FINANCIAL INFORMATION

2017

Including the

Consolidated financial statements

and

Report of the Réviseur d'Entreprises

for the financial year ended as at 31 December 2017

ORCO PROPERTY GROUP S. A. * Société Anonyme * 40 rue de la Vallée, L2661 Luxembourg

R. C. S. Luxembourg – B 44.996

SUMMARY

Orco Property Group | Société Anonyme | 40 Rue de la Vallée, L-2661 Luxembourg RCS Luxembourg B 44996

Management Report as at 31 December 2017

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 the Luxembourg Stock Exchange and Warsaw Stock Exchange.

MESSAGE FROM THE MANAGEMENT

Dear Shareholders, Business Partners & Employees,

2017 has witnessed the Company maintain its strategy to consolidate its framework and upgrade its activities. As a result of past transitions, the Company has progressed in adjusting its long-term future approach. This year, the management favourably accomplished the renegotiation of terms for a large-scale development joint venture project, disposed of non-core assets and reduced its dependence on external financing.

Total assets increased by EUR 1,367 million (222.7%) to EUR 1,980 million as at 31 December 2017. The EPRA Net Asset Value per share as of 31 December 2017 is EUR 0.46 compared to EUR 0.32 as at December 2016. The Triple NAV amounts to EUR 0.43 per share compared to EUR 0.31 at the end of last year. The LTV ratio as at December 2017 is unprecedented 0% a decrease of 13.3% compared to 31 December 2016 and was due to the repayment of bank loans and a redemption of all bonds issued.

Gross rental income decreased year on year to EUR 2.2 million for 2017 compared to EUR 7.2 million in 2016 (-70.0% y-o-y) primarily due to the disposal of properties in 2016 and 2017. The Company achieved an operating profit of EUR 116.1 million compared to EUR 21.2 million in 2016. The total 2017 net profit was EUR 137.3 million compared to EUR 164.2 million in 2016.

Resulting from the Company's integration into CPI Property Group in 2016, one of its roles is to function as an intergroup financing vehicle to the entities within CPI Property Group. As of 31 December 2017, the outstanding balance of the provided loans amounted to EUR 1,265.4 million.

In June 2017, the Company and Unibail-Rodamco entered into documentation modifying parameters of a development joint venture located in the Bubny area in Prague. The agreed modifications include, the increase of the Company's shares in the joint venture from 20% to 35%, certain governance rights as well as modifications of the timeframe and parameters of the joint venture.

In November, the Company acquired 20% stakes in two real estate projects in the Czech Republic that can be used for future residential developments. The first project, with land plots of approximately 55.8 thousand square meters, is located in an attractive part of Prague 9. The second project, with land plots of approximately 395 thousand square meters, is located in Řitka, approximately 30 kilometres southwest of Prague. The remaining 80% stakes were acquired by another entity from CPI Property Group structure.

In December, the Company acquired a 3.8 million sqm a land bank in the North West Czech Republic. As part of the portfolio, the Company also acquired 50% stake of a historical building located in the centre of Prague.

In line with Company's approach to withdraw from the holding of assets in certain regions, the Company disposed of the office building in Capellen, Luxembourg which was sold to a private investor in January 2017. In November 2017, the Company disposed of its land bank project in Pardubice, Czechia. The 52,000 sqm land plot was sold as a share deal to ČSOB Pojišťovna group. In November 2017, the Company also disposed of 80% stake in an entity holding approximately 107 thousand square meters in Prague to another entity from CPI Property Group structure.

During the Annual General Meeting in May, the Company's shareholders approved the statutory and annual accounts in addition to the financial results for the year ending 31 December, 2016. The meeting also appointed Mr Jiri Dedera, Mr Edward Hughes and Mr Erik Morgenstern to the Board of Directors of the Company until the next Annual General Meeting to be held in 2018. Mr Jiri Dedera was also elected Managing Director of the Company.

In 2017, the Company continued to accomplish its long-term plan to a more efficient and streamlined structure. The optimisation of the Company's operational framework to maintain stability and further growth remains a significant element in the coming years.

Jiri Dedera,
CEO & Managing Director

YEAR 2017 AND POST-CLOSING KEY EVENTS

Acquisition of land banks in Czechia

In December 2017, the Company acquired a portfolio of lands located in the North & West Bohemia regions of Czechia, mostly along the D5 & D8 motorways, totaling approximately 3.8 million square meters. As part of the portfolio, the Company also acquired 50% stake on a historical building located in the historic center of Prague.

Subscription of shares in CPI PROPERTY GROUP

On 22 December 2017, the Company subscribed to 159,132,897 new shares in CPI PROPERTY GROUP. The new shares, having a par value and a subscription price of EUR 0.10 each, were issued in a reserved capital increase under the CPI PROPERTY GROUP's authorized share capital for cash contribution. The Company now holds approximately 2.66% in CPI PROPERTY GROUP.

Mandatory takeover bid over Company 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 became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company (the "Mandatory Takeover Offer"). 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 8 December 2017 the Commission de Surveillance du Secteur Financier ("CSSF") published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to the Company. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts. As of the date of this report, the Company has not received any formal decision in relation to the Mandatory Takeover Offer.

Trading of shares in Luxembourg and Warsaw

The Company shares registered under ISIN code LU0122624777 started trading again on the Warsaw and Luxembourg Stock Exchange on 15 December 2017.

Redemption of the notes

In November 2017, the Company redeemed all of the outstanding notes registered under ISIN code XS0820547742 (the "Notes"). The Notes have been cancelled.

Intergroup financing

Resulting from the Company's integration into CPI Property Group in 2016, one of its roles is to function as an intergroup financing vehicle to the entities within CPI Property Group. In 2017 the Company extended the volume of loans provided to entities within the CPI Property Group. As of 31 December 2017, the outstanding balance of the provided loans amounted to EUR 1,265.4 million.

Acquisitions of stakes in real estate projects in Czechia

In November 2017, the Company acquired 20% stakes in two real estate projects located in Czechia. The first project, with land plots of approximately 55.8 thousand square meters, is located in an attractive part of Prague 9. The second project, with land plots of approximately 395 thousand square meters, is located in Řitka, approximately 30 kilometres southwest of Prague. The remaining 80% stakes were acquired by another entity from CPI Property Group structure.

Disposal of land bank in Pardubice

In November 2017, the Company disposed of its land bank project in Pardubice, Czechia. The transaction was executed as a share deal and the disposed land of approximately 52 thousand sqm was sold to ČSOB Pojišťovna group.

Annual General Meeting of Shareholders

The annual general meeting of the shareholders of ORCO PROPERTY GROUP (the "Company") was held on 24 May 2017 in Luxembourg (the "Annual Meeting"), with approximately 97.35% of the voting rights present or represented.

The Annual Meeting approved the statutory annual accounts and consolidated financial statements for the financial year ending 31 December 2016, as well as the allocation of financial results for the financial year ending 31 December 2016. The Annual Meeting further granted a discharge to the members of the Company's Board of Directors as well as to the auditors for the performance of their duties during the financial year ending 31 December 2016. The Annual Meeting also resolved to appoint the following persons as members of the Company's Board of Directors as of the date of the Annual Meeting and until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017: Jiri Dedera, Edward Hughes, and Erik Morgenstern. Jiri Dedera was also elected Managing Director (administrateur délégué) of the Company. The Annual Meeting finally resolved to appoint KPMG Luxembourg as an auditor (réviseur d'entreprises agréé) of the Company until the annual general meeting of 2018 concerning the approval of the annual accounts and consolidated financial statements for the financial year ending 31 December 2017.

Suspension of trading in Warsaw

On 17 February 2017, the Company received a decision of the Warsaw Stock Exchange stating that it suspended trading of the Company shares on the Warsaw Stock Exchange.

Disposal of Office Building in Capellen

In January 2017, 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.

MARKET ENVIRONMENT

Global macro-economic conditions

Czechia[1]

The steady growth of the Czech economy continued in 2017. According to the preliminary estimate, the real GDP rose by 4.5% in 2017, which is significantly higher compared to 2016 number (2.6%). A variety of factors contributed to the solid expansion of the Czech economy. Household consumption whose increase was supported by rapidly increasing wages, low interest rates, diminishing savings rate, and high consumer confidence was the main contributor. Another growth factor was reviving investment activity, which was driven by the private sector. Finally, net exports positively contributed to GDP growth thanks to strong external demand.

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

In 2017, the average inflation rate was 2.4%, which reflects the highest price growth since 2012. The seasonally-adjusted unemployment rate dropped by 1.3 p.p. compared to December 2016, thereby reaching 2.3% in December 2017. Czechia has the lowest unemployment rate among EU states followed by Germany, Malta, and Hungary.

Poland[2]

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

Selected market focus

Prague office market[3]

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

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

Warsaw office market [4]

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

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

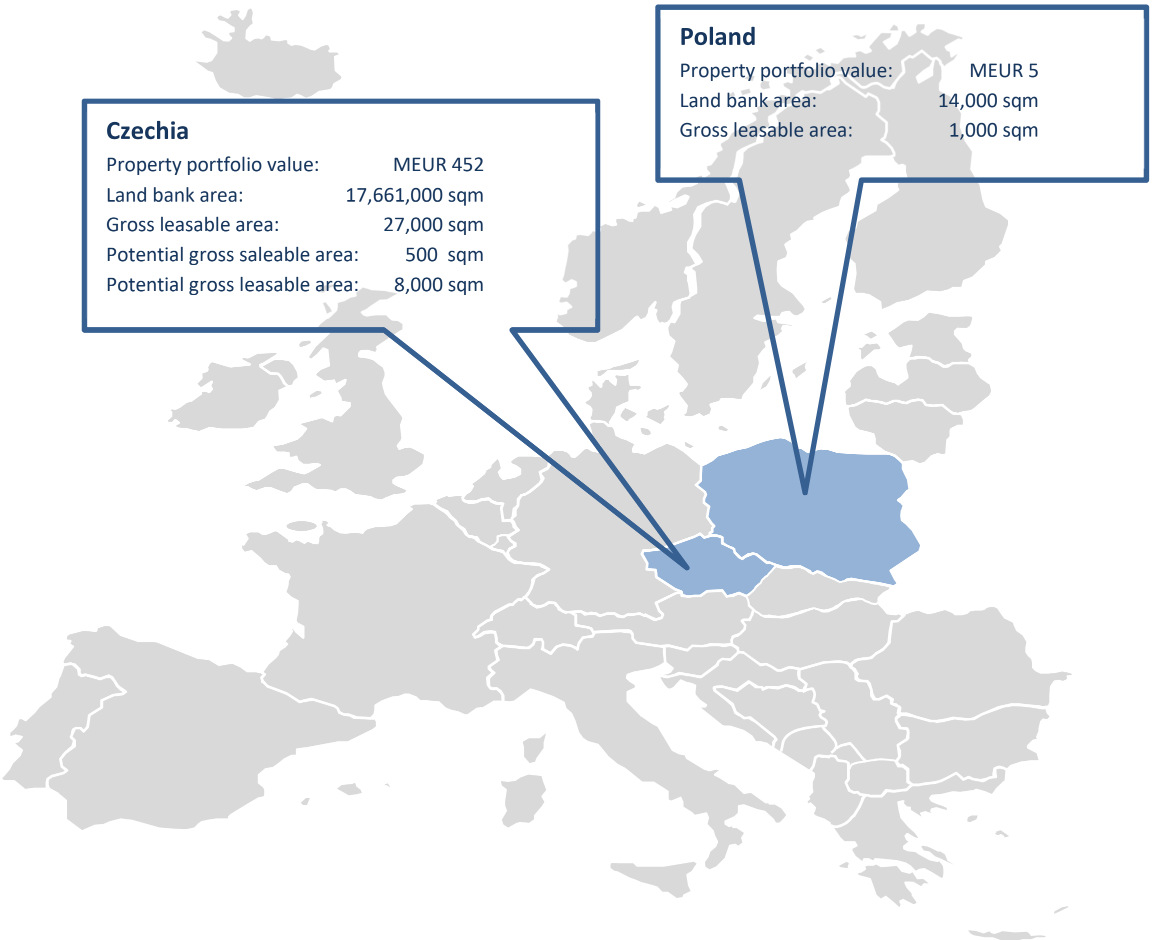
The volume of space currently under contruction, whose completion is scheduled mostly for 2019-2020, amounted to 750,000 sqm.

[2] Central Statistical Office of Poland, Eurostat
[3] JLL, Cushman & Wakefield, CBRE
[4] JLL, Cushman & Wakefield

PROPERTY PORTFOLIO

Total Property Portfolio

The Group concentrates on long-term investments and real-estate lease, mainly in the Central European region. The activities of the Group are focused on an extensive portfolio of land plots throughout Czechia and Poland. The Group owns rental income generating properties such as offices and industry & logistics. Additionally, the Group has some development for future sale.



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

- Investment property
- Inventories
- Assets held for sale

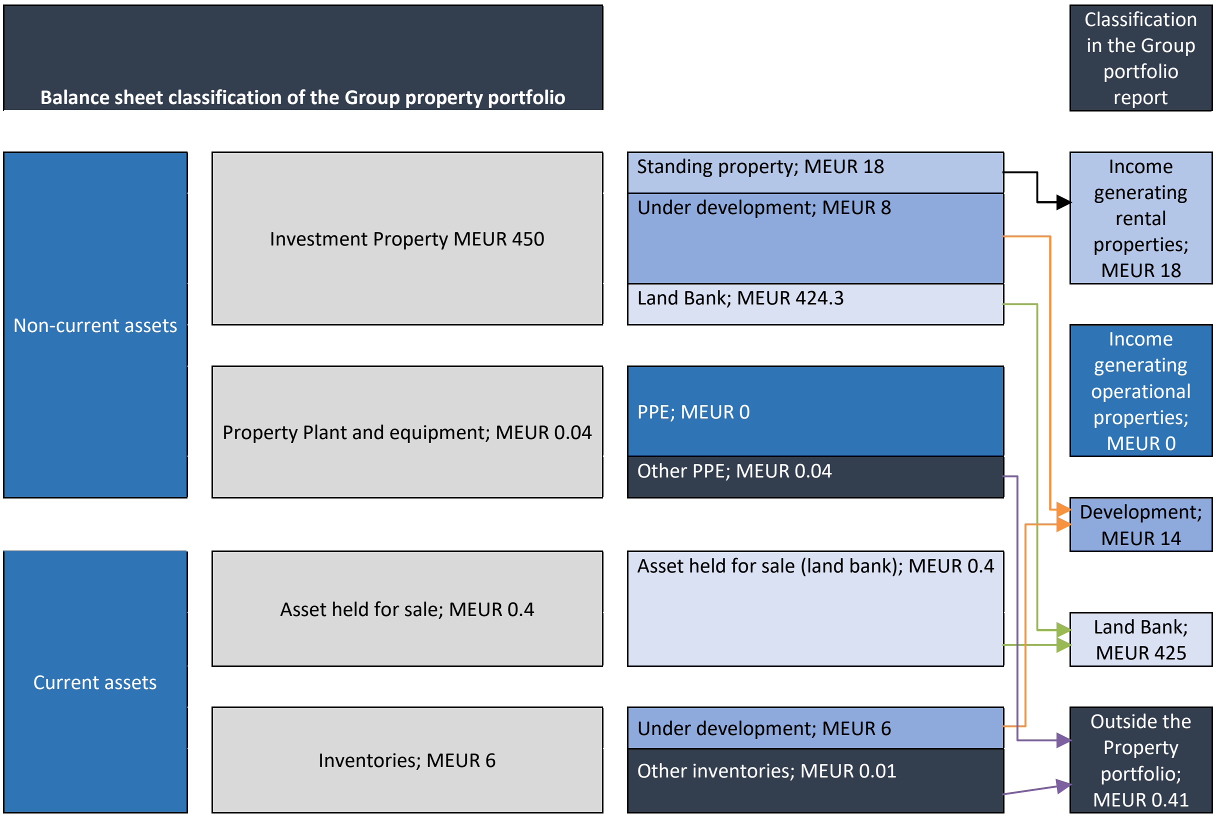
"Investment property" consists of rental properties, investment property under development and land bank. Investment property under development represents projects currently in progress, which will be reclassified by the Group as rental properties after completion. Land bank represents properties held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

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

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

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

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 31 December 2017 with the presentation in our portfolio report:

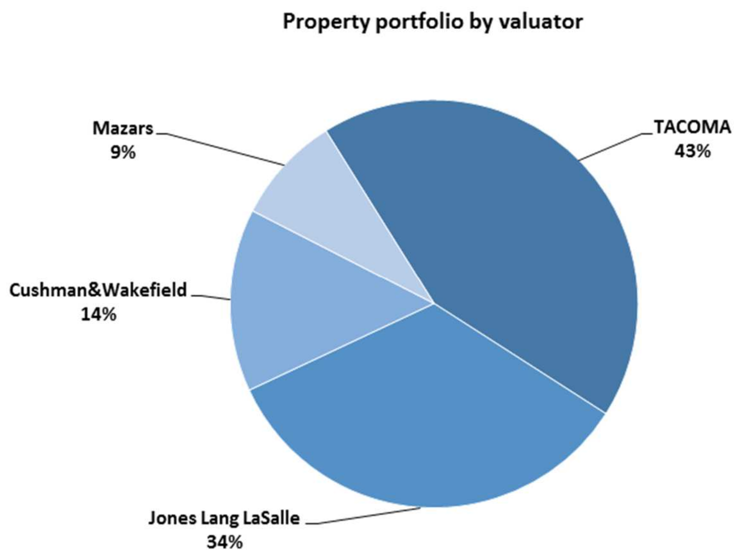


Property Valuation

The consoliodated financial statements of the Group as of 31 December 2017 were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation as at 31 December 2017 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 16,000 professionals.
- Jones Lang LaSalle (further “JLL”). JLL is a financial and professional services firm specializing in real estate services and investment management. JLL has more than 82,000 employees across 300 corporate offices in more than 80 countries and serve the local, regional and global real estate needs of their clients.
- Mazars. Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. Mazars operates in 300 offices across the globe located in 86 countries and draws on the expertise of over 20,000 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 800 offices and more than 41,000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll.



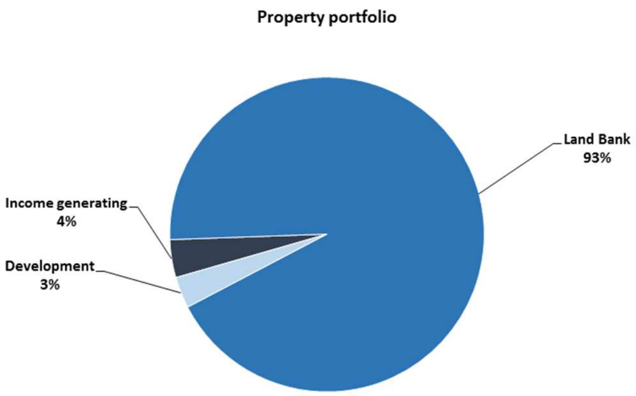
The following table shows the carrying value of the Group's property portfolio as of 31 December 2017 and 31 December 2016:

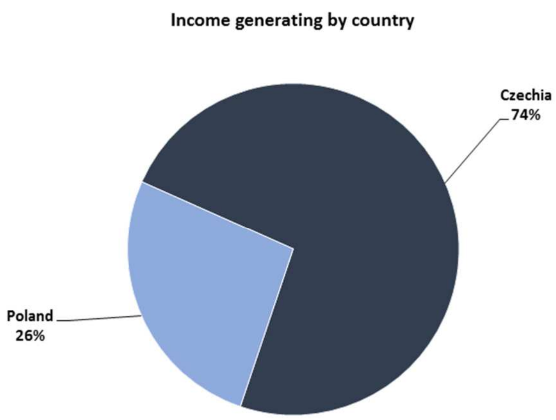
PROPERTY PORTFOLIO as at 31 December 2017	No of properties	GLA thousand sqm	Income generating MEUR	Development MEUR	Land bank MEUR	Carrying value MEUR	Carrying value %
Czechia	5	27	13	14	425	452	99%
Poland*	1	1	5	--	0.4	5	1%
The GROUP	**6**	**28**	**18**	**14**	**425**	**457**	**100%**

*Asset held for sale included

PROPERTY PORTFOLIO as at 31 Dec 2016	No of properties	GLA thousand sqm	Income generating MEUR	Development MEUR	Land bank MEUR	Carrying value MEUR	Carrying value %
Czechia	4	27	9	6	226	241	90%
Poland	1	1	5	--	0.376	5	2%
Luxembourg	1	8	23	--	--	23	8%
The GROUP	**6**	**36**	**37**	**6**	**226**	**269**	**100%**

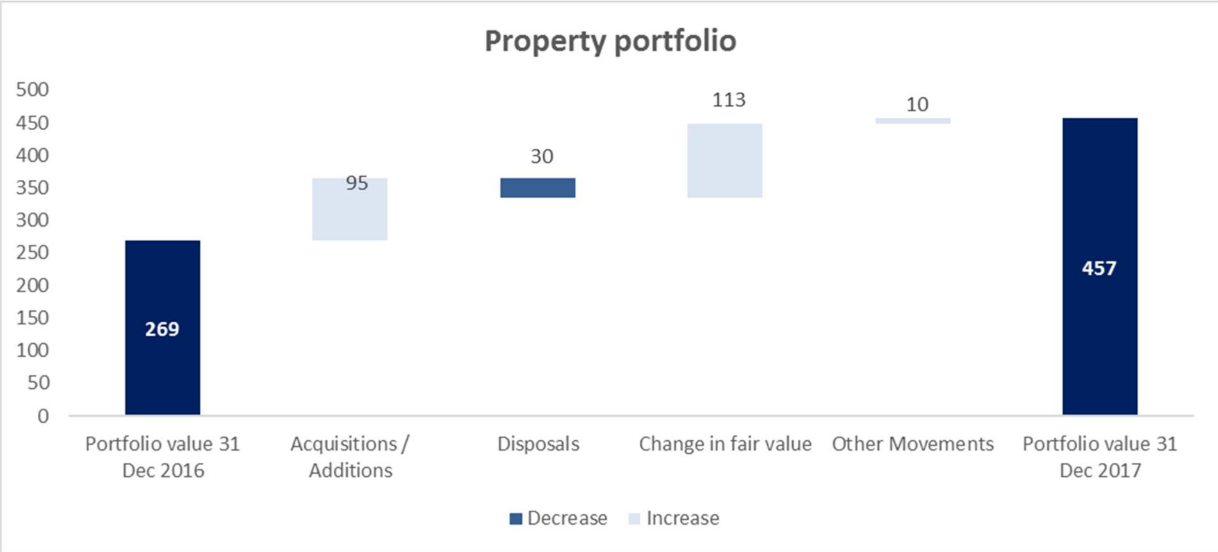
The Group property value total EUR 457 million as of 31 December 2017 (31 Dec 2016: EUR 269 million). As showed in the chart below, 4% of the Group property portfolio value is made of income generating assets of which EUR 18 million are income generating rental properties. The majority of the income generating assets is located in Czechia with 74% of the total value, followed by Poland with 26%.





The total net change of EUR 188 million in the portfolio value in 2017 was mainly attributable to the following:

- Disposal of the Capellen office building in amount of EUR 23 million;
- Disposal of the land bank project in Pardubice in amount EUR 7 million;
- Acquisitions of land areas in amount EUR 95 million;
- Property revaluation gain in amount of EUR 113 million (out of this amount Bubny P-7 EUR 94 million).


Property portfolio
500
450
400
350
300
250
200
150
100
50
0
269
95
30
113
10
457
Portfolio value 31 Dec 2016
Acquisitions / Additions
Disposals
Change in fair value
Other Movements
Portfolio value 31 Dec 2017
Decrease
Increase

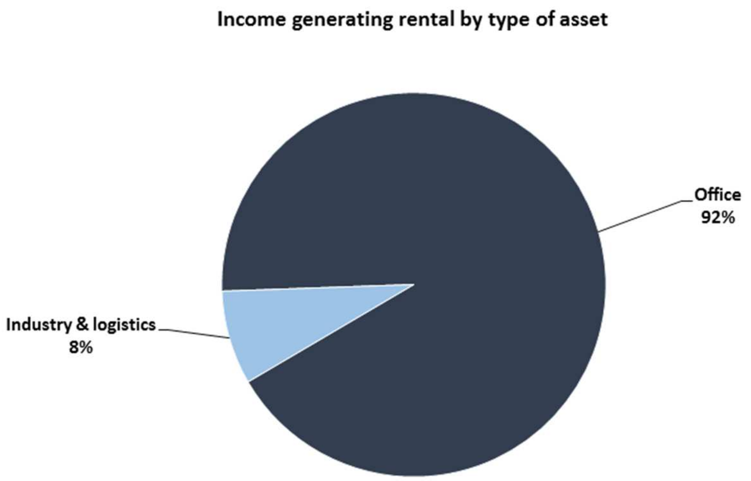
Income Generating

Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES 31 Dec 2017	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing EUR
Office	2	17	92%	19	74.6%	4.7	--
Industry & logistics	1	1	8%	9	89.9%	2.3	--
THE GROUP	**3**	**18**	**100%**	**28**	**82.2%**	**3.8**	**--**

INCOME GENERATING RENTAL PROPERTIES 31 Dec 2016	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing EUR
Office	3	36	97%	27	78.1%	11.4	21
Industry & logistics	1	1	3%	9	79.4%	1.9	--
THE GROUP	**4**	**37**	**100%**	**36**	**81.1%**	**6.7**	**21**

Income generating rental portfolio of EUR 18 million represents 4% of the Group´s property portfolio. The Group leases assets, its primary focus is office and Industry & logistics. These two together provide about 28,000 sqm of GLA.



Office

Key Figures – December 2017

74.5	%	2	
Occupancy		Number of properties	
17 million	EUR	19,000	sqm
Property value		Gross lettable area	

Office portfolio represents an important segment of investment activities of the Group. The Group owns buildings in the capital cities of Czechia and Poland.

OFFICE 31 Dec 2017	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	12	71%	18	72.5%	3.1	--
Poland	1	5	29%	1	100.0%	18.9	--
The GROUP	**2**	**17**	**100%**	**19**	**74.5%**	**4.7**	**--**

OFFICE 31 Dec 2016	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	8	23%	18	72.5%	3.3	4
Luxembourg*	1	23	63%	8	86.9%	25.2	14
Poland*	1	5	14%	1	100.0%	19.7	3
The GROUP	**3**	**36**	**100%**	**27**	**78.1%**	**11.4**	**21**

* Asset held for sale included

Among other properties, the Office portfolio includes:

Bubenská, Prague

The Property was constructed during the 1930s. The building belongs to the most distinguished functionalist buildings in Prague. The property provides office and storage units. Additionally the building houses the ambulance service for Prague 7 which is accessible from the rear of the property. There are small retail/commercial units with direct street access located along the front of the Property and also two small courtyards used for parking.

On 25 January 2017 The Group sold an office building in Capellen, Grand Duchy of Luxembourg, which was unsuited to the corporate business strategy.

The office portfolio value decreased from EUR 36 million to EUR 17 million as at 31 December 2017.

Key Figures – December 2017

89.9 %	**1**
Occupancy	**Number of properties**
1 million EUR	**9,000 sqm**
Property value	**Gross lettable area**

The Group currently owns about 9,000 sqm of rental space and manages complex Industrial Park Stříbro used for light industry, located in Plzeňský region in Czechia.

INDUSTRY AND LOGISTICS 31 Dec 2017	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	1	100%	9	89.9%	2.3	--
The GROUP	**1**	**1**	**100%**	**9**	**89.9%**	**2.3**	**--**

INDUSTRY AND LOGISTICS 31 Dec 2016	Nº of properties	Carrying value MEUR	Carrying value %	GLA thds. sqm	Occupancy %	Rent per sqm EUR	Outstanding financing MEUR
Czechia	1	1	100%	9	79.4%	1.9	--
The GROUP	**1**	**1**	**100%**	**9**	**79.4%**	**1.9**	**--**

Land Bank

Key Figures – December 2017

17,675,000	sqm
Total area	

425 million	EUR
Property value	

Land bank is comprised of an extensive portfolio of land plots throughout Czechia and Poland. Plots are often in attractive locations, either separate or adjacent to existing commercial buildings or in the city centre and their value continues to increase with the growth of surrounding infrastructure. Out of the total plots area, approximately 8% are with zoning which is significant increase compare to December 2016.

LAND BANK 31 Dec 2017	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value MEUR	Carrying value %	Outstanding financing MEUR
Czechia	17,661	1,327	16,334	424.3	99.8%	--
Poland*	14	14	--	0.4	0.2%	--
THE GROUP	**17,675**	**1,341**	**16,334**	**425**	**100%**	**--**

*Asset held for sale included

LAND BANK 31 Dec 2016	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value MEUR	Carrying value %	Outstanding financing MEUR
Czechia	13,455	216	13,239	226	99.8%	--
Poland	14	14	--	0.376	0.2%	--
THE GROUP	**13,469**	**230**	**13,239**	**226**	**100%**	**--**

Among land bank plots, the Land Bank portfolio includes:.

- **Praga, Benice 2-5** or **Nupaky** in Prague amounting to circa 838,000 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.
- **Bubny** EUR 149 million (31 December 2016: EUR 56 million) located 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 at Vltavská metro station and large green spaces will be incorporated. The main goal for the mid-term period is to continue the process of changing the Bubny masterplan. 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.

Development

Key Figures – December 2017

500	sqm
Potential gross saleable area	

6 million	EUR
Development for sale	

8,000	sqm
Potential gross leasable area	

8 million	EUR
Development for rental	

The Group's development portfolio consists of properties that the Company has developed or is developing across Czechia region and plans to keep, manage or sell.

DEVELOPMENT 31 Dec 2017	Nº of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale MEUR	Development for rental %	Development for sale %	Outstanding financing MEUR
Czechia	3	8	0.5	8	6	100%	100%	--
THE GROUP	**3**	**8**	**0.5**	**8**	**6**	**100%**	**100%**	**--**

DEVELOPMENT 31 Dec 2016	Nº of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MEUR	Development for sale MEUR	Development for rental %	Development for sale %	Outstanding financing MEUR
Czechia	2	--	1	--	6	--	100%	--
THE GROUP	**2**	**--**	**1**	**--**	**6**	**--**	**100%**	**--**

The development portfolio includes:

- **May house** - The office development under construction will offer accommodation on two basements and six above ground levels. The development will offer approximately 7,300 sqm of leasable modern office space, 460 sqm of retail space on the ground floor, and 315 sqm of canteen. There are also 69 parking spaces in the underground parking garage. The construction works have started in the second half of 2017 with expected delivery in approximatelly mid 2019.

- **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.

FINANCING

Cash and cash equivalents

As at 31 December 2017, cash and cash equivalents consist of cash in bank for EUR 11.2 million (2016: EUR 2.2 million) and cash in hand for EUR 22 thousand (2016: EUR 14 thousand).

Loan to value

The calculation of the Project LTV ratio as at 31 December 2017 is shown in the table below.

	31 December 2017	31 December 2016
Non current liabilities		
Financial debts – adjusted*	310	2,892
Non-current Bonds	--	12,482
Current liabilities		
Financial debts – adjusted*	19	4,543
Current Bonds	--	142
Liabilities linked to assets held for sale	--	14,868
Current assets		
Current financial assets	--	--
Cash and cash equivalents	(11,230)	(2,215)
Net debt	**(10,901)**	**32,712**
Investment property	450,373	239,790
Inventories	6,348	6,524
Fair value of portfolio	**456,721**	**246,314**
Loan to Value	**-2.4%**	**13.3%**

*Financial debts – adjusted = Financial debts excluding the loans from related parties

The Project LTV ratio as at 31 December 2017 is -2.4% and decreased compared to 13.3% as at 31 December 2016. Total amount of financial liabilities including bonds is EUR 0.3 million as at the end of the year 2017 in comparison to EUR 30.0 million (including liabilities linked to assets held for sale). Fair value of portfolio increased from EUR 246.3 million to EUR 456.7 million.

Financial liabilities

Financial liabilities amount to EUR 1,168.5 million including the loans mainly from Czech Property Investment, a.s. (EUR 552.4 million) and CPI PG (EUR 464.5 million).

Financial liabilities increased by EUR 1,006.8 million. This variation is caused mainly due to additional drawdown of long-term loan provided by Czech Property Investment, a.s. (EUR 429.9 million) and new loan provided by CPI PG (EUR 464.5 million).

RESULTS AND NET ASSETS

Income statement

Income statement for the period ended 31 December 2017 corresponds to the consolidated financial statements.

Income statement for the period ended 31 December 2017 is as follows:

	12 month period ended	
	31 December 2017	31 December 2016
Gross rental income	2,156	7,212
Service revenue	3,180	3,656
Net service charge income	(313)	1,884
Property operating expenses	(1,272)	(2,751)
Net rental income	**3,751**	**10,001**
Development sales	595	2,345
Cost of goods sold	(505)	(1,955)
Net development income	**90**	**390**
Total revenues	5,618	15,097
Total direct business operating expenses	(1,777)	(4,706)
Net business income	**3,841**	**10,391**
Net valuation gain	113,013	7,065
Net loss on the disposal of investment property	(15)	481
Net gain on disposal of subsidiaries	50	5,370
Amortization, depreciation and impairments	2,138	417
Other operating income	241	1,990
Administrative expenses	(2,028)	(4,316)
Other operating expenses	(1,100)	(187)
Operating result	**116,140**	**21,211**
Interest income	56,572	2,201
Interest expense	(28,297)	(11,585)
Other net financial result	(3,806)	40,411
Net finance income / (costs)	**24,469**	**31,027**
Share of profit of equity-accounted investees (net of tax)	6,217	(886)
Profit before income tax	**146,826**	**51,352**
Income tax expense	(9,547)	112,892
Net profit from continuing operations	**137,279**	**164,244**

Net rental income

Net rental income decreased by 62.5% to EUR 3.8 million in 2017 (EUR 10.0 million in 2016). The negative impact of the decrease in gross rental income of 70.1%, reflecting the disposal of non-core properties in 2016 and 2017.

Net valuation gain

The net valuation gain amounts to EUR 113.0 million (EUR 7.1 million in 2016) which mainly comprises gain from valuation of Czech properties Bubny (EUR 91.1 million), Rezidence Pragovka (EUR 14.5 million), Bubenská (EUR 2.7 million) and CD Property (EUR 2.4 million). Its gain was driven primarily by the general market conditions as well as by improved assumptions retained by the external valuation experts, for more detail please refer note 7.5.3. in Consolidated Financial Statements.

Administrative expenses

Administrative expenses decreased by 53.0% to EUR 2.0 million in 2017 compared to EUR 4.3 million in 2016. During 2016 there was a significant cost reduction and this trend continued in 2017. Other determinants causing the reduction of costs were the disposals of entities in 2016 and 2017.

Net finance income

Total net finance income dropped from EUR 31.0 million in 2016 to EUR 24.5 million in 2017. The interest income increased from EUR 2.2 millon in 2016 to EUR 56.6 million in 2017. The increase in interest income reflects the providing of new loans by the Company to the third parties. These loans bear interest rate between 6% - 12%.

Other net financial result

The other net financial result worsened from a gain of EUR 40.4 million to a loss of EUR 3.8 million as at 31 December 2017. The main cause of this deterioration is change in fair value of derivative instrument amounts to EUR 11.3 million (EUR 38.9 million in 2016) and in the exchange rate loss (EUR 14.2 million) resulting from the transactions between the Company and CPI PG Group (mainly CPI a.s., whose functional currency is Czech koruna). The Czech koruna has been steadily appreciating since April 2017, when the Czech National Bank ended its Czech koruna floor commitment.

The loss from the exchange rate is partly compensated by the fair value gain on the derivative assets (EUR 11.3 million).

Balance sheet

Balance sheet as at 31 December 2017 corresponds to consolidated financial statements.

	31 December 2017	31 December 2016
NON-CURRENT ASSETS		
Investment property	450,373	239,790
Property, plant and equipment	35	26
Equity-accounted investees	4,571	4
Available-for-sale financial assets	104,613	33,042
Loans provided	1,196,932	149,850
Trade and other receivables	12	85
Deferred tax asset	123,565	114,025
Total non-current assets	**1,880,101**	**536,822**
CURRENT ASSETS		
Inventories	6,348	6,524
Current income tax receivables	279	--
Derivative instruments	--	38,732
Trade receivables	4,540	3,833
Loans provided	68,490	993
Cash and cash equivalents	11,230	2,215
Other financial current assets	8,069	169
Other non-financial current assets	849	1,169
Assets held for sale	397	23,209
Total current assets	**100,202**	**76,844**
TOTAL ASSETS	**1,980,303**	**613,666**
EQUITY		
Equity attributable to owners of the Company	565,688	412,798
Non-controlling interests	62,683	475
Total equity	**628,371**	**413,273**
NON-CURRENT LIABILITIES		
New Notes/Bonds	--	12,482
Financial debts	1,113,884	128,348
Deferred tax liabilities	33,048	12,911
Provisions	1,559	1,712
Other non-current liabilities	1,991	3,524
Total non-current liabilities	**1,150,482**	**158,977**
CURRENT LIABILITIES		
New Notes/Bonds	--	142
Financial debts	54,581	20,718
Trade payables	2,723	1,657
Advance payments	84,505	395
Derivative instruments	--	7
Other financial current liabilities	56,018	599
Other non-financial current liabilities	3,623	3,030
Liabilities linked to assets held for sale	--	14,868
Total current liabilities	**201,450**	**41,416**
TOTAL EQUITY AND LIABILITIES	**1,980,303**	**613,666**

Total assets and total liabilities

Total assets increased by EUR 1,367 million (222.7%) to EUR 1,980 million as at 31 December 2017. The increase is a result of valuation of Investment property and providing new long-term loans to the CPI Property Group.

Non-current and current liabilities total EUR 1,351.9 million as at 31 December 2017 which represents an increase by EUR 1,151.5 million (574.6%) compared to 31 December 2016. Main driver of this increase was an additional drawdown of loan provided by Czech Property Investment, a.s. and new loan provided to the Group by CPI PG.

EPRA Net assets value

The EPRA Net Asset Value per share as of 31 December 2017 is EUR 0.46 compared to EUR 0.32 as at December 2016.

The Triple NAV amounts to EUR 0.43 per share compared to EUR 0.31 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.

	December 2017	December 2016
Consolidated equity	**565,688**	**412,798**
Fair Value adjustment on asset held for sales	--	--
Fair value adjustments on inventories	--	--
Deferred taxes on revaluations	33,048	12,826
Goodwill	--	--
Own equity instruments	--	--
EPRA Net asset value	**598,736**	**425,624**
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	0.46	0.32
EPRA Net asset value	**598,736**	**425,624**
Deferred taxes on revaluations	(33,048)	(12,826)
Fair value adjustment of bonds issued by the Group	--	--
EPRA Triple Net asset value (*)	**565,688**	**412,798**
Fully diluted shares	1,314,508	1,314,508
Triple net asset value in EUR per share	0.43	0.31

(*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

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

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

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

Over the year 2017 the consolidated equity increased by EUR 152.9 million. The main driver of this increase is the profit of the period amounting to EUR 137.3 million.

CORPORATE GOVERNANCE

Principles

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

Board of Directors

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

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.

The articles of association may be modified by an extraordinary general meeting of the shareholders, deliberating with a quorum of at least half of the corporate capital and deciding by a vote of at least a two-thirds majority of the votes cast.

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.

Current Board of Directors

As of 31 December 2017 the Board of Directors consisted of: 2 executive members representing the management of the Company: Mr. Jiri Dedera and Mr. Erik Morgenstern and 1 independent member, Mr. Edward Hughes.

The current Board of Directors is appointed until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017.

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.

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.

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.

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 24 May 2017 appointed Jiri Dedera as Managing Director (*administrateur delegue*) 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 2017.

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.

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.

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 2017, the Company's management consisted of the following members:

Jiri Dedera, 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 Czechia and in the United States. He graduated from the Technical University of Brno, Czechia.

Erik Morgenstern, Chief Financial Officer, has over 11 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, Czechia.

Committees of the Board of Directors

As of 31 December 2017 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.

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 Dedera. 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.

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 Dedera. 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 2017.

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.

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.

Remuneration and benefits

Board of Directors

See Note 1 in the Consolidated financial statements.

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. Out of 1,314,507,629 Company shares 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.

(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 2017.

(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 2017. 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 Dedera 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 became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company (the "Mandatory Takeover Offer"). 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 8 December 2017 the CSSF published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to the Company. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts.

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

(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.

97.31% of shares in the Company are held directly and indirectly by subsidiaries of CPI PROPERTY GROUP.

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

See section 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 Powers of the Board of Directors of this report and section Authorized capital not issued.

(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".

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.

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 2017, 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.

Additional information

Legal form and share capital

ORCO PROPERTY GROUP is a public limited company ("société anonyme") incorporated and existing under Luxembourg law. Its corporate capital, 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.

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.

Jurisdiction and applicable laws

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

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.

Trade register

RCS Luxembourg B 44 996.

Financial year

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

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.

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.

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 2017, 2016, and 2015, 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.

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 2018 to approve the accounts for the financial year ended 31 December 2017.

Reporting

Consolidated management report and the the stand-alone management report are presented under the form of a sole report.

SHAREHOLDING

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.

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 2017. 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	1,279,198,976	97.31%
Others	35,308,653	2.69%
Total	**1,314,507,629**	**100.0%**

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.

The Board of Directors was authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 2 May 2016, 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.

POTENTIAL RISKS AND OTHER REPORTING REQUIREMENTS

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.

Subsequent closing events

See point YEAR 2017 AND POST-CLOSING KEY EVENTS of this report.

Other reporting requirements

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

Financial Risks exposure

For a thorough description of the principal risks and uncertainties, see note 7 in 2017 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.

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.

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.

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.

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 7.3 in 2017 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 7.3.1 (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 7.3.3 (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 7.3.2 (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.

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 Credit risk of the Consolidated financial statements.

Liquidity risk

For more detail, please refer to note 7.2 Liquidity risk of the Consolidated financial statements.

Capital Risk management

For more detail, please refer to note 7.4 Capital Risk management of the Consolidated financial statements.

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 2017. 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.

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.

Environmental, social and ethical matters

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

Environmental matters

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

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

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

As a priority item for apartment building renovations, the Group replaces older heating systems with natural gas systems, and seeks to improve the overall level of thermal insulation in its buildings.

Social matters

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

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

Ethical and matters

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

GLOSSARY & DEFINITIONS

Alternative Performance Measures

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.

In this period the Company redefined and changed the title one of APM – *Loan-to-Value* changed to *Project Loan-to-Value*. For new definition and reasons for the change, see below.

EPRA NAV

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

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Similarly, trading properties are adjusted to their fair value under EPRA's NAV measure.

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

EPRA NAV per share

EPRA NAV divided by the diluted number of shares at the period end.

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Starting from the NAV following adjustments are taken into consideration:

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

The objective of the EPRA NNNAV measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

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

Project Loan-to-Value

Project Loan-to-Value ("Project LTV ratio") provides a general assessment of financing risk undertaken. It is calculated as Adjusted Net Debt divided by fair value of Property Portfolio. Net Debt is borrowings plus bank overdraft less sum of borrowings from within CPI Property Group and 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.

In 2017 the Group redefined "LTV ratio" to "Project LTV ratio" due to:

- The Company received loans from related entities within CPI Property Group;
- These loans are not connected to any of OPG projects;
- These loans are provided by related entities and are part of a financing structure within CPI Property Group structure;

If included in LTV ratio calculation it the information would be misleading as it would not provide the reader an information on financing risk undertaken by the Group.

In 2017 the Group redefined "Property portfolio" due to:

- Previous definition of Property portfolio included derivative instruments, intragroup loans etc. which are not means of the Group business
- The Group decided to include only those assets which clearly show business focus of the Group

Comparative figure of newly defined Project LTV ratio has been disclosed.

Other definitions

EPRA

European Public Real Estate Association.

Development for rental

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

Development for sale

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

Gross Asset Value (GAV) or Fair value of Property portfolio

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 Leasable Area (GLA)

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

Gross Saleable Area (GSA)

GSA is the amount of floor space held by the Group with the intention to be sold. GSA is the area of property to be sold with a capital gain.

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.

Occupancy rate

The ratio of leased premises to leasable premises

Potential gross leasable area

Potential Gross Leasable Area is the total amount of floor space and land area being developed which the Group is planning to rent after the development is complete.

Potential gross saleable area

Potential Gross Saleable Area is the total amount of floor space and land area being developed which the Group is planning to sell after the development is complete.

ORCO PROPERTY GROUP

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 2017

1.1. Person responsible for the Annual Financial Report

- Mr. Jiří Dedera, acting as Chief Executive Officer and Managing Director of the Company, with professional address at 40 rue de la Vallee, L-2661 Luxembourg, Grand-Duchy of Luxembourg, 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 2017, 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 2017 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 2017 provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

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

Luxembourg, on 13 April 2018

Mr. Jiří Dedera
CEO, Managing Director

ORCO PROPERTY GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	12 month period ended 31 December 2017	31 December 2016
Gross rental income	5.1	2,156	7,212
Service revenue	5.1	3,180	3,656
Net service charge income/(expense)	5.2	(313)	1,884
Property operating expenses	5.3	(1,272)	(2,751)
Net rental income		**3,751**	**10,001**
Development sales	5.4	595	2,345
Cost of goods sold	5.4	(505)	(1,955)
Net development income		**90**	**390**
Total revenues		5,618	15,097
Total direct business operating expenses		(1,777)	(4,706)
Net business income		**3,841**	**10,391**
Net valuation gain	5.5	113,013	7,065
Net gain/(loss) on the disposal of investment property		(15)	481
Net gain on disposal of subsidiaries	5.6	50	5,370
Amortization, depreciation and impairments	5.7	2,138	417
Other operating income	5.8	241	1,990
Administrative expenses	5.9	(2,028)	(4,316)
Other operating expenses	5.10	(1,100)	(187)
Operating result		**116,140**	**21,211**
Interest income	5.11	56,572	2,201
Interest expense	5.12	(28,297)	(11,585)
Other net financial result	5.13	(3,806)	40,411
Net finance income		**24,469**	**31,027**
Share of profit of equity-accounted investees (net of tax)	6.3	6,217	(886)
Profit before income tax		**146,826**	**51,352**
Income tax expense	5.14	(9,547)	112,892
Net profit from continuing operations		**137,279**	**164,244**
Items that may or are reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		16,309	(3,708)
Effective portion of changes in fair value of available-for-sale financial assets		4,124	(32,141)
Other comprehensive income for the period, net of tax		20,433	(35,849)
Total comprehensive income for the period		**157,712**	**128,395**
Profit attributable to:			
Non-controlling interests		**(307)**	**(1)**
Owners of the Company		**137,586**	**164,245**
Profit for the period		**137,279**	**164,244**
Total comprehensive income attributable to:			
Non-controlling interests		**(307)**	**(1)**
Owners of the Company		**158,019**	**128,396**
Total comprehensive income for the period		**157,712**	**128,395**
Earnings per share	6.14		
Basic earnings in EUR per share		**0.10**	**0.17**
Diluted earnings in EUR per share		**0.10**	**0.17**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Intangible assets	6.1	--	--
Investment property	6.2	450,373	239,790
Property, plant and equipment		35	26
Equity-accounted investees	6.3	4,571	4
Available-for-sale financial assets	6.4	104,613	33,042
Loans provided	6.5	1,196,932	149,850
Trade and other receivables		12	85
Deferred tax asset	6.6	123,565	114,025
Total non-current assets		**1,880,101**	**536,822**
CURRENT ASSETS			
Inventories	6.7	6,348	6,524
Current income tax receivables		279	--
Derivative instruments	6.8	--	38,732
Trade receivables	6.9	4,540	3,833
Loans provided	6.5	68,490	993
Cash and cash equivalents	6.10	11,230	2,215
Other financial current assets	6.11	8,069	169
Other non-financial current assets	6.12	849	1,169
Assets held for sale	6.13	397	23,209
Total current assets		**100,202**	**76,844**
TOTAL ASSETS		**1,980,303**	**613,666**
EQUITY			
Equity attributable to owners of the Company		565,688	412,798
Non-controlling interests		62,683	475
Total equity		**628,371**	**413,273**
NON-CURRENT LIABILITIES			
Bonds issued	6.15	--	12,482
Financial debts	6.16	1,113,884	128,348
Deferred tax liabilities	5.14	33,048	12,911
Provisions	6.17	1,559	1,712
Other non-current liabilities	6.18	1,991	3,524
Total non-current liabilities		**1,150,482**	**158,977**
CURRENT LIABILITIES			
Bonds issued	6.15	--	142
Financial debts	6.16	54,581	20,718
Trade payables	6.19	2,723	1,657
Advance payments	6.20	84,505	395
Derivative instruments		--	7
Other financial current liabilities	6.21	56,018	599
Other non-financial current liabilities	6.22	3,623	3,030
Liabilities linked to assets held for sale	6.13	--	14,868
Total current liabilities		**201,450**	**41,416**
TOTAL EQUITY AND LIABILITIES		**1,980,303**	**613,666**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2017		**13,145**	**784,670**	**10,178**	**(395,195)**	**412,798**	**475**	**413,273**
Comprehensive income:								
Profit/(loss) for the year		**--**	**--**	**--**	**137,586**	**137,586**	**(307)**	**137,279**
Total comprehensive income		--	--	14,849	5,584	20,433	--	20,433
Total comprehensive income		**--**	**--**	**14,849**	**5,584**	**20,433**	**--**	**20,433**
Total comprehensive income for the period		**--**	**--**	**14,849**	**143,170**	**158,019**	**(307)**	**157,712**
Effect of the acquisitions of subsidiaries under common control	3.1	--	--	--	(2,876)	(2,876)	40,776	37,900
Total contributions by and distributions to owners of the Company		**--**	**--**	**--**	**(2,876)**	**(2,876)**	**40,776**	**37,900**
Disposal of non-controlling interests under common control	3.1	--	--	--	--	--	21,739	21,379
Total changes in ownership interests in subsidiaries		**--**	**--**	**--**	**--**	**--**	**21,739**	**21,739**
Total transactions with owners of the Company		**--**	**--**	**--**	**(2,876)**	**(2,876)**	**62,515**	**59,639**
Other movements								
Share of loss of equity-accounted investees		--	--	--	(2,253)	(2,253)	--	(2,253)
Total other movements		**--**	**--**	**--**	**(2,253)**	**(2,253)**	**--**	**(2,253)**
Balance at 31 December 2017		**13,145**	**784,670**	**25,027**	**(257,154)**	**565,688**	**62,683**	**628,371**

	Note	Share capital	Share premium	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2016		**31,451**	**686,364**	**13,886**	**(527,299)**	**204,402**	**187**	**204,589**
Comprehensive income:								
Profit/(loss) for the year		**--**	**--**	**--**	**164,245**	**164,245**	**(1)**	**164,244**
Total comprehensive income		--	--	(3,708)	(32,141)	(35,849)	--	(35,849)
Total comprehensive expense		**--**	**--**	**(3,708)**	**(32,141)**	**(35,849)**	**--**	**(35,849)**
Total comprehensive income for the period		**--**	**--**	**(3,710)**	**132,104**	**128,396**	**(1)**	**128,395**
Contributions by and distributions to owners of the Company								
Capital decrease on 2 May 2016		(28,306)	28,306	--	--	--	--	--
Capital increase on 10 May 2016		10,000	70,000	--	--	80,000	--	80,000
Total contributions by and distributions to owners of the Company		**(18,306)**	**98,306**	**--**	**--**	**80,000**	**--**	**80,000**
Non-controlling interests´ transactions		--	--	--	--	--	289	289
Total changes in ownership interests in subsidiaries		**--**	**--**	**--**	**--**	**--**	**--**	**--**
Total transactions with owners of the Company		**(18,306)**	**98,306**	**--**	**--**	**80,000**	**289**	**80,289**
Balance at 31 December 2016		**13,145**	**784,670**	**10,178**	**(395,195)**	**412,798**	**475**	**413,273**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

		12 month period ended	
	Note	31 December 2017	31 December 2016
PROFIT BEFORE INCOME TAX		**146,826**	**51,352**
Adjusted by:			
Net valuation gain on investment property	5.5	(113,013)	(7,065)
Loss on the disposal of investment property		15	(481)
Depreciation/amortisation of tangible and intangible assets	5.7	--	29
Reversal of impairment of assets	5.7	(2,138)	(446)
Gain on the disposal of subsidiaries		(50)	(5,234)
Net finance costs	5.11,5.12,5.13	(38,655)	(30,367)
Share of profit of equity accounted investees	6.3	(6,217)	--
Exchange rate differences		18,579	52
Other non-cash adjustments		--	192
Profit before changes in working capital and provisions		**5,347**	**8,032**
Decrease in inventories		137	877
Increase in trade receivables		(3,459)	(1,153)
Increase in trade payables		87,420	(3,817)
Changes in provisions		225	--
Income tax paid		(439)	(40)
NET CASH FROM OPERATING ACTIVITIES		**89,231**	**3,899**
Acquisition of subsidiaries, net of cash acquired	3.1	(50,741)	(51,641)
Acquisition of investment property	6.2	(2,700)	(1,602)
Expenditure on investment property under development	6.2	(1,211)	--
Acquisition of property, plant and equipment		(9)	(2)
Acquisition of other investments	6.8	(15,927)	--
Proceeds from sale of investment property		--	4,105
Proceeds from sale of available-for-sale financial assets		--	42,611
Disposal of subsidiaries, net of cash acquired	5.6	15,302	22,929
Loans provided		(1,026,258)	(138,733)
Loans repaid		38,807	--
Interest received		1,159	--
NET CASH USED IN INVESTING ACTIVITIES		**(1,041,578)**	**(122,333)**
Proceeds from issuance of ordinary shares		--	80,000
Disposal of non-controlling interests under common control	3.1	21,739	--
Repayment of bonds issued		(13,489)	(50,575)
Repayment interest of bonds issued		(944)	(2,899)
Drawdowns of loans and borrowings		971,261	156,041
Repayments of loans and borrowings		(17,064)	(62,015)
Drawdowns of finance lease liabilities	6.16	283	--
Interest paid		(424)	(3,647)
NET CASH FROM FINANCING ACTIVITIES		**961,362**	**116,905**
NET INCREASE/(DECREASE) IN CASH		**9,015**	**(1,529)**
Cash and cash equivalents at the beginning of the year		2,215	3,264
Cash and cash equivalents reclassified to asset held for sale	7.3.1	--	479
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**11,230**	**2,215**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (as defined below).

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.

The Company´s shares registered under ISIN code LU012262477 are listed on the regulated markets of the Luxembourg Stock Exchange and the Warsaw Stock Exchange.

Description of the ownership structure

As at 31 December 2017, CPI PROPERTY GROUP S.A. indirectly owns 97.31% of the Company shares (97.31% voting rights).

CPI PROPERTY GROUP S.A. (hereinafter also the "**CPI PG**", and together with its subsidiaries as the "**CPI PG Group**") is a real estate group founded in 2004. CPI PG is a Luxembourg *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. As at 31 December 2017, Radovan Vítek indirectly owns 89.17% of CPI PG (91.61% voting rights).

For the list of shareholders as at 31 December 2017 refer to note 6.14.

Board of Directors

As at 31 December 2017 and 31 December 2016 the Board of Directors consists of the following directors:

Mr. Jiří Dedera

Mr. Edward Hughes

Mr. Erik Morgenstern

Employees

The Group has 7 employees as at 31 December 2017 (as at 31 December 2016 – 10 employees).

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation of consolidated financial statements

(a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on 13 April 2018.

The consolidated financial statements have been prepared on a going concern basis.

(b) New standards

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).
The nature and the impact of each new standard/amendment are described below:

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

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

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

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

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

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

    - over time, in a manner that depicts the entity's performance; or
    - at a point in time, when control of the goods or services is transferred to the customer.

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

  The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

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

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

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

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

- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Group is currently assessing the impact of IFRS 16.
- Amendments to IAS 40 'Investment Property' concerning transfers of Investment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. These amendments are effective for accounting periods beginning on or after 1 January 2018.The Group is currently assessing the impact of amendments to IAS 40.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018, earlier application is permitted. The interpretation addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.

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

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

The Group refers to the endorsement status of the new IFRS standards and amendments to standards and interpretations as they are published by the European Union.

(c) Basis of measurement

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

- inventories at lower of cost or net realisable value;
- assets held for sale at fair value;
- investment property is measured at fair value;
- derivative 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.

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

- Note 2.2(c) – 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 2.2(h) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs
- Note 2.3 – Valuation of investment property
- Note 5.14 – Recognition of deferred tax assets - future utilization of carry forward tax losses
- Note 7 – Financial risk management

2.2 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

(ii) Business combinations involving entities under common control

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

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Equity accounted investees

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

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

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

(vi) Transactions eliminated on consolidation

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

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

(vii) Property asset acquisition

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

(b) Foreign currency

(i) Functional currencies

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

Summary of countries and functional currencies:

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

(ii) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR 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 EUR at exchange rates approximating the foreign exchange rates at the dates of the transactions.

The following exchange rates were used during translations:

Date	Closing exchange rate EUR/CZK	Average exchange rate EUR/CZK for the 12-month period
31 December 2017	0.039	0.038
31 December 2016	0.037	0.037
31 December 2015	0.037	0.037
31 December 2014	0.036	0.036

Date	Closing exchange rate EUR/PLN	Average exchange rate EUR/PLN for the 12-month period
31 December 2017	0.239	0.235
31 December 2016	0.227	0.229
31 December 2015	0.235	0.239
31 December 2014	0.234	0.239

(c) Investment property

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

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

External independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 31 December 2017 and 2016 respectively.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, capitalised borrowing costs and an appropriate proportion of production overheads.

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated.

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

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

Assets	2017	2016
Property	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.

(e) Intangible assets

(i) Other intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

(f) Trading property - inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(g) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans provided

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

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate calculated at initial recognition of these financial assets).
The Group classifies as current any part of long-term loans that is due within one year from the reporting date.

Trade and other receivables

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

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

Available-for-sale financial assets comprise equity securities.

Assets held for sale

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

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

(ii) Non-derivative financial liabilities

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

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

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

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.

(iii) Share capital

Ordinary shares

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

(iv) Derivative financial instruments

Derivatives are initially recognised in the consolidated statement of financial position on the date a derivative contract is entered into and are subsequently re-measured at fair value wich 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 intruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognised immediately in the consolidated statement of comprehensive income under “other net financial reuslts“.

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 statement of comprehensive income under “other net financial reuslts“.

Other non-hedging derivatives

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

(h) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

(ii) Non - financial assets

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

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

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

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

(i) 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.

(j) Revenue

(i) Rental revenue

Rental revenue from investment property is recognised as revenue on a straight-line basis over the term of the operating lease. Lease incentives granted are recognised as an integral part of the total rental revenue, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered. Future minimum lease receivables are non material for the Group.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(k) Expenses

(i) Service costs and property operating expenses

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

(ii) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.
Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it was a finance lease and the fair value model is used for the asset recognised.

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

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

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

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

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

(m) Income tax

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

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

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

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

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

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

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

(n) 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.

(o) 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.

(p) Related parties

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

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

(III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
  (I) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  (II) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  (III) both entities are joint ventures of the same third party;
  (IV) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (V) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  (VI) the entity is controlled or jointly controlled by a person identified in a);
  (VII) a person identified in a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 Determination of fair value

Investment property

Investment properties are stated at fair value as at 31 December 2017 based on external valuations performed by professionally qualified valuers. The Group's property portfolio in the Czech Republic is valued mainly by Jones Lang LaSalle, Cushman & Wakefield, RSM TACOMA and Mazars. Only small assets in the Czech Republic and Poland were valued internally.

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

The real estate market in Central and Eastern Europe is considered small and transactions with real estate portfolios of the size similar to that of the Group's portfolio are rare. Global volatility of the financial system is reflected also in local residential and commercial real estate markets. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2016 and 31 December 2017, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers to a greater extent, there was higher degree of uncertainty than which would exist in a more developed and active market.

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

(i) Office, Industry and Logistics

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

(ii) Land and vacant buildings

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

The 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.

(iii) Investment property under development / developments

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

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

2.4 Change in classification and presentation

The Group has amended classification and presentation of certain items in the consolidated financial statements as at 31 December 2017 in order to reflect operational activities of its ultimate parent company CPI PG. Management considers the update to better reflect the nature of the underlying transactions. To ensure consistency with the classification and presentation selected in the current period, reclassifications were made in the comparative consolidated financial statements as at 31 December 2016. The Group does not consider these reclassifications made as material to require additional disclosure.

3 The Group Structure

Control of the Group

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

As at 31 December 2017 the Group comprises its parent company and 34 subsidiaries controlled by the parent company and no associates (at 31 December 2016 - 34 subsidiaries, no associates) and three joint ventures. For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group structure in 2017

During 2017, the Group has acquired the following entities:

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
MQM Czech, a.s.	acquisition	20.00%	15 November 2017
Polygon BC, a.s.	acquisition	20.00%	15 November 2017
Družstvo Land	acquisition	99.96%	29 December 2017
CPI Park Žďárek, a.s.	acquisition	99.94%	29 December 2017

The following entities were disposed of/liquidated in 2017:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
Capellen S.A.	disposal	100.00%	25 January 2017
STRM Delta, a.s.	disposal	100.00%	7 November 2017
Development Pražská, s.r.o.	disposal	100.00%	13 December 2017

3.1.1 Increase of share in the joint venture

On 29 June 2017, the Company and Unibail-Rodamco entered into documentation modifying parameters of their joint venture. The agreed modifications include, inter alia, the increase of the Company's share in the joint venture from 20% to 35%, certain governance rights as well as modifications of timeframe and parameters of the joint venture.

The joint venture, aimed at developing of a prime shopping center, is comprised of a 3.6 hectares plot located in the Bubny area, downtown Prague. The parties will continue to focus on implementing of the development of the anchor shopping center in the Bubny area.

3.1.2 Acquisition of land banks in Czech Republic

Polygon BC, a.s. and MQM Czech, a.s.

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

In 2017, the Company entered into shareholder agreements with the related party GSG Europa Beteiligungs GmbH (hereafter "GSG") in regard to Polygon BC, a.s., MQM Czech, a.s., and STRM Alfa, a.s. (collectively "the entities"). The Company and GSG own shares of the entities in the percentage of 20% and 80%, respectively. The shareholder agreements detail the cooperation, among other things, in which the Company and GSG will execute decisions that impact the entities. Based on these shareholder agreements, and in consideration of IFRS 10's assessment of control, management concluded that the Company demonstrates the control over the entities and therefore the entities are consolidated in the Company's financial statements as at and for the period ended 31 December 2017.

The acquisition of both projects was structured as the acquisition of 20% stakes in respective entities. In accordance with IFRS 10, through these 20% stakes the Group gained control over these subsidiaries which is why they are consolidated by the Company.

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

Since the companies were acquired from companies controlled by major shareholder of CPI PG, the acquisitions are accounted for as common control transactions.

The first project, with land plots of approximately 55.8 thousand sqm, is located in an attractive part of Prague 9.

The 20% stake in company Polygon BC, a.s. was acquired for the purchase price of CZK 191 million (app. EUR 7.4 million).

Investment property	37,277
Total non-current assets	**37,277**
Trade and other receivables	4
Cash and cash equivalents	9
Total current assets	**13**
Identifiable acquired assets	**37,290**
Trade payables	(7)
Other financial current liabilities	(15)
Other non-financial current liabilities	(27)
Total current liabilities	**(49)**
Identifiable acquired liabilities	**(49)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 37.2 million. As at 31 December 2017, the Group holds 20% stake and the 80% stake (EUR 29.8 million) represents the non-controlling interest. The net cash outflow connected with the acquisition amounted to EUR 7.4 million.

The second project, with land plots of approximately 395 thousand sqm, is located in Řitka, approximately 30 kilometers southwest of Prague.

The Group acquired 20% stake in company MQM Czech, a.s. for the purchase price of CZK 70.4 million (app. EUR 2.7 million).

Investment property	13,701
Total non-current assets	**13,701**
Cash and cash equivalents	8
Total current assets	**8**
Identifiable acquired assets	**13,709**
Trade payables	4
Other financial current liabilities	(1)
Total current liabilities	**3**
Identifiable acquired liabilities	**3**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 13.7 million. As at 31 December 2017, the Group holds 20% stake and the 80% stake (EUR 11 million) represent the non-controlling interest. The net cash outflow connected with the acquisition amounted to EUR 2.7 million.

Družstvo Land

At the end of the year, the Group realized the acquisition of land banks in the Cezch Republic. The Company acquired a portfolio of lands located in the North and West Bohemia regions of the Czech Republic, mostly along the D5 and D8 motorways, total approximately 3.8 million square meters. As part of the portfolio, the Company also acquired 50% stake on a historical building located in the historic center of Prague.

The acquisition was carried out through the purchase of 99.96% stake in Družstvo Land for the consideration paid of EUR 40.6 million. Družstvo Land controls CPI Park Žďárek, a.s. (through 99.98% share).

The company was acquired from companies controlled by major shareholder of the Company and the acquisition is accounted for as common control transaction.

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

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

Investment property	40,415
Deferred tax assets	111
Total non-current assets	**40,526**
Trade and other receivables	53
Loans provided	144
Cash and cash equivalents	18
Other non-financial current assets	19
Total current assets	**234**
Identifiable acquired assets	**40,760**
Financial debts	(2,559)
Deferred tax liabilities	(453)
Total non-current liabilities	**(3,012)**
Financial debts	(6)
Trade payables	(3)
Other financial current liabilities	(17)
Total current liabilities	**(26)**
Identifiable acquired liabilities	**(3,038)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 37.7 million. As at 31 December 2017 the Group holds 99.96% stake and the 0.04% stake (EUR 15 thousand) represent the non-controlling interest. Net identifiable assets of subsidiary aquired less consideration paid recognized in equity amounts to EUR -2.9 million. The net cash outflow connected with the acquisition amounted to EUR 40.6 million.

3.1.3 Disposal of Capellen

On 25 January 2017, a share deal related to disposal of the office building in Capellen, Luxembourg was completed. The building with a gross lettable 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.

3.1.4 Disposal of land bank in Czech Republic

The Group disposed of its land bank project in Pardubice, Czech Republic. The disposed land of approximately 52,000 square meters was sold to ČSOB Pojišťovna group. The transaction was structured as a share deal.

3.1.5 Disposal of non-controlling interest

On 15 November 2017, the Group disposed of 80% stake of STRM Alfa, a.s. (note 3.1.2) representing a non-controlling interest. The disposed share was sold to an entity controlled by the major shareholder of the Company, which is why this transaction is recorded in the Group´s equity.

3.2 Changes in the Group structure in 2016

During 2016, the Group has acquired the following entities:

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Camuzzi, a.s.	acquisition	100.00%	1 December 2016
CPI - Krásné Březno, a.s.	acquisition	100.00%	1 December 2016
CPI - Land Development, a.s.	acquisition	100.00%	1 December 2016
CD Property, s.r.o.	acquisition	100.00%	1 December 2016
CPI South, s.r.o.	acquisition	90.00%	1 December 2016
Karviná Property Development, a.s.	acquisition	100.00%	1 December 2016
Strakonice Property Development, a.s.	acquisition	100.00%	1 December 2016
Svitavy Property Development, a.s.	acquisition	100.00%	1 December 2016

The following entities were disposed of/liquidated in 2016:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
T-O Green Europe a.s.	disposal	100.00%	6 May 2016
Seattle, s.r.o.	disposal	100.00%	31 May 2016
Rubeška Development, s.r.o.	disposal	100.00%	31 May 2016
CWM 35 Kft.	disposal	100.00%	23 June 2016
Oak Mill, a.s.	disposal	100.00%	1 November 2016
ORCO Development Kft.	disposal	100.00%	3 November 2016
Na Poříčí, a.s.	disposal	100.00%	1 December 2016
OFFICE CENTER HRADČANSKÁ, a.s.	disposal	100.00%	1 December 2016
TQE, a.s.	disposal	100.00%	15 December 2016
Váci 190 Projekt Kft.	disposal	100.00%	15 December 2016
Asmihati Holding Limited	liquidation	100.00%	16 December 2016

4 Segment reporting

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

The individual entities are aggregated into reportable segments with similar economic characteristics for the purposes of consolidated reporting.

Due to the fact, that the Group became part of the CPI PG Group in 2016, the management of the Group decided to modify the structure of reportable operating segments according to the ultimate parent company in 2017. Restatements were made in the comparative financial statements as at 31 December 2016 respectively (refer to note 2.4).

Income generating rental properties

Within the segment "Income generating rental properties" the Group is considered to have three types of assets as at 31 December 2017, as follows:

- Office – acquires, develops and leases offices;
- Industry and Logistics – acquires, develops and leases warehouses and factories;
- Other – primarily includes intergroup service and financing entities.

Development

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

Land bank

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

As at 31 December 2017

Consolidated profit or loss	Income generating - rental properties			Land bank	Development	Total consolidated
31 December 2017	Office	Industry and Logistics	Other			
Gross rental income	794	220	60	1,065	17	2,156
Service revenue	--	--	3,137	--	43	3,180
Net service charge expense	(109)	(15)	(2)	(187)	--	(313)
Property operating expenses	(208)	(126)	(37)	(862)	(39)	(1,272)
Net rental income	**477**	**79**	**3,158**	**16**	**21**	**3,751**
Development sales	--	--	--	65	530	595
Cost of goods sold	--	--	--	(2)	(503)	(505)
Net development income	**--**	**--**	**--**	**63**	**27**	**90**
Total revenues	685	205	3,195	943	590	5,618
Total direct business operating expenses	(208)	(126)	(37)	(864)	(542)	(1,777)
Net business income	**477**	**79**	**3,158**	**79**	**48**	**3,841**
Net valuation gain on investment property	2,234	165	--	108,217	2,397	113,013
Net gain or loss on the disposal of investment property	--	--	--	2	(17)	(15)
Net gain or loss on disposal of subsidiaries	--	--	(337)	387	--	50
Amortization, depreciation and impairments	(23)	--	2,145	14	2	2,138
Other operating income	6	48	139	48	--	241
Administrative expenses	(114)	(35)	(1,481)	(378)	(20)	(2,028)
Other operating expenses	(8)	--	(1,073)	(17)	(2)	(1,100)
Operating result	**2,572**	**257**	**2,551**	**108,352**	**2,408**	**116,140**
Interest income	--	--	56,373	199	--	56,572
Interest expense	(215)	--	(28,129)	47	--	(28,297)
Other net financial result	(129)	(72)	3,543	(7,184)	36	(3,806)
Net finance income / (costs)	**(344)**	**(72)**	**31,787**	**(6,938)**	**36**	**24,469**
Share of profit or loss of entities accounted for using the equity method	--	--	6,217	--	--	6,217
Profit before income tax	**2,228**	**185**	**40,555**	**101,414**	**2,444**	**146,826**
Income tax expense	(445)	(36)	10,846	(19,456)	(456)	(9,547)
Net profit from continuing operations	**1,783**	**149**	**51,401**	**81,958**	**1,988**	**137,279**

As at 31 December 2016

Consolidated profit or loss	Income generating - rental properties			Land bank	Development	Total consolidated
31 December 2016	Office	Industry and Logistics	Other			
Gross rental income	5,848	158	114	1,069	23	7,212
Service revenue	--	--	3,656	--	--	3,656
Net service charge income	1,693	42	--	145	4	1,884
Property operating expenses	(359)	(1,113)	(968)	(148)	(163)	(2,751)
Net rental income	**7,182**	**(913)**	**2,802**	**1,066**	**(136)**	**10,001**
Development sales	--	--	--	--	2,345	2,345
Cost of goods sold	--	--	--	--	(1,955)	(1,955)
Net development income	**--**	**--**	**--**	**--**	**390**	**390**
Total revenues	7,541	200	3,770	1,214	2,372	15,097
Total direct business operating expenses	(359)	(1,113)	(968)	(148)	(2,118)	(4,706)
Net business income	**7,182**	**(913)**	**2,802**	**1,066**	**254**	**10,391**
Net valuation gain on investment property	500	72	--	6,243	250	7,065
Net gain or loss on the disposal of investment property	1	--	500	(12)	(8)	481
Net gain on disposal of subsidiaries	--	--	4,744	--	626	5,370
Amortization, depreciation and impairments	(34)	--	680	105	(334)	417
Other operating income	8	83	1,820	15	64	1,990
Administrative expenses	(1,674)	(22)	(2,246)	(248)	(126)	(4,316)
Other operating expenses	(117)	--	23	(55)	(38)	(187)
Operating result	**5,866**	**(780)**	**8,323**	**7,114**	**688**	**21,211**
Interest income	--	--	2,201	--	--	2,201
Interest expense	(1,980)	--	(9,552)	(33)	(20)	(11,585)
Other net financial result	120	--	40,320	(4)	(25)	40,411
Net finance income / (costs)	**(1,860)**	**--**	**32,969**	**(37)**	**(45)**	**31,027**
Share of profit or loss of entities accounted for using the equity method	--	--	(886)	--	--	(886)
Profit / (Loss) before income tax	**4,006**	**(780)**	**40,406**	**7,077**	**643**	**51,352**
Income tax expense	(312)	540	112,705	11	(52)	112,892
Net profit / (loss) from continuing operations	**3,694**	**(240)**	**153,111**	**7,088**	**591**	**164,244**

As at 31 December 2017

Consolidated statement of financial position 31 December 2017	Income generating – rental properties Office	 Industry and Logistics	 Other	Land bank	Development	Total consolidated
Gross assets value	**16,355**	**1,400**	**--**	**424,302**	**14,699**	**456,756**
Investment Property	16,355	1,400	--	424,256	8,362	450,373
Property, plant and equipment	--	--	--	35	--	35
Inventories	--	--	--	11	6,337	6,348
Other assets non-current	481	536	1,428,285	391	--	1,429,693
Other assets current	161	342	81,204	871	26	82,624
Cash and cash equivalents	307	31	10,534	345	3	11,230
Total Assets	**17,304**	**2,309**	**1,520,023**	**425,909**	**14,758**	**1,980,303**
Other payables non-current	1,152	7	164	34,134	1,141	36,598
Finance debts non-current	284	--	1,113,573	27	--	1,113,884
Other payables current	298	367	143,154	2,331	719	146,869
Finance debts current	19	--	54,561	1	--	54,581
Total Liabilities	**1,753**	**374**	**1,311,452**	**36,493**	**1,860**	**1,351,932**

As at 31 December 2016

Consolidated statement of financial position 31 December 2016	Income generating – rental properties Office	 Industry and Logistics	 Other	Land bank	Development	Total consolidated
Gross assets value	**13,106**	**1,230**	**--**	**225,530**	**6,474**	**246,340**
Investment Property	13,106	1,230	--	225,454	--	239,790
Property, plant and equipment	--	--	--	26	--	26
Inventories	--	--	--	50	6,474	6,524
Other assets non-current	--	541	295,782	683	--	297,006
Other assets current	23,328	341	43,482	924	30	68,105
Cash and cash equivalents	343	146	401	684	641	2,215
Total Assets	**36,777**	**2,258**	**339,665**	**227,821**	**7,145**	**613,666**
Other payables non-current	503	--	1,172	13,249	--	14,924
Finance debts non-current	2,633	4	124,188	1,414	109	128,348
Bonds issued non-current	--	--	15,705	--	--	15,705
Other payables current	15,013	370	2,628	2,402	143	20,556
Finance debts current	4,351	--	16,367	--	--	20,718
Bonds issued current	--	--	142	--	--	142
Total Liabilities	**22,500**	**374**	**160,202**	**17,065**	**252**	**200,393**

As at 31 December 2017

Consolidated profit or loss 31 December 2017	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
Gross rental income	1,758	74	324	--	2,156
Service revenue	43	1,427	--	1,710	3,180
Net service charge expense	(247)	--	(66)	--	(313)
Property operating expenses	(1,267)	--	(5)	--	(1,272)
Net rental income	**287**	**1,501**	**253**	**1,710**	**3,751**
Development sales	595	--	--	--	595
Cost of goods sold	(503)	--	(2)	--	(505)
Net development income	**92**	**--**	**(2)**	**--**	**90**
Total revenues	2,149	1,501	258	1,710	5,618
Total direct business operating expenses	(1,770)	--	(7)	--	(1,777)
Net business income	**379**	**1,501**	**251**	**1,710**	**3,841**
Net valuation gain or loss on investment property	113,434	--	(421)	--	113,013
Net loss on the disposal of investment property	(15)	--	--	--	(15)
Net gain or loss on disposal of subsidiaries	735	(685)	--	--	50
Amortization, depreciation and impairments	2,655	(471)	(46)	--	2,138
Other operating income	92	139	10	--	241
Administrative expenses	(240)	(1,704)	(68)	(16)	(2,028)
Other operating expenses	(455)	(764)	119	--	(1,100)
Operating result	**116,585**	**(1,984)**	**(155)**	**1,694**	**116,140**
Interest income	199	56,373	--	--	56,572
Interest expense	(71)	(28,129)	(97)	--	(28,297)
Other net financial result	(9,546)	6,144	(112)	(292)	(3,806)
Net finance income / (costs)	**(9,418)**	**34,388**	**(209)**	**(292)**	**24,469**
Share of profit of equity-accounted investees (net of tax)	--	6,217	--	--	6,217
Profit / (Loss) before income tax	**107,167**	**38,621**	**(364)**	**1,402**	**146,826**
Income tax expense	(20,503)	10,846	110	--	(9,547)
Net profit / (loss) from continuing operations	**86,664**	**49,467**	**(254)**	**1,402**	**137,279**

**Other countries include operations in France, Germany and Guernsey.*

As at 31 December 2016

Consolidated profit or loss 31 December 2016	Czech Republic	Luxembourg	Poland	Hungary	Other*	Total consolidated
Gross rental income	4,789	1,990	322	111	--	7,212
Service revenue	2	2,154	--	--	1,500	3,656
Net service charge income	1,436	394	--	54	--	1,884
Property operating expenses	(2,388)	--	(44)	(319)	--	(2,751)
Net rental income	**3,839**	**4,538**	**278**	**(154)**	**1,500**	**10,001**
Development sales	2,345	--	--	--	--	2,345
Cost of goods sold	(1,955)	--	--	--	--	(1,955)
Net development income	**390**	**--**	**--**	**--**	**--**	**390**
Total revenues	8,572	4,538	322	165	1,500	15,097
Total direct business operating expenses	(4,343)	--	(44)	(319)	--	(4,706)
Net business income	**4,229**	**4,538**	**278**	**(154)**	**1,500**	**10,391**
Net valuation gain or loss on investment property	7,308	(1,433)	166	1,024	--	7,065
Net gain or loss on the disposal of investment property	(17)	500	(3)	1	--	481
Net gain on disposal of subsidiaries	626	4,744	--	--	--	5,370
Amortization, depreciation and impairments	(696)	1,067	83	(37)	--	417
Other operating income	163	1,636	5	3	183	1,990
Administrative expenses	(1,326)	(2,713)	(125)	(149)	(3)	(4,316)
Other operating expenses	(126)	(35)	(24)	(2)	--	(187)
Operating result	**10,161**	**8,304**	**380**	**686**	**1,680**	**21,211**
Interest income	--	2,201	--	--	--	2,201
Interest expense	(1,254)	(10,126)	(203)	--	(2)	(11,585)
Other net financial result	176	40,320	(84)	(1)	--	40,411
Net finance income / (costs)	**(1,078)**	**32,395**	**(287)**	**(1)**	**(2)**	**31,027**
Share of profit of equity-accounted investees (net of tax)	--	(886)	--	--	--	(886)
Profit before income tax	**9,083**	**39,813**	**93**	**685**	**1,678**	**51,352**
Income tax expense	46	112,733	256	(143)	--	112,892
Net profit from continuing operations	**9,129**	**152,546**	**349**	**542**	**1,678**	**164,244**

**Other countries include operations in France, Germany and Guernsey.*

As at 31 December 2017

Consolidated statement of financial position 31 December 2017	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
Gross assets value	**452,053**	**--**	**4,703**	**--**	**456,756**
Investment Property	445,670	--	4,703	--	450,373
Property, plant and equipment	35	--	--	--	35
Inventories	6,348	--	--	--	6,348
Other assets non-current	3,847	1,425,846	--	--	1,429,693
Other assets current	1,001	81,198	421	4	82,624
Cash and cash equivalents	640	10,494	54	42	11,230
Total Assets	**457,541**	**1,517,538**	**5,178**	**46**	**1,980,303**
Other payables non-current	36,498	--	100	--	36,598
Finance debts non-current	26	1,113,574	284	--	1,113,884
Other payables current	4,507	140,748	1,488	126	146,869
Finance debts current	1	54,561	19	--	54,581
Total Liabilities	**41,032**	**1,308,883**	**1,891**	**126**	**1,351,932**

**Other countries include operations in France and Germany.*

As at 31 December 2016

Consolidated statement of financial position 31 December 2016	Czech Republic	Luxembourg	Poland	Other*	Total consolidated
Gross assets value	**241,520**	**--**	**4,820**	**--**	**246,340**
Investment Property	234,970	--	4,820	--	239,790
Property, plant and equipment	26	--	--	--	26
Inventories	6,524	--	--	--	6,524
Other assets non-current	4,547	292,455	--	4	297,006
Other assets current	1,417	66,105	464	119	68,105
Cash and cash equivalents	1,468	281	414	52	2,215
Total Assets	**248,952**	**358,841**	**5,698**	**175**	**613,666**
Other payables non-current	14,302	--	622	--	14,924
Finance debts non-current	1,315	122,765	2,850	1,418	128,348
Bonds issued non-current	--	15,705	--	--	15,705
Other payables current	4,125	15,068	1,116	247	20,556
Finance debts current	4,247	16,366	105	--	20,718
Bonds issued current	--	142	--	--	142
Total Liabilities	**23,989**	**170,046**	**4,693**	**1,665**	**200,393**

**Other countries include operations in France, Germany and Guernsey.*

5 Consolidated statement of comprehensive income

5.1 Gross rental income

	12 month period ended	
	31 December 2017	**31 December 2016**
Gross rental income	2,156	7,212
Service revenue	3,180	3,656
Total gross rental income	**5,336**	**10,868**

Revenue decreased to EUR 2.2 million for the year 2017 compared to EUR 7.2 million over the same period in 2016. This decrease relates primarily to disposal of Na Poříčí and Hradčanská projects in November 2016 (net decrease of EUR 3.0 million) and Capellen office building in January 2017 (net decrease of EUR 1.9 million).

5.2 Net service charge income/(expense)

	12 month period ended	
	31 December 2017	**31 December 2016**
Service charge income (1)	589	1,981
Service charge expenses	(913)	(109)
Total	**(324)**	**1,872**
Revenues from sales of energy	13	12
Cost of sales - energy	(2)	--
Total	**11**	**12**
Total net service charge income/(expense)	**(313)**	**1,884**

(1) Service charge income decreased to EUR 0.6 million in 2017 (in 2016 EUR 2.0 million) mainly due to disposal of Na Poříčí (net decrease of EUR 0.8 million) and Capellen office building (net decrease of EUR 0.4 million).

5.3 Property operating expenses

	12 month period ended	
	31 December 2017	**31 December 2016**
Leases and rents	--	(4)
Utilities Supplies	(475)	(827)
Building maintenance	(239)	(158)
Real estate tax	(125)	(283)
Facility management	(126)	(465)
Letting fee, other fees paid to real estate agents	(50)	(97)
Insurance	(24)	(34)
Other property related expenses	(233)	(883)
Total property operating expenses	**(1,272)**	**(2,751)**

5.3.1 Utility services

	12 month period ended	
	31 December 2017	**31 December 2016**
Energy consumption	(276)	(733)
Material consumption	(9)	(47)
Waste management	(3)	(2)
Security services	(153)	(35)
Cleaning services	(34)	(10)
Total utility services	**(475)**	**(827)**

5.4 Net development income

	12 month period ended	
	31 December 2017	**31 December 2016**
Development sales	595	2,345
Cost of goods sold	(505)	(1,955)
Total net development income	**90**	**390**

Net development income both in 2017 and 2016 relates to development project Benice.

5.5 Net valuation gain

	12 month period ended 31 December 2017	31 December 2016
Valuation gains		
Industry and logistics	165	73
Land bank	109,073	6,907
Office	2,655	2,192
Development	2,397	--
Total valuation gains	**114,290**	**9,172**
Valuation losses		
Land bank	(856)	(415)
Office	(421)	(1,692)
Total valuation losses	**(1,277)**	**(2,107)**
Net valuation gain	**113,013**	**7,065**

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

For the assumptions, the professional valuers used for the preparation of appraisals as at 31 December 2017 refer to note 2.3 and 7.5.3.

5.6 Net gain on disposal of subsidiaries and investees

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

	12 month period ended 31 December 2017
Investment property	7,424
Total non-current assets	**7,424**
Cash and cash equivalents	2
Other non-financial current assets	2
Assets/disposal groups held for sale	23,200
Total current assets	**23,204**
Identifiable disposed assets	**30,628**
Deferred tax liabilities	(537)
Total non-current liabilities	**(537)**
Trade payables	(7)
Liabilities from assets/disposal groups held for sale	(14,832)
Total current liabilities	**(14,839)**
Identifiable disposed liabilities	**(15,376)**
Net ident. Assets of subsidiary sold	**15,252**
Non-controlling interest	--
Share disposed in %	**100.00%**
Net assets attributable to the Group disposed of	**15,252**
Sales price	**15,302**
Net gain on disposal of subsidiaries and investees	**50**

For more details refer to note 3.1.

5.7 Amortization, depreciation and impairments

	12 month period ended 31 December 2017	31 December 2016
Depreciation and amortization - rental	--	(29)
Total reversal of impairment (1)	2,138	446
Total depreciation, amortization and impairments	**2,138**	**417**

(1) In 2017, impairment of assets contains reversal of impairment of Radio Free Europe receivable in the amount of EUR 2.6 million. The creation of impairments relates to other receivables in the amount of EUR 0.4 million.

5.8 Other operating income

	12 month period ended	
	31 December 2017	**31 December 2016**
Gain on assignment of receivables	19	--
Income from penalties	5	--
Insurance claim	81	--
Other – other operating income	136	1,990
Total other operating income	**241**	**1,990**

5.9 Administrative expenses

	12 month period ended	
	31 December 2017	**31 December 2016**
Accounting and other services (based on mandate contracts) - internal	--	(1,276)
Personnel expenses	(392)	(278)
Audit, tax and advisory services (1)	(594)	(1,159)
Legal services	(320)	(399)
Other administrative expenses	(107)	(261)
Lease and rental expenses (2)	(161)	(175)
Advertising expenses	(85)	(68)
IT expenses	(1)	--
Telecommunication, internet and software related expenses	(16)	(13)
Representation expenses	(26)	(99)
Other insurance expenses	(271)	(258)
Energy consumption	--	(69)
Material consumption	(8)	(4)
Repairs and maintenance	(3)	(257)
Valuation services	(44)	--
Total administrative expenses	**(2,028)**	**(4,316)**

(1) Audit, tax and advisory expenses also include the fees related to the Group auditor of EUR 0.2 million (EUR 0.2 million in 2016). The Group auditor has not provided any non-audit services to the Group.

(2) Non-cancellable operating leases commitments amount as follows :

- EUR 84 thousand not later than 1 year (2016: EUR 45 thousand);
- EUR 0.1 million later than 1 year and not later than 5 years (2016: EUR 0.2 million).

5.9.1 Personnel administrative expenses

	12 month period ended	
	31 December 2017	**31 December 2016**
Wages and salaries	(318)	(149)
Social and health security contributions	(78)	(88)
Other social expenses	4	(41)
Total personnel administrative expenses	**(392)**	**(278)**

5.10 Other operating expenses

	12 month period ended	
	31 December 2017	**31 December 2016**
Penalties	(5)	(6)
Tax non-deductible VAT expenses	(24)	(68)
Taxes and fees	(4)	(148)
Loss on assignment of receivables	--	(1)
Gifts	(2)	(5)
Change in provision	(158)	--
Other	(907)	41
Total other operating expenses	**(1,100)**	**(187)**

5.11 Interest income

	12 month period ended	
	31 December 2017	31 December 2016
Interest income on loans and receivables	56,572	2,201
Total interest income	**56,572**	**2,201**

Significant increase in interest income on loans and receivables relates mainly to new loans provided to related parties (refer to note 6.5 and 11).

5.12 Interest expense

	12 month period ended	
	31 December 2017	31 December 2016
Interest expense related to bank and non-bank loans (1)	(27,149)	(2,645)
Interest expense on bonds issued	(1,148)	(8,940)
Total interest expense	**(28,297)**	**(11,585)**

(1) Interest expense related to bank and non-bank loans increased mainly due to new drawdowns of the existing loans provided to the Group by related parties, refer to note 6.16 and 11.

5.13 Other net financial results

	12 month period ended	
	31 December 2017	31 December 2016
Change in fair value and realized result on derivative instruments (1)	11,334	38,938
Change in fair value and realized result on the other financial assets	--	1,275
Other net financial results	(918)	541
Net foreign exchange loss (2)	(14,186)	25
Bank charges	(36)	(368)
Total other net financial results	**(3,806)**	**40,411**

(1) Change in fair value and realized result on derivative instruments relates to the fair value gain on the derivative assets (EUR 11.3 million) reflecting the value of the subscription rights for the new shares of CPI PG, refer to note 6.8.

(2) In April 2017, the Czech National Bank ended its Czech koruna floor commitment. The Czech koruna has been steadily appreciating since then. The significant number of financing transactions between the Company and CPI PG Group (mainly CPI a.s., whose functional currency is Czech koruna – refer to note 6.16), this was the major factor leading to the significant net foreign exchange loss in 2017.

5.14 Income tax expense

Tax recognized in profit or loss

	12 month period ended	
	31 December 2017	31 December 2016
Current income tax expense		
Current year	--	(122)
Total	**--**	**(122)**
Deferred income tax expense		
Origination and reversal of temporary differences	(9,628)	113,014
Recognition (derecognition) of tax losses	81	
Total	**(9,547)**	**113,014**
Income tax from continuing operations recognised in profit and loss	**(9,547)**	**112,892**
Total income tax recognised in profit or loss	**(9,547)**	**112,892**

Reconciliation of effective tax rate

	12 month period ended	
	31 December 2017	31 December 2016
Profit for the period	137,279	164,244
Total income tax recognised in profit or loss	9,547	(112,892)
Profit excluding income tax	**146,826**	**51,352**
Current income tax rate	27.08%	25.33%
Income tax expense using the domestic corporate income tax rate	(39,761)	(13,232)
Equity investments results reported net of tax	--	(224)
Untaxed gain or losses	--	13,232
Current-year losses for which no deferred tax assets is recognised	--	190
Effect of tax rates in foreign jurisdictions	9,085	--
Non-deductible expense	(135)	--
Tax exempt income	12,323	--
Change in unrecognized deferred tax asset	9,133	112,812
Other effects	(192)	114
Tax expense	**(9,547)**	**112,892**

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

Luxembourg

The corporate income tax rate is 20.33 % (including 7 % solidarity surtax). Additionally, a municipal business tax is levied by the communes. The municipal business tax rate for Luxembourg City is 6.75 %. Since the Group´s ultimate parent headquarters is seated in the city of Luxembourg, the combined (i.e. corporate income tax, solidarity surtax and municipal business tax) effective tax rate is 27.08 %. Tax losses incurred until 31 December 2017 may be carried forward indefinitely, losses incurred as from 2017 should be limited to 17 years. For 2018 the effective tax rate decreased to 26.01%.

Czech Republic

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

Germany

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

France

The corporate income tax rate is 33.33% which will be reduced to 28% over the period from 2017 to 2020. In 2017, a reduced rate of 28% applies to the first EUR 75,000 of taxable income of small and medium-sized companies with turnover of less than EUR 50 million. Large-size companies are subject to additional 3.3% social surcharge applied to standard corporate income tax liability exceeding EUR 763,000. Tax losses may be carried forward indefinitely but may be fully utilized against profit up to EUR 1 million and 50% on the excess.

Poland

The corporate income tax rate is 19%. Lowered 15% is used for so-called “small taxpayers” (sales revenues including VAT did not exceed EUR 1.2 million in previous year). Tax losses may be carried forward for 5 years but the loss utilization in each year is capped at the 50% of the tax loss.

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.

Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Investment property	665	793	(34,126)	(13,100)	(33,461)	(12,307)
Property, plant and equipment	7	--	--	--	7	--
Inventories	--	169	--	--	--	169
Trade and other receivables	--	--	(3)	--	(3)	--
Financial debts	--	--	(4)	(28)	(4)	(28)
Provisions	--	1	--	--	--	1
Trade and other payables	2	--	--	--	2	--
Tax losses carried-forward	123,976	113,279	--	--	123,976	113,279
Gross deferred tax	**124,650**	**114,242**	**(34,133)**	**(13,128)**	**90,517**	**101,114**
Set-off of tax *	(1,085)	**--**	1,085	**--**	--	**--**
Tax assets/(liabilities) held for sale	--	--	--	--	--	--
Net deferred tax assets/(liabilities)	**123,565**	**114,242**	**(33,048)**	**(13,128)**	**90,517**	**101,114**

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

Unrecognised deferred tax assets/liabilities

Deferred tax assets / (liabilities) were not recognized with respect of the following items:

	31 December 2017	31 December 2016
Investment property*	5,726	--
Tax losses carried-forward**	120,773	148,236

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

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

The tables below show the expiry date of unused tax losses as of 31 December 2017 and 31 December 2016, for which no deferred tax assets is recognized:

Expiration of tax losses

At 31 December 2017	Expiry date				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Unused tax losses	**8,526**	**8,979**	**6,887**	**435,738**	**460,131**

At 31 December 2016	Expiry date				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Unused tax losses	**7,894**	**12,130**	**7,105**	**582,927**	**610,056**

Movement in deferred tax balances during 2017

2017	Balance at 1 January 2017	Recognised in profit or loss	Acquired in business combinations	Disposal of subsidiaries	Translation differences	Balance at 31 December 2017
Investment property	(12,307)	(20,045)	(331)	537	(1,315)	(33,461)
Property, plant and equipment	--	6	--	--	1	7
Inventories	169	(173)	--	--	4	--
Trade and other receivables	--	(3)	--	--	--	(3)
Financial debts	(28)	(13)	--	--	37	(4)
Derivative instruments	--	(1)	--	--	1	--
Provisions	1	--	--	--	(1)	--
Trade and other payables	--	1	--	--	1	2
Other items	--	9	--	--	(9)	--
Tax losses carried-forward	113,279	10,672	--	--	25	123,976
Total	**101,114**	**(9,547)**	**(331)**	**537**	**(1,256)**	**90,517**

Movement in deferred tax balances during 2016

2016	Balance at 1 January 2016	Recognised in profit or loss	Transfer	Acquired in business combinations	Disposal of subsidiaries	Translation differences	Balance at 31 December 2016
Investment property	(13,368)	2,868	3,381	(8,869)	3,650	31	(12,307)
Inventories	6,848	(766)	(3,581)	--	(2,333)	1	169
Trade and other receivables	1,863	(1,629)	(182)	(51)	--	(1)	--
Financial debts	419	(161)	(85)	(197)	--	(4)	(28)
Provisions	362	(110)	--	--	(244)	(7)	1
Tax losses carried-forward	--	112,812	467	--	--	--	113,279
Total	**(3,876)**	**113,014**	**--**	**(9,117)**	**1,073**	**20**	**101,114**

6 Consolidated statement of financial position

6.1 Intangible assets

2017

	Software	Other	TOTAL
Cost			
Balance at 1 January 2017	**61**	**675**	**736**
Effect of movements in exchange rates	12	--	12
Balance at 31 December 2017	**73**	**675**	**748**
Amortization and impairment losses			
Balance at 1 January 2017	**61**	**675**	**736**
Effect of movements in exchange rates	12	--	12
Balance at 31 December 2017	**73**	**675**	**748**
Carrying amounts			
At 31 December 2016	--	--	--
At 31 December 2017	--	--	--

2016

	Software	Other	TOTAL
Cost			
Balance at 1 January 2016	**91**	**675**	**766**
Transfers	(15)	--	(15)
Effect of movements in exchange rates	(15)	--	(15)
Balance at 31 December 2016	**61**	**675**	**736**
Amortization and impairment losses			
Balance at 1 January 2016	**91**	**675**	**766**
Transfers	(15)	--	(15)
Effect of movements in exchange rates	(15)	--	(15)
Balance at 31 December 2016	**61**	**675**	**736**
Carrying amounts			
At 31 December 2015	--	--	--
At 31 December 2016	--	--	--

6.2 Investment property

	Income Generating - Rental properties		Subtotal - rental properties	Land bank	Development	Total
	Office	Industry and logistics				
Balance at 1 January 2016	**98,323**	**1,150**	**99,473**	**142,352**	**--**	**241,825**
Investments/acquisitions	546	--	546	76,698	--	77,244
Disposals	(63,612)	--	(63,612)	(134)	--	(63,746)
Valuation gain	501	72	573	6,492	--	7,065
Transfers in/from assets held for sale	(22,500)	--	(22,500)	--	--	(22,500)
Translation differences	(143)	--	(143)	45	--	(98)
Balance at 31 December 2016	**13,115**	**1,222**	**14,337**	**225,453**	**--**	**239,790**
Investments/acquisitions	--	--	--	91,392	--	91,392
Transfers	--	--	--	(4,389)	4,389	--
Development costs	--	--	--	--	1,211	1,211
Additions	440	8	448	2,252	--	2,700
Disposals	(21)	--	(21)	(7,424)	--	(7,445)
Valuation gain	2,234	165	2,399	108,217	2,397	113,013
Translation differences	588	5	593	8,754	365	9,712
Balance at 31 December 2017	**16,356**	**1,400**	**17,756**	**424,255**	**8,362**	**450,373**

Valuation gain

2017

	Office	Industry and logistics	Land bank	Development	Total
Czech Republic	2,655	165	108,217	2,397	113,434
Poland	(421)	--	--	--	(421)
Total	**2,234**	**165**	**108,217**	**2,397**	**113,013**

The movements in fair value are related mainly to the land bank, office and development (refer to note 5.5):

- in the Czech Republic, the fair value increased for Bubny (EUR 90.7 million), Rezidence Pragovka (EUR 14.5 million), Bubenská 1 (EUR 2.7 million) and CD Property (EUR 2.4 million);
- in Poland, the fair value decreased for Diana Property (EUR 0.4 million).

2016

	Office	Industry and logistics	Land bank	Total
Czech Republic	743	73	6,492	7,308
Hungary	1,024	--	--	1,024
Luxembourg	(1,433)	--	--	(1,433)
Poland	166	--	--	166
Total	**500**	**73**	**6,492**	**7,065**

The movements in fair value relate mainly to the land bank and office:

- 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 the projects 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).

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

	31 December 2017	31 December 2016
Market value as estimated by the external valuers	449,994	236,631
Market value as estimated by the internal valuers	379	3,159
Reported value in consolidated financial statements	**450,373**	**239,790**

Investments/Acquisitions

2017

In 2017 the Group acquired investment property located in the Czech Republic in total value of EUR 91.4 million (refer to note 3.1.2).

2016

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.

In 2016, the Group acquired from Czech Property Investments, a.s. group development projects located in the Czech Republic, comprising of land bank for future developments.

Disposals

2017

Investment property in the amount of EUR 7.4 million was disposed of due to sale of the Czech subsidiary STRM Delta in 2017 (refer to note 3.1.4).

2016

In 2016, the Group disposed these projects:

- in the Czech Republic: Na Poříčí (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).

Transfer in/from assets held for sale

In 2016, the property Capellen in Luxembourg was transferred to assets held for sale. The sale was completed in January 2017 (refer to note 3.1.3).

Pledged investment properties

2017

No investment properties have been pledged as a security for bank loans.

2016

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

6.3 Equity-accounted investees

6.3.1 Investments in joint ventures

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

	31 December 2017	31 December 2016
Consolidated statement of financial position	4,571	4
Consolidated statement of comprehensive income – joint ventures	6,217	(886)

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

Uniborc S.A.

The Group recognized the investment in amount of EUR 4.5 million due to the positive net asset value of the joint venture amount to EUR 13.1 million. The share of profit of equity-accounted investees in amount of EUR 6.2 million represents the share of profit on the revaluation of assets on the basis of the revaluation review of Bubny Development and recognized deferred tax liabilities.

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 35%.

6.4 Available-for-sale financial assets

Share in CPI PROPERTY GROUP

On 22 December 2017 the Company subscribed 159,132,897 new shares in CPI PG, having a par value and a subscription price of EUR 0.10 per share. The total acquisition price of the new shares subscribed includes the par value of EUR 0.10 per share (EUR 15.9 million for the total subscribed shares) and the value of the derivatives as at the execution date (refer to note 6.8) that represented EUR 50.1 mil, i.e. EUR 0.31 per share. The total acquisition value for 159,132,897 newly subscribed shares represented EUR 66.0 million, i.e. EUR 0.41 per share.

As at 31 December 2017 the Group holds 252,302,248 (in 2016: 93,169,351 shares) shares in CPI PG, which represents app. 2.66% of the shareholding and is valued at EUR 104.6 million (in 2016 EUR 33.0 million).

The 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.

For the valuation of the CPI PG shares held as at 31 December 2017 EPRA NAV per CPI PG share as at 31 December 2017 was used. The same valuation approach was used as at 31 December 2016, when the Company used for the valuation of CPI PG shares EPRA NAV per share of CPI PG as at 31 December 2016. EPRA NAV per share of CPI PG (EUR 0.41) differs to from the price at the stock-exchange (EUR 0.66) as at 31 December 2017.

The change in the valuation of CPI PG shares is recognized in equity.

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

6.5 Loans provided

6.5.1 Non-current loans provided

	31 December 2017	31 December 2016
Loans provided - related parties and joint ventures	1,193,098	146,513
Loans provided - third parties	--	14
Bills of exchange - third parties	10,881	12,534
Total non-current loans provided	**1,203,979**	**159,061**
Impairment - bills of exchange – third parties	(7,047)	(9,211)
Total non-current loans provided net of impairment	**1,196,932**	**149,850**

6.5.2 Current loans provided

	31 December 2017	31 December 2016
Loans provided - related parties and joint ventures	68,490	989
Loans provided - third parties	--	4
Total current loans provided	**68,490**	**993**
Total current loans provided net of impairment	**68,490**	**993**

Loans provided substantially increased due to new loans provided to related parties. These loans bear interest rate between 6% - 12% p.a. and mature between years 2018 - 2034. For more information refer to note 11.

Loans provided to joint venture include loan and related interest granted to the company Uniborc S.A. (JV with Unibail Rodamco) in the gross amount of EUR 10.4 million as at 31 December 2017 (EUR 5.5 million as at 31 December 2016). 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 maturity date of this loan is 29 April 2018.

Bills of exchange in the net amount of EUR 3.8 million as at 31 December 2017 (EUR 3.3 million as at 31 December 2017) relate to Radio Free Europe/HAGIBOR OFFICE BUILDING deferred consideration.

6.6 Deferred tax assets

The Company recognized the deferred tax assets from tax losses carried forward in total amount of EUR 123.6 million as at 31 December 2017 (as at 31 December 2016 – EUR 112.8 million). As these tax losses relate primarily to the Luxembourg entities, they can be carried forward underfinitely. Group's perspective of tax losses utilization is based on 10 years budget of expected taxable profits from core activities of the Company. The budgets are based on Group's management best estimates.

The recognition of the deferred tax assets is based on the future taxable profits that are expected to be generated in connection with 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 rendering of financial services for all entities of CPI PG together with gradually realizing its development projects.

6.7 Inventories

	31 December 2017	31 December 2016
Projects and property for resale (1)	6,347	6,484
Projects under development	--	5
Construction contracts - work in progress	1	1
Other inventory	--	34
Total inventories	**6,348**	**6,524**

(1) Projects and property for resale both in 2017 and 2016 relates primarily to Prague´s development project Benice 1b.

6.8 Derivative instruments

The Extraordinary General Meeting of CPI PG held on 26 May 2016 approved the capital raising goal of EUR 330,376,830, by giving to the CPI PG 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 CPI PG that the Company is entitled to subscribe to the respective portion of CPI PG shares at EUR 0.10 until 31 December 2017.

As at 31 December 2016, the Group recongnized a finance asset of EUR 38.7 million in this respect. The valuation reflected the lower subscription price than the value of CPI PG shares valued at EPRA NAV as at 31 December 2016 together with the dilution effect of potential new subscribed shared by OPG on the value of EPRA NAV per share.

On 22 December 2017 Company subscribed to 159,132,897 of new shares of CPI PG (refer to note 6.4) with subscription price of EUR 0.10 each while exercising the option. The total acquisition price of the new shares subscribed includes the par value of EUR 0.10 per share (EUR 15.9 million for the total subscribed shares) and the value of the derivatives as at the execution date that represented EUR 50.1 mil, i.e. EUR 0.31 per share. The total acquisition value for 159,132,897 newly subscribed shares represented EUR 66.0 million, i.e. EUR 0.41 per share.

In 2017, change in fair value of the derivative instruments of EUR 11.3 million (from 1 January 2017 to the date of execution) is recognised on profit/(loss) as a part of Other net financial result.

6.9 Trade and other receivables

	31 December 2017	31 December 2016
Trade receivables due from related parties (1)	3,679	2,286
Trade receivables due from third parties	943	6,812
Impairment – trade receivables due from other parties	(82)	(5,265)
Total trade and other receivables	**4,540**	**3,833**

(1) Trade receivables due from related parties mainly composed of administrative fees in the amount of EUR 3.6 million.

6.10 Cash and cash equivalents

	31 December 2017	31 December 2016
Bank balances	11,208	2,201
Cash on hand	22	14
Total cash and cash equivalents	**11,230**	**2,215**

The Group has no restricted or blocked cash as at 31 December 2017 (EUR 50 thousand as at 31 December 2016).

6.11 Other financial current assets

	31 December 2017	31 December 2016
Other receivables due from related parties (1)	8,034	--
Other receivables due from third parties	206	977
Impairment – other receivables due from other parties	(171)	(808)
Total other financial current assets	**8,069**	**169**

(1) Increase of other receivables due from related parties relate to assignment of receivables of CPI PG (EUR 8.0 million).

6.12 Other non-financial current assets

	31 December 2017	31 December 2016
Other advances paid to third parties	82	--
Value added tax receivables	297	659
Other tax receivables (excl. CIT and VAT)	3	2
Prepaid expenses	467	298
Other items of trade and other receivables	--	255
Impairment - other items due from other parties	--	(45)
Total other non-financial current assets	**849**	**1,169**

6.13 Assets/Liabilities linked to assets held for sale

Due to the management´s intention to dispose some projects, the respective assets and liabilities were classified as Assets held for sale/Liabilities linked to assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

As at 31 December 2016, the project Capellen in Luxembourg was classified as held for sale and its total assets was EUR 22.8 million and liabilities EUR 14.9 million and the polish project Marki was classified as asset held for sale (EUR 0.4 million). Project Capellen in Luxembourg was sold in January 2017, refer to note 3.1.3.

6.14 Equity

Changes in equity

The consolidated statement of changes in equity is presented on the face of the consolidated financial statements.

Share capital and share premium

The subscribed and fully paid-up capital of the Company of EUR 13,145,076.29 is represented by 1,314,507,629 ordinary shares. The shares of the Company have an accounting par value of EUR 0.01 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.

To the best of Company's knowledge, the following table sets out information regarding the ownership of the Company´s shares as at 31 December 2017:

Shareholder	Number of shares	Share held	Voting rights
CPI PROPERTY GROUP S.A.	1,279,198,976	97.31%	97.31%
Others	35,308,653	2.69%	2.69%
Total	**1,314,507,629**	**100.00%**	**100.00%**

No changes in the share capital of the Company occurred during 2017.

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 1,361,679 2014 Warrants (In 2016: 1,361,679).

Mandatory takeover bid over Company 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 became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of the Company (the "Mandatory Takeover Offer"). 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 8 December 2017 the CSSF published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to the Company. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts.

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

Earnings per share

	31 December 2017	31 December 2016
At the beginning of the period	**1,314,507,629**	**314,507,629**
Shares issued	1,314,507,629	314,507,629
Weighted average movements	**--**	**643,835,616**
Issue of new shares	--	643,835,616
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**1,314,507,629**	**958,343,245**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**1,314,507,629**	**958,343,245**
Net profit attributable to the Equity holders of the Company	**137,586**	**164,245**
Net profit attributable to the Equity holders of the Company after assumed conversions/exercises	**137,586**	**164,245**
Total Basic earnings in EUR per share	**0.10**	**0.17**
o/w discontinued operations	--	--
Diluted earnings in EUR per share	**0.10**	**0.17**
o/w discontinued operations	--	--

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

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

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

6.15 Bonds issued

In 2012, the Company issued New Notes. The bonds were listed on Luxembourg Stock Exchange (ISIN S0820547742).

2017

On 7 November 2017, the Company redeemed all bonds issued in 2012 (ISIN XS0820547742). Following the redemption, the bonds were cancelled.

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 the amount of EUR 1.4 million.

6.16 Financial debts

6.16.1 Non-current financial debts

	31 December 2017	31 December 2016
Loans from related parties (1)	1,113,574	125,456
Loans from third parties	27	52
Bank loans	--	2,840
Finance lease liabilities	283	--
Total non-current financial debts	**1,113,884**	**128,348**

(1) As at 31 December 2017 the principal of the loan provided by Czech Property Investments, a.s. to the Group amounts to EUR 552.4 million (EUR 123.9 million as at 31 December 2016). The interest rate is 5.26% p.a. In 2017, CPI Property Group S.A. provided a new loan to the Group in amount of EUR 464.5 million. This loan bear interest rate 2.47% and 2.31% p.a. Refer to note 11.

6.16.2 Current financial debts

	31 December 2017	31 December 2016
Loans from related parties (1)	54,562	16,175
Loans from third parties	--	192
Bank loans	--	4,351
Finance lease liabilities	19	--
Total current financial debts	**54,581**	**20,718**

(1) Loans provided to the Group by CPI PG Group increased to EUR 54.6 million as at 31 December 2017. These loans bear interest rate of 3% p.a. and mature in 2018.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Financial debts and bonds issued			Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				Total
	Loans and borrowings	Finance lease liabilities	Bonds issued	Derivative instruments - assets	Derivative instruments - liabilities	Share capital/ premium	Reserves	Retained earnings	NCI	
Balance at 1 January 2017	**149,066**	**--**	**12,624**	**(38,732)**	**7**	**797,815**	**10,178**	**(395,195)**	**475**	**536,238**
Changes from financing cash flows										
Disposal of non-controlling interests under common control	--	--	--	--	--	--	--	--	21,739	21,739
Repayment of bonds issued	--	--	(13,489)	--	--	--	--	--	--	(13,489)
Interest paid	(424)	--	(944)	--	--	--	--	--	--	(1,368)
Drawings of loans and borrowings	971,261	--	--	--	--	--	--	--	--	971,261
Repayments of loans and borrowings	(17,057)	--	--	--	(7)	--	--	--	--	(17,064)
New finance lease liabilities	--	283	--	--	--	--	--	--	--	283
Total changes from financing cash flows	**953,780**	**283**	**(14,433)**	**--**	**(7)**	**--**	**--**	**--**	**21,739**	**961,362**
Changes arising from obtaining or losing control of subsidiaries or other businesses	**(144)**	**--**	**--**	**--**	**--**	**--**	**--**	**(2,876)**	**40,776**	**37,756**
The effect of changes in foreign exchange rates	**30,479**	**--**	**--**	**--**	**--**	**--**	**16,309**	**--**	**--**	**46,788**
Changes in fair value	**--**	**--**	**--**	**(11,328)**	**--**	**--**	**--**	**--**	**--**	**(11,328)**
Other changes										
Interest expense	27,130	19	1,148	--	--	--	--	--	--	28,297
Transfer to Available-for-sale financial assets	--	--	--	50,060	--	--	--	--	--	50,060
Assignment of loan	7,852	--	--	--	--	--	--	--	--	7,852
Other changes on bonds	--	--	661	--	--	--	--	--	--	661
Total liability-related other changes	**34,982**	**19**	**1,809**	**50,060**	**--**	**--**	**--**	**--**	**--**	**86,870**
Total equity-related other changes	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**139,457**	**(307)**	**139,150**
Balance at 31 December 2017	**1,168,163**	**302**	**--**	**--**	**--**	**797,815**	**26,487**	**(258,614)**	**62,683**	**1,796,836**

6.17 Non-current provisions

	2017	2016
Balance at 1 January	**1,712**	**2,140**
Provisions created in the period (1)	310	379
Provisions used in the period	(112)	(523)
Disposal of provision out of the Group	--	(258)
Transfer	(444)	(7)
Effect of movements in exchange rates	93	(19)
Balance at 31 December	**1,559**	**1,712**

(1) The creation of the provision of EUR 0.3 million relates to provision for penalty to tax authority on entity Hagibor Office Building, a.s.

6.18 Other non-current liabilities

	31 December 2017	31 December 2016
Tenant deposits	58	301
Payables from retentions	249	--
Other payables due to third parties	1,684	3,223
Total other non-current liabilities	**1,991**	**3,524**

6.19 Trade payables

	31 December 2017	31 December 2016
Trade payables due to related parties	341	251
Trade payables due to third parties	2,382	1,406
Total trade payables	**2,723**	**1,657**

6.20 Advance payments

	31 December 2017	31 December 2016
Advances received from related parties (1)	84,000	--
Advances received from third parties	412	--
Tenant deposits	93	395
Total advance payments	**84,505**	**395**

(1) Increase of advances received from related parties relate to the cash received by the Group in connection with the intended sale of 80% stake of Bubny Development, s.r.o. to GSG Europa Beteiligungs GmbH (EUR 84.0 million). The sale shall be concluded in Q1 2018 and the Group will maintain a control over Bubny Development through the ownership of the 20% stake.

6.21 Other financial current liabilities

	31 December 2017	31 December 2016
Deferred income/revenue	20	420
Other payables due to related parties (1)	55,929	--
Other payables due to third parties	56	179
Payables from retentions	13	--
Total other financial current liabilities	**56,018**	**599**

(1) Other payables due to related parties increased due to the assignment of receivables to the Company by Czech Property Investments, a.s. (EUR 21.9 million), CPI Hotels, a.s. (EUR 18.1 million) and CPI PG (EUR 11.7 million) and Guarantor fees (EUR 3.6 million).

6.22 Other non-financial current liabilities

	31 December 2017	31 December 2016
Current income tax liabilities	63	--
Value added tax payables	2,297	2,144
Other tax payables (excl. CIT and VAT)	8	3
Payables due to employees, SHI, employees income tax	19	18
Payables from retention	--	7
Provisions	1,236	858
Total other non-financial current liabilities	**3,623**	**3,030**

6.23 Borrowings´maturity

The table below represents the carrying value of the debts allocated by date of repayment.

In 2017

At 31 December 2017	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	**--**	**--**	**--**	**--**
Financial debts	**54,581**	**93**	**1,113,791**	**1,168,465**
Loans from related parties	**54,562**	**--**	**1,113,574**	**1,168,136**
Loans from third parties	**--**	**27**	**--**	**27**
Finance lease liabilities	**19**	**66**	**217**	**302**
Total	**54,581**	**93**	**1,113,791**	**1,168,465**

In 2016

At 31 December 2016	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	**142**	**12,482**	**--**	**12,624**
Financial debts	**20,718**	**3,181**	**125,167**	**149,066**
Bank loans (incl. overdraft)	**4,351**	**445**	**2,395**	**7,191**
Bank loans floating rate	4,351	445	2,395	7,191
Loans from related parties	**16,175**	**2,684**	**122,772**	**141,631**
Loans from third parties	**192**	**52**	**--**	**244**
Liabilities linked to assets held for sale	**14,277**	**--**	**--**	**14,277**
Total	**35,137**	**15,663**	**125,167**	**175,967**

7 Financial risk management

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

- credit risk (refer to note 7.1);
- liquidity risk (refer to note 7.2);
- market risk including currency risk, interest rate risk and price risk (refer to note 7.3).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Supervision of the Group's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily

for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits withbanks and financial institutions and other financial instruments.

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

The Group evaluates the concentration of risk with respect to loans provided as low, as the debtors are primarily entities controlled by the ultimate shareholder of the Company and neither of the loan provided to a single debtor exceeds the 10% of the total outstanding balance of loans provided as at 31 December 2017 and 2016 respectively.

As at 31 December 2017 and 31 December 2016 respectively, the maximum exposure to credit risk of the Group´s receivables was as follows:

Credit risk profile at 31 December 2017:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	**104,613**	**--**	**--**	**104,613**
Loans provided	**1,265,145**	**277**	**(30,651)**	**1,265,422**
- loans	1,261,311**	277	(23,625)	1,261,588
- bills of exchange	3,834	--	(7,047)	3,834
Trade and other receivables*	**10,917**	**2,552**	**(253)**	**13,469**
Cash and cash equivalents	**11,230**	**--**	**--**	**11,230**
Total	**1,391,905**	**2,829**	**(30,904)**	**1,394,734**

** Trade and other receivables include trade receivables, other financial and other non-financial current assets*

*** Loans provided relate to loans provided to entities controlled by the ultimate shareholder of the Company. Therefore, the Group does not see any potencial risk with the recoverability of these loans, which is why the credit quality analysis is not desclosed.*

As at 31 December 2017, the created impairment on loans relates to loans provided by the Group to third parties due to the uncertain recoverability of these loans. Impairment of bills of exchange is attributable to a bill of exchange issued by Hagibor Office Building, which recoverability is doubtful in connection with the ongoing lawsuit (refer to note 8).

Breakdown of overdue financial assets which are not impaired at 31 December 2017

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	**--**	**--**	**--**	**277**	**--**	**277**
- loans**	--	--	--	277	--	277
Trade and other receivables*	**50**	**55**	**53**	**46**	**2,348**	**2,552**
Total	**50**	**55**	**53**	**323**	**2,348**	**2,829**

** Trade and other receivables include trade receivables, other financial and other non-financial current assets. Receivable in the amount of EUR 2,348 thousand relates to receivable due from entity controlled by the ultimate shareholder of the Company, which is why the Group does not see any potencial risk with the recoverability of these respective receivables which have not been impaired in this respect.*
*** Loans provided to related parties are not impaired and the amount of EUR 277 thousand is not material.*

Credit risk profile at 31 December 2016:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	**33,042**	**--**	**--**	**33,042**
Loans provided	**144,257**	**--**	**6,586**	**150,843**
- loans	144,257	--	3,263	147,520
- bills of exchange	--	--	3,323	3,323
Derivative instruments	**38,732**	**--**	**--**	**38,732**
Trade and other receivables*	**3,873**	**1,383**	**--**	**5,256**
Cash and cash equivalents	**2,215**	**--**	**--**	**2,215**
Total	**222,119**	**1,383**	**6,586**	**230,088**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

Breakdown of overdue financial assets which are not impaired at 31 December 2016

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables*	**144**	**136**	**139**	**936**	**28**	**1,383**
Total	**144**	**136**	**139**	**936**	**28**	**1,383**

* Trade and other receivables include trade receivables, other financial and other non-financial current assets

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

Cash and cash equivalents

Cash and cash equivalents, neither past due nor impaired (Moody's ratings of respective counterparties):

	31 December 2017	31 December 2016
A1	--	122
A2	99	185
A3	7	--
Aa3	--	--
Baa1	375	678
Baa2	--	249
Baa3	43	127
Not rated	10,684	840
Total cash and cash equivalents	**11,208**	**2,201**

7.2 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.

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.

Liquidity risk analysis

The following table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Group's liabilities based on contractual maturity and includes non-derivative as well as derivative financial liabilities.

2017

	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	Total
Bonds issued	--	--	--	--	--	--	--
Financial debts	**1,168,465**	**41,019**	**67,494**	**52,376**	**157,035**	**1,401,466**	**1,719,390**
- loans from related parties	1,168,136	41,014	67,480	52,329	156,988	1,401,248	1,719,059
- loans from third parties	27	--	--	29	--	--	29
- finance lease liabilities	302	5	14	18	47	218	302
Other non-current liabilities	**1,991**	--	--	**1,732**	**99**	**160**	**1,991**
Other current liabilities*	**145,633**	**92,879**	**52,754**	--	--	--	**145,633**
Total**	**1,316,089**	**133,898**	**120,248**	**54,108**	**157,134**	**1,401,626**	**1,867,014**

*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities
** provisions are not included

2016

	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	TOTAL
Bonds issued	**12,624**	--	**1,094**	**952**	**14,437**	--	**16,483**
Financial debts	**149,066**	**1,411**	**23,905**	**4,962**	**1,604**	**179,834**	**211,716**
- loans from related parties	141,631	1,186	19,402	4,788	1,023	177,218	203,617
- loans from third parties	244	193	--	--	59	--	252
- bank loans	7,191	32	4,503	174	522	2,616	7,847
Derivative instruments	**7**	--	**7**	--	--	--	**7**
Other non-current liabilities	**3,524**	--	--	**4,679**	--	--	**4,679**
Other current liabilities*	**4,823**	**2,783**	**2,040**	--	--	--	**4,823**
Liabilities from assets held for sale	**14,868**	**14,868**					**14,868**
Total**	**184,912**	**19,062**	**27,046**	**10,593**	**16,041**	**179,834**	**252,576**

*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities
**provisions are not included

7.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments or could cause future cash flows related to financial instruments to fluctuate.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group's market risk mainly arises from open positions in (a) foreign currencies and (b) loans provided and financial debts, to the extent that these are exposed to general and specific market movements.

Market risk exposures are measured using sensitivity analysis.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

7.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (see note 2.2(b) (iii)).

The Group is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CZK, but also others (see note 2.2(b) (i)).

Functional currency of the most Group companies is the Czech koruna and a significant portion of revenues and costs are realised primarily in the Czech koruna.

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

2017

	Currency	Carrying amount
Cash and cash equivalents	TEUR	21
	TCZK	41,345
	TPLN	420
	TUSD	13
	THRK	9
Trade and other receivables	TCZK	206,991
Loans provided	TCZK	21,673,593
	TUSD	4,600
Trade and other payables	TCZK	(476,919)
	TPLN	(2)
	TUSD	(18)
Financial debts	TCZK	(15,192,528)
Net position	**TEUR**	**21**
Net position	**TCZK**	**6,252,482**
Net position	**TPLN**	**418**
Net position	**TUSD**	**4,595**
Net position	**THRK**	**9**

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**

As at 31 December 2016, the only foreign exchange risk related to Czech entities (whose functional currency is Czech koruna) holding cash and cash equivalents in EUR. As the Company's functional currency is EUR, there is no related foreign exchange effect in cash-flow statement recognized in 2017.

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, PLN or HRK would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant. The impact on profit and loss was calculated using the respective average exchange rate:

Foreign currency risk 2017 – sensitivity analysis

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	21	2	(2)
	TCZK	41,345	157	(157)
	TPLN	420	10	(10)
	TUSD	13	1	(1)
	THRK	9	--	--
Trade and other receivables	TCZK	206,991	786	(786)
Loans provided	TCZK	21,673,593	82,315	(82,315)
	TUSD	4,600	372	(372)
Trade and other payables	TCZK	(476,919)	(1,811)	1,811
	TPLN	(2)	--	--
	TUSD	(18)	(1)	1
Financial debts	TCZK	(15,192,528)	(57,700)	57,700
Net exposure to currency risk	**TEUR**	**21**	**2**	**(2)**
Net exposure to currency risk	**TCZK**	**6,252,482**	**23,747**	**(23,747)**
Net exposure to currency risk	**TPLN**	**418**	**10**	**(10)**
Net exposure to currency risk	**TUSD**	**4,595**	**372**	**(372)**
Net exposure to currency risk	**THRK**	**9**	**--**	**--**
Impact on profit/(loss)	**TEUR**		**24,130**	**(24,130)**

Foreign currency risk 2016 – sensitivity analysis

	Original currency		Change in TEUR (functional currency depreciated by 10%)	Change in TEUR (functional currency appreciated by 10%)
Cash and cash equivalents	TEUR	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)**

7.3.2 Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.5 for financial assets and under notes 6.16 financial liabilities respectively.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

Loans provided by the Group require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Group are usually based on Group's borrowing interest rates.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A change of interest rates by 100 basis points at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A 100 basis points change in the interest rate would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

2017

As at 31 December 2017, the Group recognized financial liabilities with fixed interest rates only.

2016

	Effective interest rate	Liability with variable interest rate	Interest calculated
Financial debts			
Bank loans	2.72%	7,191	196
Total		**7,191**	**196**

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Financial debts						
Bank loans	3.72%	268	(72)	1.72%	124	72
Total		**266**	**(72)**		**122**	**72**

7.3.3 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 5.2 million (EUR 1.7 million in 2016) as a result of 5% increase/decrease of EPRA NAV per share of CPI PG.

7.3.4 Other risks

The Group is also exposed to property price risk but it does not pursue any speculative policy.

7.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.
No changes were made in the objectives, policies or processes during the year ended 31 December 2017.
The Group monitors capital on the basis of the gearing ratio.

Gearing ratio

This ratio is calculated as total debt divided by total equity. Debt is defined as all non-current and current liabilities. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2017 and at 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Debt	1,351,932	200,393
Equity	628,371	413,273
Gearing ratio in %	**215.15%**	**48.49%**

7.5 Fair value measurement

7.5.1 Fair value of financial instruments

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets (such as 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.

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.

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

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

31 December 2017	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					
Investment in joint ventures	--	4,571	--	--	4,571
Equity-accounted investees	**--**	**4,571**			
CPI Property Group shares **	104,599	--	--	--	104,599
Other investment	--	14	--	--	14
Available-for-sale financial assets	**104,599**	**14**			
Radio Free Europe deferred consideration	--	3,834	--	--	3,871
Loans provided	--	1,193,098	--	--	1,193,098
Trade and other receivables	--	12	--	--	--
Non-current loans and receivables	**--**	**1,196,944**			
Trade and other receivables	--	4,540	--	--	--
Loan provided to joint venture	--	10,428	--	--	10,428
Loans provided	--	58,062	--	--	58,062
Other current financial assets	--	8,069	--	--	--
Cash and cash equivalent	--	11,230	--	--	--
Current financial assets	**--**	**92,329**			
FINANCIAL LIABILITIES					
Bonds issued	--	--	--	--	--
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (other borrowings)	--	1,113,884	--	--	1,113,885
Long term liabilities	--	1,991	--	--	1,991
Non-current financial liabilities	**--**	**1,115,875**			
Bonds issued	--	--	--	--	--
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (other borrowings)	--	54,581	--	--	54,581
Advanced payments	--	84,505	--	--	--
Trade payables	--	2,723	--	--	--
Other financial current liabilities	--	56,018	--	--	--
Current financial liabilities	**--**	**197,827**			

* The fair values of the financial assets and financial liabilities included in the level 3 category have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties, with exception of loans provided to/ received from entities controlled by the major shareholder of the Company, which do not represent any credit risk from the Group´s perspective.

** For the valuation as at 31 December 2017 the shares are valued using EPRA NAV per share of CPI PG as at 31 December 2017 (refer to note 6.4).

In 2017 there were no transfers between levels.

31 December 2016	Carrying amount: Financial assets & liabilities measured at fair value	Carrying amount: Financial assets & liabilities not measured at fair value	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3*
FINANCIAL ASSETS					
Investment in joint ventures	--	4	--	--	4
Equity-accounted investees	**--**	**4**			
CPI Property Group shares **	33,042	--	--	--	33,042
Available-for-sale financial assets	**33,042**	**--**			
Radio Free Europe deferred consideration	--	3,323	--	--	3,323
Loan granted to joint venture	--	3,255	--	--	3,255
Loans provided	--	143,272	--	--	143,272
Trade and other receivables	--	85	--	--	--
Non-current loans and receivables	**--**	**149,935**			
Trade and other receivables	--	3,833	--	--	--
Derivative instruments	38,732	--	--	--	38,732
Loans provided		993	--	--	993
Other current financial assets	--	169	--	--	--
Cash and cash equivalent	--	2,215	--	--	--
Current financial assets	**38,732**	**7,210**			
FINANCIAL LIABILITIES					
Bonds issued	--	12,482	--	--	12,482
Financial debt (floating rate bank debts)	--	2,840	--	--	2,840
Financial debt (other borrowings)	--	125,508	--	--	125,508
Long term liabilities	--	3,524	--	--	3,524
Non-current financial liabilities	**--**	**144,354**			
Bonds issued	--	142	--	--	142
Financial debt (floating rate bank debts)	--	4,351	--	--	4,351
Financial debt (other borrowings)	--	16,367	--	--	16,367
Derivative instruments	7	--	--	7	--
Advanced payments	--	395	--	--	--
Trade payables	--	1,657	--	--	--
Other financial current liabilities	--	599	--	--	--
Current financial liabilities	**7**	**23,511**			

* The fair values of the financial assets and financial liabilities included in the level 3 category have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties, with exception of loans provided to/ received from entities controlled by the major shareholder of the Company, which do not represent any credit risk from the Group´s perspective.
** For the valuation as at 31 December 2016 the shares are valued using EPRA NAV per share of CPI PG as at 31 December 2016 (refer to note 6.4).

7.5.2 Fair value measurement of investment property

The Group's investment properties were valued at 31 December 2017 in accordance with the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all these properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

7.5.3 Main observable and unobservable inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for the respective part of each class of property, which has been valued as at 31 December 2017.

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic	**Office**	Office - Development Appraisal****	Level 3	Total EMRV **		-		(165 EUR)
			Level 3	Gross development value		-		(2,499 EUR)
			Level 3	Development margin		-		(20.00%)
				Fair value				12 MEUR
Poland	**Office**	DCF***	Level 3	Estimated rental value per sqm		-		(214 EUR/sqm)
			Level 3	Net current income per sqm		-		(240 EUR/sqm)
			Level 3	Discount rate		-		(7.50%)
			Level 3	Exit Yield		-		(7.25%)
			Level 3	Vacancy rate		-		(0.00%)
				Fair value				5 MEUR
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(24 EUR/sqm)
			Level 3	Net current income per sqm		-		(20 EUR/sqm)
			Level 3	Equivalent yield		-		(10.70%)
			Level 3	Vacancy rate		-		(10.11%)
				Fair value				1 MEUR
Czech Republic - Prague	**Land Bank ***	Comparable	Level 3	Fair value per sqm	8 EUR/sqm	-	3,293 EUR/sqm	(587 EUR/sqm)
				Fair value				115 MEUR
Czech Republic - Brno	**Land Bank**	Comparable	Level 3	Fair value per sqm		-		(129 EUR/sqm)
				Fair value				30 MEUR
Czech Republic - Rest	**Land Bank**	Comparable	Level 3	Fair value per sqm	3 EUR/sqm	-	2,789 EUR/sqm	(91 EUR/sqm)
				Fair value				129 MEUR
Czech Republic	**Development**	Development Appraisal	Level 3	Total EMRV		-		(152 EUR)
			Level 3	Gross development value		-		(2,837 EUR)
			Level 3	Development margin		-		(15.00%)
				Fair value				8 MEUR

* Bubny Development not included.
** EMRV = Estimated market rental value
***DCF = Discounted cash flow
**** the valuation method changed compared to 2016 given the fact that the Group has clear intention to redevelop the office building. The Group has already obtained the construction permit and terminated lease contracts with its tenants.

Land bank - Bubny

Not included in the table above is the land bank "Bubny". Bubny is a land bank with a size over 202 thousand square meters and is located near the Prague inner city center. The majority of the site is currently unused / vacant. As at 31 December 2017, a valuation of the land bank was conducted by external valuation expert.

Change in valuation expert

The Bubny Site was valued as at 31 December 2016 by DTZ Czech Republic/Cushman Wakefield together with the majority of the CPI PG portfolio.

As the valuation contract expired at the end of 2016, in summer 2017 CPI PG organized a tender for 2017 year end valuation of the majority of its portfolio. Jones Lang La Salle ("JLL") was selected as new valuation expert as a result of the tender and consequently appointed for Bubny site valuation as at 31 December 2017.

Appraisal for Bubny prepared by JLL as at 31 December 2017

Fair Value of Bubny Site was determined by JLL using the comparable method. This Method was based on 8 recently executed land site transactions in Prague, included in below table:

	Comparative 1	Comparative 2	Comparative 3	Comparative 4	Comparative 5	Comparative 6	Comparative 7	Comparative 8
Zoning plan	Mixed use	Mixed use	Mixed use	Mixed use	Mixed use	Mixed use	Mixed use	Mixed use
size (sqm)	app. 40 000	app. 130 000	app. 10 000	app. 10 000	app. 10 000	app. 60 000	app. 80 000	app. 50 000
transacted price per sqm (EUR)	app. 500	app. 400	app. 800	app. 900	app. 500	app. 700	app. 400	app. 500

The fair value was determined by estimating the fair value per 1 square meter based on comparative land site transaction prices, adjusted for differences between comparative land sites and Bubny site.

The adjustments provided for the following characteristics:

Adjustment	Range used by JLL	Description
Microlocation	Multiple 0.7 - 1.35	Vicinity to the city center, attractiveness of the area, public amenities.
Access	Multiple 1 - 1.15	Vehicular and pedestrian access to the property
Public transportation	Multiple 0.95 - 1.15	Metro, trams and bus stops in the vicinity
Size	Multiple 0.9 - 1	Size of land plots
Existence of Structures	Multiple 1 - 1.15	Old structures being present on the site, with potential historical protection.
Market improvement	Multiple 1.05 - 1.2	Improvement of the market since the transaction, adjustment used for optimizing dates of transactions to the date of valuation
Flooding area	Multiple 1 - 1.2	Risk of floods based on flood map issued by the Association of Insurance Companies
Liquidity of apartments	Multiple 0.9 - 1.15	Demand for flats in the location
Planning procedure	Multiple 0.9 – 1.1	Status of development (temporarily construction, ban, planning/zoning permit etc…)

Sensitivity analysis of Bubny site

As the Bubny site was valued by comparable method, the sensitivity analysis was prepared for 2 key adjustments: micro location & size.

For Micro location JLL used the largest range of multiples, indicating high level of judgement included in the adjustment estimate. Size adjustment is selected for sensitivity analysis because of the significance of differences in size between Bubny and comparative land sites.

Multiple Size		Multiple Microlocation		
	MEUR	0.95	1.00	1.05
	0.95	138	144	150
	1.00	144	150	156
	1.05	150	156	162

While additional transactions were occurring on the Prague real estate market in 2017 comparing to 2016, there were no transactions with directly comparable properties to the Bubny site. Consequently, in order to arrive to the estimated fair value, a significant level of judgement had to be applied by the external valuation expert and management of the Group to account for the inherent differences that exist in each of these properties. This significant level of judgement was applied to the adjustments listed above in order for the external valuation expert and management to determine the estimated fair value of Bubny.

The fair value of Bubny included in the consolidated financial statements as at 31 December 2017 is EUR 150 million (31 December 2016: EUR 56 million).

31 December 2017	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
Bubny	**Land Bank**	Comparable	Level 3	Fair value per sqm		-	(742 EUR/sqm)
				Fair value			150 MEUR

Triggering factors for the substantial land value increase in comparison to 31 December 2016

Draft of Prague master plan published in 2017 – Prague is experiencing the formation of its new master plan which is expected to be implemented in 2022. The Prague municipality agreed to a draft version of the master plan and published it in November 2017. The essential ambition of the master plan is that the future growth of real estate in Prague should be satisfied via development inside the city rather than by growth outside of the city's existing borders (principally as a result such development is better value, raises utilisation of previously constructed infrastructure investments, and circumvents the operation of present-day agronomical real estate). The current brownfields near to the city centre of Prague (Bubny being vital among them) represents an important opportunity, how to achieve key objective of the masterplan.

Steps for future development of the area – the city of Prague requested 5 different architect studies for the future Bubny area development in 2017. These studies were also organised for 2 additional key development areas in Prague. The objective of the studies is to establish a foundation for more rapid development of the key development areas and ensure that such development is separated from the definitive confirmation of new master plan. It is expected that in 2018 Prague will select one architect to assemble additional study that will serve as a basis for future development of Bubny and lift up construction ban.

Increase of realised transactions – there was substantial increase in the quantity and prices of realised land transactions in Prague real estate market in 2017. Although limited in capacity, the increased activity in the Prague market became highly engaging for both domestic and international investors.

Change in public view – In 2017, Prague experienced sharp increase of residential sales prices, primarily a result of strong demand and long-term undercut supply connected with complicated approval process. These factors contribute to increasing public pressure on the authorities to allow faster development, particularly in the brownfield development areas (Bubny being key among them in terms of magnitude and location).

Other land banks

Also not included in the table above are the land banks valued by the comparable method with a total fair value of EUR 274 million and a size of approximately 17 million sqm.

These land banks are located primarily in Prague (EUR 115 million), in northern & western Bohemia (EUR 106 million) and in southern Moravia (EUR 30 million). The remaining land banks are located across the other regions of Czech Republic (EUR 23 million). Most of the land banks are designed for future development or are already in a stage of development. Some of these land banks (or parts of them) are zoned as greenery or agricultural land.

As at 31 December 2017, valuations of the land banks were conducted by external independent valuation companies amongst which Cushman & Wakefield, RSM Tacoma and Mazars. The fair value of the land banks was determined by using the comparative method, where at least 3 to 5 comparative samples were used. Where some comparative transactions were not available, current offer prices were considered in the analysis and adjusted to reflect this fact.

As these land banks differ significantly in various parameters (such as current zoning, location & micro-location, existence of structures, access etc.) no further disaggregation was performed.

The sensitivity analysis for assets where the fair value was determined by comparative method was not prepared, as the potential change in inputs (such as change of multiples etc.) will result in equal or direct change in outputs.

Some assets achieved significant year to year increase in fair value (such as Pragovka site in Prague where EIA was obtained and the value increased by EUR 15 million) while others remained on comparable level of the fair value as at 31 December 2016.

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

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average			
					Min.		Max.	Avg.
Czech Republic	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(55 EUR/sqm)
			Level 3	Net current income per sqm		-		(27 EUR/sqm)
			Level 3	Equivalent yield		-		(9.21%)
			Level 3	Vacancy rate		-		(27.49%)
				Fair value				8.3 MEUR
Poland	**Office**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(241 EUR/sqm)
			Level 3	Net current income per sqm				(234 EUR/sqm)
			Level 3	Equivalent yield		-		(6.50%)
			Level 3	Vacancy rate				(0.00%)
				Fair value		-		4.8 MEUR
Czech Republic	**Industry and Logistic**	Income capitalisation	Level 3	Estimated rental value per sqm		-		(21 EUR/sqm)
			Level 3	Net current income per sqm				(17 EUR/sqm)
			Level 3	Equivalent yield		-		(11.84%)
			Level 3	Vacancy rate				(20.60%)
				Fair value		-		1.2 MEUR
Czech Republic	**Land Bank ***	Comparable	Level 3	Fair value per sqm	3 EUR/sqm	-	943 EUR/sqm	(179 EUR/sqm)
				Fair value				218 MEUR
Czech Republic	**Land Bank**	Residual	Level 3	Total EMRV per sqm	88 EUR/sqm	-	157 EUR/sqm	(128 EUR/sqm)
			Level 3	Gross development value per sqm	1,065 EUR/sqm		2,256 EUR/sqm	(1,762 MEUR)
			Level 3	Development margin	20.00%		22.50%	(21.04%)
				Fair value				7.5 MEUR
Czech Republic	Asset Held for Sale			Valued on transaction basis				22.9 MEUR

* Bubny Development is included in Fair value amount of EUR 55.8 million.

One of the major asset located in Prague is Bubny site. 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 for the purchaser) 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.

Sensitivity analysis on changes in assumptions of property valuation

The Group has performed a sensitivity analysis on changes in assumptions of property valuation.

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the Group portfolio are:

- Equivalent Yield;
- Estimated Rental Value (ERV) for rental asset;
- Development margin/profit for development.

Change of the valuation rates would result in the following fair values – analysis of the portfolio of assets valued by discounted cash flow and income capitalization method:

31 December 2017

Czech Republic

Development	MEUR
Developer´s Profit 25.00%	9.70
Developer´s Profit 22.50%	10.60
Developer´s Profit 20.00%	11.60
Developer´s Profit 17.50%	12.70
Developer´s Profit 15.00%	13.70

	Industrial		Yield	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	1.32	1.32	1.31
	--	1.40	1.40	1.39
	5.00%	1.48	1.47	1.47

Development	MEUR
Developer´s Profit 10.00%	9.05
Developer´s Profit 12.50%	8.63
Developer´s Profit 15.00%	8.22
Developer´s Profit 17.50%	7.84
Developer´s Profit 20.00%	7.47

Poland

	Office		Discount rate	
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	4.64	4.48	4.34
	--	4.87	4.70	4.55
	5.00%	5.10	4.92	4.76

31 December 2016

Czech Republic

ERV	Office		Yield	
	MEUR	(0.25%)	--	0.25%
	(5.00%)	7.90	7.88	7.85
	--	8.31	8.29	8.26
	5.00%	8.72	8.70	8.67

ERV	Industrial		Yield	
	MEUR	(0.25%)	--	0.25%
	(5.00%)	1.17	1.17	1.17
	--	1.24	1.23	1.23
	5.00%	1.30	1.29	1.29

Poland

ERV	Office		Yield	
	MEUR	(0.25%)	--	0.25%
	(5.00%)	4.68	4.66	4.65
	--	4.83	4.82	4.80
	5.00%	4.98	4.97	4.95

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-Gesellsschaft (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-Gesellsschaft.

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 9.

9 Litigations

On 20 January 2015 the Company was served with a summons by Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II LP of Delaware, Ktown LP of Delaware (collectively referred to as "Kingstown"), claiming on former shareholders of the Company. The action was filed with the "*Tribunal d´Arrondissement de et a Luxembourg*" (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 and the litigation, currently being in a procedural stage, is pending.

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 and other commitments

The Group has capital commitments of EUR 12 million in respect of capital expenditures contracted for at the date of the consolidated financial statements (EUR 1.8 million in 2016). 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 2017 was EUR 0.1 million (EUR 0.1 million for the year 2016).

The Board and Committees attendance compensation for the year 2017 was EUR 36,000 (EUR 36,000 for the year 2016). 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

There are no termination or change of control clauses with the management.

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. In the second semester of 2017 this case was settled.

d) Other transactions with key management personnel

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vítek 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. Vítek, 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. Vítek purchased 65,957,446 ordinary shares issued by CPI PG for an aggregate consideration of EUR 34.59 million.

In 2014, the Company transferred 1 share to Jiří Dedera and Tomáš 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 Španko.

There were no transactions with key management personnel in 2017.

Transactions with CPI PG Group

Loans provided non-current

	31 December 2017	31 December 2016
Airport City Kft.	9,049	--
Airport City Phase B Kft.	1,444	--
Andrássy Real Kft.	1,019	--
Andrássy Hotel Zrt.	3,737	--
Arena Corner Kft.	16,878	--
Balvinder, a.s.	5,991	--
Baudry Beta, a.s.	13,116	--
Baudry, a.s.	3,979	--
BAYTON Alfa, a.s.	5,276	--
Beroun Property Development, a.s.	11,473	--
Best Properties South, a.s.	12,433	--
Brandýs Logistic, a.s.	18,543	3,519
Brno Property Development, a.s.	1,439	--
Březiněves, a.s.	10,160	874
Budaörs Office Park Kft.	5,767	7,160
CAMPONA Shopping Center Kft.	19,866	--
Carpenter Invest, a.s.	1,952	1,658
CB Property Development, a.s.	42,698	--
Conradian, a.s.	5,316	3,758
CPI - Orlová, a.s.	1,210	1,024
CPI - Real Estate, a.s.	1,150	--
CPI - Štupartská, a.s.	6,166	2,127
CPI Alfa, a.s.	12,481	--
CPI Blatiny, s.r.o.	1,730	--
CPI Delta, a.s.	3,294	2,103
CPI East, s.r.o.	40,848	--
CPI Hotels Properties, a.s.	1,559	871
CPI IMMO, S.a.r.l.	3,514	--
CPI Jihlava Shopping, a.s.	12,099	--
CPI Kappa, s.r.o.	1,527	--
CPI Meteor Centre, s.r.o.	18,409	--
CPI Národní, s.r.o.	110,000	--
CPI Park Mlýnec, a.s.	9	2
CPI Park Žďárek, a.s.	--	2,159
CPI PROPERTY GROUP S.A.	10,906	--
CPI Reality, a.s.	1,113	17,830
CPI Retail MB s.r.o.	9,699	--
CPI Retail One Kft.	9,000	--
CPI Retail Portfolio Holding Kft.	12,325	--
CPI Retail Portfolio I, a.s.	--	961
CPI Retail Portfolio II, a.s.	--	760
CPI Retail Portfolio III, s.r.o.	--	476
CPI Retail Portfolio V, s.r.o.	1,487	715
CPI Retail Portfolio VIII s.r.o.	4,407	296
CPI Retails ONE, a.s.	1,851	3,912
CPI Retails ROSA s.r.o.	2,245	--
CPI Retails THREE, a.s.	9,459	--
CPI Retails TWO, a.s.	749	--
CPI Shopping MB, a.s.	12,172	--
CPI Shopping Teplice, a.s.	41,353	--
Czech Property Investments, a.s.	18,916	28,482
Čadca Property Development, s.r.o.	1,398	--
Čáslav Investments, a.s.	2,787	--
Český Těšín Property Development, a.s.	4,784	--
Dienzenhoferovy sady 5, s.r.o.	6,963	--
Družstvo Land	--	1,615
EMH North, s.r.o.	31,246	--
EMH South, s.r.o.	4,638	--
Farhan, a.s.	23,442	--
FELICIA SHOPPING CENTER SRL	10	--
FL Property Development, a.s.	197	166
HD Investment s.r.o.	6	--
Hraničář, a.s.	19,694	--

	31 December 2017	31 December 2016
IGY2 CB, a.s.	15,213	--
IS Nyír Ingatlanhasznosítóés Vagyonkezelo Kft.	716	--
IS Zala Ingatlanhasznosítóés Vagyonkezelo Kft.	2,837	--
Janáčkovo nábřeží 15, s.r.o.	3,884	--
Jeseník Investments, a.s.	2,953	--
Kerina, a.s.	9,112	--
KOENIG, s.r.o.	3,288	--
Kolín Centrum a.s.	4	--
Komárno Property Development, a.s.	2,700	1,847
LD Praha, a.s.	1,750	--
Levice Property Development, a.s.	3,934	1,802
Liptovský Mikuláš Property Development, a.s.	3,937	1,998
Lockhart, a.s.	23,275	--
Lucemburská 46, a.s.	9,033	--
Malerba, a.s.	189	--
Marissa Gama, a.s.	48,844	--
Marissa Kappa, a.s.	3,885	10,064
Marissa Omikrón, a.s.	26,920	--
Marissa Tau, a.s.	6,194	--
Marissa West, a.s.	30,359	22,686
Marissa Yellow, a.s.	10,109	--
Marissa Ypsilon, a.s.	45,532	--
Marissa, a.s.	10,322	--
MB Property Development, a.s.	1,597	--
Michalovce Property Development, a.s.	4,687	1,585
Modřanská Property, a.s.	6,967	--
MUXUM, a.s.	4,230	--
Na Poříčí, a.s.	30,914	4,519
Nový Projekt CPI, s.r.o.	20,290	--
OC Nová Zdaboř a.s.	12,348	--
OC Spektrum, s.r.o.	11,399	--
Office Center Poštová, s.r.o.	4,902	--
Olomouc City Center, a.s.	12,508	--
Olomouc Office, a.s.	2,322	--
Outlet Arena Moravia, s.r.o.	2,500	--
Ozrics Kft.	3,087	--
Pelhřimov Property Development, a.s.	3,463	--
Pólus Shopping Center Zrt.	23,480	--
Považská Bystrica Property Development, a.s.	2,677	2,307
Prievidza Property Development, a.s.	3,102	1,881
Projekt Nisa, s.r.o.	29,120	--
Projekt Zlatý Anděl, s.r.o.	32,740	--
Příbor Property Development, s.r.o.	418	--
Residence Belgická, s.r.o.	1,883	--
Residence Izabella, Zrt.	3,396	--
REZIDENCE MASARYKOVA 36, s.r.o.	1,819	--
Spišská Nová Ves Property Development, a.s.	3,604	1,937
Statenice Property Development, a.s.	1,942	1,643
Svitavy Property Alfa, a.s.	5,057	--
Telč Property Development, a.s.	479	582
Tepelná Litvínov, s.r.o.	5,091	--
Trebišov Property Development, s.r.o.	399	--
Trutnov Property Development, a.s.	19,463	--
Třinec Investments, s.r.o.	3,186	--
Třinec Property Development, a.s.	4,949	--
Tyršova 6, a.s.	4,743	--
U svatého Michala, a.s.	3,079	2,964
Vigano, a.s.	7,910	6,775
VM Property Development, a.s.	--	200
Vyškov Property Development, a.s.	5,954	--
ZLATICO LIMITED	6,520	--
Ždírec Property Development, a.s.	904	--
Total loans provided non-current - related parties	**1,193,098**	**143,258**
Uniborc S.A.	--	3,255
Total loans provided non-current - joint ventures	**--**	**3,255**
Total loans provided non-current - related parties and joint ventures	**1,193,098**	**146,513**

Loans provided current

	31 December 2017	31 December 2016
Airport City Kft.	44	--
Airport City Phase B Kft.	6	--
Andrássy Hotel Zrt.	19	--
Balvinder, a.s.	50	--
Baudry Beta, a.s.	65	--
BAYTON Gama, a.s.	3	--
Beroun Property Development, a.s.	50	--
Brandýs Logistic, a.s.	100	15
Březiněves, a.s.	2	2
Budaörs Office Park Kft.	--	20
Carpenter Invest, a.s.	6	6
CB Property Development, a.s.	149	--
Conradian, a.s.	14	14
CPI - Orlová, a.s.	3	3
CPI - Štupartská, a.s.	32	6
CPI Alfa, a.s.	105	--
CPI Delta, a.s.	15	8
CPI Hotels Properties, a.s.	2	2
CPI IMMO, S.a.r.l.	13	--
CPI Meteor Centre, s.r.o.	110	--
CPI Národní, s.r.o.	109	--
CPI Park Žďárek, a.s.	--	6
CPI PROPERTY GROUP S.A.	49	--
CPI Reality, a.s.	--	64
CPI Retail MB s.r.o.	77	--
CPI Retail One Kft.	56	--
CPI Retail Portfolio I, a.s.	--	5
CPI Retail Portfolio II, a.s.	15	4
CPI Retail Portfolio III, s.r.o.	--	3
CPI Retail Portfolio V, s.r.o.	3	3
CPI Retail Portfolio VIII s.r.o.	31	1
CPI Retails ONE, a.s.	15	14
CPI Shopping Teplice, a.s.	192	--
Czech Property Investments, a.s.	55	52
Čáslav Investments, a.s.	24	--
Český Těšín Property Development, a.s.	33	--
Dienzenhoferovy sady 5, s.r.o.	37	--
Družstvo Land	--	6
GAMALA LIMITED	55,140	--
Hraničář, a.s.	53	--
IGY2 CB, a.s.	77	--
Janáčkovo nábřeží 15, s.r.o.	59	--
Jeseník Investments, a.s.	30	--
Kerina, a.s.	47	--
Komárno Property Development, a.s.	--	5
Levice Property Development, a.s.	--	5
Liptovský Mikuláš Property Development, a.s.	--	5
Lockhart, a.s.	81	--
Lucemburská 46, a.s.	47	--
Marissa Gama, a.s.	122	--
Marissa Kappa, a.s.	28	27
Marissa Omikrón, a.s.	55	--
Marissa West, a.s.	60	57
Marissa Ypsilon, a.s.	162	--
MB Property Development, a.s.	13	--
Michalovce Property Development, a.s.	--	4
Na Poříčí, a.s.	95	282
OC Nová Zdaboř a.s.	96	--
OC Spektrum, s.r.o.	48	--
Office Center Poštová, s.r.o.	18	--
Outlet Arena Moravia, s.r.o.	15	--
Ozrics, Kft.	16	--
Pelhřimov Property Development, a.s.	19	--
Považská Bystrica Property Development, a.s.	--	6
Příbor Property Development, s.r.o.	5	--

	31 December 2017	31 December 2016
Prievidza Property Development, a.s.	--	5
Residence Belgická, s.r.o.	15	--
Residence Izabella, Zrt.	18	--
REZIDENCE MASARYKOVA 36, s.r.o.	7	--
Spišská Nová Ves Property Development, a.s.	--	5
Statenice Property Development, a.s.	5	4
Telč Property Development, a.s.	2	2
Tepelná Litvínov, s.r.o.	4	--
Trutnov Property Development, a.s.	93	--
Třinec Investments, s.r.o.	16	--
Třinec Property Development, a.s.	28	--
Tyršova 6, a.s.	25	--
U svatého Michala, a.s.	8	8
Vigano, a.s.	26	24
VM Property Development, a.s.	--	1
Vyškov Property Development, a.s.	41	--
Ždírec Property Development, a.s.	4	--
Total loans provided current - related parties	**58,062**	**670**
Uniborc S.A.	10,428	319
Total loans provided current - joint ventures	**10,428**	**319**
Total loans provided current - related parties and joint ventures	**68,490**	**989**

Financial debts non-current

	31 December 2017	31 December 2016
Czech Property Investments, a.s.	552,395	123,938
CPI Finance Netherlands B.V.	--	8
CPI PROPERTY GROUP S.A.	464,475	--
OFFICE CENTER HRADČANSKÁ, a.s.	--	92
ST Project Limited	96,704	1,418
Total financial debts non-current - related parties	**1,113,574**	**125,456**

Financial debts current

	31 December 2017	31 December 2016
CPI - Bor, a.s.	2,064	--
CPI - Zbraslav, a.s.	2,755	--
CPI Finance Netherlands B.V.	--	651
CPI Finance Netherlands III B.V.	--	3
CPI Epsilon, a.s.	4,735	--
CPI PROPERTY GROUP S.A.	1,531	--
CPI Reality, a.s.	302	--
CPI Retail Portfolio I, a.s.	1,766	--
CPI Retail Portfolio II, a.s.	3,038	--
CPI Retail Portfolio III, s.r.o.	1,685	--
CPI Retail Portfolio IV, s.r.o.	503	--
CPI Retail Portfolio VI, s.r.o.	312	--
CPI Retail Portfolio VII, s.r.o.	446	--
Czech Property Investments, a.s.	24,868	359
Český Těšín Property Development, a.s.	--	1,483
Družstvo Land	--	1,781
Marissa Théta, a.s.	--	7
MUXUM, a.s.	3,494	--
Nymburk Property Development, a.s.	6,652	6,073
OFFICE CENTER HRADČANSKÁ, a.s.	101	1
Příbor Property Development, s. r.o.	--	427
Třinec Property Development, a.s.	--	5,390
ST Project Limited	310	--
Total financial debts current - related parties	**54,562**	**16,175**

Interest income

	12 month period ended	
	31 December 2017	31 December 2016
AIRPORT CITY Kft.	44	--
Airport City Phase B Kft.	6	--
Andrássy Real Kft.	75	--

	12 month period ended	
	31 December 2017	31 December 2016
Andrássy Hotel Zrt.	19	--
ANOJTHAN ENTERPRISES LMD	557	--
Arena Corner Kft.	378	--
Balvinder, a.s.	191	--
Baudry Beta, a.s.	208	--
Baudry, a.s.	58	--
BAYTON Alfa, a.s.	142	--
BAYTON Gama, a.s.	27	--
Beroun Property Development, a.s.	50	--
Best Properties South, a.s.	1,232	--
Brandýs Logistic, a.s.	534	15
Brno Property Development, a.s.	69	--
Březiněves, a.s.	484	2
Budaörs Office Park Kft.	380	20
CAMPONA Shopping Center Kft.	1,462	--
Carpenter Invest, a.s.	178	6
CB Property Development, a.s.	1,194	--
Conradian, a.s.	419	14
CPI - Orlová, a.s.	69	3
CPI - Real Estate, a.s.	113	--
CPI - Štupartská, a.s.	155	6
CPI Alfa, a.s.	240	--
CPI Blatiny, s.r.o.	43	--
CPI Delta, a.s.	234	8
CPI East, s.r.o.	4,000	--
CPI Epsilon, a.s.	41	--
CPI Hotels Properties, a.s.	68	2
CPI IMMO, S.a.r.l.	13	--
CPI Jihlava Shopping, a.s.	1,115	--
CPI Kappa, s.r.o.	39	--
CPI Meteor Centre, s.r.o.	507	--
CPI Národní, s.r.o.	109	--
CPI Park Žďárek, a.s.	145	6
CPI PROPERTY GROUP S.A.	49	--
CPI Reality, a.s.	613	64
CPI Retail MB s.r.o.	77	--
CPI Retail One Kft.	56	--
CPI Retail Portfolio Holding Kft.	751	--
CPI Retail Portfolio I, a.s.	70	5
CPI Retail Portfolio II, a.s.	14	4
CPI Retail Portfolio III, s.r.o.	29	3
CPI Retail Portfolio V, s.r.o.	50	3
CPI Retail Portfolio VIII s.r.o.	127	1
CPI Retails ONE, a.s.	166	14
CPI Retails ROSA s.r.o.	264	--
CPI Retails THREE, a.s.	138	--
CPI Retails TWO, a.s.	69	--
CPI Shopping MB, a.s.	1,009	--
CPI Shopping Teplice, a.s.	1,269	--
Czech Property Investments, a.s.	2,040	52
Čadca Property Development, s.r.o.	58	--
Čáslav Investments, a.s.	83	--
Český Těšín Property Development, a.s.	44	--
Dienzenhoferovy sady 5, s.r.o.	37	--
Družstvo Land	57	6
EMH North, s.r.o.	2,575	--
EMH South, s.r.o.	432	--
Farhan, a.s.	1,839	--
FELICIA SHOPPING CENTER SRL	1	--
FL Property Development, a.s.	11	--
GAMALA LIMITED	198	--
Hraničář, a.s.	739	--
IGY2 CB, a.s.	492	--
IS Nyír Ingatlanhasznosítóés Vagyonkezelo Kft.	53	--
IS Zala Ingatlanhasznosítóés Vagyonkezelo Kft.	209	--
Janáčkovo nábřeží 15, s.r.o.	59	--

	12 month period ended	
	31 December 2017	**31 December 2016**
Jeseník Investments, a.s.	75	--
Kerina, a.s.	254	--
KOENIG, s.r.o.	166	--
Komárno Property Development, a.s.	261	5
LD Praha, a.s.	359	--
Levice Property Development, a.s.	349	5
Liptovský Mikuláš Property Development, a.s.	269	5
Lockhart, a.s.	753	--
Lucemburská 46, a.s.	47	--
Malerba, a.s.	9	--
Marissa Gama, a.s.	946	--
Marissa Kappa, a.s.	643	27
Marissa Omikrón, a.s.	150	--
Marissa Tau, a.s.	472	--
Marissa West, a.s.	2,536	57
Marissa Yellow, a.s.	873	--
Marissa Ypsilon, a.s.	1,352	--
Marissa, a.s.	87	--
MB Property Development, a.s.	13	--
Michalovce Property Development, a.s.	402	4
Modřanská Property, a.s.	27	--
MUXUM, a.s.	260	--
Na Poříčí, a.s.	475	--
Nový Projekt CPI, s.r.o.	1,036	--
OC Nová Zdaboř a.s.	96	
OC Spektrum, s.r.o.	322	--
Office Center Poštová, s.r.o.	119	--
Olomouc City Center, a.s.	611	--
Olomouc Office, a.s.	189	--
Outlet Arena Moravia, s.r.o.	15	--
Ozrics, Kft.	16	--
Pelhřimov Property Development, a.s.	104	--
Pólus Shopping Center Zrt.	1,754	--
Považská Bystrica Property Development, a.s.	257	6
Prievidza Property Development, a.s.	271	5
Projekt Nisa, s.r.o.	2,524	--
Projekt Zlatý Anděl, s.r.o.	3,050	--
Příbor Property Development, s.r.o.	5	--
Residence Belgická, s.r.o.	15	--
Residence Izabella, Zrt.	18	--
REZIDENCE MASARYKOVA 36, s.r.o.	9	--
Spišská Nová Ves Property Development, a.s.	308	5
ST Project Limited	116	--
Statenice Property Development, a.s.	110	4
Svitavy Property Alfa, a.s.	397	--
Telč Property Development, a.s.	28	2
Tepelná Litvínov, s.r.o.	4	--
Trebišov Property Development, s.r.o.	23	--
Trutnov Property Development, a.s.	172	--
Třinec Investments, s.r.o.	31	--
Třinec Property Development, a.s.	28	--
Tyršova 6, a.s.	25	--
U svatého Michala, a.s.	196	8
Vigano, a.s.	728	24
VM Property Development, a.s.	--	1
Vyškov Property Development, a.s.	140	--
ZLATICO LIMITED	480	--
Ždírec Property Development, a.s.	44	--
Total interest income - related parties	**52,295**	**392**
Uniborc S.A.	535	455
Total interest income - joint ventures	**535**	**455**
Total interest income - related parties and joint ventures	**52,830**	**847**

Interest expense

	12 month period ended	
	31 December 2017	**31 December 2016**
Balvinder, a.s.	3	--
Beroun Property Development, a.s.	5	--
CPI - Bor, a.s.	47	--
CPI - Zbraslav, a.s.	62	--
CPI Finance Netherlands B.V.	--	27
CPI Epsilon, a.s.	59	--
CPI Národní, s.r.o.	228	--
CPI PROPERTY GROUP S.A.	1,531	535
CPI Reality, a.s.	10	--
CPI Retail MB s.r.o.	54	--
CPI Retail Portfolio I, a.s.	22	--
CPI Retail Portfolio II, a.s.	40	--
CPI Retail Portfolio III, s.r.o.	21	--
CPI Retail Portfolio IV, s.r.o.	12	--
CPI Retail Portfolio VI, s.r.o.	7	--
CPI Retail Portfolio VII, s.r.o.	11	--
Czech Property Investments, a.s.	24,042	260
Český Těšín Property Development, a.s.	5	1
Družstvo Land	23	4
Hraničář, a.s.	12	--
Marissa Théta, a.s.	22	7
MB Property Development, a.s.	9	--
MUXUM, a.s.	85	--
Nymburk Property Development, a.s.	194	5
OC Nová Zdaboř a.s.	37	--
OFFICE CENTER HRADČANSKÁ, a.s.	3	--
Příbor Property Development, s. r.o.	12	--
ST Project Limited	310	--
Třinec Property Development, a.s.	66	4
Total interest expense – related parties	**26,932**	**843**

Management Fees

CPI PG Group 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 0.3 million for the year 2017.

Loan by CPI PG Group

During 2017 and 2016 the Company as borrower and CPI PG Group as lender entered into the credit facility agreement and drew loan. As at 31 December 2017 the outstanding balance amounts to EUR 1,140.8 million with calculated the accrued interest in the amount of EUR 27.3 million. The most significant loans were with counterpart Czech Property Investments, a.s. with outstanding amounts of EUR 552.4 million and accrued interest in amount of EUR 24.9 million (interest rate is 5.26% p.a. and maturity of this loan is in 2030) and CPI PG with outstanding amounts to EUR 464.5 million and accrued interest in amount of EUR 1.5 million. This loan bear interest rate 2.47% and 2.31% p.a. and is repayable in 2024.

Loan to CPI PG Group

The Company as lender and CPI PG Group as borrower entered into the credit facility agreements in 2016 and 2017 (refer to note 6.5).

Transactions connected with the major shareholder of the Company and of CPI PG

Acquisition of land bank projects in Czech Republic

On 15 November 2017 the Company acquired two real estate projects that can be used for future residential developments. The 20% stake in Polygon BC, a.s. was acquired for the purchase price of CZK 191 million (app. EUR 7.4 million) and the 20% stake in company MQM Czech, a.s was acquired for the purchase price of CZK 70.4 million (app. EUR 2.7 million). Both entities were acquired from companies controlled by major shareholder of CPI PG and the acquisitions are accounted for as common control transactions.

As at the end of December 2017, the Group acquired 99.96% stake in Družstvo Land for the consideration paid of EUR 40.6 million. As the company was acquired from entity controlled by the major shareholder of the Company, the acquisition is accounted for as common control transactions.

In the second half year 2017 the Company assigned receivables to company which is controlled by the major shareholder of CPI PG. These receivables are bear fix interest of 10 % p.a. and mature on 30 June 2018. The total value of loans, including accrued interest, amounted to EUR 55.1 million as at 31 December 2017.

12 Events after the reporting period

No significant events occurred between the end of the reporting period and the date of the publication of these consolidated financial statements.

13 APPENDIX I – LIST OF GROUP ENTITES

13.1 Entities fully consolidated

Company	Country	31 December 2017	31 December 2016
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	100.00%	100.00%
Bubny Development, s.r.o.	Czech Republic	100.00%	100.00%
BYTY PODKOVA, a.s.	Czech Republic	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	100.00%	100.00%
Capellen Invest S.A.	Luxembourg	--	100.00%
CD Property s.r.o.	Czech Republic	100.00%	100.00%
CEREM S.A.	Luxembourg	100.00%	100.00%
CPI - Krásné Březno, a.s.	Czech Republic	100.00%	100.00%
CPI - Land Development, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.94%	--
CPI South, s.r.o.	Czech Republic	90.00%	90.00%
Darilia, a.s.	Czech Republic	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	75.00%	75.00%
Development Pražská, s.r.o.	Czech Republic	--	100.00%
Diana Property Sp. z o.o.	Poland	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	--
Endurance Real Estate Management Company Sàrl	Luxembourg	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	100.00%	100.00%
Grunt HZ s.r.o. (2)	Czech Republic	--	100.00%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	100.00%	100.00%
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate Sp. z o.o.	Poland	100.00%	100.00%
MQM Czech, a.s.	Czech Republic	20.00%	--
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	100.00%	100.00%
Nupaky a.s.	Czech Republic	100.00%	100.00%
Orco Project Limited	Guernsey	100.00%	100.00%
Polygon BC, a.s.	Czech Republic	20.00%	--
Rezidence Pragovka, s.r.o. (1)	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	100.00%	100.00%
STRM Alfa, a.s.	Czech Republic	20.00%	100.00%
STRM Beta, a.s.	Czech Republic	100.00%	100.00%
STRM Delta, a.s.	Czech Republic	--	100.00%
STRM Gama, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	100.00%	100.00%

1) Orco Praga s.r.o. changed its name to Rezidence Pragovka, s.r.o. with effective date of 3 January 2017.

2) Grunt HZ s.r.o. has merged with Rezidence Pragovka, s.r.o. (the "successor company") with the effective date of 1 January 2017. All assets and liabilities of Grunt HZ s.r.o. passed to the successor company.

13.2 Equity method investments

Company	Country	31 December 2017	31 December 2016
Beta Development, s.r.o.	Czech Republic	35.00%	20.00%
Brillant 1419. Verwaltungs GmbH	Germany	49.00%	49.00%
Uniborc S.A.	Luxembourg	35.00%	20.00%

KPMG

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Orco Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

KPMG

Valuation of investment property

a. *Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period*

We refer to the accounting policies at note 2.2 (c) on page 14 and note 6.2 *Investment property* on pages 44 to 46 to the consolidated financial statements. Investment property represents 23% of the total assets of the Group as at 31 December 2017.

The valuation of investment property is inherently subjective and requires external independent valuation companies and the Group's management to use certain assumptions, including, comparables, yields, capitalization rates, discount rates and estimated market rents.

The assessment of the appropriateness of the valuation methodologies, assumptions and inputs used by the Group requires significant management judgement and also a high level of professional judgement from us.

Therefore, the significance of the estimates and judgements, coupled with the sensitivity of the changes to assumptions applied to individual investment property valuations, which when aggregated, could result in a material misstatement in the consolidated statements of comprehensive income and financial position, warrants specific audit focus in this area.

b. *How the matter was addressed in our audit*

Our procedures concerning the valuation of investment property included, but were not limited to, the following:

- We tested the source documentation provided by the Group to the external independent valuation companies by agreeing a sample of this documentation back to the underlying lease and other relevant supporting data.
- We involved our own real estate valuation specialists to assist us in challenging the appropriateness of the key valuation methodologies including, but not limited to, discounted cash flow, comparative and residual methods and the key assumptions including, but not limited to, those relating to yields, discount rates, capitalization rates, and rents used by the Group.
- We assessed the competence, capabilities and objectivity of the external independent valuation companies engaged by the Group.

Valuation of the Bubny land bank (investment property) and related disclosures

a. *Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period*

The Bubny land bank ("Bubny") is a unique land bank located in Prague, Czech Republic, inner city center. During the year, the fair value of Bubny increased significantly from MEUR 56 in 2016 to MEUR 150 in 2017.

We refer to the accounting policy at note 2.2 (c) on page 14, and notes 5.5, 6.2 and 7.5.3 on pages 38, 44 to 46 and 64 to 71 respectively to the consolidated financial statements.

The Group's management engaged an external independent valuation company, to determine the fair value of Bubny. The external independent valuation company derived the fair value based on comparable sales transactions on land banks. As there were no directly comparable properties that could be identified, the valuation of Bubny is inherently subjective. It requires the external independent valuation company and the Group's management to adopt certain assumptions, including the selection of comparable properties and adjustments thereto.

The assessment of the appropriateness of the comparable properties and related adjustments used by the Group in deriving the fair value of Bubny requires significant management judgement and also a high level of professional judgement from us. The valuation has high sensitivity to adjustments for key characteristics and adequate information has to be disclosed in the notes to the consolidated financial statements in that respect.

Therefore, the significance of the judgement applied, coupled with the sensitivity of the adjustments in the fair value calculation which could result in a material misstatement in the consolidated statements of comprehensive income and financial position, warrants specific audit focus in this area.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of Bubny included, but were not limited to, the following:

- We assessed the competence, capabilities and objectivity of the external independent valuation company engaged by the Group and the Group's internal valuation expert.
- We involved our own real estate valuation specialists to assist us:
  - in challenging the appropriateness of the valuation methodology (comparative method) used by the Group;
  - in analysing the details of the comparative transactions for appropriateness;
  - in cross-checking the comparative transactions to our internal database;
  - in challenging the appropriateness of the key assumptions including, but not limited to, size, micro-location, access, public transport, market improvement, lliquidity of apartments, flooding area, existing structures, and planning used by the Group;
  - in considering the completeness and no double counting of adjustments in the aforementioned assumptions;
  - in reviewing the mathematical accuracy of the calculations performed by the external independent valuation company.
- Further, we also considered the adequacy of the disclosures in the consolidated financial statements, and the Group's descriptions regarding the inherent degree of subjectivity and key assumptions in estimates.

Recognition of deferred tax assets

a. *Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period*

We refer to the accounting policy at note 2.2 (m) on pages 22 to 23 and note 6.6 *Deferred tax assets* on page 48 to the consolidated financial statements.

Deferred tax assets balances primarily relate to historical tax losses incurred at the level of the Company.

Recognition of deferred tax assets requires significant management judgement in assessing the recoverability of the deferred tax assets through the future utilization of historical tax losses in the respective components.

b. *How the matter was addressed in our audit*

Our procedures concerning the recognition of deferred tax assets included, but were not limited to, the following:

- We involved our own tax specialists in supporting our analysis of the Group's assertions on the tax positions in the respective jurisdictions by investigating tax compliance, tax exposure, and the legal ability to utilize the tax losses;
- We inspected the reasonableness of the key assumptions applied to arrive at the Group's business plan supporting the recoverability of the deferred tax assets.

Presentation of companies co-owned with related party

a. *Why the matter was considered to be one of most significant in our audit of the consolidated financial statements of the current period*

We refer to the accounting policy note 2.2 (a) on pages 11 to 12and note 3.1.2 on pages 26 to 28 to the consolidated financial statements.

During the current period, the Group acquired 20% of shares in companies in which GSG Europa Beteiligungs GmbH, a related party, owns the other 80% of shares.

This transaction involves significant management judgement in the assessment of control and corresponding consolidation method in accordance with the relevant accounting standards.

b. *How the matter was addressed in our audit*

Our procedures concerning the presentation of companies co-owned with related parties included, but were not limited to, the following:

- We inspected the share purchase contracts executed in 2017 for the companies which share ownership with other related parties;
- We challenged the Group's assessment of the shareholders' agreement related to these companies and the overall conclusion on the control of these companies;
- We inquired with the Group's internal legal personnel regarding the legal nature, substance, and enforceability of the terms and conditions in the shareholders' agreement between the related parties;
- We further compared the Group's assessment of control to the relevant accounting standards.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report, including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 24 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

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

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

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 13 April 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

SUI001

Orco Property Group

Société Anonyme

ANNUAL ACCOUNTS AND REPORT
OF THE REVISEUR D'ENTREPRISES AGREE
DECEMBER 31, 2017

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

Orco Property Group
R.C.S. Luxembourg B44996

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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 audit of the annual accounts

Opinion

We have audited the annual accounts of Orco Property Group S.A. (the "Company"), which comprise the balance sheet as at December 31, 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of financial assets (shares in affiliated undertakings and loans to affiliated undertakings)

a. Why the matter was considered to be one of most significant in our audit of the annual accounts of the current period

We refer to the accounting policy at note 2 on page 13 and note 3 *Financial assets* to the annual accounts. Financial assets represent 9% of total assets of the Company as at December 31, 2017.

The assessment of the impairment of financial assets requires significant judgement applied by the management in assessing the recovery value of the financial assets and the durable nature of the impairment.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of financial assets (shares in affiliated undertakings and loans to affiliated undertakings) included, but were not limited to, the following:

- We assessed the existence and accuracy of the recoverable amount of the financial assets by recalculating the net assets value of the related investee;
- We reviewed management's assessment of the durable nature of the impairment;
- We assessed that any impairment to individual financial assets was applied first to the financial investment, then to the loan principal, and finally to the loan interest.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report, including the management report and the corporate governance statement, but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

— Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on May 24, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

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

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, April 13, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

SUI001

RCSL Nr. : B44996	Matricule : 1993 2209 554
	eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2017 **to** 02 31/12/2017 (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	109 1.517.204.007,00	110 401.661.121,00
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

RCSL Nr. : B44996	Matricule : 1993 2209 554

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135	Note 4	135	1.517.204.007,00	136	401.661.121,00
1. Shares in affiliated undertakings	1137	Note 4.1	137	255.193.982,00	138	201.555.899,00
2. Loans to affiliated undertakings	1139	Note 4.2	139	1.196.897.215,00	140	163.054.808,00
3. Participating interests	1141	Note 4.3	141	603.487,00	142	115.771,00
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	Note 4.4	143	10.310.122,00	144	3.816.157,00
5. Investments held as fixed assets	1145	Note 4.5	145	54.199.201,00	146	33.117.878,00
6. Other loans	1147	Note 4.6	147		148	608,00
D. Current assets	1151		151	81.917.289,00	152	6.158.042,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	71.499.944,00	164	5.941.676,00
1. Trade debtors	1165		165	87.642,00	166	206.194,00
a) becoming due and payable within one year	1167		167	87.642,00	168	206.194,00
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	Note 5	171	70.814.045,00	172	4.329.805,00
a) becoming due and payable within one year	1173	Note 5.1	173	70.814.045,00	174	4.329.805,00
b) becoming due and payable after more than one year	1175		175		176	
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	117.430,00	178	318.546,00
a) becoming due and payable within one year	1179	Note 5.2	179	117.430,00	180	318.546,00
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183		183	480.827,00	184	1.087.131,00
a) becoming due and payable within one year	1185	Note 5.3	185	480.827,00	186	1.087.131,00
b) becoming due and payable after more than one year	1187		187		188	

RCSL Nr. : B44996	Matricule : 1993 2209 554

		Reference(s)		Current year		Previous year
III. Investments	1189		189	10.417.345,00	190	216.366,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195		195	10.417.345,00	196	216.366,00
IV. Cash at bank and in hand	1197		197		198	
E. Prepayments	1199	Note 6	199	406.806,00	200	1.225.934,00
TOTAL (ASSETS)			201	1.599.528.102,00	202	409.045.097,00

RCSL Nr. : B44996	Matricule : 1993 2209 554

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	Note 7	301	273.626.501,00	302	238.177.742,00
I. Subscribed capital	1303		303	13.145.076,00	304	13.145.076,00
II. Share premium account	1305		305	784.669.809,00	306	784.669.809,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	448.131.945,00	310	448.131.945,00
1. Legal reserve	1311		311	448.131.945,00	312	448.131.945,00
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319	-1.007.769.088,00	320	-977.517.845,00
VI. Profit or loss for the financial year	1321		321	35.448.759,00	322	-30.251.243,00
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		435	1.325.901.601,00	436	170.867.355,00
1. Debenture loans	1437		437		438	16.853.649,00
a) Convertible loans	1439		439		440	
i) becoming due and payable within one year	1441		441		442	
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445	Note 8	445		446	16.853.649,00
i) becoming due and payable within one year	1447		447		448	141.632,00
ii) becoming due and payable after more than one year	1449		449		450	16.712.017,00
2. Amounts owed to credit institutions	1355		355		356	
a) becoming due and payable within one year	1357		357		358	
b) becoming due and payable after more than one year	1359		359		360	

RCSL Nr. : 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	599.833,00	368	608.679,00
a) becoming due and payable within one year	1369		369	599.833,00	370	608.679,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	Note 9	379	1.325.285.468,00	380	153.138.613,00
a) becoming due and payable within one year	1381	Note 9.1	381	195.608.969,00	382	16.366.431,00
b) becoming due and payable after more than one year	1383	Note 9.2	383	1.129.676.499,00	384	136.772.182,00
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	16.300,00	452	266.414,00
a) Tax authorities	1393		393		394	
b) Social security authorities	1395		395	7.666,00	396	
c) Other creditors	1397	Note 10	397	8.634,00	398	266.414,00
i) becoming due and payable within one year	1399	Note 10.1	399	8.634,00	400	214.091,00
ii) becoming due and payable after more than one year	1401	Note 10.2	401		402	52.323,00
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	1.599.528.102,00	406	409.045.097,00

RCSL Nr.: B44996	Matricule: 1993 2209 554
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2017 **to** 02 31/12/2017 *(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	Note 11	701	1.513.112,00	702	2.263.568,00
2. Variation in stocks of finished goods and in work in progress	1703		703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705		705		706	
4. Other operating income	1713	Note 12	713	183.639,00	714	
5. Raw materials and consumables and other external expenses	1671	Note 13	671	-1.347.915,00	672	-2.848.253,00
a) Raw materials and consumables	1601		601	-7.368,00	602	
b) Other external expenses	1603		603	-1.340.547,00	604	-2.848.253,00
6. Staff costs	1605	Note 14	605	-344.515,00	606	-113.973,00
a) Wages and salaries	1607		607	-280.544,00	608	-52.262,00
b) Social security costs	1609		609	-63.971,00	610	-61.711,00
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-63.971,00	656	-61.711,00
c) Other staff costs	1613		613		614	
7. Value adjustments	1657	Note 15	657	-218.460,00	658	-184.372,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	-218.460,00	662	-184.372,00
8. Other operating expenses	1621	Note 16	621	-707.898,00	622	-3.256.662,00

RCSL Nr. : B44996	Matricule : 1993 2209 554

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	327.450,00	716	973.232,00
a) derived from affiliated undertakings	1717	Note 17	717	327.450,00	718	973.232,00
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721	Note 18	721	54.904.329,00	722	5.394.920,00
a) derived from affiliated undertakings	1723	Note 18.1	723	54.335.509,00	724	4.936.722,00
b) other income not included under a)	1725	Note 18.2	725	568.820,00	726	458.198,00
11. Other interest receivable and similar income	1727	Note 19	727	9.338.964,00	728	4.999.226,00
a) derived from affiliated undertakings	1729	Note 19.1	729	5.502.433,00	730	3.592.603,00
b) other interest and similar income	1731	Note 19.2	731	3.836.531,00	732	1.406.623,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	Note 20	665	34.717.949,00	666	-26.235.082,00
14. Interest payable and similar expenses	1627	Note 21	627	-63.010.374,00	628	-11.242.940,00
a) concerning affiliated undertakings	1629	Note 21.1	629	-61.034.536,00	630	-2.389.664,00
b) other interest and similar expenses	1631	Note 21.2	631	-1.975.838,00	632	-8.853.276,00
15. Tax on profit or loss	1635		635		636	-907,00
16. Profit or loss after taxation	1667		667	35.356.281,00	668	-30.251.243,00
17. Other taxes not shown under items 1 to 16	1637		637	92.478,00	638	
18. Profit or loss for the financial year	1669		669	35.448.759,00	670	-30.251.243,00

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 2017 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 the Luxembourg Stock Exchange as from February 4, 2016.

The financial year is from January 1, 2017 to December 31, 2017.

As at December 31, 2017, the Company is directly and indirectly controlled by CPI Property Group S.A. at 97.31 % (2016: 97.31%), a Luxembourg entity of which Radovan Vítek is the ultimate beneficial owner with 89.17 % of voting rights (2016: 89.10 %).

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. The Company's annual accounts are part of the consolidated financial statements of CPI Property Group S.A., forming the largest body of undertakings of which the Company forms part as a subsidiary undertakings. The registered office of CPI Property Group S.A. is located at 40, rue de la Vallée, L-2661 Luxembourg, where its consolidated financial statements are available.

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 for a period in excess of 12 months from the date of approval of the 2017 consolidated financial statements and annual accounts. These forecasts reflect an assessment of current and future conditions on 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 its financing activity and other activities of its subsidiaries, the Board of Directors has concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2017 on a going concern basis.

Significant accounting policies

Financial assets

Financial assets are valued individually at the lower of their acquisition price or market value. Amounts owed by affiliated undertakings, amounts owed by undertakings with which the Company is linked by virtue of participating interest and other loans shown under “Financial assets” are recorded at their nominal value. A value adjustment is recorded when the recovery value is lower than the nominal value.

Where there is a durable diminution in value in the opinion of the Board of Directors, value adjustments are made in respect of financial assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Trade debtors and other debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Creditors

Creditors are valued at their nominal value.

Non convertible loans

Non convertible loans are recorded at their nominal value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayments" and is written off over the period of the related non convertible loans on a linear basis under the caption "Interest payable and similar expenses".

When the amount repayable is lower than the amount received, the difference is shown as a liability’s under the caption “Deferred income” and is written off over the period of the non convertible loans on a linear basis under the caption “Interest payable and similar expenses” as decrease of costs relating to the non convertible loans.

Conversion of foreign currencies

The Company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency. All financial information presented in EUR has been rounded to the nearest thousand (KEUR), except when otherwise indicated.

During the financial year, the acquisitions and sales of financial assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the financial assets expressed in currency other than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are valued at the closing rate. The unrealised and realised losses, as well as the realised gains are recorded in the profit and loss account.

Net turnover

Net turnover includes income from invoicing of operating costs.

Value adjustments

Value adjustments are deducted directly from the related asset.

NOTE 3 - RECLASSIFICATION OF OPENING BALANCE

In 2017, the Board of Directors of the Company decided to amend the presentation of its annual accounts as to facilitate their comprehension. As of December 31, 2017, comparatives from 2016 annual accounts have been reclassified with the following principal movements:

- Receivables from indirectly owned subsidiaries (respectively companies linked to the ultimate beneficial owner) previously classified as “Other debtors”, are reported as “Amounts owed by affiliated undertakings”, taking into account restrictions on voting rights;
- The same approach has been applied for amounts owed to indirectly owned subsidiaries;
- Long term interest-bearing receivables to direct and indirect subsidiaries previously classified as “Current assets” have been transferred to “Financial assets”.

The impact of these reclassifications are shown in the following table:

ASSETS	December 31, 2016	Reclassification	January 1, 2017
C. Fixed assets			
Loans to affiliated undertakings	22,327,925.00	140,726,883.00	163,054,808.00
Investments held as fixed assets	33,042,231.00	75,647.00	33,117,878.00
Other loans	140,727,491.00	-140,726,883.00	608.00
D. Current assets			
Payments on account	74,315.00	-74,315.00	0.00
Trade debtors becoming due and payable within one year	0.00	206,194.00	206,194.00
Amounts owed by affiliated undertakings becoming due and payable within one year	1,398,755.00	2,931,050.00	4,329,805.00
Other debtors becoming due and payable within one year	4,066,561.00	-2,979,430.00	1,087,131.00
Other debtors becoming due and payable after more than one year	364,458.00	-364,458.00	0.00
Cash at bank and in hand	217,698.00	-1,332.00	216,366.00
E. Prepayments	1,006,570.00	219,364.00	1,225,934.00

CAPITAL, RESERVES AND LIABILITES

C. Creditors

Trade creditors becoming due and payable within one year	873,375.00	-264,696.00	608,679.00
Amounts owed to affiliated undertakings becoming due and payable within one year	694,762.00	15,671,669.00	16,366,431.00
Amounts owed to affiliated undertakings becoming due and payable after more than one year	14,203,584.00	122,568,598.00	136,772,182.00
Other creditors becoming due and payable within one year	15,608,578.00	-15,394,487.00	214,091.00
Other creditors becoming due and payable after more than one year	122,620,687.00	-122,568,364.00	52,323.00

PROFIT AND LOSS ACCOUNT		**December 31, 2016**	**Reclassification**	**January 1, 2017**
7	Value adjustments in respect of current assets	0.00	-184,372.00	-184,372.00
10	Income from other investments and loans forming part of the fixed assets derived from affiliated undertakings	0.00	4,936,722.00	4,936,722.00
	Income from other investments and loans forming part of the fixed assets not derived from affiliated undertakings	0.00	458,198.00	458,198.00
11	Other interest receivable and similar income derived from affiliated undertakings	4,540,455.00	-947,852.00	3,592,603.00
	Other interest receivable and similar income - ohter interest and similar income	5,853,691.00	-4,447,068.00	1,406,623.00
13	Value adjustments in respect of financial assets and of investments held as current assets	-26,419,454.00	184,372.00	-26,235,082.00
14	Interest payable and similar expenses concerning affiliated undertakings	-1,579,195.00	-810,469.00	-2,389,664.00
	Interest payable and similar expenses - other interest and similar expenses	-9,663,745.00	810,469.00	-8,853,276.00

NOTE 4 - FINANCIAL ASSETS

2017	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
Gross book value		
Balance at January 1, 2017	321,832	236,077
Additions for the year	51,007	1,343,030
Disposals for the year	(29,803)	(310,943)
Balance at December 31, 2017	343,036	1,268,164
Accumulated value adjustments		
Balance at January 1, 2017	(120,276)	(73,022)
Additions for the year	(2,367)	(4,957)
Disposals for the year	34,801	6,713
Balance at December 31, 2017	(87,842)	(71,267)
Net book value as at January 1, 2017	**201,556**	**163,055**
Net book value as at December 31, 2017	**255,194**	**1,196,897**

4.1 Shares in affiliated undertakings

Significant disposals:

On January 25, 2017, a share deal related to disposal of the office building in Capellen, Luxembourg was completed. The building with a gross lettable 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.

In November 2017, the Company disposed STRM Delta, a.s, a subsidiary owning a land bank located in the Czech Republic to a third party. The Company sold 80% of shares of STRM Alfa, a.s. to GSG Europe Beteiligungs GmbH.

In December 2017, the Company disposed Development Pražská, s.r.o. to a third party.

Significant additions:

In November 2017, the Company acquired 20 % stakes in Polygon BC, a.s. and MQM Czech, a.s.

At the end of the year, the Group realized the acquisition of land banks in the Czech Republic. The Company acquired a portfolio of lands located in the North & West Bohemia regions of the Czech Republic, mostly along the D5 & D8 motorways, totalling approximately 3.8 million square meters (Družstvo Land).

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2017
			31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	31.12.2017		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Brillant 1419. GmbH	Germany	EUR	49.00%	23	--	23	(23)	--	(23)	--	--	(8)	(1)
Brillant 1419. GmbH & Co Verwaltungs KG	Germany	EUR	100.00%	1,385	--	1,385	(1,349)	(3)	(1,352)	36	33	33	(3)
Bubenská 1, a.s.	Czech Republic	CZK	100.00%	17,181	--	17,181	(14,734)	2,118	(12,616)	2,447	4,565	4,565	1,914
Bubny Development, s.r.o.	Czech Republic	CZK	100.00%	79,233	--	79,233	(23,383)	23,383	--	55,850	79,233	132,053	71,236
BYTY PODKOVA, a.s.	Czech Republic	CZK	100.00%	80	--	80	--	--	--	80	80	11,134	309
Camuzzi, a.s.	Czech Republic	CZK	100.00%	2,232	--	2,232	--	--	--	2,232	2,232	2,319	(73)
Capellen Invest S.A.(*)	Luxembourg	EUR	--	2,183	(2,183)	--	(2,183)	2,183	--	--	--	--	--
CD Property s.r.o.	Czech Republic	CZK	100.00%	2,438	--	2,438	--	--	--	2,438	2,438	5,388	1,899
CEREM S.A.	Luxembourg	EUR	100.00%	31	--	31	(31)	--	(31)	--	--	(37,166)	--
CPI - Krásné Březno, a.s.	Czech Republic	CZK	100.00%	1,768	--	1,768	--	--	--	1,768	1,768	2,094	44
CPI - Land Development, a.s.	Czech Republic	CZK	100.00%	52,161	--	52,161	--	--	--	52,161	52,161	55,443	102
CPI South, s.r.o.	Czech Republic	CZK	90.00%	1,603	--	1,603	--	--	--	1,603	1,603	1,884	(2)
Development Doupovská, s.r.o.	Czech Republic	CZK	75.00%	3,046	--	3,046	(1,858)	(1,188)	(3,046)	1,188	--	(313)	(4)
Development Pražská, s.r.o.	Czech Republic	CZK	--	8	(8)	--	(8)	8	--	--	--	--	--
Diana Property Sp. z o.o.	Poland	PLN	100.00%	777	--	777	--	--	--	777	777	1,294	(343)

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2017
			31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	31.12.2017		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Družstvo Land	Czech Republic	CZK	99.96%	--	40,583	40,583	--	--	--	--	40,583	37,719	(8,759)
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	100.00%	125	--	125	--	(1)	(1)	125	124	124	(8)
Estate Grand, s.r.o.	Czech Republic	CZK	100.00%	8	--	8	--	--	--	8	8	1,286	(57)
Famiaco Enterprises Company Limited	Cyprus	EUR	100.00%	1	--	1	(1)	--	(1)	--	--	(3,092)	(182)
Grunt HZ s.r.o. (***)	Czech Republic	CZK	100.00%	5,562	(5,562)	--	(895)	895	--	4,667	--	--	--
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	CZK	100.00%	6,852	--	6,852	(6,852)	--	(6,852)	--	--	(6,791)	(1)
Industrial Park Stříbro, s.r.o.	Czech Republic	CZK	100.00%	8	--	8	--	--	--	8	8	4,400	277
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	CZK	100.00%	35,770	--	35,770	(34,825)	(244)	(35,069)	945	701	701	(290)
Karviná Property Development, a.s.	Czech Republic	CZK	100.00%	750	--	750	--	(3)	(3)	750	747	747	(38)
Marki Real Estate Sp. z o.o.	Poland	PLN	100.00%	22,282	--	22,282	(20,173)	365	(19,808)	2,109	2,474	2,474	229
MQM Czech, a.s.(**)	Czech Republic	CZK	20.00%	--	2,697	2,697	--	--	--	--	2,697	13,741	(40)
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	CZK	100.00%	21,300	--	21,300	--	--	--	21,300	21,300	27,162	(1,332)
Nupaky a.s.	Czech Republic	CZK	100.00%	7,338	--	7,338	(3,781)	186	(3,595)	3,557	3,743	3,743	(19)
ORCO Blumentálska a.s.	Slovakia	EUR	100.00%	2,980	--	2,980	(2,980)	--	(2,980)	--	--	--	--
Orco Bucharest	Cyprus	EUR	100.00%	3	--	3	(3)	--	(3)	--	--	--	--
Orco Project Sp. z o.o. (in liquidation)	Poland	PLN	100.00%	701	--	701	(701)	--	(701)	--	--	--	--
ORCO Project Limited	Guernsey	GBP	100.00%	5	--	5	(5)	--	(5)	--	--	--	1,710

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2017
			31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	In 2017	31.12.2017	31.12.2016	31.12.2017		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Polygon BC, a.s.(**)	Czech Republic	CZK	20.00%	--	7,277	7,277	--	--	--	--	7,277	37,426	(4)
Rezidence Pragovka, s.r.o. (***)	Czech Republic	CZK	100.00%	6,860	5,562	12,422	(4,762)	4,762	--	2,098	12,422	18,842	11,612
Strakonice Property Develoment, a.s.	Czech Republic	CZK	100.00%	221	--	221	--	(80)	(80)	221	141	141	(90)
STRM Alfa, a.s. (*)	Czech Republic	CZK	20.00%	25,549	(20,439)	5,110	--	--	--	25,549	5,110	27,288	(341)
STRM Beta, a.s.	Czech Republic	CZK	100.00%	5,224	--	5,224	(464)	464	--	4,760	5,224	6,141	1,071
STRM Delta, a.s.(*)	Czech Republic	CZK	--	6,723	(6,723)	--	--	--	--	6,723	--	--	--
STRM Gama, a.s.	Czech Republic	CZK	100.00%	8,016	--	8,016	(921)	438	(483)	7,095	7,533	7,533	26
Svitavy Property Development, a.s.	Czech Republic	CZK	100.00%	1,062	--	1,062	--	(848)	(848)	1,061	212	214	(604)
Szczecin Project sp. z o.o.	Poland	PLN	100.00%	338	--	338	(338)	--	(338)	--	--	(16,656)	(1,481)
Vinohrady S.à r.l.	France	EUR	100.00%	8	--	8	(8)	--	(8)	--	--	(1,714)	(13)
Total				**321,835**	**21,204**	**343,039**	**(120,278)**	**32,435**	**(87,843)**	**201,556**	**255,194**		

(*) Company disposed partially or totally or liquidated during reporting the financial year

(**) Acquisition during the financial year

(***) Merge Grunt HZ s.r.o. to Residence Pragovka s.r.o.

Results of value adjustments are reported in Note 12, Note 16 and Note 20.

4.2 Loans to affiliated undertakings

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
AIRPORT CITY INGATLANBEFEKTETÉSI Kft.	3.37%	December 31, 2024	9,049	--	--	--
Airport City Phase B Kft.	3.03%	December 31, 2024	1,444	--	--	--
Andrassy Hotel, Zrt.	2.63%	December 31, 2024	3,737	--	--	--
ANDRÁSSY REAL KFT.	10.00%	December 31, 2025	1,019	--	--	--
ARENA CORNER INGATLANBEFEKTETÉSI KORLÁTOLT FELELŐSSÉGŰ TÁRSASÁG	5.00%	November 26, 2033	16,878	--	--	--
Balvinder, a.s.	10.00%	December 31, 2026	1,518	--	--	--
Balvinder, a.s.	6.38%	December 31, 2024	4,363	--	--	--
Baudry Beta, a.s.	10.00%	December 31, 2023	1,281	--	--	--
Baudry Beta, a.s.	3.92%	December 31, 2024	11,783	--	--	--
Baudry, a.s.	6.00%	December 31, 2023	3,949	--	--	--
BAYTON Alfa, a.s.	12.00%	December 31, 2021	679	--	--	--
BAYTON Alfa, a.s.	12.00%	October 1, 2030	4,565	--	--	--
Beroun Property Development, a.s.	5.59%	December 31, 2024	11,473	--	--	--
Best Properties South, a. s.	12.00%	December 31, 2026	10,894	--	--	--
Best Properties South, a. s.	12.00%	December 31, 2026	978	--	--	--
Brandýs Logistic, a.s.*	10.00%	December 31, 2023	3,746	3,519	--	--
Brandýs Logistic, a.s.	3.30%	December 31, 2024	14,621	--	--	--
Brno Property Development, a.s.	6.00%	December 31, 2026	1,364	--	--	--
Březiněves, a.s.	6.00%	December 31, 2025	499	--	--	--
Březiněves, a.s.*	10.00%	December 31, 2025	9,247	874	--	--
Bubenská 1, a.s.	6.00%	December 31, 2020	--	1,850	--	--
Bubenská 1, a.s.	6.00%	December 31, 2023	2,031	--	--	--
Bubenská 1, a.s.	6.00%	December 31, 2024	4,502	--	--	--
Bubny Development, s.r.o.	6.00%	December 31, 2020	229	37	--	--
Budaörs Office Park Kft.*	6.00%	December 31, 2023	5,767	7,160	--	--
CAMPONA SHOPPING CENTER KFT.	10.00%	December 31, 2025	19,866	--	--	--
Camuzzi, a.s.	6.00%	December 31, 2026	832	--	--	--
Capellen Invest S.A.	6.00%	December 31, 2020	--	11,508	--	(4,292)
Carpenter Invest, a.s.*	10.00%	December 31, 2026	1,855	1,658	--	--
CB Property Development, a.s.	10.00%	December 31, 2026	11,555	--	--	--
CB Property Development, a.s.	3.19%	December 31, 2024	30,726	--	--	--
CD Property s.r.o.	10.00%	December 31, 2021	750	161	--	--
CD Property s.r.o.	6.00%	December 31, 2025	495	448	--	--

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
CEREM S.A.	8.00%	December 31, 2020	37,152	37,151	(37,152)	(37,151)
Conradian, a.s.*	10.00%	December 31, 2026	5,089	3,758	(524)	--
CPI - Krásné Březno, a.s.	6.00%	December 31, 2025	1,164	1,042	--	--
CPI - Land Development, a.s.	6.00%	December 31, 2025	488	--	--	--
CPI - Orlová, a.s.*	6.00%	December 31, 2030	1,147	1,024	--	--
CPI - Real Estate, a.s.	12.00%	December 31, 2026	1,093	--	--	--
CPI - Štupartská, a.s.*	6.00%	December 31, 2023	2,000	2,127	--	--
CPI - Štupartská, a.s.	3.37%	December 31, 2024	4,032	--	--	--
CPI Alfa, a.s.	10.00%	December 31, 2023	1,332	--	--	--
CPI Alfa, a.s.	5.64%	December 31, 2024	10,998	--	--	--
CPI Blatiny, s.r.o.	10.00%	June 29, 2022	1,709	--	(293)	--
CPI Delta, a.s.*	10.00%	December 31, 2023	2,371	2,103	--	--
CPI Delta, a.s.	4.44%	December 31, 2024	794	--	--	--
CPI East,s.r.o.	12.00%	December 31, 2026	38,253	--	--	--
CPI East,s.r.o.	12.00%	December 31, 2026	538	--	--	--
CPI Hotels Properties, a.s.*	6.00%	December 31, 2030	1,504	871	--	--
CPI IMMO	1.670%	December 31, 2024	3,514	--	(323)	--
CPI Jihlava Shopping, a.s.	12.00%	December 31, 2024	11,203	--	--	--
CPI Jihlava Shopping, a.s.	10.00%	December 31, 2024	304	--	--	--
CPI Kappa, s.r.o.	10.00%	December 31, 2024	1,511	--	--	--
CPI Meteor Centre, s.r.o.	12.00%	December 31, 2024	1,814	--	--	--
CPI Meteor Centre, s.r.o.	3.16%	December 31, 2024	16,521	--	--	--
CPI Národní, s.r.o.	3.10%	December 31, 2024	109,311	--	--	--
CPI Office Prague, s.r.o.	10.00%	December 31, 2023	18,591	--	--	--
CPI Office Prague, s.r.o.	12.00%	December 31, 2023	11,171	--	--	--
CPI Park Mlýnec, a.s.*	6.00%	December 31, 2030	9	2	--	--
CPI Park Žďárek, a.s.*	6.00%	December 31, 2026	2,428	2,159	--	--
CPI Property Group S.A.	2.47%	September 30, 2024	10,906	--	--	--
CPI Reality, a.s.*	10.00%	December 31, 2023	--	17,830	--	--
CPI Reality, a.s.	8.00%	December 31, 2021	1,107	--	--	--
CPI Retail MB s.r.o.	4.44%	December 31, 2024	9,681	--	--	--
CPI Retail One Kft.	9.51%	December 31, 2024	9,000	--	(44)	--
CPI RETAIL PORTFOLIO HOLDING Kft.	10.00%	December 31, 2025	12,325	--	--	--
CPI Retail Portfolio I, a.s.*	10.00%	December 31, 2025	--	961	--	--
CPI Retail Portfolio II, a.s.*	10.00%	December 31, 2021	--	760	--	--
CPI Retail Portfolio III, s.r.o.*	10.00%	December 31, 2021	--	476	--	--
CPI Retail Portfolio V, s.r.o.*	10.00%	December 31, 2024	1,471	715	(1,124)	(715)
CPI Retail Portfolio VIII s.r.o.*	10.00%	December 31, 2024	916	296	--	--
CPI Retail Portfolio VIII s.r.o.	4.82%	December 31, 2024	3,396	--	--	--
CPI Retails ONE, a.s.*	10.00%	December 31, 2025	1,765	3,912	--	--

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
CPI Retails Rosa s.r.o.	10.00%	December 31, 2024	2,245	--	(29)	--
CPI Retails THREE, a.s.	10.00%	December 31, 2021	9,459	--	--	--
CPI Retails TWO, a.s.	10.00%	December 31, 2023	717	--	--	--
CPI Shopping MB, a.s.	10.00%	December 31, 2021	11,558	--	--	--
CPI Shopping Teplice, a.s.	10.00%	December 31, 2021	8,176	--	--	--
CPI Shopping Teplice, a.s.	10.00%	December 31, 2024	154	--	--	--
CPI Shopping Teplice, a.s.	3.16%	December 31, 2024	32,609	--	--	--
CPI South, s.r.o.	6.00%	May 24, 2022	9	--	--	--
Czech Property Investments, a.s.*	6.00%	December 31, 2023	18,902	28,482	--	--
Čadca Property Development, s.r.o.	10.00%	December 31, 2024	1,398	--	--	--
Čáslav Investments, a.s.	10.00%	December 31, 2025	630	--	--	--
Čáslav Investments, a.s.	6.88%	December 31, 2024	2,120	--	--	--
Český Těšín Property Development, a.s.	10.00%	December 31, 2021	331	--	--	--
Český Těšín Property Development, a.s.	5.25%	December 31, 2024	4,433	--	--	--
Data Trade s.r.o.*	6.00%	December 31, 2020	333	21	(333)	(20)
Development Doupovská, s.r.o.	6.00%	December 31, 2020	6	3	(6)	--
Development Pražská, s.r.o.	6.00%	December 31, 2020	--	365	--	(209)
Diana Property Sp. z o.o.	6.00%	December 31, 2020	89	362	--	--
Diana Property Sp. z o.o.	5.74%	December 31, 2024	2,876	--	--	--
Dienzenhoferovy sady 5, s.r.o.	4.92%	December 31, 2024	6,963	--	(664)	--
Družstvo Land*	8.50%	December 31, 2026	--	1,615	--	--
EMH South, s.r.o.	12.00%	December 31, 2023	4,428	--	--	--
Estate Grand, s.r.o.	6.00%	December 31, 2034	395	335	--	--
Famiaco Enterprises Company Limited	6.00%	December 31, 2020	3,099	2,922	(3,099)	(2,922)
Farhan, a.s.	10.00%	December 31, 2026	22,257	--	--	--
FL Property Development, a.s.*	6.00%	December 31, 2030	187	166	--	--
Grunt HZ s.r.o.	10.00%	May 1, 2018	--	48	--	--
HAGIBOR OFFICE BUILDING, a.s.	6.00%	December 31, 2020	6,314	6,314	(6,314)	(6,314)
HAGIBOR OFFICE BUILDING, a.s.	1.00%	December 31, 2020	6	6	(6)	(6)
HD Investment s.r.o.	6.00%	December 31, 2020	6	--	--	--
Hraničář, a.s.	6.00%	June 30, 2031	12,926	--	--	--
Hraničář, a.s.	4.13%	December 31, 2024	5,974	--	--	--
IGY2 CB, a.s.	10.00%	December 31, 2026	5,470	--	--	--
IGY2 CB, a.s.	4.67%	December 31, 2024	9,528	--	--	--
IS NYÍR INGATLANHASZNOSÍTÓ ÉS VAGYONKEZELŐ KFT	10.00%	December 31, 2025	716	--	--	--

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
IS ZALA INGATLANKEZELÉSI KFT	10.00%	December 31, 2025	2,837	--	--	--
Janáčkovo nábřeží 15, s.r.o.	7.56%	December 31, 2024	3,884	--	--	--
Jeseník Investments, a.s.	10.00%	December 31, 2021	477	--	--	--
Jeseník Investments, a.s.	7.58%	December 31, 2024	2,452	--	--	--
JIHOVÝCHODNÍ MĚSTO, a.s.	6.00%	December 31, 2030	4,910	5,593	--	--
Karviná Property Development, a.s.	6.00%	December 31, 2021	661	--	--	--
Kerina, a.s.	12.00%	December 31, 2026	1,954	--	--	--
Kerina, a.s.	4.35%	December 31, 2024	6,957	--	--	--
KOENIG, s.r.o.	12.00%	December 31, 2024	3,288	--	--	--
Kolín Centrum a.s.	5.41%	December 31, 2024	4	--	--	--
Komárno Property Development, a.s.*	10.00%	December 31, 2024	2,700	1,847	--	--
LD Praha, a.s.	12.00%	December 31, 2026	1,680	--	--	--
Levice Property Development, a.s.*	10.00%	December 31, 2024	3,934	1,802	--	(986)
Liptovský Mikuláš Property Development, a.s.*	10.00%	December 31, 2024	3,937	1,998	--	(544)
Lockhart, a.s.	8.50%	December 31, 2026	9,059	--	--	--
Lockhart, a.s.	3.16%	December 31, 2024	13,772	--	--	--
Lucemburská 46, a.s.	2.78%	December 31, 2024	9,033	--	--	--
Malerba, a.s.	6.00%	December 31, 2023	179	--	--	--
Marissa Gama, a.s.	10.00%	December 31, 2021	7,984	--	--	--
Marissa Gama, a.s.	4.21%	December 31, 2024	40,443	--	--	--
Marissa Kappa, a.s.*	6.00%	December 31, 2025	3,717	10,064	--	--
Marissa Omikrón, a.s.	10.00%	December 31, 2023	8,612	--	--	--
Marissa Omikrón, a.s.	3.74%	December 31, 2024	18,307	--	--	--
Marissa Tau, a.s.	10.00%	December 31, 2026	6,222	--	--	--
Marissa West, a.s.*	10.00%	December 31, 2021	28,997	22,706	--	--
Marissa Yellow, a.s.	12.00%	December 31, 2026	9,636	--	--	--
Marissa Ypsilon, a.s.	10.00%	December 31, 2021	13,501	--	--	--
Marissa Ypsilon, a.s.	4.67%	December 31, 2024	31,166	--	--	--
Marissa, a.s.	6.00%	December 31, 2030	10,276	--	--	--
MB Property Development, a.s.	4.13%	December 31, 2024	1,594	--	--	--
Michalovce Property Development, a.s.*	10.00%	December 31, 2024	4,687	1,585	--	--
Modřanská Property, a.s.	10.00%	December 31, 2021	6,927	--	--	--
MUXUM, a.s.	10.00%	January 29, 2026	4,062	--	--	--
Na Poříčí, a.s.*	6.00%	December 31, 2020	--	4,519	--	--
Na Poříčí, a.s.	12.00%	December 31, 2023	3,813	--	--	--
Na Poříčí, a.s.	4.99%	December 31, 2024	27,030	--	--	--
NOVÁ ZBROJOVKA, s.r.o.	5.00%	December 31, 2020	1,849	594	--	--

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
Nový Projekt CPI, s.r.o.	12.00%	December 31, 2024	20,290	--	--	--
Nupaky a.s.	6.00%	December 31, 2020	225	206	--	--
OC Nová Zdaboř a.s.	4.97%	December 31, 2024	12,325	--	--	--
OC Spektrum, s.r.o.	10.00%	December 31, 2021	4,833	--	--	--
OC Spektrum, s.r.o.	3.90%	December 31, 2024	6,387	--	--	--
Office Center Poštová, s.r.o.	6.00%	December 31, 2024	2,227	--	--	--
Office Center Poštová, s.r.o.	3.16%	December 31, 2024	2,675	--	--	--
Olomouc City Center, a.s.	6.00%	December 31, 2026	11,853	--	(371)	--
Olomouc Office, a.s.	12.00%	January 29, 2026	2,226	--	--	--
ORCO Blumentálska a.s.	8.00%	December 31, 2020	13,011	13,011	(13,011)	(13,011)
ORCO PROJECT sp. z o.o.	6.00%	December 31, 2020	148	148	(148)	(148)
Outlet Arena Moravia, s.r.o.	4.67%	December 31, 2024	2,500	--	(12)	--
Ozrics Kft.	2.63%	December 31, 2024	3,087	--	--	--
Pelhřimov Property Development, a.s.	10.00%	December 31, 2023	929	--	--	--
Pelhřimov Property Development, a.s.	5.23%	December 31, 2024	2,479	--	--	--
PÓLUS SHOPPING CENTER INGATLANHASZNOSÍTÓ ZRT.	10.00%	December 31, 2025	23,481	--	--	--
Považská Bystrica Property Development, a.s.*	10.00%	December 31, 2024	2,677	2,307	--	--
Prievidza Property Development, a.s.*	10.00%	December 31, 2024	3,102	1,881	--	--
Projekt Nisa, s.r.o.	12.00%	December 31, 2026	12,125	--	--	--
Projekt Nisa, s.r.o.	12.00%	December 31, 2026	15,527	--	--	--
Projekt Zlatý Anděl, s.r.o.	12.00%	December 31, 2026	30,675	--	--	--
Projekt Zlatý Anděl, s.r.o.	12.00%	December 31, 2026	423	--	--	--
Příbor Property Development, s.r.o.	6.79%	December 31, 2024	416	--	--	--
Residence Belgická, s.r.o.	4.61%	December 31, 2024	1,883	--	--	--
Residence Izabella, Zrt.	2.63%	December 31, 2024	3,396	--	--	--
REZIDENCE MASARYKOVA 36, s.r.o.	6.00%	December 31, 2024	43	--	--	--
REZIDENCE MASARYKOVA 36, s.r.o.	3.37%	December 31, 2024	1,772	--	--	--
Rezidence Pragovka, s.r.o.	6.00%	December 31, 2020	3,764	3,389	--	--
Spišská Nová Ves Property Development, a.s.*	10.00%	December 31, 2024	3,604	1,937	(197)	(106)
Statenice Property Development, a.s.*	6.00%	December 31, 2025	1,842	1,643	--	--
Strakonice Property Development, a.s.	6.00%	January 29, 2026	45	--	--	--
STRM Alfa, a.s.	6.00%	December 31, 2020	32	29	--	--
STRM Beta , a.s.	6.00%	December 31, 2020	197	118	--	--
STRM Delta, a.s.	6.00%	December 31, 2020	--	17	--	--
STRM Gama, a.s.	6.00%	December 31, 2020	73	39	--	--

Name of the undertaking	Int. Rate	Maturity	Amount due 2017	Amount due 2016	Value adjustments 2017	Value adjustments 2016
			KEUR	KEUR	KEUR	KEUR
Svitavy Property Alfa, a.s.	10.00%	December 31, 2023	4,801	--	--	--
Svitavy Property Development, a.s.	6.00%	December 31, 2030	783	685	--	--
SZCZECIN PROJECT sp. z o.o.	6.00%	December 31, 2020	5,208	4,898	(5,208)	(4,898)
SZCZECIN PROJECT sp. z o.o.	6.00%	December 31, 2020	554	--	(554)	--
Telč Property Development a.s.*	6.00%	December 31, 2030	455	582	--	--
Tepelná Litvínov, s.r.o.	3.71%	December 31, 2024	5,049	--	(345)	--
Trebišov Property Development, s.r.o.	10.00%	December 31, 2024	399	--	--	--
Trutnov Property Development, a.s.	10.00%	December 31, 2023	5,421	--	--	--
Trutnov Property Development, a.s.	4.18%	December 31, 2024	13,943	--	--	--
Třinec Investments, s.r.o.	10.00%	December 31, 2025	993	--	--	--
Třinec Investments, s.r.o.	4.62%	December 31, 2024	2,183	--	--	--
Třinec Property Development, a.s.	7.59%	December 31, 2024	4,949	--	--	--
Tyršova 6, a.s.	2.82%	December 31, 2024	4,743	--	--	--
U svatého Michala, a.s.*	6.00%	December 31, 2025	2,920	2,963	--	--
Vigano, a.s.*	10.00%	December 31, 2026	7,515	6,775	--	--
Vinohrady s.à r.l.	6.00%	December 31, 2020	1,512	1,499	(1,512)	(1,499)
VM Property Development, a.s.*	6.00%	December 31, 2030	--	200	--	(200)
Vyškov Property Development, a.s.	10.00%	December 31, 2024	1,081	--	--	--
Vyškov Property Development, a.s.	5.33%	December 31, 2024	4,823	--	--	--
ZLATICO LIMITED	10.00%	December 31, 2025	6,530	--	--	--
Ždírec Property Development	10.00%	December 31, 2026	454	--	--	--
Ždírec Property Development	4.78%	December 31, 2024	420	--	--	--
Total			**1,268,166**	**236,076**	**(71,269)**	**(73,021)**
Value adjustments			(71,269)	(73,021)		
Net value			**1,196,897**	**163,055**		

(*) Transferred from Other loans

4.3 Participating interest

As of December 31, 2017, 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
	31.12.2017	31.12.2016	in 2017	31.12.2017	in 2017	31.12.2017	31.12.2016	31.12.2017
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Origo Investment Kft (formerly: Orco Investment Kft)	--	486	(486)	--	486	--	--	--
Uniborc S.A.	35.00%	116	487	603	--	--	116	603
Total		**602**	**1**	**603**	**486**	**--**	**116**	**603**

On June 29, 2017, the Company and Rodamco Czech B.V. entered into documentation modifying parameters of their joint venture agreement regarding Uniborc S.A. The agreed modifications include, inter alia, the increase of the Company's share in the joint venture company Uniborc S.A., from 20% to 35%, certain governance rights as well as modifications of timeframe and parameters of the joint venture.

4.4 Loans to undertakings with which the undertaking is linked by virtue of participating interest

Name of the undertaking	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
Uniborc S.A.	3M EURIBOR+7%	April 29, 2018	9,599	5,189
Uniborc S.A.	3M EURIBOR+7%	May 18, 2018	711	--
Total			**10,310**	**5,189**
Value adjustments			--	(1,373)
Net value			**10,310**	**3,816**

4.5 Investments held as fixed assets

As of December 31, 2017, the Company is holding investments held as fixed assets as follows:

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value
			31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	in 2017	31.12.2017	31.12.2016	31.12.2017
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
CPI PROPERTY GROUP S.A.*	Luxembourg	EUR	2.66%	65,191	15,913	81,104	(32,148)	5,157	(26,991)	33,042	54,113
SCP AILEY	Monaco	EUR	0.10%	--	--	--	--	--	--	--	--
SCP CAYO	Monaco	EUR	0.10%	--	5	5	--	--	--	--	5
SCP CISKEY	Monaco	EUR	0.10%	--	1	1	--	(1)	(1)	--	--
SCP KANDLER	Monaco	EUR	0.10%	--	--	--	--	--	--	--	--
SCP MADRID	Monaco	EUR	0.10%	--	--	--	--	--	--	--	--
SCP NEW BLUE BIRD	Monaco	EUR	0.10%	--	--	--	--	--	--	--	--
SCP PIERRE CHARRON	Monaco	EUR	0.10%	--	--	--	--	--	--	--	--
SCP VILLA DE TAHITI	Monaco	EUR	0.10%	--	7	7	--	(2)	(2)	--	5
Total undertakings				**65,191**	**15,926**	**81,117**	**(32,148)**	**(5,154)**	**(26,994)**	**33,042**	**54,123**
Deposit bank account										76	76
Total										**33,118**	**54,199**

(*)*The Company applied for two levels of valuation of CPI Property Group S.A shares.;(i) for historically acquired shares there are valued using EPRA NAV per share of CPI Property Group S.A.as at December 31, 2017; (ii) for contribution occurred in December 22, 2017, the Company decided to recognize these shares at acquisition value: EUR 0.10.*

<u>Shares in CPI Property Group S.A.</u>

On December 22, 2017 the Company subscribed 159,132,897 new shares in CPI PG, having a par value and a subscription price of EUR 0.10 per share. As at December 31, 2017 the Company holds 252,302,248 shares (in 2016 93,169,351 shares) in CPI PG, which represents approximately 2.66% of the shareholding and is valued at EUR 54.112 million (2016: EUR 33.0 million).

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.

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.

				Amount due		Value adjustments	
				2017	2016	2017	2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Others	Interest	Total	Total	Total	Total
AIRPORT CITY INGATLANBEFEKTETÉSI Kft.	--	--	50	50	--	--	--
Airport City Phase B Kft.	--	--	7	7	--	--	--
Andrassy Hotel, Zrt.	--	--	22	22	--	--	--
Balvinder, a.s.	--	--	58	58	--	--	--
Baudry Beta, a.s.	--	--	89	89	--	--	--
BAYTON Gama, a.s.	--	--	3	3	--	--	--
Beroun Property Development, a.s.	--	--	61	61	--	--	--
Brandýs Logistic, a.s.*	--	--	112	112	15	--	--
Březiněves, a.s.*	--	--	2	2	2	--	--
Bubenská 1, a.s.	--	--	51	51	59	--	--
Bubny Development, s.r.o.	--	--	7	7	--	--	--
Budaörs Office Park Kft.*	--	--	--	--	20	--	--
BYTY PODKOVA, a.s.**	--	--	--	--	13	--	--
Capellen Invest S.A.	--	--	--	--	690	--	--
Carpenter Invest, a.s.*	--	--	6	6	6	--	--

				Amount due		Value adjustments	
				2017	2016	2017	2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Others	Interest	Total	Total	Total	Total
CB Property Development, a.s.	--	--	180	180	--	--	--
CD Property s.r.o.	--	--	2	2	2	--	--
Conradian, a.s.*	--	--	14	14	14	--	--
CPI - Krásné Březno, a.s.	--	--	3	3	3	--	--
CPI - Orlová, a.s.*	--	--	3	3	3	--	--
CPI - Štupartská, a.s.*	--	--	34	34	6	--	--
CPI Alfa, a.s.	--	--	128	128	--	--	--
CPI Blue, s.r.o.**	--	--	--	--	10	(10)	--
CPI Delta, a.s.*	--	--	15	15	8	--	--
CPI Hotels Properties, a.s.*	--	--	2	2	2	--	--
CPI IMMO	--	--	13	13	--	--	--
CPI Meteor Centre, s.r.o.	--	--	119	119	--	--	--
CPI Národní, s.r.o.	--	--	109	109	--	--	--
CPI Park Žďárek, a.s.*	--	--	6	6	6	--	--
CPI Property Group S.A.**	--	7,861	49	7,910	9	--	--
CPI Reality, a.s.*	--	--	--	--	64	--	--
CPI Retail MB s.r.o.	--	--	89	89	--	--	--
CPI Retail One Kft.	--	--	62	62	--	--	--
CPI Retail Portfolio I, a.s.*	--	--	--	--	5	--	--
CPI Retail Portfolio II, a.s.*	--	--	14	14	4	--	--
CPI Retail Portfolio III, s.r.o.*	--	--	--	--	3	--	--
CPI Retail Portfolio V, s.r.o.*	--	--	3	3	3	--	--
CPI Retail Portfolio VIII s.r.o.*	--	--	38	38	1	--	--
CPI Retails ONE, a.s.*	--	--	14	14	14	--	--
CPI Shopping Teplice, a.s.	--	--	209	209	--	--	--
CPIPG Management S.à r.l.*	--	8	--	8	6	--	--
Czech Property Investments, a.s.*	--	--	52	52	52	--	--
Čáslav Investments, a.s.	--	--	28	28	--	--	--
Český Těšín Property Development, a.s.	--	--	41	41	--	--	--
Data Trade s.r.o.*	--	--	20	20	1	(20)	--
Development Pražská, s.r.o.	--	--	--	--	14	--	--
Diana Property Sp. z o.o.	--	--	31	31	--	--	--
Dienzenhoferovy sady 5, s.r.o.	--	--	77	77	--	--	--
Družstvo Land*	--	--	--	--	6	--	--
Efimacor S.à r.l.**	--	57	--	57	51	(46)	(43)
Endurance Hospitality Asset S.à r.l.*	--	18	--	18	12	--	--
Endurance Hospitality Finance S.à r.l.*	--	18	--	18	12	--	--
Endurance Real Estate Management Company S.A.	--	--	--	--	25	--	--
Estate Grand, s.r.o.	--	--	24	24	20	--	--
Famiaco Enterprises Company Limited	--	--	186	186	175	(186)	(175)

				Amount due		Value adjustments	
				2017	2016	2017	2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Others	Interest	Total	Total	Total	Total
Gamala Limited	54,849	44	198	55,091	--	--	--
Grunt HZ s.r.o.	--	--	--	--	11	--	--
HAGIBOR OFFICE BUILDING, a.s.	--	--	94	94	94	(94)	(94)
Hospitality Invest S.à r.l.*	--	--	--	--	24	--	--
Hraničář, a.s.	--	--	58	58	--	--	--
IGY2 CB, a.s.	--	--	82	82	--	--	--
Janáčkovo nábřeží 15, s.r.o.	--	--	66	66	--	--	--
Jeseník Investments, a.s.	--	--	33	33	--	--	--
JIHOVÝCHODNÍ MĚSTO, a.s.	--	--	320	320	357	--	--
Kerina, a.s.	--	--	71	71	--	--	--
Komárno Property Development, a.s.*	--	--	--	--	5	--	--
Levice Property Development, a.s.*	--	--	--	--	5	--	--
Liptovský Mikuláš Property Development, a.s.*	--	--	--	--	5	--	--
Lockhart, a.s.	--	--	88	88	--	--	--
Lucemburská 46, a.s.	--	--	57	57	--	--	--
Marissa Gama, a.s.	--	--	151	151	--	--	--
Marissa Kappa, a.s.*	--	--	27	27	27	--	--
Marissa Omikrón, a.s.	--	--	61	61	--	--	--
Marissa West, a.s.*	--	--	57	57	57	--	--
Marissa Ypsilon, a.s.	--	--	205	205	--	--	--
MB Property Development, a.s.	--	--	14	14	--	--	--
Michalovce Property Development, a.s.*	--	--	--	--	4	--	--
MMR Russia S.à r.l.*	--	31	--	31	29	--	--
Na Poříčí, a.s.*	--	--	120	120	282	--	--
NOVÁ ZBROJOVKA, s.r.o.	--	--	51	51	2	--	--
Nupaky a.s.	--	--	14	14	12	--	--
OC Nová Zdaboř a.s.	--	--	123	123	--	--	--
OC Spektrum, s.r.o.	--	--	52	52	--	--	--
Office Center Poštová, s.r.o.	--	--	19	19	--	--	--
ORCO Blumentálska a.s.	--	--	715	715	715	(715)	(715)
ORCO PROJECT sp. z o.o.	--	--	2	2	2	(2)	(2)
Outlet Arena Moravia, s.r.o.	--	--	16	16	--	--	--
Ozrics Kft.	--	--	18	18	--	--	--
Pelhřimov Property Development, a.s.	--	--	24	24	--	--	--
Považská Bystrica Property Development, a.s.*	--	--	--	--	6	--	--
Prievidza Property Development, a.s.*	--	--	--	--	5	--	--
Příbor Property Development, s.r.o.	--	--	5	5	--	--	--
Ravento S.à r.l.**	--	14	--	14	8	--	--
Residence Belgická, s.r.o.	--	--	20	20	--	--	--
Residence Izabella, Zrt.	--	--	20	20	--	--	--

				Amount due		Value adjustments	
				2017	2016	2017	2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Others	Interest	Total	Total	Total	Total
REZIDENCE MASARYKOVA 36, s.r.o.	--	--	8	8	--	--	--
Rezidence Pragovka, s.r.o.	52	--	253	305	194	--	--
Spišská Nová Ves Property Development, a.s.*	--	--	--	--	5	--	--
ST Project Limited*	--	3,556	--	3,556	2,129	--	--
Statenice Property Development, a.s.*	--	--	4	4	4	--	--
STRM Alfa, a.s.	--	--	2	2	1	--	--
STRM Beta , a.s.	--	--	9	9	5	--	--
STRM Gama, a.s.	--	--	3	3	1	--	--
Svitavy Property Development, a.s.	--	--	2	2	2	--	--
Telč Property Development a.s.*	--	--	2	2	2	--	--
Tepelná Litvínov, s.r.o.	--	--	5	5	--	--	--
Trutnov Property Development, a.s.	--	--	102	102	--	--	--
Třinec Investments, s.r.o.	--	--	19	19	--	--	--
Třinec Property Development, a.s.	--	--	33	33	--	--	--
Tyršova 6, a.s.	--	--	30	30	--	--	--
U svatého Michala, a.s.*	--	--	8	8	8	--	--
Vigano, a.s.*	--	--	24	24	24	--	--
Vinohrady S.à r.l.	--	--	90	90	90	(90)	(90)
VM Property Development, a.s.*	--	--	--	--	1	--	--
Vyškov Property Development, a.s.	--	--	50	50	--	--	--
Ždírec Property Development	--	--	5	5	--	--	--
Others	--	6	--	6	(3)	--	--
Total	**54,901**	**11,613**	**5,463**	**71,977**	**5,449**	**(1,163)**	**(1,119)**
Value adjustments	--	(56)	(1,107)	(1,163)	(1,119)		
Net value	**54,901**	**11,557**	**4,356**	**70,814**	**4,330**		

(*) Transferrred from Other debtors becoming due and payable within one year - named

(**) Transferrred from Other debtors becoment due and payable within one year – Other & Old various receivables

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.

	2017	2017	2016
	KEUR	KEUR	KEUR
	Receivables	Interest	Total
Uniborc S.A.	--	117	319
Total	**--**	**117**	**319**
Value adjustments	--	--	--
Net value	**--**	**117**	**319**

5.3 Other debtors becoming due and payable within one year

The amounts owed by other debtors becoming due and payable within one year have been considered as impaired as follows:

				Amount due		Value adjustments	
				2017	2016	2017	2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Others	Interest	Total	Total	Total	Total
RUNA KHAN	--	3	--	3	--	--	--
PSJ, a. s.	--	100	--	100	100	(100)	(100)
GRANDHOTEL ZLATÝ LEV a.s.	--	9	--	9	527	--	--
Vojes a.s. (in liquidation)	--	140	--	140	140	(140)	--
Steven Leonard Davis	--	100	--	100	100	(100)	(100)
Madame Tove THYES	--	6	--	6	--	--	--
Bruno Fritsch	--	303	--	303	303	(303)	(303)
Tax authorities	--	463	--	463	402	--	--
Others	--	316	--	316	316	(316)	(298)
Total	**--**	**1,440**	**--**	**1,440**	**1,888**	**(959)**	**(801)**
Value adjustments	--	(959)	--	(959)	(801)		
Net value	**--**	**481**	**--**	**481**	**1,087**		

NOTE 6 - PREPAYMENTS

As of December 31, 2017, the Company recognized a prepayment amounting to KEUR 407 composed of received invoiced in relation to 2018 financial year.

As of December 31, 2016, the Company recognized a prepayment amounting to KEUR 1,007 in relation to the issued notes (see Note 8). The rest amount KEUR 219 consists of office rent and insurance prepayments.

NOTE 7 - CAPITAL AND RESERVES

7.1 Subscribed capital and share premium

The structure of the shareholders as at December 31, 2017 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 December 31, 2017 and 2016 the Board of Directors consists of the following directors:

Mr. Jiri Dedera

Mr. Edward Hughes

Mr. Erik Morgenstern

7.2 Authorized capital not issued

As of December 31, 2017 the subscribed and fully paid-up capital of the Company of EUR 13,145,076.29 (2016: EUR 13,145,076.29) is represented by 1,314,507,629 ordinary shares. The shares of the Company have an accounting par value of EUR 0.01 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.

- 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 1,361,679 2014 Warrants (2016: 1,361,679).

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.

7.4 Movements in capital and reserves

	Subscribed capital	Share premium account	Legal reserve	Profit / loss brought forward	Profit / loss for the financial year	TOTAL
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As at December 31, 2016	**13,145**	**784,670**	**448,132**	**(977,518)**	**(30,251)**	**238,178**
Allocation of previous year result	--	--	--	(30,251)	30,251	--
Profit / loss for the financial year	--	--	--	--	35,449	35,449
As at December 31, 2017	**13,145**	**784,670**	**448,132**	**(1,007,769)**	**35,449**	**273,627**

NOTE 8 - NON CONVERTIBLE LOANS

ISIN	Nominal amount	Number of bonds	Issued price per bond	Maturity date	Nominal interest rate	Listing
XS0820547742	13,488,755	1,514,461	8.90670	November 07, 2019	7.000%	Luxembourg Stock Exchange

On November 7, 2017, the Company redeemed all the notes issued in 2012 (ISIN XS0820547742). Following the redemption, the notes were cancelled.

The terms and conditions of the notes were as follows:

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 S.A. ("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, 2017, the guarantor fees are amounting to KEUR 3,568 (2016: KEUR 3,223) and generated KEUR 334 (2016: KEUR 960) interest expense.

NOTE 9 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

9.1 Amounts owed to affiliated undertakings, becoming due and payable within one year

This position consists of short-term liabilities towards entities as follows:

				2017				2016
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Interest	Others	Total	Principal	Interest	Others	Total
BYTY PODKOVA, a.s.	--	617	--	617	--	554	--	554
CPI - Bor, a.s	2,016	48	--	2,064	--	--	--	--
CPI - Zbraslav, a.s.	2,692	63	--	2,755	--	--	--	--
CPI Epsilon, a.s.	4,676	59	--	4,735	--	--	--	--
CPI Hotels, a.s.	--	--	18,069	18,069	--	--	--	--
CPI Management, s.r.o.	--	--	1	1	--	--	--	--
CPI Property Group S.A.*	--	1,531	15,489	17,020	--	--	256	256
CPI Reality, a.s.	292	10	--	302	--	--	--	--
CPI Retail Portfolio I, a.s.	1,743	22	--	1,765	--	--	--	--
CPI Retail Portfolio II, a.s.	2,997	41	--	3,038	--	--	--	--
CPI Retail Portfolio III, s.r.o.	1,664	21	--	1,685	--	--	--	--
CPI Retail Portfolio IV, s.r.o.	491	12	--	503	--	--	--	--
CPI Retail Portfolio VI, s.r.o.	304	8	--	312	--	--	--	--
CPI Retail Portfolio VII, s.r.o.	435	11	--	446	--	--	--	--
CPI Services, a.s.	--	--	2	2	--	--	--	--
Czech Property Investments, a.s.**	--	24,868	21,962	46,830	--	255	--	255
Český Těšín Property Development, a.s.**	--	--	--	--	1,481	1	--	1,482
Družstvo Land**	142	2	--	144	1,776	4	--	1,780
Endurance Real Estate Management Company S.A.	--	11	--	11	--	24	--	24
FELICIA SHOPPING CENTER SRL	--	--	3	3	--	--	--	--
GSG Europa Beteiligungs GmbH***	--	--	84,034	84,034	--	--	--	--
Industrial Park Stříbro, s.r.o.	--	131	--	131	--	115	--	115
Marissa Théta, a.s.**	--	--	--	--	--	7	--	7
MUXUM, a.s.	3,409	85	583	4,077	--	--	--	--
Nymburk Property Development, a.s.**	6,453	199	--	6,652	6,069	5	--	6,074
OFFICE CENTER HRADČANSKÁ, a.s.**	99	2	--	101	--	1	--	1
Příbor Property Development, s.r.o.**	--	--	--	--	427	--	--	427
ST Project Limited	--	310	--	310	--	--	--	--
Třinec Property Development, a.s.**	--	--	--	--	5,386	4	--	5,390
Others	--	--	2	2	--	--	1	1
Total	**27,413**	**28,051**	**140,145**	**195,609**	**15,139**	**970**	**257**	**16,366**

(*) Transferred from Trade creditors becoming due and payable within one year

(**) Transferred from Other creditors becoming due and payable within one year

*** In November 2017 the Company received an advance of EUR 84 million pursuant to a framework agreement concluded with GSG Europa Beteiligungs GmbH. As of the date hereof the underlying transaction has not materialized.

9.2 Amounts owed to affiliated undertakings, becoming due and payable after more than one year

The amounts owed to affiliated undertakings becoming due and payable within one year have been considered as follows:

Name of the undertaking	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
Industrial Park Stříbro, s.r.o.	6.00%	December 31, 2020	2,336	1,889
BYTY PODKOVA, a.s.	6.00%	December 31, 2020	10,178	9,189
OFFICE CENTER HRADČANSKÁ, a.s.*	6.00%	December 31, 2020	--	92
Czech Property Investments, a.s.*	5.26%	December 31, 2030	552,394	122,505
ST Project Limited	2.13%	December 31, 2030	96,704	--
Endurance Real Estate Management Company S.A.	6.00%	December 31, 2020	114	83
CPI Property Group S.A.	2.47%	October 4, 2024	336,794	--
CPI Property Group S.A.	2.31%	October 4, 2024	127,681	--
Marki Real Estate sp. z o.o. (in liquidation)	6.00%	December 31, 2020	3,475	3,014
Total			**1,129,676**	**136,772**

(*) Transferred from Other creditors becoming due and payable after more than one year

NOTE 10 - OTHER CREDITORS

The other creditors are detailed in the following tables:

10.1 Other creditors becoming due and payable within one year

	2017				2016			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Interest	Other	Total	Principal	Interest	Other	Total
TQE Asset, a.s.	--	--	--	--	--	191	--	191
GRANDHOTEL ZLATÝ LEV a.s.	--	--	--	--	--	1	--	1
Directors - attendance fees	--	--	7	7	--	--	20	20
Others	--	--	2	2	--	--	2	2
Total	**--**	**--**	**9**	**9**	**--**	**192**	**22**	**214**

10.2 Other creditors becoming due and payable after more than one year

This position has been considered as follows:

Name of the undertaking	Int. Rate	Maturity	2017	2016
			KEUR	KEUR
CWM 35 Kft.	6.00%	December 31, 2020	--	28
GRANDHOTEL ZLATÝ LEV a.s.	6.00%	December 31, 2020	--	24
Total			--	**52**

NOTE 11 - NET TURNOVER

Net income mainly includes the Company service provided across the Group or other entities as follows:

	2017	2016
	KEUR	KEUR
Administrative / consulting services	**1,427**	**2,129**
ST Project Limited	1,427	2,129
Domicilation services	**86**	**135**
ENDURANCE HOSPITALITY FINANCE S.à r.l.	6	6
ENDURANCE HOSPITALITY ASSET S.à r.l.	6	6
Capellen Invest S.A.	--	9
CPIPG Management S.à r.l.	6	6
Endurance Real Estate Management Company S.A.	12	12
Hospitality Invest S.a r.l.	12	12
CPI Property Group S.A.	12	12
MMR Russia s.à r.l..	6	6
Others	26	66
Total	**1,513**	**2,264**

NOTE 12 - OTHER OPERATING INCOME

Other operating income is composed as follows:

	2017	2016
	KEUR	KEUR
Sale of Capellen Invest S.A.	3	--
Sale of STRM Delta, a.s.	28	--
Sale of Origo Investment Kft	14	--
Insurance indemnities	31	--
Others	108	--
Total	**184**	**--**

NOTE 13 - OTHER EXTERNAL EXPENSES

Other external expenses are composed as follows:

	2017	2016
	KEUR	KEUR
Rental, maintenance and repairs	185	163
Financial services	28	19
Bank fees	3	42
Professional fees - management fees	--	150
Professional fees - others	793	1,204
Insurance fees	270	234
Advertising, publications, public relations	19	14
Travelling costs	25	99
Others	18	923
Total	**1,341**	**2,848**

NOTE 14 - STAFF COSTS

The Company had six employees in 2017 (2016: 3).

	2017	2016
	KEUR	KEUR
Wages and salaries	281	52
Social security costs	64	62
Total	**345**	**114**

NOTE 15 - VALUE ADJUSTEMENTS IN RESPECT OF CURRENT ASSETS

The value adjustments in respect of current assets are detailed as follows:

	2017	2016
	KEUR	KEUR
Famiaco Enterprises Company Limited	(11)	--
CPI Blue, s.r.o.	(10)	--
Data Trade s.r.o.	(20)	--
HAGIBOR OFFICE BUILDING, a.s.	--	(94)
Vojes a.s. (in liquidation)	(140)	--
Vinohrady s.à r.l.	--	(90)
Váci 190 Projekt Kft.	(18)	--
Others	(19)	--
Total	**(218)**	**(184)**

NOTE 16 - OTHER OPERATING EXPENSES

As of December 31, 2017 , the other operating expenses are composed as follows:

	2017	2016
	KEUR	KEUR
Sale of Development Pražská, s.r.o.	364	--
Sale of STRM Alfa, a.s.	259	--
Sale of ORCO Development	5	--
Disposal of subsidiaries	--	1,031
Directors - attendance fees	36	36
Others	44	26
Total	**708**	**1,093**

NOTE 17 - INCOME FROM PARTICIPATING INTEREST DERIVED FROM AFFILIATED UNDERTAKINGS

During the financial year, the Company has received dividends from following entities:

	2017	2016
	KEUR	KEUR
Oak Mill, a.s.	--	143
ORCO Project Limited	292	--
The Endurance Real Estate Fund FCP	--	20
Endurance Real Estate Management Company S.A.	35	810
Total	**327**	**973**

NOTE 18 - INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

18.1 Derived from affiliated undertakings

In 2017, income derived from affiliated undertakings forming part of the fixed assets is composed as follows:

	2017	2016
	KEUR	KEUR
AIRPORT CITY INGATLANBEFEKTETÉSI Kft.	50	--
Airport City Phase B Kft.	7	--
Andrassy Hotel, Zrt.	22	--
ANDRÁSSY REAL KFT.	75	--
ARENA CORNER INGATLANBEFEKTETÉSI KORLÁTOLT FELELŐSSÉGŰ TÁRSASÁG	378	--
Balvinder, a.s.	198	--
Baudry Beta, a.s.	231	--
Baudry, a.s.	58	--
BAYTON Alfa, a.s.	142	--
BAYTON Gama, a.s.	27	--
Beroun Property Development, a.s.	61	--
Best Properties South, a. s.	1,232	--
Brandýs Logistic, a.s.*	546	15
Brillant 1419. GmbH*	--	1
Brillant 1419. GmbH & Co. Verwaltungs KG*	--	1
Brno Property Development, a.s.	69	--
Březiněves, a.s.*	484	2
Bubenská 1, a.s.**	173	59
Bubny Development, s.r.o.**	7	929
Budaörs Office Park Kft.**	380	20
BYTY PODKOVA, a.s.**	--	6
CAMPONA SHOPPING CENTER KFT.	1,462	--
Camuzzi, a.s.	31	--
Capellen Invest S.A.**	50	690
Carpenter Invest, a.s.*	178	6
CB Property Development, a.s.	1,225	--
CD Property s.r.o.**	60	2
Conradian, a.s.*	419	14
CPI - Krásné Březno, a.s.**	70	3
CPI - Land Development, a.s.**	29	29
CPI - Orlová, a.s.*	69	3
CPI - Real Estate, a.s.	113	--
CPI - Štupartská, a.s.*	157	6
CPI Alfa, a.s.	263	--

	2017	2016
	KEUR	KEUR
CPI Blatiny, s.r.o.	43	--
CPI Delta, a.s.*	235	8
CPI East,s.r.o.	4,000	--
CPI Epsilon, a.s.	41	--
CPI Hotels Properties, a.s.*	68	2
CPI IMMO	13	--
CPI Jihlava Shopping, a.s.	1,115	--
CPI Kappa, s.r.o.	39	--
CPI Meteor Centre, s.r.o.	515	--
CPI Národní, s.r.o.	109	--
CPI Office Prague, s.r.o.	2,575	--
CPI Park Žďárek, a.s.*	145	6
CPI PROPERTY GROUP S.A.*	49	29
CPI Reality, a.s.*	613	64
CPI Retail MB s.r.o.	89	--
CPI Retail One Kft.	62	--
CPI RETAIL PORTFOLIO HOLDING Kft.	751	--
CPI Retail Portfolio I, a.s.*	70	5
CPI Retail Portfolio II, a.s.*	14	4
CPI Retail Portfolio III, s.r.o.*	29	3
CPI Retail Portfolio V, s.r.o.*	50	3
CPI Retail Portfolio VIII s.r.o.*	134	1
CPI Retails ONE, a.s.*	166	14
CPI Retails Rosa s.r.o.	264	--
CPI Retails THREE, a.s.	138	--
CPI Retails TWO, a.s.	69	--
CPI Shopping MB, a.s.	1,009	--
CPI Shopping Teplice, a.s.	1,287	--
Czech Property Investments, a.s.*	2,040	52
Čadca Property Development, s.r.o.	58	--
Čáslav Investments, a.s.	87	--
Český Těšín Property Development, a.s.	52	--
Data Trade s.r.o.*	20	1
Development Pražská, s.r.o.**	21	13
Diana Property Sp. z o.o.**	53	44
Dienzenhoferovy sady 5, s.r.o.	77	--
Družstvo Land*	57	6
EMH South, s.r.o.	432	--
Estate Grand, s.r.o.**	24	20
Famiaco Enterprises Company Limited**	186	175
Farhan, a.s.	1,839	--
FL Property Development, a.s.	11	--

	2017	2016
	KEUR	KEUR
Grunt HZ s.r.o.**	--	7
Hraničář, a.s.	743	--
IGY2 CB, a.s.	497	--
IS NYÍR INGATLANHASZNOSÍTÓ ÉS VAGYONKEZELŐ KFT	53	--
IS ZALA INGATLANKEZELÉSI KFT	209	--
Janáčkovo nábřeží 15, s.r.o.	66	--
Jeseník Investments, a.s.	78	--
JIHOVÝCHODNÍ MĚSTO, a.s.**	320	356
Karviná Property Development, a.s.	34	--
Kerina, a.s.	277	--
KOENIG, s.r.o.	166	--
Komárno Property Development, a.s.*	261	5
LD Praha, a.s.	359	--
Levice Property Development, a.s.*	349	5
Liptovský Mikuláš Property Development, a.s.*	269	5
Lockhart, a.s.	761	--
Lucemburská 46, a.s.	57	--
Malerba, a.s.	9	--
Marissa Gama, a.s.	976	--
Marissa Kappa, a.s.*	643	27
Marissa Omikrón, a.s.	156	--
Marissa Tau, a.s.	495	--
Marissa West, a.s.*	2,536	57
Marissa Yellow, a.s.	873	--
Marissa Ypsilon, a.s.	1,394	--
Marissa, a.s.	87	--
Marki Real Estate sp. z o.o. w likwidacji**	--	441
MB Property Development, a.s.	14	--
Michalovce Property Development, a.s.*	402	4
Modřanská Property, a.s.	27	--
MUXUM, a.s.	260	--
Na Poříčí, a.s.**	500	281
NOVÁ ZBROJOVKA, s.r.o.**	51	270
Nový Projekt CPI, s.r.o.	1,036	--
Nupaky a.s.**	14	12
OC Nová Zdaboř a.s.	123	--
OC Spektrum, s.r.o.	326	--
OFFICE CENTER HRADČANSKÁ, a.s.**	--	115
Office Center Poštová, s.r.o.	120	--
Olomouc City Center, a.s.	611	--
Olomouc Office, a.s.	189	--
Orco Development Kft.**	--	527

	2017	2016
	KEUR	KEUR
Outlet Arena Moravia, s.r.o.	16	--
Ozrics Kft.	18	--
Pelhřimov Property Development, a.s.	109	--
PÓLUS SHOPPING CENTER INGATLANHASZNOSÍTÓ ZRT.	1,755	--
Považská Bystrica Property Development, a.s.*	257	6
Prievidza Property Development, a.s.*	271	5
Projekt Nisa, s.r.o.	2,524	--
Projekt Zlatý Anděl, s.r.o.	3,055	--
Příbor Property Development, s.r.o.	5	--
Residence Belgická, s.r.o.	20	--
Residence Izabella, Zrt.	20	--
REZIDENCE MASARYKOVA 36, s.r.o.	9	--
Rezidence Pragovka, s.r.o.**	233	194
Spišská Nová Ves Property Development, a.s.*	308	5
ST Project Limited	116	--
Statenice Property Development, a.s.*	110	4
Strakonice Property Development, a.s.	2	--
STRM Alfa, a.s.**	2	1
STRM Beta , a.s.**	9	5
STRM Gama, a.s.	3	--
Svitavy Property Alfa, a.s.	397	--
Svitavy Property Development, a.s.**	47	2
SZCZECIN PROJECT sp. z o.o.**	860	281
Telč Property Development a.s.*	28	2
Tepelná Litvínov, s.r.o.	5	--
Trebišov Property Development, s.r.o.	23	--
Trutnov Property Development, a.s.	181	--
Třinec Investments, s.r.o.	34	--
Třinec Property Development, a.s.	33	--
Tyršova 6, a.s.	30	--
U svatého Michala, a.s.*	196	8
Váci 190 projekt Kft.**	--	51
Vigano, a.s.*	728	24
VM Property Development, a.s.*	--	1
Vyškov Property Development, a.s.	150	--
ZLATICO LIMITED	481	--
Ždírec Property Development	45	--
Total	**54,336**	**4,937**

(*) Transferred from Other interest receivable and similar income – other interest and similar financial income

(**) Transferred from Other interest receivable derived from affiliated undertakings

18.2 Other income not derived from affiliated undertakings

	2017	2016
	KEUR	KEUR
VM Property Development, a.s.	3	--
Arkáda Prostějov, s.r.o.	30	--
Uniborc S.A.*	535	455
Others*	1	3
Total	**569**	**458**

(*) Transferred from Other interest receivable and similar income – other interest and similar financial income

NOTE 19 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

19.1 Derived from affiliated undertakings

The other interest receivable and similar income derived from affiliated undertakings is detailed as follows:

				2017	2016
	Interest	FX	Others	Total	KEUR
Balvinder, a.s.	--	14	--	14	--
Baudry Beta, a.s.	--	39	--	39	--
Baudry, a.s.	--	7	--	7	--
Brandýs Logistic, a.s.	--	77	--	77	--
BYTY PODKOVA, a.s.	--	1	--	1	--
CB Property Development, a.s.	--	289	--	289	--
Centrum Olympia Plzeň s.r.o.	--	8	--	8	--
CPI - Land Development, a.s.	--	7	--	7	--
CPI - Real Estate, a.s.	--	3	--	3	--
CPI - Štupartská, a.s.	--	4	--	4	--
CPI Alfa, a.s.	--	22	--	22	--
CPI Delta, a.s.	--	3	--	3	--
CPI East,s.r.o.	--	395	--	395	--
CPI Epsilon, a.s.	--	50	--	50	--
CPI Hotels Properties, a.s.	--	8	--	8	--
CPI Kappa, s.r.o.	--	7	--	7	--
CPI Meteor Centre, s.r.o.	--	151	--	151	--
CPI Národní, s.r.o.	--	2	--	2	--
CPI Office Prague, s.r.o.	--	69	--	69	--
CPI Reality, a.s.	--	161	--	161	--
CPI Retail MB s.r.o.	--	1	--	1	--
CPI Retail Portfolio I, a.s.	--	41	--	41	--
CPI Retail Portfolio III, s.r.o.	--	17	--	17	--
CPI Retail Portfolio VIII s.r.o.	--	15	--	15	--

				2017	2016
	Interest	FX	Others	Total	KEUR
CPI Retails TWO, a.s.	--	13	--	13	--
CPI Shopping MB, a.s.	--	35	--	35	--
CPI Shopping Teplice, a.s.	--	311	--	311	--
Czech Property Investments, a.s.	--	1,754	--	1,754	--
Čáslav Investments, a.s.	--	7	--	7	--
Development Pražská, s.r.o.	--	24	--	24	--
Diana Property Sp. z o.o.	--	14	--	14	--
Družstvo Land	--	36	--	36	--
Efimacor S.à r.l.*	--	--	--	--	3,593
EMH South, s.r.o.	--	23	--	23	--
EMH West, s.r.o.	--	1	--	1	--
Endurance Real Estate Management Company S.A.	--	1	--	1	--
Farhan, a.s.	--	6	--	6	--
Gamala Limited	198	--	--	198	--
Grunt HZ s.r.o.	4	--	--	4	--
Hraničář, a.s.	--	21	--	21	--
IGY2 CB, a.s.	--	64	--	64	--
Jeseník Investments, a.s.	--	12	--	12	--
JIHOVÝCHODNÍ MĚSTO, a.s.	--	14	--	14	--
Kerina, a.s.	--	9	--	9	--
LD Praha, a.s.	--	168	--	168	--
Lockhart, a.s.	--	73	--	73	--
Marissa Gama, a.s.	--	97	--	97	--
Marissa Kappa, a.s.	--	385	--	385	--
Marissa Tau, a.s.	--	4	--	4	--
Marissa Yellow, a.s.	--	92	--	92	--
Marissa Ypsilon, a.s.	--	62	--	62	--
Marissa, a.s.	--	73	--	73	--
Na Poříčí, a.s.	--	161	--	161	--
Nisa OC s.r.o.	--	28	--	28	--
OC Spektrum, s.r.o.	--	15	--	15	--
Olomouc City Center, a.s.	--	4	--	4	--
Pelhřimov Property Development, a.s.	--	7	--	7	--
PFCE Prague investments s.r.o.	--	6	--	6	--
Projekt Nisa, s.r.o.	--	7	--	7	--
Projekt Zlatý Anděl, s.r.o.	--	221	--	221	--
Rezidence Pragovka, s.r.o.	6	--	--	6	--
ST Project Limited	--	60	--	60	--
STRM Delta, a.s.	--	2	--	2	--
Svitavy Property Development, a.s.	--	1	--	1	--
SZCZECIN PROJECT sp. z o.o.	--	4	--	4	--
Trutnov Property Development, a.s.	--	31	--	31	--

				2017	2016
	Interest	FX	Others	Total	KEUR
U svatého Michala, a.s	--	19	--	19	--
Vyškov Property Development, a.s.	--	28	--	28	--
Ždírec Property Development	--	6	--	6	--
Others	--	--	4	4	--
Total	**208**	**5,290**	**4**	**5,502**	**3,593**

(*) Transferred from Other interest receivable and similar income – other interest and similar financial income

19.2 Other interest and similar financial income

Other interest is detailed as follows:

				2017	2016
	Interest	FX	Others	Total	KEUR
Anojthan Enterprises Limited	557	--	--	557	--
Arkáda Prostějov, s.r.o.	--	24	--	24	--
Marc Gilbert International ltd	1,945	--	--	1,945	--
Zelig Holdings Limited	740	367	--	1,107	--
Gain on sales of debt	--	--	--	--	685
Others	--	177	27	204	722
Total	**3,242**	**568**	**27**	**3,836**	**1,407**

NOTE 20 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND INVESTMENTS HELD AS CURRENT ASSETS

The value adjustments in respect of financial assets and investments held as currents assets are detailed as follows:

			2017			2016
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
Brillant 1419. GmbH & Co. Verwaltungs KG	(3)	--	(3)	36	--	36
Bubenská 1, a.s.	2,118	--	2,118	(3,117)	1,842	(1,275)
Bubny Development, s.r.o.	23,383	--	23,383	1,301	--	1,301
Capellen Invest S.A.	--	--	--	--	(1,246)	(1,246)
CEREM S.A.	--	(1)	(1)	--	(2)	(2)
Conradian, a.s.	--	(524)	(524)	--	--	--
CPI Blatiny, s.r.o.	--	(293)	(293)	--	--	--
CPI IMMO	--	(323)	(323)	--	--	--
CPI PROPERTY GROUP S.A.	5,157	--	5,157	(8,375)	--	(8,375)
CPI Retail One Kft.	--	(44)	(44)	--	--	--
CPI Retail Portfolio V, s.r.o.	--	(409)	(409)	--	(715)	(715)

	2017			2016		
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
CPI Retails Rosa s.r.o.	--	(29)	(29)	--	--	--
Data Trade s.r.o.	--	(312)	(312)	--	--	--
Development Doupovská, s.r.o.	(1,188)	(6)	(1,194)	(3)	--	(3)
Development Pražská, s.r.o.	--	209	209	--	(187)	(187)
Dienzenhoferovy sady 5, s.r.o.	--	(664)	(664)	--	--	--
Endurance Real Estate Management Company S.A.	(1)	--	(1)	125	--	125
Famiaco Enterprises Limited	--	(177)	(177)	--	(183)	(183)
Grunt HZ s.r.o.	--	--	--	--	680	680
HAGIBOR OFFICE BUILDING, a.s.	--	--	--	--	(25)	(25)
JIHOVÝCHODNÍ MĚSTO, a.s.	(244)	--	(244)	(59)	--	(59)
Karviná Property Development, a.s.	(3)	--	(3)	--	--	--
Levice Property Development, a.s.	--	986	986	--	(986)	(986)
Liptovský Mikuláš Property Development, a.s.	--	544	544	--	(544)	(544)
Marki Real Estate sp. z o.o. w likwidacji	365	--	365	(14,547)	--	(14,547)
Nupaky a.s.	186	--	186	(16)	--	(16)
Olomouc City Center, a.s.	--	(371)	(371)	--	--	--
ORCO MARINE PLC	--	(1)	(1)	--	--	--
Orco Project Limited	--	--	--	(5)	--	(5)
ORCO PROJECT sp. z o.o.	--	--	--	--	(1)	(1)
Outlet Arena Moravia, s.r.o.	--	(12)	(12)	--	--	--
Rezidence Pragovka, s.r.o.	5,657	--	5,657	510	--	510
SCP CISKEY	(1)	--	(1)	--	--	--
SCP VILLA DE TAHITI	(2)	--	(2)	--	--	--
Spišská Nová Ves Property Development, a.s.	--	(91)	(91)	--	(106)	(106)
Strakonice Property Development, a.s.	(80)	--	(80)	--	--	--
STRM Beta, a.s.	464	--	464	(44)	--	(44)
STRM Gama, a.s.	438	--	438	(43)	--	(43)
Svitavy Property Development, a.s.	(848)	--	(848)	--	--	--
SZCZECIN PROJECT Sp. z o.o.	--	(864)	(864)	--	(305)	(305)
Tepelná Litvínov, s.r.o.	--	(345)	(345)	--	--	--
Uniborc S.A.	--	1,373	1,373	--	--	--
Vinohrady S.à r.l.	--	(13)	(13)	(19)	--	(19)
VM Property Development, a.s.	--	200	200	--	(200)	(200)
Others	--	487	487	--	(1)	(1)
Total	**35,398**	**(680)**	**34,718**	**(24,256)**	**(1,979)**	**(26,235)**

NOTE 21 - INTEREST PAYABLE AND SIMILAR EXPENSES

21.1 Concerning affiliated undertakings

The interest and similar expenses concerning affiliated undertakings are detailed as follows:

	2017			2016		
	Interest	FX	Total in KEUR	Interest	FX	Total in KEUR
Balvinder, a.s.	3	7	10	--	--	--
Baudry, a.s.	--	8	8	--	--	--
BAYTON Gama, a.s.	--	8	8	--	--	--
Beroun Property Development, a.s.	5	44	49	--	--	--
BYTY PODKOVA, a.s.	602	580	1,182	553	--	553
CPI - Bor, a.s	47	106	153	--	--	--
CPI - Zbraslav, a.s.	62	140	202	--	--	--
CPI Epsilon, a.s.	59	78	137	--	--	--
CPI Hotels, a.s.	--	457	457	--	--	--
CPI Národní, s.r.o.	228	499	727	--	--	--
CPI PROPERTY GROUP S.A.*	1,876	--	1,876	535	--	535
CPI Reality, a.s.	10	31	41	--	--	--
CPI Retail MB s.r.o.	54	155	209	--	--	--
CPI Retail Portfolio I, a.s.	22	40	62	--	--	--
CPI Retail Portfolio II, a.s.	40	75	115	--	--	--
CPI Retail Portfolio III, s.r.o.	21	38	59	--	--	--
CPI Retail Portfolio IV, s.r.o.	12	27	39	--	--	--
CPI Retail Portfolio VI, s.r.o.	7	17	24	--	--	--
CPI Retail Portfolio VII, s.r.o.	11	24	35	--	--	--
CWM 35 Kft.	--	--	--	5	--	5
Czech Property Investments, a.s.*	24,126	29,536	53,662	255	--	255
Český Těšín Property Development, a.s.*	5	--	5	1	--	1
Data Trade s.r.o.	--	1	1	--	--	--
Družstvo Land*	23	42	65	4	--	4
Efimacor S.á r.l.	--	3	3	--	--	--
Endurance Real Estate Management Company S.A.*	12	--	12	26	--	26
Hraničář, a.s.	12	28	40	--	--	--
IGY2 CB, a.s.	--	1	1	--	--	--
Industrial Park Stříbro, s.r.o.	127	121	248	115	--	115
Marissa Gama, a.s.	--	70	70	--	--	--
Marissa Kappa, a.s.	--	1	1	--	--	--
Marissa Omikrón, a.s.	--	54	54	--	--	--
Marissa Théta, a.s.*	22	20	42	7	--	7
Marissa West, a.s.	--	7	7	--	--	--
Marissa, a.s.	--	8	8	--	--	--
Marki Real Estate sp. z o.o. w likwidacji	188	172	360	418	--	418
MB Property Development, a.s.	9	25	34	--	--	--
MUXUM, a.s.	85	3	88	--	--	--
Na Poříčí, a.s.	--	47	47	--	--	--
Nymburk Property Development, a.s.*	194	--	194	5	--	5
Oak Mill, a.s.	--	--	--	51	--	51
OC Nová Zdaboř a.s.	37	113	150	--	--	--
OFFICE CENTER HRADČANSKÁ, a.s.*	3	5	8	1	--	1
Příbor Property Development, s.r.o.	12	25	37	--	--	--
ST Project Limited	310	--	310	--	--	--
TQE Asset, a.s.	--	--	--	401	--	401
Třinec Property Development, a.s.*	66	126	192	4	--	4
Others	--	3	3	9	--	9
Total	**28,290**	**32,745**	**61,035**	**2,390**	**--**	**2,390**

(*) Transferred from Interest payable and similar expenses – Other interest and similar financial expenses

21.2 Other interest and similar expenses

The other interest and similar expenses are detailed as follows:

	2017				2016			
	Interest	FX	Others	Total in KEUR	Interest	FX	Others	Total in KEUR
Noteholder_OPG 7 07/11/19 *	803	--	1,006	1,809	8,826	--	--	8,826
Others	--	160	7	167	--	--	27	27
Total	**803**	**160**	**1,013**	**1,976**	**8,826**	**--**	**27**	**8,853**

*Include for KEUR 334 (2016: KEUR 960) of guarantor fees payable to CPI Property Group S.A. (see Note 8).

NOTE 22 - TAX ON PROFIT OR LOSS

The Company is subject to Luxembourg tax income and net wealth tax. As at December 31, 2017, the Company has a receivable in respect of Net wealth tax and Value added tax amounting to KEUR 463 (2016: EUR 402) from the Luxembourg Administration (see Note 5.3).

NOTE 23 - OFF BALANCE SHEET COMMITMENTS

In relation to the strategy of developing its financing activity, the Company signed several Credit Facilities agreements as follows:

- ORCO Property Group S.A. has provided credit facility to following entities and upon following conditions:

Company	Drawdown Limit	Currency
Airport City Ingatlanbefektetési Kft.	10,800,000	EUR
Airport City Phase B Ingatlanbefektetési Kft.	1,600,000	EUR
ANDRÁSSY REÁL KFT.	30,000,000	EUR
Arena Corner Kft	20,000,000	EUR
Arkáda Prostějov s.r.o.	120,000,000	CZK
KOENIG, s.r.o.	4,000,000	EUR
Balvinder, a.s.	130,000,000	CZK
Balvinder, a.s.	200,000,000	CZK
Baudry, a.s.	50,000,000	CZK
Baudry Beta, a.s.	130,000,000	CZK
Baudry Beta, a.s.	12,500,000	EUR
Bayton Alfa a.s.	150,000,000	CZK
Bayton Alfa a.s.	200,000,000	CZK
Bayton Gama a.s.	100,000,000	CZK
Beroun Property Development, a.s.	180,000,000	CZK
Beroun Property Development, a.s.	350,000,000	CZK

Company	Drawdown Limit	Currency
Best Properties South a.s.	500,000,000	CZK
Best Properties South a.s.	800,000,000	CZK
BPT Development a.s.	200,000,000	CZK
Brandýs Logistic, a.s.	500,000,000	CZK
Brandýs Logistic, a.s.	15,000,000	EUR
Březiněves, a.s.	150,000,000	CZK
Březiněves, a.s.	50,000,000	CZK
Brno Property Development a.s.	100,000,000	CZK
Bubenská 1, a.s.	200,000,000	CZK
Bubenská 1, a.s.	127,000,000	CZK
Budaors Office Park	10,000,000	EUR
Čadca Property Development, s.r.o.	6,000,000	EUR
Campona Shopping Center Kft.	30,000,000	EUR
Camuzzi, a.s.	55,000,000	CZK
Carpenter Invest, a.s.	200,000,000	CZK
Čáslav Investments, a.s.	200,000,000	CZK
Čáslav Investments, a.s.	65,000,000	CZK
CB Property Development, a.s.	500,000,000	CZK
CB Property Development, a.s.	34,000,000	EUR
CD Property, a.s.	30,000,000	CZK
CD Property, a.s.	100,000,000	CZK
CPI East, a.s. (merged Centrum Olympia Plzen s.r.o.)	135,300,000	CZK
Český Těšín property Development, a.s.	150,000,000	CZK
Český Těšín property Development, a.s.	130,000,000	CZK
Conradian, a.s.	250,000,000	CZK
CPI - Krásné Březno a.s.	50,000,000	CZK
CPI - Štupartská, a.s.	110,000,000	CZK
CPI - Štupartská, a.s.	120,000,000	CZK
CPI Alfa a.s.	150,000,000	CZK
CPI Alfa a.s.	300,000,000	CZK
CPI Beta a.s.	150,000,000	CZK
CPI Blatiny s.r.o.	100,000,000	CZK
CPI Delta, a.s.	150,000,000	CZK
CPI Delta, a.s.	200,000,000	CZK
CPI East, s.r.o.	1,488,300,000	CZK
CPI Epsilon, a.s.	300,000,000	CZK
CPI Hotels Properties, a.s.	30,000,000	CZK
CPI IMMO	4,000,000	EUR
CPI Jihlava Shopping a.s.	800,000,000	CZK
CPI Jihalva Shopping a.s.	350,000,000	CZK
CPI Kappa s.r.o.	500,000,000	CZK
CPI - Land Development a.s.	400,000,000	CZK

Company	Drawdown Limit	Currency
CPI Meteor Centre, s.r.o.	150,000,000	CZK
CPI Meteor Centre, s.r.o.	18,200,000	EUR
CPI Národní s.r.o.	3,100,000,000	CZK
CPI Nový Projekt s.r.o.	25,000,000	EUR
CPI - Orlová a.s.	50,000,000	CZK
CPI Park Mlýnec, a.s.	25,000,000	CZK
CPI Park Mlýnec, a.s.	25,000,000	CZK
CPI Park Žďárek, a.s.	70,000,000	CZK
CPI Property Group S.A.	60,000,000	EUR
CPI Reality, a.s.	1,000,000,000	CZK
CPI Reality, a.s.	950,000,000	CZK
CPI Retail MB, s.r.o.	355,000,000	CZK
CPI Retail One Kft.	10,000,000	EUR
CPI Retail Portfolio Holding Kft.	30,000,000	EUR
CPI Retail Portfolio I s.r.o.	110,000,000	CZK
CPI Retail Portfolio II s.r.o.	160,000,000	CZK
CPI Retail Portfolio III a.s.	150,000,000	CZK
CPI Retail Portfolio V s.r.o.	80,000,000	CZK
CPI Retail Portfolio VIII s.r.o.	55,000,000	CZK
CPI Retail Portfolio VIII, s.r.o.	105,000,000	CZK
CPI Retails Brandýs, s.r.o.	100,000,000	CZK
CPI Retails ONE a.s.	130,000,000	CZK
CPI Retails ONE a.s.	130,000,000	CZK
CPI Retails ROSA s.r.o.	10,000,000	EUR
CPI Retails Three s.r.o.	40,000,000	EUR
CPI Retails TWO s.r.o.	200,000,000	CZK
CPI Shopping MB, a.s.	450,000,000	CZK
CPI Shopping Teplice, a.s.	500,000,000	CZK
CPI Shopping Teplice, a.s.	36,000,000	EUR
CPI South s.r.o.	5,000,000	CZK
CPI Shopping Teplice a.s.	500,000,000	CZK
CPI Třinec Investments, a.s.	50,000,000	CZK
CPI WEST s.r.o.	10,000,000	CZK
CPI Zbraslav a.s.	300,000,000	CZK
CPI - Real Estate, a.s.	150,000,000	CZK
Czech Property Investments, a.s.	1,000,000,000	CZK
Diana Property Sp. z o.o.	4,000,000	EUR
Dieneznhoferovy sady 5, s.r.o.	8,000,000	EUR
Družstvo Land	80,000,000	CZK
CPI Office Prague s.r.o. (formerly CPI North, s.r.o.)	650,000,000	CZK
EMH South s.r.o.	170,000,000	CZK
CPI Office Prague s.r.o. (merged EMH West s.r.o.)	320,000,000	CZK

Company	Drawdown Limit	Currency
Farhan	800,000,000	CZK
Felicia Shopping Center S.r.l.	1,000,000	CZK
FL Property Development, a.s.	50,000,000	CZK
HD Investments s.r.o.	15,000,000	CZK
Hotel Andrassy Zrt.	4,200,000	EUR
Hraničář, a.s.	500,000,000	CZK
Hraničář, a.s.	195,000,000	CZK
IGY2 CB, a.s.	200,000,000	CZK
IGY2 CB, a.s.	11,000,000	EUR
IS Zala Ingatlankezelési Kft.	30,000,000	EUR
Janáčkovo Nábřeží 15, s.r.o.	6,000,000	EUR
Jeseník Investments, a.s.	150,000,000	CZK
Jeseník Investments, a.s.	150,000,000	CZK
Jeseník Investments, a.s.	70,000,000	CZK
Karviná Property Development a.s.	50,000,000	CZK
Kerina, a.s.	75,000,000	CZK
Kerina, a.s.	200,000,000	CZK
Kolín Centrum a.s.	100,000,000	CZK
Komárno Property Development a.s.	7,000,000	EUR
LD Praha a.s.	100,000,000	CZK
LD Praha a.s.	120,000,000	CZK
Levice Property Development a.s.	7,000,000	EUR
Liptovský Mikuláš Development, a.s.	7,000,000	EUR
Lockhart, a. s.	500,000,000	CZK
Lockhart, a. s.	300,000,000	CZK
Lockhart, a.s.	16,000,000	EUR
Lucemburská 46, a.s.	10,000,000	EUR
Malerba, a.s	10,000,000	CZK
Malerba, a.s	700,000,000	CZK
Marissa Gama a.s.	350,000,000	CZK
Marissa Gama a.s.	1,150,000,000	CZK
Marissa Kappa a.s.	400,000,000	CZK
Marissa Omikrón, a.s.	1,500,000,000	CZK
Marissa Omikrón, a.s.	500,000,000	CZK
Marissa Tau a.s.	189,420,000	CZK
Marissa West a.s.	900,000,000	CZK
Marissa Yellow a.s.	350,000,000	CZK
Marissa Ypsilon a.s.	500,000,000	CZK
Marissa Ypsilon a.s.	900,000,000	CZK
MB Property Development, a.s.	100,000,000	CZK
MB Property Development, a.s.	70,000,000	CZK
Michalovce Property Development a.s.	7,000,000	EUR

Company	Drawdown Limit	Currency
Modřanská Property a.s.	350,000,000	CZK
Muxum a.s.	300,000,000	CZK
Na Poříčí, a.s.	200,000,000	CZK
Na Poříčí, a.s.	780,000,000	CZK
Projekt Nisa, s.r.o. (merged Nisa OC s.r.o.)	811,800,000	CZK
Nyír Ingatlanhasznosító és Vagyonkezelő Kft.	30,000,000	EUR
OC Nová Zdaboř, a. s	100,000,000	CZK
OC Nová Zdaboř, a. s	350,000,000	CZK
OC Spektrum, a.s.	350,000,000	CZK
OC Spektrum, a.s.	179,000,000	CZK
Office Center Hradčanská s.r.o.	200,000,000	CZK
Office Center Poštová, s.r.o.	6,000,000	EUR
Office Center Poštová, s.r.o.	2,800,000	EUR
Olomouc City Center, a.s.	500,000,000	CZK
Olomouc Office, a.s.	250,000,000	CZK
Outlet Arena Moravia, s.r.o.	3,000,000	EUR
Ozrics Kft.	3,700,000	EUR
Pelhřimov Property Development, a.s.	250,000,000	CZK
Pelhřimov Property Development, a.s.	70,000,000	CZK
Projekt Zlatý Anděl, s.r.o. (merged PFCE Prague Invest, s.r.o.)	135,300,000	CZK
Pólus Shopping Center Zrt.	30,000,000	EUR
Považská Bystrica Property Development	7,000,000	EUR
Příbor Property Development, a.s.	35,000,000	CZK
Prievidza Property Development a.s.	7,000,000	EUR
Projekt Nisa, s.r.o.	148,830,000	CZK
Projekt Zlatý Anděl, s.r.o.	1,217,700,000	CZK
Residence Belgická, s.r.o.	3,000,000	EUR
Residence Isabella Kft	3,500,000	EUR
REZIDENCE MASARYKOVA 36, s.r.o.	100,000,000	CZK
REZIDENCE MASARYKOVA 36, s.r.o.	65,000,000	CZK
Spišská Nová Ves Property Development a.s.	7,000,000	EUR
ST Project Limited	20,000,000	EUR
Statenice Property Development a.s.	100,000,000	CZK
Statenice Property Development a.s.	10,000,000	CZK
Svitavy Property Development, a.s.	70,000,000	CZK
Svitavy Property Alfa a.s.	500,000,000	CZK
Telč Property Development a.s.	25,000,000	CZK
Tepelná Litvínov s.r.o.	70,000,000	CZK
Tepelná Litvínov s.r.o.	130,000,000	CZK
Třebišov Property Dvelopment, a.s.	6,000,000	EUR
Třebišov Property Dvelopment, a.s.	5,500,000	EUR

Company	Drawdown Limit	Currency
Třinec Investments, s.r.o.	100,000,000	CZK
Třinec Investments, s.r.o.	70,000,000	CZK
Třinec Property Development, a.s.	150,000,000	CZK
Třinec Property Development, a.s.	180,000,000	CZK
Trutnov Property Development, a.s.	200,000,000	CZK
Trutnov Property Development, a.s.	370,000,000	CZK
Trutnov Property Development, a.s.	5,000,000	CZK
Tyršova 6, a.s	6,000,000	EUR
U Svateho Michala, a.s.	250,000,000	CZK
Vigano a.s.	300,000,000	CZK
VM Property Development a.s.	30,000,000	CZK
Vyškov Property Development, a.s.	500,000,000	CZK
Vyškov Property Development, a.s.	160,000,000	CZK
Ždírec Property Development, a.s.	5,000,000	CZK
Ždírec Property Development, a.s.	200,000,000	CZK
Ždírec Property Development, a.s.	20,000,000	CZK
Zlatico Limited	30,000,000	EUR

- Orco Property Group S.A. has been provided credit facility from following entities with upon conditions:

Company	Drawdown Limit	Currency
Balvinder, a.s.	5,000,000	CZK
BC 30 Property Kft.	12,000,000	EUR
BC 91 Real Estate Kft.	6,000,000	EUR
Beroun Property Development	250,000,000	CZK
CPI – Bor, a.s.	200,000,000	CZK
CPI - Zbraslav, a.s.	250,000,000	CZK
CPI Epsilon, a.s.	250,000,000	CZK
CPI Národní s.r.o.	400,000,000	CZK
CPI Palmovka Office s.r.o.	1,200,000	EUR
CPI Property Group S.A.	350,000,000	EUR
CPI Property Group S.A.	150,000,000	EUR
CPI Reality a.s.	600,000,000	CZK
CPI Retail MB s.r.o.	250,000,000	CZK
CPI Retail Portfolio I, a.s.	150,000,000	CZK
CPI Retail Portfolio II, a.s.	200,000,000	CZK
CPI Retail Portfolio IV, s.r.o.	150,000,000	CZK
CPI Retail Portfolio VI, s.r.o.	100,000,000	CZK
CPI Retail Portfolio VII, s.r.o.	150,000,000	CZK
CPI Reality (merged CPI Retails Brandýs, s.r.o.)	4,000,000	EUR

CPI Retails Portfolio III, s.r.o.	200,000,000	CZK
Družstvo Land	60,000,000	CZK
Hraničář, a.s.	50,000,000	CZK
Komárno Property Development a.s.	4,000,000	EUR
Marissa Yellow a.s.	3,000,000	CZK
MB Property Development a.s.	50,000,000	CZK
MUXUM a.s.	5,000,000	EUR
Nymburk Property Development a.s.	12,000,000	EUR
OC Nová Zdaboř, a. s	250,000,000	CZK
Office Center Hradčanská a.s.	10,000,000	CZK
ST Project Limited	100,000,000	EUR
Trebišov Property Development s.r.o.	5,000,000	EUR
Žďár Property Development, a.s.	50,000,000	CZK

NOTE 24 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board and Audit Committee attendance compensation for the year 2017 amounts to EUR 36,000 (2016: EUR 36,000). 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 25 - RELATED PARTY TRANSACTIONS

Except as elsewhere disclosed in the notes to the annual accounts, as at balance sheet date, the Company had transactions with following entities considered as related parties:

Polma 1 S.A.
Efimacor S.à r.l.
Ravento S.à r.l.
Kosic S.à r.l.

NOTE 26 - 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.

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 the next article.

NOTE 27 - LITIGATIONS

On 20 January 2015 the Company was served with a summons by Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II LP of Delaware, Ktown LP of Delaware (collectively referred to as "Kingstown"), claiming on former shareholders of the Company. The action was filed with the "Tribunal d´Arrondissement de et a Luxembourg" (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 and the litigation, currently being in a procedural stage, is pending.

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.

NOTE 28 - POST BALANCE SHEET EVENTS

There have been no other material post balance sheet events that would require disclosure or adjustment to these annual accounts.