A photograph of a modern glass skyscraper at dusk. The building has multiple floors with large glass windows, some of which are illuminated from within. A golden logo is visible on the upper part of the building. In the foreground, there is a paved plaza with a few people walking. A large, curved, metallic structure is visible on the right side of the image. The text "CONSOLIDATED ANNUAL REPORT 2016" is overlaid in the center of the image.

# CONSOLIDATED ANNUAL REPORT 2016

Czech Property Investments, a.s.

## KEY FIGURES

Czech Property Investments, a.s. (hereinafter referred to as “The Company” or “CPI” and together with its subsidiaries “the Group”).

PERFORMANCE		31-Dec-16	31-Dec-15	Change in %
Gross rental income	MCZK	4 626	4 622	0%
Occupancy*	%	90.9	89.2	--
Gross return	%	5.7	5.9	--
Net rental income	MCZK	4 581	4 674	-2%
Result from operating activities	MCZK	4 501	4 045	11%
Profit before tax	MCZK	2 904	1 580	84%
Interest expense	MCZK	1 869	2 378	-21%
Net profit for the period	MCZK	3 035	956	218%

\* excluding Hotels

ASSETS		31-Dec-16	31-Dec-15	Change in %
Total assets	MCZK	108 949	90 018	21%
Property Portfolio	MCZK	82 455	79 039	4%
Gross leasable area *	sqm	2 186 000	2 111 000	4%
Total number of properties**	No	356	354	1%
Total number of residential units	No	12 386	12 483	-1%
Total number of hotel beds	No	8 988	9 697	-7%
EPRA NAV	MCZK	44 463	41 881	6%

\* excluding Hotels

\*\* excluding Residential properties

FINANCING STRUCTURE		31-Dec-16	31-Dec-15	Change in %
Total equity	MCZK	38 593	33 831	14%
Equity ratio	%	35%	38%	--
Net debt	MCZK	51 542	42 255	22%
Loan to value ratio	%	63%	54%	--

## CONTENTS

<b>KEY FIGURES .....</b>	<b>2</b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>4</b>
<b>2016 HIGHLIGHTS .....</b>	<b>12</b>
<b>MESSAGE FROM THE BOARD OF DIRECTORS .....</b>	<b>14</b>
<b>A CUT ABOVE THE GROUP .....</b>	<b>16</b>
<b>THE GROUP STRUCTURE .....</b>	<b>18</b>
<b>REPORT ON OPERATIONS .....</b>	<b>24</b>
ECONOMIC DEVELOPMENT IN THE CORE COUNTRIES OF THE GROUP .....	24
THE PROPERTY MARKETS IN THE CORE COUNTRIES OF THE GROUP .....	25
<b>PROPERTY PORTFOLIO REPORT .....</b>	<b>28</b>
RETAIL .....	35
OFFICE .....	37
RESIDENTIAL .....	39
INDUSTRY AND LOGISTICS .....	41
HOSPITALITY & HOTELS .....	43
DEVELOPMENT .....	46
LAND BANK .....	48
<b>FINANCING .....</b>	<b>50</b>
<b>RESULTS AND NET ASSETS .....</b>	<b>55</b>
PROFIT OR LOSS STATEMENT .....	55
STATEMENT OF FINANCIAL POSITION .....	58
<b>INFORMATION ON EQUITY .....</b>	<b>60</b>
<b>OUTLOOK .....</b>	<b>62</b>
<b>OTHER .....</b>	<b>63</b>
<b>CORPORATE GOVERNANCE .....</b>	<b>65</b>
<b>PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2016 .....</b>	<b>77</b>
<b>REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR 2016 .....</b>	<b>78</b>
<b>GLOSSARY .....</b>	<b>90</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>92</b>



**KPMG Česká republika Audit, s.r.o.**

Pobřežní 1a  
186 00 Praha 8  
Czech Republic  
+420 222 123 111  
www.kpmg.cz

## **Independent Auditor's Report to the Shareholder of Czech Property Investments, a.s.**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Czech Property Investments, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the consolidated financial statements.

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

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Valuation of investment property (MCZK 67 334) and property, plant and equipment (MCZK 10 135)**

Refer to note 2.2c, 2.2f (accounting policies), 6.2 Investment property and 6.3 Property, plant and equipment

<b>Key Audit Matters</b>	<b>How our audit addressed the key audit matter</b>
<p>Valuation of investment property and property, plant and equipment is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> <li>• the significance of the balance (being 71% of total assets);</li> <li>• the level of judgment required by us to assess the appropriateness of the valuation methodologies and inputs;</li> <li>• the high sensitivity of the valuations to key assumptions applied in deriving at the capitalization rates, discount rates, yields and rents.</li> </ul>	<p>Our audit procedures included testing of the source documentation provided by the Company to the external valuers. This included agreeing a sample of this documentation back to underlying lease data. We involved our internal valuation specialist who assisted us in evaluating methodologies and the assumptions used by the Company, in particular those relating to yields, discount rates, capitalization rates and rents. Further we assessed qualifications, competence and independence of the external valuers used by the Company. We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in estimates. This includes the relationships between the key unobservable inputs and fair values.</p>

#### **The acquisition of CPI Hotels, a.s.**

Refer to note 2.2a (accounting policies) and 3.2 Acquisition

<b>Key Audit Matters</b>	<b>How our audit addressed the key audit matter</b>
<p>During 2016 the Company acquired 100% of shares of CPI Hotels, a.s. for consideration of MCZK 1 219. As a result of this acquisition the Group recognized goodwill of MCZK 1 182. This transaction is a Key Audit Matter due to:</p>	<p>Our audit procedures included inspection of the purchase agreement to understand its key terms and conditions. We evaluated the Company's assessment of the assets and liabilities acquired and the allocation of the purchase consideration to these and to the goodwill. In addition we involved our own internal valuation specialists who assisted us in evaluating the assumptions included in the external valuation report and in the goodwill impairment test as at 31 December 2016, in</p>



Key Audit Matters	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>the size of the acquisition;</li> <li>the significance of the recognized goodwill;</li> <li>the significance of estimates involved.</li> </ul> <p>Accounting for this transaction was complex and judgmental, requiring the Company to determine the fair value of the acquired assets and liabilities.</p>	<p>particular those relating to discount rate and growth rate. We also assessed the adequacy of the Company's disclosures in respect of this business acquisition and related goodwill.</p>

#### **Other Information**

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. 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 individual and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the individual and the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.



***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body 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 statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives 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 an auditor's report 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 above regulations 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 above regulations, we exercise professional judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's 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 auditor's report 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 our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 or 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 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Individual Financial Statements**

### ***Opinion***

We have audited the accompanying individual financial statements of Czech Property Investments, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the unconsolidated statement of financial position as at 31 December 2016, and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

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



### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Individual financial statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these 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 judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Valuation of investment in subsidiaries (MCZK 26 310)**

Refer to note 2.2b, 2.2g (accounting policies) and 3.1 investment in subsidiaries

<b>Key Audit Matters</b>	<b>How our audit addressed the key audit matter</b>
<p>Valuation of investment in subsidiaries is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> <li>the significance of the balance (being 51% of total assets);</li> <li>the level of judgment involved in determining the recoverable amount.</li> </ul> <p>As at the reporting date, these investments are stated at acquisition cost and the Company performs an impairment test. Therefore, the Company carried out an analysis to determine whether the estimated recoverable amount of these investments exceeds their carrying value.</p> <p>Determining the recoverable amounts of investments in subsidiaries requires a number of significant judgements and estimates, especially in respect</p>	<p>Our audit procedures included assessing the Company's assumptions and estimates used to determine the recoverable amount of investments in subsidiaries and any impairment losses recognised. As the substance of the value of investment in subsidiaries is mainly represented by the value of underlying real estate assets we involved our internal valuation specialist who assisted us in evaluating methodologies and the assumptions applied by the Company, including those relating to discount rates and expected cash flows. Further we evaluated whether events that occurred after the balance sheet date up to the date of issuance of the auditor's report do not have significant impact on the estimates and assumptions used in the valuation models. We also evaluated the adequacy of disclosures in respect of this matter.</p>



Key Audit Matters	How our audit addressed the key audit matter
of the future cash flows and the applied discount rate.	

***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Individual Financial Statements***

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

In preparing the financial statements, the statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Individual Financial Statements***

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 above regulations 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 financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's 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 auditor's report to the related disclosures in the individual 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 our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual financial statements 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 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 individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### ***Statutory Auditor Responsible for the Engagement***

Pavel Kliment is the statutory auditor responsible for the audit of the individual and the consolidated financial statements of Czech Property Investments, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague  
28 April 2017

  
KPMG Česká republika Audit, s.r.o.  
Registration number 71

  
Pavel Kliment  
Partner  
Registration number 2145

## 2016 HIGHLIGHTS

### New investment and portfolio news

#### Acquisition of Hotel Operation CPI Hotels

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

#### Acquisition of Mladá Boleslav Shopping Centre

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

#### Acquisition of České Budějovice shopping Centre

In March 2016, the Group acquired Géčko shopping centre in České Budějovice, Czechia. The shopping centre with 11 136 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars.

#### The Group has begun work on the New IGY Centre in České Budějovice

The Group has started the construction of the retail project New IGY Centre in České Budějovice, which involves the upgrade and modernisation of the existing IGY shopping centre and the construction of the new building, IGY2. Investment in the construction of IGY 2 will reach EUR 16 million and the renovation of the current IGY is expected to be an additional EUR 12 million.

#### Sale of Lozorno Logistic Park

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

### Capital market financing

#### EUR 50 million Bonds issue

On 26 February 2016 the subsidiary CPI Finance Slovakia, a.s. issued new bonds with the nominal amount of EUR 1 000 each and the aggregate amount of up to EUR 50 million. The bonds, due in 2020, are registered under ISIN code SK4120011487 and carry a fixed rate coupon of 5.00% p.a. The prospectus, which since has been approved by the National Bank of Slovakia on 22 February, 2016 is available in electronic form at [www.cpifinanceslovakia.sk](http://www.cpifinanceslovakia.sk).

#### EUR 49 million Bonds redeemed

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

#### CZK 5 Billion of CPI Bonds Reissued

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

Amendment of terms of CZK 2 billion of bonds

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

## MESSAGE FROM THE BOARD OF DIRECTORS

Dear Business Partners, Colleagues and Stakeholders,

Despite uncertain macroeconomic fundamentals across Europe I am delighted to report that 2016 saw the company obtain the most impressive results in its history. The Group once again exceeded expectations, driven by our successes in new acquisitions, remarkable deliveries, strong leasing activity alongside the commitment to diversified financing and market leading asset management. By continuing to build upon the appropriate steps and equitable decisions taken over the last few years the company has streamlined and upgraded its expansive property portfolio.

With the current EPRA NAV at CZK 44 billion and a value CZK 82 billion of Property Portfolio we have continued to reinforce the company as the pivotal cornerstone of CPI Property Group and one of the largest representatives of the Central Eastern European real estate market. We achieved a total assets breakthrough of CZK 109 billion with total revenues at all time high exceeding CZK 6 600 million alongside substantial outcomes in financing, with our average cost of debt accomplishing new record lows.

In fact, 2016 has been an extraordinarily eventful year. The Group has been successful in advancing its financing costs and profile achievements contributing to the long-term success of our business. We have concentrated on opportunities for low-cost financing along with lower margins under improved terms while being in a position to take advantage of capital markets with the application of repurchasing higher yielding corporate bonds. The Group will benefit from the reduced average cost of debt in the coming years. The Group conducted major operations in bonds where we have been considerably active, once again proving to be the market leader among real estate companies in the Czech Republic. Last year, the Group repaid CZK 1.3 billion of CPI 6.05/2016 bonds at their maturity and prepaid VAR 2019 EUR bonds. We agreed with holders of VAR 2019 CZK bonds to lower their coupon and extend maturity. Furthermore, we changed the terms and reissued bonds on new terms to the market. The demand from Czech investors was very strong and we managed to place CZK 5 billion. In the diversification effort, we also placed bonds valued at EUR 50 million with primarily Slovak investors. The new funds were used to repay more expensive debts as well as to support our acquisition appetite. The bond financing has become a definitive approach of supporting our business activities and provides an alternative to bank financing which we are proud to offer to our investors.

It has been another positive year of acquisitions, primarily in the expansion of our shopping centre portfolio. Alongside major acquisitions of Bondy and Gěčko shopping centres in Czechia and in March, 2017 we completed one of the region's largest acquisitions - a retail portfolio of 11 shopping centres across Czechia, Hungary, Poland and Romania of the portfolio valued at EUR 650 million. This acquisition doubled the Group's total leasable shopping centre portfolio area to 430 000 sqm. Last but not least, the Group acquired CPI Hotels, which operates the hotel properties of the Group over the entire region.

An essential pillar of our business strategy and the success in the rental arena is due to our long-term, high quality relationships with our tenants. We have managed to acquire a number of new tenants and to renew several key contracts. Additionally, this year has seen a robust improvement in long-term occupancy rates increasing across all regions. In relation to this strong commitment we placed extensive investments into reconstruction and upgrade of our existing property portfolio.

Concerning the Group's development projects, the continuing expansion and refurbishment of IGY Shopping centre in České Budějovice is nearing completion. The project will create new office, industrial and residential spaces within the coming years. Subsequently, we readjusted our development strategy to allow the company to reduce its exposure where we see future potential risk. The strengthening of our vast land bank has further ensured the increase in the value of existing properties. Additionally, the vigilant approach to the construction of build-to-hold commercial properties has been centred on the revitalisation and renovations of our retail, office, hotel and residential portfolio.

Despite a more uncertain interest rate environment in the coming years, the Central European property market fundamentals remain supportive. The economy is growing, the workforce expanding and demand for quality retail and office space remains robust. With new supply limited and vacancy rates near record lows, we expect to secure further leasing contracts generating attractive rental value growth across our portfolio. Our future strategy is to continue growing and provide first-rate rental and property management services. The success of major purchases and financial advancements last year, motivates the company's capacity and operational performance for further expansion in 2017. We continue to target investments in the commercial real estate sector, principally the office and retail divisions, as well as residential, and hotel accommodation.

In finishing, I would like to express my sincere gratitude to our shareholders, business partners and employees all of whom have contributed to the company's success, prosperity and stability and remain committed in driving us to future achievements. Together we look to continue to build upon our strong foundation, momentum and market leadership.

Prague, 28 April 2017



Zdeněk Havelka  
Chairman of the Board of Directors  
Czech Property Investments, a.s.

## A CUT ABOVE THE GROUP

Czech Property Investments, a.s. with its subsidiaries is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central and Eastern European region. It has been operating on the real estate market since the end of 1990s.

The Group is active across all real estate segment in Czechia, Slovakia, Hungary, Poland and Romania. In recent years, the Group has successfully established itself among the leading investors and developers in the domestic real estate market and also expanded within Central and Eastern Europe. Its conservative and responsible approach has laid the foundation for stability and long-term prosperity of the whole Group supported with years of experience and strong financial base.

The Group owns and manages 457 000 sqm of office space; 742 000 sqm of retail space; 26 hotels with over 8 900 beds, 237 000 sqm of space intended for light industry and storage and with over 12 300 apartments, it is the second largest provider of rental housing in Czechia.

The goal of the Group is to develop the potential of its property portfolio, to create a new business opportunities and increase its commercial value. Cooperation with tenants and support of mutual relationships are the key points for its success.

### History of the Group

The beginning of business activities of the Group in the real estate market started in the late 1990s when the Group began to focus on management of movable and immovable property. The Group invested in the purchase of real estate, as well as reconstruction of buildings for commercial use. The early years gave way to a period of great expansion, mainly in the asset value of the Group. This was also reflected in its internal structure and diversification of activities. Property management and rentals maintained the dominant position and acquisition activities had significant impact on increase in the value of assets. During this period, the Group also significantly extended its development activity. It launched and successfully completed several projects in Prague, which were then sold to end customers. Despite a significant suspension of activities on the property market caused by the global financial and economic crisis which started in 2008, the Group managed to complete and successfully sell or open several projects in housing and hotel accommodation segment. During these challenging times, the Group also focused on the consolidation of assets and capital and prepared the ground for future investments.

Year 2010 represents an important milestone in the Group's history. In this year, the Group significantly invested primarily in existing properties and also expanded its activities in other sectors of the real estate industry. Acquisitions affected nearly all segments; the Group significantly expanded its stock of rental housing, expanded in retail, increased the number of office spaces and grew in the hotel industry.

Since 2011, the Group has continued in its acquisition and development activities of the previous years and clearly exceeded them in terms of volume. As a result, the Group's portfolio diversified into all five segments. Top office buildings, important shopping centres, industrial areas and development projects or buildings smaller in terms of area, however equally important in terms of volume, appear among deals closed since this time. In 2012 the Group realised its first public emissions of corporate and project bonds which was met with extreme success and opened the door to another source of the Group's financing.

In 2013, the Group had expanded its activities abroad and extended the Group's portfolio by acquisitions of real estate in Hungary, Poland and Romania.

In 2014, the Group become a part of CPI PROPERTY GROUP, a Luxembourg based *Société Anonyme*. The Combination of CPI PROPERTY GROUP with Czech Property Investments, a.s. created a new major real estate listed player in Central Europe.

In 2015, the Group extended its own portfolio by the acquisition of Hospitality Group, Spa Hotel Pokrovka Residence in Moscow and Marriott Courtyard Hotel in Prague. The Group still continues with investment and extends its portfolio, mainly in the Czech Republic.

During 2016 the Group focused on its retail portfolio continued. Moreover, in August the Group acquired operator of its hotels and became one of the most significant hotel operator in Czechia. The Group also enhanced its development activities.

## **Parent Company**

The parent company of the Group is Czech Property Investments, a.s. (hereinafter also referred to as “the parent company” or “the Company”).

The Company with its registered office at Prague 1, Vladislavova 1390/17, 110 00, IČ (Company Identification Number) 427 16 161, LEI 315700MCSQUE7FLY3J94, was established on 17 December 1991 for an indefinite period of time.

The Company was registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1115. Documents are filed in the collection of documents and in the registered office of the Company.

Contact Information:

Czech Property Investments, a.s.  
Vladislavova 1390/17, Nové Město  
110 00 Prague 1  
Tel: +420 281 082 110  
Fax: +420 281 082 150  
E-mail: [cpi@cpi.cz](mailto:cpi@cpi.cz)  
[www.cpias.cz](http://www.cpias.cz)

Since 1 January 2005, the Company has been reporting its results in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the European Union.

The Company did not create any programs, on the basis of which employees and members of the Board of Directors are allowed to acquire participating securities of the Company, options to such securities or other rights to them under favourable conditions.

## THE GROUP STRUCTURE

The following companies, in which CPI directly or indirectly has a controlling or significant influence, are part of the CPI consolidation unit as of 31 December 2016. CPI is not dependent upon other entities within the Group. Changes in the Group structure during the year 2016 are disclosed in the CPI consolidated financial statements for the year 2016, Note 3.1.

Companies controlled by Czech Property Investments, a.s. - Czechia	Ownership interest (%)
Arkáda Prostějov, s.r.o.	100.00%
Balvinder, a.s.	100.00%
Baudry Beta, a.s.	100.00%
Baudry, a.s.	100.00%
BAYTON Alfa, a.s.	100.00%
BAYTON Gama, a.s.	86.54%
Beroun Property Development, a.s.	100.00%
Best Properties South, a.s.	100.00%
BPT Development, a.s.	100.00%
Brandýs Logistic, a.s.	100.00%
Březiněves, a.s.	100.00%
Carpenter Invest, a.s.	100.00%
CB Property Development, a.s.	100.00%
Conradian, a.s.	100.00%
CPI - Bor, a.s.	100.00%
CPI - Facility, a.s.	100.00%
CPI - Horoměřice, a.s.	86.54%
CPI - Orlová, a.s.	100.00%
CPI - Real Estate, a.s.	100.00%
CPI - Štupartská, a.s.	100.00%
CPI - Zbraslav, a.s.	100.00%
CPI Alfa, a.s.	100.00%
CPI Beta, a.s.	100.00%
CPI BYTY, a.s.	100.00%
CPI Delta, a.s.	100.00%
CPI East, s.r.o.	100.00%
CPI Epsilon, a.s.	100.00%
CPI Flats, a.s.	100.00%
CPI Group, a.s.	100.00%
CPI Heli, s.r.o.	100.00%
CPI Hotels Properties, a.s.	100.00%
CPI Hotels, a.s.	100.00%
CPI Jihlava Shopping, a.s.	100.00%
CPI Lambda, a.s.	100.00%
CPI Management, s.r.o.	100.00%
CPI Meteor Centre, s.r.o.	100.00%
CPI Národní, s.r.o.	100.00%

CPI Palmovka Office, s.r.o.	100.00%
CPI Park Mlýnec, a.s.	100.00%
CPI Park Žďárek, a.s.	99.96%
CPI Property, s.r.o.	100.00%
CPI Reality, a.s.	100.00%
CPI Residential, a.s.	100.00%
CPI Retail MB s.r.o.	100.00%
CPI Retail Portfolio I, a.s.	100.00%
CPI Retail Portfolio II, a.s.	100.00%
CPI Retail Portfolio III, s.r.o.	100.00%
CPI Retail Portfolio IV, s.r.o.	100.00%
CPI Retail Portfolio V, s.r.o.	100.00%
CPI Retail Portfolio VI, s.r.o.	100.00%
CPI Retail Portfolio VII, s.r.o.	100.00%
CPI Retail Portfolio VIII s.r.o.	100.00%
CPI Retails Brandýs, s.r.o.	100.00%
CPI Retails ONE, a.s.	100.00%
CPI Retails Třinec, a.s.	100.00%
CPI Retails TWO, a.s.	100.00%
CPI Rhea, s.r.o.	100.00%
CPI Services, a.s.	100.00%
CPI Shopping MB, a.s.	100.00%
CPI Shopping Teplice, a.s.	100.00%
CPI West, s.r.o.	100.00%
Čáslav Investments, a.s.	100.00%
Český Těšín Property Development, a.s.	100.00%
Dienzenhoferovy sady 5, s.r.o.	100.00%
Družstvo Land	99.96%
EMH North, s.r.o.	100.00%
EMH South, s.r.o.	100.00%
EMH West, s.r.o.	100.00%
Farhan, a.s.	100.00%
FL Property Development, a.s.	100.00%
HD Investment s.r.o.	100.00%
Hotel Lucemburská, s.r.o.	100.00%
Hraničář, a.s.	100.00%
IGY2 CB, a.s.	100.00%
Janáčkovo nábřeží 15, s.r.o.	100.00%
Jeseník Investments, a.s.	100.00%
Jetřichovice Property, a.s.	86.54%
Kerina, a.s.	100.00%
LD Praha, a.s.	100.00%
Lockhart, a.s.	100.00%
Lucemburská 46, a.s.	100.00%
Malerba, a.s.	100.00%

Marissa Gama, a.s.	100.00%
Marissa Kappa, a.s.	100.00%
Marissa Omikrón, a.s.	100.00%
Marissa Tau, a.s.	100.00%
Marissa Théta, a.s.	100.00%
Marissa West, a.s.	100.00%
Marissa Yellow, a.s.	100.00%
Marissa Ypsilon, a.s.	100.00%
Marissa, a.s.	100.00%
MB Property Development, a.s.	100.00%
Modřanská Property, a.s.	100.00%
MUXUM, a.s.	100.00%
Na Poříčí, a.s.	100.00%
Nymburk Property Development, a.s.	100.00%
Obchodní a společenské centrum České Budějovice, s.r.o.	100.00%
OC Nová Zdaboř a.s.	100.00%
OC Spektrum, s.r.o.	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	100.00%
Office Center Purkyňova, a.s.	100.00%
Olomouc City Center, a.s.	100.00%
Olomouc Office, a.s.	100.00%
Pelhřimov Property Development, a.s.	100.00%
Platněřská 10 s.r.o.	100.00%
Projekt Nisa, s.r.o.	100.00%
Projekt Zlatý Anděl, s.r.o.	100.00%
Příbor Property Development, s.r.o.	100.00%
QW Czech, s.r.o.	100.00%
Quadrio Residence, s.r.o.	100.00%
Residence Belgická, s.r.o.	100.00%
Shopinvest a.s.	100.00%
Statenice Property Development, a.s.	100.00%
Svitavy Property Alfa, a.s.	100.00%
Telč Property Development, a.s.	100.00%
Trutnov Property Development, a.s.	100.00%
Třinec Investments, s.r.o.	100.00%
Třinec Property Development, a.s.	100.00%
Týniště Property Development, s.r.o.	100.00%
Tyršova 6, a.s.	100.00%
U svatého Michala, a.s.	100.00%
Vigano, a.s.	100.00%
VM Property Development, a.s.	100.00%
Vyškov Property Development, a.s.	100.00%
Žďár Property Development, a.s.	100.00%
Ždírec Property Development, a.s.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Slovakia</b>	<b>Ownership interest (%)</b>

CPI Facility Slovakia, a.s.	100.00%
CPI Finance Slovakia, a.s.	100.00%
CPI Hotels Slovakia, s.r.o.	100.00%
CPI Retails ROSA s.r.o.	100.00%
CPI Retails THREE, a.s.	100.00%
Čadca Property Development, s.r.o.	100.00%
Komárno Property Development, a.s.	100.00%
Levice Property Development, a.s.	100.00%
Liptovský Mikuláš Property Development, a.s.	100.00%
Michalovce Property Development, a.s.	100.00%
NERONTA, a. s.	100.00%
Office Center Poštová, s.r.o.	100.00%
Považská Bystrica Property Development, a.s.	100.00%
Prievidza Property Development, a.s.	100.00%
Spišská Nová Ves Property Development, a.s.	100.00%
Trebišov Property Development, s. r. o.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Hungary</b>	<b>Ownership interest (%)</b>
Airport City Kft.	100.00%
Airport City Phase B Kft.	100.00%
Arena Corner Kft.	100.00%
BC 30 Property Kft.	100.00%
BC 91 Real Estate Kft.	100.00%
BC 99 Office Park Kft.	100.00%
Budaörs Office Park Kft.	100.00%
Buy-Way Dunakeszi Kft.	100.00%
Buy-Way Soroksár Kft.	100.00%
CPI Hotels Hungary Kft.	100.00%
CPI Hungary Kft.	100.00%
CPI Retail Portfolio Holding Kft.	100.00%
Europeum Kft.	100.00%
First Site Kft.	100.00%
Fogarasi 3 BC Kft.	100.00%
GATEWAY Office Park Kft.	100.00%
GLOBAL INVESTMENT Kft.	100.00%
Hightech Park Kft.	100.00%
Hotel Andrássy Zrt.	100.00%
Insite Kft.	100.00%
Leriegos Kft.	100.00%
M3 BC Kft.	100.00%
New Age Kft.	100.00%
New Field Kft.	100.00%
ORCO Hotel Management Kft.	100.00%
Ozrics, Kft.	100.00%
R40 Real Estate Kft.	100.00%
Residence Izabella, Zrt.	100.00%

Szolgálatóház Kft.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Poland</b>	<b>Ownership interest (%)</b>
"Diana Development" Sp. z o.o.	100.00%
ABLON Sp. z o.o.	100.00%
CENTRAL TOWER 81 Sp. z o.o.	100.00%
CPI HOTELS POLAND Sp. z o.o.	100.00%
CPI Poland Sp. z o.o.	100.00%
GADWALL Sp. z o.o.	100.00%
GARET Investment Sp. z o.o.	100.00%
LE REGINA WARSAW Sp. z o.o.	100.00%
Orco Hotel Development Sp. z o.o.	100.00%
Orco Hotel Project Sp. z o.o.	100.00%
Prosta 69 Sp. z o.o.	100.00%
Tarnów Property Development Sp. z o.o.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Romania</b>	<b>Ownership interest (%)</b>
CPI Romania S.R.L.	100.00%
ES Bucharest Development S.R.L.	100.00%
ES Bucharest Properties S.R.L.	100.00%
ES Hospitality S.R.L.	100.00%
LN Est-Europe Development SRL	100.00%
MH Bucharest Properties S.R.L.	88.00%
Pro Tower Development S.R.L.	100.00%
RSL Est-Europe Properties SRL	100.00%
RSL Real Estate Development S.R.L.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Cyprus</b>	<b>Ownership interest (%)</b>
ALAMONDO LIMITED	100.00%
AVACERO LIMITED	100.00%
AVIDANO LIMITED	100.00%
BREGOVA LIMITED	100.00%
CODIAZELLA LTD	100.00%
CPI CYPRUS LIMITED	100.00%
DERISA LIMITED	100.00%
DORESTO LIMITED	100.00%
GOMENDO LIMITED	100.00%
GORANDA LIMITED	100.00%
ISTAFIA LIMITED	100.00%
JONVERO LIMITED	100.00%
LERIEGOS LIMITED	100.00%
MESARGOSA LIMITED	100.00%
OSMANIA LIMITED	100.00%
PRINGIPO LIMITED	100.00%
SASHKA LIMITED	100.00%
SHAHEDA LIMITED	100.00%
TUNELIA LIMITED	100.00%
VOLANTI LIMITED	100.00%

ZLATICO LIMITED	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Luxembourg</b>	<b>Ownership interest (%)</b>
CPI PG Management, S.à r.l.	100.00%
Endurance Hospitality Asset S.à r.l.	100.00%
Endurance Hospitality Finance S.à r.l.	100.00%
Hospitality Invest S.à r.l.	100.00%
MMR Russia S.à r.l.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - France</b>	<b>Ownership interest (%)</b>
CPI France, aSASU	100.00%
CPI IMMO, S.a.r.l.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Ireland</b>	<b>Ownership interest (%)</b>
CPI Finance Ireland II Limited	100.00%
CPI Finance Ireland III Limited	100.00%
CPI Finance Ireland Limited	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Netherland</b>	<b>Ownership interest (%)</b>
CPI Finance Netherlands B.V.	100.00%
CPI Finance Netherlands II B.V.	100.00%
CPI Finance Netherlands III B.V.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Russia</b>	<b>Ownership interest (%)</b>
Hotel Pokrovka, org. Unit	100.00%
Orco Pokrovka Management o.o.o.	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - Guernsey</b>	<b>Ownership interest (%)</b>
ST Project Limited	100.00%
<b>Companies controlled by Czech Property Investments, a.s. - British Virgin Islands</b>	<b>Ownership interest (%)</b>
CPI FINANCE (BVI) LIMITED	100.00%

## REPORT ON OPERATIONS

### ECONOMIC DEVELOPMENT IN THE CORE COUNTRIES OF THE GROUP

#### Czechia

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

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

#### Hungary

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

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

#### Poland

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

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

## THE PROPERTY MARKETS IN THE CORE COUNTRIES OF THE GROUP

### Czechia

The following data and description for the real estate market in the Czechia are based on a report analysis by JLL and Cushman&Wakefield (unless otherwise stated).

#### Retail Market

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

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

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

#### Office market

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

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

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

#### Residential Market

In Q4 2016, the real estate price index<sup>1</sup> confirmed a sharp increase in prices of residential real estate which already started at the beginning of 2014. Land prices increased by 10.7% y-o-y due to the growing demand. The average market price of land and the flats reached 135.4 and 124.7 (2008 = 100).

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<sup>1</sup> HB index announced by Hypoteční banka

### **Hotel Market**

According to the Czech Office of Statistics, throughout the whole of 2016, Collective Accommodation Establishments (CAE) reported a higher number of overnight stays by 5.5% to some 49 million visitors. In Q4 2016, we witnessed an increase of 8.5% y-o-y of overnight stays in CAE, of which an increase of 8.7% were local residents and 8.3% in foreigners. The total number of arrivals to the Czechia throughout the year increased by 6.9% y-o-y to 18 million. Some 3.9 million guests arrived in CAE in 2016 (+9.8% y-o-y) of which 9.0% were residents and 10.3% were non-residents). The highest number of guests (1.5 million) found accommodation in four-star hotels. This was by 12.0% more than previous year. 1.2 million tourists arrived to three-star hotels, this was by 9.0% more y-o-y. A higher number of foreign guests visited Czechia in 2016 in comparison with 2015. The highest number of foreign guests came from Germany. There were 461 thousand of German guests in the surveyed establishments; it was by 6.8% more than Q4 2015. Second largest group were guests from Slovakia with 157 thousand of arrivals, which was by 8.4% more. Third place was taken by citizens from the UK (+8.2%). The highest demand from Top 10 countries was recorded by guests from China with an increase by 49.1%. Guests from South Korea increased the number of arrivals in Czechia by 35.6% y-o-y. In terms of supply and as reported by the Czech Office of Statistics, by the end of 2015 there were 5 900 hotels and almost 136 000 rooms across Czechia of which 43% of the total were 1-3 star hotels.

### **Hungary**

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

#### **Office market**

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

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

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

#### **Retail market**

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

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

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

## Poland

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

### Office market

Completions in 2016 reached 491 000 sqm, an increase of 34% from the previous year's 370 000 sqm total and a 75% rise on the five-year average (2011-2015), equating to 280 000 sqm. Most new office space was brought to the most mature markets -Kraków with 149 000 sqm delivered, and Wrocław, with 142 000 sqm. The total stock in the eight cities exceeded 3.92 million sqm. Krakow claimed the largest of this volume (916 000 sqm), followed by Wrocław (848 000 sqm).

Total volume of lease transactions concluded in the eight cities reached 585 000 sqm, which is slightly higher than 2015 total (580 000 sqm) and up by 50% on the five-year average (2011-2015), of around 390 000 sqm. As in previous years, the strongest gross take-up in 2016 took place in the two most mature markets -Kraków(188 000 sqm) and Wrocław(120 000 sqm). Volume of lease transactions in each of the eight cities was comparable to 2015 total, illustrating the stability of the regional office markets. Space absorption in Poland rose in 2016, reaching around 380 000 sqm, up by 9% on 2015 total. Each of the regional cities recorded rise in occupied space totals, with the largest values again seen in the mature markets of Kraków (110 000 sqm) and Wrocław (90 000 sqm).

In most of the eight cities the y-o-y vacancy rate change remained within the range of +/-3% . The most significant growth took place in Wrocław (from 8% to 12.5%) and Kraków (from 3.7% to 7.2%). These rises were the result of substantial increases in supply.

Prime headline rents in the regional cities remained stable, at EUR 10-14.5/sqm/month. The highest values were recorded in Kraków, Wrocław and Tri-City.

### Retail Market

In 2016, new retail space supply totalled 460 600 sqm, representing a 30% fall on the previous year, which saw 664 000 sqm added to Poland's floorspace, and down by 30% on the five-year average of 652 000 sqm for the period 2011-2015. Compared to 2015, the total retail stock rose by 3.5%, the lowest ever annual increase in new retail supply. At year-end 2016, Poland's retail stock stood at 13.88 million sqm. 419 shopping centres, providing 10.11 million sqm and accounting for 73% of the country's total stock, continue to dominate the market.

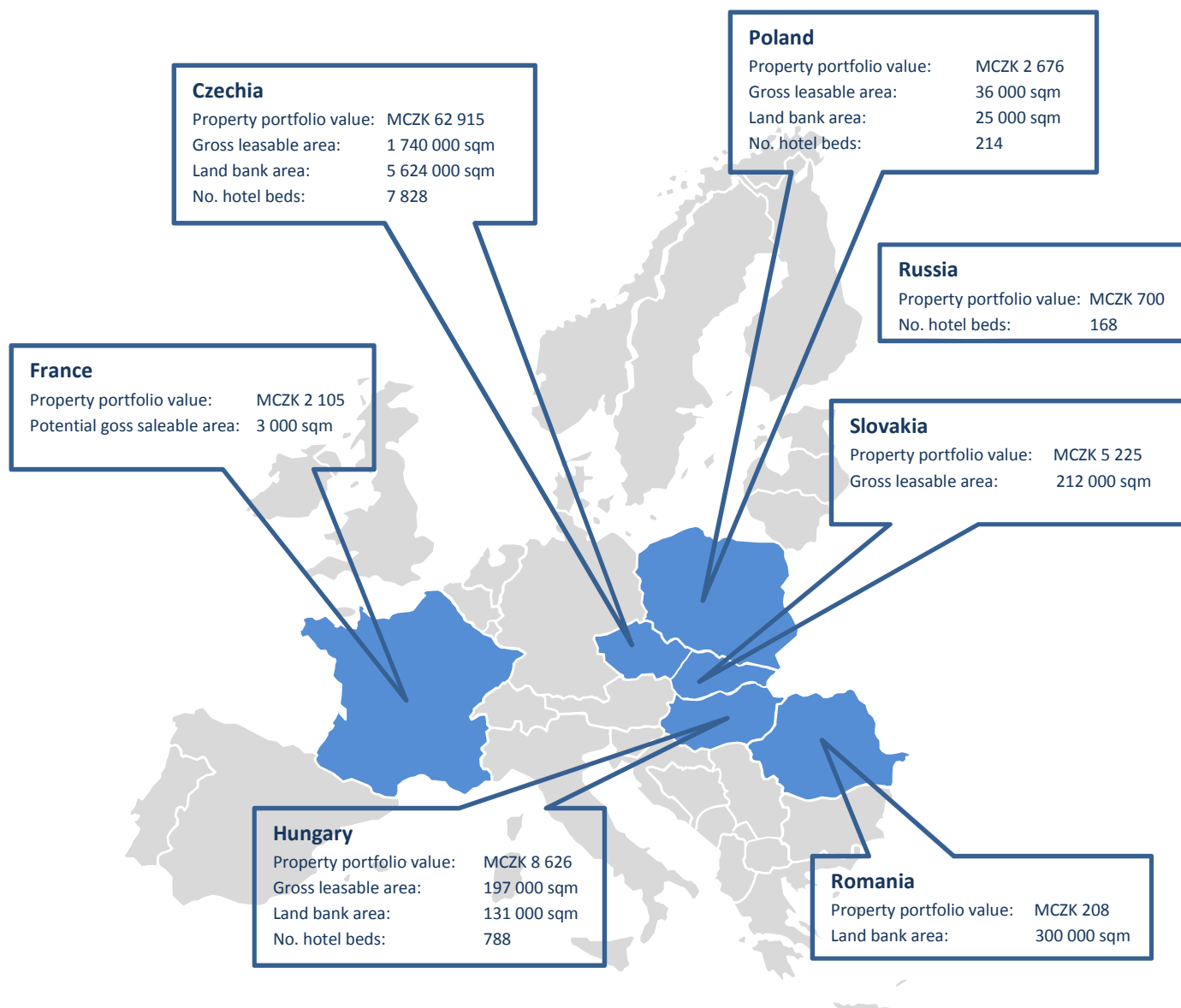
In 2016, demand for retail space came primarily from retailers representing mid-priced sectors, including sports, fashion, and health and beauty, who opened stores both in small-scale retail schemes and in large shopping centres in smaller cities and large agglomerations.

The highest rents stand at EUR 120-140/sqm/month for a prime fashion and accessories unit in Warsaw's best-in-class shopping centres. Other prime retail schemes in the capital city command EUR 100/sqm/month. Rents are much lower in other agglomerations, standing at EUR 40-50/sqm/month.

## PROPERTY PORTFOLIO REPORT

The real estate Group concentrates on long-term investments and the lease of real estate, primarily in the Central European region. The Group activities are focused on rental income generating properties such as retail, office, hotels, residential, industry and logistics or operating own hotels. Additionally, the Group develops office and retail assets for future rental and some residential development for future sale.

Throughout 2016, the Group's property portfolio has been extended by other acquisitions namely of Géčko Shopping Centre in České Budějovice and Bondy Shopping Centre in Mladá Boleslav, both in the Czech Republic. In 2016, the Group commenced to operate all of its hotels properties.



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

- Investment property
- Property, plant and equipment
- Inventories
- Assets held for sale

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

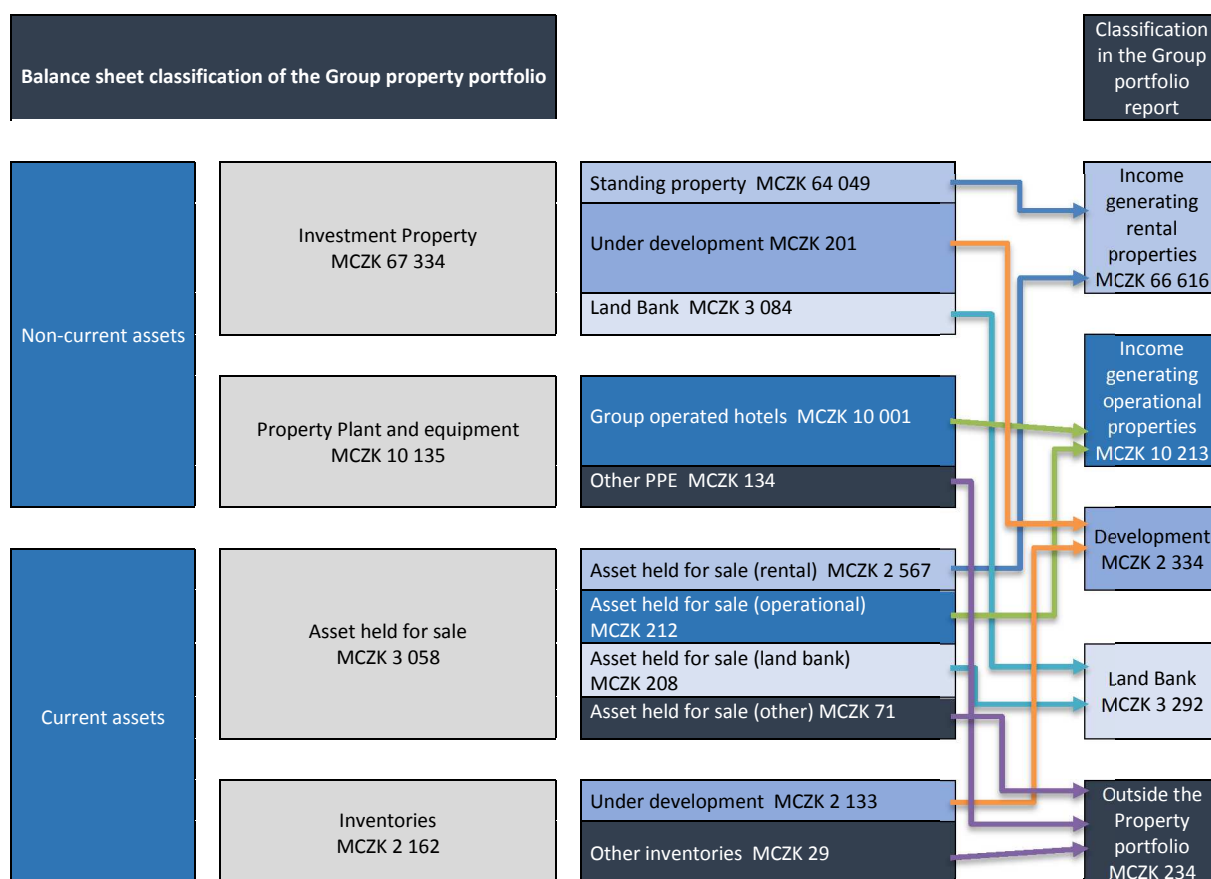
“Property, plant and equipment” includes owner occupied properties comprising of hotels operated by the Group.

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

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

The property portfolio report covers all properties held by the Group, independent of the balance sheet classification. 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 Dec 2016 with the presentation in our portfolio report:

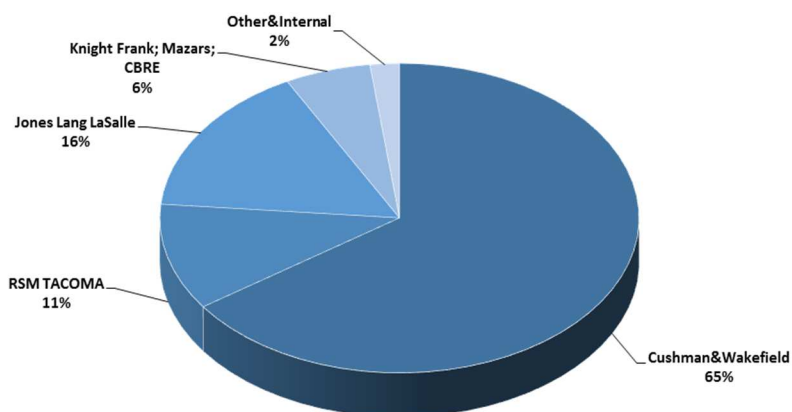


The financial statements of the Group as of 31 December 2016 were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair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

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

- Cushman&Wakefield (further “C&W”). C&W is a one of the leading commercial real estate services company, providing a full range of services to real estate occupiers, developers and investors on a local and international basis. C&W has about 250 offices in 60 countries, employing more than 43 000 professionals;
- RSM TACOMA a.s. (further “TACOMA”). TACOMA is part of the seventh largest network of professional firms RSM International. RSM International operates in 120 countries, has over nearly 760 offices and more than 38 000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll;
- 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 70 000 employees across 280 corporate offices in more than 80 countries and serve the local, regional and global real estate needs of their clients;
- Knight Frank. Knight Frank provides the highest standards of quality and integrity in global residential and commercial property advisory services. Knight Frank has headquartered in London, 411 offices in 59 countries, employing more than 14 000 people and spanning six continents;
- CBRE GmbH (further “CBRE”). CBRE is the world’s largest commercial real estate services and investment firm. CBRE has approximately 70 000 employees (excluding affiliate offices), operating in 400 offices in more than 60 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 operate in 260 offices across the globe and located in 77 countries and draw on the expertise of over 17 000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development;
- other valuers and internal valuations.

Chart 1: Portfolio by valuator



The following tables show the amount of the Group's property portfolio as of 31 December 2016 and 31 December 2015:

PROPERTY PORTFOLIO as at 31 Dec 2016	No of properties *	No of residential units	No of hotel beds	Income generating assets MCZK	Development MCZK	Land Bank MCZK	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czechia	311	12 383	7 828	60 500	326	2 089	62 915	77%	30 685
Hungary	18	--	788	7 731	--	895	8 626	11%	3 743
Slovakia	19	--	--	5 225	--	--	5 225	6%	2 275
Poland	6	--	214	2 576	--	100	2 676	2%	1 531
France	1	3	--	97	2 008	--	2 105	2%	933
Russia	1	0	168	700	--	--	700	1%	--
Romania	--	--	--	--	--	208	208	1%	--
<b>The GROUP</b>	<b>356</b>	<b>12 386</b>	<b>8 998</b>	<b>76 829</b>	<b>2 334</b>	<b>3 292</b>	<b>82 455</b>	<b>100%</b>	<b>39 167</b>

\*excluding Residential units

PROPERTY PORTFOLIO as at 31 Dec 2015	Nº of properties *	No of residential units	No of hotel beds	Income generating assets MCZK	Development MCZK	Land Bank MCZK	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czechia	310	12 480	8 527	54 913	93	4 302	59 308	75%	27 233
Hungary	19	--	788	7 529	--	1 019	8 548	11%	4 101
Slovakia	18	--	--	5 328	--	--	5 328	7%	2 721
Poland	5	--	214	2 443	--	106	2 549	3%	1 455
France	1	3	--	95	2 069	--	2 164	3%	933
Russia	1	--	168	702	--	--	702	1%	--
Romania	--	--	--	--	--	440	440	1%	--
<b>THE GROUP</b>	<b>354</b>	<b>12 483</b>	<b>9 697</b>	<b>71 010</b>	<b>2 162</b>	<b>5 867</b>	<b>79 039</b>	<b>100%</b>	<b>36 443</b>

\*excluding Residential unit

The Group property value total CZK 82 455 million as of 31 Dec 2016 (31 Dec 2015: CZK 79 039 million). As showed in the chart below, 93% of the Group property portfolio value is made of income generating assets of which CZK 66 616 million (87%) are income generating rental properties and CZK 10 213 million (6%) are income generating operational properties. The majority of the income generating assets is located in Czechia with 79% of the total value, followed by Hungary with 10% and Slovakia with 7%.

Chart 2: Property portfolio value 2012 - 2016

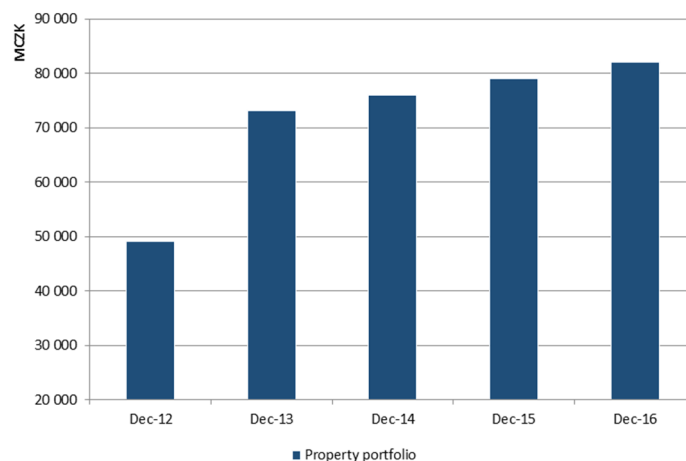


Chart 3: Property portfolio

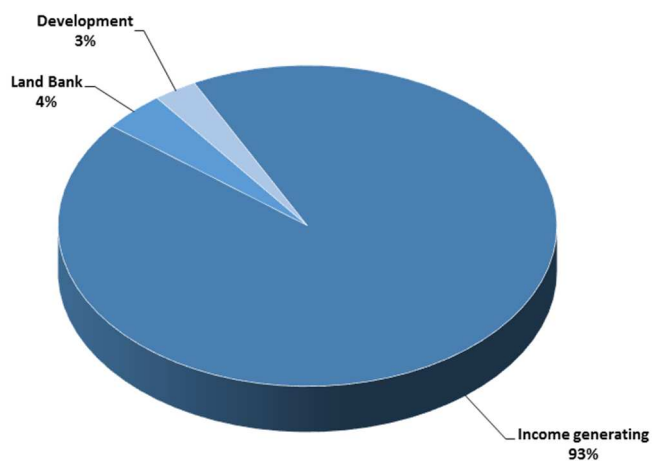
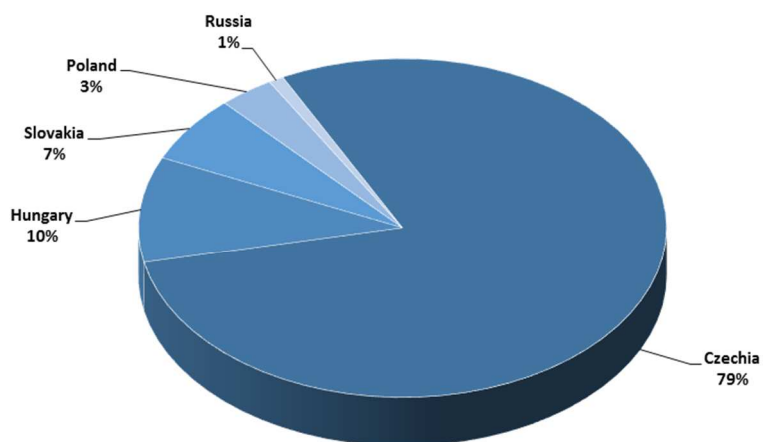


Chart 4: Income generating by country



Total increase of CZK 3 416 million in the portfolio value in 2016 was mainly attributable to the following:

- acquisition of Bondy Centrum in Mladá Boleslav with total value of CZK 1 276 million;
- acquisition of Géčko Shopping Centre in České Budějovice with total value of CZK 698 million;
- acquisition of retail properties across the whole Czechia in amount of CZK 504 million;
- acquisition of office portfolio into the Group with total value of CZK 1 488 million.

## INCOME GENERATING ASSETS

### Income generating rental properties

Income generating rental portfolio of CZK 66 616 million represents the major part of the Group's property portfolio. The Group is renting out a great variety of assets but is primarily focusing on office and retail. These two together represent 83% of the portfolio value and provide about 1 199 000 sqm of lettable area.

INCOME GENERATING RENTAL PROPERTIES 31 Dec 2016	N° of properties **	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy * %	Rental income 31 Dec 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	274	29 174	44%	742	91.7%	1 988	253	4.0	15 297
Office	35	25 650	39%	457	90.4%	1 496	329	2.8	3 058
Industry & logistics	5	3 945	5%	237	95.7%	290	106	2.8	1 958
Residential	0	7 847	12%	750	85.8%	508	64	--	3 129
<b>THE GROUP</b>	<b>314</b>	<b>66 616</b>	<b>100%</b>	<b>2 186</b>	<b>90.9%</b>	<b>4 282</b>	<b>150</b>	<b>3.9</b>	<b>23 442</b>

\*average occupancy rate do not include Hotels

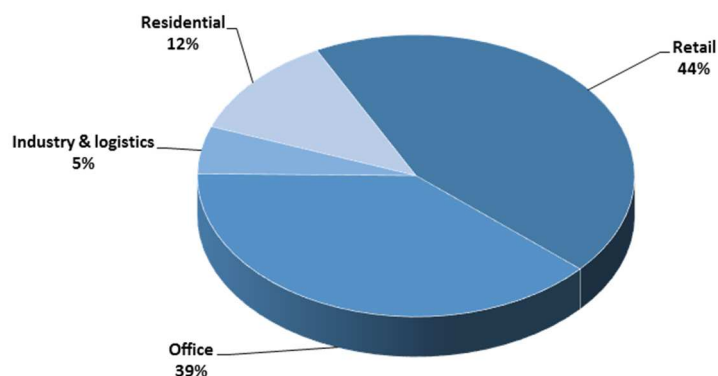
\*\*excluding Residential

INCOME GENERATING RENTAL PROPERTIES 31 Dec 2015	N° of properties **	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy * %	Rental income 31 Dec 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	264	26 062	38%	683	93.9%	1 861	254	4.6	13 184
Office	44	23 976	35%	459	84.6%	1 482	346	4.4	13 143
Industry & logistics	16	3 676	5%	211	94.3%	300	127	4.9	1 898
Hotels	24	8 306	12%	210	100.0%	465	212	12.3	3 635
Residential	--	7 456	11%	758	84.1%	494	66	--	3 029
<b>THE GROUP</b>	<b>348</b>	<b>69 476</b>	<b>100%</b>	<b>2 321</b>	<b>89.2%</b>	<b>4 602</b>	<b>201</b>	<b>5.0</b>	<b>34 889</b>

\*the Group occupancy rate is not inclusive of hotels

\*\*excluding residential properties

Chart 5: Income generating rental by type of segment



## Income generating operational properties

Income generating operational properties currently include segment Hospitality which represents all hotels operated by the Group. In 2016, the Group acquired hotel operator CPI Hotels with 24 hotels situated in Czechia, Slovakia, Poland and Hungary. These hotels had been reported in Hotel segment before the acquisition of operator CPI Hotels.


Due to this acquisition, the Group became both owner and operator of majority of the Group's hospitality portfolio, which led to a change of the classification of these properties as owner-occupied buildings. For more information refer to the Consolidated financial statements.

INCOME GENERATING OPERATIONAL PROPERTIES 31 Dec 2016	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 31 Dec 2016 MCZK	Net hotel income 31 Dec 2016 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Hospitality	26	10 213	100%	8 998	1 238	418	77.4%	1 766	4 236
THE GROUP	26	10 213	100%	8 998	1 238	418	77.4%	1 766	4 236

INCOME GENERATING OPERATIONAL PROPERTIES 31 Dec 2015	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 31 Dec 2015 MCZK	Net hotel income 31 Dec 2015 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Hospitality	3	1 534	100%	958	251	108	75.9%	2 644	675
THE GROUP	3	1 534	100%	958	251	108	75.9%	2 644	675

## RETAIL

Key Figures – December 2016

<b>91.7</b>	<b>%</b>	<b>274</b>	
Occupancy		Number of properties	
<b>1 988 million</b>	<b>CZK</b>	<b>29 174 million</b>	<b>CZK</b>
Rental income 31 Dec 2016		Property value	
<b>742 000</b>	<b>sqm</b>	<b>6.9</b>	<b>%</b>
Gross leasable area		Gross return*	

\*Gross return is based on the annualized 12-months 2016 income

Retail is a very stable category of income generating assets which is highly adaptable to market conditions and economic changes without substantial losses. The Group focuses on mid-sized shopping areas such as retail parks and supermarkets with long-term contracts generating long-lasting income and operates at high occupancy rates. The Group currently owns and manages retail spaces in Czechia, Slovakia, Hungary and Poland.

RETAIL 31 Dec 2016	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	251	24 841	85%	602	93.4%	1 679	262	3.9	13 304
Slovakia	17	2 773	10%	90	81.3%	193	219	6.5	1 040
Hungary	4	986	3%	40	87.7%	70	156	4.1	589
Poland	2	574	2%	10	95.2%	46	381	3.1	363
<b>THE GROUP</b>	<b>274</b>	<b>29 174</b>	<b>100%</b>	<b>742</b>	<b>91.7%</b>	<b>1 988</b>	<b>253</b>	<b>4.0</b>	<b>15 296</b>

RETAIL 31 Dec 2015	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	243	21 766	84%	553	92.9%	1 492	257	4.7	10 715
Slovakia	16	2 825	11%	83	99.9%	251	254	5.0	1 416
Hungary	4	958	4%	39	94.2%	73	171	2.5	724
Poland	1	513	2%	8	94.3%	45	414	1.8	329
<b>THE GROUP</b>	<b>264</b>	<b>26 062</b>	<b>100%</b>	<b>683</b>	<b>93.9%</b>	<b>1 861</b>	<b>254</b>	<b>4.6</b>	<b>13 184</b>

The portfolio constantly maintains a high occupancy rate of well above 90%. Retail property in core Czech market keeps raising its occupancy rates which reflects very good macroeconomic environment and retail market stability which in turn increase the confidence and interest of international retail brands. Slovak portfolio performance was temporarily hit by exit of TERNO brand but overall performance of Slovak assets is gradually getting back towards standard vacancy rates

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

- Retail warehouse which comprise supermarkets, hypermarkets, hobby markets and retail parks of about 421 000 sqm of leasable area;
- Shopping centres and galleries of about 202 000 sqm of leasable area;
- Special properties (OTHER) which provide about 119 000 sqm of leasable area.

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

In 2016 the Group continued the expansion of the retail segment. The Group acquired Géčko shopping centre in České Budějovice, Czechia. The shopping centre with 11 136 sqm of leasable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The acquisition, structured as a share transaction, was completed in March 2016.


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

Picture 1: [Bondy Centre, Mladá Boleslav](#)



## OFFICE

Key Figures – December 2016

<b>90.4</b> %	<b>35</b> 
Occupancy	Number of properties
<b>1 496 million</b> CZK	<b>25 650 million</b> CZK
Rental income 31 Dec 2016	Property value
<b>457 000</b> sq. m.	<b>5.9</b> %
Gross leasable area	Gross return*

\* Gross return is based on the annualized 12-months 2016 income

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

OFFICE 31 Dec 2016	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	26	19 024	74%	308	96.1%	1 066	323	4.2	10 618
Hungary	6	4 966	19%	119	77.2%	320	321	3.3	2 155
Poland	2	1 465	6%	26	87.7%	100	436	1.5	819
Slovakia	1	195	1%	4	61.0%	10	328	1.5	84
<b>THE GROUP</b>	<b>35</b>	<b>25 650</b>	<b>100%</b>	<b>457</b>	<b>90.4%</b>	<b>1 496</b>	<b>329</b>	<b>2.8</b>	<b>13 676</b>

OFFICE 31 Dec 2015	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	33	17 309	72%	293	91.6%	1 036	314	5.2	9 866
Slovakia	1	235	1%	4	65.3%	12	364	2.4	89
Hungary	8	5 102	21%	136	70.3%	334	324	2.7	2 439
Poland	2	1 330	6%	26	84.1%	100	834	3.4	749
<b>THE GROUP</b>	<b>44</b>	<b>23 976</b>	<b>100%</b>	<b>459</b>	<b>84.6%</b>	<b>1 482</b>	<b>346</b>	<b>4.4</b>	<b>13 143</b>

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

The most notable acquisitions are 3 office properties in the centre of Prague, Czechia with total value of CZK 1 756 million.

In addition to the extension of the portfolio, the Group has entered into many new rental contracts with the tenants and extended a number of current rental contracts. There was an extension of contracts with tenants such as Citibank or Magyar Posta in Hungary.

Among other properties, the Office portfolio includes:

#### **Quadrio, Prague, Czechia**

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



#### **Central Tower, Warsaw, Poland**

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



#### **Arena Corner, Budapest, Hungary**

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




#### **Luxembourg Plaza, Prague, Czechia**

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



## RESIDENTIAL

Key Figures – December 2016

<b>85.9</b>	<b>%</b>	<b>12 386</b>	
Occupancy		Number of residential units	
<b>508 million</b>	<b>CZK</b>	<b>7 847 million</b>	<b>CZK</b>
Rental income 31 Dec 2016		Property value	
<b>750 000</b>	<b>sqm</b>	<b>6.5</b>	<b>%</b>
Gross leasable area		Gross return*	

\* Gross return is based on the annualized 12-months 2016 income

The Group is a significant player in the Czech residential housing market holding the position of the second largest provider of the rental housing. The existing housing stock of the Group includes 12 386 rental flats in 15 cities of the Czechia, principally concentrated in the North Moravia and Central Bohemia regions. The rental housing portfolio is managed under the brand CPI BYTY, a.s.

The residential strategy continues to be the long-term rent of its portfolio supported through client's centre networks and skilled professionals employed by the company. In all cities where CPI BYTY operates, an internal property and sales department is located. Investment expenditures for current year are planned for reconstruction of local heat energy distribution which will have a further positive effect on the standard of living of our tenants.

RESIDENTIAL 31 Dec 2016	N° of residential units	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2016 MCZK	Rent per sqm CZK	Churn rate %	Outstanding financing MCZK
Czechia - Prague	484	1 423	13%	34	89%	47	117	4.3%	3 034
Czechia - other	11 899	6 327	60%	716	86%	459	61	10.5%	
France	3	97	27%	0.17	100%	2	1 088	0.0%	95
<b>THE GROUP</b>	<b>12 386</b>	<b>7 847</b>	<b>100%</b>	<b>750</b>	<b>85.9%</b>	<b>508</b>	<b>64</b>	<b>9.9%</b>	<b>3 129</b>


RESIDENTIAL 31 Dec 2015	N° of residential units	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2015 MCZK	Rent per sqm CZK	Churn rate %	Outstanding financing MCZK
Czechia - Prague	500	1 170	16%	31	98%	52	133	10.4%	2 934
Czechia - other	11 980	6 191	83%	727	83%	440	62	10.7%	
France	3	95	1%	0	100%	2	1 121	0.0%	95
<b>THE GROUP</b>	<b>12 483</b>	<b>7 456</b>	<b>100%</b>	<b>758</b>	<b>83.2%</b>	<b>494</b>	<b>66</b>	<b>10.7%</b>	<b>3 029</b>

Picture 2: CPI Byty



## INDUSTRY AND LOGISTICS

Key Figures – December 2016

<b>95.7</b> %	<b>17</b> 
Occupancy	Number of properties
<b>291 million</b> CZK	<b>3 621 million</b> CZK
Rental income 31 Dec 2016	Property value
<b>237 000</b> sqm	<b>8.0</b> %
Gross leasable area	Gross return*

\* Gross return is based on the annualized 12-months 2016 income

The Group currently owns 237 000 sqm of rental space and manages 17 objects used for light industrial production, including the Continental Logistics Park in the Czechia, as well as the Airport City Logistics Park in Hungary.

INDUSTRY AND LOGISTICS 31 Dec 2016	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2016 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	12	1 083	30%	80	92.8%	80	92	2.3	542
Hungary	4	605	17%	38	91.2%	39	106	5.1	265
Slovakia	1	2 257	53%	119	99.0%	172	114	4.2	1 151
<b>The GROUP</b>	<b>17</b>	<b>3 945</b>	<b>100%</b>	<b>237</b>	<b>95.7%</b>	<b>291</b>	<b>106</b>	<b>4.0</b>	<b>1 958</b>

INDUSTRY AND LOGISTIC 31 Dec 2015	N° of properties	Carrying value MCZK	Carrying value %	GLA thds. sqm	Occupancy %	Rental income 31 Dec 2015 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czechia	12	970	26%	65	90.1%	88	129	4.4	493
Hungary	3	438	12%	27	86.5%	37	135	5.8	189
Slovakia	1	2 268	62%	119	98.3%	175	125	4.7	1 216
<b>THE GROUP</b>	<b>16</b>	<b>3 676</b>	<b>100%</b>	<b>211</b>	<b>94.3%</b>	<b>300</b>	<b>127</b>	<b>4.9</b>	<b>1 898</b>

In addition, a new production hall has been completed in Brandýs, Czechia which enables our tenant Continental to expand its production and optimize its logistic processes. This segment retains a relatively high occupancy at 95.7% which is slightly higher than December 2015 (94.3%).

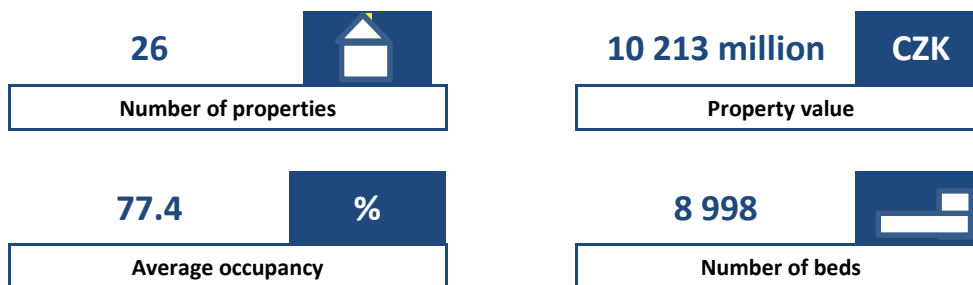
The portfolio is financed by bank loans and a lease of CZK 1 958 million in total (2015: CZK 1 898 million).

Picture 3: Industrial Area Brandýs nad Labem



## HOSPITALITY & HOTELS

Key Figures – December 2016



The Group is one of the largest Czech owners and developers of hotels. The hotel portfolio has grown up and currently includes 26 hotels which it are operated by the Group. The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five stars category. These hotels are located in capitals and main cities of Czechia, Hungary and Poland. The flagship of the Group is a network of four-stars Clarion hotels aimed at the corporate and congress clientele.

HOSPITALITY & HOTELS 31 Dec 2016	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 31 Dec 2016 MCZK	Net hotel income 31 Dec 2016 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Czechia	19	7 803	76%	7 828	858	275	63.5%	1 474	3 186
Hungary	4	1 173	11%	788	209	75	82.4%	1 923	700
Russia	1	700	7%	168	103	41	78.8%	3 823	--
Poland	2	537	6%	214	68	27	84.7%	2 842	350
<b>THE GROUP</b>	<b>26</b>	<b>10 213</b>	<b>100%</b>	<b>8 998</b>	<b>1 238</b>	<b>418</b>	<b>77.4%</b>	<b>1 766</b>	<b>4 236</b>

HOSPITALITY & HOTELS 31 Dec 2015	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 31 Dec 2015 MCZK	Net hotel income 31 Dec 2015 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Czechia	20	7 509	76%	8 527	62	24	75.0%	1 746	3 224
Hungary	4	1 030	11%	788	134	45	74.8%	1 574	709
Russia	1	702	7%	168	55	39	78.0%	4 611	--
Poland	2	599	6%	214	12	5	84.7%	2 621	377
<b>THE GROUP</b>	<b>27</b>	<b>9 840</b>	<b>100%</b>	<b>9 697</b>	<b>263</b>	<b>113</b>	<b>78.2%</b>	<b>2 638</b>	<b>4 310</b>

Among the major HOSPITALITY & HOTELS portfolio belongs:

#### **Spa Hotel Pokrovka Residence Moscow**

Spa Hotel Pokrovka Residence Moscow, located in historic downtown is offering some of the most spacious accommodation in the Russian capital. The boutique hotel has 84 bedrooms and is a combination of modern design and warmth, unique amongst the luxury hotels in Moscow.



#### **Marriott Courtyard Hotel Prague**

Marriott Courtyard Hotel Prague, is one of few Prague hotels located in the fashionable Vinohrady area very close to the centre. Perfect for business travel or a relaxing weekend, the hotel offers 161 rooms and 4 meeting rooms with 325 square metres of conference space.



#### **Marriott Courtyard Hotel Budapest**

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



#### **Mamaison Hotel Riverside Prague**

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



#### **Imperial Hotel Ostrava**

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



### **Mamaison Residence Belgická Prague**

Opened in 2002, the Residence Belgicka is situated in the heart of Prague's trendy Vinohrady District, within walking distance to Metro Station (500 meters). Residence Belgicka was designed in a Feng-Shui style. Surrounded by parks, historic gardens and churches, Residence Belgicka is located within a residential section of Prague 2. The Hotel includes 30 rooms (24 suites and 6 business studios), breakfast room, one meeting room for up to 10 people, fitness centre, sauna and billiard room.



### **Clarion Congress Hotel Prague**

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



### **Mamaison Hotel Andrássy Budapest**

Mamaison Hotel Andrássy Budapest, one of the most exclusive Budapest boutique hotels is conveniently close to the city's business, government and tourist districts. Uniquely designed in Bauhaus style, it offers superior accommodation with 68 rooms.



### **Mamaison Hotel Le Regina Warsaw**

Mamaison Hotel Le Regina Hotel Warsaw, a boutique hotel expertly blends historic charm with a modern, chic interior design. The hotel offers excellent facilities, comfortable surroundings and top-class accommodation in 61 rooms. Set within the historic Mokrowski Palace, the hotel is not far away from the city's central train station and airport.



## DEVELOPMENT

Key Figures – December 2016

<b>7 000</b>	<b>sqm</b>	<b>201 million</b>	<b>CZK</b>
Potential gross leasable area		Development for rental	
<b>3 000</b>	<b>sqm</b>	<b>2 133 million</b>	<b>CZK</b>
Potential gross saleable area		Development for sale	

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

DEVELOPMENT 31 Dec 2016	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czechia	3	7	--	201	125	100%	5%	1 123
France	1	--	3	--	2 008	--	95%	--
<b>THE GROUP</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>201</b>	<b>2 133</b>	<b>100%</b>	<b>100%</b>	<b>1 123</b>

DEVELOPMENT 31 Dec 2015	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czechia	2	7	--	76	17	100%	1%	614
France	1	--	3	--	2 069	--	99%	6
<b>THE GROUP</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>76</b>	<b>2 086</b>	<b>100%</b>	<b>100%</b>	<b>620</b>

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

DEVELOPMENT financing 31 Dec 2016	Bank loans MCZK	Other external financing MCZK	Internal financing MCZK	Total MCZK
Czechia	--	--	114	114
France	838	--	1 359	2 197
<b>THE GROUP</b>	<b>838</b>	<b>--</b>	<b>1 473</b>	<b>2 311</b>

DEVELOPMENT financing 31 Dec 2015	Bank loans MCZK	Other external financing MCZK	Internal financing MCZK	Total MCZK
Czechia	--	--	50	50
France	838	--	1 216	2 054
<b>THE GROUP</b>	<b>838</b>	<b>--</b>	<b>1 266</b>	<b>2 104</b>

Development projects are financed by external financing of CZK 838 million as well as by internal financing of CZK 1 473 million.

The largest focus is on the completion of current development projects – the reconstruction of the existing IGY shopping centre in České Budějovice alongside the construction of the new building IGY2.

The extension of the IGY shopping centre is one of only three similar development projects to be delivered on the Czech market in 2017. The purpose of reconstruction is to bring a wider range of services, shops and entertainment with the most modern technologies including a nine screen multi-plex cinema for our tenants customers. Refurbishment of the current phase will deliver a unique building façade, refurbishment of the interiors, food court relocation, clear navigation system and modern furniture. New IGY (IGY 1 + IGY 2) with a total leasable area of 29 000 sqm will become the largest and most dominant shopping centre in České Budějovice and the South-Bohemian region. Development finalisation is planned at the end of 2017.

Palais Maeterlinck represents the first foreign development project of the Group. This former home of Belgian poet Maurice Maeterlinck is located on the Cote d’Azur which is one of the most popular locations on the French Riviera. The total area comprises of approximately 6 000 sqm of residential area and 3 hectares of land. Reconstruction enabled the creation of luxurious apartments, which are intended for sale.

Picture 4: IGY Centrum, České Budějovice



## LAND BANK

Key Figures – December 2016

<b>6 080 million</b>	<b>sqm</b>	<b>3 292 million</b>	<b>CZK</b>
Total area		Property value	

The Land bank portfolio consists of land properties acquired and held by the Group for future development.

LAND BANK 31 Dec 2016	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czechia	5 624	978	4 646	2 089	63%	--
Hungary	131	131	--	895	27%	34
Poland	25	--	25	100	3%	--
Romania	300	266	34	208	6%	--
<b>THE GROUP</b>	<b>6 080</b>	<b>1 375</b>	<b>4 705</b>	<b>3 292</b>	<b>100%</b>	<b>34</b>

LAND BANK 31 Dec 2015	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czechia	17 397	1 147	16 250	4 302	73%	--
Hungary	168	168	--	1 019	17%	41
Poland	25	--	25	106	2%	--
Romania	302	268	34	440	7%	--
<b>THE GROUP</b>	<b>17 892</b>	<b>1 583</b>	<b>16 309</b>	<b>5 867</b>	<b>100%</b>	<b>41</b>

Land bank is comprised of an extensive portfolio of land plots throughout Czechia, as well as in Hungary, Poland and Romania. 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 23% are with zoning (9% December 2015).

The Group sold 11 743 000 sqm of land bank representing selected projects in Czechia, Hungary and Romania, which did not fit to the corporate business strategy.

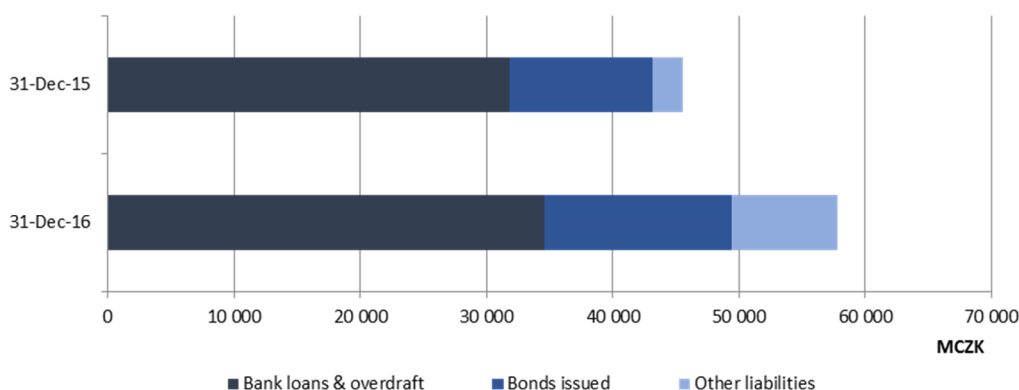
Picture 5: CPI Park Žďárek (visualization)



## FINANCING

External financing totals CZK 57 779 million as of 31 December 2016 (31 Dec 2015: CZK 45 521 million) and costs of financing total CZK 1 926 million (2015: CZK 2 466 million). The structure of external financing remained at similar level compared to 31 December 2015 and bank loans and bonds represented 86% of the Group's external financing (31 Dec 2015: 95%).

Chart 6: Structure of external financing

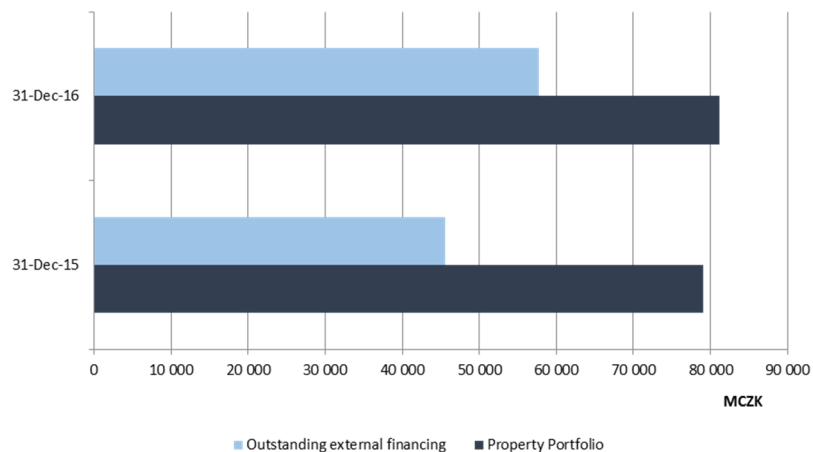


The Group continues to focus on establishing the most effective structure of sources of external financing alongside successful management of the property portfolio. The share of net debt on property value increased from 53.3% to 63.0% as showed in the table and graph below:

Loan – to – value (MCZK)*	31-Dec-16	31-Dec-15
Financial debts (non-current)	33 978	26 392
Financial debts (current)	7 829	7 882
Bonds issued (non-current)	13 533	9 794
Bonds issued (current)	1 289	1 454
Liabilities linked to assets available for sale	1 150	80
Cash and cash equivalents	6 237	3 347
<b>Net debt</b>	<b>51 542</b>	<b>42 225</b>
<b>Property Portfolio</b>	<b>84 455</b>	<b>79 039</b>
<b>Loan to value ratio in %</b>	<b>62.5%</b>	<b>53.5%</b>

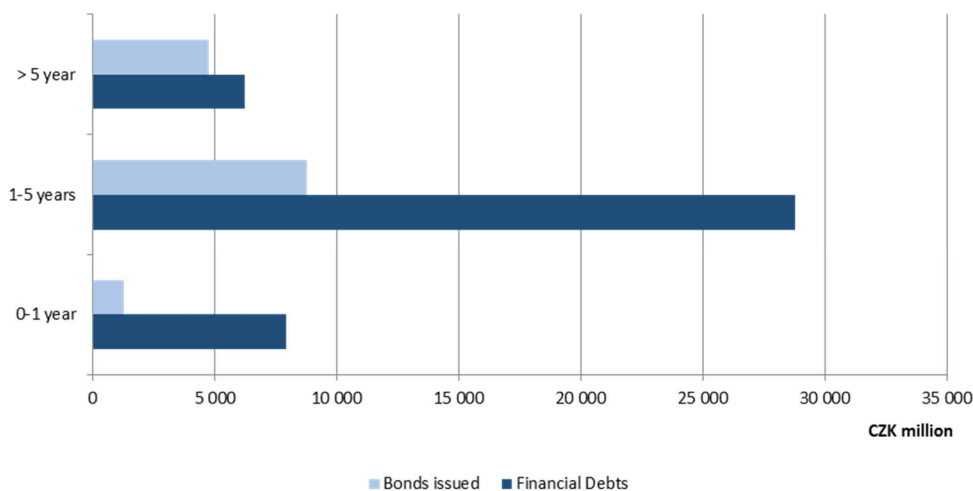
\*Asset held for sale included

Chart 7: Group portfolio and external financing 2015 - 2016



The maturity profile of the Group's financing, including accrued interest as at 31 December 2016 is showed in the chart below:

**Chart 8: Maturity profile of external financing**

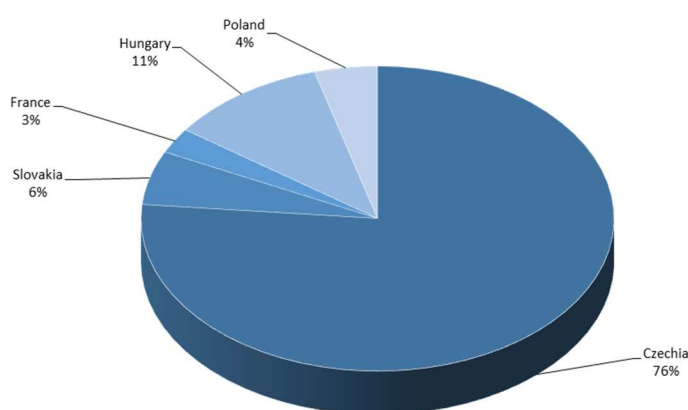


81% of the outstanding balance of external financing is due within 5 years. This is substantially driven by the maturity of bank loans and overdrafts of which 93% is payable within 5 years. On the other hand 32% of the bonds will mature after 5 years.

## Bank loans

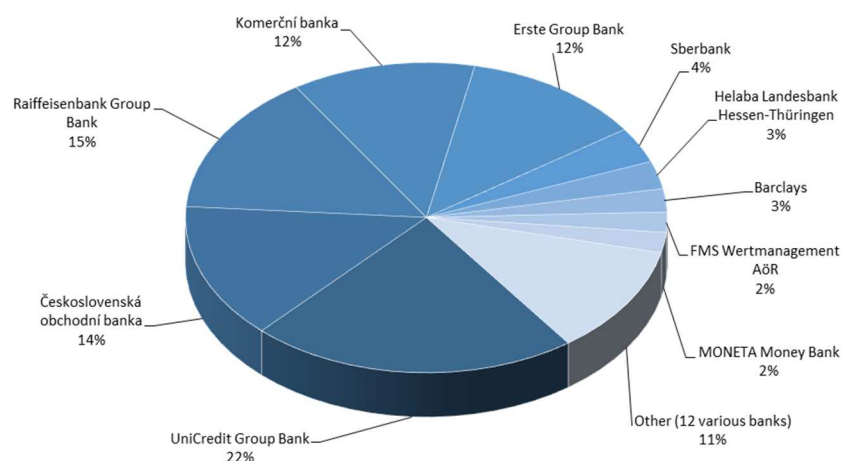
Significant part of the financial debts represent bank loans. Bank loans balance, including bank overdrafts and liabilities from assets held for sale which total CZK 34 596 million as at 31 December 2016, which represents a slight increase by CZK 2 720 million compared to 31 December 2015. A ratio of loans drawn in Czech korunas against loans drawn in Euro has slightly changed and is 45:55 as at 31 December 2016 (31 Dec 2015: 40:60).

**Chart 9: Bank loans by location**



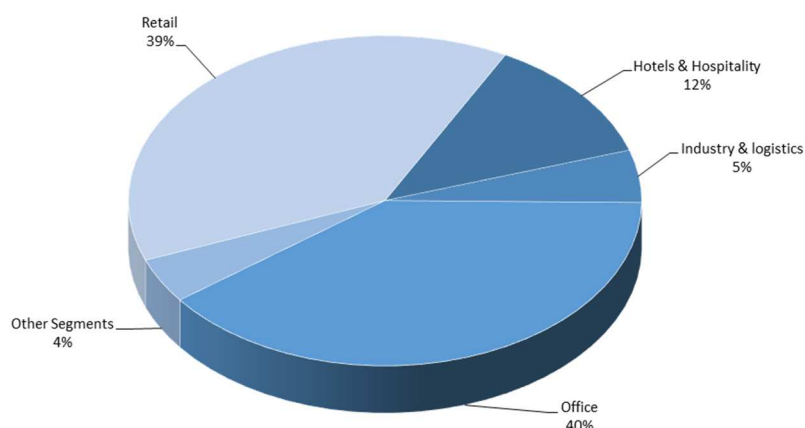
The Group benefits from long-term business relationships with a number of banks in the Czechia, Hungary, Slovakia and other countries. With this diversification, the Group is not dependent on the actions of individual lenders and has access to a wide variety of financing sources. About 82% of outstanding bank loan balances is drawn from 7 financing bank groups; in total the Group draws 124 bank loan facilities from 22 banks.

Chart 10: Bank loans by banks



The Group focuses on the secured financing; therefore majority of debts is drawn by the companies within the Group, which held the respective real estate.

Chart 11: Bank loans by segments



Interest rate fluctuation might have a significant impact on the profit of the Group. The Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. The fair value of the swap open position is negative of MCZK 328 (2015: MCZK 331).

Within the outstanding bank loans balance, 60% bears variable interest, 36% bears variable interest but is hedged by derivatives and 4% bears a fixed interest.

## Bonds issued

Bonds represent significant additional source of the Group's financing. Balance totals CZK 14 822 million as at 31 December 2016 (31 Dec 2015: CZK 11 248 million). The increase is caused mainly by allocating of own bonds on the capital market: CPI I 4.75/42, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22 and CPI V 4.85/42 in total amount almost CZK 5 billion.

In 2016, the Group issued following new bonds:

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

The Group repaid two emissions of bonds during 2016. On 23 March 2016, the Group repaid CPI VAR/19 EUR (CZ0003501843) emission representing EUR 3.5 million. On 29 March 2016, the Group repaid CPI 6.05/16 (CZ0003510646) emission represented by nominal value of CZK 1 261.8 million (EUR 46 million) excluding accrued interest.

A ratio of bonds issued in Czech korunas against bonds issued in Euro is 85:15 as at 31 December 2016 (31 Dec 2015: 77:23).

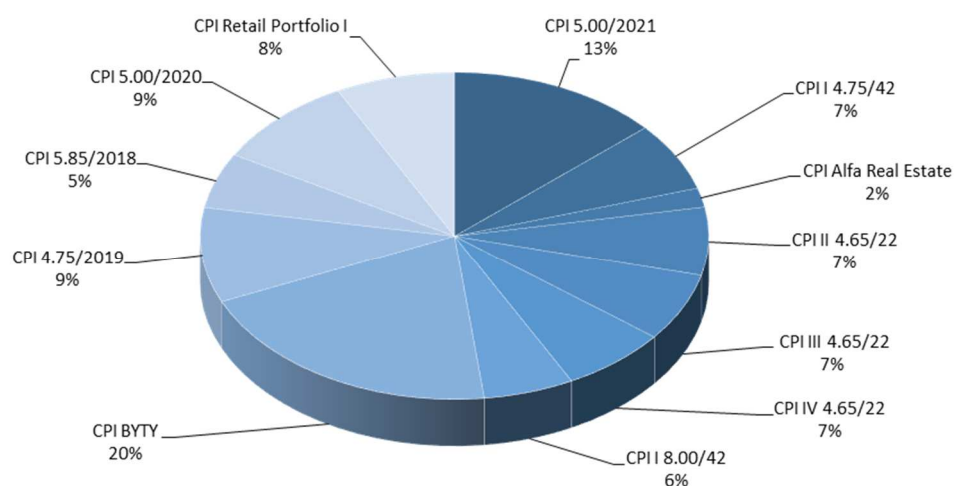
The bonds issued by the Group as at 31 December 2016 are summarized in the table below:

Group company	ISIN	Type	Currency	Balance as of 31 Dec 2016			Interest rate	Maturity	Traded on*	Traded from
				Nominal issued (MCZK)	Owned by group	Owned by external (MCZK)				
CPI	CZ0003501868	CPI 5.10/2021	CZK	2 000	0	2 000	5.10% p.a.	29.03.2021	BCPP	29.03.2012
CPI	CZ0003502932	CPI I 4.75/42	CZK	1 000	0	1 000	4.75% p.a.	05.12.2042	BCPP	6.05.2016
CPI Alfa	CZ0003502205	CPI Alfa Real Estate	CZK	279	0	279	5.5% p.a.	26.10.2017	BCPP	29.10.2012
CPI	CZ0003502924	CPI III 4.65/22	CZK	1 000	0	1 000	4.65% p.a.	6.11.2022	BCPP	6.05.2016
CPI	CZ0003502957	CPI IV 4.65/22	CZK	1 000	0	1 000	4.65% p.a.	6.11.2022	BCPP	13.12.2012
CPI	CZ0003502916	CPI II 4.65/22	CZK	1 000	0	1 000	4.65% p.a.	6.11.2022	BCPP	6.12.2012
CPI	CZ0003502940	CPI V 8.00/42	CZK	1 000	150	850	4.85% p.a.	22.8.2042	BCPP	17.12.2012
CPI BYTY	CZ0003512485	CPI BYTY 2.50/17	CZK	300	0	300	2.5 % p.a.	07.05.2017	BCPP	11.05.2015
CPI BYTY	CZ0003510687	CPI BYTY 3.50/17	CZK	500	0	500	3.5% p.a.	07.05.2017	BCPP	7.05.2013
CPI BYTY	CZ0003510695	CPI BYTY 4.80/19	CZK	900	0	900	4.8 % p.a.	07.05.2019	BCPP	7.05.2013
CPI BYTY	CZ0003511412	CPI BYTY 4.80/19	CZK	500	0	500	4.8 % p.a.	07.05.2019	BCPP	30.04.2014
CPI BYTY	CZ0003510703	CPI BYTY 5.80/21	CZK	800	0	800	5.8 % p.a.	07.05.2021	BCPP	7.05.2013
CPI	CZ0003512782	CPI 4.75/2019	CZK	1 500	103	1 397	4.75 % p.a.	24.08.2019	BCPP	24.08.2015
Finance Slovakia	SK4120010653	CPI 5.85/2018	EUR	811	0	811	5.85% p.a.	16.04.2018	BCPB	16.04.2015
Finance Slovakia	SK4120011487	CPI 5.00/2020	EUR	1 351	0	1 351	5 % p.a.	26.02.2020	BCPB	3.03.2016
CPI Retail Portfolio	CZ0003511164	CPI Retail Portfolio I	CZK	1 125	0	1 125	5 % p.a.	25.04.2019	BCPP	14.08.2015
<b>Total balance due to bondholders</b>				<b>15 066</b>	<b>253</b>	<b>14 813</b>				
Accrued transaction cost (MCZK)							-217			
Accrued interest (MCZK)							226			
<b>Total balance after transaction cost</b>							<b>14 822</b>			

\*BCPP = Prague Stock Exchange, BCPB = Bratislava Stock Exchange

Except of bonds CPI Alfa, CPI BYTY and CPI Retail Portfolio I which are secured by mortgage, all other bonds provide unsecured financing mainly at the parent company level and are generally used as source of financing for current and future investment activities.

Chart 12: Bonds owed to external



Issued bonds CPI 5.00/2021, CPI I 4.75/42, CPI Alfa Real Estate, CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 8.00/42, CPI BYTY, CPI 4.75/2019, CPI 5.85/2018, CPI 5.00/2020 and CPI Retail Portfolio I are subject to a number of covenants. All covenant ratios were met as at 31 December 2016.

## RESULTS AND NET ASSETS

### PROFIT OR LOSS STATEMENT

Reported profit or loss statement in million CZK for the year 2016 is as follows:

PROFIT OR LOSS STATEMENT	31 Dec 2016	31 Dec 2015
Gross rental revenue	4 626	4 622
Service revenue	666	670
Net service charge income	66	22
Property operating expenses	(777)	(640)
<b>Net rental income</b>	<b>4 581</b>	<b>4 674</b>
Development sales	6	240
Cost of goods sold	0	(206)
Development operating expenses	(20)	--
<b>Net development result</b>	<b>(14)</b>	<b>35</b>
Hotel revenue	1 247	251
Cost of goods sold	(2)	3
Hotel operating expenses	(823)	(146)
<b>Net hotel income</b>	<b>422</b>	<b>108</b>
Total revenues	6 611	5 805
Total direct business operating expenses	(1 622)	(988)
<b>Net business income</b>	<b>4 989</b>	<b>4 817</b>
Net valuation gain or loss on investment property	1 137	145
Net gain or loss on the disposal of investment property	(66)	(11)
Net gain or loss on disposal of subsidiaries and investees	49	468
Amortization, depreciation and impairments	(514)	(181)
Other operating income	149	277
Administrative expenses	(1 193)	(1 075)
Other operating expenses	(50)	(395)
<b>Operating result</b>	<b>4 501</b>	<b>4 045</b>
Interest income	420	500
Interest expense	(1 869)	(2 378)
Other net financial result	(148)	(586)
<b>Net finance costs</b>	<b>(1 597)</b>	<b>(2 464)</b>
<b>Profit before income tax</b>	<b>2 904</b>	<b>1 580</b>
Income tax expense	131	(625)
<b>Net profit from continuing operations</b>	<b>3 035</b>	<b>956</b>

#### Gross rental and service revenue

The gross rental income and service revenue remained at the same level in the year 2016 compared to the previous period amounting to above CZK 5 200 million. The Group performance represented by Gross rental revenue and Service revenue remained stable despite the transfer of the Hotel portfolio (see Net hotel income below). This was due to carefully selected acquisitions that perfectly suit Group portfolio.

#### Net hotel income

Significant increase in net hotel income reflects the transfer of hotel portfolio from rental properties to operational properties as a consequence of acquisition of CPI Hotels in the year 2016. The hotel revenues increased by CZK 996 million to CZK 1 247 million and net hotel income by CZK 314 million to CZK 422 million.

Chart 13: Gross rental income

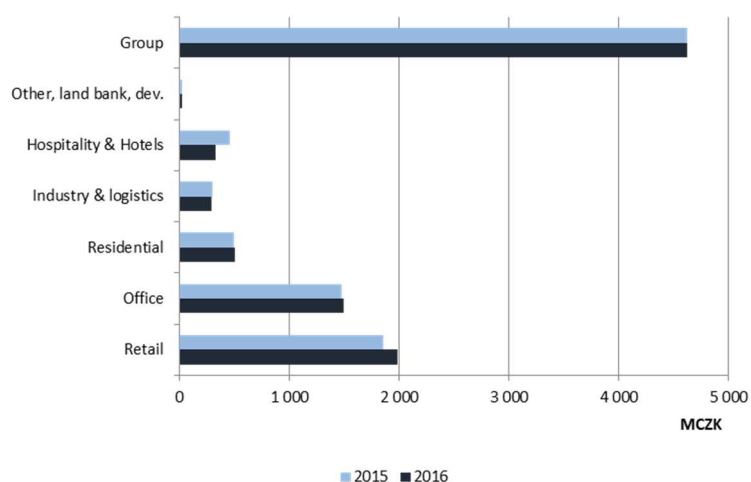
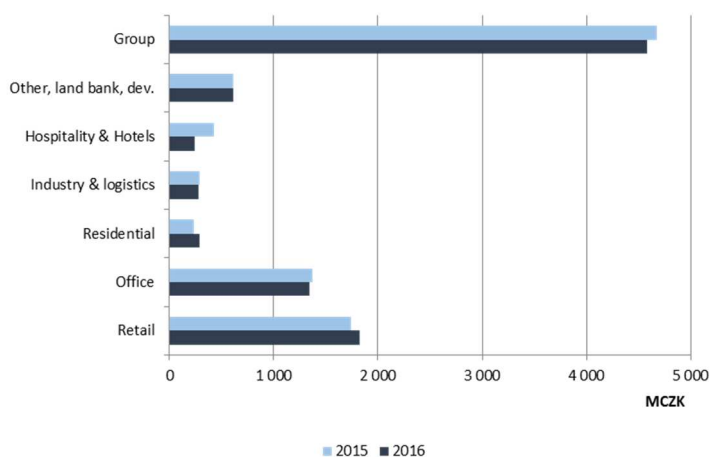


Chart 14: Net rental and service related income



### Net valuation gain on investment property

Net valuation gain of CZK 813 million resulted from revaluation of the property portfolio (CZK 145 million in 2015). Significant increase in valuation gain of investment property relates primarily to office, residential and retail segments.

### Amortization, depreciation and impairments

Amortization, depreciation and impairments in 2016 increased by more than CZK 330 million primarily due to transfer of hotel portfolio from investment property into property, plant and equipment related to acquisition of CPI Hotels during the year 2016.

### Administrative expenses

Administrative expenses increased to CZK 1 193 million in 2016 (2015: CZK 1 075 million). The increase in administrative expenses reflects the Group's substantial growth affected mainly by acquisitions carried out during the year 2016 and services provided by the Group.

### Other operating expenses

The decrease in Other operating expenses is mainly attributable to the one-off impact reflecting the final settlement of CZK 273 million recognised in 2015 with the seller of the project acquired by the Group in prior periods.

### **Net finance income / expenses**

Total net finance costs decreased in 2016 from net loss of CZK 2 464 million in 2015 to net loss of CZK 1 597 million in 2016 mainly due to ongoing refinancing process in the Company, repayment of the bonds in 2016 - with total net interest expenses decreasing by CZK 431 million to CZK 1 448 million – and impact of Other net financial result in 2015 which represented primarily FX loss of CZK 540 million reflecting CZK appreciation.

## STATEMENT OF FINANCIAL POSITION

Statement of financial position in million CZK as at 31 December 2016 corresponding to the annual consolidated financial statements.

STATEMENT OF FINANCIAL POSITION	31 Dec 2016	31 Dec 2015
<b>NON-CURRENT ASSETS</b>		
Intangible assets and goodwill	1 541	357
Investment property	67 334	74 718
Property, plant and equipment	10 135	1 672
Available-for-sale financial assets	17	12
Financial assets at fair value through profit or loss	--	31
Loans provided	9 760	496
Trade and other receivables	1	4
Deferred tax asset	94	21
<b>Total non-current assets</b>	<b>88 882</b>	<b>77 311</b>
<b>CURRENT ASSETS</b>		
Inventories	2 162	2 088
Current income tax receivables	75	85
Available-for-sale financial assets	--	43
Trade receivables	1 368	1 337
Loans provided	5 311	4 171
Cash and cash equivalents	6 193	3 347
Other financial current assets	1 166	417
Other non-financial current assets	734	518
Assets held for sale	3 058	701
<b>Total current assets</b>	<b>20 067</b>	<b>12 707</b>
<b>TOTAL ASSETS</b>	<b>108 949</b>	<b>90 018</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	38 526	33 755
Non controlling interests	67	76
<b>Total equity</b>	<b>38 593</b>	<b>33 831</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	13 533	9 794
Financial debts	33 978	26 392
Derivative instruments	322	292
Deferred tax liabilities	5 853	6 675
Provisions	1	0.5
Other non-current liabilities	432	370
<b>Total non-current liabilities</b>	<b>54 119</b>	<b>43 524</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	1 289	1 454
Financial debts	7 829	7 881
Trade payables	3 151	1 031
Advance payments	872	849
Derivative instruments	7	39
Other financial current liabilities	1 274	1 135
Other non-financial current liabilities	291	194
Liabilities linked to assets held for sale	1 524	80
<b>Total current liabilities</b>	<b>16 237</b>	<b>12 663</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108 949</b>	<b>90 018</b>

### Total assets and total liabilities

Total assets increased by CZK 18 931 million (21%) to CZK 108 949 million as at 31 December 2016. The main drivers of the increase in total balance were new acquisitions, raise in cash associated with excellent performance of the Group and a new financing.

Property portfolio increased by CZK 3 416 million (4%) to CZK 82 455 million and loans provided increased by CZK 10 404 million. The Company provided two loans to its parent company in total amount of CZK 9 976 million and increased its cash by new financing by CZK 2 846 million.

Equity increased by CZK 4 762 million in the year 2016. The year 2016 is a period of superb result in Group operations as the net profit increased more than threefold and thus strengthened equity by CZK 3 035 million. The rest of the equity increase relates mainly to increase in revaluation of property (CZK 528 million) and contribution made by the Company's parent company (CZK 1 310 million).

Non-current and current liabilities total CZK 70 536 million as at 31 December 2016 which represents a significant increase by CZK 14 169 million (25%) compared to 31 December 2015 which represents the new financing, acquired loan through acquisitions and refinancing carried out by the Group.

### Equity (Net assets value)

Net assets value – NAV totals CZK 38 526 million as of 31 December 2016 and compared to 31 December 2015 rose by 14%.

The table below shows how NAV is calculated in compliance with the best practice policy recommendations of the European Public Real Estate Association (EPRA).

MCZK	31-Dec-16	31-Dec-15
Equity per the financial statements (NAV)	38 526	33 755
Effect of exercise of options, convertibles and other equity interests	--	--
<b>Diluted NAV, after the exercise of options, convertibles and other equity interests</b>	<b>38 526</b>	<b>33 755</b>
Revaluation of trading properties	23	703
Fair value of financial instruments	328	324
Deferred tax on revaluation	5 585	7 099
Goodwill as a result of deferred tax	--	--
<b>EPRA NAV</b>	<b>44 463</b>	<b>41 881</b>

## INFORMATION ON EQUITY

### Data on shares

Shares of the Company are common shares in the form of registered paper certificates. They are not listed securities; the nominal value is CZK 800 per share. The total nominal value of the issue is CZK 6 186 996 800.

Income from the shares is taxed according to the Act No. 586/1992 Coll., on Income Tax, as amended. The tax is applied as a deduction on the dividend payment.

Shares of CPI are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act.

The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Dividend payments are made by the Board of Directors of CPI in accordance with the decision of the General Meeting which determines the place and date of dividend payments. The latest date of dividend payment is the date designated as the reference date for the eligibility to participate in the General Meeting. The latest date of dividend payment is the date designated as the reference date for the dividend payment. Unless the General Meeting decides otherwise, the dividend is payable within one year from the date on which the General Meeting decided on profit distribution.

After dissolution of CPI through liquidation, each shareholder is entitled to a share in the liquidation balance.

Shares of CPI are not traded on any public or regulated domestic or foreign market.

### Data on share capital

The share capital of CPI is CZK 6 186 996 800 and it is divided into 7 733 746 shares with a nominal value of CZK 800 per share.

The share capital of CPI has been paid in full; it is not a subject to any option or exchange rights. CPI is not a direct holder of any of its own participating securities.

Shareholder structure of CPI as of 31 December 2016:

Shareholder	Share in share capital
CPI PROPERTY GROUP, Luxembourg	100.00%
Total	100.00%

CPI is not aware about any contracts that could result in aggravating the transferability of shares or voting rights.

### Data on equity

#### Czech Property Investments, a.s. (CPI)

CPI equity presented in the individual financial statements total CZK 23 247 million as of 31 December 2016 and comprised: share capital (CZK 6 187 million); share premium (CZK 576 million); legal reserve (CZK 31 million); merged reserve (CZK -42 million); revaluation reserve (CZK 1 601 million); other reserve (CZK 11 737 million) and retained earnings (CZK 3 157 million). Compared to 2015, the equity of CPI decreased by CZK 900 million.

### **The Group**

Equity as presented in the consolidated financial statements of the Group's total CZK 38 593 million as of 31 December 2016 and comprised: share capital of CZK 6 187 million; share premium of CZK 652 million; translation reserve of CZK 167 million; legal reserve of CZK 144 million; hedging reserve of CZK -474 million; other capitals funds of CZK 11 623 millions; revaluation reserve of CZK 528 million; retained earnings of CZK 19 699 million and non-controlling interest of CZK 67 million. Compared to 2015, the equity of the Group increased by CZK 4 762 million.

## OUTLOOK

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

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

The Group's intended proposal is for an increased expansion of its retail portfolio. The acquisition of the portfolio from two funds of CBRE Global Investors was finalised in March, 2017 upgrading our shopping centre portfolio over twofold. The construction and extension of the IGY shopping centre will be completed alongside further revitalisation plans of additional retail and office assets.

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

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

## OTHER

### Corporate Social Responsibility

Philanthropy is an integral part of the corporate culture, and is characterised by the Group as a long-term supporter of education, culture, sports, and community life in the form of corporate donations. The use of one's own capabilities and resources for the benefit of others is one of the underlying concepts of company's charitable activities. Since its beginning, the Group has provided financial and non-financial support to many charities and non-profit organisations throughout Czechia. Its support is chiefly directed at child social and healthcare.

The Group shows its inclination for the non-profit sector at two levels. The first level is direct financial support to specific entities such as hospitals, specialised healthcare and social institutions, civic associations and foundations. The second level represents support in the form of technical assistance, marketing services or provision of space for activities of non-profit organisations.

The Group cooperates with a number of entities whose primary focus is to help sick, handicapped or socially disadvantaged children and adults such as Na Františku Hospital.

Significantly, the Group has teamed up for the second consecutive year to support the Good Angel Foundation in its New Year's celebrations. The Group included this cooperation into its long-term marketing plan, such as Christmas gifts and cards for clients. This year, the Group donated a total of CZK 250 000 to the Good Angel Foundation, whereby tens of thousands of donors, known as "Good Angels", can provide much-needed help to thousands of people facing serious illness.

### Commercial Partnership

The Group directs its commercial partnerships specifically to promote sports and cultural events. The company also supports professional associations and subjects to enhance its business interests. A significant partnership is the agreement with the Association for Real Estate Market Development (AREMD) as a non-profit civic association with influence and extent of the developed activities focused on the general public. AREMD includes almost 70 experts in all fields of the real estate market including: investment, architecture, finance, consultancy, law and brokerage as well as those in public services and academic fields. The major aims of AREMD are the enhancement of the quality, stability and transparency of the Czech real estate market, the standardisation of the markets' methods and processes, together with the increase in the knowledge of specialists and laymen in this field and the promotion of the market at home and abroad.

### Research and Development

The Group does not engage in research and development of new products or procedures.

### Environment and Human Resources

The activities of the Group do not endanger the environment. As part of HR management, the Group strives to improve the organization of work and increase the qualifications of its employees through various training programs (e.g. intensive language training and technical courses).

The Group had 2 492 employees as of 31 December 2016 (2015 – 802 employees). The significant employee's growth reflects the Group's expansion and extension of its investment property portfolio and hotel portfolio. All of the above included employees were engaged in the core business activities of the Group.

With respect to employment relationships, the Group adheres to all applicable legislation.

### Branches abroad

The Group has no branches abroad.

### Fees Charged by Auditors

In 2016, the following audit fees were charged by auditors (in MCZK, excluding VAT):

Entity	Audit of Financial Statements and Annual Report	Review of Interim Financial Statements	Audit of Extraordinary Financial Statements	Verification of Opening Balance Sheet	Other assurance and advisory
Czech Property Investments, a.s.	1	--	--	--	--
The Group	18.3	--	--	--	6
<b>Total</b>	<b>19.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6</b>

## CORPORATE GOVERNANCE

(A separate part of the annual report in accordance with § 188 (4j) of the Act No. 256/2004 Coll.).

In connection with new Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the “Business Corporations Act”) the Company amended the Articles of Association with effective date of 5 June 2014 and also decided on full submission to Business Corporations Act.

In the year 2016, CPI has established the Audit Committee.

### General Meeting of CPI

In accordance with the Articles of Association, the statutory bodies of Czech Property Investments, a.s. (hereinafter also referred to as “CPI” or “the Company”) are the General Meeting, the Board of Directors and the Supervisory Board while the General Meeting as the supreme body elects and removes members of the Board of Directors and members of the Supervisory Board. The executive body is the management of the Group.

The General Meeting is the supreme body of CPI.

The exclusive scope of powers of the General Meeting particularly includes:

- decisions to amend the Articles of Association, unless it is an amendment resulting from an increase of the registered capital by a duly authorised board of directors or an amendment occurring on the basis of other legal facts;
- decisions to change the amount of registered capital and to authorise the Board of Directors to increase the registered capital;
- decisions to allow the possibility to set off a pecuniary receivable towards the company against a receivable from the payment of the issue price;
- decisions to issue convertible or preferential bonds;
- appointment and recall of members of the Board of Directors;
- appointment and recall of substitute members of the Board of Directors and if more substitutes are to be appointed the General Meeting shall provide the sequence in which substitutes shall take up the vacant position of the member of the Board of Directors;
- appointment and recall of members of the Supervisory Board;
- appointment and recall of substitute members of the Supervisory Board and if more substitutes are to be appointed the General Meeting shall provide the sequence, in which substitutes shall take up the vacant position of a member of the Supervisory Board;
- approval of ordinary, extraordinary or consolidated financial statements as well as, where their preparation is required under another legal regulation, of interim financial statements;
- decisions to distribute profit or the company’s other own resources, or to cover the loss;
- decisions to file an application to have the company’s participating securities admitted for trading on a European regulated market or to exclude such securities from trading on a European regulated market;
- decisions to dissolve the company with liquidation;
- appointment and recall of a liquidator;
- approval of the proposed distribution of the liquidation balance;

- approval of a transfer or a pledge of an enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change in the objects or activity of the company;
- decisions to assume the effects of actions taken on behalf of the company before its incorporation;
- approval of a silent partnership agreement, including approval of its amendments and termination;
- any other decisions falling under the powers of the general meeting by provisions of the Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (hereinafter referred to as the “Business Corporations Act”) or of the Articles of Association.

The General Meeting has a quorum if the present shareholders have shares, the nominal value of which amount to at least 30% of the share capital of the Company. One vote is assigned to each share with a nominal value of CZK 800. The General Meeting shall decide according to § 415 of the Business Corporations Act by the majority of present shareholders, unless the law or the Articles of Association of CPI require another majority. In matters according to § 416 (1) and § 417 (1) of the Business Corporations Act, the law requires a two-third majority of present shareholders. In matters according to § 417 (2) of the Business Corporations Act, the law requires the consent of at least three quarters of present shareholders who have these shares. Likewise, a three-quarter majority of present shareholders is required for decisions on matters listed in § 417 (3) of the Business Corporations Act. The consent of all shareholders, whose shares are supposed to be reverse split, is required according to § 417 (4) of the Business Corporations Act in order to reach a valid decision of the General Meeting on a reverse share split.

Other actions and decision-making processes of the General Meeting, as well as the participation in the General Meeting and the rights of shareholders at the General Meeting, the manner of convening the General Meeting and a replacement General Meeting are governed by the CPI Articles of Association.

### **Supervisory Board of CPI**

The Supervisory Board is a supervisory body of CPI and has all rights in the extent of generally binding legal regulations, these Articles of Incorporation and the decisions of the General Meeting of CPI.

The Supervisory Board oversees the performance of the scope of powers assigned to the Board of Directors and the performance of business activities of CPI.

The Supervisory Board is particularly entitled:

- to review ordinary, extraordinary, consolidated and interim financial statements and the proposal for profit distribution or loss settlement and to submit its opinion to the General Meeting;
- to convene a General Meeting, if required by the interests of CPI;
- to submit its opinions, recommendations and suggestions to the General Meeting and the Board of Directors;
- to inspect all documents and records relating to the activities of CPI and to control whether accounting records are properly kept in accordance with the facts and whether business activities of CPI are performed in accordance with the law, the Articles of Incorporation and instructions of the General Meeting.

The Supervisory Board has a quorum if an absolute majority of its members is present at the meeting. In order to approve of the decision in all matters discussed by the Supervisory Board, it is necessary that an absolute majority of all, not only present, members of the Supervisory Board votes for them.

The composition, appointment and terms of the Supervisory Board, convening meetings of the Supervisory Board, meetings of the Supervisory Board, duties of members of the Supervisory Board and shares in profit and remuneration of members of the Supervisory Board are governed by the Articles of Incorporation of CPI.

Supervisory Board of CPI as of 31 December 2016:

**Milan Trněný**, member of the Supervisory Board since 5 June 2014.

As at 31 December 2016 Mr. Milan Trněný acts as a member of the Supervisory board or the board of directors of the following entities which are significant from the perspective of the Company:

Member of **the Supervisory board**:

Czech Property Investments, a.s., MB Property Development, a.s., STRM Gama, a.s., STRM Alfa, a.s., STRM Property, a.s., CB Property Development, a.s., Svitavy Property Alfa, a.s., Guerrera, a.s., Baudry Beta, a.s., SG - Industry, a.s., BAYTON Gama, a.s., Lucemburská 46, a.s., Na Poříčí, a.s., Carpenter Invest, a.s., Bubenská 1, a.s., Best Properties South, a.s., Strakonice Property Development, a.s., Statenice Property Development, a.s., IGY2 CB, a.s., Vigano, a.s., CPI City Center ÚL, a.s., Nupaky a.s., Beroun Property Development, a.s., Camuzzi, a.s., Malerba, a.s., CPI - Land Development, a.s., Pelhřimov Property Development, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI - Štupartská, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Rampino, a.s., Brinkley, a.s., CPI - Real Estate, a.s., Romney, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Garreta, a.s., Wang, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Farhan, a.s., CPI - Krásné Březno, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., Kerina, a.s., CPI - Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Žďárek, a.s., CPI Park Mlýnec, a.s., Leterme, a.s., Tolimir, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Wanchai, a.s., Garribba, a.s., CPI - Orlová, a.s., Balvinder, a.s., Brandýs Logistic, a.s., CPI Reality, a.s., Tabcorp, a.s., Barkana, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., Muleti, a.s., Jeseník Property Development, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantara, a.s., CPI - Horoměřice, a.s., Wingera, a.s., FL Property Development, a.s., Darilia, a.s., Třinec Property Development, a.s., OC Nová Zdobov, a.s., CPI Delta, a.s., CPI Retails Třinec, a.s., Vyškov Property Development, a.s., Farma Valteřice, a.s., Marissa West, a.s., Marissa Tau, a.s., CPI - Facility, a.s., Olomouc City Center, a.s., Farma Radeč, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Mařenická farma, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Janovická farma, a.s., Valkeřická ekologická, a.s., Marissa Yellow, a.s., Farma Javorská, a.s., Valdovská zemědělská, a.s., Farma Krásný Les, a.s., Marissa Omikrón, a.s., STRM Beta, a.s., STRM Delta, a.s., Modřanská Property, a.s., Austenit, a.s., Rivaroli, a.s., Mondello, a.s., Robberg, a.s., Hraničář, a.s., CPI Alfa, a.s., CPI Beta, a.s., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., Novegro, a.s., PG-Hazlov a.s., JIHOVÝCHODNÍ MĚSTO, a.s., Českolipská zemědělská a.s., Děčínská zemědělská a.s., CPI Retails ONE, a.s., CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., CPI HOLDING, SE, Farma Ploučnice a.s., GRANDHOTEL ZLATÝ LEV a.s., CPI Lambda, a.s., CPI Epsilon, a.s., Spojené farmy a.s., BYTY PODKOVA, a.s., CPI Retail Portfolio I, a.s., Verneřický Angus a.s., Český Těšín Property Development, a.s., BPT Development, a.s., CPI - Bor, a.s., Czech Property Development, a.s., Tyršova 6, a.s., VM Property Development, a.s., Vinice Property Development a.s., Marissa, a.s., Farmy Frýdlant a.s., Pastviny a.s., CPI Hotels Properties, a.s., CPI Residential, a.s., Brno Property Development, a.s.

Member of **the board of directors**:

MULTICREDIT GROUP a.s., v likvidaci, Březiněves, a.s., Společenství vlastníků Na Výši 1013, Praha 5, Družstvo Land (chairman of coop), Vila Anička, a.s., Saleya, a.s., Sidoti, a.s., Scampia, a.s., Vedant, a.s., Pietroni, s.r.o., SV Fáze III, s.r.o., Arodance CZ, s.r.o.

The work address of the members of the Supervisory Board is Prague 1, Vladislavova 1390/17, 110 00.

## Board of Directors of CPI

The Board of Directors is a statutory body that manages the activities of CPI and acts on its behalf. The Board of Directors decides on all matters of CPI, which are not assigned to the scope of authority of the General Meeting or the Supervisory Board by binding legal regulations or the Articles of Association of CPI.

The Board of Directors is particularly entitled:

- to perform management and business management and take care of operational matters of CPI;
- to exercise the employer's rights;
- to convene the General Meeting;
- to submit a report on business activities of CPI and its assets to the General Meeting within six months of the last day of the fiscal period;
- to submit proposals to amend and supplement the Articles of Association to the General Meeting;
- to submit the ordinary, extraordinary or consolidated financial statements to the General Meeting for approval;
- to submit a proposal for profit distribution or loss settlement to the General Meeting;
- to execute resolutions or decisions of the General Meeting;
- to ensure proper keeping of records, accounting books, business books and other company documents;
- to grant and revoke procuration;
- to decide on an increase in the share capital in the extent authorized by the General Meeting in accordance with § 511 of the Business Corporations Act.

The Board of Directors has a quorum if all members of the Board are present at the meeting. In order to adopt a decision in all matters discussed at a meeting of the Board of Directors, it is necessary that all members of the Board of Directors vote for it. If all members of the Board of Directors agree, the Board may vote in writing or using communication technology even outside the meeting. The voters are then considered as present. A report is made on the result of the vote at the next meeting of the Board of Directors.

The composition, appointment and terms of the Board of Directors, convening meetings of the Board of Directors, meetings of the Board of Directors, duties of members of the Board of Directors and share in profit and remuneration of members of the Board of Directors are governed by the Articles of Association of CPI.

Members of the Board of Directors of CPI as of 31 December 2016:

**Zdeněk Havelka**, Chairman of the Board of Directors since 13 November 2014;

**Martin Němeček**, member of the Board of Directors since 29 April 2016.

As at 31 December 2016 Zdeněk Havelka acts as **a member of the board of directors** of the following entities which are significant from the perspective of the Company:

Rolnická Skalná s.r.o., SPO-ZEM Nový Kostel s.r.o., Příbor Property Development, s. r.o., Na Poříčí, a.s., Lucemburská 46, a.s., Biohovězí s.r.o., CPI BYTY, a.s., Bubenská 1, a.s., Carpenter Invest, a.s., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., CPI Heli, s.r.o., Arkáda Prostějov, s.r.o., CPI Property, s.r.o., BAYTON Gama, a.s., (chairman), Třinec Investments, s.r.o., CPI Management, s.r.o., CD Property s.r.o., Svitavy Property Development, a.s., Telč Property Development, a.s., Duggetti, a.s., Wanchai, a.s., Garribba, a.s., CPI - Orlová, a.s., Balvinder, a.s., CPI Retail MB s.r.o., CPI Retail Portfolio VI, s.r.o., U svatého Michala, a.s., LD Praha, a.s., Brinkley, a.s., CPI - Real Estate, a.s., Romney, a.s., Rampino, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Garreta, a.s., Wang, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., CPI Reality, a.s., FL Property Development, a.s., Wingera, a.s., Vedant, a.s., Muleti, a.s., Jeseník Property Development, a.s., CPI - Horoměřice, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantala, a.s., Bandýs Logistic, a.s., (chairman), Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., Tabcorp, a.s., Barkana, a.s., CPI Group, a.s.,

Farhan, a.s., CPI - Krásné Březno, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., (chairman), IGY2 CB, a.s., Vigano, a.s., Rezidence Pragovka, s.r.o., Nupaky a.s., Pelhřimov Property Development, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., Leterme, a.s., Tolimir, a.s., CPI - Štupartská, a.s., Beroun Property Development, a.s., Strakonice Property Development, a.s., Best Properties South, a.s., Darilia, a.s., Třinec Property Development, a.s., Kerina, a.s., CPI Retails Brandýs, s.r.o., CPI - Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Žďárek, a.s., Camuzzi, a.s., Malerba, a.s., CPI - Land Development, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., Residence Belgická, s.r.o., Hraničář, a.s., OC Nová Zdaboř a.s., CPI Delta, a.s., CPI Services, a.s., CPI Alfa, a.s., CPI Beta, a.s., Development Doupovská, s.r.o., CPI Retail Portfolio IV, s.r.o., Statenice Property Development, a.s., CPI Retail Portfolio VII, s.r.o., CPI Retail Portfolio V, s.r.o., Vyškov Property Development, a.s., Farma Valteřice, a.s., Marissa West, a.s., Marissa Tau, a.s., RL - Manegement s.r.o., CPI - Facility, a.s., Biochov s.r.o., Marissa Yellow, a.s., Farma Javorská, a.s., Valdovská zemědělská, a.s., Farma Krásný Les, a.s., Marissa Omikrón, a.s., STRM Gama, a.s., STRM Alfa, a.s., STRM Property, a.s., Janovická farma, a.s., Valkeřická ekologická, a.s., Olomouc City Center, a.s., CB Property Development, a.s., STRM Beta, a.s., STRM Delta, a.s., MB Property Development, a.s., Farma Radeč, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Mařenická farma, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Baudry Beta, a.s., Svitavy Property Alfa, a.s., Guerrero, a.s., Dienzenhoferovy sady 5, s.r.o., Modřanská Property, a.s., Austenit, a.s., Rivaroli, a.s., Mondello, a.s., Cerrini, s.r.o., Robberg, a.s., CPI Retail Portfolio III, s.r.o., Zelená louka s.r.o., HAINES s.r.o., CPI East, s.r.o., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., CPI West, s.r.o., Limagro s.r.o., Kroměříž Property Development, a.s., Karviná Property Development, a.s., Janáčkovu nábreží 15, s.r.o., JIHOVÝCHODNÍ MĚSTO, a.s., PG-Hazlov a.s., Českolipská zemědělská a.s., Děčínská zemědělská a.s., Bubny development, s.r.o., CPI Hotels Properties, a.s., Industrial Park Stříbro, s.r.o., Development Pražská, s.r.o., CPI HOLDING, SE, CPI Flats, a.s., (chairman), BAYTON Delta, a.s., BAYTON Alfa, a.s., Centrum Olympia Plzeň s.r.o., Estate Grand, s.r.o., CPI South, s.r.o., CPI Lambda, a.s., CPI Epsilon, a.s., Farma Ploučnice a.s., Czech Property Development, a.s., CPI North, s.r.o., OC Spektrum, s.r.o., CPI Retail Portfolio I, a.s., Quadrio Residence, s.r.o., Naturland s.r.o., NOVÁ ZBROJOVKA, s.r.o., BYTY PODKOVA, a.s., CPI Retail Portfolio VIII s.r.o., ZEMSPOL s.r.o., JAGRA spol. s r.o., Český Těšín Property Development, a.s., PV - Cvikov s.r.o., HD Investment s.r.o., Verneřický Angus a.s., CPI Palmovka Office, s.r.o., Agrome s.r.o., BPT Development, a.s., Nymburk Property Development, a.s., CPI Retails Třinec, a.s., Grunt HZ s.r.o., Tyršova 6, a.s., MUXUM, a.s., VM Property Development, a.s., MULTICREDIT GROUP a.s., "v likvidaci", Vinice Property Development a.s., EMH North, s.r.o., CPI - Bor, a.s., Angusland s.r.o., Zelená farma s.r.o., OFFICE CENTER HRADČANSKÁ, a.s., Biopotraviny s.r.o., Spojené farmy a.s., Platnéřská 10 s.r.o., Farma Svitavka s.r.o., Zelená pastva s.r.o., Českolipská farma s.r.o., EMH South, s.r.o., EMH West, s.r.o., Marissa, a.s., Farmy Frýdlant a.s., Pastviny a.s., Biopark s.r.o., Týniště Property Development, s.r.o., CPI Retails ONE, a.s., Agro 2014 s.r.o., Společenství vlastníků pro dům U Stadionu 21 (statutory representative of owners), Šenovská zemědělská, s.r.o., Statek Mikulášovice, s.r.o., Farma Poustevna, s.r.o., CPI Residential, a.s., Brno Property Development, a.s., Projekt Nisa, s.r.o., Projekt Zlatý Anděl, s.r.o., Společenství vlastníků Purkyňova 2120/5, Praha 1, ITL Alfa, s.r.o., CPI Blue, s.r.o., Farma Třebeň, s.r.o., Ekofarma Lipná, s.r.o., Tepelná Litvínov, s.r.o., Rezidence Jančova, s.r.o., Rezidence Malkovského, s.r.o.,

Management board: ZIBA, o.p.s. v likvidaci

Member of the Supervisory board:

Vila Anička, a.s., Saleya, a.s., Sidoti, a.s., Scampia, a.s.

As at 31 December 2016 Martin Němeček acts as **a member of the board of directors** of the following entities which are significant from the perspective of the Company:

MB Property Development, a.s., STRM Gama, a.s., STRM Alfa, a.s., STRM Property, a.s., CB Property Development, a.s., Svitavy Property Alfa, a.s., Guerrera, a.s., Baudry Beta, a.s., CPI Property, s.r.o., Třinec Investments, s.r.o., BAYTON Gama, a.s., Lucemburská 46, a.s., Příbor Property Development, s. r.o., Biohovězí s.r.o., Na Poříčí, a.s., Carpenter Invest, a.s., Bubenská 1, a.s., Březiněves, a.s., Rolnická Skalná s.r.o., SPO-ZEM Nový Kostel s.r.o., CD Property s.r.o., Best Properties South, a.s., Strakonice Property Development, a.s., U svatého Michala, a.s., CPI Retail MB s.r.o., CPI Retail Portfolio VI, s.r.o., Development Doupovská, s.r.o., CPI Retail Portfolio IV, s.r.o., Statenice Property Development, a.s., CPI Retail Portfolio V, s.r.o., CPI Retail Portfolio VII, s.r.o., IGY2 CB, a.s., Vigano, a.s., Rezidence Pragovka, s.r.o., CPI City Center ÚL, a.s., Nupaky a.s., Beroun Property Development, a.s., Camuzzi, a.s., Malerba, a.s., CPI - Land Development, a.s., Pelhřimov Property Development, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI - Štupartská, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Rampino, a.s., Brinkley, a.s., CPI - Real Estate, a.s., Romney, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Garreta, a.s., Wang, a.s., Svitavy Property Development, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Farhan, a.s., CPI - Krásné Březno, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., Kerina, a.s., CPI Retails Brandýs, s.r.o., CPI - Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Žďárek, a.s., CPI Park Mlýnec, a.s., Leterme, a.s., Tolimir, a.s., CPI Services, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Wanchai, a.s., Garribba, a.s., CPI - Orlová, a.s., Balvinder, a.s., Brandýs Logistic, a.s., CPI Reality, a.s., Tabcorp, a.s., Barkana, a.s., CPI Group, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., Muleti, a.s., Jeseník Property Development, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantara, a.s., CPI - Horoměřice, a.s., Wingera, a.s., FL Property Development, a.s., Darilia, a.s., Třinec Property Development, a.s., OC Nová Zdaboh, a.s., CPI Delta, a.s., CPI Retails Třinec, a.s., Vyškov Property Development, a.s., Farma Valteřice, a.s., Marissa West, a.s., Marissa Tau, a.s., Grunt HZ s.r.o., CPI - Facility, a.s., RL - Management s.r.o., Biochov s.r.o., Olomouc City Center, a.s., Farma Radeč, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Mařenická farma, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Janovická farma, a.s., Valkeřická ekologická, a.s., Marissa Yellow, a.s., Farma Javorská, a.s., Valdovská zemědělská, a.s., Farma Krásný Les, a.s., Marissa Omikrón, a.s., STRM Beta, a.s., STRM Delta, a.s., Modřanská Property, a.s., Dienzenhoferovy sady 5, s.r.o., Austenit, a.s., CPI Retail Portfolio III, s.r.o., Cerrini, s.r.o., Robberg, a.s., Residence Belgická, s.r.o., Hraničář, a.s., CPI Alfa, a.s., CPI Beta, a.s., HAINES s.r.o., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., Zelená louka s.r.o., Kroměříž Property Development, a.s., Limagro s.r.o., CPI East, s.r.o., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., CPI West, s.r.o., Janáčkovo nábřeží 15, s.r.o., PG-Hazlov a.s., JIHOVÝCHODNÍ MĚSTO, a.s., Českolipská zemědělská a.s., Děčínská zemědělská a.s., NOVÁ ZBROJOVKA, s.r.o., Bubny Development, s.r.o., CPI Retail Portfolio VIII s.r.o., Týniště Property Development, s.r.o., CPI Retails ONE, a.s., Industrial Park Stříbro, s.r.o., Quadrio Residence, s.r.o., Development Pražská, s.r.o., Centrum Olympia Plzeň s.r.o., BAYTON Delta, a.s., BAYTON Alfa, a.s., Farma Ploučnice a.s., Tyršova 6, a.s., CPI Lambda, a.s., CPI South, s.r.o., CPI Epsilon, a.s., Naturland s.r.o., Spojené farmy a.s., OC Spektrum, s.r.o., BYTY PODKOVA, a.s., CPI Retail Portfolio I, a.s., PV - Cvikov s.r.o., Verneřický Angus a.s., CPI Palmovka Office, s.r.o., Agrome s.r.o., ZEMSPOL s.r.o., JAGRA spol. s r.o., HD Investment s.r.o., Český Těšín Property Development, a.s., Nymburk Property Development, a.s., CPI - Bor, a.s., Czech Property Development, a.s., MUXUM, a.s., CPI North, s.r.o., OFFICE CENTER HRADČANSKÁ, a.s., Angusland s.r.o., Zelená farma s.r.o., Marissa, a.s., EMH West, s.r.o., EMH South, s.r.o., EMH North, s.r.o., Biopotraviny s.r.o., Farmy Frýdlant a.s., Pastviny a.s., Farma Svitavka s.r.o., Zelená pastva s.r.o., Českolipská farma s.r.o., Biopark s.r.o., Arkáda Prostějov, s.r.o., CPI Hotels Properties, a.s., Estate Grand, s.r.o., Agro 2014 s.r.o., ITL Alfa, s.r.o., QTW Czech, s.r.o., Farma Třebeň, s.r.o., Ekofarma Lipná, s.r.o., Šenovská zemědělská, s.r.o., Statek Mikulášovice, s.r.o., Farma Poustevna, s.r.o., CPI Blue, s.r.o., Brno Property Development, a.s., Projekt Nisa, s.r.o., Projekt Zlatý Anděl, s.r.o., Tepelná Litvínov, s.r.o.

### **Audit Committee**

The Audit Committee is a supervisory body that monitors in particular the effectiveness of internal control, the risk management system, and monitors the preparation of the financial statements. It further assesses the independence of the statutory auditor and audit firm and the provision of non-audit services to the Company.

#### **Members of the Audit Committee of CPI as of 31 December 2016:**

Jiří Medřický - chairman of the Audit Committee, independent

Iveta Krašovicová - member of the Audit Committee, independent

Zdeněk Havelka - member of the Audit Committee

## Management of the Group

The management of the CPI Property Group is responsible for managing the organizational units of the Group. The organizational structure is based on specializations by business function.

The members of the management as of 31 December 2016 are:



**Martin Němeček**

Chief Executive Officer

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



**Zdeněk Havelka**

Executive Director

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



**Tomáš Salajka**

Director of Asset Management & Sales

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



**Pavel Měchura**

Chief Financial Officer

Mr. Pavel Měchura, CFO of CPI Property Group, was appointed in June, 2014. Before joining the company, Pavel worked for almost 4 years for Czech Property Investments, firstly as an IFRS specialist, two years later, he became manager of IFRS and Analysis. In May 2014, he was appointed Chief Financial Officer and was responsible for the entire Czech Property Investment's accounting departments. Pavel gained many years of experience at KPMG where he was responsible for leading audit engagements of large companies, mainly from the automotive, real estate and petrochemical industries. Pavel graduated from the Faculty of Economics at the Technical University of Liberec.

## Principles of Remuneration of the Members of the Supervisory Board and the Board of Directors of CPI and Management

Czech Property Investments, a.s. does not apply any fixed principles of remuneration of members of the Supervisory Board, the Board of Directors and Management of the Group. The General Meeting of CPI approves the remuneration of members of the Supervisory Board and the Board of Directors according to § 59 (2) of the Business Corporations Act. The Board of Directors decides on the salary of the Chief Executive Officer as a member of the Group's Management. The Chief Executive Officer decides on the salaries of other members of Management.

Body	CPI	Salaries in 2016 (TCZK)	
			Other companies of the Group
Board of Directors	--	239	
Supervisory Board	--	3 516	
Management	--	6 663	

Members of the Supervisory Board, members of the Board of Directors and members of Management of the Group did not have any other monetary or non-monetary income in 2016 besides a salary which they received as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. The salary does not have any variable component.

Members of the Supervisory Board, members of the Board of Directors and members of Management of the Group as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. did not receive any additional benefits in 2016 compared to other employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s.

Members of the Supervisory Board, members of the Board of Directors, any other persons with executive powers and any persons close to them do not own any shares issued by CPI and they are not contractual parties to any option or similar contracts, the underlying assets of which are participating securities issued by CPI, and no such contracts have been concluded to their benefit.

### Statement

Any members of the Supervisory Board, the Board of Directors or Management of the Group are not subject of any conflicts of interest.

## Internal Control System and Risk Report

The internal accounting guidelines of the Group, which define procedures, responsible persons and dates for individual tasks, form an integral part of the internal control system. The internal policies applied by the Group include mainly signing and accountability rules, the circulation of accounting records, a chart of accounts, an internal guideline on tangible and intangible fixed assets, inventory policies, rules for recognizing expenses and revenues, stocktaking guidelines, rules for recognizing adjustments and the establishment and release of provisions, rules for the preparation of financial statements, and other internal guidelines.

Continuous controls are carried out within the Group, focusing on links between accounts relating to fixed assets, inventories, short-term investments and settlements. The control process is regularly reviewed and if any deficiencies are identified, immediate steps are taken to correct them and prevent them in the future. Quarterly financial statements are presented to the Management of the Group.

The internal control system of the Group consists of both internal regulations containing control mechanisms and active work of the Supervisory Board, as well as an external audit, which is conducted at the year end. Results of external audits are presented to the Board of Directors and the Supervisory Board of the Group, which charges the Management of the Group with drawing conclusions and taking follow-up steps.

As of 31 December 2016, the Group was exposed to the following risks arising from financial assets and financial liabilities:

#### **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, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### **Liquidity risk**

Liquidity risk refers to the possibility of the Group being unable to meet its cash obligations mainly in relation to the settlement of amounts due to bondholders, bank loans and suppliers. This particularly refers to a risk arising from the Group's loan agreements, according to which the creditor is entitled to require immediate settlement of the loan in the case of a breach of contractual conditions.

The Group monitors its risk of shortage of funds using different liquidity planning tools. These tools comprise e.g. the following activities:

- maintaining a sufficient balance of liquid funds;
- flexible utilization of bank loan, overdrafts and facilities;
- projection of future cash flows from operating activities.

#### **Market Risk**

Market risk includes the possibility of negative changes in value of assets of the Group due to unexpected changes in the underlying market parameters, such as exchange rates or interest rates.

#### **Currency risk**

The Group is exposed to a currency risk mainly connected with the sale, purchase and financing activities denominated in Euro currencies.

#### **Interest rate risk**

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 interest rate risk relates primarily to long-term debt financing of the Group, for which a floating interest rate is contracted in a substantial extent. Long-term debt financing include bank loans, issued bonds and leasing obligations.

As of 31 December 2016, the Group was exposed to the following risks arising from its business activities:

#### **The risk of competition**

The Group operates in a real estate market and should be responsive to changing market situation and changing behaviour of competition and customers.

#### **The risk of losing key people**

The risk of losing key people is the risk that the Group will not be able to retain and motivate persons who are crucial for the ability of the Group to create and implement key strategies of the Group. Key persons include members of the Group's management.

#### **The risk of information leakage**

The Group employs persons having access to the business strategic information, such as planned development project, new marketing strategies and overall strategy of the Group. Leakage of such sensitive information may jeopardize the operation of the entire the Group and consequently its current market position can be lost which could ultimately lead to a deterioration of the Group's financial results.

### **The dependence of the Group on rental properties**

Due to the fact that the Group engages in the lease of real estate, its financial results depend on the existence of tenants who are willing and able to lease and operate real estate owned by the Group. If there was a substantial loss of tenants, this fact could adversely affect the economic and financial situation of the Group.

### **The risk of early termination of lease by current or future tenants**

The risk of early termination of lease by the current or future tenants is the risk that in the event of an early termination of the lease the Group (as the lessor) will not be immediately able to find another tenant willing to enter into a lease agreement under comparable conditions. Significant part of current lease agreements represents long-term leases of commercial properties (retail shopping centres, office buildings and logistics centres) and therefore an early termination of lease by a major tenant could have a significant impact on the Group economic performance.

### **The risk associated with market rent development**

The Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments, commercial or industrial properties substantially exceeds the demand for rental of these properties. Any reduction in market rents could have a negative impact on the Group.

A significant part of the Group's business Czechia is rental housing. Gradual rent liberalization under the Act on unilateral rent increases has had a positive impact on the financial performance of the Group. Deregulation of rent in Czechia finished as of 31 December 2012, and thereafter rent for all apartments should be determined solely based on market conditions. Market rent, as opposed to regulated rent, reflects the relationship of supply and effective demand on the local housing market. The Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments substantially exceeds the demand for rental housing (for example, as a result of economic recovery, the income of individuals increases and mortgage loans again become more readily available, which will in turn boost interest in becoming a homeowner). Any reduction in market rents could have a negative impact on the Group. Although new market rent has been negotiated with tenants well in advance, the the Group could not avoid potential legal proceedings from those tenants who have not agree with the rental increase.

### **The dependence of the Group on the degree of indebtedness of its target tenant groups**

To a certain extent, the Group is dependent on the solvency of its target tenant groups, yet it is unable to influence tenants' payment behaviour. The total increase in the indebtedness of households may lead to failure to pay the agreed rent, which could negatively affect the cash flow of the Group while increasing the cost of litigation and debt recovery.

### **Changes in lifestyle and living standards may adversely affect interest in rental housing**

Future changes in tenants' preferences, housing trends and higher living standards of the population in a certain location may lead to a significant reduction in interest in rental housing. The increased preference to own housing rather than renting the apartment may ultimately mean a significant loss of rental housing tenants.

### **The risk associated with low liquidity of real estate**

The risk of investing in real estate is linked to their low liquidity. Unlike financial assets, the sale of real estate is a complex and long-term transaction which may adversely affect the profitability of investments in real estate.

### **The risk of insolvency proceedings**

The commencement of insolvency proceedings against a debtor generally entails certain legal effects (in particular, restrictions on the debtor's ability to dispose of their property), which occur regardless of whether or not the insolvency petition is substantiated. Generally, we cannot rule out that, in the event of an unsubstantiated petition for the commencement of insolvency proceedings against CPI, CPI would be limited, for an indefinite time, in the disposal of its property, which could adversely affect the financial situation of the entire Group.

#### **Risks associated with the property insurance**

The Group has entered into property insurance of its major assets. However, the Group cannot guarantee that the potential costs connected with natural hazards or other unexpected events will not have a negative impact on its assets and the economic and financial situation, due to loss of cash flow generating assets.

#### **Risks associated with development projects**

These risks include risk related to the construction of new projects and risk related to the location of new development projects.

#### **Risk related to the construction of new projects**

Construction of the real estate is a quite long process during which the Group might misestimate the market demand in the related segment or overestimate future value of developed real estate, which might impact overall profitability of the project.

#### **Risk related to the location of new development projects**

As the value of the real estate depends also on its location, improper location of new development project might have an impact on the future ability of the Group to sale or rent finished real estate.

### **Corporate Governance Code**

CPI and the Group have not adopted any binding code of corporate governance. CPI complies with all provisions of the Business Corporations Act concerning the rights of shareholders – particularly to their right to influence CPI in matters such as the election of members of the Board of Directors and changes to the Articles of Association. CPI duly convenes general meetings and ensures equal treatment of all shareholders. In carrying out its statutory duties, CPI regularly reports on its financial situation, performance, ownership and management.

Above and beyond its statutory duties, CPI and the Group regularly report on all significant matters affecting their business.

The reason, why the Group has not created or adopted any Code is mainly the fact that the shares issued by CPI are not publicly traded, as well as the existing straightforward shareholding structure consisting of a sole shareholder.

## PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2016

### Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Report 2016 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for year ended 31 December 2016, and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group. No facts have been omitted that could change the meaning of this report.

Prague, 28 April 2017



Zdeněk Havelka  
Chairman of the Board of Directors  
Czech Property Investments, a.s.

## REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR 2016

**Report on relations between controlling and controlled entities and relations between the controlled entity  
and entities controlled by the same entity**

processed

by § 82 of the Act No. 90/2012 Sb., the Business Corporation Act, as amended

**the Board of Directors of the company Czech Property Investments, a.s.**  
the registration number: 427 16 161, seated in: Praha 1, Vladislavova 1390/17,  
incorporated in the Commercial register kept by the Municipal Court in Prague,  
Section B, File 1115

### **Contents:**

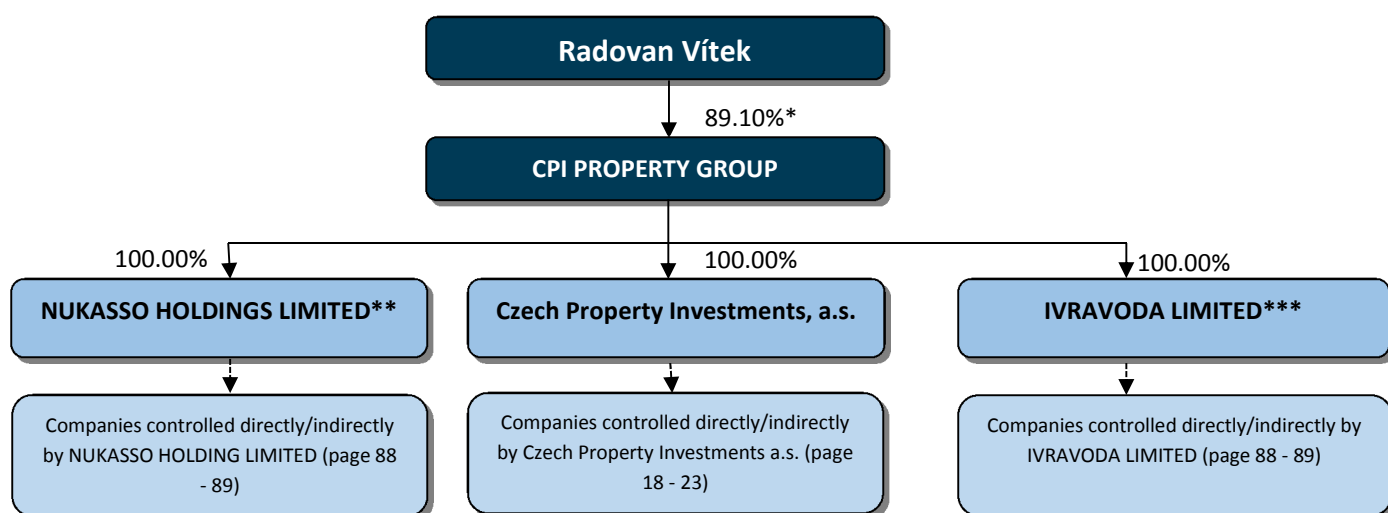
1. Preamble of report
2. Structure of relations between controlling and controlled entities and relations between the controlled entity and entities controlled by the same entity
3. Overview of proceeding, overview over underlying and received contracts, other legal action and provision in relation to controlling entity and related entities
4. Conclusion

## I. Preamble

Report is processed by the Board of Directors of the company Czech Property Investments, a.s. by § 82 of the Act No. 90/2012 Sb., the Business Corporation Act, as amended.

Report is processed for the financial year 2016.

## II. Structure of relations between controlling and controlled entities and relations between the major shareholder of the controlling company and controlled entity for the year ended 31 December 2016



\*shares with voting rights

\*\* from 8 June 2016

\*\*\* from 19 May 2016

### Company:

**Corporate name:** Czech Property Investments, a.s.  
**Corporate address:** Praha 1, Vladislavova 1390/17, 110 00  
**Registration number:** 427 16 161  
**File number:** B 1115  
**Legal form:** joint-stock company

### The subject of business:

- Accounting, consulting, bookkeeping;
- Lease of properties, apartments and non-residential premises;
- Public auctions – voluntary;
- Manufacture, trade and services not listed in Appendices 1 – 3 of the Act No. 455/1991 Coll., Trade Licensing Act, as amended.

### Statutory body - the Board of directors

**Chairman of the Board of directors:** Zdeněk Havelka

**Member of the Board of directors:** Martin Němeček

**Share capital:** 6 186 996 800 Kč  
**Paid:** 100%

(hereinafter in this report “Company” or “Controlled entity”)

**Manner and means of control:** as at 31 December 2016 the company Czech Property Investments, a.s. is fully controlled by the company CPI PROPERTY GROUP. Parent company is fully controlled by Radovan Vítek.

**Companies controlled by the Company directly or indirectly** – these companies are listed on page 18 – 23.

(hereafter „Other controlled entities“)

## Company controlling the Company

**Corporate name:** CPI PROPERTY GROUP  
**Corporate address:** 40, rue de la Vallée, L 2661 Luxembourg  
**Registration number:** B 102254  
**Legal form:** Société anonyme

**The subject of business:**

- Investment properties management, searching for investing portfolio opportunities and providing full-service asset management to third parties.

**Statutory body – the Board of directors**

**Chairman of the Board:** Edward Hughes  
**Member of the Board:** Philippe Magistretti  
**Member of the Board, Managing Director:** Martin Němeček  
**Member of the Board:** Oliver Schlink  
**Member of the Board:** Radovan Vítek  
**Member of the Board:** Tomáš Salajka

**Share capital:** 779 561 784.60 EUR

(hereinafter in this report „CPI PROPERTY GROUP“, event. „Parent company“)

## Shareholder in control of the Parent company

As at 31 December 2016, Parent company is controlled by Radovan Vítek (89.10% share).

Shareholder	Number of shares	Share held
Radovan Vítek and entities controlled by Mr. Vítek	6 946 037 846	89.10%
Others	756 404 549	9.70%
Treasury shares	93 175 451	1.20%
<b>Total</b>	<b>7 795 617 846</b>	<b>100.00%</b>

### III.

**Overview of proceeding which were made at the instigation of or in the interest of the controlling entity (both Parent company and its major shareholder); overview of mutual agreements between the controlled entity and the controlling entity (both Parent company and its major shareholder); or between entities controlled by the same controlling entity; judgement of the Board of directors over advantages and disadvantages resulting for controlling entity; statement of prejudice.**

**A. Overview of proceeding done in the last financial period which were realized at the instigation of or in the interest of the controlling entity or entities controlled by the controlling entity if this proceeding was related to assets exceeding 10% of the equity of the controlled entity.**

During the last financial period there were none of these proceedings.

**B. Overview of mutual agreements between the controlled entity and its Parent company**

- The Loan Agreement between the Company and CPI PROPERTY GROUP from 15 August 2014
- The Loan Agreement between the Parent Company and the Company from 1 December 2014
- The Loan Agreement between the Company and CPI PROPERTY GROUP from 25 July 2014
- Amendment no. 2 to the loan agreement between the Company and CPI PROPERTY GROUP from 1 July 2015
- Credit facility agreement agreement between the Company and CPI PROPERTY GROUP from 1 April 2015
- Loan Agreement between the Company and CPI PROPERTY GROUP from 25 July 2014
- Amendment No. 1 to Loan Agreement between the Company and CPI PROPERTY GROUP from 1 April 2015
- Amendment No. 1 to Agreement on Provision of the additional contribution between the Company and CPI PROPERTY GROUP from 5 May 2016
- 2x Agreement on Transfer of the bonds for consideration between the Company and CPI PROPERTY GROUP from 22 April 2016
- Agreement on Transfer of the bonds for consideration between the Company and CPI PROPERTY GROUP from 21 June 2016
- Agreement on Provision of the additional contribution between the Company and CPI PROPERTY GROUP from 29 June 2016
- Agreement on Set-off of receivables between the Company and CPI PROPERTY GROUP from 11 March 2016
- 2x Agreement on Set-off of receivables between the Company and CPI PROPERTY GROUP from 30 June 2016
- Agreement on assignment of the receivable between the Company and CPI PROPERTY GROUP S.A. and CPI Finance Netherlands B.V. from 11 March 2016
- Set-off agreement between the Company and CPI PROPERTY GROUP, CPI Finance Netherlands B.V. from 11 March 2016
- Share purchase agreement between the Company and CPI PROPERTY GROUP SA from 27 January 2016
- Agreement on Assignment of receivable between the Company and CPI PROPERTY GROUP SA from 31 August 2016
- Sale and transfer of one share in the capital of CPI Finance Netherlands B.V. between the Company and CPI PROPERTY GROUP from 11 March 2016

**C. Overview of mutual agreements between the Controlled entity and Other controlled companies within the Group**

- Loan Agreement between the Company and CPI - BOR, a.s. from 19 May 2006
- Loan Agreement between the Company and ACGATE KFT. from 26 November 2013
- Loan Agreement between the Company and CPI Meteor Centre, s.r.o. from 11 May 2015
- Loan Agreement between the Company and Marissa Tau, a.s. from 27 May 2015
- Loan Agreement between the Company and CPI South, s.r.o. from 1 June 2015
- Loan Agreement between the Company and ITL ALFA, a.s. from 17 August 2015
- Loan Agreement between the Company and CB PROPERTY DEVELOPMENT, a.s. from 25 May 2015
- Amendment No. 3 to Loan Agreement from 8.11.2012 between the Company and PELHŘIMOV PROPERTY DEVELOPMENT, a.s. from 11 September 2015

- Loan Agreement between the Company and BAYTON ALFA, a.s. from 1 September 2015
- Amendment No. 5 to Loan Agreement between the Company and CPI - BOR, a.s. from 2 January 2015
- Amendment No. 4 to Loan Agreement between the Company and CPI - Zbraslav, a.s. from 2 January 2015
- Amendment No. 2 to Loan Agreement between the Company and Hraničář, a.s. from 2 January 2015
- Amendment No. 2 to Loan Agreement between the Company and Conradian, a.s. from 2 January 2015
- Amendment No. 2 to Loan Agreement between the Company and CB PROPERTY DEVELOPMENT, a.s. from 2 January 2015
- Amendment No. 1 to Loan Agreement from 16 April 2012 between the Company and CPI Beta, a.s. from 7.10.2015
- Loan Agreement between the Company and CPI Retails FOUR, a.s. from 4.11.2015
- Amendment No. 1 to Loan Agreement from 17 May 2012 between the Company and CPI Retails FOUR, a.s. from 1.11.2015
- Amendment No. 1 to Loan Agreement from 17 May 2012 between the Company and CPI Retails FIVE, a.s. from 1.11.2015
- Loan Agreement between the Company and CPI Štupartská, a.s. from 1 December 2015
- Loan Agreement between the Company and MALERBA, a.s. from 30.11.2015
- Amendment No. 2 to Loan Agreement from 3 June 2013 between the Company and CPI Park Žďárek, a.s. from 28 December 2015
- Amendment No. 2 to Loan Agreement from 25 October 2010 between the Company and CB PROPERTY DEVELOPMENT, a.s. from 28 December 2015
- Loan Agreement between the Company and CPI Národní, a.s. from 14 December 2015
- Amendment No. 2 to Loan Agreement from 3 June 2013 between the Company and CPI Park Mlýnec, a.s. from 28 December 2015
- Loan Agreement between the Company and Žďár Property Development, a.s. from 1 November 2015
- Amendment No. 6 to Loan Agreement from 9 July 2007 between the Company and CPI Bor, a.s. from 31 December 2015
- Amendment No. 1 to Loan Agreement from 28 February 2014 between the Company and CD Property s.r.o., a.s. from 23 February 2015
- Amendment No. 1 to Loan Agreement from 17 August 2015 between the Company and ITL ALFA, a.s. from 22 September 2015
- Amendment No. 5 to Loan Agreement from 1 May 2009 between the Company and CPI Services, a.s. from 30 December 2015
- Loan Agreement between the Company and Marissa Omikrón, a.s. from 2 December 2015
- Amendment No. 2 to Loan Agreement from 7 July 2011 between the Company and KARVINÁ PROPERTY DEVELOPMENT, a.s. from 28 December 2015
- Loan Agreement between the Company and Baudry, a.s. from 1 June 2011
- Loan Agreement between the Company and BPT Development, a.s. from 1 November 2010
- Loan Agreement between the Company and BŘEZINĚVES, a.s. from 12 January 2006
- Loan Agreement between the Company and BŘEZINĚVES, a.s. from 1 November 2009
- Loan Agreement between the Company and CPI - FACILITY, a.s. from 28 November 2006
- Loan Agreement between the Company and CPI - FACILITY, a.s. from 1 March 2007
- Loan Agreement between the Company and CPI Alfa, a.s. from 16 April 2012
- Loan Agreement between the Company and CPI Alfa, a.s. from 21 September 2012
- Loan Agreement between the Company and CPI Alfa, a.s. from 1 October 2012
- Loan Agreement between the Company and CPI Beta, a.s. from 16 April 2012
- Loan Agreement between the Company and CPI BYTY, a.s. from 13 April 2010
- Loan Agreement between the Company and CPI BYTY, a.s. from 1 January 2013
- Loan Agreement between the Company and CPI City Center ÚL, a.s. from 28 June 2010
- Loan Agreement between the Company and CPI City Center ÚL, a.s. from 1 June 2012
- Loan Agreement between the Company and CPI Epsilon, a.s. from 10 July 2013
- Loan Agreement between the Company and CPI Epsilon, a.s. from 1 April 2014
- Loan Agreement between the Company and CPI FINANCE, a.s. from 26 October 2007
- Loan Agreement between the Company and CPI FINANCE, a.s. from 26 October 2007
- Loan Agreement between the Company and CPI FINANCE, a.s. from 4 December 2007

- Loan Agreement between the Company and CPI France, a SASU from 20 April 2012
- Loan Agreement between the Company and CPI GROUP, a.s. from 11 June 2007
- Loan Agreement between the Company and CPI GROUP, a.s. from 1 January 2007
- Loan Agreement between the Company and CPI GROUP, a.s. from 30 May 2008
- Loan Agreement between the Company and CPI Heli, s.r.o. from 1 January 2013
- Loan Agreement between the Company and CPI Retails Five, a.s. from 17 May 2012
- Loan Agreement between the Company and CPI Retails Five, a.s. from 17 May 2012
- Loan Agreement between the Company and CPI Retails Three, a.s. from 17 May 2012
- Loan Agreement between the Company and CPI SERVICES, a.s. from 1 November 2008
- Loan Agreement between the Company and CPI SERVICES, a.s. from 1 May 2009
- Loan Agreement between the Company and CPI SERVICES, a.s. from 1 May 2009
- Loan Agreement between the Company and CPI SERVICES, a.s. from 8 May 2009
- Loan Agreement between the Company and CURITIBA, a.s. from 22 June 2006
- Loan Agreement between the Company and CURITIBA, a.s. from 28 November 2008
- Loan Agreement between the Company and Čadca Property Development, s.r.o. from 3 December 2012
- Loan Agreement between the Company and Farhan, a.s. from 1 July 2012
- Loan Agreement between the Company and Farhan, a.s. from 1 July 2012
- Loan Agreement between the Company and GADWALL SP. Z O. O. from 29 October 2013
- Loan Agreement between the Company and Hraničář, a.s. from 1 February 2010
- Loan Agreement between the Company and Hraničář, a.s. from 29 January 2013
- Loan Agreement between the Company and Hraničář, a.s. from 3 June 2013
- Loan Agreement between the Company and Hraničář, a.s. from 1 June 2012
- Loan Agreement between the Company and Hraničář, a.s. from 1 November 2008
- Loan Agreement between the Company and Komárno Property Development, a.s. from 1 July 2011
- Loan Agreement between the Company and Komárno Property Development, a.s. from 29 January 2013
- Loan Agreement between the Company and Komárno Property Development, a.s. from 3 June 2013
- Loan Agreement between the Company and Komárno Property Development, a.s. from 1 October 2007
- Loan Agreement between the Company and Liptovský Mikuláš Property Development, a.s. from 1 July 2011
- Loan Agreement between the Company and Malerba, a.s. from 8 June 2010
- Loan Agreement between the Company and Malerba, a.s. from 8 June 2010
- Loan Agreement between the Company and Malerba, a.s. from 13 December 2010
- Loan Agreement between the Company and Malerba, a.s. from 30 November 2015
- Loan Agreement between the Company and Malerba, a.s. from 1 January 2009
- Loan Agreement between the Company and Marissa, a.s. from 28 March 2011
- Loan Agreement between the Company and Michalovce Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and Michalovce Property Development, a.s. from 1 October 2007
- Loan Agreement between the Company and Neronta, a.s. from 13 June 2011
- Loan Agreement between the Company and Neronta, a.s. from 30 April 2012
- Loan Agreement between the Company and Neronta, a.s. from 29 January 2013
- Loan Agreement between the Company and Neronta, a.s. from 3 June 2013
- Loan Agreement between the Company and Pelhřimov Property Development, a.s. from 8 November 2012
- Loan Agreement between the Company and Považská Bystrica Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and Považská Bystrica Property Development, a.s. from 29 January 2013
- Loan Agreement between the Company and Považská Bystrica Property Development, a.s. from 3 June 2013
- Loan Agreement between the Company and Prievidza Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and Prievidza Property Development, a.s. from 29 January 2013
- Loan Agreement between the Company and Prievidza Property Development, a.s. from 3 June 2013
- Loan Agreement between the Company and Quadrio Residence, s.r.o. from 10 July 2013
- Loan Agreement between the Company and Quadrio Residence, s.r.o. from 1 April 2014

- Loan Agreement between the Company and Quadrio Residence, s.r.o. from 18 January 2016
- Loan Agreement between the Company and Ružomberok Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and Ružomberok Property Development, a.s. from 29 January 2013
- Loan Agreement between the Company and Ružomberok Property Development, a.s. from 3 June 2013
- Loan Agreement between the Company and RUŽOMBEROK PROPERTY DEVELOPMENT, a.s. from 1 October 2007
- Loan Agreement between the Company and STRAKONICE PROPERTY DEVELOPMENT, a.s. from 4 December 2012
- Loan Agreement between the Company and STRAKONICE PROPERTY DEVELOPMENT, a.s. from 17 May 2007
- Loan Agreement between the Company and STRAKONICE PROPERTY DEVELOPMENT, a.s. from 25 May 2007
- Loan Agreement between the Company and Trebišov Property Development, a.s. from 3 December 2012
- Loan Agreement between the Company and Trutnov Property Development, a.s. from 1 August 2012
- Loan Agreement between the Company and Třinec Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and TŘINEC PROPERTY DEVELOPMENT, a.s. from 16 March 2006
- Loan Agreement between the Company and TŘINEC PROPERTY DEVELOPMENT, a.s. from 15 August 2007
- Loan Agreement between the Company and Týniště Property Development, a.s. from 5 December 2012
- Loan Agreement between the Company and VYŠKOV PROPERTY DEVELOPMENT from 1 May 2014
- Loan Agreement between the Company and VYŠKOV PROPERTY DEVELOPMENT, a.s. from 18 December 2006
- Loan Agreement between the Company and VYŠKOV PROPERTY DEVELOPMENT, a.s. from 31 March 2007
- Loan Agreement between the Company and VYŠKOV PROPERTY DEVELOPMENT, a.s. from 31 March 2007
- Loan Agreement between the Company and Zvolen Property Development, a.s. from 1 July 2012
- Loan Agreement between the Company and Zvolen Property Development, a.s. from 29 January 2013
- Loan Agreement between the Company and Zvolen Property Development, a.s. from 3 June 2013
- Loan Agreement between the Company and ZVOLEN PROPERTY DEVELOPMENT, a.s. from 1 October 2007
- Loan Agreement between the Company and Ždírec Property Development, a.s. from 1 August 2012
- Agreement on Assignment of receivable between the Company and CPI Lambda, a.s. from 30 July 2013
- Agreement of transfer share between the Company and Malerba, a.s. from 10 March 2014
- Amendment No. 1 to Agreement of transfer share between the Company and Malerba, a.s. from 7 May 2014
- Agreement of transfer share between the Company and Malerba, a.s. from 10 March 2014
- Amendment No. 1 to Agreement of transfer share between the Company and Malerba, a.s. from 7 May 2014
- Loan Agreement between the Company and Central Tower 81 Sp. z o.o. from 31 December 2015
- Loan Agreement between the Company and Central Tower 81 Sp. z o.o. from 1 October 2014
- Loan Agreement between the Company and VOLANTI LIMITED from 31 December 2015
- Loan Agreement between the Company and CPI Finance Slovakia, a.s. from 29 April 2015
- Loan Agreement between the Company and CPI Národní, a.s. from 14 December 2015
- Loan Agreement between the Company and MUXUM, a.s. from 26 February 2009
- Loan Agreement between the Company and Prague Property Development, s.r.o. from 17 December 2007
- Agreement on Provision of the additional contribution between the Company and Marissa Tau, a.s. from 4 January 2016
- Loan Agreement between the Company and Quadrio Residence, s.r.o. from 18 January 2016
- Agreement on Set-off of receivables between the Company and CPI Lambda, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and CPI Lambda, a.s. from 1 January 2016

- Loan Agreement between the Company and CPI Services, a.s. from 4 March 2016
- Agreement on Provision of the additional contribution between the Company and U svatého Michala, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and BPT Development, a.s. from 1 January 2016
- Agreement on Set-off of receivables between the Company and BPT Development, a.s. from 1 January 2016
- Agreement on Set-off of receivables between the Company and CPI Beta, a.s. from 1 January 2016
- Credit facility agreement between the Company and CPI Finance Netherlands II B.V. from 11 March 2016
- Subordination agreement between the Company and Marissa Tau, a.s. from 23 March 2016
- Agreement on Provision of the additional contribution between the Company and Svitavy Property Alfa, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and Vyškov Property Development, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and Jeseník Investments, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and Ždírec Property Development, a.s. from 1 January 2016
- Agreement on Provision of the additional contribution between the Company and Karviná Property Development, a.s. from 1 November 2016
- Agreement on Provision of the additional contribution between the Company and Marissa Ypsilon, a.s. from 2 February 2016
- Agreement on Provision of the additional contribution between the Company and IGY2 CB, a.s. from 14 November 2016
- Agreement on Set-off of receivables between the Company and Hospitality Invest S.á.r.l. from 31 August 2016
- Agreement on Provision of the additional contribution between the Company and CPI Heli, s.r.o. from 3 October 2016
- Agreement on Payment Instruction between the Company and Tarnów Property Development sp. z o.o. from 22 March 2016
- Loan Agreement between the Company and Tarnów Property Development sp. z o.o. from 22 March 2016
- Loan Agreement between the Company and CPI East, s.r.o. from 1 February 2016
- Agreement on Provision of the additional contribution between the Company and Marissa Théta, a.s. from 11 October 2016
- Agreement on Set-off of receivables between the Company and CPI Finance Netherlands B. V. from 30 December 2016
- Loan Agreement between the Company and ACGATE Kft. from 26 November 2013
- Amendment No.1 to Loan Agreement between the Company and ACGATE Kft. from 11 April 2014
- Amendment No.2 to Loan Agreement between the Company and Arena Corner Kft. from 1 January 2016
- Loan Agreement between the Company and SPH Properties, SP z.o.o. from 10 November 2013
- Amendment No.1 to Loan Agreement between the Company and SPH Properties, SP z.o.o. from 1 January 2014
- Loan Agreement between the Company and Orco Apartments, SP z.o.o. from 29 October 2013
- Amendment No.1 to Loan Agreement between the Company and Orco Apartments, SP z.o.o. from 1 January 2014
- Amendment No.2 to Loan Agreement between the Company and Orco Apartments, SP z.o.o. from 1 January 2014
- Loan Agreement between the Company and NERONTA, a.s. from 30 April 2012
- Amendment No.1 to Loan Agreement between the Company and NERONTA, a.s. from 4 November 2015
- Loan Agreement between the Company and CPI France from 1 July 2012
- Amendment No.1 to Loan Agreement between the Company and CPI France from 31 December 2012
- Amendment No.2 to Loan Agreement between the Company and CPI France from 31 December 2014
- Amendment No.4 to Loan Agreement between the Company and CPI France from 1 January 2016
- Amendment No.5 to Loan Agreement between the Company and CPI France from 22 December 2016

- Loan Agreement between the Company and CPI France from 31 May 2012
- Amendment No.1 to Loan Agreement between the Company and CPI France from 31 December 2012
- Amendment No.4 to Loan Agreement between the Company and CPI France from 1 January 2016
- Amendment No.5 to Loan Agreement between the Company and CPI France from 22 December 2016
- Loan Agreement between the Company and CPI Finance Netherlands, B.V. from 23 November 2015
- Amendment No.1 to Loan Agreement between the Company and CPI Finance Netherlands, B.V. from 19 May 2016
- Amendment No.2 to Loan Agreement between the Company and CPI Finance Netherlands, B.V. from 19 May 2016
- Loan Agreement between the Company and CPI Finance Slovakia, a.s. from 2 March 2016
- Amendment No.1 to Loan Agreement between the Company and CPI Finance Netherlands II, B.V. from 19 May 2016
- Loan Agreement between the Company and CPI Finance Netherlands III, B.V. from 21 December 2015
- Amendment No.1 to Loan Agreement between the Company and CPI Finance Netherlands III, B.V. from 19 May 2016
- Agreement on Set-off of receivables between the Company and CPI City Center ÚL, a.s. from 31 March 2016
- Agreement on Set-off of receivables between the Company and CPI City Center, a.s. from 30 June 2016
- Agreement on Set-off of receivables between the Company and Prague Property Development, s.r.o. from 14 June 2016
- Agreement on Set-off of receivables between the Company and CPI Finance Netherlands, B.V. from 30 June 2016
- Agreement on Set-off of receivables between the Company and CPI Finance Netherlands, B.V. from 30 December 2016
- Agreement on Set-off of receivables between the Company and Hospitality Invest, S.Á.R.L. from 31 August 2016
- Amendment No.1 to Agreement on Set-off of receivables between the Company and Michalovce Property Development ,a.s. from 12 May 2016
- Amendment No.2 to Agreement on Set-off of receivables between the Company and Považská Bystrica Property Development, a.s. from 12 May 2016
- Agreement on transfer of the bonds for consideration between the Company and BAYTON Gama, a.s. from 9 December 2016
- Agreement on Provision of the additional contribution between the Company and Kerina, a.s. from 1 April 2016
- Agreement on Provision of the additional contribution between the Company and Marissa, a.s. from 26 September 2016
- Agreement on Provision of the additional contribution between the Company and CPI Residential, a.s. from 1 November 2016
- Share purchase agreement between the Company and CPI Residential ,a.s. from 1 October 2016
- Share purchase agreement between the Company and CPI Residential ,a.s. from 1 October 2016
- Share purchase agreement between the Company and VERETIX, a.s. from 22 December 2016
- Share purchase agreement between the Company and Bayton Delta, a.s. from 22 December 2016
- Share purchase agreement between the Company and VOLANTI LIMITED from 31 May 2016
- Share purchase agreement between the Company and Curitiba, a.s. from 22 December 2016
- Share purchase agreement between the Company and CPI City Center ÚL, a.s. from 24 March 2016

**D. Overview of mutual agreements between the controlled entity and entities controlled by NUKASSO HOLDINGS LIMITED or IVRAVODA LIMITED or CPI PROPERTY GROUP**

- Agreement on Purchase of Receivable between the Company and PTR PRIME TOURIST RESORTS (CYPRUS) LIMITED from 31 August 2016
- Loan Agreement between the Company and ORCO PROPERTY GROUP S.A. from 13 December 2016
- Loan Agreement between the Company and CPI Finance Slovakia II, a.s. from 29 September 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016

- Amendment No. 1 to Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 16 December 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
- Amendment No. 1 to Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 16 December 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
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- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
- Amendment No. 1 to Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 16 December 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
- Amendment No. 1 to Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 16 December 2016
- Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 30 November 2016
- Amendment No. 1 to Share purchase agreement between the Company and ORCO PROPERTY GROUP S.A. from 16 December 2016

#### **E. Other Legal Acts**

During the last financial period there were none of these proceedings.

#### **F. Role of the controlled entity**

Czech Property Investments, a. s. is the parent company of the Group. The core business as well as the role of companies within the Group is the management of investment properties and development of property. Czech Property Investments, a. s. is a major real estate company in CEE region. Its primary task is to maintain property portfolio value and deliver services to its customers.

#### **G. Other measurements, their advantages and disadvantages, provided supplies, considerations received**

During the last financial period, no measurements were implemented, no supplies were provided and no considerations were received in the interest of or at the instigation of Controlling entity (both Parent company and the major shareholder).

The value of transactions between related parties is set out in the notes to the individual financial statements of Czech Property Investments, a.s. for 2016.

The Board of Directors of the Controlled Entity considers that Czech Property Investments, a.s. benefits mainly from administrative, legal and financial support provided by the Group. Also the Board of Directors considers that from the point of Czech Property Investments, a.s., there are not any of disadvantages resulting from being a part of the Group and and that there are no risks derived for Czech Property Investments, a. s. from transactions described above.

#### H. Loss suffered

The Board of Directors of the Company confirms that the company Czech Property Investments, a.s. did not suffered any damage or loss as a result of the conclusion of the above-mentioned agreements, the implementation of the above-mentioned other legal acts and other measurements, and supplies provided or considerations received.

#### IV. Conclusion

The Board of Directors states that the report is complete and that the disclosure of other information, particularly regarding to extension of the scope or depth of information, is under a trade secret by § 504 of the Act No. 89/2012 Sb., the Civil code, as amended.

#### Entites controlled by NUKASSO HOLDINGS LIMITED:

Companies controlled by NUKASSO HOLDINGS LIMITED - Czechia	Ownership interest (%)
Bubenská 1, a.s.	97.31%
Bubny Development, s.r.o.	97.31%
BYTY PODKOVA, a.s.	97.31%
Camuzzi, a.s.	97.31%
CD Property s.r.o.	97.31%
CPI - Krásné Březno, a.s.	97.31%
CPI - Land Development, a.s.	97.31%
CPI South, s.r.o.	97.58%
Darília a.s.	97.31%
Data Trade s.r.o.	97.31%
Development Doupovská, s.r.o.	72.98%
Development Pražská s.r.o.	97.31%
Estate Grand, s.r.o.	97.31%
Grunt HZ s.r.o.	97.31%
HAGIBOR OFFICE BUILDING, a.s.	97.31%
Industrial Park Stříbro, s.r.o.	97.31%
JIHOVÝCHODNÍ MĚSTO, a.s.	97.31%
Karviná Property Development, a.s.	97.31%
NOVÁ ZBROJOVKA, s.r.o.	97.31%
Nupaky a.s.	97.31%
Orco Praga, s.r.o., člen holdingu ORCO PROPERTY GROUP SA	97.31%
Strakonice Property Development, a.s.	97.31%
STRM Alfa, a.s.	97.31%
STRM Beta, a.s.	97.31%
STRM Delta, a.s.	97.31%
STRM Gama, a.s.	97.31%
Svitavy Property Development, a.s.	97.31%

Companies controlled by NUKASSO HOLDINGS LIMITED - Cyprus		Ownership interest (%)
Aspley Ventures Limited		100.00%
Famiaco		97.31%
Fetumar Development Limited		100.00%
Jagapa Limited		100.00%
Companies controlled by NUKASSO HOLDINGS LIMITED - Luxembourg		Ownership interest (%)
Capellen Invest S.A.		97.31%
CEREM S.A.		97.31%
Endurance Real Estate Management Company		97.31%
Orco Property Group S.A.		97.31%
Companies controlled by NUKASSO HOLDINGS LIMITED - Poland		Ownership interest (%)
Diana Property Sp. z o.o.		97.31%
Marki Real Estate Sp. z o.o.		97.31%
Companies controlled by NUKASSO HOLDINGS LIMITED - France		Ownership interest (%)
Vinohrady s.a.r.l.		97.31%
Companies controlled by NUKASSO HOLDINGS LIMITED - Germany		Ownership interest (%)
Brillant 1419 GmbH & Co. Verwaltungs KG		97.31%
Companies controlled by NUKASSO HOLDINGS LIMITED - Guernsey		Ownership interest (%)
Orco Project Limited		97.31%

#### Entites controlled by IVRAVODA LIMITED:

Companies controlled by IVRAVODA LIMITED - CROATIA		Ownership interest (%)
Sunčani Hvar d.d.		96.43%
Hotel Sirena d.o.o.		96.43%
Blue Yachts d.o.o.		67.50%
Companies controlled by IVRAVODA LIMITED - Cyprus		Ownership interest (%)
PTR PRIME TOURIST RE SORTS (CYPRUS) LIMITED		100.00%

Prague, 31 March 2017

Zdeněk Havelka

Chairman of the Board of Directors  
Czech Property Investments, a.s.

## GLOSSARY

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 Company and assist in discussion with outside parties.
- APMs in some cases might better reflect key trends in the Company's performance which are specific to that sector, i.e. APMs are a way for the management to highlight the key value drivers within the business that may not be obvious in the consolidated financial statements.

### **Development for Rental**

Development for Rental represents carrying value of developed assets – i.e. 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.

### **EPRA NAV**

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

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

### **Equity ratio**

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

### **Gross Leasable Area**

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

### **Gross Saleable Area**

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

### **Gross Rental Income**

Gross Rental Income (revenue) is the amount the Group collects in rent from its rental properties. It is one of the key figures by which the Group measures its performance.

### **Gross Return**

Gross Return is a proportion of annual rental income and the market value of the underlying asset. The low gross return could for example indicate inappropriately fixed price of rent or valuation of asset which it's not in line with the current market situation; This indicator could not be used separate, it have to be always use in conjunction with other contexts and relevant facts.

### **Loan-to-Value**

Loan-to-Value provides a general assessment of financing risk undertaken. It is calculated as Net Debt divided by total value of Property Portfolio. Net debt is defined as all non-current and current interest bearing liabilities (bonds and financial debts) decreased by balance of cash and cash equivalents. Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

### **Potential Gross Leasable Area**

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

### **Potential Gross Saleable Area**

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

## FINANCIAL STATEMENTS

Consolidated financial statements as at 31 December 2016

Consolidated statement of financial position

Consolidated statement of comprehensive income

Consolidated statement of cash flow

Consolidated statement of changes in equity

Notes to the Consolidated Financial statements

Individual financial statements as at 31 December 2016

Statement of financial position

Statement of comprehensive income

Statement of cash flow

Statement of changes in equity

Notes to the Individual Financial Statements

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# Czech Property Investments, a.s.

## **CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016**

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2016	2015
Gross rental revenue	5.1	4,625,909	4,621,747
Service revenue	5.1	666,435	670,410
Net service charge income	5.2	66,273	21,665
Property operating expenses	5.3	(777,162)	(639,739)
<b>Net rental income</b>		<b>4,581,454</b>	<b>4,674,083</b>
Development sales	5.4	6,208	240,089
Cost of goods sold	5.4	(356)	(205,515)
Development operating expenses	5.4	(19,862)	--
<b>Net development result</b>		<b>(14,010)</b>	<b>34,574</b>
Hotel revenue	5.5	1,246,843	251,099
Cost of goods sold	5.5	(2,329)	2,850
Hotel operating expenses	5.5	(822,711)	(145,870)
<b>Net hotel income</b>		<b>421,803</b>	<b>108,079</b>
Total revenues		6,611,667	5,805,010
Total direct business operating expenses		(1,622,420)	(988,274)
<b>Net business income</b>		<b>4,989,247</b>	<b>4,816,737</b>
Net valuation gain on investment property	5.6	1,137,011	145,090
Net loss on the disposal of investment property	5.7	(66,473)	(11,296)
Net gain on disposal of subsidiaries and investees	5.8	48,557	467,544
Amortization, depreciation and impairments	5.9	(513,796)	(180,908)
Other operating income	5.10	148,636	276,672
Administrative expenses	5.11	(1,193,187)	(1,074,511)
Other operating expenses	5.12	(49,289)	(394,751)
<b>Operating result</b>		<b>4,500,704</b>	<b>4,044,577</b>
Interest income	5.13	420,090	499,460
Interest expense	5.14	(1,869,209)	(2,378,400)
Other net financial result	5.15	(147,808)	(585,515)
<b>Net finance costs</b>		<b>(1,596,928)</b>	<b>(2,464,455)</b>
<b>Profit before income tax</b>		<b>2,903,776</b>	<b>1,580,122</b>
Income tax	5.16	130,811	(624,566)
<b>Net profit from continuing operations</b>		<b>3,034,588</b>	<b>955,556</b>
<b>Items that may or are reclassified subsequently to profit or loss</b>			
Foreign currency translation differences - foreign operations		(134,206)	(839)
Effective portion of changes in fair value of cash flow hedges		29,782	191,002
Related tax		(5,653)	(35,395)
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation of property, plant and equipment - hotels	6.3	620,192	--
Related tax		(92,394)	--
Other comprehensive income for the period, net of tax		417,720	154,768
<b>Total comprehensive income for the period</b>		<b>3,452,308</b>	<b>1,110,324</b>
<b>Non controlling interests</b>		<b>(8,976)</b>	<b>345</b>
<b>Owners of the Company</b>		<b>3,043,564</b>	<b>955,211</b>
<b>Profit for the period</b>		<b>3,034,588</b>	<b>955,556</b>
<b>Total comprehensive income attributable to:</b>			
<b>Non controlling interests</b>		<b>(8,976)</b>	<b>(4,408)</b>
<b>Owners of the Company</b>		<b>3,461,284</b>	<b>1,114,732</b>
<b>Total comprehensive income for the period</b>		<b>3,452,308</b>	<b>1,110,324</b>
Earnings per share	6.13		
Basic earnings in CZK per share		393.54	123.51
Diluted earnings in CZK per share		393.54	123.51

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>			
Intangible assets and goodwill	6.1	1,540,842	357,109
Investment property	6.2	67,333,999	74,718,330
Property, plant and equipment	6.3	10,135,397	1,672,270
Hotels		9,997,588	--
Other property, plant and equipment		137,809	1,672,270
Available-for-sale financial assets	6.4	16,767	11,748
Financial assets at fair value through profit or loss	6.5	--	30,403
Loans provided	6.6	9,760,054	495,493
Trade and other receivables	6.7	1,154	4,125
Deferred tax asset	5.16	93,620	21,434
<b>Total non-current assets</b>		<b>88,881,831</b>	<b>77,310,912</b>
<b>CURRENT ASSETS</b>			
Inventories	6.8	2,162,316	2,088,712
Current income tax receivables		74,660	85,228
Available-for-sale financial assets	6.4	--	43,271
Trade receivables	6.7	1,367,648	1,336,701
Loans provided	6.6	5,311,006	4,170,722
Cash and cash equivalents	6.9	6,192,688	3,346,620
Other financial current assets	6.10	1,165,756	416,594
Other non-financial current assets	6.11	734,729	518,250
Assets held for sale	6.12	3,058,384	701,073
<b>Total current assets</b>		<b>20,067,188</b>	<b>12,707,170</b>
<b>TOTAL ASSETS</b>		<b>108,949,019</b>	<b>90,018,082</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company	6.13	38,526,457	33,755,003
Non controlling interests		66,921	75,897
<b>Total equity</b>		<b>38,593,378</b>	<b>33,830,900</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	6.14	13,532,849	9,793,882
Financial debts	6.15	33,977,904	26,392,242
Derivative instruments	6.16	321,705	292,198
Deferred tax liabilities	5.16	5,853,151	6,675,216
Provisions		734	471
Other non-current liabilities	6.17	432,147	369,627
<b>Total non-current liabilities</b>		<b>54,118,490</b>	<b>43,523,636</b>
<b>CURRENT LIABILITIES</b>			
Bonds issued	6.14	1,288,880	1,453,620
Financial debts	6.15	7,829,032	7,881,306
Trade payables	6.18	3,150,927	1,030,842
Advance payments	6.19	872,139	848,675
Derivative instruments	6.16	6,675	39,092
Other financial current liabilities	6.20	1,273,969	1,135,325
Other non-financial current liabilities	6.21	291,380	194,348
Liabilities linked to assets held for sale	6.12	1,524,148	80,337
<b>Total current liabilities</b>		<b>16,237,151</b>	<b>12,663,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>108,949,019</b>	<b>90,018,082</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other capital funds	Revaluation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>		<b>6,186,997</b>	<b>652,364</b>	<b>301,285</b>	<b>146,902</b>	<b>(497,268)</b>	<b>10,312,575</b>	<b>--</b>	<b>16,652,149</b>	<b>33,755,003</b>	<b>75,897</b>	<b>33,830,900</b>
Comprehensive income for the year												
<b>Profit for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,043,564</b>	<b>3,043,564</b>	<b>(8,976)</b>	<b>3,034,588</b>
Foreign currency translation differences - foreign operations		--	--	(134,206)	--	--	--	--	--	(134,206)	--	(134,206)
Net changes in fair value of cash flow FX hedges		--	--	--	--	13,047	--	--	--	13,047	--	13,047
Income tax on other comprehensive expense		--	--	--	--	(2,336)	--	--	--	(2,336)	--	(2,336)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	16,735	--	--	--	16,735	--	16,735
Income tax on other comprehensive expense		--	--	--	--	(3,317)	--	--	--	(3,317)	--	(3,317)
Revaluation of property, plant and equipment		--	--	--	--	--	--	620,192	--	620,192	--	620,192
Related deferred tax effect		--	--	--	--	--	--	(92,394)	--	(92,394)	--	(92,394)
<b>Total other comprehensive income / (expense)</b>		<b>--</b>	<b>--</b>	<b>(134,206)</b>	<b>--</b>	<b>24,129</b>	<b>--</b>	<b>527,797</b>	<b>--</b>	<b>417,720</b>	<b>--</b>	<b>417,720</b>
<b>Total comprehensive income for the year</b>		<b>--</b>	<b>--</b>	<b>(134,206)</b>	<b>--</b>	<b>24,129</b>	<b>--</b>	<b>527,797</b>	<b>3,043,564</b>	<b>3,461,284</b>	<b>(8,976)</b>	<b>3,452,308</b>
Transactions with owners of the Company, recognised directly in equity												
<b>Contributions by and distributions to owners of the Company</b>												
Effect of the acquisitions of subsidiaries under common control	3.2	--	--	--	--	--	--	--	3,389	3,389	--	3,389
Owner's contribution	6.13	--	--	--	--	--	1,310,000	--	--	1,310,000	--	1,310,000
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>3,389</b>	<b>1,313,389</b>	<b>--</b>	<b>1,313,389</b>
<b>Changes in ownership interests in subsidiaries</b>												
Disposal of subsidiaries		--	--	--	(3,220)	--	--	--	--	(3,220)	--	(3,220)
<b>Total changes in ownership interests in subsidiaries</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>(3,220)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(3,220)</b>	<b>--</b>	<b>(3,220)</b>
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>(3,220)</b>	<b>--</b>	<b>1,310,000</b>	<b>--</b>	<b>3,389</b>	<b>1,310,169</b>	<b>--</b>	<b>1,310,169</b>
<b>Balance at 31 December 2016</b>		<b>6,186,997</b>	<b>652,364</b>	<b>167,079</b>	<b>143,682</b>	<b>(473,139)</b>	<b>11,622,575</b>	<b>527,797</b>	<b>19,699,102</b>	<b>38,526,457</b>	<b>66,921</b>	<b>38,593,378</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>		<b>6,186,997</b>	<b>652,364</b>	<b>296,939</b>	<b>146,938</b>	<b>(652,875)</b>	<b>10,312,575</b>	<b>15,471,936</b>	<b>32,414,874</b>	<b>75,552</b>	<b>32,490,426</b>
Comprehensive income for the year											
<b>Profit for the period</b>		--	--	--	--	--	--	955,211	955,211	345	955,556
Foreign currency translation differences - foreign operations		--	--	3,914	--	--	--	--	3,914	(4,753)	(839)
Net changes in fair value of cash flow FX hedges		--	--	--	--	195,670	--	--	195,670	--	195,670
Income tax on other comprehensive expense		--	--	--	--	(36,345)	--	--	(36,345)	--	(36,345)
Net changes in fair value of cash flow IRS hedges		--	--	--	--	(4,668)	--	--	(4,668)	--	(4,668)
Income tax on other comprehensive expense		--	--	--	--	950	--	--	950	--	950
<b>Total other comprehensive income / (expense)</b>		--	--	3,914	--	155,607	--	--	159,521	(4,753)	154,768
<b>Total comprehensive income for the year</b>		--	--	<b>3,914</b>	--	<b>155,607</b>	--	<b>955,211</b>	<b>1,114,732</b>	<b>(4,408)</b>	<b>1,110,324</b>
Contributions by and distributions to owners of the Company											
Effect of the acquisitions of subsidiaries under common control	3.5	--	--	--	--	--	--	(95,582)	(95,582)	--	(95,582)
Common control transaction - Hospitality Invest	3.5			432				167,506	167,938	135,674	303,612
<b>Total contributions by and distributions to owners of the Company</b>		--	--	--	--	--	--	71,924	72,356	135,674	208,030
<b>Changes in ownership interests in subsidiaries</b>		--	--	--	--	--	--	--	--	--	--
Disposal of subsidiary with non-controlling interests	5.8	--	--	--	--	--	--	--	--	22,121	22,121
Other changes in non-controlling interests	3.6	--	--	--	--	--	--	153,042	153,042	(153,042)	--
<b>Total changes in ownership interests in subsidiaries</b>		--	--	<b>432</b>	--	--	--	<b>153,042</b>	<b>153,042</b>	<b>(130,921)</b>	<b>22,121</b>
<b>Total transactions with owners of the Company</b>		--	--	<b>432</b>	--	--	--	<b>224,966</b>	<b>225,398</b>	<b>4,753</b>	<b>230,151</b>
<b>Other movements</b>											
Transfers to Legal reserve fund		--	--	--		--	--	--	--	--	--
Other changes in equity		--	--	--	(36)	--	--	36	--	--	--
<b>Total other movements</b>		--	--	--	(36)	--	--	36	--	--	--
<b>Balance at 31 December 2015</b>		<b>6,186,997</b>	<b>652,364</b>	<b>301,285</b>	<b>146,902</b>	<b>(497,268)</b>	<b>10,312,575</b>	<b>16,652,149</b>	<b>33,755,003</b>	<b>75,897</b>	<b>33,830,900</b>

## CONSOLIDATED CASH FLOW STATEMENT

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

	Note	31 December 2016	31 December 2015
<b>PROFIT BEFORE INCOME TAX</b>		<b>2,903,777</b>	<b>1,580,122</b>
<i>Adjusted by:</i>			
Net valuation gain on investment property	5.6	(1,137,011)	(145,090)
Loss on the disposal of investment property	5.7	66,473	11,296
Depreciation / amortisation of tangible and intangible assets	5.9	198,201	59,628
Impairment of assets	5.9	315,595	121,280
Gain on the disposal of property, plant and equipment		--	(2,754)
Gain on the disposal of subsidiaries and investees	5.8	(48,557)	(467,544)
Net finance costs	5.13, 5.14	1,642,584	1,994,121
Exchange rate differences		(103,279)	972,015
<b>Profit before changes in working capital and provisions</b>		<b>3,837,784</b>	<b>4,123,073</b>
(Increase) / Decrease in inventories		(27,336)	47,894
(Increase) / Decrease in receivables		(4,051,206)	526,803
Increase in liabilities		2,002,059	786,284
Changes in provisions		229	(8,344)
Income tax paid		(268,242)	(96,834)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,493,286</b>	<b>5,378,876</b>
Acquisition of subsidiaries, net of cash acquired	3.2	(1,407,316)	(1,413,389)
Capital expenditure on own investment property	6.2	(1,016,600)	(751,295)
Expenditure on investment property under development		(121,409)	(135,702)
Proceeds from sale of investment property	5.7	601,605	347,880
Proceeds from sale of property, plant and equipment		1,487	43,564
Proceeds from sale of other investments		43,271	--
Proceeds from disposals of subsidiaries, net of cash disposed		1,618,694	449,870
Acquisition of property, plant and equipment		(114,226)	(13,195)
Acquisition of intangible assets		(23,601)	(28,100)
Acquisition of other investments		(2,991)	--
Loans repaid	6.6	3,805,303	554,861
Loans provided	6.6	(11,801,675)	(179,828)
Interest received		53,660	385,925
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(8,363,799)</b>	<b>(739,408)</b>
Proceeds from bonds issued	6.14	6,249,820	4,525,708
Repayment of bonds issued	6.14	(1,391,164)	(9,596,770)
Interest paid		(1,643,779)	(2,054,835)
Drawdowns of loans and borrowings	6.15	12,092,700	10,345,085
Repayments of loans and borrowings	6.15	(10,881,594)	(7,005,109)
Repayments of finance lease liabilities		(2,445)	(42,705)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>9,760,030</b>	<b>(3,828,626)</b>
<b>NET INCREASE IN CASH</b>		<b>2,889,517</b>	<b>810,842</b>
Cash and cash equivalents at the beginning of the year	6.9	3,346,620	2,550,657
Effect of movements in exchange rates on cash held		1,162	(14,879)
Less: Cash and cash equivalents reclassified to asset held for sale	6.12	(44,611)	--
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>6,192,688</b>	<b>3,346,620</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Czech Property Investments, a.s. (hereinafter also the „Company“ or “CPI”, and together with its subsidiaries as the “Group” or individually as “Group entities”) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established on 17 December 1991 and is registered in the Commercial register kept by the Municipal Court in Prague. The registration number of the Company is 427 16 161.

The address of its registered office is Vladislavova 1390/17, Prague 1, 110 00.

### Principal activities

Principal activities of the Group are described in Note 4.

### Description of ownership structure

The sole shareholder of the Company is CPI PROPERTY GROUP (hereinafter also “CPI PG”). CPI PG is a real estate group founded in 2004. Since its foundation it has been operating in Germany and concentrates on commercial property, project development and asset management. The Group focuses on investment properties, realizes development potentials and offers full-service asset management for third parties.

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

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

### Management

#### Board of Directors

##### Board of Directors as at 31 December 2016

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Martin Němeček, since 29 April 2016

##### Board of Directors as at 31 December 2015

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Kristína Magdolenová, since 15 February 2014

#### Supervisory Board

##### Supervisory Board as at 31 December 2016

###### *Member*

Milan Trněný, since 5 June 2014

##### Supervisory Board as at 31 December 2015

###### *Member*

Milan Trněný, since 5 June 2014

### **The management**

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

### **Employees**

The Group has 2,492 employees as at 31 December 2016 (2015 – 802 employees). The significant employee's growth reflects the Group's expansion and extension of its investment property portfolio and hotel portfolio. All of the above included employees were engaged in the core business activities of the Group.

## 2 Basis of preparation and significant accounting policies

### 2.1 Basis of preparation of consolidated financial statements

#### (a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on 28 April 2017.

#### (b) New standards

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

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

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

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

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

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

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

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

- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' face are amended as follows:
  - *"Revenue-based depreciation banned for property, plant and equipment"* means that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  - *"New restrictive test for intangible assets"* deals with a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

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

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

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

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

#### **New standards and interpretations not yet adopted**

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

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

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

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

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

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

#### **(c) Basis of measurement**

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

- investment property is measured at fair values;
- property, plant and equipment (Hotels), asset type hospitality, is measured at fair values;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.

#### **(d) Functional and presentation currency**

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

#### **(e) Use of estimates and judgements**

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

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

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

- Note 2.2(c) – Classification of investment property
- Note 2.2(e) – Lease classification

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2.3 – Valuation of investment property and Property, plant and equipment
- Note 5.16 – Recognition of deferred tax assets - future utilization of carry forward tax losses
- Note 7 – Financial risk management
- Note 2.2(j) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs

## 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 acquiree or at deemed costs if the local standards are different from IFRS adopted by EU. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Equity accounted investees

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

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

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

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

**(vi) Transactions eliminated on consolidation**

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

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

**(vii) Property asset acquisition**

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

**(b) Foreign currency****(i) Functional currencies**

Functional currencies of the companies in the Group are the currency of the primary economic environment in which the entities operate and majority of their transactions are carried out in this currency.

Summary of countries and functional currencies:

Country	Functional currency
British Virgin Islands	EUR
Cyprus	EUR
Czech Republic	CZK
France	EUR
Guernsey	EUR
Hungary	HUF
Ireland	EUR
Luxembourg	EUR or RUB
Netherlands	EUR
Poland	PLN
Romania	RON
Russia	RUB
Slovak Republic	EUR

**(ii) Foreign currency transactions**

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

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

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

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Czech Crowns at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Czech Crowns 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 Czech Crowns 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 CZK/EUR	Average exchange rate CZK/EUR for the 12-month period
31 December 2016	27.020	27.033
31 December 2015	27.025	27.283
31 December 2014	27.725	27.533

Date	Closing exchange rate CZK/PLN	Average exchange rate CZK/PLN for the 12-month period
31 December 2016	6.126	6.198
31 December 2015	6.340	6.525
31 December 2014	6.492	6.582

Date	Closing exchange rate CZK/100 HUF	Average exchange rate CZK/100 HUF for the 12-month period
31 December 2016	8.721	8.682
31 December 2015	8.557	8.807
31 December 2014	8.789	8.921

Date	Closing exchange rate CZK/RON	Average exchange rate CZK/RON for the 12-month period
31 December 2016	5.953	6.021
31 December 2015	5.976	6.138
31 December 2014	6.185	6.197

Date	Closing exchange rate CZK/100 RUB	Average exchange rate CZK/100 RUB for the 12-month period
31 December 2016	42.007	36.637
31 December 2015	33.535	38.953*

\*as at 31 December 2015 average exchange rate CZK/100 RUB for the 7-month period

### (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.

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

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

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

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

### (d) Investment property under development

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

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

**(e) Leased assets**

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

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

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

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

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

**(f) Property, plant and equipment**

**(i) Recognition and measurement**

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

**(ia) Hotels**

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

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

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

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

## (ib) Other items of property, plant and equipment

Other items of property, plant and equipment (except Hotels) are measured either the lower of cost less accumulated depreciation (see below) and impairment losses.

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

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

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

## (ii) Reclassification to investment property

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

## (iii) Subsequent costs

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

## (iv) Depreciation

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

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

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

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

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

**(g) Intangible assets****(i) Goodwill**

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

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

**(ii) Other intangible assets**

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

**(iii) Subsequent expenditure**

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

**(iv) Trademarks**

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

**(v) Amortisation**

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

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

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

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

**(h) Trading property - inventories**

Trading property - inventories is measured at the lower of cost and net realisable value.

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

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

**(i) 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(j)).

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(j)).

### **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(j)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

### **(ii) Non-derivative financial liabilities**

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

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

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

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

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

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

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

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

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

#### **Transaction costs**

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

#### **(iii) Share capital**

##### **Ordinary shares**

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

#### **(iv) Derivative financial instruments, including hedge accounting**

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

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

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

### **Cash flow hedges**

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

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

### **Other non-hedging derivatives**

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

## **(j) Impairment**

### **(i) Non-derivative financial assets**

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

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

### **Financial assets measured at amortised cost**

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

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

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

asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**(ii) Non - financial assets**

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

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

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

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

**(k) 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.

**(l) Contingent liability**

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

**(m) Revenue**

**(i) Rental revenue**

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

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

**(ii) Hotel revenue**

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

**(iii) Service charges and expenses recoverable from tenants**

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

**(iv) Services rendered**

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

**(v) Commissions**

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

**(vi) 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.

**(vii) 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.

(viii) 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.

**(n) Expenses**

(i) Service costs and property operating expenses

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

(ii) Operating lease payments

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

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

(iii) Finance lease payments

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

**(o) 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.

**(p) 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.

**(q) 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.

**(r) 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.

#### **(s) Related parties**

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

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.

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

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

## 2.3 Determination of fair value

### Investment property and Property, plant and equipment

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

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

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

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

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

#### (i) Residential

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

#### (ii) Retail, Office, Industry and Logistics

Retail, office, logistics and industry properties have been valued using predominantly income capitalization and discounted cash flow valuation technique. Income capitalization method is based on the capitalization of the net annual income the property generates or is potentially able to generate. On lease expiry future income flows have been capitalized into perpetuity at the estimated rental value, taking into account expiry voids and rent

free periods. The net income is the total rental income reduced by the costs the landlord cannot cover from the tenants. The capitalisation yield (equivalent yield) is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing seller in the arm's length transaction. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation. Sales comparison valuation technique has been used for smaller special retail assets in Czech Republic.

(iii) Land and vacant buildings

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

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

(iv) Hotels

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

(v) Investment property under development / developments

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

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

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

### 3 The Group Structure

#### Control of the Group

Czech Property Investments, a.s. is the Group's ultimate parent.

As at 31 December 2016 the Group is formed by parent company and 231 subsidiaries controlled by the parent company and no associate (at 31 December 2015 - 226 subsidiaries, no associate). For list of subsidiaries refer to Appendix I.

#### 3.1 Changes in the Group in 2016

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

Entity	Change	Share in %	Date of acquisition/foundation
CPI Finance Ireland II Limited	acquisition	100.00%	27 January 2016
Bondy Centrum s.r.o.	acquisition	100.00%	1 February 2016
CPI Finance Netherlands II B.V.	acquisition	100.00%	11 March 2016
Obchodní a společenské centrum České Budějovice, s.r.o.	acquisition	100.00%	18 March 2016
Shopinvest a.s.	acquisition	100.00%	18 March 2016
Tarnów Property Development Sp. z o.o.	acquisition	100.00%	22 March 2016
CPI Retails ROSA, s.r.o.	acquisition	100.00%	13 July 2016
CPI Hotels Hungary	acquisition	100.00%	31 August 2016
CPI Hotels Poland Sp. z o.o.	acquisition	100.00%	31 August 2016
CPI Hotels Slovakia, a.s.	acquisition	100.00%	31 August 2016
CPI Hotels, a.s.	acquisition	100.00%	31 August 2016
Hotel Lucemburská, s.r.o.	acquisition	100.00%	31 August 2016
CPI Retails Brandýs, s.r.o.	acquisition	100.00%	30 September 2016
CPI – Horoměřice, a.s.	acquisition	86.54%	1 October 2016
Jetřichovice Property, a.s.	acquisition	86.54%	1 October 2016
Na Poříčí, a.s.	acquisition	100.00%	30 November 2016
OFFICE CENTER HRADČANSKÁ, a.s.	acquisition	100.00%	30 November 2016
CPI Retails Třinec, a.s.	acquisition	100.00%	14 December 2016
QTW Czech, s.r.o.	acquisition	100.00%	21 December 2016
CPI Residential, a.s.	founded	100.00%	22 August 2016
CPI Retail Portfolio Holding Kft.	founded	100.00%	7 November 2016
Projekt Nisa, s.r.o.	founded	100.00%	19 December 2016
Projekt Zlatý Anděl, s.r.o.	founded	100.00%	19 December 2016

The following entities were disposed of/liquidated in 2016:

Entity	Change	Share in %	Date of disposal/liquidation
CPI City Center ÚL, a.s.	disposal	100.00%	30 June 2016
Hotel Rosslyn Kft.	disposal	100.00%	30 June 2016
Prague Property Development, s.r.o.	disposal	100.00%	30 June 2016
BAYTON Delta, a.s.	disposal	100.00%	30 September 2016
CPI Luna, s.r.o.	disposal	100.00%	30 September 2016
CURITIBA a.s.	disposal	100.00%	30 September 2016
Regionální Portfolio, a.s.	disposal	100.00%	30 September 2016
VERETIX a.s.	disposal	100.00%	30 September 2016
Camuzzi, a.s.	disposal	100.00%	30 November 2016
CD Property s.r.o.	disposal	100.00%	30 November 2016
CPI – Krásné Březno, a.s.	disposal	100.00%	30 November 2016
CPI – Land Development, a.s.	disposal	100.00%	30 November 2016
CPI South, a.s.	disposal	90.00%	30 November 2016
Karviná Property Development, a.s.	disposal	100.00%	30 November 2016
Strakonice Property Development, a.s.	disposal	100.00%	30 November 2016
Svitavy Property Development, a.s.	disposal	100.00%	30 November 2016
Bright Site Kft.	disposal	100.00%	15 December 2016

## 3.2 Acquisition through business combinations/property asset acquisitions/common control transaction in 2016

### CPI HOTELS acquisition

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

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

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

The acquisition was carried out through the purchase of 100 % stake in CPI Hotels, a.s. group (including subsidiaries CPI Hotels Hungary Kft., CPI Hotels Poland Sp. z o.o., CPI Hotels Slovakia, s.r.o. and Hotel Lucemburská, s.r.o.)

The purchase price amounted to CZK 1,219 million and it was not paid by cash, but settled against outstanding receivable.

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

	CPI Hotels
Intangible assets	2,191
Property, plant and equipment	16,300
Loans provided	426,463
Deferred tax asset	346
<b>Total non-current assets</b>	<b>445,299</b>
Inventories	15,070
Current income tax receivables	62
Trade receivables	185,708
Loans provided	22,878
Cash and cash equivalents	80,383
Other financial current assets	525,537
Other non-financial current assets	63,431
<b>Total current assets</b>	<b>893,069</b>
<b>Identifiable acquired assets</b>	<b>1,338,369</b>
Financial debts	(377,526)
Provisions	(34)
<b>Total non-current liabilities</b>	<b>(377,560)</b>
Financial debts	(66,624)
Trade payables	(254,374)
Advance payments	(44,280)
Other financial current liabilities	(512,720)
Other non-financial current liabilities	(45,747)
<b>Total current liabilities</b>	<b>(923,744)</b>
<b>Identifiable acquired liabilities</b>	<b>(1,301,305)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 37.1 million. As a result of this business combination, the Group recognized goodwill in the amount of CZK 1,181.94 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 80.38 million. The net cash inflow connected with the acquisition amounted to CZK 80.38 million.

The post-acquisition profit from date of acquisition until 31 December 2016 amounted to CZK 312.5 million and the post-acquisition total revenues amounted to CZK 940.24 million.

If the acquisition had occurred on 1 January 2016 with all other variables held constant, the Group total revenues for the 2016 would have been CZK 7,104.6 million and net profit from continuing operations would have been CZK 3,047.3 million.

### Archa Palace (Na Poříčí, a.s.)

On 30 November 2016, the Group acquired Archa Palace located in Prague, Czech Republic (Na Poříčí, a.s.). The historically protected building is designed in rondocubistic style and comprises of four separate buildings, A, B, C and D. The oldest part of the property facing Na Poříčí Street dates back to 1921. The property went through a major redevelopment in 2009 due to which a grade A specification of the premises has been achieved. The building comprises mainly office premises, with retail units on the ground floor. Part of the building B is also leased to Archa theatre. The building allows for flexible office solutions including dedication of one of four main receptions to a single tenant.

Na Poříčí a.s. was acquired from company controlled by major shareholder of the Company and the acquisition is accounted for as a common control transaction.

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

	Na Poříčí a.s.
Investment property	1,109,460
Deferred tax asset	1,380
<b>Total non-current assets</b>	<b>1,110,840</b>
Trade receivables	27,385
Cash and cash equivalents	46,327
Other non-financial current assets	2,030
<b>Total current assets</b>	<b>75,741</b>
<b>Identifiable acquired assets</b>	<b>1,186,581</b>
Financial debts	(122,095)
Deferred tax liabilities	(7,469)
Other non-current liabilities	(15,857)
<b>Total non-current liabilities</b>	<b>(145,420)</b>
Financial debts	(711,489)
Trade payables	(8,795)
Advance payments	(21,648)
Derivative instruments	(1,759)
Other financial current liabilities	(7,536)
<b>Total current liabilities</b>	<b>(751,226)</b>
<b>Identifiable acquired liabilities</b>	<b>(896,646)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 289.9 million. Total consideration paid was CZK 289.9 million. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to zero.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 46.3 million. The net cash outflow connected with the acquisition amounted to CZK 243.6 million.

### Hradčanská Office Building (Office Center Hradčanská, a.s.)

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

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

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

	Office Center Hradčanská, a.s.
Investment property	378,840
Loans provided	2,477
Trade and other receivables	260
<b>Total non-current assets</b>	<b>381,577</b>
Trade receivables	9,985
Cash and cash equivalents	12,258
Other non-financial current assets	460
<b>Total current assets</b>	<b>22,703</b>
<b>Identifiable acquired assets</b>	<b>404,280</b>
Financial debts	(270,194)
Deferred tax liabilities	(13,557)
Other non-current liabilities	(8,984)
<b>Total non-current liabilities</b>	<b>(292,735)</b>
Financial debts	(14,288)
Trade payables	(1,028)
Advance payments	(10,851)
Other financial current liabilities	(1,276)
Other non-financial current liabilities	(81)
<b>Total current liabilities</b>	<b>(27,524)</b>
<b>Identifiable acquired liabilities</b>	<b>(320,259)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 84.03 million. Total consideration paid was CZK 84.03 million. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to zero.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 12.26 million. The net cash outflow connected with the acquisition amounted to CZK 71.77 million.

## Géčko Shopping Center

On 18 March 2016, the Group acquired Géčko Shopping Center in České Budějovice. The shopping center with 11,136 sqm of rentable area comprises of 50 shopping units, food court and other amenities, as well as parking for approximately 450 cars. The net consideration paid represents CZK 390.94 million. The acquisition was carried out through the purchase of 100 % stake in Shopinvest a.s., company holding 100 % share in Obchodní a společenské centrum České Budějovice s.r.o.

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

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

	Shopinvest Group
Investment property	697,850
Property, plant and equipment	383
<b>Total non-current assets</b>	<b>698,233</b>
Inventories	29
Trade receivables	3,852
Cash and cash equivalents	43,029
Other financial current assets	13,283
Other non-financial current assets	137
<b>Total current assets</b>	<b>60,329</b>
<b>Identifiable acquired assets</b>	<b>758,562</b>
Financial debts	(343,557)
Deferred tax liabilities	(1,190)
Other non-current liabilities	(21,115)
<b>Total non-current liabilities</b>	<b>(365,863)</b>
Financial debts	(83)
Trade payables	9,246
Advance payments	(90)
Other financial current liabilities	(9,689)
Other non-financial current liabilities	(1,143)
<b>Total current liabilities</b>	<b>(1,758)</b>
<b>Identifiable acquired liabilities</b>	<b>(367,621)</b>

Net identifiable assets of subsidiaries acquired at the date of acquisition amounted to CZK 390.94 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 43.03 million. The net cash outflow connected with the acquisition amounted to CZK 347.9 million.

## Bondy Centrum Mladá Boleslav

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

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

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

	Bondy Centrum s.r.o.
Intangible assets and goodwill	9
Investment property	1,275,710
<b>Total non-current assets</b>	<b>1,275,719</b>
Trade receivables	9,348
Cash and cash equivalents	14,887
Other financial current assets	22,898
Other non-financial current assets	1,1487
<b>Total current assets</b>	<b>48,620</b>
<b>Identifiable acquired assets</b>	<b>1,324,339</b>
Financial debts	(690,600)
Other non-current liabilities	(14,177)
<b>Total non-current liabilities</b>	<b>(704,777)</b>
Trade payables	(10,612)
Advance payments	(24,857)
Other financial current liabilities	(883)
Other non-financial current liabilities	(8,334)
<b>Total current liabilities</b>	<b>(44,686)</b>
<b>Identifiable acquired liabilities</b>	<b>(749,463)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 574.9 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 14.9 million. The net cash outflow connected with this asset acquisition amounted to CZK 560 million.

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

### Tarnów shopping center, Poland

On 22 March 2016, the Group acquired a small retail shopping asset in Tarnów, south of Poland. This acquisition, comprised of 5 retail units and totaling 2,161 sqm, is the first among other acquisitions of similar Polish retail shopping assets planned in the near future.

Consideration paid for the 100 % stake in Tarnów Property Development sp. Z o.o. amounted to PLN 4.17 million (approximately CZK 26.5 million). This acquisition was recognized as a property asset acquisition as the company does not constitute business as defined by IFRS.

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

	<b>Tarnów Property Development Sp. Z o.o.</b>
Investment property	87,737
<b>Total non-current assets</b>	<b>87,737</b>
Trade receivables	387
Cash and cash equivalents	2,914
Other non-financial current assets	1,520
<b>Total current assets</b>	<b>4,821</b>
<b>Identifiable acquired assets</b>	<b>92,558</b>
Financial debts	(63,311)
<b>Total non-current liabilities</b>	<b>(63,311)</b>
Financial debts	(2,730)
Trade payables	(36)
<b>Total current liabilities</b>	<b>(2,766)</b>
<b>Identifiable acquired liabilities</b>	<b>(66,076)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 26.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 2.9 million. The net cash outflow connected with the acquisition amounted to CZK 23.6 million.

### CPI Retails Brandýs, s.r.o.

On 30 September 2016, the Group acquired 100 % stake in EYEMAXX Český Krumlov s.r.o. in Prague. On 9 November 2016 subsidiary changed its name to CPI Retails Brandýs, s.r.o.

Consideration paid for 100% stake in EYEMAXX Český Krumlov s.r.o. amounted to CZK 37 million. This acquisition was recognized as a property asset acquisition as the company does not constitute business as defined by IFRS.

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

	<b>CPI Retails Brandýs, s.r.o.</b>
Intangible assets and goodwill	466
Investment property	125,109
Trade and other receivables	2,452
<b>Total non-current assets</b>	<b>128,027</b>
Cash and cash equivalents	136
Other non-financial current assets	3,274
<b>Total current assets</b>	<b>3,410</b>
<b>Identifiable acquired assets</b>	<b>131,437</b>
Financial debts	(75,645)
Other non-current liabilities	(725)
<b>Total non-current liabilities</b>	<b>(76,370)</b>
Financial debts	(400)
Trade payables	(16,756)
Other financial current liabilities	(818)
Other non-financial current liabilities	(26)
<b>Total current liabilities</b>	<b>(18,000)</b>
<b>Identifiable acquired liabilities</b>	<b>(94,370)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 37.07 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 0.14 million. The net cash outflow connected with the acquisition amounted to CZK 36.9 million.

### QTW Czech, s.r.o.

On 21 December 2016, the Group acquired 100 % stake QTW Czech, s.r.o. This acquisition was recognized as a property asset acquisition as the company does not constitute business as defined by IFRS.

Consideration paid for 100% stake in QTW Czech, s.r.o. amounted to CZK 145 million .

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

QTW Czech, s.r.o.	
Investment property	276,634
Trade and other receivables	325
<b>Total non-current assets</b>	<b>276,959</b>
Trade receivables	1,117
Cash and cash equivalents	10
Other non-financial current assets	2,250
<b>Total current assets</b>	<b>3,377</b>
<b>Identifiable acquired assets</b>	<b>280,336</b>
Other non-current liabilities	(697)
<b>Total non-current liabilities</b>	<b>(697)</b>
Financial debts	(132,238)
Trade payables	(662)
Other non-financial current liabilities	(1,705)
<b>Total current liabilities</b>	<b>(134,605)</b>
<b>Identifiable acquired liabilities</b>	<b>(135,302)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 145 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 10 thousand. The net cash outflow connected with the acquisition amounted to CZK 145 million.

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

### CPI Retails Třinec, a.s.

On 14 December 2016, the Group acquired 100 % stake in CPI Retails Třinec, a.s. This acquisition was recognized as a property asset acquisition as the company does not constitute business as defined by IFRS.

Consideration paid for 100% stake in CPI Retails Třinec, a.s. amounted to CZK 63 million.

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

CPI Retails Třinec, a.s.	
Investment property	101,866
<b>Total non-current assets</b>	<b>101,866</b>
Cash and cash equivalents	3,837
Other non-financial current assets	100
<b>Total current assets</b>	<b>3,937</b>
<b>Identifiable acquired assets</b>	<b>105,803</b>
Financial debts	(42,558)
Other financial current liabilities	(245)
<b>Total current liabilities</b>	<b>(42,802)</b>
<b>Identifiable acquired liabilities</b>	<b>(42,802)</b>

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 63 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of CZK 3.8 million. The net cash outflow connected with the acquisition amounted to CZK 59.2 million.

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

#### **CPI Retails ROSA, s.r.o.**

On 13 July 2016, the Group acquired 100% stake in CPI Retails ROSA, s.r.o. The net consideration paid represents CZK 0.11 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 106.8 million, cash and cash equivalents acquired in the amount of CZK 1.15 million and other non-financial current assets in the amount of CZK 11.35 million. The carrying value of the identifiable liabilities at the date of acquisition represents financial debts in the amount CZK 96.9 million, trade payables in the amount CZK 17.1 million and other non-current liabilities CZK 4.03 million.

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to CZK 0.11 million. The net cash inflow connected with the acquisition amounted to CZK 1.04 million.

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

#### **CPI – Horoměřice, a.s.**

On 1 October 2016, the Group acquired 100% stake in CPI – Horoměřice, a.s. The net consideration paid represents CZK 10.36 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 3.8 million, cash and cash equivalents acquired in the amount of CZK 6.6 million and other non-financial current assets (CZK 20 thousand) and trade payables (CZK 8 thousand).

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to CZK 10.4 million. The net cash outflow connected with the acquisition amounted to CZK 3.8 million.

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

#### **Jetřichovice Property, a.s.**

On 1 October 2016, the Group acquired 100% stake in Jetřichovice Property, a.s. The net consideration paid represents CZK 9.7 million.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of CZK 2.4 million, cash and cash equivalents acquired in the amount of CZK 7.3 million, trade receivables (CZK 27 thousand), other non-financial current assets (CZK 7 thousand) and trade payables (CZK 13 thousand).

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to CZK 9.75 million. The net cash outflow connected with the acquisition amounted to CZK 2.4 million.

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

#### **Other acquisitions in 2016**

On 27 January 2016, the Group purchased 100% stake in CPI Finance Ireland II Limited from CPI PG for consideration in the amount of EUR 74 million (app. CZK 1,999.9 million).

The entity was acquired from the major shareholder of the Company and the acquisition is accounted for as a common control transaction.

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK 2,005.5 million. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to CZK 5.67 million. Due to the acquisition the Group acquired cash and cash equivalents in the amount of CZK 5.4 million. The net cash inflow connected with the acquisition amounted to CZK 5.4 million.

On 11 March 2016, 100% stake in CPI Finance Netherlands II B.V. was acquired for the consideration of EUR 1. The entity was acquired from the major shareholder of the Company and the acquisition is accounted for as a common control transaction.

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to CZK -2.28 million. Net ident. assets of subsidiary acquired less consideration paid recognized in equity amounts to CZK -2.28 million. The net cash outflow connected with the acquisition amounted to EUR 1.

### 3.3 Disposal of subsidiaries in 2016

On 30 September 2016 the Group sold hotel Fortuna Luna (CPI Luna s.r.o.) located in Prague 8 to a third party. The net profit for the Group amounts to CZK 20.8 million.

The Group completed the sale of Regionální portfolio a.s. (entity which demerged from the portfolio of Marissa West, a.s. as at 1 January 2016) on 30 September 2016 with neutral impact to the statement of comprehensive income.

Due to the optimizing purposes, during 2016 the Group gradually sold its 100% stakes in twelve Czech and two Hungarian entities with total effect of CZK 27.7 million gain on their sale.

### 3.4 Changes in the Group in 2015

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

Entity	Change	Share in %	Date of acquisition/foundation
Karviná Property Development, a.s.	acquisition	100.00%	1 June 2015
OC Futurum Kolín, a.s.	acquisition	100.00%	31 May 2015
JMB Lambda s.r.o.	acquisition	100.00%	22 December 2015
Gerosa – JMB, a.s.	acquisition	100.00%	22 December 2015
CPI Finance Slovakia, a.s.	founded	100.00%	16 February 2015
CPI Finance Ireland III Limited	founded	100.00%	11 December 2015
CPI Finance Netherlands III, B. V.	founded	100.00%	17 December 2015
CPI Finance Netherlands II, B. V.	founded	100.00%	14 January 2015
CPI Finance Ireland II Limited	founded	100.00%	22 January 2015
Endurance Hospitality Asset S.á r.l.	acquisiton	88.00%	3 June 2015
Endurance Hospitality Finance S.á r.l.	acquisiton	88.00%	3 June 2015
Hospitality Invest S.à r.l.	acquisiton	100.00%	3 June 2015

The following entities were disposed of in 2015:

Entity	Change	Share in %	Date of disposal/liquidation
Polma 1 S.à r.l.	disposal	100.00%	1 May 2015
Valanto Consulting a.s.	disposal	94.00%	30 June 2015
MaMaison management, s.r.o.	disposal	94.00%	30 June 2015
ELAMOR, a.s.	disposal	100.00%	30 June 2015
ABLON s.r.o.	disposal	100.00%	1 October 2015
Airport City, s.r.o.	disposal	100.00%	30 June 2015
Baudry Alfa, a.s.	disposal	100.00%	30 June 2015
Beroun Property Alfa, a.s.	disposal	100.00%	30 June 2015
Příkopy Property Development, a.s.	disposal	100.00%	4 November 2015
MaMaison Bratislava, s.r.o.	disposal	94.00%	1 December 2015
ORCO Hotel Ostrava, a.s.	disposal	94.00%	2 December 2015
ORCO Hotel Riversie, s.r.o.	disposal	94.00%	2 December 2015
CPI Finance Netherlands II, B. V.	disposal	100.00%	14 January 2015
CPI Finance Ireland II Limited	disposal	100.00%	22 January 2015
CPI North, s.r.o.	disposal	100.00%	1 April 2015
Marissa Omega, a.s.	disposal	100.00%	30 June 2015
Marissa Sigma, a.s.	disposal	100.00%	30 June 2015
Marissa South, a.s.	disposal	100.00%	30 June 2015
Marissa North, a.s.	disposal	100.00%	30 June 2015
Marissa Lambda, a.s.	disposal	100.00%	30 June 2015
Marissa East, a.s.	disposal	100.00%	30 June 2015
Marissa Delta, a.s.	disposal	100.00%	30 June 2015
Marissa Epsilon, a.s.	disposal	100.00%	30 June 2015
Marissa Ióta, a.s.	disposal	100.00%	30 June 2015
SCTO, Kft.	liquidation	100.00%	13 January 2015
ZPS Kft.	liquidation	100.00%	2 March 2015

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

#### OC Futurum Kolín, a.s.

On 31 May 2015, the Group acquired 100% share in OC Futurum Kolín, a.s. Due to the acquisition, the Group acquired Futurum Shopping Centre in Kolín, the Czech Republic. The shopping center, with a leasable area of 10,100 sqm comprises of supermarket, shopping gallery with 50 shops, restaurants and other amenities, as well as underground parking lot for 320 cars. The net consideration paid represents CZK 508.9 million, with bank financing at the level of CZK 467.5 million.

This acquisition was initially recognized as property asset acquisition.

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

OC Futurum Kolín, a.s.	
Investment property	631,368
<b>Total non-current assets</b>	<b>631,368</b>
Trade receivables	3,029
Cash and cash equivalents	61,839
Other financial current assets	13,921
Other non-financial current assets	2,945
<b>Total current assets</b>	<b>81,734</b>
<b>Identifiable acquired assets</b>	<b>713,102</b>
Financial debts	(177,131)
Other non-current liabilities	(10,802)
<b>Total non-current liabilities</b>	<b>(187,933)</b>
Financial debts	(830)
Trade payables	(6,404)
Advance payments	(239)
Other financial current liabilities	(7,806)
Other non-financial current liabilities	(995)
<b>Total current liabilities</b>	<b>(16,274)</b>
<b>Identifiable acquired liabilities</b>	<b>(204,207)</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>508,895</b>
<b>Share acquired in %</b>	<b>100.00%</b>
<b>Share acquired</b>	<b>508,895</b>
<b>Consideration paid</b>	<b>508,895</b>
<b>Cash and cash equivalents acquired</b>	<b>61,839</b>
<b>Cash outflow</b>	<b>447,056</b>
<b>POST-acquisition profit*</b>	<b>8,158</b>

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

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been CZK 4,643.3 million and net profit from continuing operations would have been CZK 964.0 million.

### Karviná Property Development, a.s.

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

Karviná Property Development was acquired from entity controlled by major shareholder of CPI PG and the acquisition is accounted for as a common control transaction. This acquisition was initially recognized as property asset acquisition under common control transaction.

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

	Karviná Property Development, a.s.
Investment property	37,150
<b>Total non-current assets</b>	<b>37,150</b>
Cash and cash equivalents	61
Other non-financial current assets	21
<b>Total current assets</b>	<b>82</b>
<b>Identifiable acquired assets</b>	<b>37,232</b>
Financial debts	(41,217)
Deferred tax liabilities	(313)
<b>Total non-current liabilities</b>	<b>(41,530)</b>
Financial debts	(7,777)
Trade payables	(97)
Other financial current liabilities	(3)
<b>Total current liabilities</b>	<b>(7,877)</b>
<b>Identifiable acquired liabilities</b>	<b>(49,407)</b>
<b>Net ident. liabilities of subsidiary acquired</b>	<b>(12,175)</b>
<b>Share acquired in %</b>	<b>100.00%</b>
<b>Share acquired</b>	<b>(12,175)</b>
<b>Consideration paid</b>	<b>1,000</b>
<b>Net ident. assets of subsidiary acquired less consideration paid recognised in equity</b>	<b>(13,175)</b>
Cash and cash equivalents acquired	61
Cash outflow	939
<b>POST-acquisition (loss)</b>	<b>(1,772)</b>

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been unchanged and net profit from continuing operations would have been CZK 954.6 million.

## JMB Group

As at the end of 2015 the Group enlarged its retail property portfolio in the Czech Republic by acquiring JMB Group consisting of Gerosa - JMB, a.s. and JMB Lambda s.r.o. (held indirectly). JMB Group holds 75 retail properties across the whole Czech Republic. Aggregated acquisition price is CZK 1,035.6 million. The acquired portfolio comprises of approximately 45 thousand sqm of lettable area and generates a rental income of app. CZK 65.5 million annually.

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

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

	JMB Group
Intangible assets	15
Investment property	903,000
Available-for-sale financial assets	--
Loans provided	82,304
<b>Total non-current assets</b>	<b>985,319</b>
Inventories	1
Loans provided	295,000
Available-for-sale financial assets	6,108
Trade receivables	9,208
Cash and cash equivalents	8,192
Other financial current assets	450
Other non-financial current assets	1,990
<b>Total current assets</b>	<b>320,949</b>
<b>Identifiable acquired assets</b>	<b>1,306,268</b>
Deferred tax liabilities	(16,735)
Provisions	(471)
Other non-current liabilities	(18,003)
<b>Total non-current liabilities</b>	<b>(35,208)</b>
Financial debts	(295,000)
Trade payables	(2,937)
Advance payments	(126)
Other financial current liabilities	(8,518)
Other non-financial current liabilities	(8,304)
<b>Total current liabilities</b>	<b>(314,885)</b>
<b>Identifiable acquired liabilities</b>	<b>(350,094)</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>956,174</b>
<b>Share acquired in %</b>	<b>100.00%</b>
<b>Share acquired</b>	<b>956,174</b>
<b>Consideration paid</b>	<b>1,035,580</b>
<b>Net ident. assets of subsidiary acquired less consideration paid recognized in equity</b>	<b>(79,407)</b>
Cash and cash equivalents acquired	8,192
<b>Cash outflow</b>	<b>1,027,388</b>
<b>POST-acquisition profit</b>	<b>--</b>

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been CZK 4,655.0 million and net profit from continuing operations would have been CZK 974.3 million.

## Acquisition of Hospitality Group (Endurance Hospitality Asset S.à r.l., Endurance Hospitality Finance S.à r.l., Hospitality Invest S.à r.l.)

In June 2015, the Group acquired 50% share in Hospitality Invest S.à r.l. and 88% share in Endurance Hospitality Finance S.à r.l. and in Endurance Hospitality Asset S.à r.l., entity holding the remaining 50% share in Hospitality Invest S.à r.l., all together with remaining part of Equity loans. As such, the Group directly and indirectly holds 94 % of Hospitality Group as of 3 June 2015. The above shares and equity loans in acquired entities were purchased from CPI PG and recognized as common control transaction. Share selling price was 3 EUR and selling price of equity loans was CZK 833 million.

The table below summarizes total assets and liabilities at fair value of the Hospitality Group as at 30 June 2015.

	Hospitality Group
Intangible assets and goodwill	251,639
Investment property	1,640,695
Property, plant and equipment	1,113,918
Loans provided	4,959
Deferred tax asset	135,178
<b>Total non-current assets</b>	<b>3,146,389</b>
Inventories	2,847
Current income tax receivables	462
Trade receivables	26,150
Loans provided	6
Cash and cash equivalents	61,994
Other non-financial current assets	7,594
<b>Total current assets</b>	<b>99,054</b>
<b>Identifiable acquired assets</b>	<b>3,245,442</b>
Financial debts	(102,185)
Deferred tax liabilities	(225,244)
Provisions	(409)
Other non-current liabilities	(627)
<b>Total non-current liabilities</b>	<b>(328,465)</b>
Financial debts	(1,670,806)
Trade payables	(80,069)
Advance payments	(2,506)
Other financial current liabilities	(10,307)
Other non-financial current liabilities	(16,678)
<b>Total current liabilities</b>	<b>(1,780,366)</b>
<b>Identifiable acquired liabilities</b>	<b>(2,108,831)</b>
<b>Net ident. assets of subsidiaries acquired excluding equity loans</b>	<b>1,136,611</b>
Consideration paid	833,000
<b>Net ident. Assets of subsidiary acquired less consideration paid recognized in equity</b>	<b>303,612</b>
Share acquired in %	94.00%
<b>Share acquired</b>	<b>167,938</b>
<b>Non-controlling interest</b>	<b>135,674</b>
Cash and cash equivalents acquired	61,994
Cash (inflow)	(61,994)
<b>POST-acquisition profit / (loss)</b>	<b>--</b>

If the acquisition had occurred on 1 January 2015 with all other variables held constant, the Group gross rental revenue for 2015 would have been CZK 4,684 million and net profit from continuing operations would have been CZK 1,113.7 million.

The following table summarizes the effect of all acquisitions made by the Group in 2015:

	OC Futurum Kolín, a.s.	Karviná Property Development, a.s.	JMB Group	Hospitality Invest Group	TOTAL
Intangible assets and goodwill	--	--	15	251,639	251,654
Investment property	631,368	37,150	903,000	1,640,695	3,212,213
Property, plant and equipment	--	--	--	1,113,918	1,113,918
Loans provided	--	--	82,304	4,959	87,263
Deferred tax asset	--	--	--	135,178	135,178
<b>Total non-current assets</b>	<b>631,368</b>	<b>37,150</b>	<b>985,319</b>	<b>3,146,389</b>	<b>4,800,226</b>
Inventories	--	--	1	2,847	2,848
Current income tax receivables	--	--	--	462	462
Available-for-sale financial assets	--	--	6,108	--	6,108
Trade receivables	3,029	--	9,208	26,150	38,387
Loans provided	--	--	295,000	6	295,006
Cash and cash equivalents	61,839	61	8,192	61,994	132,086
Other financial current assets	13,921	--	450	--	14,371
Other non-financial current assets	2,945	21	1,990	7,594	12,550
<b>Total current assets</b>	<b>81,734</b>	<b>82</b>	<b>320,949</b>	<b>99,054</b>	<b>501,819</b>
<b>Identifiable acquired assets</b>	<b>713,102</b>	<b>37,232</b>	<b>1,306,268</b>	<b>3,245,442</b>	<b>5,302,044</b>
Financial debts	(177,131)	(41,217)	--	(102,185)	(1,153,533)
Deferred tax liabilities	--	(313)	(16,735)	(225,244)	(242,292)
Provisions	--	--	(471)	(409)	(880)
Other non-current liabilities	(10,802)	--	(18,003)	(627)	(29,432)
<b>Total non-current liabilities</b>	<b>(187,933)</b>	<b>(41,530)</b>	<b>(35,209)</b>	<b>(328,465)</b>	<b>(593,137)</b>
Financial debts	(830)	(7,777)	(295,000)	(1,670,806)	(1,974,413)
Trade payables	(6,404)	(97)	(2,937)	(80,069)	(89,507)
Advance payments	(239)	--	(126)	(2,506)	(2,871)
Other financial current liabilities	(7,806)	(3)	(8,518)	(10,307)	(26,634)
Other non-financial current liabilities	(995)	--	(8,304)	(16,678)	(25,977)
<b>Total current liabilities</b>	<b>(16,274)</b>	<b>(7,877)</b>	<b>(314,885)</b>	<b>(1,780,366)</b>	<b>(2,119,402)</b>
<b>Identifiable acquired liabilities</b>	<b>(204,207)</b>	<b>(49,407)</b>	<b>(350,094)</b>	<b>(2,108,831)</b>	<b>(2,712,539)</b>
<b>Net ident. Assets of subsidiary acquired</b>	<b>508,895</b>	<b>(12,175)</b>	<b>956,174</b>	<b>1,136,612</b>	<b>2,589,506</b>
<b>Consideration paid</b>	<b>508,895</b>	<b>1,000</b>	<b>1,035,580</b>	<b>833,000</b>	<b>2,378,475</b>
<b>Net ident. Assets of subsidiary acquired less consideration paid recognized in equity</b>	<b>--</b>	<b>(13,175)</b>	<b>(79,407)</b>	<b>303,612</b>	<b>211,031</b>
<b>Share acquired</b>	<b>508,895</b>	<b>(12,175)</b>	<b>956,174</b>	<b>167,938</b>	<b>1,619,662</b>
<b>Non-controlling interest</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>135,674</b>	<b>135,674</b>
<b>Share acquired in %</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>94.00%</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>61,839</b>	<b>61</b>	<b>8,192</b>	<b>61,994</b>	<b>132,086</b>
<b>Cash outflow/(inflow)</b>	<b>447,056</b>	<b>939</b>	<b>1,027,388</b>	<b>(61,994)</b>	<b>1,413,388</b>
<b>POST-acquisition profit / (loss)</b>	<b>8,158</b>	<b>(1,772)</b>	<b>--</b>	<b>--</b>	<b>6,386</b>

### **3.6 Acquisition of non-controlling interest in 2015**

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

A cash consideration of EUR 3 (app. CZK 81) was paid to the non-controlling shareholders. Carrying value of the non-controlling interest acquired was CZK 153 million. The difference of CZK 153 million between the consideration paid and the carrying value of the interest acquired has been recognised in retained earnings.

### **3.7 Disposal of subsidiaries in 2015**

On 4 November 2015 the Group sold the former Zivnobanka building located at Na Prikope street in the centre of Prague. The transaction comprised of the transfer of shares in the Zivnobanka building project entity, refer to point 5.8 for details. Following the repayment of the project credit facility to the financing bank the net profit for the Group amounts to CZK 390.1 million.

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

Due to Group structure optimizing purposes other fourteen companies were disposed as at 30 June 2015 and one as at 1 October 2015 all with neutral impact on Group's net profit.

During 2015 the Group gradually sold 94% stake in one Slovak and four Czech subsidiaries, which were purchased in June 2015, as a part of the Hospitality Group. Net gain from disposal effect from was EUR 3.6 million (app. CZK 97.3 million).

## **4 Segment reporting**

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

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

### **Income generating rental properties**

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

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

### **Income generating operational properties**

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

- Hospitality – operates hotel premises as hotel operator

### **Development**

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

### **Land bank**

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

## 2016

Consolidated profit or loss  31 December 2016	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
Gross rental revenue	1,493,832	1,985,108	507,438	289,720	326,249	6,088	--	17,474	--	4,625,909
Service revenue	1,240	4,012	197	40	847	660,099	--	--	--	666,435
Net service charge income	(23,807)	11,643	39	3,574	150	77,984	--	(3,310)	--	66,273
Property operating expenses	(132,813)	(179,304)	(220,382)	(17,227)	(81,566)	(136,996)	--	(8,874)	--	(777,162)
<b>Net rental income</b>	<b>1,338,451</b>	<b>1,821,459</b>	<b>287,292</b>	<b>276,107</b>	<b>245,680</b>	<b>607,175</b>	<b>--</b>	<b>5,290</b>	<b>--</b>	<b>4,581,454</b>
Development sales	--	--	--	--	--	--	--	--	6,208	6,208
Cost of goods sold	--	--	--	--	--	--	--	--	(356)	(356)
Development operating expenses	--	--	--	--	--	--	--	--	(19,862)	(19,862)
<b>Net development income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(14,010)</b>	<b>(14,010)</b>
Hotel revenue	--	--	--	--	--	--	1,246,843	--	--	1,246,843
Cost of goods sold	--	--	--	--	--	--	(2,329)	--	--	(2,329)
Hotel operating expenses	--	--	--	--	--	--	(822,711)	--	--	(822,711)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>421,803</b>	<b>--</b>	<b>--</b>	<b>421,803</b>
Total revenues	1,471,264	2,000,763	507,674	293,334	327,246	744,171	1,246,843	14,164	6,208	6,611,667
Total direct business operating expenses	(132,813)	(179,304)	(220,382)	(17,227)	(81,566)	(136,996)	(825,040)	(8,874)	(20,218)	(1,622,420)
<b>Net business income</b>	<b>1,338,451</b>	<b>1,821,459</b>	<b>287,292</b>	<b>276,107</b>	<b>245,680</b>	<b>607,175</b>	<b>421,803</b>	<b>5,290</b>	<b>(14,010)</b>	<b>4,989,247</b>
Net valuation gain or loss on investment property	877,589	148,856	344,911	(34,963)	(25,593)	--	--	(176,429)	2,640	1,137,011
Net gain or loss on the disposal of investment property	(29,129)	(2,938)	2,901	--	--	5,037	(476)	(41,868)	--	(66,473)
Net gain or loss on disposal of subsidiaries	(1)	--	--	--	26,465	46,993	--	(24,900)	--	48,557
Amortization, depreciation and impairments	(5,001)	(13,633)	(2,308)	29	(14,735)	(147,908)	(266,132)	447	(64,555)	(513,796)
Other operating income	28,747	33,059	5,280	1,810	2,411	68,492	6,125	2,708	4	148,636
Administrative expenses	(25,665)	(27,386)	(15,291)	(2,875)	4,535	(1,088,766)	(16,360)	(10,515)	(10,864)	(1,193,187)
Other operating expenses	(23,385)	(9,124)	(4,326)	(921)	(2,243)	(64,543)	58,965	(1,489)	(2,223)	(49,289)
<b>Operating result</b>	<b>2,161,604</b>	<b>1,950,293</b>	<b>618,459</b>	<b>(239,187)</b>	<b>236,520</b>	<b>(573,520)</b>	<b>203,925</b>	<b>(246,756)</b>	<b>(89,008)</b>	<b>4,500,704</b>
Interest income	283	13,823	446	184	536	384,718	19,204	896	--	420,090
Interest expense	(366,612)	(478,583)	(157,553)	(51,055)	(61,732)	(628,522)	(84,438)	(22,732)	(17,982)	(1,869,209)
Other net financial result	(119,527)	(108,948)	(630)	(8,982)	51,174	(76,359)	107,492	6,610	1,359	(147,808)
<b>Net finance income / (costs)</b>	<b>(485,854)</b>	<b>(573,708)</b>	<b>(157,737)</b>	<b>(59,853)</b>	<b>(10,022)</b>	<b>(320,163)</b>	<b>42,258</b>	<b>(15,226)</b>	<b>(16,623)</b>	<b>(1,596,928)</b>
<b>Profit / (Loss) before income tax</b>	<b>1,675,750</b>	<b>1,376,585</b>	<b>460,722</b>	<b>179,334</b>	<b>226,498</b>	<b>(893,683)</b>	<b>246,183</b>	<b>(261,982)</b>	<b>(105,631)</b>	<b>2,903,776</b>
Income tax expense	172,788	(113,560)	(92,353)	85,133	26,722	(28,918)	40,100	82,713	(41,814)	130,811
<b>Net profit / (Loss) from continuing operations</b>	<b>1,848,538</b>	<b>1,263,025</b>	<b>368,369</b>	<b>264,467</b>	<b>253,220</b>	<b>(922,601)</b>	<b>286,283</b>	<b>(179,269)</b>	<b>(147,445)</b>	<b>3,034,588</b>

## 2015

Consolidated profit or loss	Income generating - rental properties						Income generating operational properties	Land bank	Development	Total consolidated
31 December 2015	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
Gross rental revenue	1,478,924	1,858,921	493,287	299,312	464,209	6,033	(167)	16,752	4,476	4,621,747
Service revenue	1,071	3,217	287	66	(3,709)	668,142	--	220	1,116	670,410
Net service charge income	(9,242)	(32,890)	(234)	1,726	(1,406)	65,551	--	(2,194)	354	21,665
Property operating expenses	(100,410)	(85,178)	(263,471)	(11,085)	(29,966)	(119,927)	(1,037)	(22,589)	(6,076)	(639,739)
<b>Net rental income</b>	<b>1,370,343</b>	<b>1,744,070</b>	<b>229,869</b>	<b>290,019</b>	<b>429,128</b>	<b>619,799</b>	<b>(1,204)</b>	<b>(7,811)</b>	<b>(130)</b>	<b>4,674,083</b>
Development sales	--	--	217,017	--	--	--	--	23,072	--	240,089
Cost of goods sold	--	--	(199,338)	--	--	--	--	(6,177)	--	(205,515)
<b>Net development income</b>	<b>--</b>	<b>--</b>	<b>17,679</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>16,895</b>	<b>--</b>	<b>34,574</b>
Hotel revenue	--	--	--	--	7,541	--	243,558	--	--	251,099
Cost of goods sold	--	--	--	--	(30)	--	2,880	--	--	2,850
Hotel operating expenses	--	--	--	--	(2,183)	--	(143,687)	--	--	(145,870)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,328</b>	<b>--</b>	<b>102,751</b>	<b>--</b>	<b>--</b>	<b>108,079</b>
Total revenues	1,470,753	1,829,248	710,357	301,104	466,635	739,726	243,391	37,850	5,946	5,805,010
Total direct business operating expenses	(100,410)	(85,178)	(462,809)	(11,085)	(32,179)	(119,927)	(141,844)	(28,766)	(6,076)	(988,274)
<b>Net business income</b>	<b>1,370,343</b>	<b>1,744,070</b>	<b>247,548</b>	<b>290,019</b>	<b>434,456</b>	<b>619,799</b>	<b>101,547</b>	<b>9,084</b>	<b>(130)</b>	<b>4,816,737</b>
Net valuation gain or loss on investment property	522,423	(214,707)	(179,820)	(90,760)	424,003	--	--	(284,819)	(31,230)	145,090
Net gain or loss on the disposal of investment property	(15,328)	(8,569)	33,271	33	154	1,614	--	(21,910)	(561)	(11,296)
Net gain or loss on disposal of subsidiaries	--	--	--	--	40,912	6,975	30,975	--	388,682	467,544
Amortization, depreciation and impairments	(5,258)	(1,964)	5,941	2,686	(10,981)	(135,905)	(34,447)	(980)	--	(180,908)
Other operating income	10,210	22,347	4,603	395	2,797	174,842	1,601	8,887	50,990	276,672
Administrative expenses	(21,635)	(28,544)	(14,575)	(4,747)	(6,862)	(953,646)	(21,584)	(19,415)	(3,503)	(1,074,511)
Other operating expenses	(56,601)	(24,583)	(5,695)	(4,197)	(4,217)	(280,306)	1,804	(2,100)	(18,856)	(394,751)
<b>Operating result</b>	<b>1,804,154</b>	<b>1,488,050</b>	<b>91,273</b>	<b>193,429</b>	<b>880,262</b>	<b>(566,627)</b>	<b>79,896</b>	<b>(311,253)</b>	<b>385,392</b>	<b>4,044,577</b>
Interest income	9,082	21,098	50	234	4,470	466,804	(2,230)	(48)	--	499,460
Interest expense	(362,194)	(468,173)	(159,787)	(75,513)	(105,490)	(1,171,037)	(10,701)	(3,196)	(22,309)	(2,378,400)
Other net financial result	(210,206)	(155,667)	(8,417)	(22,623)	2,274	(54,053)	(152,727)	(19,084)	34,988	(585,515)
<b>Net finance income / (costs)</b>	<b>(563,318)</b>	<b>(602,742)</b>	<b>(168,154)</b>	<b>(97,902)</b>	<b>(98,746)</b>	<b>(758,286)</b>	<b>(165,658)</b>	<b>(22,328)</b>	<b>12,679</b>	<b>(2,464,455)</b>
<b>Profit / (Loss) before income tax</b>	<b>1,240,836</b>	<b>885,308</b>	<b>(76,881)</b>	<b>95,527</b>	<b>781,516</b>	<b>(1,324,913)</b>	<b>(85,762)</b>	<b>(333,581)</b>	<b>398,071</b>	<b>1,580,122</b>
Income tax expense	(69,799)	(58,007)	23,547	(13,379)	(46,725)	(451,868)	4,683	(15,626)	2,608	(624,566)
<b>Net profit / (Loss) from continuing operations</b>	<b>1,171,037</b>	<b>827,301</b>	<b>(53,334)</b>	<b>82,148</b>	<b>734,791</b>	<b>(1,776,781)</b>	<b>(81,079)</b>	<b>(349,207)</b>	<b>400,679</b>	<b>955,556</b>

## 2016

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
<b>2016</b>										
<b>Gross assets value</b>	<b>25,364,461</b>	<b>29,185,352</b>	<b>7,847,448</b>	<b>1,688,492</b>	--	<b>85,062</b>	<b>10,044,197</b>	<b>3,207,546</b>	<b>2,209,154</b>	79,631,712
Investment Property	25,339,675	29,173,950	7,847,422	1,688,492	--	--	--	3,083,703	200,757	67,333,999
Property, plant and equipment	24,422	11,164	26	--	--	84,604	10,015,181	--	--	10,135,397
Inventories	364	238	--	--	--	458	29,016	123,843	2,008,397	2,162,316
Biological assets	--	--	--	--	--	--	--	--	--	--
Other assets non-current	38,185	58,346	6,215	--	--	10,027,547	1,220,016	61,981	146	11,412,436
Other assets current	908,787	1,209,051	311,689	2,332,207	212,904	5,688,941	760,104	233,294	55,207	11,712,184
Cash and cash equivalents	897,124	1,247,264	293,095	100,687	4,644	2,937,076	343,334	33,319	336,145	6,192,688
<b>Total Assets</b>	<b>27,208,557</b>	<b>31,700,013</b>	<b>8,458,447</b>	<b>4,121,386</b>	<b>217,548</b>	<b>18,738,626</b>	<b>12,367,651</b>	<b>3,536,140</b>	<b>2,600,652</b>	<b>108,949,019</b>
Other payables non-current	1,975,278	2,580,338	1,208,802	86,952	1	927	567,164	112,215	76,060	6,607,737
Finance debts non-current	14,011,823	12,331,427	96,239	425,238	--	2,645,844	4,124,068	343,265	--	33,977,904
Bonds issued non-current	--	1,117,487	2,157,328	--	--	10,258,034	--	--	--	13,532,849
Other payables current	606,858	658,364	387,134	1,597,178	692	3,305,440	400,251	28,557	134,765	7,119,239
Finance debts current	602,960	2,855,086	321	468,041	--	2,186,080	872,709	5,618	838,217	7,829,032
Bonds issued current	--	292,568	876,495	--	--	119,817	--	--	--	1,288,880
<b>Total Liabilities</b>	<b>17,196,919</b>	<b>19,835,270</b>	<b>4,726,319</b>	<b>2,577,409</b>	<b>693</b>	<b>18,516,142</b>	<b>5,964,192</b>	<b>489,655</b>	<b>1,049,042</b>	<b>70,355,641</b>

## 2015

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
<b>2015</b>										
<b>Gross assets value</b>	<b>23,516,246</b>	<b>26,077,052</b>	<b>7,455,993</b>	<b>3,676,288</b>	<b>8,129,536</b>	<b>88,325</b>	<b>1,537,804</b>	<b>5,855,560</b>	<b>2,142,508</b>	78,479,312
Investment Property	23,492,302	26,062,225	7,455,728	3,676,288	8,114,706	--	--	5,840,373	76,708	74,718,330
Property, plant and equipment	23,944	14,660	265	--	14,734	87,926	1,534,081	110	(3,450)	1,672,270
Inventories	--	167	--	--	96	399	3,723	15,077	2,069,250	2,088,712
Other assets non-current	4,820	264,753	--	--	243,742	392,700	10,193	1,105	3,000	920,313
Other assets current	971,484	544,013	327,833	30,717	348,603	4,971,185	17,572	44,304	16,128	7,271,839
Cash and cash equivalents	716,355	918,709	275,647	70,941	164,990	784,495	50,338	26,906	338,239	3,346,620
<b>Total Assets</b>	<b>25,208,905</b>	<b>27,804,527</b>	<b>8,059,473</b>	<b>3,777,946</b>	<b>8,886,871</b>	<b>6,236,705</b>	<b>1,615,907</b>	<b>5,927,875</b>	<b>2,499,875</b>	<b>90,018,082</b>
Other payables non-current	2,123,216	2,450,114	1,139,718	503,470	525,868	30,540	45,602	433,631	85,353	7,337,512
Finance debts non-current	9,862,583	8,693,282	96,486	1,733,767	3,180,869	1,325,088	619,129	42,653	838,385	26,392,242
Bonds issued non-current	--	1,379,426	2,933,960	--	--	5,480,496	--	--	--	9,793,882
Other payables current	588,889	558,675	425,729	45,384	178,292	1,355,337	75,332	39,920	61,062	3,328,620
Finance debts current	3,225,428	3,161,465	515	118,573	432,313	881,923	55,286	5,803	--	7,881,306
Bonds issued current	--	13,168	92,015	--	--	1,348,437	--	--	--	1,453,620
<b>Total Liabilities</b>	<b>15,800,116</b>	<b>16,256,130</b>	<b>4,688,423</b>	<b>2,401,194</b>	<b>4,317,342</b>	<b>10,421,821</b>	<b>795,349</b>	<b>522,007</b>	<b>984,800</b>	<b>56,187,182</b>

## 2016

Consolidated profit or loss										
31 December 2016	Czech Republic	Slovak Republic	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
Gross rental revenue	3,629,958	374,197	454,484	164,999	--	2,271	--	--	--	4,625,909
Service revenue	238,896	63	3,064	5,431	--	197	--	--	418,784	666,435
Net service charge income	58,219	(2,454)	34,075	(19,639)	--	--	(3,928)	--	--	66,273
Property operating expenses	(644,601)	(33,750)	(58,172)	(40,639)	--	--	--	--	--	(777,162)
<b>Net rental income</b>	<b>3,282,472</b>	<b>338,056</b>	<b>433,451</b>	<b>110,152</b>	<b>--</b>	<b>2,468</b>	<b>(3,928)</b>	<b>--</b>	<b>418,784</b>	<b>4,581,455</b>
Development sales	4,638	--	1,570	--	--	--	--	--	--	6,208
Cost of goods sold	--	--	(356)	--	--	--	--	--	--	(356)
Development operating expenses	(5,576)	--	--	--	--	(14,286)	--	--	--	(19,862)
<b>Net development income</b>	<b>(938)</b>	<b>--</b>	<b>1,214</b>	<b>--</b>	<b>--</b>	<b>(14,286)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(14,010)</b>
Hotel revenue	857,634	9,414	209,022	67,566	--	--	--	103,207	--	1,246,843
Cost of goods sold	(2,329)	--	--	--	--	--	--	--	--	(2,329)
Hotel operating expenses	(579,916)	(6,732)	(133,547)	(40,280)	--	--	--	(62,236)	--	(822,711)
<b>Net hotel income</b>	<b>275,389</b>	<b>2,682</b>	<b>75,475</b>	<b>27,286</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>40,971</b>	<b>--</b>	<b>421,803</b>
<b>Total revenues</b>	<b>4,789,345</b>	<b>381,220</b>	<b>702,215</b>	<b>218,357</b>	<b>--</b>	<b>2,468</b>	<b>(3,928)</b>	<b>103,207</b>	<b>418,784</b>	<b>6,611,668</b>
<b>Total direct business operating expenses</b>	<b>(1,232,422)</b>	<b>(40,482)</b>	<b>(192,075)</b>	<b>(80,919)</b>	<b>--</b>	<b>(14,286)</b>	<b>--</b>	<b>(62,236)</b>	<b>--</b>	<b>(1,622,420)</b>
<b>Net business income</b>	<b>3,556,923</b>	<b>340,738</b>	<b>510,140</b>	<b>137,438</b>	<b>--</b>	<b>(11,818)</b>	<b>(3,928)</b>	<b>40,971</b>	<b>418,784</b>	<b>4,989,248</b>
Net valuation gain or loss on investment property	1,048,079	(326,974)	501,290	116,553	(204,640)	2,703	--	--	--	1,137,011
Net gain or loss on the disposal of investment property	(19,025)	(54)	(47,394)	--	--	--	--	--	--	(66,473)
Net gain or loss on disposal of subsidiaries	73,744	--	(25,187)	--	--	--	--	--	--	48,557
Amortization, depreciation and impairments	(177,189)	(1,760)	(42,913)	(73,787)	(15)	(63,365)	61,002	(50,972)	(164,797)	(513,796)
Other operating income	58,466	15,649	14,096	1,650	--	4	25,637	--	33,134	148,636
Administrative expenses	(809,603)	(40,493)	(98,774)	(30,578)	(3,415)	(10,727)	(10,516)	(8,885)	(180,196)	(1,193,187)
Other operating expenses	(26,659)	285	(17,595)	54,670	(553)	(2,790)	(55,690)	376	(1,333)	(49,289)
<b>Operating result</b>	<b>3,704,736</b>	<b>(12,609)</b>	<b>793,663</b>	<b>205,946</b>	<b>(208,623)</b>	<b>(85,993)</b>	<b>16,505</b>	<b>(18,510)</b>	<b>105,592</b>	<b>4,500,707</b>
Interest income	372,407	6	314	--	--	--	4,513	--	42,850	420,090
Interest expense	(1,545,578)	(186,303)	(73,741)	(39,779)	(258)	(19,502)	(3,037)	--	(1,011)	(1,869,209)
Other net financial result	(179,663)	(6,038)	(47,379)	(98,786)	14,579	(230)	(20,216)	190,282	(357)	(147,808)
<b>Net finance income / (costs)</b>	<b>(1,352,834)</b>	<b>(192,335)</b>	<b>(120,806)</b>	<b>(138,565)</b>	<b>14,321</b>	<b>(19,732)</b>	<b>(18,740)</b>	<b>190,282</b>	<b>41,482</b>	<b>(1,596,928)</b>
<b>Profit / (Loss) before income tax</b>	<b>2,351,902</b>	<b>(204,944)</b>	<b>672,857</b>	<b>67,381</b>	<b>(194,302)</b>	<b>(105,725)</b>	<b>(2,235)</b>	<b>171,772</b>	<b>147,074</b>	<b>2,903,776</b>
Income tax expense	(262,913)	117,671	326,636	(13,508)	--	(40,753)	--	14,427	(10,749)	130,811
<b>Net profit / (Loss) from continuing operations</b>	<b>2,088,989</b>	<b>(87,273)</b>	<b>999,493</b>	<b>53,873</b>	<b>(194,302)</b>	<b>(146,478)</b>	<b>(2,235)</b>	<b>186,199</b>	<b>136,325</b>	<b>3,034,588</b>

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

## 2015

Consolidated profit or loss	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Russia	Total consolidated
2015														
Gross rental revenue	3,550,690	436,753	467,472	164,599	--	--	2,292	--	--	--	--	--	(59)	4,621,747
Service revenue	93,287	112	1,138	1,486	--	--	1,326	--	--	--	573,061	--	--	670,410
Net service charge income	(7,245)	(2,232)	42,199	(11,057)	--	--	--	--	--	--	--	--	--	21,665
Property operating expenses	(552,072)	(15,635)	(47,414)	(22,047)	--	--	--	--	--	--	(9)	--	(2,562)	(639,739)
<b>Net rental income</b>	<b>3,084,660</b>	<b>418,998</b>	<b>463,395</b>	<b>132,981</b>	--	--	<b>3,618</b>	--	--	--	<b>573,052</b>	--	(2,621)	4,674,083
Development sales	237,354	--	2,735	--	--	--	--	--	--	--	--	--	--	240,089
Cost of goods sold	(204,488)	--	(1,027)	--	--	--	--	--	--	--	--	--	--	(205,515)
<b>Net development income</b>	<b>32,866</b>	--	<b>1,708</b>	--	--	--	--	--	--	--	--	--	--	<b>34,574</b>
Hotel revenue	58,080	4,021	134,179	(160)	--	--	--	--	--	--	--	--	54,979	251,099
Cost of goods sold	2,881	(1)	--	(30)	--	--	--	--	--	--	--	--	--	2,850
Hotel operating expenses	(42,032)	(787)	(89,624)	2,685	--	--	--	--	--	--	--	--	(16,112)	(145,870)
<b>Net hotel income</b>	<b>18,929</b>	<b>3,233</b>	<b>44,555</b>	<b>2,495</b>	--	--	--	--	--	--	--	--	<b>38,867</b>	<b>108,079</b>
Total revenues	3,932,166	438,654	647,723	154,868	--	--	3,618	--	--	--	573,061	--	54,920	5,805,010
Total direct business operating expenses	(795,711)	(16,423)	(138,065)	(19,392)	--	--	--	--	--	--	(9)	--	(18,674)	(988,274)
<b>Net business income</b>	<b>3,136,455</b>	<b>422,231</b>	<b>509,658</b>	<b>135,476</b>	--	--	<b>3,618</b>	--	--	--	<b>573,052</b>	--	<b>36,246</b>	<b>4,816,737</b>
Net valuation gain / (loss) on investment property	(98,720)	(251,213)	490,396	26,793	(22,166)	--	--	--	--	--	--	--	--	145,090
Net gain / (loss) on the disposal of investment property	6,917	436	(18,649)	--	--	--	--	--	--	--	--	--	--	(11,296)
Net gain / (loss) on disposal of subsidiaries	431,048	30,974	(680)	--	--	--	--	--	--	--	--	6,202	--	467,544
Amortization, depreciation and impairments	(32,671)	129	(57,092)	(1,132)	(62)	--	--	--	--	--	--	(86,455)	(3,625)	(180,908)
Other operating income	84,806	2,555	17,419	93	2	--	50,990	--	--	--	--	120,502	306	276,672
Administrative expenses	(777,930)	(42,787)	(88,406)	(36,243)	(2,939)	(5,068)	(1,441)	(869)	(7,795)	(196)	(78,766)	(10,807)	(21,264)	(1,074,511)
Other operating expenses	(344,032)	(3,571)	(28,068)	(3,202)	(460)	--	(19,092)	(50)	(41)	--	(27)	(31)	3,823	(394,751)
<b>Operating result</b>	<b>2,405,873</b>	<b>158,754</b>	<b>824,578</b>	<b>121,785</b>	<b>(25,625)</b>	<b>(5,068)</b>	<b>34,075</b>	<b>(919)</b>	<b>(7,836)</b>	<b>(196)</b>	<b>494,259</b>	<b>29,410</b>	15,486	<b>4,044,577</b>
Interest income	464,957	(1,829)	721	--	--	6,814	--	--	16,884	--	846	11,067	--	499,460
Interest expense	(2,036,752)	(131,887)	(80,722)	(35,623)	--	(91,296)	(1,761)	--	(103)	--	--	(256)	--	(2,378,400)
Other net financial result	(402,068)	(4,035)	(6,903)	(13,133)	(15,604)	(5,323)	19,866	26	(7,433)	(821)	(183)	(972)	(148,932)	(585,515)
<b>Net finance income / (costs)</b>	<b>(1,973,863)</b>	<b>(137,751)</b>	<b>(86,904)</b>	<b>(48,756)</b>	<b>(15,604)</b>	<b>(89,805)</b>	<b>18,105</b>	<b>26</b>	<b>9,348</b>	<b>(821)</b>	<b>663</b>	<b>9,839</b>	<b>(148,932)</b>	<b>(2,464,455)</b>
<b>Profit / (Loss) before income tax</b>	<b>432,010</b>	<b>21,003</b>	<b>737,674</b>	<b>73,029</b>	<b>(41,229)</b>	<b>(94,873)</b>	<b>52,180</b>	<b>(893)</b>	<b>1,512</b>	<b>(1,017)</b>	<b>494,922</b>	<b>39,249</b>	<b>(148,932)</b>	<b>1,580,122</b>
Income tax expense	(56,087)	7,740	(107,220)	9,841	--	11	(1,252)	--	(121)	--	--	(481,011)	3,533	(624,566)
<b>Net profit / (Loss) from continuing operations</b>	<b>375,923</b>	<b>28,743</b>	<b>630,454</b>	<b>82,870</b>	<b>(41,229)</b>	<b>(94,862)</b>	<b>50,928</b>	<b>(893)</b>	<b>1,391</b>	<b>(1,017)</b>	<b>494,922</b>	<b>(441,762)</b>	<b>(145,399)</b>	<b>955,556</b>

## 2016

Consolidated statement of financial position 31 December 2016	Czech Republic	Slovak Republic	Hungary	Poland	Romania	France	Luxemburg	Russia	Other*	Total consolidated
<b>Gross assets value</b>	<b>62,541,377</b>	<b>2,968,545</b>	<b>8,633,458</b>	<b>2,678,478</b>	--	<b>2,105,669</b>	--	<b>703,879</b>	<b>306</b>	79,631,712
Investment Property	54,677,129	2,968,343	7,452,116	2,139,139	--	97,272	--	--	--	67,333,999
Property, plant and equipment	7,719,424	94	1,177,360	537,838	--	--	--	700,681	--	10,135,397
Inventories	144,824	108	3,982	1,501	--	2,008,397	--	3,198	306	2,162,316
Other receivables non-current	11,157,618	12,850	915	6,717	--	5	44,043	248	190,040	11,412,436
Other receivables current	8,069,311	2,343,640	138,420	21,479	209,655	53,463	3,710	6,752	865,754	11,712,184
Cash and cash equivalents	5,233,454	106,482	318,330	189,167	447	333,945	7,501	2,931	431	6,192,688
<b>Total Assets</b>	<b>87,001,760</b>	<b>5,431,517</b>	<b>9,091,123</b>	<b>2,895,841</b>	<b>210,102</b>	<b>2,493,082</b>	<b>55,254</b>	<b>713,810</b>	<b>1,056,531</b>	<b>108,949,020</b>
Other payables non-current	5,671,311	252,263	441,477	158,822	309	63,697	--	19,858	--	6,607,737
Finance debts non-current	27,853,494	1,415,756	3,453,310	1,148,029	8,176	94,570	--	--	4,569	33,977,904
Bonds issued non-current	11,398,673	2,134,176	--	--	--	--	--	--	--	13,532,849
Other payables current	4,221,571	1,535,973	226,226	50,418	156	114,307	4,021	36,780	929,787	7,119,239
Finance debts current	6,050,333	69,999	484,088	383,306	2,659	838,526	--	--	121	7,829,032
Bonds issued current	1,255,358	33,522	--	--	--	--	--	--	--	1,288,880
<b>Total Liabilities</b>	<b>56,450,740</b>	<b>5,441,689</b>	<b>4,605,101</b>	<b>1,740,575</b>	<b>11,300</b>	<b>1,111,100</b>	<b>4,021</b>	<b>56,638</b>	<b>934,477</b>	<b>70,355,641</b>

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

## 2015

Consolidated statement of financial position 31 December 2015	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Russia	Total consolidated
<b>Gross assets value</b>	<b>59,243,988</b>	<b>5,328,335</b>	<b>8,073,121</b>	<b>2,551,908</b>	<b>412,782</b>	--	<b>2,163,838</b>	--	--	--	<b>306</b>	--	<b>705,034</b>	78,479,312
Investment Property	58,713,306	5,328,282	7,619,918	2,549,564	412,672	--	94,588	--	--	--	--	--	--	74,718,330
Property, plant and equipment	517,949	--	449,516	2,231	110	--	--	--	--	--	--	--	702,464	1,672,270
Inventories	12,733	53	3,687	113	--	--	2,069,250	--	--	--	306	--	2,570	2,088,712
Other assets non-current	457,784	4,253	1,227	2,351	--	1,170	--	--	155,520	57,806	4	239,713	485	920,313
Other assets current	5,917,298	30,257	522,221	22,731	28,751	133,419	14,941	(267)	268,499	57,271	264,750	7,287	4,681	7,271,839
Cash and cash equivalents	2,528,674	95,157	219,425	158,603	246	464	338,966	365	39	13	884	2,696	1,088	3,346,620
<b>Total Assets</b>	<b>68,147,744</b>	<b>5,458,002</b>	<b>8,815,994</b>	<b>2,735,593</b>	<b>441,779</b>	<b>135,053</b>	<b>2,517,745</b>	<b>98</b>	<b>424,058</b>	<b>115,090</b>	<b>265,944</b>	<b>249,696</b>	<b>711,288</b>	<b>90,018,084</b>
Other payables non-current	5,588,043	708,141	757,403	141,175	311	34	82,640	--	--	27,104	--	--	32,661	7,337,512
Finance debts non-current	19,103,062	2,531,170	2,960,825	826,681	5,080	--	932,973	--	20	--	--	32,431	--	26,392,242
Bonds issued non-current	8,995,964	797,918	--	--	--	--	--	--	--	--	--	--	--	9,793,882
Other payables current	2,069,382	40,108	221,263	64,727	3,284	27,772	68,227	--	889	790,390	1,226	8,489	32,863	3,328,620
Finance debts current	5,972,614	191,478	1,085,115	628,244	2,536	--	355	--	--	--	--	964	--	7,881,306
Bonds issued current	1,443,707	9,913	--	--	--	--	--	--	--	--	--	--	--	1,453,620
<b>Total Liabilities</b>	<b>43,172,772</b>	<b>4,278,728</b>	<b>5,024,606</b>	<b>1,660,827</b>	<b>11,211</b>	<b>27,806</b>	<b>1,084,195</b>	--	<b>909</b>	<b>817,494</b>	<b>1,226</b>	<b>41,884</b>	<b>65,524</b>	<b>56,187,182</b>

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

## 5 Consolidated statement of comprehensive income

### 5.1 Gross rental revenue

	2016	2015
Gross rental revenue (1)	4,625,909	4,621,747
Service revenue	666,435	670,410
<b>Total gross rental revenue</b>	<b>5,292,344</b>	<b>5,292,157</b>

- (1) Gross rental revenue remains stable due to the two divergent effects. Due to the Group's expansion at the end of 2015 and in 2016, the gross rental revenue has increased by CZK 251.3 million. The acquisitions mainly contributing to the increase were the acquisition of Bondy Centrum (net increase of CZK 90.3 million), acquisition of JMB Group at the end of 2015 leading to net increase of CZK 63.8 million and the acquisition of Géčko Shopping Center (net increase of CZK 46.1 million).

On the other hand, the acquisition of CPI Hotels in August 2016 led to a decrease in gross rental revenue of CZK 247.2 million in 2016.

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

### 5.2 Net service charge income

	2016	2015
Service charge income	523,191	429,914
Service charge expenses	(484,280)	(433,447)
<b>Total</b>	<b>38,911</b>	<b>(3,533)</b>
Revenues from sales of energy	104,998	114,887
Cost of sales - energy	(77,636)	(89,690)
<b>Total</b>	<b>27,361</b>	<b>25,198</b>
<b>Total net service charge income</b>	<b>66,273</b>	<b>21,665</b>

Significant increase in volume of service charge income and expenses reflects increase in rental activity which contains service charge element. Profit from sale of energies (the Group has a license for the purchase and its further distribution) remains stable and also contributed to total positive result from service recharges.

### 5.3 Property operating expenses

	2016	2015
Building maintenance	(332,836)	(282,619)
Utility services	(85,789)	(66,530)
Personnel expenses	(160,337)	(145,058)
Real estate tax	(27,349)	(26,755)
Facility management	(14,833)	(8,476)
Insurance	(10,236)	(11,634)
Letting fee, other fees paid to real estate agents	(23,393)	(27,225)
Other property related expenses	(112,253)	(65,715)
Leases and rents	(10,136)	(5,728)
<b>Total net property operating expenses</b>	<b>(777,162)</b>	<b>(639,739)</b>

Property operating expenses include mainly building maintenance, personnel expenses, utilities supplies, facility management and other general overhead expenses related to properties which cannot be charged to current tenants based on existing rental contracts concluded. They also include Group's expenses related to vacant premises.

**5.3.1 Utility services**

	2016	2015
Energy consumption	(58,892)	(35,871)
Material consumption	(17,464)	(18,003)
Waste management	(4,246)	(3,438)
Security services	(3,623)	(7,023)
Cleaning services	(1,563)	(2,195)
<b>Total utility services</b>	<b>(85,789)</b>	<b>(66,530)</b>

**5.3.2 Personnel expenses**

	2016	2015
<b>Personnel operating expenses</b>		
Wages and salaries	(117,368)	(105,991)
Social and health security contributions	(38,802)	(35,196)
Other social expenses	(4,167)	(3,871)
<b>Total personnel operating expenses</b>	<b>(160,337)</b>	<b>(145,058)</b>
<b>Personnel administrative expenses</b>		
Wages and salaries	(195,710)	(203,794)
Social and health security contributions	(62,720)	(57,220)
Other social expenses	(4,806)	(4,437)
<b>Total personnel administrative expenses</b>	<b>(263,237)</b>	<b>(265,451)</b>
<b>Personnel expenses - hotel operations</b>		
Wages and salaries	(214,265)	(27,814)
Social and health security contributions	(66,586)	(10,234)
Other social expenses	(8,795)	(1,773)
<b>Total personnel expenses - hotel operations</b>	<b>(289,646)</b>	<b>(39,821)</b>
<b>Total personnel expenses</b>	<b>(713,220)</b>	<b>(450,330)</b>

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

The main driver for the increase of personnel expenses from hotel operations was the acquisition of CPI Hotels leading to a net increase of CZK 227.2 million, refer to note 3.2. The acquisition of Hospitality Group in 2015 (note 3.5) led to an overall increase in personnel expenses in the amount CZK 24.5 million.

**5.4 Net development result**

	2016	2015
Development sales	6,208	240,089
Cost of goods sold	(356)	(205,515)
Development operating expenses (1)	(19,862)	--
<b>Net development result (2)</b>	<b>(14,010)</b>	<b>34,574</b>

- (1) Development operating expenses cover all property operating expenses occurred in connection with development (utility services, real estate agents services, maintenance etc.). Development operating expenses in 2016 relate mainly to the development project in France
- (2) Net development income in 2015 represents primarily sale of apartments from the residential portfolio of Quadrio Residence, s.r.o. (project "QUADRIO").

**5.5 Net hotel income**

	2016	2015
Hotel revenue	1,246,843	251,099
Personnel expenses (5.3.2)	(289,646)	(39,821)
Other hotel expenses	(533,065)	(106,049)
Cost of goods sold - hotel operations	(2,329)	2,850
<b>Total net hotel income</b>	<b>421,803</b>	<b>108,079</b>

In August 2016, the Group acquired CPI Hotels, hotel operator, which operates the majority of the Group's hotel portfolio, refer to note 3.2. The acquisition of the CPI Hotels led to increase in net hotel income of CZK 308.2 million compensated by decrease in gross rental revenue (note 5.1.).

## 5.6 Net valuation gain

	2016	2015
<b>Valuation gains</b>		
Hotels	--	516,526
Industry and logistics	42,187	708
Land bank	298,824	73,199
Office	1,051,928	714,399
Residential	344,911	3,798
Retail	879,416	281,314
<b>Total valuation gains</b>	<b>2,617,266</b>	<b>1,589,944</b>
<b>Valuation losses</b>		
Hotels	(25,593)	(92,523)
Industry and logistics	(77,150)	(91,469)
Land bank	(475,253)	(358,017)
Office	(174,339)	(191,976)
Residential	--	(183,618)
Retail	(730,560)	(496,021)
<b>Total valuation losses</b>	<b>(1,482,895)</b>	<b>(1,413,624)</b>
<b>Net valuation gain</b>	<b>1,134,371</b>	<b>176,320</b>
Development – valuation gains	2,640	--
Development – valuation loss	--	(31,230)
<b>Total valuation gains on investment property under development</b>	<b>2,640</b>	<b>(31,230)</b>
<b>Net valuation gain on investment property</b>	<b>1,137,011</b>	<b>145,090</b>

The valuation gain recognized in connection with hotel portfolio decreased mainly due to the reclassification of major part of the hotel portfolio from investment property to property, plant and equipment (segment hospitality) which is measured using the revaluation model.

For the assumptions used for the preparation of appraisals by professional valuers refer to note 7.5.3.

## 5.7 Net loss on the disposal of investment property

	2016	2015
Proceeds from disposal of investment property	601,605	349,448
Carrying value of investment property disposed of and related cost	(668,078)	(360,743)
<b>Total loss on the disposal of investment property</b>	<b>(66,473)</b>	<b>(11,296)</b>

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

- Office project – with fair value of CZK 483.7 million as at 31 December 2015;
- Land bank project – with fair value of CZK 27 million as at 31 December 2015.

At the date of sale, total carrying value of investment properties mentioned above was set to CZK 510.7 million in 2016.

In addition, another two land bank projects in Hungary with carrying value of CZK 92.1 thousand has been sold during 2016.

Other disposals of investment property in 2016 represent mainly sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of CZK 30.9 million.

Incurred loss on disposal does not indicate impairment for remaining assets of the Group.

## 5.8 Net gain on the disposal of subsidiaries in 2016

	2016	2015
Intangible assets and goodwill	--	218
Investment property	2,743,596	952,100
Property, plant and equipment	--	8,622
Loans provided	17,998	23,733
Deferred tax asset	(536)	4,079
<b>Total non-current assets</b>	<b>2,761,058</b>	<b>988,751</b>
Current income tax receivables	1,706	335
Trade receivables	8,302	19,889
Loans provided	1,692	2,351
Cash and cash equivalents	5,715	17,675
Other financial current assets	1,177,969	1,054
Other non-financial current assets	1,641	2,316
<b>Total current assets</b>	<b>1,197,025</b>	<b>43,620</b>
<b>Disposed assets</b>	<b>3,958,083</b>	<b>1,032,371</b>
Financial debts	(501,407)	(262,674)
Deferred tax liabilities	(280,275)	(18,973)
Other non-current liabilities	(1,335)	(1,778)
<b>Total non-current liabilities</b>	<b>(783,017)</b>	<b>(283,425)</b>
Financial debts	(46,759)	(740,431)
Trade payables	(950)	(23,894)
Advance payments	(8,890)	(808)
Derivative instruments	(2,045)	(2,493)
Other financial current liabilities	(393,768)	(873)
Other non-financial current liabilities	(479)	(678)
<b>Total current liabilities</b>	<b>(452,891)</b>	<b>(772,957)</b>
<b>Disposed liabilities</b>	<b>(1,235,908)</b>	<b>(1,052,601)</b>
<b>Net Assets of subsidiary disposed of</b>	<b>2,722,175</b>	<b>(20,231)</b>
<b>Non-controlling interest</b>	<b>--</b>	<b>(22,121)</b>
<b>Total carrying value of subsidiaries sold and related cost to sell</b>	<b>2,717,355</b>	<b>1,890</b>
<b>Sales price</b>	<b>2,765,912</b>	<b>469,435</b>
<b>Net gain on disposal of subsidiary</b>	<b>48,557</b>	<b>467,544</b>

For more details refer to note 3.3.

## 5.9 Amortization, depreciation and impairments

	2016	2015
Depreciation and amortization – rental	(36,573)	(26,021)
Depreciation and amortization – hotel (1)	(161,628)	(33,607)
Impairment of assets (5.9.1)	(315,596)	(121,280)
<b>Total depreciation, amortization and impairment</b>	<b>(513,796)</b>	<b>(180,908)</b>

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

### 5.9.1 Impairment of assets / Reversal of impairment of assets

	2016	2015
Impairment of property, plant and equipment (1)	(116,703)	28
Impairment of other intangible assets	--	(57)
Impairment of trading property (2)	(63,026)	(344)
Impairment – other - reversal	--	487
Impairment of other receivables	(24,317)	(21,849)
Impairment of trade receivables (6.7)	(32,246)	(14,157)
Impairment of provided loans	(79,303)	(85,388)
<b>Total impairment of assets</b>	<b>(315,596)</b>	<b>(121,280)</b>

- (1) In connection with the revaluation model used for the measurement of property, plant and equipment within the operating segment income generating operational properties, asset type hospitality, the Group recognized an impairment of property, plant and equipment in the amount of CZK 116.7 million.
- (2) Impairment of trading property relates to "Palais Maeterlinck project", refer to note 6.8.

## 5.10 Other operating income

	2016	2015
Gain on assignment of receivables	11,183	4
Income from penalties	1,904	27,686
Income from compensation of rental revenues	21,236	13,365
Income from lands acquired based on court decision	601	841
Insurance claims	10,652	8,239
Other (1)	103,189	223,783
Income from sale of PPE	(129)	2,754
<b>Total other operating income</b>	<b>148,636</b>	<b>276,672</b>

- (1) During 2015 the Group acquired receivable towards one of its subsidiaries from a 3<sup>rd</sup> party with a gain of CZK 120 million.

## 5.11 Administrative expenses

	2016	2015
Accounting and other services provided by related parties (1)	(529,386)	(382,713)
Personnel expenses (2)	(263,237)	(265,451)
Audit, tax and advisory services (3)	(92,122)	(140,015)
Legal services	(101,785)	(69,468)
Other administrative expenses	(38,360)	(48,226)
Lease and rental expenses	(47,425)	(42,220)
Representation expenses	(12,682)	(32,683)
Advertising expenses	(27,826)	(32,537)
IT expenses	(44,106)	(20,361)
Material consumption	(15,062)	(14,216)
Repairs and maintenance	(5,901)	(10,447)
Telecommunication, internet and software related expenses	(7,704)	(9,283)
Other insurance expenses	(5,129)	(5,876)
Energy consumption	(2,463)	(1,015)
<b>Total</b>	<b>(1,193,187)</b>	<b>(1,074,511)</b>

The increase in administrative expenses reflects Group's substantial growth affected mainly by acquisitions carried out in the second half of 2015 and in 2016.

- (1) Accounting and other services in the amount of CZK 529.4 million (in 2015 CZK 382.7 million) provided by related parties relate to services provided by CPI PG to certain SPV's within the Group.
- (2) Refer to note 5.3.2
- (3) Audit, tax and advisory expenses include the cost of services provided by the Group's auditor of CZK 25.3 million (CZK 24.8 million in 2015), of which:
  - Fees related to audit services amount to CZK 19.3 million (CZK 18.8 million in 2015), out of which approximately CZK 1 million (CZK 1 million in 2015) relates directly to the Company;
  - Fees for other assurance and advisory services provided by the Group's auditor total CZK 6 million (CZK 6 million in 2015).

Fees paid to investment property valuers represents CZK 7.7 million in 2016 (CZK 7.6 million in 2015).

## 5.12 Other operating expenses

	2016	2015
Penalties	(3,348)	(8,191)
Tax non-deductible VAT expenses	(17,871)	(16,395)
Taxes and fees	(20,540)	(28,900)
Gifts	(3,520)	(13,769)
Change in provisions	6,614	(5,655)
Other (1)	(10,625)	(321,842)
<b>Total other operating expenses</b>	<b>(49,289)</b>	<b>(394,751)</b>

- (1) Other operating expenses in 2015 were mainly attributable to the final settlement of CZK 273 million with the seller of the project acquired by the Group in prior periods. The value of the liability was initially set to zero in the previous reporting periods as the Group had no certain and valid indications concerning the project performance representing fundamental basis for the calculation of the contingent liability.

## 5.13 Interest income

	2016	2015
Bank interest income	541	936
Interest income on bonds	433	9,310
Interest income on loans and receivables (1)	407,744	489,215
Interest income on bills of exchange	11,372	--
<b>Total finance income</b>	<b>420,090</b>	<b>499,460</b>

- (1) Decrease in interest income in the amount of CZK 97.4 million reflects the assignment of loan provided by the Group to related party to CPI PG in March 2015.

## 5.14 Interest expense

	2016	2015
Interest expense related to bank and non-bank loans	(1,017,375)	(981,287)
Interest expense on bonds issued (1)	(719,488)	(1,273,898)
Interest expense related to finance leases	(12,504)	(13,248)
Interest expense on other non-current liabilities	--	(561)
Interest expense on bills of exchange	(119,842)	(109,406)
<b>Total interest expense</b>	<b>(1,869,209)</b>	<b>(2,378,400)</b>

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

## 5.15 Other net financial results

	2016	2015
Change in fair value and realized result on derivative instruments	(30,557)	46,336
Other net financial results (1)	(105,792)	(4,492)
Net foreign exchange gain	45,657	--
Net foreign exchange loss	--	(539,682)
Bank charges	(57,116)	(87,677)
<b>Total other net financial results</b>	<b>(147,808)</b>	<b>(585,516)</b>

- (1) Other net financial result in 2016 represents expense in the amount of CZK 30.5 million related to the termination of the call option (note 6.5). The expense of CZK 24.8 million relates to the reversal of a loan in connection with the liquidation of one polish entity.

## 5.16 Income tax expense

### Tax recognized in profit or loss

	2016	2015
<b>Current income tax expense</b>		
Current year	(150,416)	(79,230)
Adjustment for prior years	(81,070)	4,599
<b>Total</b>	<b>(231,486)</b>	<b>(74,631)</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	14,020	(163,664)
Changes in income tax rate	379,602	--
Change in tax losses	(31,325)	(386,271)
<b>Total</b>	<b>362,297</b>	<b>(549,935)</b>
<b>Income tax from continuing operations recognised in profit and loss</b>	<b>130,811</b>	<b>(624,566)</b>
<b>Total income tax recognised in profit or loss</b>	<b>130,811</b>	<b>(624,566)</b>

The Company's effective tax rate in respect of continuing operations for 2016 was -4.5 % (39.5 % for 2015). The main reason of the decrease represents the significant change of the nominal tax rate in Hungary (from 19 % to 9 %).

### Reconciliation of effective tax rate

	2016	2015
Profit for the period	3,034,588	955,556
Total income tax recognised in profit or loss	130,811	(624,566)
<b>Profit excluding income tax</b>	<b>2,903,777</b>	<b>1,580,122</b>
Current income tax rate	19%	19%
Income tax expense using Czech tax rate	(551,720)	(300,223)
Effect of tax rates in foreign jurisdictions	67,621	87,644
Changes in income tax rate	379,602	--
Non-deductible expense	(574,168)	(314,339)
Tax exempt income	578,274	205,169
Income tax adjustment for prior years	(8,704)	4,599
Effect of foreign exchange rates fluctuation	22,699	(2,825)
Change in unrecognized deferred tax asset	105,188	(298,967)
Change in the permanent tax differences	--	(27,318)
Other effects	112,017	21,695
<b>Tax expense</b>	<b>130,811</b>	<b>(624,566)</b>

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

#### Luxembourg

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

#### Czech Republic

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

#### Slovakia

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

**Hungary**

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

**Ireland**

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

**Netherlands**

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

**France**

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

**Poland**

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

**Romania**

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

**Cyprus**

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

**Guernsey**

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

**British Virgin Islands**

The income is not taxed.

**Deferred tax assets and liabilities****Recognized deferred tax assets and liabilities**

	Assets		Liabilities		Net	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Intangible assets and goodwill	5,624	5,861	(7)	(85)	5,617	5,776
Investment property	242,079	236,515	(5,734,685)	(7,099,629)	(5,492,606)	(6,863,114)
Property, plant and equipment	16,956	6,905	(724,342)	(115,458)	(707,386)	(108,553)
Inventories	--	--	(59,077)	(81,619)	(59,077)	(81,619)
Trade and other receivables	4,267	4,417	(951)	(2,533)	3,316	1,884
Financial debts	71,871	87,343	(14,869)	(28,500)	57,002	58,843
Derivative instruments	66,051	70,825	(13,298)	(13,238)	52,753	57,587
Provisions	3,072	2,734	--	(1,797)	3,072	937
Other items	32,301	35,258	(412)	(22,414)	31,889	12,844
Assets/disposal group held for sale	--	--	--	(72,088)	--	(72,088)
Tax losses carried-forward	345,890	333,721	--	--	345,890	333,721
<b>Gross deferred tax assets/(liabilities)</b>	<b>788,111</b>	<b>783,579</b>	<b>(6,547,642)</b>	<b>(7,437,361)</b>	<b>(5,759,531)</b>	<b>(6,653,782)</b>
<b>Set-off of tax*</b>	<b>(694,491)</b>	<b>(762,145)</b>	<b>694,491</b>	<b>762,145</b>	<b>--</b>	<b>--</b>
<b>Tax liabilities held for sale</b>	<b>--</b>	<b>--</b>	<b>(324,000)</b>	<b>--</b>	<b>(324,000)</b>	<b>--</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>93,620</b>	<b>21,434</b>	<b>(6,177,151)</b>	<b>(6,675,216)</b>	<b>(6,083,531)</b>	<b>(6,653,782)</b>

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

## Unrecognised deferred tax asset

Deferred tax assets were not recognized with respect following items:

	31 December 2016	31 December 2015
Tax losses carried-forward	507,603	501,357
<b>Unrecognised deferred tax assets</b>	<b>507,603</b>	<b>501,357</b>

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

At 31 December 2016	Expiry date				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
<b>Unused tax losses</b>	<b>9,561</b>	<b>193,505</b>	<b>89,796</b>	<b>1,665,539</b>	<b>1,958,401</b>

## Movement in deferred tax balances during the years 2016 and 2015

	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Transfers	Acquired in business combinations	Disposals of subsidiaries	Translation differences	Balance at 31 December 2016
Intangible assets and goodwill	5,776	(295)	--	--	--	--	136	5,617
Investment property	(6,863,114)	253,408	--	896,780	(21,012)	258,426	(17,095)	(5,492,606)
Property, plant and equipment	(108,553)	(30,793)	(92,398)	(493,450)	--	--	17,809	(707,385)
Biological Assets	--	--	--	--	--	--	--	--
Inventories	(81,619)	22,537	--	--	--	--	5	(59,078)
Trade and other receivables	1,884	1,506	--	--	--	--	(75)	3,316
Financial debts	58,843	(780)	--	--	36	--	(1,097)	57,002
Derivative instruments	57,587	843	(5,653)	--	--	--	(25)	52,753
Provisions	937	2,232	--	--	--	--	(96)	3,072
Other items	12,844	20,634	--	--	314	--	(1,904)	31,889
Assets/disposal groups held for sale	(72,088)	--	--	--	--	72,088	--	--
Tax losses carried-forward	333,721	13,675	--	--	--	--	(1,506)	345,890
Total without deferred tax liabilities linked to asset held for sale	(6,653,782)	282,967	(98,051)	403,330	(20,661)	330,514	(3,848)	(5,759,531)
Deferred tax liabilities linked to assets held for sale	--	79,330	--	(403,330)	--	--	--	(324,000)
<b>Total</b>	<b>(6,653,782)</b>	<b>362,297</b>	<b>(98,051)</b>	<b>--</b>	<b>(20,661)</b>	<b>330,514</b>	<b>(3,848)</b>	<b>(6,083,531)</b>

	Balance at 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Disposal of subsidiaries	Translation differences	Balance at 31 December 2015
Intangible assets and goodwill	6,396	(620)	--	--	--	--	5,776
Investment property	(6,624,414)	(193,251)	--	(106,039)	15,304	43,704	(6,863,114)
Property, plant and equipment	30,163	1,850	--	(115,185)	--	(25,381)	(108,553)
Inventories	(83,738)	1,353	--	--	--	766	(81,619)
Trade and other receivables	379	1,497	--	--	--	8	1,884
Financial debts	3,349	56,126	--	127	--	(759)	58,843
Derivative instruments	95,590	(881)	(35,395)	(105)	--	(40)	57,587
Provisions	(10,830)	11,847	--	--	--	(80)	937
Other items	6,391	30,503	--	(14,775)	--	(9,275)	12,844
Assets/disposal groups held for sale	--	(72,088)	--	--	--	--	(72,088)
Tax losses carried-forward	593,271	(386,271)	--	128,863	(380)	(1,762)	333,721
<b>Total</b>	<b>(5,983,443)</b>	<b>(549,935)</b>	<b>(35,395)</b>	<b>(107,114)</b>	<b>14,924</b>	<b>7,181</b>	<b>(6,653,782)</b>

## 6 Consolidated statement of financial position

### 6.1 Intangible assets and goodwill

#### 2016

	Goodwill	Software	Other	Total
<b>Cost</b>				
Balance at 1 January 2016	340,980	98,799	3,450	443,229
Acquisition	1,181,936	2,657	9	1,184,602
Additions	--	22,316	1,285	23,601
Other disposals	--	(1,401)	(115)	(1,516)
Effect of movements in exchange rates	(57)	45	(18)	(30)
Balance at 31 December 2016	1,522,859	122,416	4,611	1,649,886
<b>Amortization and impairment losses</b>				
Balance at 1 January 2016	54,403	31,556	161	86,120
Amortization for the period (+)	--	23,201	30	23,232
Other disposals	--	(193)	(115)	(308)
Balance at 31 December 2016	54,403	54,564	76	109,043
<b>Carrying amounts</b>				
At 31 December 2015	286,577	67,243	3,289	357,109
At 31 December 2016	1,468,456	67,852	4,536	1,540,842

#### 2015

	Goodwill	Software	Other	Total
<b>Cost</b>				
Balance at 1 January 2015	103,066	38,132	24,311	165,509
Acquisition	239,838	11,801	15	251,654
Additions	--	45,999	(0)	45,999
Transfer	--	3,701	(3,701)	--
Other disposals	--	(725)	(17,175)	(17,900)
Effect of movements in exchange rates	(1,924)	(110)	--	(2,034)
Balance at 31 December 2015	340,980	98,799	3,450	443,229
<b>Amortization and impairment losses</b>				
Balance at 1 January 2015	54,403	22,771	41	77,215
Amortization for the period (+)	--	8,785	120	8,905
Balance at 31 December 2015	54,403	31,556	161	86,120
<b>Carrying amounts</b>				
At 31 December 2014	48,663	15,361	24,270	88,294
At 31 December 2015	286,577	67,243	3,289	357,109

#### Goodwill

Opening balance includes goodwill of CZK 48.7 million recognized by the Group in 2013. The goodwill relates to acquisition of former ABLON Group in June 2013. Goodwill is allocated to retail segment.

Goodwill acquired in 2015 represents goodwill recorded in the books of Hospitality Invest prior to its acquisition by the Group.

The goodwill is attributed to the synergies expected to be derived from the combination.

In 2016, due to the acquisition of CPI Hotels, the Group recognized a goodwill in the amount of CZK 1,181.9 million. Goodwill is allocated to the hospitality segment.

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

## Impairment of goodwill

### General information

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

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

### Summary of impairment testing

The Group does not identify any impairment for Hospitality Group's related GW impairment as at 31 December 2016 as this CGU's "recoverable amount" is higher than its carrying value (calculation based on 2017 – 2021 budgeted numbers by using the following assumptions):

In percent	2016	2015
Pre-tax discount rate	7.07	7.44
Terminal value growth rate	3.00	3.00

In respect of the GW recognized in 2016 due to the acquisition of CPI Hotels, no impairment charge arose as a result of the impairment test. The recoverable amounts were based on the fair values less costs of disposal. The fair values of the building were assessed based on the reports by external valuers. The external valuations are determined using discounted cash flow projections based on the following significant unobservable inputs:

In percent	2016
Pre-tax discount rate	12.62
Terminal value growth rate	2.00

### Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use of CGUs is most sensitive to the following assumptions:

- Budgeted EBITDA
- Discount rate
- Terminal value (perpetuity) growth rates

**Budgeted EBITDA:** the projection of EBITDA is updated on a regular basis and is approved by the senior management covering a five-year period.

**Pre-tax discount rates:** Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the post-tax discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

**Terminal value growth rates:** Perpetuity growth rates used to extrapolate cash flows beyond the forecast period. Growth rates are based on published industry research.

### Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below.

The comparative sensitivity analysis is not provided, since in 2015 the recoverable amount was significantly higher than its carrying value.

#### Hospitality Group's related GW

The estimated recoverable amount exceeded its carrying amount by approximately CZK 45.9 million (2015: CZK 1,332.3 million). Management has identified that a reasonably possible change in three key assumptions in 2016 could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for carrying amount to equal recoverable amount	
In percent	31 December 2016
Pre-tax discount rate	0.06
Terminal value growth rate	(0.07)
Budgeted EBITDA decrease	(1.48)

The comparative sensitivity analysis is not provided, since in 2015 the recoverable amount was significantly higher than its carrying value.

#### CPI Hotels related GW

The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount based on the assumptions used by the external valuer:

Change required for carrying amount to equal recoverable amount	
In percent	31 December 2016
Pre-tax discount rate	2.03
Terminal value growth rate	(3.19)
Budgeted EBITDA decrease	(22.03)

## 6.2 Investment property

	Income Generating - Rental properties					Subtotal - rental properties			Total
	Office	Retail	Residential	Industry and logistics	Hotels		Land bank	Development	
<b>Balance at 1 January 2015</b>	23,221,902	24,728,519	7,683,877	3,826,188	6,210,480	65,670,966	6,383,456	1,305,489	73,359,911
Investments/acquisitions	--	1,534,368	--	--	1,640,695	3,175,063	37,150	--	3,212,213
Transfers	315,335	95,617	--	--	2,318	413,270	--	(397,258)	16,012
Development costs	--	--	--	--	--	--	--	151,808	151,808
Additions	289,067	275,408	72,699	26,008	53,647	716,829	34,467	--	751,295
Disposals	(7,447)	(80,201)	(118,579)	(545)	(8,705)	(215,477)	(256,433)	(952,100)	(1,424,010)
Valuation gain/(loss)	522,423	(214,707)	(179,820)	(90,761)	424,003	461,139	(284,818)	(31,230)	145,090
Transfers in/from assets held for sale	(483,748)	--	--	--	(190,300)	(674,048)	(27,025)	--	(701,073)
Translation differences	(365,231)	(276,780)	(2,449)	(84,602)	(17,432)	(746,494)	(46,424)	--	(792,918)
<b>Balance at 31 December 2015</b>	23,492,302	26,062,225	7,455,728	3,676,288	8,114,706	68,801,248	5,840,373	76,708	74,718,330
Investments/acquisitions	1,488,300	2,671,716	--	--	--	4,160,016	6,152	--	4,166,168
Transfers	--	--	1,188	33,235	(7,967,471)	(7,933,048)	(127,431)	--	(8,060,479)
Development costs	--	--	--	--	--	--	--	121,409	121,409
Additions	258,405	321,122	79,968	271,198	80,199	1,010,891	5,708	--	1,016,600
Disposals	(421,071)	(7,242)	(34,353)	--	(3,148)	(465,814)	(2,253,438)	--	(2,719,251)
Valuation gain/(loss)	877,589	148,856	344,911	(34,963)	(25,593)	1,310,800	(176,429)	2,640	1,137,010
Transfers in/from assets held for sale	(310,000)	--	--	(2,256,741)	(212,107)	(2,778,848)	(208,053)	--	(2,986,901)
Translation differences	(45,850)	(22,726)	(20)	(525)	13,414	(55,707)	(3,179)	--	(58,886)
<b>Balance at 31 December 2016</b>	<b>25,339,675</b>	<b>29,173,951</b>	<b>7,847,422</b>	<b>1,688,492</b>	<b>--</b>	<b>64,049,539</b>	<b>3,083,703</b>	<b>200,758</b>	<b>67,333,999</b>

## Investments/acquisitions

### 2016

In 2016, the Group acquired investment property portfolio in total amount of CZK 4,169.7 million. The most significant items of investment property were acquired in the following transactions (note 3.2):

- In February 2016 the Group acquired Bondy Centrum, shopping center with leasable area of approx. 16,800 sqm and office section in total value of CZK 1,275.7 million.
- In March 2016 the Group completed acquisition of Géčko Shopping Center (Shopinvest a.s.) in total value of CZK 697.9 million.
- In November, the Group acquired Archa Palace (Na Poříčí a.s.) in the amount of CZK 1,109.46 million and Hradčanská Office Center in the total value of CZK 378.8 million
- In December 2016 the Group acquired nine retail portfolio chains across the Czech Republic (QTW Czech, s.r.o.) in total value of CZK 276.6 million.

### 2015

In 2015, the Group acquired investment property portfolio in total amount of CZK 3,212.2 million (note 3.5). The most significant items of investment property were acquired through following transactions:

- Acquisition of Hospitality Group property portfolio in the amount of CZK 1,640.7 million represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels under Mamaison brand, mostly located in prime central locations of the CEE capitals.
- In December 2015 the Group acquired JMB Group holding the retail property portfolio in total value of CZK 903.0 million in the Czech Republic.
- In May 2015 the Group acquired OC Futurum Kolín, a.s., the shopping centre with leasable area of 10,100 sqm, in total value of CZK 631.4 million.
- The Group also acquired land bank in the total value of CZK 37.2 million due to the acquisition of Karviná Property Development, a.s.

## Transfers among segments

### 2016

During 2016, project Airport City Park G, was completed. Due to completion, the Group reclassified this project from land bank segment to segment income generating rental properties - Industry and logistics (CZK 33.2 million).

### 2015

At the end of April 2015, phase C of the project "Meteor Centre Office Park", located in Prague – Karlín, was completed. Due to completion, the Group reclassified this project from development segment to segment income generating rental properties – office (CZK 301.6 million).

Project "Jesenik City Park" was completed at the end of November 2015 and consequently transferred from development segment to Investment property (CZK 94.6 million).

## **Transfers from investment property to property, plant and equipment**

Investment property in the amount of CZK 7,967.5 million was transferred to property, plant and equipment due to the acquisition of CPI Hotels (note 3.2.), which led to the change in use of these hotels (commencement of owner-occupation). Refer to 6.3.

## **Transfers from investment property to inventories**

Part of the land bank plots (Březiněves, a.s.) has been transferred to inventories (CZK 94.2 million) due to the launching of a new development project “Rodinné domy Březiněves” (note 6.8).

## **Development costs**

### **2016**

Development costs (CZK 121.4 million) relate to the construction of building expansion of the existing IGY center on 8,000 sqm of rentable area (“IGY 2” project) in České Budějovice.

### **2015**

Development costs relates mainly to the “Jeseník City Park” project, which was completed in 2015 (CZK 75.7 million) and further to “Meteor Centre Office Park” project (CZK 45.9 million).

## **Additions**

### **2016**

Capital expenditures in segment industry and logistics relate to logistic park in Brandýs nad Labem in the amount of CZK 165.5 million.

Additions in the amount of CZK 58.9 million relate to reconstruction of Spa & Kur Hotel Praha in Františkovy Lázně (LD Praha, a.s.).

Other additions in 2016 represent mainly capital expenditures in the amount of CZK 95 million in connection with retail park IGY in České Budějovice (CB Property Development, a.s.).

### **2015**

Additions in 2015 represent capital expenditures concerning the “QUADRIO” project – CZK 164.9 million (office asset type) and CZK 86.5 million (retail asset type), the “Meteor Centre Office Park” project (office asset type) CZK 78.4 million and the “Jeseník City Park” project CZK 72.97 million (retail asset type).

## **Disposals**

### **2016**

Investment property in the total amount of CZK 2,743.6 million was disposed of due to sale of subsidiaries in 2016 (note 5.8).

### **2015**

The main disposal represents the sale of former Zivnobanka building with impact of CZK 952.1 million.

Disposals of land bank in the amount of CZK 238.6 million relates to Hungarian properties. Other disposals represent sale of apartments in Praha – Letňany to their current tenants (CZK 114 million).

## Valuation gain/loss

Refer to note 5.6.

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

	31 December 2016	31 December 2015
Market value as estimated by the external valuer	66,589,944	68,354,477
Market value as estimated by the internal valuer	45,560	109,578
Add: finance lease obligation recognised separately	40,766	--
Add: transaction value of property used (1)	657,730	6,254,274
<b>Reported value in consolidated financial statements</b>	<b>67,333,999</b>	<b>74,718,330</b>

- (1) Transaction value of property in 2016 relates to the acquisitions carried out in H2 2016, the Company believes that the transaction value of the property agreed between two independent parties reflects the reported value of the property as at 31 December 2016.

## Translation differences

Translation differences related to investment property arise primarily in connection with translation of financial information of subsidiaries having other currency than CZK as functional currency to presentation currency of consolidated financial statements (CZK) and as a result of fluctuations in foreign currency exchange rates.

## Leased investment properties

Investment properties at an aggregate value of CZK 778.8 million at 31 December 2016 (2015: CZK 808 million) are held under long-term operating lease arrangements, which expire at varying dates between 2020 and 2033. For liabilities related to leased investment properties refer to note 6.15.

## Pledged investment properties

For information related to pledged investment properties refer to note 6.15.

## 6.3 Property, plant and equipment

### a) Hotels

In accordance with IAS 16, the Group decided to use revaluation model for the measurement of property, plant and equipment from the income generating operational properties operating segment, asset type hospitality (i.e. for hotels operated by the Group).

	Hotel
<b>Fair value</b>	
<b>Balance at 1 January 2016</b>	
Acquisitions through business combinations	13,481
Additions	100,058
Other disposals	(3,330)
Transfer from/ to investment property	7,967,471
Transfer to PPE valued using revaluation model	1,603,426
Effect of movements in exchange rates	58,602
Valuation Gain through other comprehensive income	620,192
<b>Balance at 31 December 2016</b>	<b>10,359,900</b>
<b>Accumulated depreciation and impairment losses</b>	
<b>Balance at 1 January 2016</b>	
Depreciation for the period	161,628
Impairment loss	116,703
Other disposals	(2,452)
Transfer to PPE valued using revaluation model	74,219
Effect of movements in exchange rates	12,215
<b>Balance at 31 December 2016</b>	<b>362,312</b>
<b>Fair value</b>	
<b>At 31 December 2015</b>	--
<b>At 31 December 2016</b>	<b>9,997,588</b>

### Reclassification of PPE

As at 1 January 2016, all hotels from income generating operational properties operating segment, asset type hospitality, have been transferred from PPE valued using cost model to PPE valued to fair value (revaluation model) and revaluated to its fair value (based on the valuation prepared by the independent valuers). Following hotels have been revaluated as at 1 January 2016:

- Marriott Hotel Budapest (value as at 1 January 2016 - CZK 583.7 million fair value / cost model value CZK 444.1 million);
- Courtyard by Marriott Prague City (value as at 1 January 2016 – CZK 382.5 million fair value/ cost model value CZK 382.5 million);
- MaMaison Pokrovka Hotel, Russia (value as at 1 January 2016 – CZK 705.4 million fair value/ cost model value CZK 702.1 million).

The elimination approach was used in case of the accumulated depreciation as at 1 January 2016.

### Transfers from investment property

Due to the acquisition of CPI Hotels (note 3.2), the Group became both owner and operator of its hotel portfolio which is why as at 30 June 2016, the whole hotel portfolio has been transferred from investment property to property, plant and equipment. Subsequently, these hotels has been revaluated to its fair value as at 31 December 2016 based on the valuations prepared by the independent valuator.

### Valuation gain through OCI (revaluation surplus)

Valuation gain in the amount of CZK 620.2 million has been recognized in connection with the revaluation of the Group's hospitality portfolio.

Fair value of Hotels was determined using either the direct comparison method of valuation where price per bedroom was calculated and compared, or using the discounted cash flow method, or through the income capitalization method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 December 2016, the fair values of Hotels are based on valuations performed by independent and experienced valuer. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3.

If Hotels were measured using the cost model, the carrying amounts would be CZK 9,377.4 million.

## Impairment losses

In 2016, the Group recognized an impairment expense in the amount of CZK 116.7 million in connection with the revaluation of its hospitality portfolio.

### b) Other property, plant and equipment

	Hotel	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>						
<b>Balance at 1 January 2016</b>	<b>1,602,938</b>	<b>101,956</b>	<b>41,628</b>	<b>31,629</b>	<b>48,749</b>	<b>1,826,900</b>
Acquisitions through business combinations	--	1,103	383	1,381	335	3,202
Additions	--	10,886	--	2,768	514	14,168
Other disposals	--	(11,499)	(819)	(158)	(132)	(12,608)
Transfer to PPE valued using revaluation model	(1,602,938)	--	--	--	(488)	(1,603,426)
Effect of movements in exchange rates	--	(474)	--	(505)	(348)	(1,328)
<b>Balance at 31 December 2016</b>	<b>--</b>	<b>101,972</b>	<b>41,192</b>	<b>35,114</b>	<b>48,630</b>	<b>226,909</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2016</b>	<b>74,219</b>	<b>15,088</b>	<b>30,359</b>	<b>34,984</b>	<b>(19)</b>	<b>154,631</b>
Depreciation for the period	--	13,044	195	--	102	13,341
Other disposals	--	(3,317)	(775)	--	(88)	(4,179)
Transfer to PPE valued using revaluation model	(74,219)	--	--	--	--	(74,219)
Effect of movements in exchange rates	--	(474)	--	--	--	(474)
<b>Balance at 31 December 2016</b>	<b>--</b>	<b>24,342</b>	<b>29,779</b>	<b>34,984</b>	<b>(5)</b>	<b>89,100</b>
<b>Carrying amounts</b>						
<b>At 31 December 2015</b>	<b>1,528,719</b>	<b>86,868</b>	<b>11,269</b>	<b>(3,355)</b>	<b>48,768</b>	<b>1,672,269</b>
<b>At 31 December 2016</b>	<b>--</b>	<b>77,631</b>	<b>11,413</b>	<b>130</b>	<b>48,635</b>	<b>137,809</b>

	Hotel	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>						
<b>Balance at 1 January 2015</b>	<b>522,451</b>	<b>122,806</b>	<b>43,287</b>	<b>38,745</b>	<b>45,521</b>	<b>772,810</b>
Acquisitions through business combinations	1,113,918	--	--	--	--	1,113,918
Additions	1,259	5,997	--	1,181	4,758	13,195
Disposals out of the Group	(3,506)	(4,980)	--	--	--	(8,486)
Other disposals	(358)	(21,348)	(1,659)	(8,297)	--	(31,662)
Transfer from/to investment property	(2,277)	(14,725)	--	--	--	(17,002)
Transfer	(14,725)	14,725	--	--	--	--
Effect of movements in exchange rates	(13,824)	(519)	--	--	(1,530)	(15,873)
<b>Balance at 31 December 2015</b>	<b>1,602,938</b>	<b>101,956</b>	<b>41,628</b>	<b>31,629</b>	<b>48,749</b>	<b>1,826,900</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2015</b>	<b>41,695</b>	<b>24,149</b>	<b>27,004</b>	<b>34,984</b>	<b>--</b>	<b>127,832</b>
Depreciation for the period	33,607	13,144	3,992	--	(19)	50,724
Other disposals	(31)	(21,214)	(637)	--	--	(21,882)
Transfer from/to investment property	--	(990)	--	--	--	(990)
Effect of movements in exchange rates	(1,053)	--	--	--	--	(1,053)
<b>Balance at 31 December 2015</b>	<b>74,219</b>	<b>15,088</b>	<b>30,359</b>	<b>34,984</b>	<b>(19)</b>	<b>154,631</b>
<b>Carrying amounts</b>						
<b>At 31 December 2014</b>	<b>480,756</b>	<b>98,657</b>	<b>16,283</b>	<b>3,761</b>	<b>45,521</b>	<b>644,978</b>
<b>At 31 December 2015</b>	<b>1,528,719</b>	<b>86,868</b>	<b>11,269</b>	<b>(3,355)</b>	<b>48,768</b>	<b>1,672,270</b>

Other property, plant and equipment, except hotels from hospitality segment, is valued using cost model.

## Impairment on Other property, plant and equipment

For Other property, plant and equipment in the amount of CZK 137.8 million as at 31 December 2016, there have not been any valuation appraisals prepared however the management has no indication concerning the potential impairment as at 31 December 2016.

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

## Additions

There were no significant additions of other property, plant and equipment both in 2016 and 2015.

## Disposals

### 2016

There were no significant disposals of other property, plant and equipment in 2016.

### 2015

The main disposal represents the disposal of amortized equipment (CZK 18.6 million) and the of Příkopy Property Development, a.s. with impact of CZK 4.98 million.

## Transfers

### 2016

The hospitality portfolio has been tranfered to Hotels in connection with the change of the valuation method.

### 2015

As a result of the reduction of the office premises in Hungary, the Group transferred the relevant part of owner occupied building to the investment property as at 31 December 2015.

## 6.4 Available-for-sale financial assets

	31 December 2016	31 December 2015
Vodovody a kanalizace Přerov, a.s. (share 1,60%)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1,99%)	4,614	4,614
CPI South, a.s.	2,027	--
COOP Centrum Družstvo	300	300
STRM Delta, a.s. (share 0,07%)	50	50
Moravský Peněžní Ústav - spořitelní družstvo	2	2
Other investments	5	--
<b>Total equity investments (1)</b>	<b>13,781</b>	<b>11,748</b>
Debentures (2)	2,986	--
<b>Total available-for-sale financial assets (Non-current)</b>	<b>16,767</b>	<b>11,748</b>
Debentures (3)	--	43,271
<b>Total available-for-sale financial assets (Current)</b>	<b>--</b>	<b>43,271</b>

- (1) Equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2016.
- (2) In April 2016, the Group purchased 100 pcs of bonds CESDRA 4,125 07/23/19 (ISIN XS0807706006) issued by České Dráhy, a.s. The bonds are trade on Luxembourg stock exchange and bear fixed interest 4.125 % p.a. Interest are due annually. Bonds are due on 23 July 2019.

- (3) Debentures issued by 3<sup>rd</sup> party in total nominal value of CZK 37.5 million have been sold to a third party prior to their maturity. Bonds issued by ABS JETS, purchased by the Group in 2015 (CZK 6.1 million) and traded on the Prague Stock Exchange (ISIN CZ0003501769) matured in September 2016.

## 6.5 Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Call option	--	30,403
<b>Total</b>	<b>--</b>	<b>30,403</b>

In July 2016, the Company terminated a call option acquired in 2014 in connection with the disposal of subsidiaries (note 5.15).

## 6.6 Loans provided

### Non-current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	9,748,440	4.25%	181,914	7.76%
Loans provided - third parties	11,614	5.20%	384,214	7.80%
<b>Total non-current loans provided</b>	<b>9,760,054</b>	<b>--</b>	<b>566,128</b>	<b>--</b>
Impairment to non-current loans provided to third parties	--	--	(70,636)	--
<b>Total non-current loans provided net of impairment</b>	<b>9,760,054</b>	<b>--</b>	<b>495,493</b>	<b>--</b>

### Current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	4,780,018	5.10%	3,816,504	5.25%
Loans provided - third parties (2)	449,941	8.96%	151,043	4.99%
Bills of exchange - third parties	82,053	5.38%	204,013	5.89%
<b>Total current loans provided</b>	<b>5,312,012</b>	<b>--</b>	<b>4,171,559</b>	<b>--</b>
Impairment to current loans provided to third parties	(1,006)	--	(837)	--
<b>Total current loans provided net of impairment</b>	<b>5,311,006</b>	<b>--</b>	<b>4,170,722</b>	<b>--</b>

- (1) The Group provides two loans to its major shareholder (CPI PG). The outstanding balance due from CPI PG as at 31 December 2016 amounts to CZK 9,976 million (CZK 3,794.7 million as at 31 December 2015). The loan denominated in EUR is due on 31 December 2019 (CZK 6,196.9 million) and bears fixed interest of 4 % p.a. The second loan is due on 31 December 2017, bears fixed interest of 5.25% and is denominated in CZK (CZK 3,779.1 million).

In 2016 the Group provided loans to Orco Property Group S.A. (hereinafter OPG) in the total outstanding amount of CZK 3,729.5 million as at 31 December 2016. These loans bear fixed interest between 3% to 6% p.a.

- (2) Loans provided to third parties increased due to the acquisition of CPI Hotels. This acquired loan in the amount of CZK 442.5 million represent a receivable, that may be under certain conditions assigned by the Group to the major shareholder of CPI PG. Eventual assignment would happen at carrying value of receivables.

Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period. Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period.

Current loans provided to third parties were impaired to reflect the recoverable amount.

The maturity of non-current loans provided at 31 December 2016 and as at 31 December 2015 was as follows:

## 2016

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	46,265	6,391,568	3,310,608	9,748,440
Loans provided - third parties	--	11,614	--	11,614
<b>Total the maturity of non-current loans provided</b>	<b>46,265</b>	<b>6,403,182</b>	<b>3,310,608</b>	<b>9,760,054</b>

## 2015

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	--	181,914	--	181,914
Loans provided - third parties	90,535	64,620	158,424	313,579
<b>Total the maturity of non-current loans provided</b>	<b>90,535</b>	<b>246,534</b>	<b>158,424</b>	<b>495,493</b>

## 6.7 Trade and other receivables

### Non-current

	31 December 2016	31 December 2015
Advances paid	770	4,090
Trade receivables due from third parties	55	23
Other receivables due from third parties	329	12
<b>Total non-current trade and other receivables</b>	<b>1,154</b>	<b>4,125</b>

### Current

	31 December 2016	31 December 2015
Trade receivables due from related parties	224,181	433,985
Trade receivables due from third parties (1)	1,439,318	1,160,832
Impairment to trade receivables due from third parties	(295,851)	(258,116)
<b>Total current trade receivables</b>	<b>1,367,648</b>	<b>1,336,701</b>

- (1) Major part of trade receivables represents trade receivables from tenants and receivables from invoicing of utilities. Receivables from invoicing of utilities will be settled against Advances received from tenants when final amount of utilities consumption is known and final utilities invoicing is performed.

Significant part of impairment to trade receivables due from third parties is created for trade receivables from tenants overdue more than 181 days.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2016	31 December 2015
Impairment of trade receivables – creation	(64,813)	(37,060)
Impairment of trade receivables – release	152,132	86,799
Impairment of trade receivables - written off	(119,564)	(63,896)
<b>Total impact gain/loss</b>	<b>(32,246)</b>	<b>(14,157)</b>

## 6.8 Inventories

	31 December 2016	31 December 2015
Projects and property for resale (1)	2,074,250	2,072,156
Impairment of projects and property for resale (1)	(63,335)	--
Projects under development (2)	125,222	12,261
Other inventory	26,179	4,295
<b>Total inventories</b>	<b>2,162,316</b>	<b>2,088,712</b>

- (1) Project and property for resale primarily relates to "Palais Maeterlinck project" in total amount of CZK 2,071.7 million (2015: CZK 2,070.1 million). Based on the impairment test performed by the Group and supported by the appraisal prepared by the independent valuer, impairment in the amount of CZK 63.3 million has been recognized (note 5.9) decreasing the net value of Palais Maeterlinck project to CZK 2,008.4 million as at 31 December 2016.
- (2) Projects under development relates to a new development project "Rodinné domy Březiněves" in the amount of CZK 111.6 million (2015: CZK 12.2 million).

Carrying amount of inventory pledged as collateral for liabilities represents CZK 2,008.4 million as at 31 December 2016 (2015: CZK 2,070.1 million).

## 6.9 Cash and cash equivalents

	31 December 2016	31 December 2015
Bank balances	6,140,279	3,311,191
Cash on hand	52,409	35,429
<b>Total cash and cash equivalents</b>	<b>6,192,688</b>	<b>3,346,620</b>

Total restricted cash in bank amounts to CZK 1,687.1 million in 2016 (CZK 1,653 million in 2015).

### Undrawn borrowings' facilities

The amount of undrawn borrowings' facilities available for future operation activities represents CZK 700.3 million as at 31 December 2016 (2015 – CZK 2,329.5 million). Majority of the undrawn borrowings relates to development projects and will be drawn according to the development cost incurred.

## 6.10 Other financial current assets

	31 December 2016	31 December 2015
Interest to debentures issued by third parties	49	227
Receivables due from employees	1,715	513
Receivables from receivables cession (1)	38,636	--
Other receivables due from related parties	329,537	338,326
Other receivables due from third parties (2)	802,835	109,082
Impairment - other receivables due from other parties	(7,017)	(31,573)
<b>Total other financial current assets</b>	<b>1,165,756</b>	<b>416,594</b>

- (1) Receivables from receivables cession relate to the acquisition of CPI Hotels (note 3.2).
- (2) In 2016, the Group has a right, under certain condition to assign its receivables in total nominal value of CZK 593.4 million to the major shareholder of CPI PG. These receivables relate to the acquisition of CPI Hotels. Eventual assignment of these receivables to the major shareholder would happen at receivables carrying value.

## 6.11 Other non-financial current assets

	31 December 2016	31 December 2015
Other advances paid to third parties	246,605	156,246
Value added tax receivables	71,088	32,866
Other tax receivables (excl. CIT and VAT)	2,752	5,173
Prepaid expenses	414,284	323,660
Advances paid for FI	--	305
<b>Total other non-financial current assets</b>	<b>734,729</b>	<b>518,250</b>

## 6.12 Assets/Liabilities linked to assets held for sale

The following table summarizes the effect of the reclassification made in connection with projects transferred in both 2016 and 2015 to assets held for sale and related liabilities:

	31 December 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>		
Investment property	2,986,901	701,073
<b>CURRENT ASSETS</b>		
Trade receivables	16,199	--
Cash and cash equivalents	44,611	--
Other non-financial current assets	10,673	--
<b>Assets held for sale</b>	<b>3,058,384</b>	<b>701,073</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial debts	(1,083,566)	(80,337)
Derivative instruments	(8,372)	--
Deferred tax liabilities	(324,000)	--
Other non-current liabilities	(15,760)	--
<b>CURRENT LIABILITIES</b>		
Financial debts	(67,158)	--
Trade payables	(7,502)	--
Advance payments	(15,215)	--
Other financial current liabilities	(621)	--
Other non-financial current liabilities	(1,953)	--
<b>Liabilities linked to assets held for sale</b>	<b>(1,524,148)</b>	<b>(80,337)</b>

## 2016

Due to the management's actions related to disposal of some projects in 2017, the respective assets and liabilities were classified as Assets held for sale/Liabilities linked to assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

As at 31 December 2016, fair value of properties intended for disposal has been determined considering the expected/actual selling price and related costs of the project based on the sales agreement/letter of intents available as at the date of the publication of these financial statements.

The following projects are disclosed as held for sale as at 31 December 2016:

- Hotel project (CPI Rhea, s.r.o.) – with fair value of property disposed of CZK 212.1 million and related financing of CZK 0.7 million as at 31 December 2016. On 9 February 2017 the Group sold this project (note 11).
- Office project with total fair value of CZK 310 million and related financing of CZK 0.4 million as at 31 December 2016. The sale of Office Center Purkyňova was completed on 7 March 2017 (note 11).
- Land bank projects in Romania – with total fair value of properties of CZK 208.1 million as at 31 December 2016; and
- Industry and logistics project (Lozorno Logistics Park) – with fair value of the property of CZK 1,932.7 million and related financing CZK 1,150.7 million as at 31 December 2016. Logistic park Lozorno was disposed of on 28 February 2017 (note 11).

The remaining balances of assets held for sale (CZK 71.5 million) and liabilities from assets held (CZK 48.3 million) represent other non-core assets and liabilities related to these projects.

## 2015

In accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” the management intends the sale of following assets in 2016 as they do not correspond with the Group’s corporate strategy.

- Hotel project – with fair value of CZK 190.3 million and related bank financing represents of CZK 80.3 million; (80.7 milion)
- Office project – with fair value of CZK 483.7 million as at 31 December 2015;
- Land bank project – with fair value of CZK 27 million as at 31 December 2015.

## 6.13 Equity

### Changes in equity

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

### Share capital and share premium

The Company didn’t subscribe any new shares in 2016. The subscribed capital of the Company as at 31 December 2016 was TCZK 6,186,997 (as at 31 December 2015 – TCZK 6,186,997), comprising 7,733,746 shares (as at 31 December 2015 – 7,733,746 shares), each with a nominal value of CZK 800 (as at 31 December 2015 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act. The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Shares of the Company are not traded on any public or regulated domestic or foreign market.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations from their functional to the presentation currency.

### Hedging reserve

Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate. Refer to note 6.16.

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and interest rates risk in selected subsidiaries. The hedging reserve includes effective portion of the fair value changes of hedging instruments designated as a cash flow hedge in accordance with accounting policy Financial Instruments, part (iv). Ineffective portion of cash flow hedges represents part of finance costs or income.

### Revaluation reserve

Revaluation reserve relates to the revaluation of Hotels (in connection with the change of the Group’s accounting policy (note 2.1). These reserves may not be subject to the distribution of dividends.

## Other capital funds

Increase in other capital funds in 2016 by CZK 1,310 million is attributable to contribution made by CPI Property Group S.A., the owner of the Company. Other capital funds amount to CZK 11,622.6 million as at 31 December 2016 (CZK 10,312.6 million as at 31 December 2015).

There were no capital contributions in 2015

## Earnings per share

	31 December 2016	31 December 2015
<b>At the beginning of the period</b>	<b>7,733,746</b>	<b>7,733,746</b>
Shares issued	7,733,746	7,733,746
<b>Weighted average movements</b>	<b>--</b>	<b>--</b>
Shares issued	--	--
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company</b>	<b>3,043,564</b>	<b>955,211</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises</b>	<b>3,043,564</b>	<b>955,211</b>
<b>Total Basic earnings in CZK per share</b>	<b>393.54</b>	<b>123.51</b>
o/w discontinued operations	--	--
<b>Diluted earnings in CZK per share</b>	<b>393.54</b>	<b>123.51</b>
o/w discontinued operations	--	--

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

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

## 6.14 Bonds issued

### 6.14.1 Non-current bonds issued

Czech Property Investments, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.10/2021	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(1,857)	--	(5,404)
<b>CPI 5.10/2021 (1)</b>	<b>2,000,000,000</b>	<b>1,998,143</b>	<b>2,000,000,000</b>	<b>1,994,596</b>
Proceeds from issued bonds - CPI VAR/18	--	--	100,000	2,702,500
Less: bonds owned by Group	--	--	(99,500)	(2,688,988)
Less: transaction costs	--	--	--	(4,391)
<b>CPI VAR/18 (EUR)</b>	<b>--</b>	<b>--</b>	<b>500</b>	<b>9,122</b>
Proceeds from issued bonds - CPI VAR/19 - EUR	--	--	116,000	1,567,450
Less: bonds owned by Group	--	--	(108,916)	(1,471,727)
Less: transaction costs	--	--	--	(26,087)
<b>CPI VAR/19 (EUR)</b>	<b>--</b>	<b>--</b>	<b>7,084</b>	<b>69,635</b>
Proceeds from issued bonds - CPI 2021	--	--	1,215	2,430,000
Less: bonds owned by Group	--	--	(1,215)	(2,430,000)
<b>CPI 2021</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI II 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	--	--	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(20,422)	--	(1,532)
<b>CPI II 4.65/22 (2)</b>	<b>1,000,000,000</b>	<b>979,578</b>	<b>--</b>	<b>(1,532)</b>
Proceeds from issued bonds - CPI III 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	--	--	(923,333,633)	(923,334)
Less: transaction costs	--	(20,428)	--	(1,537)
<b>CPI III 4.65/22 (3)</b>	<b>1,000,000,000</b>	<b>979,572</b>	<b>76,666,367</b>	<b>75,129</b>
Proceeds from issued bonds - CPI IV 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	--	--	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(20,474)	--	(1,584)
<b>CPI IV 4.65/22 (4)</b>	<b>1,000,000,000</b>	<b>979,526</b>	<b>--</b>	<b>(1,584)</b>
Proceeds from issued bonds - CPI I 4.75/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	--	--	(52,000,000)	(52,000)
Less: transaction costs	--	(21,151)	--	(2,260)
<b>CPI I 4.75/42 (5)</b>	<b>1,000,000,000</b>	<b>978,849</b>	<b>948,000,000</b>	<b>945,740</b>
Proceeds from issued bonds - CPI V 4.85/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(150,000,000)	(150,000)	(766,477,976)	(766,478)
Less: transaction costs	--	(21,109)	--	(2,219)
<b>CPI V 4.85/42 (6)</b>	<b>850,000,000</b>	<b>828,891</b>	<b>233,522,024</b>	<b>231,303</b>
Proceeds from issued bonds - CPI 4.75/2019	150,000	1,500,000	150,000	1,500,000
Less: bonds owned by Group	(10,335)	(103,350)	(11,436)	(114,360)
Less: transaction costs	--	(17,351)	--	(25,471)
<b>CPI 4.75/2019 (7)</b>	<b>139,665</b>	<b>1,379,299</b>	<b>138,564</b>	<b>1,360,169</b>
<b>Subtotal - bonds issued by Czech Property Investments a.s.</b>	<b>6,850,139,665</b>	<b>8,123,858</b>	<b>3,258,334,539</b>	<b>4,682,578</b>

CPI BYTY, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)	--	--	300,000	300,000
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)	--	--	500,000	500,000
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	900,000	900,000	900,000	900,000
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	500,000	500,000	500,000	500,000
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	800,000	800,000	800,000	800,000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	(42,672)	--	(66,040)
<b>Subtotal bonds - CPI BYTY, a.s. (8)</b>	<b>2,200,000</b>	<b>2,157,328</b>	<b>3,000,000</b>	<b>2,933,960</b>

CPI Alfa, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA REAL ESTATE	--	--	279,000,000	279,000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	--	--	(2,341)
<b>Subtotal bonds - CPI Alfa, a.s. (9)</b>	<b>--</b>	<b>--</b>	<b>279,000,000</b>	<b>276,659</b>

CPI RETAIL PORTFOLIO I, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI RETAIL PORTFOLIO I 5.00/2019	112,500	1,125,000	112,500	1,125,000
Less: transaction costs	--	(7,513)	--	(22,233)
<b>Subtotal bonds - CPI Retail Portfolio I, a.s. (10)</b>	<b>112,500</b>	<b>1,117,487</b>	<b>112,500</b>	<b>1,102,767</b>

CPI Finance Slovakia, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.85/2018	30,000	810,600	30,000	810,750
Less: transaction costs	--	(6,803)	--	(12,832)
<b>CPI 5.85/2018</b>	<b>30,000</b>	<b>803,797</b>	<b>30,000</b>	<b>797,918</b>
Proceeds from issued bonds - CPI 5.00/2020	50,000	1,351,000	--	--
Less: transaction costs	--	(20,621)	--	--
<b>CPI 5.00/2020</b>	<b>50,000</b>	<b>1,330,379</b>	<b>--</b>	<b>--</b>
<b>Subtotal bonds - CPI Finance Slovakia, a.s. (11)</b>	<b>80,000</b>	<b>2,134,176</b>	<b>30,000</b>	<b>797,918</b>
<b>Total non-current bonds</b>		<b>13,532,849</b>		<b>9,793,882</b>

## 6.14.2 Current bonds issued

Czech Property Investment, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 6.05/16	--	--	150,000	1,495,881
Less: bonds owned by Group	--	--	(23,820)	(238,200)
Less: transaction costs	--	--	--	(9,133)
<b>CPI 6.05/16 (12)</b>	<b>--</b>	<b>--</b>	<b>126,180</b>	<b>1,248,548</b>
<b>Subtotal - bonds issued by Czech Property Investments a.s.</b>	<b>--</b>	<b>--</b>	<b>126,180</b>	<b>1,248,548</b>

CPI Alfa, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA REAL ESTATE	279,000,000	279,000	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	(541)	--	--
<b>Subtotal bonds - CPI Alfa, a.s. (9)</b>	<b>279,000,000</b>	<b>278,459</b>	<b>--</b>	<b>--</b>

CPI BYTY, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2.50/17 (CZ0003512485)	300,000	300,000	--	--
Proceeds from issued bonds - CPI BYTY 3.50/17 (CZ0003510687)	500,000	500,000	--	--
Less: transaction costs	--	(15,520)	--	--
<b>Subtotal bonds - CPI BYTY, a.s. (8)</b>	<b>800,000</b>	<b>784,480</b>	<b>--</b>	<b>--</b>

Accrued interest on bonds		31 December 2016	31 December 2015
CPI 6.05/16	--	--	22,977
CPI VAR/18 (EUR)	--	--	164
CPI 5.10/2021	26,350	--	35,913
CPI VAR/19 (EUR)	--	--	17,722
CPI 2021	--	--	--
CPI II 4.65/22	7,233	--	--
CPI III 4.65/22	7,233	--	283
CPI IV 4.65/22	7,250	--	--
CPI I 8.00/42	16,999	--	5,477
CPI V 8.00/42	14,780	--	675
CPI 4.75/19	6,450	--	6,765
CPI BYTY, a.s.	92,015	--	92,015
CPI Alfa, a.s.	2,856	--	2,856
CPI Retail Portfolio I	11,253	--	10,312
CPI 5.85/2018	9,879	--	9,913
CPI 5.00/2020	23,643	--	--
<b>Total accrued interest on bonds</b>	<b>225,940</b>	<b>225,940</b>	<b>205,072</b>
<b>Total current bonds</b>		<b>1,288,880</b>	<b>1,453,620</b>

<b>Total bonds</b>		<b>14,821,729</b>	<b>11,247,502</b>
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**(1) CPI 5.10/2021 (former VAR 19 (CZK)), ISIN CZ0003501868**

The bonds CPI 5.10/2021 were issued on 29 March 2012. The bonds mature on 29 March 2021. The nominal value of each bond is CZK 1 and the total nominal value of bonds issued amounts to TCZK 2,000,000.

CPI 5.10/2021 bonds bear the fixed interest rate 5.10% per annum. Interests are due semi-annually, on 29 March and 29 September respectively.

Bonds are registered in the Central Securities Depository, the abbreviation is CPI 5.10/2021, ISIN CZ0003501868. Bonds were accepted for trading at the Prague Stock Exchange.

**(2) CPI II 4.65/22 (former CPI 7.00/22), ISIN CZ0003502916**

CPI II 4.65/22 bonds were issued on 6 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI II 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and on 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI II 4.65/22, ISIN CZ0003502916. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050356/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**(3) CPI III 4.65/22 (former CPI 7.00/22), ISIN CZ0003502924**

CPI III 4.65/22 bonds were issued on 11 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI III 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI III 4.65/22, ISIN CZ0003502924. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050358/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**(4) CPI IV 4.65/22 (former, CPI 7.00/22), ISIN CZ0003502957**

CPI IV 4.65/22 bonds were issued on 13 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI IV 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI IV 4.65/22, ISIN CZ0003502957. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050359/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**(5) CPI I 4.75/42 (former CPI 8.00/42), ISIN CZ0003502932**

CPI I 4.75/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI I 4.75/42 bonds bear fixed interest of 4.75% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds are registered in the Central Securities Depository, the abbreviation is CPI I 4.75/42, ISIN CZ0003502932. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097371/CNB/570 that came into force on 20 August 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**(6) CPI V 4.85/42 (former CPI 8.00/42), ISIN CZ0003502940**

CPI V 4.85/42 bonds were issued on 17 December 2012. The bonds mature on 22 August 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI V 4.85/42 bonds bear fixed interest of 4.85% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds are registered in the Central Securities Depository, the abbreviation is CPI V 4.85/22, ISIN

CZ0003502940). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097389/CNB/570 that came into force on 20 August 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**(7) CPI 4.75/19, ISIN CZ0003512782**

CPI 4.75/19 were issued on 24 August 2015. The bonds mature on 24 August 2019. The nominal value of each bond is CZK 10,000. The Group issued bonds up to maximal value of TCZK 150,000.

CPI 4.75/19 bonds bear fixed interest of 4.75% per annum. Interests are due quarterly, on 24 February, on 24 May, on 24 August and on 24 November, respectively. Bonds are registered in the Central Securities Depository, the abbreviation is CPI 4.75/19, ISIN CZ0003512782.

Bonds were accepted for trading at the Prague Stock Exchange.

**(8) CPI BYTY bonds**

The CPI BYTY bond issues were issued as a part of a bond programme, with an overall volume of TCZK 17,000,000. The overall volume of unpaid bonds issued under the bond programme must not at any time exceed TCZK 3,000,000.

The separation into 5 issues enabled investors to choose the duration of their investment, from 2 to maximum 8 years, with fixed coupons ranging from 2.5 to 5.8 %.

CPI BYTY bonds were accepted for trading at Prague Stock Exchange.

The detailed breakdown of individual issues is as follows:

**CPI BYTY 3.50/17, ISIN CZ0003510687**

CPI BYTY 3.50/17 bonds were issued on 7 May 2013. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 3.50 % per annum. Interests are due annually on 7 May.

**CPI BYTY 4.80/19, ISIN CZ0003510695**

CPI BYTY 4.80/19 bonds were issued on 7 May 2013. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 4.80 % per annum. Interests are due annually on 7 May.

**CPI BYTY 5.80/21, ISIN CZ0003510703**

CPI BYTY 5.80/21 bonds were issued on 7 May 2013. The bonds mature on 7 May 2021. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 5.80 % per annum.

Interests are due annually on 7 May.

**CPI BYTY Real Estate 4.80/19, ISIN CZ00035111412**

CPI BYTY Real Estate 4.80/19 bonds were issued on 30 April 2014. The bonds mature on 7 May 2019. The nominal value of each bonds is TCZK 1 and the total nominal value amounts to TCZK 500,000. Bonds bear fixed interest rate of 4.80 % per annum. Interest are due annually on 7 May.

**CPI BYTY 2.50/17, ISIN CZ0003512485**

CPI BYTY 2.50/17 bonds were issued on 11 May 2015. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 2.50 % per annum. Interests are due annually on 7 May. These bonds are traded on Prague Stock Exchange, altogether with other emissions issued by CPI BYTY, a.s.

**(9) CPI ALFA REAL ESTATE, ISIN CZ0003502205**

On 26 October 2012 the Group (through its subsidiary CPI Alfa, a.s.) issued bonds in total nominal value of TCZK 279 000. Bonds mature on 26 October 2017. The nominal value of each bond is CZK 1.

Bonds are registered in the Central Securities Depository, ISIN CZ0003502205.

Bonds CPI ALFA REAL ESTATE bear the fix interest rate 5.5% p.a. Interests are due quarterly, on 26 January, on 26 April, on 26 July and on 26 October respectively.

The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

**(10) CPI Retail Portfolio I 5.00/2019, ISIN CZ0003511164**

CPI Retail Portfolio I 5.00/2019 bonds were issued on 25 April 2014. The nominal value of each bond is CZK 10,000. The total nominal value of bonds issued amounts to TCZK 1,125,000. The bonds mature on 25 April 2019 and bear fixed interest of 5% per annum. Interest are due semi-annually on 25 April and 25 October. Issuer of the bonds is the Group's company CPI Retail Portfolio I, a.s. The issuer issued above mentioned bonds through other members of emission group (CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o.; and CPI Retail Portfolio VII, s.r.o.), on the basis of commission contract.

Bonds are registered in the Central Securities Depository, the abbreviation is CPI Retail Portfolio I 5.00/2019.

Bonds were accepted for trading at the Prague Stock Exchange.

**(11) CPI 5.85/2018, ISIN SK4120010653**

CPI 5.85/2018 bonds were issued on 16 April 2015. The bonds mature on 16 April 2018. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 30 million. CPI 5.85/2018 bonds bear the fixed interest rate of 5.85 % p.a. Interests are due quarterly, on 16 April, 16 July, 16 October and 16 January.

Bonds are registered in Central Securities Depository, the abbreviation is CPI 5.85/2018, ISIN SK4120010653. The prospectus and the issuing terms were approved by the decision of the National Bank of Slovakia on 9 April 2015, reference number ODT-3557/2015-1 that came into force on 10 April 2015.

Bonds were accepted for trading on the Bratislava Stock Exchange.

**CPI 5.00/2020, ISIN SK4120011487**

CPI 5.00/2020 bonds were issued on 26 February 2016. The bonds mature on 26 February 2020. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 50 million. CPI 5.00/2020 bonds bear the fixed interest rate of 5.00 % p.a. Interests are due semi-annually on 26 February and 26 August.

Bonds are registered in Central Securities Depository, the abbreviation is CPI 5.00/2020, ISIN SK4120011487.

The prospectus and the issuing terms were approved by the decision of the National Bank of Slovakia on 22 February 2016, reference number ODT-1846/2016-1 that came into force on 23 February 2016.

Bonds were accepted for trading on the Bratislava Stock Exchange.

## **Changes in 2016**

On 23 March 2016, the Group early repaid CPI VAR/19 EUR bonds (ISIN CZ0003501843), which were issued on 23 March 2012. The nominal value of bonds issued amounted EUR 70 million (app. CZK 1,891.4 million). Prior to the repayment date, the Group decreased the volume of the issue from 116,000 pcs to 7,084 pcs.

On 27 March 2016 were approved the amendment of terms and conditions of the CPI BYTY bonds programme.

On 29 March 2016, the Group repaid CPI 6.05/16 bonds (ISIN CZ0003510646), which were issued on 29 March 2013. Prior to the repayment, the Group decreased the volume of the issue from 150,000 pcs to 126,180 pcs and as at the repayment date, volume of the issue repaid represented nominal value of CZK 1,261.8 million.

In May 2016 were renamed and modified prospectus terms in emissions CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42 and CPI 5.10/2021.

On 26 November 2016, the Group early repaid CPI VAR/18 bonds (ISIN CZ0003511024), which were issued on 26 November 2013. The nominal value of bonds issued amounted EUR 100 million (app. CZK 2,702 million).

On 21 December 2026, the Group early repaid CPI 2021 bonds (ISIN CZ0003501496), which were issued on 8 February 2007. The nominal value of bonds issued amounted CZK 2,500 million.

### **Covenants**

All bonds issued by the Group as at 31 December 2016 are subject to a number of covenants. All covenant ratios were met as at 31 December 2016.

## 6.15 Financial debts

	31 December 2016	31 December 2015
Loans from related parties (1)	5,018,785	76,013
Loans from third parties	82,863	78,240
Bank loans (2)	28,227,658	24,814,492
Finance lease liabilities	492,851	486,051
Bills of exchange (3)	155,746	937,445
<b>Total non-current financial debts</b>	<b>33,977,904</b>	<b>26,392,242</b>

	31 December 2016	31 December 2015
Loans from related parties (1)	520,083	2,945
Loans from third parties	87,599	65,505
Bank loans including overdraft (2)	5,217,381	7,061,909
Finance lease liabilities	41,523	38,264
Bills of exchange related parties (3)	840,216	--
Bills of exchange third parties (3)	1,122,230	712,683
<b>Total current financial debts</b>	<b>7,829,032</b>	<b>7,881,306</b>

- (1) Significant increase of overall balance of loans from related parties relates to the new loans provided to the Group in 2016 by OPG. As at 31 December 2016 the value of loans provided by OPG amounts to CZK 3,872 million. Other factor of increase represent loans provided to the Group by CPI Finance Slovakia II, a.s. in the amount of CZK 1,211 million and loan of CZK 365.2 million provided to the Group by CPI PG.
- (2) Increase in bank loans in the amount of 1,445.1 million relates to the entities acquired by the Group in 2016.
- (3) The change in the structure of issued bills of exchange relates to the replacing of long term bills of exchange by short term instruments.

### Bank loans

With respect of bank loans, the Group has pledged the following assets as collateral:

#### Investment property

The Group has pledged investment property with total value of CZK 54,189.1 million at 31 December 2016 (2015: CZK 59,245.7 million).

#### Property, plant and equipment

The Group has pledged PPE with total value of CZK 8,547.9 million at 31 December 2016 (2015: CZK 0 million).

#### Trade receivables

Total carrying amount of pledged trade receivables represents CZK 788.8 million at 31 December 2016 (2015: CZK 782.9 million).

#### Bank accounts

Total amount of pledged bank accounts represents CZK 1,837.6 million at 31 December 2016 (2015: CZK 1,697.3 million).

#### Shares of the subsidiaries

Airport City Ingatlanbefektetési Kft., Airport City Phase B Kft., Arkáda Prostějov, s.r.o., Balvinder, a.s., Baudry Beta, a.s., BAYTON Alfa, a.s., BC 30 Property Kft., BC 91 Real Estate Kft., Beroun Property Development, a.s., Best Properties South, a.s., Brandýs Logistic, a.s., Buy-Way Dunakeszi Kft., Buy-Way Soroksár Kft., Carpenter Invest, a.s., CB Property Development, a.s., Central Tower 81 Sp. z o.o., Conradian, a.s., CPI - Real Estate, a.s., CPI - Štupartská, a.s., CPI Byty, a.s., CPI Delta, a.s., CPI Jihlava Shopping, a.s., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., CPI Palmovka Office, s.r.o., CPI Retail MB s.r.o., CPI Retail Portfolio VIII s.r.o., CPI Retails ONE, a.s., CPI Retails THREE, a. s., CPI Retails TWO, a.s., CPI Shopping MB, a.s., CPI Shopping Teplice, a.s.,

Čáslav Investments, a.s., Český Těšín Property Development, a.s., DIANA DEVELOPMENT Sp. z o.o., Dienzenhoferovy sady 5, s.r.o., EMH North, s.r.o., EMH South, s.r.o., EMH West, s.r.o., Europeum Kft., Farhan, a.s., Global Immo Ingatlanbefektetési Kft., Hraničář, a.s., Janáčkovo nábřeží 15, s.r.o., Jeseník Investments, a.s., Kerina, a.s., LD Praha, a.s., Lockhart, a.s., Lucemburská 46, a.s., Marissa Gama, a.s., Marissa Omikrón, a.s., Marissa Tau, a.s., Marissa West, a.s., MB Property Development, a.s., Modřanská Property, a.s., MUXUM, a.s., Na Poříčí, a.s., NERONTA, a.s., Nymburk Property Development, a.s., OC Nová Zdaboř a.s., OC Spektrum, s.r.o., OFFICE CENTER HRADČANSKÁ, a.s., Office Center Poštová, s.r.o., Olomouc City Center, a.s., Olomouc Office, a.s., Hotel Andrassy Zrt., ORCO Warsaw Sp. z o.o., Ozrics Kft., Pelhřimov Property Development, a.s., Prosta 69 Sp. z o.o., Příbor Property Development, s.r.o., Residence Belgická, s.r.o., Residence Izabella, Zrt., Svitavy Property Alfa, a.s., Trutnov Property Development, a.s., Třinec Investments, s.r.o., Třinec Property Development, a.s., Tyršova 6, a.s., Vigano, a.s., Vyškov Property Development, a.s., Ždírec Property Development, a.s.

### Covenants

Bank loans are subject to a number of covenants. The Group has three bank loans of CZK 1,115.9 million (2015: CZK 731.3 million) with covenant breach and discloses them as current as at 31 December 2016. In 2017 bank provided waiver for part of the breached loans in the amount of CZK 751.2 million.

## Maturity analysis

### 2016

	< 1 year	1-5 years	>5years	Total
Loans from third parties	87,599	73,019	9,844	170,462
Bank loans	5,217,381	25,805,553	2,422,105	33,445,039
<b>Total</b>	<b>5,304,980</b>	<b>25,878,572</b>	<b>2,431,949</b>	<b>33,615,501</b>

### 2015

	< 1 year	1-5 years	>5years	Total
Loans from third parties	65,505	67,438	10,802	143,745
Bank loans	7,061,909	20,363,205	4,451,287	31,876,401
<b>Total</b>	<b>7,127,414</b>	<b>20,430,643</b>	<b>4,462,089</b>	<b>32,020,146</b>

## Finance lease liabilities

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

### 2016

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	47,173	180,977	386,782	614,932
Interest	(10,914)	(34,166)	(44,655)	(89,735)
<b>Net present value of future minimum lease payments</b>	<b>36,259</b>	<b>146,811</b>	<b>342,127</b>	<b>525,197</b>

### 2015

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	45,729	171,647	401,423	618,799
Interest	(12,862)	(42,785)	(48,150)	(103,797)
<b>Net present value of future minimum lease payments</b>	<b>32,867</b>	<b>128,862</b>	<b>353,273</b>	<b>515,002</b>

Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

## 2016

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	5,679	4,126	--	9,805
Interest	(415)	(213)	--	(628)
<b>Net present value of future minimum lease payments</b>	<b>5,264</b>	<b>3,913</b>	<b>--</b>	<b>9,177</b>

## 2015

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	5,845	4,131	--	9,976
Interest	(448)	(215)	--	(663)
<b>Net present value of future minimum lease payments</b>	<b>5,397</b>	<b>3,916</b>	<b>--</b>	<b>9,313</b>

No additional payments are contingent on changes in future price indices.

The total of the future minimum sublease payments expected to be received under non-cancellable subleases at the 31 December 2016 amounts to CZK 736.63 million (CZK 807.01 million as at 31 December 2015).

No single leasing arrangement represents a material portion of the overall amount of the finance lease liabilities.

## 6.16 Derivative instruments

### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank loans.

The aggregate fair value of the interest rate swaps as at 31 December 2016 is summarized in the following table:

	31 December 2016	31 December 2015
Interest rate swaps used for hedging	169,409	44,250
Other interest rate swap and option contracts	152,296	247,948
<b>Total non-current liabilities from derivatives</b>	<b>321,705</b>	<b>292,198</b>

	31 December 2016	31 December 2015
Interest rate swaps used for hedging	--	12,016
Other interest rate swap and option contracts	6,675	27,076
<b>Total current liabilities from derivatives</b>	<b>6,675</b>	<b>39,092</b>

#### a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of CZK 5,124.3 million (2015: CZK 2,357.5 million) whereby it pays a fixed interest rate of 0.3 % - 1.85 % (2015: 0.3 % - 2.32 %) and receives a variable rate based on 3M EURIBOR/3M PRIBOR.

The loans and interest rate swaps have the same critical terms, hedge accounting has been applied and instruments are considered as highly effective.

#### b) Other interest rate swap contracts

Contracts with notional amounts of CZK 11,450.4 million (2015: CZK 15,231.5 million) have fixed interest payments at an average rate of 0.63 % (2015: 0.96 %) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate this part of derivatives as hedging instruments under the hedge accounting model and recognizes changes in the fair value of the derivatives in profit or loss.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

## 6.17 Other non-current liabilities

Non-current trade and other payables	31 December 2016	31 December 2015
Advances received	17,227	16,726
Trade payables due to third parties	2,153	1,317
Tenant deposits (1)	337,599	269,168
Payables from retentions	75,153	55,262
Other payables due to third parties	16	27,154
<b>Total other non-current liabilities</b>	<b>432,147</b>	<b>369,627</b>

- (1) Deposits from tenants represent payables of the Group from received rental related deposits. Its classification corresponds to terms in rental contracts with respect of the termination options of the tenants. Increase in the amount of CZK 23.4 million relates to the acquisition occurred in 2016.

## 6.18 Trade payables

Current trade and other payables	31 December 2016	31 December 2015
Trade payables due to related parties (1)	2,196,288	336,695
Trade payables due to third parties	954,639	694,147
<b>Total trade payables</b>	<b>3,150,927</b>	<b>1,030,842</b>

- (1) Trade payables due to related parties in the amount of CZK 1,810.34 million relates to the assignment of receivables in 2016.

Trade payables due to related parties in the amount of CZK 318.2 million (CZK 268.7 million in 2015) relates to the services provided by CPI PG to the Group (note 5.11).

## 6.19 Advance payments

Advances payments	31 December 2016	31 December 2015
Advances received from related parties	4,175	29,939
Advances received from third parties	789,560	755,154
Tenant deposits (1)	78,404	63,582
<b>Total advance payments</b>	<b>872,139</b>	<b>848,675</b>

- (1) Advances received from tenants represent payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and final respective invoicing is performed.

## 6.20 Other financial current liabilities

Other financial current liabilities	31 December 2016	31 December 2015
Deferred income/revenue and accrued liabilities	189,093	192,237
Payables from unpaid capital contributions	--	1,528
Other payables due to related parties (1)	840,806	840,962
Other payables due to third parties	244,071	100,598
<b>Total other financial current liabilities</b>	<b>1,273,969</b>	<b>1,135,325</b>

- (1) Other payables due to related parties both in 2016 and 2015 in the amount of CZK 829.6 million relate to the assignment of loans from CPI PG.

## 6.21 Other non-financial current liabilities

	31 December 2016	31 December 2015
Current income tax liabilities	140,049	30,836
Value added tax payables	64,445	87,143
Other tax payables (excl. CIT and VAT)	4,984	2,983
Payables due to employees, SHI, employees income tax	64,420	57,304
Provisions (6.21.1)	17,482	16,083
<b>Total other non-financial current liabilities</b>	<b>291,380</b>	<b>194,348</b>

### 6.21.1 Provisions

#### Non-current

	2016	2015
<b>Balance at 1 January</b>	<b>471</b>	<b>--</b>
Provisions acquired through business combination	33	409
Effect of movements in exchange rates	--	62
Provisions created in the period	735	--
Provisions used in the period	(505)	--
<b>Balance at 31 December</b>	<b>734</b>	<b>471</b>

#### Current

<b>Provisions</b>	<b>2016</b>	<b>2015</b>
<b>Balance at 1 January</b>	<b>16,083</b>	<b>24,489</b>
Provisions acquired through business combination	5,429	--
Provisions created in the period	22,374	9,413
Provisions used in the period	(25,847)	(3,758)
Effect of movements in exchange rates	(557)	(2,613)
Change in classification	--	(11,448)
<b>Balance at 31 December</b>	<b>17,482</b>	<b>16,083</b>

<b>Analysis of total provisions</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Non-current provisions	734	471
Current provisions	17,482	16,083
<b>Total</b>	<b>18,216</b>	<b>16,554</b>

## 6.22 Operating leases

	31 December 2016	31 December 2015
Less than one year	3,459,384	3,289,671
Between one and five years	9,736,764	9,972,717
More than five years	6,891,722	7,114,980
<b>Total</b>	<b>20,087,870</b>	<b>20,377,368</b>

The rent contracts in residential portfolio mostly include the cancellation period of three months and the cancelled contracts are replaced by the new ones continuously.

## 6.23 Borrowings maturity

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

Most floating interest debt instruments have a fixing period of maximum 3 months.

The Group's borrowings are denominated in EUR and in CZK.

### In 2016

At 31 December 2016	Less than one year	1 to 5 years	More than 5 years	Total
<b>Bonds</b>	<b>1,288,880</b>	<b>8,786,433</b>	<b>4,746,416</b>	<b>14,821,729</b>
<b>Financial debts</b>	<b>7,829,032</b>	<b>26,974,332</b>	<b>7,003,572</b>	<b>41,806,936</b>
<b>Bank loans (incl. Overdraft)</b>	<b>5,217,381</b>	<b>25,805,553</b>	<b>2,422,105</b>	<b>33,445,039</b>
Bank loans fixed rate	471,820	928,468	--	1,400,288
Bank loans floating rate	4,745,561	24,877,085	2,422,105	32,044,751
<b>Loans from related parties</b>	<b>520,083</b>	<b>789,295</b>	<b>4,229,490</b>	<b>5,538,868</b>
<b>Loans from third parties</b>	<b>87,599</b>	<b>73,019</b>	<b>9,844</b>	<b>170,462</b>
<b>Other borrowings</b>	<b>2,003,968</b>	<b>306,465</b>	<b>342,132</b>	<b>2,652,566</b>
<b>Total</b>	<b>9,117,912</b>	<b>35,760,765</b>	<b>11,749,988</b>	<b>56,628,665</b>

### In 2015

At 31 December 2015	Less than one year	1 to 5 years	More than 5 years	Total
<b>Bonds</b>	<b>1,453,620</b>	<b>7,766,839</b>	<b>2,027,043</b>	<b>11,247,502</b>
<b>Financial debts</b>	<b>7,881,306</b>	<b>21,547,774</b>	<b>4,844,373</b>	<b>34,273,454</b>
<b>Bank loans (incl. Overdraft)</b>	<b>7,061,910</b>	<b>20,363,205</b>	<b>4,451,287</b>	<b>31,876,403</b>
Bank loans fixed rate	858,651	273,374	--	1,132,025
Bank loans floating rate	6,203,259	20,089,831	4,451,287	30,744,378
<b>Loans from related parties</b>	<b>2,945</b>	<b>47,002</b>	<b>29,011</b>	<b>78,958</b>
<b>Loans from third parties</b>	<b>65,504</b>	<b>67,437</b>	<b>10,802</b>	<b>143,743</b>
<b>Other borrowings</b>	<b>750,947</b>	<b>1,070,130</b>	<b>353,273</b>	<b>2,174,350</b>
<b>Total</b>	<b>9,334,926</b>	<b>29,314,613</b>	<b>6,871,416</b>	<b>45,520,956</b>

## 7 Financial risk management

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

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

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

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

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

### 7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Group a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Group's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Group's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Group maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The following tables present financial assets as of 31 December 2016 and 2015 reflecting their classification based on its ageing structure and impairment if applicable:

**Credit risk profile at 31 December 2016:**

	Total neither past due nor impaired	Total past due but impaired	Impaired	Total
Available for sale financial assets	16,767	--	--	16,767
Loans provided	14,945,658	125,403	(1,006)	15,071,060
- loans	14,863,605	125,403	(1,006)	14,989,008
- bills of exchange	82,053	--	--	82,053
Trade and other receivables*	2,683,126	586,183	(302,868)	3,269,310
Cash and cash equivalents	6,192,688	--	--	6,192,688
Assets held for sale**	71,482	--	--	71,482
<b>Total</b>	<b>23,909,721</b>	<b>711,586</b>	<b>(303,873)</b>	<b>24,621,307</b>

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

\*\*Excluding non-financial assets

**Breakdown of overdue financial assets at 31 December 2016**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	5,259	--	9,301	28,353	82,489	125,403
- loans	5,259	--	9,301	28,353	82,489	125,403
Trade and other receivables*	141,225	50,210	157,852	104,648	132,248	586,183
<b>Total</b>	<b>146,485</b>	<b>50,210</b>	<b>167,153</b>	<b>133,001</b>	<b>214,737</b>	<b>711,586</b>

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

**Credit risk profile at 31 December 2015:**

	Total neither past due nor impaired	Total past due but impaired	Impaired	Total
Available for sale financial assets	11,748	--	--	11,748
Financial assets at fair value through profit or loss	30,403	--	--	30,403
Loans provided	4,650,315	15,889	(71,473)	4,666,215
- loans	4,446,302	15,889	(71,473)	4,462,202
- bills of exchange	204,013	--	--	204,013
Trade and other receivables*	1,729,627	545,816	(289,690)	2,275,443
Cash and cash equivalents	3,346,620	--	--	3,346,620
<b>Total</b>	<b>9,768,714</b>	<b>561,715</b>	<b>(361,163)</b>	<b>10,330,429</b>

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

**Breakdown of overdue financial assets at 31 December 2015**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	--	1	6,300	9,598	15,899
- loans	--	--	1	6,300	9,598	15,899
Trade and other receivables*	161,100	82,344	63,752	61,629	176,990	545,816
<b>Total</b>	<b>161,100</b>	<b>82,344</b>	<b>63,753</b>	<b>67,930</b>	<b>186,588</b>	<b>561,715</b>

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

**7.2 Liquidity risk**

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's funding sources.

The Group manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Group's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Group monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

### Liquidity risk analysis

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

## 2016

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued*</b>	<b>14,821,729</b>	<b>166,304</b>	<b>1,654,106</b>	<b>1,461,473</b>	<b>9,193,634</b>	<b>6,719,566</b>	<b>19,195,083</b>
<b>Financial debts</b>	<b>41,806,936</b>	<b>2,143,267</b>	<b>6,619,870</b>	<b>6,839,220</b>	<b>22,161,115</b>	<b>7,727,385</b>	<b>45,490,856</b>
- loans from related parties	5,538,868	169,801	768,419	386,769	1,166,590	5,036,811	7,528,390
- loans from third parties	170,462	64,227	28,687	5,517	74,115	10,410	182,956
- bank loans	33,445,039	850,732	4,846,024	6,279,416	20,914,884	2,664,391	35,555,447
- finance lease liabilities	534,374	591	1,584	2,274	5,525	15,773	25,747
- bills of exchange	2,118,192	1,057,916	975,156	165,244	--	--	2,198,316
<b>Derivative instruments</b>	<b>328,380</b>	<b>3,948</b>	<b>2,727</b>	<b>65,767</b>	<b>251,904</b>	<b>4,034</b>	<b>328,380</b>
<b>Other non-current liabilities</b>	<b>432,147</b>	<b>--</b>	<b>--</b>	<b>154,802</b>	<b>130,472</b>	<b>146,873</b>	<b>432,147</b>
<b>Other current liabilities**</b>	<b>5,570,933</b>	<b>5,570,933</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,570,933</b>
<b>Liabilities from assets held for sale</b>	<b>1,200,148</b>	<b>1,200,148</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,200,148</b>
<b>Total***</b>	<b>64,160,271</b>	<b>9,084,600</b>	<b>8,276,703</b>	<b>8,521,261</b>	<b>31,737,124</b>	<b>14,597,858</b>	<b>72,217,546</b>

\*reduced by transaction costs

\*\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*\* provisions are not included

## 2015

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued*</b>	<b>11,247,502</b>	<b>1,432,056</b>	<b>471,354</b>	<b>1,624,405</b>	<b>7,744,356</b>	<b>4,163,655</b>	<b>15,435,827</b>
<b>Financial debts</b>	<b>34,273,453</b>	<b>2,596,125</b>	<b>6,188,079</b>	<b>7,650,828</b>	<b>16,323,080</b>	<b>5,917,348</b>	<b>38,675,461</b>
- loans from related parties	78,958	4,045	3,177	19,258	37,326	29,820	93,625
- loans from third parties	143,745	64,044	6,234	10,539	65,468	11,612	157,897
- bank loans	31,876,401	2,288,148	5,656,325	6,659,897	16,072,897	5,452,693	36,129,960
- finance lease liabilities	524,315	12,233	37,316	49,790	121,381	423,224	643,944
- bills of exchange	1,650,034	227,655	485,028	911,344	26,008	--	1,650,034
<b>Derivative instruments</b>	<b>331,291</b>	<b>3,811</b>	<b>35,281</b>	<b>20,587</b>	<b>249,916</b>	<b>21,695</b>	<b>331,291</b>
<b>Other non-current liabilities</b>	<b>369,721</b>	<b>--</b>	<b>--</b>	<b>136,374</b>	<b>152,604</b>	<b>80,744</b>	<b>369,721</b>
<b>Other current liabilities**</b>	<b>3,193,108</b>	<b>2,229,566</b>	<b>963,542</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,193,108</b>
<b>Total***</b>	<b>49,415,075</b>	<b>6,261,557</b>	<b>7,658,257</b>	<b>9,432,194</b>	<b>24,469,956</b>	<b>10,183,443</b>	<b>58,005,408</b>

\*reduced by transaction costs

\*\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*\* provisions are not included

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

### 7.3 Market risks

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

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

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

The Group uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

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

#### 7.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CZK, but also others (see note 2.12(d)).

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

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

#### 2016

	Currency	Carrying amount
Cash and cash equivalents	TEUR	98,091
	TCZK	128
	TUSD	154
	TGBP	1
	TPLN	8
	THUF	1,309
	TRUB	233
	THRK	1
Trade and other receivables	TEUR	24,967
	TRUB	6,469
Loans provided	TEUR	273,180
Available for sale financial assets	TEUR	112
Trade and other payables	TEUR	(72,511)
	TCZK	(787)
	TUSD	(17)
	TGBP	(2)
	TPLN	(3)
	THUF	(135)
	TRUB	(66,158)
Financial debts	TEUR	(691,978)
Derivative instruments	TEUR	(1,662)
<b>Net position</b>	<b>TEUR</b>	<b>(369,801)</b>
<b>Net position</b>	<b>TCZK</b>	<b>(660)</b>
<b>Net position</b>	<b>TUSD</b>	<b>137</b>
<b>Net position</b>	<b>TGBP</b>	<b>(1)</b>
<b>Net position</b>	<b>TPLN</b>	<b>5</b>
<b>Net position</b>	<b>THUF</b>	<b>1,174</b>
<b>Net position</b>	<b>TRUB</b>	<b>(59,455)</b>
<b>Net position</b>	<b>THRK</b>	<b>1</b>

## 2015

	Currency	Carrying amount
Cash and cash equivalents	TEUR	24,048
	TCZK	1,808
	TUSD	5
	TPLN	1
	THUF	767,768
	TRON	6
Trade and other receivables	TEUR	1,787
	TUSD	2
	THUF	1,378,333
	TRON	289
	TGBP	6
	TRUB	5,853
Loans provided	TEUR	14,593
Available for sale financial assets	TEUR	1,383
Trade and other payables	TEUR	(4,374)
	TCZK	(187,817)
	TUSD	(20)
	TPLN	(7)
	THUF	(1,780,459)
	TRON	(108)
	TRUB	(51,366)
	TCHF	(51)
Financial debts	TEUR	(453,328)
Bonds issued	TEUR	(4,704)
Derivative instruments	TEUR	(1,599)
Net position	TEUR	(422,194)
Net position	TCZK	(186,009)
Net position	TUSD	(13)
Net position	TGBP	5
Net position	TPLN	(6)
Net position	THUF	365,643
Net position	TRON	188
Net position	TCHF	(51)
Net position	TRUB	(45,513)

The Group hedges itself against the risk of changes in the CZK/EUR exchange rate by entering into loans denominated in EUR. The Group defines as the hedged items the future collections from leasing contracts up to the net present value of the loan.

The Group accounted for above transactions as a cash flow hedges with the application of hedge accounting. The hedge accounting is applicable for the whole accounting period ending 31 December 2016. The hedging foreign currency loans are measured at fair value attributable to the foreign currency risk as at the balance sheet date and the effective part of this revaluation (foreign exchange gains and losses) is recognized in the Hedging reserve within the Group's equity.

Future expected collection from leasing contract designated as hedged item	in TEUR
within 1 year	97,317
1-2 years	21,498
2-5 years	44,558
5-10 years	86,500
more than 10 years	84,139
<b>Total</b>	<b>256,012</b>

**Sensitivity analysis – exposure to currency risk**

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR, USD, GBP, PLN, RON, RUB, HUF or CHF would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

## Foreign currency risk 2016 – sensitivity analysis

		Original currency	TCZK	CZK depreciated by 10%	Change in TCZK	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	98,091	2,650,415	2,915,457	9,804	2,385,374	(9,804)
	TCZK	128	128	141	--	115	--
	TUSD	154	3,946	4,341	15	3,551	(15)
	TGBP	1	25	28	--	23	--
	TPLN	8	50	55	--	45	--
	THUF	1,309	114	125	--	103	--
	TRUB	233	98	108	--	88	--
	THRK	1	3	3	--	3	--
Trade and other receivables	TEUR	24,967	674,615	742,077	2,496	607,154	(2,496)
	TRUB	6,469	2,718	2,990	10	2,446	(10)
Loans provided	TEUR	273,180	7,381,316	8,119,448	27,305	6,643,184	(27,305)
Available for sale financial assets	TEUR	112	3,035	3,339	11	2,732	(11)
Trade and other payables	TEUR	(72,511)	(1,959,258)	(2,155,184)	(7,248)	(1,763,332)	7,248
	TCZK	(787)	(787)	(866)	(3)	(708)	3
	TUSD	(17)	(432)	(475)	(2)	(389)	2
	TGBP	(2)	(68)	(75)	--	(61)	--
	TPLN	(3)	(17)	(19)	--	(15)	--
	THUF	(135)	(12)	(13)	--	(11)	--
	TRUB	(66,158)	(27,791)	(30,570)	(103)	(25,012)	103
Financial debts	TEUR	(691,978)	(18,697,241)	(20,566,965)	(69,165)	(16,827,517)	69,165
Derivative instruments	TEUR	(1,662)	(44,896)	(49,386)	(166)	(40,406)	166
Net exposure to currency risk	TEUR	(369,801)	(9,992,014)	(10,991,214)	(36,962)	(8,992,811)	36,962
Net exposure to currency risk	TCZK	(660)	(659)	(725)	(2)	(593)	2
Net exposure to currency risk	TUSD	137	3,514	3,866	13	3,162	(13)
Net exposure to currency risk	TGBP	(1)	(43)	(47)	--	(38)	--
Net exposure to currency risk	TPLN	5	33	36	--	30	--
Net exposure to currency risk	THUF	1,174	102	112	--	92	--
Net exposure to currency risk	TRUB	(59,455)	(24,975)	(27,472)	(92)	(22,478)	92
Net exposure to currency risk	THRK	1	3	3	--	3	--
Impact on profit/loss	TCZK				(15,111)		15,111
Impact on equity	TCZK				(21,933)		21,933

## Foreign currency risk 2015 – sensitivity analysis

		Original currency	TCZK	CZK depreciated by 10%	Change in TCZK	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	24,048	649,897	714,887	64,990	584,907	(64,990)
	TCZK	1,808	1,808	1,989	181	1,627	(181)
	TUSD	5	130	143	13	117	(13)
	TGBP	0	8	9	1	7	(1)
	TPLN	1	5	6	1	5	(1)
	THUF	767,768	65,698	72,268	6,570	59,128	(6,570)
	TRON	6	38	42	4	34	(4)
Trade and other receivables	TEUR	1,787	48,289	53,118	4,829	43,460	(4,829)
	TUSD	2	49	54	5	44	(5)
	TPLN	--	2	2	--	2	--
	THUF	1,378,333	117,944	129,738	11,794	106,150	(11,794)
	TRON	289	1,727	1,900	173	1,554	(173)
	TGBP	6	203	223	20	183	(20)
	TRUB	5,853	1,963	2,159	196	1,767	(196)
Loans provided	TEUR	14,593	394,381	433,819	39,438	354,943	(39,438)
Available for sale financial assets	TEUR	1,383	37,386	41,125	3,739	33,647	(3,739)
Trade and other payables	TEUR	(4,374)	(118,207)	(130,028)	(11,821)	(106,386)	11,821
	TCZK	(187,817)	(187,817)	(206,599)	(18,782)	(169,035)	18,782
	TUSD	(20)	(497)	(547)	(50)	(447)	50
	TGBP	(0)	(9)	(10)	(1)	(8)	1
	TPLN	(7)	(47)	(52)	(5)	(42)	5
	THUF	(1,780,459)	(152,354)	(167,589)	(15,235)	(137,119)	15,235
	TRON	(108)	(643)	(707)	(64)	(579)	64
	TRUB	(51,366)	(17,226)	(18,949)	(1,723)	(15,503)	1,723
	TCHF	(51)	(1,268)	(1,395)	(127)	(1,141)	127
Financial debts	TEUR	(453,328)	(12,251,190)	(13,476,309)	(1,225,119)	(11,026,071)	1,225,119
Bonds issued	TEUR	(4,704)	(127,120)	(139,832)	(12,712)	(114,408)	12,712
Derivative instruments	TEUR	(1,599)	(43,217)	(47,539)	(4,322)	(38,895)	4,322
Net exposure to currency risk	TEUR	(422,194)	(11,409,781)	(12,550,759)	(1,140,978)	(10,268,803)	1,140,978
Net exposure to currency risk	TCZK	(186,009)	(186,009)	(204,610)	(18,601)	(167,408)	18,601
Net exposure to currency risk	TUSD	(13)	(318)	(350)	(32)	(286)	32
Net exposure to currency risk	TGBP	5	202	222	20	182	(20)
Net exposure to currency risk	TPLN	(6)	(40)	(44)	(4)	(35)	5
Net exposure to currency risk	THUF	365,643	31,288	34,417	3,129	28,159	(3,129)
Net exposure to currency risk	TRON	188	1,122	1,235	113	1,009	(113)
Net exposure to currency risk	TCHF	(51)	(1,268)	(1,395)	(127)	(1,141)	127
Net exposure to currency risk	TRUB	(45,513)	(15,263)	(16,790)	(1,527)	(13,736)	1,527
Impact on profit/loss	TCZK				(443,469)		443,470
Impact on equity	TCZK				(714,538)		714,538

## 7.3.2 Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.6 for financial assets and under notes 6.15 financial liabilities respectively.

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

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

The Group's objective of the interest rate hedge is to fix the variability in the interest outflows attributable to changes in the EURIBOR and PRIBOR rates. Hedge effectiveness is assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

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

As the loans provided are based on fixed rates, and no financial debt is measured at fair value through profit and loss the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These obligations primarily include bank loans, finance lease liabilities and bonds issued.

Bank loans have flexible interest rates based on EURIBOR or PRIBOR rates for the reference period from 1 to 3 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to interest risk exceed predefined level so the Group entered into several transactions with the financial institutions to hedge the interest rate risk (refer to note 6.16). Bonds issued comprise both fixed and variable rate instruments.

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

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

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

### 2016

	Effective interest rate	Liability with variable interest rate	Interest calculated
<b>Financial debts</b>			
Loans received & finance lease liabilities	1.84%	32,540,049	598,809
<b>Total</b>		<b>32,540,049</b>	<b>598,809</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Financial debts</b>						
Loans received & finance lease liabilities	2.84%	924,209	(325,400)	0.84%	273,408	325,400
<b>Total</b>		<b>924,209</b>	<b>(325,400)</b>		<b>273,408</b>	<b>325,400</b>

### 2015

	Effective interest rate	Liability with variable interest rate	Interest calculated
<b>Bonds issued</b>	6.94%	2,109,235	146,381
<b>Financial debts</b>			
Loans received & finance lease liabilities	2.90%	31,270,093	906,308
<b>Total</b>		<b>33,379,328</b>	<b>1,052,689</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Bonds issued</b>	7.94%	167,473	(21,092)	5.94%	125,289	21,092
<b>Financial debts</b>						
Loans received & finance lease liabilities	3.90%	1,219,009	(312,701)	1.90%	593,607	312,701
<b>Total</b>		<b>1,386,482</b>	<b>(333,793)</b>		<b>718,896</b>	<b>333,793</b>

#### Sensitivity analysis – exposure to interest rate risk for fixed rate instruments

The Group recognized all financial assets and liabilities (except derivatives) at fair value. No fair value adjustments are recorded through the profit or loss.

## Effective interest rate and repricing analysis

In respect of financial debts, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

### 2016

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	4.87%	<b>14,821,729</b>	--	--	<b>14,821,729</b>
<b>Financial debts</b>		<b>39,688,744</b>	<b>31,925,328</b>	<b>614,722</b>	<b>7,148,695</b>
- loans from related parties (2)	7.62%	5,538,868	--	--	5,538,868
- loans from third parties (3)	4.30%	170,462	10,835	--	159,628
- bank loans	1.46%	33,445,039	31,615,235	429,516	1,400,288
- finance lease liabilities	2.97%	534,374	299,258	185,206	49,911
<b>Total</b>		<b>54,510,472</b>	<b>31,925,328</b>	<b>614,722</b>	<b>21,970,423</b>

(1) Including unpaid interest of CZK 225.9 million.

(2) Unpaid interests represent CZK 72 million (fixed interest rate).

(3) Including unpaid interest of CZK 38.8 million (fixed interest rate).

### 2015

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	5.75%	<b>11,247,502</b>	--	<b>2,127,152</b>	<b>9,120,350</b>
<b>Financial debts</b>		<b>32,623,419</b>	<b>30,745,568</b>	<b>524,525</b>	<b>1,353,326</b>
- loans from related parties (2)	5.57%	78,958	--	--	78,958
- loans from third parties (3)	4.92%	143,745	10,713	--	133,032
- bank loans	2.91%	31,876,401	30,420,501	323,877	1,132,023
- finance lease liabilities	2.19%	524,315	314,354	200,648	9,313
<b>Total</b>		<b>43,870,921</b>	<b>30,745,568</b>	<b>2,651,677</b>	<b>10,473,676</b>

(1) Including unpaid interest of CZK 205.1 million.

(2) Unpaid interests represent CZK 2.9 million (fixed interest rate).

(3) Including unpaid interest of CZK 38.4 million (fixed interest rate).

### 7.3.3 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 7.5.

## 7.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder 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 shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

CPI Property Group as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts and by bonds issued. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Debt	70,355,641	56,187,182
Equity	38,593,378	33,830,900
<b>Total</b>	<b>182.30%</b>	<b>166.08%</b>

### Loan to value (LTV) ratio

This ratio is calculated as total net debt divided by total value of property portfolio.

Net debt is defined as all non-current and current interest bearing liabilities (bonds and financial debts) decreased by balance of cash and cash equivalents.

The LTV ratios at 31 December 2016 and at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Bonds issued	14,821,729	11,247,502
Financial debts*	41,806,936	34,273,547
Liabilities linked to assets available for sale	1,150,724	80,337
Cash and cash equivalents*	6,237,299	3,346,620
<b>Net debt</b>	<b>51,542,091</b>	<b>42,254,766</b>
<b>Property portfolio</b>	<b>82,454,787</b>	<b>79,039,259</b>
	<b>62.5%</b>	<b>53.5%</b>

\*Including assets/liabilities linked to assets held for sale (note 6.12)

## 7.5 Fair value measurement

### 7.5.1 Fair value of financial instruments

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is using a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data.

- For the derivatives (interest rate swaps, options and forwards) the valuation is provided by the Group's banks;

- For the available-for-sale financial assets and for the bonds, the fair values as of 31 December 2016 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

### Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	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
<b>31 December 2016</b>					
<b>FINANCIAL ASSETS</b>					
Long-term Equity investments	--	13,781	13,781	--	--
Debentures issued by third parties	--	2,986	2,986	--	--
<b>Financial assets available-for-sale</b>	<b>--</b>	<b>16,767</b>	<b>--</b>	<b>--</b>	<b>--</b>
Advances paid	--	770	--	--	--
Loans provided	--	9,760,054	--	--	8,740,448
Other non-current receivables	--	384	--	--	384
<b>Non-current loans and receivables</b>	<b>--</b>	<b>9,761,208</b>	<b>--</b>	<b>--</b>	<b>--</b>
Trade receivables	--	1,367,648	--	--	--
Loans provided	--	5,228,953	--	--	5,652,542
Bills of exchange	--	82,053	--	--	81,908
Other current financial assets	--	1,165,756	--	--	--
Cash and cash equivalent	--	6,192,688	--	--	--
<b>Current financial assets*</b>	<b>--</b>	<b>14,037,098</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FINANCIAL LIABILITIES</b>					
Bonds issued	--	13,532,849	15,209,540	--	--
Financial debt (floating rate bank debts)	--	27,299,190	--	--	27,299,190
Financial debt (fixed rate bank debts)	--	928,468	--	--	924,669
Financial debt (other borrowings)	--	5,750,246	--	--	5,735,723
Derivative instruments	321,705	--	--	321,705	--
<b>Non-current financial liabilities</b>	<b>321,705</b>	<b>47,510,753</b>	<b>--</b>	<b>--</b>	<b>--</b>
Bonds issued	--	1,288,880	1,079,000	--	--
Financial debt (floating rate bank debts)	--	4,745,561	--	--	4,745,561
Financial debt (fixed rate bank debts)	--	471,820	--	--	490,071
Financial debt (other borrowings)	--	2,611,651	--	--	3,000,511
Derivative instruments	6,675	--	--	6,675	--
Advanced payments	--	872,139	--	--	--
Trade payables	--	3,150,927	--	--	--
Other financial current liabilities	--	1,273,969	--	--	--
<b>Current financial liabilities*</b>	<b>6,675</b>	<b>14,414,946</b>	<b>--</b>	<b>--</b>	<b>--</b>

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

	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
<b>31 December 2015</b>					
<b>FINANCIAL ASSETS</b>					
Call option	30,403	--	--	30,403	--
<b>Financial assets at fair value through profit or loss (**)</b>	<b>30,403</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Long-term Equity investments	--	11,749	--	--	--
<b>Financial assets available-for-sale</b>	<b>--</b>	<b>11,749</b>	<b>--</b>	<b>--</b>	<b>--</b>
Advances paid	--	3,957	--	--	--
Loans provided	--	495,493	--	--	618,004
Other non-current receivables	--	168	--	--	--
<b>Non-current loans and receivables</b>	<b>--</b>	<b>499,618</b>	<b>--</b>	<b>--</b>	<b>--</b>
Trade receivables	--	1,336,701	--	--	--
Debentures issued by third parties	--	43,271	--	--	45,324
Loans provided	--	3,966,709	--	--	4,036,770
Bills of exchange	--	204,013	--	--	207,244
Other current financial assets	--	416,594	--	--	--
Cash and cash equivalent	--	3,346,620	--	--	--
<b>Current financial assets*</b>	<b>--</b>	<b>9,313,908</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FINANCIAL LIABILITIES</b>					
Bonds issued	--	9,793,882***	8,742,862	--	1,796,172
Financial debt (floating rate bank debts)	--	24,541,118	--	--	24,541,118
Financial debt (fixed rate bank debts)	--	273,374	--	--	269,178
Financial debt (other borrowings)	--	1,577,750	--	--	1,573,638
Derivative instruments	292,198	--	--	292,198	--
<b>Non-current financial liabilities</b>	<b>292,198</b>	<b>36,186,124</b>	<b>--</b>	<b>--</b>	<b>--</b>
Bonds issued	--	1,453,620	1,290,191	--	--
Financial debt (floating rate bank debts)	--	6,203,259	--	--	6,203,259
Financial debt (fixed rate bank debts)	--	858,651	--	--	867,154
Financial debt (other borrowings)	--	819,397	--	--	831,365
Derivative instruments	39,092	--	--	39,092	--
Advanced payments	--	848,675	--	--	--
Trade payables	--	1,030,842	--	--	--
Other financial current liabilities	--	1,135,325	--	--	--
<b>Current financial liabilities*</b>	<b>39,092</b>	<b>12,349,769</b>	<b>--</b>	<b>--</b>	<b>--</b>

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

(\*\*) Designated at fair value.

(\*\*\*) Accrued interest is not included.

#### Valuation technique used for measurement of fair value of derivatives

Liabilities from derivative are measured by discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

#### 7.5.2 Fair value measurement of investment property / hotels

The Group's investment properties and hotels were valued at 31 December 2016 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

The independent valuer provides appraisal of the Group's investment property annually.

### 7.5.3 Main observable and unobservable inputs

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

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
<b>Czech Republic - Retail Warehouse</b>	<b>Retail</b>	<b>Income capitalisation</b>	<b>Level 3</b>	Estimated rental value per sqm	1,170 CZK/sqm	- 3,577 CZK/sqm	(2,585 CZK/sqm)
			Level 3	Net current income per sqm	386 CZK/sqm	- 4,495 CZK/sqm	(2,670 CZK/sqm)
			Level 3	Equivalent yield	7.25%	- 9.00%	(7.74%)
			Level 3	Vacancy rate	1.35%	- 84.69%	(2.59%)
<b>Czech Republic - Retail Warehouse</b>	<b>Retail</b>	<b>Comparable</b>	<b>Level 3</b>	Fair value per sqm	12,817 CZK/sqm	- 37,312 CZK/sqm	(28,582 CZK/sqm)
<b>Czech Republic - Shopping Centres and Galleries</b>	<b>Retail</b>	<b>Income capitalisation</b>	<b>Level 3</b>	Estimated rental value per sqm	3,284 CZK/sqm	- 7,897 CZK/sqm	(5,091 CZK/sqm)
			Level 3	Net current income per sqm	2,484 CZK/sqm	- 7,981 CZK/sqm	(5,015 CZK/sqm)
			Level 3	Equivalent yield	4.29%	- 9.06%	(6.15%)
			Level 3	Vacancy rate	0.32%	- 18.49%	(5.36%)
<b>Czech Republic - So-called special properties</b>	<b>Retail</b>	<b>Income capitalisation</b>	<b>Level 3</b>	Estimated rental value per sqm	359 CZK/sqm	- 4,456 CZK/sqm	(2,198 CZK/sqm)
			Level 3	Net current income per sqm	- 14 CZK/sqm	- 4,130 CZK/sqm	(1,948 CZK/sqm)
			Level 3	Equivalent yield	5.75%	- 10.00%	(7.84%)
			Level 3	Vacancy rate	3.27%	- 100.00%	(12.36%)
<b>Czech Republic - So-called special properties</b>	<b>Retail</b>	<b>Comparable</b>	<b>Level 3</b>	Fair value per sqm	8,437 CZK/sqm	- 15,490 CZK/sqm	(15,051 CZK/sqm)
<b>Hungary - Retail Warehouse</b>	<b>Retail</b>	<b>Income capitalisation</b>	<b>Level 3</b>	Estimated rental value per sqm	1,454 CZK/sqm	- 1,494 CZK/sqm	(1,481 CZK/sqm)
			Level 3	Net current income per sqm	569 CZK/sqm	- 1,114 CZK/sqm	(942 CZK/sqm)
			Level 3	Equivalent yield	8.56%	- 8.89%	(8.79%)
			Level 3	Vacancy rate	11.68%	- 13.23%	(12.17%)
<b>Hungary - Shopping Centres and Galleries</b>	<b>Retail</b>	<b>Income capitalisation</b>	<b>Level 3</b>	Estimated rental value per sqm	5,667 CZK/sqm	- 5,667 CZK/sqm	(5,667 CZK/sqm)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Min.	Weighted average	Avg.
			Level 3	Net current income per sqm	5,602 CZK/sqm	-	5,602 CZK/sqm (5,602 CZK/sqm)
			Level 3	Equivalent yield	7.69%	-	7.69% (7.69%)
			Level 3	Vacancy rate	1.22%	-	1.22% (1.22%)
<b>Hungary - So-called special properties</b>	<b>Retail</b>	Comparable	Level 3	Fair value per sqm	14,685 CZK/sqm	-	14,685 CZK/sqm (14,685 CZK/sqm)
<b>Slovak Republic - Retail Warehouse</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,895 CZK/sqm	-	3,387 CZK/sqm (2,715 CZK/sqm)
			Level 3	Net current income per sqm	- 56 CZK/sqm	-	3,807 CZK/sqm (2,500 CZK/sqm)
			Level 3	Equivalent yield	6.42%	-	8.66% (7.77%)
			Level 3	Vacancy rate	2.82%	-	100.00% (11.37%)
<b>Slovak Republic - Retail Warehouse</b>	<b>Retail</b>	Comparable	Level 3	Fair value per sqm	12,817 CZK/sqm	-	37,312 CZK/sqm (32,278 CZK/sqm)
<b>Poland - Retail Warehouse</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	3,441 CZK/sqm	-	3,441 CZK/sqm (3,441 CZK/sqm)
			Level 3	Net current income per sqm	3,197 CZK/sqm	-	3,197 CZK/sqm (3,197 CZK/sqm)
			Level 3	Equivalent yield	8.50%	-	8.50% (8.50%)
			Level 3	Vacancy rate	0.00%	-	0.00% (0.00%)
<b>Poland - Retail Warehouse</b>	<b>Retail</b>	Comparable	Level 3	Fair value per sqm	12,817 CZK/sqm	-	37,312 CZK/sqm (- CZK/sqm)
<b>Poland - Shopping Centres and Galleries</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	5,053 CZK/sqm	-	5,053 CZK/sqm (5,053 CZK/sqm)
			Level 3	Net current income per sqm	4,131 CZK/sqm	-	4,131 CZK/sqm (4,131 CZK/sqm)
			Level 3	Equivalent yield	8.00%	-	8.00% (8.00%)
			Level 3	Vacancy rate	6.15%	-	6.15% (6.15%)
<b>Czech Republic</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,372 CZK/sqm	-	7,899 CZK/sqm (4,830 CZK/sqm)
			Level 3	Net current income per sqm	1,098 CZK/sqm	-	7,982 CZK/sqm (4,566 CZK/sqm)
			Level 3	Equivalent yield	4.46%	-	9.24% (6.34%)
			Level 3	Vacancy rate	0.07%	-	46.48% (3.64%)
<b>Hungary</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,404 CZK/sqm	-	8,029 CZK/sqm (3,936 CZK/sqm)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
			Level 3	Net current income per sqm	689 CZK/sqm	-	(3,293 CZK/sqm)
			Level 3	Equivalent yield	7.62%	-	(8.20%)
			Level 3	Vacancy rate	0.00%	-	(16.41%)
<b>Hungary</b>	<b>Office</b>	Comparable	Level 3	Fair value per sqm	34,262 CZK/sqm	-	(34,262 CZK/sqm)
<b>Poland</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	4,144 CZK/sqm	-	(5,679 CZK/sqm)
			Level 3	Net current income per sqm	2,658 CZK/sqm	-	(4,812 CZK/sqm)
			Level 3	Equivalent yield	8.50%	-	(8.58%)
			Level 3	Vacancy rate	5.38%	-	(10.09%)
<b>Slovak Republic</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	4,001 CZK/sqm	-	(4,001 CZK/sqm)
			Level 3	Net current income per sqm	2,402 CZK/sqm	-	(2,402 CZK/sqm)
			Level 3	Equivalent yield	8.33%	-	(8.33%)
			Level 3	Vacancy rate	39.01%	-	(39.01%)
<b>Czech Republic - 3* hotel</b>	<b>Hospitality</b>	Comparable	Level 3	Rate per key	875,314 CZK/key	-	(1,480,838 CZK/key)
<b>Czech Republic - 4* hotel</b>	<b>Hospitality</b>	DCF	Level 3	Rate per key	2,802,696 CZK/key	-	(3,288,452 CZK/key)
			Level 3	Net current income per sqm	7,299 CZK/sqm	-	(18,876 CZK/sqm)
			Level 3	Exit yield	7.00%	-	7.33%
			Level 3	Discount rate	9.00%	-	9.11%
<b>Czech Republic - 4* hotel</b>	<b>Hospitality</b>	Comparable	Level 3	Rate per key	2,327,470 CZK/key	-	(3,418,362 CZK/key)
<b>Czech Republic - 5* hotel</b>	<b>Hospitality</b>	Comparable	Level 3	Rate per key	1,969,753 CZK/key	-	(9,421,581 CZK/key)
<b>Czech Republic - Hostel</b>	<b>Hospitality</b>	Comparable	Level 3	Rate per key	535,114 CZK/key	-	(535,114 CZK/key)
<b>Hungary - 4* hotel</b>	<b>Hospitality</b>	DCF	Level 3	Rate per key	2,486,519 CZK/key	-	(3,108,844 CZK/key)
			Level 3	Net current income per sqm	134 CZK/sqm	-	(7,946 CZK/sqm)
			Level 3	Exit yield	7.25%	-	7.29%
			Level 3	Discount rate	9.25%	-	9.79%
<b>Poland - 4* hotel</b>	<b>Hospitality</b>	DCF	Level 3	Rate per key	4,581,652 CZK/key	-	(4,581,652 CZK/key)
			Level 3	Net current income per sqm	3,752 CZK/sqm	-	(3,752 CZK/sqm)
			Level 3	Exit yield	7.00%	-	7.00%
			Level 3	Discount rate	9.00%	-	9.00%
<b>Poland - 5* hotel</b>	<b>Hospitality</b>	DCF	Level 3	Rate per key	5,271,115 CZK/key	-	(5,271,115 CZK/key)
			Level 3	Net current income per sqm	5,248 CZK/sqm	-	(5,248 CZK/sqm)
			Level 3	Exit yield	7.00%	-	7.00%
			Level 3	Discount rate	9.00%	-	9.00%
<b>Russia - 5* hotel</b>	<b>Hospitality</b>	DCF	Level 3	Rate per key	8,331,167 CZK/key	-	(8,331,167 CZK/key)

31 December 2016	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Min.	Weighted average	Avg.
			Level 3	Net current income per sqm	43,941 CZK/sqm	-	(43,941 CZK/sqm)
			Level 3	Exit yield	7.80%	-	7.80%
			Level 3	Discount rate	10.80%	-	10.80%
<b>Czech Republic</b>	<b>Residential</b>	Comparable	Level 3	Fair value per sqm	47,456 CZK/sqm	-	(55,082 CZK/sqm)
<b>Czech Republic</b>	<b>Residential</b>	DCF	Level 3	Estimated rental value per sqm	504 CZK/sqm	-	(945 CZK/sqm)
			Level 3	Net current income per sqm	316 CZK/sqm	-	(764 CZK/sqm)
			Level 3	Exit yield	3.60%	-	6.65%
			Level 3	Vacancy rate	2.03%	-	15.79%
			Level 3	Discount rate	4.35%	-	7.49%
<b>France</b>	<b>Residential</b>	Comparable	Level 3	Fair value per sqm	571,019 CZK/sqm	-	(571,019 CZK/sqm)
<b>Czech Republic</b>	<b>Industry and Logistic</b>	Income capitalisation	Level 3	Estimated rental value per sqm	519 CZK/sqm	-	1,404 CZK/sqm
			Level 3	Net current income per sqm	451 CZK/sqm	-	1,201 CZK/sqm
			Level 3	Equivalent yield	8.00%	-	8.38%
			Level 3	Vacancy rate	37.23%	-	3.15%
<b>Hungary</b>	<b>Industry and Logistic</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,044 CZK/sqm	-	1,389 CZK/sqm
			Level 3	Net current income per sqm	554 CZK/sqm	-	1,133 CZK/sqm
			Level 3	Equivalent yield	8.22%	-	8.63%
			Level 3	Vacancy rate	5.88%	-	9.22%
<b>Germany</b>	<b>Industry and Logistic</b>	Income capitalisation	Level 3	Estimated rental value per sqm	500 CZK/sqm	-	500 CZK/sqm
			Level 3	Net current income per sqm	392 CZK/sqm	-	392 CZK/sqm
			Level 3	Equivalent yield	12.00%	-	12.00%
			Level 3	Vacancy rate	0.00%	-	0.00%
<b>Czech Republic</b>	<b>Land Bank</b>	Comparable	Level 3	Fair value per sqm	65 CZK/sqm	-	12,013 CZK/sqm
<b>Hungary</b>	<b>Land Bank</b>	Comparable	Level 3	Fair value per sqm	1,791 CZK/sqm	-	23,033 CZK/sqm
<b>Poland</b>	<b>Land Bank</b>	Comparable	Level 3	Fair value per sqm	4,080 CZK/sqm	-	4,080 CZK/sqm
<b>Czech Republic</b>	<b>Development</b>	Development Appraisal	Level 3	Total EMRV	38,738,343 CZK	-	38,738,343 CZK
			Level 3	Gross development value	586,334,000 CZK	-	586,334,000 CZK
			Level 3	Development margin	10.00%	-	10.00%

## 2015

31 December 2015	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
Czech Republic - Retail Warehouse	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,616 CZK/sqm	-	(2,518 CZK/sqm)
			Level 3	Net current income per sqm	1,647 CZK/sqm	-	(2,568 CZK/sqm)
			Level 3	Equivalent yield	5.87%	-	(7.76%)
			Level 3	Vacancy rate	0.12%	-	(2.94%)
Czech Republic - Shopping Centres and Galleries	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	2,563 CZK/sqm	-	(5,332 CZK/sqm)
			Level 3	Net current income per sqm	2,469 CZK/sqm	-	(4,899 CZK/sqm)
			Level 3	Equivalent yield	4.07%	-	(6.52%)
			Level 3	Vacancy rate	0.21%	-	(8.59%)
Czech Republic - So-called special properties	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,340 CZK/sqm	-	(1,791 CZK/sqm)
			Level 3	Net current income per sqm	1,231 CZK/sqm	-	(1,696 CZK/sqm)
			Level 3	Equivalent yield	9.20%	-	(6.18%)
			Level 3	Vacancy rate	3.81%	-	(12.21%)
Czech Republic - So-called special properties	Retail	Comparable	Level 3	Fair value per sqm	-	-	(14,580 CZK/sqm)
Hungary - Retail Warehouse	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,453 CZK/sqm	-	(1,475 CZK/sqm)
			Level 3	Net current income per sqm	838 CZK/sqm	-	(1,029 CZK/sqm)
			Level 3	Equivalent yield	8.82%	-	(9.19%)
			Level 3	Vacancy rate	0.56%	-	(3.50%)
Hungary - Shopping Centres and Galleries	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	-	-	(7,642 CZK/sqm)
			Level 3	Net current income per sqm	-	-	(6,256 CZK/sqm)
			Level 3	Equivalent yield	-	-	(5.27%)

31 December 2015	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Min.	Weighted average Max.	Avg.
			Level 3	Vacancy rate	-		(4.96%)
<b>Hungary - So-called special properties</b>	<b>Retail</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	-		( - CZK/sqm)
			Level 3	Net current income per sqm	-		( - CZK/sqm)
			Level 3	Equivalent yield	-		(9.00%)
			Level 3	Vacancy rate	-		(100.00%)
<b>Slovak Republic - Retail Warehouse</b>	<b>Retail</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	2,432 CZK/sqm	- 3,405 CZK/sqm	(2,941 CZK/sqm)
			Level 3	Net current income per sqm	2,407 CZK/sqm	- 3,803 CZK/sqm	(2,907 CZK/sqm)
			Level 3	Equivalent yield	7.38%	- 11.00%	(7.91%)
			Level 3	Vacancy rate	1.04%	- 1.04%	(0.13%)
<b>Poland - Shopping Centres and Galleries</b>	<b>Retail</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	-		(5,277 CZK/sqm)
			Level 3	Net current income per sqm	-		(4,091 CZK/sqm)
			Level 3	Equivalent yield	-		(7.75%)
			Level 3	Vacancy rate	-		(5.69%)
<b>Czech Republic</b>	<b>Office</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	2,406 CZK/sqm	- 9,616 CZK/sqm	(5,074 CZK/sqm)
			Level 3	Net current income per sqm	1,547 CZK/sqm	- 9,222 CZK/sqm	(4,713 CZK/sqm)
			Level 3	Equivalent yield	5.00%	- 9.26%	(6.76%)
			Level 3	Vacancy rate	2.74%	- 39.47%	(8.21%)
<b>Czech Republic</b>	<b>Office</b>	<b>Comparable</b>	Level 3	Fair value per sqm	-		(52,959 CZK/sqm)
<b>Hungary</b>	<b>Office</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	1,802 CZK/sqm	- 4,086 CZK/sqm	(3,798 CZK/sqm)
			Level 3	Net current income per sqm	551 CZK/sqm	- 4,046 CZK/sqm	(3,213 CZK/sqm)
			Level 3	Equivalent yield	7.78%	- 14.03%	(8.48%)
			Level 3	Vacancy rate	6.93%	- 68.75%	(20.37%)
<b>Poland</b>	<b>Office</b>	<b>Income capitalisation</b>	Level 3	Estimated rental value per sqm	3,988 CZK/sqm	- 6,067 CZK/sqm	(5,415 CZK/sqm)
			Level 3	Net current income per sqm	2,387 CZK/sqm	- 5,232 CZK/sqm	(4,340 CZK/sqm)
			Level 3	Equivalent yield	8.24%	- 9.46%	(8.62%)
			Level 3	Vacancy rate	8.39%	- 25.33%	(13.70%)

31 December 2015	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
<b>Slovak Republic</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	-		(3,997 CZK/sqm)
			Level 3	Net current income per sqm	-		(2,851 CZK/sqm)
			Level 3	Equivalent yield	-		(7.25%)
			Level 3	Vacancy rate	-		(34.73%)
<b>Czech Republic - 3* hotel</b>	<b>Hotel</b>	Comparable	Level 3	Rate per key	1,089,237 CZK/key	- 6,194,860 CZK/key	(3,933,577 CZK/key)
<b>Czech Republic - 4* hotel</b>	<b>Hotel</b>	DCF	Level 3	Rate per key	2,132,479 CZK/key	- 4,745,313 CZK/key	(3,561,646 CZK/key)
			Level 3	Net current income per sqm	1,205 CZK/sqm	- 7,085 CZK/sqm	(3,869 CZK/sqm)
			Level 3	Exit yield	7.01%	- 7.01%	3.83%
			Level 3	Discount rate	7.25%	- 8.00%	7.66%
<b>Czech Republic - 4* hotel</b>	<b>Hotel</b>	Comparable	Level 3	Rate per key	2,846,988 CZK/key	- 3,405,150 CZK/key	(3,146,096 CZK/key)
<b>Czech Republic - 5* hotel</b>	<b>Hotel</b>	Comparable	Level 3	Rate per key	1,463,020 CZK/key	- 12,178,378 CZK/key	(7,785,320 CZK/key)
<b>Czech Republic - Hostel</b>	<b>Hotel</b>	Comparable	Level 3	Rate per key	-		(519,545 CZK/key)
<b>Hungary - 4* hotel</b>	<b>Hotel</b>	DCF	Level 3	Rate per key	3,179,412 CZK/key	- 4,978,289 CZK/key	(3,813,323 CZK/key)
			Level 3	Net current income per sqm	3,189 CZK/sqm	- 3,861 CZK/sqm	(3,482 CZK/sqm)
			Level 3	Exit yield	-		7.50%
			Level 3	Discount rate	-		9.50%
<b>Poland - 4* hotel</b>	<b>Hotel</b>	DCF	Level 3	Rate per key	-		(5,224,833 CZK/key)
			Level 3	Net current income per sqm	-		(4,142 CZK/sqm)
			Level 3	Exit yield	-		7.50%
			Level 3	Discount rate	-		9.50%
<b>Poland - 5* hotel</b>	<b>Hotel</b>	DCF	Level 3	Rate per key	-		(5,980,943 CZK/key)
			Level 3	Net current income per sqm	-		(5,755 CZK/sqm)
			Level 3	Exit yield	-		7.50%
			Level 3	Discount rate	-		10.50%
<b>Czech Republic</b>	<b>Residential</b>	Comparable	Level 3	Fair value per sqm	-		(95,674 CZK/sqm)
<b>Czech Republic</b>	<b>Residential</b>	DCF	Level 3	Estimated rental value per sqm	794 CZK/sqm	- 1,920 CZK/sqm	(802 CZK/sqm)
			Level 3	Net current income per sqm	-		( - CZK/sqm)
			Level 3	Exit yield	4.75%	- 7.85%	7.83%
			Level 3	Vacancy rate	23.84%	- 27.45%	23.87%
			Level 3	Discount rate	5.75%	- 8.88%	8.86%
<b>France</b>	<b>Residential</b>	Comparable	Level 3	Fair value per sqm	-		(554,993 CZK/sqm)
<b>Czech Republic</b>	<b>Industry and Logistic</b>	Income capitalisation	Level 3	Estimated rental value per sqm	860 CZK/sqm	- 1,481 CZK/sqm	1,337 CZK/sqm

31 December 2015	Asset Type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
					Min.	Max.	Avg.
			Level 3	Net current income per sqm	646 CZK/sqm	-	940 CZK/sqm
			Level 3	Equivalent yield	8.00%	-	8.51%
			Level 3	Vacancy rate	43.58%	-	3.94%
Slovak Republic	Industry and Logistic	Income capitalisation	Level 3	Estimated rental value per sqm	-	-	1,391 CZK/sqm
			Level 3	Net current income per sqm	-	-	1,472 CZK/sqm
			Level 3	Equivalent yield	-	-	8.20%
			Level 3	Vacancy rate	-	-	1.72%
			Level 3	Estimated rental value per sqm	1,497 CZK/sqm	-	1,509 CZK/sqm
Hungary	Industry and Logistic	Income capitalisation	Level 3	Net current income per sqm	1,369 CZK/sqm	-	1,406 CZK/sqm
			Level 3	Equivalent yield	9.04%	-	9.12%
			Level 3	Vacancy rate	5.91%	-	13.33%
			Level 3	Fair value per sqm	85 CZK/sqm	-	8,272 CZK/sqm
Czech Republic	Land Bank	Comparable	Level 3	Fair value per sqm	1,308 CZK/sqm	-	11,725 CZK/sqm
Hungary	Land Bank	Comparable	Level 3	Fair value per sqm	811 CZK/sqm	-	2,047 CZK/sqm
Romania	Land Bank	Comparable	Level 3	Fair value per sqm	-	-	4,320 CZK/sqm
Poland	Land Bank	Comparable	Level 3	Fair value per sqm	-	-	-
Czech Republic	Development	Development Appraisal	Level 3	Total EMRV	-	-	39,179,498 CZK
			Level 3	Gross development value	-	-	559,707,107 CZK
			Level 3	Development margin	-	-	17.50%

#### Discounted cash flow method (DCF) – application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

#### Market comparable method – application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best

comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied is the price per square metre (sqm).

#### Income capitalisation method - application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes expense categories such as vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. When using the income capitalisation method, the mentioned expenses have to be included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised.

#### Sensitivity analysis on changes in assumptions of property valuation

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

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

- Equivalent Yield or Discount rate
- Estimated Rental Value (ERV) or Rental Growth for rental asset
- Development margin for development

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

#### 31 December 2016

##### Czech Republic

ERV	Retail	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	22,517	22,205	21,930
	--	23,303	22,982	22,687
	5.00%	24,087	23,762	23,441

ERV	Office	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	19,014	18,966	18,917
	--	19,761	19,709	19,659
	5.00%	20,507	20,453	20,400

Rental income	Residential	Yield		
	(MCZK)	(0.50%)	--	0.50%
	(5.00%)	7,618	7,125	6,697
	--	8,064	7,544	7,093
	5.00%	8,510	7,963	7,490

ERV	Industrial	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	1,057	1,054	1,052
	--	1,086	1,083	1,081
	5.00%	1,115	1,112	1,109

Development (MCZK)	
Developer's Profit 8.00%	210
Developer's Profit 9.00%	205
Developer's Profit 10.00%	201
Developer's Profit 11.00%	196
Developer's Profit 12.00%	192

Rental income	Hospitality	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	868	824	786
	--	858	814	775
	5.00%	845	803	764

## Slovak Republic

ERV	Retail	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	2,557	2,523	2,489
	--	2,668	2,626	2,592
	5.00%	2,776	2,733	2,699

ERV	Office	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	193	186	179
	--	202	195	188
	5.00%	212	205	197

## Hungary

ERV	Industry	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	581	570	565
	--	597	589	581
	5.00%	619	611	600

ERV	Office	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	4,520	4,442	4,372
	--	4,723	4,645	4,572
	5.00%	4,928	4,847	4,766

ERV	Retail	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	951	929	908
	--	997	975	954
	5.00%	1,043	1,019	992

Rental growth	Hospitality	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	1,258	1,213	1,164
	--	1,223	1,173	1,133
	5.00%	1,184	1,142	1,102

## Poland

ERV	Retail	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	561	544	531
	--	591	574	558
	5.00%	621	602	588

Rental growth	Hospitality	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	576	554	532
	--	554	532	513
	5.00%	532	513	494

ERV	Office	Yield		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	1,367	1,348	1,329
	--	1,443	1,424	1,405
	5.00%	1,519	1,497	1,475

## Russia

Rental growth	Hospitality	Discount Rate		
	(MCZK)	(0.25%)	--	0.25%
	(5.00%)	748	724	700
	--	724	700	678
	5.00%	703	678	657

**31 December 2015**

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

**Change in yield**

2015	Current average yield*	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 25 bp in yield	6.83%	53,230,815	7.08%	51,336,036	1,894,779

\* current average yield was calculated based on adjusted (annualized) rental income to reflect the acquisitions of subsidiaries in 2015.

**Change in income**

2015	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
Industry and logistics	299,312	3,676,288	329,243	4,043,917	367,629
Office	1,478,924	23,492,302	1,626,816	25,841,532	2,349,230
Retail	1,858,921	26,062,225	2,044,813	28,668,448	2,606,223
<b>Increase by 10% in income</b>	<b>3,637,157</b>	<b>53,230,815</b>	<b>4,000,872</b>	<b>58,553,897</b>	<b>5,323,082</b>

The tables below presents the sensitivity of profit or loss before tax as at 31 December 2015 due to changes in assumptions used for the valuation of the residential portfolio:

2015	Current average yield	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
	6.62%	7,455,728	6.87%	7,184,264	(271,464)

2015	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
	493,287	7,455,728	542,616	8,201,301	745,573

## 8 Contingencies and Litigations

The Group does not have in evidence any contingent liabilities. No legal proceeding is active the result of which would influence consolidated financial statements and the Group is not aware about any potential enter upon the law-suit.

## 9 Capital and other commitments

### Capital commitments

The Group has capital commitments of CZK 557.2 million in respect of capital expenditures contracted for at the date of the statement of financial statements (CZK 83.7 million in 2015). There are no other commitments except as disclosed above.

## 10 Related party transactions

The Group has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholder and companies in which these parties held controlling or significant influence or are joint ventures.

### Key management personnel and members of Board of Directors

The remuneration of key management personnel and members of Board of Directors are summarized in following table.

	2016	2015
Remuneration paid to key management personnel and members of Board of Directors	10,418	14,980
<b>Total remuneration</b>	<b>10,418</b>	<b>14,980</b>

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

Balances at	31 December 2016	31 December 2015
Loans provided	9,688	2,378
Trade receivables	1	73
Other receivables	244	164
Impairment of other receivables	(145)	--
<b>Transaction</b>		
Interest income and other revenues	313	164
Other revenues	37	--
Legal services	950	--
Other costs	469	--
Revenues from sale of goods and merchandise	--	3,646

Other related parties		
Entities over which the sole shareholder has control		
Balances at	31 December 2016	31 December 2015
Trade receivables	--	2
<b>Transaction</b>		
Advisory and accounting services	56	--
Interest income	25	--
Other costs	172	--

<b>Other related parties</b>		
<b>Entities over which the sole shareholder has significant influence</b>		
<b>Balance at</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables	--	19,356
Trade payables	--	23,583
<b>Transaction</b>		
Service charge income	--	1,392
Rental Income	--	2,525
Advisory and accounting services	--	34,362
Other related property expenses	--	178
Accounting and other service (based on mandate contracts)	--	245
<b>Close family members/entities controlled by close family members</b>		
<b>Balance at</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables	--	15
Interest income	--	95,355
Advisory and accounting services	6	--
<b>Entities controlled by members of Board of Directors</b>		
<b>Balance at</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables	213	143,188
Other receivables	1,392	--
Advances received	--	29,939
Trade payables	6,104	44,174
Loans provided	105,241	--
Loans received	19,007	--
Impairment of trade receivables and other receivables	(109)	--
Impairment of loans	(943)	--
<b>Transaction</b>		
Interest income on loans	3,586	--
Interest expenses	549	--
Advisory and accounting services	861	--
Proceeds from sale of subsidiaries	1,147,638	--
Dividend income	88,499	--
Impairments	454	--
Material consumption	--	23
Other property related expenses	--	1,060
Audit, tax and advisory services	--	208
Taxes and fees	--	1
Rental income and other services	--	404,478
<b>CPI PROPERTY GROUP</b>		
<b>Balance at</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Loans provided	13,949,715	3,808,901
Loans received	5,519,862	78,958
Other receivables	327,902	338,161
Other payables	829,588	--
Trade receivables	223,917	271,350
Trade payables	2,190,184	268,928
Other payables	--	829,741
Advances received	4,175	--
Bills of exchange	840,216	135,269
<b>Transaction*</b>		
Interest income	307,675	317,529
Interest expense	49,841	12,605
Interest expense on bonds issued	--	76,617
Other financial income	--	112
Other revenues	943	--
Services charge expenses	13,322	--
Advisory and accounting services	452,828	392,612
Accounting and other services	528,035	382,338
<b>Major shareholder of CPI PG</b>		
<b>Balance at</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Loans provided	463,814	187,138
Trade receivables	50	1
Trade payables	--	10
Other payables	11,219	11,221
<b>Transaction</b>		
Interest income and other revenues	8,575	13,459
Revenue from goods and merchandise	--	70,245

\*Transactions with CPI PROPERTY GROUP include transactions with OPG for the whole year 2016

## **Main selected transactions with other related parties**

### **Transactions with Orco Property Group (“OPG”)**

#### **Management Fees**

CPI Property, s.r.o. has provided property management services to certain entities of OPG Group in the Czech Republic. The value of such services amounted to CZK 0.02 million for 2016 (CZK 0.2 million for 2015).

From 1 July 2014, the Group provides outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain entities of OPG in the Czech Republic. The value of such services amounted to CZK 28.4 million in 2016 (CZK 40.9 million in 2015).

In addition, OPG began providing management and consultancy services to the Group in total value of CZK 98.1 million for 2016.

#### **Acquisition of subsidiaries**

As at 30 November 2016, the Group acquired Na Poříčí a.s. and OFFICE CENTER HRADČANSKÁ, a.s. (note 3.2) from OPG. Total consideration paid by the Company for these 100% stakes amounts to CZK 373.9 million and was fully paid in cash. Since both entities were acquired from entity controlled by major shareholder of CPI PG, the acquisitions are accounted for as a common control transactions.

#### **Disposal of subsidiaries**

On 30 November 2016 the Group sold its 100% stakes in seven subsidiaries domiciled in Czech Republic and also 90% stake in CPI South, a.s. to OPG. Total consideration received in cash amount to CZK 1,390.3 million. Net identifiable assets of subsidiaries disposed of was CZK 1,390.3 million.

#### **Loans provided**

During 2016 the Group provided several loans to OPG. These loans bear fixed interest between 3 % to 6 % p.a. and are denominated in CZK or EUR. Short term loans as at 31 December 2016 amount to CZK 369.6 million (principal and accrued interest). The long term loans mature between 2019 and 2030 and the total outstanding amount as at 31 December 2016 amount to CZK 3,360 million.

#### **Financial debts (loans received)**

In December 2016 the Group received 34 loans from OPG. These loans, which bear interest between 6% to 10 % p.a., are denominated in CZK and EUR and mature between 2019 and 2030. Total outstanding balance of these loans (including unpaid interest) represents CZK 3,889 million as at 31 December 2016.

#### **Assets acquisitions**

At the end of 2015, the Group purchased a land plot in total area of 10,000 square meters in Březiněves, Prague from OPG in acquisition price of CZK 14.3 million.

## **Transactions with CPI PG**

### **Management Fees**

The Group both provides and obtains management services to/from CPI PG.

Services in the amount of CZK 529.4 million (in 2015 CZK 382.7 million) were provided by CPI PG to certain SPV's within the Group (note 5.11).

The management fee invoiced to CPI PG for management services by the Group in 2016 amounted to CZK 418.8 million (CZK 385.9 million in 2015).

### **Loan provided**

The Company provides two loans to CPI PG. First loan was provided by the Company in 2014 up to the amount of EUR 30 million. Loan bears interest of 4 % p.a. and is due on 31 December 2019. The outstanding amount as at 31 December 2016 amounts to CZK 6,196.9 million.

In 2015, CPI PG was provided by the Company with second loan bearing fixed interest of 5.25 % p.a. Loan matures on 31 December 2017. The outstanding amount as at 31 December 2016 amounts to CZK 3,779.2 million.

## 11 Events after the reporting period

### 11.1 Acquired subsidiaries

On 7 March 2017, the Group acquired Rezidence Masarykova 36, company owning Hotel Vladimír in Ústí nad Labem. The operation of this hotel will be secured by CPI Hotels a.s., operator of the majority of the Group's hospitality portfolio.

On 27 March 2017, the Group successfully acquired the high-quality retail portfolio of predominantly 11 shopping centres located in the Czech Republic, Hungary, Poland and Romania with a total leasable area of approximately 265 thousand sqm from two funds managed by CBRE Global Investors. The acquired portfolio consists of (i) major shopping centres Olympia Plzeň and Nisa Liberec in the Czech Republic, Ogrody in Poland, Polus and Campona in Hungary and Felicia in Romania; (ii) multifunctional complexes Zlatý Anděl in Prague and Andrásy Complex in Budapest; and (iii) two Interspar stores in Hungary.

The bank financing has been arranged through several loans at a total of EUR 440 million (app. CZK 11,890 million), with Company providing the remaining amount from its own funds. In the Czech Republic, financing has been provided by a bank syndicate composed of Helaba and ČSOB; in Poland, solely provided by Helaba; in Hungary by UniCredit Bank, Raiffeisenbank and Sberbank; and in Romania by HypoNoe Bank. ČSOB was also covering the whole transaction as the escrow agent.

### 11.2 Disposal of subsidiaries

The sale of hotel Rhea (note 6.12) was completed on 9 February 2017.

On 28 February 2017, the Group sold Lozorno Logistics Park, located outside of Bratislava, comprising of 5 halls with total rentable space reaching up to 118,000 square meters. No gain or loss was recognized as a result of disposal.

On 7 March 2017 the Company disposed of the Purkynova office building located in Brno, Czech Republic. The modern building with an area exceeding 11,300 sqm was sold in a share deal transaction. The Company decided to proceed with this disposal since it considered Purkynova office building as a non-core asset. No gain or loss was recognized as a result of disposal.

Prague, 28 April 2017



**Zdeněk Havelka**

Chairman of the Board of Directors

## APPENDIX I – LIST OF GROUP ENTITIES

### Subsidiaries fully consolidated

Company	Country	31 December 2016	31 December 2015
ABLON sp. z o.o.	Poland	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City Phase B Kft.	Hungary	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Arena Corner Kft. (1)	Hungary	100.00%	100.00%
Arkáda Prostějov, s.r.o.	Czech Republic	100.00%	100.00%
Avacero Ltd.	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Delta, a.s.	Czech Republic	--	100.00%
BAYTON Gama, a.s.	Czech Republic	86.54%	86.54%
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Bright Site Kft.	Hungary	--	100.00%
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Budaörs Office Park Kft.	Hungary	100.00%	100.00%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	--	100.00%
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	--	100.00%
Central Tower 81 Sp. z o.o.	Poland	100.00%	100.00%
Codiazella Ltd.	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Facility, a.s.	Czech Republic	100.00%	100.00%
CPI - Horoměřice, a.s.	Czech Republic	86.54%	--
CPI - Krásné Březno, a.s.	Czech Republic	--	99.96%
CPI - Land Development, a.s.	Czech Republic	--	100.00%
CPI - Orlová, a.s.	Czech Republic	100.00%	100.00%
CPI - Real Estate, a.s. (2)	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI City Center ÚL, a.s.	Czech Republic	--	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o.	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI Finance (BVI) Limited	British Virgin Islands	100.00%	100.00%
CPI Finance Ireland Limited	Ireland	100.00%	100.00%
CPI Finance Ireland II Limited	Ireland	100.00%	--
CPI Finance Ireland III Limited	Ireland	100.00%	100.00%
CPI Finance Netherlands B.V.	Netherlands	100.00%	100.00%
CPI Finance Netherlands II, B. V.	Netherlands	100.00%	--
CPI Finance Netherlands III, B. V.	Netherlands	100.00%	100.00%
CPI Finance Slovakia, a.s.	Slovak Republic	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Heli, s.r.o.	Czech Republic	100.00%	100.00%
CPI Hotels Hungary Kft.	Hungary	100.00%	--
CPI HOTELS POLAND Sp. z o.o.	Poland	100.00%	--
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Slovakia, a.s.	Slovak Republic	100.00%	--
CPI Hotels, a.s.	Czech Republic	100.00%	--
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.96%	99.96%
CPI PG Management, S.á r.l	Luxembourg	100.00%	100.00%
CPI Poland Sp. Z o.o.	Poland	100.00%	100.00%
CPI Property, s.r.o.	Czech Republic	100.00%	100.00%
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Residential, a.s.	Czech Republic	100.00%	--
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio Holding Kft.	Hungary	100.00%	--
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retails Brandýs, s.r.o.	Czech Republic	100.00%	--
CPI Retails FIVE, a.s.	Slovak Republic	--	100.00%
CPI Retails FOUR, a. s.	Slovak Republic	--	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails ROSA s.r.o.	Slovak Republic	100.00%	--
CPI Retails THREE, a.s. (3)	Slovak Republic	100.00%	100.00%
CPI Retails Třinec, a.s.	Czech Republic	100.00%	--
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Rhea, s.r.o. (2)	Czech Republic	100.00%	--
CPI Romania S.R.L.	Romania	100.00%	100.00%
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplce, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	10.00%	100.00%
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
CURITIBA a.s.	Czech Republic	--	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	100.00%
Český Těšín Property Development, a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	100.00%	100.00%
Diana Development Sp. Z o.o.	Poland	100.00%	100.00%
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	99.96%
EMH North, s.r.o.	Czech Republic	100.00%	100.00%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
EMH West, s.r.o.	Czech Republic	100.00%	100.00%
Endurance Hospitality Asset S.á r.l.	Luxembourg	100.00%	100.00%
Endurance Hospitality Finance S.á r.l.	Luxembourg	100.00%	100.00%
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%

Company	Country	31 December 2016	31 December 2015
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Europeum Kft.	Hungary	100.00%	100.00%
Farhan, a.s.	Czech Republic	100.00%	100.00%
First Site Kft.	Hungary	100.00%	100.00%
FL Property Development, a.s.	Czech Republic	100.00%	100.00%
Fogarasi 3 BC Kft.	Hungary	100.00%	100.00%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
Gerosa - JMB, a.s.	Czech Republic	--	100.00%
GLOBAL INVESTMENT Kft.	Hungary	100.00%	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
Hospitality Invest S.à r.l.	Luxembourg	100.00%	100.00%
Hotel Andrássy Zrt. (4)	Hungary	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	--
Hotel Pokrovka , org. Unit	Russia	100.00%	100.00%
Hotel Rosslyn Kft.	Hungary	--	100.00%
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Insite Kft.	Hungary	100.00%	100.00%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
Janáčkovo nábreží 15, s.r.o.	Czech Republic	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
Jetřichovice Property, a.s.	Czech Republic	86.54%	--
JMB Lambda, s.r.o.	Czech Republic	--	100.00%
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	--	100.00%
Kerina, a.s.	Czech Republic	100.00%	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
LE REGINA WARSAW Sp. Z.o.o. (5)	Poland	100.00%	100.00%
Lerigos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
Levice Property Development, a.s. (6)	Slovak Republic	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Lucemburská 46, a.s.	Czech Republic	100.00%	100.00%
M3 BC Kft.	Hungary	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s. (7)	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s. (8)	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s. (9)	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L	Romania	88.00%	88.00%
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%
MMR Russia S.à r.l	Luxembourg	100.00%	100.00%
Modřanská Property, a.s.	Czech Republic	100.00%	100.00%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
Na Poříčí, a.s.	Czech Republic	100.00%	--
NERONTA, a. s.	Slovak Republic	100.00%	100.00%
New Age Kft.	Hungary	100.00%	100.00%
New Field Kft.	Hungary	100.00%	100.00%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
Obchodní a společenské centrum České Budějovice, s.r.o.	Czech Republic	100.00%	--

Company	Country	31 December 2016	31 December 2015
OC Nová Zdobov a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	100.00%	--
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%
Office Center Purkyňova, a.s. (8)	Czech Republic	100.00%	--
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
Orco Hotel Development Sp. z o.o.	Poland	100.00%	100.00%
ORCO Hotel Management Kft.	Hungary	100.00%	100.00%
Orco Hotel Project Sp. z o.o.	Poland	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Ozrics, Kft.	Hungary	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
Platněřská 10 s.r.o.	Czech Republic	100.00%	100.00%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prague Property Development, s.r.o.	Czech Republic	--	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
Projekt Nisa, s.r.o.	Czech Republic	100.00%	--
Projekt Zlatý Anděl, s.r.o.	Czech Republic	100.00%	--
Prosta 69 Sp. Z o.o.	Poland	100.00%	100.00%
Přibor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
QW Czech, s.r.o.	Czech Republic	100.00%	--
Quadrio Residence, s.r.o.	Czech Republic	100.00%	100.00%
R40 Real Estate Kft.	Hungary	100.00%	100.00%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
SASHKA LIMITED	Cyprus	100.00%	100.00%
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Shopinvest a.s.	Czech Republic	100.00%	--
Spišská Nová Ves Property Development, a.s. (10)	Slovak Republic	100.00%	100.00%
ST Project Limited	Guernsey	100.00%	100.00%
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	--	100.00%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	--	100.00%
Szolgáltatoház Kft.	Hungary	100.00%	100.00%
Tarnów Property Development sp. z o.o.	Poland	100.00%	--
Telč Property Development, a.s.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Trutnov Property Development, a.s.	Czech Republic	100.00%	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	100.00%	100.00%
Týniště Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Tyršova 6, a.s.	Czech Republic	100.00%	100.00%
U svatého Michala, a.s.	Czech Republic	100.00%	100.00%
VERETIX a.s.	Czech Republic	--	100.00%
Vigano, a.s.	Czech Republic	100.00%	100.00%
VM Property Development, a.s.	Czech Republic	100.00%	100.00%
Volanti Ltd.	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Žďár Property Development, a.s.	Czech Republic	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

- 1) ACGATE Kft. changed its name to Arena Corner Kft. with effective date of 14 January 2016.
- 2) On 9 August 2016, CPI – Real Estate, a.s. demerged resulting into establishment of two new companies – CPI Rhea, s.r.o. and CPI Luna, s.r.o. Part of the portfolio of CPI – Real Estate, a.s. has been transferred to newly established companies. On 30 September 2016, subsidiary CPI Luna, s.r.o. was sold to a third party.

- 3) CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. has merged with CPI Retails THREE, a.s. (the „successor company“) with the effective date of 12 November 2016. All assets and liabilities of CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. passed to the successor company.
- 4) Orco Hotel, Zrt. changed its name to Hotel Andrassy Zrt. with the effective date of 26 October 2016.
- 5) Orco Warsaw Sp. z o.o. changed its name to LE REGINA WARSAW Sp. z o.o. with the effective date of 3 June 2016.
- 6) Zvolen Property Development, a.s. changed its name to Levice Property Development, a.s. with the effective date of 3 August 2016.
- 7) Gerossa – JMB, a.s. and JMB Lambda, s.r.o. has merged with Marissa Omikrón, a.s. (the „successor company“) with the effective date of 11 October 2016. All assets and liabilities of Gerossa – JMB, a.s. and JMB Lambda, s.r.o. passed to the successor company.
- 8) Marissa West, a.s. demerged on 9 August 2016. Two new companies - Regionální portfolio, a.s. and Office Center Purkyňova, a.s. – were established on 9 August 2016. Part of the portfolio of Marissa West, a.s. has been transferred to newly established companies. On 30 September 2016, subsidiary Regionální portfolio, a.s. was sold to a third party.
- 9) Bondy Centrum s.r.o. has merged with Marissa Ypsilon, a.s. (the "successor company“) with the effective date of 31 December 2016. Bondy Centrum s.r.o. was acquired as at 1 February 2016 (note 3.2). All assets and liabilities of Bondy Centrum s.r.o. passed to the successor company.
- 10) Ružomberok Property Development, a.s. changed its name to Spišská Nová Ves Property Development, a.s. with the effective date of 3 August 2016.

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# Czech Property Investments, a.s.

## **FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016**

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

## STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2016	2015
Gross rental revenue	4.1	6,680	13,944
Service revenue	4.1	16,907	16,845
Property operating expenses	4.2	(319)	(13)
<b>Net rental income</b>		<b>23,268</b>	<b>30,776</b>
Total revenues		23,587	30,789
Total direct business operating expenses		(319)	(13)
<b>Net business income</b>		<b>23,268</b>	<b>30,776</b>
Net gain/(loss) on disposal of subsidiaries and investees	4.3	(395,732)	195,731
Amortization, depreciation and impairments	4.4	(201,253)	(144,813)
Other operating income	4.5	618	12,815
Administrative expenses	4.6	(24,640)	(28,284)
Other operating expenses	4.7	(2,640)	(645)
<b>Operating result</b>		<b>(600,379)</b>	<b>65,580</b>
Interest income	4.8	579,065	1,334,185
Interest expense	4.9	(809,391)	(1,901,163)
Other net financial result	4.10	419,870	1,110,635
<b>Net finance income</b>		<b>189,544</b>	<b>543,657</b>
<b>Profit / (Loss) before income tax</b>		<b>(410,835)</b>	<b>609,237</b>
Income tax expense / (benefit)	4.11	1,039	90,617
<b>Net profit / (Loss) from continuing operations</b>		<b>(409,796)</b>	<b>699,854</b>
Other comprehensive income for the period, net of tax		--	--
<b>Total comprehensive income for the period</b>		<b>(409,796)</b>	<b>699,854</b>
<b>Profit / (loss) attributable to:</b>			
<b>Non controlling interests</b>			
Owners of the Company		(409,796)	699,854
<b>Profit / (loss) for the period</b>		<b>(409,796)</b>	<b>699,854</b>
<b>Total comprehensive income attributable to:</b>			
<b>Non controlling interests</b>		--	--
Owners of the Company		(409,796)	699,854
<b>Total comprehensive income for the period</b>		<b>(409,796)</b>	<b>699,854</b>
<b>Earnings per share</b>			
	5.10		
<b>Basic earnings in CZK per share</b>		<b>(52.99)</b>	<b>90.49</b>
<b>Diluted earnings in CZK per share</b>		<b>(52.99)</b>	<b>90.49</b>

## STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries and jointly controlled entities	3.1	26,309,531	19,658,185
Intangible assets and goodwill	5.1	90	171
Property, plant and equipment	5.2	126	1,551
Available-for-sale financial assets	5.3	16,759	11,746
Financial assets at fair value through profit or loss	5.4	--	30,403
Loans provided	5.5	13,771,370	4,831,881
Trade and other receivables	5.6	--	3,418
Deferred tax asset		11,552	--
<b>Total non-current assets</b>		<b>40,109,428</b>	<b>24,537,355</b>
<b>CURRENT ASSETS</b>			
Current income tax receivables		1,043	180
Trade receivables	5.6	4,820	37,180
Available-for-sale financial assets	5.3	--	37,159
Loans provided	5.5	4,883,924	6,552,332
Cash and cash equivalents	5.7	2,777,814	625,139
Other financial current assets	5.8	3,633,499	3,010,928
Other non-financial current assets	5.9	38,020	15,005
<b>Total current assets</b>		<b>11,339,120</b>	<b>10,277,923</b>
<b>TOTAL ASSETS</b>		<b>51,448,548</b>	<b>34,815,278</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company	5.10	23,247,191	22,346,987
Non controlling interests		--	--
<b>Total equity</b>		<b>23,247,191</b>	<b>22,346,987</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	5.11	8,119,331	5,250,578
Financial debts	5.12	11,968,068	3,705,894
Deferred tax liabilities	4.11	--	412
Other non – current liabilities	5.13	66,996	--
<b>Total non-current liabilities</b>		<b>20,154,395</b>	<b>8,956,884</b>
<b>CURRENT LIABILITIES</b>			
Current bonds	5.11	86,295	1,350,719
Financial debts	5.12	3,067,658	1,622,236
Trade payables		17,360	16,538
Advance payments	5.14	8,051	109,916
Other financial current liabilities	5.15	4,867,598	411,998
<b>Total current liabilities</b>		<b>8,046,962</b>	<b>3,511,407</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,448,548</b>	<b>34,815,278</b>

## STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,600,985</b>	<b>10,427,128</b>	<b>3,567,276</b>	<b>22,346,987</b>		<b>22,346,987</b>
Comprehensive income for the period											
<i>Loss for the period</i>		--	--	--	--	--	--	(409,796)	(409,796)		(409,796)
<i>Total other comprehensive income</i>		--	--	--	--	--	--	--	--	--	--
<b>Total comprehensive income for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(409,796)</b>	<b>(409,796)</b>		<b>(409,796)</b>
<i>Contributions by and distributions to owners of the Company</i>											
Owner's contribution	5.10	--	--	--	--	--	1,310,000		1,310,000		1,310,000
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,310,000</b>		<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>
<i>Changes in ownership interests in subsidiaries</i>		--	--	--	--	--	--	--	--	--	--
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,310,000</b>		<b>1,310,000</b>	<b>--</b>	<b>1,310,000</b>
<b>Other movements</b>											
Effect resulting from non-interest loans provided from subsidiaries		--	--	--	--	--	--	--	--	--	--
<b>Total other movements</b>						--	--		--	--	--
<b>Balance at 31 December 2016</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,600,985</b>	<b>11,737,128</b>	<b>3,157,480</b>	<b>23,247,191</b>	<b>--</b>	<b>23,247,191</b>

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,600,985</b>	<b>10,427,128</b>	<b>2,867,422</b>	<b>21,647,133</b>	<b>--</b>	<b>21,647,133</b>
Comprehensive income for the period											
<i>Profit for the period</i>		--	--	--	--	--	--	699,854	699,854	--	699,854
<i>Total other comprehensive income</i>		--	--	--	--	--	--	--	--	--	--
<b>Total comprehensive income for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>699,854</b>	<b>699,854</b>	<b>--</b>	<b>699,854</b>
<i>Contributions by and distributions to owners of the Company</i>											
Owner's contribution		--	--	--	--	--	--	--	--	--	--
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>Changes in ownership interests in subsidiaries</i>		--	--	--	--	--	--	--	--	--	--
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Other movements</b>											
Effect resulting from non-interest loans provided from subsidiaries		--	--	--	--	--	--	--	--	--	--
<b>Total other movements</b>						--	--		--	--	--
<b>Balance at 31 December 2015</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,600,985</b>	<b>10,427,128</b>	<b>3,567,276</b>	<b>22,346,987</b>	<b>--</b>	<b>22,346,987</b>

## CASH FLOW STATEMENT

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

	Note	31 December 2016	31 December 2015
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>(410,835)</b>	<b>609,237</b>
<i>Adjusted by:</i>			
Depreciation / amortisation of tangible and intangible assets	4.4	302	701
Impairment of assets	4.4	200,951	144,112
Gain on the disposal of investments in subsidiaries	4.3	395,732	(195,731)
Net finance costs	4.8, 4.9	(195,061)	(543,657)
Exchange rate differences		(620)	(138,059)
Other – non cash adjustments		53,660	--
<b>Profit before changes in working capital and provisions</b>		<b>44,129</b>	<b>(123,394)</b>
(Increase) / Decrease in receivables		(6,920,416)	429,815
(Increase)/ Decrease in liabilities		7,928,292	(663,938)
Income tax paid		(11,789)	(2,929)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>1,040,216</b>	<b>(360,446)</b>
Acquisition of investment in subsidiaries		(2,044,566)	(557,610)
Proceeds from sale of property, plant and equipment		1,205	157
Proceeds from disposals of subsidiaries, net of cash disposed		1,657,067	436,169
Acquisition of available-for-sale financial assets		34,173	(2,882,084)
Loans provided	5.5	(11,070,444)	(25,546,957)
Loans repaid		3,896,851	19,779,571
Dividends received		(295,988)	1,146,067
Interest received		341,499	314,813
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(7,480,203)</b>	<b>3,113,915</b>
Proceeds from bonds issued	5.11	4,847,329	1,500,000
Repayment of bonds issued		(3,193,802)	(5,486,979)
Interest paid		(845,064)	(2,019,596)
Drawings of loans and borrowings		9,928,510	16,670,777
Repayments of loans and borrowings		(2,144,642)	(11,044,117)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>8,592,331</b>	<b>(3,379,915)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>2,152,346</b>	<b>484,537</b>
Cash and cash equivalents at the beginning of the year		625,139	142,569
Effect of movements in exchange rates on cash held		329	(1,967)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>2,777,814</b>	<b>625,139</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Czech Property Investments, a.s. (hereinafter also the „Company“) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established on 17 December 1991 and is registered in the Commercial register kept by the Municipal Court in Prague. The registration number of the Company is 427 16 161.

The address of its registered office is Vladislavova 1390/17, Praha 1, 110 00.

### Principal activities

The Company, through its subsidiaries and joint ventures, rents and manages its investment property portfolio composed of office buildings, retail parks, logistics parks, hotels and residential premises as well as develops real estate projects.

### Description of ownership structure

The sole shareholder of the Company is CPI PROPERTY GROUP (formerly named ORCO Germany S.A. and GSG GROUP respectively, hereinafter also “CPI PG”). CPI PG is a real estate group founded in 2004. Since its foundation it has been operating in Germany and concentrates on commercial property, project development and asset management. The Group focuses on investment properties, realizes development potentials and offers full-service asset management for third parties.

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

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

### Management

#### Board of Directors

##### Board of Directors as at 31 December 2016

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Martin Němeček, since 29 April 2016

##### Board of Directors as at 31 December 2015

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Kristína Magdolenová, since 15 February 2014

#### Supervisory Board

##### Supervisory Board as at 31 December 2016

###### *Member*

Milan Trněný, since 5 June 2014

##### Supervisory Board as at 31 December 2015

###### *Member*

Milan Trněný, since 5 June 2014

### **The management**

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

### **Employees**

The Company does not employ any employees at 31 December 2016 (at 31 December 2015 – 0 employees).

## 2 Basis of preparation and significant accounting policies

### 2.1 Basis of preparation of financial statements

#### (a) Statement of compliance

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

The Company has not prepared an annual report as at 31 December 2016, as it plans to include the respective information in the consolidated annual report.

The financial statements were authorized for issue by the Board of Directors on 28 April 2017.

#### (b) New standards

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

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

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

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

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

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

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

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

- IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' face are amended as follows:
  - *"Revenue-based depreciation banned for property, plant and equipment"* means that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  - *"New restrictive test for intangible assets"* deals with a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the

consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

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

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

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

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

#### **New standards and interpretations not yet adopted**

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

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

periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

- IAS 12 'Income Taxes' amendments deals with the clarification of accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The entities would have to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. The amendment was not yet endorsed by EU. The Company is yet to assess IAS 12's full impact.
- IFRS 16, 'Leases' effective for reporting periods ending 31 December 2019 (standard not yet endorsed by EU) will replace the actual IAS 17 'Leases'. Under IFRS 16, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. There will be a single, on-balance model for both finance and operating leases. The Company is currently assessing the impact of IFRS 16

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

The Company refers to the endorsement status of the new IFRS standards and amendments to standards and interpretations as they are published by the European Union ([http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)).

#### **(c) Basis of measurement**

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

- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration assumed in a business combinations is measured at fair value.

#### **(d) Functional and presentation currency**

These financial statements are presented in Czech Crowns, which is the Company's functional currency. All financial information presented in Czech Crowns (CZK) has been rounded to the nearest thousand (TCZK), except when otherwise indicated.

#### **(e) Use of estimates and judgements**

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

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

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

- Note 2.2(c) – Lease classification

- Note 8 – Contingent consideration

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 5.5 and 5.10 – Amortisation of interest free loan
- Note 3.1 and 4.4 – Valuation of investment in subsidiaries

## **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 financial statements.

### **(a) Foreign currency**

#### **(i) Foreign currency transactions**

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

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

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

### **(b) Investments in subsidiaries, jointly controlled entities and associates**

A subsidiary is an entity controlled by the parent company. An investor controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over that investee.

### **(c) Leased assets**

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

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

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

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

#### **(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(g)).

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 Company. Ongoing repairs and maintenance is expensed as incurred.

##### **(iv) Depreciation**

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

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

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

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

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

#### **(e) Intangible assets**

##### **(i) Recognition and measurement**

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

##### **(ii) Subsequent expenditure**

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

##### **(iii) Amortisation**

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

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

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

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

#### **(f) 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 Company 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 Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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(g)).

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 Company'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 Company 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(g)).

### **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 Company 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 Company'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.

### **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(g)).

Held-to-maturity financial assets comprise bonds.

### **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(g)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Available-for-sale financial assets comprise equity securities.

### **(ii) Non-derivative financial liabilities**

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

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

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

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

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

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

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

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

#### **(g) Impairment**

##### **(i) Non - financial assets and investments in subsidiaries, jointly controlled entities and associates**

The carrying amounts of the Company's investments in subsidiaries, jointly controlled entities and associates and non-financial assets, other than investment property, 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. Indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into 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.

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.

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

(ii) 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 Company on terms that the Company 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 Company 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 Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

**Available-for-sale financial assets**

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

**(h) Provisions**

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

**(i) Contingent liability**

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

**(j) Guaranties provided**

In the normal course of business, the Company entities may enter into credit related commitments which are accounted for in accounts outside of the statement of financial position. These commitments primarily include financial guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Company refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

**(k) Revenue**

**(i) Rental revenue**

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

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

**(ii) Service charges and expenses recoverable from tenants**

Service charges and expenses recoverable from tenants are presented net in the statement of comprehensive income and disclosed separately in the notes to the 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 investments in subsidiaries, jointly controlled entities and associates, investment property and trading property**

Revenue from the sale of investments in subsidiaries, jointly controlled entities and associates, investment property and trading property is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably.

**(l) Expenses**

**(i) Service costs and property operating expenses**

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

(ii) Operating lease payments

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

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

(iii) Finance lease payments

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

**(m) 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 Copmany'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.

**(n) Income tax**

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Company 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.

#### **(o) Earnings per share**

The Company 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.

#### **(p) Segment reporting**

An operating segment is a component of the Company:

- 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 Company's other components
- whose operating results are regularly reviewed by the Company'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 Company'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 Company's operating and geographical segments. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Company's management and internal reporting structure.

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

The Company determinates its operations to the one segment – Investment Management. In respect of geographical segments, 100% (2015 - 100 %) of revenues are realized in the Czech Republic.

All non-financial assets are located in the Czech Republic.

#### **(q) Related parties**

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

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.

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).

### 3 Investment in subsidiaries and jointly controlled entities

#### 3.1 Investment in subsidiaries and jointly controlled entities at 31 December 2016

As at 31 December 2016 the Company undertakes control in 96 subsidiaries (at 31 December 2015 - 93 subsidiaries), further referred to as the “CPI Group” or “Group”.

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets	Share on equity
Balvinder, a.s.	100.00%	72,000	--	72,000	80,644	80,644
Baudry, a.s.	100.00%	533,804	--	533,804	543,465	543,465
BAYTON Alfa, a.s.	100.00%	183,217	--	183,217	209,655	209,655
BAYTON Gama, a.s.	86.54%	542,538	--	542,538	731,402	632,955
Beroun Property Development, a.s.	100.00%	53,000	--	53,000	154,133	154,133
Best Properties South, a.s.	100.00%	936,554	--	936,554	1,118,325	1,118,325
Brandýs Logistic, a.s.	100.00%	24,000	--	24,000	218,356	218,356
Březiněves, a.s.	100.00%	110,427	(66,545)	43,882	43,882	43,882
Carpenter Invest, a.s.	100.00%	125,558	--	125,558	142,073	142,073
Conradian, a.s.	100.00%	191,500	(163,590)	27,910	27,910	27,910
CPI - Bor, a.s.	100.00%	182,649	--	182,649	206,074	206,074
CPI - Facility, a.s.	100.00%	2,000	(1,114)	886	886	886
CPI - Orlová, a.s.	100.00%	30,000	(19,634)	10,366	10,366	10,366
CPI - Real Estate, a.s.	100.00%	26,763	--	26,763	306,799	306,799
CPI - Štupartská, a.s.	100.00%	101,000	(51,385)	49,615	49,615	49,615
CPI - Zbraslav, a.s.	100.00%	71,904	--	71,904	142,855	142,855
CPI Alfa, a.s.	100.00%	27,000	--	27,000	77,881	77,881
CPI Beta, a.s.	100.00%	2,000	--	2,000	4,281	4,281
CPI BYTY, a.s.	100.00%	184,767	--	184,767	3,669,327	3,669,327
CPI CYPRUS LIMITED	100.00%	1,848	(1,095)	753	753	753
CPI Delta, a.s.	100.00%	93,000	(16,205)	76,795	76,795	76,795
CPI East, s.r.o.	100.00%	200	(200)	--	(82)	(82)
CPI Epsilon, a.s.	100.00%	17,000	--	17,000	17,660	17,660
CPI Facility Slovakia, a.s.	100.00%	670	--	670	5,551	5,551
CPI Finance Ireland Limited	100.00%	9,001,500	(8,819)	8,992,681	8,992,681	8,992,681
CPI Finance Ireland II Limited	100.00%	1,999,850	--	1,999,850	2,003,826	2,003,826
CPI Finance Ireland III Limited	100.00%	2,000,000	(597)	1,999,403	1,999,403	1,999,403
CPI Finance Netherlands B.V.	100.00%	48,428	--	48,428	549,010	549,010
CPI Finance Netherlands II B.V.	100.00%	--	--	--	58,872	58,872
CPI Finance Netherlands III B.V.	100.00%	--	--	--	107,644	107,644
CPI Finance Slovakia, a.s.	100.00%	860	--	860	1,922	1,922
CPI Hotels, a.s.	100.00%	1,219,000	--	1,219,000	1,229,675	1,229,675
CPI Heli, s.r.o.	100.00%	46,200	(22,183)	24,017	24,017	24,017
CPI Hotels Properties, a.s.	100.00%	150,000	--	150,000	499,878	499,878
CPI Lambda, a.s.	100.00%	3,345,753	(83)	3,345,670	3,345,670	3,345,670
CPI Management, s.r.o.	100.00%	200	--	200	8,010	8,010
CPI Park Mlýnec, a.s.	100.00%	189,900	(73,023)	116,877	116,877	116,877
CPI PG Management, S.à.r.l.	100.00%	391,686	(391,686)	--	(280,450)	(280,450)
CPI Poland Sp. Z o.o.	100.00%	66	(66)	--	(1,135)	(1,135)
CPI Property, s.r.o.	100.00%	200	--	200	6,134	6,134
CPI Reality, a.s.	100.00%	(20,508)	--	(20,508)	887,160	887,160
CPI Residential, a.s.	100.00%	78,297	(20)	78,277	78,277	78,277
CPI Retail Portfolio Holding	100.00%	264	(50)	214	214	214
CPI Retails ONE, a.s.	100.00%	32,000	--	32,000	38,317	38,317
CPI Retails THREE, a.s.	100.00%	35,546	--	35,546	178,431	178,431
CPI Retails TWO, a.s.	100.00%	43,000	--	43,000	112,843	112,843
CPI Rhea, s.r.o.	100.00%	18,051	--	18,051	216,197	216,197
CPI Services, a.s.	100.00%	2,000	(2,000)	--	(10,253)	(10,253)
CPI West, s.r.o.	100.00%	200	--	200	606	606
Čáslav Investments, a.s.	100.00%	7,663	--	7,663	11,107	11,107
Družstvo Land	99.96%	934,026	--	934,026	1,161,328	1,160,863
EMH North, s.r.o.	100.00%	190,216	(67,224)	122,992	122,992	122,992
EMH South, s.r.o.	100.00%	41,216	--	41,216	74,859	74,859
EMH West, s.r.o.	100.00%	152,216	--	152,216	195,796	195,796
Endurance Hospitality Asset Sàrl	100.00%	--	--	--	30,884	30,884
Endurance Hospitality Finance Sàrl	100.00%	--	--	--	2,140,660	2,140,660
FL Property Development, a.s.	100.00%	12,000	--	12,000	19,843	19,843
GOMENDO LIMITED	100.00%	--	--	--	(1,177)	(1,177)
HD Investment s.r.o.	100.00%	2,300	(321)	1,979	1,979	1,979
Hospitality Invest Sàrl	100.00%	--	--	--	536,239	536,239
Hraničář, a.s.	100.00%	93,000	--	93,000	135,218	135,218
IGY2 CB, a.s.	100.00%	75,000	(29,768)	45,232	45,232	45,232
Jeseník Investments, a.s.	100.00%	11,000	(9,473)	1,527	1,527	1,527
JONVERO LIMITED	100.00%	28	--	28	30,162	30,162
Kerina, a.s.	100.00%	182,000	(94,199)	87,801	87,801	87,801
LD Praha, a.s.	100.00%	31,430	(3,698)	27,732	27,732	27,732
Malerba, a.s.	100.00%	431,120	--	431,120	2,406,707	2,406,707
Marissa Omikrón, a.s.	100.00%	262,091	(96,025)	166,066	166,066	166,066
Marissa Tau, a.s.	100.00%	47,091	--	47,091	79,215	79,215
Marissa Théta, a.s.	100.00%	82,121	--	82,121	82,373	82,373
Marissa Yellow, a.s.	100.00%	2,118	(2,118)	--	(22,879)	(22,879)
Marissa Ypsilon, a.s.	100.00%	60,120	(30,181)	29,939	29,939	29,939

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets	Share on equity
Marissa, a.s.	100.00%	1,865,690	(401,409)	1,464,281	1,464,281	1,464,281
MUXUM, a.s.	100.00%	258,326	--	258,326	300,611	300,611
Na Poříčí, a.s.	100.00%	289,935	--	289,935	368,422	368,422
OFFICE CENTER HRADČANSKÁ, a.s.	100.00%	84,021	--	84,021	86,710	86,710
Olomouc City Center, a.s.	100.00%	190,655	(92,147)	98,508	98,508	98,508
Olomouc Office, a.s.	100.00%	12,000	--	12,000	91,263	91,263
Pelhřimov Property Development, a.s.	100.00%	10,500	--	10,500	16,464	16,464
Projekt Nisa, s.r.o.	100.00%	200	(11)	189	189	189
Projekt Zlatý Anděl, s.r.o.	100.00%	200	--	200	200	200
Příbor Property Development, s. r.o.	100.00%	11,690	--	11,690	29,276	29,276
Statenice Property Development, a.s.	100.00%	232,115	(67,702)	164,413	164,413	164,413
Svitavy Property Alfa, a.s.	100.00%	30,000	--	30,000	47,688	47,688
TARNÓW PROPERTY DEVELOPMENT Sp. z o.o.	100.00%	26,481	(11,224)	15,257	15,257	15,257
Telč Property Development, a.s.	100.00%	13,500	(12,053)	1,447	1,447	1,447
Třinec Investments, s.r.o.	100.00%	6,700	--	6,700	37,250	37,250
Týniště Property Development, s.r.o.	100.00%	200	(200)	--	(343)	(343)
U svatého Michala, a.s.	100.00%	178,000	(43,489)	134,511	134,511	134,511
Vigano, a.s.	100.00%	382,000	(259,865)	122,135	122,135	122,135
VM Property Development, a.s.	100.00%	2,000	(2,000)	--	(5,655)	(5,655)
Vyškov Property Development, a.s.	100.00%	39,000	--	39,000	74,068	74,068
ZLATICO LIMITED	100.00%	26	(26)	--	(1,199)	(1,199)
Žďár Property Development, a.s.	100.00%	8,500	(7,929)	571	571	571
Ždírec Property Development, a.s.	100.00%	4,500	--	4,500	10,933	10,933
<b>Total</b>		<b>28,358,887</b>	<b>(2,049,356)</b>	<b>26,309,531</b>	<b>--</b>	<b>--</b>

## 3.2 Changes in investment in subsidiaries in 2016

### a) Acquisition of investment in subsidiaries and stakes in jointly controlled entities

During 2016, the Company has acquired the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
CPI Rhea, s.r.o.	demerged	100.00%	1 January 2016
CPI Luna, s.r.o.	demerged	100.00%	1 January 2016
CPI Finance Ireland II Limited	acquisition	100.00%	27 January 2016
CPI Finance Netherlands II B.V.	acquisition	100.00%	11 March 2016
Tarnów Property Development Sp. z o.o.	acquisition	100.00%	22 March 2016
Hraničář, a.s.	acquisition	100.00%	24 March 2016
HD Investment s.r.o.	acquisition	100.00%	31 May 2016
CPI Residential, a.s.	founded	100.00%	22 August 2016
CPI Hotels, a.s.	acquisition	100.00%	31 August 2016
Na Poříčí, a.s.	acquisition	100.00%	30 November 2016
OFFICE CENTER HRADČANSKÁ, a.s.	acquisition	100.00%	30 November 2016
CPI Retail Portfolio Holding Kft.	founded	100.00%	7 November 2016
Projekt Nisa, s.r.o.	founded	100.00%	19 December 2016
Projekt Zlatý Anděl, s.r.o.	founded	100.00%	19 December 2016
Bayton Alfa, a.s.	acquisition	100.00%	22 December 2016
LD Praha, a.s.	acquisition	100.00%	22 December 2016
Best Propertis South, a.s.	acquisition	100.00%	22 December 2016

### b) Disposal of investment in subsidiaries and stakes in jointly controlled entities

The following entities were disposed of in 2016:

Entity	Change	Share in %	Date of disposal/liquidation
CPI City Center ÚL, a.s.	disposal	100.00%	30 June 2016
Prague Property Development, s.r.o.	disposal	100.00%	30 June 2016
CPI Luna, s.r.o.	disposal	100.00%	30 September 2016
CURITIBA a.s.	disposal	100.00%	30 September 2016
VERETIX a.s.	disposal	100.00%	30 September 2016
BPT Development, a.s.	disposal	100.00%	1 October 2016
CPI Flats, a.s.	disposal	100.00%	1 October 2016
CPI South, s.r.o.	disposal	90.00%	30 November 2016
CPI - Land Development, a.s.	disposal	100.00%	30 November 2016
Strakonice Property Development, a.s.	disposal	100.00%	30 November 2016
Svitavy Property Development, a.s.	disposal	100.00%	30 November 2016
Karviná Property Development, a.s.	disposal	100.00%	30 November 2016
Camuzzi, a.s.	disposal	100.00%	30 November 2016

### c) Mergers of subsidiaries in 2016

CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. merged with CPI Retails THREE, a.s. (the “successor company”) with the effective date of 12 November 2016. All assets and liabilities of CPI Retails FOUR, a.s. and CPI Retails FIVE, a.s. passed to the successor company.

Gerosa – JMB, a.s. and JMB Lambda, s.r.o. merged with Marissa Omikrón, a.s. (the “successor company”) with the effective date of 11 October 2016. All assets and liabilities of Gerosa – JMB, a.s. and JMB Lambda, s.r.o. passed to the successor company.

Bondy Centrum s.r.o. has merged with Marissa Ypsilon, a.s. (the “successor company”) with the effective date of 31 December 2016. Bondy Centrum s.r.o. was acquired as at 1 February 2016. All assets and liabilities of Bondy Centrum s.r.o. passed to the successor company.

On 9 August 2016, CPI – Real Estate, a.s. demerged resulting into establishment of two new companies – CPI Rhea, s.r.o. and CPI Luna, s.r.o. Part of the portfolio of CPI – Real Estate, a.s. has been transferred to newly established companies. On 30 September 2016, subsidiary CPI Luna, s.r.o. was sold to a third party.

## 3.3 Investments in subsidiaries and jointly controlled entities at 31 December 2015

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets	Share on equity
Balvinder, a.s.	100.00%	72,000	(18,117)	53,883	53,883	53,883
Baudry, a.s.	100.00%	579,804	(1,160)	578,644	578,644	578,644
BAYTON Gama, a.s.	86.54%	542,538	--	542,538	709,663	614,142
Beroun Property Development, a.s.	100.00%	53,000	--	53,000	118,206	118,206
BPT Development, a.s.	100.00%	2,230	(2,230)	--	(29,077)	(29,077)
Brandýs Logistic, a.s.	100.00%	24,000	--	24,000	219,127	219,127
Březiněves, a.s.	100.00%	110,427	(73,755)	36,672	36,672	36,672
Camuzzi, a.s.	100.00%	42,000	--	42,000	61,567	61,567
Carpenter Invest, a.s.	100.00%	125,558	(10,104)	115,454	115,454	115,454
Conradian, a.s.	100.00%	191,500	(161,908)	29,592	29,592	29,592
CPI - Bor, a.s.	100.00%	182,649	--	182,649	190,200	190,200
CPI - Facility, a.s.	100.00%	2,000	(2,000)	--	(10,565)	(10,565)
CPI - Land Development, a.s.	100.00%	1,500,000	(167,076)	1,332,924	1,332,924	1,332,924
CPI - Orlová, a.s.	100.00%	30,000	(17,585)	12,415	12,415	12,415
CPI - Real Estate, a.s.	100.00%	59,266	--	59,266	586,593	586,593
CPI - Štupartská, a.s.	100.00%	101,000	(74,274)	26,726	26,726	26,726
CPI - Zbraslav, a.s.	100.00%	71,904	--	71,904	131,075	131,075
CPI Alfa, a.s.	100.00%	27,000	--	27,000	57,874	57,874
CPI Beta, a.s.	100.00%	2,000	--	2,000	4,202	4,202
CPI BYTY, a.s.	100.00%	--	--	184,767	3,336,435	3,336,435
CPI City Center ÚL, a.s.	100.00%	190,424	--	190,424	197,900	197,900
CPI CYPRUS LIMITED	100.00%	1,848	(741)	1,107	1,107	1,107
CPI Delta, a.s.	100.00%	93,000	--	93,000	102,475	102,475
CPI East, s.r.o.	100.00%	200	(200)	--	(17)	(17)
CPI Epsilon, a.s.	100.00%	17,000	(5,203)	11,797	11,797	11,797
CPI Facility Slovakia, a.s.	100.00%	670	--	670	5,649	5,649
CPI Finance Ireland Limited	100.00%	9,001,500	(8,074)	8,993,426	8,993,426	8,993,426
CPI Finance Ireland III Ltd.	100.00%	--	--	--	--	--
CPI Finance Netherlands B.V.	100.00%	48,428	--	48,428	161,148	161,148
CPI Finance Netherlands III B.V.	100.00%	--	--	--	--	--
CPI Finance Slovakia, a.s.	100.00%	860	--	860	905	905
CPI Flats, a.s. (BAYTON Beta, a.s.)	100.00%	87,460	--	87,460	90,808	90,808
CPI Heli, s.r.o.	100.00%	16,200	(10,127)	6,073	6,073	6,073
CPI Hotels Properties, a.s.	100.00%	150,000	--	150,000	483,004	483,004

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets	Share on equity
CPI Lambda, a.s.	100.00%	762,989	(14)	762,975	762,975	762,975
CPI Management, s.r.o.	100.00%	200	(200)	--	(2,463)	(2,463)
CPI Park Mlýnec, a.s.	94.96%	189,900	(72,933)	116,967	116,967	116,967
CPI PG Management, S.à.r.l. (ENDURANCE ASSET, S.à.r.l.)	100.00%	391,686	(391,686)	--	(237,165)	(237,165)
CPI Poland Sp. Z o.o.	100.00%	66	(66)	--	(3,035)	(3,035)
CPI Property, s.r.o.	100.00%	200	--	200	6,537	6,537
CPI Reality, a.s.	100.00%	(20,508)	--	(20,508)	879,046	879,046
CPI Retails FIVE, a.s.	100.00%	827	--	827	59,045	59,045
CPI Retails FOUR, a. s.	100.00%	1,600	--	1,600	50,076	50,076
CPI Retails ONE, a.s.	100.00%	32,000	(2,927)	29,073	29,073	29,073
CPI Retails THREE, a.s.	100.00%	33,119	(2,602)	30,517	30,517	30,517
CPI Retails TWO, a.s.	100.00%	43,000	--	43,000	99,999	99,999
CPI Services, a.s.	100.00%	2,000	(2,000)	--	(7,191)	(7,191)
CPI South, s.r.o.	100.00%	51,291	(3,008)	48,283	48,283	48,283
CPI West, s.r.o.	100.00%	200	--	200	694	694
CURITIBA a.s.	100.00%	213,196	--	213,196	233,171	233,171
Čáslav Investments, a.s.	100.00%	7,663	--	7,663	8,759	8,759
Družstvo Land	99.96%	934,026	--	934,026	1,112,706	1,112,261
EMH North, s.r.o.	100.00%	190,216	(78,304)	111,912	111,912	111,912
EMH South, s.r.o.	100.00%	41,216	--	41,216	53,142	53,142
EMH West, s.r.o.	100.00%	160,216	--	160,216	189,484	189,484
Endurance Hospitality Asset S.à.r.l.	100.00%	--	--	--	35,430	35,430
Endurance Hospitality Finance S.à.r.l.	100.00%	--	--	--	2,122,381	2,122,381
FL Property Development, a.s.	100.00%	12,000	--	12,000	17,348	17,348
GOMENDO LIMITED	100.00%	--	--	--	(862)	(862)
Hospitality Invest, S.à.r.l.	100.00%	--	--	--	506,908	506,908
IGY2 CB, a.s.	100.00%	55,000	(29,067)	25,933	25,933	25,933
Jeseník Investments, a.s. (Liongate, a.s.)	100.00%	8,000	(8,000)	--	(2,812)	(2,812)
JONVERO LIMITED	100.00%	28	--	28	30,535	30,535
Karviná Property Development, a.s.	100.00%	21,000	(14,947)	6,053	6,053	6,053
Kerina, a.s.	100.00%	172,000	(111,679)	60,321	60,321	60,321
Malerba, a.s.	100.00%	431,120	--	431,120	2,333,367	2,333,367
Marissa Omikrón, a.s.	100.00%	262,091	(7,571)	254,520	254,520	254,520
Marissa Tau, a.s.	100.00%	47,091	--	47,091	55,279	55,279
Marissa Théta, a.s.	100.00%	2,121	--	2,121	2,167	2,167
Marissa Yellow, a.s.	100.00%	2,118	--	2,118	2,120	2,120
Marissa Ypsilon, a.s.	100.00%	2,120	--	2,120	2,161	2,161
Marissa, a.s.	100.00%	1,795,690	(10,044)	1,785,646	1,785,646	1,785,646
MUXUM, a.s.	100.00%	258,326	(15,863)	242,463	242,463	242,463
Olomouc City Center, a.s.	100.00%	190,655	(89,739)	100,916	100,916	100,916
Olomouc Office, a.s.	100.00%	12,000	--	12,000	80,458	80,458
Pelhřimov Property Development, a.s.	100.00%	10,500	--	10,500	13,949	13,949
Prague Property Development, s.r.o.	100.00%	38,771	--	38,771	97,276	97,276
Příbor Property Development, s. r.o.	100.00%	11,690	--	11,690	24,883	24,883
Statenice Property Development, a.s.	100.00%	232,115	(49,601)	182,514	182,514	182,514
Strakonice Property Development, a.s.	100.00%	12,000	(5,897)	6,103	6,103	6,103
Svitavy Property Alfa, a.s.	100.00%	19,000	--	19,000	40,847	40,847
Svitavy Property Development, a.s.	100.00%	102,000	(72,340)	29,660	29,660	29,660
Telč Property Development, a.s.	100.00%	8,000	(5,619)	2,381	2,381	2,381
Třinec Investments, s.r.o.	100.00%	6,700	--	6,700	31,402	31,402
Týniště Property Development, s.r.o.	100.00%	200	(200)	--	(250)	(250)
U svatého Michala, a.s.	100.00%	148,000	(40,270)	107,730	107,730	107,730
VERETIX a.s.	100.00%	692,600	--	692,600	1,800,211	1,800,211
Vigano, a.s.	100.00%	382,000	(271,141)	110,859	110,859	110,859
VM Property Development, a.s.	100.00%	2,000	(2,000)	--	(5,258)	(5,258)
Vyškov Property Development, a.s.	100.00%	11,000	--	11,000	42,791	42,791
ZLATICO LIMITED	100.00%	26	(26)	--	(821)	(821)
Žďár Property Development, a.s.	100.00%	8,500	(7,815)	685	685	685
Ždírec Property Development, a.s.	100.00%	3,500	--	3,500	8,203	8,203
<b>Total</b>		<b>21,506,298</b>	<b>(1,848,113)</b>	<b>19,658,185</b>	<b>--</b>	<b>--</b>

### 3.4 Changes in investment in subsidiaries in 2015

#### a) Acquisition of investment in subsidiaries and stakes and jointly controlled entities

During 2015, the Company has acquired or founded the following entities:

Entity	Change	Share in %	Date of acquisition
JONVERO LIMITED	acquisition	100.00%	6 January 2015
CPI Finance Netherlands II, B. V.	founded	100.00%	14 January 2015
CPI Finance Ireland II Ltd.	founded	100.00%	22 January 2015
CPI Finance Slovakia, a.s.	founded	100.00%	16 February 2015
Karviná Property Development, a.s.	acquisition	100.00%	1 June 2015
Endurance Hospitality Asset S.à r.l.	acquisition	88.00%	3 June 2015
Endurance Hospitality Finance S.à r.l.	acquisition	88.00%	3 June 2015
Hospitality Invest S.à r.l.	acquisition	100.00%	3 June 2015
CPI Finance Ireland III Ltd.	founded	100.00%	11 December 2015
CPI Finance Netherlands III, B. V.	founded	100.00%	17 December 2015

#### b) Disposal of investment in subsidiaries and stakes in jointly controlled entities

The following entities were disposed of in 2015:

Entity	Change	Share in %	Date of disposal
CPI Finance Ireland II Ltd.	disposal	100.00%	2 March 2015
CPI Finance Netherlands II, B. V.	disposal	100.00%	9 March 2015
CPI North, s.r.o.	disposal	100.00%	1 April 2015
Marissa Omega, a.s.	disposal	100.00%	30 June 2015
Marissa Sigma, a.s.	disposal	100.00%	30 June 2015
Marissa South, a.s.	disposal	100.00%	30 June 2015
Marissa North, a.s.	disposal	100.00%	30 June 2015
Marissa Lambda, a.s.	disposal	100.00%	30 June 2015
ELAMOR, a.s.	disposal	100.00%	30 June 2015
Příkopy Property Development, a.s.	disposal	100.00%	4 November 2015

#### c) Mergers of subsidiaries in 2015

OC Futurum Kolín, a.s. merged with Marissa Tau, a.s. (the “successor company”) with the effective date of 1 July 2015. All assets and liabilities of OC Futurum Kolín, a.s. passed to the successor company.

#### d) Acquisition of non-controlling interest in 2015

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

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

## 4 Statement of comprehensive income

### 4.1 Gross rental revenue

	2016	2015
Gross rental revenue (1)	6,680	13,944
Service revenue	16,907	16,845
<b>Total gross rental revenues</b>	<b>23,587</b>	<b>30,789</b>

- (1) Rental revenue decreased due to the termination of the sub-lease contract of office space in building situated on Václavské náměstí 47 on 30 June 2016. Sub-lease services are provided to service companies within the CPI Group in the amount of CZK 6.7 million (CZK 13 million in 2015 and in the amount of CZK 0.9 million to third parties).

### 4.2 Property operating expenses

	2016	2015
Building maintenance	--	(9)
Utility services	(13)	(3)
Insurance	7	--
Other property related expenses	--	(1)
Facility management	(313)	--
<b>Total net property operating expenses</b>	<b>(319)</b>	<b>(13)</b>

### 4.3 Net gain/loss on the disposal of subsidiaries

	2016	2015
Proceeds from disposal of subsidiaries	2,562,863	436,169
Carrying value of disposed subsidiaries	(2,958,595)	(240,438)
<b>Total gain/loss on the disposal of subsidiaries and investies</b>	<b>(395,732)</b>	<b>195,731</b>

In 2016, the Company disposed of its stakes in 13 subsidiaries (note 3.2).

Significant net loss in the amount of CZK 382.32 million represents the sale of subsidiaries holding more than 11.4 million sqm of land in region Ústí nad Labem and Plzeň.

In 2015, the Company disposed of its stakes in ten subsidiaries (note 3.2).

Net profit in the amount of CZK 195.9 million represents the sale of the former Zivnobanka building located at Na Prikope street in the centre of Prague. The transaction comprised of the transfer of shares in the Zivnobanka building project entity.

### 4.4 Amortization, depreciation and impairments

	2016	2015
Depreciation and amortization	(302)	(701)
Total impairment of assets (4.4.1)	(200,951)	(144,112)
<b>Total depreciation, amortization and impairments</b>	<b>(201,253)</b>	<b>(144,813)</b>

#### 4.4.1 Impairment of assets

	2016	2015
Impairment of financial investment (2)	(201,243)	(147,973)
Impairment of other receivables	256	4,710
Impairment of trade receivables	558	18,348
Trade receivables written off	(354)	(20,265)
<b>Impairment of trade receivables total (1)</b>	<b>204</b>	<b>(1,917)</b>
Impairment of provided loans	(168)	64,821
Loans provided written off	--	(63,754)
<b>Impairment of provided loans total (1)</b>	<b>(168)</b>	<b>1,067</b>
<b>Total</b>	<b>(200,951)</b>	<b>(144,112)</b>

- (1) Impairment losses on trade receivables and loans provided include bad debt provisions charged to profit or loss and loss/gain related to receivables and loans written off/recovered.
- (2) The Company recognized impairment loss on financial investments of CZK 201 million in 2016. The main negative impact represents impairment loss of CZK 401 million (Marissa, a.s.)  
In 2015, the Company recognized impairment loss on financial investments of CZK 148 million. The main negative impact represents impairment loss of CZK 293.5 million (CPI PG Management S.à r.l.).  
The impairment losses were recognised based on comparison of carrying value of an investment with its estimated fair value. The estimated fair value was calculated based on estimated net assets of individual subsidiaries using the estimated fair values of respective properties (allocated in subsidiaries).

#### Key assumptions and methods used in property valuations at individual subsidiaries' level:

The property portfolio in Czech and Slovak Republic is valued mainly by Cushman & Wakefield and RSM TACOMA, a.s.. Valuations of selected properties in Czech Republic, particularly land (land bank) and hotels, was performed by RSM TACOMA, a.s. or other external valuation companies (Mazars, Jones Lang LaSalle, CBRE & Knight Frank). Property portfolio in Hungary, Poland and Romania is valued by Jones Lang LaSalle International or Cushman & Wakefield & CBRE.

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

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

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

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

(i) Residential

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

(ii) Retail, Office, Industry and Logistics

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

(iii) Land and vacant buildings

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

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

(iv) Hotels

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

(v) Investment property under development / developments

The valuer used the Residual Value Approach for the valuation of the investment property under development. In order to assess the market value of the sites, the valuer undertook a development appraisal to assess the potential value (Gross Development Value) of the fully completed and leased development as currently

proposed, and deducted hard costs, soft costs, financing costs and a developer's profit to reflect the required level of return to a developer and the risk of undertaking the scheme.

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

#### 4.5 Other operating income

	2016	2015
Other (1)	618	12,508
Income from sale of PPE	--	307
<b>Total other operating income</b>	<b>618</b>	<b>12,815</b>

(1) In 2015, other operating income in the amount of CZK 12.5 million relates to the write-off of liability.

#### 4.6 Administrative expenses

	2016	2015
Lease and rental expenses	(21,338)	(13,512)
Service provided based on mandate contracts	(1,910)	(1,506)
Audit, tax and advisory	(395)	(1,793)
Legal services	(956)	--
Material consumption	(24)	(5)
Representation expenses	(27)	--
Other insurance expenses	10	(7)
Other administrative expenses	--	(11,461)
<b>Total administrative expenses</b>	<b>(24,640)</b>	<b>(28,284)</b>

#### 4.7 Other operating expenses

	2016	2015
Penalties	(11)	(380)
Tax non-deductible VAT expenses	(1,280)	(226)
Taxes and fees	--	(8)
Expense from sale of PPE	(1,204)	--
Other	(145)	(31)
<b>Total other operating expenses</b>	<b>(2,640)</b>	<b>(645)</b>

#### 4.8 Interest income

	2016	2015
Bank interest income	182	1
Interest income on bonds (1)	142	129,061
Interest income on loans and receivables (2)	567,369	1,205,123
Interest income on bills of exchange	11,372	--
<b>Total interest income</b>	<b>579,065</b>	<b>1,334,185</b>

(1) Decrease in interest income on bonds is mainly attributable to the sale of bonds in September 2015 from entity under direct control (CZK 118.8 million in 2015). Income in the amount of CZK 0.142 million in 2016 relates only to bonds issued by third party. For further details about purchased bonds refer to note 5.3.

(2) Decrease in interest income on loans and receivables relates mainly to decrease in interest on loans from entities under direct control (impact of CZK 537.5 million), refer to note 7.

## 4.9 Interest expense

	2016	2015
Interest expense related to bank and non-bank loans (1)	(296,492)	(566,424)
Interest expense on bonds issued (2)	(386,160)	(1,224,849)
Interest expense on bills of exchange (3)	(126,739)	(109,890)
<b>Total interest expense</b>	<b>(809,391)</b>	<b>(1,901,163)</b>

- (1) Decrease in interest expense related to bank and non-bank loans relates mainly to decrease in interest expense to loans from entities under direct control (impact of CZK 357 million), refer to note 7.
- (2) Decrease in interest expense on bonds issued relates mainly to the refinancing (decrease in interest rates), decrease of average bond balance issued due to repayments and, buy backs of bonds during 2016 and 2015. Further, the prior year interest expense was increased due to the amortization of remaining difference between the nominal value of bonds and the initial selling price of bonds acquired by the Company in 2015 (impact of CZK 152.8 million).
- (3) Increase in interest expense on bills of exchange relates to the issue of new bills of exchange in 2016 (refer to note 5.12).

## 4.10 Other net financial result

	2016	2015
Dividends received (1)	472,278	1,147,926
Other net financial result (2)	(30,643)	(11,467)
Net foreign exchange loss	(5,517)	(11,816)
Bank charges	(16,248)	(14,008)
<b>Total other net financial result</b>	<b>419,869</b>	<b>1,110,635</b>

- (1) In 2016 the Company received dividends from CPI Finance Netherlands B.V. in the amount of CZK 254 million, from Prague Property Development, a.s. in the amount of CZK 97 million, from CPI City Center ÚL, a.s. in the amount of CZK 88.5 million, from Brandýs Logistic, a.s. in the amount of CZK 15 million, from Olomouc Office, a.s. in the amount of CZK 10 million and from CPI Reality, a.s. in the amount of CZK 7.3 million.  
Balance in 2015 relates to dividends received from CPI Finance Netherlands B.V. in the amount of CZK 1,146.1 million and from CPI West, s.r.o. in the amount of CZK 1.9 million.
- (2) Major part of other net financial result represent loss of CZK 30.5 million related to the call option (note 5.4).

## 4.11 Income tax expense / (benefit)

### Tax recognized in profit or loss

	2016	2015
<b>Current income tax</b>		
Current year	(4,568)	(1,767)
Adjustment for prior years	(6,357)	(2,519)
<b>Total</b>	<b>(10,925)</b>	<b>(4,286)</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	11,964	94,903
<b>Total</b>	<b>1,039</b>	<b>94,903</b>
<b>Income tax from continuing operations recognised in profit and loss</b>	<b>1,039</b>	<b>90,617</b>
<b>Total income tax recognised in profit or loss</b>	<b>1,039</b>	<b>90,617</b>

The Company's effective tax rate in respect of continuing operations for 2016 was 0.3 % (14.9 % for 2015). Decrease of the effective tax rate relates mainly to impairment of financial investments (CZK 201 million, note 4.4).

### Reconciliation of effective tax rate

	2016	2015
Profit / (loss) for the period	(409,796)	699,854
Total income tax recognised in profit or loss	1,039	90,617
<b>Profit / (loss) excluding income tax</b>	<b>(410,835)</b>	<b>609,237</b>
<b>Current income tax rate</b>	<b>19%</b>	<b>19%</b>
Income tax expense using the domestic corporate income tax rate	78,059	(115,755)
Non-deductible expense (1)	(672,650)	(99,039)
Tax exempt income (2)	602,173	307,974
Income tax adjustment for prior years	(6,357)	(2,519)
Other effects	(186)	(44)
<b>Income tax</b>	<b>1,039</b>	<b>90,617</b>

(1) Non-deductible expense relate to sale of subsidiaries (note 4.8).

(2) Tax exempt income relates to dividends received and income from sale of subsidiaries (note 4.8).

### Deferred tax assets and liabilities

#### Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Investment property	--	--	(6)	(17)	(6)	(17)
Property, plant and equipment	--	388	--	--	--	388
Loans provided	11,558	--	--	--	11,558	--
Financial debts	--	--	--	(783)	--	(783)
<b>Gross deferred tax assets/(liabilities)</b>	<b>11,558</b>	<b>388</b>	<b>(6)</b>	<b>(800)</b>	<b>11,552</b>	<b>(412)</b>
<b>Set-off of tax</b>	<b>(6)</b>	<b>(388)</b>	<b>6</b>	<b>388</b>	<b>--</b>	<b>--</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>11,552</b>	<b>--</b>	<b>--</b>	<b>(412)</b>	<b>11,552</b>	<b>(412)</b>

## Unrecognised deferred tax asset

	31 December 2016	31 December 2015
Trade and other receivables	173	328
<b>Unrecognised deferred tax assets</b>	<b>173</b>	<b>328</b>

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 Company can utilize the benefits there from.

## Movement in deferred tax balances during the years 2016 and 2015

2016	Balance at 1 January 2016	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2016
Intangible assets and goodwill	(17)	11	--	(6)
Property, plant and equipment	388	(388)	--	--
Loans provided	--	11,558	--	11,558
Financial debts	(783)	783	--	--
<b>Total</b>	<b>(412)</b>	<b>11,964</b>	<b>--</b>	<b>11,552</b>

2015	Balance at 1 January 2015	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2015
Intangible assets and goodwill	(50)	33	--	(17)
Property, plant and equipment	291	97	--	388
Loans provided	32,995	(32,995)	--	--
Financial debts	(128,551)	127,768	--	(783)
<b>Total</b>	<b>(95,315)</b>	<b>94,903</b>	<b>--</b>	<b>(412)</b>

## 5 Statement of financial position

### 5.1 Intangible assets and goodwill

#### 2016

	Software	Other	Total
<b>Cost</b>			
Balance at 1 January 2016	2,789	122	2,911
Other disposals	--	--	--
Balance at 31 December 2016	2,789	122	2,911
<b>Amortization and impairment losses</b>			
Balance at 1 January 2016	2,677	63	2,740
Amortization for the period (+)	61	20	81
Other disposals	--	--	--
Balance at 31 December 2016	2,738	83	2,821
<b>Carrying amounts</b>			
At 31 December 2015	112	59	171
At 31 December 2016	51	39	90

#### 2015

	Software	Other	Total
<b>Cost</b>			
Balance at 1 January 2015	2,789	122	2,911
Other disposals	--	--	--
Balance at 31 December 2015	2,789	122	2,911
<b>Amortization and impairment losses</b>			
Balance at 1 January 2015	2,547	2	2,549
Amortization for the period (+)	130	61	191
Other disposals	--	--	--
Balance at 31 December 2015	2,677	63	2,740
<b>Carrying amounts</b>			
At 31 December 2014	242	120	362
At 31 December 2015	112	59	171

## 5.2 Property, plant and equipment

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
Balance at 1 January 2016	7,514	914	24,984	126	33,538
Other disposals	(2,364)	--	--	--	(2,364)
Balance at 31 December 2016	5,150	914	24,984	126	31,174
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2016	6,089	914	24,984	--	31,987
Depreciation for the period	220	--	--	--	220
Other disposals	(1,159)	--	--	--	(1,159)
Balance at 31 December 2016	5,150	914	24,984	--	31,048
<b>Carrying amounts</b>					
At 31 December 2015	1,425	--	--	126	1,551
At 31 December 2016	--	--	--	126	126

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
Balance at 1 January 2015	9,240	914	24,984	126	35,264
Other disposals	(1,726)	--	--	--	(1,726)
Balance at 31 December 2015	7,514	914	24,984	126	33,538
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2015	7,148	914	24,984	--	33,046
Depreciation for the period	510	--	--	--	510
Other disposals	(1,569)	--	--	--	(1,569)
Balance at 31 December 2015	6,089	914	24,984	--	31,987
<b>Carrying amounts</b>					
At 31 December 2014	2,092	--	--	126	2,218
At 31 December 2015	1,425	--	--	126	1,551

There are no pledged property, plant and equipment in 2016 and 2015.

### 5.3 Available-for-sale financial assets

	31 December 2016	31 December 2015
Vodovody a kanalizace Přerov, a.s. (share 1.60%)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1.99%)	4,614	4,614
COOP Centrum Družstvo	300	300
STRM Delta a.s. (share 0.07%)	50	50
CPI South, s.r.o. (share 10%)	2,027	--
<b>Total equity investments (1)</b>	<b>13,773</b>	<b>11,746</b>
Debentures issued by third party (2)	2,986	--
<b>Total available-for-sale financial assets (Non-current)</b>	<b>16,759</b>	<b>11,746</b>
Debentures issued by third party (3)	--	37,159
<b>Total available-for-sale financial assets (Current)</b>	<b>--</b>	<b>37,159</b>

- (1) Equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2016.
- (2) In April 2016, the Company purchased 100 pcs of bonds CESDRA 4,125 07/23/19 (ISIN XS0807706006) issued by České Dráhy, a.s. The bonds are trade on Luxembourg stock exchange and bear fixed interest 4.125 % p.a. Interest are due annually. Bonds are due on 23 July 2019.
- (3) Debentures issued by 3<sup>rd</sup> in total nominal value of CZK 37.2 million have been sold to a third party prior their maturity.

### 5.4 Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Call option	--	30,403
<b>Total</b>	<b>--</b>	<b>30,403</b>

In July 2016, the Company terminated a call option in the amount of CZK 30.5 milion.

### 5.5 Loans provided

#### Non-current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided to entities under direct or indirect control (1)	4,340,896	4.95%	4,807,140	6.35%
Loans provided - related parties (2)	9,421,787	4.45%	13,815	5.25%
Loans provided - third parties	8,687	5.60%	10,926	5.00%
<b>Total non-current loans provided</b>	<b>13,771,370</b>	<b>--</b>	<b>4,831,881</b>	<b>--</b>
Impairment to non-current loans provided to third parties	--	--	--	--
<b>Total non-current loans provided net of impairment</b>	<b>13,771,370</b>	<b>--</b>	<b>4,831,881</b>	<b>--</b>

#### Current

	31 December 2016		31 December 2015	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided to entities under direct or indirect control (1)	857,350	9.19%	2,544,962	5.71%
Loans provided - related parties (2)	3,939,683	5.25%	3,794,858	5.25%
Loans provided - third parties	5,843	5.00%	9,336	5.00%
Bills of exchange - third parties	82,053	5.38%	204,013	5.89%
<b>Total current loans provided</b>	<b>4,884,929</b>	<b>--</b>	<b>6,553,169</b>	<b>--</b>
Impairment to current loans provided to third parties	(1,005)	--	(837)	--
<b>Total current loans provided net of impairment</b>	<b>4,883,924</b>	<b>--</b>	<b>6,552,332</b>	<b>--</b>

- (1) Decrease in loans provided to entities under direct or indirect control is mainly caused by the repayment of loans to CPI BYTY, a.s. (CZK 193 million), Farhan (CZK 477 million), VOLANTI LIMITED (CZK 433 million) and to Marissa Omikrón, a.s. (CZK 588 million).
- (2) Loans provided to related parties increased significantly due to new loan to CPI PROPERTY GROUP S.A. (CZK 6,197 million). The loan is due to 31 December 2019 with the interest rate 4 % p.a., the loan is denominated in EUR. The second significant new loan is provided to ORCO PROPERTY GROUP S.A. (CZK 3,317 million), due in 31 December 2019 with the interest rate 5.26 % p.a. (margin 0.3 %), the loan is denominated in EUR.

Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period. Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period.

Current loans provided to third parties were impaired to reflect the recoverable amount.

The Company provides 37 non-current loans to entities under direct or indirect control (2015 – 46) with interest rates between 3 % and 10 % p.a. (2015 – between 1.98 % and 10 % p.a.) and 6 current loans to entities under direct or indirect control (2015 – 9) with interest rates between 2 % and 10 % p.a. (2015 – interest rates between 3 % and 10 % p.a.).

The Company provides 7 non-current loans to related party with interest rate between 4 % and 6 % p.a. (2015 – 5.25 % p.a.) and 4 current loans to related party with interest rate between 5 % and 6.9 % p.a. (2015 – 5.25 % p.a.).

The Company provides 5 non-current loans to third parties (2015 – 5) with interest rates between 5 % and 6 % p.a. (2015 – between 5 % and 6 % p.a.) and 4 current loans to third parties (2015 – 5) with interest rate between 5 % and 11 % p.a. (2015 – between 5 % and 11 % p.a.).

The maturity of non-current loans provided at 31 December 2016 and as at 31 December 2015 was as follows:

## 2016

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	1,335,840	1,843,134	1,161,922	4,340,896
Loans provided to other related parties	7,850	9,413,725	212	9,421,787
Loans provided - third parties	--	8,687	--	8,687
<b>Total the maturity of non-current loans provided</b>	<b>1,343,690</b>	<b>11,265,546</b>	<b>1,162,134</b>	<b>13,771,370</b>

## 2015

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	1,298,867	2,203,120	1,305,153	4,807,140
Loans provided to other related parties	--	13,815	--	13,815
Loans provided - third parties	8,235	2,691	--	10,926
<b>Total the maturity of non-current loans provided</b>	<b>1,307,102</b>	<b>2,219,626</b>	<b>1,305,153</b>	<b>4,831,881</b>

## 5.6 Trade and other receivables

### Non-current

	31 December 2016	31 December 2015
Advances paid	--	3,418
Advances paid for financial investments	--	--
Other receivables due from third parties	--	--
<b>Total non-current trade and other receivables</b>	<b>--</b>	<b>3,418</b>

## Current

	31 December 2016	31 December 2015
Trade receivables due from entities under direct or indirect control	3,475	30,126
Trade receivables due from related parties	1,287	2,927
Trade receivables due from third parties	429	5,056
Impairment to trade receivables due from entities under direct or indirect control	(3)	--
Impairment to trade receivables due from third parties	(368)	(929)
<b>Total current trade and other receivables</b>	<b>4,820</b>	<b>37,180</b>

## 5.7 Cash and cash equivalents

	31 December 2016	31 December 2015
Bank balances	2,749,996	601,814
Cash on hand	27,818	23,325
<b>Total cash and cash equivalents</b>	<b>2,777,814</b>	<b>625,139</b>

The Company has no restricted cash in bank amounts in 2016 and 2015.

## 5.8 Other financial current assets

	31 December 2016	31 December 2015
Interest to debentures issued by third parties	49	227
Receivables due from employees	--	2
Other receivables due from entities under control (1)	2,975,264	2,943,862
Other receivables due from related parties	25,093	25,468
Other receivables due from third parties (2)	633,635	42,166
Impairment - other receivables due from other parties	(145)	(797)
Impairment - other receivables due from related parties	(397)	--
<b>Total other financial current assets</b>	<b>3,633,499</b>	<b>3,010,928</b>

- (1) Other receivables due from entities under direct or indirect control both in 2016 and 2015 comprised mainly receivables acquired through assignment from entities under direct or indirect control (CZK 2,583.7 million in 2016) and receivable from the sale of subsidiaries in the amount of CZK 374 million in 2016 (CZK 358 million in 2015).
- (2) Other receivables due from third parties in 2016 comprised mainly receivable acquired through assignment from related parties (CZK 593 million). Eventual assignment of this receivable to the major shareholder would happen at receivable carrying value.

## 5.9 Other non-financial current assets

	31 December 2016	31 December 2015
Other advances paid to third parties	25	4
Value added tax receivables	839	258
Other tax receivables (excl. CIT and VAT)	1	1
Prepaid expenses	37,155	14,742
<b>Total other non-financial current assets</b>	<b>38,020</b>	<b>15,005</b>

## 5.10 Equity

### Changes in equity

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

### Share capital and share premium

pcs	Ordinary shares	
	2016	2015
Issued at 1 January	7,733,746	7,733,746
New shares issued and paid in the year	--	--
<b>Issued at 31 December</b>	<b>7,733,746</b>	<b>7,733,746</b>

The Company didn't subscribe any new shares in 2016. The subscribed capital of the Company as at 31 December 2016 was TCZK 6,186,997 (as at 31 December 2015 – TCZK 6,186,997), comprising 7,733,746 shares (as at 31 December 2015 – 7,733,746 shares), each with a nominal value of CZK 800 (as at 31 December 2015 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act. The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Shares of the Company are not traded on any public or regulated domestic or foreign market.

### Other capital funds

During 2016, the Company received a capital contribution in the amount CZK 1,310 million from CPI PROPERTY GROUP S.A. The balance of capital funds amounts to CZK 11,737 million as at 31 December 2016. (CZK 10,427 million in 2015).

### Earnings per share

	31 December 2016	31 December 2015
<b>At the beginning of the period</b>	<b>7,733,746</b>	<b>7,733,746</b>
Shares issued	7,733,746	7,733,746
<b>Weighted average movements</b>		
Shares issued		
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company</b>	<b>(409,796)</b>	<b>699,854</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises</b>	<b>(409,796)</b>	<b>699,854</b>
<b>Total Basic earnings in CZK per share</b>	<b>(52.99)</b>	<b>90.49</b>
o/w discontinued operations	--	--
<b>Diluted earnings in CZK per share</b>	<b>(52.99)</b>	<b>90.49</b>
o/w discontinued operations	--	--

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

## 5.11 Bonds issued

### 5.11.1 Non-current bonds issued

Czech Property Investment, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/18 (EUR)	--	--	100,000	2,702,500
Less: bonds owned by the Company	--	--	(99,500)	(2,688,988)
Less: transaction costs	--	--	--	(4,391)
<b>CPI VAR/18 (EUR)</b>	<b>--</b>	<b>--</b>	<b>500</b>	<b>9,122</b>
Proceeds from issued bonds - CPI 5.10/2021	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(1,857)	--	(5,404)
<b>CPI 5.10/2021 (1)</b>	<b>2,000,000,000</b>	<b>1,998,143</b>	<b>2,000,000,000</b>	<b>1,994,596</b>
Proceeds from issued bonds - CPI VAR/19 (EUR)	--	--	116,000	1,567,450
Less: bonds owned by the Company	--	--	(108,916)	(1,471,727)
Less: transaction costs	--	--	--	(26,087)
<b>CPI VAR/19 (EUR)</b>	<b>--</b>	<b>--</b>	<b>7,084</b>	<b>69,636</b>
Proceeds from issued bonds - CPI 2021	--	--	1,215	2,430,000
Less: bonds owned by the Company	--	--	(931)	(1,862,000)
<b>CPI 2021</b>	<b>--</b>	<b>--</b>	<b>284</b>	<b>568,000</b>
Proceeds from issued bonds - CPI II 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(21,330)	--	(1,532)
<b>CPI II 4.65/22 (2)</b>	<b>1,000,000,000</b>	<b>978,670</b>	<b>--</b>	<b>(1,532)</b>
Proceeds from issued bonds - CPI III 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	(923,333,633)	(923,334)
Less: transaction costs	--	(21,335)	--	(1,537)
<b>CPI III 4.65/22 (3)</b>	<b>1,000,000,000</b>	<b>978,665</b>	<b>76,666,367</b>	<b>75,129</b>
Proceeds from issued bonds - CPI IV 4.65/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(21,382)	--	(1,584)
<b>CPI IV 4.65/22 (4)</b>	<b>1,000,000,000</b>	<b>978,618</b>	<b>--</b>	<b>(1,584)</b>
Proceeds from issued bonds - CPI I 4.75/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	(52,000,000)	(52,000)
Less: transaction costs	--	(22,049)	--	(2,260)
<b>CPI I 4.75/42 (5)</b>	<b>1,000,000,000</b>	<b>977,951</b>	<b>948,000,000</b>	<b>945,740</b>
Proceeds from issued bonds - CPI V 4.85/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	(150,000,000)	(150,000)	(766,477,976)	(766,478)
Less: transaction costs	--	(22,016)	--	(2,219)
<b>CPI V 4.85/42 (6)</b>	<b>850,000,000</b>	<b>827,984</b>	<b>233,522,024</b>	<b>231,303</b>
Proceeds from issued bonds - CPI 4.75/2019	150,000	1,500,000	150,000	1,500,000
Less: bonds owned by the Company	(10,335)	(103,350)	(11,436)	(114,360)
Less: transaction costs	--	(17,351)	--	(25,471)
<b>CPI 4.75/2019 (7)</b>	<b>139,665</b>	<b>1,379,299</b>	<b>138,564</b>	<b>1,360,169</b>
<b>Total non-current bonds</b>		<b>8,119,331</b>		<b>5,250,578</b>

### 5.11.2 Current bonds issued

Czech Property Investment, a.s.	31 December 2016		31 December 2015	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI 6.05/16	--	--	150,000	1,495,881
Less: bonds owned by the Company	--	--	(23,820)	(238,200)
Less: transaction costs	--	--	--	(9,133)
<b>CPI 6.05/16</b>	<b>--</b>	<b>--</b>	<b>126,180</b>	<b>1,248,548</b>

Accrued interest on bonds	31 December 2016	31 December 2015
CPI VAR/18 (EUR)	--	164
CPI 5.10/2021	26,350	35,913
CPI VAR/19 (EUR)	--	17,722
CPI 2021	--	12,195
CPI 6.05/16	--	22,977
CPI II 4.65/22	7,233	--
CPI III 4.65/22	7,233	283
CPI IV 4.65/22	7,250	--
CPI I 8.00/42	16,999	5,477
CPI V 8.00/42	14,780	675
CPI 4.75/19	6,450	6,765
<b>Total accrued interest</b>	<b>86,295</b>	<b>102,171</b>

<b>Total current bonds</b>	<b>86,295</b>	<b>1,350,719</b>
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<b>Total bonds</b>	<b>8,205,626</b>	<b>6,601,297</b>
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#### 1) CPI 5.10/2021 (former VAR 19 (CZK)), ISIN CZ0003501868

The bonds CPI 5.10/2021 were issued on 29 March 2012. The bonds mature on 29 March 2021. The nominal value of each bond is CZK 1 and the total nominal value of bonds issued amounts to TCZK 2,000,000.

CPI 5.10/2021 bonds bear the fixed interest rate 5.10% per annum. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds are registered in the Central Securities Depository, the abbreviation is CPI 5.10/2021, ISIN CZ0003501868.

Bonds were accepted for trading at the Prague Stock Exchange.

#### 2) CPI II 4.65/22 (former CPI 7.00/22), ISIN CZ0003502916

CPI II 4.65/22 bonds were issued on 6 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI II 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and on 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI II 4.65/22, ISIN CZ0003502916. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050356/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

#### 3) CPI III 4.65/22 (former CPI 7.00/22), ISIN CZ0003502924

CPI III 4.65/22 bonds were issued on 11 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI III 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI III 4.65/22, ISIN CZ0003502924. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050358/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**4) CPI IV 4.65/22 (former, CPI 7.00/22), ISIN CZ0003502957**

CPI IV 4.65/22 bonds were issued on 13 December 2012. The bonds mature on 6 November 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI IV 4.65/22 bonds bear fixed interest of 4.65% per annum. Interests are due semi-annually on 6 May and 6 November. Bonds are registered in the Central Securities Depository, the abbreviation is CPI IV 4.65/22, ISIN CZ0003502957. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 4 May 2016, reference number 2016/050359/CNB/570 that came into force on 5 May 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**5) CPI I 4.75/42 (former CPI 8.00/42), ISIN CZ0003502932**

CPI I 4.75/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI I 4.75/42 bonds bear fixed interest of 4.75% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds are registered in the Central Securities Depository, the abbreviation is CPI I 4.75/42, ISIN CZ0003502932. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097371/CNB/570 that came into force on 20 August 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**6) CPI V 4.85/42 (former CPI 8.00/42), ISIN CZ0003502940**

CPI V 4.85/42 bonds were issued on 17 December 2012. The bonds mature on 22 August 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI V 4.85/42 bonds bear fixed interest of 4.85% per annum. Interests are due semi-annually on 22 August and 22 February. Bonds are registered in the Central Securities Depository, the abbreviation is CPI V 4.85/22, ISIN CZ0003502940. The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 18 August 2016, reference number 2016/097389/CNB/570 that came into force on 20 August 2016.

Bonds were accepted for trading at the Prague Stock Exchange.

**7) CPI 4.75/19, ISIN CZ0003512782**

CPI 4.75/19 were issued on 24 August 2015. The bonds mature on 24 August 2019. The nominal value of each bond is CZK 10,000. The Company issued bonds up to maximal value of TCZK 150,000.

CPI 4.75/19 bonds bear fixed interest of 4.75% per annum. Interests are due quarterly, on 24 February, on 24 May, on 24 August and on 24 November, respectively. Bonds are registered in the Central Securities Depository, the abbreviation is CPI 4.75/19, ISIN CZ0003512782.

Bonds were accepted for trading at the Prague Stock Exchange.

**Changes in 2016**

On 23 March 2016, the Company early repaid CPI VAR/19 EUR bonds (ISIN CZ0003501843), which were issued on 23 March 2012. The nominal value of bonds issued amounted EUR 70 million (app. CZK 1,891.4 million). Prior to the repayment date, the Company decreased the volume of the issue from 116,000 pcs to 7,084 pcs.

On 29 March 2016, the Company repaid CPI 6.05/16 bonds (ISIN CZ0003510646), which were issued on 29 March 2013. Prior to the repayment, the Company decreased the volume of the issue from 150,000 pcs to 126,180 pcs and as at the repayment date, volume of the issue repaid represented nominal value of CZK 1,261.8 million.

In May 2016 were renamed and modified prospectus terms in emissions CPI II 4.65/22, CPI III 4.65/22, CPI IV 4.65/22, CPI I 4.75/42, CPI V 4.85/42 and CPI 5.10/2021.

On 26 November 2016, the Company early repaid CPI VAR/18 bonds (ISIN CZ0003511024), which were issued on 26 November 2013. The nominal value of bonds issued amounted EUR 100 million (app. CZK 2,702 million).

On 21 December 2026, the Company early repaid CPI 2021 bonds (ISIN CZ0003501496), which were issued on 8 February 2007. The nominal value of bonds issued amounted CZK 2,500 million.

**Covenants**

All issued bonds are subject to a number of covenants. All covenant ratios were met as at 31 December 2016.

## 5.12 Financial debts

	31 December 2016	31 December 2015
Loans drawn from entities under direct or indirect control (1)	9,684,013	2,499,047
Loans from related parties (2)	1,999,274	39,825
Loans from third parties	2,049	8,490
Bank loans (3)	127,080	221,180
Bills of exchange held by third parties (4)	155,652	937,352
<b>Total non-current financial debts</b>	<b>11,968,068</b>	<b>3,705,894</b>

	31 December 2016	31 December 2015
Loans drawn from entities under direct or indirect control	242,000	450,040
Loans from related parties (2)	11,385	801
Loans from third parties	61,612	57,853
Bank loans including overdraft (3)	94,064	94,080
Bills of exchange held by entities under direct or indirect control (4)	696,152	306,780
Bills of exchange held by related parties (4)	840,216	135,269
Bills of exchange held by third parties (4)	1,122,229	577,413
<b>Total current financial debts</b>	<b>3,067,658</b>	<b>1,622,236</b>

- (1) Increase of non-current loans drawn from entities under direct or indirect control is attributable mainly to drawing of the loan from CPI Finance Netherlands B.V. (CZK 3,365 million) and from CPI Finance Slovakia, a.s. (CZK 1,332 million). The additional effect of increase in loans represents the new loan from CPI Finance Netherlands II B.V. (CZK 1,298 million) with interest rate 3 % and due on 23 December 2024 and new loan from CPI Finance Netherlands III B.V. (CZK 919 million) with interest rate 3 % and due on 21 May 2025.
- (2) During 2016 The Company received new loan from Orco Property Group S.A. in the amount of CZK 771 million with interest rate 6 %, due on 31 December 2023 and new loan from CPI Finance Slovakia II, a.s. in the amount of CZK 1,220 million with interest rate 5.6 % and due on 29 September 2022, the loan is denominated in EUR.
- (3) The Company has two bank loans which mature in 2019 and 2020 and are being gradually paid.
- (4) During 2016, the Company issued new bills of exchange. Bills of exchange issued bear interest rates between 2.75 % - 8.0 % p.a. Majority of bills of exchange will be repaid within one year.

## Maturity analysis of loans

### 2016

	< 1 year	1-5 years	>5years	Total
Loans from entities under direct or indirect control	242,000	7,448,571	2,235,442	9,926,013
Loans from to other related parties	11,385	80	1,999,194	2,010,659
Loans from third parties	61,612	2,049	--	63,661
<b>Total</b>	<b>314,997</b>	<b>7,450,700</b>	<b>4,234,636</b>	<b>12,000,333</b>

### 2015

	< 1 year	1-5 years	>5years	Total
Loans from entities under direct or indirect control	450,040	2,481,050	17,997	2,949,087
Loans from to other related parties	801	39,825	--	40,626
Loans from third parties	57,853	8,490	--	66,343
<b>Total</b>	<b>508,694</b>	<b>2,529,365</b>	<b>17,997</b>	<b>3,056,056</b>

### 5.13 Other non – current liabilities

Other non – current liabilities	31 December 2016	31 December 2015
Other payables due to entities under direct or indirect control	66,996	--
<b>Total other non – current liabilities</b>	<b>66,996</b>	<b>--</b>

- (1) Other payables due to entities under direct or indirect control relates to payables of assignment receivables, refer to note 7.

### 5.14 Advance payments

Advances payments	31 December 2016	31 December 2015
Advances received from third parties (1)	8,051	109,916
<b>Total advance payments</b>	<b>8,051</b>	<b>109,916</b>

- (1) Balance of advances received from third parties in 2015 included advance received from third party of CZK 101.74 million related to specific project which was carried out in 2016.

### 5.15 Other financial current liabilities

Other financial current liabilities	31 December 2016	31 December 2015
Deferred income/revenue and accrued liabilities	5,303	12,675
Payables from unpaid capital contributions (1)	2,696,731	15,254
Other payables due to entities under direct or indirect control (2)	230,369	380,505
Other payables due to related parties (2)	1,816,444	--
Other payables due to third parties	118,751	3,564
<b>Total other financial current liabilities</b>	<b>4,867,598</b>	<b>411,998</b>

- (1) For detail refer to note 7.
- (2) Other payables due to entities under direct or indirect control and other payables due to related parties represents mainly payables from the assignment of receivables (CZK 1,815 million in 2016 and CZK 311.6 million in 2015).

## 6 Financial risk management

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

- credit risk (refer to note 6.1)
- liquidity risk (refer to note 6.2)
- market risk including currency risk, interest rate risk and price risk (refer to note 6.3)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company'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 Company's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

### 6.1 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 Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The following tables present financial assets as of 31 December 2016 reflecting their classification based on its ageing structure and impairment if applicable:

**Credit risk profile at 31 December 2016:**

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	16,759	--	--	16,759
Loans provided	17,985,044	670,250	1,005	18,655,294
- loans	17,902,991	670,250	1,005	18,573,241
- bills of exchange	82,053	--	--	82,053
Trade and other receivables*	632,946	3,043,393	913	3,676,339
Cash and cash equivalents	2,777,814	--	--	2,777,814
<b>Total*</b>	<b>21,412,563</b>	<b>3,713,643</b>	<b>1,918</b>	<b>25,126,206</b>

\* 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
Loans provided	191,935	6,072	946	226,177	245,120	670,250
- loans	191,935	6,072	946	226,177	245,120	670,250
- bills of exchange	--	--	--	--	--	--
Trade and other receivables*	758	78,239	16	26,213	2,938,167	3,043,393
<b>Total</b>	<b>192,693</b>	<b>84,311</b>	<b>962</b>	<b>252,390</b>	<b>3,183,287</b>	<b>3,713,643</b>

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

**Credit risk profile at 31 December 2015:**

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	48,905	--	--	48,905
Financial assets at fair value through profit or loss	30,403	--	--	30,403
Loans provided	10,828,619	555,594	837	11,384,213
- loans	10,624,606	555,594	837	11,180,200
- bills of exchange	204,013	--	--	204,013
Trade and other receivables*	32,899	3,033,633	1,727	3,066,532
Cash and cash equivalents	625,139	--	--	625,139
<b>Total*</b>	<b>11,565,965</b>	<b>3,589,227</b>	<b>2,564</b>	<b>15,155,191</b>

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

**Breakdown of overdue financial assets which are not impaired at 31 December 2015**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	1,891	1	117,237	436,465	555,594
- loans	--	1,891	1	117,237	436,465	555,594
- bills of exchange	--	--	--	--	--	--
Trade and other receivables*	2,025	6,036	498	27,959	2,997,115	3,033,633
<b>Total</b>	<b>2,025</b>	<b>7,927</b>	<b>499</b>	<b>145,196</b>	<b>3,433,580</b>	<b>3,589,227</b>

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

## 6.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Company does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Company's liabilities and diversified portfolio of the Company's funding sources.

The Company manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Company's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Company may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Company monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

### Liquidity risk analysis

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

### 2016

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued*</b>	<b>8,205,626</b>	<b>123,317</b>	<b>287,315</b>	<b>396,566</b>	<b>4,341,373</b>	<b>6,715,038</b>	<b>11,863,609</b>
<b>Financial debts</b>	<b>15,035,726</b>	<b>1,525,601</b>	<b>2,227,850</b>	<b>1,769,102</b>	<b>8,256,871</b>	<b>4,780,206</b>	<b>18,559,631</b>
- loans drawn from entities under direct or indirect control	9,926,012	346,297	389,274	1,393,327	7,876,991	2,619,182	12,625,071
- loans from related parties	2,010,659	40,186	85,913	114,551	343,725	2,161,024	2,745,400
- loans from third parties	63,661	59,304	3,165	89	2,139	--	64,697
- bank loans	221,144	22,453	74,714	95,989	34,016	--	227,172
- bills of exchange held by entities under direct or indirect control	696,152	5,221	699,632	--	--	--	704,853
- bills of exchange held by related parties	840,216	706,030	136,033	--	--	--	842,063
- bills of exchange held by third parties	1,277,882	346,110	839,118	165,146	--	--	1,350,374
<b>Other non-current liabilities</b>	<b>66,996</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>66,996</b>	<b>--</b>	<b>66,996</b>
<b>Other current liabilities**</b>	<b>4,893,009</b>	<b>4,812,278</b>	<b>80,731</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4,893,009</b>
<b>Total***</b>	<b>28,201,357</b>	<b>6,461,196</b>	<b>2,595,896</b>	<b>2,165,668</b>	<b>12,665,240</b>	<b>11,495,244</b>	<b>35,383,245</b>

\*reduced by transaction costs

\*\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*\* provisions are not included

**2015**

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued</b>	<b>6,601,297</b>	<b>1,433,897</b>	<b>230,541</b>	<b>334,685</b>	<b>4,151,644</b>	<b>3,929,818</b>	<b>10,080,585</b>
<b>Financial debts</b>	<b>5,328,130</b>	<b>511,707</b>	<b>1,325,710</b>	<b>1,560,444</b>	<b>2,532,604</b>	<b>20,635</b>	<b>5,951,099</b>
- loans drawn from entities under direct or indirect control	2,948,857	171,056	382,827	466,643	2,339,390	20,635	3,380,550
- loans from related parties	40,856	1,591	1,639	10,031	35,491	--	48,752
- loans from third parties	66,343	58,561	272	7,052	1,954	--	67,838
- bank loans	315,260	23,411	77,464	103,721	128,051	--	332,647
- bills of exchange held by entities under direct or indirect control	306,780	2,301	308,314	--	--	--	310,615
- bills of exchange held by third parties	1,650,034	254,787	555,194	972,997	27,719	--	1,810,697
<b>Other current liabilities*</b>	<b>471,442</b>	<b>439,070</b>	<b>32,372</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>471,442</b>
<b>Total**</b>	<b>12,400,868</b>	<b>2,384,673</b>	<b>1,588,623</b>	<b>1,895,129</b>	<b>6,684,248</b>	<b>3,950,453</b>	<b>16,503,126</b>

\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\* provisions are not included

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

### 6.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company'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 Company's market risks mainly arise from open positions in (a) foreign currencies and (b) loans provided and financial debts, to the extent that these are exposed to general and specific market movements.

The Company uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

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

#### 6.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company.

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

**2016**

	Currency	Carrying amount
Cash and cash equivalents	TEUR	66,156
	TUSD	2
Trade and other receivables	TEUR	22,020
Loans provided	TEUR	396,425
Available for sale financial assets	TEUR	111
Trade and other payables	TEUR	(70,843)
Financial debts	TEUR	(231,914)
<b>Net position</b>	<b>TEUR</b>	<b>181,955</b>
<b>Net position</b>	<b>TUSD</b>	<b>2</b>

**2015**

	Currency	Carrying amount
Cash and cash equivalents	TEUR	4,598
	TUSD	2
Trade and other receivables	TEUR	324
Loans provided	TEUR	209,386
Available for sale financial assets	TEUR	1,383
Trade and other payables	TEUR	(4,318)
Financial debts	TEUR	(67,878)
Bonds issued	TEUR	(4,704)
<b>Net position</b>	<b>TEUR</b>	<b>138,790</b>
<b>Net position</b>	<b>TUSD</b>	<b>2</b>

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

**Foreign currency risk 2016 – sensitivity analysis**

	Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	66,156	1,787,543	1,966,297	178,754	1,608,788
	TUSD	2	51	56	5	46
Trade and other receivables	TEUR	22,020	594,985	654,483	59,498	535,486
Loans provided	TEUR	396,425	10,711,416	11,782,557	1,071,142	9,640,274
Available for sale financial assets	TEUR	111	2,986	3,284	299	2,687
Trade and other payables	TEUR	(70,843)	(1,914,188)	(2,105,607)	(191,419)	(1,722,769)
Financial debts	TEUR	(231,914)	(6,266,331)	(6,892,964)	(626,633)	(5,639,698)
<b>Net exposure to currency risk</b>	<b>TEUR</b>	<b>181,955</b>	<b>4,916,410</b>	<b>5,408,051</b>	<b>491,641</b>	<b>4,424,769</b>
<b>Net exposure to currency risk</b>	<b>TUSD</b>	<b>2</b>	<b>51</b>	<b>56</b>	<b>5</b>	<b>46</b>
<b>Impact on profit/loss</b>	<b>TCZK</b>				<b>491,646</b>	<b>(491,646)</b>

**Foreign currency risk 2015 – sensitivity analysis**

	Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	4,598	124,256	136,682	12,426	111,830
	TUSD	2	50	55	5	45
Trade and other receivables	TEUR	324	8,749	9,624	875	7,874
Loans provided	TEUR	209,386	5,658,650	6,224,515	565,865	5,092,785
Available for sale financial assets	TEUR	1,383	37,386	41,125	3,739	33,647
Trade and other payables	TEUR	(4,318)	(116,692)	(128,361)	(11,669)	(105,023)
Financial debts	TEUR	(67,878)	(1,834,416)	(2,017,858)	(183,442)	(1,650,974)
Bonds issued	TEUR	(4,704)	(127,120)	(139,832)	(12,712)	(114,408)
<b>Net exposure to currency risk</b>	<b>TEUR</b>	<b>138,790</b>	<b>3,750,813</b>	<b>4,125,895</b>	<b>375,082</b>	<b>3,375,731</b>
<b>Net exposure to currency risk</b>	<b>TUSD</b>	<b>2</b>	<b>50</b>	<b>55</b>	<b>5</b>	<b>45</b>
<b>Impact on profit/loss</b>	<b>TCZK</b>				<b>375,087</b>	<b>(375,087)</b>

### 6.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments are described under notes 5.5 for financial assets and under notes 5.11 and 5.12 for 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.

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 Company's interest rate risk is monitored by the Company's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Company'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 Company 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 Company are usually based on Company's borrowing interest rates.

As the loans provided are based on fixed rates, and no interest-bearing financial instrument is measured at fair value through profit and loss the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. These obligations primarily include bank loans.

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 Company providing all other variables remaining constant:

#### 2016

	Effective interest rate	Liability with variable interest rate	Interest calculated
Financial debts	1.51%	221,144	3,349
<b>Total</b>		<b>221,144*</b>	<b>3,349</b>

\* The amount of liability with variable interest does not include accrued interests.

	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	2.51%	5,560	(2,211)	0.51%	1,138	2,211
<b>Total</b>		<b>5,560</b>	<b>(2,211)</b>		<b>1,138</b>	<b>2,211</b>

#### 2015

	Effective interest rate	Liability with variable interest rate	Interest calculated
Bonds issued	6.31%	2,677,235	168,979
<b>Total</b>		<b>2,677,235*</b>	<b>168,979</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Bonds issued</b>	7.31%	195,752	(26,772)	5.31%	142,207	26,772
<b>Total</b>		<b>195,752</b>	<b>(26,772)</b>		<b>142,207</b>	<b>26,772</b>

#### Sensitivity analysis – exposure to interest rate risk for fixed rate instruments

The Company recognized all financial assets and liabilities at fair value. No fair value adjustments are recorded through the profit or loss.

#### Effective interest rate and repricing analysis

In respect of financial debts, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

### 2016

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	<b>4.81%</b>	<b>8,205,626</b>	--	--	<b>8,205,626</b>
<b>Financial debts</b>		<b>12,221,476</b>	<b>194,544</b>	<b>26,600</b>	<b>12,000,332</b>
- loans drawn from entities under direct or indirect control	5.06%	9,926,012	--	--	9,926,012
- loans from related parties	5.73%	2,010,659	--	--	2,010,659
- loans from third parties	4.35%	63,661	--	--	63,661
- bank loans	1.51%	221,144	194,544	26,600	--
<b>Total</b>		<b>20,427,102</b>	<b>194,544</b>	<b>26,600</b>	<b>20,205,958</b>

(1) Including unpaid interest of CZK 86 million

### 2015

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	<b>6.24%</b>	<b>6,601,297</b>	--	<b>2,707,347</b>	<b>3,893,950</b>
<b>Financial debts</b>		<b>3,371,317</b>	<b>281,060</b>	<b>34,200</b>	<b>3,056,057</b>
- loans drawn from entities under direct or indirect control	3.66%	2,948,858	--	--	2,948,858
- loans from related parties	5.49%	40,856	--	--	40,856
- loans from third parties	4.27%	66,343	--	--	66,343
- bank loans	2.27%	315,260	281,060	34,200	--
<b>Total</b>		<b>9,972,614</b>	<b>281,060</b>	<b>2,741,547</b>	<b>6,950,007</b>

(1) Including unpaid interest of CZK 102 million

## 6.4 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder 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 Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Company's financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the statement of financial position.

The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Debt	28,201,356	12,468,291
Equity	23,247,191	22,346,987
<b>Total</b>	<b>121%</b>	<b>56%</b>

## 6.5 Fair value measurement

### 6.5.1 Fair value of financial instruments

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company is using a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Company or of the specific entity concerned in the light of existing, available and observable market data.

- For the available-for-sale financial assets and for the bonds, the fair values as of 31 December 2016 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

### Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
FINANCIAL ASSETS					
Long-term Equity investments	--	13,773	13,773	--	--
Debentures issued by third parties	--	2,986	2,986	--	--
Financial assets available-for-sale	--	16,759	--	--	--
Loans provided	--	13,771,370	--	--	13,771,370
Non-current loans and receivables	--	13,771,370	--	--	--
Trade and other receivables	--	4,820	--	--	--
Loans provided	--	4,801,871	--	--	4,801,871
Bills of exchange	--	82,053	--	--	82,053
Other current financial assets	--	3,633,499	--	--	--
Cash and cash equivalent	--	2,777,814	--	--	--
Current financial assets	--	11,300,057	--	--	--
FINANCIAL LIABILITIES					
Bonds	--	8,119,330**	8,423,650	--	--
Financial debt (floating rate bank debts)	--	127,080	--	--	127,080
Financial debt (other borrowings)	--	11,840,988	--	--	11,840,988
Other – non current liabilities	--	69,996	--	--	--
Non-current financial liabilities	--	20,154,395	--	--	--
Financial debt (floating rate bank debts)	--	94,064	--	--	94,064
Financial debt (other borrowings)	--	2,973,594	--	--	2,973,594
Advanced payments	--	8,051	--	--	--
Trade payables	--	17,360	--	--	--
Other financial current liabilities	--	4,867,598	--	--	--
Current financial liabilities	--	7,960,667	--	--	--

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

(\*\*) Accrued interest is not included.

31 December 2015	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
FINANCIAL ASSETS					
Call option	30,403	--	--	30,403	--
Financial assets at fair value through profit or loss (**)	30,403	--	--	--	--
Long-term Equity investments	--	11,746	--	--	--
Financial assets available-for-sale	--	11,746	--	--	--
Advances paid	--	3,418	--	--	--
Loans provided	--	4,831,881	--	--	4,831,881
Non-current loans and receivables	--	4,835,299	--	--	--
Trade and other receivables	--	37,180	--	--	--
Debentures	--	37,159	--	--	39,105
Loans provided	--	6,348,319	--	--	6,348,319
Bills of exchange	--	204,013	--	--	204,013
Other current financial assets	--	3,010,928	--	--	--
Cash and cash equivalent	--	625,139	--	--	--
Current financial assets	--	10,262,738	--	--	--
FINANCIAL LIABILITIES					
Bonds	--	5,250,578***	3,504,825	--	2,322,956
Financial debt (floating rate bank debts)	--	221,180	--	--	--
Financial debt (other borrowings)	--	3,484,714	--	--	--
Non-current financial liabilities	--	8,956,472	--	--	--
Bonds	--	1,350,719	1,285,979	--	--
Financial debt (floating rate bank debts)	--	94,080	--	--	--
Financial debt (other borrowings)	--	1,528,156	--	--	--
Advanced payments	--	109,916	--	--	--
Trade payables	--	16,538	--	--	--
Other financial current liabilities	--	411,998	--	--	--
Current financial liabilities	--	3,511,407	--	--	--

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

(\*\*) Designated at fair value.

(\*\*\*) Accrued interest is not included.

## 7 Related party transactions

The Company has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholders and companies in which these parties held controlling or significant influence or are joint ventures.

The key management personnel and members of Board of Directors did not obtain any remuneration from the Company in 2016 (2015 - TCZK 0).

Breakdown of balances between the Company and related parties is as follows:

### Trade receivables as at 31 December – current

	2016	2015
Arena Corner Kft.	201	201
Best Properties South, a.s.	--	16
CB Property Development, a.s.	--	16
BAYTON Alfa, a.s.	2,505	--
CPI - Facility, a.s.	--	15,452
CPI City Center ÚL, a.s.	--	2,931
CPI Jihlava Shopping, a.s.	--	16
CPI Management, s.r.o.	--	(113)
CPI Retail Portfolio I, a.s.	(2)	12
CPI Retails THREE, a.s.	2	9
CPI Retails ONE, a.s.	--	(4)
CPI Services, a.s.	650	7,839
Budaörs Office Park Kft.	--	36
Komárno Property Development, a.s.	--	5
Liptovský Mikuláš Property Development, a.s.	--	5
Marissa West, a.s.	14	16
Michalovce Property Development, a.s.	--	(3)
MUXUM, a.s.	--	(3)
NERONTA, a. s.	--	(101)
Nymburk Property Development, a.s.	--	7
Považská Bystrica Property Development, a.s.	4	13
Prievidza Property Development, a.s.	--	5
Spišská Nová Ves Property Development, a.s.	--	(3)
Levice Property Development, a.s.	--	(3)
Others	101	3,780
<b>Total trade receivables due from entities under direct or indirect control</b>	<b>3,475</b>	<b>30,126</b>
Sojené farmy a.s.	--	2,144
CPI Alberghi Hi Roma SárI	680	648
CPI Finance Slovakia II, a.s.	582	--
CPI Hotels, a.s.	--	(20)
Others	25	155
<b>Total trade receivables due from other related parties</b>	<b>1,287</b>	<b>2,927</b>

## Other receivables as at 31 December – current

	2016	2015
CPI Finance Nederland B.V.	--	1,859
CPI Lambda, a.s.	2,583,666	2,583,666
CPI Residential, a.s.	78,297	--
CPI Retail Portfolio I, a.s.	2,095	--
CPI Retail Portfolio II, a.s.	3,516	--
CPI Retail Portfolio III, a.s.	3,497	--
CPI Retail Portfolio IV, a.s.	3,235	--
CPI Retail Portfolio V, a.s.	1,696	--
CPI Retail Portfolio VI, a.s.	759	--
CPI Retail Portfolio VII, a.s.	2,077	--
Malerba, a.s.	296,356	357,856
MUXUM, a.s.	--	140
Others	70	341
<b>Total other receivables due from entities under direct or indirect control</b>	<b>2,975,264</b>	<b>2,943,862</b>
CPI Property Group S.A.	23,556	25,301
Veretix, a.s.	1,392	--
Others	145	167
<b>Total other receivables due from other related parties</b>	<b>25,093</b>	<b>25,468</b>

## Loans provided 2016

	< 1 year	2-5 years	> 5 let years	Total
Arena Corner Kft.	49,308	--	452,006	501,314
Baudry, a.s.	--	1,520	--	1,520
BPT Development, a.s.	--	2,504	--	2,504
Březiněves, a.s.	136,558	--	--	136,558
Central Tower 81 Sp. z o.o.	66,410	--	327,570	393,980
CPI - Facility, a.s.	--	13,939	--	13,939
CPI - Štupartská, a.s.	463	--	--	463
CPI Alfa, a.s.	43,352	--	--	43,352
CPI Beta, a.s.	--	--	36,097	36,097
CPI CYPRUS LIMITED	270	1,729	--	1,999
CPI East, s.r.o.	1	--	80	81
CPI Epsilon, a.s.	3,189	49,704	--	52,893
CPI Finance (BVI) Limited	--	28,195	--	28,195
CPI France, a SASU	121,149	1,237,651	--	1,358,799
CPI HELI, s.r.o.	2,047	23,841	--	25,888
CPI Retails THREE, a.s.	47,293	211,716	--	259,008
CPI Retails TWO, a.s.	6,926	9,737	--	16,663
CPIPG Management s.á r.l.	14,120	143,966	776	158,862
Čadca Property Development, s.r.o.	--	37,467	--	37,467
Gadwall, Sp. z o.o.	29,070	89,878	149,304	268,252
Hospitality Invest S.a r.l.	2,773	102,278	--	105,051
Hraničář, a.s.	1,783	--	--	1,783
Komárno Property Development, a.s.	1,464	35,343	--	36,806
Levice Property Development, a.s.	--	49,427	--	49,427
Liptovský Mikuláš Property Development, a.s.	--	80,225	--	80,225
Malerba, a.s.	11	4,559	--	4,570
Marissa Omikrón, a.s.	215,545	--	--	215,545
Marissa, a.s.	292	20,273	--	20,565
Michalovce Property Development, a.s.	4,085	70,906	--	74,991
Modřanská Property, a.s.	17,458	213,763	--	231,221
NERONTA, a. s.	44,746	432,988	--	477,735
Pelhřimov Property Development, a.s.	1,257	24,644	--	25,901
Považská Bystrica Property Development, a.s.	907	22,214	--	23,122
Prievidza Property Development, a.s.	251	22,505	--	22,757
Prosta 69 Sp. z o.o.	29,617	--	196,084	225,701
Quadrio Residence, s.r.o.	--	--	4	4
Spišská Nová Ves Property Development, a.s.	1,077	32,222	--	33,299
TARNÓW PROPERTY DEVELOPMENT sp. z o.o.	--	17,535	--	17,535
Trebišov Property Development, s.r.o.	5,028	58,449	--	63,477
Trutnov Property Development, a.s.	7,951	118,835	--	126,786
Třinec Property Development, a.s.	--	7,020	--	7,020

	< 1 year	2-5 years	> 5 let years	Total
VOLANTI LIMITED	2,027	--	--	2,027
Ždírec Property Development, a.s.	921	13,939	--	14,860
<b>Total loans provided to entities under direct or indirect control</b>	<b>857,350</b>	<b>3,178,974</b>	<b>1,161,922</b>	<b>5,198,246</b>
CPI PROPERTY GROUP	3,919,725	6,056,329	--	9,976,054
Camuzzi, a.s.	696	19,350	--	20,046
CPI South, s.r.o.	1	--	212	213
ITL Alfa, s.r.o.	--	12,001	--	12,001
Karviná Property Development, a.s.	866	15,830	--	16,696
Orco Property Group S.A.	6,895	3,310,215	--	3,317,110
Strakonice Property Devel.a.s.	970	--	--	970
Kroměříž Property Development, a.s.	2,323	7,850	--	10,173
Multicredit Group a.s. v likvidaci	1,005	--	--	1,005
Kratina Jan	7,202	--	--	7,202
<b>Total loans provided to other related parties</b>	<b>3,939,683</b>	<b>9,421,575</b>	<b>212</b>	<b>13,361,470</b>

### Loans provided 2015

	< 1 year	2-5 years	> 5 let years	Total
ACGATE Kft.	49,317	--	451,329	500,646
Baudry, a.s.	207	--	2,808	3,015
BPT Development, a.s.	3,723	26,104	--	29,828
Březiněves, a.s.	88,121	30,862	--	118,983
Camuzzi, a.s.	696	18,035	--	18,731
CB Property Development, a.s.	9,188	--	99,941	109,129
CENTRAL TOWER 81 Sp. z o.o.	38,914	--	450,791	489,705
CPI - Facility, a.s.	--	19,135	--	19,135
CPI - Štupartská, a.s.	441	--	--	441
CPI Alfa, a.s.	5,094	42,525	--	47,619
CPI Beta, a.s.	--	--	99,995	99,995
CPI BYTY, a.s.	43,607	208,506	--	252,113
CPI City Center ÚL, a.s.	1,542	--	--	1,542
CPI CYPRUS LIMITED	--	1,644	--	1,644
CPI Epsilon, a.s.	3,189	45,356	--	48,544
CPI FINANCE (BVI) LIMITED	--	27,202	--	27,202
CPI France, a SASU	1,216,085	--	--	1,216,085
CPI Group, a.s.	1,378	--	--	1,378
CPI Heli, s.r.o.	2,047	42,887	--	44,934
CPI Retails FIVE, a.s.	9,089	106,973	--	116,062
CPI Retails FOUR, a. s.	10,875	121,860	--	132,735
CPI Retails THREE, a.s.	9,223	104,650	--	113,874
CPI Retails TWO, a.s.	6,926	76,300	--	83,226
CPI Services, a.s.	58,673	--	--	58,673
CPI South, s.r.o.	2	90	--	92
CPI PG Management, S.á r.l	9,184	144,768	--	153,953
CURITIBA a.s.	260	6,659	--	6,919
Čadca Property Development, s.r.o.	2,933	35,867	--	38,800
Farhan, a.s.	13,672	477,356	--	491,028
GADWALL Sp. z o.o.	19,089	218,027	--	237,116
Hospitality Invest, S.á.r.l.	115	13,003	--	13,118
Hraničář, a.s.	1,784	--	--	1,784
Karviná Property Development, a.s.	866	--	29,204	30,070
Komárno Property Development, a.s.	1,464	20,628	--	22,092
Liptovský Mikuláš Property Development, a.s.	4,113	51,159	--	55,272
Malerba, a.s.	11	4,245	--	4,256
Marissa Omikrón, a.s.	785,055	--	--	785,055
Marissa Tau, a.s.	8,943	117,622	--	126,565
Marissa, a.s.	292	20,038	--	20,330
Michalovce Property Development, a.s.	4,086	41,024	--	45,110
Modřanská Property, a.s.	17,458	195,844	--	213,301
NERONTA, a.s.	54,688	545,852	--	600,541
Pelhřimov Property Development, a.s.	1,257	41,752	--	43,009
Považská Bystrica Property Development, a.s.	907	5,293	--	6,201
Prievidza Property Development, a.s.	251	4,705	--	4,956
Prosta 69 Sp. Z o.o.	20,485	--	170,454	190,939
Quadrio Residence, s.r.o.	1,147	--	631	1,778
Ružomberok Property Development, a.s.	1,078	15,597	--	16,675

	< 1 year	2-5 years	> 5 let years	Total
Strakonice Property Development, a.s.	971	--	--	971
Třebíšov Property Development, s. r. o.	5,029	60,525	--	65,554
Trutnov Property Development, a.s.	7,951	108,066	--	116,018
Třinec Property Development, a.s.	9,283	39,464	--	48,747
Týniště Property Development, s.r.o.	3,575	--	--	921
VOLANTI LIMITED	8,416	430,681	--	439,097
Zvolen Property Development, a.s.	1,047	19,191	--	20,238
Ždírec Property Development, a.s.	921	12,493	--	13,414
Vyškov Property Development, a.s.	2,950	--	--	2,950
<b>Total loans provided to entities under direct or indirect control</b>	<b>2,544,963</b>	<b>3,501,987</b>	<b>1,305,152</b>	<b>7,352,102</b>
ITL Alfa s.r.o.	185	13,815	--	14,000
CPI Property Group S.A.	3,794,902	--	--	3,794,902
<b>Total loans provided to other related parties</b>	<b>3,795,087</b>	<b>13,815</b>	<b>--</b>	<b>3,808,902</b>

### Non-current other payables related to assignment of receivables as at 31 December

	2016	2015
Michalovce Property Development, a.s.	33,332	--
Považská Bystrica Property Development, a.s.	33,664	--
<b>Total non-current payables related to assignment of receivables</b>	<b>66,996</b>	<b>--</b>

### Current payables related to assignment of receivables as at 31 December

	2016	2015
CPI - Bor, a.s.	4,226	4,227
CPI - Real Estate, a.s.	17,139	17,139
CPI BYTY, a.s.	29,250	90,286
CPI Group, a.s.	2,290	2,290
CPI Management, s.r.o.	--	9,308
CPI Reality, a.s.	166,700	166,705
Čáslav Investments, a.s.	2,364	2,364
Jeseník Investments, a.s.	--	1,013
Michalovce Property Development, a.s.	--	33,338
Pelhřimov Property Development, a.s.	--	1,044
Považská Bystrica Property Development, a.s.	--	33,671
Prague Property Development, a.s.	--	11,177
U Svatého Michala, a.s.	8,373	8,375
Others	27	27
<b>Total current payables related to assignment of receivables</b>	<b>230,369</b>	<b>380,963</b>
Vila Anička, a.s.	1,670	--
PTR PRIME TOURIST RESORT	1,810,340	--
Others	4,434	--
<b>Total current payables related to assignment of receivables due from other related parties</b>	<b>1,816,444</b>	<b>--</b>

### Payables from unpaid contribution as at 31 December

	2016	2015
CPI Retails THREE, a.s.	--	5,405
Marissa, a.s.	--	9,700
CPI Lambda, a.s.	2,582,765	--
CPI Residential, a.s.	76,297	--
Jeseník Investment, a.s.	3,000	--
Telč Property Development, a.s.	5,500	--
Vyškov Property Development, a.s.	28,010	--
Ždírec Property Development, a.s.	1,000	--
Others	139	149
<b>Total payables from unpaid contribution</b>	<b>2,696,711</b>	<b>15,254</b>
Karviná Property Development	20	--
<b>Total payables from unpaid contribution due from other related parties</b>	<b>20</b>	<b>--</b>

**Liabilities related to bonds issued as at 31 December**

	2016	2015
BAYTON Gama, a.s.	--	568,000
<b>Total liabilities from bonds issued</b>	<b>--</b>	<b>568,000</b>
CPI BYTY, a.s.	--	2,689
BAYTON Gama, a.s.	--	9,507
<b>Total accrued interest</b>	<b>--</b>	<b>12,196</b>
<b>Total liabilities related to bonds</b>	<b>--</b>	<b>580,196</b>

**Bills of exchange as at 31 December**

	2016	2015
BAYTON Gama, a.s.	696,152	116,296
CPI BYTY, a.s.	--	190,484
<b>Total bills of exchange from entities under direct or indirect control</b>	<b>696,152</b>	<b>306,780</b>
Gewerbesiedlungs-Gesellschaft GmbH	840,216	135,269
<b>Total bills of exchange from other related parties</b>	<b>840,216</b>	<b>135,269</b>

**Loans drawn from entities under direct or indirect control/other related parties****2016**

	< 1 year	2-5 years	> 5 let years	Total
Balvinder, a.s.	3,511	--	--	3,511
BAYTON Alfa, a.s.	12,918	--	--	12,918
BAYTON Gama, a.s.	537	--	16,264	16,801
Brandýs Logistic, a.s.	563	187	--	750
CB Property Development, a.s.	2,041	99	--	2,140
Conradian, a.s.	7	--	--	7
CPI - Bor, a.s.	--	42,602	--	42,602
CPI - Real Estate, a.s.	1,551	88,033	--	89,584
CPI - Zbraslav, a.s.	--	60,084	--	60,084
CPI Delta, a.s.	2,093	--	--	2,093
CPI Finance (BVI) Limited	--	26,750	--	26,750
CPI Finance Netherlands B.V.	37,180	4,141,785	--	4,178,965
CPI Finance Netherlands II B.V.	42,503	--	1,298,426	1,340,929
CPI Finance Netherlands III B.V.	36,275	--	918,730	955,005
CPI Finance Slovakia, a.s.	67,224	2,102,325	--	2,169,549
CPI Flats, a.s.	6,343	--	--	6,343
CPI Hotels Properties, a.s.	3,872	79,659	--	83,531
CPI Lambda, a.s.	58	439	--	497
CPI Management, s.r.o.	497	--	--	497
CPI Národní, s.r.o.	213	354,552	--	354,765
CPI Park Mlýnec, a.s.	808	1,455	--	2,263
CPI Reality, a.s.	50	3,367	--	3,417
CPI Residential, a.s.	18	1,950	--	1,968
CPI Retail MB s.r.o.	534	81,286	--	81,820
CPI Retail Portfolio I, a.s.	3	7,726	--	7,729
CPI Retail Portfolio II, a.s.	627	25,081	--	25,708
CPI Retail Portfolio IV, s.r.o.	152	12,312	--	12,464
CPI Retail Portfolio VI, s.r.o.	134	7,592	--	7,726
CPI Retail Portfolio VII, s.r.o.	230	10,724	--	10,954
CPI Services, a.s.	1,458	70,359	--	71,817
Hraničář, a.s.	--	17,461	--	17,461
Marissa Omikrón, a.s.	91	1,225	--	1,316
Marissa Théta, a.s.	199	--	2,022	2,221
Marissa Yellow, a.s.	198	2,055	--	2,253
Marissa Ypsilon, a.s.	198	1,898	--	2,096
MB Property Development, a.s.	242	5,776	--	6,018
MUXUM, a.s.	11,785	79,590	--	91,375
Nymburk Property Development, a.s.	1,952	7,039	--	8,991
OC Nová Zdaboř a.s.	3,944	78,834	--	82,778
Přibor Property Development, s.r.o.	29	910	--	939
Quadrio Residence, s.r.o.	290	7,833	--	8,123
Svitavy Property Alfa, a.s.	532	11,032	--	11,564
VOLANTI LIMITED	149	68,901	--	69,050
Vyškov Property Development, a.s.	187	3,257	--	3,444

	< 1 year	2-5 years	> 5 let years	Total
ZLATICO LIMITED	115	44,392	--	44,507
Žďár Property Development a.s.	692	--	--	692
<b>Total loans from entities under direct or indirect control</b>	<b>242,000</b>	<b>7,448,571</b>	<b>2,235,442</b>	<b>9,926,013</b>
CPI - Land Development, a.s.	821	--	--	821
CPI Finance Slovakia II, a.s.	8,696	--	1,211,036	1,219,732
CPI North, s.r.o.	10	80	--	90
Orco Property Group S.A.	1,398	--	769,611	771,009
Bayton Delta, a.s.	460	--	18,547	19,007
<b>Total loans from other related parties</b>	<b>11,385</b>	<b>80</b>	<b>1,999,194</b>	<b>2,010,659</b>

## 2015

	< 1 year	2-5 years	> 5 let years	Total
Balvinder, a.s.	2,832	29,502	--	32,334
BAYTON Alfa, a.s.	36,372	--	--	36,372
BAYTON Delta, a.s.	460	--	17,997	18,458
BAYTON Gama, a.s.	537	16,734	--	17,271
Brandýs Logistic, a.s.	563	11,105	--	11,668
Carpenter Invest, a.s.	2,657	24,887	--	27,544
CB Property Development, a.s.	98	1,943	--	2,041
CENTRAL TOWER 81 Sp. z o.o.	--	80,014	--	80,014
Conradian, a.s.	7	--	--	7
CPI - Bor, a.s.	6,580	37,379	--	43,960
CPI - Land Development, a.s.	821	--	--	821
CPI - Real Estate, a.s.	85,983	--	--	85,983
CPI - Zbraslav, a.s.	8,482	47,226	--	55,708
CPI Beta, a.s.	365	2,701	--	3,066
CPI Delta, a.s.	96	1,900	--	1,996
CPI Finance Netherlands B.V.	155,942	777,091	--	933,033
CPI Finance Slovakia, a.s.	38,734	770,348	--	809,082
CPI Flats, a.s.	2,402	3,824	--	6,227
CPI Hotels Properties, a.s.	3,873	75,820	--	79,692
CPI Lambda, a.s.	112	790	--	902
CPI Management, s.r.o.	4,573	69,832	--	74,405
CPI Meteor Centre, s.r.o.	1,984	--	--	1,984
CPI Národní, s.r.o.	213	176,882	--	177,095
CPI Park Mlýnec, a.s.	808	1,060	--	1,868
CPI Park Žďárek, a.s.	32	--	--	32
CPI Reality, a.s.	50	2,700	--	2,749
CPI Retail MB s.r.o.	544	17,349	--	17,893
CPI Retail Portfolio I, a.s.	3	3,898	--	3,901
CPI Retail Portfolio II, a.s.	627	20,600	--	21,227
CPI Retail Portfolio IV, s.r.o.	193	5,000	--	5,193
CPI Retail Portfolio VI, s.r.o.	170	4,400	--	4,570
CPI Retail Portfolio VII, s.r.o.	230	7,000	--	7,230
Hraničář, a.s.	--	16,779	--	16,779
Marissa Omikrón, a.s.	198	1,965	--	2,163
Marissa Théta, a.s.	199	1,970	--	2,169
Marissa West, a.s.	64,729	--	--	64,729
Marissa Yellow, a.s.	198	1,965	--	2,163
Marissa Ypsilon, a.s.	198	1,815	--	2,012
MUXUM, a.s.	11,911	75,754	--	87,666
Nymburk Property Development, a.s.	1,952	24,415	--	26,367
Prague Property Development, s.r.o.	7,876	78,121	--	85,997
Svitavy Property Alfa, a.s.	532	10,498	--	11,030
Vigano, a.s.	4,782	30,406	--	35,188
ZLATICO LIMITED	115	44,308	--	44,424
Vyškov Property Development, a.s.	187	3,069	--	3,256
Žďár Property Development, a.s.	590	--	--	590
<b>Total loans from entities under direct or indirect control</b>	<b>450,040</b>	<b>2,481,051</b>	<b>17,997</b>	<b>2,949,088</b>
Spojené farmy a.s.	229	31,900	--	32,129
Others	801	7,925	--	8,726
<b>Total loans from other related parties</b>	<b>1,030</b>	<b>39,825</b>	<b>--</b>	<b>40,855</b>

## Sales

	2016	2015
CPI BYTY, a.s.	--	3
CPI Management, s.r.o.	--	304
CPI Services, a.s.	6,680	12,657
Vigano, a.s.	--	2
<b>Total revenues related entities under direct or indirect control</b>	<b>6,680</b>	<b>12,966</b>
<b>Total sales</b>	<b>6,680</b>	<b>12,966</b>

## Advisory and accounting services

	2016	2015
CPI Retail Portfolio I, a.s.	2,127	2,091
CPI Retail Portfolio II, a.s.	3,516	3,509
CPI Retail Portfolio III, s.r.o.	3,497	3,490
CPI Retail Portfolio IV, s.r.o.	3,235	3,229
CPI Retail Portfolio V, s.r.o.	1,696	1,693
CPI Retail Portfolio VI, s.r.o.	759	758
CPI Retail Portfolio VII, s.r.o.	2,077	2,073
<b>Total income from advisory and accounting services</b>	<b>16,907</b>	<b>16,843</b>

## Dividend income

	2016	2015
Brandýs Logistic, a.s.	15,000	--
CPI West, s.r.o.	--	1,870
CPI Finance Nederland B.V.	254,342	1,146,066
CPI Reality, a.s.	7,282	--
Olomouc Office, a.s.	10,000	--
<b>Total dividend income</b>	<b>286,624</b>	<b>1,147,926</b>
CPI City Center ÚL, a.s.	88,499	--
<b>Total dividend income due from other related parties</b>	<b>88,499</b>	<b>--</b>

## Proceeds from sales of subsidiaries

	2016	2015
CPI Residential, a.s.	78,297	--
<b>Total proceeds from sales of subsidiaries</b>	<b>78,297</b>	<b>--</b>
Orco Property Group S.A.	1,276,457	--
Others	1,147,638	--
<b>Total proceeds from sales of subsidiaries due from other related parties</b>	<b>2,424,095</b>	<b>--</b>

## Interest income

	2016	2015
ARENA CORNER Kft.	22,212	24,100
Baudry, a.s.	85	30,075
Březiněves, a.s.	1,731	1,389
Camuzzi, a.s.	--	696
CB Property Development, a.s.	3,304	13,383
Central Tower 81 Sp. z o.o.	27,503	32,223
CPI - Orlová, a.s.	--	17,101
CPI Alfa, a.s.	3,759	5,094
CPI Beta, a.s.	(60,831)	--
CPI BYTY, a.s.	3,299	7,304
CPI City Center ÚL, a.s.	--	14,220
CPI Delta, a.s.	--	466
CPI Epsilon, a.s.	3,652	3,189
CPI Finance Netherlands B.V.	--	14,318
CPI France, a SASU	35,034	31,841
CPI Group, a.s.	--	8,878
CPI HELI, s.r.o.	1,294	--
CPI Park Mlýnec, a.s.	--	19,698
CPIPG Management s.á r.l.	4,945	--
CPI Retails THREE, a.s.	21,403	29,187

	2016	2015
CPI Retails TWO, a.s.	1,382	6,926
CPI Shopping MB, a.s.	--	7,179
CPI Shopping Teplice, a.s.	--	7,374
CURITIBA a.s.	--	260
Čadca Property Development, s.r.o.	3,268	--
Farhan, a.s.	15,779	41,212
FL Property Development, a.s.	--	32,834
GADWALL, Sp. z o.o.	15,014	14,607
Hospitality Invest S.a r.l.	2,773	--
Karviná Property Development, a.s.	--	1,729
Komárno Property Development, a.s.	2,743	1,464
Liptovský Mikuláš Property Development, a.s.	5,773	4,113
Malerba, a.s.	164	11
Marissa Omikrón, a.s.	21,050	7,836
Marissa Tau, a.s.	6,961	8,943
Marissa, a.s.	1,010	129,846
Michalovce Property Development, a.s.	4,782	4,086
Modřanská Property, a.s.	17,920	17,458
NERONTA, a. s.	44,746	54,688
Pelhřimov Property Development, a.s.	2,454	1,257
Považská Bystrica Property Development, a.s.	1,569	907
Prievidza Property Development, a.s.	1,313	251
Prosta 69 Sp. Z o.o.	9,136	7,767
Příkopy Property Development, a.s.	--	418
Spišská Nová Ves Property Development, a.s.	2,220	1,078
Strakonice Property Development, a.s.	--	24,031
Svitavy Property Alfa, a.s.	--	1,521
Svitavy Property Development, a.s.	--	23,104
TARNÓW PROPERTY DEVELOPMENT sp. z o.o.	921	--
Telč Property Development, a.s.	--	18,891
Trutnov Property Development, a.s.	9,409	7,951
Třinec Property Development, a.s.	1,983	3,649
Týniště Property Development, s.r.o.	--	33,637
Trebišov Property Development, s.r.o.	5,231	5,029
VERETIX a.s.	--	7,187
VM Property Development, a.s.	--	17,217
VOLANTI LIMITED	868	3,642
Levice Property Development, a.s.	2,829	1,047
Žďár Property Development, a.s.	--	23,108
Ždírec Property Development, a.s.	1,106	--
Others	601	12,512
<b>Total interest income related to entities under direct or indirect control</b>	<b>250,392</b>	<b>787,933</b>
ITL ALFA, s.r.o.	737	184
CPI PROPERTY GROUP	305,725	319,651
Camuzzi, a.s.	925	--
CPI South, s.r.o.	6	--
Karviná Property Development, a.s.	1,378	--
Orco Property Group S.A.	6,895	--
Kratina Jan	202	--
Kroměříž Property Development, a.s.	380	--
Scampia a.s.	--	97,355
<b>Total interest income related to other related parties</b>	<b>316,248</b>	<b>417,190</b>
<b>Total interest income</b>	<b>566,640</b>	<b>1,205,123</b>

## Purchases

	2016	2015
CPI Services, a.s.	1,910	1,506
<b>Total purchases</b>	<b>1,910</b>	<b>1,506</b>
Vila anička, a.s.	6,679	--
<b>Total purchases due from other related parties</b>	<b>6,679</b>	<b>--</b>

## Interest expense

	2016	2015
Arena Corner Kft.	--	971

	2016	2015
BAYTON Gama, a.s.	5,026	537
Central Tower 81 Sp. z o.o.	951	2,904
CPI - Bor, a.s.	1,648	--
CPI - Real Estate, a.s.	2,601	--
CPI - Zbraslav, a.s.	1,602	494
CPI BYTY, a.s.	2,358	--
CPI Finance Netherland B.V.	37,180	551,272
CPI Finance Netherlands II B.V.	42,503	--
CPI Finance Netherlands III B.V.	36,275	--
CPI Finance Slovakia, a.s.	117,452	38,877
CPI Hotels Properties, a.s.	3,853	3,873
CPI Národní, s.r.o.	7,344	--
CPI Park Mlýnec, a.s.	95	415
CPI Reality, a.s.	93	50
CPI Retail MB s.r.o.	2,909	--
CPI Services, a.s.	1,458	--
Hraničář, a.s.	682	3,035
Marissa West, a.s.	--	4,856
Marissa West, a.s.	4,377	--
MUXUM, a.s.	3,850	3,840
OC Nová Zdaboř a.s.	3,944	--
Prague Property Development, s.r.o.	--	1,667
Vigano, a.s.	950	1,928
Others	7,827	20,473
<b>Total interest expense related to entities under direct or indirect control</b>	<b>284,978</b>	<b>635,191</b>
Gewerbesiedlungs-Gesellschaft GmbH	24,432	--
CPI PROPERTY GROUP S.A.	--	15,701
Orco Property Group S.A.	1,398	--
CPI Finance Slovakia II, a.s.	8,696	--
Others	819	731
<b>Total interest income related to other related parties</b>	<b>35,345</b>	<b>16,432</b>
<b>Total interest expense</b>	<b>320,323</b>	<b>651,623</b>

## 8 Contingencies, guarantees provided

### 8.1 Contingent liabilities

The Company provides following guarantees to its subsidiaries at 31 December 2016:

Subsidiary	Guarantee	Carrying amount of related liability at 31 December 2016 in TCZK	at 31 December 2015 in TCZK
AIRPORT CITY INGATLANBEFEKTETÉSI Kft.	Corporate guarantee	86,995	--
Arena Corner Kft.	Absolute Suretyship	708,664	--
Balvinder, a.s.	Blank bill	123,025	157,321
Baudry Beta, a.s.	Guarantee statement	328,009	344,312
Beroun Property Development, a.s.	Blank bill	205,988	238,785
Best Properties South, a.s.	Blank bill	--	1,297,204
Carpenter Invest, a.s.	Guarantee statement	142,916	92,445
Conradian, a.s.	Corporate guarantee; Blank bill	136,410	108,295
CPI - Real Estate, a.s.	Assumption for receivables	--	98,000
CPI - Štupartská, a.s.	Blank bill; Assumption for receivables	92,000	94,000
CPI Alfa, a.s.	Guarantee statement	10,326	279,000
CPI BYTY, a.s.	Guarantee statement	--	3,000,000
CPI Delta, a.s.	Guarantee statement	--	21,621
CPI Jihlava Shopping, a.s.	Guarantee statement	--	200,000
CPI Retail MB s.r.o.	Guarantee statement	--	298,844
CPI Retails ONE, a.s.	Guarantee statement	--	185,683
CPI Retails THREE, a.s.	Guarantee statement; Blank bill	--	202,031
CPI Retails TWO, a.s.	Guarantee statement	--	138,909
CPI Services, a.s.	Guarantee statement	44,846	55,894
EMH North, s.r.o.	Guarantee statement; Blank bill	924,692	971,927
EMH South, s.r.o.	Guarantee statement; Blank bill	232,885	244,782
EMH West, s.r.o.	Guarantee statement; Blank bill	1,125,613	1,183,111
Hraničář, a.s.	Blank bill	178,896	183,408
Komárno Property Development, a.s.	Guarantee statement	--	69,345
Liptovský Mikuláš Property Development, a.s.	Guarantee statement	--	73,802
Lockhart, a.s.	Guarantee statement	379,722	401,844
Marissa Gama, a.s.	Guarantee statement	1,048,751	1,089,571
Marissa Tau, a.s.	Guarantee statement	--	344,828
Marissa Yellow, a.s.	Corporate guarantee	135,000	--
Marissa Ypsilon, a.s.	Corporate guarantee	249,679	--
MB Property Development, a.s.	Guarantee statement	--	51,282
Michalovce Property Development, a.s.	Guarantee statement	--	61,574
MUXUM, a.s.	Blank bill	--	111,199
Nymburk Property Development, a.s.	Guarantee statement	--	239,625
OC Nová Zdobov a.s.	Guarantee statement	--	310,524
OFFICE CENTER HRADČANSKÁ, a.s.	Corporate guarantee	282,425	--
Olomouc City Center, a.s.	Guarantee statement	--	95,080
Olomouc Office, a.s.	Guarantee statement	--	152,130
Pelhřimov Property Development, a.s.	Blank bill; Guarantee statement	48,363	52,242
Považská Bystrica Property Development, a.s.	Guarantee statement	--	82,960
Prievidza Property Development, a.s.	Guarantee statement	--	70,351
Prosta 69 SP Z O O	Debt Service guarantee, Cost overrun guarantee	163,560	--
Spišská Nová Ves Property Development, a.s.	Guarantee statement	--	71,993
Svitavy Property Alfa, a.s.	Guarantee statement	138,933	151,246
Trebišov Property Development, s. r. o.	Guarantee statement	--	147,811
Trutnov Property Development, a.s.	Blank bill	42,340	45,478
Třinec Investments, s.r.o.	Guarantee statement	65,600	70,150
Třinec Property Development, a.s.	Guarantee statement	--	247,981
Vigano, a.s.	Corporate guarantee; Blank bill	286,282	277,980
Levice Property Development, a.s.	Guarantee statement	--	67,983
Ždírec Property Development, a.s.	Guarantee statement	11,594	12,665

## 9 Events after the reporting period

On 27 March 2017, the Company acquired retail portfolio Ogrody and Gardens in Poland.

Hotel Rhea was sold on 9 February 2017.

Prague, 28 April 2017



**Zdeněk Havelka**

Chairman of the Board of Directors