

FINANCIAL INFORMATION

2016



Including the
Consolidated financial statements
and
Report of the Réviseur d'Entreprises
for the financial year ended as at 31 December 2016



PROPERTY GROUP

Management report

SUMMARY

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Management report

Management Report as at 31 December 2016

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ORCO PROPERTY GROUP, *société anonyme* (the “Company”) and its subsidiaries (together the “Group” or “OPG”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. The Company is a subsidiary of CPI Property Group (also as “CPI PG”), which indirectly holds approximately 97% of the Company shares.

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

The Company's shares are listed on the regulated markets of Luxembourg Stock Exchange and Warsaw Stock Exchange¹.

1 Message from the Management

Dear Shareholders, Business Partners and Employees,

In every respect, 2016 has witnessed a major shift in the future of the Company. The challenges we faced last year set into motion the significant transitions necessary to re-establish the Company as an important player on the real estate development market in the Czech Republic and CEE.

The management successfully completed the financial and operational streamlining of the corporate structure which resulted in significant savings in administrative costs and improved focus. In 2016, the Company achieved an operating profit of EUR 15.9 million in comparison to the operating loss of EUR 13.3 million in 2015. The total net profit of the Company in 2016 is of EUR 164 million compared to a total net loss of EUR 20 million in 2015.

In line with the Company's strategy to dispose some of its non-core assets and to withdraw from certain regions, the Company completed the following disposals:

- March 2016 – industrial logistics project in Marki, near Warsaw, Poland;
- November 2016 – office building and development project Vaci 188 and 190 in Budapest, Hungary;
- December 2016 – office building Palac Archa and Hradcanska in Prague, Czech Republic; and
- January 2017 – office building in Capellen, Luxembourg.

Furthermore, in December 2016, the Company also acquired from CPI Property Group development projects located in the Czech Republic, comprising of the land bank for future developments.

In May 2016, the Company implemented a reserved capital increase of EUR 80 million and issued 1 billion of new shares. The proceeds were used to repay its existing liabilities as well as to purchase significant portion of the OrcoPropertyGroup 7% 07/11/2019 notes which represented a substantial cash flow burden for the Company with the annual coupon of approximately EUR 4.5 million.

In June 2016, there was a significant change in the shareholder structure when one of the subsidiaries of CPI Property Group acquired 97.31% of shares in the Company. As a consequence, a mandatory takeover bid to purchase any and all of the ordinary shares of the Company was launched and in August 2016, the Czech Office for the Protection of Competition granted the merger clearance. The completion of the mandatory takeover bid remains pending as at the date of this message.

Following the changes in the shareholder structure, on 26 July, Mr. Pavel Španko, a shareholder representative, resigned from the Board of Directors. We would like thank Mr. Španko for his work and contribution to the Company. Subsequently, the Board resolved to co-opt to the Board Mr. Erik Morgenstern who currently also serves as the Chief Financial Officer of the Company.

¹ The trading of Company's shares is suspended on both stock exchanges.

In August 2016, the Company also disposed of a significant element of ordinary CPI Property Group shares for an aggregate consideration of EUR 34 million to an entity controlled by Mr. Radovan Vitek. The Company continues to hold approximately 93 million shares which represents approximately 1.45% of CPI Property Group.

The year of 2016 was an important year in the transformation of the Company towards a more cost effective and streamlined structure. We look with optimism at the 2017 with the gradually improving performance remaining to be the Company's primary intention.

Jiri Dedera,
CEO & Managing Director

2 2016 and post-closing key events

2.1.1 Acquisition of the Company by CPIPG

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

On 22 September 2016 the *Commission de Surveillance du Secteur Financier* (the "CSSF") appointed PricewaterhouseCoopers *société cooperative* (Luxembourg) as the independent expert for the determination of the equitable price to be offered to the shareholders of the Company in the context of the mandatory takeover bid over Company's shares. To the best of Company's knowledge, neither the valuation report nor the offer document have been approved by CSSF as of the date of this document.

2.1.2 Trading of Company shares

Since 18 February 2016, the Company shares have been delisted from Euronext Paris. The Company was informed by the Luxembourg Stock Exchange that it decided to suspend the trading of the Company shares (ISIN LU0122624777) on the regulated market of the Luxembourg Stock Exchange as of 9 June 2016. The Luxembourg Stock Exchange decided to proceed with such suspension from its own initiative. The Warsaw Stock Exchange informed the Company on 17 February 2017 that it suspended trading of the Company shares on the Warsaw Stock Exchange.

2.1.3 Disposal of CPI Property Group shares

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

2.1.4 Disposal of Office Building in Capellen

The Company disposed of the office building in Capellen, Luxembourg. The building with a leasable area of approximately 7,700 square meters, located in the Capellen business park just outside of the City of Luxembourg, was sold to a private investor. The transaction, structured as a share deal, was completed on 25 January 2017.

2.1.5 Disposal of Palác Archa and Hradčanská Office Center

On 1 December 2016 OPG disposed of two of its income producing assets located in Prague, namely Palác Archa and Hradčanská Office Center to CPI PG group. On 1 December 2016 OPG acquired development projects located in the Czech

Republic, comprising of land bank for future developments from CPI PG group. These intercompany transactions were structured as share deals and prices were based at the IFRS NAV.

2.1.6 Deleveraging Through Purchase of Notes on Loan Repayment

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

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

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

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

2.1.7 The Company raised EUR 80 million and issued 1 billion new shares

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

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

2.1.8 Disposal of Suncani Hvar shares

On 4 April 2016 the Company entered into an agreement concerning the disposal of its stakes in Suncani Hvar d.d. ("SHH"). The Company sold 3,062,196 SHH shares corresponding to 15.76% of the shareholding and voting rights in SHH. The aggregate price equals to app. EUR 8.15 million and is based on the nominal value of the transferred shares, i.e. HRK 20 per share. Further to this transaction, OPG exited all of its investments in Croatia.

2.1.9 Disposal of Marki project in Poland

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

2.1.10 Changes in Board Composition

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

3 Market environment

3.1.1 Global macro-economic conditions

3.1.1.1 Czech Republic

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

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

3.1.1.2 Poland

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

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

3.1.2 Selected market focus

3.1.2.1 Prague office market²

In Q4 2016, one new office project was delivered to the Prague office market. South Point, with an office area of ca. 7,500 m², is located in the inner city of Prague 4. Overall in 2016, approximately 33,400 m² of offices were completed which represents the lowest annual supply ever recorded on the Prague office market. Currently, there is approximately 330,300 m² of office space under construction. Out of this number, ca. 171,300 m² is due to be delivered to the market in 2017. New supply in 2017 will be mainly delivered to Prague 5 (41% of the under construction supply in four projects), followed by Prague 8 (29% in three projects) and Prague 4 (18% in two projects). In Q4, gross take-up reached 98,300 m² which represents a decrease of 11.5% on the previous quarter. Despite this, 2016 was another very successful year in terms of demand for office space and with its overall gross take-up of 414,400 m², it ranks as the second strongest ever year on the Prague market. In Q4 2016, the prime headline rents in the city centre remained unchanged, oscillating at the level of EUR19.0 – 20.0 sqm/month. Inner city rents varied between EUR15.0 – 16.0 sqm/month in Pankrác (Prague 4) and Smíchov (Prague 5) and at EUR 14.5 – 15.5 sqm/month in Florenc (Prague 8). Rents in the outer city markets remained at EUR 13.0 – 14.5 sqm/month.

3.1.2.2 Czech industrial market³

At the end of Q4 2016, the total modern A-class industrial stock in the Czech Republic (owned by developers and investors) stood at 6.27 million sqm. Greater Prague remains the largest industrial market in the country with a 40% share, followed by the Pilsen (15.5%) and Brno (14%) regions. New supply for Q4 2016 reached 191,500 sqm when 14 new projects in 14 industrial parks were delivered to the market. Speculative construction accounted for 30% of all delivered projects. The majority of new completions were situated in the Karlovy Vary region (20%), the Pilsen region (20%) and Greater Prague (18%). In 2016, the total volume of newly built industrial space reached 510,000 sqm which is 11% below the 2015 record level; however,

² JLL

³ JLL

on the other hand, it is 29% above the 5-year average. The highest share of new space was delivered in Prague (32%) followed by the Pilsen region with 18%. New space was also delivered to nine other regions which proves strong construction activity across the entire country. In 2016, gross take-up reached 1,455,600 sqm which is slightly above the record level registered in 2015. Net take-up amounted to 880,300 sqm representing an annual decrease of 5%. Greater Prague accounted for 46% of gross and 36% of net transactions. In Q4 2016, prime headline rents in Prague remained stable at EUR 3.80 - 4.25 sqm / month. Prime rents in the Brno region are stable at EUR 3.90 - 4.25 sqm / month. Built-to-suit developments command higher rents than those quoted, especially when situated in locations with limited competition.

3.1.2.3 Warsaw office market⁴

In Q1-Q3 2016, a massive 378,800 sqm of modern office space entered the market in Warsaw, 237,000 sqm of which came in Q2 alone. The only Q3 opening was West Station I (28,700 sqm) by HB Reavis; however, the completion of that development allowed Warsaw to cross the 5,000,000 sqm stock threshold. Development activity remains strong, with approximately 550,000 sqm under construction, of which 40% is located in the Central districts. The largest developments under construction are Sienna Towers (Ghelamco Poland), Business Garden III-VII (Vastint), West Station II (HB Reavis) and D48 (Penta Investments). Q3 saw a slight fall in vacancy rates as a consequence of scarce supply coming to the market and sound demand. The overall rate stood at 14.6% (16.7% in the CBD, 17.4% in the City Centre Fringe and 13.5% in Non-Central locations). As the activity of developers is expected to be limited in the remainder of 2016 the vacancy rate is expected to stabilise further. Prime rents were mostly unchanged over the course of Q1-Q3. Currently, prime headline rents in Warsaw City Centre range between EUR 21 and EUR 23.5 / sqm / month. Non-Central locations lease at EUR 11 to EUR 18 / sqm / month.

4 Portfolio: Gross Asset Value⁵ and operational performance

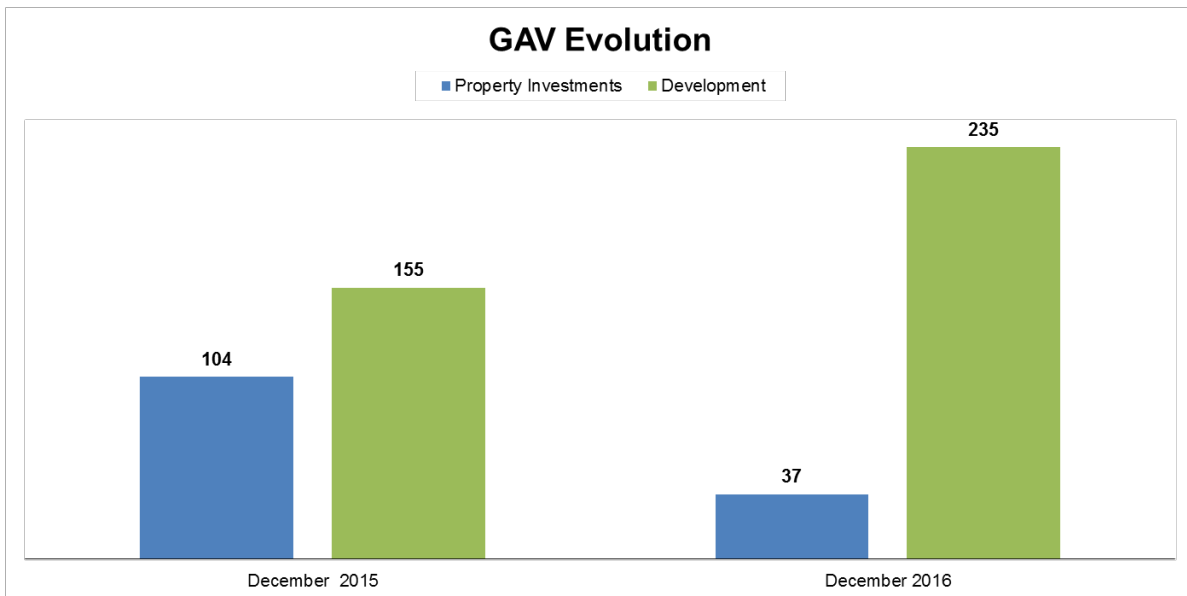
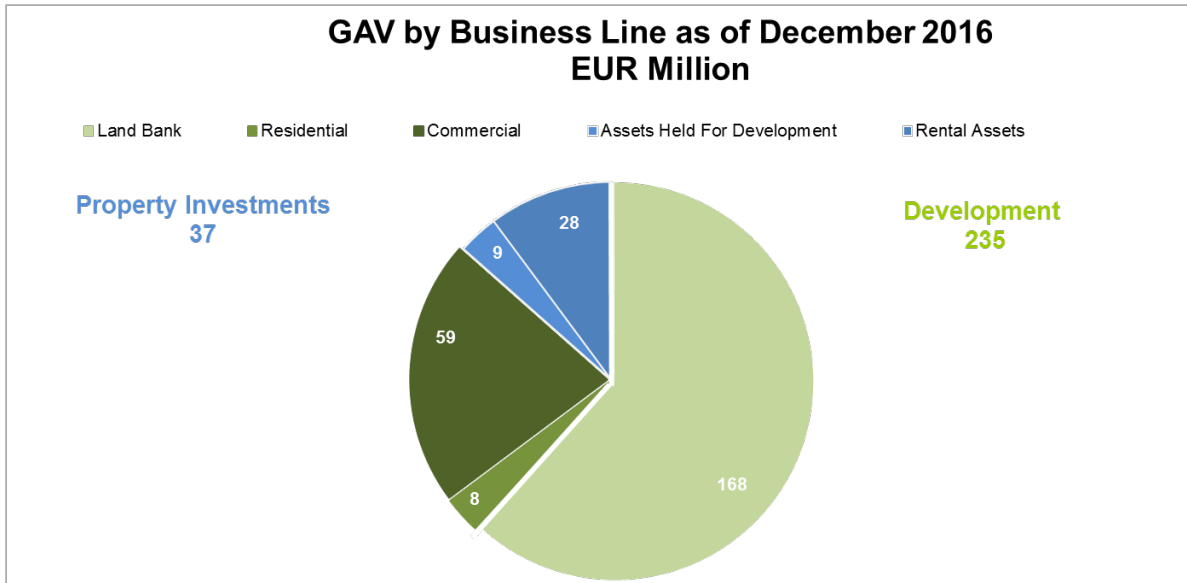
4.1 Total portfolio evolution

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

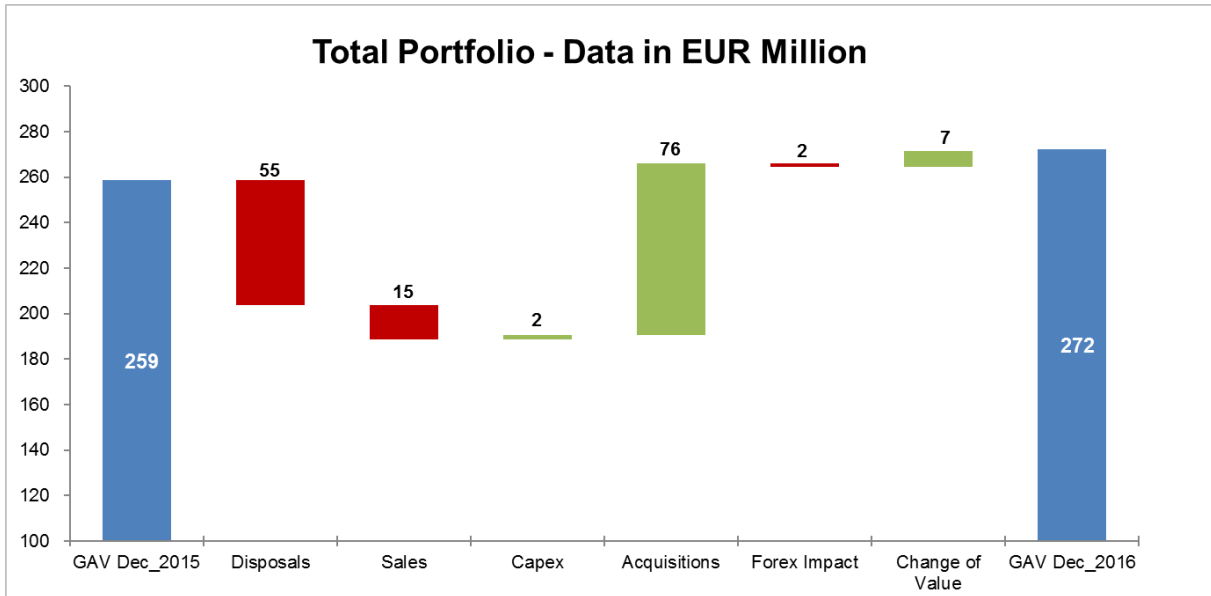
Over the year 2016, the GAV increased from EUR 259 million to EUR 272 million. The GAV breaks down into 14% of Property Investments and 86% of projects or land bank for the Development business line.

⁴ As at date of publication Q1 – Q3 2016 data available only (JLL)

⁵ The classification of GAV is in line with the vision of the management and is not always reflecting the IFRS classification disclosed in the Financial Statements.



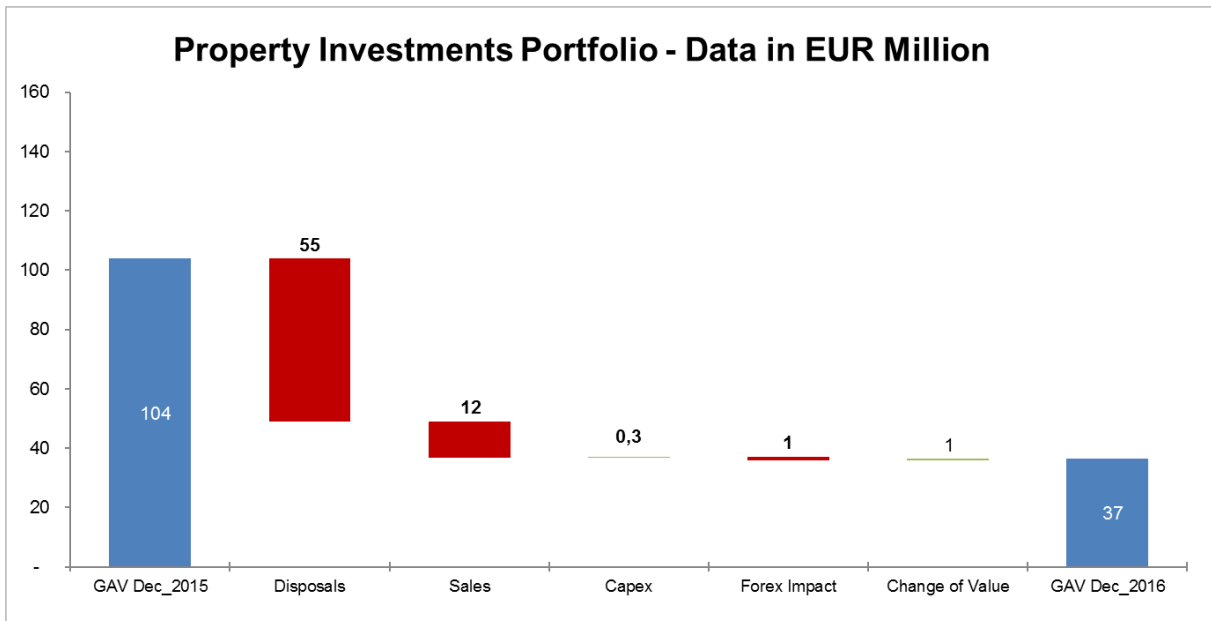
Over the year 2016, the Group carried out minor disposals in total amount of EUR 71 million, made CAPEX investments in amount of EUR 2 million, which with FX impact in amount of EUR 1 million and portfolio revaluation (gain EUR 7 million) resulted in net increase of GAV by EUR 13 million.



4.2 Property Investments evolution

4.2.1 Gross Asset Value

As of December 2016, the GAV of the Group's Property Investments business line represented EUR 37 million in value (25% rental assets and 75% Assets held for development). Assets held for development encompass a group of assets rented on a short-term basis, which the Group is planning to fully redevelop.



The EUR 67 million decrease of the portfolio's gross asset value encompasses:

- EUR 55 million decrease due to disposal of two of its income producing assets located in Prague;
- EUR 12 million decrease due to sale of properties in Poland (industrial logistics project) and Hungary;
- EUR 1 million of negative currency conversion impact mainly related to the strengthening of the Czech crown;
- EUR 1 million of net increase in market value.

4.2.2 Rental assets and Assets held for development

4.2.2.1 Valuation change of rental assets

As of December 2016, the rental assets' value is estimated at EUR 37 million. In December 2015 the GAV of rental assets amounted to EUR 104 million. The changes during 2016 can be split in:

- EUR 1 million of investments;
- EUR 1 million of negative forex impact,
- EUR 67 million of disposal of two properties.

4.2.2.2 Change in Assets Held for Development

As of December 2016, the Assets held for Development portfolio's value is estimated at EUR 9 million. In December 2015 the GAV of these assets amounted to EUR 11 million. The EUR 2 million change was due to valuation impact.

4.2.2.3 Business review

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

The property portfolio of the Group is disclosed in segment reporting of consolidated financial statements:

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

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

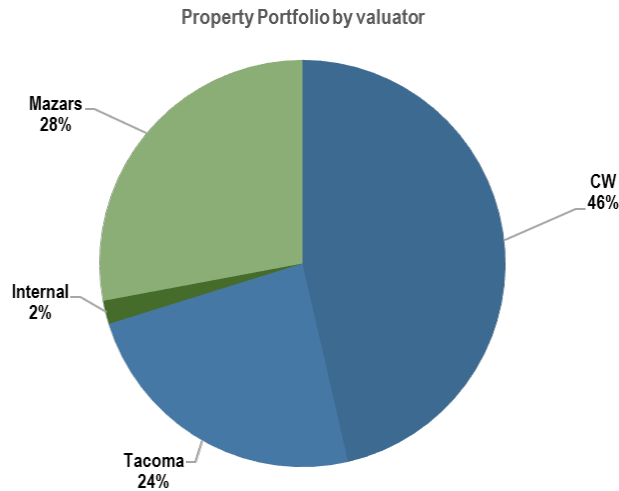
4.2.2.4 Property Valuation

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

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

- Cushman&Wakefield (further "C&W"). C&W is a one of the leading commercial real estate services company, providing a full range of services to real estate occupiers, developers and investors on a local and international basis. C&W has about 250 offices in 60 countries, employing more than 43,000 professionals;
- Mazars. Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. Mazars operates in 260 offices across the globe and located in 77 countries and draw on the expertise of over 17,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.

- RSM TACOMA a.s. (further "TACOMA"). TACOMA is part of the seventh largest network of professional firms RSM International. RSM International operates in 120 countries, has over nearly 760 offices and more than 38,000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll



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

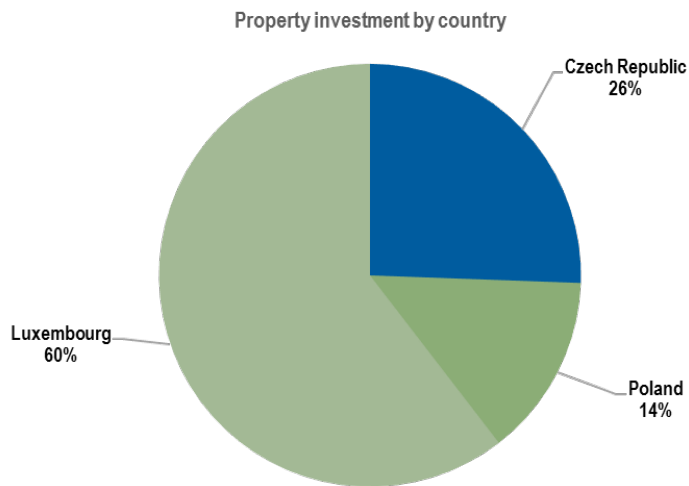
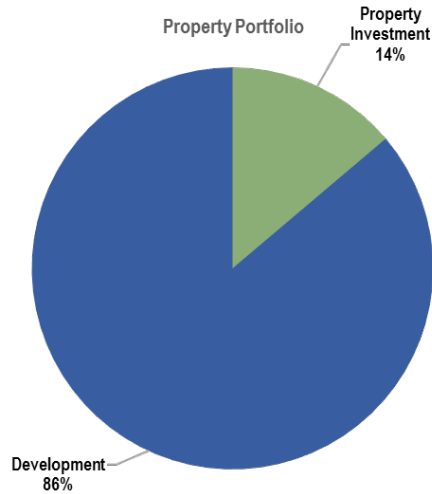
Property portfolio 31 December 2016	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic	9,516	231,928	241,444	90%	4,247
Poland*	5,196	0	5,196	2%	2,944
Luxembourg*	22,500	0	22,500	8%	14,182
CE property portfolio	37,212	231,928	269,140	100%	21,373

*Assets held for sale included

Property portfolio 31 December 2015	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic*	63,582	151,061	214,643	84%	42,992
Hungary	7,550	0	7,550	3%	0
Poland*	9,870	240	10,110	4%	4,895
Luxembourg	23,610	0	23,610	9%	15,161
CE property portfolio	104,612	151,301	255,913	100%	63,048

*Assets held for sale included

The Group property value total EUR 269 million as of 31 December 2016 (31 Dec 2015: EUR 256 million). As shown in the chart below, 14% of the Group property portfolio value is made of property investment assets. The majority of the income generating assets are located in Luxembourg with 60% of the total value, followed by Czech Republic with 26% and Poland with 14%.



4.2.2.5 Property Investment

Property Investment - renting 31 Dec 2016	Carrying value TEUR	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Average rent EUR / SQM	Bank Loans TEUR
Prague, Czech republic	9,516	26%	26	74.8%	2.8	4,247
Warsaw, Poland*	5,196	14%	16	8.8%	19.7	2,944
Capellen, Luxembourg*	22,500	60%	8	86.9%	25.2	14,182
Portfolio total	37,212	100%	50	55.7%	9.0	21,373

*Assets held for sale included

Property Investment - renting 31 December 2015	Carrying value TEUR	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Average rent EUR / SQM	Bank Loans TEUR
Prague, Czech Republic	63,582	61%	60	80.2%	8.2	42,992
Budapest, Hungary	7,550	7%	16	10.8%	4.5	0
Warsaw, Poland*	9,870	9%	36	24.7%	4.6	1,994
Capellen, Luxembourg	23,610	23%	8	91.0%	22.0	15,161
Portfolio total	104,612	100%	120	55.0%	9.1	60,147

*Asset held for sale included

Investment property renting portfolio with a carrying value of EUR 37 million (31 December 2015: EUR 105 million) represents one of two major parts of the Group's property portfolio. The Group is renting out primarily office and industrial assets.

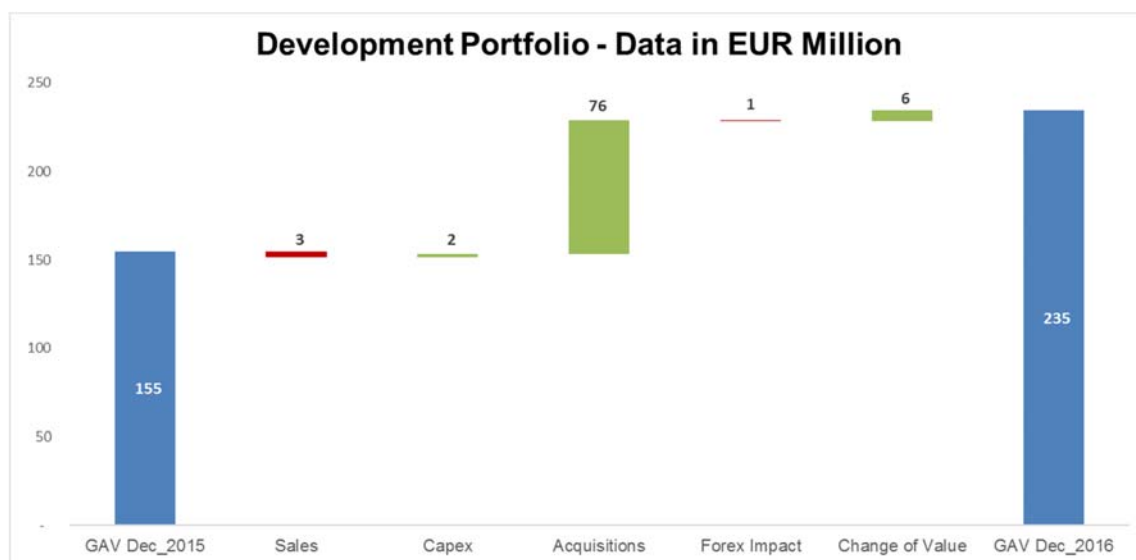
The renting investment property portfolio is financed by bank loans in total of EUR 21 million (31 December 2015: EUR 60 million).

4.3 Development evolution

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

4.3.1 Gross asset value

As of December 2016, the Group's development GAV amounts to EUR 235 million (71% of land bank, 25% commercial and mixed use developments, 4% of residential developments). The development assets are mainly located in the Czech Republic (99%) with key projects such as Bubny and Benice in Prague.



4.3.2 Commercial

4.3.2.1 Changes in commercial developments

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

The GAV of commercial developments portfolio, which mainly encompasses the Bubny project, valued at EUR 56 million.

4.3.2.2 Business review

Key Project held in portfolio as of December 2016							Current value	ERV
Committed	Location	Asset type	Area in SQM	Permit status	Construction completion	December 2016	EUR Million	
Bubny	Czech Republic, Prague	Mixed commercial	24 ha*	Pending	2025	55.7	NA	

*3.6 ha of the Bubny landplot are now held at 20% through a joint venture with Unibail Rodamco and are not included in the value above

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

4.3.3 Residential developments

4.3.3.1 Change in residential developments

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

The decrease of EUR 1 million over the year 2016 (December 2016 GAV amounting to EUR 8 million compared to December 2015 EUR 9 million) is driven by:

- EUR 1 million of sales mainly on projects Museum of velvet revolution;

Projects under construction

As of December 2016, there was ongoing residential developments: Benice 1 in Prague.

- Benice – The Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city center. Phase 1B started in 2007 and the phase 1B was finalised in 2014. Benice 1B is conceived as a luxurious and comfortable living in separate houses, semi-detached houses (32 units) and apartments (4 units). As at the date of the valuation there is one unsold commercial unit currently leased to a kindergarten. Compared to December 2015 three apartments in a multifunctional building were sold. We also understand that there are several plots of land being a part of Benice 1B. Plots of land number 312/17 (1,048 sqm) and newly also 312/205 (1,618 sqm) which are zoned as agriculture land have commercial use and plots of land no. 312/70 (3,276 sqm), 312/69 (584 sqm) and newly also 312/206 (196 sqm) which do not have commercial use. An additional phase, Benice 1C with 9 family houses which were recently completed and are offered for sale. There are eight semi-detached 5+kk houses, each with total internal area of 165 sqm and one detached 5+kk house with total internal area of 195 sqm. The area of respective land plots vary from 391 sqm to 558 sqm. Part of the subject site (4,719 sqm in total) is situated in the protected zone of high voltage lines and therefore can not be used for development. Construction started in Q1 2015 and currently is being finalised therefore we have not included any remaining construction costs. Phases II-V, whose value is not included in the table above as they are categorized as land bank, will be developed in the future.

4.3.4 Land bank and assimilated

The total GAV of the land bank and assimilated (including empty buildings and land plots to develop or redevelop classified in the IFRS financial statements under investment properties or inventories) increased from EUR 89 million in December 2015 to EUR 168 million in December 2016.

This increase of EUR 79 million year on year is driven by:

- EUR 76 million of acquisition of Land bank from CPIPG;
- EUR 3 million of positive change in market value.



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As of December 2016, the Group holds some 13.4 million SQM of land plots (0.2 million SQM zoned and 13.2 million SQM unzoned). The potential GEFA development is currently estimated at 0.7 million SQM. Potential GEFA is not estimated on all the land plots and should be considered here as only an indication of the potential pipeline on the short to mid-term basis.

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

Country	With zoning		Without zoning		Total	
	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	215 644 sqm	77 943 sqm	12 364 014 sqm	66 250 sqm	12 579 658 sqm	144 193 sqm
Sub-total land bank	215 644 sqm	77 943 sqm	12 364 014 sqm	66 250 sqm	12 579 658 sqm	144 193 sqm
The Czech Republic	0 sqm	0 sqm	875 248 sqm	530 400 sqm	875 248 sqm	530 400 sqm
Poland	14 479 sqm	0 sqm	0 sqm	0 sqm	14 479 sqm	0 sqm
Sub-total other category	14 479 sqm	0 sqm	875 248 sqm	530 400 sqm	889 727 sqm	530 400 sqm
Total	230 123 sqm	77 943 sqm	13 239 262 sqm	596 650 sqm	13 469 385 sqm	674 593 sqm

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

Over the period 2016, the Land bank increased mainly due to the acquisition of land plot in the Czech Republic (11.7 millions SQM).

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

5 Liabilities and financial profile

5.1 Loan to value

The calculation of the Loan to value (LTV) as of 31 December 2016 is shown in the table below:

	31 December 2016	31 December 2015
Non-current liabilities		
Financial debts	128,348	20,394
Non-current Bonds	15,705	60,714
Current liabilities		
Financial debts	19,378	68,512
Current Bonds	142	668
Accrued interest	594	621
Liabilities linked to assets held for sale	14,868	2,901
Current assets		
Cash and cash equivalents	(2,215)	(3,264)
Net debt	176,820	150,546
Investment property	239,790	241,825
Investments in equity affiliates	4	35
Financial assets available-for-sale	33,042	106,522
Non-current loans and receivables	149,935	6,873
Inventories	6,524	7,774
Derivative instruments	38,732	-
Assets held for sale	23,209	6,314
Fair value of assets	491,246	369,343
Loan to Value	36.0 %	40.8 %

The LTV ratio as at 31 December 2016 decreased to 36.0% compared to 40.8% as at 31 December 2015. Total amount of financial liabilities including bonds is EUR 176.8 million as at the end of December 2016 in comparison to EUR 150.3 million at the end of 2015. Fair value of portfolio increased from EUR 369.3 million to EUR 491.2 million.

5.2 EPRA Net Asset Value

The EPRA Net Asset Value (EPRA NAV) per share as of 31 December 2016 is EUR 0.32 compared to EUR 0.65 as at 31 December 2015.

The Triple NAV amounts to EUR 0.31 per share compared to EUR 0.65 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below.



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	December 2016	December 2015
Consolidated equity	412,798	204,402
Fair value adjustments on asset held for sales	-	(21)
Fair value adjustments on inventories	-	--
Deferred taxes on revaluations	12,826	1,446
Goodwill	-	-
Own equity instruments	-	-
EPRA Net asset value	425,624	205,827
Existing shares (in thousands)	1,314,508	314,508
Net asset value in EUR per share	0.32	0.65
EPRA Net asset value	425,624	205,827
Deferred taxes on revaluations	(12,826)	(1,446)
EPRA Triple Net asset value (*)	412,798	204,381
Fully diluted shares	1,314,508	314,508
Triple net asset value in EUR per share	0.31	0.65

(*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV (in accordance to IFRS) following adjustments are taken into consideration:

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

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

Over the year 2016, the consolidated equity increased by EUR 208.4 million. The main driver of this increase is the gain for the period amounting to EUR 164.2 million, which is compensated by recognized the deferred tax asset from tax losses carried forward in total amount of EUR 112.8 million and revaluation gain of derivative instrument in amount of EUR 38.7 million.

5.3 Income statement

In 2016 is reflecting noticeable changes in items of recognized deferred tax asset and Other net financial result mainly due to revaluation of derivative instrument and sale of Czech entities.

	12 months 2016	12 months 2015
Revenue	15,206	13,960
<i>Sale of goods</i>	2,345	1,914
<i>Rent</i>	7,212	8,008
<i>Hotels and restaurants</i>	-	-
<i>Services</i>	5,649	4,038
Net gain / (loss) from fair value adjustments on Investment Property	7,065	(14,940)
Other operating income	1,990	1,012
Net result on disposal of assets	481	34
Cost of goods sold	(1,955)	(2,183)
Employee benefits	(346)	(755)
Amortization, impairments and provisions	506	1,704
Other operating expenses	(7,017)	(12,168)
Operating result	15,930	(13,336)
Interest expense	(11,585)	(11,147)
Interest income	2,201	804
Foreign exchange result	25	1,743
Other net financial results	45,667	(5,895)
Financial result	36,308	(14,495)
Share of profit or loss of entities accounted for using the equity method	(886)	6,811
Loss before income taxes	51,352	(21,021)
Income taxes	112,892	220
Loss from continuing operations	164,244	(20,800)
Loss after tax from discontinued operations	-	-
Net loss for the period	164,244	(20,800)
Total loss attributable to:		
Non-controlling interests	(1)	(329)
Owners of the Company	164,245	(20,471)
Basic earnings in EUR per share	0.17	(0.07)
Diluted earnings in EUR per share	0.17	(0.07)

5.4 Balance sheet

ASSETS		
	31 December 2016	31 December 2015
NON-CURRENT ASSETS	536,822	355,607
Intangible assets	-	-
Investment property	239,790	241,825
Property, plant and equipment	26	353
Hotels and owner occupied buildings	-	-
Fixtures and fittings	26	353
Equity method investments	4	35
Financial assets at fair value through profit or loss	-	-
Financial assets available-for-sale	33,042	106,522
Non-current loans and receivables	149,935	6,873
Deferred tax assets	114,025	-
CURRENT ASSETS	53,635	16,641
Inventories	6,524	7,774
Trade receivables	3,833	3,409
Derivative instruments	38,732	-
Cash and cash equivalents	2,215	3,264
Other current financial assets	1,162	404
Other current non-financial assets	1,169	1,790
ASSETS HELD FOR SALE	23,209	6,314
TOTAL	613,666	378,562



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EQUITY & LIABILITIES		
	31 December 2016	31 December 2015
EQUITY	413,273	204,589
Equity attributable to owners of the Company	412,798	204,402
Non-controlling interests	475	187
LIABILITIES	200,393	173,974
Non-current liabilities	158,977	88,113
Bonds	15,705	60,714
Financial debts	128,348	20,394
Provisions and other long term liabilities	2,013	3,129
Deferred tax liabilities	12,911	3,876
Current liabilities	26,548	81,909
Current bonds	142	668
Financial debts	19,378	68,512
Trade payables	1,657	4,937
Advance payments	395	1,845
Derivative instruments	7	332
Other current financial liabilities	1,939	2,606
Other current non-financial liabilities	3,030	3,009
LIABILITIES LINKED TO ASSETS HELD FOR SALE	14,868	3,951
TOTAL	613,666	378,562



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5.5 Cash flow statement

	31 December 2016	31 December 2015 (restated)
OPERATING RESULT	15,930	(13,336)
Net gain / loss from fair value adjustments on investment property	(7,065)	14,940
Amortization, impairments and provisions	(506)	(1,704)
Net result on disposal of assets	(500)	(34)
Adjusted operating profit / loss	7,859	(134)
Financial result	(69)	(927)
Income tax paid	(40)	(193)
Financial result and income taxes paid	(109)	(1,120)
Changes in operating assets and liabilities	3,849	3,436
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	3,899	(2,182)
Acquisition of subsidiaries, net of cash acquired	(51,641)	-
Capital expenditures and tangible assets acquisitions	(1,604)	(1,114)
Proceeds from sales of non-current tangible assets	4,105	674
Purchase of financial assets	-	-
Loans granted to joint ventures and associates	(138,733)	(60)
Dividends received	-	1,348
Proceeds from disposal of subsidiaries	-	472
Proceeds from disposal of financial assets	42,611	469
Changes in the Group	22,929	(220)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(122,333)	1,569
Proceeds from issuance of ordinary shares	80,000	-
Proceeds from capital increase in subsidiary by non-controlling interests	-	-
Proceeds from borrowings	156,041	26,795
Net interest paid	(3,647)	(3,235)
Repayment on Safeguard bonds and New Notes	(50,575)	(10,440)
Repayments of borrowings	(62,015)	(15,110)
Repayment interests on Safeguard bonds and New Notes	(2,899)	(4,866)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	116,905	(6,856)
NET INCREASE/(DECREASE) IN CASH	(1,529)	(3,105)
Cash and cash equivalents at the beginning of the year	3,264	7,103
Cash and cash equivalents at the beginning of the year of assets held for sale	479	(736)
Exchange difference on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,215	3,264

5.6 Annual statutory financial information

The Group parent company, Orco Property Group S.A. prepares its separate financial statements in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of August 10, 1915, as subsequently amended, determined and applied by the Board of Directors.

As of 31 December 2016 the total assets of the Company amount to EUR 409 million compared with EUR 311.3 million in the previous year. The net equity as of 31 December 2016 amounts to EUR 238.1 million. The Company reports a loss of EUR 30, 2 million (2015: gain of EUR 20.286 million).

The subscribed share capital of the Company amounting to EUR 13.145 million is considered as the corporate capital of the Company.

6 Corporate governance

6.1 Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. The Company is dedicated to acting in the best interests of its shareholders and stakeholders. Towards these ends, it is recognized that sound corporate governance is critical. The Company is committed to continually and progressively implementing industry best practices with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards. The Company aims to communicate regularly to its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

Since the Company was founded in 1991, its accounts have been audited regularly each year. KPMG has been appointed Company's auditor since the general meeting in 2013. In addition, the Company's portfolio of assets is regularly evaluated by an independent experts.

In 2007, the Company's Board of Directors adopted the Director's Corporate Governance Guide and continues to communicate throughout the Group based on the values articulated by this guide.

As a company incorporated in Luxembourg, the Company's primary regulator is the *Commission de Surveillance du Secteur Financier* (the "CSSF"). The Company's procedures are designed to comply with applicable regulations, in particular those dealing with market abuse. The Company also has a risk assessment procedure designed to identify and limit risk. In addition, the Company aims to implement corporate governance best practices inspired by the recommendations applicable in Luxembourg and Poland.

On 23 May 2012, the Board of Directors elected the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules (<https://www.bourse.lu/corporate-governance>).

6.2 Board of Directors

The Company is administered and supervised by a Board of Directors made up of at least three members.

6.2.1 Appointment of Directors

The Directors are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the office of a Director, the remaining Directors may provisionally fill such vacancy, in which case the general meeting of shareholders will hold a final election at the time of its next meeting.

However, if five Director positions become vacant, an extraordinary general meeting of shareholders will be convened for the purpose of renewing the Board of Directors.

Legal entities appointed as Directors must designate a representative, who must be a natural person, to attend meetings of the Board of Directors in their name. Such representative is subject to the same conditions and obligations and will incur the same liability as if he had been appointed as Director in his own name, without prejudice to the joint and several liability of the legal entity he represents. A power of attorney evidencing the fact that he is empowered to validly represent and to bind the said legal entity during his period of office must be delivered to the Company at the time the Board of Directors is appointed.

At the time of renewal of the mandate of a legal entity appointed as director, the power of attorney of the agent for such legal entity must be renewed.

In the event that the legal entity revokes the power of attorney of its representative, it must notify such dismissal to the Company without delay by registered letter, and include in such letter the identity of its new representative. The same applies in the event of the death, resignation or lengthy impediment or prevention of the permanent representative.

Any employee of the Company may be appointed Director subject to an employment contract being executed prior to appointment, and corresponding to an actual employment. The number of Directors linked to the Company by an employment contract may in no event exceed one third of the Directors in office.

6.2.2 Current Board of Directors

As of 31 December 2015 the Board of Directors consisted of: 2 executive members representing the management of the Company: Mr. Jiri Dederá and Mr. Erik Morgenstern and 1 independent member, Mr. Edward Hughes.

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

The current Board of Directors is appointed until the annual general meeting of 2017 concerning the approval of the annual accounts for the financial year ending 31 December 2016.

The independent directors are not involved in management, are not employees or advisors with a regular salary and do not give professional services such as external audit services or legal advice. Furthermore, they are not related persons or close relatives of any management member or majority shareholder of the Company.

The Board of Directors meetings are held as often as deemed necessary or appropriate. All members, and in particular the independent and non-executive members, are guided by the interests of the Company and its business, such interests including but not limited to the interests of the Company's shareholders and employees.

6.2.3 Powers of the Board of Directors

The Board of Directors represents the shareholders and acts in the best interests of the Company. Each member, whatever his/her designation, represents the Company's shareholders.

The Board of Directors is empowered to carry out all and any acts deemed necessary or useful to accomplish the corporate purpose of the Company. All matters that are not reserved for the general meeting of shareholders by law or by the Articles of Association are within its authority.

In its relationship with third parties, the Company is bound by acts exceeding its corporate purpose, unless it can prove that the third party knew such act exceeded the Company's corporate purpose or should have known under the circumstances.

The Directors do not contract any personal obligation with regard to the commitments of the Company.

The Directors however remain responsible to the Company in accordance with common law as regards the due discharge of their duties as given and any faults committed during their period in office.

The Directors are jointly and severally liable, to the Company or to third parties if applicable, for all and any damages resulting from infractions to the provisions of the Luxembourg act of 10 August 1915 on commercial companies, as amended, or to the Articles of Association of the Company. They may only be granted discharge from such liability, with respect to infractions in which they have taken part, if no fault may be attributed to them and they have denounced such infractions before the next general meeting of shareholders as soon as they have become aware of such infractions.

6.2.4 Deliberations

The Board of Directors may only deliberate if a majority of its members are present or represented by proxy, which may be given in writing, by telegram, telex or fax. In cases of emergency the Directors may vote in writing, by telegram, telex, fax, electronic signature or by any other secured means.

The decisions of the Board of Directors must be made by majority vote; in case of a tie, the Chairman of the meeting shall have the deciding vote.

Resolutions signed unanimously by the members of the Board of Directors are as valid and enforceable as those taken at the time of a duly convened and held meeting of the Board.

The Board will regularly evaluate its performance and its relationship with the management.

6.2.5 Delegations of powers to Managing Directors

The Board of Directors may delegate all or part of its powers regarding the daily management as well as the representation of the Company with regard to such daily management to one or more Directors, who need not be shareholders. Actions in the daily management of the Company include all operations carried out in relation to the corporate purpose, such as real estate acquisitions, taking ownership interests and making loans to group companies, bank financing operations without limit as to their amount, as well as any kind of investment.

Any such delegation to a member of the Board of Directors is subject to the prior approval of the general meeting of shareholders, and any delegation must be filed with the Luxembourg Trade and Companies Register in accordance with the provisions of Article 9 of the Luxembourg act of 10 August 1915 on commercial companies, as amended.

The Board of Directors designates a Secretary, who is not required to be on the Board of Directors. The Secretary is in charge of convening the meetings of the Board of Directors, keeping the register of attendance and minutes and delivering requested copies or abstracts of the minutes.

In the event of the absence or impediment of the Managing Director, the Board of Directors will designate at the time of each meeting one of its members to act as Chairman of the meeting. Barring another agreement, the most senior Director will chair the meeting.

The Managing Director and Secretary are always eligible for re-election.

The general meeting of shareholders held on 26 May 2016 appointed Jiri Dederá as Managing Director (*administrateur délégué*) of the Company until the annual general meeting of shareholders concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2016. Mr. Dederá has been also appointed as the Chairman of the Board of Directors until the annual general assembly of the Company concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2016.

6.2.6 Signatory powers within the Board of Directors

The Company may be validly bound either by the joint signatures of any two Directors or by the single signature of a Managing Director.

6.2.7 Special commitments in relation to the election of the members of the Board of Directors

The Company is not aware of commitments that are in effect as of the date of this report by any parties relating to the election of members of the Board of Directors.

6.3 Committees of the Board of Directors

As of 31 December 2016 the Board of Directors has the following committees:

- Audit Committee
- Remuneration, Appointment and Related Party Transaction Committee

The implementation of decisions taken by these committees enhances the Company's transparency and corporate governance.

Independent and non-executive directors are a significant part of these committees.

6.3.1 Audit Committee

Following the changes in the Board of Directors composition throughout 2015 and 2016 the Audit Committee is now comprised of one independent member of the Board of Directors, Edward Hughes (chairman) and one executive director, Jiri Dederá. Company's CFO and Director, Erik Morgenstern also attends the Audit Committee meetings.

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Company's reporting procedures by business lines, reviews risk factors and risk control procedures, analyzes the Company's group structure, assesses the work of external auditors, examines consolidated accounts, verifies the valuations of real estate assets, and audits reports.

The Audit Committee has therefore invited persons whose collaboration is deemed to be advantageous to assist it in its work and to attend its meetings.

6.3.2 Remuneration, Appointment and Related Party Transaction Committee

Following the changes in the Board of Directors composition throughout 2015 the Remuneration, Appointment and Related Party Transaction Committee (the "Remuneration Committee") is now comprised of one independent member of the Board of Directors, Edward Hughes (chairman), and one executive director, Jiri Dederá. The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programs to be offered to the management and the Directors of the Company. The Remuneration Committee also deals with related party transactions.

The role of the Remuneration Committee is among other things to submit proposals to the Board regarding the remuneration of executive managers, to define objective performance criteria respecting the policy fixed by the Company regarding the variable part of the remuneration of top management (including bonus and share allocations, share options or any other right to acquire shares) and that the remuneration of non-executive Directors remains proportional to their responsibilities and the time devoted to their functions.

Given the reduced size of the Board, there was no meeting of the Remuneration Committee in 2016.

6.3.3 Management of the Company

The management is entrusted with the day-to-day running of the Company and among other things to:

- be responsible for preparing complete, timely, reliable and accurate financial reports in accordance with the accounting standards and policies of the Company;
- submit an objective and comprehensible assessment of the company's financial situation to the Board of Directors;
- regularly submit proposals to the Board of Directors concerning strategy definition;
- participate in the preparation of decisions to be taken by the Board of Directors;
- supply the Board of Directors with all information necessary for the discharge of its obligations in a timely fashion;

- set up internal controls (systems for the identification, assessment, management and monitoring of financial and other risks), without prejudice to the Board's monitoring role in this matter; and
- regularly account to the Board for the discharge of its responsibilities.

The members of the management meet on a regular basis to review the operating performance of the business lines and the containment of operating expenses.

As of 31 December 2016, the Company's management consisted of the following members:

Jiri Dederá, Chief Executive Officer & Managing Director, previously appointed as Deputy CEO, joined the Company in January 2014. Jiri has also been a Director of the Company since 4 February 2013 and is a member of the Company's Audit Committee and Remuneration Committee. Before joining the Company, Jiri was working for CPI Group as the Investment Director and before that for Deloitte and PricewaterhouseCoopers in the Czech Republic and in the United States. He graduated from the Technical University of Brno, Czech Republic.

Erik Morgenstern, Chief Financial Officer, has over 10 years of experience in various finance positions in the real estate sector, including Director of Accounting and IFRS and CFO. Prior to joining the Company Mr. Morgenstern worked for CPI PROPERTY GROUP. He graduated from the University of Economics Prague, Czech Republic.

6.4 Description of internal controls relative to financial information processing.

The Company has organized the management of internal control by defining control environment, identifying the main risks to which it is exposed together with the level of control of these risks, and strengthening the reliability of the financial reporting and communication process.

6.4.1 Control Environment

For the annual closure, the Company's management fills an individual questionnaire so that any transactions they have carried out with the Company as "Related parties" can be identified.

The Audit Committee has a specific duty in terms of internal control; the role and activities of the Audit Committee are described in this Management Report.

6.5 Remuneration and benefits

6.5.1 Board of Directors

See Note 11 in the Consolidated financial statements.

6.5.2 Top management

See Note 11 in the Consolidated financial statements.

6.6 Corporate Governance rules and regulations

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 only one class of shares carrying same rights.

The Company shares (ISIN LU0122624777) had been listed on the regulated market of Euronext Paris since 2000 and until their delisting as of 18 February 2016. The 314,507,629 Company shares (representing app. 23.9% of the total share capital) have been admitted to trading on the regulated market of the Luxembourg Stock Exchange on 15 October 2015. The 114,507,629 Company shares (representing app. 8.7% of the total share capital) have been admitted to trading on the regulated market of the Warsaw Stock Exchange.

The Company was informed by the Luxembourg Stock Exchange that it decided to suspend the trading of the Company shares (ISIN LU0122624777) on the regulated market of the Luxembourg Stock Exchange as of 9 June 2016. The Luxembourg Stock Exchange decided to proceed with such suspension from its own initiative. The Warsaw Stock Exchange informed the Company on 17 February 2017 that it suspended trading of the Company shares on the Warsaw Stock Exchange.

(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 is no restriction on the transfer of securities of the Company as of 31 December 2016.

(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:

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31 December 2016. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
CPI PROPERTY GROUP (directly and indirectly)	1,279,198,976	97.31%
Others	35,308,653	2.69%
Total	1,314,507,629	100.0%

In 2013, the Company transferred 1 share to Edward Hughes for free and until he holds the Board function. In 2014, the Company transferred 1 share to Jiri Dederá for free and until he holds the Board function. In 2016, the Company transferred 1 share to Erik Morgenstern for free and until he holds the Board function.

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

None of the Company's shareholders has voting rights different from any other holders of the Company's shares.

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

On 22 September 2016 the CSSF appointed PricewaterhouseCoopers *société cooperative* (Luxembourg) as the independent expert for the determination of the equitable price to be offered to the shareholders of the Company in the context of the mandatory takeover bid over Company's shares. To the best of Company's knowledge, neither the valuation report nor the offer document have been approved as of the date of this document.

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

This is not applicable. 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 is no restriction on voting rights.

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

To the knowledge of the Company, no shareholder agreements have been entered by and between shareholders that are in effect as of the date of this report.

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

See section 6.2.1 Appointment of Directors of this report.

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

See section 6.2.3 Powers of the Board of Directors of this report.

(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:

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in a potential liability for the Company due to "Change of Control Compensation Amount". According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 5.58/ 2014 Warrant in the event of a Change of Control as at 31 December 2015. This "Change of Control Compensation Amount" per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise." Pursuant to the judgement of the Paris Commercial Court terminating the Safeguard plan, only claims of the holders of Warrants 2014, that were admitted to the Safeguard plan will be paid in accordance with their contractual terms i.e. in case that the Change of Control would occur. The Change of Control Compensation Amount with respect to 2014 Warrants filed with their respective holders has been admitted in the Company's Safeguard plan only in the amount of EUR 707,826.24. Pre-Safeguard liabilities that were not admitted to the Company's Safeguard will be unenforceable. As at 31 December 2015 the Group holds 1,354,487 2014 Warrants.

To the knowledge of the Company, no other agreements have been entered by the Company.

(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:

As at 31 December 2016, there are no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labour codes.

As at 31 December 2015, there were no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labour codes.

6.7 Additional information

6.7.1 Legal form and share capital

ORCO PROPERTY GROUP is a public limited company ("*société anonyme*") incorporated and existing under Luxembourg law. Its corporate capital and subscribed and fully paid-up capital of EUR 13,145,076.29 is represented by 1,314,507,629 shares without nominal value. The accounting par value price is EUR 0.01 per share.

6.7.2 Date of incorporation and termination

The Company was incorporated by deed drawn on 9 September 1993 by Maître Frank Baden, for an indeterminate period of time.

6.7.3 Jurisdiction and applicable laws

The Company exists under the Luxembourg Act of 10 August 1915 on commercial companies, as amended.

6.7.4 Object of business

As described in article 4 of the updated Articles of Association of the Company, its corporate purpose is the direct acquisition of real property, the holding of ownership interests and the making of loans to companies that form part of its group. Its activity may consist in carrying out investments in real estate, such as the purchase, sale, construction, valorization, management and rental of buildings, as well as in the promotion of real estate, whether on its own or through its branches.

It has as a further corporate purpose the holding of ownership interests, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign companies, whether they are part of the group or not, the acquisition of all and any securities and rights by way of ownership, contribution, subscription, underwriting or purchase options, or negotiation, and in any other way, and in particular the acquisition of patents and licenses, their management and development, the granting to undertakings in which it holds a direct or indirect stake of all kinds of assistance, loans, advances or guarantees and finally all and any activities directly or indirectly relating to its corporate purpose. It may thus play a financial role or carry out a management activity in enterprises or companies it holds or owns.

The Company may likewise carry out all and any commercial, property, real estate and financial operations likely to relate directly or indirectly to the activities defined above and susceptible to promoting their fulfillment.

6.7.5 Trade register

RCS Luxembourg B 44 996.

6.7.6 Financial year

The Company's financial year begins on the first day of January and ends on the thirty-first day of December.

6.7.7 Distribution of profits and payment of dividends

Each year, at least five per cent of the net corporate profits are set aside and allocated to a reserve. Such deduction ceases being mandatory when such reserve reaches ten per cent of the corporate capital, but will resume whenever such reserve falls below ten per cent. The general meeting of shareholders determines the allocation and distribution of the net corporate profits.

Payment of dividends:

The Board of Directors is entitled to pay advances on dividends when the legal conditions listed below are fulfilled:

- an accounting statement must be established which indicates that the available funds for the distribution are sufficient;
- the amount to be distributed may not exceed the amount of revenues since the end of the last accounting year for which the accounts have been approved, increased by the reported profits and by the deduction made on the

available reserves for this purpose and decreased by the reported losses and by the sums allocated to reserves in accordance with any legal and statutory provision;

- the Board of Directors' decision to distribute interim dividends can only be taken within two months after the date of the accounting statement described above;
- the distribution may not be determined less than six months after the closing date of the previous accounting year and before the approval of the annual accounts related to this accounting year;
- whenever a first interim dividend has been distributed, the decision to distribute a second one may only be taken at least three months after the decision to distribute the first one; and
- the statutory and independent auditor(s) in its (their) report to the Board of Directors confirm(s) the conditions listed above are fulfilled.

Under general Luxembourg law, the conditions for making advances on dividends are less stringent than the conditions listed above, however, the more restrictive provisions of the Company's Articles of Association will prevail as the recent changes under Luxembourg law have not yet been reflected in the Articles of Association of the Company.

When an advance distribution exceeds the amount of dividend subsequently approved by the general meeting of shareholders, such advance payment is considered an advance on future dividends.

6.7.8 Exceeding a threshold

Any shareholder who crosses a threshold limit of 2.5%, 5%, 10%, 15%, 33 1/3%, 50% or 66 2/3% of the total of the voting rights must inform the Company, which is then obliged to inform the relevant controlling authorities. Any shareholder not complying with this obligation will lose his voting rights at the next general meeting of shareholders, and until proper major shareholding notification is made.

6.7.9 Documents on display

Copies of the following documents may be inspected at the registered office of the Company (tel : +352 26 47 67 1), 40 rue de la Vallée, L-2661 Luxembourg, on any weekday (excluding public holidays) during normal business hours:

1. Articles of Association of the Company;
2. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2016, 2015, and 2014, prepared in accordance with IFRS adopted by the European Union;

The registration document(s) and most of the information mentioned are available on the Company's website: www.orcogroup.com.

The registration document(s) is available on the website of Luxembourg Stock Exchange: www.bourse.lu.

6.8 External Auditors

KPMG Luxembourg are the external auditors of the Company. The appointment of KPMG expires at the end of the annual general meeting of shareholders to be convened in 2017 to approve the accounts for the financial year ended 31 December 2016.

7 Shareholding

7.1 Share capital and voting rights

The subscribed and fully paid-up capital of the Company of EUR 13,145,076.29 is represented by 1,314,507,629 shares without nominal value. The accounting par value is EUR 0.01 per share.

In addition to the issued and subscribed corporate capital of EUR 13,145,076.29, the Company has also an authorized, but unissued and unsubscribed share capital set at EUR 10,000,000.

All the shares issued by the Company are fully paid and have the same value. The shares will be either in the form of registered shares or in the form of bearer shares, as decided by the shareholder, except to the extent otherwise provided by law.

The shareholder can freely sell or transfer the shares. The shares are indivisible and the Company only recognizes one holder per share. If there are several owners per share, the Company is entitled to suspend the exercise of all rights attached to such shares until the appointment of a single person as owner of the shares. The same applies in the case of usufruct and bare ownership or security granted on the shares.

Joint owners of shares must be represented within the Company by one of them considered as sole owner or by a proxy, who in case of conflict may be legally designated by a court at the request of one of the owners.

7.2 Shareholder holding structure

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31 December 2016. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
CPI PROPERTY GROUP (directly and indirectly)	1,279,198,976	97.31%
Others	35,308,653	2.69%
Total	1,314,507,629	100.0%

7.3 General meetings of shareholders

7.3.1 Ordinary general meetings of shareholders

Shareholders at the general meetings of shareholders have the broadest powers to adopt or ratify any action relating to the Company. Directors' appointments are made in accordance with the ordinary rules of deliberating assemblies. Every shareholder is entitled to vote personally or by proxy in accordance with the provisions of the Articles of Association. Every shareholder may take part in the deliberations, with a number of votes equal to the number of shares held, without limitation. The Board of Directors is entitled to adjourn a meeting, while in session, to four weeks later on its own or upon request of a shareholder or shareholders. It must do so at the request of shareholders representing at least one-fifth of the share capital of the Company. Any such adjournment, which also applies to general meetings called for the purpose of amending the Articles of Association, will cancel any resolution passed until it is again taken up at the second general meeting. The second meeting is entitled to pass final resolutions provided that, in cases of amendment of the Articles of Association, the conditions as to quorum laid down by Article 23 of the Articles of Association are fulfilled.

The annual general meeting of shareholders is held on the last Thursday of May at 2 p.m. CET time in Luxembourg at the registered office or at such other place as may be specified in the notice convening the meeting. If such day is a public holiday, the meeting will be held on the previous business day. The Board of Directors and the auditors are entitled to convene the general meeting of shareholders. They must convene the meeting if shareholders which represent one-tenth of the share capital require it by a written request, indicating the agenda proposed for such meeting. Such meeting will be held within one month of the written request. The notices for each general meeting of shareholders will contain the agenda and will be published at least thirty days prior to the meeting, in the *Mémorial C, Recueil des Sociétés et Associations* and in a Luxembourg newspaper. If all shares are in registered form, the notices may be sent by registered mail. At the annual general meeting,

shareholders also receive the directors' and statutory and/or independent auditors' reports as well as the annual accounts. The annual accounts are to be filed by the directors of the Company with the Register of Commerce and Companies within one month of their approval.

7.3.2 Extraordinary general meetings of shareholders/bondholders

A resolution adopted at an extraordinary general meeting of shareholders may amend any provision of the Articles of Association. However, the nationality of the Company may be changed and the commitments of its shareholders may be increased only with the unanimous consent of all shareholders and bondholders of the Company.

The extraordinary general meeting of shareholders may not validly deliberate unless at least one half of the capital is represented and the agenda indicates the proposed amendments to the Articles, and where applicable, the text of those which concern the purposes or the form of the Company. If the first of these conditions is not satisfied, a second meeting may be convened, in the manner prescribed in the Articles of Association, by publishing at least seventeen days before the meeting, notices of such meeting in the *Mémorial C, Recueil des Sociétés et Associations* and in a Luxembourg newspaper. Such convening notice must reproduce the agenda and indicate the date and the results of the previous meeting. The second meeting will validly deliberate, regardless of the proportion of the capital that is represented. At both meetings, resolutions must be approved by at least two-thirds of the votes of the shareholders present or represented in order to be adopted.

Every shareholder is entitled to vote in person or by proxy. Each share entitles its holder to one vote. Any amendments concerning the purposes or the form of the Company must be also approved by the general meeting of all bondholders of the Company. Such meeting may not validly deliberate unless at least one half of the bonds outstanding are represented and the agenda indicates the proposed amendments. If the first of these conditions is not fulfilled, a second meeting may be convened in accordance with the conditions noted above. At the second meeting, bondholders who are not present or represented are regarded as being present and as voting for the proposals of the Board of Directors. The following requirements must be met subject to avoidance of any resolutions adopted in breach thereof:

- the notice of the second meeting must contain the agenda of the first meeting and indicate the date and the minutes of that meeting;
- the notice must specify the proposals of the Board of Directors on each of the items of such agenda, indicating the amendments proposed;
- the notice must contain a notice to bondholders that failure to attend the meeting shall be deemed to indicate support for the proposals of the Board of Directors.

At both meetings, resolutions are validly adopted if they receive the approval of two-thirds of the votes.

7.4 Stock subscription rights

See Note 6.13 of the consolidated financial statements.

7.5 Authorized capital not issued

The Company's extraordinary general meeting of 2 May 2016 resolved to modify, renew and replace the then existing authorized share capital and to set it to an amount of twenty million euro (EUR 20,000,000.00) for a period of five (5) years from 2 May 2016. Following the capital increase implemented in 2016, the Company now has the authorized, but unissued and unsubscribed share capital set at EUR 10,000,000, which would authorize the issuance of up to one billion (1,000,000,000) new ordinary shares in addition to the 1,314,507,629 shares currently outstanding.

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



PROPERTY GROUP

Management report

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

7.6 Transactions with treasury shares

As of 31 December 2016, the Company owns 20 treasury shares through its subsidiaries and none directly owned by the Company itself.

In the year 2016, no transactions with Company's treasury shares were recorded.

8 Potential risks and other reporting requirements

8.1 Subsequent closing events: See point 2 of this report

8.2 Other reporting requirements

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

The Company does not have any branch.

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

8.3 Financial Risks Exposure

For a thorough description of the principal risks and uncertainties, see note 7 in 2016 Consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk and other risks), credit risk and liquidity risk. 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.

8.3.1 Risk of the Company acting as guarantor of its subsidiaries under bank loans

The Company is frequently a guarantor of loans granted by various banks in different countries to the Company's various subsidiaries.

If a subsidiary is unable to meet its obligations under a particular loan agreement pursuant to which the Company has provided a guarantee, the Company may be required to reimburse the bank all amounts owed under such a loan agreement.

8.3.2 Certain subsidiaries may be in breach of loan covenants

As of the date of this report, none of the Company's subsidiaries are in breach of financial ratios specified in their respective loan agreements and administrative covenants.

8.3.3 The Group's financing arrangements could give rise to additional risk

When the Group acquires a property using external financing, the Group usually gives a mortgage over the acquired property and pledges the shares of the specific subsidiary acquiring the property. There can be no assurance that the registration of mortgages and pledges has been concluded in accordance with applicable local law, and a successful challenge against such mortgages or pledges may entitle the lender to demand early repayment of its loan to the Group. The Group's financing agreements contain financial covenants that could, among other things, require the Group to maintain certain financial ratios. In addition, some of the financing agreements require the prior written consent of the lender to any merger, consolidation or corporate changes of the borrower and the other obligors. Should the Group breach any representations, warranties or covenants contained in any such loan or other financing agreement, or otherwise be unable to service interest payments or principal repayments, the Group may be required immediately to repay such borrowings in whole or in part, together with any related costs. If the Group does not have sufficient cash resources or other credit facilities available to make such repayments, it may be forced to sell some or all of the properties comprising the Group's investment portfolio, or refinance those borrowings with the risk that borrowings may not be able to be refinanced or that the terms of such refinancing may be less favorable than the existing terms of borrowing.

8.3.4 Market risk

Foreign exchange risk

Currency risk is applicable generally to those business activities and development projects where different currencies are used for repayment of liabilities under the relevant financing to that of the revenues generated by the relevant property or project. 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 2.3.4.1 in 2016 Consolidated financial statements). Functional currency of the most Group companies is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

For more detail, please refer to note 7.1.1 (i) Foreign exchange risk of the Consolidated financial statements.

Price risk

To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments.

For more detail, please refer to note 7.1.1 (ii) Price risk of the Consolidated financial statements.

Interest rate risk

The Group uses floating and fixed rate debt financing to finance the purchase, development, construction and maintenance of its properties. When floating rate financing is used, the Group's costs increase if prevailing interest rate levels rise. While the Group generally seeks to control its exposure to interest rate risks by entering into interest rate swaps, not all financing arrangements are covered by such swaps and a significant increase in interest expenses would have an unfavorable effect on the Group's financial results and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Rising interest rates could also affect the Group's ability to make new investments and could reduce the value of the properties. Conversely, hedged interests do not allow the Company to benefit from falling interest rates.

For more detail, please refer to note 7.1.1 (iii) Cash flow interest risk of the Consolidated financial statements.

Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area (Central Europe) such activities are spread over several business lines (residences, offices) and different countries.

8.3.5 Credit risk

The Group has no significant concentrations of commercial credit risk. Rental contracts are made with customers with an appropriate credit history. Credit risk is managed by local management and by Group management.

For more detail, please refer to note 7.1.2 Credit risk of the Consolidated financial statements.

8.3.6 Liquidity risk

For more detail, please refer to note 7.1.3 Liquidity risk of the Consolidated financial statements.

8.3.7 Capital Risk management

For more detail, please refer to note 7.2 Capital Risk management of the Consolidated financial statements.

8.3.8 Risks associated with real estate and financial markets

Changes in the general economic and cyclical parameters, especially a continuation of the financial crisis, may negatively influence the Group's business activity.

The Group's core business activity is mainly based on the letting and sale of real estate property. The revenues from rents and revenues from sales of real estate property investments are key figures for the Group's value and profitability. Rents and sales prices depend on economic and cyclical parameters, which the Group cannot control.

The Group's property valuations may not reflect the real value of its portfolio, and the valuation of its assets may fluctuate from one period to the next.

The Group's investment property portfolio is valued at least once a year by an independent appraiser. The Group's property assets were valued as of 31 December 2015. The change in the appraised value of investment properties, in each period, determined on the basis of expert valuations and adjusted to account for any acquisitions and sales of buildings and capital expenditures, is recorded in the Group's income statements. For each euro of change in the fair value of the investment properties, the net income of the Group changes by one euro. Changes in the fair value of the buildings could also affect gains from sales recorded on the income statement (which are determined by reference to the value of the buildings) and the rental yield from the buildings (which is equal to the ratio of rental revenues to the fair value of the buildings). Furthermore, adverse changes in the fair value of the buildings could affect the Group's cost of debt financing, its compliance with financial covenants and its borrowing capacity.

The values determined by independent appraisers are based on numerous assumptions that may not prove correct, and also depend on trends in the relevant property markets. An example is the assumption that the Company is a "going concern", i.e., that it is not a "distressed seller" whose valuation of the property assets may not reflect potential selling prices. In addition, the figures may vary substantially between valuations. A decline in valuation may have a significant adverse impact on the Group's financial condition and results, particularly because changes in property values are reflected in the Group's consolidated net profit. Reversely, valuations may be lagging soaring market conditions, inadequately reflecting the fair property values at a later time.

The Group is also exposed to valuation risk regarding the receivables from its asset sales. Management values these receivables by assessing the credit risk attached to the counterparties for the receivables. Any change in the credit worthiness of a counterparty or in the Group's ability to collect on the receivable could have a significant adverse impact on the Group's financial position and results.

Changing residential trends or tax policies may adversely affect sales of developments.

The Group is involved in residential, commercial and retail development projects. Changing residential trends are likely to emerge within the markets in Central and Eastern Europe as they mature and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of the Group's residential developments. Changing real estate taxes or VAT taxes may also have a notable impact on sales (such as for example a hike in sales before implementation

of a tax increase followed by structurally lower sales). These factors will be considered within the investment strategy implemented by the Group but may not always be anticipated and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

9 Stock market performance

9.1 Shares of the Company

The Company shares (ISIN LU0122624777) had been listed on the regulated market of Euronext Paris since 2000 and until their delisting as of 18 February 2016.

The 314,507,629 Company shares (representing app. 23.9% of the total share capital) have been admitted to trading on the regulated market of the Luxembourg Stock Exchange on 15 October 2015. The 114,507,629 Company shares (representing app. 8.7% of the total share capital) have been admitted to trading on the regulated market of the Warsaw Stock Exchange.

The Company was informed by the Luxembourg Stock Exchange that it decided to suspend the trading of the Company shares (ISIN LU0122624777) on the regulated market of the Luxembourg Stock Exchange as of 9 June 2016. The Luxembourg Stock Exchange decided to proceed with such suspension from its own initiative. The Warsaw Stock Exchange informed the Company on 17 February 2017 that it suspended trading of the Company shares on the Warsaw Stock Exchange.

The Company intends to delist its share from the regulated markets, subject to legal and regulatory requirements.

Changes in share price and volume traded in 2016 are listed below.

Prices are in EUR/share:

Period	Low	High	Volume
jan-16	0.110	0.220	0
feb-16	0.130	0.150	2 564 047
mar-16	0.113	0.140	857 034
apr-16	0.105	0.179	456 318
may-16	0.123	0.196	1 238 200
jun-16	0.130	0.147	292 411
Total annual transactions			5 408 010

9.2 Other financial instruments of Orco Property Group

The table below sets forth the list of financial instruments of the Company.

Name	Type	ISIN
Orco Property Group shares listed at Luxembourg Stock Exchange ('LuxSE) – Warsaw Stock Exchange (GPW)	Equity	LU0122624777
Orco Property Group warrants: ORCOBSAAR1219	Equity	XS0290764728
Orco Property Group New Notes - OrcoPropertyGrp 7% 07/11/2019	Fixed income	XS0820547742

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

Settlement per bonds is described below:

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

10 Corporate Responsibility

Corporate responsibility and sustainable development is at the core of the strategy of the Company. The Group top management actively foster best practices as an opportunity to improve the cost efficiency of internal processes and the value creation of our it main activity - Development of properties.

11 Glossary & Definitions

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

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

Adjusted EBITDA

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

Average daily rate (ADR)

ADR is calculated by dividing the room revenue by the number of rooms occupied.

EPRA

European Public Real Estate Association.

EPRA NAV per share

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

EPRA Net Initial Yield

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

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV (according to IFRS) following adjustments are taken into consideration:

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

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

EPRA Vacancy rate

ERV of vacant space divided by ERV of the whole portfolio.

Estimated rental value (ERV)

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

Gross asset value (GAV)

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

Gross Estimated Floor Area (GEFA)

GEFA is a best estimate made by the Company of potential GLA on the Land bank to be developed in the future.

Gross Lettable Area (GLA)

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

Gross operating profit (GOP)

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

Gross rental income

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

Interests Cover Ratio (ICR)

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

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

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

Loan-to-Value

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

Market value

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

Net Lettable Area (NLA)

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

Net rental income

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

Occupancy rate (sqm)

The ratio of leased premises to leasable premises.

Passing rent

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

Reversion

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

Vacancy

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



ORCO PROPERTY GROUP S.A.

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

**DECLARATION LETTER
ANNUAL FINANCIAL REPORTS
AS AT 31 DECEMBER 2016**

1.1. Person responsible for the Annual Financial Report

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

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

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

- the consolidated financial statements of the Company as at 31 December 2016, prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole;
- the separated financial statements of the Company as at 31 December 2016 prepared in accordance with the Luxembourg legal and regulatory requirements related to the preparation of the annual accounts, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- that the Management Report as at 31 December 2016 provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

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

Luxembourg, on 31 March 2017

A handwritten signature in blue ink, appearing to read "J. Dederá", is written over a faint, illegible stamp.

Mr. Jiří Dederá
CEO, Managing Director

ORCO PROPERTY GROUP

Société Anonyme

Consolidated financial statements

As at and for the year ended 31 December 2016

ORCO PROPERTY GROUP's Board of Directors has approved the consolidated financial statements as at and for the period ended 31 December 2016 on 30 March 2017.

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

I. Consolidated income statement

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

	Note	12 months 2016	12 months 2015
Revenue	5.1	15,206	13,960
<i>Sale of goods</i>		2,345	1,914
<i>Rent</i>		7,212	8,008
<i>Services</i>		5,649	4,038
Net gain / (loss) from fair value adjustments on Investment Property	6.2	7,065	(14,940)
Other operating income		1,990	1,012
Net result on disposal of assets		481	34
Cost of goods sold	6.6	(1,955)	(2,183)
Employee benefits	5.3	(346)	(755)
Amortization, impairments and provisions	5.4	506	1,704
Other operating expenses	5.3	(7,017)	(12,168)
Operating result		15,930	(13,336)
Interest expense	5.5	(11,585)	(11,147)
Interest income	5.6	2,201	804
Foreign exchange result		25	1,743
Other net financial results	5.7	45,667	(5,895)
Financial result		36,308	(14,495)
Share of profit or loss of entities accounted for using the equity method	6.4.1	(886)	6,811
Profit before income taxes		51,352	(21,021)
Income taxes	5.8	112,892	220
Profit for the year		164,244	(20,800)
Total loss attributable to:			
Non-controlling interests	5.9	(1)	(329)
Owners of the Company		164,245	(20,471)
Basic earnings in EUR per share	6.13	0,17	(0,07)
Diluted earnings in EUR per share	6.13	0,17	(0,07)

II. Consolidated statement of comprehensive income

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

	Note	12 months 2016	12 months 2015
Profit for the period		164,244	(20,800)
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss		(35,849)	19,373
Currency translation differences		(3,708)	5,210
Change in value of available-for-sale financial assets	6.5	(32,141)	14,163
Total comprehensive expense attributable to:		128,395	(1,427)
Owners of the Company		128,396	(1,108)
Non-controlling interests		(1)	(319)

III. Consolidated statement of financial position

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

ASSETS			31 December 2016	31 December 2015
	Note			
NON-CURRENT ASSETS			536,822	355,607
Intangible assets	6.1		-	-
Investment property	6.2		239,790	241,825
Property, plant and equipment			26	353
Fixtures and fittings	6.3		26	353
Equity method investments	6.4		4	35
Financial assets available-for-sale	6.5		33,042	106,522
Non-current loans and receivables	6.5.1		149,935	6,873
Deferred tax assets	6.5.2		114,025	-
CURRENT ASSETS			53,635	16,641
Inventories	6.6		6,524	7,774
Trade receivables	6.7		3,833	3,409
Derivative instruments	6.9		38,732	-
Cash and cash equivalents	6.8		2,215	3,264
Other current financial assets	6.10		1,162	404
Other current non-financial assets	6.11		1,169	1,790
ASSETS HELD FOR SALE	6.12		23,209	6,314
TOTAL			613,666	378,562

EQUITY & LIABILITIES			31 December 2016	31 December 2015
EQUITY			413,273	204,589
Equity attributable to owners of the Company			412,798	204,402
Non-controlling interests			475	187
LIABILITIES			200,393	173,974
Non-current liabilities			158,977	88,113
New Notes / Bonds	6.14		15,705	60,714
Financial debts	6.16		128,348	20,394
Provisions	6.17		1,712	2,140
Other long term liabilities	0		301	989
Deferred tax liabilities	5.8		12,911	3,876
Current liabilities			26,548	81,909
New Notes / Bonds	6.14		142	668
Financial debts	6.16		19,378	68,512
Trade payables			1,657	4,937
Advance payments			395	1,845
Derivative instruments	6.16.3		7	332
Other current financial liabilities	6.18.1		1,939	2,606
Other current non-financial liabilities	6.18.2		3,030	3,009
LIABILITIES LINKED TO ASSETS HELD FOR SALE	6.12		14,868	3,951
TOTAL			613,666	378,562

IV. Consolidated statement of changes in equity

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

	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
At 1 January 2015	31,451	686,364	8,686	-	(520,991)	205,510	506	206,016
Comprehensive income:								
Loss for the period					(20,471)	(20,471)	(329)	(20,800)
Other comprehensive income / (expense)			5,200		14,163	19,363	10	19,373
Total comprehensive income / (expense)	-	-	5,200	-	(6,308)	(1,108)	(319)	(1,427)
At 31 December 2015	31,451	686,364	13,886	-	(527,299)	204,402	187	204,589
Comprehensive income / (expense):								
Profit for the period					164,245	164,245	(1)	164,244
Other comprehensive income / (expense)			(3,708)		(32,141)	(35,849)		(35,849)
Total comprehensive income / (expense)	-	-	(3,710)	-	132,104	128,396	(1)	128,395
Capital decrease on 2 May 2016	Note 6.13	(28,306)	28,306			-		-
Capital increase on 10 May 2016	Note 6.13	10,000	70,000			80,000		80,000
Non-controlling interests' transactions						-	289	289
At 31 December 2016	13,145	784,670	10,178	-	(395,195)	412,798	475	413,273

Definitions

Share Capital is the initial par value for which the shareholders subscribed the shares from the issuing company.

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

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

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

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

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

V. Consolidated statement of cash flows

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

		31 December 2016	31 December 2015 (restated)
OPERATING RESULT		15,930	(13,336)
Net gain / loss from fair value adjustments on investment property		(7,065)	14,940
Amortization, impairments and provisions	5.4	(506)	(1,704)
Net result on disposal of assets		(500)	(34)
Adjusted operating profit / loss		7,859	(134)
Financial result	5.6	(69)	(927)
Income tax paid		(40)	(193)
Financial result and income taxes paid		(109)	(1,120)
(Increase) Decrease in Inventories		877	2,700
(Increase) Decrease in trade receivables		(876)	(200)
(Increase) Decrease in other current financial assets		(615)	-
(Increase) Decrease in other current non-financial assets		338	-
Increase (Decrease) in trade payables		(2,376)	1,000
Increase (Decrease) in other payables		(1,441)	-
Exchange rate differences		52	-
Other changes		192	(64)
Changes in operating assets and liabilities		(3,849)	3,436
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		3,899	2,182
Acquisition of subsidiaries, net of cash acquired		(51,641)	-
Capital expenditures and tangible assets acquisitions		(1,604)	(1,114)
Proceeds from sales of non-current tangible assets		4,105	674
Purchase of financial assets		-	-
Loans provided		(138,733)	(60)
Dividends received		-	1,348
Proceeds from disposal of subsidiaries		-	472
Proceeds from disposal of financial assets		42,611	469
Disposal of subsidiaries net of cash acquired		22,929	(220)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		(122,333)	1,569
Proceeds from issuance of ordinary shares		80,000	-
Proceeds from capital increase in subsidiary by non-controlling interests		-	-
Proceeds from borrowings	6.16	156,041	26,795
Net interest paid	5.5	(3,647)	(3,235)
Repayment on Safeguard bonds and New Notes	6.14	(50,575)	(10,440)
Repayments of borrowings	6.16	(62,015)	(15,110)
Repayment interests on Safeguard bonds and New Notes	6.14	(2,899)	(4,866)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		116,905	(6,856)
NET INCREASE/(DECREASE) IN CASH		(1,529)	(3,105)
Cash and cash equivalents at the beginning of the year		3,264	7,103
Cash and cash equivalents at the beginning of the year of assets held for sale		479	(736)
Exchange difference on cash and cash equivalents		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.7	2,215	3,264

1 General information

ORCO PROPERTY GROUP, *société anonyme* (the “**Company**”) and its subsidiaries (together the “**Group**” or “**OPG**”) is a real estate group with a major portfolio in Central and Eastern Europe. The core business of the Group is principally the development of properties for its own portfolio or intended to be sold in the ordinary course of business as well as providing of equity loans to other entities within the CPI PG group.

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

Change in shareholder structure:

On 8 June 2016, CPI PROPERTY GROUP S.A. (“CPI PG”) group through its fully owned subsidiary NUKASSO HOLDINGS LIMITED acquired 100% stake in three legal entities – Aspley Ventures Limited, Fetumar Development Limited and Jagapa Limited. As at the date of the acquisition these three entities directly hold 91.29% share in the Company. Moreover, on 8 June 2016 NUKASSO HOLDINGS LIMITED acquired directly 79,080,996 of OPG shares corresponding to approximately 6.02 % share in OPG. As a result of such acquisitions, CPI PG became the main shareholder of the Company, holding 97.31% Company shares. As at 31 December 2016, Radovan Vitek, indirectly owns 89.1% of CPI PG (90.18% voting rights).

As a result of the above stated acquisition, CPI PG (via NUKASSO HOLDING LIMITED) was obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company. CPI PG filed with the Commission de Surveillance due secteur Financier (“CSSF”) draft of the offer document for the approval. Following the announcement of the obligation of the latter to launch a mandatory takeover bid the Luxembourg Stock Exchange decided to suspend the trading of the Company shares on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange decided to proceed with such suspension from its own initiative.

The structure of the shareholders as at 31 December 2016 is as follows:

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

Others 35 308 653 shares 2.69% voting rights

Total 1 314 507 629 shares 100.00% voting rights

As at 31 December 2016 the Board of Directors consists of the following directors:

Mr. Jiri Dederá

Mr. Edward Hughes

Mr. Erik Morgenstern

As at 31 December 2015 the Board of Directors consisted of the following directors:

Mr. Jiri Dederá

Mr. Edward Hughes

Mr. Pavel Spanko

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

2 Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are disclosed in note 2.3. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

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

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

2.2 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Board of Directors is required to consider whether the Group can continue in operational existence for the foreseeable future. The Board of Directors is of the view that no material uncertainty towards going concern exists as at 31 December 2016 primarily based on the following reasons:

- Substantial deleveraging of the Group in 2016 following the capital increase by EUR 80 million in May 2016
- Current assets exceed current liabilities by EUR 27.1 million.
- The Group had a cash and cash equivalents balance of EUR 2.2 million as at 31 December 2016

Based on the aforementioned facts, the Board of Directors considers the going concern basis of preparation to be appropriate for the consolidated financial information. Thus, the consolidated financial statements as at 31 December 2016 have been prepared on the going concern basis that contemplates the continuity of regular business activities and realization of assets together with the settlement of liabilities in the ordinary course of business.

2.3 Correction of error

During 2016, the Group noticed that there were some misstatements in the classification of cash flows under the caption "Financial result" relating to the disposal of subsidiaries and joint ventures, early repayment of bonds and reclassifications on working capital. The 31 December 2015 statement of cash flows has been restated with the following adjustments:

- Cash flows relating to disposal of subsidiaries and joint ventures in the amount of EUR 0.2 million were classified as part of cash flows from operating activities under "Financial result" while they should have been classified as part of cash flows from investing activities under caption "Disposal of subsidiaries net of cash required".
- Early repayments of bonds in the amount of EUR 3.8 million were classified as part cash flows from operating activities under "Financial result" while they should have been classified as part of cash flows used in financing activities under "Repayment on Safeguard bonds and New Notes".
- Finally, in order to provide a better understanding of the working capital, EUR1.1 million were reclassified from "Financial result" to "Other changes" within cash flows from operating activities.

The below table restates the 31 December 2015 statement of cash flows.

	31 December 2015 (as reported)	Adjustments	31 December 2015 (as restated)
OPERATING RESULT	(13,336)		(13,336)
Net gain / loss from fair value adjustments on investment property	14,940		14,940
Amortization, impairments and provisions	(1,704)		(1,704)
Net result on disposal of assets	(34)		(34)
Adjusted operating profit / loss	(134)		(134)
Financial result	(6,087)	5,160	(927)
Income tax paid	(193)		(193)
Financial result and income taxes paid	(6,280)	5,160	(1,120)
(Increase) Decrease in Inventories	2,700		2,700
(Increase) Decrease in trade receivables	(200)		(200)
(Increase) Decrease in other current financial assets	-		-
(Increase) Decrease in other current non-financial assets	-		-
Increase (Decrease) in trade payables	1,000		1,000
Increase (Decrease) in other payables	-		-
Exchange rate differences	-		-
Other changes	1,036	(1,100)	(64)
Changes in operating assets and liabilities	4,536	(1,100)	3,436
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(1,878)	4,060	2,182
Acquisition of subsidiaries, net of cash acquired	-		-
Capital expenditures and tangible assets acquisitions	(1,114)		(1,114)
Proceeds from sales of non-current tangible assets	674		674
Purchase of financial assets	-		-
Loans granted to joint ventures and associates	(60)		(60)
Dividends received	1,348		1,348
Proceeds from disposal of subsidiaries	472		472
Proceeds from disposal of financial assets	469		469
Disposal of subsidiaries net of cash acquired	-	(220)	(220)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	1,789	(220)	1,569
Proceeds from issuance of ordinary shares	-		-
Proceeds from capital increase in subsidiary by non-controlling interests	-		-
Proceeds from borrowings	26,795		26,795
Net interest paid	(3,235)		(3,235)
Repayment on Safeguard bonds and New Notes	(6,600)	(3,840)	(10,440)
Repayments of borrowings	(15,110)		(15,110)
Repayment interests on Safeguard bonds and New Notes	(4,866)		(4,866)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(3,016)	(3,840)	(6,856)
NET INCREASE/(DECREASE) IN CASH	(3,105)		(3,105)
Cash and cash equivalents at the beginning of the year	7,103		7,103
Cash and cash equivalents at the beginning of the year of assets held for sale	(736)		(736)
Exchange difference on cash and cash equivalents	-		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,264		3,264

2.4 Summary of significant accounting policies

Except for the changes described below in note 2.4.1, 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.

2.4.1 Changes in accounting policies

2.4.1.1 New and amended standards adopted by the Group in 2016

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

The nature and the impact of each new standard/amendment are described below:

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

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

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

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

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

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

IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' has the following amendments:

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

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

2.4.1.2 New standards and interpretations not yet adopted

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

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The

standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Group's accounting treatment of financial instruments. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU adoption. The Group is assessing the impact of IFRS 15.
- IAS 12 'Income Taxes' amendments deals with the clarification of accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The entities would have to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. The amendment is effective for annual periods beginning on or after 1 January 2017. The Group is yet to assess IAS 12's full impact.
- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 (early application is permitted), will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Group is currently assessing the impact of IFRS 16.

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

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

2.4.1.3 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:

- Inventories at lower of cost or net realisable value;
- Assets held for sale at fair value;
- investment property is measured at fair value;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- financial assets available-for-sale are measured at fair value.

2.4.1.4 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 2.4.4.

2.4.1.5 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 consolidated financial statements is included in the following notes:

- Note 2.4.6 – Classification of investment property

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 2.5.1. – Valuation of investment property
- Note 5.8 - Recognition of deferred tax assets
- Note 7 - Financial risk management
- Note 2.4.10 - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs

2.4.2 Consolidation

2.4.2.1 Basis of consolidation

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 consolidated statement of profit or loss.

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

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

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

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

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

Property asset acquisition

Transactions that do not meet the requirements of IFRS 3 Business combinations due to the fact that acquired company does not constitute a business in accordance with the IFRS 3 are accounted for as asset acquisitions with the impact to profit and loss statement.

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 accounted for as if the acquisition had occurred at the beginning of the period presented. 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.

2.4.2.2 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.

2.4.2.3 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.

2.4.2.4 Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Interests in associates and joint venture are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes transaction cost.

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

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

2.4.2.5 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.

2.4.3 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.

2.4.4 Foreign currency translation

2.4.4.1 Functional and presentation currency

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

The exchange rates to euro (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2016		31 December 2015	
		Average	Closing	Average	Closing
CZK	Czech Koruna	27.0330	27.0200	27.2830	27.0250
HRK	Croatian Kuna	7.5333	7.5597	7.6137	7.6380
HUF	Hungarian Forint	311.4639	311.0200	309.9035	313.1200
PLN	Polish Zloty	4.3625	4.4240	4.1836	4.2615

Summary of countries and functional currencies:

Country	Functional currency
Czech Republic	CZK
Germany	EUR
Luxembourg	EUR
Poland	PLN
Hungary	HUF
Guernsey	EUR

2.4.4.2 Transactions and balances

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.

2.4.4.3 Foreign operations

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

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

Cash flows of foreign operations are translated to Euros at exchange rates approximating the foreign exchange rates at the dates of the transactions.

The following exchange rates were used during translations:

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

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

Date	Closing exchange rate EUR/HUF	Average exchange rate EUR/HUF for the 12-month period
31 December 2016	0.323	0.321
31 December 2015	0.317	0.323
31 December 2014	0.317	0.

2.4.5 Intangible assets

2.4.5.1 Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy Note 2.4.10).

2.4.5.2 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.

2.4.5.3 Amortisation

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.

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

2.4.6 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.

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.

2.4.7 Property, plant and equipment

2.4.7.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy note 2.4.10).

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.

2.4.7.2 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.

2.4.7.3 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 periods are as follows:

Assets	2016	2015
Property	50-80 years	50-80 years
Equipment	5-10 years	5-10 years
Fittings	3-20 years	3-20 years

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

2.4.8 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.

2.4.9 Financial instruments

2.4.9.1 Non-derivative financial assets

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

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

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

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

Loans provided

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy Note 2.4.10).

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

The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition of these financial assets).

The Group classifies as current any part of long-term loans that is due within one year from the reporting date.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy Note 2.4.10).

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 Note 2.4.10) 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 clearly inappropriate are carried at cost.

Available-for-sale financial assets comprise equity securities.

2.4.9.2 Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings, New Notes, 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.

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.

2.4.9.3 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.

2.4.9.4 Derivative financial instruments

Derivatives are initially recognized in the consolidated statement of financial position at their fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value which is generally the market value. Derivatives are presented at the reporting date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under "other net financial results".

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated statement of financial position and changes in fair value are accounted for through the consolidated income statement under "other net financial results".

2.4.10 Impairment

2.4.10.1 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.

Available-for-sale financial assets

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

2.4.10.2 Non - financial assets

The carrying amounts of the Group's non-financial assets, other than investment property (see accounting policy Note 2.4.6), inventories, and deferred tax assets (see accounting policy Note 2.4.15) 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 (CGUs) - 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 amortisation, if no impairment loss had been recognised.

2.4.11 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.

2.4.12 Revenue

2.4.12.1 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.

2.4.12.2 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.

2.4.12.3 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.

2.4.12.4 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.

2.4.12.5 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.

2.4.12.6 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.

2.4.13 Expenses

2.4.13.1 Service costs and property operating expenses

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

2.4.13.2 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.

2.4.14 Interest income, Interest expenses 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.

2.4.15 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;

- 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.

2.4.16 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.

2.5 Determination of fair value

2.5.1 Investment property

Investment properties are stated at fair value as at 31 December 2016 based on the external valuations performed by professionally qualified valuers. The Group's property portfolio is valued by Cushman & Wakefield, MAZARS and RSM Tacoma. An insignificant part of the land bank portfolio (EUR 5.01 million) was valued by the internal valuation department of CPI PG. As at 31 December 2015 the fair values was based on the external valuation performed by Cushman & Wakefield and MAZARS and no internal valuation was performed. The process is performed at least once a year. The results of independent valuations were further reviewed by the 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 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 fair value of properties is based on the highest and best use of the assets as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to that of the Group 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 2015 respectively, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in more developed and active markets.

Following methods of investment property valuation were used with respect of its segment classification.

2.5.1.1 Office, Industry and Logistics

Office, logistics and industry properties have been valued using predominantly income capitalization and discounted cash flow valuation technique. Income capitalization method is based on the capitalization of the net annual income the property generates or is potentially able to generate. On lease expiry future income flows have been capitalized into perpetuity at the estimated rental value, taking into account expiry voids and rent free periods. The net income is the total rental income reduced by the costs the landlord cannot cover from the tenants. The capitalisation yield (equivalent yield) is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing

seller in the arm's length transaction. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation.

2.5.1.2 Land and vacant buildings

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

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

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

In assessing the Gross Development Value, the valuator adopted a market approach by estimating the market rental values for the accommodation being developed, and the appropriate capitalisation rate which a potential investor would require, to arrive at the Market Value of the completed and leased building. Result of the residual valuation method is verified by the application of the comparison method as cross-check method.

2.6 Critical accounting estimates and assumptions

2.6.1 Properties fair value measurement

The properties have been classified according to their nature and risks. The following factors have been taken into consideration:

- The real estate segment which encompasses office, logistic and land bank;
- The geographical location in Central Europe (CE).

Each group of assets is then categorized according to the valuation hierarchy which is directly related to the valuation methodology:

- 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).

Level 3 fair value valuation method integrates non observable inputs and includes:

- Income approach such as discounted cash flow and income capitalization method. It requires the non-observable inputs such as discount rates, exit capitalization rates or equivalent yield;
- Development appraisal or residual value method requiring the estimate of the expected gross development value of the project, the required costs to complete the project and the margin that a potential investor would require to complete the project;
- Sales comparison approach (market comparable method) can be considered as a level 3 valuation method type when some of the input are not observable or when liquidity of the market is particularly low.

2.6.1.1 Main observable and non-observable inputs

a) Inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and non-observable inputs for each class of property owned by the Group, used by the valuers as at 31 December 2016 and 31 December 2015.

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	-	55 EUR (55 EUR)
				Net current income per sqm	27 EUR	-	27 EUR (27 EUR)
				Equivalent yield	9,21%	-	9,21% (9,21%)
				Vacancy rate	27,49%	-	27,49% (27,49%)
				Fair value (EUR million)			
Poland	Office	Income capitalisation	Level 3	Estimated rental value per sqm	241 EUR		241 EUR (241 EUR)
				Net current income per sqm	234 EUR		234 EUR (234 EUR)
				Equivalent yield	6,5%	-	6,5% (6,50%)
				Vacancy rate	0%		0% (0,00%)
				Fair value (EUR million)			
Czech Republic	Industry and Logistic	Income capitalisation	Level 3	Estimated rental value per sqm	21 EUR		21 EUR (21 EUR)
				Net current income per sqm	17 EUR		17 EUR (17 EUR)
				Equivalent yield	11,84%		11,84% 11,84%
				Vacancy rate	20,60%		20,60% 20,60%
				Fair value (EUR million)			
Czech Republic	Land Bank	Comparable	Level 3	Fair value per sqm	3 EUR	-	943 EUR (179 EUR)
				Fair value (EUR million)			
Czech Republic	Land Bank	Residual	Level 3	Total EMRV per sqm	88 EUR		157 EUR (128 EUR)
				Gross development value per sqm	1,065 EUR		2,256 EUR (1,762 EUR)
				Development margin	20,00%		22,50% 21,04%
				Fair value (EUR million)			
Czech Republic	Asset Held for Sale			Valued on transaction basis (EUR million)			22,9

31 December 2015	Asset Type	Valuation technique	Fair value hierarchy	Significant inputs	unobservable	Weighted average Min	Max	Avg
Czech Republic	Office	Income capitalisation	Level 3	Estimated rental value per sqm		55 EUR	- 150 EUR	(131 EUR)
				Net current income per sqm		27 EUR	- 131 EUR	(109 EUR)
				Equivalent yield		7,37%	- 9,19%	(7,98%)
				Vacancy rate		10,24%	- 25,72%	(16,04%)
				Fair value (EUR million)				62,4
Luxembourg	Office	Income capitalisation	Level 3	Estimated rental value per sqm		276 EUR	276 EUR	(276 EUR)
				Net current income per sqm		236 EUR	236 EUR	(236 EUR)
				Equivalent yield		7,8%	7,8%	(7,80%)
				Vacancy rate		9,04%	9,04%	(9,04%)
				Fair value (EUR million)				23,6
Hungary	Office	Income capitalisation	Level 3	Estimated rental value per sqm		87 EUR	87 EUR	(87 EUR)
				Net current income per sqm		19 EUR	19 EUR	-(19 EUR/)
				Equivalent yield		11,45%	11,45%	(11,45%)
				Vacancy rate		87,89%	87,89%	(87,89%)
				Fair value (EUR million)				6,2
Hungary	Office	Comparable	Level 3	Fair value per sqm		305 EUR	305 EUR	(305 EUR)
				Fair value (EUR million)				1,4
Poland	Office	Income capitalisation	Level 3	Estimated rental value per sqm		239 EUR	239 EUR	(239 EUR)
				Net current income per sqm		233 EUR	233 EUR	(233 EUR)
				Equivalent yield		6,75%	6,75%	(6,75%)
				Vacancy rate		0%	0%	(0,00%)
				Fair value (EUR million)				4,7
Czech Republic	Industry and Logistic	Income capitalisation	Level 3	Estimated rental value per sqm		20 EUR	20 EUR	(20 EUR)
				Net current income per sqm		14 EUR	14 EUR	(14 EUR)
				Equivalent yield		12,00%	12,00%	12,00%
				Vacancy rate		31,00%	31,00%	31,00%
				Fair value (EUR million)				1,2

31 December 2015	Asset Type	Valuation technique	Fair hierarchy	value	Significant unobservable inputs	Weighted average			
						Min	Max	Avg	
Czech Republic	Land Bank	Comparable		Level 3	Fair value per sqm	7 EUR	-	533 EUR	(185 EUR)
						Fair value (EUR million)			142,4
Poland	Asset Sale	Held For			Valued on transaction basis (EUR million)				4.2

b) Sensitivity information:

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the entity's portfolios are:

- Equivalent Yield
- Estimated Rental Value (ERV) for rental asset
- Expected time for lift of Building Moratorium

Change of the valuation rates would result in the following fair values on the portfolio of assets valued by discounted cash flow valuation method and income capitalization as at the valuation date 31st December 2016:

31 December 2016

ERV	CZ Office	Equivalent Yield		
		- 0.25 %	0	+ 0.25 %
	- 5.0 %	7,90	7,88	7,85
	0	8,31	8,29	8,26
	+ 5.0 %	8,72	8,70	8,67

Figures in EUR Million

ERV	PL Office	Equivalent Yield		
		- 0.25 %	0	+ 0.25 %
	- 5.0 %	4,68	4,66	4,65
	0	4,83	4,82	4,80
	+ 5.0 %	4,98	4,97	4,95

Figures in EUR Million

ERV	CZ Industrial	Equivalent Yield		
		- 0,25 %	0	+ 0,25 %
	- 5,0 %	1,17	1,17	1,17
	0	1,24	1,23	1,23
	+ 5,0 %	1,30	1,29	1,29

Figures in EUR Million

Due to the fact that the Building Moratorium (which imposes a ban on building construction) is still valid for the Bubny area there exists the uncertainty about the length of time to obtain the relevant permits and future use of the land. External valuers considered more scenarios (with different gross buildable areas and future use of the land) to which they have assigned probabilities.

The application of scenario with the largest gross buildable areas would result into increase of land bank property fair value by EUR 14.4 million and with the smallest areas would result into decrease fair value by EUR 18.0 million.

Expected time for lift of Building Moratorium for this area is 2018. Prolongation of period assumed for repeal of Building Moratorium by one year would result into decrease of respective land bank property fair value by EUR 1.8 million.

To reflect time, risk margin and risk of market evolution 3.5% discount rate was applied. Increase of the discount rate by 0.25% would result into decrease of fair value of EUR 0.3 million and decrease of the discount rate by 0.25% would result into increase of fair value of EUR 0.3 million.

31 December 2015

The comparative sensitivity analysis as at 31 December 2015 is presented as already published in the consolidated financial statements for the Group for 2015. Restatement of the comparative would be both costly and impracticable since for 2015 these data are not available in the necessary format and quality. The management of the Company believes that change of the presentation of the sensitivity analysis better reflects the IFRS requirements on disclosures and enhances the use of consolidated financial statements.

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the entity's portfolios are:

- Equivalent Yield
- Estimated Rental Value (ERV) for rental asset or Gross Development Value (GDV) for residual
- Ability to obtain the permits for certain land bank properties

Change of the valuation rates would have the following impact on the portfolio of assets valued by discounted cash flow valuation method and income capitalization:

Figures in EUR Million

Investment Properties

Portfolio - Investment Properties	Equivalent Yield	
	EY - 25 bps	EY + 25 bps
Czech Republic	2.2	(2.1)
Hungary	0.2	(0.2)
Luxembourg	0.8	(0.7)
Poland	0.4	(0.4)
Total	3.6	(3.4)

EY : Equivalent Yield

Furthermore, significant increase (or decrease) of the GDV or ERV assumptions would result in isolation in a similar significant increase (or decrease) of the fair value of the assets. Significant increase (or decrease) of costs or capital expenditures assumptions in isolation would result in a significantly lower (or higher) fair value measurement.

Prolongation of period assumed for lift up Building moratorium by one year would result into decrease of respective land bank property fair value by EUR 1.7 million.

2.6.1.2 Changes in fair value by class and level

The Group's investment property is measured at fair value. The following table discloses the changes in fair value per class and geographical area and includes investment properties classified as held for sale.

Class	Freehold buildings		Total	Land banks	Total Group	Investment properties	Assets held for sale*
	Office	Logistics and Industrial	Freehold buildings				
Fair value hierarchy level	3	3		3			
Geographical area	Central Europe	Central Europe		Central Europe			
Fair value as of December 2015	98,322	5,391	103,713	142,353	246,066	241,825	4,241
<i>o/w Assets held for sale</i>	-	4,241	4,241	-	4,241		
Investments / acquisitions	539	7	546	1,056	1,602	1,602	
Asset sales	-	(3,866)	(3,866)	(134)	(4,000)	(134)	(3,866)
Change in value	502	71	573	6,492	7,065	7,065	
Translation differences	(143)	-	(143)	45	(98)	(98)	
Other movements**	(63,612)	(375)	(63,987)	76,017	12,030	(10,470)	22,500
Fair value as of December 2016	35,608	1,228	36,836	225,829	262,665	239,790	22,875
<i>o/w Assets Held for Sale</i>	22,500	-	22,500	375	22,875		

(*) The column "Assets held for sale" will not necessarily reconcile to the amounts disclosed in Note 6.12 as the amounts disclosed in the table above are limited to the investment properties, while the note 6.12 presents the sum of all the assets classified as held for sale. 0 presents the sum of all the assets classified as held for sale.

(**) Line Other movements represents acquisition of subsidiaries or group of assets, changes in the Group and transfers among particular classes.

Class	Total freehold buildings		
	Office	Logistics and Industrial	
Fair value hierarchy level	3	3	
Geographical area	Central Europe	Central Europe	
Fair value as of December 2014	97,720	7,840	105,560
<i>o/w Assets held for sale</i>	-	-	-
Investments / acquisitions	393	6	399
Asset sales	(1)	(68)	(69)
Change in value	(1,455)	(2,464)	(3,919)
Translation differences	1,665	77	1,742
Other movements**	-	-	-
Fair value as of December 2015	98,322	5,391	103,713
<i>o/w Assets Held for Sale</i>	-	4,241	4,241

Class	Land banks			Total land Banks	Total
	3	2	3		
Fair value hierarchy level	3	2	3		
Geographical area	Central Europe	Central Europe	Croatia		
Fair value as of December 2014	144,116	476	470	145,062	250,622
<i>o/w Assets held for sale</i>	1,386	-	-	1,386	1,386
Investments / acquisitions	715	-	-	715	1,114
Asset sales	(1,156)	(476)	(65)	(1,697)	(1,766)
Change in value	(10,617)	-	(404)	(11,021)	(14,940)
Translation differences	3,761	(5)	3	3,759	5,501
Other movements**	5,534	5	(4)	5,535	5,535
Fair value as of December 2015	142,353	-	-	142,353	246,066
<i>o/w Assets Held for Sale</i>	-	-	-	-	4,241

Investment properties	Assets held for sale*
249,236	1,386
1,114	-
(413)	(1,353)
(14,940)	-
5,501	-
1,327	4,208
241,825	4,241

(*) The column "Assets held for sale" will not necessarily reconcile to the amounts disclosed in Note 6.12 as the amounts disclosed in the table above are limited to the investment properties, while the note 6.12 presents the sum of all the assets classified as held for sale.

(**) Line Other movements represents acquisition of subsidiaries or group of assets, transfers from Inventories and impact of deconsolidation.

2.6.2 Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction, that the Group intends to finalize, whether classified as property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by an independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

When a development is suspended, the impairment test is based on its fair value if it were to be sold as is (as determined by an independent expert) and not based on the present development value. The difference primarily relates to the margin that an acquiring developer would request in order to take over the development risks.

2.6.3 Income taxes assumptions

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.4.15, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

2.7 Critical judgments in applying the Group's accounting policies

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is summarised below.

2.7.1 Recognition and measurement of deferred taxes and provision for income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

The capacity to recognize the deferred tax asset arising from the temporary differences is assessed on the level of the fiscal entity. If it is not probable that the entity will achieve taxable profits in future accounting periods against which the tax losses or tax credits can be utilized the deferred tax asset is derecognized on the line "Deferred tax asset (DTA) derecognition".

2.7.2 Classification of non-current assets as held for sale

The Management determines whether a non-current asset has to be classified as held for sale when the following conditions are met:

- there is a formal decision taken by the Board of Directors to sell the asset at a price which is reasonable compared to its current fair value;
- the asset is available for immediate sale;
- the sale is highly probable and should be completed within the 12 months following the balance sheet date.

3 The Group Structure

Control of the Group

Orco Property Group is the Group's ultimate parent. For list of subsidiaries refer to Note 11.1.

3.1 Changes in the Group in 2016

3.1.1 Disposal of Marki project

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

3.1.2 Disposal of subsidiaries in H1 2016

In H1 2016 the Group disposed through the sale to the third parties the following entities: T-O Green Europe a.s., Seattle, s.r.o. Rubeška Development, s.r.o. and CWM 35 Kft. Total proceeds from the disposal represent EUR 1.5 million, total gain from the disposal EUR 0.3 million.

3.1.3 Disposal of CPI Property Group shares

On 29 August 2016 the Company disposed of 65,957,446 pieces of ordinary shares of CPI Property Group for an aggregate consideration of EUR 34.59 million. The disposal of shares was based on the Agreement on Put Option over Shares entered into by the Company and Mr. Radovan Vitek on 24 September 2014. The disposal price per share equals to EUR 0.47, plus a 6.00% p.a. interest from 24 September 2014 until 29 August 2016. The shares were acquired by a holding entity owned by Mr. Vitek. The Company continues to hold 93,169,351 shares in CPI Property Group, which represents app. 1.20% of the shareholding.

3.1.4 Disposal of Vaci 188 and 190 properties

On 30 November 2016 the Group entered into an agreement concerning a disposal of the Vaci 188 and 190 properties in Budapest, Hungary. The counterparty is a consortium of Hungarian investors. The project company which was sold owns two properties: Vaci 188 - the office building with 15,000m² gross area and 5,844m² plot size and Vaci 190 - the development plot with 4,583m² area. Total proceeds from the disposal was of EUR 9.5 million and the Group realised gain of EUR 1.1 million.

3.1.5 Disposals and Acquisitions of Projects CPI Property Groupwith

On 1 December 2016 OPG disposed to the CPI group two of its income producing assets located in Prague, namely Palac Archa and Hradcanska Office Center. Concurrently on 1 December 2016 OPG acquired from the CPI group development projects located in the Czech Republic, comprising of land bank for future developments. Purchased entities were as follows: Camuzzi, a.s., CD Property s.r.o., CPI South, s.r.o., CPI - Krásné Březno, a.s., CPI - Land Development, a.s., Karviná Property Development, a.s., Strakonice Property Development, a.s., Svitavy Property Development, a.s. The acquisition was treated as common control transaction.

The table below discloses the overview of assets and liabilities acquired and disposed as result of the transaction with CPI Group:

	Acquired entities	Disposed entities
Investment property	75,642	54,986
Deferred tax asset	41	51
Total non-current assets	75,683	55,037
Trade receivables	4	1,148
Cash and cash equivalents	32	2,165
Other financial current assets	31	-
Other non-financial current assets	21	291
Total current assets	88	3,604
Identifiable acquired assets	75,771	58,641
Financial debts	13,977	14,763
Deferred tax liabilities	9,114	460
Other non-current liabilities	-	919
Total non-current liabilities	23,091	16,142
Financial debts	-	26,679
Trade payables	67	412
Advance payments	-	1,202
Derivative instruments	-	65
Other financial current liabilities	1,234	287
Other non-financial current liabilities	1	34
Total current liabilities	1,302	28,679
Identifiable acquired liabilities	24,393	44,821
Net ident. Assets of subsidiary acquired	51,378	13,820
Purchase price	51,378	13,820

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group gross rental revenue for 2016 would have been EUR 7.683 million and net profit from continuing operations would have been EUR 163.2 million.

3.2 Changes in the Group in 2015

3.2.1 Acquisition of development project

In line with its new strategy focusing on development projects, the Company entered on 19 December 2014 into a EUR 5.7 million agreement concerning the development project located in Prague 10. The project comprises of approximately 33 thousand sqm of developable land. The Group already owns 31 thousand sqm of directly adjacent land. The completion was subject to certain corporate approvals on seller's side, which were granted on 10 March 2015. Following this acquisition the Group now owns a developable land plot of approximately 64 thousand sqm with good location. The purchase price for transfer of shares and receivables was EUR 5.7 million.

3.2.2 Liquidation of Orco Vagyonkezeselo Kft.

Liquidation of Hungarian subsidiary Orco Vagyonkezeselo Kft. has been ordered as of 25 June 2015. Consequently, the entity was deconsolidated from the Group.

3.2.3 Disposals in Croatia

On 10 July 2015, the Group entered into an agreement concerning a disposal of a land bank project located at peninsula Istria, Croatia. The purchase price of this transaction was EUR 65 thousand.

On 30 July 2015, the Group disposed of the second project – residential building Sunny House – located in the City of Hvar, Island of Hvar, Croatia. The transaction price of this asset was EUR 1.0 million.

On 30 November 2015, the Group sold its stake in five Croatian entities: Orco Adriatic, d.o.o. and Orco Razvoj, d.o.o. – entities, which originally held Sunny House and Istria plot (details of disposals above), and three not consolidated entities (Orco Property, d.o.o., Orco Projekt d.o.o. and Orco Marine, d.o.o.).

In November 2015, the Company sold 180,000 shares of Suncani Hvar d.o.o (see note 6.5)

3.2.4 Disposal of Hungary entities

During 2015 the Group disposed eight Hungarian entities: Orco Vagyonkezelő Kft., Meder 36 Projekt Kft., Orco Hungary Kft., Energy Trade Plus Kft., OR-retail Kft. and three not consolidated entities Orco Budapest Zrt., Vaci 1 Kft. and Arian Kft.. The transaction price was EUR 0.6 million in total.

3.2.5 Disposal of share in project Slunečný Vršek

On 26 November 2015 the Group sold its 50% stake in Kosic S.à r.l., a Luxembourg based holding company of Slunečný Vršek project in Prague, which in turn holds 100% of two operational companies seated in the Czech Republic - SV Fáze II, s.r.o. and SV Fáze III, s.r.o. The transaction price was EUR 1.4 million and the Group realised gain of EUR 0.3 million.

3.2.6 Disposal of OBI Děčín project

On 29 December 2015 the Group completed the disposal of the land bank project, located in Děčín, Czech Republic. The transaction price was EUR 0.4 million and the Group realised a gain of EUR 0.3 million.

4 Segment reporting

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

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

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

The Group structure lies on three main activities to which the Board of Directors is allocating the investment capacity on the basis of the defined strategy. As result of the new strategy of the Group (after acquisition of CPI PG) new segment was defined by the Board of Directors which covers the rendering of the financial services for all entities of CPI Property Group S.A. Due to the establishment of the segment in 2016, the data for 2015 are not presented.

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

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;
- Property Investment business line covers all real estate assets operated and rented out assets or that will be so without any major refurbishment.
- Other business line covers the rendering of intragroup financial and advisory services for all entities of CPI Property Group S.A

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

4.1 Segment Reporting 2016

Profit & Loss 31 December 2016	Development	Property Investments	Other	TOTAL
Revenue	3,620	7,843	3,743	15,206
<i>Sale of goods</i>	2,345	-	-	2,345
<i>Rent</i>	1,092	6,006	114	7,212
<i>Services</i>	183	1,837	3,629	5,649
Net gain or loss from fair value adjustments on investment property	6,492	573	-	7,065
Cost of goods sold	(1,955)	-	-	(1,955)
Impairments - Allowance	(38)	(114)	-	(152)
Impairments - Write-Back	136	505	1,068	1,709
Amortization and provisions	(144)	(907)	-	(1,051)
Other operating results	(1,982)	(3,039)	129	(4,892)
Operating Result	6,130	4,860	4,940	15,930
Net gain or loss from fair value adjustments on investment property	(6,492)	(573)	-	(7,065)
Impairments - Allowance	38	114	-	152
Impairments - Write-Back	(136)	(505)	(1,068)	(1,709)
Amortization and provisions	144	907	-	1,051
Net result on disposal of assets	18	-	(499)	(481)
Adjusted EBITDA	(298)	4,803	3,373	7,878
Financial Result				36,308
Share of profit or loss of entities accounted for using the equity method	(886)	-		(886)
Profit before income tax				51,352
Balance Sheet & Cash Flow 31 December 2016	Development	Property Investments	Other	TOTAL
Segment Assets	231,978	37,574	-	269,552
Investment Property	225,454	14,336	-	239,790
Property, plant and equipment	-	26	-	26
Inventories	6,524	-	-	6,524
Assets held for sale	-	23,208	-	23,208
Equity method investments	-	4	-	4
<i>Unallocated assets</i>				344,114
Total Assets				613,666
Segment Liabilities	-	14,868	-	14,868
Liabilities linked to assets held for sale	-	14,868	-	14,868
<i>Unallocated liabilities</i>				185,525
Total Liabilities				200,393
Cash flow elements	699	547	-	1,246
Capital expenditure	699	547	-	1,246
Direct Operating Expenses 31 December 2016	Development	Property Investments	Other	TOTAL
Direct operating expenses arising from investment property that:				
- generated rental income	(1,321)	(4,530)	-	(5,851)
- did not generate rental income	(73)	(21)	-	(94)

4.2 Segment Reporting 2015

Profit & Loss 31 December 2015	Development	Property Investments	Other	TOTAL
Revenue	3,193	10,767	-	13,960
<i>Sale of goods</i>	<i>1,914</i>	<i>-</i>	<i>-</i>	<i>1,914</i>
<i>Rent</i>	<i>949</i>	<i>7,059</i>	<i>-</i>	<i>8,008</i>
<i>Hotels, Extended Stay & Restaurants</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Services</i>	<i>330</i>	<i>3,708</i>	<i>-</i>	<i>4,038</i>
Net gain or loss from fair value adjustments on investment property	(11,022)	(3,918)	-	(14,940)
Cost of goods sold	(2,171)	(12)	-	(2,183)
Impairments - Allowance	(1,028)	(2,036)	-	(3,064)
Impairments - Write-Back	1,378	3,699	-	5,077
Amortization and provisions	(559)	250	-	(309)
Other operating results	(2,383)	(9,494)	-	(11,877)
Operating Result	(12,592)	(744)	-	(13,336)
Net gain or loss from fair value adjustments on investment property	11,022	3,918	-	14,940
Impairments - Allowance	1,028	2,036	-	3,064
Impairments - Write-Back	(1,378)	(3,699)	-	(5,077)
Amortization and provisions	559	(250)	-	309
Net result on disposal of assets	10	(44)	-	(34)
Adjusted EBITDA	(1,351)	1,217	-	(134)
Financial Result				(14,495)
Share of profit or loss of entities accounted for using the equity method	(1,207)	8,018		6,811
Loss before income tax				(21,021)
Balance Sheet & Cash Flow 31 December 2015	Development	Property Investments	Other	TOTAL
Segment Assets	151,326	104,622	-	255,948
Investment Property	142,353	99,472	-	241,825
Inventories	7,774	-	-	7,774
Assets held for sale	1,174	5,140	-	6,314
Equity method investments	25	10	-	35
<i>Unallocated assets</i>				<i>122,614</i>
Total Assets				378,562
Segment Liabilities	59	3,892	-	3,951
Liabilities linked to assets held for sale	59	3,892	-	3,951
<i>Unallocated liabilities</i>				<i>170,023</i>
Total Liabilities				173,974
Cash flow elements	1,228	399	-	1,627
Capital expenditure	1,228	399	-	1,627
Direct Operating Expenses 31 December 2015	Development	Property Investments	Other	TOTAL
Direct operating expenses arising from investment property that:				
- generated rental income	(1,624)	(9,113)	-	(10,737)
- did not generate rental income	(21)	(50)	-	(71)

5 Consolidated income statement

5.1 Revenues

	12 months 2016	12 months 2015
Sale of goods	2,345	1,914
Rent	7,212	8,008
Services	5,649	4,038
Revenue	15,206	13,960

2016

Revenue from sale of goods reported as of 31 December 2016 mainly includes sales of Benice 1B and 1C (EUR 2.3 million).

Main contributors to the revenue from rent are projects of renting segment – Na Poříčí, Hradčanská, Zbrojovka Brno and Bubenská in the Czech Republic (EUR 4.2 million) and Capellen in Luxembourg (EUR 1.9 million).

Revenues from services provided represent primarily income from service charges charged to the current tenants. Moreover, the Company provided some administrative and advisory services related to the real estate operations to CPI PG in 2016.

2015

Main contributors to the revenue from rent were projects of renting segment – Na Poříčí, Hradčanská and Bubenská in the Czech Republic (EUR 4.3 million), Capellen in Luxembourg (EUR 1.9 million) and Diana and Marki in Poland (EUR 0.5 million).

5.1.1 Revenue by business line

	Development	Property Investments	Other	Total
YTD Revenue				
As at December 2016	3,621	7,842	3,743	15,206
As at December 2015	3,193	10,658	109	13,960
Variation	428	(2,816)	3,634	1,246

5.1.2 Geographical information

Following tables disclose revenue per country and real estate portfolio:

	Total revenue	Rental revenue	Investment Property	Inventories
Czech Republic	8,570	4,788	234,970	6,483
Poland	427	322	4,820	41
Guernsey	1,500	-	-	-
Hungary	170	111	-	-
Luxembourg	4,539	1,991	-	-
December 2016	15,206	7,212	239,790	6,524

	Total revenue	Rental revenue	Investment Property	Inventories
Czech Republic	9,744	5,352	205,935	7,534
Poland	1,128	521	4,730	240
Croatia	20	20	-	-
Hungary	304	148	7,550	-
Luxembourg	2,764	1,967	23,610	-
December 2015	13,960	8,008	241,825	7,774

5.2 Net gain/(loss) from fair value adjustments on Investment Property

For details concerning the change in fair value of properties refer to Note 6.2.

5.3 Other operating expenses and employees benefits

	12 months 2016	12 months 2015
Other operating expenses	(7,017)	(12,168)
Leases and rents	(171)	(209)
Building maintenance and utilities supplies	(2,284)	(2,727)
Marketing and representation costs	(172)	(548)
Administration costs	(3,796)	(6,857)
Taxes other than income tax	(271)	(694)
Other operating expenses	(322)	(1,133)
Employee benefits	(346)	(755)
Total operating expenses	(7,363)	(12,923)

Total operating expenses significantly decreased by EUR 5.6 million (by 43%) compared to YE 2015.

Decline in administration costs represents the principal reason for overall decrease. 2015 was adversely impacted by higher legal costs due to the Group's restructuring and some insolvency proceedings. The incorporation of the Company into the corporate structure of CPI PG' structure also positively contributed to the overall reduction in administration costs.

Non-cancellable operating leases commitments amount as follows:

- EUR 45 thousand not later than 1 year (2015: EUR 0.1 million)
- EUR 0.2 million later than 1 year and not later than 5 years (2015: EUR 1.0 million)

Fees related to the Group auditor and other professionals, which are part of administration costs, are set out below:

	31 December 2016	31 December 2015
Group auditor fees pursuant to legislation (KPMG)	(242)	(473)
Other services, accounting and tax advisory	(642)	(104)
Total administration costs	(884)	(577)

Group auditor has not provided any non-audit services to the Group.

5.4 Amortisation, impairment and provisions

	31 December 2016	31 December 2015
Provisions for other risks and charges	(281)	1,947
Total Provisions	(281)	1,947
Impairment of Buildings	-	(310)
Impairment of Inventories	(357)	288
Impairment of Trade Receivables	1,172	(586)
Impairment of Other Current Assets	-	441
Total Impairments	815	(167)
Amortisation of Intangible assets	-	(33)
Depreciation of Fixtures and Fittings	(28)	(43)
Total Amortisation and Depreciation	(28)	(76)
Total Amortisation, Depreciation, Impairments and Provisions	506	1,704

2016

Provisions recognized in 2016 result primarily from reversals of provisions for previous court proceedings on Polish entities.

2015

Provisions recognized in 2015 result mainly from reversals of provisions for litigations in Luxembourg.

5.5 Interest expense

Total interest expenses in 2016 amount to EUR 11.6 million, out of which EUR 6.5 million have been paid, compared to EUR 11.1 million of interest expense and EUR 8.1 million of interest paid in 2015.

	12 months 2016	12 months 2015
Interest on bonds	(8,940)	(7,487)
Interest on bank loans – Development	-	(776)
Interest on bank loans - Property Investments	(1,671)	(2,349)
Interest on bank loans	(1,671)	(3,125)
Interest on related parties	(974)	(535)
Total interest	(11,585)	(11,147)

The interest on bonds in 2016 increased compared to 2015 due to the one off impact reflecting the release of EUR 4.6 million deferred bond issue cost and repurchase of bonds at nominal of EUR 51.6 million in 2016 (see note 6.14 and 6.16).

In 2016, the interest on bank loans for development projects financing decreased from EUR 0.8 million in 2015 to EUR 0.0 million in 2016, because there is no longer bank loan.

Interest on third party was mainly due to loans from CPI PG entities (see note 11).

5.5.1 Capitalized interest on projects under development

The capitalized interest on inventories in 2016 amount to EUR 0.3 million (EUR 0.3 million in 2015) and relates solely to project Benice.

5.5.2 Average effective interest rates (current and non-current)

	31 December 2016	
	EUR	CZK
New Notes	16.24%	-
Bank borrowings	4.16%	5.02%

	31 December 2015	
	EUR	CZK
New Notes	12.61%	-
Bank borrowings	3.90%	4.87%

5.6 Interest income

Interest income of EUR 2.2 million primarily relates to the interest income from loans provided by the Company to financed SPV outside the OPG, refer to the note 6.4.1.1. Granting of these loans reflects the incorporation of the Company into the corporate structure of CPI PG.

5.7 Other net financial results

	12 months 2016	12 months 2015
Change in fair value and realized result on derivative instruments	38,938	226
Change in fair value and realized result on other financial assets	1,411	(353)
Realized result on repayment of borrowings	-	(3,840)
Result on disposal of subsidiaries	5,234	(1,320)
Other net financial results	84	(608)
Total	45,667	(5,895)

In 2016

Change in fair value and realized result on derivative instruments primarily relates to the recognition of derivative assets of EUR 38.7 million reflecting the value of the subscription rights for the new shares of CPI PG, refer to note 6.9.

Change in fair value and realized result on other financial assets are related to recognition of realized profit from sale of CPI PG shares of EUR 1.3 million.

Result on disposal of subsidiaries derives primarily from:

- a gain realized on disposal of Czech entities of EUR 5.6 million;
- a loss of EUR 0.4 million on disposal of Hungarian entities.

In 2015

Realized result on repayment of borrowings (EUR 3.8 million) relates to early payments of safeguard liabilities – bonds of EUR 2.1 million and Stein guarantee of EUR 1.8 million.

Result on disposal of subsidiaries/joint ventures derives primarily from:

- a loss recognised on liquidation of investment in Endurance Fund of EUR 2.6 million that was partially compensated by dividends received (EUR 1.3 million) and resulted in the net loss of EUR 1.3 million;

- a gain of EUR 0.3 million on disposal of joint venture in JV Kotic;
- a gain realized on disposal of Hungarian entities of EUR 0.6 million.

5.8 Income taxes

In 2016

In 2016, the weighted average nominal tax rate was 25.33% and the effective tax rate for the period was 219.8%. The income tax recognized in the income statement in the amount of EUR 112.9 million is formed by deferred tax income.

	December 2015	Scope Variation	Variation	Currency translation	December 2016	Deferred tax asset	Deferred tax liability
Tangible assets	1,076	(9,294)	(1,689)	11	(9,896)	3,015	(12,911)
Financial assets	1,860	-	(1,860)	-	-	-	-
Inventories	6,848	(2,333)	(766)	1	3,750	3,750	-
Current assets	3	(51)	231	(1)	181	182	-
Provisions	362	(244)	(110)	(7)	1	1	-
Long term debts	5	19	(2)	-	22	22	-
Current debts	413	(216)	(159)	(4)	34	34	-
DTA derecognition	(14,443)	4,318	4,315	20	(5,790)	(5,790)	-
Recognized loss carried forward	-	-	112,812	-	112,812	112,812	-
Total deferred taxes	(3,876)	(7,801)	112,771	20	101,114	114,025	(12,911)
Deferred tax assets	-	-	-	-	114,025		
Deferred tax liabilities	(3,876)	-	-	-	(12,911)		

As at 31 December 2016 the Company recognized the deferred tax assets from tax losses carried forward in total amount of EUR 113 million (2015 – EUR 0 million). The recognition of the deferred tax asset is based on the future taxable profits that are expected to be generated after the incorporation of the Company into the corporate structure of CPI PG. The expected profits reflect the strategy of CPI PG in which the Company is expected to gradually realize its development projects together with the rendering of financial services for all entities of CPI PG.

As these tax losses relate primarily to the Luxembourg entities, they can be carried forward indefinitely.

As at December 2015, the losses carried forward not recognized as a deferred tax assets represented EUR 558.0 million. The Group did not recognise deferred tax asset as there was low probability that taxable profit will be generated against which the tax losses could be utilised. The unrecognized deferred tax assets reflected the business plans and strategy of the Company as at 31 December 2015.

In 2015

In 2015, the weighted average nominal tax rate was 16.8% and the effective tax rate for the period was 1.05%. The income tax recognized in the income statement in the amount of EUR 0.2 million is formed by deferred tax income.

	December 2014	Scope Variation	Variation	Other	Currency translation	December 2015	Deferred tax asset	Deferred tax liability
Tangible assets	4,184	(270)	(171)	(2,780)	113	1,076	6,825	(5,749)
Financial assets	1,985	(251)	81	-	45	1,860	1,872	(12)
Inventories	5,536	(1)	(1,621)	2,780	154	6,848	6,862	(14)
Current assets	1,405	(1,190)	(217)	-	5	3	61	(58)
Provisions	257	-	102	-	3	362	365	(3)
Long term debts	(460)	982	(527)	-	10	5	24	(19)
Current debts	238	91	80	-	4	413	436	(23)
DTA derecognition	(17,242)	742	2,483	-	(426)	(14,443)	(14,443)	-
Total deferred taxes	(4,097)	103	210	-	(92)	(3,876)	2,002	(5,878)
Deferred tax liabilities	(4,097)					(3,876)		

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2016	2015
Profit before tax	51,353	(21,021)
Tax calculated at domestic rates applicable to profits in the respective countries	(13,232)	4,669
Tax effects of:		
Equity investments results reported net of tax	(224)	(1,143)
Untaxed gains or losses	13,232	3,365
Undeductible charges and interests	-	(478)
Current-year losses for which no deferred tax asset is recognised	190	(5,857)
Change in recognised deductible temporary differences	-	-
Recognition of tax effect of previously unrecognized tax losses	112,812	-
Other income tax	84	(321)
Adjustments in respect of prior years	30	(15)
Income tax revenue	112,892	220

Tax rates

The income tax rates in the Group vary from 0.00% in Guernsey up to an average of 33.33% in France.

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

Luxembourg

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

Czech Republic

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

Germany

Business profits are subject to two taxes, corporate income tax and trade tax. Corporate income tax and solidarity surcharge add up to a total of 15.825% rate. Trade Tax rate varies by location. For City of Berlin 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.

Hungary

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

France

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

Poland

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

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.

Tax losses

The table below shows the expiry date of unused tax losses as of 31 December 2016, for which no deferred tax assets is recognized.

At 31 December 2016	Expiry date				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Unused tax losses	7,894	12,130	7,105	150,002	177,131

At 31 December 2015	Expiry date				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Unused tax losses	12,440	19,821	13,261	512,500	558,022

5.9 Non-controlling interests' transactions

In 2016

The only non-controlling interest recognized as of 31 December 2016 is related to the Czech entities holding land bank project Doupovská and Vysočany O2.

In 2015

The only non-controlling interest recognized as of 31 December 2015 is related to the Czech entity holding land bank project Doupovská.

6 Consolidated statement of financial position

6.1 Intangible assets

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2015	3,754	(3,716)	38
Assets sales	(3,037)	3,029	(8)
Impairments	-	(33)	(33)
Translation difference	49	(46)	3
Balance at 31 December 2015	766	(766)	-
Transfer	(15)	15	-
Translation difference	(15)	15	-
Balance at 31 December 2016	736	(736)	-

6.2 Investment property

	Freehold buildings	Land bank	TOTAL
At 1 January 2015	105,561	143,675	249,236
Investments / acquisitions	399	715	1,114
Asset sales	(69)	(344)	(413)
Revaluation through income statement	(3,919)	(11,021)	(14,940)
Acquisition of group of assets	-	5,568	5,568
Transfers to asset held for sale	(4,241)	-	(4,241)
Translation differences	1,742	3,759	5,501
At 31 December 2015	99,473	142,352	241,825
Changes in the Group	(63,612)	-	(63,612)
Investments / acquisitions	546	1,056	1,602
Asset sales	-	(134)	(134)
Revaluation through income statement	573	6,492	7,065
Acquisition of group of assets	-	75,642	75,642
Transfers to asset held for sale	(22,500)	-	(22,500)
Translation differences	(143)	45	(98)
At 31 December 2016	14,337	225,453	239,790

In 2016

2 investment properties with a carrying value of EUR 13.1 million have been pledged as a security for bank loans amounting to EUR 7.2 million.

a) Changes in the Group

In 2016, the Group disposed these projects:

- In the Czech Republic: Na Porici (EUR 41.0 million) and Hradčanská (EUR 14.0 million);
- In Hungary: Vaci 188 (EUR 6.8 million) and Vaci 190 (EUR 1.5 million).

b) Investment / Acquisitions

In 2016, the Group has invested EUR 0.3 million into refurbishment of buildings in Luxembourg and EUR 0.8 million into construction works in the development.

c) Revaluation through the income statement

	Freehold buildings	Land bank	TOTAL
Czech Republic	816	6,492	7,308
Poland	166	-	166
Hungary	1,024	-	1,024
Luxembourg	(1,433)	-	(1,433)
Total for 2016	573	6,492	7,065

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

- In the Czech Republic, the fair value increased for Bubny (EUR 2.0 million), Zbrojovka Brno (EUR 1.8 million) and May House (EUR 1.0 million);
- In Hungary, the fair value increased for Vaci 188 (EUR 0.6 million) and Vaci 190 (EUR 0.4 million);
- In Luxembourg, the fair value decreased for Capellen (EUR 1.4 million).

d) Acquisition of Group of assets

In 2016, the Group acquired from CPI group development projects located in the Czech Republic, comprising of land bank for future developments (see Note 3.1.5).

e) Transfer to assets held for sale

The property Capellen in Luxembourg was transferred to assets held for sale because of its sale in January 2017 (see Note 12.1).

In 2015

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

f) Investment / Acquisitions

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

g) Asset sales

During 2015 the following projects were sold:

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

h) Revaluation through the income statement

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

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

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

i) Acquisition of Group of assets

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

j) Transfer to assets held for sale

The property Marki in Poland was transferred to assets held for sale because of its sale in February 2016.

6.3 Property, plant and equipment - Fixtures and fittings

	Gross amount	Depreciation and Impairments	Net amount
At 1 January 2015	4,477	(3,444)	1,030
Increase	21	-	21
Assets sales and scraps	(2,661)	2,001	(660)
Allowance	-	(45)	(45)
Translation difference	38	(34)	4
At 31 December 2015	1,875	(1,522)	353
Increase	2	-	2
Assets sales and scraps	(1,191)	891	(300)
Allowance	-	(29)	(29)
Translation difference	(18)	17	(1)
At 31 December 2016	669	(643)	26

6.4 Equity method investments

6.4.1 Investments in joint ventures

The amounts recognized in the consolidated statement of financial position and income statement are as follows:

Joint ventures	2016	2015
Consolidated statement of financial position	4	35
Consolidated income statement – joint ventures	(886)	6,811

	2016	2015
At 1 January	(1,337)	(516)
Share of loss	(886)	(1,207)
Other comprehensive income	-	(20)
Disposals	(26)	-
Changes in the Group	-	406
At 31 December	(2,249)	(1,337)
Excess of loss applied to Group loans provided to joint ventures	(2,253)	(1,372)
Carrying amount at 31 December	4	35

The Group is involved in the following joint venture consolidated under the equity method, which are material to the Group:

6.4.1.1 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 20%. The Group has an option until the start of the works for the future shopping mall to increase its shareholding to 50% at acquisition cost in the joint venture plus interest.

The net liabilities of the joint venture amount to EUR 11.3 million as at 31 December 2016 (2015: EUR 6.9 million). Losses in excess of the interest amounting to EUR 2.2 million in 2016 and EUR 1.4 million in 2015 were applied to a loan receivable provided to Uniborc joint venture by the Group.

Summarized balance sheet

	December 2016	December 2015
Non-current assets	18,789	18,082
Current assets	121	89
<i>Cash and cash equivalents</i>	61	89
<i>Other current assets</i>	60	-
Total assets	18,910	18,171
Non-current liabilities	29,651	24,727
<i>Financial liabilities</i>	27,292	24,727
<i>Deferred tax liabilities</i>	2,359	-
Current liabilities	522	309
<i>Financial liabilities (excl. trade payables)</i>	461	235
<i>Other current liabilities</i>	61	74
Total liabilities	30,173	25,036
Net liabilities	(11,263)	(6,866)

Summarized income statement

Operating result	(86)	(88)
Interest income	-	-
Interest expenses	(1,392)	(1,204)
Loss before taxes	(1,478)	(1,292)
Income taxes	(74)	(93)
Loss after income tax	(1,552)	(1,385)

6.5 Financial assets available-for-sale

Share in CPI PROPERTY GROUP

On 29 August 2016 the Company disposed of 65,957,446 pieces of ordinary shares of CPI Property Group for an aggregate consideration of EUR 34.59 million. The disposal of shares was based on the Agreement on Put Option over Shares entered into by the Company and Mr. Radovan Vitek on 24 September 2014. The disposal price per share equals to EUR 0.47, plus a 6.00% p.a. interest from 24 September 2014 until 29 August 2016. The shares were acquired by a holding entity owned by Mr. Vitek. As at 31 December 2016 the Group holds 93,169,351 shares in CPI Property Group (in 2015 159,132,897 shares), which represents app. 1.20% of the shareholding (2015 – 4.82%) and is valued at EUR 33.0 million (in 2015 EUR 98.5 million).

For the valuation of the CPI PG shares held as at 31 December 2016 EPRA NAV per CPI PG share as at 31 December 2016 was used. The same valuation approach was used as at 31 December 2015, when the Company used for the valuation of CPI PG shares the last available published information for EPRA NAV per share of CPI PG as at 30 September 2015. EPRA NAV per share of CPI PG (EUR 0.35) differs to from the price at the stock-exchange (EUR 0.65) as at 31 December 2016.

Management assessed the market (stock-exchange) of CPI PG share as non-active, considering the following characteristics of an inactive market in 2016 and 2015:

- There is a significant decline in trading volume and level of trading activity recent transaction
- Price quotations vary substantially either over time or among market makers
- Majority of number of CPIPG shares are unlisted and non-tradeable on a regulated market.

Consequently, valuation of CPI PG shares held by the Group is based on alternative valuation model. The management determined the use of EPRA NAV per share (Net asset value per share determined based on the methodology of European Public Real Estate Association, www.epra.com) of CPI PG as the most representative alternative valuation model primarily due to the followings:

- EPRA NAV is a globally recognized measure of fair value;
EPRA NAV takes into consideration the fair value of the net assets of a company, applying known aspects of the company's business model;

The detail calculation of EPRA NAV per share of CPI PG is presented in the Annual management report of this Group available at www.cpijg.com

Share in Suncani Hvar

On 4 April 2016 the Company disposed of its stakes in Suncani Hvar d.d. The Company sold 3,062,196 SHH shares corresponding to 15.76% of the shareholding and voting rights in SHH. The aggregate price of app. EUR 8.15 million was based on the nominal value of the transferred shares, i.e. HRK 20 per share, and the Company realised gain of EUR 0.1 million recognised in consolidated income statement. Further to this transaction, the Group exited all of its investments in Croatia.

6.5.1 Non-current loans and receivables

The "Non-current loans and receivables" substantially increased by EUR 143.1 million primarily due to the loans provided to the related parties of EUR 138.7 million that are unsecured. These loans bear interest rate between 6% - 10% p.a. and are repayable between years 2021 - 2030.

Additionally, the Non-current loans and receivables include loan plus interest granted to the company Uniborc (JV with Unibail Rodamco) in a gross amount of EUR 5.5 million in 2016 (EUR 4.9 million in 2015) and receivable amounting to EUR 3.3 million related to Radio Free Europe / Hagibor Office Building deferred consideration.

This joint venture with Unibail Rodamco, started in April 2013, is mainly financed through an equity loan by both partners in the same proportion as their respective shareholdings. The value of the loan was reduced by EUR 0.9 million in 2016 and by EUR 1.4 million in 2015 to provide for the negative equity of the joint venture (see note 6.4.1.1).

6.5.2 Deferred tax asset

Refer to Note 5.8.

6.6 Inventories

	2016	2015
Balance at 1 January	7,774	9,422
Impairments – Allowance	(475)	(83)
Impairments - Write-Back	118	212
Transfer to held for sale	-	(1,193)
Translation differences	(11)	242
Net increase/(decrease) in inventories	1,089	1,357
Cost of goods sold	(1,955)	(2,183)
Changes in the Group	(16)	-
Balance at 31 December	6,524	7,774

In 2016

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

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

Significant part of the costs of sold units is attributable to the Prague residential project Benice 1 (EUR 0.3 million) and Benice 1c (EUR 1.6 million).

In 2015

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

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

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

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

6.7 Trade receivables

As at 31 December 2016, trade receivables mainly composed of receivable to related party, ST Project Limited, for administrative fees of EUR 2.1 (see Note 11).

6.8 Cash and cash equivalents

As at 31 December 2016, cash and cash equivalents consist primarily of cash in bank totalling EUR 2.2 million (EUR 3.2 million as at 31 December 2015).

The cash in bank includes restricted cash of EUR 50 thousand in 2016 (EUR 2.7 million in 2015) representing:

- All cash deposited in accounts reserved as collateral for loans related to property of EUR 50 thousand (EUR 2.7 million in 2015).

6.9 Derivative instruments - assets

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

Accordingly, the Group recognized a finance asset of EUR 38.7 million as at 31 December 2016. The valuation of the financial asset reflects the lower subscription price than the value of CPI PG shares valued at EPRA NAV as at 31 December 2016 (refer to the note 6.5.) together with the dilution effect of potential new subscribed shares by OPG on the value of EPRA NAV per share. The Company's subscription right is valid and effective till 31 December 2017. The subscription right is not transferable.

6.10 Other current financial assets

	At 31 December 2016	At 31 December 2015
Operating loans	38	38
Other current assets	131	70
Accrued interest	993	296
Total other current financial assets	1,162	404

In 2016, the most significant increase in accrued interest was mainly due to newly issued loans to related and third party of the parent company.

6.11 Other current non-financial assets

	At 31 December 2016	At 31 December 2015
Prepayment tax and social security	661	569
Accrued assets	298	827
Other assets	210	394
Total other current non-financial assets	1,169	1,790

In 2016, the most significant decrease in accrued asset was primarily due to scope exit of Czech entities.

6.12 Assets classified as held for sale and liabilities linked to assets held for sale

Assets held for sale	December 2016	December 2015
Opening Balance	6,314	1,395
Transfers to	22,833	6,276
Translation differences	-	5
Transfer to current assets	(898)	-
Transfer of ownership / Asset sales	(5,040)	(1,362)
Closing Balance	23,209	6,314

Liabilities linked to assets held for sale	December 2016	December 2015
Opening Balance	3,951	237
Variation	(59)	(193)
Transfers to	14,868	3,911
Transfer of ownership	(2,998)	-
Transfer to current liabilities	(894)	-
Translation differences	-	(4)
Closing Balance	14,868	3,951

In 2016

In 2016, 1 project was classified as held for sale and its total assets and liabilities are presented on line "Transfers to" in the above tables:

- The project Capellen in Luxembourg: assets EUR 22.8 million, liabilities EUR 14.9 million;

Both disposals of assets realized in 2016 are presented on line "Transfer of ownership/Asset sales":

- On 29 February 2016 the Group finalized the disposal of the project Marki in Poland (assets EUR 3.9 million, liabilities EUR 2.9 million). As the disposal was constituted to be an asset deal there was transfer of other current assets and liabilities from assets held for sale and liabilities linked to assets held for sale back to the current assets and current liabilities and are presented on line "Transfer to current assets/liabilities"
- On 6 May 2016 the Group realized disposal of the former cinema located at Mostecká street in Prague (assets EUR 1.1 million).

In 2015

In 2015, 2 projects were classified as held for sale and its total assets and liabilities are presented on line "Transfers to" in the above tables:

- the former cinema located at Mostecká street in Prague: assets EUR 1.1 million, liabilities EUR 17 thousand;
- Marki property in Poland: assets EUR 5.1 million, liabilities EUR 3.9 million.

Both disposals of assets realized in 2015 are presented on line "Transfer of ownership/Asset sales":

- On 6 February 2015 the Group finalized the disposal of the development project Na Františku, Ostrava – Slezská, Czech Republic (assets EUR 0.5 million);
- On 3 December 2015 the Group realized disposal of project Rubeška, located in Prague 9 (assets EUR 0.9 million).

6.13 Equity

Earnings per share

	31 December 2016	31 December 2015
At the beginning of the period	314,507,629	314,507,629
Shares issued	314,507,629	314,507,629
Treasury shares	-	-
Weighted average movements	643,835,616	-
Issue of new shares	643,835,616	-
Treasury shares	-	-
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	958,343,245	314,507,629
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	958,343,245	314,507,629
Net profit attributable to the Equity holders of the Company	164,245	(20,471)
Net profit attributable to the Equity holders of the Company after assumed conversions / exercises	164,245	(20,471)
Basic earnings in EUR per share	0.17	(0.07)
Diluted earnings in EUR per share	0.17	(0.07)

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

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

The warrants issued by the Company were not taken into account in the diluted EPS calculation.

Equity holders

Share capital

	Number of shares	Share Capital	Share premium
At 1 January 2015	314,507,629	31,451	686,364
At 31 December 2015	314,507,629	31,451	686,364
Capital decrease – 2nd May 2016		(28,306)	28,306
Capital increase – 10th May 2016	1,000,000,000	10,000	70,000
At 31 December 2016	1,314,507,629	13,145	784,670

In 2016

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

possibility for the board of directors of the Company to cancel or limit preferential subscription rights of the shareholders of the Company upon increases of share capital in the framework of the authorized share capital of the Company.

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

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

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

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

In 2015

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

No change in the share capital of the Company occurred during 2015.

Authorized capital not issued

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

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

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

Securities giving access to equity (warrants)

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

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

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

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

6.14 New Notes/Bonds

Non-current bonds	
At 1 January 2015	62,237
Interest on Safeguard Bonds	231
Repayment on New Notes	(2,225)
Transfer of accrued interest to current part	(668)
Interest on New Notes	7,136
Safeguard Bond settlement	2,966
Repayment of Safeguard bonds	(4,375)
Payment of interest on New Notes	(4,588)
At 31 December 2015	60,714
Finance expenses on New Notes	6,566
Repayment on New Notes	(51,575)
At 31 December 2016	15,705
Current bonds	
At 1 January 2015	278
Repayment interests on Safeguard Bonds	(278)
Transfer of accrued interest from non-current part	668
At 31 December 2015	668
Repayment interests on New Notes	(527)
At 31 December 2016	142

In 2016

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

On 1 June 2016, the Company purchased additional 160,000 pieces of the New Notes in amount of EUR 1.4 million.

In 2015

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

Settlement per bonds is described below:

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

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

Following the Safeguard bonds settlement, the Company remaining derivatives are New Notes (see Note 6.15).

6.15 New Notes

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

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

6.16 Financial debts

Non-current loans and borrowings	Bank loans	Other borrowings	Bank loans and Other borrowings linked to Liabilities held for sale	Total
At 1 January 2015	65,178	74	-	65,252
Changes in the Group	-	22	-	22
Repayments of loans	(5,608)	-	-	(5,608)
Other transfers	(40,097)	2	-	(40,095)
Translation differences	823	-	-	823
At 31 December 2015	20,296	98	-	20,394
Changes in the Group*	(9,923)	14,497	-	4,574
Issue of new loans and drawdowns	13,611	123,938	-	137,549
- Accrued interest	-	266	-	266
Repayments of loans	(1,873)	(13,288)	-	(15,161)
Transfers to Liabilities held for sale	(13,235)	-	13,235	-
Other transfers	(5,891)	-	-	(5,891)
Translation differences	(145)	(3)	-	(148)
At 31 December 2016	2,840	125,508	13,235	141,583

* The balance includes accrued interest of EUR 0.4 million

In 2016

The Group disposed Hradčanská project with bank loan in amount EUR 9.9 million and acquired new entities from CPI PG Group with loans reported in Other borrowings of EUR 14.5 million including accrued interest.

Issue of new bank loan corresponds to refinancing of Hradčanská project (EUR 10.5 million) before its disposal and refinancing of Diana Property project (EUR 3.0 million).

New loans in Other borrowings have been provided by CPI PG entities to the Group in amount of EUR 124.2 million. As at 31 December 2016 the principal is EUR 123.9 million and calculated accrued interest in the amount of EUR 0.3 million. The most significant loan has been provided by Czech Property Investments, a. s. with outstanding balance amounts to EUR 122.8 million including the accrued interest of EUR 0.3 million. This loan bears interest rate 5.26% p.a. and is repayable in 2030.

Accrued interest on loans provided by CPI PG entities to the Group (EUR 1 million) has not been paid until the year end.

The repayments of bank loans are related to Diana Property (1.9 million). The repayments of other borrowings mainly related to CPI – Land Development (EUR 10.8 million) and CPI – Krásné Březno (EUR 1.1 million).

The transfers to Liabilities linked to assets held for sale are wholly related to Capellen.

During 2016 the other transfers relate to transfers from long-term to short-term part of bank loans financing projects Bubenska (EUR 4.2 million, Capellen (EUR 1.0 million) and Hradčanská (EUR 0.6 million).

In 2015

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

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

Current loans and borrowings	Bank loans - current part	Other borrowings	Bank loans and other borrowings linked to assets held for sale	Total
At 1 January 2015	11,668	1,889	-	13,557
Issue of new loans and drawdowns	-	26,708	-	26,708
Repayments of loans	(9,500)	(1)	-	(9,501)
Disposal of the Group assets	-	(23)	-	(23)
Transfers to Liabilities held for sale	(2,901)	-	2,901	-
Other transfers	40,097	87	-	40,184
Translation differences	488	-	-	488
At 31 December 2015	39,852	28,660	2,901	71,413
Issue of new loans and drawdowns	-	18,492	-	18,492
Repayments of loans	(13,834)	(32,125)	(2,901)	(48,860)
Changes in the Group	(26,679)	-	-	(26,679)
Transfers to Liabilities held for sale	(1,041)	-	1,041	-
Other transfers	5,891	-	-	5,891
Translation differences	162	-	-	162
At 31 December 2016	4,351	15,027	1,041	20,419

In 2016

The repayments of loans relates to refinancing of Hradčanská project (EUR 10.0 million), Bubenska (EUR 1.9 million), Capellen (EUR 1.0 million) and Na Porici (EUR 0.8 million).

New loans in Other borrowings have been provided by CPI PG entities to the Group in amount of EUR 18.5 million. As at 31 December 2016 the principal is EUR 15 million and calculated accrued interest in the amount of EUR 0.0 million. The loans were provided by related parties as follows:

- Nymburk Property Development EUR 6 million,
- Třinec Property Development EUR 5.4 million,
- Družstvo Land EUR 1.8 million,
- Český Těšín Property Development EUR 1.5 million and
- Příbor Property Development EUR 0.4 million.

These loans bear interest rate 3% p.a. and are repayable in 2017.

The loan provided by CPI PG to the Group in 2015 reported in Other current borrowings increased in 2016 by EUR 3.5 million in 2016 and it was subsequently repaid.

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

During 2016 the Group sold the projects Na Porici and Hradčanská, which were financing by bank loans in amount EUR 26.7 million (Na Porici EUR 26.1 and Hradčanská EUR 0.6 million).

The transfers to Liabilities held for sale are related solely to Capellen project because of its sale in January 2017, refer to note 6.12.

Other transfers in amount of EUR 5.8 million are explained as transfers from long-term part of bank loans to short-term part and mainly relate to Bubenska (EUR 4.2 million) and Capellen (EUR 1.0 million).

In 2015

Issue of new loans and drawdowns related to Other current borrowings is only composed of short-term loan provided by CPI PG to the Company (refer to note 11).

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

The transfers to Liabilities held for sale are related solely to Marki project because of its sale in February 2016, refer to note 6.12.

6.16.1 Borrowings maturity

In 2016

At 31 December 2016	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-current bonds	-	15,705	-	-	15,705
Financial debts	-	2,357	824	125,167	128,348
Bank loans	-	217	228	2,395	2,840
<i>Bank loans fixed rate</i>	-	-	-	-	-
<i>Bank loans floating rate</i>	-	217	228	2,395	2,840
Other borrowings	-	2,140	596	122,772	125,508
Non-current loans and borrowings	-	18,062	824	125,167	144,053
Current bonds	142	-	-	-	142
Financial debts	19,378	-	-	-	19,378
Bank loans - current part	4,351	-	-	-	4,351
<i>Bank loans fixed rate</i>	-	-	-	-	-
<i>Bank loans floating rate</i>	4,351	-	-	-	4,351
Other borrowings	15,027	-	-	-	15,027
Borrowings linked to Liabilities held for sale (*)	14,277	-	-	-	14,277
Current loans and borrowings	33,797	-	-	-	33,797
Total	33,797	18,062	824	125,167	177,850

(*) Includes only the financial debts.

In 2015

At 31 December 2015	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Non-current bonds	-	-	60,714	-	60,714
Financial debts	-	6,703	3,957	9,734	20,394
Bank loans	-	6,605	3,957	9,734	20,296
<i>Bank loans fixed rate</i>	-	1,133	1,259	5,633	8,025
<i>Bank loans floating rate</i>	-	5,472	2,698	4,101	12,271
Other borrowings	-	98	-	-	98
Non-current loans and borrowings	-	6,703	64,671	9,734	81,108
Current bonds	668	-	-	-	668
Financial debts	68,512	-	-	-	68,512
Bank loans - current part	39,852	-	-	-	39,852
<i>Bank loans fixed rate</i>	522	-	-	-	522
<i>Bank loans floating rate</i>	39,330	-	-	-	39,330
Other borrowings	28,660	-	-	-	28,660
Borrowings linked to Liabilities held for sale (*)	2,901	-	-	-	2,901
Current loans and borrowings	72,081	-	-	-	72,081
Total	72,081	6,703	64,671	9,734	153,189

(*) Includes only the financial debts.

The Group has entered into interest rate derivatives representing 33.4% of the non-current floating rate borrowings (15.4% in 2015) and 2.2% of the current floating rate borrowings (68.7% in 2015), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

The bank loans include EUR 7.2 million for which the financing banks have no recourse on the Group. These loans finance assets with a total secured value of EUR 13.1 million.

The carrying amount of the Group's borrowings expressed in thousand EUR is denominated in the following currencies:

Currency	31 December 2016	31 December 2015
EUR	47,789	110,148
PLN	-	4
CZK	130,061	43,037
Total	177,850	153,189

6.16.2 Loans with covenant breaches

In 2016

As at 31 December 2016, there are no bank loans in breach.

In 2015

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

6.16.3 Derivatives

	31 December 2016	31 December 2015
Interest rate derivatives - current liabilities	(7)	(332)
Net derivatives	(7)	(332)

The Group uses interest rate derivative contracts to protect against changes in the fair value of its financial assets and liabilities due to fluctuations in interest rates. Interest rate derivatives represent interest rate swaps - agreements between two parties to exchange a series of interest payments on a common principal amount. Recorded at fair value, interest rate swaps cover floating interest rates against fixed interest rates.

As at 31 December 2016, the total bank debt covered by interest rate swaps amounts to EUR 2.9 million (EUR 28.9 million in 2015) or 40.9% of total bank debt (48% in 2015).

As at 31 December 2016 the impact of a 100 basis points growth of yield curve would induce the immaterial change of fair value of derivatives therefore we did not perform the calculation. The valuation of the derivatives (interest rate swaps) has been provided by the Group's lenders.

6.17 Provisions and other long term liabilities

	Retirement obligations	Other provisions	Other long term liabilities	Total
At 1 January 2015	-	5,902	1,307	7,209
Variation	-	-	(49)	(49)
Allowance	-	713	-	713
Write-Back	-	(3,726)	-	(3,726)
Transfer	-	(778)	(301)	(1,079)
Translation difference	-	29	32	61
At 31 December 2015	-	2,140	989	3,129
Changes in the Group	-	(258)	(676)	(934)
Variation	-	-	(12)	(12)
Allowance	-	379	-	379
Release	-	(523)	-	(523)
Transfer	-	(7)	-	(7)
Translation difference	-	(19)	-	(19)
At 31 December 2016	-	1,712	301	2,013

6.17.1 Other provisions

Other provisions was mainly composed of provision for penalty to tax authority on entity Hagibor Office Building, a.s. in the amount of EUR 1.2 million and guarantee reserves for development project on Marki Real Estate in the amount of EUR 0.4 million.

6.17.2 Other long term liabilities

The line other long term liabilities includes security deposits received from tenants as an advance payments for rent payable in future periods.

6.18 Current liabilities

The table below discloses maturity profile of current liabilities.

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts and Current bonds	9	4,432	15,068	19,509
Trade payables	357	998	303	1,658
Advance payments	86	260	49	395
Derivative instruments	-	-	7	7
Other current financial liabilities	60	1,738	152	1,950
Other current non-financial liabilities	2,142	-	888	3,030
31 December 2016	2,654	7,427	16,467	26,548

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts and Current bonds	-	13,061	56,119	69,180
Trade payables	496	1,396	3,045	4,937
Advance payments	1,132	573	140	1,845
Derivative instruments	-	-	332	332
Other current financial liabilities	165	1,563	878	2,606
Other current non-financial liabilities	2,127	-	882	3,009
31 December 2015	3,920	16,593	61,396	81,909

6.18.1 Other current financial liabilities

	31 December 2016	31 December 2015
Accrued interests	1,340	757
Accrued liabilities	420	1,549
Other payables	179	300
Total Other current financial liabilities	1,939	2,606

In 2016, decrease of accrued liabilities was mainly due to sale of Czech and Hungarian entities (EUR 0.7 million) and lower accrued service charges to tenants.

6.18.2 Other current non-financial liabilities

	31 December 2016	31 December 2015
Tax liabilities	2,136	2,752
Income tax liabilities	3	32
Social liabilities	5	4
Payroll liabilities	13	13
Provisions for other risks and Other liabilities	873	208
Total Other current non-financial liabilities	3,030	3,009

Provision for other risks and Other liabilities was mainly composed of provision on Polish entity and this provision was transferred from Liabilities linked to asset held for sale.

7 Financial instruments – fair values and risk management

7.1 Financial risk factors

Exposure to various risks arises in the normal course of the Group's business. Financial risk comprises:

- market risk including foreign currency risk, price risk, cash flow interest rate risk and other risks (refer to Note 7.1.1)
- credit risk (refer to Note 0)
- liquidity risk (refer to Note 7.1.3)

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.

7.1.1 Market risk

(i) 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 2.4.4.1). Functional currency of the most Group companies is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2016

	Currency	Carrying amount
Cash and cash equivalents	TEUR	414
Trade receivables	TEUR	1
Loans provided	TEUR	30
	TCZK	3,333,759
Non-current receivables	TUSD	3,502
Trade payables	TEUR	(34)
	TCZK	(2,780,146)
Financial debts	TEUR	(2,965)
Net position	TEUR	(2,553)
Net position	TCZK	553,613
Net position	TUSD	3,502

2015

	Currency	Carrying amount
Cash and cash equivalents	TEUR	1,136
Trade receivables	TEUR	51
Non-current receivables	TUSD	3,256
Trade payables	TEUR	(100)
	TUSD	(18)
Financial debts	TEUR	(1,994)
Liabilities linked to asset held for sale	TEUR	(2,901)
Net position	TEUR	(3,809)
Net position	TUSD	3,238

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 would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

2016

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	414	41	(41)
Trade receivables	TEUR	1	-	-
Loans provided	TEUR	30	3	(3)
	TCZK	3,333,759	12,332	(12,332)
Non-current receivables	TUSD	3,502	332	(332)
Trade payables	TEUR	(34)	(3)	3
	TCZK	(2,780,146)	(10,284)	10,284
Financial debts	TEUR	(2,965)	(296)	296
Net exposure to currency risk	TEUR	(2,553)	(255)	255
Net exposure to currency risk	TCZK	553,613	2,048	(2,048)
Net exposure to currency risk	TUSD	3,502	332	(332)
Impact on profit/loss	TEUR		2,125	(2,125)

2015

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	1,136	113	(113)
Trade receivables	TEUR	51	5	(5)
Non-current receivables	TUSD	3,256	296	(296)
Trade payables	TEUR	(100)	(10)	10
	TUSD	(18)	(2)	2
Financial debts	TEUR	(1,994)	(198)	198
Liabilities linked to asset held for sale	TEUR	(2,901)	(287)	287
Net exposure to currency risk	TEUR	(3,809)	(377)	377
Net exposure to currency risk	TUSD	3,238	295	(295)
Impact on profit/loss	TEUR		(83)	83

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group is exposed to equity risks related to investments in shares of CPI PG, which are classified as available-for sale.

Other components of equity would increase/decrease by EUR 1.7 million (EUR 5.3 million in 2015) as a result of 5% increase/decrease of EPRA NAV per share of CPI PG.

Profit for the year would increase/decrease by EUR 2.7 million as a result of 5% increase / decrease of EPRA NAV per share of CPI PG due to the change of fair value of Derivative instruments – assets (subscription rights) concerning the CPI PG shares

(iii) Cash flow interest rate risk

The Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group mitigates some of its variable interest rates by entering into swap transactions. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

As at 31 December 2016, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2016 of EUR 0.1 million. Excluding the effect of derivatives, the increase of interest expenses in 2016 would induce the immaterial change.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months as at 31 December 2016:

Type of Index	Type of Index and Margin (in %)	Repricing month	Bank loan
Euribor 03 M	Euribor 03 M and Margin from +2 to +3	March 2017	2,944
Pribor 03 M	Pribor 03 M and Margin from +2 to +3	March 2017	4,247
Total			7,191

(iv) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area (Central Europe) such activities are spread over several business lines (residences, offices) and different countries.

7.1.2 Credit risk

Rental contracts are made with customers with an appropriate credit history. Credit risk is managed by local management and by Group management.

Analysis by credit quality of financial assets is as follows:

	Fully performing ***	Past due but not impaired			Impaired	BALANCE 31 December 2016
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current loans and receivables						
- Gross value	143,349	-	-	-	20,646	163,995
Impairments - At opening					(13,231)	(13,231)
Impairments – Transfer					16	16
Impairments – Allowance					(843)	(843)
Impairments – Foreign exchange					(2)	(2)
Non-current loans and receivables						
– Impairment					(14,060)	(14,060)
Non-current loans and receivables						
- Net value	143,349	-	-	-	6,586	149,935
Trade Receivable - Gross value	2,451	419	936	28	851	4,684
Impairments - At opening					(2,023)	(2,023)
Impairments - Scope Exit					93	93
Impairments – Allowance					(61)	(61)
Impairments - Write-back					988	988
Impairments - Write-off					146	146
Impairments - Foreign exchange					7	7
Trade Receivable - Impairment	n/a	n/a	n/a	n/a	(851)	(851)
Trade Receivable - Net Value	2,451	419	936	28	-	3,833
Other current assets - Gross value	2,330	-	-	-	853	3,183
Impairments - At opening					(801)	(801)
Impairments - Scope Exit					(52)	(52)
Other current assets – Impairment					(853)	(853)
Other current assets - Net Value	2,330	-	-	-	-	2,330
Derivative instruments	38,710	-	-	-	-	38,710
Cash and cash equivalents	2,215	-	-	-	-	2,215

*** Total neither past due nor impaired

	Fully performing *** (restated)	Past due but not impaired			Impaired (restated)	BALANCE 31 December 2015
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current loans and receivables - Gross value	3,394	-	-	-	7,590	10,984
Impairments - At opening					(2,741)	(2,741)
Impairments – Scope Exit					161	163
Impairments – Allowance					(1,531)	(1,531)
Non-current loans and receivables – Impairment					(4,111)	(4,111)
Non-current loans and receivables - Net value	403	-	-	-	6,470	6,873
Trade Receivable - Gross value	1,418	1,233	702	56	2,023	5,432
Impairments - At opening					(2,826)	(2,826)
Impairments - Scope Exit					-	-
Impairments – Allowance					(1,180)	(1,180)
Impairments - Write-back					1,724	1,724
Impairments - Write-off					265	265
Impairments - Foreign exchange					(6)	(6)
Trade Receivable – Impairment	n/a	n/a	n/a	n/a	(2,023)	(2,023)
Trade Receivable - Net Value	1,418	1,233	702	56	-	3,409
Other current assets - Gross value	1,918	-	-	276	801	2,995
Impairments - At opening					(710)	(710)
Impairments - Scope Exit					86	86
Impairments – Allowance					(177)	(177)
Other current assets – Impairment					(801)	(801)
Other current assets - Net Value	1,918	-	-	276	-	2,194
Cash and cash equivalents	3,264	-	-	-	-	3,264

*** Total neither past due nor impaired

The Group has some major financial assets for which the credit risk assessment is crucial and for which impairment charge has been recognised:

Available-for-sale financial assets (see note 6.5)

Non-current loans and receivables (see note 6.5.1)

Non-current loans and receivables as described in note 6.5.1 includes:

- receivable from the loan granted to the joint venture Uniborc was reclassified from Fully performing to Impaired based on the additional impairment recognised in 2016 (EUR 1.8 million);
- Impairment recognised on the receivable related to Hagibor Office Building deferred consideration (EUR 9.2 million) and reclassified from financial assets available for sale, where reported in 2014.

Other current assets (see note 6.10 and 6.11)

The other current assets described in notes 6.10 and 6.11 consist of guarantee deposits on trusted accounts with very low or non-existing credit risk, of taxes and social security receivables presenting a credit risk on the respective administrations and of

accrued assets mainly related to the service charges presenting the same level of credit risks as the trade receivables described above.

Derivative instruments (see note 6.9)

7.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk.

The liquidity risk is the risk that the Group might encounter difficulties raising liquid funds to meet commitments as they fall due. The Group management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2016. Information regarding interest rate swaps used by the Group is detailed in the note 6.16.3.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the consolidated statement of financial position for borrowings, derivative instruments and other payables considered as financial instruments.

At 31 December 2016	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total cash out-flows	Book value
Fixed rate loans and bonds	-	614	480	19,767	-	20,861	15,847
Floating rate loans	15	4,446	83	687	2,616	7,847	7,191
Other borrowings	511	3,068	3,848	293	183,360	191,080	140,535
Interest rate derivatives	-	-	7	-	-	7	7
Liabilities linked to assets held for sale	14,868	-	-	-	-	14,868	14,868
Trade payables	356	999	303	-	-	1,658	1,658
Other current financial liabilities	50	1,778	111	-	-	1,939	1,939
Total	15,800	10,905	4,832	20,747	185,976	238,261	182,045

At 31 December 2015	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total cash out-flows	Book value
Fixed rate loans and bonds	81	3,326	2,765	90,028	6,796	102,996	69,929
Floating rate loans	52	13,637	27,228	8,972	4,442	54,331	51,601
Other borrowings	-	-	28 660	98	-	28,758	28,758
Interest rate derivatives	-	-	332	-	-	332	332
Liabilities linked to assets held for sale	-	3,951	-	-	-	3,951	3,951
Trade payables	496	1,396	3,045	-	-	4,937	4,937
Other current financial liabilities	165	1,563	878	-	-	2,606	2,606
Total	794	23,873	62,908	99,098	11,238	197,911	162,114

In the tables here above, differences between book value and the cash-out flows are due to:

- Fixed rate loans and bonds: The bonds cash-out flows are equal to the mandatory payments as they are defined in the terms of these financial instruments and include the nominal repayment, the semi-annual cash interest payment

and the payment of guarantee fee in respect of the Notes. The bank loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.

- Floating rate loans: The cash-out flows are not impacted by the fees related to the restructuring of the financing which have been capitalized. The loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.

7.2 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio ("LTV") which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The objective of the Group is to bring back the loan to value ratio at a sustainable level compared to market expectations and cash flow capacity. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may, issue new shares, reschedule debt maturities, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

The following table shows the detailed calculation of the loan to value ratio.

	31 December 2016	31 December 2015
Non-current liabilities		
Financial debts	128,348	20,394
Non-current Bonds	15,705	60,714
Current liabilities		
Financial debts	19,378	68,512
Current Bonds	142	668
Accrued interest	594	621
Liabilities linked to assets held for sale (*)	14,868	2,901
Current assets		
Cash and cash equivalents	(2,215)	(3,264)
Net debt	176,820	150,546
Investment property	239,790	241,825
Investments in equity affiliates	4	35
Financial assets available-for-sale	33,042	106,522
Non-current loans and receivables	149,935	6,873
Inventories	6,524	7,774
Derivative instruments	38,732	-
Assets held for sale	23,209	6,314
Fair value of portfolio	491,246	369,343
Loan to Value	36.0 %	40.8 %

(*) Liabilities linked to assets held for sale include bank loan (see Note 6.12)

There are no breaches on the bank loans encountered at the end of 2016.

The LTV ratio as at 31 December 2016 decreased to 36.0% compared to 40.8% as at 31 December 2015. Total amount of financial liabilities including bonds is EUR 176.8 million as at the end of December 2016 in comparison to EUR 150.3 million at the end of 2015. Fair value of portfolio increased from EUR 369.3 million to EUR 491.2 million.

7.3 Fair value estimation

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet 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 balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data. For further disclosure relating to financial assets at fair value, see note 7.3.1.

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

7.3.1 Accounting classification and fair values

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

31 December 2016	Carrying amount		Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
Financial assets					
Investments in joint ventures	-	4	-	-	4
Equity method investments	-	4			
CPI Property Group shares (**)	33,042	-	-	-	33,042
Financial assets available-for-sale	33,042				
Radio Free Europe deferred consideration	-	3,323	-	-	3,323
Loan granted to the Uniborc joint venture	-	3,255	-	-	3,255
Other	-	143,357	-	-	143,357
Non-current loans and receivables	-	149,935			
Trade receivables	-	3,844	-	-	-
Derivative instruments	38,732	-			38,732
Other current financial assets	-	1,162	-	-	-
Cash and cash equivalent	-	2,215	-	-	-
Current financial assets	38,732	7,221			
Financial liabilities					
New Notes	-	15,705	-	-	13,084
Financial debt (floating rate bank debts)	-	2,840	-	-	2,840
Financial debt (fixed rate bank debts)	-	-	-	-	-
Financial debt (other borrowings)	-	125,508	-	-	125,508
Long term liabilities	-	301	-	-	301
Non-current financial liabilities	-	144,354			
Current bonds	-	142	-	-	142
Financial debt (floating rate bank debts)	-	19,378	-	-	19,378
Financial debt (fixed rate bank debts)	-	-	-	-	-
Financial debt (other borrowings)	-	-	-	-	-
Derivative instruments	7	-	-	7	-
Advanced payments	-	395	-	-	-
Trade payables	-	1,658	-	-	-
Other current financial liabilities	-	1,939	-	-	-
Current financial liabilities	7	23,512			

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

(**) The Group applied transaction price based on the observable prices on the market. For the valuation as at 31 December 2016 the Group's share is valued using EPRA NAV per share of CPI Property Group as at 31 December 2016 (refer to note 6.5).

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

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

(**) The transfer from Level 1 to Level 3 for financial assets available for sale is explained by the change of determination of the fair value of these quoted financial instruments. The Group applied transaction price based on the observable prices on the market. For the valuation as at 31 December 2015 the Group's share is valued using EPRA NAV per share of CPI Property Group as at 30 September 2015.

8 Contingencies

The Company has given guarantees as security to banks financing Group's projects. The Group has also given certain guarantees in the ordinary course of business, more specifically on the residential units delivered. These guarantees are internally covered by the guarantees granted by the general contractor and provisions where needed.

In June 2007 the Company issued a guarantee up to a maximum amount of EUR 5 million to secure all payment claims of IBB Holding and BTGI against inter alia Gewerbesiedlungs-Gesellschaft (Berlin), Orco Russian Retail, and MSREF V / MSREF Turtle B.V under an option agreement dated 22/23 May 2006 as amended on 24/25 April 2007 concerning the acquisition of all shares in Gewerbesiedlungs-Gesellschaft. This guarantee covering acquirer engagement was admitted to the safeguard plan.

According to the framework agreement dated 18 August 2011 between the Company and MSREF V Turtle, the Company assumed the obligation to release the Morgan Stanley companies (MSREF V and MSREF V Turtle) from all claims under the Morgan Stanley guarantee by issuing a respective back to back guarantee of EUR 10 million.

IBB Holding and BTGI agreed to accept a top up of OPG guarantee and the release of Morgan Stanley companies from their engagement as per the option agreement. In June 2015 the Company issued the EUR 5 million top up guarantee in favor IBB Holding and BTGI and obtained a release from Morgan Stanley back to back guarantee. The aggregate guarantee of the Company to the benefit of IBB Holding and BTGI amounts to EUR 10 million.

As at the date of the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in note 0 and 9.

9 Litigations

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

On 20 January 2015 the Company was served with a summons by Kingstown, claiming on former shareholders of the Company. The action was filed with the Court and seeks condemnation of the Company, CPI PG and certain members of the Company's board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown's allegation the damage claimed arose inter alia from the alleged violation of the Company's minority shareholders rights. The management of the Company has been taking all available legal actions to oppose these allegations in order to protect the corporate interest as well as the interest of its shareholders. Accordingly, the parties sued by Kingstown raised the *exceptio judicatum solvi plea*, which consists in requiring the entity who initiated the proceedings and who does not reside in the EU or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered a judgement on 19 February 2016, whereby each claimant has to pay a legal deposit in the total amount of 90.000 EUR to the "*Caisse de Consignation*" in Luxembourg. Kingstown paid the deposit in January 2017.

In March 2016, the insolvency administrator of the Company's subsidiary HAGIBOR OFFICE BUILDING ("HOB"), filed a lawsuit, requesting that the Company returns to HOB in aggregate USD 16.49 million, paid by HOB to the Company in 2012. The Company is of the opinion that the lawsuit has no merits given that in 2012 HOB duly repaid its loan to the Company. The Company will defend 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 the Company filed a lawsuit claiming the non-existence of pledges registered on the Radio Free Europe building in favour of the financing bank.

10 Capital and other commitments

Capital commitments

The Group has capital commitments of EUR 1.8 million in respect of capital expenditures contracted for at the date of the statement of financial statements (EUR 1.1 million in 2015). There are no other commitments except as disclosed above.

11 Related party transactions

Transactions with key management personnel

a) Remuneration of key management personnel

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

Total compensation given as short term employee benefits to the top managers for the year 2016 was EUR 0.1 million (EUR 0.4 million for year 2015).

The Board and Committees attendance compensation for the year 2016 was EUR 36,000 (EUR 63,000 for the year 2015). The annual general meeting held on 28 May 2014 resolved to approve, with the effect as of 1 January 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowered the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to independent, non-executive Directors of the Company.

b) Termination and change of control clauses

As at 31 December 2016, there are no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labor codes.

c) Loans and advances to key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As of the date hereof, litigation is pending in front of Luxembourg court. Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461. These litigations are pending as at 31 December 2016.

d) Other transactions with key management personnel

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek entered on into a put option agreement 24 September 2014 concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. The Company exercised the put option and on 29 August 2016 Mr. Vitek purchased 65,957,446 ordinary shares issued by CPI PROPERTY GROUP for an aggregate consideration of EUR 34.59 million.

In 2014, the Company transferred 1 share to Jiri Dedera and Tomas Salajka each for free and while they hold the Board function. Further to the resignation of Mr. Salajka on 10 November 2014, 1 share was automatically transferred back to the Company. In 2016 the Company transferred 1 share to Mr. Erik Morgenstern, who has been co-opted to the Board of Directors following the resignation of Mr. Pavel Spanko.

Transactions with CPI PG group

Management Fees

CPI PG companies, through the Group owner, have provided property management services and other outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 1.1 million for whole year 2016.

In prior year, the Group provided services to ST Project Limited of which outstanding amount is EUR 3.6 million as at 31 December 2016. These services related to administration fees (EUR 2.1 million) by parent company and consultancy and management services (EUR 1.5 million) by Orco Project Limited.

Loan by CPI PG entities

During 2016 the parent company as borrower and CPI PG entities as lender entered into the credit facility agreements and drew loans. As at 31 December 2016 the outstanding balance amounts to EUR 137.6 million with calculated the accrued interest in the amount of EUR 0.276 million. The most significant loan was with counterpart Czech Property Investments, a.s. with outstanding balance amounts to EUR 122.8 million including the accrued interest in the amount of EUR 0.3 million. These loans bear interest rate between 3% - 5.26% p.a. and are repayable between years 2017 - 2030.

As at 19 December 2016, Orco Project Limited as borrower and ST Project as lender entered into credit facility agreements: EUR 1.5 million facility framework, maturity day at 31 December 2018 and parties agreed that the loan does not bear any interest. As at 31 December 2016 the outstanding balance amounts to EUR 1.4 million.

Furthermore due to the purchased entities see note 3.1.5 the Group as at December 2016 had continuing loans from CPI PG subsidiaries - Czech Property Investments, a. s., CPI Finance Netherlands B.V., CPI Finance Netherlands III B.V. As at 31 December 2016 the outstanding balance amounts to EUR 1.3 million with calculated the accrued interest in the amount of EUR 0.7 million. These loans bear interest rate between 5% - 5.25% p.a. and are repayable between years 2018 - 2024.

Loan to CPI PG entities

During 2016 the parent company as lender and CPI PG entities as borrower entered into the credit facility agreements see note 6.5.1.

New Notes guarantee

On 7 November 2014, the Company and CPI PG entered into a trust deed (the "Trust Deed") pursuant to which CPI PG agreed to unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Company in relation to its Notes (registered under ISIN code XS0820547742), which were issued on 4 October 2012 and amended and restated pursuant to the Trust Deed. CPI PG has also undertaken in the Trust Deed to be bound by certain limitations on its activities and to maintain certain financial ratios.

In consideration of CPI PG's entry into the Trust Deed and the guarantee given thereunder, the Company has agreed to pay to CPI PG a guarantee fee of 3% per annum of the outstanding principal balance of the Notes, payable on a payment in kind (PIK) basis falling due on the business day after all amounts payable in connection with the Notes have been paid in full.

As of December 31, 2016, the total debt of OPG towards CPI PG relating to this guarantee is of EUR 3.1 million (2015: EUR 2.2 million).

Loan provided by CPIPG

On 17 June 2014 the Company as borrower and CPI PG as lender entered into the credit facility agreement with the following parameters: EUR 3.5 million facility framework, repayment in 3 months and interest of 8% p.a. The parties agreed to extend the maturity until 15 September 2016, the facility limit was extended to EUR 40.0 million, and the interest decreased to 5% p.a. During the first half of 2016 the loan was increased by EUR 3.5 million. On 5 May 2016 the Company repaid the loan in total amount of EUR 32.1 million.

Sale of CPI PG shares

As at 23 November 2016, Orco Property Group S.A. as seller and CPI Property Group as purchaser entered into Agreement on transfer of shares where the parent company had committed to transfer 6,100 pieces of ordinary shares. The selling price was 0.33095 EUR per share and that was total EUR 2.019 for all shares sold.

11.1 Orco Property Group consolidated subsidiaries

The table below shows the list of subsidiaries consolidated line by line.

Company	Country	Currency	Activity	% Shareholding	
				31.12.2016	31.12.2015
Asmihati Holding Limited (liquidated)	Cyprus	EUR	Other	0.00%	100.00%
Bubenská 1, a.s.	Czech Republic	CZK	Renting	100.00%	100.00%
Bubny development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Byty Podkova, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Camuzzi, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
CD Property, s.r.o. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
CPI – Krásné Březno, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
CPI – Land Development, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
CPI South, s.r.o. (new acquisition)	Czech Republic	CZK	Development	90.00%	0.00%
Darilia a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Development Pražska s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Grunt HZ, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Hagibor Office Building, a.s. (in insolvency)	Czech Republic	CZK	Other	100.00%	100.00%
Industrial Park Stříbro s.r.o.	Czech Republic	CZK	Renting	100.00%	100.00%
Jihovýchodní Město, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Karviná Property Development, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
Na Poříčí, a.s. (sold)	Czech Republic	CZK	Renting	0.00%	100.00%
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Nupaky, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Oak Mill, a.s.	Czech Republic	CZK	Development	0.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s. (sold)	Czech Republic	CZK	Renting	0.00%	100.00%
Orco Praga, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Rubeška Development, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Seattle, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Strakonice Property Development, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
STRM Alfa, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Beta, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Delta, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Gama, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Svitavy Property Development, a.s. (new acquisition)	Czech Republic	CZK	Development	100.00%	0.00%
T-O Green Europe, a.s. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
TQE Asset, a.s. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Zeta Estate a.s (merged)	Czech Republic	CZK	Development	0.00%	100.00%
Vinohrady s.a.r.l.	France	EUR	Management services	100.00%	100.00%
Orco Project Limited (former Cheadle management limited)	Guernsey	EUR	Other	100.00%	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	EUR	Other	100.00%	100.00%
CWM 35 Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
ORCO Development Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
Vaci 190 Projekt Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
Capellen Invest S.A.	Luxembourg	EUR	Renting	100.00%	100.00%
CEREM S.A. (in liquidation)	Luxembourg	EUR	Management services	100.00%	100.00%
Endurance Real Estate Management Company Sàrl	Luxembourg	EUR	Management services	100.00%	100.00%

Company	Country	Currency	Activity	% Shareholding	
				31.12.2016	31.12.2015
Diana Property SP. z.o.o.	Poland	PLN	Renting	100.00%	100.00%
Orco Enterprise Sp.z o.o. (merged)	Poland	PLN	Development	0.00%	100.00%
Orco Logistic Sp.z o.o. (merged)	Poland	PLN	Renting	0.00%	100.00%
Marki Real Estate Sp.z.o.o. (former Orco Poland Sp.z.o.o.)	Poland	PLN	Management services	100.00%	100.00%

As at 30 June 2016, was merger of three Polish entities – Marki Real Estate Sp. z o.o., Orco Enterprise Sp. z o.o., Orco Logistic Sp. z o.o. where the acquiring company was Marki Real Estate Sp. z o.o.

11.2 Equity method investments

Hereafter follows the list of investments accounted for using the equity method presenting the Group's effective shareholding in them:

Company	Country	Currency	Activity	% Shareholding	
				31.12.2016	31.12.2015
Brillant 1419. Verwaltungs GmbH	Germany	EUR	Management services	49.00%	49.00%
Uniborc S.A.	Luxembourg	EUR	Development	20.00%	20.00%

12 Events after balance sheet date

12.1 Disposal of Capellen Invest

On 25 January 2017, a share deal related to disposal of the office building in Capellen, Luxembourg was completed. The building with a leasable area of approximately 7,700 square meters, located in the Capellen business park just outside of the City of Luxembourg, was sold to a private investor. The selling price represented EUR 8.4 million and reflects the value of the investment property and related bank loans.

12.2 Suspension of Trading in Warsaw

On 17 February 2017 the Warsaw Stock Exchange informed the Company that it had suspended trading of the Company shares on the Warsaw Stock Exchange.

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To the Shareholders of
Orco Property Group S.A.
40, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A., as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 2.3 of the consolidated financial statements which states that during 2016, the Group noticed that there were some misstatements in the classification of cash flows under the caption "Financial result" relating to the disposal of subsidiaries and joint ventures, early repayment of bonds and reclassifications of working capital which resulted in the restatement of the 31 December 2015 consolidated statement of cash flows.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and consolidated financial statements of undertakings, as amended.

Report on other legal and regulatory requirements

The management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.



The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and consolidated financial statements of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 31 March 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'Alison Macleod', written over a horizontal line.

Alison Macleod

Orco Property Group
Société Anonyme

ANNUAL ACCOUNTS AND REPORT
OF THE REVISEUR D'ENTREPRISES AGREE
DECEMBER 31, 2016

40, rue de la Vallée
L-2661 Luxembourg
Share Capital: EUR 13,145,076
R.C.S. Luxembourg B 44.996

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RCSL Nr. : B44996

Matricule : 1993 2209 554

eCDF entry date :

BALANCE SHEET**Financial year from** 01 01/01/2016 **to** 02 31/12/2016 (in 03 EUR)

ORCO 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	401.585.474,00	302.538.291,00
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	260.137,00
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

RCSL Nr.: B44996

Matricule : 1993 2209 554

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132 260.137,00
4. Payments on account and tangible assets in the course of construction	1133	133	134
III. Financial assets	1135 Note 4	135 401.585.474,00	136 302.278.154,00
1. Shares in affiliated undertakings	1137 Note 4.1	137 201.555.899,00	138 139.575.913,00
2. Loans to affiliated undertakings	1139 Note 4.2	139 22.327.925,00	140 60.914.084,00
3. Participating interests	1141 Note 4.3	141 115.771,00	142 93.971,00
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143 Note 4.3	143 3.816.157,00	144 3.184.051,00
5. Investments held as fixed assets	1145 Note 4.4	145 33.042.231,00	146 98.497.692,00
6. Other loans	1147 Note 4.5	147 140.727.491,00	148 12.443,00
D. Current assets	1151	151 6.440.333,00	152 8.795.697,00
I. Stocks	1153	153 74.315,00	154 303.381,00
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 74.315,00	162 303.381,00
II. Debtors	1163	163 6.148.320,00	164 8.061.311,00
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171 Note 5.1	171 1.398.755,00	172 7.766.254,00
a) becoming due and payable within one year	1173	173 1.398.755,00	174 7.766.254,00
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 Note 5.2	177 318.546,00	178 295.057,00
a) becoming due and payable within one year	1179	179 318.546,00	180 295.057,00
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183 Note 5.3	183 4.431.019,00	184
a) becoming due and payable within one year	1185	185 4.066.561,00	186
b) becoming due and payable after more than one year	1187	187 364.458,00	188

RCSL Nr.: B44996

Matricule : 1993 2209 554

	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 217.698,00	198 431.005,00
E. Prepayments	1199 _____ Note 6	199 1.006.570,00	200 _____
TOTAL (ASSETS)		201 409.032.377,00	202 311.333.988,00

RCSL Nr.: B44996

Matricule : 1993 2209 554

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 <u>Note 7</u>	301 <u>238.177.742,00</u>	302 <u>188.428.985,00</u>
I. Subscribed capital	1303	303 <u>13.145.076,00</u>	304 <u>31.450.763,00</u>
II. Share premium account	1305	305 <u>784.669.809,00</u>	306 <u>686.364.122,00</u>
III. Revaluation reserve	1307	307	308
IV. Reserves	1309	309 <u>448.131.945,00</u>	310 <u>448.131.945,00</u>
1. Legal reserve	1311	311 <u>448.131.945,00</u>	312 <u>448.131.945,00</u>
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 <u>-977.517.845,00</u>	320 <u>-997.804.593,00</u>
VI. Profit or loss for the financial year	1321	321 <u>-30.251.243,00</u>	322 <u>20.286.748,00</u>
VII. Interim dividends	1323	323	324
VIII. Capital investment subsidies	1325	325	326
B. Provisions	1331	331	332
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335	336
3. Other provisions	1337	337	338
C. Creditors	1435 <u>Note 8</u>	435 <u>170.854.635,00</u>	436 <u>122.905.003,00</u>
1. Debenture loans	1437	437 <u>16.853.649,00</u>	438 <u>61.381.953,00</u>
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 <u>Note 8</u>	445 <u>16.853.649,00</u>	446 <u>61.381.953,00</u>
i) becoming due and payable within one year	1447	447 <u>141.632,00</u>	448 <u>668.323,00</u>
ii) becoming due and payable after more than one year	1449	449 <u>16.712.017,00</u>	450 <u>60.713.630,00</u>
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

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B44996

Matricule : 1993 2209 554

	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	367 873.375,00	368 3.605.115,00
a) becoming due and payable within one year	1369	369 873.375,00	370 3.605.115,00
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	379 14.898.346,00	380 28.183.675,00
a) becoming due and payable within one year	1381 Note 9.1	381 694.762,00	382 1.093.128,00
b) becoming due and payable after more than one year	1383 Note 9.2	383 14.203.584,00	384 27.090.547,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Other creditors	1451	451 138.229.265,00	452 29.734.260,00
a) Tax authorities	1393	393	394 429.360,00
b) Social security authorities	1395	395	396
c) Other creditors	1397	397 138.229.265,00	398 29.304.900,00
i) becoming due and payable within one year	1399 Note 10	399 15.608.578,00	400 620.791,00
ii) becoming due and payable after more than one year	1401 Note 11	401 122.620.687,00	402 28.684.109,00
D. Deferred income	1403	403	404
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 409.032.377,00	406 311.333.988,00

RCSL Nr.: B44996

Matricule: 1993 2209 554

eCDF entry date :

PROFIT AND LOSS ACCOUNTFinancial year from ⁰¹ 01/01/2016 to ⁰² 31/12/2016 (in ⁰³ EUR)

ORCO PROPERTY GROUP

40, rue de la Vallée
L-2661 Luxembourg**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
1. Net turnover	1701 <u>Note 12</u>	701 <u>2.263.568,00</u>	702 <u>3.635.454,00</u>
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 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-2.848.253,00</u>	672 <u>-4.824.780,00</u>
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 <u>Note 13</u>	603 <u>-2.848.253,00</u>	604 <u>-4.824.780,00</u>
6. Staff costs	1605 _____	605 <u>-113.973,00</u>	606 <u>-160.052,00</u>
a) Wages and salaries	1607 <u>Note 14</u>	607 <u>-113.973,00</u>	608 <u>-160.052,00</u>
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 <u>Note 15</u>	621 <u>-3.256.662,00</u>	622 <u>20.453.978,00</u>

RCSL Nr.: B44996

Matricule : 1993 2209 554

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	973.232,00	2.855.086,00
a) derived from affiliated undertakings	1717 Note 16	973.232,00	2.855.086,00
b) other income from participating interests	1719		
10. Income from other investments and loans forming part of the fixed assets	1721		
a) derived from affiliated undertakings	1723		
b) other income not included under a)	1725		
11. Other interest receivable and similar income	1727	10.394.146,00	8.442.308,00
a) derived from affiliated undertakings	1729 Note 17.1	4.540.455,00	7.416.340,00
b) other interest and similar income	1731 Note 17.2	5.853.691,00	1.025.968,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	-26.419.454,00	
14. Interest payable and similar expenses	1627	-11.242.940,00	-10.112.036,00
a) concerning affiliated undertakings	1629 Note 18.1	-1.579.195,00	-2.204.628,00
b) other interest and similar expenses	1631 Note 18.2	-9.663.745,00	-7.907.408,00
15. Tax on profit or loss	1635	-907,00	-3.210,00
16. Profit or loss after taxation	1667	-30.251.243,00	20.286.748,00
17. Other taxes not shown under items 1 to 16	1637		
18. Profit or loss for the financial year	1669	-30.251.243,00	20.286.748,00

NOTE 1 - GENERAL INFORMATION

Orco Property Group, société anonyme (“the Company” and “OPG”), RCS number B 44.996, was incorporated under the Luxembourg Company Law on September 9, 1993 as a limited liability company (société anonyme) for an unlimited period of time.

The Company has for object the taking of participating interests, in whatsoever form in either Luxembourg or foreign companies, especially in real estate companies in the Czech Republic, Hungary, Poland and other countries of Eastern Europe and the management, control and development of such participating interests. The Company, through its subsidiaries (together “the Group”), is principally involved in providing financing services, the development of properties for its own portfolio or intended to be sold in the ordinary course of business and is also active in leasing investment properties under operating leases as well as in asset management.

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

As at 31 December 2016 the Company’s shares were listed on the regulated markets the Warsaw Stock Exchange and of the Luxembourg Stock Exchange. In 2016, the Board of Directors following an in-depth review of its structure, operational and financial performances and costs, related to its listing on Euronext Paris as taking the liquidity and trade volumes into account, voluntarily requested the delisting of all of its ordinary shares from Euronext Paris. The voluntary delisting request was approved by Euronext on January 7, 2016 and the all listed shares were transferred and sold to Luxembourg Stock Exchange as from February 4, 2016.

The financial year is from January 1, 2016 to December 31, 2016.

As at December 31, 2016, Orco Property Group is directly and indirectly controlled by CPI Property Group S.A. at 97.31% (see Note 2).

Others 35 308 653 shares 2.69% voting rights

Total 1 314 507 629 shares 100.00% voting rights

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.orcogroup.com.

Change in the shareholder structure

On June 8, 2016, CPI Property Group (CPI PG) through its fully owned subsidiary NUKASSO HOLDINGS LIMITED acquired 100% stake in three legal entities – Aspley Ventures Limited, Fetumar Development Limited and Jagapa Limited. As at the date of the acquisition these three entities directly hold 91.29% share in the Company. Moreover, on June 8, 2016 NUKASSO HOLDINGS LIMITED acquired directly 79,080,996 of OPG shares corresponding to approximately 6.02 % share in OPG. As a result of such acquisitions, CPI PG group became the main shareholder of the Company with 97.31% of issued stake. Further above, the Company is therefore indirectly controlled at 97.31% by ultimate beneficial owner of CPI Property Group i.e. Mr. Radovan Vitek. The strategy of CPI PG is for the Company to gradually realise its development projects together with the rendering of financial services of all entities in CPI PG.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

Basis of preparation and Going concern

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of August 10, 1915, as subsequently amended, determined and applied by the Board of Directors.

The Company has prepared cash flow forecasts for the Group (the Company and its subsidiaries) for a period in excess of 12 months from the date of approval of the 2016 consolidated financial statements and annual accounts. These forecasts reflect an assessment of current and future conditions on the real estate market and their impact on the Group's future performance. The forecasts show the Group's strong performance and that the Group is able to operate within the current committed debt facilities and show continued compliance with the Company's financial covenants.

As a result of the steady positive cash flow from the rental and other activities of its subsidiaries, the Board of Directors has concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2016 on a going concern basis.

Significant accounting policies

Financial assets

Financial assets are valued individually at the lower of their acquisition price or market value. Amounts owed by affiliated undertakings and amounts owed by undertakings with which the Company is linked by virtue of participating interest shown under "Financial fixed assets" are recorded at their nominal value. A value adjustment is recorded when the recovery value is lower than the nominal value.

Where there is a durable diminution in value in the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Trade debtors and other debtors

Trade debtors and other debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

NOTE 2- ACCOUNTING PRINCIPLES, RULES AND METHODS (continued)

Other investments

Other investments are valued individually at the lower of purchase cost or market value. A value adjustment is recorded where the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Conversion of foreign currencies

The Company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency. All financial information presented in euro (EUR) has been rounded to the nearest thousand (KEUR), except when otherwise indicated.

During the financial year, the acquisitions and sales of financial assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the financial fixed assets expressed in currency other than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are valued at the closing rate. The unrealised and realised losses, as well as the realised gains are recorded in the profit and loss account.

Prepayments

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year. Financing fees linked to the issuance of those bonds are also recorded under the caption "Prepayments" and are amortised through profit and loss account over the period of the bonds under the caption "interest payable and similar charges".

Value adjustments

Value adjustments are deducted directly from the related asset.

Net turnover

Net turnover includes income from invoicing of operating costs.

Debenture loans

Debenture loans are non-convertible bonds. These are recorded at their nominal value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayments" and is written off over the period of the bonds on a linear basis under the caption "Interest payable and similar charges".

NOTE 2- ACCOUNTING PRINCIPLES, RULES AND METHODS (continued)

General Principles

As of December 31, 2015, the financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) published by the International Accounting Standards Board (IASB) and adopted by the European Union at this date ("IFRS").

The Board of Directors has analysed the options of preparing the annual accounts under IFRS or Luxembourg legal and regulatory requirements for the preparation of the annual accounts under the historical cost convention ("Luxembourg Gaap" or "Lux GAAP"). Both are legally permissible accounting frameworks for Luxembourg commercial companies. The Board of Directors has further assessed the complexity and costs associated with the preparation of the annual accounts in accordance with Lux GAAP and IFRS respectively.

Based on the above, the Board of Directors has decided to prepare annual accounts of the Company in accordance with Luxembourg Gaap for the financial year ended December 31, 2016 and subsequent years (Note 3).

NOTE 3 - RESTATED OPENING BALANCE

The annual accounts for the period ending on December 31, 2015 were prepared under IFRS and in thousands of euro ("KEUR").

In 2016, the Board of Directors of the Company resolved to prepare the accounts according to Lux GAAP.

Below is the comparative presentation of the 2015 financial statements under IFRS and the annual accounts under Lux GAAP:

Orco Property Group
Société Anonyme
R.C.S. Luxembourg B 44.996
NOTES TO THE ANNUAL ACCOUNTS
December 31, 2016
-continued-

ASSETS	Note (*)	KEUR IFRS As at December 31 2015	KEUR LUX GAAP As at January 01 2016	Note	Assets
NON-CURRENT ASSETS					
Intangible assets	6	260	260		C.II. 3 Other Fixtures and fittings, tools and equipment
Shares in affiliated undertakings	7	131,615	139,575	10.2	C.III.1 Shares in affiliated
Financial assets available for sales	9.2	106,552	98,592	4.4	C.III.5 Investment held as fixed asset
Financial assets at fair value through p&l	9.1	-			
Loans to affiliated undertakings & other financial assets	10	67,833	60,914	4.2	C.III.2 Loans to affiliated undertakings
			3,184	4.3	C.III.4 Loans to affiliated undertakings with which the undertaking is linked by virtue of participating interests
			303		D.4 Payment on account
			12	4.4	D.III.6 Other Loans
			3,136	5.1	D.II.2 a) Becoming due and payable within one year
			284	5.2	D.II.3 a) Amounts owed by undertakings with which the undertaking is linked by virtue of participating interest
TOTAL - NON-CURRENT ASSETS		306,260	306,260		
CURRENT ASSETS					
Trade and other receivables	8	4,642	4,630	5,3	D.II.3 a) Amounts owed by undertakings with which the undertaking is linked by virtue of participating interest
Cash and cash equivalents (excluding bank overdrafts)	12	430	431		D.II.4 a) becoming due and payable within one year
Prepayment	-	-	--	6	D.IV. Cash at bank and in hand
					E - Prepayment
TOTAL - CURRENT ASSETS		5,072	5,072		
TOTAL - ASSETS		311,332	311,332		TOTAL - ASSETS
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Ordinary shares	24	31,451	31,451	7	A. I . Subscribed Capital
Share premium	24	686,364	686,364	7	A.II. Share premium account
Legal reserve		4,107	4,107	7	A.IV Legal reserves

Orco Property Group
Société Anonyme
R.C.S. Luxembourg B 44.996
NOTES TO THE ANNUAL ACCOUNTS
December 31, 2016
-continued-

ASSETS	Note (*)	KEUR IFRS	KEUR LUX GAAP	Note	Assets
		As at December 31 2015	As at January 01 2016		
Own Equity Instrument		-5	(5)	6	A.IV Legal reserves
Other reserves		444,030	444,030	6	A.IV Legal reserves
Retained earnings		(977,517)	(997 804)	6	A.V. Profit or loss brought forward
			20,286	6	A.VI.Profit or loss of the financial year
TOTAL - EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		188,429	188,429		
TOTAL - EQUITY		188,429	188,429		TOTAL - EQUITY
LIABILITIES					
NON-CURRENT LIABILITIES					
New notes/Bonds	13	60,713	60 713	7	C.1.a) ii becoming due and payable more than one year
Loans from affiliated undertakings	14	27,091	27,091		C.6 b) becoming due and payable after more than one year
Other Loan	-	22	22	11	C.8. ii) becoming due and payable after more than one year
Provisions for other liabilities and charges	16	-			
TOTAL - NON-CURRENT LIABILITIES		87,826	87,826		TOTAL - NON-CURRENT LIABILITIES
CURRENT LIABILITIES					
Trade and other payables	15	33,316	3,605	9.1	C.4.a) becoming due and payable within one year
			619	10	C. 8 c i) becoming due and payable within one year
			28,661	11	C.8.cii) becoming due and payable within one year
			429		Assets D 4 b)
			2	10	C.8 c) i becoming due and payable within one year
New notes/Bonds	13	668	668	7	C.1.a) i becoming due and payable within one year
Accrued interest from affiliated	14	1,093	1,093		C.6 a becoming due and payable within one year
Provisions for other liabilities and charges	16	-	-		
TOTAL - CURRENT LIABILITIES		35,077	35,077		TOTAL - CURRENT LIABILITIES
TOTAL - LIABILITIES		122,903	122,903		TOTAL - LIABILITIES
TOTAL - EQUITY AND LIABILITIES (*)		311,332	311,332		TOTAL - EQUITY AND LIABILITIES

Orco Property Group
Société Anonyme
R.C.S. Luxembourg B 44.996
NOTES TO THE ANNUAL ACCOUNTS
December 31, 2016
-continued-

	KEUR IFRS	KEUR LUX GAAP		
	For the year ended December 31	As at January 01		
Note (*)	2015	2016	Note	Profit and loss account
REVENUE	3,635	3,635	12	1. Net turnover
Administrative expenses	17 (4,825)	(4,825)	13	5. Other external expenses
Net gain on disposal of financial assets	19 1,132	1,132	16	8. Other operating expenses
Employee benefits	17 (160)	(160)	14	6. a) wages and salaries
Amortisation, impairments and provisions	-	11,513	16	8. Other operating expenses
Interest expenses	14 (2,743)	(2,205)	18.1	14. a) concerning affiliated undertakings
		(538)	18.2	14. b) other interest and similar expenses
Interest income	10.1 7,704	7,416	17.1	11. a) derived from affiliated undertakings
		288	17.2	11. b) other interest and similar income
Income from participating interests	11 2,855	2,855	16	9. other income from participating interest
Foreign exchange result	18 739	739	17.2	11. b) other interest and similar income
Net gain/(loss) on financial assets at fair value through profit or loss	9.1, 20 (2,627)	(2,627)	16	8. Other operating expenses
OPERATING RESULT	17,223	17,223		OPERATING RESULT
Interest expenses on bonds	13 (7,369)	--	18.2	11. b) other interest and similar expenses
Other net financial results	21 10,436	10,436	16	8. Other operating expenses
FINANCIAL RESULT	3,067	3,067		FINANCIAL RESULT
NET LOSS BEFORE INCOME TAXES	20,290	20,290		NET LOSS BEFORE INCOME TAXES
Income taxes	22 (3)	(3)	19	15. tax on profit or loss
NET LOSS FOR THE YEAR(*)	20,287	20,287		NET LOSS FOR THE YEAR

(*) under the December 31, 2015 audited separate financial statements

Orco Property Group
 Société Anonyme
 R.C.S. Luxembourg B 44.996
 NOTES TO THE ANNUAL ACCOUNTS
 December 31, 2016
 -continued-

NOTE 4 - FINANCIAL ASSETS

2016 in KEUR	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
<u>Cost</u>		
Balance at January 1, 2016	362,976	148,226
Additions for the year	112,896	4,497
Disposals for the year	(154,039)	(59,945)
Balance at December 31, 2016	321,832	92,778
<u>Impairment</u>		
Balance at January 1, 2016	(230,913)	(87,312)
Impairment reversals for the year	128,471	18,489
Impairments for the year	(17,834)	(1,627)
Balance at December 31, 2016	(120,277)	(70,450)
Net value as at December 31, 2016	201,556	22,328
Net value as at December 31, 2015	139,576	60,914

4.1 Shares in affiliated undertakings

Orco Property Group
Société Anonyme
R.C.S. Luxembourg B 44.996
NOTES TO THE ANNUAL ACCOUNTS
December 31, 2016
-continued-

Name of the undertaking	Country	Cur.	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2016
				31.12.2015	in 2016	31.12.2016	in 2016	31.12.2016	31.12.2016	31.12.2015	31.12.2015	31.12.2015
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Asmihati Holding Ltd (*)	Cyprus	EUR	0.00%	--	--	--	--	--	--	--	--	--
Brilliant 14,19 GmbH	Germany	EUR	49.00%	23	--	23	--	(23)	--	--	--	--
Brilliant 14,19 GmbH & Co. Verwaltungs KG	Germany	EUR	100.00%	1,385	--	1,385	--	(1,385)	36	--	36	179
Bubenská 1, a.s.	Czech Republic	CZK	100.00%	11,617	5,564	17,181	(3,117)	(14,734)	2,447	--	2,447	(402)
Bubny development, s.r.o.	Czech Republic	CZK	100.00%	57,942	21,291	79,233	1,301	(23,383)	55,850	33,258	55,850	1,007
BYTY PODKOVA, a.s. (merged Zeta Estate a.s.)	Czech Republic	CZK	100.00%	--	80	80	--	--	80	80	10,223	711
Camuzzi, a.s.(**)(***)	Czech Republic	CZK	100.00%	--	2,232	2,232	--	--	2,232	--	2,259	32
Capellen Invest s.a.	Luxembourg	EUR	100.00%	2,183	--	2,183	--	(2,183)	--	--	(5,157)	(1,130)
CD Property s.r.o. .(**)(***)	Czech Republic	CZK	100.00%	--	2,438	2,438	--	--	2,438	--	3,242	831
CEREM, s.a.	Luxembourg	EUR	100.00%	31	--	31	--	(31)	--	--	(37,209)	(7)
CPI - Krásné Březno, a.s. .(**)(***)	Czech Republic	CZK	100.00%	--	1,768	1,768	--	--	1,768	--	1,936	352
CPI - Land Development, a.s.(**)(***)	Czech Republic	CZK	100.00%	--	52,161	52,161	--	--	52,161	--	52,307	63
CPI South, s.r.o. .(**)	Czech Republic	CZK	90.00%	--	1,603	1,603	--	--	1,603	--	1,783	2
CWM 35 Kft (*)	Hungary	HUF	0.00%	21,116	(21,116)	--	21,116	--	--	--	--	--
Development Doupovská, s.r.o.	Czech Republic	CZK	75.00%	2,603	443	3,046	(3)	(1,858)	1,188	748	1,188	(3)
Development Pražská, s.r.o.	Czech Republic	CZK	100.00%	8	--	8	--	(8)	--	--	(209)	(181)
Diana Property, Sp. z o.o.	Poland	PLN	100.00%	777	--	777	--	--	777	777	1,596	207
Endurance Real Estate Management Co. s.a.	Luxembourg	EUR	100.00%	125	--	125	(125)	(125)	--	--	169	(77)
Estate Grand s.r.o.	Czech Republic	CZK	100.00%	8	--	8	--	--	8	8	1,271	(14)
Famiaco Limited	Cyprus	EUR	100.00%	1	--	1	--	(1)	--	--	--	--
Gruntz HZ s.r.o.	Czech Republic	CZK	100.00%	5,562	--	5,562	671	(895)	4,667	3,996	4,667	702

Orco Property Group
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NOTES TO THE ANNUAL ACCOUNTS
December 31, 2016
-continued-

Name of the undertaking	Country	Cur.	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2016
				31.12.2015	in 2016	31.12.2016	in 2016	31.12.2016	31.12.2016	31.12.2015	KEUR	KEUR
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Hagibor Office Building, a.s.	Czech Republic	CZK	100.00%	6,852	--	6,852	--	(6,852)	--	--	(6,419)	19
Industrial Park Střebro, s.r.o.	Czech Republic	CZK	100.00%	8	--	8	--	--	8	8	3,888	826
Jihovýchodni Mesto, a.s.	Czech Republic	CZK	100.00%	35,770	--	35,770	(59)	(34,825)	945	1,004	945	(59)
Karviná Property Development, a.s. .(**) (***)	Czech Republic	CZK	100.00%	--	750	750	--	--	750	--	743	(2)
Marki Real Estate Sp. z o.o. (formerly Orco Poland Sp. z o.o.)	Poland	PLN	100.00%	6,273	16,009	22,282	(14,547)	(20,173)	2,109	--	2,109	(53)
Na Poříčí, a.s. (*) (***)	Czech Republic	CZK	0.00%	19,061	(19,061)	--	10,044	--	--	9,017	--	--
NOVÁ ZBROJOVKA, s.r.o. (formerly BIANKO s.r.o.)	Czech Republic	CZK	100.00%	13,951	7,349	21,300	--	--	21,300	13,951	26,972	857
Nupaky a.s.	Czech Republic	CZK	100.00%	7,338	--	7,338	(16)	(3,781)	3,557	3,573	3,557	(16)
Oak Mill, a.s. (*)	Czech Republic	CZK	0.00%	1,381	(1,381)	--	160	--	--	1,222	--	--
Office Center Hradčanská, a.s. (*)	Czech Republic	CZK	0.00%	17,051	(17,051)	--	14,532	--	--	2,520	--	--
OPG France, s.a.s. (*)	France	EUR	0.00%	9	(9)	--	9	--	--	--	--	--
OPG Invest M limited (*)	Cyprus	EUR	0.00%	1	(1)	--	1	--	--	--	--	--
Orco Blumentálska, a.s. (liquidation)	Slovakia	EUR	100%	2,980	--	2,980	--	(2,980)	--	--	--	--
Orco Bucharest Rt	Cyprus	EUR	100%	3	--	3	--	(3)	--	--	--	--
Orco Development Kft (*)	Hungary	HUF	0.00%	3,444	(3,444)	--	3,444	--	--	--	--	--
Orco Enterprise Sp. z.o.o. (merged to Marki Real Estate Sp. z o.o.)	Poland	PLN	0.00%	--	--	--	--	--	--	--	--	--
Orco Logistic Sp. Z.o.o. (merged to Marki Real Estate Sp. z o.o.)	Poland	PLN	0.00%	--	--	--	--	--	--	--	--	--
Orco Project Limited (formerly Cheadle management limited)	Guernsey	GGP	100.00%	--	5	5	(5)	(5)	--	--	(1,418)	1,500
Orco Project Sp. z o.o.	Poland	PLN	100.00%	701	--	701	--	(701)	--	--	--	--
Orco Praga, s.r.o.)	Czech Republic	CZK	100.00%	6,860	--	6,860	510	(4,762)	2,098	1,588	2,098	510
Rubeška Development, s.r.o. (*)	Czech Republic	CZK	0.00%	8	(8)	--	--	--	--	8	--	--

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Name of the undertaking	Country	Cur.	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2016
				31.12.2015	in 2016	31.12.2016	in 2016	31.12.2016	31.12.2016	31.12.2015	KEUR	KEUR
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Seattle,s.r.o. (*)	Czech Republic	CZK	0.00%	8,921	(8,921)	--	8,921	--	--	--	--	--
Strakonice Property Development, a.s.(**) (***)	Czech Republic	CZK	100.00%	--	221	221	--	--	221	--	221	--
STRM Alfa, a.s.	Czech Republic	CZK	100.00%	25,549	--	25,549	--	--	25,549	25,549	26,126	119
STRM Beta, a.s.	Czech Republic	CZK	100.00%	5,224	--	5,224	(44)	(464)	7,760	4,804	4,760	(45)
STRM Delta, a.s.	Czech Republic	CZK	100.00%	6,723	--	6,723	--	--	6,723	6,723	6,775	56
STRM Gama, a.s.	Czech Republic	CZK	100.00%	8,016	--	8,016	(43)	(921)	7,095	7,138	7,095	(45)
Suncani HVAR, d.d. (*)(***)	Croatia	HRK	0.00%	46,783	(46,783)	--	38,729	--	--	8,054	--	--
Svitavy Property Development, a.s. (**) (***)	Czech Republic	CZK	100.00%	--	1,062	1,062	--	--	1,062	--	791	(272)
Szczecin Project, Sp. z o.o. (formerly Orco Development Sp. z o.o.)	Poland	PLN	100.00%	338	--	338	--	(338)	--	--	--	--
T-O Green Europe, a.s. (*)	Czech Republic	CZK	0.00%	21	(21)	--	--	--	--	21	--	--
TQE Asset, a.s. (*)	Czech Republic	CZK	0.00%	35,795	(35,795)	--	28,533	--	--	7,262	--	--
Vaci 190 Projekt Kft (*)	Hungary	HUF	0.00%	447	(447)	--	339	--	--	108	--	--
Vinohrady s.a.r.l.	France	EUR	100.00%	8	--	8	--	(8)	--	--	(1,699)	--
Total				362,976	(41,144)	321,832	110,637	(120,277)	201,556	139,576		

(*) Company disposed or liquidated during reporting period

(**) Acquisition occurred during the reporting period

(***) Transaction with related party

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NOTE 4 - FINANCIAL FIXED ASSETS (continued)

4.2 Loans to affiliated undertakings

Name of the undertaking	Int. rate	Maturity	2016 KEUR	2015 KEUR
Asmihati Holding Limited)	4%	December 31, 2020	--	61
Brilliant 14,19 GmbH	6%	December 31, 2020	--	28
Brilliant 14,19 GmbH & Co. Verwaltungs KG	6%	December 31, 2020	--	48
Bubenska 1, a.s.	6%	December 31, 2020	1,850	5,301
Bubny development, s.r.o.	6%	December 31, 2020	37	19,270
Byty Podkova, a.s. (merged Zeta Estate, a.s.)	6%	December 31, 2020	--	118
Capellen Invest s.a.	6%	December 31, 2020	11,508	10,857
CD Property s.r.o.	6%	December 31, 2025	468	--
CD Property s.r.o.	10%	December 31, 2021	161	--
CEREM SA	0%	December 31, 2020	37,151	37,201
CPI - Krásné Březno, a.s.	6%	December 31, 2025	1,042	--
Development Doupovská, s.r.o.	6%	December 31, 2020	3	420
Development Pražská, s.r.o.	6%	December 31, 2020	365	21
Diana Property, Sp. z o.o.	6%	December 31, 2020	362	997
Estate Grand s.r.o.	6%	December 31, 2020	335	313
Famiaco Limited	6%	December 31, 2020	2,922	2,749
Gruntz HZ s.r.o.	10%	December 31, 2020	48	5
Hagibor Office Building, a.s.	0%	December 31, 2020	6,321	6,320
Jihovýchodni Mesto,a.s.	6%	December 31, 2020	5,593	5,694
Na Poříčí, a.s.*	6%	December 31, 2020	--	4,372
NOVÁ ZBROJOVKA, s.r.o. (formerly BIANKO s.r.o.)	5%	December 31, 2020	594	7,035
Nupaky a.s.	6%	December 31, 2020	206	194
Office Center Hradčanská, a.s.(formerly: Certuv ostrov)*	6%	December 31, 2020	--	842
OPG France, s.a.s.	0%	December 31, 2020	--	7
Orco Blumentálska, a.s. (company in bankruptcy)	0%	December 31, 2020	13,011	13,011
Orco Bucharest Rt	0%	December 31, 2020	--	3
Orco Development Kft	6%	December 31, 2020	--	8,753
Orco Development Sp. z o.o.	6%	December 31, 2020	4,898	4,780
Orco Logistic Sp. z.o.o.	6%	December 31, 2020	--	10,551
Orco Poland Sp. z o.o.	6%	December 31, 2020	--	3,675
Orco Project, Sp. z o.o.	6%	December 31, 2020	148	153
Residence Pragovka, s.r.o. (formerly Orco Praga s.r.o.)	6%	December 31, 2020	3,389	2,743
STRM Alfa, a.s.	6%	December 31, 2020	29	--
STRM Beta , a.s.	6%	December 31, 2020	118	53
STRM Delta, a.s.	6%	December 31, 2020	17	--
STRM Gama, a.s.	6%	December 31, 2020	39	--

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Name of the undertaking	Int. rate	Maturity	2016	2015
			KEUR	KEUR
Svitavy Property Development, a.s.	6%	December 31, 1930	685	--
Vaci 190 Projekt Kft	6%	December 31, 2020	--	1,154
Vinohrady s.a.r.l.	6%	December 31, 2020	1,499	1,497
Total cost			92,778	148,226
Provision for impairment			(70,450)	(87,312)
Net value			22,328	60,914

(*) Company disposed during reporting period

(**) Acquisition occurred during the reporting period

The amounts owed by affiliated undertakings have been considered as impaired as follows

Name of the undertaking	2016	2015
	KEUR	KEUR
Asmihati Holding Limited	--	(61)
Brilliant 14,19 GmbH	--	(9)
Bubenska 1, a.s.	--	(2,692)
Capellen Invest s.a.	(4,292)	(3,046)
CEREM SA	(37,151)	(37,201)
Development Pražská, s.r.o.	(209)	(22)
Famiaco Limited	(2,922)	(2,847)
Gruntz HZ s.r.o.	--	(9)
Hagibor Office Building, a.s.	(6,321)	(6,414)
OPG France, s.a.s.	--	(7)
Orco Blumentálska, a.s. (company in bankruptcy)	(13,011)	(13,011)
Orco Bucharest Rt	--	(3)
Orco Development Kft	--	(3,124)
Orco Development Sp. z o.o.	(4,898)	(4,780)
Orco Logistic Sp. z.o.o.	--	(9,074)
Orco Poland Sp. z o.o.	--	(3,278)
Orco Project, Sp. z o.o.	(148)	(147)
Vinohrady s.a.r.l.	(1,499)	(1,587)
Total provision for impairment	(70,450)	(87,312)

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4.3 Participating interests

As of December 31, 2016, the Company holds participating interest as below:

Name of participating interest	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value
	31.12.2016	31.12.2015	in 2016	31.12.2016	in 2016	31.12.2016	31.12.2016	31.12.2015
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Origo Investment Kft (formerly: Orco Investment Kft)	5.98%	486	--	486	--	(486)	--	--
Uniborc S.A.	20.00%	94	22	116	--	--	116	94
Total		580	22	602	-	(486)	116	94

As of December 31, 2016, the Company granted a loan to Uniborc S.A. amounting to KEUR 3,816 (2015: KEUR 3,184).

4.4 Investment held as fixed asset

As of December 31, 2016, the Company is holding an investment into CPI Property Group S.A.:

Name of the other investment	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value
	31.12.2016	31.12.2015	in 2016	31.12.2016	in 2016	31.12.2016	31.12.2016	31.12.2015
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
CPI PROPERTY GROUP S.A. (*)	1.45%	106,020	(40,829)	65,191	(24,626)	(32,148)	33,042	98,498
Total		106,599	(40,829)	65,191	(24,626)	(32,148)	33,042	98,498

(*) The Company applied transaction price based on the observable prices on the market. For the valuation as at December 31, 2016 the CPI PG's share is valued using EPRA NAV per share of CPI Property Group as at December 31, 2016

Share in CPI PROPERTY GROUP

- As at December 31, 2016 the Company's share in CPI PROPERTY GROUP represents 1.45% (2015 - 4.82%) and is valued at EUR 33.0 million (2015 – EUR 98.5 million). For the valuation as at December 31, 2016 the share is valued using the EPRA NAV per share of CPI PG as at December 31, 2016. The same valuation approach was used as at December 31, 2015.

The Company values the CPI PG shares using EPRA NAV per share instead of the market price because of management's assessment of the market that is considered as not active and with low liquidity. This assessment requires different valuation techniques for example use of recent arm's length transactions, discounted cash flow analysis, option pricing model and other valuation techniques commonly used by market participants.

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After the consideration of alternative methods, the Company determined that the use of EPRA NAV is the most representative method for the valuation of the fair value of CPI PG shares, primarily due to the facts stated below:

- 1) EPRA NAV is a globally recognized measure of fair value;
- 2) EPRA (European Public Real Estate Association) annually publishes the methodology in its Best Practices Recommendations guide;
- 3) EPRA NAV takes into consideration the fair value of the Company's net assets, applying all known aspects of the Company's business model;
- 4) EPRA NAV provides a specific measure of the long-term value of the company;
- 5) EPRA NAV demonstrates a consistency with the share activity that occurred in the Company during the recent years, and reflects the dilutive effects of the share issuances;
- 6) Market participants would place a high-level of dependence on this value when considering acquisition of any shares of the Company due to the relative ease of comparison between comparable investments.

Definition of EPRA NAV per share

EPRA NAV per share represents the reported shareholders' equity with the reversal of goodwill arising from deferred tax liability, mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options, divided by the number of outstanding shares at the end of the period. EPRA NAV per share is used to provide stakeholders information on current net worth per share calculated in a uniform manner for publicly listed real estate companies.

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4.5 Other loans

	Int. rate	Maturity	2016 KEUR	2015 KEUR
Brandýs Logistic, a.s.	10%	December 31, 2023	3,519	--
Březiněves, a.s.	6%	December 31, 2025	874	--
Budaörs Office Park Kft.	6%	December 31, 2023	7,160	--
Carpenter Invest, a.s.	10%	December 31, 2026	1,658	--
Conradian, a.s.	10%	December 31, 2026	3,758	--
CPI - Orlová, a.s.	6%	December 31, 2030	1,024	--
CPI - Štupartská, a.s.	6%	December 31, 2023	2,127	--
CPI Delta, a.s.	10%	December 31, 2023	2,103	--
CPI Hotels Properties, a.s.	6%	December 31, 2030	871	--
CPI Park Mlýnec, a.s.	6%	December 31, 2030	2	--
CPI Park Žďárek, a.s.	6%	December 31, 2026	2,159	--
CPI Reality, a.s.	10%	December 31, 2023	17,830	--
CPI Retail Portfolio I, a.s.	10%	December 31, 2025	961	--
CPI Retail Portfolio II, a.s.	10%	December 31, 2021	760	--
CPI Retail Portfolio III, s.r.o.	10%	December 31, 2021	476	--
CPI Retail Portfolio V, s.r.o.	10%	December 31, 2024	715	--
CPI Retail Portfolio VIII, s.r.o.	10%	December 31, 2024	296	--
CPI Retails ONE, a.s.	10%	December 31, 2025	3,912	--
Czech Property Investments, a.s.	6%	December 31, 2023	28,482	--
Data Trade s.r.o.	6%	December 31, 2020	21	20
Družstvo Land	8.5%	December 31, 2026	1,615	--
FL Property Development, a.s.	6%	December 31, 2030	166	--
Komárno Property Development, a.s.	10%	December 31, 2024	1,847	--
Levice Property Development, a.s.	10%	December 31, 2024	1,802	--
Liptovský Mikuláš Property Development, a.s.	10%	December 31, 2024	1,998	--
Marissa Kappa, a.s.	6%	December 31, 2025	10,064	--
Marissa West, a.s.	10%	December 31, 2021	22,706	--
Michalovce Property Development, a.s.	10%	December 31, 2024	1,585	--
Na Poříčí, a.s.	6%	December 31, 2020	4,519	--
Orco Vagyonkezelő, Kft.	6%	December 31, 2020	--	266
Považská Bystrica Property Development, a.s.	10%	December 31, 2024	2,307	--
Prievidza Property Development, a.s.	10%	December 31, 2024	1,881	--
Spišská Nová Ves Property Development, a.s.	10%	December 31, 2024	1,937	--
Statenice Property Development, a.s.	6%	December 31, 2025	1,643	--
Telč Property Development, a.s.	6%	December 31, 2030	582	--
U svatého Michala, a.s.	6%	December 31, 2025	2,964	--
Vigano, a.s.	10%	December 31, 2026	6,775	--
VM Property Development, a.s.	6%	December 31, 2030	200	--
Other			32	107
Total cost			143,330	392
Provision for impairment			(2,603)	(380)
Net value			140,727	12

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Other loans have been considered as impaired as follows:

	2016	2015
	KEUR	KEUR
CPI Retail Portfolio V, s.r.o.	(715)	--
Data Trade s.r.o.	(20)	(20)
Levice Property Development, a.s.	(986)	--
Liptovský Mikuláš Property Development, a.s.	(544)	--
Orco Vagyonkezelő, Kft.	--	(249)
Spišská Nová Ves Property Development, a.s.	(106)	--
VM Property Development, a.s.	(200)	--
Other	(31)	(110)
Total provision for impairment	(2,603)	(380)

NOTE 5 - CURRENT ASSETS

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 from affiliated undertakings and the interest accrued on the amounts owed by affiliated undertakings.

	2016	2016	2015
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
Asmihati Holding Limited	--	--	2
Brilliant 14,19 GmbH	--	--	2
Brilliant 14,19 GmbH & Co. Verwaltungs KG	--	--	2
Bubenská 1, a.s.	--	59	378
Bubny development, s.r.o.	--	0	904
Capellen Invest s.a.	--	690	709
CD Property, s.r.o.	--	2	--
CPI – Krásné Březno, a.s.	--	3	--
Development Doupovská, s.r.o.	--	--	24
Development Pražská, s.r.o.	--	14	1
Endurance Real Estate Management Co. s.a.	25	--	16
Estate Grand s.r.o.	--	20	17
Famiaco Limited	--	175	164
Gruntz HZ s.r.o.	--	11	4
Hagibor Office Building, a.s.	--	94	94
Jihovýchodni Mesto,a.s.	--	357	314

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	2016 KEUR Receivables	2016 KEUR Interest	2015 KEUR Total
NOVÁ ZBROJOVKA, s.r.o. (Formerly: BIANKO s.r.o.)	--	2	138
Nupaky a.s.	--	12	10
Office Center Hradčanská a.s. (formerly Čertův Ostrov a.s.)	--	--	160
Orco Praga, s.r.o.)	--	194	155
Orco Blumentálska, a.s. (company in bankruptcy)	--	715	715
Orco Development Kft	--	--	637
Orco Project, Sp. z o.o.	--	2	3
Orco Project Limited	--	--	2,918
Sunčani Hvar d.d.	--	--	922
STRM Alfa, a.s.	--	1	12
STRM Beta, a.s.	--	5	13
STRM Delta, a.s.	--	--	12
STRM Gama, a.s.	--	1	12
Svitavy Property Development, a.s.	--	2	--
Vaci 190 Projekt Kft	--	--	87
Vinohrady s.a.r.l.	--	90	90
Zeta Estate, a.s. (merged to BYTY PODKOVA, a.s.)	--	--	2
Other	--	--	82
Total cost	25	2,450	9,992
Provision for impairment	--	(1,076)	(2,226)
Net value	25	1,374	7,766

The amounts owed by affiliated undertakings becoming due and payable within one year have been considered as impaired as follows:

	2016 KEUR Receivables	2016 KEUR Interest	2015 KEUR Total
Famiaco Limited	--	(175)	(67)
Hagibor Office Building, a.s.	--	(94)	--
Orco Blumentálska, a.s. (company in bankruptcy)	--	(715)	(715)
Orco Development Kft	--	--	(116)
Orco Poland Sp. z o.o.	--	--	(397)
Orco Project, Sp. z o.o.	--	(2)	(9)
Sunčani Hvar d.d.	--	--	(922)
Vinohrady s.a.r.l.	--	(90)	--
Total cost	--	(1,076)	(2,226)

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5.2 Amounts owed by undertakings with which the undertakings is linked by virtue of participating interest becoming due and payable within one year

The amounts owed by undertakings with which the undertakings is linked by virtue of participating interest becoming due and payable within one year contain receivables and the interest accrued on the amounts owed by affiliated undertakings.

	2016	2016	2015
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
Uniborc s.a.	--	319	295
Total cost	--	319	295
Provision for impairment	--	--	--
Net value	--	319	295

5.3 Other debtors becoming due and payable within one year

	2016	2016	2015
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
Brandýs Logistic, a.s.	--	15	--
Březiněves, a.s.	--	2	--
Budaörs Office Park Kft.	--	20	--
Carpenter Invest, a.s.	--	6	--
Conradian, a.s.	--	14	--
CPI Delta, a.s.	--	8	--
CPI Hotel Properties, a.s.	--	2	--
CPI - Orlová, a.s.	--	3	--
CPI Park Žďárek, a.s.	--	6	--
CPI Property Group SA	--	--	--
CPI Reality, a.s.	--	64	--
CPI Retails ONE, a.s.	--	14	--
CPI Retail Portfolio I, a.s.	--	5	--
CPI Retail Portfolio II, a.s.	--	4	--
CPI Retail Portfolio III, s.r.o.	--	3	--
CPI Retail Portfolio V, s.r.o.	--	3	--
CPI Retail Portfolio VIII s.r.o.	--	1	--
CPI - Štupartská, a.s.	--	6	--
CPIPG Management s.á r.l.	6	--	--
Czech Property Investments, a.s.	--	52	--
Data Trade s.r.o.	13	1	--
Družstvo Land	--	6	--
Endurance Hospitality Asset, sàrl	12	--	--
Endurance Hospitality Finance, s.à.r.l.	12	--	--
GRANDHOTEL ZLATÝ LEV a.s.	527	--	--

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	2016	2016	2015
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
Hospitality Invest S.a r.l.	24	--	--
Komárno Property Development, a.s.	--	5	--
Kosic s.à r.l.	108	--	--
Levice Property Development, a.s.	--	5	--
Liptovský Mikuláš Property Development, a.s.	--	5	--
Mamaison management s.r.o.	--	--	354
Marissa Kappa, a.s.	--	27	--
Marissa West, a.s.	--	57	--
Megaleiar a.s.	--	--	--
Michalovce Property Development, a.s.	--	4	--
MMR RUSSIA S.A R.L.	29	--	--
Na Poříčí, a.s.	--	282	--
Považská Bystrica Property Development, a.s.	--	6	--
Prievidza Property Development, a.s.	--	5	--
Spišská Nová Ves Property Development, a.s.	--	5	--
ST Project Limited	2,129	--	--
Statenice Property Development, a.s.	--	4	--
Telč Property Development a.s.	--	2	--
U svatého Michala, a.s	--	8	--
Vigano, a.s.	--	24	--
VM Property Development, a.s.	--	1	--
Voje a.s.	140	--	--
Other & Old various receivables	1,337	--	1,100
Total cost	4,337	672	1,454
Provision for impairment	(574)	(4)	(1,454)
Net value	3,763	668	--

The amounts owed by other debtors becoming due and payable within one year have been considered as impaired as follows:

Impairment	2016	2016	2015
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
CPI Retails Portfolio V, s.r.o.	--	(3)	--
Mamaison management s.r.o.	--	--	(354)
VM Property Development, a.s.	--	(1)	--
Other	(574)	--	(1,100)
Total provision for impairment	(574)	(4)	(1,454)

NOTE 6 - PREPAYMENTS

As of December 31, 2016, the company recognized a prepayment amounting to EUR 1 million in relation to its New Notes issuance (see Note 8) (2015: nil as under IFRS). An amortization amounting to EUR 5.6 million was recognized under the caption "Other interest and similar financial expenses" (see Note 18.2) during the year (2015: nil) due to purchase and cancellation of New Notes (see Note 8). Prepayment is recognized from the difference between accounting value of New Notes and the nominal value of the bonds

NOTE 7 - CAPITAL AND RESERVES

7.1 Subscribed capital and share premium

The structure of the shareholders as at December 31, 2016 is as follows:

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

Others 35 308 653 shares 2.69% voting rights

Total 1 314 507 629 shares 100.00% voting rights

As at 31 December 2016 the Board of Directors consists of the following directors:

Mr. Jiri Dederá

Mr. Edward Hughes

Mr. Erik Morgenstern

7.2 Authorized capital not issued

2016

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

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

- 300,000,000 new shares were subscribed for a total subscription price of EUR 24,000,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Španko,

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

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

2015

The Company's Extraordinary General Meeting of May 28, 2014 resolved to approve the decrease of the corporate capital of the Company from its present amount of EUR 114,507,629 to EUR 11,450,762.90 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1 to EUR 0.10 per share. As such, the corporate capital of the Company amounted to EUR 11,450,762.90 as of May 28, 2014.

The Extraordinary General Meeting of May 28, 2014 also approved resolutions to modify, renew and replace the existing authorized share capital and to set it to an amount of twenty million euro (EUR 20,000,000.00) for a period of five (5) years from May 28, 2014, which would authorize the issuance of up to two hundred million (200,000,000) new ordinary shares in addition to the 114,507,629 shares currently outstanding.

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

The Board of Directors was authorized, during a period of five (5) years from the date of the general meeting of shareholders held on May 28, 2014, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors was authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

On November 10, 2014 the Board of Directors of the Company resolved to implement a reserved capital increase and raise EUR 59.2 million pursuant to the authorization granted to it by its shareholders during the Extraordinary General Meeting of May 28, 2014. On November 10, 2014 the Company issued 200 million new ordinary shares having a par value of EUR 0.10 each, at a subscription price of EUR 0.296 per new share, for a global cash contribution of EUR 59.2 million, which were subscribed as follows: (i) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Spanko, and (ii) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by FETUMAR DEVELOPMENT LIMITED, Cyprus, an entity closely associated with Mr. Jan Gerner.

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The corporate share capital of the Company has been increased from EUR 11,450,762.90 represented by 114,507,629 shares to EUR 31,450,762.90 represented by 314,507,629 shares. The total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 314,507,629 as of November 10, 2014.

Accordingly, following the capital increase of November 10, 2014, the Company has no authorized capital in addition to the issued capital as of the date of this report.

No movement has occurred during 2015.

Securities giving access to equity (warrants)

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

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

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

Under the Securities Note and Summary dated March 22, 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated March 22, 2007) could result in a liability for the Company due to "Change of Control Compensation Amount" of up to EUR 23,685,923.25. According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control. This price per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise [.]". The Change of Control Compensation Amount with respect to 2014 Warrants has been admitted in the Company's Safeguard plan in the amount of EUR 707,826.24. The Company holds 1,327,560 2014 Warrants.

7.3 Legal reserve

In accordance with the commercial law, the Company must appropriate to the legal reserve a minimum of 5% of the annual profit until such reserve equals 10% of the subscribed capital. Distribution by the way of dividends of the legal reserve is restricted.

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Movements in capital and reserves

	Subscribed capital	Share premium account	Legal reserve	Loss brought forward	Profit / (loss) for the financial year	TOTAL
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Situation as at December 31, 2015	31,451	686,364	448,132	(997,804)	20,286	188,429
Allocation of the result from December 31, 2015	-	-	-	20,286	(20,286)	-
EGM from May 2, 2016	(28,306)	28,306	-	-	-	-
Capital increase May 10, 2016	10,000	70,000	-	-	-	80,000
Profit/ loss of the year	-	-	-	-	(30,251)	(30,251)
Situation as at December 31, 2016	13,145	784,670	448,132	(977,518)	(30,251)	238,178

NOTE 8 - NON - CONVERTIBLE LOANS

ISIN XS0820547742

Notes

Nominal amount	13,488,755 EUR
Number of notes	1,514,461
Issue price per note	8.9067 EUR
Maturity date	November 2019
Nominal interest rate	7%
ISIN	XS0820547742
Listing	Luxembourg Stock Exchange

In 2016, the Company succeeded to buy back 5,790,662 its own notes for a total amount of EUR 51 million. Those Notes were immediately cancelled. As of December 31, 2016, the notes generated EUR 2,264 million interest expenses (2015: MEUR 7,368).

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Furthermore, the prepayment includes EUR 1 million which is the difference between amount received and the nominal value of the bonds. During the year an additional amortization amounting to EUR 5.6 million was recorded (under the caption “Other interest and similar financial expenses” (see Note 18.2))

CPI PG guarantee to the OPG Notes:

On November 7, 2014, the Company entered into a trust deed (the “Orco Trust Deed”) pursuant to which it unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by Orco Property Group (“OPG”) in relation to its notes registered under ISIN code XS0820547742, which were issued on October 4, 2012 and amended and restated pursuant to the Orco Trust Deed (the “Orco Notes”). The Company has also undertaken in the Orco Trust Deed to be bound by certain limitations on its activities and to maintain certain financial ratios.

As of December 31, 2016, the guarantor fees are amounting to EUR 3.223 million (2015: EUR 2.263 million) and generated KEUR 960 (2015: KEUR 1.802) interest expenses.

As of the date hereof, the principal amount outstanding of the Orco Notes is EUR 13,488,755 (2015: EUR 65,064,248). Interest on the Orco Notes accrues at a rate of 7 per cent. per annum, payable semi-annually in arrears. Unless previously redeemed, or purchased and cancelled, the Orco Notes will be redeemed at their then outstanding principal amount on November 7, 2019.

In consideration of Company's entry into the Orco Trust Deed and the guarantee given thereunder, OPG has agreed to pay to the Company a guarantee fee of three per cent. of the outstanding principal balance of the Orco Notes, payable on a payment in kind (PIK) basis falling due on the business day after all amounts payable in connection with the Orco Notes have been paid in full. For more details about the Orco Notes please refer to Orco Trust Deed available at www.orcogroup.com.

NOTE 9 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

9.1 Amounts owed to affiliated undertakings, becoming due and payable within one year

This position mainly consists of short-term liabilities towards entities below:

	2016	2015
	KEUR	KEUR
BYTY PODKOVA, a.s. (merged Zeta Estate, a.s.)	554	523
Endurance Real Estate Management Co. s.a.a	26	46
Industrial Park Stříbro, s.r.o.	115	101
Oak Mill, a.s.	--	69
TQE Asset, a.s.	--	351
Other	--	3
Total	695	1,093

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9.2 Amounts owed to affiliated undertakings, becoming due and payable after more than one year

The position consists on:

Name of the undertaking	Int. Rate	Maturity	2016 KEUR	2015 KEUR
BYTY PODKOVA, a.s. (merged Zeta Estate, a.s.)	6%	December 31, 2020	9,189	--
CWM 35 Kft	3M EURIBOR+1.5%	December 31, 2020	28	782
Endurance Real Estate Management Co. s.a.	6%	December 31, 2020	83	930
Industrial Park Stříbro, s.r.o.	6%	December 31, 2020	1,889	1,811
Oak Mill, a.s.	6%	December 31, 2020	--	1,156
Orco Enterprise Sp. z.o.o.	6%	December 31, 2020	3,015	7,493
Rubeška Development s.r.o.	6%	December 31, 2020	--	380
Seattle, s.r.o	6%	December 31, 2020	--	7
TQE Asset, a.s.	6%	December 31, 2020	--	5,863
Zeta Estate, a.s. (merged to BYTY PODKOVA, a.s.)	6%	December 31, 2020	--	8,669
Total cost			14,204	27,091

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NOTE 10 - Other creditors becoming due and payable within one year

	2016	2015
	KEUR	KEUR
Czech Property Investments, a.s.	255	--
Český Těšín Property Development, a.s.	1,483	--
Družstvo Land	1,780	--
Marissa Théta a.s.	7	--
Nymburk Property Development, a.s.	6,073	--
Office Center Hradčanská a.s. (formerly Čertův Ostrov, a.s.)	1	--
Příbor Property Development, s.r.o.	427	--
TQE Asset, a.s.	191	--
Třinec Property Development, a.s.	5,390	--
Other	--	1
CPI PG S.A.	--	619
Total	15,608	620

During the year the Company fully repaid its loan to CPI Property Group S.A.

NOTE 11 - Other creditors becoming due and payable after more than one year

	Int. rate	Maturity	2016	2015
			KEUR	KEUR
Czech Property Investments, a.s.	5.26%	December 31, 2019	122,505	--
GRANDHOTEL ZLATÝ LEV, a.s.	6%	December 31, 2020	24	--
Orco Hungary Kft.				22
Office Center Hradčanská a.s. (formerly Čertův Ostrov, a.s.)	6%	December 31, 2020	92	--
CPI PG S.A.			--	28,662
Total			122,621	28,684

During the year the Company fully repaid its loan to CPI Property Group S.A.

NOTE 12 - NET TURNOVER

Net income mainly includes the Company service provided across the Group or other entities:

	2016	2015
	KEUR	KEUR
Administrative / consulting/ domiciliation services (related parties)	2,264	3,635
Total	2,264	3,635

During the period, the Company has provided some high level services to companies from its Group as related parties.

NOTE 13 - OTHER EXTERNAL EXPENSES

Other external charges are composed as follow:

	2016	2015
	KEUR	KEUR
Supplies, rental, maintenance and repairs	163	161
Commission, legal, consultancy and audit	1,667	3,475
IT costs	19	55
Advertising, Publications, public relations	14	23
Insurance	234	218
Travelling costs	99	420
Tax other than income tax	(336)	473
Other various fees	754	--
Total	2,848	4,824

NOTE 14 - STAFF COSTS

The Company had three employees in 2016 (2015: 4). Total personnel costs incurred in 2016 are amounting to KEUR 114 (2015: KEUR: 160).

NOTE 15 - OTHER OPERATING EXPENSES

The other operating expenses are mainly composed on losses incurred from disposal of Company subsidiaries.

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NOTE 16 - INCOME FROM PARTICIPATING INTEREST

During the period, the Company has received dividends from following entities:

	2016	2015
	KEUR	KEUR
Oak Mill, a.s.(*)	143	--
Endurance Real Estate Management Company S.A. (*)	810	1,507
The Real Endurance Fund	20	1,348
Total	973	2,855

(*) affiliated undertakings

NOTE 17 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

17.1 Derived from affiliated undertakings

In 2016, other interest receivable from affiliated undertakings mainly concerned entities below:

Name of the undertaking	2016	2015
	KEUR	KEUR
Asmihati Holding Limited	1	1,313
Ariah Kft	--	25
Brilliant 14,19 GmbH	--	2
Brilliant 14,19 GmbH & Co. Verwaltungs KG	--	2
Bubenská 1, a.s.	59	260
Bubny development, s.r.o.	928	886
Byty Podkova, a.s. (merged Zeta Estate, a.s.)	6	2
Capellen Invest s.a.	690	651
CD Property, s.r.o.	2	--
CPI - Krásné Březno, a.s.	3	--
CPI - Land Development, a.s.	29	--
CWM 35 Kft (*)	--	461
Development Doupovská, s.r.o.	--	24
Development Pražská, s.r.o.	13	1
Diana Property, Sp. z o.o.	44	39
Estate Grand s.r.o.	20	17
Famiaco Limited	175	164
Gruntz HZ s.r.o.	7	4
Jihovýchodni Mesto,a.s.	356	312
Marki Sp z o.o.	722	814

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Name of the undertaking	2016	2015
	KEUR	KEUR
Merder 36 Kft (*)	--	11
Na Poříčí, a.s. (*)	281	274
NOVÁ ZBROJOVKA, s.r.o. (formerly BIANKO s.r.o.)	270	21
Nupaky a.s.	12	10
Office Center Hradčanská, a.s.(formerly: Certuv ostrov) (*)	115	42
Orco Adriac d.o.o.	--	312
Orco Budapest Rt.	--	49
Orco Development Kft (*)	527	521
Orco Development Sp. z o.o.		
Orco Praga s.r.o.	194	142
Orco Prague a.s	--	431
Orco Razvoj d.o.o.	--	91
Orco Vagyonkezelő Kft.	--	12
Rubeska Development a.s.	--	26
STRM Alfa, a.s.	1	1
STRM Beta , a.s.	5	1
STRM Delta, a.s.	--	--
STRM Gama, a.s.	--	--
Svitavy Property Development, a.s.	2	--
Vaci 1 Kft	--	161
Vaci 190 Projekt Kft	52	69
Vinohrady s.a.r.l.	--	90
Other	26	175
Total cost	4,540	7,416

(*) interest income considered as affiliated before the sale of the respective company

17.2 Other interest and similar financial income

	2016	2015
	KEUR	KEUR
Interest on other loans provided	858	288
Efimacor s.à r.l.(*)	3,592	--
Gain on sales of debt	685	--
Loss of foreign currency	719	738
Total	5,854	1,026

(*) Interest Income generated from Efimacor s.à r.l. (closely related to Mr. Radovan Vitek) is resulting from the Put Option agreement concluded in 2014 (see Note 21).

NOTE 18 - INTEREST PAYABLE AND SIMILAR EXPENSES

18.1 Derived from affiliated undertakings

	2016	2015
	KEUR	KEUR
Byty Podkova, a.s. (merged Zeta Estate, a.s.)	552	520
CWM 35 Kft (*)	5	263
Endurance Real Estate Management Co. s.a.a	--	45
Industrial Park Střbro, s.r.o.	115	100
Marki Sp z o.o.	417	556
Oak Mill, a.s. (*)	51	69
Orco Hungary Kft	2	--
Orco Russian Retail S.A.	21	296
Rubeska Development s.r.o.	7	--
Suncani HVAR(*)	--	--
TQE Asset, a.s. (*)	401	349
Other	4	7
Total	1,579	2,205

(*) interest expenses considered as affiliated before the sale of the respected Company.

18.2 Other interest and similar financial expenses

	2016	2015
	KEUR	KEUR
Interest on OPG New Notes	8,824	7,369
Interest on other loans payable	813	532
Interest on bank accounts	26	6
Total	9,663	7,907

NOTE 19 - TAX ON PROFIT OR LOSS

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2016, the Company has a receivable amounting to KEUR 277 from the Luxembourg Administration.

NOTE 20 - OFF BALANCE SHEET COMMITMENTS

The Company issued a subordination of loan and a comfort letter without any limit for the following affiliated company:

- Capellen Invest S.A.

In relation to its new strategy of developing financing activity, the Company signed several Credit Facilities agreements with several of its related parties (see Note 22).

NOTE 21 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board and Audit Committee attendance compensation for the year 2016 amounts to EUR 36,000 (EUR 63,000 for 2015). The Annual General Meeting held on May 28, 2014 resolved to approve, with the effect as of January 1, 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowered the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to independent, non-executive Directors of the Company.

NOTE 22 - RELATED PARTY TRANSACTIONS

- As at December 31, 2016, the Company has the following list of related parties:

Related party Name	Nature of relationship	Disclosure	Type of transaction
Brandýs Logistic, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Březiněves, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Budaörs Office Park Kft.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Carpenter Invest, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Český Těšín Property Dev, a.s.	Owner holding a participating interest into undertakings	Note 11	Financing
Conradian, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI - Orlová, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI - Štupartská, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Delta, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Hotels Properties, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Park Mlýnec, a.s.	Owner holding a participating interest into undertakings	Note 5.4	Financing
CPI Park Žďárek, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Reality, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Retail Portfolio I, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing

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Related party Name	Nature of relationship	Disclosure	Type of transaction
CPI Retail Portfolio II, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Retail Portfolio III, s.r.o.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Retail Portfolio V, s.r.o.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Retail Portfolio VIII s.r.o.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPI Retail ONE, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
CPIPG Management s.á r.l.	Owner holding a participating interest into undertakings	Note 5.4	Management services
Czech Property Investments, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4 / Note 11.1 / Note 11.2	Financing, acquisitions and disposals of assets
Data Trade s.r.o.	Undertakings in which the undertakings itself has a participating interest	Note 5.3 / Note 5.4	Financing
Družstvo Land	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Efimacor S.á.r.l.	Owner holding a participating interest into undertakings	Note 16.2	Disposal of Assets
Endurance Hospitality Asset S.á.r.l.	Owner holding a participating interest into undertakings	Note 5.3	Rent services
Endurance Hospitality Finance S.á.r.l.	Owner holding a participating interest into undertakings	Note 5.3	Rent services
FL Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Hospitality Invest S.a r.l.	Owner holding a participating interest into undertakings	Note 5.3	Rent services
Komárno Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Levice Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Liptovský Mikuláš Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Marissa Kappa, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Marissa Théta, a.s.	Owner holding a participating interest into undertakings	Note 11.1	Financing
Marissa West, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Michalovce Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
MMR Russia s.á r.l..	Owner holding a participating interest into undertakings	Note 5.3	Rent services
Na Poříčí, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Nymburk Property Development, a.s.	Owner holding a participating interest into undertakings	Note 11.1	Financing
Office Center Hradcanska, a.s.	Owner holding a participating interest into undertakings	Note 11.1 / Note 11.2	Financing
Považská Bystrica Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Příbor Property Development	Owner holding a participating interest into undertakings	Note 11.1	Financing
Prievidza Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Spišská Nová Ves Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
ST Project Limited	Owner holding a participating interest into undertakings	Note 5.3	Management services
Statenice Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Telč Property Development a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Třinec Property Development, a.s.	Owner holding a participating interest into undertakings	Note 11.1	Financing
U svatého Michala, a.s	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
Vigano, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing
VM Property Development, a.s.	Owner holding a participating interest into undertakings	Note 5.3 / Note 5.4	Financing

- Main related parties/ key management personnel transactions are summarized below:

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek (Efimacor s.à r.l.) entered into a put option agreement on September 2014, 25 concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has the right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. The Company exercised the put option and on August 29, 2016 Mr. Vitek purchased 65,957,446 ordinary shares issued by CPI PROPERTY GROUP for an aggregate consideration of EUR 34.59 million.

NOTE 23 - POST BALANCE SHEET EVENTS

Disposal of Capellen Invest S.A.

On January 25, 2017 a share deal was completed related to the disposal of the office building in Capellen, Luxembourg. The building with a leasable area of approximately 7,700 square meters, located in the Capellen business park just outside of the City of Luxembourg, was sold to a third party.

Development of financing activity

During the first quarter of 2017 year, the Company has signed several Credit Facility Agreement with its own subsidiaries and some related parties (see Note 22).



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To the Shareholders of
Orco Property Group S.A.
40, rue de la Vallée
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

We have audited the accompanying annual accounts of Orco Property Group S.A., which comprise the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Orco Property Group S.A., as of December 31, 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the financial information but does not include the annual accounts and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Report on other legal and regulatory requirements

The financial information, is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, March 31, 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



Alison Macleod