR in 2017

Hotels & resorts segment summary

	HOTELS & RESORTS 2017					HOTELS & RESORTS 2016				
	No. of properties	PP value (in € million)	Hotel beds	RevPAR YoY increase (in %)	ADR YoY increase (in %)	No. of properties	PP value (in € million)	Hotel beds	RevPAR YoY increase (in %)	ADR YoY increase (in %)
Czechia	20	330	7,250	9	3	19	289	7,828	3	-3
Croatia	7	171	1,646	9	4	7	168	1,646	--	--
Hungary	4	52	666	8	13	4	43	788	9	4
Italy	1	38	634	--	--	1	38	634	--	--
Poland	2	26	124	3	5	2	20	214	14	8
Russia	1	23	168	2	-2	1	26	168	-15	-16
Switzerland	1	88	--	--	--	1	116	--	--	--
Total	**36**	**728**	**10,488**	**7**	**2**	**35**	**700**	**11,278**	**31**	**23**

The Group is one of the largest owners and developers of hotels in Czechia. The hotel portfolio has grown and currently includes 35 hotels and one property in Swiss Alps. The diverse portfolio includes a network of four-star Clarion conference and convention centres as well as resort hotels, of which 21 hotels are of four star category and 3 hotels are of five star category. The resort hotels are located on Croatia's premier island of Hvar, while the other hotels are located in capitals and major cities of Czechia, Hungary, Poland and Italy.

During 2017, the Group acquired hotel Vladimír in Ústí nad Labem. With 86 rooms and 172 beds the hotel offers a base and services for conferences, seminars and even social and family events. Further the Group acquired hotel IBIS in Olomouc, another major Czech city. The hotel is located in proximity of the historic old town with UNESCO monuments and city parks. The hotel, operated under the IBIS brand, offers 90 rooms, 5 fully equipped conference rooms and onsite parking. These acquisitions further enhance our hotel portfolio targeted at congress clientele. The Group also disposed of two star hotel Rhea in Prague with a value of €8 million.

HOTEL MARKETS[12]

PRAGUE

Prague faces continuously increasing tourist demand and is becoming one of the most popular destinations in Europe. The interest is coming mostly from foreigners with an annual average growth rate of overnights equal to 5.4% since 2000.

Prague had 491 hotels in 2016. The occupancy ratio reached 80.1% in 2017, which exceeded the Czech average (75%). Key performance indicators rose during 2016 and 2017; for example, RevPAR grew by 11.6% .

CROATIA

The rapidly growing number of tourist arrivals and overnight stays are evidence that Croatia's tourism market is expanding. The number of foreign arrivals, which significantly prevail over domestic arrivals, grew on average by 6.8% annually until 2016.

Hvar, which is situated in the Split-Dalmatia region, is a promising tourist destination. In 2016, Hvar experienced 10.39% growth in tourist arrivals and an 11.3% increase in overnight stays compared to 2015.

During January-September 2017, the occupancy rate of bed-places in hotels and similar establishments in Croatia was 67.5%, which represents a modest increase compared to the corresponding period of 2016 (64%) .

The Group regards investment into seaside resorts as a contribution to an effectively diversified portfolio of assets. The Croatian tourism market is experiencing a boom as de-

[12] JLL, Cushman & Wakefield

mand from Western European travelers jumped in 2016 to a new historical record (by tourist arrivals and tourist nights). If there is no external shock, this trend will undoubtedly continue as tourist infrastructure develops rapidly through investment.

BUDAPEST

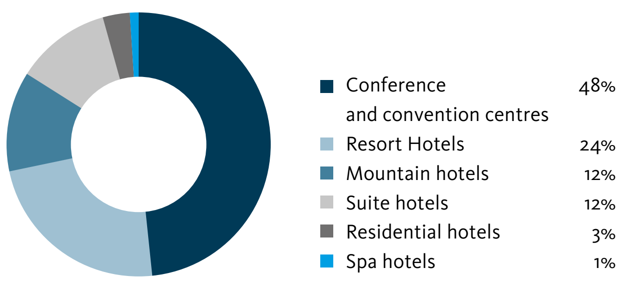
Budapest is undoubtedly the most popular tourist destination in Hungary. Due to its reputation of a city with rich and diverse cultural history, Budapest continues to attract numerous tourists what positively affects its local hotel market. Between January and July 2017, tourism activity was growing with 5.9% increase in domestic guest nights and 10.4% increase in international guest nights compared to the corresponding period of 2016.

Budapest had approximately 230 hotels in Q3 2017. During January-July 2017, gross revenues of hotels in Budapest grew by 22.4% .

HOTEL PROPERTIES

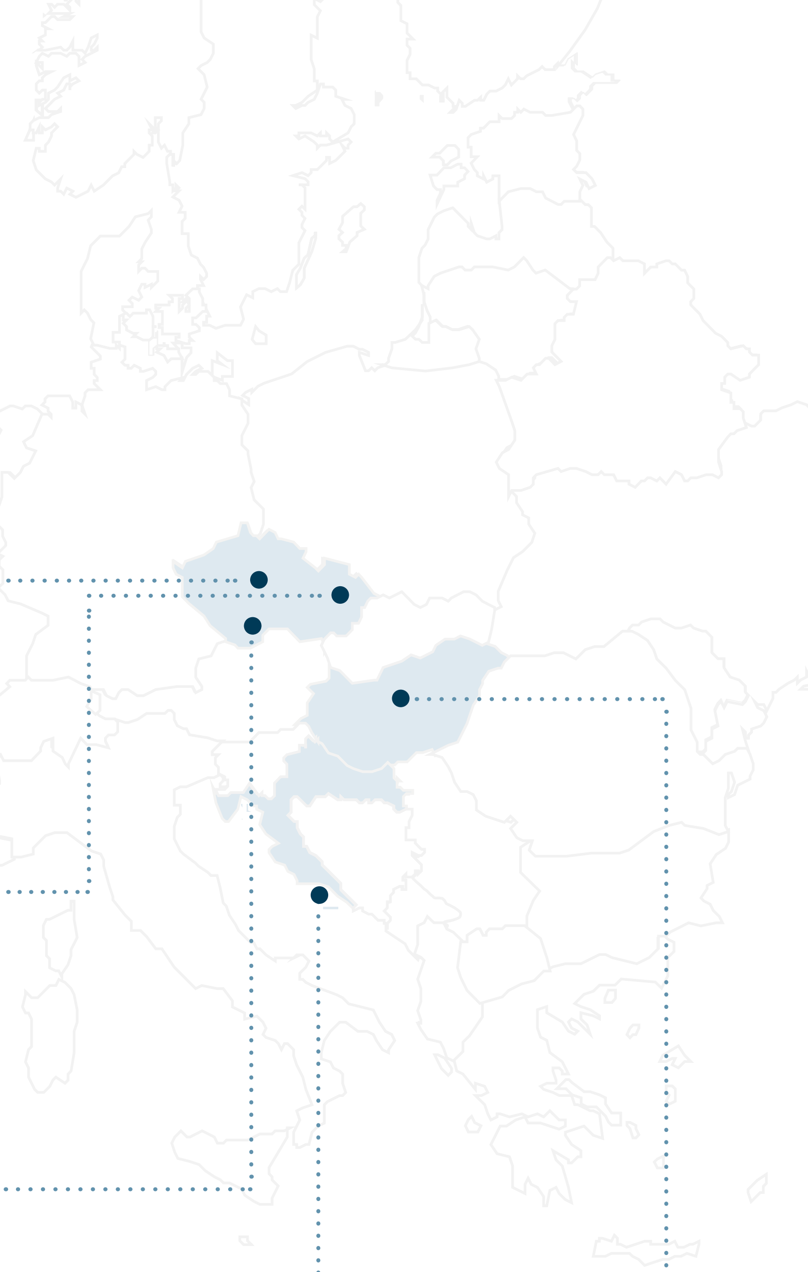
During 2017, the Group's hotel portfolio increased by 4% on a y-o-y basis. Key performance indicators also showed positive dynamics with RevPAR increasing by 7% and ADR increasing by 2% compared to year 2016. A significantly stronger y-o-y increase in RevPAR value (in comparison to the corresponding ADR value) indicates that the occupancy rate grew as well. Performance analysis across individual locations demonstrates that in most cases 2017 increases in RevPAR are stronger or comparable to those achieved in 2016. For example, the Group's hotels located in Czechia raised their RevPAR thanks to increased ADR, which was falling in 2016. The smaller overall increase in performance indicators in 2017 (compared to 2016) can be explained by acquistion of Croatian hotels in 2016 and thus their particularly significant contribution to RevPAR during the same period.

Hotels & resorts segment split by type (breakdown by PP value)



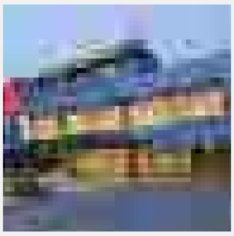
The Group owns hotels of diverse types. Conference and convention centers prevail among Group hotels, amounting to nearly 50% of the hotel portfolio in 2017. Resort hotels constitute almost 25% of the hotel portfolio. Mountain resorts and suite hotels each made up 12% of the hotel portfolio followed by residential hotels (3%) and spa hotels (1%).

TOP ASSETS hotels & resorts segment



Clarion Congress Hotel Prague

Country: Czechia
City: Prague
PP value: €98 million
Hotel beds: 1,114



Clarion Congress Hotel Ostrava

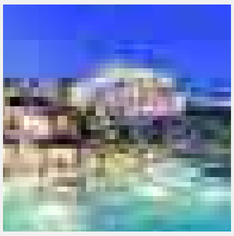
Country: Czechia
City: Ostrava
PP value: €24 million
Hotel beds: 335

Clarion Congres Hotel České Budějovice

Country: Czechia
City: České Budějovice
PP value: €23 million
Hotel beds: 407

Adriana Hotel

Country: Croatia
Location: Hvar
PP value: €22 million
Hotel beds: 118



Amfora Grand Beach Resort

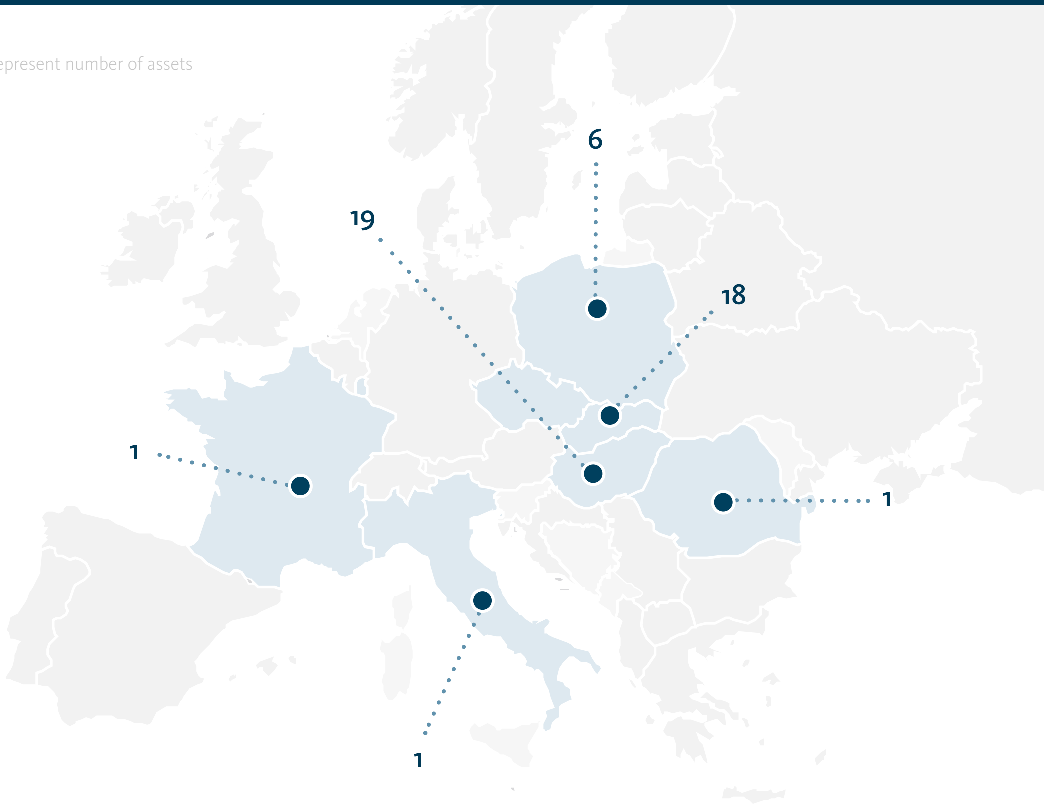
Country: Croatia
Location: Hvar
PP value: €89 million
Hotel beds: 648

Europeum - Marriott Courtyard

Country: Hungary
City: Budapest
PP value: €24 million
Hotel beds: 468

VALUE-ADD INVESTMENTS

Note: The figures represent number of assets



Complementary portfolio of yielding value-add assets

Potential to build large-scale platform in Hungary over time

64% increase in GLA due to acquisition of assets from CBRE GI

Occupancy increase by 7 p.p. in 2017

Value-add segment summary

	VALUE-ADD INVESTMENTS 2017				VALUE-ADD INVESTMENTS 2016			
	No. of properties	PP value (in € million)	NRI (in € million)	Occupancy (in %)	No. of properties	PP value (in € million)	NRI (in € million)	Occupancy (in %)
Hungary	19	509	23	91.8	14	275	15	83.0
Slovakia	18	117	7	86.9	19	181	13	84.2
Poland	6	206	9	95.2	5	84	4	91.1
France	1	151	-1	--	1	178	0.09	--
Luxembourg	--	--	--	--	1	23	1	86.9
Italy	1	12	--	--	1	9	--	--
Romania	1	38	2	94.3	--	8	--	--
Total	**46**	**1,033**	**40**	**92.1**	**41**	**758**	**33**	**85.1**

Note: Occupancy without France

The value-add segment represents Group's assets located in Hungary, Poland, Slovakia, Romania, France and Italy. The majority of assets are retail and commercial income-generating properties; the rest comprise residential and land bank. This cluster complements the Group's main clusters of Czechia and Berlin and fits perfectly in the Group's portfolio. Nevertheless the Group continues to seek to realise gains and dispose of non-core assets.

In the year 2017 the Group acquired a high-quality portfolio of predominantly shopping centres located in Hungary, Poland and Romania from CBRE. By this transaction, GLA of the Value-add cluster increased by more than 150,000 sqm.

During 2017, Value-add portfolio value increased by 36% while net rental income rose by 21% in comparison to 2016. The occupancy rate grew to 92.1% from 85.1% in 2016. Acquisition of a property in Romania with high occupancy (94.3%) and disposal of a property in Luxembourg with below-90% occupancy were partial contributors. In addition, Slovak and Hungarian properties showed notable improvements in occupancy rates on a y-o-y basis.

HUNGARY

OFFICE MARKET

Office market is concentrated in the capital city Budapest. During 2017, gross take-up volume reached 475,070 sqm in Budapest, which represents a 2% improvement on its 2016 level. In Q4 2017 alone, total leasing activity amounted to 144,360 sqm, which exceeded the 10-year average level of the corresponding period.

The major part (85%) of the annual completion volume was delivered in Q4 2017. Hence, the end of 2017 can be considered to be a predecessor of the substantial 2018 handover level, which is estimated to be about 270,000 sqm.

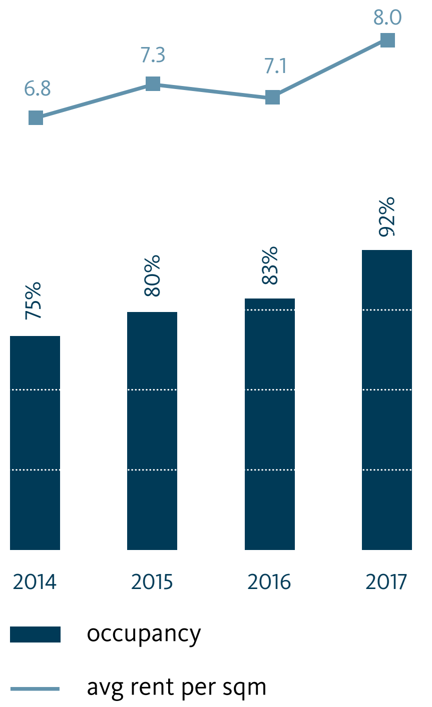
In 2017, the vacancy rate was 7.5% which is much lower than its long-term average (16%). Nevertheless, the percentage of vacant units is expected to start increasing in 2018 due to the planned delivery of a high volume of new office space .[13]

OFFICE PROPERTIES

Hungarian office assets occupancy levels increased by 4 p.p. to 82%; if Budaors Office Park not considered, the occupancy level would rise to 88%. This is below market levels, but the gap is decreasing over time as performance of Hungarian offices maintain steady upward pace.

The main tenants are Vodafone (13,000 sqm), Citi (14,000 sqm), NSC Global (2,500 sqm) and Magyar Posta.

Hungarian assets: Occupancy (in%) and average rent per sqm (in €)



Note: Occupancy rate based on GLA

[13] JLL

RETAIL MARKET

In 2017, Hungary experienced solid private consumption growth due to a tight labor market, soaring real earnings, and strong consumer confidence. The volume of retail sales increased by 4.8%, y-o-y.

The Hungarian retail market is concentrated in Budapest due to considerably higher spending power as opposed to the countryside. In addition, around 20% of population lives in Budapest attracted by the city's crucial role in national higher education, traffic infrastructure, and economic opportunities.

Prime shopping centre rents rose by roughly 14% in the first three quarters of 2017, which is consistent with strengthened consumer confidence. Strong occupier demand accompanied with weak development activity led to a noticeable decline in vacant office space. During January-September 2017, the vacancy rate dropped to 7.7% from 10.9% in the corresponding period of 2016 .[14]

RETAIL PROPERTIES

Our occupancy rates improved from already high levels to 96.8% (2016: 92.0%). Part of the improvement is attributed to the acquisition of four retail assets in Budapest with occupancy levels above 97% and with total GLA of 100,000 sqm. However, considering the Hungarian government policy of lowering personal taxes and VAT rates together with a solid macroeconomic performance we expect retail sales to keep already high pace in the forthcoming years.

Our Hungarian largest retail assets PÓLUS and Campona have both a footfall of 10 million visitors per a year.

The main tenants are Media Markt (3,000 sqm) and Reserve (3,600 sqm).

Balanced portfolio of quality assets focused around retail and office category and mainly located in Budapest

[14]JLL, Cushman & Wakefield

POLAND

OFFICE MARKET

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

Favorable market sentiment leads to robust occupier demand in Warsaw. Gross take-up amounted to 820,100 sqm in 2017, which is almost equal to its maximum level in 2015. On the other hand, the amount of new supply coming to Warsaw market in 2017 decreased in comparison to 2016. As a result, the vacancy rate dropped to 11.6% and reached its lowest level since 2013. While prime rents in Warsaw central locations remained unchanged, the highest prime rent in the city's non-central locations declined slightly.

The volume of space currently under construction, whose completion is scheduled mostly for 2019-2020, amounted to 750,000 sqm.[15]

OFFICE PROPERTIES

Our Polish office assets performed well and increased the occupancy level by 4 p.p. to 92.2%. By February 2018 Central Tower's lease-up activity increased and raised its occupancy from 91.5% by the end of the year to 96.5%, increasing overall occupancy in office segment in Poland to 94.8%.

RETAIL MARKET

Positive development of Polish retail market was driven primarily by high GDP growth, falling unemployment, and rising private consumption. The volume of retail sales experienced a 7.8% increase, y-o-y.

There are several reasons for the concentration of Polish retail market in Warsaw. In 2016, the city had 1,754,000 residents whose average monthly wage represented 134% of the national average. Purchasing power for Warsaw was 68% higher than the Polish average during 2016.

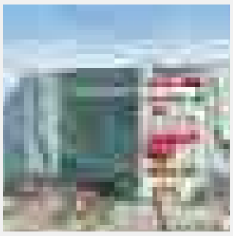
The modern retail stock in the Warsaw agglomeration reached 1.76 million sqm, whose largest share (70%) was represented by shopping centres, at the end of Q4 2017. Prime yield was 4.75% in Warsaw in Q4 2017, which is below its regional levels (5.00-5.25%). Substantial volume of space under construction (200,000 sqm) is scheduled to be completed during 2018-2019 .[16]

RETAIL PROPERTIES

The occupancy level of our Polish retail assets reached 96.8% which is a further improvement from already high 95.2%. Galeria Orkana, including contracted, but not yet operating tenants has reached full occupancy. Turnover rose by 8.3% in 2017. Ogrody occupancy decreased slightly to 96.1% due to churn of smaller tenants and its turnover rose by 7.5% in 2017.

[15] JLL, Cushman & Wakefield
[16] JLL, Cushman & Wakefield

TOP ASSETS in Value-add segment

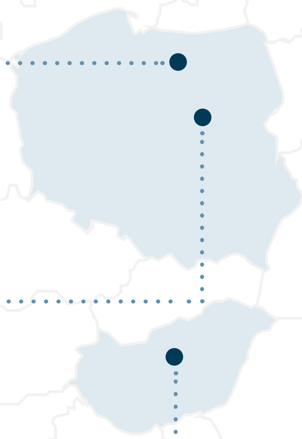


Shopping center Ogrody

Country: Poland
City: Elbląg
PP value: €120 million
GLA: 42,000 sqm

Orco Tower Warszawa Voltastraße 5

Country: Poland
City: Warsaw
PP value: €35 million
GLA: 14,000 sqm

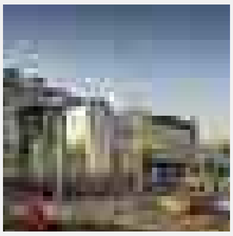


Polus Center

Country: Hungary
City: Budapest
PP value: €86 million
GLA: 41,000 sqm

Gateway Office Park

Country: Hungary
City: Budapest
PP value: €73 million
GLA: 36,000 sqm



Arena Corner building

Country: Hungary
City: Budapest
PP value: €62 million
GLA: 30,000 sqm

Campona Gustav-Meyer-Allee 25

Country: Hungary
City: Budapest
PP value: €73 million
GLA: 41,000 sqm

EPRA INDICATORS

EPRA PERFORMANCE INDICATORS

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

EPRA EARNINGS

EPRA Earnings measures the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items that are not considered to be part of the core activity of an investment property company.

EPRA Earnings (in € million)	2017	2016
Earnings per IFRS income statement	694	470
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	834	394
Profits or losses on disposal of investment properties, development properties held for investment and other interests	4	-1
Profits or losses on sales of trading properties including impairment charges in respect of trading properties.	-22	0
Tax on profits or losses on disposals	0	0
Negative goodwill / goodwill impairment	23	67
Changes in fair value of financial instruments and associated close-out costs	2	0
Acquisition costs on share deals and non-controlling joint venture interests	0	0
Deferred tax in respect of EPRA adjustments	-158	-58
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	6	0
Non-controlling interests in respect of the above	0	0
EPRA Earnings	**5**	**68**
Basic number of shares	9,488,722,610	7,795,617,846
EPRA Earnings per Share (EPS) (in €)	**0.001**	**0.009**
Company specific adjustments:		
Impairments	33	19
Amortization, depreciation	28	18
Net foreign exchange gain	0	2
Net foreign exchange loss – unrealized	76	0
Company specific Adjusted Earnings	**142**	**103**
Company specific Adjusted EPS	**0.015**	**0.013**

A rationale for using EPRA Earnings is that unrealised changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of the company's underlying operational performance.

EPRA NET ASSET VALUE

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.

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis.

Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Similarly, trading properties are adjusted to their fair value under EPRA's NAV measure.

EPRA Net Asset Value (in € million)	2017	2016
NAV per the financial statements	**3,277**	**2,259**
Effect of exercise of options, convertibles and other equity interests (diluted basis)	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,277**	**2,259**
Include:		
Revaluation of investment properties (if IAS 40 cost option is used)	0	0
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0	0
Revaluation of other non-current investments	0	0
Revaluation of tenant leases held as finance leases	0	0
Revaluation of trading properties	3	4
Exclude:		
Fair value of financial instruments	2	-15
Deferred tax	-697	-494
Goodwill as a result of deferred tax	43	43
EPRA NAV	**3,934**	**2,729**
Fully diluted number of shares	9,488,722,610	7,795,617,846
EPRA NAV per share (in €)	0.415	0.350

EPRA NET INITIAL YIELD AND EPRA "TOPPED-UP" NET INITIAL YIELD

The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. The EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent free periods and step rents).

EPRA NIY and EPRA "topped-up" NIY are aimed at encouraging the provision of comparable and consistent disclosure of yield measures across Europe. These two yield measures can be clearly defined, widely used by all participants in the direct and indirect European real estate market and should be largely comparable from one company to the next and with market evidence.

EPRA NIY and ‚topped-up' NIY (in € million)	2017*
Investment property – wholly owned	5,808
Investment property – share of JVs/Funds	5
Trading property (including share of JVs)	55
Less: developments	517
Completed property portfolio	5,351
Allowance for estimated purchasers' costs	0
Gross up completed property portfolio valuation	**5,351**
Annualised cash passing rental income	294
Property outgoings	33
Annualised net rents	**261**
Add: notional rent expiration of rent free periods or other lease incentives	17
Topped-up net annualised rent	**278**
EPRA NIY	**4.88%**
EPRA "topped-up" NIY	**5.19%**

* comparable data were not available

EPRA VACANCY RATE

The EPRA vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces).

The rationale for using the EPRA vacancy rate is that it can be clearly defined, should be widely used by all participants in the direct real estate market and comparable from one company to the next.

EPRA Vacancy Rate (in € million)		2017	2016
Estimated Rental Value of vacant space	A	21.7	20.5
Estimated rental value of the whole portfolio	B	299.9	213.7
EPRA Vacancy Rate	**A/B**	**7.2%**	**9.6%**

EPRA COST RATIO

EPRA cost ratio is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.

The EPRA Cost Ratios are aimed at providing a consistent base-line from which companies can provide further information around costs where appropriate.

EPRA Cost Ratios (in € million)	2017	2016
Include:		
Administrative/operating expense line per IFRS income statement	98	80
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	0	0
Other operating income/recharges intended to cover overhead expenses less any related profits	0	0
Share of Joint Ventures expenses	0	0
Exclude (if part of the above):		
Investment property depreciation	0	0
Ground rent costs	0	0
Service charge costs recovered through rents but not separately invoiced	0	0
EPRA Costs (including direct vacancy costs)	**98**	**80**
Direct vacancy costs	4	4
EPRA Costs (excluding direct vacancy costs)	**94**	**76**
Gross Rental Income less ground rents – per IFRS	**288**	**249**
Less: service fee and service charge costs components of Gross Rental Income (if relevant)	0	0
Add: share of Joint Ventures (Gross Rental Income less ground rents)	0	0
Gross Rental Income	**288**	**249**
EPRA Cost Ratio (including direct vacancy costs)*	**0.34**	**0.32**
EPRA Cost Ratio (excluding direct vacancy costs)*	**0.33**	**0.30**

* Our EPRA cost ratio is higher than some peers because of CPIPG's consistent reinvestment in our properties to improve rents, occupancy and valuations.

VALUATION SUMMARY

VALUATION SUMMARY

PROPERTY VALUATION

The consolidated financial statements for the year ended 31 December 2017 have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the 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.

Valuation reports are prepared in accordance with RICS Standards (RICS Valuation - Professional Standards January 2014), insignificant minority is prepared according to Czech valuation standards. Valuation reporting is done on an annual basis, with an update prepared semiannually. The property portfolio valuation as at 31 Dec 2017 is based on reports issued by:

- Cushman&Wakefield;
- CBRE, CBRE Hotels;
- Savills;
- RSM TACOMA;
- Jones Lang LaSalle;
- Mazars;
- Knight Frank;
- other appraisers

Entrusting several independent companies with the task of appraising the Group's real estate assets makes the process of determining the value of the Group's property portfolio transparent and impartial. At the same time, the valuation process is centralized for the sake of consistent methodology, reporting, and timeframe. The compensation paid to appraisers is entirely independent of their appraisal results but reflects the assigned workload measured by the number and the size of assets whose value should be appraised.

The following table summarizes the number and value of the Group's real estate assets appraised by individual firms as well as the share of the appraised value in the total valuation. For the purpose of higher informativeness, individual appraisers' workload and valuation results are presented by business cluster. The contribution of individual firms to total valuation summarized across business clusters is also included.

Split by appraisers and segments

Appraisers	Segments	Number of properties	Valuation	% of total PP value
Jones Lang Lasalle	Czechia	114	2,323	35%
	Hotels & resorts	3	141	2%
	Value-add investments	23	586	9%
Savills	Berlin	49	1,629	24%
Cushman & Wakefield	Czechia	102	518	8%
	Hotels & resorts	22	412	6%
	Value-add investments	1	62	0.5%
Tacoma	Czechia	4	249	4%
	Hotels & resorts	8	91	1%
	Value-add investments	1	7	0.1%
CBRE	Czechia	2	124	2%
	Value-add investments	17	109	2%
BNP	Hotels & resorts	1	38	0.3%
	Value-add investments	0	87	1%
Knight Frank	Value-add investments	1	120	2%
Other	Czechia	67	109	2%
	Berlin	0	9	0.1%
	Hotels & resorts	2	45	0.4%
	Value-add investments	3	63	0.6%
Total		**420**	**6,722**	**100%**

The table below compares the value of the Group's property portfolio by business cluster as at 31 December 2017 to its value six months ago (as at 30 June 2017) and a year ago (as at 31 December 2016). The contribution of each business cluster (in percentage terms) to the total value of property portfolio is also mentioned to make percentage changes over time more informative. Changes over six/twelve months are reported on both unadjusted basis and like-for-like basis. The value of the property portfolio as at 31 December 2017 was €6,722 million.

Valuation of the property portfolio (in € million)

	PP 2017	% of total PP	PP H1 2017	Change	PP 2016	Change
Czechia	3,323	50%	2,946	377	2,359	964
Berlin	1,638	24%	1,052	586	1,048	590
Value-add investments	1,033	15%	1,014	20	758	275
Hotels & resorts	728	11%	695	32	700	28
TOTAL	**6,722**	**100%**	**5,707**	**1,015**	**4,865**	**1,857**

98%

of Property Portfolio valued by external reputable appraisers

FINANCE REVIEW

FINANCE REVIEW

In 2017, the Group took several significant steps forward with regard to our capital structure and financial policy. We achieved an investment grade rating from Moody's, accessed the international bond markets, and refinanced our portfolio in Berlin at record-low rates. The Group continued the process of simplifying our capital structure, which resulted in a reduction in secured debt and an increase in our unencumbered assets.

Going forward, the Group is committed to maintaining a conservative financial profile, and to maintaining or improving our investment grade rating. In 2018 the Group has continued bolstering our capital structure, signing a €150 million 2-year unsecured revolving credit facility with a syndicate of regional and international banks.

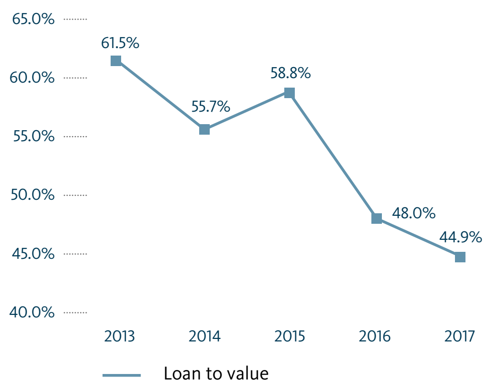
LTV reconciliation (in € million)

as of 31 Dec 2017

	2017	2016
Financial debts	1,758	1,933
Bonds issued	1,489	707
Net debt linked to AHFS	7	59
Cash and cash equivalents	(239)	(305)
Net debt	**3,015**	**2,335**
Total property portfolio	**6,722**	**4,865**
LTV	**44.9%**	**48.0%**

LTV in period 2013-2017 (in € million)

as at each year-end



PROCEEDS OF EUROBONDS ISSUES PRIMARILY USED FOR REFINANCING

In 2017, the Company issued €825 million (€600 million in October, €225 million in December) of 2.125% notes due 4th October 2024.

Net proceeds from the Eurobond issuance were used to prepay the Group´s senior bank debt (€800 million) and to partially purchase its local bond debt. As part of the process, the Group has also managed to renegotiate and improve margins on a number of senior bank financings.

On the whole, the Group repaid about 110 bank loans with a weighted average interest rate of 2.80% and a weighted average maturity of 3.23 years. 50% (based on principal) of the loans repaid were denominated in EUR, 46% in CZK, 3% in CHF and 1% in HRK.

Through the refinancings, the Group managed to unencumber assets of almost €1.6 billion.

Cost of external debt decreased further to 2.60% (compared to 2.86% in 2016).

LEVEL OF UNSECURED DEBT INCREASED

A significant effect of the refinancings was the shifting of debt in our capital structure. Unsecured debt of the Group increased from 23% to 43%, reflecting our efforts to unify our finacing structure and reduce our reliance on secured debt.

LEVEL OF FIXED-RATE DEBT INCREASED

The Group's level of fixed-rate debt at the end of 2017 was approximately 82%, relative to 71% at the end of 2016. As a result, the Group believes we have a high degree of protection against interest rate volatility.

Average interest rate sensitivity (in % p.a.)

as at 31 Dec 2017*

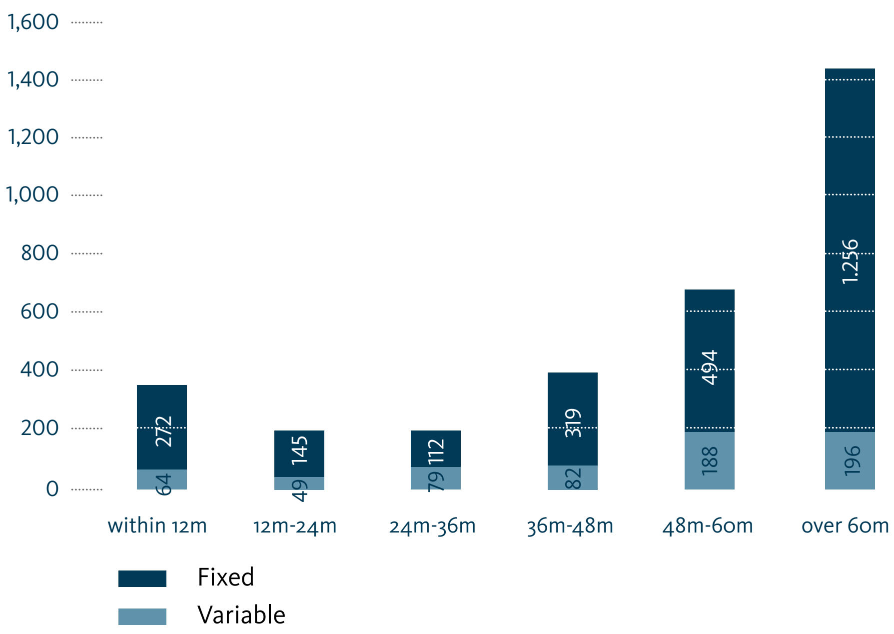
		Average interest rate			
Type of liability	**Share on external debt**	**as at 31 Dec 2017**	**if market interest rate +1 p.p.**	**if market interest rate +2 p.p.**	**if market interest rate +3 p.p.**
Bill of exchange	0.4%	4.38%	4.38%	4.38%	4.38%
Bonds	45.8%	3.34%	3.34%	3.34%	3.34%
Leasing	0.5%	2.73%	2.92%	3.20%	3.48%
Bank loan	52.6%	1.96%	2.19%	2.56%	2.93%
Non bank loan	0.7%	1.45%	1.46%	1.48%	1.50%
Total	**100.0%**	**2.60%**	**2.72%**	**2.92%**	**3.12%**

* Includes impact of contracted interest rate swaps

The table above shows that if interest rates on all of our variable borrowings increase by 3 p.p., cost of the Group's external debt will rise only by 0.52 p.p. In addition to our bonds which carry fixed coupons, many of our loan agreements include arrangements which convert the loan to a fixed rate obligation. The Group can also make use of hedging instruments as required to manage the level of fixed and floating rate debt.

Maturity profile of external debt by type of interest rate (in € million)

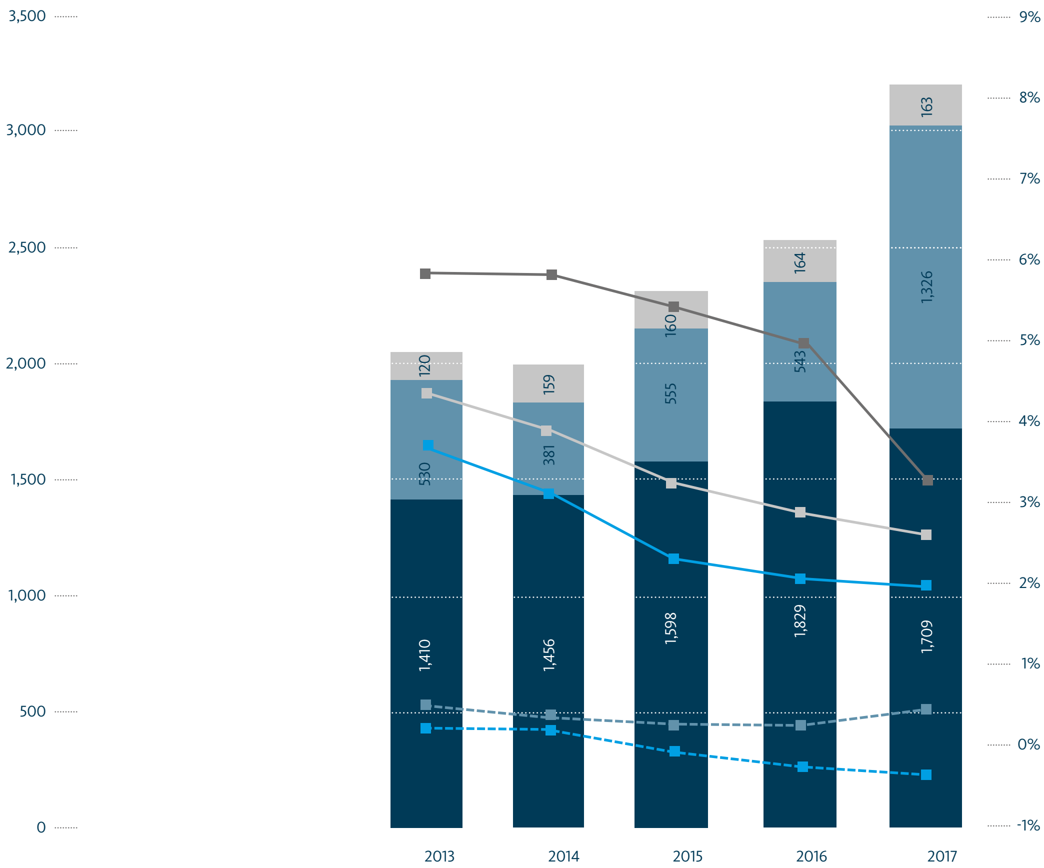
as at 31 Dec 2017



The Group's maturity profile was lengthened in 2017 through the bond offerings and the refinancing of our portfolio in Berlin. The group's near-term maturites are relatively modest. Through the refinacings, the weighted average effective maturity date of the group's debt was lengthened from February 2022 to November 2023. We believe our current weighted average maturity of roughly 5.9 years is appropriate for the business, although we will continue to seek opportunites to term-out our debt through refinacing.

Structure of external debt, average interest rates and market rates (in € million)

as at each year-end



		2013	2014	2015	2016	2017
Project bonds		120	159	160	164	163
Corporate bonds		530	381	555	543	1,326
Bank loans		1,410	1,456	1,598	1,829	1,709
Avg. bank loan interest rate		3.75%	3.14%	2.32%	2.10%	1.96%
Avg. bond interest rate		5.81%	5.80%	5.46%	4.93%	3.34%
Total avg. interest rate		4.40%	3.86%	3.29%	2.89%	2.60%
Avg. 3m EURIBOR		0.22%	0.21%	-0.02%	-0.27%	-0.33%
Avg. 3m PRIBOR		0.46%	0.36%	0.31%	0.29%	0.41%

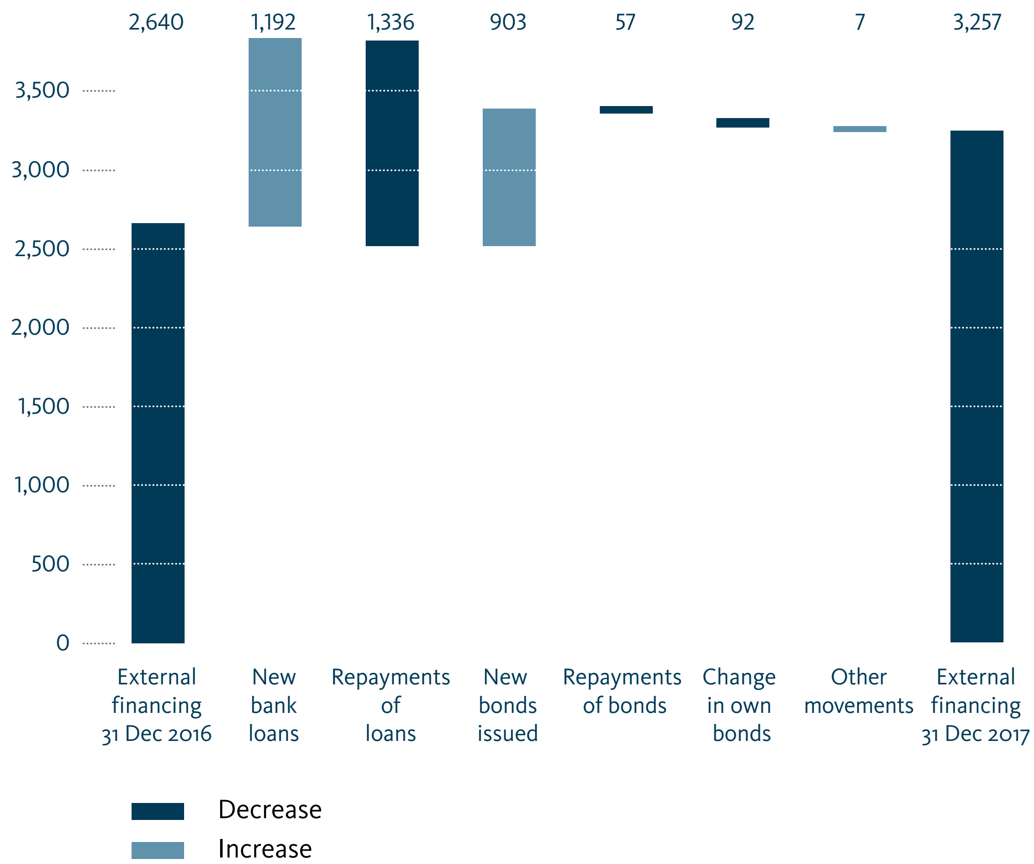
The group's cost of debt declined from 2.9% in 2016 to 2.6% in 2017, resulting from a significant reduction in the cost of bond financing and a smaller reduction in the cost of bank financing, where rates are already extremely attractive given the strength of the Group's underlying assets and geographies.

The total volume of new financing and refinancing reached €2,095 million in 2017. From this amount, newly raised or refinanced external debt represents €1,657 million and €438 million represents financing associated with acquisitions. New drawings were compensated by bank loan repayments of €1,336 million and repayment of bonds in the amount of €57 million.

STRUCTURE OF EXTERNAL FINANCING

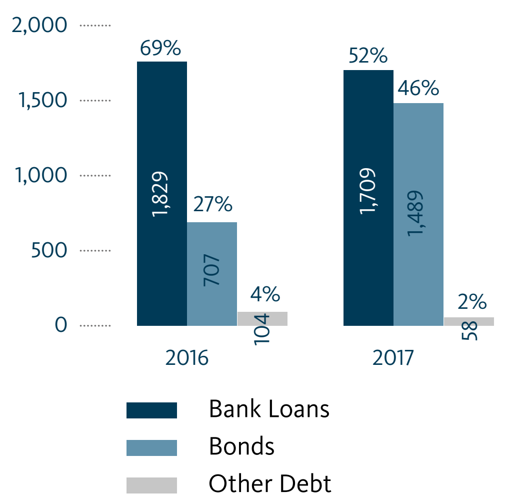
Total external financing was €3,257 million as at 31 December 2017 (2016: €2,640 million). While bank loans stood at €1,709 million (as opposed to €1,829 million in 2016), issued bonds held by third parties reached €1,487 million (as opposed to €707 million in 2016). The external financing structure changed significantly compared to the end of year 2016. The share of bonds as a percetage of total debt increased dramatically (46% in 2017 vs. 27% in 2016) and the share of bank loans decreased (52% in 2017 vs. 69% in 2016). These changes resulted from the Group's issuance of Eurobonds and usage of the proceeds for repayment of its senior bank debt. Other debt comprises bills of exchange, non-bank loans from third parties and financial leases.

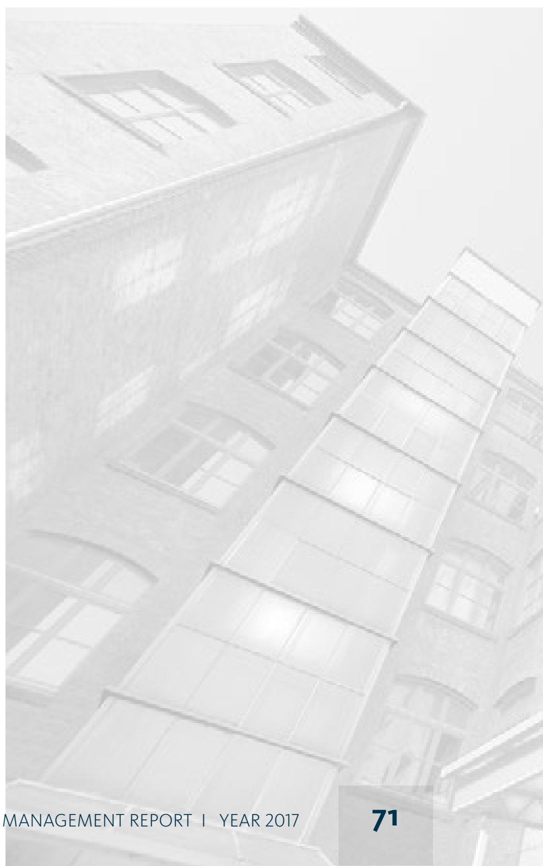
External financing during 2017 in detail (in € million)



Structure of external debt (in € million)

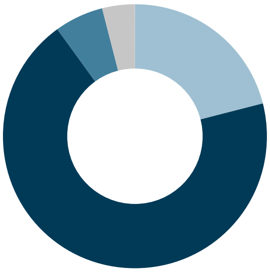
as at 31 Dec 2017





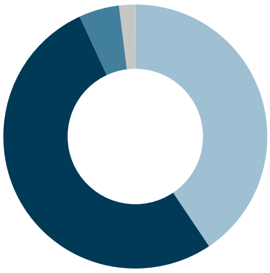
Increasing share of unsecured debt

2016



Secured bank loans	69%
CPI PG (unsecured)	21%
Secured bonds	6%
Other	4%

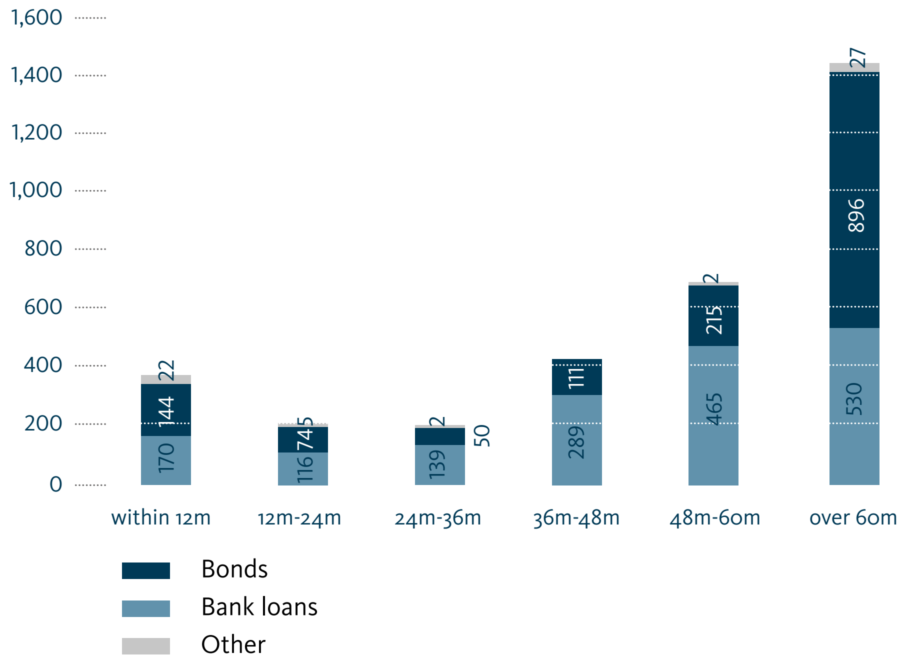
2017



Secured bank loans	53%
CPI PG (unsecured)	41%
Secured bonds	5%
Other	2%

Maturity profile of external debt by type of debt (in € million)

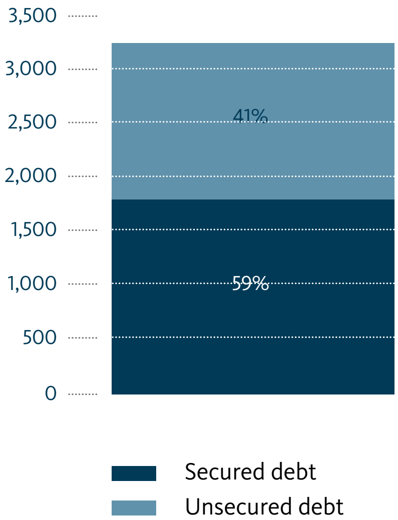
as at 31 Dec 2017



The maturity structure of our external debt substantially changed as debt with maturing in over 5 years increased markedly from 18% in 2016 to 45% in 2017 driven by bond financing and refinancing of our Berlin portfolio, each for 7 years.

Senior bank loans are drawn by the companies within the Group, which hold the respective real estate property. Project bonds have historically been used for specific purposes (such as our residential subsidiary CPI BYTY) and to capture local market demand.

Secured and unsecured financing
as at 31 Dec 2017



secured bank debt
€1,709
million

unsecured bank debt (drawn)
€0
million

secured bonds
€163
million

unsecured bonds
€1,326
million

BANK LOANS

Bank loans represent a significant component of the Group's financial debts. The bank loans balance (including bank overdrafts and liabilities from assets held for sale) decreased by 7% compared to 31 December 2016. The main reasons for this decline are the following:

- loans repaid in 2017 amounted to €1,288 million;
- loans at entities disposed of amounted to €48 million

Other significant 2017 changes include:

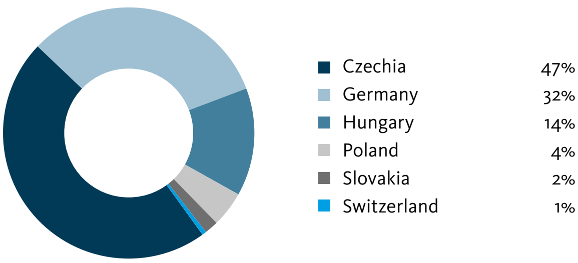
- new loans drawn in 2017 amounted to €754 million;
- loans acquired with new portfolio in a total value of €438 million

The Group's bank loans are denominated mainly in euro and Czech crowns. Loans drawn in Czech crowns represented 16% of the total relative to 34% at year-end 2016 due to (i) CBRE GI acquisition in March 2017 which was financed by loans denominated in euro and (ii) repayment of a number of loans denominated in Czech crowns.

In March 2018, the Group signed a €150 million 2-year unsecured revolving credit facility with a group of regional and international banks. We believe this facility adds flexibility to our capital structure. Lenders in the facility are Barclays Bank PLC, Credit Suisse, Deutsche Bank Luxembourg S.A., J.P. Morgan Securities plc, Komercni banka, a.s., and UniCredit Bank Czech Republic and Slovakia, a.s.

Secured bank debt by geography (breakdown by principal)

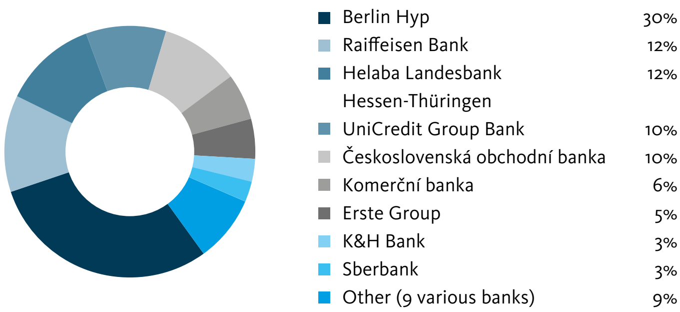
as at 31 Dec 2017



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

Secured bank debt by bank (breakdown by principal)

as at 31 Dec 2017



81% of outstanding bank loan balance (represented by €1,380 million) is drawn from 6 financing bank groups; in total the Group has secured loans from 17 banks, who are active in the CEE region and Germany.

BONDS

The group has historically been a leader in issuing bonds in the local markets, and in 2017 entered the international bond markets. The total amount of bonds outstanding equaled €1,489 million as at 31 December 2017 (2016: €707 million). Project bonds made up €163 million (2016: €164 million) and corporate bonds amounted to €1,326 million (2016: €542 million). In 2017, the Group issued:

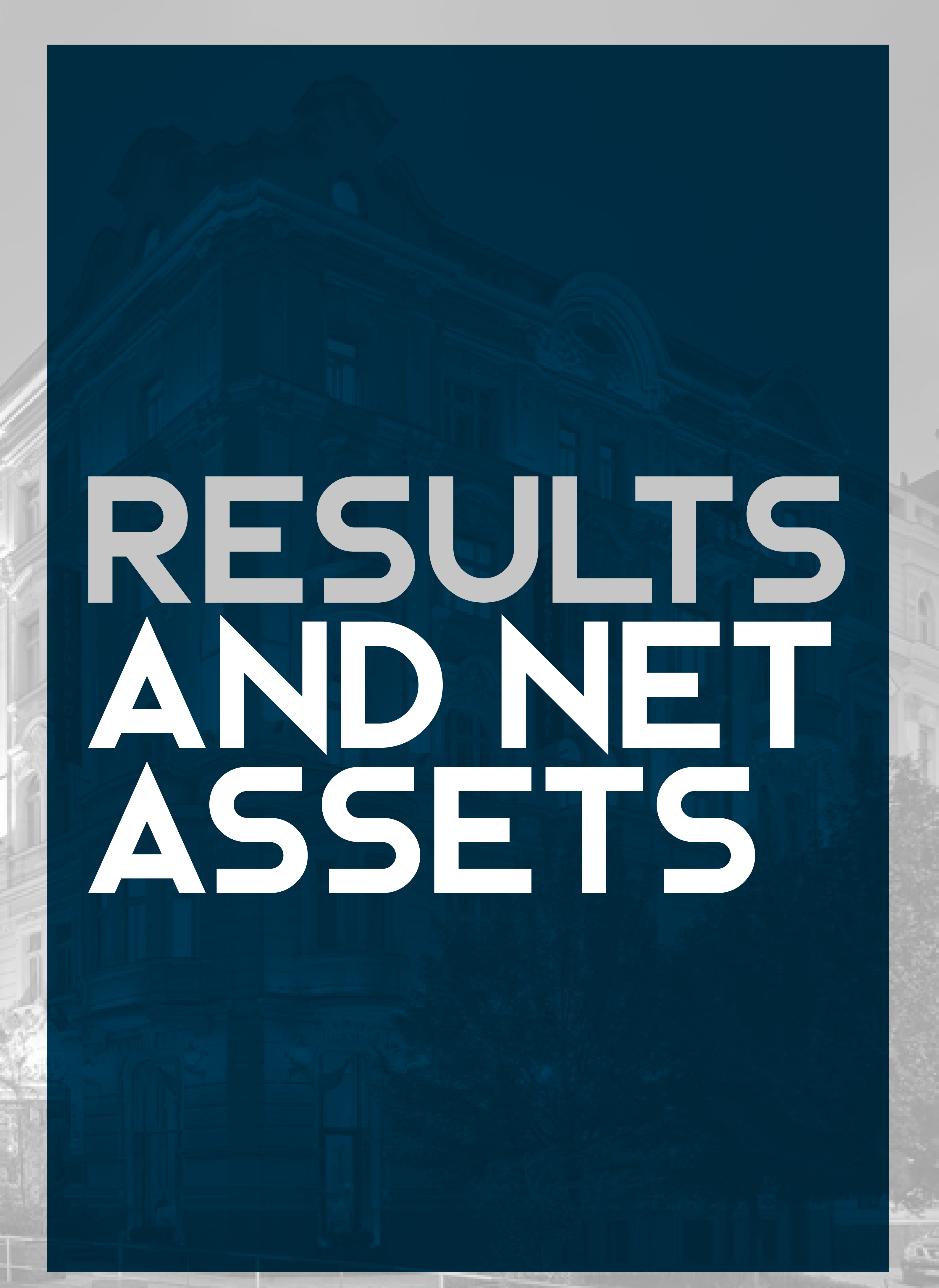
- In October and December 2017, notes in the total nominal amount of €825 million, with a maturity in 2024, bearing a fixed coupon of 2.125% p. a. These notes were issued under the €1.25 billion Euro Medium Term Note programme.
- In January 2017, prior to the receipt of our investment grade rating, the Group's subsidiary CPI Finance Slovakia II issued €55 million bonds with a maturity in 2022, carrying a fixed rate coupon of 5.00% p.a. These bonds were sold to investors in the local market in CEE.

Additionally, CPI BYTY, a.s. issued:

- the seventh tranche of secured bonds in the amount of CZK 530 million (€21 million), with maturity on 7 May 2019, carrying a fixed coupon of 1.85% p.a.
- the eighth tranche of secured bonds in the amount of CZK 270 million (€11 million), with maturity on 7 May 2019, carrying a fixed coupon of 2.25% p.a.

The Group repaid two tranches of project bonds during 2017. On 7 May 2017, the Group repaid CPI BYTY 2.50/17 CZK (ISIN CZ0003512485) issue representing CZK 300 million (€11 million). On 7 May 2017, the Group repaid CPI BYTY 3.50/17 (ISIN CZ0003510687) tranche represented by nominal value of CZK 500 million (€18.5 million) excluding accrued interest.

In November 2017, the Group canceled its €500 million notes (ISIN XS1279550260). Also in November, the Group's subsidiary Orco Property Group redeemed their 7 per cent guaranteed notes with ISIN code XS0820547742.



RESULTS AND NET ASSETS

RESULTS AND NET ASSETS

GRI INCREASE

GRI sharply increased by 16% to €262 million in 2017

- LFL growth by 5.4%
- and acquisitions, namely „CBRE GI acquisition" transaction

NRI increased by 12% to €232 million compared to €207 million in 2016. The positive impact of the increase in GRI was partially offset by higher property operating expenses.

The overall positive development in the real estate sector continues to motivate the Group to invest more in repairs and maintenance costs to support the long-term value and marketability of the assets.

HOTEL RESULTS

The substantial increase in hotel revenues and net hotel income primarily reflects the acquisition of 100% share in CPI Hotels, a.s., in mid 2016.

REVALUATION GAIN

New revaluation record reached. The overall gain on revaluation of the property portfolio totals € 834 million and it is based on the valuation appraisals prepared by independent and reputable appraisers. The gain was driven primarily by the overall performance improvement of the projects, current situation on our core markets, Czechia and Germany, together with the successful acquisitions we made in late 2016 and 2017.

Valuation gain per country

- Czechia 45 %
- Germany 49 %
- Other 6 %

Valuation gain per segment

- Office 55 %
- Retail 19 %
- Other 26 %

€ million	2017	2016
Gross rental income	**262**	**226**
Net service revenue	25	23
Property operating expenses	(56)	(42)
Net rental income	**232**	**207**
Net development income	**(1)**	**(2)**
Hotel revenue	112	70
Hotel operating expenses	(73)	(42)
Net hotel income	**39**	**28**
Revenue from other business operations	35	30
Related operating expenses	(34)	(25)
Net income from other business operations	**1**	**5**
Total revenues	**438**	**351**
Total direct business operating expenses	**(166)**	**(113)**
Net business income	**272**	**238**
Net valuation gain on investment property	834	394
Net gain or loss on the disposal of assets	4	(1)
Amortization, depreciation and impairments	(84)	(37)
Other operating income	30	74
Administrative expenses	(42)	(38)
Other operating expenses	(4)	2
Operating result	**1,011**	**632**
Interest income	10	11
Interest expense	(99)	(94)
Other net financial result	(87)	(5)
Net finance costs	**(176)**	**(89)**
Share of profit of equity-accounted investees	**6**	**0**
Profit before income tax	**841**	**544**
Income tax expense	(147)	(84)
Net profit from continuing operations	**694**	**460**

DEPRECIATION AND IMPAIRMENT

The substantial increase in amortization, depreciation and impairments reflects predominantly the transfer of hotel properties from investment property to property, plant and equipment due to the acquisition of hotel operator CPI Hotels, a.s. and its subsequent depreciation.

As at 31 Dec 2017, we have also impaired some of our non-core assets in western Europe.

INTEREST EXPENSE

Despite increase in debt by 23%, only 6% in interest expenses. The effect of massive refinancing in 2017 will be visible more clearly in 2018.

UNREALISED FX LOSS

Due to CZK appreciation against EUR we have incurred sizable FX loss:

- unrealised FX loss €64 million on € denominated assets in Czechia and
- unrealised FX loss €13 million on intragroup financing

Unrealized FX losses are a non-cash item in our income statement and are offset by an increase in our translation reserve with significant positive impact on our equity.

EXPANSION OF OUR PROPERTY PORTFOLIO

Our property portfolio rose dramaticaly 38% from €4,9 billion in 2016 to €6,9 billion in 2017.

Acquisitions and strongly improved performance together with the rising market environment, subsequently reflected in a higher value of our assets, were the the main drivers of the growth.

The key strategic acquisition in 2017

- Portfolio of shopping centres acquired from CBRE BI at value €625 million
- Acquisition of assets in Germany at value €168 million
- Shopping centre in Brno, Czechia at value €59 million

The revaluation gain reflecting the better performance of Group properties and improved market conditions on our two core markets, Czechia and Berlin, represents 93% (€778 million) of the total revaluation gain on our properties recognised in profit and loss account.

The share of office and retail segment, the two key segments of the group, represents 70%.

NAV AND EPRA NAV

The total equity rapidly increased by 45%, from €2,288 million as at 31 December 2016 to €3,315 million as at 31 December 2017. The main elements with positive impact on equity were:

- The robust profit of €695 million
- Issuance of new shares exceeding €150 million
- Increase by €95 million in translation reserve, reflecting CZK appreciation towards EUR

EPRA NAV (for the calculation refer to chapter EPRA indicators)
EPRA NAV totals €3,934 million as at 31 December 2017 and compared to 31 December 2016 strongly rose by 44%.
The main positive effect, except the positive equity elements described above, is represented by increase in deferred tax liability from positive revaluation of the Group's portfolio.

€ million	2017	2016
Non-current assets		
Intangible assets and goodwill	120	117
Investment property	5,808	3,978
Property, plant and equipment	724	679
Deferred tax assets	142	122
Other non-current assets	89	17
Total non-current assets	**6,883**	**4,913**
Current assets		
Inventories	82	98
Trade receivables	77	68
Cash and cash equivalents	239	304
Asset held for sale	113	124
Other current assets	135	155
Total current assets	**646**	**749**
Total assets	**7,529**	**5,662**
Equity		
Equity attributable to owners of the Company	3,277	2,259
Non controlling interests	38	30
Total equity	**3,315**	**2,289**
Non-current liabilities		
Bonds issued	1,332	657
Financial debts	1,593	1,294
Deferred tax liabilities	710	504
Other non-current liabilities	50	38
Total non-current liabilities	**3,685**	**2,493**
Current liabilities		
Bonds issued	158	50
Financial debts	165	582
Trade payables	75	66
Other current liabilities	131	182
Total current liabilities	**529**	**880**
Total equity and liabilities	**7,529**	**5,662**

TOTAL ASSETS AND LIABILITIES

Total assets increased by €1,867 million (33%) to €7,529 million as at 31 December 2017. The predominant driver of this substantial growth is represented by the expansion of our property portfolio which grew by €1,857 million (38%), from €4,865 million to €6,722 million in 2017.

Non-current and current liabilities total €4.214 million as at 31 December 2017 which represents and increase by €841 million (25%) compared to 31 December 2016. Acquisitions and their financing represent the main driver of this increase..

BONDS ISSUED&FINANCIAL DEBTS

With respect to bonds, we succesfully issued the following tranches in 2017:

- Eurobonds in the total nominal amount value of €825 million, with maturity in the year 2024
- additional €55 million bonds, with maturity in the year 2022

We used the proceed from Eurobonds primarily for the repayment of bank debts (800 million) and partially repurchase of our local bonds. In addition, we succesfully refinanced our Berlin portfolio at record-low rates.

This lead to the significant change in the structure of our external financing and its improved maturity profile. The share of bonds increased dramatically (46% in 2017 vs. 27% in 2016) and the share of bank loans decreased (52% in 2017 vs. 69% in 2016).

CORPORATE GOVERNANCE

04

CORPORATE GOVERNANCE

PRINCIPLES

CPIPG believes that good corporate governance safeguards the interests of our stakeholders including shareholders, bondholders, lenders, tenants and employees. Our objectives are excellence and transparency in our management controls, corporate reporting and internal procedures. We believe this supports a corporate culture which is balanced between entrepreneurial spirit and the identification, control and prevention of risk.

CPIPG continually reviews and implements industry best practices with respect to corporate governance and has adjusted our internal practices to meet international standards. CPIPG aims to communicate regularly with our shareholders and stakeholders regarding corporate governance and to provide regular updates on our website.

CPIPG's equity and debt securities are listed on several regulated European exchanges including Frankfurt, Luxembourg, Dublin, Prague, Warsaw, and Bratislava. In each listing venue, we comply with the applicable disclosure and governance rules. However, CPIPG's general approach to corporate governance primarily follows the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange ("The X Principles")[17].

The X Principles provide companies with guidance in the application of corporate governance rules, and have evolved over time in line with changes in regulations and market practices. The X Principles are based on Luxembourg legislation regarding commercial companies, and specifically on the financial regulations that are applicable to companies listed on the Luxembourg Stock Exchange (and in general to all companies listed in the EU). The X Principles can be summarized as follows:

PRINCIPLE 1: CORPORATE GOVERNANCE FRAMEWORK

The Company has adopted the X Principles as its main corporate governance framework. The Board of Directors considers corporate governance as vital for the Company's operation and progress. The Board regularly reviews the governance policies, works of its committees and communication with shareholders and investors. The Company publishes the statement on corporate governance in its annual report.

The group follows the Ten Principles of the Luxembourg Stock Exchange

PRINCIPLE 2: THE BOARD OF DIRECTORS' REMIT

The Board is responsible for the management and supervision of the Group. It acts in the best corporate interest of the Company, its shareholders and other stakeholders. The key goal of the Board is to ensure the long-term success of the Company.

The Board takes into account Group's corporate social responsibility and the interests of all stakeholders in Board's deliberations. During its meetings, the Board regularly evaluates its conduct and operation and the relations with the management.

PRINCIPLE 3: COMPOSITION OF THE BOARD OF DIRECTORS AND OF THE SPECIAL COMMITTEES

The Board of the Company is composed of highly experienced and qualified real estate and finance professionals with an excellent track record and thorough knowledge of the Group and its business. The Board is composed of executive directors, independent director and also non -executive directors representing shareholders. The Board established the Audit Committee and the Remuneration and Related Party Transaction Committee (the "Remuneration Committee") with specific roles and responsibilities.

PRINCIPLE 4: APPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS

The composition of the Board has been stable given their conduct and the Company's performance. The candidates for the appointment to the Board are carefully evaluated. The Board, before submitting candidates to shareholders' general meeting for voting, conducts interviews and evaluations, such that all prospective candidates are competent, honest, and qualified persons with relevant professional background and experience.

PRINCIPLE 5: PROFESSIONAL ETHICS

The Board as a governing body as well as each of the

[17] https://www.bourse.lu/documents/legislation-GOVERNANCE-ten_principles-EN.pdf

directors exercises their respective mandates with integrity and commitment. The Board represents the shareholders as a whole and makes decisions in the Company's interest. A director who has a direct or indirect conflict between his interests and those of the Company in any business or matter to be resolved upon by the Board (i) must promptly inform the Board of such potential conflict; (ii) must request that it is stated in the minutes of the Board meeting; and (iii) cannot take part in such deliberations nor vote in relation to the matter in which such director is conflicted.

PRINCIPLE 6: EXECUTIVE MANAGEMENT

The Company has become a very successful real estate group, which has experienced significant growth in recent years. A swift decision-making process and co-operative atmosphere are among the Company's core competitive advantages. To ensure a seamless continuation of this success, the Company has formally established an Executive Board comprised of its top executives. The Executive Board reports to the Board of Directors, receives instructions therefrom and is responsible for managing all day-to-day matters of the Group.

In order to streamline the decision-making process and clarify responsibilities, the members of the Executive Board have been assigned divisions and departments under their direct responsibilities and reporting lines. The co-ordination and communication among various divisions and departments and principally the people themselves are vital for the Company's success and have the full support of management.

PRINCIPLE 7: REMUNERATION POLICY

The Directors and the members of the Company's Executive Board are remunerated in a manner that is compatible with the long-term interests of the Company.

PRINCIPLE 8: FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

The Company has established set of rules and procedures designed to protect the Group's interests in the areas of financial reporting, internal control and risk management.

PRINCIPLE 9: CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is reviewing its corporate social responsibility policy with respect to social and environmental aspects so as to implement it carefully. Environmental criteria are one of the main aspects of the Group's development and construction projects. Quadrio project in Prague won multiple real estate awards and also obtained Leadership in Energy and Environmental Design Silver certification and helped to overall revitalization of its neighborhood in Prague.

PRINCIPLE 10: SHAREHOLDERS

The Company's primary purpose is the creation of value for its shareholders. The Company respects the rights of its shareholders and ensures that they treated equally. The Company constantly improves our communication with shareholders and the transparency of our reporting.

BOARD OF DIRECTORS

The Company is administered and supervised by the Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors represents the shareholders as a group and acts in the best interests of the Company. 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's stakeholders including shareholders, bondholders, creditors, tenants, and employees.

APPOINTMENT OF DIRECTORS

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.

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors is empowered to perform any acts necessary or useful in achieving the Company's objectives. All matters not expressly reserved to the general meeting by law or by Company's articles of association are within the competence of the Board of Directors.

In particular, 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 or selling real estate;
- Incorporating companies;
- Adopting resolutions regarding the issuance of bonds, or borrowings;
- Approving issuance of new shares pursuant to the autho rised share capital.

DELIBERATIONS

The Board of Directors may designate at the time of each meeting one of its members who shall preside over that Board meeting.

Meetings of the Board of Directors may be convened by any Director. The Board of Directors may validly debate and take decisions at a Board meeting without complying with all or any of the convening requirements and formalities if all the Directors have waived the relevant convening requirements and formalities either in writing or, at the relevant Board meeting, in person or by an authorised representative.

The Board can validly deliberate and act only if the majority of its members are present or represented, a proxy between Directors, which may be given by letter, telegram, telex, telefax, email, electronic signature or any other secured means, being permitted. In case of emergency, Directors may vote by letter, telegram, telex, telefax, email, electronic signature or any other secured means.

Resolutions require a majority vote. In the case of an equality of votes, the chairman of the meeting (if designated) will have a second or casting vote.

Resolutions signed by all the members of the Board of Directors shall be just as valid and enforceable as those taken at the time of a duly convened and held meeting of the Board of Directors.

A Director or his Director's representative may validly participate in a Board meeting through the medium of video-conferencing equipment or telecommunication means allowing the identification of each participating Director. These means must have technical features which ensure an effective participation in the meeting allowing all the persons taking part in the meeting to hear one another on a continuous basis and allowing an effective participation of such persons in the meeting. A person participating in this way is deemed to be present in person at the meeting and shall be counted in the quorum and entitled to vote. All business transacted in this way by the Directors shall, for the purposes of these articles of association, be deemed to be validly and effectively transacted at a Board meeting, notwithstanding that fewer than the number of directors (or their representatives) required to constitute a quorum are physically present in the same place. A meeting held in this way is deemed to be held at the registered office of the Company.

The minutes of a Board meeting shall be signed by and extracts of the minutes of a Board meeting may be certified by any Director present at the meeting.

DELEGATION OF POWERS

The Board of Directors may delegate all or part of its powers concerning the day-to-day management and the representation of the Company in connection therewith to one or more Directors, corporation's directors, chief operating officers, chief executive officers, managers or other officers, who need not to be shareholders of the Company.

Currently, Martin Němeček, has been appointed as the Company's Managing Director.

CURRENT BOARD OF DIRECTORS

As at 31 December 2017, 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;
- Radovan Vítek; and
- Marie Vítková.

The Board of Directors is comprised of:

- 4 executive members representing the management of the Company: Martin Němeček, CEO, Tomáš Salajka, Director of Acquisitions, Asset Management & Sales, Oliver Schlink, CFO of Company's subsidiary GSG Berlin, and Philippe Magistretti, president of CMA S.A.(Crans-Montana ski resort);
- 1 independent, non-executive member: Edward Hughes;
- 2 non-executive member representing shareholders: Radovan Vítek and Marie Vítková.

The current Board members were appointed during the Company's annual general meeting of 2017 and their term expires at the annual general meeting of 2018 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2017. During 2017 the Board of Directors met 16 times.

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee review's 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 risks factors and risk control procedures. During 2017 the Audit Committee met 4 times.

The Audit Committee is comprised of the following members:
- Edward Hughes;
- Philippe Magistretti;
- Iveta Krašovicová.

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE

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

The Remuneration Committee is comprised of the following members:

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

During 2017 the agenda of the Remuneration Committee has been assumed by the Board in order to enhance decision making process in relation to remuneration and related party transaction to the Board of Directors.

EXECUTIVE MANAGEMENT

The Company has formally established an Executive Board comprised of the following members:

- Martin Němeček, Chief Executive Officer;
- Zdeněk Havelka, Executive Director;
- Tomáš Salajka, Director of Acquisitions, Asset Management & Sales.

The Executive Board reports to the Board of Directors and is responsible for managing all day-to-day matters of the Group. In order to streamline the decision-making process and clarify responsibilities, members of the Executive Board have been assigned divisions and departments under their direct responsibilities and reporting lines. The co-ordination and communication among various divisions and departments and principally the people themselves are vital for the Company's success and receives the full support of management.

The management of the group has an average of 14 years of experience in the property industry mainly in the CEE region and Berlin, with expertise in asset and property management, finance, leasing and development. The Group benefits from strong local knowledge and expertise of our regional managers and other professionals.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

The Company has organized our internal control environment by identifying the main risks to which we are exposed, determining the level of control over these risks, and strengthening the reliability of our financial reporting and communication processes.

The Group's overall approach to risk is conservative. There are inherent risks determined by the nature of our business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude and are closely managed. Analysis of sensitivity to these key risks is conducted at Group level.

The Group's management structure is designed to enable effective decision making. The periodical reviews of key performance indicators are conducted: retail tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets are schedules. An internal audit and cost control functions are regularly performed. Strict procedures are also observed for the periodic production of quarterly and annual figures on the basis of the adopted policies. There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions. The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses. Capital projects, major contracts and business property acquisitions are reviewed in detail and approved by the Board of Directors where appropriate.

FINANCIAL RISK

The Group maintains a prudent financial policy. Foreign exchange risks are effectively managed by shifting risks associated with movements in exchange rates to its tenants in most of its Euro-denominated contracts in order to hedge exposure to currency risks in its loans; it uses interest rate swaps to hedge against interest rate risks and uses a credit rating scorecard to manage credit risk associated with its tenants.

The Group is also able to draw on a diverse range of capital and liquidity sources including domestic international capital market bonds issued under the Company's EMTN programme, bonds in the Czech Republic and Slovakia, secured loans from its relationship banks and equity investment from its majority shareholder.

The Group has strong credit metrics, which management believes provide it with the capacity to further de-lever.

For financial risk, comprising of credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk) please refer to Note 7 in Consolidated financial statements as of 31 Dec 2017.

INFORMATION TECHNOLOGY RISKS

The Group developed a strong information technology team, with dedicated information security specialists. The threat of data breach and loss or cyberattacks are taken very seriously. The IT systems used across the Group are designed and developed in order to provide maximum security. The information security risk is carefully monitored and information security policy is regularly monitored. Employees are regularly guided to be aware of potential IT and cyber security related risks.

The Group makes use of electronic data processing within automated information systems. Offsite data back-up and recovery measures are in place.

LEGAL RISK

The Group has established a legal team at the central and local level to ensure proper implementation of legal services and compliance with applicable laws and regulations. Internal legal teams support the management in the daily operation with respect to ongoing transactions and legal relationships with clients, customers, banks, suppliers, administrative and governmental bodies, as well as courts. The legal teams monitor legislative changes and regulatory changes to minimize associated legal risks.

Complex transactions, litigations as well as certain legal services are outsourced to reputable law firms to ensure obtaining of the highest standards of legal services and minimization of legal risks.

Local legal departments provide regular litigation reports to the general counsel who reports directly to the CEO. Legal reports, including litigation updates, are provided to the Board on quarterly basis, with major legal issues being reported immediately.

DEVELOPMENT, CONSTRUCTION AND REFURBISHMENT PROJECTS

The Group employs construction and development exerts and skilled project managers for its construction and refurbishment projects. The suppliers of architectural, permitting, construction and refurbishment works are always tendered from reputable companies with relevant experience and financial capacity.

Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring organizations. Health, safety and environmental risks are monitored before and during the construction.

TRANSACTION AND ASSET MANAGEMENT RISK

Acquisitions of new assets are carefully examined through a detailed financial, legal, and operational evaluation prior to Board approval. Reputable external advisors are engaged to assist with acquisition processes starting from evaluation, due diligence process, transaction negotiation and implementation.

Asset management initiatives are carefully scrutinized before implementation, taking costs benefits into account. An experienced asset management team evaluates market pricing of lease transactions and also assist acquisition processes.

An experienced property management team monitors retail tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors. Rent collection is closely monitored and enforced in cooperation with legal team. The tenant base is well diversified and there is small exposure to individual tenants.

ASSET PROTECTION/INSURANCE

The Group insures all of its income-producing properties with all-risk property insurance at reinstatement cost, business interruption (revenues for 24 months) and third party liability insurance. Some properties are also insured against terrorist acts. Properties under development have construction all-risk insurance. Insurance is contracted from reputable international insurers.

The Audit Committee and the Remuneration Committee have a specific duties in terms of internal control.

SUBSEQUENT EVENTS

Please refer to Note 10 of the Consolidated Financial Statements as at 31 December 2017.

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 2017.

ENVIRONMENTAL, SOCIAL AND ETHICAL MATTERS

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

ENVIRONMENTAL MATTERS

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

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

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

As a priority item for apartment building renovations, the Group replaces older heating systems with natural gas systems, and seeks to improve the overall level of thermal insulation in its buildings. A number of buildings is also equipped with solar panels, namely assets in Berlin portfolio. Quadrio project in Prague won multiple real estate awards and also obtained Leadership in Energy and Environmental Design Silver certification and helped to overall revitalization of its neighborhood in Prague.

SOCIAL MATTERS

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

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

ETHICAL MATTERS

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

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 9,488,722,610 ordinary shares of one class, out of which 230,056,445 shares (approximately 2.42% 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 9,258,666,165 Company shares (approximately 97.58% 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. 230,056,445 shares (approximately 2.42% 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 9,258,666,165 Company shares (approximately 97.58% of the total number of shares) are currently not listed and are non-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 2017, the following table sets out information regarding the ownership of the Company´s shares:

Radovan Vítek and entities controlled by Mr. Vítek	8,461,043,946	89.17%
Others	775,376,416	8.17%
Treasury shares by ORCO PROPERTY GROUP	252,302,248	2.66%
Total	**9,488,722,610**	**100.00%**

(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 respect the rights of its shareholders and ensure 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 no restriction on voting rights of the securities issued by the Company, except for the own shares held by the Company.

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 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 S.A., 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 Current Board of Directors in this chapter.

The Extraordinary General Meeting of the shareholders of the Company held on 26 June 2017 (the “2017 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of three billion euro (€3,000,000,000) for a period of five (5) years from 26 June 2017, which would authorise the issuance of up to twenty billion (20,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares.

The EGM approved the report issued by the board of directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

The 2017 EGM decided to introduce the possibility to create and issue up to ten billion (10,000,000,000) non-voting shares, having a par value of ten eurocents (€0.10) each, which (i) shall be entitled to receive, out of the net profits of the Company, a preferred dividend per non-voting share amounting to six point nine percent (6.90 %) of the subscription price of the non-voting share, the remainder of such net profits to be shared between all the shares issued by the Company (excluding the non-voting shares), (ii) carry a right to reimbursement of the contribution (including any premium paid) corresponding to the non-voting shares on a preferential basis out of the net proceeds of the liquidation and (iii) be entitled to receive a preferential liquidation dividend amounting to six point nine percent (6.90 %) of the par value of the non-voting shares in case of dissolution and liquidation of the Company.

The 2017 EGM also decided to introduce the possibility for the board of directors of the Company to create and issue up to ten billion (10,000,000,000) beneficiary shares without any voting rights and being under registered form only, to be paid up by contribution in cash, in kind or in services, each beneficiary share entitling its holder to receive, subject to the existence of distributable amounts at the level of the Company within the meaning of the law and the decision of the general meeting of the shareholders to operate a dividend distribution to the holders of the beneficiary shares, a dividend per beneficiary share amounting to six point nine percent (6.90 %) of the issue price of each of the beneficiary shares per financial year of the Company. The 2017 EGM granted to the board of directors of the Company all powers to create and issue beneficiary shares with no voting rights and to further determine and set forth the terms and conditions of such beneficiary shares with no voting rights in their respective issue documentation.

As at 31 December 2017, the authorised share capital of the Company amounts to €2,830,689,523.60, which would authorize the issuance of up to 18,306,895,236 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding.

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 (€0.01) and five euro (€5) for a period of five (5) years from the date of the Extraordinary General Meeting.

(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:

The base prospectus dated 18 September 2017, prepared in connection with the €1,250,000,000 Euro Medium Term Note Programme (the "Programme") established by the Company contains a change of control put clause, i.e. redemption at the option of the noteholders upon a change of control, provided certain other criteria defined in the Programme occur. Change of control event pursuant to the Programme occurs in case any person or any persons acting in concert (other than Mr Radovan Vítek, any member of his immediate family or any entity directly or indirectly controlled by him or them) shall acquire a controlling interest in (A) more than 50 per cent., of the issued or allotted ordinary share capital of the Issuer or (B) shares in the issued or allotted ordinary share capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer. For exact terms please refer to Condition 7.6. of the base prospectus of the Programme.

Certain credit facility documentation with financing banks of the Group contain market standard change of control clauses.

(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 2017.

DIRECTORS' COMPENSATION

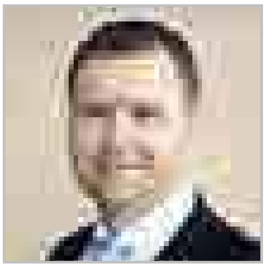
Please refer to Note 10 of the Consolidated Financial Statements as at 31 December 2017.

OTHER INFORMATION

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

MANAGEMENT

THE MEMBERS OF THE MANAGEMENT ARE:



MARTIN NĚMEČEK

Chief Executive Officer

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

ZDENĚK HAVELKA

Executive Director

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

TOMÁŠ SALAJKA

Director of Acquisitions, Asset Management & Sales

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

DAVID GREENBAUM

Chief Financial Officer

David Greenbaum was appointed CFO of CPI Property Group in February 2018. David is responsible for the Group's capital structure, external financing, corporate finance and other strategic matters. David joined CPIPG after 19 years in banking, where he was most recently co-head of debt capital markets for Deutsche Bank in CEEMEA.

PAVEL MĚCHURA

Group Finance Director

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

GLOSSARY

Alternative performance measures	Definition	Rationale
Consolidated adjusted EBITDA	Net business income as reported deducted by Administrative expenses as reported.	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Group's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
EPRA Cost Ratios	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.
EPRA Earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations.
EPRA 'topped -up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA Vacancy Rate	The EPRA vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces).	The rationale for using the EPRA vacancy rate is that it can be clearly defined, should be widely used by all participants in the direct real estate market and comparable from one company to the next.
Equity Ratio	It is calculated as Total Equity as reported divided by Total Assets as reported.	Provides a general assessment of financial risk undertaken.
Funds from operations or FFO	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.	Funds from operations provide an indication of core recurring earnings.
Loan-to-Value or LTV	It is calculated as Net Debt divided by fair value of Property Portfolio.	Loan-to-Value provides a general assessment of financing risk undertaken.

Secured debt as of total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of Bonds issued and Financial Debts as reported.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property -specific mortgage debt, or even sales.
Unencumbered assets	It is calculated as Total Assets as reported less a sum of encumbered assets as reported divided by Total Assets as reported.	This measure is an important indicator of a commercial real estate firm´s liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of Interest income as reported and Interest expense as reported.	This measure is an important indicator of a firm´s ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.

Alternative performance measures not used anymore	Last definition	Reason that this APM no longer provides relevant information
Consolidated Adjusted Total Assets	Net business income as reported deducted by Administrative expenses as reported.	Related to covenant calculation of one bond issue, might be confusing for the reader
Consolidated Coverage Ratio	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	Related to covenant calculation of one bond issue, might be confusing for the reader
Consolidated Leverage Ratio	Earnings from operational activities.	Related to covenant calculation of one bond issue, might be confusing for the reader
Secured Consolidated Leverage Ratio	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Related to covenant calculation of one bond issue, might be confusing for the reader

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	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.
Group	CPI Property Group S.A. together with its subsidiaries
Net Debt	Net Debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of Estimated Rental Revenue regarding occupied GLA and total Estimated Rental Revenue, unless stated otherwise.
Property Portfolio	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.

Equity ratio reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017		2017
A	Total assets	7,529
B	Total equity	3,315
B/A	Equity ratio	44%

Unencumbered assets reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017		2017
A	Bonds collateral	483
B	Bank loans collateral	3,846
	Investment property	3,364
	Property, plant and equipment	350
	Trade receivables	42
	Bank accounts	90
C	Total assets	7,529
(C-A-B)/C	Unencumbered assets ratio	43%

Secured debt as of Total debt reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017		2017
A	Secured bonds	163
B	Secured financial debts	1,700
C	Total debts	3,247
	Bonds issued	1,489
	Financial debts	1,758
(A+B)/C	Secured debt as of Total debt	57%

Net Interest coverage ratio reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017		2017
A	Interest income	10
B	Interest expense	99
C	EBITDA	230
C/(B-A)	Net Interest coverage ratio	2,6

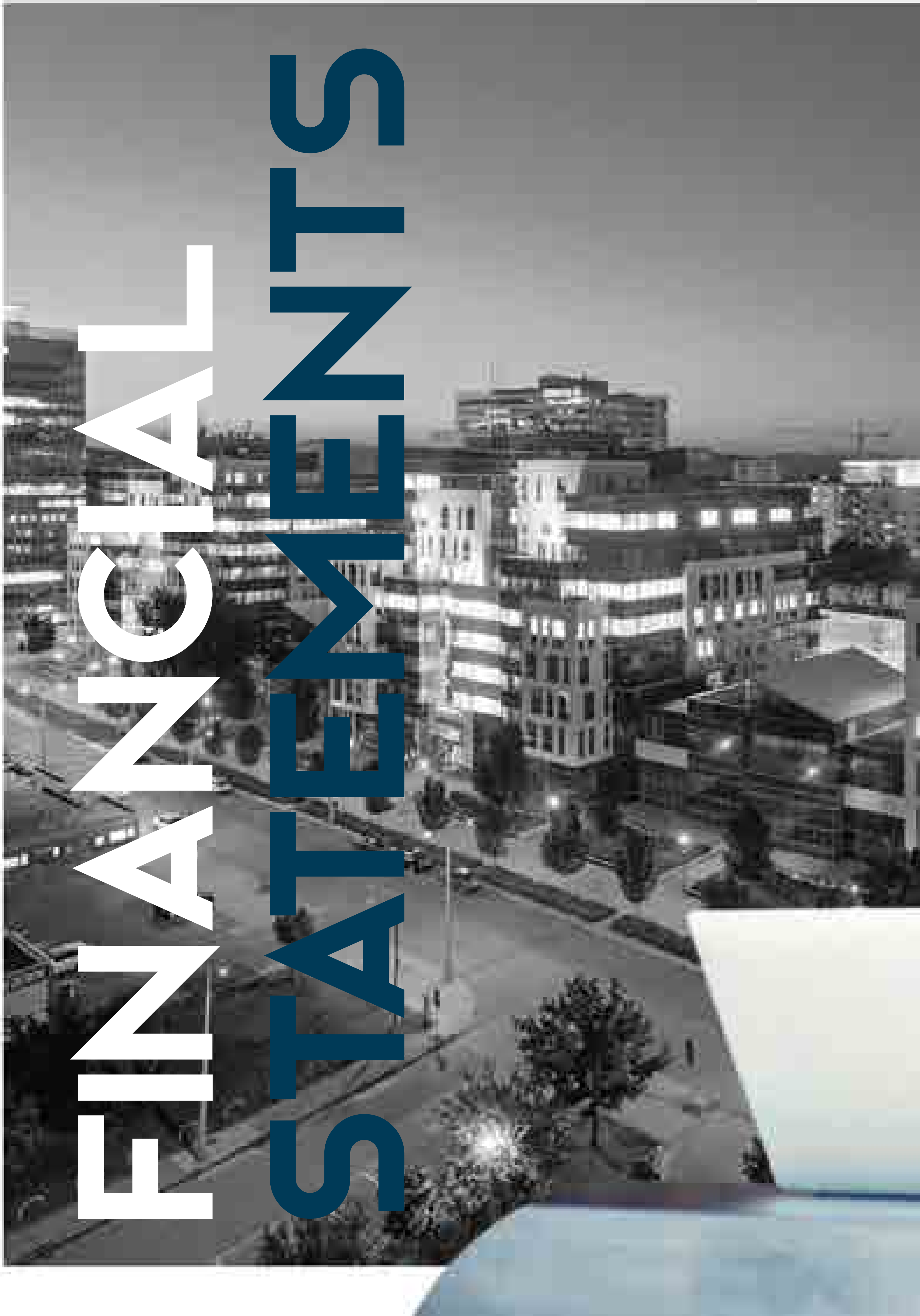
Consolidated adjusted EBITDA reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017		2017
A	Net business income	272
B	Administrative expenses	42
A-B	Consolidated adjusted EBITDA	230

Property portfolio reconciliation (in € million)

Item per Consolidated financial statements as of 31 Dec 2017	2017
Investment property - Office	2,705
Investment property - Retail	1,873
Property plant and equipment - Hospitality	602
Investment property - Residential	511
Investment property - Land bank	504
Assets held for sale	108
Investment property - Mountain resort	88
Investment property - Agriculture	85
Inventories - Development	79
Investment property - Industry and logistic	78
Investment property - Hotel	38
Investment property - Development	13
Property plant and equipment - Agriculture	9
Share of profit of equity-accounted investees	5
Property plant and equipment - Residential	2
Inventories - Agriculture	1
Other PPE	20
Total	6,722

FINANCIAL STATEMENTS



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DECLARATION LETTER

FINANCIAL REPORT

AS AT 31 DECEMBER 2017

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 2017, 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; and
- the Management report as at 31 December 2017, 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, 29 March 2018

Mr. Martin Němeček
CEO & Managing Director

CPI PROPERTY GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

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.

		12 month period ended	
	Note	31 December 2017	31 December 2016
Gross rental income*	5.1	262,066	225,809
Service revenue	5.1	10,804	9,113
Net service charge income	5.2	14,669	14,326
Property operating expenses	5.3	(55,861)	(41,935)
Net rental income		**231,678**	**207,313**
Development sales	5.4	3,731	2,170
Cost of goods sold	5.4	(3,526)	(1,627)
Development operating expenses	5.4	(522)	(2,332)
Net development income		**(317)**	**(1,789)**
Hotel revenue	5.5	112,182	69,898
Hotel operating expenses	5.5	(72,828)	(42,196)
Net hotel income		**39,354**	**27,702**
Revenue from other business operations	5.6	34,777	30,158
Cost of goods sold	5.6	(1,591)	(1,027)
Related operating expenses	5.6	(32,094)	(24,132)
Net income from other business operations		**1,092**	**4,999**
Total revenues		438,229	351,474
Total direct business operating expenses		(166,420)	(113,249)
Net business income		**271,809**	**238,225**
Net valuation gain	5.7	834,231	393,827
Net gain/(loss) on the disposal of investment property	5.8	2,371	(2,571)
Net gain on disposal of subsidiaries and investees	5.9	1,957	1,615
Amortization, depreciation and impairments	5.10	(83,682)	(37,402)
Other operating income	5.11	29,923	74,392
Administrative expenses	5.12	(41,679)	(37,603)
Other operating expenses	5.13	(4,130)	1,923
Operating result		**1,010,800**	**632,406**
Interest income	5.14	10,354	10,564
Interest expense	5.15	(99,056)	(93,733)
Other net financial result	5.16	(86,960)	(5,394)
Net finance costs		**(175,662)**	**(88,563)**
Share of profit of equity-accounted investees (net of tax)	6.5	6,217	--
Profit before income tax		**841,355**	**543,843**
Income tax expense	5.17	(146,844)	(84,341)
Net profit from continuing operations		**694,511**	**459,502**
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		94,773	(5,797)
Effective portion of changes in fair value of cash flow hedges		39,170	1,086
Income tax on other comprehensive expense		(7,471)	(206)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment - hotels	6.3	57,864	30,181
Income tax on other comprehensive expense		(9,753)	(4,889)
Remeasurements of post employment benefit obligations		(485)	--
Other comprehensive income for the period, net of tax		174,098	20,375
Total comprehensive income for the year		**868,609**	**479,878**
Profit attributable to:			
Non controlling interests		**435**	**(10,815)**
Owners of the Company		**694,076**	**470,318**
Profit for the year		**694,511**	**459,502**
Total comprehensive income attributable to:			
Non controlling interests		**435**	**(10,603)**
Owners of the Company		**868,174**	**490,481**
Total comprehensive income for the year		**868,609**	**479,878**
Earnings per share			
Basic earnings in EUR per share	6.13	**0.09**	**0.09**
Diluted earnings in EUR per share		**0.09**	**0.09**

(*) Formerly presented as "Gross rental revenue", for more information refer to note 2.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Intangible assets and goodwill	6.1	120,316	117,091
Investment property	6.2	5,807,947	3,977,696
Property, plant and equipment	6.3	723,664	678,926
Hotels	6.3	*598,906*	*537,537*
Other property, plant and equipment	6.3	*124,758*	*141,389*
Biological Assets	6.4	2,099	2,004
Equity accounted investees	6.5	4,568	--
Available-for-sale financial assets		1,037	599
Derivative instruments	6.16	5,383	--
Loans provided	6.6	71,638	14,264
Trade and other receivables	6.7	4,193	460
Deferred tax asset	5.17	142,375	122,314
Total non-current assets		**6,883,220**	**4,913,353**
CURRENT ASSETS			
Inventories	6.8	81,793	97,854
Biological Assets	6.4	4,117	4,193
Current income tax receivables		4,709	4,183
Trade receivables	6.7	76,513	68,291
Derivative instruments	6.16	119	--
Loans provided	6.6	72,088	35,136
Cash and cash equivalents	6.9	238,907	303,733
Other financial current assets	6.10	15,408	73,523
Other non-financial current assets	6.11	39,713	37,662
Assets held for sale	6.12	112,645	123,981
Total current assets		**646,012**	**748,556**
TOTAL ASSETS		**7,529,232**	**5,661,909**
EQUITY			
Equity attributable to owners of the Company	6.13	3,277,449	2,258,760
Non-controlling interests		37,720	29,707
Total equity		**3,315,169**	**2,288,467**
NON-CURRENT LIABILITIES			
Bonds issued	6.14	1,331,671	656,780
Financial debts	6.15	1,593,027	1,294,119
Derivative instruments	6.16	2,602	12,546
Deferred tax liabilities	5.17	710,035	503,619
Provisions	6.17	14,235	4,620
Other non-current liabilities	6.18	33,756	21,671
Total non-current liabilities		**3,685,326**	**2,493,354**
CURRENT LIABILITIES			
Bonds issued	6.14	157,523	50,101
Financial debts	6.15	164,724	582,284
Trade payables	6.19	74,822	65,718
Advance payments	6.20	60,703	72,702
Derivative instruments	6.16	624	2,809
Other financial current liabilities	6.21	26,648	24,394
Other non-financial current liabilities	6.22	27,769	23,480
Liabilities linked to assets held for sale	6.12	15,924	58,599
Total current liabilities		**528,737**	**880,088**
TOTAL EQUITY AND LIABILITIES		**7,529,232**	**5,661,909**

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 2017		**770,245**	**1,060,744**	**(47,970)**	**5,845**	**(18,388)**	**223,058**	**265,226**	**2,258,760**	**29,707**	**2,288,467**
Comprehensive income:											
Profit /(loss) for the year		--	--	--	--	--	--	**694,076**	**694,076**	**435**	**694,511**
Total comprehensive income		--	--	94,773	--	--	--	(485)	94,288	--	94,288
Net changes in fair value of cash flow FX hedges		--	--	--	--	28,134	--	--	28,134	--	28,134
Related income tax on other comprehensive expense		--	--	--	--	(5,382)	--	--	(5,382)	--	(5,382)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	11,036	--	--	11,036	--	11,036
Related income tax on other comprehensive expense		--	--	--	--	(2,088)	--	--	(2,088)	--	(2,088)
Revaluation of property, plant and equipment		--	--	--	--	--	57,864	--	57,864	--	57,864
Related deferred tax effect		--	--	--	--	--	(9,753)	--	(9,753)	--	(9,753)
Total comprehensive income / (expense)		--	--	**94,773**	**--**	**31,699**	**48,111**	**(485)**	174,098	**--**	174,098
Total comprehensive income for the year		**--**	**--**	**94,773**	**--**	**31,699**	**48,111**	**693,591**	**868,174**	**435**	**868,609**
Contributions by and distributions to owners of the Company											
Capital increases	6.13	169,310	--	--	--	--	--	--	169,310	--	169,310
Acquisition of own shares	6.13	(15,913)	--	--	--	--	--	--	(15,913)	--	(15,913)
Total contributions by and distributions to owners of the Company		**153,397**	**--**	--	--	--	**--**		**153,397**	--	**153,397**
Changes in ownership interests in subsidiaries											
Disposal of subsidiaries		--	--	--	(9)	--	--	--	(9)	--	(9)
Acquisition of subsidiaries with non-controlling interests		--	--	--	--	--	--	--	--	7,579	7,579
Transactions with NCI		--	--	--	--	--	--	1,933	1,933	--	1,933
Total changes in ownership interests in subsidiaries		**--**	**--**	**--**	**(9)**	**--**	**--**	**1,933**	**1,924**	**7,579**	**9,503**
Total transactions with owners of the Company		**153,397**	--	**--**	**(9)**	**--**	**--**	**1,933**	**155,321**	**7,579**	**162,899**
Initial recognition of the pension plan obligation		--	--	--	--	--	--	(2,554)	(2,554)	--	(2,554)
Share on profit of equity-accounting investees		--	--	--	--	--	--	(2,254)	(2,554)	--	(2,554)
Total other movements								**(4,808)**	**(4,808)**	**--**	**(4,808)**
Balance at 31 December 2017		**923,642**	**1,060,744**	**46,803**	**5,836**	**13,311**	**271,169**	**955,940**	**3,277,449**	**37,720**	**3,315,169**

* **Other Reserves** are created from accumulated profits and losses and other equity operations, such as scope variations or revaluation of assets.

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 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		504,253	498	--	--	--	--	--	504,751	--	504,751
Acquisition of own shares		(15,913)	(43,037)	--	--	--	--	--	(58,951)	--	(58,951)
Sale of own shares		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.

CONSOLIDATED CASH FLOW STATEMENT

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

		12 month period ended	
	Note	31 December 2017	31 December 2016
PROFIT BEFORE INCOME TAX		**841,355**	**543,843**
Adjusted by:			
Net valuation gain on investment property	5.7	(834,231)	(393,827)
Net (gain) / loss on the disposal of investment property	5.8	(2,371)	2,571
Depreciation / amortization of tangible and intangible assets	5.10	28,482	17,918
Impairment of assets / Reversal of impairment of assets	5.10.1	55,200	19,484
Net gain on the disposal of subsidiaries	5.9	(1,957)	(1,615)
Net finance costs	5.14, 5.15	102,605	82,788
Share of profit of equity accounted investees	6.5	(6,217)	--
Gain on bargain purchase	3.2	(22,446)	(66,651)
Exchange rate differences	5.16	75,941	(6,479)
Other non-cash adjustments		--	(779)
Profit before changes in working capital and provisions		**236,362**	**197,253**
Increase in inventories		(5,163)	(1,115)
Decrease in trade receivables		18,996	1,767
Decrease in trade payables		(27,739)	(52,234)
Increase (Decrease) in other liabilities		174	(4,046)
Income tax paid		(13,316)	(15,352)
NET CASH FROM OPERATING ACTIVITIES		**209,315**	**126,273**
Acquisition of subsidiaries, net of cash acquired	3.2	(347,327)	(236,178)
Proceeds from disposals of subsidiaries, net of cash disposed	5.9	60,012	18,448
Acquisition of non-controlling interest	3.7	--	(22,705)
Acquisition of investment property	6.2	(80,360)	(48,827)
Expenditure on investment property under development	6.2	(11,427)	(2,658)
Acquisition of property, plant and equipment	6.3	(21,575)	(41,501)
Acquisition of intangible assets	6.1	(1,831)	(1,037)
Acquisition of biological assets	6.4	(1,247)	--
Acquisition of other investments		--	(111)
Proceeds from sale of investment property	5.8	7,029	22,219
Proceeds from sale of property, plant and equipment		105	453
Proceeds from sale of biological assets	6.4	127	--
Proceeds from sale of other investments		--	1,601
Loans provided	6.6	(156,985)	(306,309)
Loans repaid	6.6	(7,301)	204,151
Interest received		8,694	10,989
NET CASH USED IN INVESTING ACTIVITIES		**(552,087)**	**(401,465)**
Proceeds from issue of share capital		153,397	238,021
Proceeds from bonds issued	6.14	906,904	346,642
Repayment of bonds issued	6.14	(156,035)	(64,899)
Interest paid		(96,531)	(88,839)
Drawings of loans and borrowings	6.15	789,118	590,352
Repayments of loans and borrowings	6.15	(1,316,985)	(599,248)
Drawings (repayment) of finance lease liabilities	6.15	847	(502)
NET CASH FROM FINANCING ACTIVITIES		**280,714**	**421,527**
NET INCREASE / (DECREASE) IN CASH		**(62,058)**	**146,335**
Cash and cash equivalents at the beginning of the year	6.9	303,733	159,052
Effect of movements is exchange rates on cash held		42	(3)
Less: Cash and cash equivalents reclassified to asset held for sale		(2,809)	(1,651)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**238,907**	**303,733**

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 Czech Property Investments a.s. (hereinafter also as "CPI" and together with its subsidiaries as "CPI Group") in 2014, the Group has expanded into a number of CEE countries and significantly extended its current Berlin portfolio.

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

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

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 2017, Radovan Vítek indirectly owns 89.17% of CPI PROPERTY GROUP S.A. (91.61% voting rights).

For the list of shareholders as at 31 December 2017 refer to note 6.13.

Change in the Board of Directors and the management

Board of Directors

Board of Directors as at 31 December 2017

Chairman

Edward Hughes

CEO & Managing Director

Martin Němeček

Members

Philippe Magistretti
Tomáš Salajka
Oliver Schlink
Radovan Vítek
Marie Vítková

Board of Directors as at 31 December 2016

Chairman

Edward Hughes

CEO & Managing Director

Martin Němeček

Members

Philippe Magistretti
Tomáš Salajka
Oliver Schlink
Radovan Vítek

Change in the Board of Directors

The Annual General Meeting held on 24 May 2017 in Luxembourg resolved to re-appoint all Board members for another year, until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017. Furthermore, Marie Vítková was appointed to the Board of Directors as of 24 May 2017 until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017.

The management

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

Employees

The Group has 3,920 employees as at 31 December 2017 (2016 – 3,170 employees).
The significant employee 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 (IFRS) as adopted by the European Union.

The consolidated financial statements were authorized for issue by the Board of Directors on 28 March 2018.

(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 2017 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).
The nature and the impact of each new standard/amendment are described below:

- Amendments to IAS 7, 'Statement of Cash Flows' which require entities to provide disclosures about changes in their liabilities arising from financing activities. This includes both changes arising from cash flows as well as from non-cash changes (such as foreign exchange gains and losses). Entities are not required to provide comparative information for preceeding periods.

  These amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017, which is why additional information is disclosed by the Group in its annual consolidated financial statements for the year ended 31 December 2017 (refer to note 6.16).

- Amendments to IAS 12 'Income Taxes' concerning the recognition of deferred tax assets for unrealised losses. The amendments clarify that an entity needs to consider, whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how an entity should determine the future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Retrospective application is required. On initial application of these amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or another appropriate component of equity), without allocating the change between the opening retained earnings and other components of equity. However, entities applying this relief must disclose the fact.

  These amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017. These amendments do not have any effect on the Group´s consolidated financial statements as at 31 December 2017.

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' clarify that disclosure requirements in IFRS 12 (other than those in paragraphs B10 – B16) apply to an entity´s subsidiary, joint venture or an associate that is classified as held for sale. These amendments do not have any effect on the Group´s consolidated financial statements as at 31 December 2017.

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 2018, 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 15, 'Revenue from contracts with customers' provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:
  - over time, in a manner that depicts the entity’s performance; or
  - at a point in time, when control of the goods or services is transferred to the customer.

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

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

  The Group will adopt the standard in the annual period beginning 1 January 2018 and will use the cumulative effect method. Under this method the Group will record the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at the date of initial application. The comparative period amounts will not be restated and will continue to be reported under the accounting standards in effect for that period.

  The Group analyzed the impact of IFRS 15 application on entities revenue streams and based on disclosure of comparable under both standards the Group does not expect the adoption of the new revenue standard to have a material impact neither to the opening balance of equity at the initial date of application, nor to the net income on an ongoing basis.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. 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. The significant change with an impact for the company is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Extensive additional disclosures regarding an entity’s risk management and hedging activities are required. The Group will adopt the standard in the annual period beginning 1 January 2018 and will use the cumulative effect method. Under this method the Group will record the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity at the date of initial application.

The comparative period amounts will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Group analyzed that that current hedge accounting relationships will meet the requirements of IFRS 9. The Group analyzed that the implementation of the new impairment model (including expected credit losses based on forward looking information) will increase the loss allowance for trade receivables and provided loans at amortized costs. The Group does not expect the adoption of the new impairment model to have a material impact to the opening balance of equity at the initial date of application. The Group expect the adoption of the new impairment model to have a impact of EUR 4 – 6 million to the opening balance of equity at the initial date of application. New disclosure requirements will change the nature and extent of the Group's disclosures about financial instruments in the 31 December 2018 financial statements.

- 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.

- Amendments to IAS 40 'Investment Property' concerning transfers of Investment Property (standard not yet endorsed by EU) states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. These amendments are effective for accounting periods beginning on or after 1 January 2018.The Group is currently assessing the impact of amendments to IAS 40.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses foreign currency transactions or parts of transactions where:

    - there is consideration that is denominated or priced in a foreign currency;
    - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
    - the prepayment asset or deferred income liability is non-monetary.

  The Interpretations Committee came to the following conclusion:

    - the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability;
    - if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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.

(c) 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 value;
- property, plant and equipment, asset type Hotels, is measured at fair value;
- 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.

(d) 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).

(e) 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(p) – 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 2.2(d) Investment property under development.
- Note 2.2(k) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs;

- 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;

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 costs, 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 Group 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 ventures are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

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 a business in accordance with the IFRS are accounted for as asset acquisitions.

(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 the 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 2017	0.039	0.038
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 2017	0.239	0.235
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 2017	0.322	0.323
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 2017	0.215	0.219
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 2017	1.440	1.523
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 2017	0.855	0.901
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 12-month period
31 December 2017	0.135	0.134
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 2017 and 2016 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(q)(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(q).

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(q).

(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 valuers each year or more frequently if market 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.

An assets 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.
Decrease of assets 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 items of property, plant and equipment (except Hotels) are measured at 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 are 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	2017	2016
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	2017	2016
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 costs. 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 costs. 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 represent 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(s)), 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) Post-employment obligations

The Group has entered into defined benefit plans defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the net defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined liability which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any), are charged or credited to other comprehensive income in the period in which they arise. Net interest expense and other expenses related to the defined benefit plans are recognized in the statement of comprehensive income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The valuation of the pension obligation is performed by an independent actuary.

(n) Contingent liabilities

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 Group. 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.

(o) Assets held for sale and disposal groups

Non-current assets held for sale and disposal groups comprising assets and liabilities, are classified as held-for-sale when it is highly probable that they will be recovered primarily through sale rather than through continuing use. The following criteria must be met for an asset or disposal group to be classified as held for sale: the Group is committed to selling the asset or disposal group, asset is available for immediate sale, an active plan of sale has commenced, the sale is expected to be completed within 12 months and the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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 2017 based on external valuations performed by professionally qualified valuers, except for insignificant part of a portfolio valued by an internal expert (see note 6.2). The Group's property portfolio in the Czech Republic is valued mainly by Jones Lang LaSalle, Cushman & Wakefield and RSM TACOMA, a.s., selected properties are valued also by Mazars, Knight Frank and CBRE; in Slovakia by CBRE and RSM TACOMA, a.s. The property portfolio in Hungary, Poland and Romania are valued by Jones Lang LaSalle International or Cushman & Wakefield and Knight Frank. The valuation of the German portfolio as at 31 December 2017 was undertaken by Savills. Smaller part of retails, residentials and land banks located in Czech Republic are valued by CPI internal valuation department. Assets located in France, Italy and Switzerland were valued by BNP Paribas, Cushman & Wakefield and EY.

The results of independent valuations are reviewed by the Group's management 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, the 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.

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´s portfolio 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 2016 and 31 December 2017, 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 is a higher degree of uncertainty than which would exist in a more developed and active markets.

The following methods of investment property valuation were used with respect to the segment classification. For a breakdown of assumptions used by valuers refer to note 7.5.3.

(i) Residential

Residential properties have been valued primarily using the comparable method based on realized transactions data of residential units sold in the same area (city district or cadastral area). The data was obtained from Cadastral office from Purchase agreements with the exclusion of related transactions and transaction which were not closed on market basis. The sales comparison valuation technique was also used for the valuation of the residential portfolio in France.

(ii) Retail, Office, Industry and Logistics

Retail, office, industry and logistics 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. The sales comparison valuation technique has been used for smaller special retail assets in the 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. A comparison was performed with other similarly located and zoned plots of land/buildings that are currently on the market. This valuation method is most useful when several 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 sales price 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

Hotels have been valued primarily using Discounted Cash Flow (DCF) method of valuation. The discounted cash flow calculation is a valuation of potential income from managed hospitality asset with considering costs and expenses related to the ownership and operation of the hotel, and applying a discount rate reflecting the current income risk and value for money.

(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 expected required profit (which reflects the required level of return to a developer and the risk of undertaking the project).

In assessing the Gross Development Value, the valuer 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.

(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.

2.4 Change in presentation

In line with the common standards used in the real-estate business the Group's management decided to rename item "Gross rental revenue" into "Gross rental income". The nature of this item remains unchanged. Management considers the update to better reflect the nature of the underlying transactions. Gross rental income represents total amount received by the Group from rental activities before taking into account any costs, expenses or taxes. The term "Gross rental income" shall be used since 30 June 2017 in Group's consolidated financial statements.

To ensure consistency with the presentation selected in the current period, the change was made in the comparative financial statements as at 31 December 2016.

3 The Group Structure

Control of the Group

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

As at 31 December 2017 the Group comprises its parent company and 356 subsidiaries controlled by the parent company and no associates (at 31 December 2016 - 352 subsidiaries, no associates) and three joint ventures. For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group in 2017

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

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Brno Property Development, a.s.	Acquisition	86.56%	17 January 2017
REZIDENCE MASARYKOVA 36, s.r.o.	Acquisition	100.00%	07 March 2017
Andrássy Real Kft.	Acquisition	100.00%	29 March 2017
CAMPONA Shopping Center Kft.	Acquisition	100.00%	29 March 2017
Centrum Ogrody Sp. z o.o.	Acquisition	100.00%	29 March 2017
Centrum Olympia Plzeň s.r.o.	Acquisition	100.00%	29 March 2017
City Gardens Sp. z o.o.	Acquisition	100.00%	29 March 2017
FELICIA SHOPPING CENTER SRL	Acquisition	100.00%	29 March 2017
IS Nyír Kft.	Acquisition	100.00%	29 March 2017
IS Zala Kft.	Acquisition	100.00%	29 March 2017
Nisa OC s.r.o.	Acquisition	100.00%	29 March 2017
PFCE Prague Investments, s.r.o.	Acquisition	100.00%	29 March 2017
Pólus Shopping Center Zrt.	Acquisition	100.00%	29 March 2017
Polus Társasház Üzemeltető Kft.	Acquisition	100.00%	29 March 2017
Cordonier & Valério Sàrl	Acquisition	51.04%	17 July 2017
KOENIG, s.r.o. (1)	Acquisition	100.00%	26 July 2017
Tepelné hospodářství Litvínov, s.r.o.	Acquisition	100.00%	07 August 2017
GSG Europa Beteiligungs GmbH	Acquisition	99.75%	29 September 2017
Kolín Centrum, a.s.	Acquisition	100.00%	17 October 2017
MQM Czech, a.s.	Acquisition	99.26%	15 November 2017
Polygon BC, a.s.	Acquisition	99.26%	15 November 2017
PROJECT FIRST a.s.	Acquisition	86.56%	13 December 2017
HOTEL U PARKU, s.r.o.	Acquisition	86.56%	13 December 2017
Armo Verwaltungsgesellschaft mbH	Acquisition	94.66%	21 December 2017
LES TROIS DILAIS	Acquisition	100.00%	31 December 2017
Rezidence Jančova, s.r.o.	Founded	100.00%	27 February 2017
Rezidence Malkovského, s.r.o.	Founded	100.00%	27 February 2017
Tepelná Litvínov, s.r.o.	Founded	100.00%	27 February 2017
CPI Retail One Kft.	Founded	100.00%	04 April 2017
CPI Retail Store Kft.	Founded	100.00%	06 April 2017
CPI Retail Two Kft.	Founded	100.00%	06 April 2017
CPI Kappa, s.r.o.	Founded	100.00%	26 May 2017
Nový Projekt CPI, s.r.o.	Founded	100.00%	26 May 2017
CPI Finance CEE, a.s.	Founded	100.00%	29 May 2017
CPI Blatiny, s.r.o.	Founded	100.00%	23 June 2017
Outlet Arena Moravia, s.r.o.	Founded	100.00%	03 November 2017
Statek Blatiny, s.r.o.	Founded	100.00%	16 November 2017
Brillant 2800. GmbH	Founded	99.75%	06 December 2017
Labská Property, s.r.o.	Founded	100.00%	07 December 2017
BAYTON ONE, s.r.o.	Founded	86.56%	13 December 2017
BAYTON TWO, s.r.o.	Founded	86.56%	13 December 2017

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

The following entities were either disposed of or liquidated in 2017:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
New Field Kft.	Disposal	100.00%	19 January 2017
Capellen S.A.	Disposal	97.31%	25 January 2017
CPI Rhea, s.r.o.	Disposal	100.00%	9 February 2017
NERONTA, a.s.	Disposal	100.00%	28 February 2017
Office Center Purkyňova, a.s.	Disposal	100.00%	07 March 2017
Týniště Property Development, s.r.o.	Disposal	100.00%	01 April 2017
VM Property Development, a.s.	Disposal	100.00%	01 April 2017
Žďár Property Development, a.s.	Disposal	100.00%	01 April 2017
Quadrio Residence, s.r.o.	Disposal	100.00%	16 June 2017
M3 BC Kft.	Disposal	100.00%	29 June 2017
Arkáda Prostějov, s.r.o.	Disposal	100.00%	02 August 2017
First Site Kft.	Disposal	100.00%	01 September 2017
Insite Kft.	Disposal	100.00%	01 September 2017
ORCO Hotel Management Kft.	Disposal	100.00%	07 September 2017
Fogarasi 3 BC Kft	Disposal	100.00%	27 September 2017
STRM Delta, a.s.	Disposal	97.31%	07 November 2017
VRL Heli, s.r.o.	Disposal	100.00%	09 November 2017
Development Pražská, s.r.o.	Disposal	97.31%	13 December 2017
CPI Blue, s.r.o.	Disposal	100.00%	14 December 2017
GLOBAL INVESTMENT Kft.	Disposal	100.00%	20 December 2017
Orco Hotel Project Sp. z o.o.	Liquidation	100.00%	13 January 2017
Orco Germany Sp. z o.o	Liquidation	100.00%	23 January 2017
Ekodružstvo Severozápad a.s.	Liquidation	100.00%	24 February 2017
Orco Hotel Development Sp. z o.o.	Liquidation	100.00%	21 March 2017
ABLON sp.z o.o.	Liquidation	100.00%	30 September 2017

3.2 Property asset acquisitions / Common control transactions

Portfolio acquired from CBRE Global Investors (“CBRE GI portfolio”)

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

The acquired portfolio primarily consists of:

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

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

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

Olympia shopping centre

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

The acquisition was carried out through the purchase of 100% stake in Centrum Olympia Plzeň s.r.o. for the consideration paid of EUR 64.7 million.

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

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

Intangible assets and goodwill	3
Investment property	133,825
Property, plant and equipment	19
Total non-current assets	**133,846**
Inventories	7
Trade receivables	28
Cash and cash equivalents	969
Other non-financial current assets	2,254
Total current assets	**3,259**
Identifiable acquired assets	**137,105**
Financial debts	(66,398)
Other non-current liabilities	(1,132)
Total non-current liabilities	**(67,530)**
Financial debts	(3,683)
Trade payables	(339)
Advance payments	(29)
Derivative instruments	(667)
Other financial current liabilities	(95)
Other non-financial current liabilities	(96)
Total current liabilities	**(4,908)**
Identifiable acquired liabilities	**(72,439)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 64.7 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.97 million. The net cash outflow connected with the acquisition amounted to EUR 63.7 million.

Nisa shopping centre

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

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

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

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

Intangible assets and goodwill	2
Investment property	81,510
Total non-current assets	**81,512**
Inventories	1
Trade receivables	409
Cash and cash equivalents	2,957
Other non-financial current assets	2,040
Total current assets	**5,407**
Identifiable acquired assets	**86,919**
Financial debts	(69,320)
Other non-current liabilities	(1,260)
Total non-current liabilities	**(70,580)**
Financial debts	(2,578)
Trade payables	(525)
Advance payments	(313)
Other financial current liabilities	(1,456)
Other non-financial current liabilities	(523)
Total current liabilities	**(5,394)**
Identifiable acquired liabilities	**(75,974)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 10.9 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 3 million. The net cash outflow connected with the acquisition amounted to EUR 8 million.

Ogrody shopping centre

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

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

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

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

Investment property	111,811
Total non-current assets	**111,811**
Trade receivables	661
Cash and cash equivalents	1,828
Other financial current assets	150
Other non-financial current assets	72
Total current assets	**2,711**
Identifiable acquired assets	**114,522**
Financial debts	(107,036)
Other non-current liabilities	(306)
Total non-current liabilities	**(107,342)**
Financial debts	(4,067)
Trade payables	(410)
Advance payments	(54)
Other financial current liabilities	(70)
Other non-financial current liabilities	(422)
Total current liabilities	**(5,023)**
Identifiable acquired liabilities	**(112,365)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 2.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.8 million. The net cash outflow connected with the acquisition amounted to EUR 0.4 million.

Felicia shopping centre

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

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

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

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

Intangible assets and goodwill	1
Investment property	24,991
Total non-current assets	**24,992**
Inventories	9
Trade receivables	660
Cash and cash equivalents	738
Other non-financial current assets	94
Total current assets	**1,501**
Identifiable acquired assets	**26,493**
Financial debts	(18,982)
Trade payables	(161)
Advance payments	(165)
Other financial current liabilities	(582)
Other non-financial current liabilities	(600)
Total current liabilities	**(20,491)**
Identifiable acquired liabilities	**(20,491)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 6 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.7 million. The net cash outflow connected with the acquisition amounted to EUR 5.3 million.

Polus shopping centre

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

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

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

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

Investment property	75,091
Property, plant and equipment	1
Trade and other receivables	444
Total non-current assets	**75,536**
Trade receivables	324
Cash and cash equivalents	3,061
Other non-financial current assets	719
Total current assets	**4,104**
Identifiable acquired assets	**79,640**
Financial debts	(74,917)
Other non-current liabilities	(812)
Total non-current liabilities	**(75,729)**
Trade payables	(1,925)
Other financial current liabilities	(14)
Other non-financial current liabilities	(168)
Total current liabilities	**(2,108)**
Identifiable acquired liabilities	**(77,837)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 1.8 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 3.1 million. The net cash inflow connected with the acquisition amounted to EUR 1.3 million.

Campona shopping centre

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

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

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

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

Investment property	66,249
Trade and other receivables	319
Total non-current assets	**66,568**
Trade receivables	557
Cash and cash equivalents	1,495
Other financial current assets	231
Other non-financial current assets	1,325
Total current assets	**3,608**
Identifiable acquired assets	**70,176**
Financial debts	(64,915)
Other non-current liabilities	(934)
Total non-current liabilities	**(65,849)**
Trade payables	(1,139)
Advance payments	(5)
Other financial current liabilities	(691)
Other non-financial current liabilities	(285)
Total current liabilities	**(2,120)**
Identifiable acquired liabilities	**(67,969)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 2.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.5 million. The net cash outflow connected with the acquisition amounted to EUR 0.7 million.

Zlatý Anděl

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

The acquisition was carried out through the purchase of 100% stake in PFCE Prague investments s.r.o. for the consideration paid of EUR 49.1 million.

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

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

Investment property	101,423
Total non-current assets	**101,423**
Inventories	6
Current income tax receivables	58
Trade receivables	442
Cash and cash equivalents	1,490
Other non-financial current assets	1,578
Total current assets	**3,575**
Identifiable acquired assets	**104,998**
Financial debts	(50,182)
Other non-current liabilities	(562)
Total non-current liabilities	**(50,744)**
Financial debts	(2,788)
Trade payables	(422)
Derivative instruments	(505)
Other financial current liabilities	(1,234)
Other non-financial current liabilities	(166)
Total current liabilities	**(5,115)**
Identifiable acquired liabilities	**(55,859)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 49.1 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.5 million. The net cash outflow connected with the acquisition amounted to EUR 47.6 million.

Andrássy Complex

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

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

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

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

Investment property	16,308
Trade and other receivables	10
Total non-current assets	**16,318**
Trade receivables	258
Cash and cash equivalents	209
Other financial current assets	1
Other non-financial current assets	59
Total current assets	**526**
Identifiable acquired assets	**16,843**
Financial debts	(12,365)
Other non-current liabilities	(114)
Total non-current liabilities	**(12,479)**
Trade payables	(259)
Other non-financial current liabilities	31
Total current liabilities	**(228)**
Identifiable acquired liabilities	**(12,708)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 4.1 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.2 million. The net cash outflow connected with the acquisition amounted to EUR 3.9 million.

Interspar Zala

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

The acquisition was carried out through the purchase of 100% stake in IS Zala Kft. for the consideration paid of EUR 164 thousand.

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

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

Investment property	8,843
Trade and other receivables	783
Total non-current assets	**9,627**
Trade receivables	50
Cash and cash equivalents	111
Other non-financial current assets	1
Total current assets	**163**
Identifiable acquired assets	**9,789**
Financial debts	(8,787)
Total non-current liabilities	**(8,787)**
Trade payables	(75)
Other non-financial current liabilities	(763)
Total current liabilities	**(838)**
Identifiable acquired liabilities	**(9,625)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 164 thousand.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 111 thousand. The net cash outflow connected with the acquisition amounted to EUR 53 thousand.

Interspar Nyír

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

The acquisition was carried out through the purchase of 100% stake in IS Nyír Kft. for the consideration paid of EUR 543 thousand.

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

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

Investment property	3,613
Total non-current assets	**3,613**
Trade receivables	2
Cash and cash equivalents	188
Other financial current assets	2
Total current assets	**192**
Identifiable acquired assets	**3,805**
Financial debts	(3,136)
Total non-current liabilities	**(3,136)**
Trade payables	(32)
Other financial current liabilities	(2)
Other non-financial current liabilities	(92)
Total current liabilities	**(126)**
Identifiable acquired liabilities	**(3,262)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 543 thousand.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 188 thousand. The net cash outflow connected with the acquisition amounted to EUR 355 thousand.

Hotel Vladimír, Ústí nad Labem

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

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

Consideration paid for 100% stake amounted to CZK 62.5 million (approximately EUR 2.3 million).

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

Investment property	2,531
Total non-current assets	**2,531**
Trade receivables	22
Total current assets	**22**
Identifiable acquired assets	**2,553**
Deferred tax liabilities	(238)
Total non-current liabilities	**(238)**
Trade payables	(2)
Other non-financial current liabilities	(2)
Total current liabilities	**(4)**
Identifiable acquired liabilities	**(242)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 2.3 million.

Due to the acquisition, the Group acquired no cash and cash equivalents. The net cash outflow connected with the acquisition amounted to EUR 2.3 million.

Královo Pole Shopping Centre, Brno

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

Consideration paid for 100% stake amounted to CZK 924.6 million (app. EUR 35.5 million).

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

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

Intangible assets and goodwill	5
Investment property	59,000
Loans provided	2,259
Deferred tax asset	21
Total non-current assets	**61,285**
Trade receivables	155
Loans provided	95
Cash and cash equivalents	1,692
Other financial current assets	2,656
Other non-financial current assets	335
Total current assets	**4,933**
Identifiable acquired assets	**66,218**
Financial debts	(27,069)
Other non-current liabilities	(856)
Total non-current liabilities	**(27,925)**
Financial debts	(1,560)
Trade payables	(353)
Other financial current liabilities	(342)
Other non-financial current liabilities	(584)
Total current liabilities	**(2,839)**
Identifiable acquired liabilities	**(30,764)**

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 35.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.7 million. The net cash outflow connected with the acquisition amounted to EUR 33.8 million.

Kolín Centrum a.s.

On 17 October 2017, the Group acquired 100% stake in company Kolín Centrum a.s. for the purchase price of CZK 50 million (app. EUR 1.9 million).

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

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 1.9 million and cash and cash equivalents acquired in the amount of EUR 7 thousand.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of EUR 1.9 million. The net cash outflow connected with the acquisition amounted to EUR 1.9 million.

Land bank projects, Czech Republic

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

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

The first project, with land plots of approximately 55.8 thousand sqm, is located in an attractive part of Prague 9. The 100% stake in company Polygon BC, a.s. was acquired for the purchase price of CZK 956 million (app. EUR 37.2 million). The company was acquired from companies controlled by the major shareholder of the Company and the acquisition is accounted for as a common control transaction.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 37.3 million, cash and cash equivalents acquired in the amount of EUR 8 thousand and other non-financial current assets acquired in the amount of EUR 4 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents other both financial and non financial current liabilities in the amount of EUR 49 thousand.
The net identifiable assets of subsidiary acquired at the date of acquisition amounted of EUR 37.2 million. The net cash outflow connected with the acquisition amounted to EUR 37.2 million.

The second project, with land plots of approximately 395 thousand sqm, is located in Řitka, approximately 30 kilometers southwest of Prague.
The Group acquired 100% stake in company MQM Czech, a.s. the company was acquired for the purchase price of CZK 352 million (app. EUR 13.7 million). The company was acquired from companies controlled by the major shareholder of the Company and the acquisition is accounted for as common control transaction.
As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 13.7 million and cash and cash equivalents in the amount of EUR 8 thousand.
Net identifiable assets of subsidiary acquired at the date of acquisition amounted of EUR 13.7 million. The net cash outflow connected with the acquisition amounted to EUR 13.7 million.

On 17 January 2017, the Group acquired 100% stake in Brno Property Development, a.s. The acquired entity owns land bank of approximately 5,358 sqm. The consideration paid amounted to CZK 32 million (app. EUR 1.2 million).

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

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 2.8 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount EUR 1.6 million and other non-financial current liabilities in the amount of EUR 18 thousand.

The net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 1.2 million. The net cash outflow connected with the acquisition amounted to EUR 1.2 million.

Merlég office building, Budapest

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

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

The value of the property amounted to EUR 9.2 million as at 31 December 2017.

Future boutique hotel in Český Krumlov, Czech Republic

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

The 100% stake in PROJECT FIRST a.s. was acquired for the purchase price of CZK 109 million (app. EUR 4.3 million).

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

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 4.3 million, cash and cash equivalents in the amount of EUR 1 thousand and other non-financial current assets in the amount of EUR 2 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents trade payables in the amount of EUR 1 thousand.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of EUR 4.3 million. The net cash outflow connected with the acquisition amounted to EUR 4.3 million.

Ibis hotel, Olomouc

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

The 100% stake in HOTEL U PARKU s.r.o. was acquired for the purchase price of CZK 23.67 million (app. EUR 1 million).

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

As at the date of acquisition, the identifiable assets of the acquired company represent intangible assets and goodwill in the amount of EUR 4 thousand, investment property in the amount of EUR 5.3 million, inventories in the amount of EUR 14 thousand, trade receivables in the amount of EUR 33 thousand, cash and cash equivalents in the amount of EUR 0.4 million, other financial current assets in the amount of EUR 5 thousand and other non-financial current assets in the amount of EUR 0.3 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount of EUR 4.6 million and other both current and non-current liabilities in the amount of EUR 0.4 million.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted of EUR 1 million. The net cash outflow connected with the acquisition amounted to EUR 0.6 million.

3.3 Acquisition through business combinations

Tepelné hospodářství Litvínov s.r.o.

On 7 August 2017, the Group acquired 100% stake in company Tepelné hospodářství Litvínov s.r.o. for the purchase price of CZK 170.5 million (app. EUR 6.5 million).

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

Property, plant and equipment	8,003
Total non-current assets	**8,003**
Trade receivables	3,018
Cash and cash equivalents	5
Other financial current assets	9
Other non-financial current assets	261
Total current assets	**3,293**
Identifiable acquired assets	**11,296**
Deferred tax liabilities	(922
Total non-current liabilities	**(922)**
Financial debts	(312)
Trade payables	(70)
Advance payments	(3,399)
Other financial current liabilities	(85)
Total current liabilities	**(3,866)**
Identifiable acquired liabilities	**(4,788)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 6.5 million. Neither goodwill, nor bargain purchase was recognized as a result of this business combination.

Due to the business combination, the Group acquired cash and cash equivalents in the amount of EUR 5 thousand. The net cash outflow connected with the acquisition amounted to EUR 6.5 million.

The post-acquisition profit from date of acquisition until 31 December 2017 amounted to EUR 0.068 million and the post-acquisition total revenues amounted to EUR 0.7 million.

If the acquisition had occurred on 1 January 2017 with all other variables held constant, Group total revenues for 2017 would have been EUR 439.0 million and net profit from continuing operations would have been EUR 694.8 million.

GSG Berlin portfolio extension

On 21 December 2017 the Group acquired 94.9% stake in "ARMO Verwaltungsgesellschaft mit beschrankter Haftung" (hereinafter "ARMO"), company owning four high quality commercial assets. Two assets are situated in Berlin with a total GLA of approximately 76,100 sqm and two assets are located close to Karlsruhe (Baden-Württemberg) with a total GLA of approximately 31,500 sqm. This transaction strengthens the position of GSG Berlin as one of Berlin's largest commercial real estate owners with a portfolio close to 1 million sqm.

Consideration paid for 94.9% stake amounted to EUR 112.3 million.

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

Investment property	167,670
Property, plant and equipment	23
Total non-current assets	**167,693**
Trade receivables	206
Cash and cash equivalents	6,736
Other financial current assets	143
Other non-financial current assets	603
Total current assets	**7,688**
Identifiable acquired assets	**175,381**
Deferred tax liabilities	(26,038)
Provisions	(6,560)
Total non-current liabilities	**(32,598)**
Trade payables	(541)
Other financial current liabilities	(262)
Total current liabilities	**(803)**
Identifiable acquired liabilities	**(33,401)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 142 million. As a result of this business combination, the Group recognized a bargain purchase in the amount of EUR 22.5 million (note 5.11).

The agreed purchase price for the acquired stake of 94.9 % in ARMO reflected the result of business negotiations between the Group and the Swiss individuals. It also reflected the short time frame for the closing of the transaction, as well as the nature of the sale (share-deal), both preferred by the counterparty.
The value of the acquired property is consistent with the appraisal value from an independent and reputable valuation expert. This value is included as the acquisition amounts in the Group's accounting. As a result of the lower purchase price, and following a review of the assets acquired, the Group deems that no intangible assets of any value have been acquired.

Due to the business combination, the Group acquired cash and cash equivalents in the amount of EUR 6.7 million. The net cash outflow connected with the acquisition amounted to EUR 105.5 million.

Although the acquisition became effective on 21 December 2017, the financial statements have been prepared using the financial information of ARMO as of 31 December 2017. The difference between these dates is not deemed to be material. Therefore, the company has no post-acquisition profit and no post-acquisition total revenues from date of acquisition until 31 December 2017.

If the acquisition had occurred on 1 January 2017 with all other variables held constant, Group total revenues for 2017 would have been EUR 444.7 million and net profit from continuing operations would have been EUR 693.5 million.

Acquisitions through business combinations in 2017 – 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 2017 had been as of the beginning of the reporting period.

	Armo Verwaltungsgesellschaft mbH	Tepelné hospodářství Litvínov s.r.o.	Total revenues and profit / (loss) before acquisition	Total revenues and profit as at 31 December 2017 of the Group	AS IF TOTAL REVENUES AND PROFIT
Rental revenues	5,724	--	**5,724**	262,066	**267,790**
Service revenue and net service charge income	739	797	**1,536**	25,473	**27,009**
Development sales	--	--	**--**	3,731	**3,731**
Hotel revenues	--	--	**--**	112,182	**112,182**
Revenue from other business operations	--	--	**--**	34,777	**34,777**
Total revenues	**6,463**	**797**	**7,260**	**438,229**	**445,489**
Net profit / (loss) from continuing operations	**(969)**	**286**	**(683)**	**694,511**	**693,828**

3.4 Disposal of subsidiaries in 2017

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

- an office project in Luxembourg disclosed as asset held for sale as at 31 December 2016 was sold on 25 January 2017;
- the sale of hotel Rhea was completed on 21 February 2017;
- on 28 February 2017, the Group sold Lozorno Logistics Park, located outside of Bratislava, comprising of 5 halls with total rentable space reaching up to 118,000 square meters;
- on 7 March 2017 the Group disposed of the Purkyňova office building located in Brno, Czech Republic, an modern building with an area exceeding 11,300 sqm;
- on 8 August, the Group sold Arkády Prostějov shopping gallery, with the total gross leasable area of approximately 10,000 square meters, located in Prostějov, eastern part of the Czech Republic;
- the Group sold three land bank projects located in the Czech Republic on 1 April 2017;
- the remaining twelve entities disposed of (seven Hungarian and five Czech) represent companies without property which were sold during 2017 to a third party.

3.5 Changes in the Group in 2016

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

Entity	Change	Share owned by the Group 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
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

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
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 or deconsolidated in 2016:

Entity	Change	Share owned by the Group 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

3.6 Acquisition through business combinations/property asset acquisitions/common control property transactions in 2016

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:

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 disclosed as asset held for sale as at 31 December 2016), on 25 January 2017.

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:

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:

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 3.7).

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:

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:

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:

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:

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 totalling 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:

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 subsidiary 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:

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:

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:

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**

3.7 Acquisition of non-controlling interest in 2016

Additional acquisition 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.

3.8 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 Hungarian entities with total effect of EUR 0.5 million gain on their sale.

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 is 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 together 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 2017 compared to the consolidated financial statements as at 31 December 2016.

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 2017, as follows:

- Retail – acquires, develops and leases shopping retail units
- 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 2017 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 land bank 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.

2017

Consolidated profit or loss	Income generating – rental properties					Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2017	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Hotels**	**Other**	**Agriculture**	**Hospitality**	**Mountain resorts**		
Gross rental income	115,815	114,634	20,163	6,865	2,160	(11)	--	494	--	1,757	189	262,066
Service revenue	901	879	(230)	2	--	9,158	--	20	--	1	73	10,804
Net service charge income	12,931	(551)	15	(192)	--	2,734	--	4	--	(380)	108	14,669
Property operating expenses	(22,520)	(10,382)	(13,750)	(517)	(286)	(7,296)	--	(43)	--	(921)	(147)	(55,861)
Net rental income	**107,127**	**104,580**	**6,198**	**6,158**	**1,874**	**4,585**	**--**	**475**	**--**	**457**	**223**	**231,678**
Development sales	54	--	1	--	--	--	--	(46)	--	151	3,571	3,731
Cost of goods sold	--	--	--	--	--	--	--	--	--	(15)	(3,511)	(3,526)
Development operating expenses	11	--	--	--	--	--	--	--	--	--	(533)	(522)
Net development income	**65**	**--**	**1**	**--**	**--**	**--**	**--**	**(46)**	**--**	**136**	**(473)**	**(317)**
Hotel revenue	--	--	--	--	--	--	--	112,182	--	--	--	112,182
Hotel operating expenses	--	--	--	--	--	--	--	(72,828)	--	--	--	(72,828)
Net hotel income	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**39,354**	**--**	**--**	**--**	**39,354**
Revenue from other business operations	--	--	--	--	--	--	12,162	--	22,615	--	--	34,777
Cost of goods sold	--	(1)	--	--	--	--	(127)	--	(1,463)	--	--	(1,591)
Related operating expenses	--	--	--	--	--	--	(7,847)	--	(24,237)	(10)	--	(32,094)
Net income from other business operations	**--**	**(1)**	**--**	**--**	**--**	**--**	**4,188**	**--**	**(3,085)**	**(10)**	**--**	**1,092**
Total revenues	129,701	114,962	19,949	6,675	2,160	11,881	12,162	112,654	22,615	1,529	3,941	438,229
Total direct business operating expenses	(22,509)	(10,383)	(13,750)	(517)	(286)	(7,296)	(7,974)	(72,871)	(25,700)	(946)	(4,191)	(166,420)
Net business income	**107,192**	**104,579**	**6,199**	**6,158**	**1,874**	**4,585**	**4,188**	**39,783**	**(3,085)**	**583**	**(250)**	**271,809**
Net valuation gain or loss	459,101	154,775	97,319	3,138	(122)	(152)	9,519	--	--	102,864	7,789	834,231
Net gain or loss on the disposal of investment property	666	771	822	4	--	150	--	(2)	--	(25)	(16)	2,371
Net gain or loss on disposal of subsidiaries	(2,031)	2,557	--	(803)	26	2,206	--	1	--	1	--	1,957
Amortization, depreciation and impairments	(3,400)	(2,257)	(1,449)	(8)	(6)	1,855	(1,123)	(25,359)	(29,769)	(203)	(21,962)	(83,682)
Other operating income	24,556	1,461	1,968	53	--	1,360	--	365	58	90	12	29,923
Administrative expenses	(10,207)	(2,042)	(772)	(92)	(34)	(26,927)	--	(816)	(10)	(546)	(235)	(41,679)
Other operating expenses	(1,047)	(1,079)	(590)	(388)	(86)	(689)	86	520	(670)	(156)	(31)	(4,130)
Operating Results	**574,830**	**258,767**	**103,497**	**8,062**	**1,652**	**(17,612)**	**12,670**	**14,492**	**(33,476)**	**102,608**	**(14,693)**	**1,010,800**
Interest income	104	334	54	13	136	8,579	--	1,127	--	7	--	10,354
Interest expense	(24,599)	(22,501)	(7,070)	(939)	(990)	(35,811)	(1,081)	(5,390)	(844)	38	131	(99,056)
Other net financial result	(18,859)	(27,593)	(79)	(1,564)	110	(29,198)	1,373	(2,218)	(187)	(8,966)	220	(86,960)
Net finance income / (costs)	**(43,354)**	**(49,760)**	**(7,095)**	**(2,490)**	**(744)**	**(56,430)**	**292**	**(6,481)**	**(1,031)**	**(8,921)**	**351**	**(175,662)**
Share of profit or loss of entities accounted for using the equity method	--	--	--	--	--	6,217	--	--	--	--	--	6,217
Profit / (Loss) before income tax	**531,476**	**209,007**	**96,402**	**5,572**	**908**	**(67,825)**	**12,962**	**8,011**	**(34,507)**	**93,687**	**(14,342)**	**841,355**
Income tax expense	(94,887)	(25,992)	(19,599)	(728)	(124)	9,526	(2,573)	(490)	4,885	(19,835)	2,975	(146,844)
Net profit / (Loss) from continuing operations	**436,589**	**183,015**	**76,803**	**4,844**	**784**	**(58,299)**	**10,389**	**7,521**	**(29,622)**	**73,852**	**(11,367)**	**694,511**

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 income	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**

2017

Consolidated statement of financial position	Income generating – rental properties						Income generating – operational properties			Land bank	Development	Total consolidated
31 December 2017	**Office**	**Retail**	**Residential**	**Industry and Logistics**	**Hotels**	**Other**	**Agriculture**	**Hospitality**	**Mountain resorts**			
Gross assets value	**2,716,538**	**1,873,745**	**513,698**	**78,471**	**38,230**	**10,041**	**94,990**	**603,403**	**88,620**	**504,602**	**91,066**	6,613,404
Investment Property	2,705,380	1,872,782	511,309	78,471	38,230	--	84,863	--	--	504,385	12,527	5,807,947
Property, plant and equipment	11,112	945	2,388	--	--	9,999	8,827	602,218	87,938	198	38	723,664
Inventories	46	18	1	--	--	42	1,300	1,185	682	19	78,501	81,793
Biological assets	--	--	--	--	--	--	6,193	--	--	23	--	6,216
Other assets non-current	53,053	7,031	4,219	611	19	204,935	10,406	57,309	8,907	452	2,568	349,510
Other assets current	67,381	111,839	18,126	1,102	2,421	80,331	6,741	13,074	3,812	12,667	3,701	321,195
Cash and cash equivalents	76,053	67,092	4,326	1,670	155	55,825	2,958	23,431	2,923	1,564	2,910	238,907
Total Assets	**2,913,025**	**2,059,707**	**540,369**	**81,854**	**40,825**	**351,132**	**121,288**	**697,217**	**104,262**	**519,308**	**100,245**	**7,529,232**
Other payables non-current	443,200	125,793	71,013	5,817	2,472	3,104	15,030	42,469	9,680	38,231	3,819	760,628
Finance debts non-current	777,698	641,902	57	6,110	--	16,133	33,013	92,065	23,237	2,812	--	1,593,027
Bonds issued non-current	--	43,648	--	--	--	1,288,023	--	--	--	--	--	1,331,671
Other payables current	68,322	49,019	22,519	1,996	1,458	15,872	1,274	20,349	12,449	3,060	10,172	206,490
Finance debts current	104,992	35,665	--	845	--	8,378	2,011	6,619	5,654	560	--	164,724
Bonds issued current	--	403	118,911	--	--	38,209	--	--	--	--	--	157,523
Total Liabilities	**1,394,212**	**896,430**	**212,500**	**14,768**	**3,930**	**1,369,719**	**51,328**	**161,502**	**51,020**	**44,663**	**13,991**	**4,214,063**

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**

2017

Consolidated profit or loss 31 December 2017	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxembourg	Italy	Russia	Switzerland	Croatia	Monaco	Other*	Total consolidated
Gross rental income	154,228	8,036	54,000	29,686	11,431	2,176	84	26	2,160	--	--	--	239	--	262,066
Service revenue	9,258	251	839	338	225	121	--	--	--	2	--	--	(230)	--	10,804
Net service charge income	2,406	412	12,373	737	(1,305)	47	--	--	--	--	--	--	--	--	14,669
Property operating expenses	(31,688)	(1,237)	(13,000)	(7,392)	(1,327)	(47)	(81)	--	(332)	--	--	--	(758)	--	(55,861)
Net rental income	**134,204**	**7,462**	**54,212**	**23,369**	**9,024**	**2,297**	**3**	**26**	**1,828**	**2**	**--**	**--**	**(749)**	--	231,678
Development sales	815	--	--	91	--	--	2,825	--	--	--	--	--	--	--	3,731
Cost of goods sold	(502)	--	--	(13)	(2)	--	(3,009)	--	--	--	--	--	--	--	(3,526)
Development operating expenses	--	--	(1)	--	--	--	(662)	--	141	--	--	--	--	--	(522)
Net development income	**313**	**--**	**(1)**	**78**	**(2)**	**--**	**(846)**	**--**	**141**	**--**	**--**	**--**	**--**	**--**	**(317)**
Hotel revenue	63,484	683	--	10,864	5,006	--	--	--	--	4,363	--	27,782	--	--	112,182
Hotel operating expenses	(43,819)	(538)	--	(5,907)	(3,261)	--	--	--	--	(2,858)	--	(16,445)	--	--	(72,828)
Net hotel income	**19,665**	**145**	**--**	**4,957**	**1,745**	**--**	**--**	**--**	**--**	**1,505**	**--**	**11,337**	**--**	**--**	**39,354**
Revenue from other business operations	12,162	--	--	--	--	--	--	--	--	--	22,615	--	--	--	34,777
Cost of goods sold	(128)	--	--	--	--	--	--	--	--	--	(1,463)	--	--	--	(1,591)
Related operating expenses	(7,858)	--	--	--	--	--	--	--	--	--	(24,236)	--	--	--	(32,094)
Net income from other business operations	**4,176**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(3,084)**	**--**	**--**	**--**	**1,092**
Total revenues	242,353	9,382	67,212	41,716	15,357	2,344	2,909	26	2,160	4,365	22,615	27,782	9	--	438,229
Total direct business operating expenses	(83,995)	(1,775)	(13,001)	(13,312)	(4,590)	(47)	(3,752)	--	(191)	(2,858)	(25,699)	(16,445)	(758)	--	(166,420)
Net business income	**158,358**	**7,607**	**54,211**	**28,404**	**10,767**	**2,297**	**(843)**	**26**	**1,969**	**1,507**	**(3,084)**	**11,337**	**(749)**	**--**	**271,809**
Net valuation gain or loss	372,834	5,930	404,863	43,586	7,551	5,812	(2,715)	--	(122)	--	--	--	(3,508)	--	834,231
Net gain or loss on the disposal of investment property	1,711	--	675	(15)	--	--	--	--	--	--	--	--	--	--	2,371
Net gain or loss on disposal of subsidiaries	5,220	(803)	--	(2,370)	--	--	--	(90)	--	--	--	--	--	--	1,957
Amortization, depreciation and impairments	(22,742)	(26)	(552)	(198)	1,123	(289)	(22,598)	488	(7)	(2,270)	(29,769)	(6,115)	(726)	--	(83,682)
Other operating income	2,902	32	23,584	373	567	269	490	137	1	--	58	183	1,327	--	29,923
Administrative expenses	(16,757)	(363)	(9,109)	(3,635)	(1,412)	(545)	(240)	(3,355)	(145)	(113)	(10)	(266)	(310)	(5,417)	(41,679)
Other operating expenses	(2,592)	(19)	(124)	(1,238)	78	(19)	(240)	(121)	(86)	(6)	(670)	709	(26)	222	(4,130)
Operating Results	**498,934**	**12,358**	**473,548**	**64,907**	**18,674**	**7,525**	**(26,146)**	**(2,915)**	**1,610**	**(882)**	**(33,475)**	**5,848**	**(3,992)**	**(5,195)**	**1,010,800**
Interest income	1,374	--	67	37	--	1	54	7,860	136	--	--	363	--	462	10,354
Interest expense	(58,311)	(11,107)	(10,934)	(3,443)	(3,420)	(327)	(635)	(6,770)	(990)	(3)	(844)	(1,441)	(1,182)	351	(99,056)
Other net financial result	(54,285)	(167)	536	(919)	5,270	(2,413)	(133)	(26,299)	109	(2,668)	(187)	7	(55)	(5,756)	(86,960)
Net finance income / (costs)	**(111,222)**	**(11,274)**	**(10,331)**	**(4,325)**	**1,850**	**(2,739)**	**(714)**	**(25,209)**	**(745)**	**(2,671)**	**(1,031)**	**(1,071)**	**(1,237)**	**(4,943)**	**(175,662)**
Share of profit or loss of entities accounted for using the equity method	--	--	--	--	--	--	--	6,217	--	--	--	--	--	--	6,217
Profit / (Loss) before income tax	**387,712**	**1,084**	**463,217**	**60,582**	**20,524**	**4,786**	**(26,860)**	**(21,907)**	**865**	**(3,553)**	**(34,506)**	**4,777**	**(5,229)**	**(4,481)**	**841,355**
Income tax expense	(69,785)	(2,812)	(85,523)	(4,243)	(3,899)	(1,023)	4,783	10,807	(138)	779	4,885	(850)	197	(20)	(146,844)
Net profit / (Loss) from continuing operations	**317,927**	**(1,728)**	**377,694**	**56,339**	**16,625**	**3,763**	**(22,077)**	**(11,100)**	**727**	**(2,774)**	**(29,621)**	**3,927**	**(5,032)**	**(4,501)**	**694,511**

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

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 income	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 Netherlands, Ireland, Cyprus, British Virgin Islands and Guernsey.*

2017

Consolidated statement of financial position 31 December 2017	Czech Republic	Slovak Republic	Germany	Hungary	Poland	Romania	France	Luxemburg	Italy	Russia	Switzerland	Croatia	Monaco	Other*	Total consolidated
Gross assets value	**3,594,847**	**116,652**	**1,638,006**	**551,209**	**228,368**	**--**	**59,838**	**--**	**49,901**	**23,208**	**88,620**	**171,219**	**91,526**	**10**	6,613,404
Investment Property	3,224,738	116,646	1,627,600	498,639	202,368	--	10,486	--	38,230	--	--	--	89,240	--	5,807,947
Property, plant and equipment	350,407	2	10,360	52,485	25,942	--	102	--	--	23,061	87,938	171,081	2,286	--	723,664
Inventories	19,702	4	46	85	58	--	49,250	--	11,671	147	682	138	--	10	81,793
Biological assets	6,216	--	--	--	--	--	--	--	--	--	--	--	--	--	6,216
Other receivables non-current	96,037	3	49,942	1,095	(23)	--	2,654	187,522	46	4	8,907	83	3,239	1	349,510
Other receivables current	152,404	1,396	15,765	17,258	6,274	40,622	5,794	70,883	4,793	160	3,812	675	152	1,207	321,195
Cash and cash equivalents	140,419	4,359	39,880	21,356	4,309	14	314	15,756	170	174	2,923	3,950	228	5,055	238,907
Total Assets	**3,989,923**	**122,410**	**1,743,593**	**590,918**	**238,928**	**40,636**	**68,600**	**274,161**	**54,910**	**23,546**	**104,262**	**175,927**	**95,145**	**6,273**	**7,529,232**
Other payables non-current	324,012	11,015	363,139	22,272	11,354	11	228	400	2,472	449	9,680	12,559	3,037	--	760,628
Finance debts non-current	690,730	38,137	541,014	222,372	77,359	--	--	--	--	--	23,237	180	--	(2)	1,593,027
Bonds issued non-current	371,151	147,316	--	--	--	--	--	813,204	--	--	--	--	--	--	1,331,671
Other payables current	125,539	997	29,573	14,307	3,793	2,236	7,279	1,716	1,475	860	12,449	4,193	807	1,266	206,490
Finance debts current	126,135	2,705	10,464	14,991	4,122	405	--	--	--	--	5,654	--	--	248	164,724
Bonds issued current	122,828	30,430	--	--	--	--	--	4,265	--	--	--	--	--	--	157,523
Total Liabilities	**1,760,395**	**230,600**	**944,190**	**273,942**	**96,628**	**2,652**	**7,507**	**819,585**	**3,947**	**1,309**	**51,020**	**16,932**	**3,844**	**1,512**	**4,214,063**

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

5 Consolidated statement of comprehensive income

5.1 Gross rental income

	12 month period ended	
	31 December 2017	**31 December 2016**
Gross rental income (1)	262,066	225,809
Service revenue (2)	10,804	9,113
Total gross rental income	**272,870**	**234,922**

(1) Increase in rental income is generally attributable to the Group´s expansion in 2017 and 2016. The main favourable impact represents the acquisition of CBRE GI portfolio in March 2017 leading to a net increase of EUR 36.6 million.

Other favourable impact represents the acquisition of Královo pole shopping centre (net increase of EUR 1.8 million) and the overall increase in gross rental income generated by the Czech portfolio (net increase of EUR 7.7 million) and German portfolio (net increase of EUR 5.1 million) due to the better performance of the Group´s assets.

Gross rental income in 2017 includes 12 months operations of Na Poříčí and Hradčanská office building (acquired in June 2016) with net increase of EUR 2.5 million.

The growth is partially offset by a decline in gross rental income caused by the sale of Lozorno Logistics Park (EUR 6.3 million), the sale of Capellen Invest S.A. (EUR 1 million) and other sales with the net decrease of EUR 3.4 million.

Due to acquisition of CPI Hotels in August 2016, the gross rental income of the Group decreased by EUR 9.8 million compared to 2016. Following the acquisition, the gross rental income generated by the hotels owned by the Group became intercompany income. However, it has been substituted by the significant increase in net hotel income (note 5.5).

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

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

5.2 Net service charge income

	12 month period ended	
	31 December 2017	**31 December 2016**
Service charge income	53,020	43,815
Service charge expenses	(41,046)	(30,792)
Total	**11,974**	**13,023**
Revenues from sales of electricity	7,723	4,176
Cost of sales – electricity	(5,028)	(2,873)
Total	**2,695**	**1,303**
Total net service charge income	**14,669**	**14,326**

Profit from sale of electricity increased due to the acquisition of Tepelné hospodářství Litvínov (note 3.3).

5.3 Property operating expenses

	12 month period ended 31 December 2017	31 December 2016
Building Maintenance (1)	(29,015)	(19,342)
Personnel expenses (5.3.2)	(7,528)	(6,782)
Other property related expenses	(4,160)	(5,585)
Utility services (5.3.1)	(4,487)	(3,667)
Real estate tax	(4,146)	(3,626)
Letting fee, other fees paid to real estate agents	(2,395)	(921)
Leases and rents	(733)	(760)
Insurance	(600)	(636)
Facility management	(2,797)	(616)
Total net property operating expenses	**(55,861)**	**(41,935)**

(1) The increase in building maintenance expenses relates mainly to the Hungarian part of the Group´s portfolio (net increase of EUR 4 million) and the residential portfolio of CPI BYTY (net increase of EUR 3 million).

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

5.3.1 Utility services

	12 month period ended 31 December 2017	31 December 2016
Energy consumption	(2,012)	(2,550)
Material consumption	(1,194)	(722)
Waste management	(188)	(159)
Security services	(734)	(153)
Cleaning services	(359)	(83)
Total utility services	**(4,487)**	**(3,667)**

5.3.2 Personnel expenses

	12 month period ended 31 December 2017	31 December 2016
Personnel operating expenses		
Wages and salaries	(5,570)	(5,049)
Social and health security contributions	(1,777)	(1,579)
Other social expenses	(181)	(154)
Total personnel operating expenses	**(7,528)**	**(6,782)**
Personnel administrative expenses		
Wages and salaries	(14,472)	(12,084)
Social and health security contributions	(3,525)	(3,024)
Other social expenses	(396)	(369)
Total personnel administrative expenses (note 5.12)	**(18,393)**	**(15,477)**
Personnel expenses – hotel operations		
Wages and salaries	(21,600)	(12,602)
Social and health security contributions	(5,779)	(3,228)
Other social expenses	(464)	(330)
Total personnel expenses – hotel operations (note 5.5)	**(27,843)**	**(16,160)**
Personnel expenses – other business operations		
Wages and salaries	(12,897)	(10,085)
Social and health security contributions	(2,464)	(2,169)
Other social expenses	(427)	(318)
Total personnel expenses – other business operations (note 5.6)	**(15,788)**	**(12,572)**
Total personnel expenses	**(69,552)**	**(50,991)**

The significant increase in personnel expenses from hotel operation is related to the extension of hotel activities. Personnel expenses from hotel operations in 2017 include 12 months operations of CPI Hotels (acquired in August 2016) leading to the net increase of EUR 8 million. The acquisition of SHH (in May 2016) led to a net increase of EUR 2.6 million.

Personnel expenses from other business operations stepped up mainly due to an increase of the number of employees in CMA Group.

5.4 Net development income

	12 month period ended 31 December 2017	31 December 2016
Development sales (1)	3,731	2,170
Cost of goods sold (1)	(3,526)	(1,627)
Development operating expenses (2)	(522)	(2,332)
Net development income	**(317)**	**(1,789)**

(1) Development sales and the connected cost of goods sold in 2017 represent primarily the sale of one villa in Nice from the residential project of Palais Maeterlinck (EUR 2.8 million).

(2) Development operating expenses cover all property operating expenses incurred in connection with development (utility services, real estate agents services, maintenance etc.). Development expenses in the amount of EUR 0.6 million (EUR 0.5 million in 2016) relate to residential project Palais Maeterlinck.

5.5 Net hotel income

	12 month period ended 31 December 2017	31 December 2016
Hotel revenue	112,182	69,898
Personnel expenses (5.3.2)	(27,843)	(16,160)
Other hotel expenses	(44,772)	(25,939)
Cost of goods sold – hotel operations	(213)	(97)
Total net hotel income	**39,354**	**27,702**

In August 2016, the Group acquired CPI Hotels, an hotel operator, which operates the majority of the Group´s hotel portfolio, refer to note 3.6. The acquisition of the CPI Hotels led to an increase in net hotel income of EUR 12.1 million in 2017 compared to 2016. This increase on the other hand led to a decrease in the amount of gross rental income (note 5.1.).

5.6 Net income from other business operations

	12 month period ended 31 December 2017	31 December 2016
Revenue from other business operations (1)	34,777	30,158
Cost of goods sold	(1,591)	(1,027)
Personnel expenses (5.3.2)	(15,788)	(12,572)
Related operating expenses	(16,306)	(11,560)
Net income from other business operations	**1,092**	**4,999**

Other business operations represent agriculture and mountain resort operations.

(1) In 2017, revenue from other business operations in the amount of EUR 21.7 million relates to the mountain resort operations (net increase of EUR 4.3 million compared to 2016). Revenues from agricultural activities remain stable (EUR 12.5 million in 2017).

5.7 Net valuation gain

	12 month period ended	
	31 December 2017	**31 December 2016**
Valuation gains		
Agriculture	10,261	20,129
Development	7,789	98
Hotels	--	2,571
Industry and logistics	3,874	3,589
Land bank	114,050	15,690
Office	470,897	381,466
Residential	113,365	12,759
Retail	160,552	32,531
Total valuation gains	**880,788**	**468,833**
Valuation losses		
Agriculture	(742)	(855)
Hotels	(122)	(947)
Industry and logistics	(736)	(14,839)
Land bank	(11,186)	(22,655)
Office	(11,796)	(8,685)
Other	(152)	--
Residential	(16,046)	--
Retail	(5,777)	(27,025)
Total valuation losses	**(46,557)**	**(75,006)**
Net valuation gain	**834,231**	**393,827**

The valuation gain in retail segment in 2017 relates mainly to the revaluation of selected shopping centres located in the Czech Republic, Hungary and Poland. The major part of the revaluation gain relates to the revaluation of CBRE GI portfolio (EUR 101.8 million).

Revaluation in residential segment relates primarily to the portfolio of CPI BYTY, a.s. (gain of EUR 103.5 million).

Land bank revaluation gain relates primarily to the valuation of two significant land bank projects located in Prague, Czech Republic. Prices of real estate are continually growing within the whole country, notably in Prague, which is mainly affected by the lack of new or ongoing residential developments. This situation (supported by the decision of the Prague municipality not to expand future developments into suburbs but to use brownfield areas within the city) created high demand for sites which are suitable for residential or mixed development.

The continuing increase in valuation gains in the office segment relates mainly to the GSG Berlin portfolio, which increased by EUR 405.4 million that is as a result of the improving market situation in Berlin.

For the assumptions the professional valuers used for the preparation of appraisals as at 31 December 2017 refer to note 7.5.3.

5.8 Net gain / (loss) on the disposal of investment property

	12 month period ended	
	31 December 2017	**31 December 2016**
Proceeds from disposal of investment property	7,029	22,260
Carrying value of investment property disposed of and related cost	(4,658)	(24,831)
Total gain / (loss) on the disposal of investment property	**2,371**	**(2,571)**

Disposals of investment property in 2017 represent mainly sale of department store in Neratovice (carrying value of EUR 0.9 million), local store in Prague (carrying value of EUR 0.2 million) and sale of petrol station in Český Těšín (carrying value of EUR 2.1 million).

5.9 Net gain on disposal of subsidiaries and investees

The following table summarizes disposal effects of subsidiaries sold in 2017.

	12 month period ended	
	31 December 2017	**31 December 2016**
Investment property	17,388	34,390
Property, plant and equipment	1,930	--
Loans provided	1,633	717
Trade receivables	7	--
Deferred tax asset	--	921
Total non-current assets	**20,958**	**36,028**
Inventories	23	--
Current income tax receivables	33	59
Trade receivables	1,261	323
Loans provided	19	405
Cash and cash equivalents	850	474
Other financial current assets	7,099	43,595
Other non-financial current assets	74	71
Assets/disposal groups held for sale	115,904	--
Total current assets	**125,263**	**44,928**
Identifiable disposed assets	**146,221**	**80,956**
Financial debts	(22,408)	(4,577)
Deferred tax liabilities	(1,643)	(1,556)
Provisions	(27)	--
Other non-current liabilities	(160)	(107)
Total non-current liabilities	**(24,239)**	**(6,240)**
Financial debts	(2,379)	(373)
Trade payables	(272)	(145)
Advance payments	(80)	(329)
Derivative instruments	7	(76)
Other financial current liabilities	(10)	(14,430)
Other non-financial current liabilities	(84)	(41)
Liabilities from assets/disposal groups held for sale	(58,599)	--
Total current liabilities	**(61,419)**	**(15,394)**
Identifiable disposed liabilities	**(85,658)**	**(21,634)**
Net ident. Assets of subsidiary sold	**60,562**	**59,322**
Non-controlling interest	**--**	**--**
Related cost to sell	**--**	**--**
Share disposed in %	**100.00%**	**100.00%**
Net assets attributable to the Group disposed of	**60,562**	**59,322**
Sales price	**62,519**	**60,937**
Net gain on disposal of subsidiaries and investees	**1,957**	**1,615**

Refer to note 3.4 for further details.

5.10 Amortization, depreciation and impairment

	12 month period ended	
	31 December 2017	**31 December 2016**
Depreciation and amortization – rental	(3,825)	(2,285)
Depreciation and amortization – hotel (1)	(16,153)	(8,909)
Depreciation and amortization – other business operations (2)	(8,504)	(6,723)
Total impairment of assets (5.10.1)	(55,200)	(19,485)
Total depreciation, amortization and impairment	**(83,682)**	**(37,402)**

(1) Increase of depreciation and amortization relates mainly 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 in August 2016 (increase of EUR 3.7 million), and due to the acquisition of SHH in May 2016 (net increase of EUR 3 million).

(2) Increase of depreciation and amortization from other business operations in the amount of EUR 1.7 million is attributable to the mountain resorts operations.

5.10.1 Impairment of assets / Reversal of impairment of assets

	12 month period ended	
	31 December 2017	**31 December 2016**
Impairment of property, plant and equipment (1)	(36,152)	(19,207)
Reversal of impairment of other intangible assets	114	--
Impairment of trading property (2)	(22,034)	(2,331)
Reversal of impairment / Impairment – other	2,368	(2,085)
Reversal of impairment / Impairment of other receivables (3)	(514)	5,904
Reversal of impairment / Impairment of trade receivables	(121)	912
Impairment of provided loans	1,139	(2,678)
Total impairment of assets	**(55,200)**	**(19,485)**

(1) In connection with the revaluation model used for the measurement of Hotels, the Group recognized an impairment of property, plant and equipment in the amount of EUR 13.8 million. Impairment of PPE in the amount of EUR 22.4 million relates to mountain resorts (CMA Group), see note 6.3.

(2) Impairment of trading property relates to "Palais Maeterlinck project", refer to note 6.8.

(3) Impairment reversal of other receivables in 2016 relates to (BÄR) Leipziger Platz dispute (of EUR 5.9 million), refer to note 8.

5.11 Other operating income

	12 month period ended	
	31 December 2017	**31 December 2016**
Gain on bargain purchase relating to acquisition (business combinations) (1)	22,446	66,651
Gain on assignment of receivables	--	496
Income from penalties	877	74
Income from compensation of rental revenues	468	452
Insurance claims	607	689
Other	5,525	5,409
Net result from sale of PPE	--	621
Total other operating income	**29,923**	**74,392**

(1) Gain on bargain purchase in 2017 relates to the extension of the Group´s GSG portfolio (ARMO), refer to note 3.3. Gain on bargain purchase in 2016 arised from the acquisition of SHH (EUR 66.6 million), refer to note 3.6.

5.12 Administrative expenses

	12 month period ended 31 December 2017	31 December 2016
Personnel expenses (5.3.2)	(18,393)	(15,477)
Audit, tax and advisory services (1)	(5,965)	(5,593)
Legal services	(6,014)	(5,867)
IT expenses	(1,274)	(1,883)
Lease and rental expenses	(1,466)	(1,822)
Advertising expenses	(2,078)	(1,447)
Telecommunication, internet and software related expenses	(1,019)	(659)
Material consumption	(523)	(586)
Representation expenses	(480)	(513)
Other insurance expenses	(927)	(417)
Repairs and maintenance	(425)	(243)
Energy consumption	(67)	(91)
Other administrative expenses	(2,278)	(2,235)
Valuation services (2)	(770)	(770)
Total administrative expenses	**(41,679)**	**(37,603)**

(1) Audit, tax and advisory expenses also include the cost of services provided by the Group´s auditor of EUR 2.1 million (EUR 1.62 million in 2016), of which:
- fees related to audit services amount to EUR 1.7 million (EUR 1.35 million in 2016);
- fees for other assurance and advisory services provided by the Group´s auditor total EUR 0.4 million (EUR 0.27 million in 2016).

(2) Fees paid to investment property valuers represent EUR 0.77 million in 2017 (EUR 0.77 million in 2016).

Generally, the increase in administrative expenses reflects the Group substantial growth affected by acquisitions carried out in the second half of 2016 and in 2017.

5.13 Other operating expenses

	12 month period ended 31 December 2017	31 December 2016
Penalties	(139)	(132)
Tax non-deductible VAT expenses	(1,043)	(695)
Taxes and fees	(1,152)	(1,772)
Loss on assignment of receivables	(299)	(82)
Gifts	(132)	(138)
Change in provisions	214	4,927
Expense from sale of PPE	(259)	--
Other	(1,320)	(185)
Total other operating expenses	**(4,130)**	**1,923**

5.14 Interest income

	12 month period ended 31 December 2017	31 December 2016
Bank interest income	9	28
Interest income on bonds	367	70
Interest income on loans and receivables	9,783	10,466
Interest income on bills of exchange	195	--
Total interest income	**10,354**	**10,564**

5.15 Interest expense

	12 month period ended	
	31 December 2017	**31 December 2016**
Interest expense related to bank and non-bank loans (1)	(55,899)	(51,395)
Interest expense on bonds issued	(41,163)	(35,856)
Interest expense related to finance leases	(459)	(2,925)
Interest expense on bills of exchange	(1,535)	(3,557)
Total interest expense	**(99,056)**	**(93,733)**

(1) Interest expense related to bank and non-bank loans increased mainly due to the acquisition of CBRE GI portfolio (EUR 8.7 million).

5.16 Other net financial result

	12 month period ended	
	31 December 2017	**31 December 2016**
Change in fair value and realized result on derivative instruments	6,911	385
Other net financial result	(15,288)	(5,084)
Net foreign exchange gain	--	2,245
Net foreign exchange loss (1)	(73,060)	--
Bank charges	(5,523)	(2,940)
Total other net financial result	**(86,960)**	**(5,394)**

(1) In April 2017, the Czech National Bank ended its Czech koruna floor commitment. The Czech koruna has been steadily appreciating since then. There have been many financing transactions between Group entities with different functional currencies, which is the major factor leading to this significant net foreign exchange loss in 2017.

5.17 Income tax expense

Tax recognized in profit or loss

	12 month period ended	
	31 December 2017	**31 December 2016**
Current income tax expense		
Current year	(14,402)	(10,885)
Adjustment for prior years	311	(2,836)
Total	**(14,091)**	**(13,721)**
Deferred income tax expense		
Origination and reversal of temporary differences	(178,929)	(88,481)
Changes in income tax rate	40,300	22,768
Recognition (derecognition) of tax losses	5,796	(4,907)
Other effects	80	--
Total	**(132,753)**	**(70,620)**
Income tax from continuing operations recognised in profit and loss	**(146,844)**	**(84,341)**
Total income tax recognised in profit or loss	**(146,844)**	**(84,341)**

The Company´s effective tax rate in respect of continuing operations for 2017 was 17.45 % (15.51 % for 2016).

Reconciliation of effective tax rate

	12 month period ended	
	31 December 2017	**31 December 2016**
Profit for the period	694,511	459,502
Total income tax recognised in profit or loss	146,844	84,341
Profit excluding income tax	**841,355**	**543,843**
Combined nominal income tax rate	27.08%	29.22%
Income tax expense using the domestic corporate income tax rate	(227,839)	(158,911)
Effect of tax rates in foreign jurisdictions	22,115	33,426
Changes in income tax rate	40,300	22,768
Non-deductible expense	(19,604)	(18,362)
Tax exempt income	39,084	19,414
Income tax adjustment for prior years	320	(322)
Effect of foreign exchange rates fluctuation	--	840
Change in unrecognized deferred tax asset	(9,883)	4,562
Change in the permanent tax differences	700	(2,158)
Other effects	7,963	14,402
Tax expense	**(146,844)**	**(84,341)**

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

Luxembourg

The corporate income tax rate is 20.33 % (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 27.08 %. Tax losses incurred until 31 December 2017 may be carried forward indefinitely, losses incurred as from 2017 should be limited to 17 years. For 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 21%. Minimum tax of EUR 480 to 2,880 (depending on the turnover) is levied and represents a minimum lump sum tax after deduction of tax relief and credit of taxes paid abroad. However, a minimum tax will be abolished with effect from 1 January 2018. Tax losses may be carried forward and utilized equally over 4 years.

Hungary

The corporate income tax rate is 9%. 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 one year.

Netherlands

The corporate income tax is levied at progressive rate, 20% on the taxable profits up to EUR 200,000 (EUR 250,000 effective from 1 January 2018) and 25% on the excess. Tax losses may be carried forward up to 9 years and carry back one year.

France

The corporate income tax rate is 33.33% which will be reduced to 28% over the period from 2017 to 2020. In 2017, a reduced rate of 28% applies to the first EUR 75,000 of taxable income of small and medium-sized companies with turnover of less than EUR 50 million. Large-size companies are subject to additional 3.3% social surcharge applied to standard corporate income tax liability exceeding EUR 763,000. 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%. Lowered 15% is used for so-called “small taxpayers” (sales revenues including VAT did not exceed EUR 1.2 million in previous year). 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 rate for micro-enterprise companies with revenues not exceeding EUR 500,000 is 1% (3% with companies with no employees). 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 (“IRES”) rate is 24% plus the regional tax on productive activities (“IRAP”) of 4.82% applicable in Roma where the business of the Group is situated. For IRES purposes, 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. For IRAP purposes, tax losses may not be carried forward.

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 18%. Tax rate for companies with annual revenues under HRK 3 million (approx. EUR 400,000) is 12%. Tax losses may be carried forward for 5 years, certain limitations apply in the 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 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Intangible assets and goodwill	112	208	(2,690)	(2,732)	(2,578)	(2,524)
Investment property	12,870	9,777	(664,629)	(467,747)	(651,759)	(457,970)
Property, plant and equipment	10,955	5,434	(54,249)	(45,075)	(43,294)	(39,641)
Biological Assets	--	--	(666)	(699)	(666)	(699)
Inventories	2,158	176	(232)	(2,186)	1,926	(2,010)
Trade and other receivables	174	403	(4)	(726)	170	(323)
Financial debts	2,515	3,573	(2,568)	(1,218)	(53)	2,355
Derivative instruments	722	2,446	(6,687)	(492)	(5,965)	1,954
Provisions	71	114	--	--	71	114
Trade and other payables	161	1,197	(601)	(12,756)	(440)	(11,559)
Tax losses carried-forward	134,928	128,997	--	--	134,928*	128,997*
Gross deferred tax assets/(liabilities)	**164,666**	**152,325**	**(732,326)**	**(533,631)**	**(567,660)**	**(381,306)**
Set-off of tax**	(22,291)	(30,011)	22,291	30,011	--	--
Net deferred tax assets/(liabilities)	**142,375**	**122,314**	**(710,035)**	**(503,619)**	**(567,660)**	**(381,306)**
Tax liabilities held for sale	**--**	**--**	**(4,262)**	**--**	**(4,262)**	**--**
Net deferred tax assets/(liabilities) including deferred tax liabilities linked to assets held for sale	**142,375**	**122,314**	**(714,297)**	**(503,619)**	**(571,922)**	**(381,306)**

* The Group recognized the deferred tax asset from tax losses carried forward in total amount of EUR 123.6 million as at 31 December 2017 (as at 31 December 2016 – EUR 113 million) in connection with the acquisition of OPG (note 3.6). The recognition of the deferred tax asset is based on the future taxable profits that are expected to be generated in connection with the incorporation of OPG into the corporate structure of CPI PG. The expected profits reflect the strategy of CPI PG in which the OPG is expected to render financial services for the Group while gradually realizing its development projects. As these tax losses relate primarily to the Luxembourg entities, they can be carried forward underfinitely. 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.

**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 / (liabilities) were not recognized with respect following items:

	31 December 2017	31 December 2016
Investment property*	(62,905)	(11,184)
Tax losses carried-forward**	291,916	249,914

*Deferred tax liabilities based on differences at the time of initial recognition arising from transactions treated as assets acquisitions have not been recorded in accordance with IAS 12.

**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.

The tables below show the expiry date of unused tax losses as of 31 December 2017, for which no deferred tax assets is recognized:

At 31 December 2017	Expiry date						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
TOTAL	**12,333**	**17,405**	**19,292**	**14,748**	**31,908**	**1,105,223**	**1,200,909**

Movement in deferred tax balances during 2017

2017	Balance at 1 January 2017	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Disposal of subsidiaries	Transfers	Translation differences	Balance at 31 December 2017
Intangible assets and goodwill	(2,524)	(63)	--	--	--	--	9	(2,578)
Investment property	(457,970)	(161,409)	--	(26,344)	1,757	4,609	(12,402)	(651,759)
Property, plant and equipment	(39,641)	9,193	(9,753)	(917)	--	(117)	(2,059)	(43,294)
Biological Assets	(699)	34	--	--	--	--	(1)	(666)
Inventories	(2,010)	3,946	--	--	--	--	(10)	1,926
Trade and other receivables	(323)	941	--	--	--	24	(472)	170
Financial debts	2,355	(1,993)	--	--	--	(23)	(392)	(53)
Derivative instruments	1,954	(470)	(7,471)	--	--	--	22	(5,965)
Provisions	114	(118)	--	71	--	--	4	71
Trade and other payables	(11,559)	11,165	--	(24)	--	--	(22)	(440)
Tax losses carried-forward	128,997	6,020	--	--	--	(231)	142	134,928
Total without deferred tax linked to asset held for sale	**(381,306)**	**(132,754)**	**(17,224)**	**(27,214)**	**1,757**	**4,262**	**(15,181)**	**(567,660)**
Deferred tax liabilities linked to asset held for sale	--	--	--	--	--	**(4,262)**	--	**(4,262)**
TOTAL	**(381,306)**	**(132,754)**	**(17,224)**	**(27,214)**	**1,757**	**--**	**(15,181)**	**(571,922)**

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)**

6 Consolidated statement of financial position

6.1 Intangible assets and goodwill

2017

	Goodwill	Software	Other	TOTAL
Cost				
Balance at 1 January 2017	**105,649**	**4,659**	**11,696**	**122,004**
Effect of business combinations (note 3.2)	--	8	4	12
Additions	--	684	1,147	1,831
Other disposals	--	(5)	(55)	(60)
Effect of movements in exchange rates	3,028	--	82	3,110
Balance at 31 December 2017	**108,677**	**5,346**	**12,874**	**126,897**
Amortization and impairment losses				
Balance at 1 January 2017	**2,014**	**2,058**	**841**	**4,913**
Amortization for the period (+)	--	1,181	484	1,665
Disposals out of the Group	--	3	--	3
Balance at 31 December 2017	**2,014**	**3,242**	**1,325**	**6,581**
Carrying amounts				
At 31 December 2016	**103,635**	**2,601**	**10,855**	**117,091**
At 31 December 2017	**106,663**	**2,104**	**11,549**	**120,316**

2016

	Goodwill	Software	Other	TOTAL
Cost				
Balance at 1 January 2016	**61,904**	**3,698**	**11,348**	**76,950**
Effect of business combinations (note 3.6)	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 2016	**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**

Goodwill

The 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;
- 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 Income generating operational properties segment, asset type hospitality.

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

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

Summary of impairment testing

The Group does not identify any impairment for CPI PG Group´s related goodwill and trademark impairment as at 31 December 2017 as this CGU´s “recoverable amount” is higher than its carrying value (calculation based on 2018 – 2022 budgeted numbers by using the following assumptions):

In percent	2017	2016
Pre-tax discount rate	4.90	5.38
Terminal value growth rate	2.00	2.00

The Group does not identify any impairment for Hospitality Group´s related goodwill impairment as at 31 December 2017 as this CGU´s “recoverable amount” is higher than its carrying value (calculation based on 2018 – 2022 budgeted numbers by using the following assumptions):

In percent	2017	2016
Pre-tax discount rate	6.52	7.07
Terminal value growth rate	3.00	3.00

No impairment has been identified in regards of Spojené farmy Group´s related goodwill as at 31 December 2017 as this CGU´s “recoverable amount” is higher than its carrying value (calculation based on 2018 – 2022 budgeted numbers by using the following assumptions):

In percent	2017	2016
Pre-tax discount rate	6.77	7.15
Terminal value growth rate	2.00	2.00

In respect of the goodwill 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	2017	2016
Pre-tax discount rate	12.02	12.62
Terminal value growth rate	2.00	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 goodwill
The estimated recoverable amount exceeded its carrying amount by approximately EUR 293 million (2016: EUR 128.9 million). Based on the impairment test performed in both 2017 and 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 2017	31 December 2016
Pre-tax discount rate	0.66	0.54
Terminal value growth rate	(0.74)	(0.64)
Budgeted EBITDA decrease	(18.50)	(14.22)

Hospitality Group´s related goodwill

The estimated recoverable amount exceeded its carrying amount by approximately EUR 1.8 million (2016: EUR 1.7 million). Management has identified that a reasonably possible change in three key assumptions in both 2017 and 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 2017	31 December 2016
Pre-tax discount rate	0.05	0.06
Terminal value growth rate	(0.05)	(0.07)
Budgeted EBITDA decrease	(1.33)	(1.48)

Spojené farmy Group´s related goodwill

The estimated recoverable amount exceeded its carrying amount by approximately EUR 0.7 million (2016: EUR 4.6 million). Management has identified that a reasonably possible change in three key assumptions in both 2017 and 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 2017	31 December 2016
Pre-tax discount rate	0.03	0.26
Terminal value growth rate	(0.04)	(0.32)
Budgeted EBITDA decrease	(12.67)	(4.65)

CPI Hotels related goodwill

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 2017	31 December 2016
Pre-tax discount rate	4.69	2.03
Terminal value growth rate	(4.17)	(3.19)
Budgeted EBITDA decrease	(27.08)	(22.03)

6.2 Investment property

	Income Generating - Rental properties							Income Generating - operation properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels	Other	Subtotal - rental properties	Agriculture			
Balance at 1 January 2016	**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/acquisitions	220,368	639,566	2,356	--	2,531	--	864,821	--	55,736	4,266	924,823
Transfers	19,123	12,602	(3,160)	--	(2,599)	(13)	25,953	--	(11,687)	(19,230)	(4,964)
Development costs	--	--	--	--	--	--	--	--	--	11,427	11,427
Additions	37,581	25,937	4,896	1,614	352	164	70,544	629	9,185	--	80,358
Disposals	(533)	(13,397)	(224)	(494)	--	1	(14,647)	(80)	(7,326)	--	(22,053)
Valuation gain/(loss)	459,101	154,777	97,319	3,138	(122)	(152)	714,061	9,519	102,862	7,789	834,231
Transfers in/from assets held for sale	(28,303)	(67,587)	--	--	--	--	(95,890)	--	(3,834)	--	(99,724)
Translation differences	24,710	41,167	19,865	1,042	68	--	86,852	5,113	13,343	845	106,153
Balance at 31 December 2017	**2,705,380**	**1,872,782**	**511,309**	**78,471**	**38,230**	**--**	**5,206,172**	**84,864**	**504,384**	**12,527**	**5,807,947**

Investments/Acquisitions

2017

In 2017 the Group acquired investment property in total value of EUR 924.8 million. The most significant items of investment property were acquired in the following transactions (note 3.2 and 3.3):

- in May 2017 the Group acquired CBRE GI portfolio, high-quality retail portfolio with predominantly 11 shopping centers in Europe in total value of EUR 625.2 million;
- acquisition of new GSG portfolio in total value of EUR 167.7 million;
- acquisition of three land bank projects in the Czech Republic in total value of EUR 53.8 million;
- acquisition of Královo Pole Shopping Centre in Brno with the acquisition value of EUR 59 million;
- acquisition of Merlég office building in Budapest with fair value of EUR 9.2 million;
- in March 2017 the Group acquired Hotel Vladimír in Ústí nad Labem in total value of EUR 2.3 million.

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 3.6):

- 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.

Additions

2017

Capital expenditure in segment office relate the German portfolio (EUR 15.9 million) and Hungarian portfolio (EUR 6.8 million).
Additions in the retail segment represent mainly to capital expenditures in the amount of EUR 11.5 million retail park IGY in České Budějovice and also expenditures connected with the refurbishment of retail part of "QUADRIO" project (EUR 2.4 million).
Addition in the residential segment relate to capital expenditures in the amount of EUR 3.3 million in connection with French villas located in Monaco.
Capital expenditures in segment industry and logistics relate to logistic park in Brandýs nad Labem in the amount of EUR 1.5 million.
In 2017, the increase of land bank is due to the purchase of new land plots, mainly in the Czech Republic (EUR 7.1 million).

2016

Additions in the office segment relate mainly to capital expenditures in connection with the German portfolio (EUR 6.8 million), 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 mainly capital expenditures in the amount of EUR 3.5 million in connection with retail park IGY in České Budějovice (CB Property Development, a.s).

Development costs

Development costs in the amount of EUR 11.5 million (EUR 4.5 million in 2016) relate to the construction of the building extension of the existing IGY center in České Budějovice.

Disposals

2017

Disposal of land bank relates to the sale of STRM Delta, a.s. (decrease of EUR 7.3 million).
Disposal of Group´s retail portfolio relates to the sale of Arkáda Prostějov Shopping Centre (note 3.4) in the amount of EUR 9.7 million.
Investment property (asset type Retail) in the amount of EUR 1.1 million was disposed of due to sale department store in Neratovice.

2016

Investment property in the amount of EUR 34.4 million was disposed of due to sale of three subsidiaries in 2016 (note 5.9).

Transfers among segments

2017

Due to the completion of the extension of IGY Centrum České Budějovice, the Group has reclassified this project from development to income generating rental properties, asset type retail (EUR 25.2 million).

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).

Transfers from investment property to property, plant and equipment

2017

In March 2017, the Group acquired Hotel Vladimír in Ústí nad Labem. As at the acquisition date, in accordance with IAS 40, this hotel was recognized as investment property. During Q2 2017, the Group became the operator of this hotel, which is why this hotel was transferred to Hotels (note 6.3).

2016

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 3.6), which led to the change in use of these hotels (commencement of owner-occupation).

Transfers from investment property to inventories

In 2016, part of the land bank plots has been transferred to inventories (EUR 3.5 million) due to the launching of a new development project "Rodinné domy Březiněves".

Transfers in/from assets held for sale

In 2017, investment property in the amount of EUR 99.7 million was transfer from investment property to assets held for sale, refer to note 6.12. Part of the property (EUR 8.1 million) transferred to assets held for sale in 2016 was not sold during 2017 and remain disclosed as assets held for sale as of 31 December 2017.

In 2016, investment property in the amount of EUR 121.4 million was transferred from investment property to assets held for sale.

Valuation gain/loss

Refer to 5.7.

Reconciliation between the values obtained from the external valuers and the reported values

	31 December 2017	31 December 2016
Market value as estimated by the external valuer	5,771,299	3,809,296
Market value as estimated by the internal valuer	31,352	42,723
Add: finance lease obligation recognised separately	5,296	1,509
Add: transaction value of property used	--	124,168*
Reported value in consolidated financial statements	**5,807,947**	**3,977,696**

** Transaction value of property in 2016 relates to the acquisitions carried out in H2 2016, the Group 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.*

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 44.4 million at 31 December 2017 (2016: EUR 39.3 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 uses 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 owned and operated by the Group).

As at 31 December 2017

	Hotels
Fair value	
Balance at 1 January 2017	**550,094**
Acquisitions	5,253
Additions	5,096
Other disposals	(1,819)
Transfer from/ to investment property	2,599
Transfer	1,124
Effect of movements in exchange rates	19,658
Valuation Gain/Loss through other comprehensive income	57,864
Balance at 31 December 2017	**639,869**
Accumulated depreciation and impairment losses	
Balance at 1 January 2017	**12,557**
Depreciation for the period	15,810
Impairment loss/ (reversal of impairment loss)	13,768
Other disposals	(1,494)
Effect of movements in exchange rates	322
Balance at 31 December 2017	**40,963**
Carrying amounts	
At 31 December 2016	**537,537**
At 31 December 2017	**598,906**

As at 31 December 2016

	Hotels
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**

Transfers from investment property

2017

Transfer of property, plant and equipment in the amount of EUR 2.6 million relates to Hotel Vladimír in Ústí nad Labem (note 6.2).

2016

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 transferred from investment property to property, plant and equipment. Subsequently, these hotels have been revalued to their fair value as at 31 December 2016 based on the valuations prepared by the independent valuers.

Acquisitions

2017

Increase of balance of property, plant and equipment in 2017 relates to the acquisition of Ibis hotel in Olomouc.

2016

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 3.6).

Valuation gain through OCI (revaluation surplus)

The fair value of Hotels was determined using either the direct comparison method of valuation where price per bedroom was calculated and compared, or using the discounted cash flow method, or through the income capitalization method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 December 2017, the fair values of Hotels are based on valuations performed by independent and experienced valuer. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3.

If Hotels were measured using the cost model, the carrying amounts would be EUR 538,263 thousand as at 31 December 2017 (EUR 507,356 thousand as at 31 December 2016).

Impairment losses

2017

Impairment loss in the amount of EUR 13.8 million relates to the revaluation of Hotels as at 31 December 2017.

2016

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

	Owner occupied buildings	Plant and equipment	PPE under finance leases	Property under construction	Other	TOTAL
Cost						
Balance at 1 January 2017	**81,372**	**82,286**	**1,369**	**588**	**2,367**	**167,982**
Acquisitions through business combinations	--	8,004	--	--	20	8,024
Additions	5,583	6,977	--	3,610	308	16,478
Other disposals	(8)	(4,215)	(9)	(44)	--	(4,276)
Transfer from/to investment property	--	13	--	--	3,160	3,173
Transfer	16	264	--	(1,404)	--	(1,124)
Effect of movements in exchange rates	(4,218)	(4,713)	11	(115)	82	(8,953)
Balance at 31 December 2017	**82,745**	**88,616**	**1,371**	**2,635**	**5,937**	**181,304**
Accumulated depreciation and impairment losses						
Balance at 1 January 2017	**14,242**	**10,778**	**946**	**370**	**257**	**26,593**
Depreciation for the period	1,761	7,280	1	--	1,202	10,244
Impairment loss/ (reversal of impairment loss)	5,406	17,524	--	--	--	22,930
Other disposals	--	(1,705)	(6)	--	--	(1,711)
Effect of movements in exchange rates	--	(1,510)	--	--	--	(1,510)
Balance at 31 December 2017	**21,409**	**32,367**	**941**	**370**	**1,459**	**56,546**
Carrying amounts						
At 31 December 2016	**67,130**	**71,508**	**423**	**218**	**2,110**	**141,389**
At 31 December 2017	**61,336**	**56,249**	**430**	**2,265**	**4,478**	**124,758**

	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**

Other property, plant and equipment, except Hotels, 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 2017 of EUR 87.9 million (EUR 116.1 million as at 31 December 2016).

Acquisitions

2017

Due to the acquisition of Tepelné hospodářství Litvínov, the Group acquired property in the amount of EUR 8 million.

Additions

In 2017, additions of Other property plant and equipment relate mainly to CMA Group (EUR 10.3 million).

Impairment on Other property, plant and equipment

From total amount of EUR 124.8 million (EUR 141.4 million in 2016) of Other property plant and equipment, the Group has obtained the valuation appraisals from the independent valuation companies in total value of EUR 87.9 million as at 31 December 2017 (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 22.6 million in 2017 (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 2017.

For the key assumptions made in relation of Other property plant and equipment valuations refer to note 7.5.3.

For information about the carrying amount of property, plant and equipment pledged as collateral for liabilities refer to note 6.15.

6.4 Biological assets

Biological assets	
Cost	
Balance at 1 January 2016	**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**
Additions	1,247
Other disposals	(127)
Fair value adjustment (change in fair value)	(742)
Effect of movements in exchange rates	(359)
At 31 December 2017	**6,216**

	31 December 2017	31 December 2016
Biological assets	**6,216**	**6,197**
Non-current	2,099	2,004
Current	4,117	4,193

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 Equity accounted investees

Equity accounted investment in the amount of EUR 4.7 million represents investment in Uniborc S.A. Uniborc S.A is a joint venture constituted in 2013 with Unibail Rodamco aimed at developing a shopping center in the Bubny area, Prague. The Group's shareholding is 34%.

The share of profit of equity-accounted investees in amount of EUR 6.2 million represents the share of profit on the revaluation of assets on the basis of the revaluation review of Bubny Development and recognized deferred tax liabilities.

6.6 Loans provided

Non-current

	31 December 2017		31 December 2016	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties and joint ventures (1)	62,994	9.66%	10,130	6.82%
Loans provided - third parties	4,810	5.99%	811	5.53%
Bills of exchange – third parties	3,834	5.26%	3,323	5.26%
Total non-current loans provided	**71,638**	--	**14,264**	--
Total non-current loans provided net of impairment	**71,638**	--	**14,264**	--

Current

	31 December 2017		31 December 2016	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties and joint ventures (1)	68,843	9.47%	15,436	5.31%
Loans provided - third parties (2)	60	4.00%	16,700	8.96%
Bills of exchange - third parties	3,185	4.11%	3,037	5.38%
Total current loans provided	**72,088**	--	**35,173**	--
Impairment to current loans provided to third parties	--	--	(37)	--
Total current loans provided net of impairment	**72,088**	--	**35,136**	--

(1) Loans provided increased mainly due to the assignment of receivables (note 6.10) and loan provided to a related party. Receivables arising from this assignment (EUR 54.9 million as at 31 December 2017) bear interest of 10% p.a. and are due in June 2018. Loans provided by the Group to the major shareholder increased by EUR 8.5 million compared to 31 December 2016. Moreover, during 2017, the Group provided new loans to a related party in the amount of EUR 32.6 million as at 31 December 2017.

(2) Loan provided to third party decreased mainly due to assignment of loan provided by CPI Hotels, a.s. to related party (EUR 16.3 million as at 31 December 2016).

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 2017 and as at 31 December 2016 was as follows:

2017

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties and joint ventures	98	62,896	--	62,994
Loans provided - third parties	7	4,255	548	4,810
Bill of exchange	3,834	--	--	3,834
Total the maturity of non-current loans provided	**3,939**	**67,151**	**548**	**71,638**

2016

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties and joint ventures	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**

6.7 Trade and other receivables

Non-current

	31 December 2017	31 December 2016
Advances paid due from related parties	36	--
Advances paid	908	353
Trade receivables due from third parties	--	8
Advances paid for financial investments (1)	3,022	--
Other receivables due from third parties	140	15
Other items of trade and other receivables	87	84
Total non-current trade and other receivables	**4,193**	**460**

Current

	31 December 2017	31 December 2016
Trade receivables due from related parties	458	15
Trade receivables due from third parties (2)	90,513	84,329
Impairment to trade receivables due from third parties	(14,458)	(16,053)
Total current trade and other receivables	**76,513**	**68,291**

(1) Advances paid for financial investments represent advance payments made by the Group in connection with the acquisition of one Czech and one Polish entity.

(2) Trade receivables due from third parties increased mainly due to acquisition of CBRE GI portfolio (increase of EUR 7.6 million). Major part of the trade receivables represents trade receivables from tenants 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 2017 and 2016 was as follows:

	31 December 2017	31 December 2016
Impairment of trade receivables – creation	(1,842)	(3,067)
Impairment of trade receivables – release	3,599	6,255
Impairment of trade receivables - written off	(1,878)	(2,276)
Total impact to profit/loss	**(121)**	**912**

6.8 Inventories

	31 December 2017	31 December 2016
Projects and property for resale (1)	80,035	83,251
Impairment of projects and property for resale (1)	(24,438)	(2,344)
Projects under development (2)	22,915	13,351
Other inventory	3,281	3,596
Total inventories	**81,793**	**97,854**

(1) Projects and property for resale primarily relates to “Palais Maeterlinck project” in total amount of EUR 49.3 million (2016: EUR 76.6 million). Based on the appraisal prepared by the independent valuer, impairment in the amount of EUR 22 million related to “Palais Maeterlinck project” has been recognized in 2017 (note 5.10) decreasing the net value of the project to EUR 49.3 million.

(2) Increase in the amount of projects under development in the amount of EUR 5.1 million relates to the new development project “Rodinné domy Březiněves” and development project in Italy in the amount EUR 2.8 million.

6.9 Cash and cash equivalents

	31 December 2017	31 December 2016
Bank balances	237,772	301,326
Cash on hand	1,135	2,407
Total cash and cash equivalents	**238,907**	**303,733**

Total restricted cash in bank amounts to 61.6 million in 2017 (EUR 60.3 million in 2016). Use of these accounts is subject to the respective bank 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 0 million as at 31 December 2017 (EUR 25.92 million as at 31 December 2016). All undrawn borrowings relating to development projects were released.

6.10 Other financial current assets

	31 December 2017	31 December 2016
Other receivables due from related parties (1)	5,252	11,784
Other receivables due from third parties (1)	7,697	37,262
Other items of trade and other receivables (2)	820	22,643
Impairment - other receivables due from other parties	(819)	(260)
Receivables from receivables cession	1,550	1,430
Receivables due from employees	906	662
Interest to debentures issued by third parties	2	2
Total other financial current assets	**15,408**	**73,523**

(1) Other receivable due from third parties in the amount of EUR 21.96 million recognized in 2016 in connection with the acquisition of SHH and receivable due from related party in the amount of EUR 11.8 million, have been assigned by the Group to another related party and the related receivable from assignment bears interest of 10 % p.a., which is why it is disclosed as loan provided as at 31 December 2017 (see note 6.6).

(2) In 2016, other items of trade and other receivables in the amount of EUR 20 million related to (BÄR) Leipziger Platz dispute. In January 2017, the Group agreed on settlement with HGHI concerning Leipziger Platz dispute and the receivable is fully paid as at 31 December 2017.

6.11 Other non-financial current assets

	31 December 2017	31 December 2016
Other advances paid to third parties	6,775	9,380
Value added tax receivables	5,873	6,540
Other tax receivables (excl. CIT and VAT)	237	451
Agricultural subsidies (1)	5,739	5,340
Prepaid expenses (2)	21,089	15,951
Total other non-financial current assets	**39,713**	**37,662**

(1) Mercuda a.s. (Spojené farmy a.s.) obtains agricultural subsidies paid to farmers and agriculture businesses to supplement their income.

(2) Prepaid expenses increased primarily due to acquisition CBRE GI portfolio (increase of EUR 6.2 million).

6.12 Assets/Liabilities linked to assets held for sale

The following table summarizes the effect of the reclassification made in connection with projects transferred in both 2017 and 2016 to assets held for sale and related liabilities:

	31 December 2017	31 December 2016
NON-CURRENT ASSETS		
Investment property	107,687	121,429
CURRENT ASSETS		
Inventories	36	--
Current income tax receivables	125	--
Trade receivables	1,550	599
Cash and cash equivalents	2,810	1,651
Other financial current assets	6	--
Other non-financial current assets	431	302
Assets held for sale	**112,645**	**123,981**
NON-CURRENT LIABILITIES		
Financial debts	(9,209)	(54,284)
Derivative instruments	--	(310)
Deferred tax liabilities	(4,262)	--
Other non-current liabilities	(131)	(583)
CURRENT LIABILITIES		
Financial debts	(634)	(2,485)
Trade payables	(451)	(278)
Advance payments	(474)	(563)
Other financial current liabilities	(536)	(23)
Other non-financial current liabilities	(227)	(72)
Liabilities linked to assets held for sale	**(15,924)**	**(58,599)**

2017

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

- two retail projects in Czech Republic and one in Romania – with total fair value of properties of EUR 67.6 million;
- two office projects (one in the Czech Republic and the other in Hungary) – with total fair value of properties of EUR 28.3 million. Budaörs Office Park Kft. was sold on 31 January 2018 (sales price amounted to EUR 9.9 million), refer to note 11.2; and
- land bank projects in Romania and Poland – with total fair value of properties of EUR 11.8 million as at 31 December 2017.

The remaining balances of assets held for sale (EUR 5 million) and liabilities from assets held (EUR 15.9 million) as at 31 December 2017 represent other non-core assets and liabilities related to these projects.

2016

The following projects were disclosed 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;
- 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. Capellen Invest S.A. was sold on 25 January 2017 and the sale of Office Center Purkyňova was completed on 7 March 2017;
- 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.

The remaining balances of assets held for sale (EUR 2.6 million) and liabilities from assets held (EUR 0.7 million) as at 31 December 2016 represent other non-core assets and liabilities related to these projects.

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 2017 the share capital of the Company amounts to EUR 948,872,261 and is represented by 9,488,722,610 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 2017, 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	8,461,043,946	89.17%	91.61%
Others	775,376,416	8.17%	8.39%
Treasury shares held by the Group	252,302,248	2.66%	0.00%
Total	**9,488,722,610**	**100.00%**	**100.00%**

The share premium opening balance of 2017 comprised the amount received in excess of the nominal value of the shares issued by way of subsequent issue of ordinary shares.

	Number of shares	Share Capital	Share premium
Balance at 31 December 2016	**7,795,617,846**	**770,245**	**1,060,744**
Capital increase of 30 June 2017	515,000,000	51,500	--
Capital increase of 28 November 2017	1,000,000,000	100,000	--
Capital increase of 22 December 2017	178,104,764	17,810	--
Treasury shares held by the Group	--	(15,913)	--
Balance at 31 December 2017	**9,488,722,610**	**923,642**	**1,060,744**

Authorized capital not issued:

The Extraordinary General Meeting of the shareholders of the Company held on 26 June 2017 (the “2017 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of three billion euro (EUR 3,000,000,000) for a period of five (5) years from 26 June 2017, which would authorise the issuance of up to twenty billion (20,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares.

The EGM approved the report issued by the board of directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

The 2017 EGM decided to introduce the possibility to create and issue up to ten billion (10,000,000,000) non-voting shares, having a par value of ten eurocents (EUR 0.10) each, which (i) shall be entitled to receive, out of the net profits of the Company, a preferred dividend per non-voting share amounting to six point nine percent (6.90 %) of the subscription price of the non-voting share, the remainder of such net profits to be shared between all the shares issued by the Company (excluding the non-voting shares), (ii) carry a right to reimbursement of the contribution (including any premium paid) corresponding to the non-voting shares on a preferential basis out of the net proceeds of the liquidation and (iii) be entitled to receive a preferential liquidation dividend amounting to six point nine percent (6.90 %) of the par value of the non-voting shares in case of dissolution and liquidation of the Company.

The 2017 EGM also decided to introduce the possibility for the board of directors of the Company to create and issue up to ten billion (10,000,000,000) beneficiary shares without any voting rights and being under registered form only, to be paid up by contribution in cash, in kind or in services, each beneficiary share entitling its holder to receive, subject to the existence of distributable amounts at the level of the Company within the meaning of the law and the decision of the general meeting of the shareholders to operate a dividend distribution to the holders of the beneficiary shares, a dividend per beneficiary share amounting to six point nine percent (6.90 %) of the issue price of each of the beneficiary shares per financial year of the Company. The 2017 EGM granted to the board of directors of the Company all powers to create and issue beneficiary shares with no voting rights and to further determine and set forth the terms and conditions of such beneficiary shares with no voting rights in their respective issue documentation.

As at 31 December 2017, the authorised share capital of the Company amounts to EUR 2,830,689,523.60, which would authorize the issuance of up to 18,306,895,236 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding.

The Extraordinary General Meeting of the shareholders of the Company held on 1 March 2018 (the “2018 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of five billion euros (EUR 5,000,000,000) for a period of five (5) years from 1 March 2018, which would authorise the issuance of up to forty billion (40,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares, in addition to the 9,488,722,610 shares of the Company currently outstanding.

The 2018 EGM approved the report issued by the board of directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

Share buy-back programme

The Extraordinary General Meeting held on 28 August 2014 resolved to approve the terms and conditions of the buy-back programme 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 2018 EGM further approved the terms and conditions of a buy-back programme of the Company enabling the repurchase by the Company of its own shares and authorised the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the EGM authorised the board of directors of the Company to repurchase, in one or several steps, a maximum number of one billion (1,000,000,000) shares in the Company 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 euros (EUR 5.-), for a period of five (5) years from the date of the 2018 EGM. The 2018 EGM further resolved to grant power to the board of directors of the Company (i) to proceed with the payment of the relevant repurchase price out of the Company's available funds, (ii) to take all required actions to complete any repurchase of shares and (iii) to verify that the process of share repurchase is made in compliance with the legal provisions.

On the basis of the authorization by the 2018 EGM, the Board has decided on 1 March 2018, to proceed to a buy-back of certain shares of the Company under the buyback programme, the terms of which are set forth in the buy-back offer published by the Company on 2 March 2018. A total of 724,853,952 shares in the Company with a par value of EUR 0.10 each have been acquired for the proposed acquisition price of EUR 0.20 per share (representing in aggregate app. EUR 145 million). The shares were bought-back from an entity affiliated with the major shareholder. The shares bought-back represents a direct holding by the Company of 7.64% of the Company's share capital and 7.64% of the voting rights in the Company.

There were no acquisitions or disposals of Company own shares during financial year 2017. Following the buy-back of March 2018, the Company now holds in aggregate 724,853,952 own shares with a par value of EUR 0.10 each. As of the date of this report, the 724,853,952 own shares held by the Company represent 7.64% of the Company's share capital and 7.64% of the voting rights in the Company. For further terms and conditions of buy-back please refer to the buy-back programme of the Company (http://www.cpipg.com/shareholder-corner-en#tab-item-3)

Mandatory takeover bid for Orco Property Group S.A. shares

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

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

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

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

The 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 2017	31 December 2016
At the beginning of the period	**7,702,448,495**	**2,753,073,385**
Shares issued	7,795,617,846	3,303,768,300
Treasury shares held by the Group	(93,169,351)	(550,694,915)
Weighted average movements	**350,495,197**	**2,471,448,961**
Issue of new shares	354,419,022	2,538,668,692
Treasury shares held by the Group	(3,923,825)	(67,219,731)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**8,052,943,692**	**5,224,522,346**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**8,052,943,692**	**5,224,522,346**
Net (loss)/profit attributable to the Equity holders of the Company	**694,076**	**470,318**
Net (loss)/profit attributable to the Equity holders of the Company after assumed conversions/exercises	**694,076**	**470,318**
Total Basic earnings in EUR per share	**0.09**	**0.09**
o/w discontinued operations	--	--
Diluted earnings in EUR per share	**0.09**	**0.09**
o/w discontinued operations	--	--

Basic earnings per share (EPS) is calculated by dividing the profit 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 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds - CPI 5.10/21	2,000,000,000	78,309	2,000,000,000	74,019
Less: transaction costs	--	(356)	--	(69)
CPI 5.10/21 (1)	**2,000,000,000**	**77,953**	**2,000,000,000**	**73,951**
Proceeds from issued bonds - CPI II 4.65/22	1,000,000,000	39,154	1,000,000,000	37,010
Less: transaction costs	--	(816)	--	(756)
CPI II 4.65/22 (2)	**1,000,000,000**	**38,338**	**1,000,000,000**	**36,254**
Proceeds from issued bonds - CPI III 4.65/22	1,000,000,000	39,154	1,000,000,000	37,010
Less: transaction costs	--	(816)	--	(756)
CPI III 4.65/22 (3)	**1,000,000,000**	**38,338**	**1,000,000,000**	**36,254**
Proceeds from issued bonds - CPI IV 4.65/22	1,000,000,000	39,154	1,000,000,000	37,010
Less: transaction costs	--	(816)	--	(758)
CPI IV 4.65/22 (4)	**1,000,000,000**	**38,338**	**1,000,000,000**	**36,252**
Proceeds from issued bonds - CPI I 4.75/42	1,000,000,000	39,154	1,000,000,000	37,010
Less: transaction costs	--	(726)	--	(783)
CPI I 4.75/42 (5)	**1,000,000,000**	**38,428**	**1,000,000,000**	**36,227**
Proceeds from issued bonds - CPI V 4.85/42	1,000,000,000	39,154	1,000,000,000	37,010
Less: bonds owned by Group	--	--	(150,000,000)	(5,551)
Less: transaction costs	--	(726)	--	(781)
CPI V 4.85/42 (6)	**1,000,000,000**	**38,428**	**850,000,000**	**30,677**
Proceeds from issued bonds - CPI 4.75/19	150,000	58,731	150,000	55,514
Less: bonds owned by Group	--	--	(10,335)	(3,825)
Less: transaction costs	--	(1,051)	--	(642)
CPI 4.75/19 (7)	**150,000**	**57,680**	**139,665**	**51,047**
Subtotal - bonds issued by Czech Property Investments a.s.	**7,000,150,000**	**327,503**	**6,850,139,665**	**300,661**

CPI BYTY, a.s.	31 December 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	--	--	900,000	33,309
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	--	--	500,000	18,505
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	--	--	800,000	29,608
Less: transaction costs	--	--	--	(1,579)
Subtotal bonds - CPI BYTY, a.s. (8)	**--**	**--**	**2,200,000**	**79,842**

CPI Retail Portfolio I, a.s.	31 December 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds - CPI Retail Portfolio I 5.00/19	112,500	44,049	112,500	41,636
Less: transaction costs	--	(401)	--	(278)
Subtotal bonds - CPI Retail Portfolio I (9)	**112,500**	**43,648**	**112,500**	**41,358**

CPI Finance Slovakia, a.s.	31 December 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds - CPI 5.85/2018	--	--	30,000	30,000
Less: transaction costs	--	--	--	(252)
CPI 5.85/2018	**--**	**--**	**30,000**	**29,748**
Proceeds from issued bonds - CPI 5.00/2020	50,000	50,000	50,000	50,000
Less: transaction costs	--	(533)	--	(763)
CPI 5.00/2020	**50,000**	**49,467**	**50,000**	**49,237**
Subtotal bonds - CPI Finance Slovakia, a.s. (10)	**50,000**	**49,467**	**80,000**	**78,985**

CPI Finance Slovakia II, a.s.	31 December 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds - CPI 5.00/2022	100,000	100,000	45,000	45,000
Less: transaction costs	--	(2,151)	--	(1,212)
Subtotal bonds - CPI Finance Slovakia II, a.s. (11)	**100,000**	**97,849**	**45,000**	**43,788**

CPI Property Group, S.A.	31 December 2017 No. of bonds issued	31 December 2017 Value	31 December 2016 No. of bonds issued	31 December 2016 Value
Proceeds from issued bonds (ISIN XS1279550260)	--	--	5,000	495,065
Less: bonds owned by Group	--	--	(3,954)	(395,400)
CPI Property Group, S.A. (ISIN XS1279550260)	**--**	**--**	**1,046**	**99,665**
Proceeds from issued bonds (ISIN XS1693959931)	825,000	819,952	--	--
Less: transaction costs	--	(6,748)	--	--
CPI Property Group, S.A. (ISIN XS1693959931)	**825,000**	**813,204**	**--**	**--**
Subtotal bonds - CPI Property Group, S.A. (12)	**825,000**	**813,204**	**1,046**	**99,665**

Spojené farmy, a.s.	31 December 2017 No. of bonds issued	Value	31 December 2016 No. of bonds issued	Value
Proceeds from issued bonds – Spojené farmy, a.s.	--	--	80,000,000	2,961
Less: bonds owned by Group	--	--	(80,000,000)	(2,961)
Subtotal bonds - Spojené farmy, a.s.	--	--	--	--

Orco Property Group S.A. (New Notes)	31 December 2017 No. of bonds issued	Value	31 December 2016 No. of bonds issued	Value
Proceeds from issued bonds – Orco Property Group S.A. (New Notes)	--	--	1,514,461	12,482
Subtotal bonds - Orco Property Group S.A.	--	--	1,514,461	12,482

Total non-current bonds	**1,331,671**	**656,780**

6.14.2 Current bonds issued

CPI Alfa, a.s.	31 December 2017 No. of bonds issued	Value	31 December 2016 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.	--	--	279,000,000	10,306

CPI BYTY, a.s.	31 December 2017 No. of bonds issued	Value	31 December 2016 No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)	--	--	300,000	11,103
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)	--	--	500,000	18,505
Proceeds from issued bonds - CPI BYTY 1.85/19 (CZ0003516551)	530,000	20,752	--	--
Proceeds from issued bonds - CPI BYTY 2.25/19 (CZ0003516569)	270,000	10,572	--	--
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	900,000	35,239	--	--
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	500,000	19,577	--	--
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	800,000	31,323	--	--
Less: transaction costs	--	(1,918)	--	(574)
Subtotal bonds - CPI BYTY, a.s. (8)	3,000,000	115,545	800,000	29,033

CPI Finance Slovakia, a.s.	31 December 2017 No. of bonds issued	Value	31 December 2016 No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.85/2018	30,000	30,000	--	--
Less: bonds owned by Group	(2,000)	(2,000)	--	--
Less: transaction costs	--	(69)	--	--
Subtotal bonds - CPI Finance Slovakia a.s. (10)	28,000	27,931	--	--

Accrued interest on bonds	14,047	10,762
Total current bonds	**157,523**	**50,101**
Total bonds	**1,489,194**	**706,881**

(1) CPI 5.10/21 (former VAR 19 (CZK)), ISIN CZ0003501868

The bonds CPI 5.10/21 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 5.10/21 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 5.10/21, 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 could issued bonds up to maximal value of TCZK 1,500,000.

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 1.85 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 1.85/19 ISIN CZ0003516551

CPI BYTY 1.85/19 bonds were issued on 10 May 2017 and mature on 7 May 2019. The nominal value of each bond is CZK 1,000 and the total nominal value of bonds issued amounts to TCZK 530,000. Bonds bear the fixed interest rate of 1.85 % per annum. Interests are due on 7 May.

CPI BYTY 2.25/19 ISIN CZ0003516569

CPI BYTY 2.25/19 bonds were issued on 10 May 2017 and mature on 7 May 2019. The nominal value of each bond is CZK 1,000 and the total nominal value of bonds issued amounts to TCZK 270,000. Bonds bear the fixed interest rate of 2.25 % per annum. Interests are due 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 and the total nominal value of bonds issued amounts to TCZK 900,000. Bonds bear the fixed interest rate of 4.80 % per annum. Interests are due annually on 7 May.

CPI BYTY Real Estate 4.80/19, ISIN CZ0003511412

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 the fixed interest rate of 4.80 % per annum. Interest 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 and the total nominal value amounts to TCZK 800,000. Bonds bear the fixed interest rate of 5.80 % per annum.

Interests are due annually on 7 May.

(9) CPI Retail Portfolio I 5.00/19, ISIN CZ0003511164

CPI Retail Portfolio I 5.00/19 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 5.00/19, ISIN CZ0003511164).

Bonds were accepted for trading at the Prague Stock Exchange.

(10) 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 % per annum. Interests are due quarterly, on 16 April, 16 July, 16 October and 16 January.
Bonds were issued as bearer notes in listed form (registered 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 % per annum. Interests are due semi-annually on 26 February and 26 August.
Bonds were issued as bearer notes in listed form (registered 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.

(11) 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 previously the total nominal value of bonds issued amounts to EUR 45 million and in 2017, the Group increased the overall volume of bonds issued to 100,000 pcs. CPI 5.00/2022 bonds bear the fixed interest rate of 5.00 % per annum. Interest are due semi-annually on 29 March and 29 September.
Bonds were issued as bearer notes in listed form (registered 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.

(12) CPI PROPERTY GROUP, ISIN XS1693959931 & XS1731920291
On 4 October 2017, CPI Property Group S.A. issued 600,000 pieces of Regulation S bonds, each with nominal value of EUR 1,000 and with total nominal value of EUR 600 million. The bonds mature on 4 October 2024 and bear fixed interest rate of 2.125 % per annum. Interest are due annually on 4 October. The bonds have been issued an issue price of 99.039 % of their nominal amount under the Company's EUR 1.25 billion Euro Medium Term Note (EMTN) programme.
The Notes are being listed on the Main Market of the Irish Stock Exchange and are accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS1693959931 and the Common Code is 169395993.

The Central Bank of Ireland has approved on 30 November 2017 a supplement to the base prospectus for the EUR 1.25 billion Euro Medium Term Note (EMTN) programme. Following the amendment of the base prospectus, on 6 December 2017, the Group issued EUR 225 million bearing interest of 2.125 % per annum, Regulation S notes due on 4 October 2024. These bonds were issued at an issue price of 100.323 % of their nominal amount plus accrued interest since 4 October 2017. The notes are being listed on the Main Market of the Irish Stock Exchange and are accepted for clearance through Euroclear and Clearstream, Luxembourg. The temporary ISIN for the Notes is XS1731920291 and upon consolidation to form a single series with the EUR 600 million notes issued on 4 October 2017 the ISIN will be XS1693959931.

Changes in 2017

On 7 May 2017 emissions CPI BYTY 3.50/17 (CZ0003510687) and CPI BYTY 2.50/17 (CZ0003512485) were repaid, the total nominal value of both emissions amounted CZK 800 million.

On 4 October 2017, CPI Property Group S.A. issued 600,000 pieces of bonds, each with nominal value of EUR 1,000 and with total nominal value of EUR 600 million (ISIN XS1693959931).

On 26 October 2017, bonds CPI ALFA REAL ESTATE (ISIN CZ0003502205) issued on 26 October 2012 matured. Nominal value of these bonds amounted to CZK 279 million (app. EUR 10.9 million).

On 7 November 2017, the Group redeemed bonds issued by Orco Property Group S.A. in 2012 (ISIN XS0820547742). Following the redemption, the bonds were cancelled.

On 16 November 2017, the Group cancelled bonds (EUR 500 million bearing 5 % interest per annum) issued by the Company on 20 August 2015 (ISIN XS1279550260) in accordance with the bonds prospectus Prior to the cancellation, the Company has purchased all of the outstanding bonds.

On 6 December 2017, the Group issued EUR 225 million bearing interest of 2.125 % per annum notes due on 4 October 2024 (XS1731920291).

Covenants

Issued bonds CPI 5.10/2021, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42, CPI 4.75/19, CPI Retail Portfolio I 5.00/2019, CPI 5.85/2018, CPI 5.00/2020, CPI 5.00/2022 and CPI PROPERTY GROUP are subject to a number of covenants. All covenant ratios were met as at 31 December 2017.

Bonds issued by CPI BYTY are subject to a number of covenants. Because of the strong performance of CPI BYTY and the corresponding EUR 103.5 million valuation gain reported in 2017, a non-cash deferred tax expense was accounted for in the accounts of CPI BYTY as at 31 December 2017. The DSCR covenant of CPI BYTY bonds as defined in Prospectus treats deferred tax expense as cash expense. In 2017, CPI Byty also successfully refinanced two tranches of its bond programme - CPI BYTY 2.50/17 issued in 2015 and CPI BYTY 3.50/17 issued in 2013 by two new tranches - CPI BYTY 1.85/19 and CPI BYTY 2.25/19. The DSCR covenant as defined in Prospectus treats such refinancing as increased debt service. As a result, CPI BYTY was technically non-compliant with the DSCR covenant as of year-end 2017. However, CPI BYTY is not, under management`s opinion, in default under the terms and conditions of the bonds, yet the Group classified the respective bond liability of EUR 117 million as short term as at 31 December 2017. The management has also taken actions to rectify the definition of respective covenant and align them with market standards.

Pledges

With respect of bonds (CPI Retail Portfolio I 5.00/2019, CPI BYTY and as at 31 December 2016 also CPI ALFA REAL ESTATE bonds), the Group has pledged the following assets as collateral:

Investment property

The Group has pledged investment property with total value of EUR 482.5 million at 31 December 2017 (EUR 364 million as at 31 December 2016).

Structure of bond financing

As at 31 December 2017, the total value of unsecured bonds amounts to EUR 1,326.2 million (EUR 542.4 million as at 31 December 2016). Bonds in the amount of EUR 163 million (EUR 164.5 million as at 31 December 2016) represent secured financing.

6.15 Financial debts

	31 December 2017	31 December 2016
Loans from related parties	256	1,067
Loans from third parties (1)	13,889	22,437
Bank loans (2)	1,550,497	1,243,128
Finance lease liabilities	23,978	21,723
Bills of exchange (3)	4,407	5,764
Total non-current financial debts	**1,593,027**	**1,294,119**

	31 December 2017	31 December 2016
Loans from related parties	--	38
Loans from third parties (1)	6,309	9,108
Bank loans (2)	149,021	529,005
Finance lease liabilities	2,656	2,599
Bills of exchange (3)	6,738	41,534
Total current financial debts	**164,724**	**582,284**

(1) Decrease in loans from third parties relates mainly to repayment of loans provided to CMA Group (decrease of EUR 4.9 million) and to CPI Services (decrease of EUR 3.3 million).

(2) Bank loans related to the GSG portfolio, disclosed as current as at 31 December 2016 (EUR 292.8 million), were successfully refinanced in 2017. The new financing has been provided by Berlin Hyp in the amount of EUR 510 million for the period of seven years. The refinancing provided the Group with more than EUR 200 million of available funds, which the Group intends to invest in Berlin as well as for further growth of the Group.

Bank loans increased mainly due to the acquisition of CBRE GI portfolio (increase of EUR 409 million).

Following the issuance of the new eurobonds (EUR 825 million), the Group accelerated the pace of its debt refinancing, in order to optimize the capital structure of the Group by reducing its secured debt and increasing the amount of unencumbered assets.

(3) Bills of exchange decreased mainly due to repayment of bills of exchange in the amount of EUR 41 million.

As at 31 December 2017, total value of unsecured financial debts amounts to EUR 23.3 million (EUR 62.5 million as at 31 December 2016). Financial debts in the amount of EUR 1,734.5 million (EUR 1,813.9 million as at 31 December 2016) represent secured financing.

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 3,364.3 million at 31 December 2017 (2016: EUR 2,741 million).

Property, plant and equipment

The Group has pledged PPE with total value of EUR 350 million at 31 December 2017 (2016: EUR 601 million).

Trade receivables

Total carrying amount of pledged trade receivables represents EUR 41.6 million at 31 December 2017 (2016: EUR 43.2 million).

Bank accounts

Total amount of pledged bank accounts represents EUR 89.7 million at 31 December 2017 (2016: EUR 85 million).

Shares of subsidiaries

Agrome s.r.o., ANDRÁSSY REAL KFT., Angusland s.r.o., ARENA CORNER INGATLANBEFEKTETÉSI KORLÁTOLT FELELŐSSÉGŰ TÁRSASÁG, BAYTON Alfa, a.s., BC 30 Property Kft., BC 91 Real Estate Kft., BC 99 Office Park Kft., Best Properties South, a.s., Biochov s.r.o., Biopark s.r.o., Biopotraviny s.r.o., Buy-Way Dunakeszi Ktf., Buy-Way Soroksár Kft., CAMPONA SHOPPING CENTER KFT., Carpenter Invest, a.s., City Gardens Sp. o.o., Conradian, a.s., CPI - Real Estate, a.s., CPI Byty, a.s., CPI East,s.r.o., CPI Jihlava Shopping, a.s., CPI Office Prague, s.r.o., CPI Palmovka Office, s.r.o., CPI Reality, a.s., CPI Retails ONE, a.s., CPI Retails Rosa, s.r.o., CPI Retails THREE, a. s., CPI Retails TWO, a.s., CPI Shopping MB, a.s., Českolipská farma s.r.o., EMH South, 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, GSG Solar Berlin GmbH, IS NYÍR INGATLANHASZNOSÍTÓ ÉS VAGYONKEZELŐ KFT, IS ZALA INGATLANKEZELÉSI KFT, JAGRA spol. s r.o., KOENIG, s.r.o., LD Praha, a.s., Limagro s.r.o., Marissa Tau, a.s., Marissa West, a.s., Marissa Yellow, a.s., Modřanská Property, a.s., MUXUM, a.s., Nový Projekt CPI, s.r.o., Nymburk Property Development, a.s., OFFICE CENTER HRADČANSKÁ, a.s., Olomouc City Center, a.s., Olomouc Office, a.s., PÓLUS SHOPPING CENTER INGATLANHASZNOSÍTÓ ZRT., Projekt Nisa, s.r.o., Projekt Zlatý Anděl, s.r.o., PV - Cvikov s.r.o., Remontées Mécaniques Crans Montana Aminona (CMA) SA; Statek Mikulášovice, s.r.o., Svitavy Property Alfa, a.s., Šenovská zemědělská, s.r.o., Třinec Property Development, a.s., Vigano, a.s., Zelená farma s.r.o., Zelená louka s.r.o., Zelená pastva s.r.o., ZEMSPOL s.r.o.

Guarantees provided

As at 31 December 2016, bank loans (acquired within the acquisition of French villas) in the amount of EUR 65.1 million were guaranteed by the major shareholder of the Group. These loans were repaid during 2017.

Covenants

Bank loans are subject to a number of covenants. The Group has no bank loans with covenant breach as at 31 December 2017 (as at 31 December 2016 three bank loans of EUR 41.3 million with covenant breach which were disclosed as current).

Maturity analysis - loans from third parties

2017

	< 1 year	1-5 years	>5years	Total
Loans from third parties	6,309	6,210	7,679	20,198
Bank loans	149,021	1,029,099	521,398	1,699,518
Total	**155,330**	**1,035,309**	**529,077**	**1,719,716**

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**

Finance lease liabilities

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

2017

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	2,229	8,765	16,505	27,499
Interest	(380)	(1,388)	(1,207)	(2,975)
Net present value of future minimum lease payments	**1,849**	**7,377**	**15,298**	**24,524**

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**

Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

2017

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	825	1,311	--	2,136
Interest	(18)	(8)	--	(26)
Net present value of future minimum lease payments	**807**	**1,303**	**--**	**2,110**

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**

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 2017 amounts to EUR 43.3 million (EUR 37.8 million as at 31 December 2016).

No single leasing arrangement represents a material portion of the overall amount of the finance lease liabilities.

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 2017 is summarized in the following table:

6.16.1 Receivables from derivatives

Non-current

	31 December 2017	31 December 2016
Interest rate swaps used for hedging	4,628	--
Other interest rate swap and option contracts	755	--
Total non-current receivables from derivatives	**5,383**	**--**

Current

	31 December 2017	31 December 2016
Foreign exchange forward contracts	119	--
Total current receivables from derivatives	**119**	**--**

6.16.2 Liabilities from derivatives

Non-current

	31 December 2017	31 December 2016
Interest rate swaps used for hedging	--	6,270
Other interest rate swap and option contracts	2,602	6,251
Foreign exchange forward contracts	--	24
Total non-current liabilities from derivatives	**2,602**	**12,546**

Current

	31 December 2017	31 December 2016
Other interest rate swap and option contracts	624	2,759
Foreign exchange forward contracts	--	50
Total current liabilities from derivatives	**624**	**2,809**

a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of EUR 177.8 million (2016: EUR 189.6 million) whereby it pays a fixed interest rate of 0.12 % - 1.11 % (2016: 0.3 % - 1.85 %) 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 417.5 million (2016: EUR 783 million) have fixed interest payments at an average rate of 0.7 % (2016: 0.71 %) 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 contract with notional amount EUR 119 thousand (2016: EUR 1.53 million) include one FX FORWARD EUR/CZK foreign exchange rate of 26.54.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Financial debts and bonds issued				Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				Total
	Loans and borrowings	Finance lease liabilities	Bills of exchange	Bonds issued	Derivative instruments - assets	Derivative instruments - liabilities	Share capital/premium	Reserves	Retained earnings	NCI	
Balance at 1 January 2017	**1,804,783**	**24,322**	**47,298**	**706,881**	**--**	**15,355**	**1,830,989**	**162,545**	**265,226**	**29,707**	**4,887,106**
Changes from financing cash flows											
Proceeds from issue of share capital	--	--	--	--	--	--	153,397	--	--	--	153,397
Proceeds from bonds issued	--	--	--	906,904	--	--	--	--	--	--	906,904
Repayment of bonds issued	--	--	--	(156,035)	--	--	--	--	--	--	(156,035)
Interest paid	(56,185)	(459)	(4,875)	(35,011)	--	--	--	--	--	--	(96,531)
Drawings of loans and borrowings	784,318	--	4,801	--	--	--	--	--	--	--	789,118
Repayments of loans and borrowings	(1,279,105)	--	(37,880)	--	--	--	--	--	--	--	(1,316,985)
New finance lease liabilities	--	1,678	--	--	--	--	--	--	--	--	1,678
Repayment of finance lease liabilities	--	(831)	--	--	--	--	--	--	--	--	(831)
Total changes from financing cash flows	**(550,973)**	**388**	**(37,955)**	**715,857**	**--**	**--**	**153,397**	**--**	**--**	**--**	**280,714**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**391,637**	**--**	**--**	**--**	**--**	**1,172**	**--**	**--**	**--**	**7,579**	**400,388**
The effect of changes in foreign exchange rates	**30,402**	**1,465**	**267**	**25,292**	**(1,410)**	**(13,301)**	**--**	**--**	**--**	**--**	**42,715**
Changes in fair value	**--**	**--**	**--**	**--**	**6,911**	**--**	**--**	**--**	**--**	**--**	**6,911**
Other changes											
Interest expense	55,899	459	1,535	41,163	--	--	--	--	--	--	99,056
Transfer to liabilities linked to AHFS	(9,843)	--	--	--	--	--	--	--	--	--	(9,843)
Transactions with NCI	(1,933)	--	--	--	--	--	--	--	1,933	--	--
Total liability-related other changes	**44,123**	**459**	**1,535**	**41,163**	**--**	**--**	**--**	**--**	**1,933**	**--**	**89,213**
Total equity-related other changes	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**174,574**	**688,781**	**434**	**863,789**
Balance at 31 December 2017	**1,719,972**	**26,634**	**11,145**	**1,489,194**	**5,501**	**3,226**	**1,984,386**	**337,119**	**955,940**	**37,720**	**6,570,836**

6.17 Non-current provisions

	2017	2016
Balance at 1 January	**4,620**	**8,079**
Provisions acquired through business combination (1)	6,561	498
Provisions created in the period	3,883	1,421
Pension plan provision	3,039	--
Provisions used in the period (2)	(3,572)	(6,298)
Disposal of provision out of the Group	(27)	--
Transfer	(138)	1,170
Effect of movements in exchange rates	(131)	(250)
Balance at 31 December	**14,235**	**4,620**

(1) Acquired provision in the amount of EUR 6.6 million relates to the extension of Berlin portfolio (ARMO), note 3.3.

(2) The release of the provision of EUR 6.3 million in 2016 primarily relates to the concluded final settlement with the counterparty in (BÄR) Leipziger Platz dispute.

Defined benefit pension plans

The Group operates a defined benefit plan in CMA SA and CMA Immobilier SA. The plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet. Therefore, no contributions are expected to be paid by the Group to the plan for the next reporting period.

Crans Montana Aminona CMA SA Swiss pension fund - affiliated to a collective pension provider named Fondation Collective Trianon and CMA Immobilier SA Swiss pension fund - affiliated to a collective pension provider named Gastrosocial.

In Switzerland, all companies must offer an employer sponsored pension plan. The plan will provide a contribution-based cash balance retirement and risk benefits to employees to meet its obligations under Switzerland’s mandatory company-provided 2nd pillar pension system. The pension fund is either autonomous or established with an independent collective foundation – in all case a legal entity separated from the Group.

The pension fund is governed by a board that is legally responsible for the operation of the pension fund and empowered to decide on such fundamental aspects as the level and structure of the benefits and the fund’s investment strategy. One half of the board of each fund consists of employee representatives elected by the members while the remaining members are appointed by the employer. Companies within the Swiss regulatory environment have substantial freedom in setting their pension plan design (e.g. with regards to the salary covered, level of retirement benefits, or even overall fund design) provided the benefits are always at least equal to the minimum requirements as defined by the pension law.

All plans must provide a minimum level of retirement benefit expressed by a cash balance formula with age-related contribution rates (or "retirement credits") with a minimum insured salary defined by law, and a required interest-crediting rate which is set by the government (1.00% in 2018). It also includes a predetermined conversion rate on the portion of the minimum level of benefits of 6.8%. Because of these guarantees the Swiss pension plans are a hybrid plan and are considered under IAS19 as DB pension plans.

The changes in the defined benefit obligation during the year are as follows:

	2017
Interest cost	485
Remeasurement gains recognized in equity	2,554
End of the year	**3,039**

The principal actuarial assumptions used were as follows:

	31 December 2017
Discount rate and interest credit rate	0.75%
Inflation	1.00%
Future salary increases	1.25%

The related sensitivity analysis on changes in actuarial´s assumptions is not provided. Considering the value of the related provision, the impact is deemed to be immaterial from the Group´s perspective.

6.18 Other non-current liabilities

Non-current trade and other payables	31 December 2017	31 December 2016
Advances received	1,624	637
Trade payables due to third parties	1,067	434
Tenant deposits (1)	21,331	12,648
Payables from retentions	3,478	2,865
Other payables due to third parties	6,256	5,087
Total other non-current liabilities	**33,756**	**21,671**

(1) Tenant deposits increased mainly because of the acquisition of new shopping centres (CBRE GI portfolio) – net increase of EUR 3.0 million.
Deposits from tenants represent payables of the Group from received rental related deposits. Their classification corresponds to terms in rental contracts with respect to the termination options of the tenants.

6.19 Trade payables

Current trade payables	31 December 2017	31 December 2016
Trade payables due to related parties	34	319
Trade payables due to third parties (1)	74,788	65,399
Total trade payables	**74,822**	**65,718**

(1) Increase in trade payables relates mainly to the acquisitions CBRE in total amount EUR 10.8 million. Increase is also attributable to the ongoing development project “Rodinné domy Březiněves” (EUR 3.1 million).

6.20 Advance payments

Advances	31 December 2017	31 December 2016
Advances received from related parties	--	24,500
Advances received from third parties	41,191	34,764
Tenant deposits (1)	19,512	13,438
Total advance payments	**60,703**	**72,702**

(1) Advances received from tenants in both 2017 and 2016 represented payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and the final respective invoicing is performed.

6.21 Other financial current liabilities

	31 December 2017	31 December 2016
Deferred income/revenue and accrued liabilities	10,035	7,076
Other payables due to related parties	1,090	1,222
Other payables due to third parties	15,523	16,096
Total other financial current liabilities	**26,648**	**24,394**

6.22 Other non-financial current liabilities

	31 December 2017	31 December 2016
Current income tax liabilities	12,354	8,505
Value added tax payables	6,732	6,008
Other tax payables (excl. CIT and VAT)	396	824
Payables due to employees, SHI, employees income tax	6,310	5,252
Current provisions	1,977	2,891
Total other non-financial current liabilities	**27,769**	**23,480**

6.22.1 Current provisions

	2017	2016
Balance at 1 January	**2,891**	**605**
Provisions acquired through business combination	--	3,359
Provisions created in the period	728	1,100
Provisions used in the period	(1,254)	(1,066)
Transfer	137	(1,170)
Disposal of provision out of the Group	(600)	--
Effect of movements in exchange rates	75	63
Balance at 31 December	**1,977**	**2,891**

6.23 Operating leases – the Group acting as a lessor

	31 December 2017	31 December 2016
Less than one year	205,328	175,352
Between one and five years	709,382	503,078
More than five years	560,139	361,454
Total operating leases	**1,474,849**	**1,039,884**

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, PLN and CHF.

In 2017

At 31 December 2017	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	**157,523**	**441,611**	**890,060**	**1,489,194**
Financial debts	**164,724**	**1,048,653**	**544,374**	**1,757,751**
Bank loans (incl. overdraft)	**149,021**	**1,029,099**	**521,398**	**1,699,518**
Bank loans fixed rate	8,313	53,655	331,339	393,307
Bank loans floating rate	140,708	975,444	190,059	1,306,211
Loans from related parties	**--**	**256**	**--**	**256**
Loans from third parties	**6,309**	**6,210**	**7,679**	**20,198**
Other borrowings	**9,394**	**13,087**	**15,298**	**37,779**
Total	**322,247**	**1,490,264**	**1,434,434**	**3,246,945**

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**

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 2017 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk profile at 31 December 2017:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	**1,037**	**--**	**--**	**1,037**
Loans provided	**143,480**	**246**	**--**	**143,726**
- loans	136,461	246	--	136,707
- bills of exchange	7,019	--	--	7,019
Trade and other receivables*	**106,562**	**29,264**	**(15,277)**	**135,826**
Cash and cash equivalents	**238,907**	**--**	**--**	**238,907**
Assets held for sale**	**4,797**	**--**	**--**	**4,797**
Total	**494,783**	**29,510**	**(15,277)**	**524,293**

* 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 2017

	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	**--**	**--**	**--**	**241**	**5**	**246**
- loans	--	--	--	241	5	246
Trade and other receivables*	**13,081**	**3,257**	**4,305**	**1,086**	**7,535**	**29,264**
Total	**13,081**	**3,257**	**4,305**	**1,327**	**7,540**	**29,510**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

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

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 2017	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	**95,110**	**92,430**
Five or more years trading history with the Group	65,989	69,698
Two to five years trading history with the Group	21,194	15,397
Less than two years trading history with the Group	7,927	11,335
Other receivables**	11,452	--
Total	**106,562**	**147,610**

* Receivables, disclosed as receivables which may be assigned to the major shareholder as at 31 December 2016, have been assigned to related party and are disclosed as loans provided (note 6.6) as at 31 December 2017.
** Other receivables in 2017 represent mainly receivables due from employees, tax authorities, state and those other receivables, in which case it was impracticable to classify them base on the length of trading history.

Cash and cash equivalents

Cash and cash equivalents, neither past due nor impaired (Moody᾽s ratings of respective counterparties):

	31 December 2017	31 December 2016
A1	6,089	65,528
A2	17,596	19,497
A3	38,969	4,717
Aa3	136	650
Baa1	95,208	94,387
Baa2	864	66,339
Baa3	17,380	3,269
Not rated	62, 665	49,346
Total cash and cash equivalents	**238,907**	**303,733**

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 2017	31 December 2016
A - low credit risk	95.36%	91.78%
B - low to medium credit risk	1.03%	0.13%
C - medium tu above-average risk	0.87%	1.16%
D – high credit risk	2.74%	6.93%

In both 2017 and 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.

2017

	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	TOTAL
Bonds issued	**1,489,194**	**9,414**	**185,604**	**142,060**	**439,375**	**996,548**	**1,773,001**
Financial debts	**1,757,752**	**38,832**	**155,057**	**125,293**	**1,025,364**	**570,029**	**1,914,575**
- loans from related parties	256	--	--	--	256	--	256
- loans from third parties	20,199	5,585	1,104	2,952	3,840	9,515	22,996
- bank loans	1,699,518	28,042	149,113	114,661	1,013,614	542,478	1,847,908
- finance lease liabilities	26,634	1,079	2,228	3,273	7,654	18,036	32,270
- bills of exchange	11,145	4,126	2,612	4,407	--	--	11,145
Derivative instruments	**3,226**	**--**	**624**	**--**	**2,602**	**--**	**3,226**
Other non-current liabilities	**33,755**	**--**	**--**	**7,014**	**17,218**	**9,523**	**33,755**
Other current liabilities*	**187,966**	**130,800**	**57,166**	**--**	**--**	**--**	**187,966**
Liabilities from assets held for sale	**15,924**	**15,924**	**--**	**--**	**--**	**--**	**15,924**
Total**	**3,487,817**	**194,970**	**398,451**	**274,367**	**1,484,559**	**1,576,100**	**3,928,447**

*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

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

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 koruna and a significant portion of revenues and costs are realised primarily in the Czech koruna.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2017

	Currency	Carrying amount
Cash and cash equivalents	TEUR	62,660
	TCZK	44,574
	TUSD	326
	TPLN	427
	THUF	289
	THRK	21
Trade and other receivables	TEUR	10,553
	TCZK	1,537
	TPLN	2,499
Loans provided	TEUR	8,244
	TCZK	585,534
	TPLN	3,610
	TUSD	4,600
Trade and other payables	TEUR	(64,507)
	TCZK	(797)
	TUSD	(18)
	TGBP	(5)
	THUF	(317)
Financial debts	TEUR	(844,905)
	TCZK	(213)
Derivative instruments	TEUR	(1,722)
Net position	**TEUR**	**(829,676)**
Net position	**TCZK**	**630,636**
Net position	**TUSD**	**4,908**
Net positon	**TGBP**	**(5)**
Net position	**TPLN**	**6,536**
Net position	**THUF**	**(28)**
Net position	**THRK**	**21**

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**

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 2017. 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	99,510
1-2 years	19,680
2-5 years	59,258
5-10 years	112,339
more than 10 years	128,953
Total	**419,740**

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, RUB, 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 2017 – 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	62,660	6,078	(6,078)
	TCZK	44,574	169	(169)
	TUSD	326	26	(26)
	TPLN	427	10	(10)
	THUF	289	--	--
	THRK	21	--	--
Trade and other receivables	TEUR	10,553	1,024	(1,024)
	TCZK	1,537	6	(6)
	TPLN	2,499	58	(58)
Loans provided	TEUR	8,244	800	(800)
	TCZK	585,534	2,224	(2,224)
	TPLN	3,610	84	(84)
	TUSD	4,600	372	(372)
Trade and other payables	TEUR	(64,507)	(6,257)	6,257
	TCZK	(797)	(3)	3
	TUSD	(18)	(1)	1
	TGBP	(5)	(1)	1
	THUF	(317)	--	--
Financial debts	TEUR	(844,905)	(81,955)	81,955
	TCZK	(213)	(1)	1
Derivative instruments	TEUR	(1,722)	(167)	167
Net exposure to currency risk	**TEUR**	**(829,676)**	**(80,478)**	**80,478**
Net exposure to currency risk	**TCZK**	**630,636**	**2,395**	**(2,395)**
Net exposure to currency risk	**TUSD**	**4,908**	**397**	**(397)**
Net exposure to currency risk	**TGBP**	**(5)**	**(1)**	**(1)**
Net exposure to currency risk	**TPLN**	**6,536**	**152**	**(152)**
Net exposure to currency risk	**THUF**	**(28)**	**--**	**--**
Net exposure to currency risk	**THRK**	**21**	**--**	**--**
Impact on profit/(loss)	**TEUR**		**(43,972)**	**43,972**
Impact on equity	**TEUR**		**(33,562)**	**33,562**

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**

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 6.5 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:

2017

	Effective interest rate	Liability with variable interest rate	Interest calculated
Financial debts			
Loans received & finance lease liabilities	1.71%	1,313,252	22,502
Total		**1,313,252***	**22,502**

* 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	2.71%	35,635	(13,133)	0.71%	9,370	13,133
Total		**35,635**	**(13,133)**		**9,370**	**13,133**

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**

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.

2017

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Bonds issued (1)	**3.34%**	**1,489,194**	--	--	**1,489,194**
Financial debts		**1,746,606**	**1,279,988**	**43,925**	**422,693**
- loans from related parties	0.00%	256	--	--	256
- loans from third parties (2)	2.36%	20,198	609	--	19,589
- bank loans (3)	1.67%	1,699,518	1,268,918	37,293	393,307
- finance lease liabilities	2.64%	26,634	10,461	6,632	9,541
Total		**3,235,800**	**1,279,988**	**43,925**	**1,911,885**

(1) Including unpaid interest of EUR 14.05 million.
(2) Including unpaid interest of EUR 0.5 million (fixed interest rate).
(3) Unpaid interest represent EUR 0.4 million.

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 interest represent EUR 0.97 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 2017.

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 2017 and at 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Debt	4,214,062	3,373,442
Equity	3,315,169	2,288,467
Gearing ratio in %	**127%**	**147%**

Loan to value (LTV) ratio

This ratio is calculated as total net debt divided by total value of property portfolio.

Net debt is defined as all non-current and current interest bearing liabilities (bonds and financial debts) decreased by balance of cash and cash equivalents.

The LTV ratios at 31 December 2017 and at 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Bonds issued	1,489,194	706,881
Financial debts*	1,764,785	1,931,522
Cash and cash equivalents	238,907	303,733
Net debt**	**3,015,072**	**2,334,670**
Property portfolio	**6,721,652**	**4,865,026**
Loan to value ratio in %	**44.9%**	**48.0%**

*Including financial debts disclosed as liabilities linked to assets held for sale and adjusted of (less) cash and cash equivalents disclosed as assets held for sale as at 31 December.

**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 2017 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.

31 December 2017	Carrying amount Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value	Level 1	Fair value Level 2	Level 3*
FINANCIAL ASSETS					
Long-term Equity investments	--	927	927	--	--
Debentures issued by third parties	--	110	110	--	--
Financial assets available-for-sale	**--**	**1,037**			
Advances paid	--	3,966	--	--	--
Derivative instruments	5,383	--	--	5,383	--
Loans provided	--	67,804	--	--	74,875
Bills of exchange	--	3,834	--	--	3,871
Other non-current receivables	--	227	--	--	227
Non-current loans and receivables	**5,383**	**75,831**			
Trade and other receivables	--	76,513	--	--	--
Derivative instruments	119	--	--	119	--
Loans provided	--	68,903	--	--	79,212
Bills of exchange	--	3,185	--	--	3,240
Other current financial assets	--	15,408	--	--	--
Cash and cash equivalent	--	238,907	--	--	--
Current financial assets	**119**	**402,916**			
FINANCIAL LIABILITIES					
Bonds	--	1,331,671	1,370,688	--	--
Financial debt (floating rate bank debts)	--	1,165,503	--	--	1,165,503
Financial debt (fixed rate bank debts)	--	384,994	--	--	363,244
Financial debt (other borrowings)	--	42,530	--	--	40,672
Derivative instruments	2,602	--	--	2,602	--
Non-current financial liabilities	**2,602**	**2,924,698**			
Bonds	--	143,476**	147,206	--	--
Financial debt (floating rate bank debts)	--	140,708	--	--	140,708
Financial debt (fixed rate bank debts)	--	8,313	--	--	13,811
Financial debt (other borrowings)	--	15,703	--	--	15,995
Derivative instruments	624	--	--	624	--
Advanced payments	--	60,703	--	--	--
Trade payables	--	74,822	--	--	--
Other financial current liabilities	--	26,648	--	--	--
Liabilities linked to assets held for sale	--	15,924	--	--	15,924
Current financial liabilities	**624**	**486,297**			

(*) The fair values of the financial assets and financial liabilities included in the level 3 category have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.
(**) Accrued interest is not included.

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
Derivative 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**			

(*) The fair values of the financial assets and financial liabilities included in the level 3 category have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.
(**) 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 2017 in accordance with 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 valuers as at the end of 31 December 2016 and 31 December 2017 respectively.

2017

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	20 EUR/sqm	-	81 EUR/sqm	(50 EUR/sqm)
				Net current income per sqm	17 EUR/sqm	-	105 EUR/sqm	(53 EUR/sqm)
				Equivalent yield	7.65%	-	12.00%	(8.20%)
				Vacancy rate	0.00%	-	35.12%	(3.51%)
				Fair value				45 MEUR
Hungary	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm	39 EUR/sqm	-	58 EUR/sqm	(53 EUR/sqm)
				Net current income per sqm	34 EUR/sqm	-	55 EUR/sqm	(44 EUR/sqm)
				Equivalent yield	7.63%	-	7.99%	(7.87%)
				Vacancy rate	0.00%	-	17.27%	(6.68%)
				Fair value				24 MEUR
Germany	**Industry and Logistic**	DCF	Level 3	Estimated rental value per sqm		-		(18 EUR/sqm)
				Net current income per sqm		-		(25 EUR/sqm)
				Discount rate		-		(5.00%)
				Exit yield				(4.75%)
				Vacancy rate		-		(0.00%)
				Fair value				9 MEUR
Czech Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	45 EUR/sqm	-	133 EUR/sqm	(103 EUR/sqm)
				Net current income per sqm	46 EUR/sqm	-	134 EUR/sqm	(101 EUR/sqm)
				Equivalent yield	6.90%	-	9.75%	(7.42%)
				Vacancy rate	0.00%	-	47.91%	(3.05%)
				Fair value				125 MEUR
Czech Republic - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm	43 EUR/sqm	-	128 EUR/sqm	(103 EUR/sqm)
				Net current income per sqm	44 EUR/sqm	-	168 EUR/sqm	(103 EUR/sqm)
				Discount Rate	7.00%	-	8.50%	(7.67%)
				Exit Yield	7.00%	-	8.00%	(7.42%)
				Vacancy rate	0.00%	-	18.52%	(0.99%)
				Fair value				220 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	131 EUR/sqm	-	402 EUR/sqm	(240 EUR/sqm)
				Net current income per sqm	97 EUR/sqm	-	375 EUR/sqm	(231 EUR/sqm)
				Equivalent yield	4.00%	-	6.68%	(5.70%)
				Vacancy rate	0.00%	-	4.93%	(1.51%)
				Fair value				207 MEUR
Czech Republic - Shopping Centres and Galleries	**Retail**	DCF	Level 3	Estimated rental value per sqm	127 EUR/sqm	-	292 EUR/sqm	(188 EUR/sqm)
				Net current income per sqm	101 EUR/sqm	-	305 EUR/sqm	(187 EUR/sqm)
				Discount Rate	5.50%	-	7.75%	(6.38%)
				Exit Yield	5.50%	-	7.00%	(5.96%)
				Vacancy rate	0.00%	-	27.23%	(7.74%)
				Fair value				773 MEUR
Czech Republic - So-called special properties	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	14 EUR/sqm	-	170 EUR/sqm	(82 EUR/sqm)
				Net current income per sqm	1 EUR/sqm	-	158 EUR/sqm	(78 EUR/sqm)
				Equivalent yield	5.50%	-	10.00%	(7.55%)
				Vacancy rate	0.00%	-	100.00%	(16.07%)
				Fair value				70 MEUR
Czech Republic - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm	259 EUR/sqm	-	556 EUR/sqm	(547 EUR/sqm)
				Fair value				12 MEUR
Hungary - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	54 EUR/sqm	-	108 EUR/sqm	(75 EUR/sqm)
				Net current income per sqm	37 EUR/sqm	-	110 EUR/sqm	(73 EUR/sqm)
				Equivalent yield	8.19%	-	10.93%	(9.13%)
				Vacancy rate	0.00%	-	6.76%	(3.47%)
				Fair value				37 MEUR
Hungary - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	101 EUR/sqm	-	209 EUR/sqm	(154 EUR/sqm)
				Net current income per sqm	124 EUR/sqm	-	229 EUR/sqm	(160 EUR/sqm)
				Equivalent yield	6.54%	-	8.19%	(7.98%)
				Vacancy rate	2.17%	-	4.33%	(3.24%)
				Fair value				178 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Slovak Republic - Retail Warehouse	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm	62 EUR/sqm	-	124 EUR/sqm	(93 EUR/sqm)
				Net current income per sqm	5 EUR/sqm	-	141 EUR/sqm	(97 EUR/sqm)
				Equivalent yield	6.29%	-	9.60%	(7.47%)
				Vacancy rate	0.00%	-	100.00%	(8.41%)
				Fair value				109 MEUR
Poland - Retail Warehouse	**Retail**	DCF	Level 3	Estimated rental value per sqm		-		(132 EUR/sqm)
				Net current income per sqm		-		(127 EUR/sqm)
				Discount rate		-		(8.50%)
				Exit Yield				(8.75%)
				Vacancy rate		-		(0.00%)
				Fair value				3 MEUR
Poland - Shopping Centres and Galleries	**Retail**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(193 EUR/sqm)
				Net current income per sqm		-		(181 EUR/sqm)
				Equivalent yield		-		(6.30%)
				Vacancy rate		-		(3.93%)
				Fair value				120 MEUR
Poland - Shopping Centres and Galleries	**Retail**	DCF	Level 3	Estimated rental value per sqm		-		(195 EUR/sqm)
				Net current income per sqm		-		(170 EUR/sqm)
				Discount rate		-		(7.75%)
				Exit Yield				(7.5%)
				Vacancy rate		-		(7.50%)
				Fair value				19 MEUR
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	130 EUR/sqm	-	338 EUR/sqm	(303 EUR/sqm)
				Net current income per sqm	96 EUR/sqm	-	316 EUR/sqm	(279 EUR/sqm)
				Equivalent yield	4.45%	-	8.00%	(4.96%)
				Vacancy rate	0.00%	-	21.07%	(2.16%)
				Fair value				167 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic	**Office**	DCF	Level 3	Estimated rental value per sqm	67 EUR/sqm	-	228 EUR/sqm	(163 EUR/sqm)
				Net current income per sqm	59 EUR/sqm	-	294 EUR/sqm	(169 EUR/sqm)
				Discount rate	5.75%	-	8.75%	(6.86%)
				Exit Yield	5.00%	-	8.50%	(6.34%)
				Vacancy rate	0.00%	-	31.79%	(1.88%)
				Fair value				594 MEUR
Czech Republic	**Office**	Office - Development Appraisal	Level 3	Total EMRV	144 EUR/sqm	-	165 EUR/sqm	(151 EUR/sqm)
				Gross development value	2,426 EUR/sqm	-	3,570 EUR/sqm	(3,191 EUR/sqm)
				Development margin	13.00%	-	20.00%	(15.32%)
				Fair value				35 MEUR
Germany	**Office**	DCF	Level 3	Estimated rental value per sqm	46 EUR/sqm	-	257 EUR/sqm	(133 EUR/sqm)
				Gross current income per sqm	23 EUR/sqm	-	162 EUR/sqm	(72 EUR/sqm)
				Discount rate	4.24%	-	6.25%	(5.25%)
				Exit Yield	3.75%	-	8.00%	(4.94%)
				Vacancy rate	0.00%	-	64.31%	(9.78%)
				Fair value				1,619 MEUR
Hungary	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm	104 EUR/sqm	-	181 EUR/sqm	(153 EUR/sqm)
				Net current income per sqm	76 EUR/sqm	-	162 EUR/sqm	(119 EUR/sqm)
				Equivalent yield	7.00%	-	9.42%	(7.41%)
				Vacancy rate	0.00%	-	41.68%	(9.12%)
				Fair value				(213 MEUR)
Hungary	**Office**	Comparable	Level 3	Fair value per sqm		-		(1,945 EUR/sqm)
				Fair value				9 MEUR
Poland	**Office**	DCF	Level 3	Estimated rental value per sqm	153 EUR/sqm	-	215 EUR/sqm	(194 EUR/sqm)
				Net current income per sqm	130 EUR/sqm	-	240 EUR/sqm	(168 EUR/sqm)
				Discount rate	7.50%	-	8.50%	(8.28%)
				Exit Yield	7.25%	-	8.25%	(8.09%)
				Vacancy rate	0.00%	-	8.48%	(7.65%)
				Fair value				60 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Slovak Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(233 EUR/sqm)
				Net current income per sqm		-		(178 EUR/sqm)
				Equivalent yield		-		(8.60%)
				Vacancy rate		-		(10.80%)
				Fair value				7 MEUR
Czech Republic	**Residential**	Comparable	Level 3	Fair value per sqm	61 EUR/sqm	-	6,355 EUR/sqm	(787 EUR/sqm)
				Fair value				408 MEUR
France	**Residential**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(1,025 EUR/sqm)
				Net current income per sqm		-		(495 EUR/sqm)
				Initial yield		-		(2.16%)
				Vacancy rate		-		(0.00%)
				Fair value				4 MEUR
France	**Residential**	Comparable	Level 3	Fair value per sqm	6,438 EUR/sqm	-	30,000 EUR/sqm	(19,427 EUR/sqm)
				Fair value				94 MEUR
Italy - 4* hotel	**Hotel**	DCF	Level 3	Rate per key		-		(120,599 EUR/key)
				Net current income per sqm		-		(690 EUR/sqm)
				Exit yield		-		(9.00%)
				Discount rate		-		(9.00%)
				Fair value				38 MEUR
Czech Republic	**Land Bank**	Comparable	Level 3	Fair value per sqm	3 EUR/sqm	-	3,293 EUR/sqm	(486 EUR/sqm)
				Fair value				478 MEUR
Hungary	**Land Bank**	Comparable	Level 3	Fair value per sqm	56 EUR/sqm	-	754 EUR/sqm	(295 EUR/sqm)
				Fair value				37 MEUR
France	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(18 EUR/sqm)
				Fair value				2 MEUR
Czech Republic	**Development**	Development Appraisal	Level 3	Total EMRV per sqm		-		(152 EUR)
				Gross development value per sqm		-		(2,752 EUR)
				Development margin		-		(15.00%)
				Fair value				8 MEUR
Czech Republic	**Agriculture**	Comparable	Level 3	Fair value per sqm	0.43 EUR/sqm	-	0.74 EUR/sqm	(0.72 EUR/sqm)
				Fair value				85 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic - 3* hotel	**Hospitality**	DCF	Level 3	Rate per key	17,223 EUR/key	-	60,917 EUR/key	(46,107 EUR/key)
				Exit yield	5.53%	-	7.25%	(6.31%)
				Discount rate	5.53%	-	8.75%	(7.05%)
				Fair value				38 MEUR
Czech Republic - 3* hotel	**Hospitality**	Comparable	Level 3	Rate per key		-		(58,333 EUR/key)
				Fair value				5 MEUR
Czech Republic - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key	21,370 EUR/key	-	182,333 EUR/key	(133,526 EUR/key)
				Exit yield	5.53%	-	7.50%	(6.35%)
				Discount rate	5.53%	-	9.00%	(6.93%)
				Fair value				250 MEUR
Czech Republic - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(533,568 EUR/key)
				Exit yield		-		(4.25%)
				Discount rate		-		(5.25%)
				Fair value				19 MEUR
Czech Republic - Hostel	**Hospitality**	DCF	Level 3	Rate per key		-		(18,239 EUR/key)
				Exit yield		-		(8.25%)
				Discount rate		-		(9.75%)
				Fair value				16 MEUR
Hungary - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key	101,325 EUR/key	-	212,632 EUR/key	(145,020 EUR/key)
				Exit yield	7.00%	-	7.50%	(7.27%)
				Discount rate	9.00%	-	10.00%	(9.61%)
				Fair value				52 MEUR
Poland - 4* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(216,444 EUR/key)
				Exit yield		-		(7.25%)
				Discount rate		-		(9.25%)
				Fair value				10 MEUR
Poland - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(262,459 EUR/key)
				Exit yield		-		(7.00%)
				Discount rate		-		(9.00%)
				Fair value				16 MEUR
Russia - 5* hotel	**Hospitality**	DCF	Level 3	Rate per key		-		(274,286 EUR/key)
				Exit yield		-		(8.50%)
				Discount rate		-		(11.50%)
				Fair value				23 MEUR

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Croatia	**Hospitality**	DCF	Level 3	Rate per key	18,033 EUR/key	-	372,881 EUR/key	(227,807 EUR/key)
				Exit yield	7.25%	-	9.50%	(7.76%)
				Discount rate	9.00%	-	11.00%	(9.51%)
				Fair value				171 MEUR
Assets Held For Sale				Valued on transaction basis				108 MEUR

Property, plant and equipment

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Switzerland	**Development**	Development Appraisal	Level 3	Gross development value		-		(230,248,722)
				Development margin		-		(20.00%)
				Fair value				48 MEUR
Switzerland	**Mountain resort**	DCF	Level 3	Discount rate		-		(9.30%)
				Exit Yield		-		(7.30%)
				Fair value				40 MEUR

Valuation method used for impairment testing.

2016

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%)
				Fair value				41 MEUR
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%)
				Fair value				22 MEUR
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%)
				Fair value				9 MEUR
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%)
				Fair value				323 MEUR
Czech Republic - Retail Warehouse	**Retail**	Comparable	Level 3	Fair value per sqm	474 EUR/sqm	-	1,381 EUR/sqm	(1,058 EUR/sqm)
				Fair value				18 MEUR
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%)
				Fair value				500 MEUR
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%)
				Fair value				64 MEUR

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
Czech Republic - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm	312 EUR/sqm	-	573 EUR/sqm	(557 EUR/sqm)
				Fair value				13 MEUR
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%)
				Fair value				19 MEUR
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%)
				Fair value				17 MEUR
Hungary - So-called special properties	**Retail**	Comparable	Level 3	Fair value per sqm		-		(543 EUR/sqm)
				Fair value				0.4 MEUR
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%)
				Fair value				97 MEUR
Slovak Republic - Retail Warehouse	**Retail**	Comparable	Level 3	Fair value per sqm	474 EUR/sqm	-	1,381 EUR/sqm	(1,195 EUR/sqm)
				Fair value				5 MEUR
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%)
				Fair value				3 MEUR
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%)
				Fair value				18 MEUR

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
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%)
				Fair value				701 MEUR
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%)
				Fair value				1,022 MEUR
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%)
				Vacancy rate	0.00%	-	77.13%	(16.41%)
				Fair value				172 MEUR
Hungary	**Office**	Comparable	Level 3	Fair value per sqm		-		(1,268 EUR/sqm)
				Fair value				12 MEUR
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%)
				Fair value				59 MEUR
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%)
				Fair value				7 MEUR
Czech Republic	**Residential**	Comparable	Level 3	Fair value per sqm	1,755 EUR/sqm	-	4,033 EUR/sqm	(2,038 EUR/sqm)
				Fair value				4 MEUR
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%)
				Fair value				279 MEUR

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average Min.		Max.	Avg.
France	**Residential**	Comparable	Level 3	Fair value per sqm	7,077 EUR/sqm	-	28,000 EUR/sqm	(19,602 EUR/sqm)
				Fair value				103 MEUR
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%)
				Fair value				38 MEUR
Czech Republic	**Land Bank**	Comparable	Level 3	Fair value per sqm	2 EUR/sqm	-	3,042 EUR/sqm	(277 EUR/sqm)
				Fair value				307 MEUR
Hungary	**Land Bank**	Comparable	Level 3	Fair value per sqm	48 EUR/sqm	-	1,870 EUR/sqm	(838 EUR/sqm)
				Fair value				34 MEUR
Poland	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(151 EUR/sqm)
				Fair value				4 MEUR
Germany	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(494 EUR/sqm)
				Fair value				7 MEUR
Czech Republic	**Development**	Development Appraisal	Level 3	Total EMRV per sqm		-		(180 EUR)
				Gross development value per sqm		-		(2,726 EUR)
				Development margin		-		(10.00%)
				Fair value				7 MEUR
Czech Republic	**Agriculture**	Comparable	Level 3	Fair value per sqm	0.30 EUR/sqm	-	0.61 EUR/sqm	(0.61 EUR/sqm)
				Fair value				70 MEUR
Czech Republic - 3* hotel	**Hospitality**	Comparable	Level 3	Rate per key	32,395 EUR/key	-	90,884 EUR/key	(54,805 EUR/key)
				Fair value				47 MEUR
Czech Republic - 4* hotel	**Hospitality**	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%)
				Fair value				30 MEUR
Czech Republic - 4* hotel	**Hospitality**	Comparable	Level 3	Rate per key	86,139 EUR/key	-	188,980 EUR/key	(126,512 EUR/key)
				Fair value				156 MEUR
Czech Republic - 5* hotel	**Hospitality**	Comparable	Level 3	Rate per key	72,900 EUR/key	-	521,630 EUR/key	(348,689 EUR/key)
				Fair value				31 MEUR

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic - Hostel	**Hospitality**	Comparable	Level 3	Rate per key		-		(19,804 EUR/sqm)
				Fair value				18 MEUR
Hungary - 4* hotel	**Hospitality**	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%)
				Fair value				43 MEUR
Poland - 4* hotel	**Hospitality**	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%)
				Fair value				8 MEUR
Poland - 5* hotel	**Hospitality**	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%)
				Fair value				12 MEUR
Russia - 5* hotel	**Hospitality**	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%)
				Fair value				26 MEUR
Croatia	**Hospitality**	DCF	Level 3	Rate per key		-		(238,869 EUR/key)
				Exit yield		-		(8.79%)
				Discount rate		-		(10.01%)
				Fair value				168 MEUR
Asset Held For Sale				Valued on transaction basis				121 MEUR

Property, plant and equipment

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Switzerland	**Development**	Development Appraisal	Level 3	Gross development value		-		(247,617,166 EUR)
				Development margin		-		(20.00%)
				Fair value				51 MEUR
Switzerland	**Mountain resort**	DCF	Level 3	Discount rate		-		(9.50%)
				Exit Yield		-		(6.50%)
				Fair value				65 MEUR

Valuation method used for impairment testing.

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 2017

Czech Republic

Retail - Income Capitalization

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	194	188	182
	--	204	197	192
	5.00%	212	206	200

Retail - DCF

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	1,184	1,137	1,093
	--	1,247	1,174	1,151
	5.00%	1,309	1,257	1,209

Office - Income Capitalization

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	231	229	228
	--	241	240	239
	5.00%	252	251	249

Office - DCF

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	559	538	517
	--	589	544	545
	5.00%	618	594	572

Office - Development approach	MEUR
Developer´s Profit (5.00%)	38
Developer´s Profit (2.50%)	36
Developer´s Profit as set	35
Developer´s Profit 2.50%	34
Developer´s Profit 5.00%	33

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	43	43	43
--	45	44	44
5.00%	46	46	46

Development	MEUR
Developer´s Profit 13.00%	10
Developer´s Profit 14.00%	9
Developer´s Profit 15.00%	8
Developer´s Profit 16.00%	8
Developer´s Profit 17.00%	7

Hospitality

Rental income		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	304	294	285
--	328	322	308
5.00%	353	342	331

Slovak Republic

Retail

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	109	106	102
--	113	109	106
5.00%	117	113	109

Office

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	7	7	7
--	8	7	7
5.00%	8	8	7

Hungary

Industry

ERV		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	24	23	22
--	25	24	23
5.00%	26	25	25

Office

ERV		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	208	202	195
--	220	213	206
5.00%	232	224	217

Retail

ERV		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	210	204	198
--	221	215	209
5.00%	232	226	219

Hospitality

Rental growth		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	52	51	50
--	55	53	51
5.00%	56	55	53

Poland

Retail

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	141	141	140
--	143	142	141
5.00%	144	143	142

Hospitality

Rental growth		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	26	25	25
--	26	26	26
5.00%	27	27	26

Office

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	55	54	53
--	58	57	55
5.00%	61	60	58

Germany

Office

Market Rent		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	1,562	1,529	1,497
--	1,653	1,619	1,585
5.00%	1,745	1,708	1,672

Industrial

Market Rent		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	9	8	8
--	9	9	9
5.00%	10	9	9

Italy

Hotel

Rental income		Discount Rate	
MEUR	(0.50%)	--	0.50%
(5.00%)	37	36	35
--	39	38	37
5.00%	41	40	39

Russia

Hospitality

Rental growth		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	23	22	22
--	23	23	23
5.00%	24	24	23

Croatia

Hospitality

Rental growth		Discount Rate	
MEUR	(0.25%)	--	0.25%
(5.00%)	166	163	160
--	172	169	166
5.00%	178	175	172

France

Residential

ERV		Yield	
MEUR	(0.25%)	--	0.25%
(5.00%)	4	3	3
--	4	4	3
5.00%	4	4	4

CPI Hotels

WACC			
Hospitality		Growth	
MEUR	(0.25%)	--	0.25%
(2.50%)	55	54	53
--	57	56	55
2.50%	59	58	56

Fair Value used in sensitivity analyses includes assets, which were valued by Income based or Residual method. Assets valued by comparable method are not subject of Sensitivity analyses.

Fair values in Segments Czechia Retail, Czechia Office, Czechia Hospitality, Czechia development may vary than those reported above due to counting some multi-segment assets into majority segments as well as slight exchange rate changes applied by external valuation experts.

31 December 2016

Czech Republic

ERV – Retail	Yield		
MEUR	(0.25%)	--	0.25%
(5.00%)	801	790	780
--	829	817	807
5.00%	857	845	834

ERV – Office	Yield		
MEUR	(0.25%)	--	0.25%
(5.00%)	745	742	739
--	774	771	768
5.00%	804	800	797

Rental income – Residential	Yield		
MEUR	(0.50%)	--	0.50%
(5.00%)	282	264	248
--	298	279	263
5.00%	315	295	277

ERV – Industrial	Yield		
MEUR	(0.25%)	--	0.25%
(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

Rental income – Hospitality	Discount Rate		
MEUR	(0.25%)	--	0.25%
(5.00%)	32	31	29
--	32	30	29
5.00%	31	30	28

Slovak Republic

ERV – Retail	Yield		
MEUR	(0.25%)	--	0.25%
(5.00%)	95	93	92
--	99	97	96
5.00%	103	101	100

ERV – Office	Yield		
MEUR	(0.25%)	--	0.25%
(5.00%)	7	7	7
--	7	7	7
5.00%	8	8	7

Hungary

ERV – Industry	Discount Rate		
MEUR	(0.25%)	--	0.25%
(5.00%)	22	21	21
--	22	22	22
5.00%	23	23	22

ERV – Office	Discount Rate		
MEUR	(0.25%)	--	0.25%
(5.00%)	167	164	162
--	175	172	169
5.00%	182	179	176

ERV – Retail	Discount Rate		
MEUR	(0.25%)	--	0.25%
(5.00%)	35	34	34
--	37	36	35
5.00%	39	38	37

Rental growth – Hospitality	Discount Rate		
MEUR	(0.25%)	--	0.25%
(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 MEUR	Discount Rate (0.25%)	--	0.25%
	(5.00%)	38	37	37
	--	38	38	38
	5.00%	39	39	39

Russia

Rental growth	Hospitality MEUR	Discount Rate (0.25%)	--	0.25%
	(5.00%)	28	27	26
	--	27	26	25
	5.00%	26	25	24

Croatia

Rental growth	Hospitality MEUR	Discount Rate (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.

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 ("OPG") in relation to its notes (New Notes) registered under ISIN code XS0820547742, which were issued on 4 October 2012 (and amended and restated pursuant to the Orco Trust Deed). 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.

On 7 November 2017, OPG has redeemed all of the outstanding New Notes. Following the redemption, all the New Notes were canceled. There have been no claims against the Company in relation to the Orco Trust Deed or the New Notes.

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 Company 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 Orco Property Group („**OPG**"), filed with the „Tribunal d´Arrondissement de et a 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 has arisen 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 up to now) a 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 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 and the litigation, currently being in a procedural stage, is pending.

(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 a general settlement between Group and HGHI in January 2017 that HGHI will withdraw their suit and furthermore that the remaining amounts on the escrow shall be paid out to Orco Immobilien GmbH. After clearing all formal objections at 5 April 2017 the trustee has paid out the remaining EUR 8.6 million from the escrow account to Orco Immobilien GmbH.

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, which was paid 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 dispute

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

As at the date of the publication of the consolidated financial statements, the Group does not have evidence of any other contingent liabilities except those mentioned above. No legal proceeding is currently active the result of which would influence the consolidated financial statements 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 29.9 million in respect of capital expenditures contracted for at the date of the statement of financial position (EUR 29.5 million in 2016). There are no other commitments.

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 2017	31 December 2016
Remuneration paid to key management personnel and members of Board of Directors	379	484
Total remuneration	**379**	**484**

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 2017	31 December 2016
Loans provided	102	359
Trade receivables	36	2
Other receivables	20	9
Impairment of other receivables	(23)	(5)
Prepaid expenses	--	13
Bonds issued	338	282
Transactions		
Interest income and other revenues	61	14
Other cost	(40)	(17)
Legal services	--	(35)
Audit, tax and advisory services	(606)	--

Other related parties Entities over which the majority shareholder has control		
Balances at	**31 December 2017**	**31 December 2016**
Loans provided	89,246	--
Trade receivables	295	3
Loans received	256	279
Transactions		
Advisory and accounting services	3	2
Interest income	2,259	1
Other costs	--	(6)
Interest expense on bonds issued	--	(3,571)

Other related parties		
Entities over which the sole shareholder has significant influence		
Balances at	**31 December 2017**	**31 December 2016**
Transactions		
Service charge income	--	2
Interest income	--	537
Other finance income	--	1,050
Advisory and accounting services	--	552

Joint ventures		
Balances at	**31 December 2017**	**31 December 2016**
Loans provided	10,428	4,280
Transactions		
Interest income	535	--

Close family members/entities controlled by close family members of sole shareholders		
Balances at	**31 December 2017**	**31 December 2016**
Trade receivables	28	--
Other receivables	--	11,665
Loans provided	--	--
Other payables	807	807
Transactions		
Interest income	7	703
Advisory and accounting services	31	--

Entities controlled by members of Board of Directors		
Balances at	**31 December 2017**	**31 December 2016**
Trade receivables	18	8
Other receivables	--	52
Loans provided	4,709	8,042
Trade payables	34	226
Advances paid	36	--
Loans received	--	787
Prepaid expenses	--	13
Impairment of trade receivables and other receivables	(9)	(4)
Impairment of loans	--	(35)
Transactions		
Interest income	22	133
Material consumption	--	(20)
Energy consumption	(17)	--
Lease and rental expenses	--	(55)
Proceeds from sale of subsidiaries	69	42,453
Dividend income	--	3,274
Advisory and accounting services	104	32
Impairment	--	(17)
Rental income and other services	1	--
Letting fee	(7)	(2)

Major shareholder of CPI PG		
Balance at	**31 December 2017**	**31 December 2016**
Loans provided	27,352	17,166
Loans received	--	39
Trade receivables	80	2
Other receivables	5,077	58
Other payables	283	415
Bonds issued	--	30,000
Advances received	--	24,500
Trade payables	--	93
Other items	--	4,797
Transactions		
Interest income	1,733	1,620
Other revenues	2	2
Interest expenses	--	(1,102)
Audit, tax and advisory services	(600)	--

Main selected transactions with other related parties

New shares

During 2016 the Company issued 4,386,744,624 new shares to majority shareholder, his close relatives and to entities controlled by him. Out of these shares the 1,850,000,000 shares were paid up in cash, and the remaining part was paid up in kind by contribution of bonds or shares. The Company also issued 30,123,712 new shares to top management.

During 2017, the Company issued 1,515,000,000 new shares to an entity controlled by the major shareholder. The Company also issued 159,132,897 new shares to ORCO Property Group and 18,971,867 to top management. All these shares were paid up in cash.

Bonds issued by the Group

As at 31 December 2017, the management of the Company holds bonds issued by the Group in overall nominal amount of CZK 8.6 million (app. EUR 0.3 million), as at 31 December 2016, the management holds bonds issued in nominal amount of EUR 0.3 million.

Loans provided to the Group

In 2017, the Company provided loans to company which is controlled by the major shareholder of the Group. The loans mature on 31 December 2020 and bear a fix interest of 10 % p.a. The total nominal value of loans, including accrued interest, amounted to EUR 34.1 million as at 31 December 2017.

On February 2017, the Company and the major shareholder entered into the credit facility agreement. The Company has committed to provide the loan up to the amount of EUR 40 million. The loan matures on 31 December 2020 and bears a fix interest of 10 % p.a. The outstanding amount due from major shareholder as at 31 December 2017 amounts to EUR 11.9 million.

In the second half year 2017 OPG assigned receivables to company which is controlled by the major shareholder of the Group. These receivables are bear fix interest of 10 % p.a. and mature on 30 June 2018. The total value of loans, including accrued interest, amounted to EUR 55.1 million as at 31 December 2017.

Transactions connected with the major shareholder of the Company

Acquisition of land bank projects in Czech Republic

On 15 November 2017 the Group acquired two real estate projects that can be used for future residential developments. The 100% stake in Polygon BC, a.s. was acquired for the purchase price of CZK 956 million (app. EUR 37.2 million) and the 100% stake in company MQM Czech, a.s was acquired for the purchase price of CZK 352 million (app. EUR 13.7 million). Both entities were acquired from companies controlled by major shareholder of the Company and the acquisitions are accounted for as common control transactions (note 3.2).

11 Events after the reporting period

11.1 Acquisition of subsidiaries

On 10 January 2018, the Group acquired the company Zgorzelec Property Development sp. Z o.o., being the owner of the retail park in Zgorzelec, in Poland, for the total purchase price of PLN 2.94 million (app. EUR 0.7 million).

On 7 March 2018, 100% stake in Gewerbehöfe Services GmbH was acquired for the consideration of EUR 27.5 thousand.

On 21 March 2018 the Group acquired 100% share of Montserrat sp. z o.o. for the purchase price of 9,000 PLN (app. EUR 2,155). The entity does not own any property as the Group plan is to purchase through this entity a new asset.

11.2 Disposal of subsidiaries

The disposal of Budaörs Office Park property in Hungary was completed on 31 January 2018. The disposal was structured as a share deal transaction and the counterparty was a Hungarian real estate fund. Budaörs Office Park represents an office complex near Budapest. The sales price amounted to EUR 9.4 million.

11.3 Other events after reporting period

On 14 February 2018, the Group founded new company CPI Catering, s.r.o. The company was renamed to CPI Hotels Catering, s.r.o. as at 20 February 2018.

11.4 Extraordinary general meeting

The Extraordinary General Meeting of the shareholders of the Company held on 1 March 2018 (the “2018 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of five billion euros (EUR 5,000,000,000) for a period of five (5) years from 1 March 2018, which would authorise the issuance of up to forty billion (40,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares, in addition to the 9,488,722,610 shares of the Company currently outstanding.

The 2018 EGM approved the report issued by the board of directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

The 2018 EGM further approved the terms and conditions of a buy-back programme of the Company enabling the repurchase by the Company of its own shares and authorised the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the EGM authorised the board of directors of the Company to repurchase, in one or several steps, a maximum number of one billion (1,000,000,000) shares in the Company 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 euros (EUR 5.-), for a period of five (5) years from the date of the 2018 EGM. The 2018 EGM further resolved to grant power to the board of directors of the Company (i) to proceed with the payment of the relevant repurchase price out of the Company's available funds, (ii) to take all required actions to complete any repurchase of shares and (iii) to verify that the process of share repurchase is made in compliance with the legal provisions.

11.5 Share buyback

On the basis of the authorization by the 2018 EGM, the Board has decided on 1 March 2018, to proceed to a buy-back of certain shares of the Company under the buyback programme, the terms of which are set forth in the buy-back offer published by the Company on 2 March 2018. A total of 724,853,952 shares in the Company with a par value of EUR 0.10 each have been acquired for the proposed acquisition price of EUR 0.20 per share (representing in aggregate app. EUR 145 million). The shares were bought-back from an entity affiliated with the major shareholder. The shares bought-back represent a direct holding by the Company of 7.64% of the Company's share capital and 7.64% of the voting rights in the Company.

11.6 Signing of unsecured revolving credit facility

On 16 March 2018, the Group announced the successful signing of a EUR 150 million 2-year unsecured revolving credit facility with a group of leading international and regional banks. The Group intends to periodically draw (and repay) the revolving credit facility for general corporate purposes, including shote-term cash needs. The new EUR 150 million facility will replace existing facilities totalling approximately EUR 45 million which were signed in 2017. Lenders in the facility are Barclays Bank PLC, Credit Suisse, Deutsche Bank Luxembourg S.A., J.P. Morgan Securities plc, Komercni banka, a.s., and UniCredit Bank Czech Republic and Slovakia, a.s., J.P. Morgan Securities plc acted as mandated lead arranger and J.P. Morgan Europe Limited as facility agent for the revolving credit facility.

APPENDIX I – LIST OF GROUP ENTITIES

Subsidiaries fully consolidated

Company	Country	31 December 2017	31 December 2016
"Diana Development" Sp. z o.o.	Poland	100.00%	100.00%
ABLON Sp. z o.o.	Poland	--	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%
Andrássy Real Kft.	Hungary	100.00%	--
Angusland s.r.o.	Czech Republic	100.00%	100.00%
Arena Corner Kft.	Hungary	100.00%	100.00%
Arkáda Prostějov, s.r.o.	Czech Republic	--	100.00%
Armo Verwaltungsgesellschaft mbH	Germany	94.66%	--
Aspley Ventures Limited	Cyprus	100.00%	100.00%
AVACERO LIMITED	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	86.56%	86.56%
BAYTON ONE, s.r.o.	Czech Republic	86.56%	--
BAYTON TWO, s.r.o.	Czech Republic	86.56%	--
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
Biochov s.r.o.	Czech Republic	100.00%	100.00%
Biopark s.r.o.	Czech Republic	100.00%	100.00%
Biopotraviny s.r.o.	Czech Republic	100.00%	100.00%
Blue Yachts d.o.o.	Croatia	67.50%	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%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	97.31%	97.31%
Brillant 2800. GmbH	Germany	99.75%	--
Brno Property Development, a.s.	Czech Republic	86.56%	--
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	97.31%	97.31%
Bubny Development, s.r.o.	Czech Republic	97.31%	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%	97.31%
CAMPONA Shopping Center Kft.	Hungary	100.00%	--
Camuzzi, a.s.	Czech Republic	97.31%	97.31%
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%	97.31%
CENTRAL TOWER 81 Sp. z o.o.	Poland	100.00%	100.00%
Centrum Ogrody Sp. z o.o.	Poland	100.00%	--
Centrum Olympia Plzeň s.r.o. (1)	Czech Republic	--	--
CEREM S.A.	Luxembourg	97.31%	97.31%
City Gardens Sp. z o.o.	Poland	100.00%	--

Company	Country	31 December 2017	31 December 2016
CM Hôtels SA	Switzerland	100.00%	100.00%
CMA Immobilier SA	Switzerland	85.07%	85.07%
CMA Services S.à.r.l.	Switzerland	85.20%	85.20%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
Cordonier & Valério Sàrl	Switzerland	51.04%	--
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	86.56%	86.56%
CPI - Krásné Březno, a.s.	Czech Republic	97.31%	97.31%
CPI - Land Development, a.s.	Czech Republic	97.31%	97.31%
CPI - Orlová, a.s.	Czech Republic	86.56%	100.00%
CPI - Real Estate, a.s.	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alberghi HI Roma S.r.l.	Italy	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beet, a.s. (2)	Czech Republic	100.00%	--
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI Blatiny, s.r.o.	Czech Republic	100.00%	--
CPI Blue, s.r.o. (3)	Czech Republic	--	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o. (1)	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Management Kft. (4)	Hungary	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%
CPI Finance CEE, a.s.	Czech Republic	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.	Netherlands	100.00%	100.00%
CPI Finance Netherlands II B.V.	Netherlands	100.00%	100.00%
CPI Finance Netherlands III B.V.	Netherlands	100.00%	100.00%
CPI Finance Slovakia II, a. s.	Slovak Republic	100.00%	100.00%
CPI Finance Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Hungary Kft.	Hungary	100.00%	100.00%
CPI HOTELS POLAND Sp. z o.o.	Poland	100.00%	100.00%
CPI Hotels Properties, a.s. (2)	Czech Republic	100.00%	100.00%
CPI Hotels Slovakia, s.r.o.	Slovak Republic	100.00%	100.00%
CPI Hotels, a.s.	Czech Republic	100.00%	100.00%
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l.	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Kappa, s.r.o.	Czech Republic	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 Office Prague, s.r.o. (5)	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%

Company	Country	31 December 2017	31 December 2016
CPI Park Žďárek, a.s.	Czech Republic	97.25%	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. (6)	Czech Republic	100.00%	100.00%
CPI Residential, a.s.	Czech Republic	100.00%	100.00%
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail One Kft.	Hungary	100.00%	--
CPI Retail Portfolio Holding Kft.	Hungary	100.00%	100.00%
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Store Kft.	Hungary	100.00%	--
CPI Retail Two Kft.	Hungary	100.00%	--
CPI Retails Brandýs, s.r.o. (6)	Czech Republic	--	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails ROSA s.r.o.	Slovak Republic	100.00%	100.00%
CPI Retails THREE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails Třinec, a.s. (6)	Czech Republic	--	100.00%
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Rhea, s.r.o.	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%	97.58%
CPI West, s.r.o.	Czech Republic	100.00%	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%	100.00%
Český Těšín Property Development, a.s.	Czech Republic	100.00%	100.00%
Darilia, a.s.	Czech Republic	97.31%	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%	72.98%
Development Pražská, s.r.o.	Czech Republic	--	97.31%
Diana Property Sp. z o.o.	Poland	97.31%	97.31%
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land	Czech Republic	97.27%	99.96%
Ekodružstvo Severozápad, družstvo	Czech Republic	--	100.00%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
EMH West, s.r.o. (5)	Czech Republic	--	100.00%
Endurance Hospitality Asset S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Hospitality Finance S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Real Estate Management Company	Luxembourg	97.31%	97.31%
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	97.31%	97.31%
Europeum Kft.	Hungary	100.00%	100.00%

Company	Country	31 December 2017	31 December 2016
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%	100.00%
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%	100.00%
FELICIA SHOPPING CENTER SRL	Romania	100.00%	--
Fetumar Development Limited	Cyprus	100.00%	100.00%
First Site Kft.	Hungary	--	100.00%
FL Property Development, a.s.	Czech Republic	86.56%	100.00%
Fogarasi 3 BC Kft.	Hungary	--	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%
Gewerbesiedlungs-Gesellschaft GmbH	Germany	99.75%	99.75%
GLOBAL INVESTMENT Kft.	Hungary	--	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
Grunt HZ s.r.o. (7)	Czech Republic	--	97.31%
GSG 1. Beteiligungs GmbH	Germany	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	99.75%	99.75%
GSG Berlin Invest GmbH	Germany	94.66%	94.66%
GSG Europa Beteiligungs GmbH	Germany	99.75%	--
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 6. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Mobilien GmbH	Germany	99.75%	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%	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.	Hungary	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	100.00%
Hotel Pokrovka , org. Unit	Russia	100.00%	100.00%
Hotel Sirena d.o.o.	Croatia	96.43%	96.43%
HOTEL U PARKU, s.r.o.	Czech Republic	86.56%	--
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	97.31%	97.31%
Insite Kft.	Hungary	--	100.00%
IS Nyír Kft.	Hungary	100.00%	--
IS Zala Kft.	Hungary	100.00%	--
Isalotta GP GmbH & Co.Verwaltungs KG	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%	100.00%
Jagapa Limited	Cyprus	100.00%	100.00%
JAGRA spol. s r.o.	Czech Republic	100.00%	100.00%

Company	Country	31 December 2017	31 December 2016
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	86.56%	86.56%
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	97.31%	97.31%
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	97.31%	97.31%
Kerina, a.s.	Czech Republic	100.00%	100.00%
KOENIG, s.r.o. (8)	Czech Republic	100.00%	--
Kolín Centrum a.s.	Czech Republic	100.00%	--
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
Labská Property, s.r.o.	Czech Republic	100.00%	--
LD Praha, a.s.	Czech Republic	100.00%	100.00%
LE REGINA WARSAW Sp. z o.o.	Poland	100.00%	100.00%
Leriegos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
LES TROIS DILAIS	Monaco	100.00%	--
Levice Property Development, a.s.	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%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s.	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s. (9)	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate Sp. z o.o.	Poland	97.31%	97.31%
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%
MQM Czech, a.s.	Czech Republic	99.26%	--
MUXUM, a.s.	Czech Republic	100.00%	100.00%
Na Poříčí, a.s.	Czech Republic	100.00%	100.00%
NERONTA, a. s.	Slovak Republic	--	100.00%
New Age Kft.	Hungary	100.00%	100.00%
New Field Kft.	Hungary	--	100.00%
Nisa OC s.r.o. (10)	Czech Republic	--	--
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	97.31%	97.31%
Nový Projekt CPI, s.r.o.	Czech Republic	100.00%	--
NUKASSO HOLDINGS LIMITED	Cyprus	100.00%	100.00%
Nupaky a.s.	Czech Republic	97.31%	97.31%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
Obchodní a společenské centrum České Budějovice, s.r.o. (9)	Czech Republic	--	100.00%
OC Nová Zdaboř a.s.	Czech Republic	100.00%	100.00%

Company	Country	31 December 2017	31 December 2016
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	100.00%	100.00%
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%
Office Center Purkyňova, a.s.	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 Sp. z o.o.	Poland	--	100.00%
Orco Hotel Development Sp. z o.o.	Poland	--	100.00%
ORCO Hotel Management Kft.	Hungary	--	100.00%
Orco Hotel Project Sp. z o.o.	Poland	--	100.00%
Orco Immobilien GmbH	Germany	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orco Project Limited	Guernsey	97.31%	97.31%
Orco Property Group S.A.	Luxembourg	97.31%	97.31%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Outlet Arena Moravia, s.r.o.	Czech Republic	100.00%	--
Ozrics, Kft.	Hungary	100.00%	100.00%
Parco delle Case Bianche SRL	Italy	100.00%	100.00%
Pastviny a.s.	Czech Republic	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
PFCE Prague investments s.r.o. (11)	Czech Republic	--	--
Platnéřská 10 s.r.o.	Czech Republic	100.00%	100.00%
Pólus Shopping Center Zrt.	Hungary	100.00%	--
Polus Társasház Üzemeltető Kft.	Hungary	100.00%	--
Polygon BC, a.s.	Czech Republic	99.26%	--
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
PROJECT FIRST a.s.	Czech Republic	86.56%	--
Projekt Nisa, s.r.o. (10)	Czech Republic	100.00%	100.00%
Projekt Zlatý Anděl, s.r.o. (11)	Czech Republic	100.00%	100.00%
Prosta 69 Sp. z o.o.	Poland	100.00%	100.00%
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
PTR PRIME TOURIST RE SORTS (CYPRUS) LIMITED	Cyprus	100.00%	100.00%
PV - Cvikov s.r.o.	Czech Republic	100.00%	100.00%
QTW Czech, s.r.o. (6)	Czech Republic	--	100.00%
Quadrio Residence, s.r.o.	Czech Republic	--	100.00%
R40 Real Estate Kft.	Hungary	100.00%	100.00%
Remontées Mécaniques Crans Montana Aminona (CMA) SA	Switzerland	85.33%	85.33%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
Rezidence Jančova, s.r.o.	Czech Republic	100.00%	--
Rezidence Malkovského, s.r.o.	Czech Republic	100.00%	--
REZIDENCE MASARYKOVA 36, s.r.o.	Czech Republic	100.00%	--
Rezidence Pragovka, s.r.o. (7)	Czech Republic	97.31%	97.31%
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%	100.00%
SCP AILEY	Monaco	100.00%	100.00%
SCP CAYO	Monaco	100.00%	100.00%
SCP CISKEY	Monaco	100.00%	100.00%
SCP KANDLER	Monaco	100.00%	100.00%
SCP MADRID	Monaco	100.00%	100.00%
SCP NEW BLUE BIRD	Monaco	100.00%	100.00%
SCP PIERRE CHARRON	Monaco	100.00%	100.00%

Company	Country	31 December 2017	31 December 2016
SCP VILLA DE TAHITI	Monaco	100.00%	100.00%
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Shopinvest a.s. (9)	Czech Republic	--	100.00%
Spišská Nová Ves Property Development, a.s.	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 Blatiny, s.r.o.	Czech Republic	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%	97.31%
STRM Alfa, a.s.	Czech Republic	99.26%	97.31%
STRM Beta, a.s.	Czech Republic	97.31%	97.31%
STRM Delta, a.s.	Czech Republic	--	97.31%
STRM Gama, a.s.	Czech Republic	97.31%	97.31%
Sunčani Hvar d.d.	Croatia	96.43%	96.43%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	97.31%	97.31%
Šenovská zemědělská, s.r.o.	Czech Republic	100.00%	100.00%
Tarnów Property Development Sp. z o.o.	Poland	100.00%	100.00%
Telč Property Development, a.s.	Czech Republic	86.56%	100.00%
Tepelná Litvínov, s.r.o.	Czech Republic	100.00%	--
Tepelné hospodářství Litvínov s.r.o.	Czech Republic	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%
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%
Verneřický Angus a.s.	Czech Republic	100.00%	100.00%
Vigano, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	97.31%	97.31%
VM Property Development, a.s.	Czech Republic	--	100.00%
VOLANTI LIMITED	Cyprus	100.00%	100.00%
VRL Heli, s.r.o. (12)	Czech Republic	--	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%	100.00%
Zelená louka s.r.o.	Czech Republic	100.00%	100.00%
Zelená pastva s.r.o.	Czech Republic	100.00%	100.00%
ZEMSPOL s.r.o.	Czech Republic	100.00%	100.00%
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Žďár Property Development, a.s.	Czech Republic	--	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

Joint ventures

Company	Country	31 December 2017	31 December 2016
Beta Development, s.r.o.	Czech Republic	34.06%	19.47%
Brillant 1419. Verwaltungs GmbH	Germany	47.68%	47.68%
Uniborc S.A.	Luxembourg	34.06%	19.47%

(1) Centrum Olympia Plzeň, s.r.o. has merged with CPI East, s.r.o. (the „successor company“) with the effective date of 1 April 2017. All assets and liabilities of Centrum Olympia Plzeň, s.r.o. passed to the successor company.

(2) CPI Hotels Properties, a.s. demerged on 1 January 2017. One new company – CPI Beet, a.s. – was established on 1 January 2017. Part of the portfolio of CPI Hotels Properties, a.s. has been transferred to newly established company.

(3) Orco Germany Prague, s.r.o. changed its name to CPI Blue, s.r.o. with effective date of 19 January 2017. On 14 December 2017 was sold to a third party.

(4) Szolgáltatóház Kft. changed its name to CPI Facility Management Kft. with effective date of 30 June 2017.

(5) EMH West, s.r.o. has merged with EMH North, s.r.o (the „successor company“) with the effective date of 1 January 2017. All assets and liabilities of EMH West, s.r.o. passed to the successor company. EMH North, s.r.o changed its name to CPI Office Prague, s.r.o. with the effective date of 1 January 2017.

(6) CPI Retails Brandýs, s.r.o., CPI Retails Třinec, a.s. and QTW Czech, s.r.o. has merged with CPI Reality, a.s. (the „successor company“) with the effective date of 1 January 2017. All assets and liabilities of CPI Retails Brandýs, s.r.o., CPI Retails Třinec, a.s. and QTW Czech, s.r.o. passed to the successor company.

(7) Grunt HZ s.r.o. has merged with Rezidence Pragovka, s.r.o. (the „successor company“) with the effective date of 1 January 2017. All assets and liabilities of Grunt HZ s.r.o. passed to the successor company. Orco Praga, s.r.o., člen holdingu ORCO PROPERTY GROUP SA changed its name to Rezidence Pragovka, s.r.o. with the effective date of 3 January 2017.

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

(9) Obchodní a společenské centrum České Budějovice, s.r.o and Shopinvest a.s. has merged with Marissa Yellow, a.s. (the „successor company“) with the effective date of 31 March 2017. All assets and liabilities of Obchodní a společenské centrum České Budějovice, s.r.o. and Shopinvest a.s. passed to the successor company.

(10) Nisa OC s.r.o. has merged with Projekt Nisa, s.r.o. (the „successor company“) with the effective date of 1 April 2017. All assets and liabilities of Nisa OC s.r.o. passed to the successor company.

(11) PFCE Prague investments s.r.o. has merged with Projekt Zlatý Anděl, s.r.o. (the „successor company“) with the effective date of 1 April 2017. All assets and liabilities of PFCE Prague investments s.r.o. passed to the successor company.

(12) CPI Heli, s.r.o. changed its name to VRL Heli, s.r.o. with the effective date of 3 October 2017. On 9 November 2017 was sold to a third party.

KPMG

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CPI Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of 23 July 2016and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property, property, plant and equipment, and inventories

a. Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period

We refer to the accounting policies at notes 2.2 (c), 2.2 (d), 2.2 (f) and 2.2 (h) on pages 17 to 21 and note 6.2 *Investment property*, note 6.3 *Property, plant and equipment*, and note 6.8 *Inventories* to the consolidated financial statements. Investment property, property, plant and equipment and inventories represent 87.8% of the total assets of the Group as at 31 December 2017.

The valuation of investment property, property, plant and equipment and inventories is inherently subjective and requires third party valuation experts and the Group's management to use certain assumptions, including yields, capitalization rates, discount rates and estimated market rents.

The assessment of the appropriateness of the valuation methodologies, assumptions and inputs used by the Group requires a high level of judgement by us.

Therefore, the significance of the estimates and judgements, coupled with the fact that only a small percentage difference in individual investment property, property, plant and equipment and inventory valuations, when aggregated, could result in a material misstatement in the consolidated statement of comprehensive income and consolidated statement of financial position, warrants specific audit focus in this area.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of investment property, property, plant and equipment, and inventories included, but were not limited to, the following:

- We tested the source documentation provided by the Group to the external valuers by agreeing a sample of this documentation back to the underlying lease and other relevant supporting data.
- We involved our internal valuation specialist to assist us in challenging the appropriateness of the key methodologies including, but not limited to, comparative and residual methods and the key assumptions including, but not limited to, those relating to yields, discount rates, capitalization rates, and rents used by the Group.
- We assessed the qualifications, competence, and independence of the external valuers engaged by the Group.
- Further, we also considered the adequacy of the disclosures in the consolidated financial statements, and the Company's descriptions regarding the inherent degree of subjectivity and key assumptions in estimates.

Valuation of the goodwill in CPI Hotels a.s.

a. Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period

We refer to the accounting policy at note 2.2 (g)(i) on page 20 and note 6.1 to the consolidated financial statements.

The assessment of the valuation of goodwill which arose upon the acquisition of CPI Hotels a.s. requires judgement in order to assess the appropriateness of the valuation assessment based on a "value-in-use" calculation.

The valuation assessment involves significant estimates including discount rates, long term growth rate and assumptions underlying future operating cash flows to be applied in determining the "value-in-use".

b. How the matter was addressed in our audit

Our procedures concerning the assessment of the carrying value of goodwill which arose upon the acquisition of CPI Hotels a.s. included, but were not limited to, the following:

- We obtained the reports prepared by the external valuers engaged by the Group. We involved our internal valuation specialist who assisted us in performing analysis of appropriateness of valuation methodologies used by the external valuer, indicative and selective verification of mathematical correctness of the calculations, and indicative and high-level assessment of appropriateness of discount rate.
- We assessed the qualifications, competence and independence of the external valuers used by the Group;
- We reconciled underlying assumptions and inputs to the cash flow forecast used in the impairment assessment to the Board of Directors' approved forecast. We challenged the Board of Directors' expectations in respect of material activity and planned operational improvements and whether these were reflected in the cash flow forecast;
- We compared actual historical cash flow results for CPI Hotels a.s. with the previous forecast and challenged whether any differences fell within an acceptable range.
- We assessed the sensitivity analysis performed by the Group and we applied further sensitivity analyses, primarily focused on changes in operating cash flows to test the impact of these changes.
- We prepared our independent valuation assessment based on the expected hotel management fee by making references to comparable market data. We compared the results of our model to the model used by the Group.
- We assessed the completeness and adequacy of disclosures required in the notes to the consolidated financial statements pursuant to the relevant accounting and financial reporting standards.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report and the Corporate Governance Statement 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.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 20 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter 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, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) 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.

Luxembourg, 30 March 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

SU/001

CPI Property Group

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT

OF THE REVISEUR D'ENTREPRISES AGREE

DECEMBER 31, 2017

40, rue de la Vallée
L-2661 Luxembourg
Share Capital: EUR 948,872,261
R.C.S. Luxembourg B 102.254

CPI Property Group
Société Anonyme
R.C.S. Luxembourg B 102.254

TABLE OF CONTENTS

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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 audit of the annual accounts

Opinion

We have audited the annual accounts of CPI Property Group S.A. (the "Company"), which comprise the balance sheet as at December 31, 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of July 23, 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

KPMG

Valuation of financial assets (shares in affiliated undertakings and loans to affiliated undertakings)

a. Why the matter was considered to be one of most significant in our audit of the annual accounts of the current period

We refer to the accounting policy at note 2 on page 4 and note 4 *Financial assets* to the annual accounts. Financial assets represent 93% of the total assets of the Company as at December 31, 2017.

The assessment of the valuation of financial assets requires significant judgement applied by the management in assessing the recovery value of the financial assets and the durable nature of the impairment.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of financial assets (shares in affiliated undertakings and loans to affiliated undertakings) included, but were not limited to, the following:

- We reviewed management's assessment of the durable nature of the impairment;
- We assessed the existence and accuracy of the recoverable amount of the financial assets by recalculating the net assets value of the related investee;
- We assessed that any impairment to individual financial asset was applied first to the financial investment, then to the loan principal, and finally to the loan interest;
- We assessed the completeness and adequacy of disclosures required in the notes to the annual accounts pursuant to the relevant accounting and financial reporting standards.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report, including the management report and the corporate governance statement,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.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on May 24, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter 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, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) 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.

Luxembourg, March 30, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

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RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2017 **to** 02 31/12/2017 *(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 2.598.990.711,00	110 2.397.582.753,00
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

		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 4	135	2.598.990.711,00	136	2.397.582.753,00
1. Shares in affiliated undertakings	1137	Note 4.1	137	1.807.891.219,00	138	1.903.540.445,00
2. Loans to affiliated undertakings	1139	Note 4.2	139	791.096.992,00	140	494.042.308,00
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	Note 4.3	145	2.500,00	146	
6. Other loans	1147		147		148	
D. Current assets	1151		151	175.325.703,00	152	119.811.077,00
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	170.315.182,00	164	68.831.760,00
1. Trade debtors	1165		165	31.894,00	166	
a) becoming due and payable within one year	1167		167	31.894,00	168	
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	Note 5	171	170.149.355,00	172	57.043.681,00
a) becoming due and payable within one year	1173	Note 5.1	173	112.039.177,00	174	57.043.681,00
b) becoming due and payable after more than one year	1175	Note 5.2	175	58.110.178,00	176	
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	11.665.399,00
a) becoming due and payable within one year	1179		179		180	11.665.399,00
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183	Note 6	183	133.933,00	184	122.680,00
a) becoming due and payable within one year	1185	Note 6.1	185	133.933,00	186	122.680,00
b) becoming due and payable after more than one year	1187		187		188	

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189	2.420,00	190	2.420,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195	Note 7	195	2.420,00	196	2.420,00
IV. Cash at bank and in hand	1197		197	5.008.101,00	198	50.976.897,00
E. Prepayments	1199	Note 8	199	12.526.953,00	200	4.945.138,00
TOTAL (ASSETS)			201	2.786.843.367,00	202	2.522.338.968,00

RCSL Nr. : B102254	Matricule : 2004 2214 745

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	Note 9	301	1.788.495.404,00	302	1.631.886.494,00
I. Subscribed capital	1303		303	948.872.261,00	304	779.561.785,00
II. Share premium account	1305		305	1.086.420.153,00	306	1.086.420.153,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	56.727.853,00	310	56.727.853,00
1. Legal reserve	1311		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	-290.823.297,00	320	-225.800.250,00
VI. Profit or loss for the financial year	1321		321	-12.701.566,00	322	-65.023.047,00
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	997.230.076,00	436	890.052.474,00
1. Debenture loans	1437		437	829.265.250,00	438	114.025.139,00
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 10	445	829.265.250,00	446	114.025.139,00
i) becoming due and payable within one year	1447		447	4.265.250,00	448	1.925.139,00
ii) becoming due and payable after more than one year	1449		449	825.000.000,00	450	112.100.000,00
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	652.957,00	368	585.009,00
a) becoming due and payable within one year	1369	369	652.957,00	370	585.009,00
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 11	379	166.934.727,00	380	774.532.625,00
a) becoming due and payable within one year	1381 Note 11.1	381	109.463.994,00	382	542.077.530,00
b) becoming due and payable after more than one year	1383 Note 11.2	383	57.470.733,00	384	232.455.095,00
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 Note 12	451	377.142,00	452	909.701,00
a) Tax authorities	1393	393	6.680,00	394	569.630,00
b) Social security authorities	1395	395	5.866,00	396	
c) Other creditors	1397	397	364.596,00	398	340.071,00
i) becoming due and payable within one year	1399 Note 12.1	399	364.596,00	400	340.071,00
ii) becoming due and payable after more than one year	1401	401		402	
D. Deferred income	1403 Note 13	403	717.887,00	404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405	2.786.843.367,00	406	2.522.338.968,00

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Email : centralebilans@statec.etat.lu

RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2017 **to** 02 31/12/2017 *(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 14	713	52.057.114,00	714	36.449.869,00
5. Raw materials and consumables and other external expenses	1671	Note 15	671	-15.241.282,00	672	-17.391.018,00
a) Raw materials and consumables	1601		601	-1.131,00	602	0,00
b) Other external expenses	1603		603	-15.240.151,00	604	-17.391.018,00
6. Staff costs	1605	Note 16	605	-321.382,00	606	-119.960,00
a) Wages and salaries	1607		607	-245.386,00	608	-85.612,00
b) Social security costs	1609		609	-71.189,00	610	-34.348,00
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-71.189,00	656	-34.348,00
c) Other staff costs	1613		613	-4.807,00	614	0,00
7. Value adjustments	1657	Note 17	657	-624.169,00	658	-2.204.563,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	-624.169,00	662	-2.204.563,00
8. Other operating expenses	1621	Note 18	621	-1.465.666,00	622	-209.519,00

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	Note 19	715	78.758.720,00	716	0,00
a) derived from affiliated undertakings	1717		717	78.758.720,00	718	0,00
b) other income from participating interests	1719		719	0,00	720	
10. Income from other investments and loans forming part of the fixed assets	1721	Note 20	721	16.896.185,00	722	10.180.876,00
a) derived from affiliated undertakings	1723	Note 20.1	723	16.896.170,00	724	10.180.876,00
b) other income not included under a)	1725		725	15,00	726	0,00
11. Other interest receivable and similar income	1727	Note 21	727	3.410.405,00	728	4.026.905,00
a) derived from affiliated undertakings	1729	Note 21.1	729	3.356.299,00	730	3.976.255,00
b) other interest and similar income	1731	Note 21.2	731	54.106,00	732	50.650,00
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 22	665	-109.272.530,00	666	-73.657.941,00
14. Interest payable and similar expenses	1627	Note 23	627	-36.894.875,00	628	-22.097.696,00
a) concerning affiliated undertakings	1629	Note 23.1	629	-24.810.286,00	630	-13.036.110,00
b) other interest and similar expenses	1631	Note 23.2	631	-12.084.589,00	632	-9.061.586,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	-12.697.480,00	668	-65.023.047,00
17. Other taxes not shown under items 1 to 16	1637	Note 24	637	-4.086,00	638	0,00
18. Profit or loss for the financial year	1669		669	-12.701.566,00	670	-65.023.047,00

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 S.A. 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, 2017 to December 31, 2017.

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, 2017, CPI PG is indirectly controlled by Radovan Vítek, ultimate beneficial owner, at 89.17% (2016: 89.10%) through his investment vehicles (Voting rights 2017: 91.61%; 2016: 90.18%).

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.

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 ("the Commercial Company Law"), 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 2017 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 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, 2017 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, amounts owed by undertakings with which the Company is linked by virtue of participating interest and other loans shown under "Financial 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 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.

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.

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.

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 non convertible loans are also recorded under the caption "Prepayments" and are amortised through profit and loss account over the period of the bonds under the caption "other interest and similar expenses".

Value adjustments

Value adjustments are deducted directly from the related asset.

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 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 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.

Provisions

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 in other interest and similar expenses.

Non convertible loans

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 related non convertible loans on a linear basis under the caption "Other interest and similar expenses".

When the amount repayable is lower than the amount received, the difference is shown as a liability under the caption “Deferred income” and is written off over the period of the non convertible loans on a linear basis under the caption “Other interest and similar expenses” as decrease of costs relating to and the respective non convertible loans.

Creditors

Creditors are valued at their nominal value.

Deferred income

This item includes income incurred during the financial year but relating to a subsequent financial year. Financing income linked to the issuance of non convertible loans is also recorded under the caption "Deferred income" .

Other operating income

Other operating income includes income from invoicing of operating costs and providing management services.

NOTE 3 - RECLASSIFICATION OF OPENING BALANCES

In 2017, the Board of Directors of the Company decided to amend its annual accounts presentation as to facilitate their comprehension. As of December 31, 2017, comparatives from 2016 annual accounts have been reclassified with the following principal movements:

- Receivables from indirectly owned subsidiaries (resp. companies linked to the ultimate beneficial owner) previously classified as “Other debtors”, are reported as “Amounts owed by affiliated undertakings”, taking into account restrictions on voting rights;
- The same approach has been applied for amounts owed to indirectly owned subsidiaries;
- Long term interest-bearing receivables to direct and indirect subsidiaries previously classified as “Current asset” have been transferred to “Financial assets”.

The impact of these reclassifications are shown in the following table:

ASSETS	December 31, 2016	Reclassification	January 1, 2017
C. Fixed assets			
Loans to affiliated undertakings	364,965,732.00	129,076,576.00	494,042,308.00
D. Current assets			
Trade debtors becoming due and payable within one year	3,223,242.00	-3,223,242.00	0.00
Amounts owed by affiliated undertakings becoming due and payable within one year	7,926,112.00	49,117,569.00	57,043,681.00
Amounts owed by undertakings withi which the undertakings its linked by virtue of participating interests becoming due and payable within one year	0.00	11,665,399.00	11,665,399.00
Other debtors becoming due and payable within one year	70,784,844.00	-70,662,164.00	122,680.00
Other debtors becoming due and payable after more than one year	115,729,000.00	-115,729,000.00	0.00
E. Prepayments	4,935,138.00	10,000.00	4,945,138.00
CAPITAL, RESERVES AND LIABILITES			
A. Profit or loss for the financial year	-65,023,046.00	-1.00	-65,023,047.00
C. Creditors			
Trade creditors becoming due and payable within one year	0.00	585,009.00	585,009.00
Amounts owed to affiliated undertakings becoming due and payable within one year	488,801,399.40	53,276,130.60	542,077,530.00
Amounts owed to affiliated undertakings becoming due and payable after more than one year	241,893,155.60	-9,438,060.60	232,455,095.00
Other creditors - Tax authorities	577,949.00	-8,319.00	569,630.00
Other creditors becoming due and payable within one year	44,499,692.00	-44,159,621.00	340,071.00

PROFIT AND LOSS ACCOUNT		December 31, 2016	Reclassification	January 1, 2017
7	Value adjustments	0.00	-2,204,563.00	-2,204,563.00
10	Income from other investments and loans forming part of the fixed assets derived from affiliated undertakings	0.00	10,180,876.00	10,180,876.00
11	Other interest receivable and similar income derived from affiliated undertakings	8,125,956.00	-4,149,701.00	3,976,255.00
	Other interest receivable and similar income - ohter interest and similar income	6,081,825.00	-6,031,175.00	50,650.00
13	Value adjustments in respect of financial assets and of investments held as current assets	-75,862,504.00	2,204,563.00	-73,657,941.00
14	Interest payable and similar expenses concerning affiliated undertakings	-11,893,208.00	-1,142,902.00	-13,036,110.00
	Interest payable and similar expenses - other interest and similar expenses	-10,204,488.00	1,142,902.00	-9,061,586.00

NOTE 4 - Financial assets

2017	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
Gross book value		
Balance at January 1, 2017	2,012,733	603,820
Additions for the year	267,839	1,452,635
Disposals for the year	(272,846)	(1,170,126)
Balance at December 31, 2017	2,007,726	886,329
Accumulated value adjustments		
Balance at January 1, 2017	(109,193)	(109,778)
Additions for the year	(92,070)	(20,907)
Disposals for the year	1,428	35,453
Balance at December 31, 2017	(199,835)	(95,232)
Book value as at January 1, 2017	**1,903,540**	**494,042**
Book value as at December 31, 2017	**1,807,891**	**791,097**

The changes in presentation between 2016 and 2017 are described in Note 3.

4.1 Shares in affiliated undertakings

- In 2017, the Company increased its investment in Czech Property Investments a.s., CPI Finance Slovakia II, a.s., Parco delle Case Bianche S.r.l. and CPI Alberghi HI Roma S.r.l. through additional contributions outside the respective registered share capitals of the entities.
- The Company established the new company CPI Finance CEE, a.s.
- The Company disposed its stake in Nukasso Holdings Limited to Czech Property Investments, a.s. and sold its stake in CPI Blue s.r.o. (formerly Orco Germany Prague a.s.) to a third party.
- The subsidiary Orco Germany Sp. z o.o. was liquidated.

- The Company decreased its stake in SCP Ailey, SCP Cayo, SCP Ciskey, SCP Kandler, SCP Madrid, SCP Pierre Charron, SCP New Blue Bird and SCP Villa de Tahiti by selling 1 share respectively to ORCO Property Group S.A.

- The investment in Mondello, a.s decreased as a consequence of a capital funds pay out (see Note 19). Mondello, a.s. was subsequently put into liquidation on November 2017. The Board of Directors has therefore decided to partially impair the investment.

- Despite its negative net equity, the Management of the Company has decided to not fully impair investment into Parco delle Case Bianche S.r.l. basing their decision on positive market value of the Company project.

Undertakings in which the Company holds participation in their share capital are detailed in the following table:

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2017
			31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	31.12.2017		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
CM Hotels SA	Switzerland	EUR	100.00%	92	--	92	(92)	--	(92)	--	--	(1,273)	(1,325)
CPI Alberghi HI Roma S.r.l.	Italy	EUR	100.00%	5,000	26,662	31,662	--	--	--	5,000	31,662	36,651	401
CPI Blue, s.r.o.*	Czech Republic	CZK	0.00%	--	--	--	--	--	--	--	--	(15)	--
CPI Finance CEE, a.s.**	Czech Republic	CZK	100.00%	--	75	75	--	--	--	--	75	77	(1)
CPI Finance Slovakia II, a.s.	Slovakia	EUR	100.00%	30	104	134	(7)	(70)	(77)	23	57	57	(45)
CPI North, s.r.o.	Czech Republic	CZK	100.00%	4	--	4	--	--	--	4	4	412	148
Czech Property Investments, a.s.	Czech Republic	CZK	100.00%	1,392,967	240,237	1,633,204	--	--	--	1,392,967	1,633,204	2,185,901	256,691
Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	94.99%	74,768	--	74,768	--	--	--	74,768	74,768	870,848	376,371
GSG Holding 2 GmbH	Germany	EUR	100.00%	198	--	198	(198)	--	(198)	--	--	--	--
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94.99%	3,765	--	3,765	--	--	--	3,765	3,765	46,441	(7)
ITL Alfa, s.r.o.	Czech Republic	CZK	100.00%	3	--	3	(3)	--	(3)	--	--	(494)	(140)
Ivravoda Limited	Cyprus	EUR	100.00%	640	--	640	--	--	--	640	640	82,293	469
Mercuda, a.s.	Czech Republic	CZK	100.00%	37,186	--	37,186	--	--	--	37,186	37,186	68,796	10,710
Mondello, a.s.	Czech Republic	CZK	100.00%	341,502	(272,839)	68,663	--	(68,576)	(68,576)	341,502	87	87	(2)
Nukasso Holdings Limited*,***	Cyprus	EUR	0.00%	1	(1)	--	(1)	1	--	--	--	(47,642)	55,706
Orco Germany Sp. z o.o.*	Poland	PLN	0.00%	1	(1)	--	(1)	1	--	--	--	--	--
ORCO Immobilien GmbH	Germany	EUR	100.00%	12,906	--	12,906	(12,906)	--	(12,906)	--	--	(47,235)	(2,199)

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2017
			31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	31.12.2017		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
ORCO Property Group S.A.	Luxembourg	EUR	0.00%	44	--	44	(17)	17	--	27	44	--	--
Parco delle Case Bianche S.r.l.	Italy	EUR	100.00%	645	761	1,406	(645)	645	--	--	1,406	(974)	(984)
Remontées Mécaniques Crans Montana Aminoma (CMA) SA	Switzerland	EUR	85.33%	97,889	--	97,889	(54,215)	(23,425)	(77,640)	43,674	20,249	20,249	(23,660)
SCI MAS CANTAGRELI	France	EUR	100.00%	1	--	1	(1)	--	(1)	--	--	(3,206)	(2,768)
SCP AILEY***	Monaco	EUR	99.90%	1	--	1	(1)	--	(1)	--	--	(433)	(3)
SCP CAYO***	Monaco	EUR	99.90%	1,379	(1)	1,377	(256)	256	--	1,123	1,377	2,243	1,221
SCP CISKEY***	Monaco	EUR	99.90%	116	--	116	(116)	--	(116)	--	--	(9,638)	(5,856)
SCP KANDLER***	Monaco	EUR	99.90%	14	--	14	(14)	--	(14)	--	--	(3,326)	(2,130)
SCP MADRID***	Monaco	EUR	99.90%	1	--	1	(1)	--	(1)	--	--	(23)	237
SCP NEW BLUE BIRD***	Monaco	EUR	99,90 %	--	--	--	--	--	--	--	--	(5,531)	(3,819)
SCP PIERRE CHARRON***	Monaco	EUR	99.90%	19	--	19	(19)	19	--	--	19	453	2,222
SCP VILLA DE TAHITI***	Monaco	EUR	99.90%	3,351	(3)	3,348	(490)	490	--	2,861	3,348	5,109	2,247
Vitericon Projektentwicklung GmbH	Germany	EUR	100.00%	40,210	--	40,210	(40,210)	--	(40,210)	--	--	--	--
Zlatico Limited	Cyprus	EUR	0.1%	--	--	--	--	--	--	--	--	27,004	6,756
Total				**2,012,733**	**(5,006)**	**2,007,726**	**(109,193)**	**(90,642)**	**(199,835)**	**1,903,540**	**1,807,891**		

(*) Company disposed or liquidated during financial year
(**) Acquisition occurred during the financial year
(***) Net equity calculation is based on unaudited Financial Statements in accordance with IFRS as adopted by EU

4.2 Loans to affiliated undertakings

Name of the undertaking	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
Prime Tourist Resort (Cyprus) Limited *	3.00%	May 16, 2026	47,921	114,814
Nukasso Holding Limited	3.00%	June 2, 2026	--	358,277
CPI Blue, s.r.o.	6.00%	December 31, 2020	--	2
Spojené farmy a.s.*	8.00%	December 31, 2022	546	916
Mercuda, a.s.	4.00%	December 31, 2018	--	38
Czech Property Investments, a.s.	2.47%	October 4, 2024	35,682	--
Czech Property Investments, a.s.	2.31%	October 4, 2024	94,591	--
CPI Hotels, a.s.	8.10%	December 31, 2020	12,755	13,347
Isalotta GP GmbH & Co.Verwaltungs KG	6.00%	December 31, 2020	40	38
Orco Immobilien GmbH ****	4.00%	Unlimited	48,420	54,816
Viterícon Projektentwicklung GmbH **	0.00%	December 31, 2020	23,620	23,620
SCI MAS CANTAGRELI	1.67%	December 31, 2020	8,513	1,277
CM Hotels SA	3.00%	December 31, 2020	1,031	--
CMA Immobilier SA	3.00%	December 31, 2020	4,316	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA ***	3.00%	December 31, 2020	25,185	--
CPI Alberghi HI Roma S.r.l.	6.00%	December 31, 2020	--	1,488
Parco delle Case Bianche S.r.l.	8.00%	December 31, 2019	14,436	10,019
ORCO Property Group S.A.	2.47%	October 4, 2024	336,794	--
ORCO Property Group S.A.	2.31%	October 4, 2024	127,681	--
SCP KANDLER	1,67 %	December 31, 2020	10,111	2,572
SCP AILEY	1.67%	December 31, 2020	2,782	535
SCP CAYO	1.67%	December 31, 2020	18,704	3,294
SCP CISKEY	1.67%	December 31, 2020	31,707	12,967
SCP NEW BLUE BIRD	1.67%	December 31, 2020	13,480	1,488
SCP VILLA DE TAHITI	1.67%	December 31, 2020	14,170	2,612
SCP MADRID	1.67%	December 31, 2020	2,637	375
SCP PIERRE CHARRON	1.67%	December 31, 2020	11,208	1,298
Orco Germany sp. z o.o.	6.00%	December 31, 2020	--	27
Total			**886,330**	**603,820**
Value adjustments			(95,233)	(109,778)
Net value			**791,097**	**494,042**

(*)Transferred from Other debtors payable after more than one year
(**) Waiver on interest
(***) Repayable on demand with 30 days' notice
(****) Repayable on demand with 3 months' notice

The amounts owed by affiliated undertakings have been considered as impaired as follows:

Name of the undertaking	2017	2016
	KEUR	KEUR
Nukasso Holding Limited	--	(33,139)
CPI Blue, s.r.o.	--	(2)
Orco Immobilien GmbH	(48,420)	(43,355)
Vitericon Projektentwicklung GmbH	(23,620)	(23,620)
SCI MAS CANTAGRELI	(3,206)	(438)
CM Hotels SA	(1,035)	--
Parco delle Case Bianche S.r.l.	--	(751)
SCP KANDLER	(3,327)	(1,197)
SCP AILEY	(433)	(430)
SCP CISKEY	(9,638)	(3,772)
SCP NEW BLUE BIRD	(5,531)	(1,488)
SCP MADRID	(23)	(260)
SCP PIERRE CHARRON	--	(1,299)
Orco Germany sp. z o.o.	--	(27)
Total value adjustments	**(95,233)**	**(109,778)**

Results of value adjustments are reported at Note 14 and Note 22.

4.3 Investments held as fixed assets

Investments held as fixed assets consist of deposit in the amount 3 KEUR (2016 KEUR nil).

NOTE 5 - Amounts owed by affiliated undertakings

5.1 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, accrued interest on amounts owed by affiliated undertakings and trade receivables.

				2017				2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Receivables	Interest	Total	Principal	Receivables	Interest	Total
Prime Tourist Resort (Cyprus) Limited*	--	--	4,419	4,419	--	--	1,003	1,003
Nukasso Holding Limited	--	--	--	--	--	--	6,169	6,169
Gamala Limited	--	--	1,503	1,503	--	--	--	--
Spojené farmy a.s.*	--	--	123	123	--	--	74	74
CPI BYTY, a.s.	--	46	--	46	--	--	--	--
Mercuda, a.s.	43	--	4	47	--	--	3	3
CPI Services, a.s.*	--	17,141	--	17,141	--	11,161	--	11,161
Czech Property Investments, a.s.	--	--	1,641	1,641	--	--	--	--
CPI Hotels, a.s.*	--	104	1,082	1,186	--	--	1,627	1,627
Isalotta GP GmbH & Co.Verwaltungs KG	--	--	2	2	--	--	2	2
Brillant 2800. GmbH	35,100	--	6	35,106	--	--	--	--
Gewerbesiedlungs-Gesellschaft mbH	--	322	--	322	--	358	--	358
Orco Immobilien GmbH	--	30	2,027	2,057	--	30	2,204	2,234
Vitericon Projektentwicklung GmbH	--	257	--	257	--	257	--	257
CPI Finance (BVI) Limited**	--	30,703	--	30,703	--	30,703	--	30,703
CPI Hungary Kft.	--	--	--	--	--	283	--	283
CM Hotels SA	--	--	4	4	--	--	--	--
Vítek Radovan	--	58	1,713	1,771	--	58	--	58
CMA Immobilier SA	--	--	26	26	--	--	--	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	--	214	214	--	--	--	--
CPI Alberghi HI Roma S.r.l.	--	--	--	--	--	--	103	103
Parco delle Case Bianche S.r.l.	--	--	499	499	--	--	1,226	1,226
ORCO Property Group S.A.***	--	15,489	1,531	17,020	--	3,479	--	3,479
SCP CISKEY	--	--	--	--	--	--	1	1
CPI Finance Netherlands II B.V.*	258	--	11	269	169	--	4	173
Orco Germany sp. z o.o. (liquidated)	--	--	--	--	--	--	2	2
Branch of MMR Russia S.à r.l.*	--	417	--	417	--	332	--	332
Others	--	1	--	1	--	2	--	2
Total	**35,401**	**64,568**	**14,805**	**114,774**	**169**	**46,663**	**12,418**	**59,250**
Value adjustment	(4)	(704)	(2,027)	(2,735)	--	--	(2,206)	(2,206)
Net value	**35,397**	**63,864**	**12,778**	**112,039**	**169**	**46,663**	**10,212**	**57,044**

* Transferred from Other debtors payable within one year
** Previously reported as CPI Finance Netherlands II B.V., instead of CPI Finance (BVI) limited.
*** Amount partly transferred from Trade debtors payable within one year and partly from Other debtors payable within one year.

The amounts owed by affiliated undertakings becoming due and payable within one year have been considered impaired as follows:

				2017				2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Receivables	Interest	Total	Principal	Receivables	Interest	Total
Brillant 2800. GmbH	(4)	--	--	(4)	--	--	--	--
Orco Immobilien GmbH	--	(30)	(2,027)	(2,057)	--	--	(2,204)	(2,204)
Vitericon Projektentwicklung GmbH	--	(257)	--	(257)	--	--	--	--
Orco Germany sp. z o.o. (liquidated)	--	--	--	--	--	--	(2)	(2)
Branch of MMR Russia S.à.r.l.	--	(417)	--	(417)	--	--	--	--
Value adjustments	**(4)**	**(704)**	**(2,027)**	**(2,735)**	--	--	**(2,206)**	**(2,206)**

5.2 Amounts owed by affiliated undertakings becoming due and payable after more than one year

In 2017, the Company has provided new loan to its ultimate beneficial owner, Radovan Vítek.

Name	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
Gamala Limited	10,00%	December 31, 2021	32,524	--
Vítek Radovan	10.00%	December 31, 2020	25,586	--
Total			**58,110**	--

The unpaid interest is recognized at Note 5.1.

5.3 Amounts owed by undertakings with which the undertaking is linked becoming due and payable within one year

In 2016, the Company has a receivable from Anojthan Enterprises Limited, a company linked to ultimate beneficial owner of the Company (see Note 27).

				2017				2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Receivables	Interest	Total	Principal	Receivables	Interest	Total
Anojthan Enterprises Limited*	--	--	--	--	--	11,665	--	11,665
Total	--	--	--	--	--	**11,665**	--	**11,665**
Value adjustments	--	--	--	--	--	--	--	--
Net value	--	--	--	--	--	**11,665**	--	**11,665**

* Transferred from Other debtors payable within one year .

NOTE 6 - Other debtors

6.1 Becoming due and payable within one year

	2017			2016
	KEUR	KEUR	KEUR	KEUR
	Principal	Receivables	Interest	Total
Social securities	--	--	--	11
Tax authorities	--	134	--	21
Others	--	389	--	388
Total	--	**523**	--	**420**
Value adjustments	--	(389)	--	(297)
Net value	--	**134**	--	**123**

Other debtors are impaired as follows:

	2017			2016
	KEUR	KEUR	KEUR	KEUR
	Principal	Receivables	Interest	Total
Others	--	(389)	--	(297)
Total value adjustments	--	**(389)**	--	**(297)**

NOTE 7 - OTHER INVESTMENTS

The Company has the following transferable securities as of December 31, 2017 and 2016:

Depositary bank	Security	ISIN Code	Quantity	Amount EUR
2017				
J & T Banka, a.s.	Warrants ORCO Property Group S.A.	XS0290764728	15,125	2,420
2016				
J & T Banka, a.s.	Warrants ORCO Property Group S.A.	XS0290764728	15,125	2,420

NOTE 8 - PREPAYMENTS

Prepayments are mainly composed of transaction costs and discount relating to the issuance of non convertible loans (see Note 10).

The relating issuance costs to the non convertible loans identified as XS12795550260 were reversed during 2017 due to their repayment and subsequent cancellation.

The issuance costs relating to XS1693959931 will be amortized until the final maturity date of the non convertible loans.

				2017				2016
	Within one year	Within 5 years	After more than 5 years	Total	Within one year	Within 5 years	After more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
XS1279550260	--	--	--	--	569	2,278	2,088	4,935
XS1693959931	1,854	7,416	3,244	12,514	--	--	--	--
Total issuance costs	**1,854**	**7,416**	**3,244**	**12,514**	**569**	**2,278**	**2,088**	**4,935**
Others	13	--	--	13	10	--	--	10
Total prepayments	**1,867**	**7,416**	**3,244**	**12,527**	**579**	**2,278**	**2,088**	**4,945**

NOTE 9 - CAPITAL AND RESERVES

9.1 Subscribed capital and share premium account

As of December 31, 2017, the share capital amounts to EUR 948,872,261 (2016: EUR 779,561,785) and is represented by 9,488,722,610 shares (2016: 7,795,617,840) with a nominal value of EUR 0.10 each fully paid in.

During the year 2017, the Company issued 1,693,104,764 new ordinary shares at a subscription price of EUR 0.10 per share:

- On June 30, 2017, the Company issued 515,000,000 shares in a reserved capital increase under the Company's authorized share capital. The aggregate subscription price of MEUR 51.5 was paid by cash. The new shares were subscribed by Ravento S.à r.l., an entity closely associated with Mr. Radovan Vítek.
- On November 28, 2017, the Company issued 1,000,000,000 new ordinary shares in a reserved capital increase under the Company's authorized share capital for cash contribution. The aggregate subscription price of MEUR 100 was paid in cash. The new shares were subscripted by Ravento S.à r.l., an entity closely associated with Mr. Radovan Vítek.

- On December 22, 2017, the Company issued 178,104,764 new ordinary shares in a reserved capital increase under the Company's authorized share capital for cash contribution. The subscription price of MEUR 17,8 was paid in cash. The new shares were subscribed by ORCO Property Group S.A. (159,132,897 shares) and the Management of the Company (18,971,867 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 S.A.(“OPG“), filed with the „Tribunal d´Arrondissement de et a Luxembourg“. The petition seeks condemnation of the Company together with 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 the Company´s knowledge, Kingstown was not at the relevant time (and is not up to now) a 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 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 February 19, 2016 a judgement, whereby each claimant has to place 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 and the litigation, currently being in a procedural stage, is pending.

9.2 Authorized capital not issued

The Extraordinary General Meeting of the shareholders of the Company held on June 26, 2017 (the “2017 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of three billion euro (EUR 3,000,000,000) for a period of five (5) years from June 26, 2017, which would authorise the issuance of up to twenty billion (20,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares.

The EGM approved the report issued by the Board of Directors relating to the possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

The 2017 EGM decided to introduce the possibility to create and issue up to ten billion (10,000,000,000) non-voting shares, having a par value of ten eurocents (EUR 0.10) each, which (i) shall be entitled to receive, out of the net profits of the Company, a preferred dividend per non-voting share amounting to six point nine percent (6.90 %) of the subscription price of the non-voting share, the remainder of such net profits to be shared between all the shares issued by the Company (excluding the non-voting shares), (ii) carry a right to reimbursement of the contribution (including any premium paid) corresponding to the non-voting shares on a preferential basis out of the net proceeds of the liquidation and (iii) be entitled to receive a preferential liquidation dividend amounting to six point nine percent (6.90 %) of the par value of the non-voting shares in case of dissolution and liquidation of the Company.

The 2017 EGM also decided to introduce the possibility for the board of directors of the Company to create and issue up to ten billion (10,000,000,000) beneficiary shares without any voting rights and being under registered form only, to be paid up by contribution in cash, in kind or in services, each beneficiary share entitling its holder to receive, subject to the existence of distributable amounts at the level of the Company within the meaning of the law and the decision of the general meeting of the shareholders to operate a dividend distribution to the holders of the beneficiary shares, a dividend per beneficiary share amounting to six point nine percent (6.90 %) of the issue price of each of the beneficiary shares per financial year of the Company. The 2017 EGM granted to the board of directors of the Company all powers to create and issue beneficiary shares with no voting rights and to further determine and set forth the terms and conditions of such beneficiary shares with no voting rights in their respective issue documentation.

As at December 31, 2017, the authorised share capital of the Company amounts to EUR 2,830,689,523.60, which would authorize the issuance of up to 18,306,895,236 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding.

9.3 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 way of dividends of the legal reserve is prohibited.

9.4 Movements in capital and reserves

	Subscribed capital	Share premium account	Legal reserve	Profit /Loss brought forward	Profit / Loss for the financial year	TOTAL
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As at December 31, 2016	**779,562**	**1,086,420**	**56,728**	**(225,800)**	**(65,023)**	**1,631,887**
Allocation of previous year's result	-	-	-	(65,023)	65,023	-
Capital increase from June 30, 2017	51,500	-	-	-	-	51,500
Capital increase from November 28, 2017	100,000	-	-	-	-	100,000
Capital increase from December 22, 2017	17,810	-	-	-	-	17,810
Profit/ loss for the financial year	-	-	-	-	(12,702)	(12,702)
As at December 31, 2017	**948,872**	**1,086,420**	**56,728**	**(290,823)**	**(12,702)**	**1,788,495**

NOTE 10 - Non convertible loans

Non convertible loans consist of bonds issued by the Company as follows:

ISIN	Nominal amount	Number of bonds	Issued price per bond	Maturity date	Nominal interest rate	Listing
XS1279550260	500,000,000	5,000	100,000	August 20, 2025	5.000%	Luxembourg Stock Exchange
XS1693959931	600,000,000	6,000	99,039	October 4, 2024	2.125%	Irish Stock Exchange
XS1693959931 (XS1731920291)	225,000,000	2,250	100,323	October 4, 2024	2.125%	Irish Stock Exchange

10.1 ISIN XS1279550260

On August 20, 2015, the Company issued 5,000 pieces (in two tranches: 1,700 and 3,300) of bonds, each with nominal value of EUR 100,000. The bonds were maturating on August 20, 2025 and bearing fixed interest rate of 5.0% p.a. Interest was 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.

During the year 2017, the Company redeemed all bonds and cancelled them on December 5, 2017. As part of the redemption, MEUR 30 have been repaid to Radovan Vítek, the ultimate beneficial owner of the Company. The prepayments relating to these bonds were fully released (see Note 23.2).

				2017				2016
XS1279550260	**Within one year**	**Within 5 years**	**After more than 5 years**	**Total**	**Within one year**	**Within 5 years**	**After more than 5 years**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Nominal value	--	--	--	--	--	--	112,100	112,100
Interest	--	--	--	--	1,925	--	--	1,925
Total non convertible loans (Nominal value)	**--**	**--**	**--**	**--**	**1,925**	**--**	**112,100**	**114,025**
Prepayments	--	--	--	--	(569)	(2,278)	(2,088)	(4,935)
Total	**--**	**--**	**--**	**--**	**1,356**	**(2,278)**	**(110,012)**	**109,090**

10.2 ISIN XS1693959931

On September 19, 2017 the Company achieved investment grade rating of BAA3 from Moody's Investors Service Limited and announced EUR 1.25 billion Euro Medium Term Note programme.

On October 4, 2017 the Company issued a first tranche of EUR 600 million 7-year notes (*).On December 6, 2017 the Company issued a second tranche in the amount EUR 225 million 7-year notes (**). The second tranche was issued under temporary ISIN XS1731920291.

(*) at an issue price of 99,039%. The corresponding discount has been recorded under the caption "Prepayments" (see Note 8).

(**) at an issue price of 100,323%. The corresponding premium has been recorded under the caption " Deferred income" (see Note 13).

				2017				2016
XS1693959931	**Within one year**	**Within 5 years**	**After more than 5 years**	**Total**	**Within one year**	**Within 5 years**	**After more than 5 years**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Nominal value	--	--	825,000	825,000	--	--	--	--
Interest	4,265	--	--	4,265	--	--	--	--
Total non convertible loans (Nominal value)	**4,265**	**--**	**825,000**	**829,265**	**--**	**--**	**--**	**--**
Prepayments (Note 8)	(1,854)	(7,416)	(3,244)	(12,514)	--	--	--	--
Deferred income (Note 13)	107	425	186	718	--	--	--	--
Total	**2,518**	**(6,991)**	**821,942**	**817,469**	**--**	**--**	**--**	**--**

10.3 Costs linked to non convertible loans

In 2017, the bonds generated expenses, that are summarized in the following table:

			2017			2016
	Interest	Other costs	Total	Interest	Other costs	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
XS1279550260	3,043	5,076	8,119	8,189	780	8,969
XS1693959931	3,442	442	3,884	--	--	--
Total	**6,485**	**5,518**	**12,003**	**8,189**	**780**	**8,969**

NOTE 11 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

11.1 Amounts owed to affiliated undertakings, becoming due and payable within one year

				2017				2016
				KEUR				KEUR
	Principal	Interest	Payable	Total	Principal	Interest	Payable	Total
Codiazella LTD*	--	--	9,180	9,180	--	--	9,180	9,180
CPI Finance Slovakia II, a.s.	--	--	100	100	--	--	--	--
CPI Management, s.r.o.	--	--	1	1	--	--	--	--
Czech Property Investments, a.s.	1,304	11,296	1,016	13,616	133,747	11,316	872	145,935
Mondello, a.s.	--	--	--	--	--	--	342,576	342,576
GSG Asset GmbH & Co. Verwaltungs KG*	--	--	93	93	--	--	93	93
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG**	1,266	76	--	1,342	1,194	72	--	1,266
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG**	1,594	96	--	1,690	1,504	90	--	1,594
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG**	1,587	95	--	1,682	1,497	90	--	1,587
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG**	1,028	62	--	1,090	969	58	--	1,027
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG**	1,202	72	--	1,274	1,133	68	--	1,201
Gewerbesiedlungs-Gesellschaft mbH	45,000	124	--	45,124	--	--	--	--
Orco Immobilien GmbH**	2,762	166	283	449	2,605	157	283	440
CPI Finance (BVI) Limited*	--	--	2,083	2,083	--	--	2,083	2,083
ST Project Limited*	--	--	20,887	20,887	--	--	7,878	7,878
Vítek Radovan	--	--	--	--	--	--	24,593	24,593
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	--	--	--	--	9	--	9
ORCO Property Group S.A.*	--	49	8,045	8,094	--	--	9	9
Others	--	--	(3)	(3)	--	--	1	1
Total	**55,743**	**12,036**	**41,685**	**109,464**	**142,649**	**11,860**	**387,569**	**542,078**

* Transferred from Other creditors payable within one year

11.2 Amounts owed to affiliated undertakings, becoming due and payable after more than one year

Name of the undertaking	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
Czech Property Investments, a.s.	4.00 %	December 31, 2019	43,865	224,142
ST Project Limited	0.00 %	December 31, 2020	2,700	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	3.00 %	December 31, 2020	--	8,313
ORCO Property Group S.A.	2.47 %	September 30, 2022	10,906	--
Total			**57,470**	**232,455**

NOTE 12 - OTHER CREDITORS

12.1 Other creditors becoming due and payable within one year

Other creditors becoming payable within one year are composed as follow:

	2017	2016
	KEUR	KEUR
	Total	Total
Directors - attendance fees	14	14
Others	351	326
Total	**365**	**340**

NOTE 13 - DEFERRED INCOME

Deferred income consists of premium that arose from the second tranche of the EMTN programme (see Note 10.2).

	Within one year	Within 5 years	After more than 5 years	2017 Total	2016 Total
	KEUR	KEUR	KEUR	KEUR	KEUR
XS1693959931	107	425	186	718	--
Total	**107**	**425**	**186**	**718**	**--**

NOTE 14 - OTHER OPERATING INCOME

"Other operating income" includes management services fees provided to Company affiliated undertakings and "Other income" includes proceeds from sales of the Company subsidiaries and other income.

	2017	2016
	KEUR	KEUR
CPI BYTY, a.s.	46	--
CPI Services, a.s.	13,618	13,395
CPI Hotels, a.s.	104	--
Gewerbesiedlungs-Gesellschaft mbH	1,050	1,047
CPI Hungary Kft.	2,037	940
Capellen Invest S.A. (sold in 2017)	--	132
ORCO Property Group S.A.	--	150
CPI Poland Sp. z o.o.	1,006	481
Branch of MMR Russia S.á r.l.	85	161
CPI Facility Slovakia a.s.	957	1,398
Disposal of Nukasso Holdings Limited (to Czech Property Investments, a.s.)	33,140	--
Sale of CMA Immobilier S.A. (to Remontées Mécaniques Crans Montana)	--	18,746
Sales of other subsidiaries	11	--
Other income	3	--
Total	**52,057**	**36,450**

The income from sale of Nukasso Holdings Limited arose from reversal of impairment from 2016 due to sale of shares and loans to Czech Property Investments, a.s.

NOTE 15 - OTHER EXTERNAL EXPENSES

Other external expenses mainly include management fee charged by the St Project Limited, entity part of the Company affiliated group:

	2017	2016
	KEUR	KEUR
Rental, maintenance and repairs	12	12
Financial services	677	223
Bank fees	37	431
Professional fees - management fees	13,580	15,491
Professional fees - others	833	671
Advertising, publications, public relations	75	62
Travelling costs	17	4
Other fees	9	497
Total	**15,240**	**17,391**

NOTE 16 - STAFF COSTS

The Company had four employees in 2017 (2016: four).

	2017	2016
	KEUR	KEUR
Wages and salaries	250	86
Social security costs	71	34
Total	**321**	**120**

NOTE 17 - VALUE ADJUSTMENTS IN RESPECT OF CURRENT ASSETS

The Company restated value adjustments relating to current assets from Value adjustments of financial assets.

	2017	2016
	KEUR	KEUR
Orco Immobilien GmbH	147	(2,204)
Vitericon Projektentwicklung GmbH	(257)	--
Vivaro Holding S.A.	(29)	--
Branch of MMR Russia S.à.r.l.	(417)	--
Others	(68)	(1)
Total	**(624)**	**(2,205)**

NOTE 18 - OTHER OPERATING EXPENSES

In 2017, other operating expenses mainly includes attendance fees for the directors of the Company (see Note 26) and costs related to management of Company's Monaco affiliate:

	2017	2016
	KEUR	KEUR
Sale of CPI Finance Ireland II Limited	--	210
Directors - attendance fees	72	--
Affiliate based in Monaco costs	1,389	--
Others	5	--
Total	**1,466**	**210**

NOTE 19 - INCOME FROM PARTICIPATING INTEREST

Income from participating interest is composed of dividends received from Mondello, a.s., an affiliated undertakings:

	2017	2016
	KEUR	KEUR
Mondello, a.s.	78,759	--
Total	**78,759**	**--**

On June 28, 2017, the Company , as sole shareholder in Mondello, a.s., resolved to declare a dividend distribution of CZK 2,073,402,665.52 (EUR 78,759,720.11) out of the accumulated profits at the level of Mondello, a.s.

NOTE 20 - INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

The loans forming part of the fixed assets bear interest in the amount and structure as follow:

20.1 Derived from affiliated undertakings

	2017	2016
	KEUR	KEUR
Prime Tourist Resort (Cyprus) Limited**	3,416	1,003
Nukasso Holding Limited*	5,195	6,169
Spojené farmy a.s.*	49	74
Czech Property Investments, a.s.	1,641	--
CPI Hotels, a.s.	1,100	1,099
Orco Immobilien GmbH*	2,027	1,134
SCI MAS CANTAGRELI	52	--
CMA Immobilier SA	26	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	216	--
CPI Alberghi HI Roma S.r.l.*	(103)	89
Parco delle Casse Bianche S.r.l.*	976	600
ORCO Property Group S.A.	1,531	--
SCP KANDLER	76	--
SCP AILEY	19	--
SCP CAYO	133	--
SCP CISKEY	298	--
SCP NEW BLUE BIRD	73	--
SCP VILLA DE TAHITI	88	--
SCP MADRID	15	--
SCP PIERRE CHARRON	59	--
Others	9	13
Total	**16,896**	**10,181**

* Transferred from Other interest receivable and similar income derived from affiliated undertakings.
** Transferred from Other interest receivable and similar income.

NOTE 21 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

21.1 Derived from affiliated undertakings

In 2017, other interest receivable from affiliated undertakings mainly concerned the entities listed below:

				2017				2016
	Interest	FX	Others	Total in KEUR	Interest	FX	Others	Total in KEUR
Brillant 2800. GmbH	6	--	--	6	--	--	--	--
CMA Immobilier SA	--	--	--	--	13	--	--	13
CPI Finance Netherlands II B.V.	7	--	--	7	--	--	--	--
Czech Property Investments, a.s.*	--	1	--	1	--	--	64	64
Gamala Limited	1,503	--	--	1,503	--	--	--	--
Hospitality Invest S.à r.l.*	--	--	--	--	51	--	--	51
Mondello, a.s.	--	55	--	55	--	--	--	--
ORCO Property Group S.A.*	345	--	--	345	1,801	--	--	1,801
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	24	--	24	40	--	--	40
Scampia, a.s.*	--	--	--	--	--	--	703	703
Vítek Radovan, JUDr.	1,415	--	--	1,415	1,305	--	--	1,305
Others	--	--	--	--	--	--	(1)	(1)
Total	**3,276**	**80**	--	**3,356**	**3,210**	--	**766**	**3,976**

* Transferred from Other interest receivable and similar income.

Interest from ORCO Property Group S.A.("OPG"), an affiliated undertaking, mainly consists of guarantor fees relating to Notes of OPG which were fully repaid during the financial year.

21.2 Other interest and similar income

In 2017, other interest and similar income is composed as follows:

				2017				2016
	Interest	FX	Others	Total in KEUR	Interest	FX	Others	Total in KEUR
J & T BANKA, a.s.	--	--	6	6	--	--	--	--
Others	--	45	3	48	--	51	--	51
Total	--	**45**	**9**	**54**	--	**51**	--	**51**

NOTE 22 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Value adjustments of financial assets are composed as follows:

			2017			2016
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
Nukasso Holding Limited*	--	--	--	(1)	(33,139)	(33,140)
CPI Blue, s.r.o.*	--	--	--	--	(2)	(2)
ITL Alfa, s.r.o.	--	--	--	(3)	--	(3)
Mondello, a.s.	(68,576)	--	(68,576)	--	--	--
Isalotta GP GmbH & Co.Verwaltungs KG	--	--	--	855	35	890
Orco Immobilien GmbH	--	(5,065)	(5,065)	--	966	966
SCI MAS CANTAGRELI	--	(2,768)	(2,768)	(1)	(438)	(439)
CM Hotels SA	--	(1,035)	(1,035)	(92)	--	(92)
Remontées Mécaniques Crans Montana Aminona (CMA) SA	(23,425)	--	(23,425)	(31,063)	--	(31,063)
Parco delle Case Bianche S.r.l.	645	751	1,396	(645)	(751)	(1,396)
ORCO Property Group S.A.	17	--	17	--	--	--
SCP KANDLER*	--	(2,129)	(2,129)	(14)	(1,197)	(1,211)
SCP AILEY*	--	(3)	(3)	(1)	(430)	(431)
SCP CAYO*	254	--	254	(256)	--	(256)
SCP CISKEY*	--	(5,866)	(5,866)	(116)	(3,772)	(3,888)
SCP NEW BLUE BIRD*	--	(4,042)	(4,042)	--	(1,489)	(1,489)
SCP VILLA DE TAHITI*	487	--	487	(490)	--	(490)
SCP MADRID*	--	237	237	(1)	(260)	(261)
SCP PIERRE CHARRON*	19	1,298	1,317	(19)	(1,298)	(1,317)
Orco Germany sp. z o.o. liquidated *	--	--	--	(1)	(27)	(28)
CPI Finance Slovakia II, a.s.	(70)	--	(70)	(7)	--	(7)
Others	--	(2)	(2)	(1)	--	(1)
Total	**(90,649)**	**(18,624)**	**(109,273)**	**(31,856)**	**(41,802)**	**(73,658)**

NOTE 23 - INTEREST PAYABLE AND SIMILAR EXPENSES

23.1 Concerning affiliated undertakings

Interest payable and similar expenses is composed as follow:

	2017			2016		
	Interest	FX	Total in KEUR	Interest	FX	Total in KEUR
Mondello, a.s.	--	9,044	9,044	--	--	--
Czech Property Investments, a.s.	9,457	4,614	14,071	11,302	--	11,302
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	76	--	76	72	--	72
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	108	--	108	90	--	90
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	95	--	95	90	--	90
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	70	--	70	58	--	58
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	72	--	72	68	--	68
Gewerbesiedlungs-Gesellschaft mbH	124	--	124	46	--	46
Orco Immobilien GmbH	166	--	166	156	--	156
CMA Immobilier SA	--	64	64	--	--	--
Vítek Radovan	--	--	--	1,102	--	1,102
Remontées Mécaniques Crans Montana Aminona (CMA) SA	55	630	685	--	--	--
ORCO Property Group S.A.*	49	184	233	29	--	29
CPI Finance Netherlands II B.V.*	--	--	--	12	--	12
Others	--	2	2	11	--	11
Total	**10,272**	**14,538**	**24,810**	**13,036**	--	**13,036**

* Transferred from Other interest and similar expenses

23.2 Other interest and similar expenses

Other interest is mainly composed of costs relating to non convertible loans (see Note 10.3):

	2017				2016			
	Interest	FX	Others	Total in KEUR	Interest	FX	Others	Total in KEUR
Bondholder_CPI PG 5 08/20/25_XS1279550260	3,043	--	5,076	8,118	8,189	--	781	8,970
Bondholder_CPI PG 2.125% 10/2024_XS1693959931	3,442	--	442	3,885	--	--	--	--
Others	--	55	27	82	15	--	77	92
Total	**6,485**	**55**	**5,545**	**12,085**	**8,204**	--	**858**	**9,062**

NOTE 24 - TAXES

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2017, the Company has a payable amounting to KEUR 7 (2016: KEUR 577) towards the Luxembourg Tax Administration.

	2017	2016
	KEUR	KEUR
Corporate income tax	--	--
Net Wealth tax	4	--
Total	**4**	--

NOTE 25 - 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 2017:

- Wattstrasse, limited to EUR 126,667
- Geneststrase, limited to EUR 136,000
- Zossener Strasse, limited to EUR 127,667
- Adalbertstrasse, limited to EUR 51,335
- Waldemarstrasse, limited to EUR 118,665
- Gneisenaustrasse, limited to EUR 114,662
- Lübarser Strasse, limited to EUR 102,000

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 January 25, 2017.

As at balance sheet date, the Company has contracted below credit facility agreements with its affiliated :

Company	Drawdown Limit (MEUR)
PTR Prime Tourist Resort (Cyprus) Limited	150
CPI Hotels, a.s	17
Czech Property Invesments a.s.	765
ORCO Property Group S.A.	500
Parco Delle Case Bianche, S.R.L	30
Gamala Limited	208
Radovan Vitek	60
SCI MAS Cantagreli	20
SCP Ailey	20
SCP Cayo	20
SCP Ciskey	32
SCP Kandler	20
SCP Madrid	20
SCP New Blue Bird	20
SCP Pierre Charron	20
SCP Villa de Tahiti	20

Covenants on notes:

Following the issuance of the notes under the ETMN programme (see Note 10.2), the Company has to comply with financial covenants (detail of covenants is available in the Company prospectus on the Company website). As of December 31, 2017, all covenants were met.

NOTE 26 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board and Committee attendance compensation for the year 2017 amounts to EUR 72,000 (2016: EUR 72,000) (see Note 18). 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 27 - RELATED PARTY TRANSACTIONS

Except as already disclosed elsewhere in the notes, transactions with Related Parties are as follows:

As at December 31, 2017, Radovan Vitek, the ultimate beneficial owner of the Company and Gamala Limited, an entity cotrolled by Radovan Vítek, were reported as part of affiliated undertakings.

Other entities related to the ultimate beneficial owner are: Polma 1 S.A., Ravento S.à r.l. and Efimacor S.à r.l.

Anojthan Enterprises Limited is reported as “Undertakings with which the undertaking is linked by virtue of participating interests” and is closely related to the family of the ultimate beneficial owner of the Company.

NOTE 28 - POST BALANCE SHEET EVENTS

Authorized capital not issued

On March 1, 2018 the Extraordinary General Meeting of the shareholders of the Company (the “2018 EGM”) resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of five billion euros (EUR 5,000,000,000) for a period of five (5) years from March 1, 2018, which would authorise the issuance of up to forty billion (40,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares, in addition to the 9,488,722,610 shares of the Company currently outstanding.

The 2018 EGM approved the report issued by the Board of Directors relating to the possibility for the Board of Directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorised share capital of the Company.

Share buy-back programme

On August 28, 2014 the Extraordinary General Meeting resolved to approve the terms and conditions of the buy-back programme 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 5.00) for a period of five (5) years from the date of the Extraordinary General Meeting.

The 2018 EGM further approved the terms and conditions of a buy-back programme of the Company enabling the repurchase by the Company of its own shares and authorized the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the EGM authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of one billion (1,000,000,000) shares in the Company 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 euros (EUR 5.00), for a period of five (5) years from the date of the 2018 EGM. The 2018 EGM further resolved to grant power to the board of directors of the Company (i) to proceed with the payment of the relevant repurchase price out of the Company's available funds, (ii) to take all required actions to complete any repurchase of shares and (iii) to verify that the process of share repurchase is made in compliance with the legal provisions.

On the basis of the authorization by the 2018 EGM, the Board has decided on 1 March 2018, to proceed to a buy-back of certain shares of the Company under the buyback programme, the terms of which are set forth in the buy-back offer published by the Company on 2 March 2018. A total of 724,853,952 shares in the Company have been acquired for the proposed acquisition price of EUR 0.20 per share (representing in aggregate app. EUR 145 million). The shares were bought-back from an entity affiliated with the major shareholder. The shares bought-back represents a direct holding by the Company of 7.64% of the Company's share capital and 7.64% of the voting rights in the Company.

Revolving Credit Facility Agreement up to MEUR 150

On March 16, 2018, the Company concluded a MEUR 150 2-year unsecured revolving Credit Facility with a group of leading international and regional banks. The Company intention is to use facilities for general corporate purposes and replace some of existing facilities signed in 2017.

Deed of Guarantee signed with Unicredit Bank Czech Republic and Slovakia a.s.

On January 25, 2018, the Company has agreed on a deed of Guarantee with Unicredit Bank Czech Republic and Slovakia a.s. to secure Czech Property Investment a.s. obligations arising from the Facility agreement concluded between the Bank and the subsidiary a.s.in January 2017. The total guarantee provided by the Company is amounting to MCZK 810 (approximatively MEUR 30).