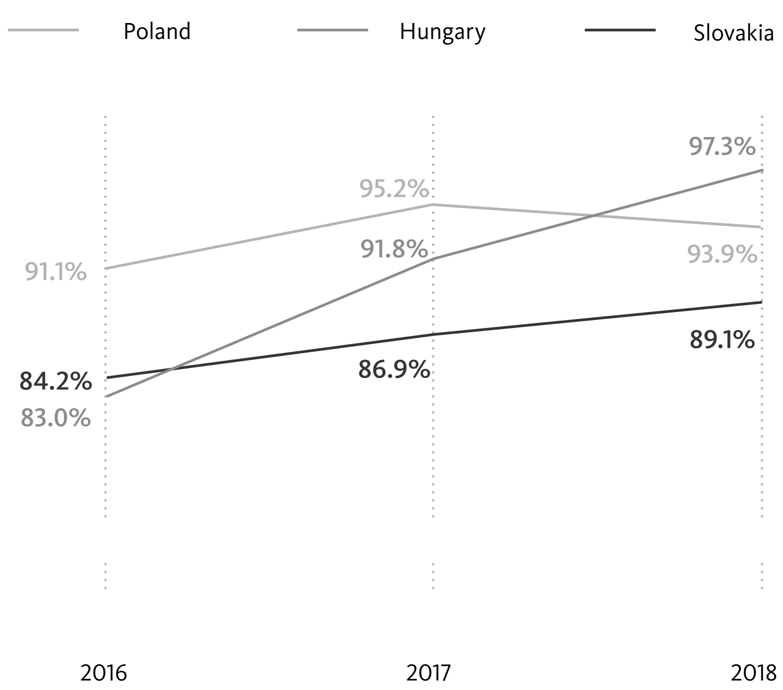
In Hungary, CPIPG has established itself as a leader in terms of performance, tenant satisfaction, innovation and sustainability.

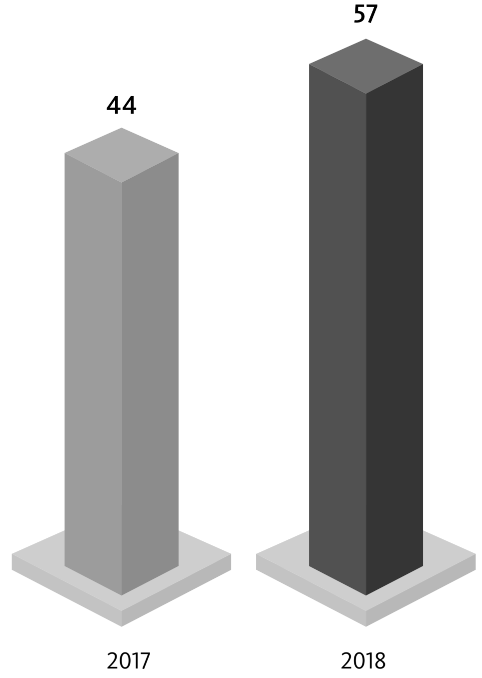
Mátyás Gereben, Country Manager, Hungary

Gateway Office, Budapest, Hungary

Occupancy Rate



Net Rental Income
(€ million)



Significant investments in “Green” assets

Many of the assets in the complementary assets portfolio are certified “green.”

In Hungary, office buildings certified as BREEAM “very good” include Arena Corner, Gateway Office Park, Quadra Building, Balance Loft and Andrassy Palace.

In Poland, Ogrody shopping centre is certified BREEAM “very good” while Atrium Centrum offices are certified BREEAM In-Use “Good.”

	Complementary assets portfolio 2018				Complementary assets portfolio 2017			
	PP value (€ million)	Occupancy (%)	GLA (m²)	No. of properties	PP value (€ million)	Occupancy (%)	GLA (m²)	No. of properties
Hungary	549	97.3%	311,000	18	509	91.8%	309,000	19
Poland	316	93.9%	128,000	13	206	95.2%	80,000	6
France	132	–	6,000	13*	151	–	6,000	13*
Slovakia	126	89.1%	94,000	18	117	86.9%	93,000	18
United Kingdom	91	–	5,000	1	–	–	–	–
Romania	41	96.9%	11,000	1	38	94.3%	11,000	1
Italy	15	–	–	1	12	–	–	1
Total	1,270	95.2%	555,000	65	1,033	92.1%	499,000	58

* *Includes residential properties.*

Top **Assets**

Complementary Assets Portfolio

Number of Assets in each country

United Kingdom 1

Poland 13

Slovakia 18

Hungary 18

Romania 1

France 13

Italy 1

Shopping Centre Ogrody
Country: Poland
City: Elbląg
PP value: €120 million
GLA: 42,000 m²

Atrium Centrum
Country: Poland
City: Warsaw
PP value: €47 million
GLA: 18,000 m²

Atrium Plaza
PP value: €37 million
GLA: 15,000 m²

Central Tower
Country: Poland
City: Warsaw
PP value: €37 million
GLA: 14,000 m²

Balance Office Park
Country: Hungary
City: Budapest
PP value: €50 million
GLA: 34,000 m²

Buxmead Apartments
Country: United Kingdom
City: London
PP value: €91 million
Residential units: 11

Campona
Country: Hungary
City: Budapest
PP value: €76 million
GLA: 41,000 m²

Gateway Office Park
Country: Hungary
City: Budapest
PP value: €76 million
GLA: 36,000 m²

Arena Corner
Country: Hungary
City: Budapest
PP value: €67 million
GLA: 30,000 m²

Andrássy Complex
Country: Hungary
City: Budapest
PP value: €21 million
GLA: 8,500 m²

Polus Centre
Country: Hungary
City: Budapest
PP value: €91 million
GLA: 41,000 m²

Hungary Overview

Office market

Budapest is the dynamic centre of the Hungarian office market. The combination of many new companies entering the market and existing tenants expanding caused quarterly increases in the share of new leases. Tenants committed to nearly 530,000 m² of office space during 2018, representing annual growth of 13%. Vacancy reached an all-time low of 7.3% by year-end. Tenants driving growth are primarily in IT/telecommunication, professional services, shared service centres and the public sector.

In first nine months of 2018, 186,000 m² of new space was delivered in the Budapest office market, more than double the amount in 2017. However investment activity in Hungary remains strong and transaction volumes are rising. For 2019, 126,000 m² of new office space is in the pipeline.

Source: CBRE, Cushman & Wakefield, JLL

Office properties

Occupancy levels in our Hungary (Budapest only) offices increased by more than 10 p.p. to 96.9% in 2018. Our level of vacancy is lower than the market, representing the quality of our assets and active asset management. The Group's largest office tenants are Vodafone (14,000 m²), Magyar Posta (14,000 m²), Citibank (13,000 m²) and LogMeIn (7,000 m²).

Retail market

Retail properties in Hungary, which are primarily located in Budapest, have benefited from increasing GDP and strong consumer demand. At the end of Q3 2018 the total modern shopping centre stock in Budapest amounted to 772,000 m². Prime rents are rising due to low availability. Vacancy rates of the top performing shopping centres are close to 0% while the occupancy of the secondary schemes has also started to increase. Quarterly rental growth of 7.1% was registered in prime high street and 5.3% in prime shopping centres.

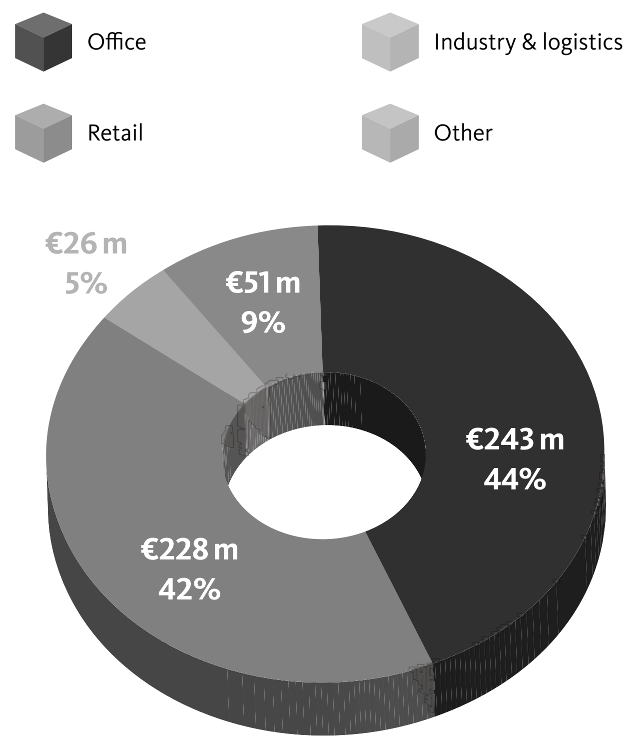
Source: Cushman & Wakefield, JLL

Retail properties

The Group's occupancy rate improved to 97.8% (2017: 96.8%). Part of the improvement is attributed to the increased occupancy level from 94% (Q4 2017) to 100% (Q4 2018) in Buy-Way Soroksár. Considering the Hungarian government policy of lowering personal taxes and VAT rates together with a solid macroeconomic performance, we expect retail sales to maintain a high pace in the coming years.

Our largest Hungarian largest retail assets are PÓLUS and Campona shopping centres. Both have a footfall close to 10 million visitors per year. The main tenants are Media Markt (4,500 m²) and H&M (2,000 m²).

Hungarian Assets (by PP Value)



Balance Hall development, Budapest, Hungary

Balance Hall – the first "Conscious Building" in Hungary

CPIPG will complete the handover of Balance Hall, which has been refurbished as a human-centered, eco-friendly office building on Vaci Corridor, in November 2019. CPIPG received the CIJ "Innovation of the Year" award for the concept of conscious building.

Airport City Logistics Park

The Group owns the Airport City logistics park, which is strategically located close to Budapest airport and is currently 96% occupied. CPIPG began construction on new "E and F" halls in 2018, which will be delivered in 2019 and will add 55,000 m² of warehouse and office space. As part of the new development CPIPG also built a new road providing better access to the park, along with improving access for cyclists and pedestrians.

Airport City Logistics Park, Budapest, Hungary

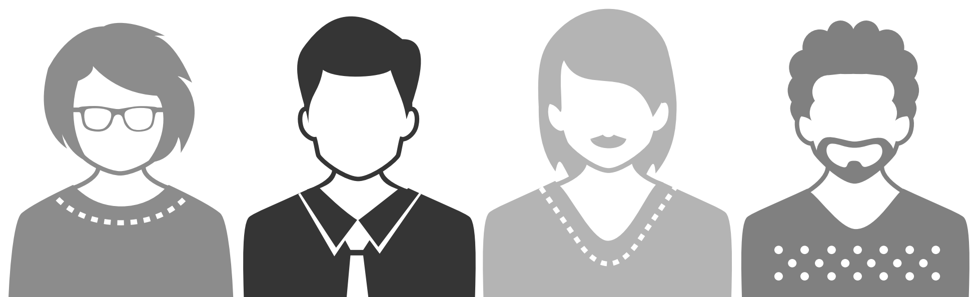
Campona redevelopment, Budapest, Hungary

Campona Redevelopment

In November 2018, CPIPG announced the refurbishment of Campona, which will see the GLA increased by nearly 60% to 70,000 m². The modern design focuses on lifestyle and entertainment, with 30% of area devoted to leisure activities and 15% devoted to food.

Engagement with our Tenants

The Group believes that close engagement with our tenants allows us to better understand their needs and provide services. In recent years, CPI Hungary began a Human Innovation Programme (HIP) in selected office properties, and will expand the offering to more properties in 2019 based on positive feedback from tenants. The objective of the HIP was to inspire tenants to enjoy their work environments and create a community atmosphere in our buildings, through the services of a dedicated community manager who can coordinate a broad range of services on behalf of tenants.



Poland Overview

CPIPG is a leader in the Polish market. Our retail assets are in good locations, and we continually adjust our offering to suit evolving consumer habits. Office demand in Poland is robust, and our growing platform is well-suited for long-term performance.

Office market

The office market in Poland was strong during 2018, as Poland's GDP growth (4.6%) and dynamic business environment contributed to strong demand for office space. In Warsaw, take-up of new space reached 860,000 m², and vacancy dropped to the lowest level since 2012 (8.7%). Regional cities also continued to perform well. Prime office rents in Warsaw have increased to a range of €17-23.5 m²/month, while prime assets located in non-central areas lease between €11-15 m²/month. Approximately 700,000 m² of office space is under construction in Warsaw, with the majority expected to be completed in 2020-2021.

Source: Eurostat, JLL, CBRE

Office properties

The Group's offices are only located in central locations in Warsaw, and total 60,000 m² with a valuation of €146 million. Occupancy was 91.9% at the end 2018, relative to 92.2% in 2017. The decrease was mainly due to the acquisition of Atrium Centrum and Atrium Plaza, which were acquired in April 2018 with a vacancy of 13.1%. Vacancy was reduced to 9.6% by the end of 2018 through the Group's successful asset management and further improvements are anticipated. The Group's largest office tenants are UPC (5,500 m²), Dentons (1,500 m²), Teleaudio Dwa (4,000 m²), City of Warsaw (1,500 m²) and Warsaw University (1,000 m²).

Retail market

Retail sales increased by 7% in 2018, a record level. Approximately 435,000 m² of GLA across all retail sectors entered the market in 2018, slightly below last year's pace. Density of modern retail space is rising in Poland, but remains well below other Western European countries. Lack of high street retail in Poland also favors shopping centres as a necessary destination for consumers. At year end, 269,000 m² of new shopping centre GLA was under construction, of which 73% is scheduled for delivery in 2019, a reduction of 40% versus 2018.

29 new brands entered the Polish market in 2018 and a number of new retail concepts debuted, most often combining different distribution channels and advanced digital solutions. Although the share of e-commerce in total sales is increasing, bricks-and-mortar remains the most popular choice for shoppers. The Sunday trading ban in Poland has negatively impacted footfall in some shopping centres, but has generally been offset by higher sales on other days (especially Friday, Saturday and Monday).

Source: JLL, CBRE

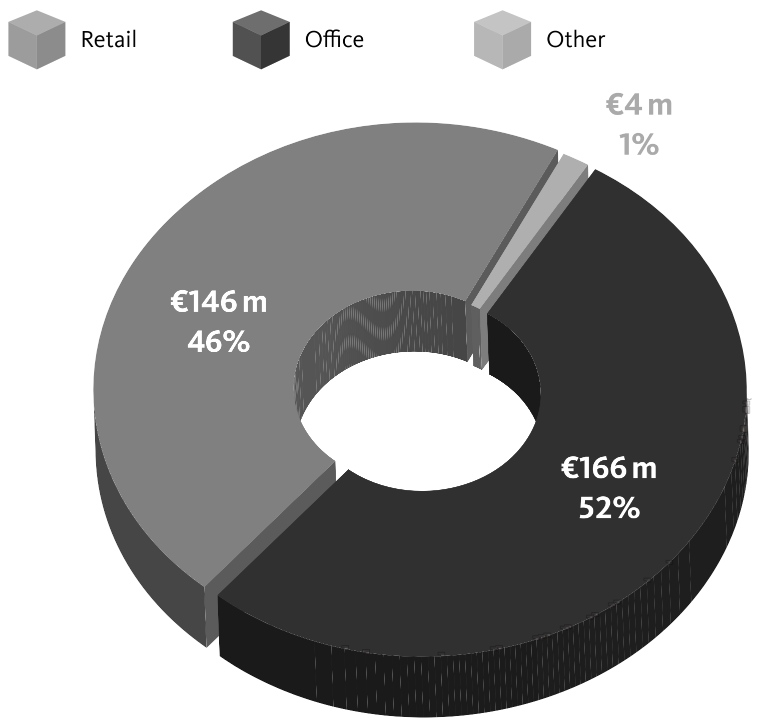
Retail properties

The occupancy level of our Polish retail assets was 96.1%, versus 96.8% in 2017. The slight decrease was primarily due to the acquisitions of HopStop retail parks in April 2018, where the group expects to improve occupancy through asset management.

Ogrody Shopping Centre remains the leader on the local market and is the only modern shopping centre in Elbląg. Despite the Sunday trading ban from the beginning of 2018, Ogrody SC reported increases in both footfall and turnover. Galeria Orkana has reached nearly full occupancy and saw turnover increase by over 7% in 2018 despite a slight decline in footfall.

Major tenants are Carrefour Polska (10,000 m²), LPP (5,500 m²), Media Markt (3,000 m²), PEPCO (3,000 m²) and Jeronimo Martins Drogerie i Farmacja (3,000 m²).

Polish Assets (by PP Value)



Beata Taborska, Retail Park Asset Manager; Aleksandra Bis, Asset Manager; Agnieszka Muż, Senior Asset Manager

EPRA Performance

EPRA BPR Silver Award

recipient for the high-quality reporting of its last annual report

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

City Park Shopping Centre, Jihlava, Czech Republic

EPRA Earnings

A rationale for using EPRA Earnings is that unrealized changes in valuation, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of the company's underlying operational performance. EPRA Earnings measures the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items that are not considered to be part of the core activity of an investment property company.

EPRA Earnings (€ million)

	2018	2017*
Earnings per IFRS income statement	**631**	**694**
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	579	771
Profits or losses on disposal of investment properties, development properties held for investment and other interests	1	4
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	3	(22)
Tax on profits or losses on disposals	0	0
Negative goodwill / goodwill impairment	(13)	23
Changes in fair value of financial instruments and associated close-out costs	(2)	2
Acquisition costs on share deals and non-controlling joint venture interests	0	0
Deferred tax in respect of EPRA adjustments	(51)	(158)
Adjustments to the above in respect of joint ventures (unless already included under proportional consolidation)	(1)	6
Non-controlling interests in respect of the above	0	0
EPRA Earnings	**116**	**68**
Basic number of shares	8,761,566,410	9,488,722,610
EPRA Earnings per Share (EPS) (€)	**0.013**	**0.007**
Company specific adjustments:		
Impairments	(20)	(33)
Amortisation, depreciation	(33)	(28)
Net foreign exchange gain – unrealised	0	0
Net foreign exchange loss – unrealised	0	(13)
Company specific Adjusted Earnings	**168**	**142**
Company specific Adjusted EPS	**0.019**	**0.015**

* *The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties from the Other net financial result to the Net valuation gain or loss (refers to paragraph 2.4 of Consolidated Financial Statements).*

EPRA Net Asset Value

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term.

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

EPRA Net Asset Value (€million)

	2018	2017
NAV per the financial statements	**3,776**	**3,277**
Effect of exercise of options, convertibles and other equity interests (diluted basis)	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3,776**	**3,277**
Include		
Revaluation of investment properties (if IAS 40 cost option is used)	0	0
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0	0
Revaluation of other non-current investments	0	0
Revaluation of tenant leases held as finance leases	0	0
Revaluation of trading properties	7	3
Exclude		
Fair value of financial instruments	5	2
Deferred tax	(745)	(697)
Goodwill as a result of deferred tax	43	43
EPRA NAV	**4,480**	**3,934**
Fully diluted number of shares	8,761,566,410	9,488,722,610
EPRA NAV per share (€)	**0.511**	**0.415**

EPRA Vacancy Rate

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

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

EPRA Vacancy Rate (€ million)

	2018	2017
Estimated rental value of vacant space	20	22
Estimated rental value of the whole portfolio	358	300
EPRA Vacancy Rate	**5.5%**	**7.2%**

EPRA Triple Net Asset Value (NNAV)

EPRA NNNAV is similar to EPRA NAV except it includes the fair value of deferred tax liabilities, debt, and financial instruments. The measure can be considered a 'spot' measure of the fair value of all assets and liabilities. The objective of the EPRA NNNAV measure is to report net asset value including fair value adjustments in respect of all materiál balance sheet items which are not reported at their fair value as part of the EPRA NAV.

EPRA Triple Net Asset Value (€ million)

	2018
EPRA NAV	**4,480**
Include:	
Fair value of financial instruments	5
Fair value of debt	31
Deferred tax	(244)
EPRA NNNAV	**4,273**
Fully diluted number of shares	8,761,566,410
EPRA NNNAV per share (€)	**0.488**

* *Comparable data not available.*

EPRA Net Initial Yield and EPRA "Topped-Up" Net Initial Yield

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

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

EPRA NIY and "topped-up" NIY (€ million)

	2018	2017
Investment property – wholly owned	6,687	5,808
Investment property – share of JVs/Funds	0	5
Trading property (including share of JVs)	0	55
Less: Developments	**701**	**517**
Completed property portfolio	5,986	5,351
Allowance for estimated purchasers' costs	0	0
Gross up completed property portfolio valuation	**5,986**	**5,351**
Annualised cash passing rental income	301	294
Property outgoings	39	33
Annualised net rents	**262**	**261**
Add: Notional rent expiration of rent free periods or other lease incentives	**15**	**17**
Topped-up net annualised rent	**277**	**278**
EPRA NIY	**4.38%**	**4.88%**
EPRA "topped-up" NIY	**4.63%**	**5.19%**

Buddha-Bar Hotel Prague, Czech Republic

EPRA Cost Ratio

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

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

EPRA Cost Ratios (€ million)

	2018	2017*
Include:		
Administrative/operating expense line per IFRS income statement	105	98
Net service charge costs/fees	(26)	(25)
Management fees less actual/estimated profit element	0	0
Other operating income/recharges intended to cover overhead expenses less any related profits	0	0
Share of Joint Ventures expenses	0	0
Exclude (if part of the above):		
Investment property depreciation	0	0
Ground rent costs	1	0
Service charge costs recovered through rents but not separately invoiced	0	0
EPRA Costs (including direct vacancy costs)	**78**	**72**
Direct vacancy costs	3	4
EPRA Costs (excluding direct vacancy costs)	75	68
Gross Rental Income less ground rents – per IFRS	**301**	**262**
Less: service fee and service charge costs components of Gross Rental Income (if relevant)	0	0
Add: share of Joint Ventures (Gross Rental Income less ground rents)	0	0
Gross Rental Income	301	262
EPRA Cost Ratio (including direct vacancy costs)*	**0.26**	**0.27**
EPRA Cost Ratio (excluding direct vacancy costs)*	**0.25**	**0.26**

* *Restated*

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

Valuation Summary

> *CPIPG recognises that our investors, banks, external rating agencies and other stakeholders need a clear picture of the Group's performance. This year, the external reporting department made another leap in terms of the quality and depth of our external disclosures, and we expect to maintain and even raise our standards in the future.*
>
> ***Petr Mizera, Head of External Reporting***

Property Valuation

The consolidated financial statements for the year ended 31 December 2018 have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the property portfolio owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

Valuation reports are prepared in accordance with RICS Standards (RICS Valuation – Professional Standards January 2014), insignificant minority is prepared according to Czech valuation standards The Group revalues the entire portfolio on an annual basis; for the semi-annual period, CPIPG revalues properties where the performance has been exceptional (positively or negatively). Under the terms of the Group's EMTN programme, 90% of the portfolio must be externally valued by reputable independent valuation company on an annual basis.

The property portfolio valuation as at 31 December 2018 is based on reports issued by:

- **Jones Lang LaSalle**
- **Savills**
- **Cushman & Wakefield**
- **BNP**
- **Knight Frank**
- **CBRE**
- **RSM TACOMA**
- **Mazars**
- **other appraisers**

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

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

Split by appraisers and segments (as at 31 December 2018)

Appraisers	Segments	Number of properties	Valuation	% of total PP value
Jones Lang Lasalle	Czech Republic	107	2,562	34%
	Hotels & Resorts	3	141	2%
	Complementary Assets Portfolio	23	674	9%
Savills	Berlin	49	2,050	27%
	Czech Republic	1	114	2%
	Complementary Assets Portfolio	1	91	1%
Cushman & Wakefield	Czech Republic	48	420	6%
	Hotels & Resorts	22	427	6%
Tacoma	Czech Republic	3	155	2%
	Hotels & Resorts	9	96	1%
CBRE	Czech Republic	2	75	1%
	Complementary Assets Portfolio	17	120	2%
BNP	Hotels & Resorts	1	38	0%
	Complementary Assets Portfolio	5	147	2%
Knight Frank	Complementary Assets Portfolio	9	231	3%
Other	Czech Republic	64	176	2%
	Berlin	0	6	0%
	Hotels & Resorts	1	24	0%
	Complementary Assets Portfolio	1	7	0%
Total		**366**	**7,555**	**100%**

Buxmead Apartments, London, United Kingdom

Portfolio Net Yields

The table below shows a comparison of yields across various countries and segments of the Group. The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. The EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent free periods and step rents). The Net Equivalent Yield is calculated as a weighted average of the net initial yield and the reversionary yield, representing the return a property will produce. The reversionary yield is based on ERV (Estimated rental value) of vacant areas stated by appraisers for each property.

The relatively lower EPRA "Topped-up" Yields in comparison to Net Equivalent Yields are mainly due to excluding income on vacant spaces.

	EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Net Equivalent Yield	Prime Yield
Czech Republic	**4.9%**	**5.1%**	**5.7%**	
Retail	5.6%	5.6%	6.5%	4.3%
Office	4.6%	5.4%	5.9%	4.4%
Berlin	**3.4%**	**3.5%**	**3.5%**	
Office	3.4%	3.5%	3.5%	3.0%
Complementary Assets Portfolio	**6.1%**	**6.5%**	**6.8%**	
Retail	6.8%	7.0%	7.7%	5.4%
Office	5.1%	5.8%	5.5%	5.4%
Total	**4.4%**	**4.6%**	**5.1%**	

Finance Review

Pavel Měchura, Group Finance Director

In 2018, CPIPG accelerated the capital structure transformation which began in 2017. We repaid almost €1.5 billion of subsidiary bonds and secured bank loans, significantly improved our unencumbered assets ratio and reduced our level of secured debt. Through refinancing, we have also significantly reduced legacy, high-cost instruments while lengthening our maturity profile.

CPIPG continued our success on the international capital markets, issuing over **€1.4 billion** of Euro hybrid and senior unsecured bonds, Swiss Franc senior unsecured bonds, and Japanese Yen senior unsecured bonds. CPIPG also strengthened our liquidity by establishing revolving credit facilities totaling **€230 million** with nine regional and international banks. In recognition of our performance and commitments to financial policy, **Standard and Poor's** initiated a new rating for the Group of **"BBB"** in April, and in October CPIPG was upgraded from "Baa3" to **"Baa2"** by **Moody's**. In November, CPIPG became the first non-Japanese real estate company to be rated by **JCR** in Japan, achieving an **"A-"** credit rating.

In 2019, the Group further strengthened our liquidity. During Q1, the Group signed a new **€510 million** 3-year revolving credit facility with 11 regional and international banks, replacing the facilities signed during 2018. CPIPG also issued bonds in Hong Kong Dollars and US Dollars totaling **€362 million** equivalent via our EMTN programme, and completed schuldschein loans for **€170 million**. Proceeds were used to refinance debt including a bridge loan related to our UK acquisition and drawings under our revolving credit facility; some of the proceeds will also be held in cash.

The Group's financial policy is focused on maintaining strong credit ratings. The Group does not pay a dividend, and on a net basis our shareholder has contributed over **€900 million** into the company since 2016. This has allowed us to grow the while maintaining solid credit metrics and focusing on the long-term.

CPIPG's **Financial Policy**

1 Rating commitment

Absolute commitment to strong investment grade ratings

Focused on achieving **"high BBB"** ratings in coming years

2 Leverage

Our target remains a **Net LTV of 45% or below**

We may tighten this target in the future, depending on acquisition activity

3 Interest coverage

CPI intends to maintain an ICR **well above 3x** going forward

4 Dividends

CPIPG has no current plans to begin paying dividends

5 Funding strategy

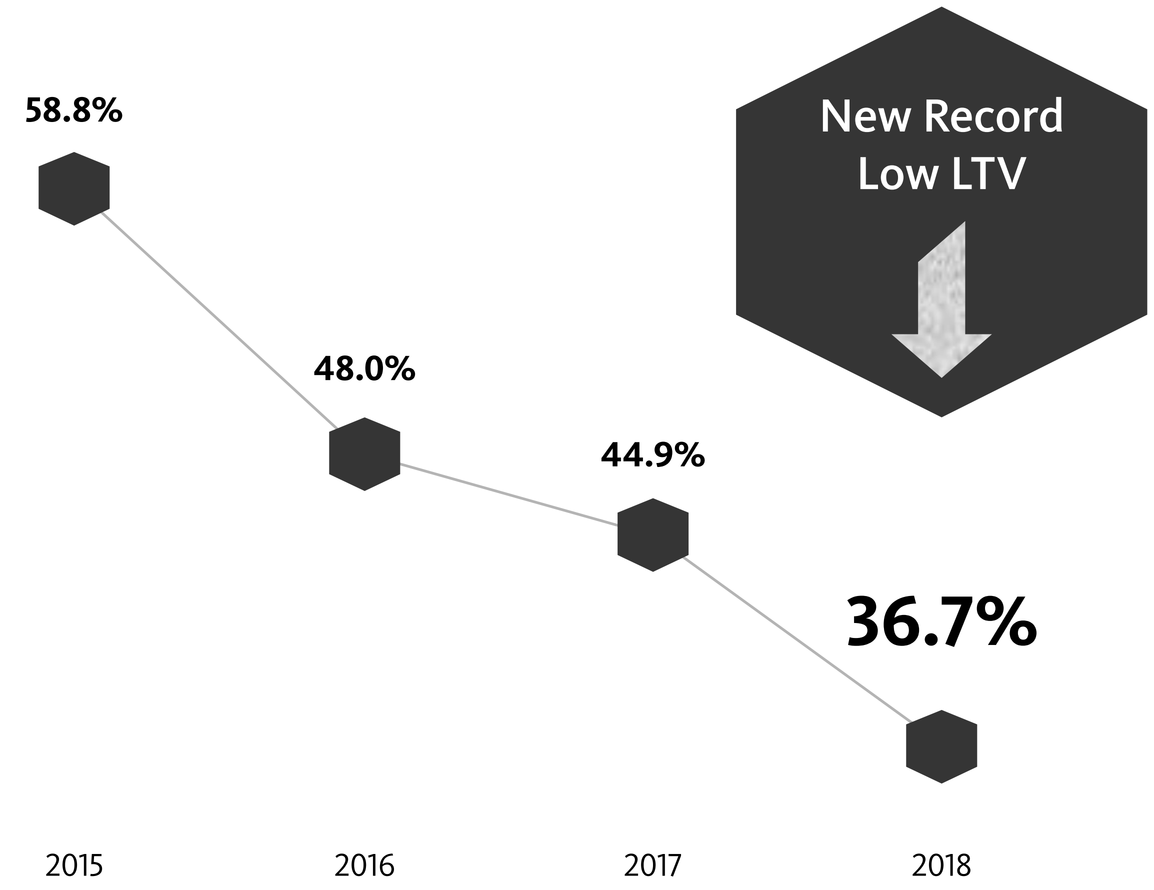
Maintain a high level of unencumbered assets

Proactive management of our maturity profile

6 Access to liquidity

In March 2019, we signed a new 3-year revolving credit facility totalling **€510 million**

LTV in period 2015–2018 (%)



The Group's net LTV reached a record low of 36.7% at the end of 2018. Our target net LTV remains 45% or below, although we may consider revising this target in the future depending on our performance and level of investment activity. CPI recognizes that a conservative leverage policy is important for our bondholders, lenders, rating agencies and other counterparties.

Bubenská development, Prague, Czech Republic

Undated Subordinated ("Hybrid") Notes

In May 2018, the Group issued €550 million of undated 4.375% fixed rate resettable subordinated "hybrid" notes. The notes were issued under the Group's €3 billion Euro Medium Term Note programme (EMTN) and are classified as equity under IFRS. Proceeds were used to repay debt, including secured loans and subsidiary bonds

Senior Unsecured Financing

CPIPG issued €840 million of senior unsecured bonds under our EMTN programme during the fourth quarter of 2018. €610 million were issued in Euros with a maturity in 2022, followed by about €145 million (CHF 165 million) in Swiss Franc bonds which mature in 2023. In December, the Group became the first European real estate company to complete a public bond offering in Japan by issuing about €85 million (¥11 billion) in Japanese Yen bonds maturing in 2021 and 2028. The majority of the CHF and JPY bond proceeds were swapped to EUR. CPIPG also signed a €50 million 3-year term loan with one of our relationship banks. Proceeds were used to repay debt, including secured loans and subsidiary bonds.

In 2019, CPIPG issued bonds in Hong Kong Dollars and US Dollars totaling €362 million equivalent via our EMTN programme, and completed a schuldschein loan for €170 million. Proceeds were used to refinance debt including a bridge loan related to our UK acquisition and drawings under our revolving credit facility; some of the proceeds will also be held in cash.

Growing Presence on the Capital Markets

The Group has established an active presence on the international capital markets. Since October 2017, CPIPG has issued senior unsecured bonds via our EMTN programme in Euros, Swiss Francs, Japanese Yen, Hong Kong Dollars and US Dollars. The Group has also issued a Euro hybrid bond under our EMTN programme, and in 2019 issued three tranches of Euro-denominated Schuldschein (assignable loans).

Issue Date	Currency	Amount (million)	Coupon (%)	Maturity Date	Format	% swapped to EUR
21-Mar-19	EUR	111	FRN	21-Mar-23	SSD	–
21-Mar-19	EUR	49	FRN	21-Mar-25	SSD	–
21-Mar-19	EUR	10	2.696	22-Mar-27	SSD	–
08-Mar-19	USD	350	4.750	08-Mar-23	EMTN	100%
12-Feb-19	HKD	450	4.510	12-Feb-24	EMTN	100%
10-Dec-18	JPY	8,000	1.414	10-Dec-21	EMTN	100%
10-Dec-18	JPY	3,000	1.995	08-Dec-28	EMTN	100%
25-Oct-18	CHF	165	1.630	25-Oct-23	EMTN	61%
17-Oct-18	EUR	610	1.450	14-Apr-22	EMTN	–
09-May-18	EUR	550	4.375	Perpetual	EMTN (hybrid)	–
04-Oct-17	EUR	825	2.125	04-Oct-24	EMTN	–

Note: EMTN denotes issuance under our EMTN programme; all bonds are senior unsecured unless otherwise noted. SSD denotes Schuldschein. Terms on the Schuldschein (covenants, etc.) are completely aligned/match our EMTN programme.

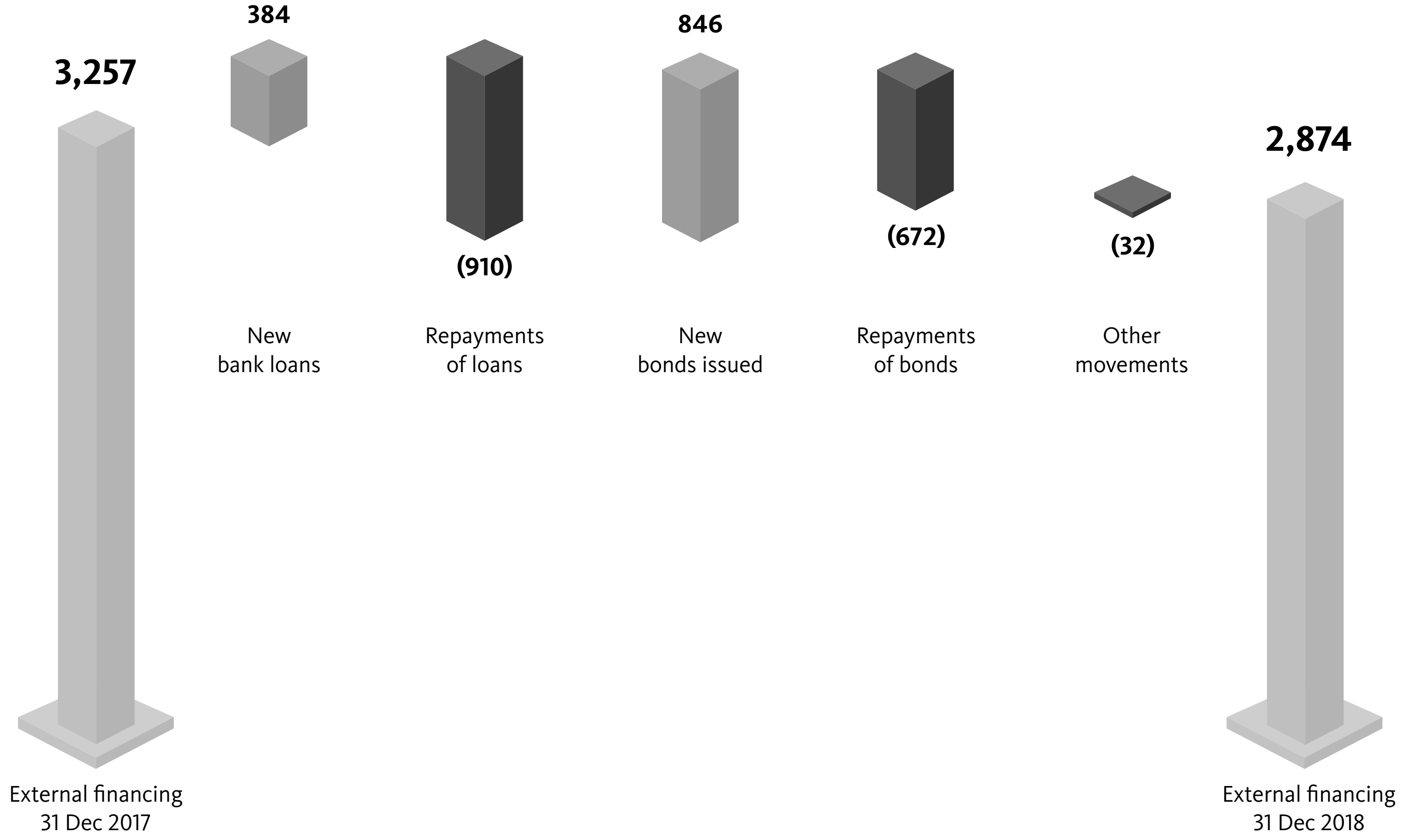
Repayment of Subsidiary Bonds and Secured Bank Loans

Proceeds from both hybrid and senior unsecured issuances were used for repayment of subsidiary bonds (€640 million) and secured bank loans (€820 million), many of which were repaid significantly before the scheduled maturity date. CPIPG incurred costs of €43 million to retire the debt early; the Group viewed the costs as a worthwhile investment in our long-term capital structure.

The Group has eliminated all secured project bonds issued by CPI Retail Portfolio I, a.s. (€44 million) and by CPI BYTY, (€115 million). We also repaid all unsecured notes issued by Czech Property Investments, a.s. (€330 million), CPI Finance Slovakia, a.s. (€80 million) and CPI Finance Slovakia II, a.s. (€100 million). Following these bond repayments, the Group has eliminated all subsidiary bonds and therefore has reduced structural subordination and complexity. Another effect of the refinancing activities was the complete elimination of the group's borrowings denominated in CZK, which CPIPG feels is appropriate given a significant majority of valuations and income are in EUR. The Group also repaid a significant portion of secured bank loans, and greatly improved the size and quality of our unencumbered asset portfolio. Because many of the instruments repaid were high-cost, the Group was able to significantly improve our interest coverage (ICR) ratio.

Changes in External financing during 2018

(€ million)

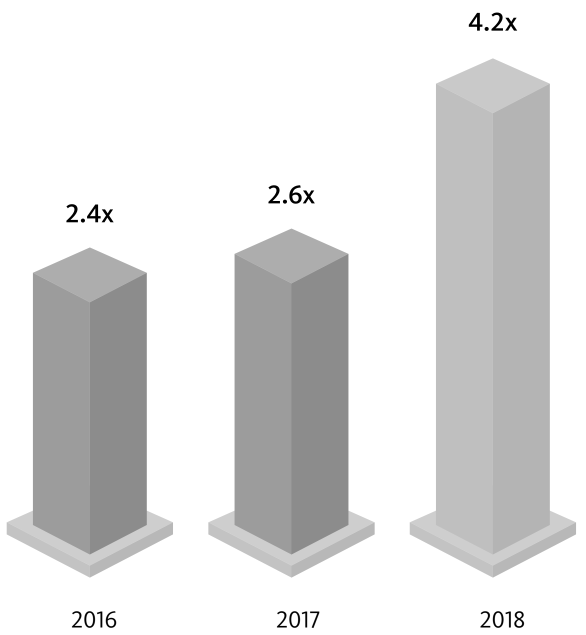


Note: the chart above does not include the impact of our €550 million hybrid bond, which is treated as equity for IFRS purposes. Proceeds from the hybrid were also used to repay debt.

Meteor Office Centre, Prague, Czech Republic

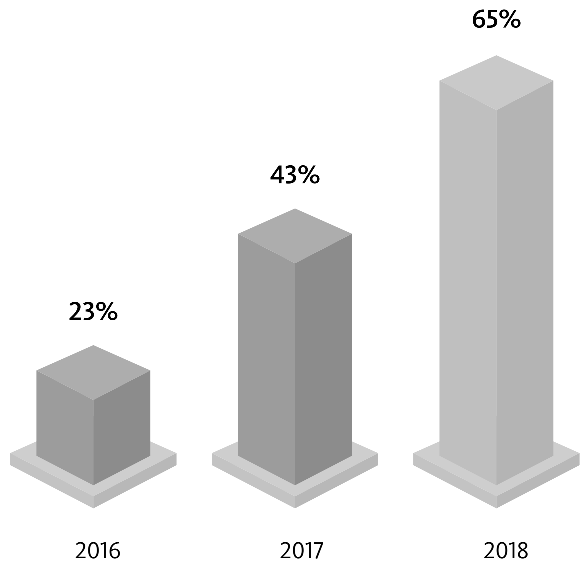
Improvement in the Group's Net Interest Coverage (ICR)

By refinancing legacy high-coupon bonds and higher-interest debt, and through continual improvements in profitability, the Group's Net ICR has strengthened significantly to 4.2x for 2018.



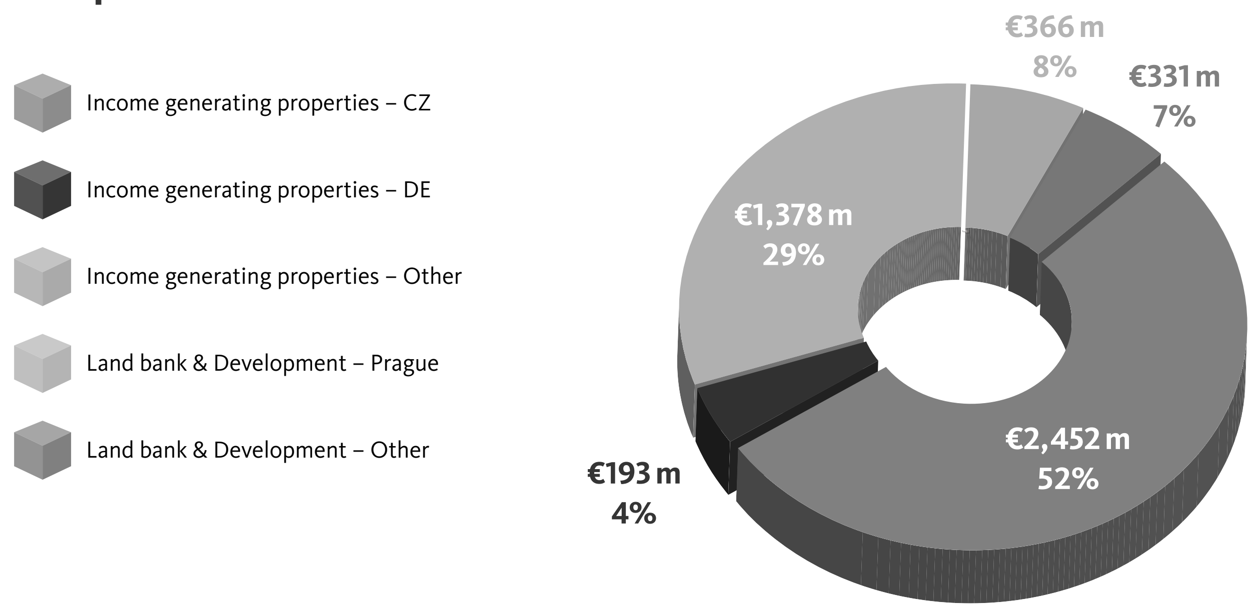
Increased Level of Unencumbered Assets

The Group reached a record 65% of unencumbered assets at the end of 2018, relative to 43% at the end of 2017. Unencumbered assets primarily consisted of retail and office properties in the Czech Republic, along with land bank, residential assets and selected assets in Germany and other geographies of the Group.



ČEZ – BB Centrum, Prague, Czech Republic

Composition of Unencumbered Asset Portfolio

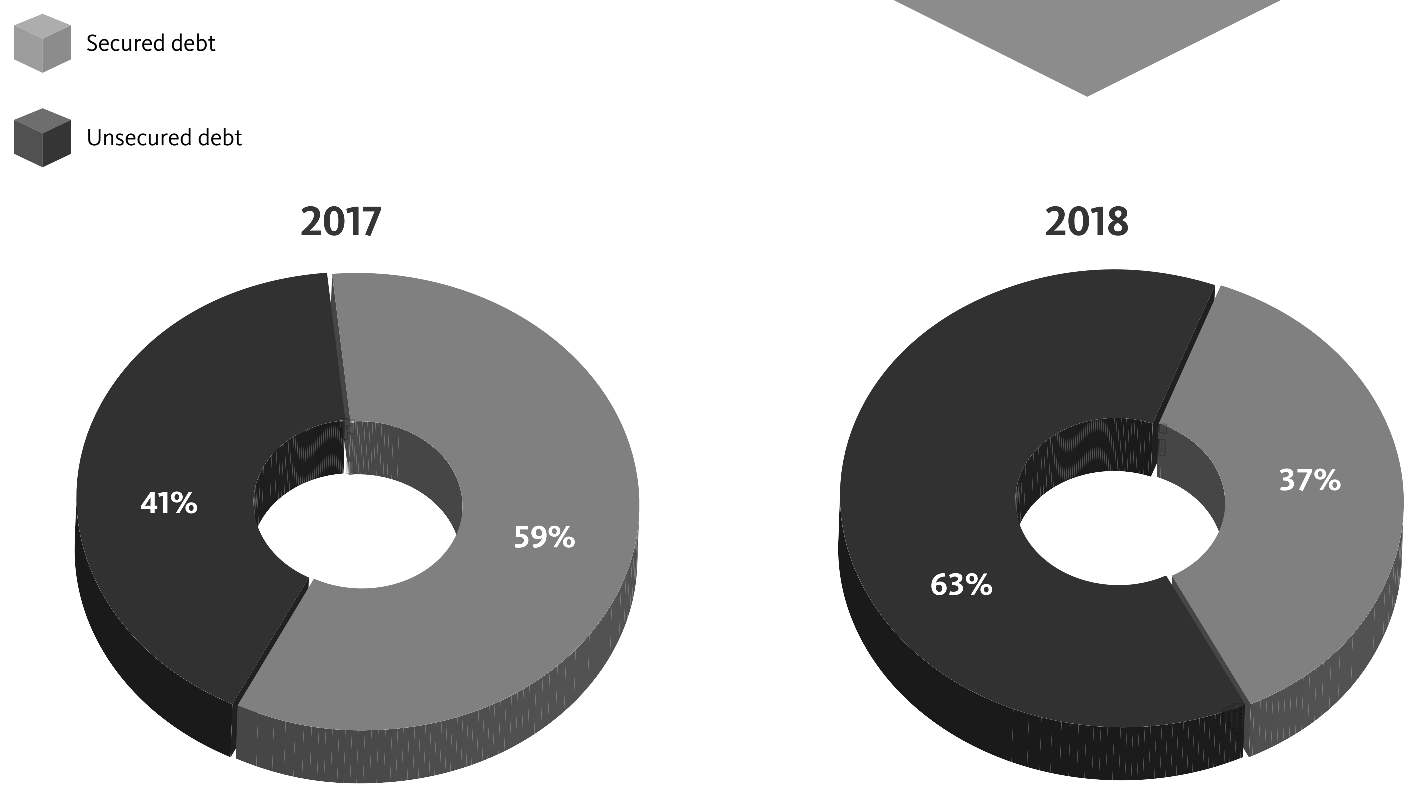


Senior Unsecured Debt Now a Majority of Funding

As a result of the repayment of project bonds and bank loans, the Group reduced the level of secured debt as a percentage of total debt to 37%, relative to 59% at the end of 2017. CPIPG is focused on continuing to simplify our financing structure by focusing on senior unsecured financing.

New Record
Low Secured Debt

37%



Andrássy Palace, Budapest, Hungary

Unsecured Revolving Credit Facilities

During 2018, the Group established two 2-year revolving credit facilities totaling €230 million with nine international and regional banks. In March 2019, the Group signed a new €510 million 3-year revolving credit facility with eleven international and regional banks, replacing the facilities signed during 2018.

Revolving credit facilities offer CPIPG significant flexibility to access cash quickly and at low cost. The Group draws and (repays) our revolving credit facilities regularly for general corporate purposes and to manage short-term cash needs.

Total Available Liquidity of the Group

At the end of Q1 2019, the Group had more than €1 billion of available liquidity, as noted below. Considering CPIPG's limited amount of debt maturities in coming years, this offers significant flexibility for the group.

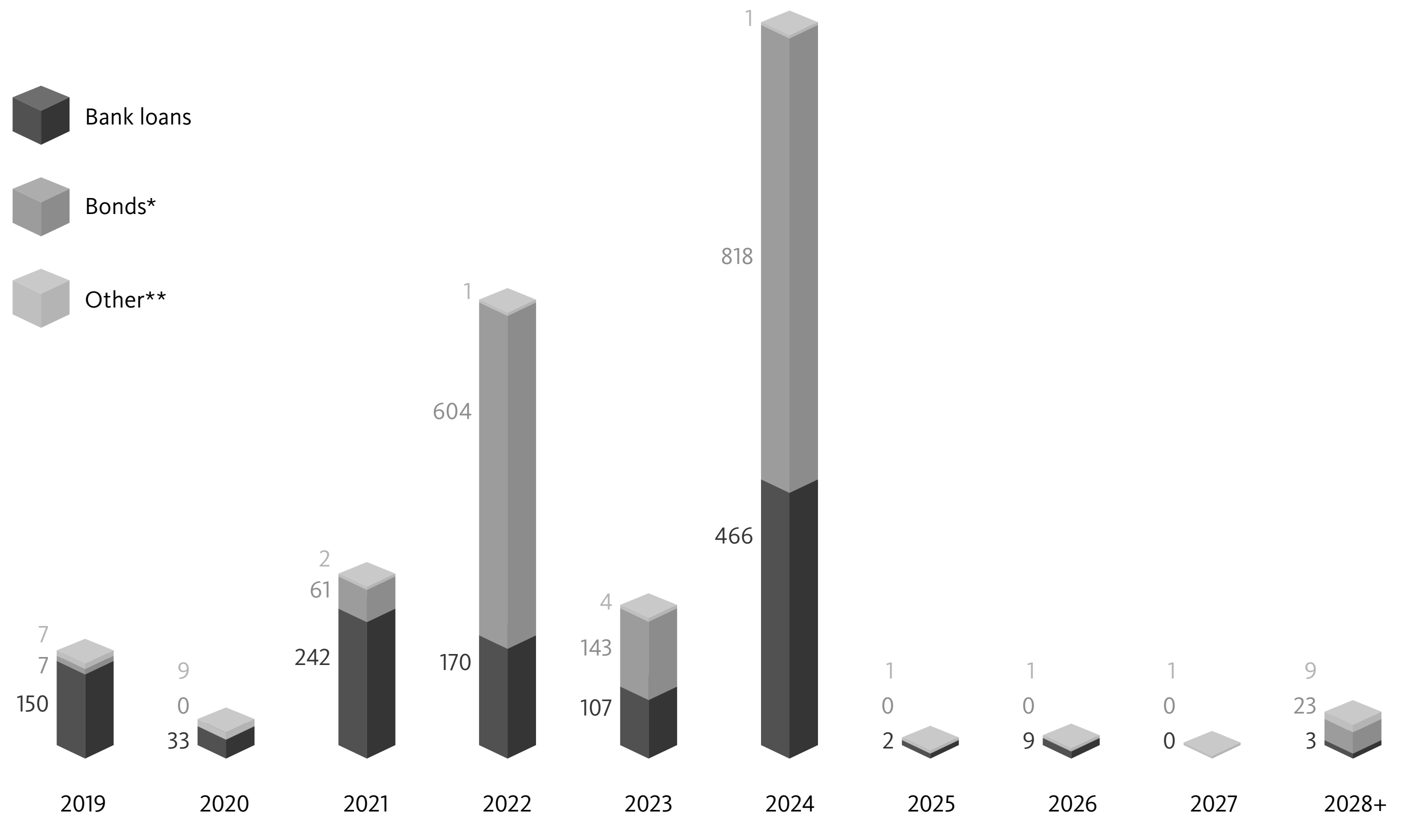
Cash as at 31-Dec-2018 (€ million)	100
(+) Proceeds from HKD bond issue	50
(+) Proceeds from USD bond issue	312
(+) Proceeds from Schuldschein	170
(+) Availability under revolving credit facility	510
(–) Debt repaid in Q1 2019	(109)
Total liquidity as of 31-Mar-2019	**1,033**

Debt Maturity Profile

The Group has no significant debt maturities over the next few years and is confident in our liquidity position. We will continue to explore pre-financing debt maturities and lengthening our maturity profile whenever possible.

Beginning in 2023, the Group's €550 million hybrid bonds are callable. While the hybrids are classified as equity under IFRS, the Group incorporates the hybrid into our internal financing and refinancing plans and sees hybrids as an important part of the Group's capital structure.

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

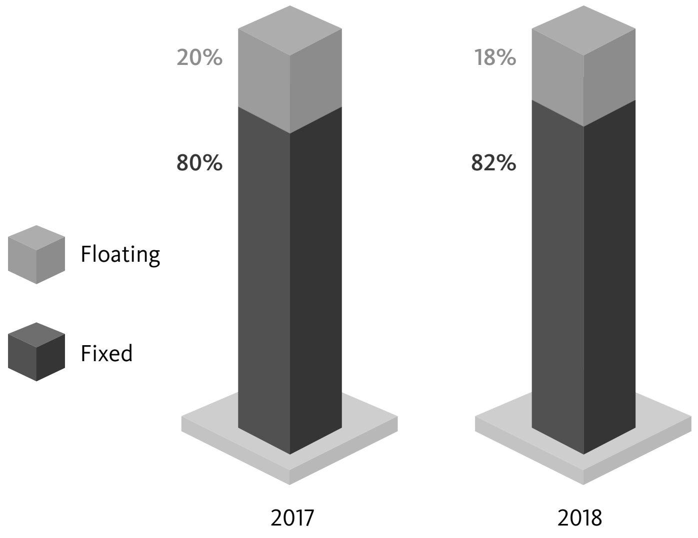


* Bonds 2019 include only accrued interest payable in 2019.
** Other debt comprises non-bank loans from third parties and financial leases.

Fixed Versus Floating Rated Debt

The Group's level of fixed-rate debt was approximately 82% at the end of 2018, relative to 80% at the end of 2017. We target a minimum of 80% fixed-rate debt going forward. The Group therefore has a high degree of protection against interest rate volatility.

If interest rates on all of our variable borrowings increase by 3 p.p., the cost of the Group's external debt will rise only by 0.5 p.p. In addition to our bonds which carry fixed coupons, many of our loan agreements include arrangements which convert the loan to a fixed rate obligation. The Group can also make use of hedging instruments as required to manage the level of fixed and floating rate debt.



Average Interest Rate Sensitivity

(% p.a.) as of 31 December 2018*

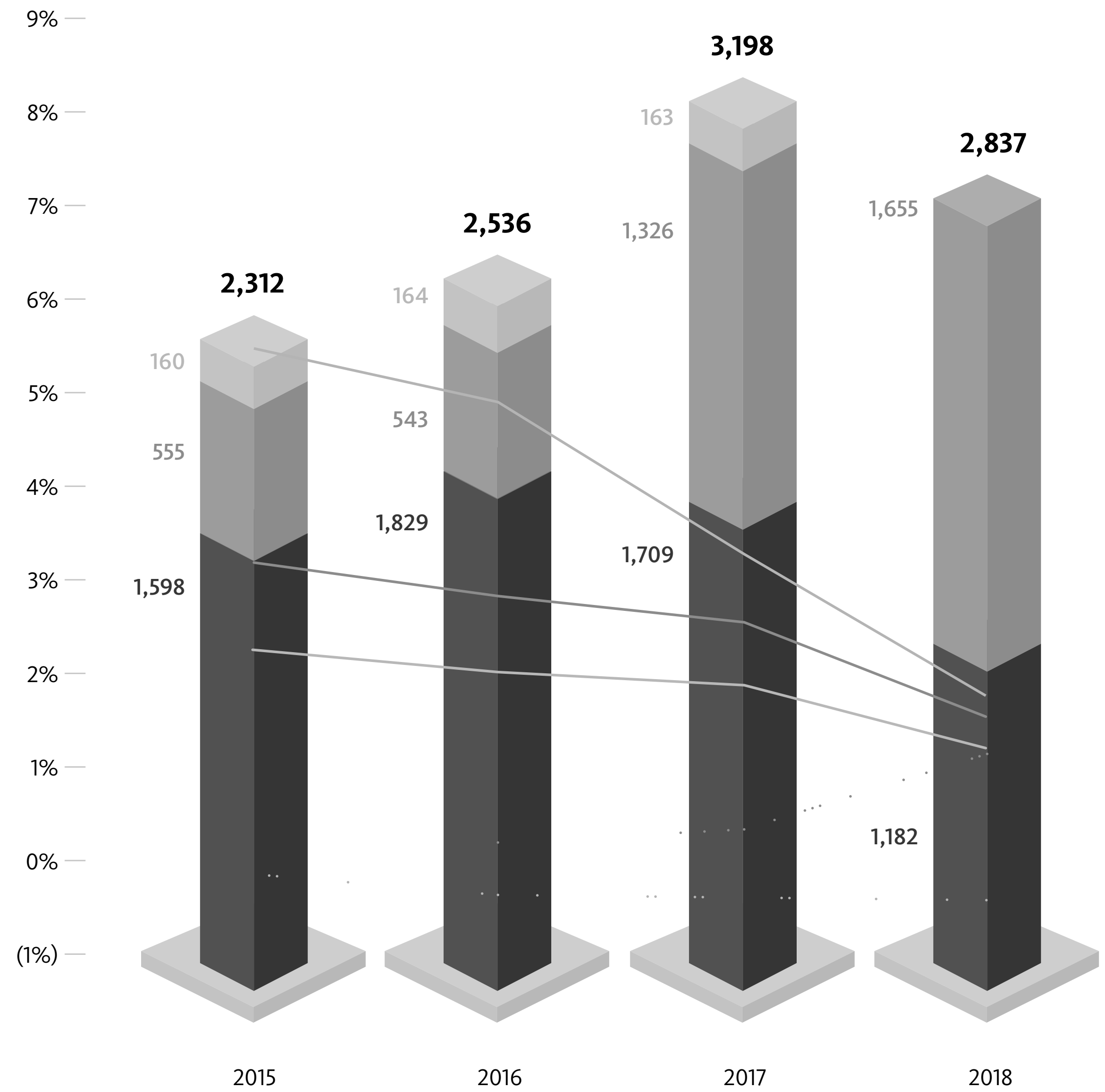
Type of liability	Share on external debt	as of 31 Dec 2018	if market interest rate +1 p.p.	if market interest rate +2 p.p.	if market interest rate +3 p.p.
Bonds	58%	1.8%	1.9%	1.9%	1.9%
Bank loan**	41%	1.3%	1.6%	2.0%	2.4%
Leasing	1%	1.4%	1.6%	1.9%	2.1%
Non bank loan	1%	1.8%	1.8%	1.8%	1.8%
Total	**100%**	**1.6%**	**1.8%**	**1.9%**	**2.1%**

* *Includes impact of contracted interest rate swaps.*
** *Includes also RCF*

GSG Franklinstraße, Berlin, Germany

Structure of External Debt, Average Interest Rates and Market Rates

(€ million)



		2015	2016	2017	2018
	Project bonds	160	164	163	0
	Corporate bonds	555	543	1,326	1,655
	Bank loans	1,598	1,829	1,709	1,182
	Avg. bank loan interest rate	2.32%	2.10%	1.96%	1.29%
	Avg. bond interest rate	5.46%	4.93%	3.34%	1.84%
	Total average interest rate	3.29%	2.89%	2.60%	1.61%
	Average 3m EURIBOR	(0.02%)	(0.27%)	(0.33%)	(0.32%)
	Average 3m PRIBOR	0.31%	0.29%	0.41%	1.27%

The Group's cost of debt considerably declined from 2.6% at the end of 2017 to 1.6% at the end of 2018, resulting from early repayment of high-coupon bonds, both project and corporate, and further reductions in the cost of bank financing. In the latter case, rates are already extremely attractive given the strength of the Group's underlying assets and geographies.

Secured Bank Loans

During 2018, the Group repaid approximately €820 million (excluding refinancing and regular installments) of secured bank loans. At year-end the Group had €1,055 million of secured debt, which represented 37% of total debt (versus 59% at the end of 2017).

The majority of the Group's bank loans are denominated in Euros, with only €9 million denominated in Swiss Francs. The largest portion of the Group's secured loans (56%) relate to Berlin, where a loan balance of €574 million (mainly due 2024) remains outstanding.

94% of outstanding secured bank loans (€972 million) are drawn from six banks in total, the Group has secured loans from 12 banks who are active in the CEE region and Germany.

CPIPG signed ISDA agreements with 10 banks in 2018, which allowed us to issue in foreign currencies and hedge to EUR. This represented a major new step in the Group's funding strategy.

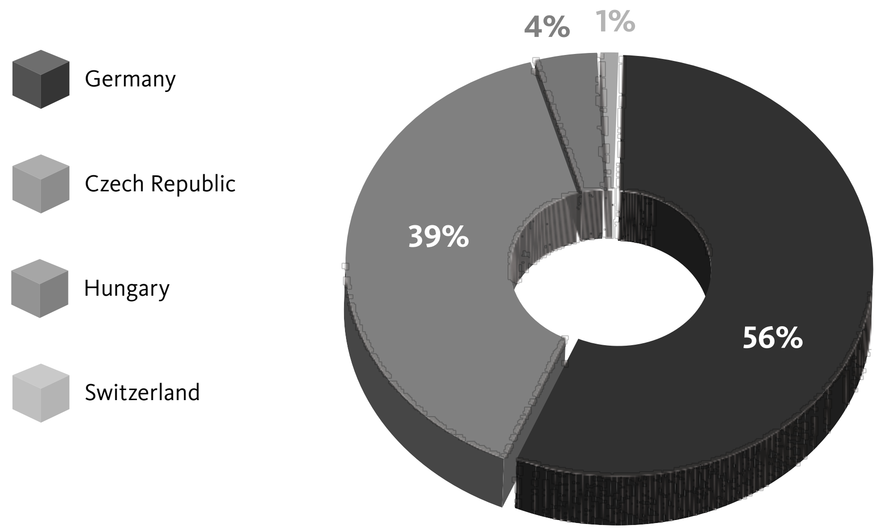
Tomáš Tajer, Project Financing Manager, Czech Republic

Andrássy Palace, Budapest, Hungary

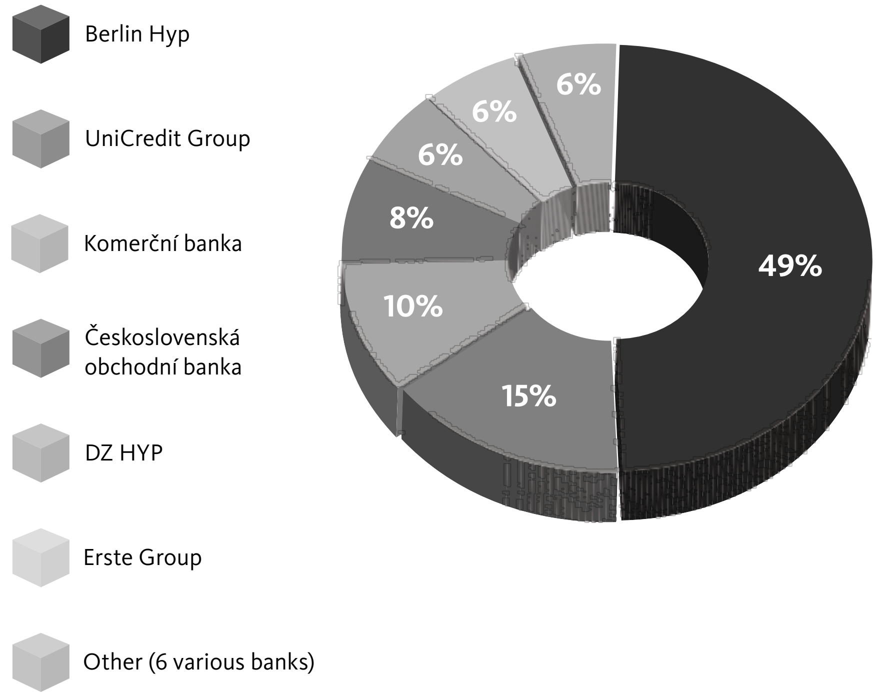
Secured Bank Debt

(breakdown by principal) as of 31 December 2018

by Geography



by Bank



Foreign Exchange Risk

The Group is exposed to fluctuations in foreign currencies, primarily the Czech Koruna (CZK). The impact of foreign exchange is mostly unrealized (non-cash), and arises whenever there is a mismatch between the currency in which a property is valued and the functional currency of the entity into which the property is consolidated. 32% of the property portfolio is valued in CZK and is consolidated through sub-holdings into CPIPG which is a Euro functional currency company. To a lesser extent, there is also an effect related to intra-group loans.

In 2018, due to the slight depreciation of CZK relative to EUR, CPIPG recorded an unrealized FX gain of €34 million on Euro-denominated assets in the Czech Republic. For reporting purposes, the Group has also reclassified the effect of FX changes on property valuation from "other net financial result" to "net valuation gain/loss."

In addition to the non-cash effects, the Group is exposed to foreign currencies (primarily CZK) through rental income and expenses. In 2018, 32% of the Group's gross rental income was received in CZK. However, 60% of the Group's property operating expenses and 41% of administrative expenses were also denominated in CZK. As a result, the net remaining exposure to CZK is limited.

The analysis below demonstrates the effect that a depreciating CZK would have on CPIPG's net loan-to-value (LTV), net interest coverage ratio (ICR), and EBITDA. Because the Group's CZK expenses largely cancel out CZK income, and because a large majority of properties are valued and generate income in EUR, even a sharp move in the CZK would have a negligible effect on CPIPG's key figures.

FX sensitivity

CZK depreciation against EUR	5%	10%	15%	20%	25%
LTV	+0.6 p.p.	+1.1 p.p.	+1.6 p.p.	+2.1 p.p.	+2.6 p.p.
Net ICR	(0.04x)	(0.09x)	(0.12x)	(0.16x)	(0.19x)
EBITDA	(€2.4 m)	(€4.6 m)	(€6.6 m)	(€8.4 m)	(€10.1 m)

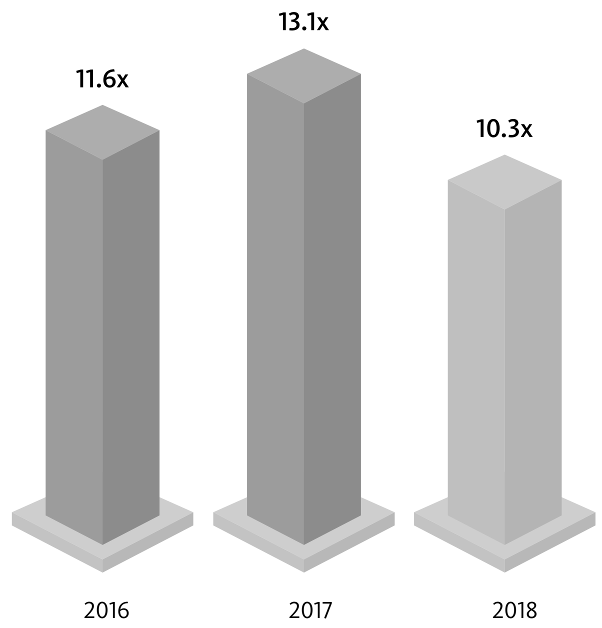
Quadrio, Prague, Czech Republic

EBITDA and Net Debt/EBITDA Measurements

The Group reports Consolidated adjusted EBITDA per the request of our rating agencies and investors. However, the Group does not focus on EBITDA as a profitability measue. Some of the Group's investments, including refurbishment and maintenance, are reflected in property operating expenses. Finally, as a diversified portfolio, EBITDA margins vary considerably. For instance, the margin is much higher in office than in hotels.

In general, the Group's target is to continue reducing the level of Debt/EBITDA.

The level of Net debt/EBITDA has been decreasing. 2017 was affected by the Group's acquisition of retail assets from CBRE, where only 9 months of the properties' performance were included in EBITDA.



Shareholder Contributions, Loans and Distributions

CPIPG does not pay dividends. Instead, our shareholder prefers to reinvest back into the company's properties and capital structure. Unlike a Real Estate Investment Trust (REIT) which typically pays a significant portion (i.e. 90%) of Funds From Operations (FFO) as dividends, CPIPG has the flexibility to retain income and reinvest.

Our primary shareholder has contributed equity into the company over the years, particularly in 2016/2017 to support our aquisition pipeline. The Group has also offered to repurchase shares from all our shareholders from time to time, and may continue to conduct share repurchase on an ad-hoc basis going forward. In 2016, in a sign of confidence for the Group, our shareholder converted bonds issued by CPIPG, which he was holding personally, into shares.

In total, our shareholder has contributed €908 million into CPIPG since 2016.

	2016	2017	2018	Total
Debt conversion	297			297
Equity increase	208	152	50	409
Share buy-back			(145)	(145)
Shareholder loan	58	(99)	(7)	(48)
Net effect before retained FFO	**563**	**52**	**(102)**	**514**
Retained FFO	103	127	164	394
Net contribution	**666**	**179**	**62**	**908**

Results & Net Assets

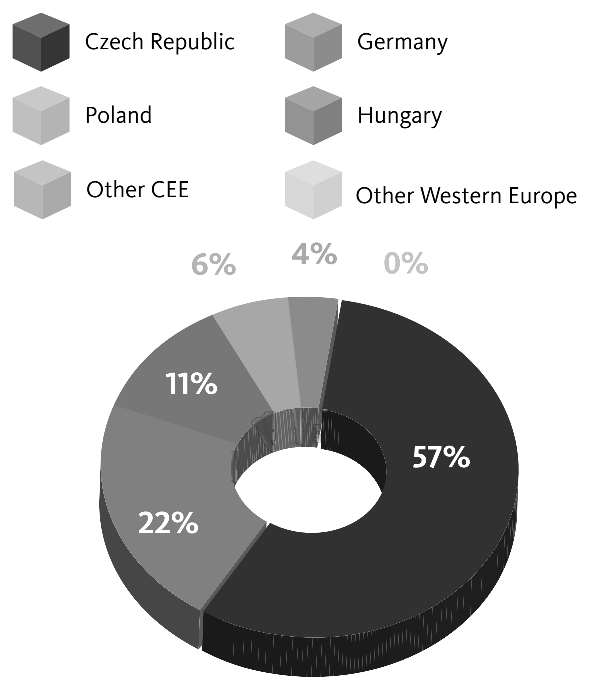
In 2018 the Group generated gross rental income in the amount of €302 million, representing a y-o-y increase of 15% compared to €262 million in 2017, reflecting the extension of our portfolio during the year and the full year impact of properties acquired in 2017.

Net rental income grew by 17% to €272 million, versus €232 million in 2017. The positive development in net rental income was predominantly driven by a significant increase in our gross rental income.

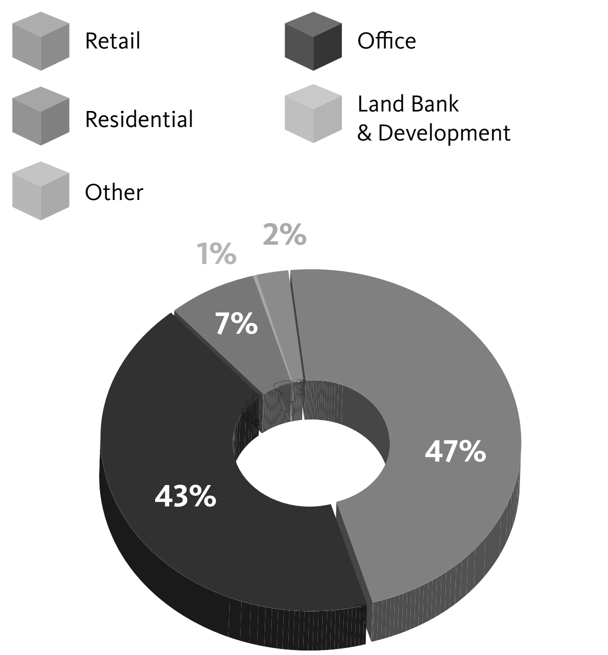
Income Statement (part 1)

€ million	2018	2017
Gross rental income	302	262
Service charge and other income	111	103
Cost of service and other charges	(85)	(77)
Property operating expenses	(56)	(56)
Net rental income	**272**	**232**
Development sales	30	4
Development operating expenses	(31)	(4)
Net development income	**(0)**	**(0)**
Hotel revenue	122	112
Hotel operating expenses	(82)	(73)
Net hotel income	**40**	**39**
Other business revenue	38	35
Other business operating expenses	(30)	(34)
Net other business income	**8**	**1**
Total revenues	604	515
Total direct business operating expenses	(284)	(244)
Net business income	320	272
Administrative expenses	(49)	(42)
Consolidated adjusted EBITDA	270	230

Gross rental income by country



Gross rental income by segment



Administrative expenses are ongoing expenses including administrative personnel salaries, marketing costs, audit and accounting fees, legal and consulting fees. Administrative expenses amounted to €49 million in 2018, an increase of €7 million compared to 2017. This increase was primarily associated with additional staff costs due to the higher headcount to support our new acquisitions.

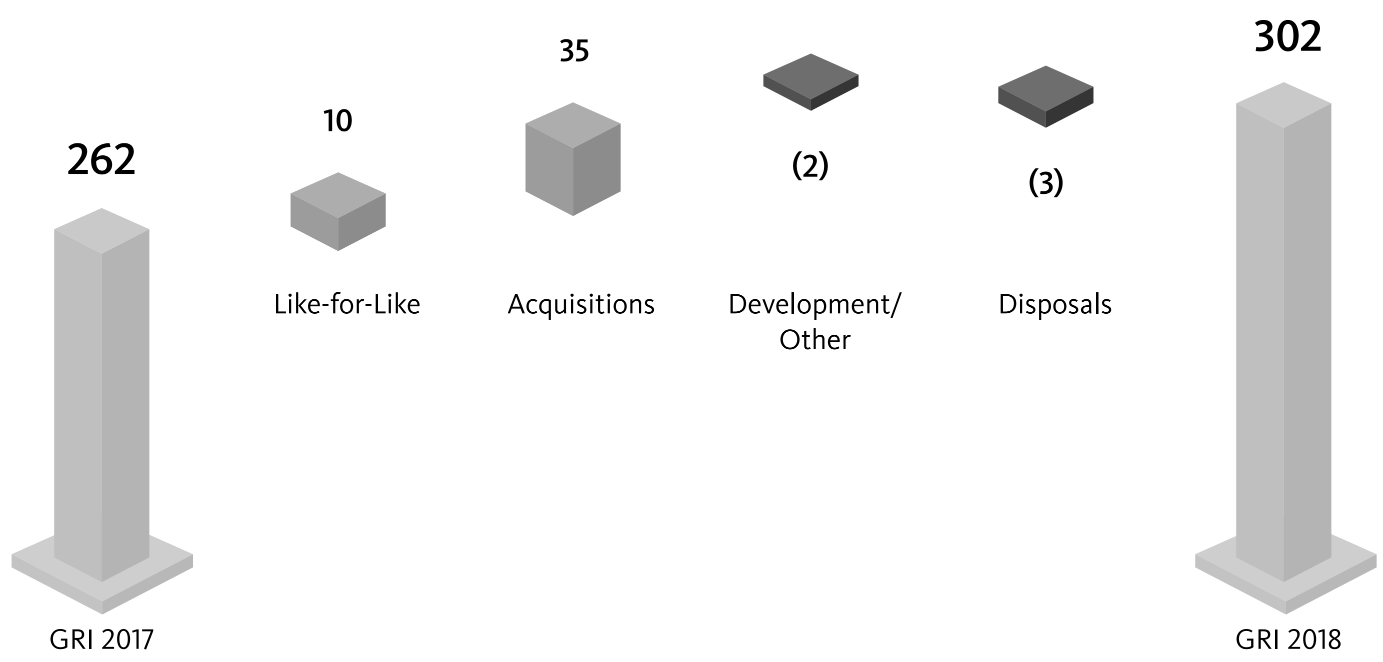
The successful asset management of the company is reflected in the robust 4.9% increase in gross rental income on a like-for-like basis. The growth occurred across all countries and asset classes; the greatest increase (10.0%) was realised in Berlin's office properties. Approx. 53% of the like-for-like growth was driven by an increase in rents, the rest by an increase in occupancy.

Like-for-like gross rental income	2018 € m	2017 € m	Increase/ (decrease)
Czech Republic	123.3	119.5	3.2%
Germany	58.7	53.4	10.0%
Complementary assets portfolio	30.9	30.0	2.7%
Total like-for-like gross rental income	212.9	202.9	4.9%
Not like-for-like gross rental income			
Acquisitions	73.7	38.3	
Disposals	7.6	10.7	
Development/Other	7.6	10.1	
Total gross rental income	301.7	262.0	15.1%

In-place-rent LfL **2.6%**

Total Like-For-Like **4.9%**

Occupancy LfL **2.3%**



Income Statement (part 2)

€ million	2018	2017
Consolidated adjusted EBITDA	**270**	**230**
Net valuation gain*	579	771
Net gain or loss on the disposal of investment property and subsidiaries	1	4
Amortization, depreciation and impairments	(64)	(84)
Other operating income	7	30
Other operating expenses	(7)	(4)
Operating result	**786**	**947**
Interest income	14	10
Interest expense	(78)	(99)
Other net financial result*	(72)	(24)
Net finance income / (costs)	**(136)**	**(112)**
Share of profit of equity-accounted investees (net of tax)	(1)	6
Profit / (Loss) before income tax	**649**	**841**
Income tax expense	(18)	(147)
Net profit / (Loss) from continuing operations	**631**	**695**

* *Adjusted, refers to paragraph 2.4 of Consolidated Financial Statements as at 31 December 2018.*

Interest expense was €78 million in 2018 compared to €99 million in 2017. The Group continuously takes advantage of its financial position and credit profile, as demonstrated by strong investment-grade credit ratings from S&P of BBB and Baa2 from Moody's, to source low-cost funds and was able to reduce its average cost of debt from 2.6% in 2017 to 1.6% in 2018.

Interest Expenses (€ million)	2018	2017
Interest expense from bank and other loans	(33.9)	(55.9)
Interest expense on bonds issued	(43.8)	(41.2)
Interest expense related to finance leases	(0.5)	(0.5)
Interest expense on bills of exchange	(0.2)	(1.5)
Total interest expenses	**(78.4)**	**(99.1)**

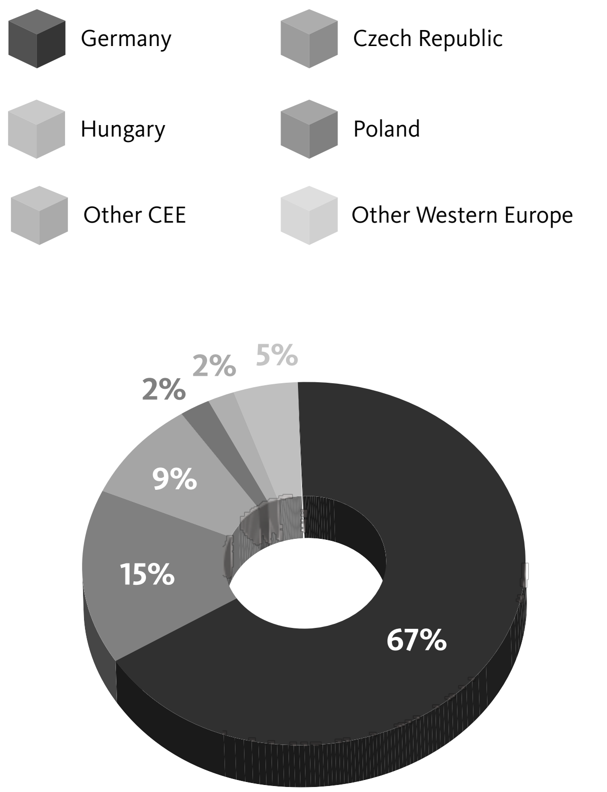
In 2018 other net financial result grew by almost €49 million. The difference relates primarily to early repayment of the subsidiary bonds.

Other Net Financial Result (€ million)	2018	2017
Change in fair value and realized result on derivative instruments	(2.4)	6.9
Other net financial result	(50.0)	(15.3)
Net foreign exchange loss	(16.8)	(9.6)
Bank charges	(2.7)	(5.5)
Total other net financial result	**(72.0)**	**(23.5)**

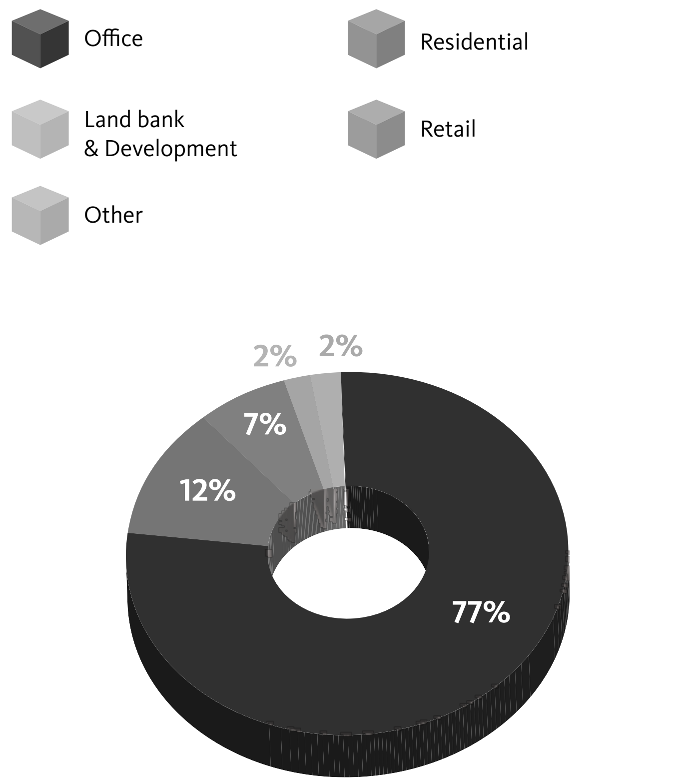
Net valuation gain of €579 million results principally from the valuation gain on the office portfolio in Berlin. The gain was driven by the significantly improved performance of our properties together with a market characterised by strong economic fundamentals and high investor demand.

The following graphs show the split of net valuation gain 2018 by country and segment.

Valuation gain by country

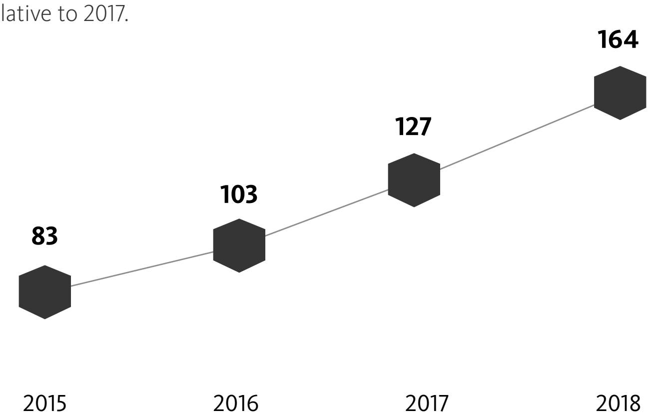


Valuation gain by segment



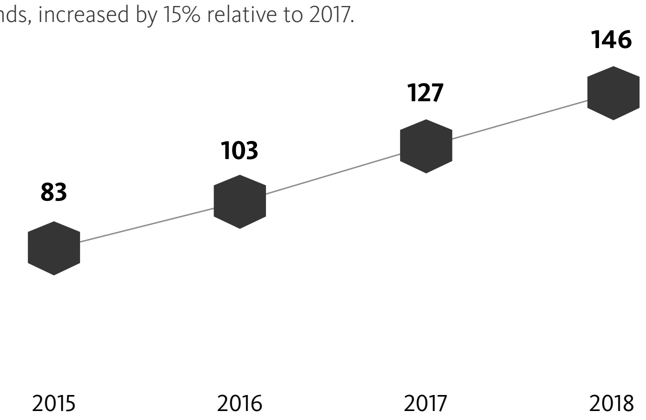
Funds from operations – FFO (€ million)

Funds from operations (FFO) increased to €164 million, up 29% relative to 2017.



Funds from operations – FFO II (€ million)

FFO II, which includes the effect of coupon payments on hybrid bonds, increased by 15% relative to 2017.



Balance sheet

€ million	2018	2017
Non-Current Assets		
Intangible assets and goodwill	110	120
Investment property	6,687	5,808
Property, plant and equipment	736	724
Deferred tax asset	195	142
Other non-current assets	91	89
Total non-current assets	**7,819**	**6,883**
Current Assets		
Inventories	72	82
Trade receivables	68	77
Cash and cash equivalents	99	239
Assets held for sale	67	113
Other current assets	134	136
Total current assets	**440**	**646**
Total assets	**8,259**	**7,529**
Equity		
Equity attributable to owners of the Company	3,776	3,277
Perpetual notes	542	–
Non controlling interests	44	38
Total equity	**4,362**	**3,315**
Non-Current Liabilities		
Bonds issued	1,648	1,332
Financial debts	1,062	1,593
Deferred tax liabilities	762	710
Other non-current liabilities	53	51
Total non-current liabilities	**3,525**	**3,685**
Current liabilities		
Bonds issued	7	158
Financial debts	158	165
Trade payables	98	75
Other current liabilities	110	132
Total current liabilities	**372**	**529**
Total equity and liabilities	**8,259**	**7,529**

Property Portfolio (IP, PPE, INV, AHFS)
Change in PP by €833 million primarily due to:

- Net valuation gain of €544 million
- CAPEX and development of €159 million
- Acquisitions of €290 million incl. shopping centre Futurum in Hradec Kralove (€121 million), office building Atrium in Warsaw (€78 million), luxury apartments in London (€67 million)
- Disposals of €125 million

Total Assets
Total assets increased by €730 million (9.7%) to €8,259 million as of 31 Dec 2018, primarily driven by higher investment property (€879 million)

Equity
Equity increased mainly due to:

- + €631 million profit for the year
- + €550 million hybrid issued
- – €145 million share buy-back
- + €50 million new shares issued

Financial Debts
Financial debts decreased due to:

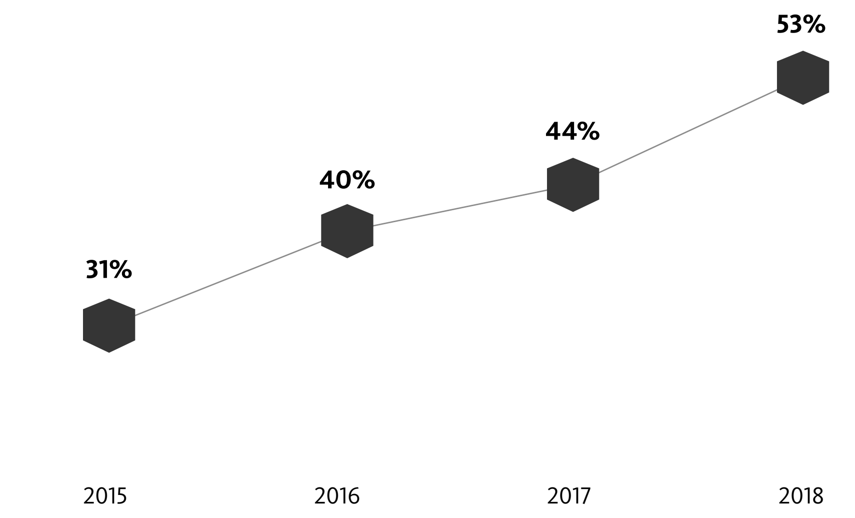
- – €910 million repayment of bank loans
- + €384 million of new bank loans

Bonds Issued

- Non-current bonds issued represent bonds issued by CPIPG in total of €1,648 million
- Bonds issued by CPI Finance Slovakia, CPI BYTY, CPI Retail Portfolio, CPI a.s. and CPI Finance Slovakia II were early repaid during year 2018 (€672 million in total)
- Decrease of current bonds issued relates to early repayments in 2018

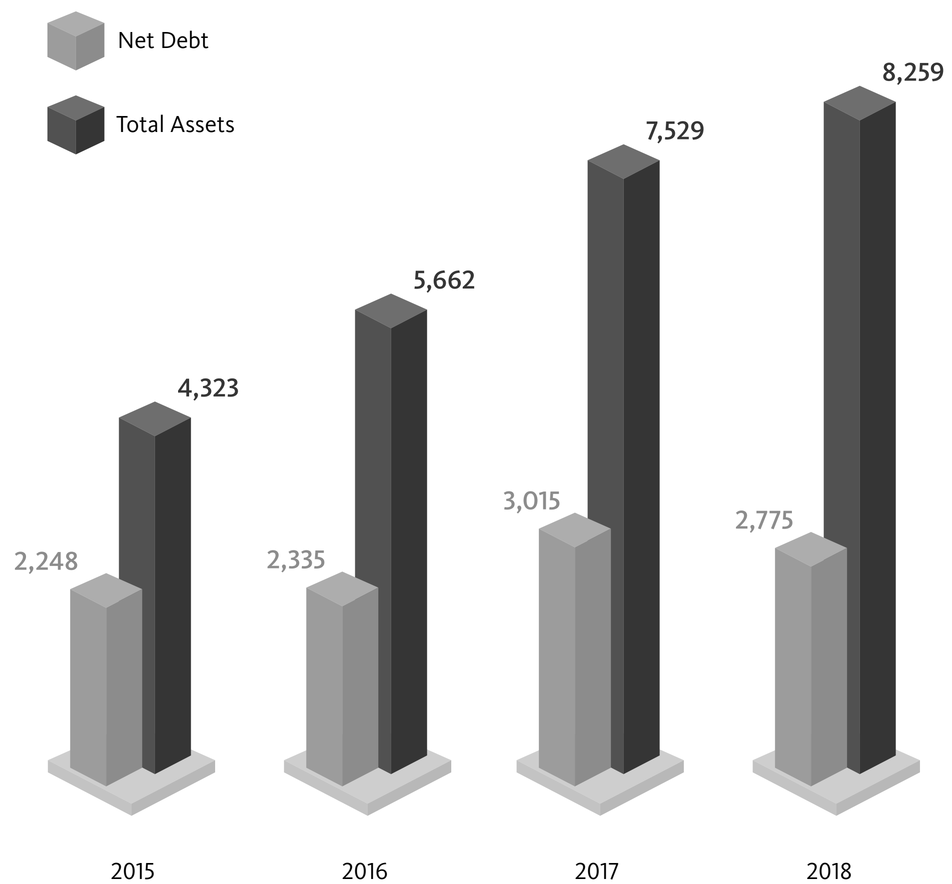
Equity ratio

CPIPG's equity ratio rose due to higher property portfolio valuations, the Group's retention of profits each year and hybrid bond issuance in 2018.



Total assets and Net debt

In 2018, the Group continued increasing total assets through acquisitions and revaluations while decreasing total debt via hybrid bond issuance and debt repayments.



Governance & Sustainability

Governance Principles

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

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

Sustainability Principles

CPIPG's goal is to gradually increase the share of green and certified buildings in our portfolio and to utilise environmental certification schemes to validate the sustainability of key assets in all main environmental areas (management, health & well-being, energy, water, materials, waste, land use, pollution, transport). Our key sustainability principles are:

- promoting a sustainable approach towards real estate development and management;
- contributing to environmental protection and the development of local communities in which the Group operates;
- pursuing a sustainable business model that allows the Group to achieve its business objectives without placing an excessive burden on the environment;
- actively managing the Group's assets to continually improve environmental performance, quality and resilience; and
- encouraging proactive contributions from all employees, tenants, customers and stakeholders of the Group to meeting all objectives in compliance our principles.

As a keen cyclist I appreciate that our office buildings have bike facilities and changing rooms. Cycling to work allows me to contribute to a better environment, and allows me to squeeze in a morning training session before work begins!

Martin Matula, General Counsel

CPIPG's Sustainability Strategy

The Group sustainability strategy covers every aspect of governance and operations. The Group believes that sustainability begins with good corporate governance to safeguard the interests of all our stakeholders: shareholders, bondholders, lenders, tenants, employees, suppliers and contractors, communities and local authorities.

The Group's corporate governance practices primarily follow the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (**"The X Principles"**). The Group's equity and debt securities are listed on several regulated exchanges including Frankfurt, Luxembourg, Dublin, Tokyo, Warsaw and Zurich. In each listing venue, CPIPG must also comply with applicable disclosure and governance rules.

CPIPG has implemented industry best practices with respect to corporate governance policies and external reporting. In 2019, the Group approved the "Code of Business Ethics and Conduct of CPI Property Group" (the **"Code of Ethics"**) and also newly updated policies governing procurement, supplier and tenants' conduct, anti-bribery and corruption, anti-money laundering, sanctions and export controls, whistleblowing, human capital and employment and corporate social responsibility (CSR).

The Group integrates CSR and environmental factors into the business decision-making process and has established a set of environmental KPIs comprising energy consumption emissions of greenhouse gases, water consumption, and level of achieved sustainability certifications. CPIPG has also committed to carry out a life-cycle assessment (LCA) for all new real estate projects over 10,000m², new development projects which are assessed by sustainability certification schemes such as BREEAM or LEED and key capital expenditures (such as major building refurbishments or replacement of core building technologies) beginning in March 2019.

The X Principles

CPIPG primarily follows the X Principles of Corporate Governance of the Luxembourg Stock Exchange.

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

I Corporate governance framework

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

II The Board of Directors' remit

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

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

III Composition of the Board of Directors and of the special committee

The Board of the Company is composed of highly experienced and qualified real estate and finance professionals with an excellent track record and thorough knowledge of the Group and its business. The Board is composed of executive directors, an independent director and non-executive directors representing shareholders. The Board intends to propose candidate(s) as additional independent director(s) to the Company's shareholders in May 2019. The Board has established an Audit Committee, a Remuneration and Related Party Transaction Committee (the **"Remuneration Committee"**) and a Corporate Social Responsibility Committee (the **"CSR Committee"**) with specific roles and responsibilities.

IV Appointment of members of the Board of Directors

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

V Professional ethics

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

The Code of Ethics, as an integral part of our internal rules, together with our Group policies, forms a framework for our Corporate Governance and Compliance. It states basic standards of conduct for all employees and agents acting on behalf of the Group, as well as for all members of the Group's corporate bodies and management (employees, agents and members of the Group's corporate bodies and management hereinafter the **"Representatives"**), and is intended to prevent illegal, unethical or otherwise socially improper conduct.

VI Executive Management

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

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

VII Remuneration policy

The Directors and the members of the Company's Executive Board are remunerated in a manner that is compatible with the long-term interests of the Company. To attract and also maintain best talent, the Group strives to provide employees with competitive wages and other employment-related benefits, while ensuring observance of the equal pay for equal work rule.

Aside from cash remuneration, the Group uses various other tools to retain people. The Group conducts regular satisfaction surveys and encourages its Representatives to share feedback with the Group so that actions can be taken to maintain a healthy work atmosphere and work-life balance. The Group hires and develops leaders, not bosses, and offers valuable learning experiences and career development tools. Last, but not least, the Group strives to create a brand that the Representatives will feel proud to be part of.

VIII Financial reporting, internal control and risk management

The Company has established a set of rules and procedures designed to protect the Group's interests in the areas of financial reporting, internal control and risk management, including cyber risks. The Group's overall approach to risk is conservative. Key risks are assessed by ranking exposure on the basis of probability and magnitude and are closely managed. Analysis of sensitivity to these key risks is conducted at Group level.

IX Corporate social responsibility (CSR)

CPIPG's Board of Directors has created a CSR Committee focusing on the supervision of sustainability, environmental, corporate social responsibility, green financing, and compliance matters for the Group.

The Group is fully committed to shared responsibility with the communities and environments wherever it is active. It strives to act transparently, ensure accountability and promote accessibility, inclusivity and smart livelihoods through its assets. The Group considers itself a reliable, responsible, equitable and proactive partner for all stakeholders and communities. In this spirit, it actively seeks relevant stakeholders, develops communication channels and addresses grievances.

The Group endorses all the 17 Sustainable Development Goals as defined by the United Nations for the period 2015–2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The Group contributes to the fulfilment of the Sustainable Development Goals in all its operations.

In 2018, CPIPG began working with the University Centre for Energy Efficient Buildings (UCEEB) of the Czech Technical University in Prague. UCEEB helped CPIPG to establish and quantify environmental KPIs and advised CPIPG in setting up the regular monitoring, reporting and targeting process to align with ISO 14001, GRI and EPRA environmental reporting guidelines.

Through the partnership with the University the Group continuously works to improve its environmental performance and establish a strong EMS comprising processes and practices designed to promote environmental objectives.

In 2019, the Group became a member of the Czech Green Building Council (CZGBC). The CZGBC was established in 2009 to support the principles of sustainable building. The CZGBC is a member of the European Regional Network of the World Green Building Councils and can influence EU legislation in its initial phase. It closely cooperates with the certification organizations operating LEED, BREEAM, DGNB and Czech SBToolCZ. Current activities are focused around: energy management and innovations, sustainable materials and waste, water management, healthy internal environment and brownfields/industrial.

X Shareholders

The Company's primary purpose is the creation of value for its shareholders. The Company respects the rights of its shareholders and ensures that they are treated equally. The Company constantly improves its communication with shareholders and the transparency of its reporting and conducts regular communication with its investors through our semi-annual and annual management reports, press releases, presentations, investor roadshows and semi-annual investor webcast.

Contribution to UN Sustainable Development Goals

CPIPG backs all the 17 Sustainable Developments Goals (SDGs), as defined by the United Nations for the period 2015-2030. CPIPG sees the SDGs as part of the business decision-making processes at all levels within the Group. In addition, the Group endorses the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change

CPIPG has identified priority goals for which it intends to play a key and increasing role:

SDG 3:

Good health and well-being; Green buildings improve people's health and well being

SDG 7:

affordable and clean energy (through the production and purchase of renewable energy, and by improving energy efficiency in our properties);

SDG 8:

decent work and economic growth (through CPIPG's actions to foster gender equality for instance and policies dealing with health, safety and the quality of life in the workplace);

SDG 9:

Industry, Innovation and Infrastructure (solutions and commitments to promote Smart City, sustainable mobility and certified buildings);

SDG 11:

Sustainable cities and communities (through stringent criteria applied to services and public transportation);

SDG 13:

Climate action; Energy efficient buildings produce fewer emissions of greenhouse gases and help to combat the climate change

SDG 15:

Life on land (promoting best practices by applying stringent criteria to the choice of sites and locations).

Involvement of stakeholders

CPIPG maintains a continuous dialogue with a wide range of stakeholders including tenants, employees, investors, and members of local communities. The Board of Directors, through the CSR Committee, supervises and directs these efforts.

The Group's key principles of stakeholders' involvement are as follows:

- Commitment to maintain strong relationships with our tenants;
- Open communication with our investors and financial stakeholders;
- Active dialogues with local governments and authorities;
- Participation in industry-level working groups (such as the CZGBC) and public inquires with respect to sustainability, regulatory and financial topics;
- Actively collecting and responding to feedback from our tenants, employees, and investors.

In 2019, the Group conducted an anonymous employee survey covering over 750 of our employees in the Czech Republic, Germany, Hungary, Slovakia, Poland and Croatia. The response rate was more than 95% (excluding sick/holiday leave), with a large majority indicating a high degree of satisfaction.

The Group conducts periodic occupier satisfaction surveys to determine the level of tenant satisfaction with our properties. The surveys mix quantitative and qualitative questions and are voluntary, anonymous, and confidential.

Partially in response to feedback from our tenants, in 2019 the Group launched the "CPI Akademie" retail development and educational programme. The programme is designed to respond to the changing market and improve the competitiveness of traditional brick-and-mortar shops by creating a better customer experience at the point-of-sale, while also helping tenants to retain skilled staff.

While the Group strives to provide a healthy and comfortable indoor environment for our tenants, occupant preferences have a significant impact on energy and water consumption, production of greenhouse gases and solid and effluent wastes. We recognise the importance of engaging, educating and cooperating with occupants to reduce the environmental impact of our portfolio.

The Code of Ethics sets the following standards of conduct towards stakeholders:

Towards Customers

We endeavour to build a partnership with our customers (including tenants) that operates in a manner consistent with our values, including ethical, social and environmental aspects. We strive to ensure that our customers share our values. At the same time, our priority is to satisfy the of needs and expectations of our customers. Therefore, we conduct our business with due care and focus on protection and support of our customers' interests. We avoid any steps and actions which could damage our trustworthiness in our customers' eyes or distort their perception of our services.

Because assurance of infrastructural health and safety compatibility is a prerequisite to our customers' satisfaction, we:

- Comply with the highest customer general safety and fire safety standards;
- Regularly monitor and assess safety-related issues as part of our extensive due diligence activities;
- Carry out regular on-site customer property management; and
- Ensure transparency of all measures and work conducted for customers.

Petr Brabec, Head of Shopping Centres; IPSOS Lecturers – Kateřina Müllerová; Vladimír Hrabal; Petra Knoblochová, Retail Marketing Specialist

We also pay attention to customers' complaints and inform them on handling of complaints, including remedial steps and measures to be taken. We always prefer an amicable solution to any disputes. If such an amicable solution cannot be reached, we inform the customer on all available out-of-court solutions to the respective dispute.

Towards Business Partners

We endeavour to build a partnership with our business partners (including suppliers and lenders) in a manner consistent with our values, including ethical, social and environmental aspects. We place the same ethical, social and environmental requirements on our business partners as on ourselves and our Representatives.

We establish and develop honest relationships with our business partners based on mutual trust and respect for contractual obligations. We prefer long-term relationships with our business partners and enter into relationships only with those adhering to applicable laws and using financial resources not resulting from illegal activities. In contractual negotiations and invoicing, we act in a fair and transparent manner. We respect the rights of our business partners to protect their trade secrets and other confidential information.

Towards Employees

We recognise and respect all legitimate rights of employees, including participation in trade unions. We create safe working conditions and an environment of trust and mutual respect, enabling each employee to develop his/her knowledge and skills. We strictly adhere to applicable laws on a healthy and injury-free workplace. We invest in continual education of our employees and participate in their professional development. We provide adequate remuneration for the work completed and, in addition, reward exceptional performance.

We neither support nor tolerate any kind of discrimination or harassment; we support diversity and create conditions for work engagement of disabled individuals. We respect the personal lives of our employees by facilitating work-life balance. We conduct background checks of candidates as to previous breaches of applicable laws or ethical rules.

On the other hand, our employees are expected to advance the Group's legitimate business interests. They shall not enter into competition with the Group, provide unjustified advantages to any third party to the detriment of the Group or take advantage of business opportunities available to the Group for themselves or for their family members.

Towards Shareholders and Investors

We strive for continuous long-term increasing value for our shareholders and investors (including bondholders). We apply Corporate Governance rules in order to achieve balanced relationships between shareholders, investors, corporate bodies, executive management, employees, customers and other stakeholders. We provide our shareholders and investors with information on a regular basis in transparent and non-discriminatory manner.

Towards Public Authorities and Regulators

We respect powers and competences of all relevant public authorities and regulators (including the respective stock exchanges), and their rules, decrees, decisions and other acts. We provide them with due and appropriate cooperation and information.

Towards Communities and Society as a whole

We strive to contribute to friendly and peaceful cohabitation within our communities. We are committed to high standards in environmental, social and ethical matters. Our staff receive training on our policies in these areas and are informed when changes are made to these policies. Our environmental policy is to comply with applicable laws, while pursuing energy efficient solutions wherever possible.

CSR Governance and management

In early 2019, CPIPG's Board of Directors created the CSR Committee focusing on the supervision of sustainability strategy, social and environmental risks management, corporate social responsibility, green financing, and compliance matters for the Group.

In relation to the social and environmental impacts the Committee monitors and enhances:

- Improvement of energy efficiency and energy savings in line with current strategies and objectives;
- Consideration of the life cycle implications at all stages of investments and planning for major developments;
- Optimisation of usage of natural and other resources in order to benefit from efficient and responsible use, minimise waste, prevent pollution and promote reusing and recycling of raw materials;
- Active promotion and encouragement of environmentally friendly conduct both internally and externally;
- The portfolio of renewable energy assets in the Group's operations, including solar panels;
- Efforts to document environmental performance of our assets, including green BREEAM / LEED certifications, as well as other relevant external certifications or environmental impacts, where possible;
- The Group's commitment to electro mobility, development of biking infrastructure, proximity to public transport and access to amenities, and support of the concept of smart cities;
- The share of green buildings in the Group's portfolio wherever possible and seeking to apply real estate life cycle assessment on new real estate projects;
- Application of innovative approaches in the Group's undertakings; and
- Setting of verifiable and measurable goals in pursuit of improvement of the ESG performance.

In relation to the corporate social responsibility the CSR Committee monitors and enhances:

- Transparency and accountability within the Group and vis-à-vis its stakeholders. The CSR Committee promotes active interaction with relevant stakeholders and development of communication channels within the Group's assets;
- Promotion of accessibility, inclusivity and smart livelihoods through Group's assets;
- Achievement of Group's sustainability, social and business objectives through proper supply chain monitoring, sensible and sustainable procurement, as well as engagement in relevant social development matters;
- Promotion of personal and professional development of Group's employees;
- Promotion of diversity and equal opportunity in the workspace in line with the Group's Human Capital and Employment Relationships Policy and applicable legal standards.;
- Proper disclosures in relation to corporate social responsibility efforts on regular basis, including the disclosures in the form of a CSR report in our annual and semi-annual management report.

The CSR Committee reports to the Board of Directors on a regular basis. The members of the CSR Committee are appointed by the Board of Directors. The CSR Committee currently has six members.

The CSR Committee is composed of highly experienced and qualified professionals with an excellent track record and thorough knowledge of the Group and its business. The CSR Committee shall be composed of a balanced mix of executive and independent directors as well as senior managers from finance, operations and legal departments, preferably from various jurisdictions. The head of the CSR Committee shall be an independent (non-executive) member of the Board.

The CSR Committee meets four times a year. The head of the CSR Committee reports on the progress of ESG programs directly to the Board of Directors every quarter.

Responsible procurement policy

The Group introduced a procurement policy, the aim of which is to set out universal standards for Group procurement processes, so that all procurement within the Group is conducted in a cost-effective, transparent and non-discriminatory manner and in compliance with applicable laws, and to ensure that the Representatives understand all their responsibilities relating to the procurement and procurement processes.

The main principles in relation to the procurement within the Group are the:

- **Legality:** The procurement and procurement processes shall be conducted in accordance with applicable laws and the Group's internal rules.
- **Non-Discrimination:** The procurement and procurement processes shall be conducted in a non-discriminatory manner, and all current and potential suppliers shall be treated equally and without any special preference. The suppliers may be placed upon the black list for material reasons only.
- **Transparency:** The procurement and procurement processes shall be conducted in a transparent manner. All relevant processes, qualifications, evaluations and communications shall be conducted in a way which does not raise doubts about proper selection of the most suitable supplier for the Group. The relevant documentation must be properly archived to allow subsequent reconstruction of each procurement process.
- **Cost-Efficiency:** The purpose of the procurement shall be to optimize the value-for-money ratio, i.e., to determine which supplier can provide the Group with the best price, quality and added value.
- **Binding Nature:** The procurement policy or the principles relating to the procurement and procurement processes, as the case may be, shall not be circumvented. The Representatives are prohibited to split or manipulate any relevant documents (including orders or invoices) or in any other way distort the processes prescribed herein in order to avoid application of procurement policy or the principles relating to the procurement and procurement processes, as the case may be.
- **Confidentiality:** The Representatives are prohibited to provide any third party with information related to specific terms and conditions, especially prices, under which the Group procures or intends to procure goods or services from its suppliers or potential suppliers.

CPIPG expects suppliers and business partners to meet the same ethical, social and environmental standards as the Group. Relationships with business partners are governed by the Group's suppliers and tenants' codes of conduct and the procurement policy. Compliance with these policies is monitored through on-site visits and periodic reviews of suppliers. The Group reserves the right to exclude suppliers from new projects if breaches of policy are identified.

Ensuring business ethics

At CPIPG ethical practice is a core component of our corporate philosophy and we are committed to transparency in our management structure, corporate reporting and internal procedures and rules. We believe that this supports a corporate culture which is balanced between entrepreneurial spirit and core ethical values. An ethical approach combined with proper corporate governance enables us to conduct our European-wide business with the highest ethical and legal standards, which we owe to our stakeholders, communities and public authorities.

The Group's essential tenet is to comply with applicable laws, industry standards and best practices. Therefore, we obey applicable laws, both in letter and in spirit, and continually review and implement industry standards and best practices, including those relating to Corporate Governance and Compliance. This approach ensures that our internal procedures and rules comprise all pivotal pillars of Corporate Governance and Compliance, including environmental issues, conduct of employees, suppliers and tenants, sanctions and export controls, whistle-blowing, procurement, data and information protection, conflict of interests, as well as prevention of insider trading, bribery, corruption, fraud, money laundering, terrorist financing and anti-competitive practices.

The Code of Ethics, as an integral part of our internal rules, together with our Group policies, forms a framework for our Corporate Governance and Compliance. It sets basic standards of conduct for all employees and agents acting on behalf of the Group, as well as for all Representatives, and is intended to prevent illegal, unethical or otherwise socially improper conduct.

We also expect our shareholders, investors, customers and other business partners to comply with the Code of Ethics.

The Code of Ethics helps us build openness and trust by explaining our core values:

- **Compliance with applicable laws, industry standards and best practices** – In all countries where we operate, our primary concern is to comply with applicable laws, industry standards and best practices. Therefore, we prevent conflict of interest, money laundering and terrorist financing and neither support, nor tolerate any insider trading, sanctions circumventing, bribery, corruption or fraud, anti-competitive conduct, discrimination or harassment. We protect the environment and support sound social values and good relationships with our employees, shareholders, investors, customers, business partners and stakeholders.
- **Fairness, Integrity and Professionalism** – We promote the highest standards of integrity by always conducting our affairs in an honest and ethical manner. Each of us makes a commitment not to allow any kind of situation to undermine our standards for fairness and integrity in dealing with employees, shareholders, investors, customers and other business partners, public authorities, communities and other stakeholders. We always keep the highest standards of professional correctness and courtesy in any interaction and communication with our employees, shareholders, investors, customers and other business partners, public authorities, communities and other stakeholders.
- **Experience, Quality and Entrepreneurship** – We have excellent know-how in our field of expertise, understand our business thoroughly and intend to deliver solely top-quality performance to our customers. We actively support a culture of empowerment and accountability, in which our employees can thrive personally and professionally, enhancing creativity in every discipline of the Group.
- **Pro-Active Approach and Teamwork** – Each of us is committed to take a pro-active approach in relation to our shareholders, investors, customers and other business partners, public authorities and communities, as wella our fellow employees. We try to satisfy wishes and needs of other people, and to recognize and understand their problems. The Group is proud to comprise a Europe-wide team of people who are aligned, motivated and rewarded for contributing to the team and to the long-term value of the Group.
- **Stability** – We are a strong, successful and stable Group, standing as a symbol of reliability to our employees, shareholders, investors, customers and other business partners and stakeholders.
- **Safety** – We are committed to a healthy and injury-free workplace and to the safety of our employees, contractors, visitors and communities in which we operate. Safety is fundamental to our overall operational and managerial excellence.
- **Community** – As our corporate culture is centred around respect and professionalism, we believe in giving back to our communities. We contribute to the sustainable economic, social and environmental development of our communities.

It is our policy to comply with applicable laws of each country where we operate. Our Representatives shall be aware of applicable laws that impact our business, comply therewith and refrain from any activity which is unethical, illegal or would endanger the safety of others. Our Representatives shall also ensure that their actions cannot be interpreted as being, in any way, in violation of applicable laws. The Group will not condone any activity of any Representative who achieves results through violation of applicable law or through non-ethical business dealings.

Conflicts of Interest

A conflict of interest may arise when a Representative's personal interests (or personal interests of his/her family members) interfere or appear to interfere with his/her ability to act in the best interest of the Group.

We respect the rights of our Representatives to manage their personal affairs and investments, and we do not wish to impinge on their personal lives. However, any activities that create or may create a conflict of interest are prohibited, unless specifically approved in compliance with applicable laws and the Group's internal rules. In turn, our Representatives may not engage in transactions directly or indirectly which lead to or could lead to a conflict of interest.

Even the appearance of a conflict of interest, where none exists, can be detrimental to the Group and shall be avoided. This also means that, as in all other areas of their duties, Representatives working with customers, business partners, competitors or any other persons cooperating with the Group shall act in the best interests of the Group to exclude consideration of personal preferences or benefits.

We expect our Representatives to be free from influences that conflict with the best interests of the Group or might deprive the Group of their undivided loyalty in business dealings. Our Representatives are required to refuse any intervention, coercion or influence that could jeopardize the impartiality of their decision-making relating to our business affairs and, at the same time, to inform their supervisor and the Compliance Officer of the Group (the "Compliance Officer"). The same notification duty applies if such Representative is uncertain whether a conflict of interest exists or will exist. Members of the Group's corporate bodies and management shall in such cases report to, and consult with, the Audit Committee of CPIPG.

Whistle-blowing

We expect our Representatives, as well as shareholders, investors, customers and other business partners and stakeholders to speak out if they have any concerns about breaches of applicable laws, the Code of Ethics, the Group's internal rules or any other illegal or unethical matters. We have a whistle-blowing procedure which enables anyone to raise in confidence, whether anonymously or otherwise, concerns on such possible improprieties relating, but not limited, to:

- Conduct, which is an offence or breach of applicable laws, the Code of Ethics, other Group's internal rules;
- Alleged miscarriage of justice;
- Health and safety risks;
- Unauthorised use of public funds;
- Possible fraud, corruption and bribery;
- Sexual, physical or verbal harassment;
- Bullying or intimidation of employees, customers or other persons;
- Abuse of authority; or
- Other illegal or non-ethical conduct.

Reports can be made to the e-mail whistleblowing@cpipg.com. All reports made in good faith shall be kept confidential and no person making a report will be subject to discrimination or adverse treatment by virtue of making that report. However, anyone making that report under the whistle-blowing procedure shall acknowledge and accept that the Group may, by reason of the matters reported, need to address this with the relevant public authorities, and that it may have consequences for the reporter under applicable laws.

Under the whistle-blowing procedure, arrangements are in place for independent investigations and for appropriate follow-up actions to be taken.

Prohibition of Corruption, Bribery and Fraud

We do not tolerate corruption, bribery or fraud in any form. Regardless of our geographic location, the Group and its Representatives shall comply with applicable anti-corruption, anti-bribery and anti-fraud laws (including the UK Bribery Act of 2010 and US Foreign Corrupt Practices Act of 1977). No Representative shall directly or indirectly:

- Offer, make, promise or authorize the transfer of anything of value to a public official (or his/her family member) to obtain or retain a business advantage or to influence any decision by such official in his/her official capacity, unless authorised by applicable laws;
- Offer, make, promise or authorize the transfer of anything of value to any private person or entity to improperly influence that person in the legitimate performance of his/her expected duties and obligations; and
- Accept or receive anything of value from any person, where such a thing is offered, promised or given with the intention of improperly influencing that Representative to obtain or retain business for the Group or secure an improper business advantage.

Our Representatives are required to report any actual or suspected corruption, bribery or fraud to the Compliance Officer or through the whistle-blowing procedure. For the purposes of combating corruption, our employees have an anti-corruption clause in their employment contracts. Any violation of the above rules is considered a gross violation of work discipline.

Further, as giving gifts or entertainment to public officials is highly regulated and very often prohibited, each Representative shall avoid any activity that may be construed as a bribe, corruption or improper payment. In such cases, the Representatives shall always obtain relevant approval within the Group, and never offer gifts or entertainment to public officials without first checking with the Compliance Officer.

Procurement within the Group shall be conducted in a cost-effective, transparent and non-discriminatory manner and in compliance with applicable laws. Therefore, we expect our suppliers and other business partners to compete fairly and vigorously for our business and endorse the principles of the Code of Ethics and other relevant Group's internal rules. We select our suppliers and other business partners strictly on merit, rather than on improper benefit given or offered. Our Representatives may neither give to, nor accept from, anyone who conducts or seeks to conduct business with the Group, any gift, service or special treatment of any kind, unless:

- It is provided with good intentions and for legitimate business purposes;
- It is consistent with good business practices and ethical standards;
- It is permitted by applicable laws and the Group's internal rules;
- It is permitted by the counterparty's own business policies;
- It is of value not exceeding normal business practices, not in the form of cash payment and cannot be interpreted as a bribe or reward;
- There is no expectation that such special treatment will follow;
- It does not create an appearance of impropriety;
- Potential publicizing the information on providing such gift, service or special treatment of any kind would not be detrimental to the Group's reputation; and
- Providing such gift, service or special treatment of any kind was approved within the Group, if required.

We always treat our customers honestly, fairly and objectively. Our Representatives may provide gifts or entertainment to, or receive gifts or entertainment from, existing or potential customers only if conditions set out in the preceding paragraph are met.

Otherwise, our Representatives are obliged to refuse any such gift, entertainment, service or special treatment of any kind, warn the counterparty of the inadmissibility of such conduct and inform the Compliance Officer. If a Representative cannot avoid accepting such gift, entertainment, service or special treatment of any kind above the value of normal business practices, he/she must report it to the Compliance Officer, who will decide on further steps and measures to be taken.

Finally, any Representative may never try to induce by any means any business partner to give him/her any gift, entertainment, service or special treatment of any kind.

Anti-Money Laundering and Counter-Terrorism Financing

The Group's business activities are to be conducted in accordance, and all Representatives shall at all times comply, with applicable laws on the prohibition and prevention of money laundering and terrorism financing. This means, among others, that we must always have thorough knowledge of the business partners we do business with. In addition, we take steps and measures to prevent misusing our services for money laundering and terrorism financing.

Prohibition of Securities Fraud and Insider Trading

Our Representatives may have access by reason of their position in, or relation to, the Group to information that is not public (including information on financing, mergers and acquisitions) and that would probably result in a significant impact on the share price of any company inside or outside the Group or on related financial derivative instruments, had it been released.

As we comply with applicable laws on prohibition of securities fraud and insider trading, neither the Group, nor its Representatives may trade in the shares or other securities of any company in question, either directly or through another person, as long as this information has not been made public, and may not disclose such information, other than in the normal course of business.

In addition, within the Group any inside information shall only be disseminated to other Representatives on a need to know basis, such as a business purpose, and each Representative shall exercise care to keep such information secure from unnecessary or unintended disclosure, including disposal of documents containing such information.

International Sanctions and Export Controls

A number of countries have adopted laws regulating the import and export of goods, services, software and technology. Failure to comply with foreign economic and trade sanctions, export controls, embargoes and international boycotts of any type may constitute a crime and the sanctions for non-compliance can include fines and imprisonment. An entity that does not comply may also be denied the right to participate in foreign trade with the state whose laws were breached.

Therefore, the Group and its Representatives comply with applicable laws of the European Union, USA, United Kingdom and other countries concerning the import and export of goods, services, software and technology, foreign economic and trade sanctions, export controls, embargoes and international boycotts of any type.

Participation in Public Procurement and Public Tenders

We comply with laws on public procurement and public tenders, if applicable to us. We have a zero tolerance policy in respect of any illegal or unethical practices relating to public procurement and public tenders, including bribery, corruption and fraud.

Prohibition of Cartels and Anti-Competitive Practices

Our policy is to conduct business honestly and fairly, and to comply with applicable competition and antitrust laws. This means that (i) the Group utilises competitive advantages while treating competitors appropriately, (ii) neither the Group, nor any of its Representatives may participate in illegal anti-competitive acts, including abuse of dominance or agreements to fix prices, manipulate or divide markets, limit production or otherwise unfairly restrict competition, and (ii) neither the Group nor any of its Representatives may exchange any commercially sensitive information with the Group's competitors.

Violations of competition and antitrust laws may result in severe penalties and significant fines against the Group. There may also be sanctions against individual Representatives, including substantial fines and prison sentences.

Protection of Intellectual Property

We recognise and respect the intellectual property rights of other persons and entities and fulfill all ethical and legal obligations concerning use of intellectual property.

The Group requires Representatives to respect copyrights, trademarks, patents and other intellectual property rights of all persons and entities to any material (including material downloaded from the internet and computer software), through:

- Using all proprietary information, property and rights only for the purposes for which they are intended and approved for use; and
- Avoiding copying, improper use or distribution of any work subject to intellectual property rights without the owner's prior permission, as violations of the above may result in civil or criminal liability for the Group or the Representatives.

Additionally, software purchases on behalf of the Group are permitted only with the appropriate approval granted within the Group, and any software shall be installed only by employees designated by the Information Technology department of the Group or through processes and resources sanctioned by the Information Technology department of the Group. In the majority of cases, computer software is licensed to the Group by the software developer, thus such software and related documentation is not owned by the Group. Unless authorized by the software developer, neither the Group, nor any Representative have the right to reproduce or copy the software or related documentation.

On the other hand, the Group reserves all rights to any intellectual property, including patents, trademarks and copyrights, developed by the Representatives on the Group's time or utilising the Group's resources during the course of their relationship to the Group.

Protection of Confidential Information

One of our most important assets is confidential (or otherwise privileged) information, including our internal information and trade secrets. Such information, whether developed by us or provided to us by our customers, suppliers or other business partners, may include the list of current and prospective customers, suppliers or assets of the Group, financial and technical information concerning the Group's assets (e.g., period of renewal of leases, rents and expenses, financial projections, maintenance level of buildings and projects, or information relating to future disposals or acquisitions of assets), as well as training and organisational documents.

Each Representative shall comply with applicable information protection laws, which implies that each Representative has a duty to refrain from disclosing confidential information, unless and until such information is released to the public through approved channels, or unless he/she obtained the approval of the responsible member of the Group's management to disclose the confidential information. Additionally, before disclosing such information, the individual or entity receiving the information shall enter into a confidentiality or non-disclosure agreement with the Group. The aforesaid also requires that Representatives shall refrain from discussing confidential information with outsiders and even with other Representatives, unless those fellow Representatives have a legitimate need to know the information in order to perform their duties.

Unauthorised posting or discussion of any confidential information concerning the Group's business or prospects on the internet is prohibited, and all e-mails, voice mails and other communications within the Group are presumed confidential and shall not be forwarded or otherwise disseminated outside the Group, except where required for legitimate business purposes. Representatives leaving the Group shall return to the Group all confidential information in their possession as unauthorised keeping, use or distribution of such information could be illegal and result in civil liability and/or criminal penalties.

Finally, the Representatives shall take care not to inadvertently disclose confidential information. For this reason, all materials that contain confidential information, such as memos, notebooks, computer disks and laptop computers shall be stored securely.

Protection of Personal Data

We comply with applicable laws on privacy and data protection, including Regulation (EU) No. 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR).

We collect and retain personal data only to the minimum extent and for proper purposes as required by applicable laws and the Group's operational requirements. We also take all necessary or appropriate steps and measures to comply with applicable laws to safeguard and fairly process personal data, to maintain the confidentiality of personal data and prevent any accidental destruction, alteration, modification, loss, misuse, unlawful use or processing of, or unauthorized access to, personal data.

Certain Group companies have appointed Data Protection Officers with the functional and organisational responsibility for compliance with applicable laws and the Group's internal rules on personal data protection. The Group companies and their Representatives shall report any alleged breach of applicable laws or the Group's internal rules on personal data security to the relevant Data Protection Officer.

Use of Group's Assets

The Group's assets, facilities and services provided to the Representatives are for professional use only. Without prior authorization it is forbidden to take possession of or use the Group's assets for personal gain or advantage, to alter, remove or destroy the Group's assets, or to use the Group's services or equipment for personal purposes. Also, the Group's landlines and cell phones, e-mail services, internet access and other equipment and subscriptions must be used primarily for professional purposes. Concerning access to the internet, it is forbidden to download non-professional data or to visit websites whose content is unlawful or could be otherwise detrimental to the Group's reputation.

Use of Agents

Honesty and integrity are key standards for the selection and retention of those who represent, or act on behalf of, the Group. Our policy is that agents acting on our behalf must be willing to certify their compliance with our internal rules and procedures, including the Code of Ethics, and may never be retained to circumvent our ethical and business standards.

Political Involvement, Lobbying and Public Policy

We encourage our Representatives to become involved in civic affairs and to participate in the political process. This way, we can all practise good citizenship and make meaningful contributions to our communities. However, any political activity on the Representative's own behalf must occur strictly in an individual and private capacity, not on behalf of the Group, strictly in the Representative's own time and may not be detrimental to the reputation of the Group.

Moreover, use of the Group's resources or funds to campaign for an elected position or make a contribution to a political party or candidate is strictly prohibited. The Representatives interested in serving in an elected or appointed public position shall advise the Compliance Officer to ensure understanding of the Group's internal rules and possible legal ramifications and to manage possible conflicts of interest, including anti-bribery and anti-corruption compliance requirements.

Any lobbying activities on behalf of the Group may be pursued only by persons duly authorised thereto. Any such activities may never be detrimental to the reputation of the Group or conflict with rules concerning the prohibition of corruption, bribery and fraud (as specified in the above section on Prohibition of Corruption, Bribery and Fraud).

Protecting our Reputation

In order to avoid inappropriate or inaccurate publicity related to the Group, we disclose information concerning the Group and its work to the media (whether printed, broadcasted or on the internet) or otherwise to the public only through authorised persons and specific limited channels. We disclose only true, accurate and not misleading information. We also use only decent and ethical marketing and advertising. Representatives may not provide any information to the media or public about the Group on or off-the-record, for background only, confidentially or secretly. All inquiries or calls from the press shall be referred to the PR and Marketing Director of the Group.

Accounts on social networks under the Group's brand can be established only with prior consent of the Group. Information published by Representatives on social networks via their private accounts may not be detrimental to the Group's reputation.

Rules for Gifts and Hospitality

Giving gifts to or accepting gifts from, as well as providing hospitality to or accepting hospitality from, individuals or entities that we do business with may be a valuable way for the Group to establish and maintain good business relationships. However, it may never conflict with rules concerning prohibition of corruption, bribery and fraud (as specified in the above section on Prohibition of Corruption, Bribery and Fraud).

Rules for Charity and Sponsorship

We believe that charity and sponsorship are important to the communities where we operate. We respect our local communities and do our best to broaden recognition of the Group's capabilities and improve community relations. We provide financial support to specific sport, cultural, charitable and social projects and activities; however, never in order to obtain illegal or unethical benefit or advantage. We always keep an apolitical position and never provide financial or other support to political parties or movements.

Board of Directors

The Company is administered and supervised by the Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors represents the shareholders as a group and acts in the best interests of the Company. All members, and in particular the independent and non-executive members, are guided by the interests of the Company's stakeholders including shareholders, bondholders, creditors, tenants, and employees.

Appointment of Directors

The members of the Board of Directors are elected by the general meeting of shareholders for a period not exceeding six years. They are eligible for re-election and may be removed at any time by a resolution adopted by a simple majority of votes of the general meeting of shareholders. The Directors may be either natural persons or legal entities. In the event of a vacancy on the Board of Directors, the remaining members may co-opt a new member.

Powers of the Board of Directors

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

Deliberations

Meetings of the Board of Directors may be convened by any Director. The Board can validly deliberate and act only if the majority of its members are present or represented.

Delegation of Powers

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

Current Board of Directors

As at 31 December 2018, the Board of Directors consisted of the following members:

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

The Board of Directors is comprised of:

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

The current Board members were appointed during the Company's annual general meeting of 2018 and their term expires at the annual general meeting of 2019 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2018. During 2018 the Board of Directors met 17 times.

Audit Committee

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Company's reporting procedures by business lines, reviews risks factors and risk control procedures. During 2018 the Audit Committee met 4 times.

The Audit Committee is comprised of the following members:

- Edward Hughes;
- Philippe Magistretti;
- Iveta Krašovicová.

Remuneration and Related Party Transaction Committee

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

The Remuneration Committee is comprised of the following members:

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

During 2018 the agenda of the Remuneration Committee has been assumed by the Board in order to enhance the decision making process in relation to remuneration and related party transactions by the Board of Directors.

Financial Reporting, Internal Control and Risk Management

The Company has organized our internal control environment by identifying the main risks to which we are exposed, determining the level of control over these risks, and strengthening the reliability of our financial reporting and communication processes. The Group's overall approach to risk is conservative. There are inherent risks determined by the nature of our business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude and are closely managed. Analysis of sensitivity to these key risks is conducted at Group level. The Group's management structure is designed to enable effective decision making. The periodic reviews of key performance indicators are conducted: tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets are schedules. An internal audit and cost control functions are regularly performed. Strict procedures are also observed for the periodic production of quarterly and annual figures on the basis of the adopted policies. There are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions. The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses. Capital projects, major contracts and business property acquisitions are reviewed in detail and approved by the Board of Directors where appropriate.

Financial risk

The Group maintains a prudent financial policy. Foreign exchange risks are effectively managed by shifting risks associated with movements in exchange rates to its tenants in most of its Euro-denominated contracts in order to hedge exposure to currency risks in its loans; it uses interest rate swaps to hedge against interest rate risks and uses a credit rating scorecard to manage credit risk associated with its tenants. The Group is also able to draw on a diverse range of capital and liquidity sources including domestic international capital markets bonds issued under the Company's EMTN programme, bonds in the Czech Republic and Slovakia, secured loans from its relationship banks and equity investment from its majority shareholder. The Group has strong credit metrics, which management believes provide it with the capacity to further de-lever. For financial risk, comprising of credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk) please refer to [Note 7 in Consolidated financial statements as of 31 December 2018]

Information technology risks

The Group has developed a strong information technology team, with dedicated information security specialists. The threat of data breach and loss or cyberattacks are taken very seriously. IT systems used across the Group are designed and developed in order to provide maximum security. Information security risk is carefully monitored and information security policies are reviewed and updated. Employees are regularly guided to be aware of potential IT and cyber security related risks. The Group makes use of electronic data processing within automated information systems. Offsite data back-up and recovery measures are in place.

Legal risk

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

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

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

Development, construction and refurbishment projects

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

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

Transaction and asset management risk

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

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

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

Asset protection/insurance

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

Subsequent events

Please refer to Note 11 of the Financial Statements as of 31 December 2018.

Financial risks exposure

For detail description of the principal risks and uncertainties, please refer to Note 2 Basis of Preparation of the Consolidated Financial Statements as of 31 December 2018.

Required Information

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

(a) The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:
The share capital of the Company is represented by 9,013,868,658 ordinary shares of one class, out of which 112,135,971 shares (approximately 1.24% of the total number of shares), registered under ISIN code LU0251710041, are admitted to trading on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. The remaining 8,901,732,597 Company shares (approximately 98.76% of the total number of shares) are currently not listed and are non-tradeable on a regulated market.

The Extraordinary General Meeting of the shareholders of the Company held on 26 June 2017 decided to introduce the possibility to create and issue up to ten billion (10,000,000,000) non-voting shares, having a par value of ten eurocents (€0.10) each, and also the possibility to create and issue up to ten billion (10,000,000,000) beneficiary shares without any voting rights and being under registered form only. None of these shares have not been issued by the Company yet.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:
There are no restrictions on the transfer of Company's shares or other securities issued by the Company. However, final terms of certain series of the notes issued under Company's €3,000,000,000 Euro Medium Term Note (EMTN) Programme include a "Prohibition of Sales to EEA Retail Investors" legend. In such case these notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA, within the meaning of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:
Based on the latest shareholders' declarations received as at 31 December 2018, the following table sets out information regarding the ownership of the Company's shares:

Radovan Vítek and entities controlled by Mr. Vítek	8,257,984,722	91.61%
Treasury shares by ORCO PROPERTY GROUP	252,302,248	2.80%
Others	503,581,688	5.59%
Total	**9,013,868,658**	**100%**

(d) The holders of any securities with special control rights and a description of those rights:
None of the Company's shareholders has voting rights different from any other holders of the Company's shares. The Company respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

(e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees:
The Company has no employee share scheme.

(f) Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:
There no restriction on voting rights of the securities issued by the Company, except for the own shares held by the Company.

(g) Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC:
To the knowledge of the Company, there are no shareholders or similar agreements entered into by and between shareholders that are in effect as of the date of this report with similar effects.

(h) the rules governing the appointment and replacement of board members and the amendment of the articles of association:
The Company is managed by Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors shall be composed of the number of members determined by the general meeting of the shareholders and shall amount to at least three members. The Directors are elected by the general meeting of shareholders for a period of maximum six years. The directors are eligible for re-election and may be removed with or without cause at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The Directors may be either natural persons or legal entities.

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

(i) the powers of board members, and in particular the power to issue or buy back shares:
The Board of Directors is empowered to perform any acts necessary or useful in achieving the Company's objectives. All matters not expressly reserved to the general meeting by law or by Company's articles of association are within the competence of the Board of Directors.
In particular, the Board of Directors has the following tasks and competencies, without such list being exhaustive:

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

As at 31 December 2018, the authorized share capital of the Company amounts to €4,975,000,000, which would authorize the Board of Directors to issue up to 39,750,000,000 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding. As at 31 December 2018, the Company is authorized to redeem/repurchase up to 275,146,048 own shares under the buy-back programme approved in 2018. For more details on the authorized share capital and the buy back please refer to [Note 6.12 of the Consolidated financial statements as of 31 Dec 2018].

(j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements:
The base prospectus dated 20 April 2018, prepared in connection with the Company's €3,000,000,000 Euro Medium Term Note Programme, as amended (the "Programme") contains a change of control put clause, i.e. redemption at the option of the noteholders upon a change of control, provided certain other criteria defined in the Programme occur. Change of control event pursuant to the Programme occurs in case any person or any persons acting in concert (other than Mr. Radovan Vítek, any member of his immediate family or any entity directly or indirectly controlled by him or them) shall acquire a controlling interest in (A) more than 50 per cent., of the issued or allotted ordinary share capital of the Issuer or (B) shares in the issued or allotted ordinary share capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, subject to further conditions. For exact terms please refer to Condition 7.6. of the base prospectus of the Programme.
Changes of control provisions are stipulated in the Revolving Credit Facility and Schuldschein agreements entered into by the Company in 2018 and 2019 respectively.
Certain credit facility documentation with financing banks of the Group contain market standard change of control clauses.

(k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
Not applicable as of 31 December 2018.

Energy transition **& circular economy**

City Park Shopping Centre, Jihlava, Czech Republic

Environmental practices and Green Building Membership

The Group is committed to sustainably improving the environmental performance of its portfolio. It is fully aware of the global challenge of climate change, and CPIPG is willing to contribute to meeting the goals of the Paris agreement and European energy regulations.

In 2018, the Group began working with the University Centre for Energy Efficient Buildings (UCEEB) of the Czech Technical University in Prague (CTU). UCEEB supported the establishment and quantification of environmental Key Performance Indicators (KPIs) and the setting up of regular monitoring, reporting and targeting, which will align with ISO 14001 and GRI reporting guidelines.

It is the Group's goal to standardise environmental practices for existing assets in operation and new acquisitions as well as new developments.

The Group is a member of a key industry initiative in our region, the Czech Green Building Council (CZGBC). The Council was established in 2009 with the aim to support the principles of sustainable building. It is a member of the European Regional Network of the World Green Building Councils and can influence the EU legislation in its initial phase. It closely cooperates with certification organisations including LEED, BREEAM, DGNB and Czech SBToolCZ.

By participating in task groups with leading developers, consultants, engineers and manufacturers the Group can gain practical insights into innovative solutions for effective property management and access information on upcoming legislation and the process of EU law transposition to the region.

Green or certified buildings

The Group's goal is to gradually increase the share of green and certified buildings in its portfolio and to utilise environmental certification schemes to validate the sustainability of key assets in all areas (management, health & well-being, energy, water, materials, waste, land use, pollution, transport). Certification criteria are considered for new developments, major refurbishments as well as for buildings in operation.

At the end of the reporting period the Group's portfolio consisted of **11 certified assets** with 202,027 m² in the office segment (12.83% share of GLA in the office segment) and 86,216 m² in the shopping centre segment (13.90% share in GLA of the shopping centre segment). Certified buildings in both segments represented an **8.7% share of Group's portfolio** by GLA. Office buildings of 165,983 m² were certified in 2018 which represent an **increase of 36%** from the previous year.

The share of certified assets by country was Hungary 48%, Czech Republic 28% and Poland 24%.

Certifications **planned for 2019/2020** account for 105,182 m² and represent an **increase of 35.7%** or **11.9% of the Group's portfolio** by GLA. The target rating for all certifications for BREEAM In-Use is Very Good and above and in LEED Gold and above. See the section "Development projects" for information about certified new developments.

Green building portfolio – list of certified assets as of December 2018

Asset name	Building type	Certification scheme	Rating	Year of certification
Czech Rebublic				
City West B3	Office	BREEAM In-Use	Excellent	2017
Zlaty Andel	Office	BREEAM In-Use	Excellent	2015
SC Nisa	Shopping centre	BREEAM In-Use	Excellent	2018
Quadrio	Shopping centre & Office	LEED BD+C	Silver	2014
Hungary				
Quadra-B30	Office	BREEAM In-Use	Very Good	2018
Gateway Office Park	Office	BREEAM In-Use	Very Good	2018
Balance Loft	Office	BREEAM In-Use	Very Good	2017
Arena Corner	Office	BREEAM In-Use	Very Good	2018
Andrassy Palace	Office	BREEAM In-Use	Very Good	2018
Poland				
Ogrody Shopping Center	Shopping centre	BREEAM 2009 Europe Commercial	Very Good	2016
Atrium Centrum	Office	BREEAM In-Use	Good	2018

Measuring and monitoring performance

In order to monitor and gradually improve the environmental performance of the Group's property portfolio, annual environmental monitoring has been implemented. Monitoring is intended to cover every building in the portfolio and will review operations, quantify the environmental impact and plan to continuously implement steps for improvements.

The Group has established a set of environmental KPIs comprising energy consumption, emissions of greenhouse gases, water consumption, and level of achieved sustainability certifications. While waste production is not evaluated with reference to the entire portfolio, all assets fully comply with local legislation and allow for waste separation into streams relevant to building operation, recycling and occupant's needs. It is the Group's intention to include KPIs for waste production for next reporting period.

The set of KPIs is comprised of:

- KPI_1: Annual final energy consumption of reported portfolio [MWh pa]
- KPI_2: Annual specific final energy consumption of reported portfolio per sqm (median value) [kWh pa/m² GLA]
- KPI_3: Annual value of global warming potential of reported portfolio [t $CO_{2,eq}$ pa]
- KPI_4: Annual specific value of global warming potential of reported portfolio (median value) [t $CO_{2,eq}$ pa/m² GLA]
- KPI_5: Annual water consumption of reported portfolio [m³ pa]
- KPI_6: Annual specific water consumption of reported portfolio per m² (median value) [m³ pa/m² GLA]

For the 2018 reporting period GLA was used to maintain consistency in KPIs across the portfolio. In future reports information about Gross Internal Area (GIA) will be utilised for KPI calculations. In line with the energy auditing method, renewable energy generated on site is excluded in KPI_1 and KPI_2 .

The data below covers assets located in the Czech Republic, Slovakia, Germany, Poland, Hungary and Romania excluding residential and agricultural assets. The report is based on data for 2017 and 2018 from **364 assets** (256 Czech Republic, 48 Germany, 27 Hungary, 17 Slovakia, 15 Poland, and 1 Romania). The **data covers 95.16%** of total GLA.

Key Environmental Performance Indicators by Region (only full years in portfolio included for KPI per m²)

	KPI_1		KPI_2		KPI_3		KPI_4		KPI_5		KPI_6	
	Final energy consumption [MWh pa]		Median of specific final energy consumption [kWh/(m² pa)]		GWP [t $CO_{2,eq}$ pa]		Median of specific GWP [t $CO_{2,eq}$/(m2 pa)]		Water consumption [m³ pa]		Median of specific water consumption [m³/(m² pa)]	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Czech Republic	419,278	400,031	248	217	249,711	246,751	0.141	0.134	853,202	879,979	0.277	0.388
Germany	121,020	127,522	135	130	54,903	59,811	0.060	0.059	203,446	227,613	0.262	0.244
Hungary	79,703	85,076	131	176	22,430	23,994	0.034	0.047	220,340	232,321	0.334	0.338
Poland	34,885	47,680	273	246	29,936	41,292	0.196	0.217	73,193	97,473	0.561	0.509
Romania	4,796	4,609	–	454	2,235	2,136	–	0.210	5,160	6,238	–	0.614
Slovakia	20,929	18,756	201	181	5,037	4,514	0.048	0.044	13,877	13,321	0.098	0.092
Total or Median	680,610	683,676	206	181	364,252	378,497	0.108	0.091	1,369,219	1,456,945	0.274	0.321

Key Environmental Performance Indicators by Asset Type (only full years in portfolio included for KPI per m²)

	KPI_1		KPI_2		KPI_3		KPI_4		KPI_5		KPI_6	
	Final energy consumption [MWh pa]		Median of specific final energy consumption [kWh/(m² pa)]		GWP [t $CO_{2,eq}$ pa]		Median of specific GWP [t $CO_{2,eq}$/(m2 pa)]		Water consumption [m³ pa]		Median of specific water consumption [m³/(m² pa)]	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Office	264,771	270,381	157	161	135,582	143,621	0.066	0.063	538,785	572,472	0.328	0.316
Retail park	25,471	29,160	166	168	11,274	14,268	0.094	0.100	28,494	34,280	0.096	0.098
Retail warehouse	82,787	79,023	255	209	43,902	43,144	0.135	0.105	120,875	124,652	0.234	0.293
Shopping centre	222,541	218,868	276	298	120,692	123,854	0.206	0.204	363,217	404,803	0.602	0.592
Hotel	46,227	47,183	266	248	25,991	26,369	0.158	0.133	268,897	274,810	1.513	1.539
Logistic park	38,814	39,060	95	105	26,811	27,242	0.048	0.045	48,952	45,927	0.277	0.221

Key Environmental Performance Indicators by Business Segment (only full years in portfolio included for KPI per m²)

	KPI_1		KPI_2		KPI_3		KPI_4		KPI_5		KPI_6	
	Final energy consumption [MWh pa]		Median of specific final energy consumption [kWh/(m² pa)]		GWP [t $CO_{2,eq}$ pa]		Median of specific GWP [t $CO_{2,eq}$/(m2 pa)]		Water consumption [m³ pa]		Median of specific water consumption [m³/(m² pa)]	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Czech Republic without hotels	382,068	362,023	248	211	227,638	224,330	0.140	0.132	636,470	658,073	0.245	0.337
Germany	121,020	127,522	135	130	54,903	59,811	0.060	0.059	203,446	227,613	0.262	0.244
Hotels	46,227	47,183	266	248	25,991	26,369	0.158	0.133	268,897	274,810	1.513	1.539
Complementary Assets Portfolio	131,296	146,948	192	184	55,721	67,988	0.046	0.051	260,406	296,449	0.235	0.269

The final energy consumption (KPI 1) among countries ranged from **4,609** to **400,031 MWh** pa with Romania having the lowest and Czech Republic the greatest values. KPI 1 for 2018 totals 683,676 MWh pa which represents an increase 0.45% compared to 2017. The increase is result of acquisitions and disposal that took place through 2018. The GWP (KPI 3) follows the increase in KPI 1 of **3.91%** compared to 2017.

The median specific final energy consumption (KPI 2) among countries ranged from **130** to **454 kWh pa/m²**, with Germany having the lowest and Romania having the greatest values. Median KPI 2 for 2018 is **181 kWh pa/m²** which represents an improvement over 2017. The resulting values in median specific GWP followed the energy consumption.

The water consumption (KPI 5) totals **1,456,945 m³ pa**. Median of specific water consumption (KPI 6) was the lowest in Slovakia (0.092 m³ pa/m²) while Romania had the highest values (0.614 m³ pa/m²).

Key Environmental Performance Indicators for The Group

Key performance indicators	2017*	2018**
KPI_2 Specific final energy consumption (kWh pa m²)	206	181
KPI_4 Specific GWP (t $CO_{2,eq}$ pa m²)	0.108	0.091
KPI_6 Specific water consumption (m³ pa m²)	0.274	0.321
Average building age (years)	40.27	38.91
Number of certified buildings	5	11

**Due to:*

New acquisitions and developments during 2017:
Office 23,086 m²
Retail 423,661 m²
Hotel 12,574 m²

Disposals during 2017:
Retail 11,746 m²
Hotel 14,000 m²

***Due to:*

New acquisitions and developments during 2018:
Retail 41,016 m²

Disposals during 2018
Office 16,421 m²
Retail 66,419 m²

The Group plans to extend the number of KPIs to provide for a thorough review of portfolio performance and transparent reporting structure in line with EPRA and GRESB assessment methodologies in 2019. The Group plans to establish a comprehensive environmental strategy, targets and a process for the annual review thereof.

Overview of the Data Collection Process

During the data collection process each building was carefully reviewed, its KPIs were quantified and its contribution was calculated into the KPIs for the Group's portfolio. Each of the assets had its own reporting sheet completed by the asset manager or other responsible person provided to UCEEB. UCEEB collated and verified the data, and based on emission factors and other information, calculated the KPI values. For 48 assets, complete data was unavailable; in these cases missing values were estimated based on the average values provided for a given type of asset within the rest of the Group's portfolio in combination with the buildings' energy performance certificates. Partial estimation for a small proportion of data was made, for instance for missing energy consumption in some of the reported years. In such cases averages from mean values of other fully reported years were taken. In buildings with mixed use, consumption was evaluated separately for each type of use. In mixed use buildings with no sub-metering, the total consumption was distributed proportionally to GLA among use types utilizing average values provided for a given type of asset within the rest of the Group's portfolio and each proportional part of the asset was taken as a separate entity; for instance for a building with shops in lower floors and offices in upper floors, the lower floors are reported in retail, whilst the upper floors in offices.

EPRA Environmental Performance Indicators

The data below focuses on environmental impact disclosure for the whole portfolio and per segments in the reporting format of EPRA. It covers absolute performance for the past two years over all reported assets and Like-for-Like performance for the assets in continuous holding for full years 2017 and 2018. Indicators 4.14 Waste (Abs Total weight of waste by disposal route) and 4.15 Waste (LfL Like-for-like total weight of waste by disposal route) are not included in the 2018 disclosure. It is the Group's intention to provide a complete EPRA set of indicators in future reporting periods.

For the 2018 reporting period GLA was used to allow consistency in KPIs across the portfolio. In the future reports information about Gross Internal Area (GIA) will be completed and utilised for KPI calculations.

EPRA Sustainability Performance Measures – Environment	Units	Office		Retail park		Retail warehouse		Shopping centre		Hotel		Logistic park		Total	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
4.1 Elec-Abs Total electricity consumption	MWh pa	153,298	156,250	19,435	21,566	44,693	44,270	124,447	134,789	25,321	25,517	30,713	31,282	397,908	413,673
4.2 Elec-LfL Like-for-like total electricity consumption	MWh pa	133,989	133,658	19,035	18,975	38,274	38,257	47,293	45,320	24,984	24,867	30,713	31,282	294,289	292,359
4.3 DH&C-Abs Total district heating & cooling consumption	MWh pa	72,318	70,082	2,283	3,174	15,317	13,910	17,376	18,277	11,580	12,387	1,238	1,222	120,111	119,052
4.4 DH&C-LfL Like-for-like total district heating & cooling consumption	MWh pa	67,600	66,612	2,283	2,255	10,955	10,552	9,075	8,421	11,177	10,841	1,238	1,222	102,328	99,903
4.5 Fuels-Abs Total fuel consumption	MWh pa	39,810	44,447	3,753	4,420	22,712	20,756	80,717	65,802	9,325	9,279	6,862	6,555	163,181	151,260
4.6 Fuels-LfL Like-for-like total fuel consumption	MWh pa	44,170	40,714	3,398	2,867	18,598	17,094	64,499	50,618	9,296	9,094	6,862	6,555	146,825	126,942
4.7 Energy-Int Building energy intensity	kWh/(m^2 pa)	181	167	172	168	227	219	472	339	233	228	334	336	229	220
4.8 GHG-Dir-Abs Total direct greenhouse gas (GHG) emissions	t CO_2,eq pa	2,862	10,507	533	693	5,089	4,948	24,843	21,266	2,238	2,226	1,647	1,573	37,212	41,213
4.9 GHG-Indir-Abs Total indirect greenhouse gas (GHG) emissions	t CO_2,eq pa	132,720	133,114	10,740	13,575	38,813	38,196	95,849	102,588	23,753	24,142	25,164	25,669	327,040	337,284
4.10 GHG-Int Greenhouse gas (GHG) emissions intensity	t CO_2,eq pa/(m^2 pa)	0.093	0.087	0.076	0.076	0.120	0.119	0.247	0.190	0.131	0.128	0.231	0.235	0.121	0.120
4.11 Water-Abs Total water consumption	m^3 pa	538,785	572,472	28,494	34,280	120,875	124,652	363,217	404,803	268,897	274,810	48,952	45,927	1,369,219	1,456,945
4.12 Water-LfL Like-for-like total water consumption	m^3 pa	500,252	502,726	28,088	29,403	103,832	108,686	159,573	160,164	263,433	263,583	48,952	45,927	1,104,130	1,110,489
4.13 Water-Int Building water intensity	m^3/(m^2 pa)	0.371	0.353	0.195	0.199	0.331	0.361	0.623	0.621	1.352	1.329	0.421	0.395	0.460	0.473
4.16 Cert-Tot Type and number of sustainably certified assets (as of 2018)	–	BREEAM In-Use (BIU): 9 LEED BD+C: 1*)		–				BREEAM 2009 Europe Commercial: 1 BREEAM In-Use: 1 LEED BD+C: 1*							
4.16 Cert-Tot Percentage of the portfolio's total floor area and levels of certification attained (as of 2018)	–	12.83% BIU: Excellent: 2 BIU: Very Good: 5 BIU: Good: 1 LEED BD+C: Silver 1		–				13.90% BREEAM 2009 Europe Commercial: Very Good 1 BIU: Excellent: 1 LEED BD+C: Silver 1							

Note: LEED BD-C is Quadrio. Office part and shopping part figures in table split, but the certificate is the for whole building.

Like-for-like total energy consumption (**combined 4.2 Elec-LfL, 4.4 DH&C-LfL, 4.6 Fuels-LfL**) was the lowest in retail parks and logistic parks and the highest in offices and shopping centres. Overall Like-for-like total energy consumption **decreased to 4.46%** compared to 2017.

Building energy intensity (**4.7 Energy-Int**) among segments ranged from **167** to **339 kWh pa/m^2** with retail parks having the lowest and shopping centre the greatest values. Overall 4.7 Energy-Int **decreased 3.93%** compared to 2017.

Total greenhouse gas (GHG) emission production (**combined 4.8 GHG-Dir-Abs, 4.9 GHG-Indir-Abs**) was the lowest in retail parks and the greatest in offices. Overall GHG production **increased for 3.91%** compared to 2017. Greenhouse gas (GHG) emissions intensity (**4.10 GHG-Int**) ranged among segments from **0.076** to **0.235 t $CO_{2,eq}$/m^2 pa** with retail parks having the lowest and logistic parks the greatest values. Overall 4.10 GHG-Int **decreased to 0.83%** compared to 2017.

Like-for-like total water consumption (**4.12 Water-LfL**) ranged among segments from **29,403 m^3 pa** to **502,726 m^3 pa** with retail parks having the lowest and offices the greatest values. Overall 4.12 Water-LfL **increased 0.58%** compared to 2017. Overall building water intensity (**4.13 Water-Int**) increased by **2.83%** compared to 2017.

Offices and shopping centres are among the largest energy consumers and GHG producers in the portfolio. Offices and shopping centres represent the area of the Group's main focus on implementing energy efficiency measures. Offices and hotels are among the largest consumers of water in absolute terms, and hotels lead also in relative terms.

Outdoor area of canteen in City West building B2, Prague, Czech Republic

Strategic performance benchmarking and planning

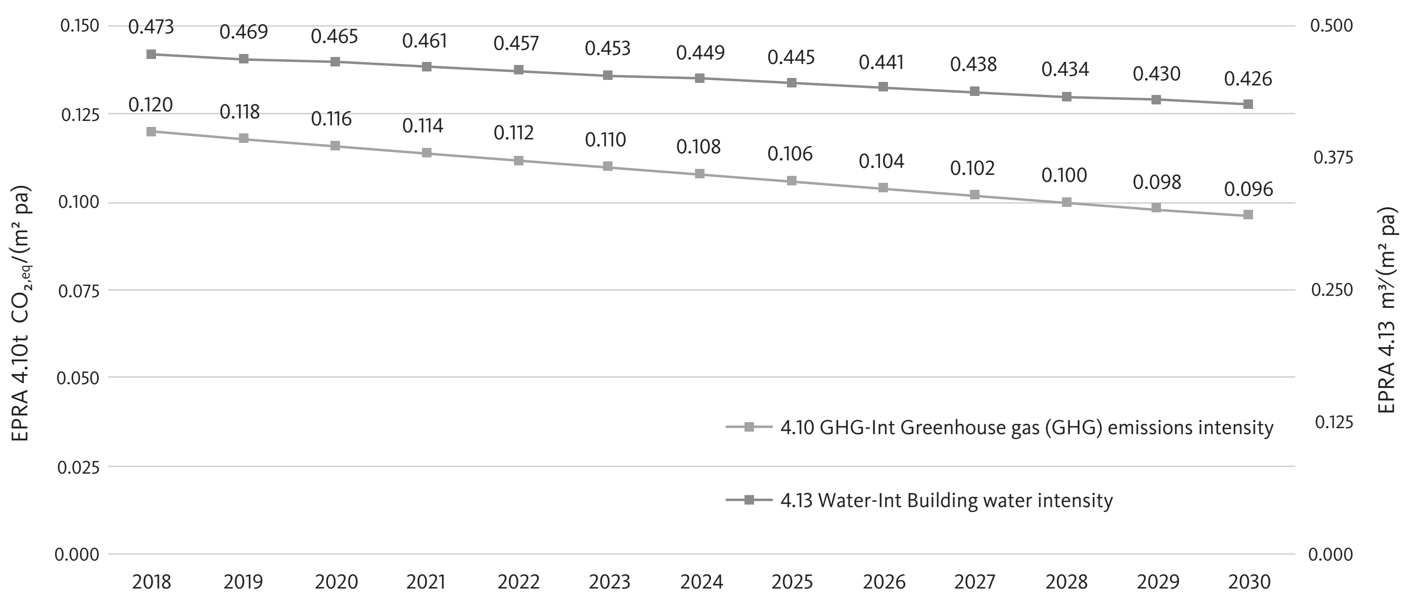
The Group is committed to climate change mitigation. Within the framework of the Paris agreement, the EU came up with a target of reduction for the Union's GHG emissions by 40% compared to the 1990 baseline, which represents approximately 20% reduction from 2018 figures.

The Group sets a strategic performance benchmark for its specific GHG production in line with the EU objective compared to the 2018 baseline. Similarly, the Group sets a benchmark for the reduction of the specific consumption of the fresh water for its portfolio aiming for a 10% reduction by 2030. The benchmark reduction values for each year are presented in the chart below.

During 2019, the Group intends to identify additional KPIs and may articulate additional targets for segments and the overall portfolio.

CPIPG benchmarks for GHG and water consumption

GHG emissions intensity (4.10 GHG-Int) and Water intensity (4.13 Water-Int) for the whole portfolio



Energy efficiency performance

The Group's aim as a long-term investor is to sustainably develop, operate and maintain its portfolio while reducing its impact on the environment. The focus is on increasing energy efficiency in building operations and gradually replacing aging core building systems with new efficient systems.

The Group goes beyond the regional legal requirements for periodic review of building energy performance and reviews the operation of key assets to identify efficiency opportunities utilising the support of consultants and various monitoring and analytic tools (online metering and monitoring of MEP systems etc.). The efficiency improvement process is considered an important driver of the Group's environmental impact reduction process. Regular checks on consumption patterns utilising smart meters take place throughout the Berlin portfolio. An ongoing process of performance assessment is underway in the Czech office segment (since January 2018) and Czech shopping centre segment (since January 2019) with a primary focus on operational improvements to existing building systems. The process resulted in estimated **660 MWh** reduction in electricity consumption and **540 MWh** in natural gas consumption which represents **691 t $CO_{2\ eq}$** avoidance. For 2019–2020 additional GLA in Czech office segment would be included in the programme.

As part of establishing an environmental management process, a comprehensive review of portfolio performance with UCEEB's cooperation is planned for 2019 which would provide input for strategic planning to improve the resource efficiency of the Group's portfolio (with focus on energy and water consumption, and production of waste and GHG).

Occupier engagement

One of the Group's key metrics is a satisfied occupant. The Group engages in dialogue with tenants and conducts satisfaction surveys with content tailored for the particular segment of the portfolio. The goal of the processes is to understand the needs and concerns of occupants and inform about actions taken by the Group.

While the Group strives to provide a healthy and comfortable indoor environment for our tenants, occupant preferences have a significant impact on energy and water consumption, production of greenhouse gases and solid and effluent wastes. The Group recognizes the importance of engaging with occupants, educating and cooperating with them on reducing the overall environmental impact of our portfolio. In 2018 the Group began working with UCEEB to prepare a programme to better engage with occupants.

Green investments for 2019

For assets in the Czech Republic, Germany, Hungary and Poland capital expenditures to improve environmental performance are planned for 2019. The list includes measures for reduction of energy and water consumption. The most common type of improvement is installation of LED lighting. Other types of improvements include installation of water saving devices, renovation or exchange of windows or building envelopes, replacement of energy sources with new efficient ones (cool or heat), improvements to HVAC systems, BMS, additional roof insulation and installation of submetering.

Overview of planned improvements in segments

Planned measures
Czech Rebublic
LED lighting
BMS upgrades
HVAC
Building envelope
Water saving measures
Germany
LED lighting
Heating system upgrades
Building envelope
Major refurbishment
Hungary
LED lighting
BMS upgrades
HVAC
Major refurbishment
HVAC
Poland
LED lighting
BMS upgrades
Vertical transport

Development projects

Environmental criteria represent important aspects of the Group's development and construction projects. Before each potential investment, the Group examines the environmental opportunities and risks. Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring advisors. Health, safety and environmental risks are monitored before and during construction. Health and safety, as well as technical and security installations, are periodically inspected for conformity with relevant local legislation and regulations. Worldwide recognised environmental assessment schemes (BREEAM, LEED) are utilised in key development projects and project teams cooperate with accredited professionals to assure compliance with market standards. Sustainability certifications are considered for new strategic developments. **36,070 m^2 GLA of new development is designed according to BREEAM standards.**

Real estate LCA

The Group made a commitment to systematically carry out a **life-cycle assessment for all new real estate projects over 10,000 m^2 or new real estate projects** that would be subject to assessment in sustainability certification schemes (BREEAM, LEED) and key capital expenditures (such as major building refurbishments or replacement of core building technologies) starting in March 2019. Life cycle assessment is considered one of the key environmental indicators that would be reviewed and compared to benchmarks during the project preparation phase, during building operations, and through acquisitions. The Group's intends to review and analyse LCA records on an annual basis and report on implementation and incorporation into CPIPG's processes.

Clean Energy

In Berlin, GSG Solar has 45,000 m^2 of photovoltaic (PV) area (25,360 solar modules, 6.3 MWp output) and represents Berlin's largest photovoltaic system. It spans across 29 assets (65 buildings) and has been gradually increasing production. Annual production for 2016 was 5,117.85 MWh pa and for 2017 **5,841 MWh pa (increase of 12.8%)** which represents avoidance of **3,668 t $CO_{2\ eq}$ in 2017.** Production for 2018 was not available at the time of this report and for KPI calculation purposes PV production was estimated based on the previous year. The energy produced is sold to the grid and consumed locally, providing access to solar energy for 1,800 tenants.

CHP plants and GSG Solar PV, Berlin, Germany

Electro mobility, alternative transportation and building accessibility

The Group supports green mobility by actively promoting bike transportation, access to public transport and proximity to key amenities and clean modes of individual transportation.

Public transport accessibility breakdown per building type

Building type	Total no. of buildings	% of buildings with access to public transportation
Office	94	95.74%
Shopping centres	22	95.45%
Hotels	28	89.29%

Note: A compliant node includes any bus/tram/metro service stop within 500m.

Cycling is supported at the Group's properties with bike racks fitted as standard. At Futurum Hradec Králové shopping centre, the Group installed an automatic bike storage system with capacity of 118 bicycles.

Sport facilities fitted with showers, lockers and restrooms are available at a majority of office buildings in order to encourage bicycle commuting among our tenants and employees.

The Group has introduced all-electric e-smart company vehicles, while in Berlin, we offer employees access to Multicity and DB Flinkster e-sharing vehicles with a company bonus card that provides tenants and employees a discounted service.

The Group participated in "Controlled Charging 3.0" research project in collaboration with BMW in which the tenants had access to 10 all-electric BMW ActiveE vehicles. In 2018, the electric vehicle charging infrastructure comprised 50 charging points in the Czech Republic and Berlin with plans for further extension.

E-vehicle charging points breakdown per building type

Building type	% of buildings equipped with charging points
Office	13.83%
Shopping centres	22.73%
Hotels	7.14%

E-vehicle charging point locations:

- City West, Luxembourg Plaza, BB Centrum bldg. E, Tokovo, Meteor Center, Besnet Centrum, Shopping centre Fénix and Zlatý Anděl in Prague, Czech Republic
- IGY Centrum in České Budějovice and Clarion Congress Hotel in Ostrava, Czech Republic
- The Bubenská development in Prague will be equipped with 30 charging stations that will be designed and incorporated into a car racking/storage system
- City Gardens in Elbląg, Poland
- Six assets in Berlin (Reichenberger Straße 124, TIB Tor 1-2, Genestraße 5, Helmholtzstraße 2-9, Sophie-Charlotten-Straße 92)
- Technology and Innovation Park in Berlin

Maresa Puls, charging EV company car, GSG Berlin

Climate-smart and ecological agriculture

The Group's agricultural activities under Spojené farmy a.s. span across **40 organic farms** located North Bohemia at higher altitudes in protected landscape areas. Our farmers have been producing nature-friendly and healthy organic food since 1996. The Group breeds nature-friendly organic cattle (Angus, Charolais, Limousine and Wagyu), chickens, and sheep.

Active herd health management is a key part of our animal husbandry production intended to sustain the reproduction and genetic health of our herds.

Farms carry out works that lead to soil remediation and fertilisation through regular vegetation treatment every year to maintain positive yields and thus produce sufficient fodder for our livestock.

Organic farming is a positive relationship with animals, soil, plants and nature without the use of artificial fertilizers, chemical products, sprays, hormones and artificial substances. It takes into account natural cycles and dependencies, contributing to the care and preservation of the environment. Its main goal is the production of healthy foods in harmony with nature. A gentle way of farming on our farms also demonstrably contributes to endangered species return (farmers report on their presence), meadows management, protection and improvement of groundwater quality.

- Total organic pasture and arable land: 12,000 ha
- Angus, Charolais, Limousine and Wagyu: 8,000 cattle
- Organic meat produced: 364,000 kg pa
- Organic milk produced: 400,000 l pa
- Organic animal feed produced: 62,000 t pa

Cultivation, breeding, storage, processing and packaging - the whole organic production process is strictly controlled according to the Act on Organic Farming No. 242/2000 Coll., that complies with strict international requirements and Commission Regulation No. 889/2008 laying down implementing rules to Council Regulation (EC) No 834/2007 on organic production and labelling of organic products. The labelling of organic food is uniform throughout the Czech Republic and it is allocated annually on the basis of an independent control e.g. KEZ ops. The authenticity of organic food is guaranteed by a certificate and a trademark for products from controlled organic farming.

Angus cows grazing, Spojené farmy, North Bohemia

Employees, well-being, **skill development**

Asset Management Team, Prague, Czech Republic

Corporate Culture

The Group recognises that the involvement of its employees is a key element in its success. Building a supportive and inclusive culture for our people encourages a diverse variety of abilities.

We promote a company culture where we pursue excellence in our work and seek to develop ourselves on a professional and personal level. Although we have grown in numbers over the years, we have still retained the respectful character of a family business.

Employee Training

Education/Training Philosophy

The Group promotes short and long-term training programmes to provide our employees the skills they need to perform their current and future duties optimally. To this end, we use various tools to develop and motivate our employees to grow, such as individual and team trainings, integration and mentorship.

Managers are encouraged to give their teams as much responsibility and freedom as possible coupled with monitoring of their work and regular feedback. They support our employees in determining their needs and work with them on further training activities. We find individual solutions for our employees in consideration of the existing knowledge and gear continuing education based on operational requirements.

Training programmes

As of year-end 2018, the Group undertook a **total of 57,147 hours of training**, **an annual average training of 31 hours per employee.**

Employee Training	No. of trained employees	% of permanent employees
External	615	33%
Internal	1,716	92%

1,866 total permanent employees as of December 2018

31 hours
annual average training per permanent employee

Inhouse Training provides the closest possible coordination with employees and the prevailing working conditions, reduces the seminar costs and removes the additional charge for external training facilities. By eliminating travel time to external training facilities, we can also reduce the absence of the employee from the workplace.

- Training in Property & Asset Management – changes in tenant laws
- Weekly business language courses in different groups, divided into department and language level
- IT Training in new software releases by IT department or an external expert
- Work processes training in structural changes by department managers
- Annual accounting training to fulfil the change in legal regulations

Employee-Employee Training

The Group is committed to sharing knowledge and skills. The explanation of work processes and corporate structures by colleagues and department heads under practical conditions is efficient and cost effective.

Examples:

- Introduction and guidance of new employees
- Apprenticeship trainee programme
- Transfer of special tasks
- Transfer of higher-value responsibility / activity
- Announcement of new laws and legislative changes in data protection
- Teaching time management
- Teaching the handling of new software
- GDPR and MDR training

The Group's apprenticeship programme in Berlin allows trainees to pass through departments of the company, ensuring they receive hands-on involvement on how the company operates as well as working alongside property teams on special projects.

Cansu Ilan, Apprenticeship Trainee, GSG Berlin

Employee satisfaction

The Group conducts satisfaction surveys and encourages our employees to share feedback so that we minimise the factors that frustrate our employees and maximise factors to improve employee work-life balance.

In 2019, the Group conducted an anonymous employee survey covering over 750 of our employees in the Czech Republic, Germany, Hungary, Slovakia, Poland and Croatia. The response rate was more than 95% (excludes employees on holiday/sick leave) with a large majority indicating a high degree of satisfaction.

Employee Engagement Survey Results	
Percentage of employees that agree CPIPG provides:	%
company they are proud of/would recommend	97%
company that always acts legally/honestly	94%
socially responsible member of the community	95%
sustainable company helping future generations	92%

Working environment

Wherever possible, the Group allows its people to work remotely and applies a flexible working schedule. The Group respects statutory leave and daily and weekly resting time so that our employees can rejuvenate and lead satisfying personal lives. Healthy and sound relationships represent one of the Group's core values. Across our regions, we offer various work/life balance programmes:

- **Employee Suggestions System;** promoting the submission of ideas and suggestions of employees, improving operational conditions within the workplace.
- **Flexible working hours;** promotes employee freedom and more influence on how they organize their working hours, via home office days and flexible working schedules.
- **Workplace health management;** many of our employees have access to an office gym. Showers are available for refreshment, as well as ping-pong table, bookshelves and relax zones. Weekly massages help to relieve tension and reduce stress and thus replenish employee energy reserves.
- **Department breakfasts;** department heads regularly invite a handful of employees to have breakfast together. The breakfast is a great opportunity to get to know each other better and to communicate.
- **Christmas parties;** every year we organise a Christmas party for all employees. The celebration contributes significantly to improving the working environment and team spirit.
- **Sports events;** every year we participate in various company sports events. Whether running, football or golf tournaments - all employees are invited to prove their skills in the various disciplines. In addition to the joy and fun of sport, it is about the promotion of team spirit, collegiality and fairness and spending time together.

95%
response rate in latest CPIPG employee engagement survey

Remuneration and Social benefits

To attract and maintain the best talent, the Group strives to provide employees with competitive wages and other employment-related benefits, while ensuring equal pay for equal work. Employee benefits within the Group vary from region to region, and include but are not limited to: pension and life insurance schemes, mortgage loan support and coordination, discounts across the Group's hotel network, subsidised shopping, restaurant and sports e-cards, utility support plans, mobile phone family programmes, language education courses, bike leasing initiatives, car parking and discounts on public transportation.

Compliance ILO principles

The Group operates in regions that are all ILO members and respects all ILO conventions and recommendations. As a result, ILO's regulations are implemented within all local labour laws where we operate. Through the policies and official acts of the Group we respect, promote and realise all ILO principles, specifically freedom of association, the elimination of all forms of forced labour and the elimination of discrimination in employment and occupation, health and safety, segregation, equal treatment and human rights.

Freedom of Association

In accordance with the European Convention on Human Rights, the Group guarantees all employees freedom of association. We preserve and promote good relations with all labour organizations, trade unions, works councils, some which represent our employees across our regions.

Collective bargaining agreements

We have collective bargaining agreements only in certain regions where we operate, such as Croatia. Suncani Hvar Hotels and the Croatian Tourism Union have a collective bargaining agreement that the Group signs every five years. The collective bargaining agreement defines the rights and obligations of the signatories and regulates the rights and obligations of the employees and the employer, salaries and other material rights of the worker and all other matters related to employment. The collective bargaining agreement also specifically defines the prohibition of discrimination, health protection, privacy and dignity of employees.

Health & Safety Protection

The Group is committed to the well-being and individual safety of its employees. Raising awareness and training our teams in health and safety issues and occupational risks is a high priority for the Group. In 2018, we allocated a total 4,196 hours for health and safety on-line training.

In 2018, the Group recorded 26 workplace accidents and zero deaths. We continue to ensure that all our workplaces are compliant with all European Union and national health and safety legislation and standards. We structure employee tasks so that any potential risk to their health is eliminated or reduced. In general, there are no positions in the Group with a high risk to specific diseases.

4,196 hours
of health and safety training undertaken

Workplace accidents	No.
Total no. of workplace accidents	26
Accidents resulting in time off	26
Accidents resulting in death	0

The Group is committed to protect the health and safety of contractors and fully complies with local regulations and best practices (deliveries that fall under No. 591/2006, No. 309/2006 or other local relevant legislation requirements). The Group screens contractors for their safety performance and risk assessment, prepares operating guidelines and/or design documentation that complements contractors' safety management plans and which takes part of the contractual agreement. During the delivery process the Group monitors contractor safety performance and records its safety management. The Group requires all suppliers to align with CPIPG's Code of conduct for suppliers.

Diversity in all forms

CPIPG greatly values diversity in the workplace. The Group's Human Capital and Employment policy outlines the obligations of our employees in this regard.

The Group's goal is to be a great place for our employees to build careers. All employees are recruited, trained, supported and treated fairly and equally and only based on characteristics that relate to the work that they perform, such as their talent, skills, experience and potential.

We are centred on building a diverse and inclusive environment where our people feel supported, empowering the whole organisation to be more productive. The Group, present in over 10 European countries, recognises the value of having a diverse workforce and promoting gender equality remains a high priority for the company.

As of year-end 2018, the Group comprised of 3,566 employees in the Czech Republic, Germany, Hungary, Poland and Croatia of which 1,994 (57%) are female and 1,572 (43%) are male.

New Hires	No. of Hires	% of hires
Total	1,295	
Female	734	57%
Male	561	43%

The Group has 414 male (51%) and 402 female (49%) employees in management roles (management defined as employees with responsibility for planning, directing or controlling the Group's activities). These figures represent the extent and success of the Group's efforts in continuing to promote gender diversity across all its regions.

Gender mix in management	Total	%
Total Management	816	
Female	402	49%
Male	414	51%

Unlawful discrimination, harassment and victimization based on protected characteristics, irrespective whether actual, perceptive or associative, is forbidden. Protected characteristics include origin, nationality, religion, race, language, gender, age, health condition, sexual orientation, political views, membership in political parties and associations or in trade unions or any other characteristics of the candidate or employee not related to their working skills.

In 2018, the average age of a CPIPG employee was 41 years of age. 27% of employees were under 30 years old, 49% were between 30-49 years and 24% were 50 or over. This reflects a strong age diversity throughout the company, expressing the Group's ability to bridge the workforce over a large scale of age groups, ensuring the transfer of knowledge and experience set to continue for future generations.

Employee age bracket	No. of employees	%
under 30 years	506	27%
30-39 years	432	23%
40-49 years	485	26%
50 years and over	443	24%

The Group cares for special needs and for the inclusion of disabled persons. In 2018, the Group employed a total of 36 disabled people, representing 1.9% of total employees. Our Berlin subsidiary employs eight disabled people representing 9% of its total workforce. The office works alongside the VIA Blumenfisch organisation offering jobs to people with physical disabilities or psychological issues, the elderly as well as children and adolescents. VIA Blumenfisch provide employment producing handicraft, art, clothing and provide services in gastronomy and hospitality.

Disabled employees	Total	%
No. of disabled employees	36	1.9%

(calculated by total disabled employees/total permanent employees)

Jenny Krause, VIA Blumenfisch, Berlin, Germany

Review of Diversity Policies

All companies of the Group are required to subject their human resources and employment related policies to continuous assessment in order to examine how they affect protected groups and to identify whether their policies achieve equality of opportunity for all these groups. Employees are encouraged to speak to their managers or contact CPIPG's whistleblowing hotline if any concerns are observed.

Workplace absenteeism	
Absenteeism rate	3.82%
total no. of days off work	19,134
Average no. of days lost/employee	5

(Absenteeism rate calculated by total no.of days off work due to illness, workplace accidents and unjustified absences/total workforce)

The Group's absenteeism and turnover rates are significantly affected by its large hotel employee base. The Group employs 1,925 hotel staff, that make up 54% of the Group's total workforce. It is well known that high employee turnover rates are major concern for all hotels worldwide. Hotel employment is highly substitutable, attracting a more mobile, entry-level demographic.

Employee Turnover	
Turnover rate %	20%
no. of employees	718

(Turnover rate calculated by (total no. of resignations, retirements, deaths)/total permanent workforce)

Community Involvement programmes

The Group is committed to contributing to the communities where we operate. We support employee volunteering activities, such as child welfare, tree planting, wildlife support initiatives and local authority awareness programmes.

Chance 4 Children (C4C) – we provide hotel work experience and job opportunities for socially disadvantaged children over 16 years of age.

Business in the Community Day – employees participate in community care projects: gardening, renovation work and child care at local environmental education centres and disabled children's hospices.

Public Honesty Libraries – the Group in association with a local family and child welfare centre, opened its first 'honesty library', providing 100m² space in one of our shopping centres for free reading and a supply of books with a drop off/pick-up service open to the public.

Kindergarten Ecological programme – the Group's shopping centres operate and manage a month-long eco-competition with local schools.

Rooftop Bee-keeping initiative – we offer rooftop habitat management for globally significant honey bees throughout the Group's office, retail and hotel portfolios.

Tree planting programme – employees in cooperation with local zoos perform annual fruit tree planting at local zoos, supplying future feed for animals.

Multiculturism events – the Group provides space to support students from AIESEC volunteer organisation to promote studying and travelling abroad.

Culinary Arts Project Partnership – to promote best practices within vocational schools, the Group provides a quality trainee programme and financial support to participants.

Red Cross 'Human friendly Places' – provision of 'barrier free' access for impaired and disabled visitors and specialised training for employees to provide high-quality service across several of out hotles

Red Cross Organization blood donations – the Group organises regular blood donations involving our shopping centre tenants.

Fire Prevention Days – cooperation with local fire departments in education and awareness schemes.

Police charity runs – the Group, in association with local police departments supports and sponsors charity runs to help handicapped children and guide dogs for the blind.

Medical check-ups – we cooperate with a local medical students' association to carry out free medical check-ups and use of antibiotics workshops for the public.

Charitable contributions

The Group is active in contributing to local charities, hospices and children's welfare centres. We support sports and cultural activities alongside welfare and education programmes aimed at helping children with disabilities all over the Czech Republic and CEE region.

Association of children and adolescents – sponsoring over 300 children with sports and cultural activities with over €74,000 supporting disabled children with special needs.

Dobrý Anděl children's foundation – Every year the Group supports the Dobrý Anděl children's foundation helping socially disadvantaged children with terminal illnesses. This year, the Group raised over €30,000 towards the foundation.

Christmas charity trees – The Group's shopping centres, alongside their visitors supported more than 30 children and retirement homes during the Christmas season. Senior citizens and children received more than a thousand gifts with a total value of over €27,000.

Hospice Foundation support – The group signed an annual support contract with regional children hospice foundations to care for disadvantaged children, raising over €16,000 in 2018.

Zdeněk Havelka, Executive Director & Šárka Procházková, Director of Dobrý Anděl

Group **Management**

Generali / Česká Pojišťovna, Prague, Czech Republic

Martin Němeček

Chief Executive Officer

Martin Němeček was appointed CEO of CPI Property Group in March 2014. Martin is responsible for the Group's corporate strategy, business development and legal matters. He led the integration of CPI and GSG into CPIPG in 2014, managed the foreign expansion of the Group and has completed acquisitions with a total value exceeding €2.5 billion. Martin has 18 years of real estate experience with a 10-year legal background for Linklaters and Dentons law firms.

Zdeněk Havelka

Executive Director

Zdeněk Havelka was appointed Executive Director of CPI Property Group in June 2014. Zdeněk is responsible for the Group's property management, operational risk management, communications and information technology. Zdeněk has 16 years of real estate experience in CPIPG, working as Chief Financial Officer as well as Chief Executive Officer.

Tomáš Salajka

Director of Acquisitions, Asset Management & Sales

Tomáš Salajka was appointed Director of Acquisitions, Asset Management & Sales of CPI Property Group, in June 2014. Tomáš is responsible for asset management of the Group's portfolio, including all the transactions and platforms in Germany, Poland and Hungary. Tomáš has 18 years of real estate experience, with five years at CPIPG, previously working for GE Real Estate CEE/Germany and ČSOB for 10 years.

David Greenbaum

Chief Financial Officer

David Greenbaum was appointed CFO of CPI Property Group in February 2018. David is responsible for the Group's capital structure, external financing, corporate finance and other strategic matters. David joined CPIPG after 15 years at Deutsche Bank, where he was most recently co-head of debt capital markets for the CEEMEA region.

Pavel Měchura

Group Finance Director

Pavel Měchura was appointed Group Finance Director of CPI Property Group in February 2018. Pavel is responsible for the Group's accounting and reporting, consolidation, valuations, and strategic planning. Pavel has 12 years of real estate experience, nine years at CPIPG and six years with KPMG.

Jan Kratina

Director of CPI Hotels

Jan Kratina has served for more than 12 years as Chief Executive Officer and nine years as Chairman of the Board of CPI Hotels. He is responsible for strategic development of the Group's hotel portfolio including key projects such as entering into Slovakia, Poland, Hungary, Russia and Croatia in 2014. Jan has over 20 years of experience in hospitality.

Glossary

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

Alternative performance measures	Definition	Rationale
Funds from operations or FFO	It is calculated as net profit for the period adjusted by non-cash revenues/expenses (like deferred tax, net valuation gain/loss, impairment, amortization/depreciaiton, goodwill etc.) and non-recurring (both cash and non-cash) items (like net gain/loss on disposals etc.). Calculation also excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
FFO II	It is calculated as Funds from operations (FFO) deducted by interest on perpetual notes as reported.	
Loan-to-value or LTV	It is calculated as Net debt divided by fair value of Property Portfolio.	Loan-to-value provides a general assessment of financing risk undertaken.
Net debt/EBITDA	It is calculated as Net debt divided by Consolidated adjusted EBITDA.	A measure of a company's ability to pay its debt. This ratio measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation and amortization expenses.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of interest income as reported and interest expense as reported.	This measure is an important indicator of a firm's ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.
Secured consolidated leverage ratio	Secured consolidated leverage ratio is a ratio of a sum of secured financial debts and secured bonds to Consolidated adjusted total assets.	This measure is an important indicator of a firm's financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Secured debt to total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of bonds issued and financial debts as reported.	This measure is an important indicator of a firm's financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Unencumbered assets to total assets	It is calculated as total assets as reported less a sum of encumbered assets as reported divided by total assets as reported.	This measure is an important indicator of a commercial real estate firm's liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.

Alternative performance measures not used anymore	Last definition	Reason that this APM no longer provides relevant information
Consolidated coverage ratio	Consolidated coverage ratio is a ratio of Consolidated adjusted EBITDA to interest expense as reported.	Related to covenant calculation of one bond issue, might be confusing for the reader
Consolidated leverage ratio	Consolidated leverage ratio is a ratio of a sum of financial debts as reported and bonds issued as reported to Consolidated adjusted total assets.	Related to covenant calculation of one bond issue, might be confusing for the reader

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	Gross leasable area is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.
Group	CPI Property Group S.A. together with its subsidiaries
Net debt	Net debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of estimated rental revenue regarding occupied GLA and total estimated rental revenue, unless stated otherwise.
Property Portfolio	Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.
Potential Gross Leasable Area	Potential Gross Leasable Area is the total amount of floor space and land area being developed which the Group is planning to rent after the development is complete.
Potential Gross Saleable Area	Potential Gross Saleable area is the total amount of floor space and land area being developed which the Group is planning to sell after the development is complete.

Unencumbered assets to total assets reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Bonds collateral**	**0**
B	**Bank loans collateral**	**2,883**
	Investment property	2,674
	Property, plant and equipment	162
	Trade receivables	23
	Bank accounts	24
C	**Total assets**	**8,259**
(C-A-B)/C	Unencumbered assets ratio	65%

Net interest coverage ratio reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Interest income**	**14**
B	**Interest expense**	**78**
C	**Consolidated adjusted EBITDA**	**270**
C/(B-A)	Net ICR	4.2

Secured debt to Total debt reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Secured bonds**	**0**
B	**Secured financial debts**	**1,055**
C	**Total debts**	**2,874**
	Bonds issued	1,655
	Financial debts	1,219
(A+B)/C	Secured debt as of Total debt	37%

Consolidated adjusted EBITDA reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Net business income**	**320**
B	**Administrative expenses**	**49**
A-B	Consolidated adjusted EBITDA	270

Secured Consolidated Leverage Ratio reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Secured bonds**	**0**
B	**Secured financial debts**	**1,055**
C	**Consolidated adjusted total assets**	**8,149**
	Total assets	8,259
	Intangible assets and goodwill	110
(A+B)/C	Secured consolidated leverage ratio	13%

Net debt/EBITDA reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Net debt**	**2,775**
B	**Net business income**	**320**
C	**Administrative expenses**	**49**
A/(B-C)	Net debt/EBITDA	10.3

Funds from operations (FFO) reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Net profit/(Loss) for the period**	**631**
B	**Deferred income tax**	**3**
C	**Net valuation gain or loss on investment property**	**579**
D	**Net valuation gain or loss on revaluation of derivatives**	**2**
E	**Net gain or loss on disposal of investment property**	**2**
F	**Net gain or loss on disposal of inventory**	**1**
G	**Net gain or loss on disposal of PPE/other assets**	**0**
H	**Impairment/Reversal of impairment**	**32**
I	**Amortization/Depreciation**	**33**
J	**Other non-cash items**	**1**
K	**GW/Bargain purchase**	**0**
L	**Other non-recurring items**	**43**
M	**JV adjustments**	**1**
(A+B-C+D-E-F+G+H+I+J+K+L+M)	Funds from operations	164

FFO II reconciliation
(€ million)

Item per Consolidated financial statements as at 31-Dec-2018		2018
A	**Funds from operations**	**164**
B	**Interest on perpetual notes**	**16**
A-B	Funds from operations	148

View from Quadrio Terrace, Prague, Czech Republic

Property portfolio reconciliation
(€ million)

as at 31-Dec-2018	2018
Investment property – Office	3,165
Investment property – Retail	2,097
Property, plant and equipment – Retail	1
Property, plant and equipment – Hospitality	630
Investment property – Residential	640
Property, plant and equipment – Residential	9
Investment property – Land bank	540
Property, plant and equipment – Mountain resorts	74
Investment property – Agriculture	90
Investment property – Industry and logistics	80
Inventories – Development	48
Assets held for sale	66
Investment property – Development	71
Inventories – Land bank	20
Property, plant and equipment – Office	7
Property, plant and equipment – Agriculture	9
Share of profit of equity-accounted investees	4
Inventories – Agriculture	0
Other	5
Total	7,555

DECLARATION LETTER

FINANCIAL REPORT

AS AT 31 DECEMBER 2018

1.1. Person responsible for the Annual Financial Report

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

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

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

- the consolidated financial statements of the Company as at 31 December 2018, prepared in accordance with the International Accounting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company and its subsidiaries included in the consolidation taken as a whole; and

- the Management report as at 31 December 2018, provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Martin Němeček.

Luxembourg, 29 March 2019

Mr. Martin Němeček
CEO & Managing Director

CPI Property Group
Société anonyme
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Space means opportunity

CPI PROPERTY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

Consolidated statement of comprehensive income

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

	Note	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Gross rental income	5.1	301.7	262.1
Service charges and other income	5.2	111.2	102.6
Cost of service and other charges	5.2	(85.0)	(77.1)
Property operating expenses	5.3	(56.0)	(55.9)
Net rental income		271.9	231.7
Development sales	5.4	30.3	3.7
Development operating expenses*	5.4	(30.7)	(4.0)
Net development income		(0.4)	(0.3)
Hotel revenue	5.5	122.1	112.2
Hotel operating expenses	5.5	(82.1)	(72.9)
Net hotel income		40.0	39.3
Other business revenue	5.6	38.4	34.8
Other business operating expenses*	5.6	(30.4)	(33.7)
Net other business income*		8.0	1.1
Total revenues		603.7	515.4
Total direct business operating expenses		(284.2)	(243.6)
Net business income		319.5	271.8
Net valuation gain*	5.7	578.9	770.8
Net gain/(loss) on disposal of investment property and subsidiaries	5.8	0.5	4.3
Amortization, depreciation and impairment	5.9	(64.4)	(83.6)
Administrative expenses	5.10	(49.2)	(41.7)
Other operating income	5.11	6.7	29.9
Other operating expenses	5.12	(6.5)	(4.1)
Operating result		785.5	947.4
Interest income		14.3	10.4
Interest expense	5.13	(78.4)	(99.1)
Other net financial result*	5.14	(72.0)	(23.5)
Net finance costs		(136.1)	(112.2)
Share of profit of equity-accounted investees (net of tax)	6.5	(0.7)	6.2
Profit before income tax		648.7	841.4
Income tax expense	5.15	(17.9)	(146.9)
Net profit from continuing operations		630.8	694.5
Items that may or are reclassified subsequently to profit or loss			
Translation difference		(22.9)	94.8
Cash flow hedges		(6.6)	39.2
Income tax on other comprehensive income items		0.9	(7.5)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of hotel property	6.3	22.7	57.9
Defined benefit plan actuarial gain/(loss)		(0.4)	(0.5)
Income tax on other comprehensive income items		(3.0)	(9.8)
Other comprehensive income for the period, net of tax		(9.3)	174.1
Total comprehensive income for the year		621.5	868.6
Profit attributable to:			
Owners of the parent		607.2	694.1
Non controlling interests		6.5	0.4
Perpetual notes holders		17.1	-
Profit for the year		630.8	694.5
Total comprehensive income attributable to:			
Owners of the parent		597.9	868.2
Non controlling interests		6.5	0.4
Perpetual notes holders		17.1	-
Total comprehensive income for the year		621.5	868.6
Earnings per share			
Basic earnings in EUR per share	6.12	0.07	0.09
Diluted earnings in EUR per share		0.07	0.09

* Comparative financial information adjusted due to change in accounting policy, for more information refer to note 2.4.

Consolidated statement of financial position

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

	Note	31 December 2018	31 December 2017 Adjusted*
Non-current assets			
Intangible assets and goodwill	6.1	110.3	120.3
Investment property	6.2	6,687.1	5,807.9
Property, plant and equipment	6.3	736.2	723.7
Hotels	6.3	*626.0*	*598.9*
Other property, plant and equipment	6.3	*110.2*	*124.8*
Biological assets	6.4	1.7	2.1
Equity accounted investees	6.5	3.9	4.6
Other financial assets*		15.1	10.6
Loans provided	6.6	69.9	71.6
Deferred tax assets	5.15	195.2	142.4
Total non-current assets		7,819.4	6,883.2
Current assets			
Inventories	6.7	71.5	81.8
Biological assets	6.4	3.7	4.1
Income tax receivables		7.6	4.7
Trade receivables	6.8	68.4	76.5
Loans provided	6.6	63.8	72.1
Cash and cash equivalents	6.9	99.2	238.9
Other financial current assets*		17.8	15.6
Other non-financial assets	6.10	40.9	39.7
Assets linked to assets held for sale	6.11	66.7	112.6
Total current assets		439.6	646.0
Total assets		8,259.0	7,529.2
Equity			
Equity attributable to owners of the parent	6.12	3,775.6	3,277.4
Share capital	6.12	*876.2*	*923.7*
Share premium	6.12	*1,013.4*	*1,060.7*
Other reserves	6.12	*328.2*	*337.1*
Retained earnings	6.12	*1,557.8*	*955.9*
Non-controlling interests		44.2	37.8
Perpetual notes	6.12	542.5	-
Total equity		4,362.3	3,315.2
Non-current liabilities			
Bonds issued	6.13	1,648.4	1,331.7
Financial debts	6.14	1,061.6	1,593.0
Deferred tax liability	5.15	761.6	710.0
Provisions	6.16	8.9	14.2
Other financial liabilities*	6.17	44.0	36.4
Total non-current liabilities		3,524.5	3,685.3
Current liabilities			
Bonds issued	6.13	6.7	157.5
Financial debts	6.14	157.6	164.7
Trade payables	6.18	97.5	74.8
Income tax liabilities*		8.3	12.4
Other financial liabilities*	6.19	82.2	88.0
Other non-financial liabilities		17.3	15.4
Liabilities linked to assets held for sale	6.11	2.6	15.9
Total current liabilities		372.2	528.7
Total equity and liabilities		8,259.0	7,529.2

* Comparative financial information adjusted due to change in accounting policy, for more information refer to note 2.1 (b) and 2.4.

Consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other reserves	Retained earnings	Equity attributable to shareholders of the parent	Equity attributable to perpetual notes investors	Equity attributable to shareholders of the parent and perpetual notes holders	Non controlling interests	Total equity
Balance at 1 January 2018 (audited)		923.6	1,060.8	46.8	5.8	13.3	271.2	955.9	3,277.4	-	3,277.4	37.8	3,315.2
Effect of the change of the accounting method (IFRS 9)		-	-	-	-	-	-	(4.9)	(4.9)	-	(4.9)	-	(4.9)
Balance at 1 January 2018		923.6	1,060.8	46.8	5.8	13.3	271.2	951.0	3,272.5	-	3,272.5	37.8	3,310.2
Comprehensive income:													
Profit /(loss) for the year	6.12	-	-	-	-	-	-	607.2	607.2	17.1	624.3	6.4	630.8
Total comprehensive income		-	-	(22.9)	-	-	-	(0.4)	(23.3)	-	(23.3)	-	(23.3)
Net changes in fair value of cash flow FX hedges		-	-	-	-	(5.7)	-	-	(5.7)	-	(5.7)	-	(5.7)
Related income tax on other comprehensive expense		-	-	-	-	0.8	-	-	0.8	-	0.8	-	0.8
Net changes in fair value of cash flow IRS hedges		-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)	-	(0.9)
Related income tax on other comprehensive expense		-	-	-	-	0.1	-	-	0.1	-	0.1	-	0.1
Revaluation of property, plant and equipment		-	-	-	-	-	22.7	-	22.7	-	22.7	-	22.7
Related deferred tax effect		-	-	-	-	-	(3.0)	-	(3.0)	-	(3.0)	-	(3.0)
Total comprehensive income / (expense)		-	-	(22.9)	-	(5.7)	19.7	(0.4)	(9.3)	-	(9.3)	-	(9.3)
Total comprehensive income for the year		-	-	(22.9)	-	(5.7)	19.7	606.8	597.9	17.1	615.0	6.4	621.5
Contributions by and distributions to owners of the parent													
Capital increases	6.12	25.0	25.0	-	-	-	-	-	50.0	-	50.0	-	50.0
Share buy-back	6.12	(72.4)	(72.4)	-	-	-	-	-	(144.8)	-	(144.8)	-	(144.8)
Total contributions by and distributions to owners of the parent		(47.4)	(47.4)	-	-	-	-	-	(94.8)	-	(94.8)	-	(94.8)
Other movements													
Issuance of perpetual notes		-	-	-	-	-	-	-	-	537.9	537.9	-	537.9
Amount paid to perpetual notes investors	6.12	-	-	-	-	-	-	-	-	(12.5)	(12.5)	-	(12.5)
Total other movements		-	-	-	-	-	-	-	-	525.4	525.4	-	525.4
Balance at 31 December 2018		876.2	1,013.4	23.9	5.8	7.6	290.9	1,557.8	3,775.6	542.5	4,318.1	44.2	4,362.3

Consolidated statement of changes in equity (continued)

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other reserves	Retained earnings	Equity attributable to owners of the parent	Non controlling interests	Total equity
Balance at 1 January 2017		770.2	1,060.8	(48.0)	5.8	(18.4)	223.1	265.2	2,258.8	29.7	2,288.5
Comprehensive income:											
Profit /(loss) for the year	6.12	-	-	-	-	-	-	694.1	694.1	0.4	694.5
Total comprehensive income		-	-	94.8	-	-	-	(0.5)	94.3	-	94.3
Net changes in fair value of cash flow FX hedges		-	-	-	-	28.1	-	-	28.1	-	28.1
Related income tax on other comprehensive expense		-	-	-	-	(5.4)	-	-	(5.4)	-	(5.4)
Net changes in fair value of cash flow IRS hedges		-	-	-	-	11.0	-	-	11.0	-	11.0
Related income tax on other comprehensive expense		-	-	-	-	(2.1)	-	-	(2.1)	-	(2.1)
Revaluation of property, plant and equipment		-	-	-	-	-	57.9	-	57.9	-	57.9
Related deferred tax effect		-	-	-	-	-	(9.8)	-	(9.8)	-	(9.8)
Total comprehensive income / (expense)		-	-	94.8	-	31.7	48.1	(0.5)	174.1	-	174.1
Total comprehensive income for the year		-	-	94.8	-	31.7	48.1	693.6	868.2	0.4	868.6
Contributions by and distributions to owners of the parent											
Capital increases		169.3	-	-	-	-	-	-	169.3	-	169.3
Acquisition of own shares		(15.9)	-	-	-	-	-	-	(15.9)	-	(15.9)
Total contributions by and distributions to owners of the parent		153.4	-	-	-	-	-		153.4	-	153.4
Changes in ownership interests in subsidiaries											
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	7.7	7.7
Transactions with NCI		-	-	-	-	-	-	1.9	1.9	-	1.9
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	1.9	1.9	7.7	9.6
Total transactions with owners of the parent		153.4	-	-	-	-	-	1.9	155.3	7.7	163.0
Initial recognition of the pension plan obligation		-	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)
Share on profit of equity-accounting investees		-	-	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Total other movements								(4.8)	(4.8)	-	(4.8)
Balance at 31 December 2017		923.6	1,060.8	46.8	5.8	13.3	271.2	955.9	3,277.4	37.8	3,315.2

Consolidated cash flow statement

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

	Note	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Profit before income tax		648.7	841.4
Adjusted by:			
Net valuation gain*	5.7	(578.9)	(770.8)
Net gain on the disposal of investment property and subsidiaries*	5.8	(0.5)	(4.3)
Depreciation / amortization of tangible and intangible assets	5.9	32.6	28.5
Impairment of assets / reversal of impairment of assets	5.9.1	31.8	55.2
Gain on the disposal of property, plant and equipment		(1.4)	-
Net finance costs		119.3	102.6
Share of (profit) / loss of equity accounted investees	6.5	0.7	(6.2)
Gain on bargain purchase	5.11	-	(22.4)
Unrealized exchange rate differences*		(0.3)	12.5
Profit before changes in working capital and provisions		252.0	236.4
Increase in inventories		(18.0)	(5.2)
Decrease in trade receivables		7.2	19.0
Increase (decrease) in trade payables		20.0	(27.8)
Increase (decrease) in other liabilities		(5.9)	0.2
Income tax paid		(16.0)	(13.3)
Net cash from operating activities		239.4	209.3
Acquisition of subsidiaries, net of cash acquired	3.2	(290.8)	(347.3)
Proceeds from disposals of subsidiaries, net of cash disposed	5.8	41.8	60.0
Purchase and expenditures on investment property	6.2	(117.7)	(91.8)
Purchase and expenditures on property, plant and equipment	6.3	(23.9)	(21.6)
Purchase of intangible assets	6.1	(1.5)	(1.8)
Purchase of biological assets	6.4	(0.4)	(1.2)
Proceeds from sale of investment property	5.8	4.8	7.0
Proceeds from sale of property, plant and equipment		3.5	0.1
Proceeds from sale of biological assets	6.4	0.2	0.1
Proceeds from sale of inventories		30.3	-
Loans provided	6.6	(20.1)	(157.0)
Loans repaid	6.6	28.0	(7.3)
Interest received		12.0	8.7
Net cash used in investing activities		(334.0)	(552.1)
Proceeds from issue of share capital	6.12	50.0	153.4
Share buy-back	6.12	(145.0)	-
Proceeds from perpetual notes	6.12	537.9	-
Payment to perpetual notes investors	6.12	(12.5)	-
Proceeds from bonds issued	6.13	840.0	906.9
Repayment of bonds issued	6.13	(689.4)	(156.0)
Interest paid		(86.6)	(96.5)
Drawings of loans and borrowings	6.14	390.0	789.1
Repayments of loans and borrowings	6.14	(922.2)	(1,317.0)
Drawings (repayment) of finance lease liabilities	6.14	(7.3)	0.8
Net cash from / (used in) financing activities		(45.1)	280.7
Net decrease in cash		(139.6)	(62.1)
Cash and cash equivalents at the beginning of the year	6.9	238.9	303.7
Less: Cash and cash equivalents reclassified to asset held for sale		(0.1)	(2.8)
Cash and cash equivalents at the end of the year		99.2	238.9

* Comparative financial information adjusted due to change in accounting policy, for more information refer to note 2.4.

Notes to the consolidated financial statements

1 General information

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

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

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

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

Description of the ownership structure

As at 31 December 2018, Radovan Vítek indirectly owns 91.61 % of CPI PROPERTY GROUP S.A. (94.25 % voting rights).

For the list of shareholders as at 31 December 2018 refer to note 6.12.

Board of Directors

Chairman:	Edward Hughes
CEO & Managing Director:	Martin Němeček
Members:	Philippe Magistretti
	Tomáš Salajka
	Oliver Schlink
	Radovan Vítek
	Marie Vítek

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation of consolidated financial statements

(a) Basis of preparation

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on 27 March 2019.

(b) New and amended standards and interpretations

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 2018.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and effect of the changes as a result of adoption of these new accounting standards and interpretations are described below.

IFRS 15, 'Revenue from contracts with customers', provides a framework that replaces existing revenue recognition guidance in IFRS.

The standard establishes a five-step model to help to determine the amount and timing of revenue recognition. Changes can arise because of the new regulations for revenue recognition on transfer of control, multi-component transactions with revenue recognised over the period of performance and extended disclosures in the notes. Rental income is excluded from the scope of IFRS 15. IFRS 15 however applies to Group's service charges and other income, hotel revenue and other business revenue.

The Group adopted the standard in the annual period beginning 1 January 2018. The Group adopted IFRS 15 fully retrospectively, restating the comparative period amounts.

The standard required entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Net versus gross revenue recognition

Before the adoption of IFRS 15, the Group analysed principal versus agent criteria stipulated by IAS 18 and concluded that it does not have an exposure to the significant risks and rewards associated with service charges and accounted for these transactions as if it was an agent. Under IFRS 15, control of the specified goods or services is the overarching principle to consider in determination whether an entity acts as a principal or an agent. The Group evaluated individual service charge arrangements and determined that it does control the services before they are transferred to tenants and therefore that the Group rather acts as a principal in the arrangements. Consequently, the Group changed, in respect of service charges, revenue recognition from net to gross, before deduction of cost of services.

Management also concluded that service revenue should no longer be presented separately from other service charges, because combined presentation of the service charges provides more relevant information about the business. More detail on service charge and other income is provided in note 2.2.

There is no impact of the IFRS 15 adoption on the statement of financial position as at 1 January 2017 and 31 December 2017. The presentation of the statement of profit or loss for the year ended 31 December 2017 was adjusted due to changes in accounting policy as follows:

	31 December 2017	Effect of IFRS 15 adoption	31 December 2017 Adjusted
Gross rental income	262.1	-	262.1
Service revenue	10.8	(10.8)	-
Net service charge income	14.7	(14.7)	-
Service charge and other income	-	102.6	102.6
Cost of service and other charges	-	(77.1)	(77.1)
Property operating expense	(55.9)	-	(55.9)
Net rental income	231.7	-	231.7
Total revenues	438.2	77.1	515.4
Total direct business operating expenses	(166.4)	(77.1)	(243.6)
Net business income	271.8	-	271.8

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires, in specific cases, judgement.

Multiple versus single performance obligation

- Development sales

Revenue from sale of trading property is recognized by the Group at point of time when control over the property is transferred to a customer. Under IFRS 15, the Group considers, on individual transaction basis, whether the sale of property includes more separate performance obligations for which the timing of revenue recognition should differ. The analysis of not yet completed contracts had no impact on the Group's consolidated financial statements as of 1 January 2018.

- Hotel revenue – Loyalty points programme

Under IFRS 15, the loyalty points give rise to a separate performance obligation if they provide a material right to the customer. A portion of the transaction price is then allocated to the loyalty points awarded to customers. The Group's loyalty points programme has been immaterial until 31 December 2018.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces IAS 39 guidance. The significant change is a new expected credit losses model that replaces the incurred loss impairment model under 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 ("OCI"), for liabilities designated at fair value through profit or loss.

The Group adopted the standard in the annual period beginning 1 January 2018. The Group used the cumulative effect method.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group:

- *Trade receivables and other financial assets* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Trade receivables and other financial assets are classified and measured as debt instruments at amortised cost.
- *Loans provided* are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans provided are classified and measured as debt instruments at amortised cost.
- *Equity investments* previously classified as available-for-sale financial assets are now classified within Other non-current financial assets and are measured as at fair value through OCI. The Group elected to classify its equity investments under this category as it intends to hold these investments for the foreseeable future.

The following table and the accompanying notes below explain the measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

New classification under IFRS 9	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Derivatives used for hedging presented within Other financial assets and liabilities	Derivative instruments	Hedging instrument at Fair value through OCI	Hedging instrument at Fair value through OCI	4.6	4.6
Other derivatives presented within Other financial assets and liabilities	Derivative instruments	Fair value through profit or loss	Fair value through profit or loss	0.9	0.9
Other financial assets	Available-for-sale financial assets	Available-for-sale	Fair value through OCI	1.0	1.0
Loans provided*	Loans provided	Amortised cost	Amortised cost	143.7	136.9
Trade receivables – non-current presented within Other financial assets	Trade and other receivables	Amortised cost	Amortised cost	4.2	4.2
Trade receivables – current	Trade receivables	Amortised cost	Amortised cost	76.5	76.5
Cash and cash equivalents	Cash and cash equivalents	Amortised cost	Amortised cost	238.9	238.9
Other current financial assets	Other current financial assets	Amortised cost	Amortised cost	15.4	15.4

* Loans provided that were classified as loans and receivables under IAS 39 are now classified at amortised cost. On transition to IFRS 9, an allowance for impairment of EUR 6.8 million was recognised as a decrease in opening retained earnings as at 1 January 2018.

There are no changes in measurement for the Group's financial liabilities.

(ii) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a expected credit loss (ECL) approach. IFRS 9 requires to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

As a result of the IFRS 9 adoption, the Group recognised additional impairment to loans provided at amortized cost in amount of EUR 6.8 million, which resulted, considering deferred tax effect of EUR 1.8 million, in an adjustment to the opening balance of equity of EUR 4.9 million as at 1 January 2018.

The following table summarizes the impact on the Group's opening balances as at 1 January 2018:

	1 January 2018
Impairment - loans provided (6.6)	(6.8)
Total assets	(6.8)
Retained earnings from previous periods	(4.9)
Total equity	(4.9)
Decrease of deferred tax liabilities	(1.8)
Non-current liabilities	(1.8)
Total equity and liabilities	(6.8)

(iii) Hedge accounting

IFRS 9 reduces the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. IFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management use for risk management purposes. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

IFRS 9 provides an accounting policy choice: entities can either continue to apply the hedge accounting requirements of IAS 39 until the macro hedging project is finalised, or they can apply IFRS 9. The accounting policy choice is applied to all hedge accounting. The Group elected to follow the IAS 39 requirements in respect of hedge accounting.

Amendments to IAS 40 'Investment Property' concerning transfers of Investment Property (standard not yet endorsed by EU) states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. There was no significant impact of the amendments to IAS 40 on the Group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: the date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability; if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group adopted guidance of IFRIC in the annual period beginning 1 January 2018. The adoption had no significant impact on the Group's consolidated financial statements.

New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 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 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard allows two recognition exemptions for lessees – leases of low-value assets and short-term leases (leases with a lease term of 12 months or less). At the lease commencement date, a lessee will recognise the lease liability and an asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17.

  IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

  The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment and cars that are considered of low value.

  The Group analysed all its actual lease contracts where the Group acts as a lessee and evaluated that the impact will not be material for its consolidated financial statements.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation specifically addresses: 1) Whether an entity considers uncertain tax treatments separately. 2) The assumptions an entity makes about the examination of tax treatments by taxation authorities. 3) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. 4) How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply the interpretation from its effective date. The interpretation is not expected to have significant impact on the Group's consolidated financial statements.

(c) Basis of measurement

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

- Investment property is measured at fair value;
- Property, plant and equipment, asset type Hotels, is measured at fair value;
- Biological assets are measured at fair value less cost to sell;
- Derivative financial instruments are measured at fair value;

(d) Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro (EUR) has been rounded to the nearest million, 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 factors that the management believes to be reasonable under the circumstances. The actual result might differ from the estimates.

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

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

- Note 2.2 (a) – Contingent consideration;
- Note 2.2 (c) – Classification of investment property;
- Note 2.2 (d) – Lease classification;
- Note 2.2 (n) – Service charges: Gross versus net revenue recognition.

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

- Note 2.2 (j) – Impairment test;
- Note 2.3 (b) – Determination of fair value
- Note 5.15 – Income tax expenses;
- Note 7 – Financial risk management.

2.2 Significant accounting policies

Except for the changes described above in note 2.1. (b) new standards, the accounting policies used in preparing the consolidated financial statements are set out below. These accounting policies have been consistently applied in all material respects to all periods presented.

(a) Basis of consolidation

The Group uses the direct method of consolidation, under which the financial statements of consolidated subsidiaries are translated directly into the presentation currency of the Group, which is the EUR. Subsidiaries are fully consolidated from the date of the acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

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

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

(ii) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are not in scope of IFRS 3. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the financial statements of the acquiree or at deemed costs if the local standards are different from IFRS adopted by EU. Components of equity of the acquired entities are added to the corresponding equity components of the Group and any gain or loss arising is recognised in equity.

(iii) 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 a debt investment at fair value through OCI depending on the level of influence retained.

(iv) Equity accounted investees

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

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

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

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

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.

(v) Property asset acquisition

A transaction that does not represent a business combination, because the acquired entity does not constitute a business in accordance with the IFRS 3, is accounted for as an asset acquisition.

(b) Foreign currency

(i) Functional currencies

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

The Group's consolidated financial statements are presented in EUR. The table below presents functional currencies of all Group's subsidiaries having non EUR functional currency. Each Group's subsidiary determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. For the purposes of inclusion in the consolidated financial statements, the statement of financial position of entities with non-EUR functional currencies are translated to EUR at the exchange rates prevailing at the balance sheet date and the income statements are translated at the average exchange rate for each month of the relevant year. The resulting net translation difference is recorded in OCI. When a foreign operation is disposed of, 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.

Group's entities in different countries that have non-EUR functional currency:

Country	Functional currency
Croatia	HRK
Czech Republic	CZK
Hungary	HUF
Luxembourg	EUR or RUB
Poland	PLN
Romania	RON
Russia	RUB
Switzerland	CHF
United Kingdom	GBP

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates valid 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 OCI.

The Group translates the foreign currency operations and transactions using the foreign exchange rates declared by relevant central banks.

(c) Investment property and investment property under development

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

External independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2018 and 2017 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 such 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, the property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy 2.2 (o)(ii).

Land held under operating leases is classified and accounted as investment property if the rest of the definition of investment property is met. The operating lease is accounted for as if it was 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.

Property that is being constructed or developed for future use and is 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.

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy 2.2 (o).

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

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

(e) 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 note 2.2(j)), or at revaluated amounts.

(ia) Hotels and resorts

Hotels are stated at revalued amounts that are fair values based on appraisals prepared by external professional valuers each year or more frequently if market factors indicate a material change in fair value. Revaluation 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 eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

An increase in carrying value of an asset as a result of revaluation is recognised in OCI 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.

A decrease in carrying value of an asset as a result of revaluation is recognised in profit or loss. However, the decrease shall be recognised in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in OCI 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 and resorts) are measured at the lower of cost less accumulated depreciation 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 reclassified to investment property and remeasured to fair value. Any gain arising on remeasurement 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 OCI and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

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

(iv) Depreciation

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

Items of property, plant and equipment are depreciated from the date that they are ready for use.

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

Assets	2018	2017
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.

(f) Intangible assets

(i) Goodwill

Business combinations are accounted for by applying the acquisition method. 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 and is tested for impairment annually (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 amortization (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 cost less accumulated impairment losses. When they have indefinite useful life, trademarks are tested for impairment annually or when there is an indication of impairment.

(v) Amortization

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	2018	2017
Software	3 - 8 years	3 - 8 years
Other intangible assets	3 - 5 years	3 - 5 years

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

(g) Inventories

Inventories represent trading property and are measured at the lower of cost and net realisable value.

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

(h) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

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

All costs related to biological assets that are measured at fair value, except for the acquisition costs, are recognised as expenses when incurred.

(i) Financial instruments

Initial recognition and measurement

Financial assets are classified, at initial recognition: as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group measures financial assets at *amortised cost* if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is classified and measured at *fair value through OCI* if it meets both of the following conditions:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through OCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset, that otherwise meets the requirements to be classified and measured at amortised cost or at fair value through OCI, to be classified and measured at fair value through profit or loss if it eliminates or reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, and loans provided.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- *Financial assets designated at fair value through OCI (equity instruments)*

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Investment 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.

- *Financial assets at fair value through profit or loss*

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Loans provided

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(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 any part of long-term loans, that is due within one year from the reporting date, as current.

Trade and other receivables

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

The cash flow statement of the Group is prepared based on the indirect method from the consolidated statement of financial position, consolidated statement of profit and loss and consolidated statement of profit and loss.

(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 as the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

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

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

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

Bond transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds less any attributable 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

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

Treasury shares

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

(iv) Derivative financial instruments and hedge accounting

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred.

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

Cash flow hedges

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. 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.

The effective portion of changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised in OCI and in the cash flow hedge reserve. 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 recognized in equity remains there until the anticipated transaction takes place, upon which it is reclassified in the profit and loss.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or 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) Impairment of non-derivative financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the discounted cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience.

The Group considers a non-derivative financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding amounts in full. A non-derivative financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Determination of ECL for loans provided to the majority shareholder or entities controlled by majority shareholder considers the Group's credit rating.

(ii) Impairment of 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(e)), inventories (see accounting policy 2.2(g), and deferred tax assets (see accounting policy 2.2(q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. 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 the goodwill is monitored. 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 relating to goodwill cannot be reversed in future periods.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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) Post-employment obligations

(i) Defined benefit plan

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

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

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

(ii) Defined contribution plans

Contributions are made to the Government's health, retirement benefit and unemployment plan at statutory rates applicable during the period and are based on gross salary payments. The arrangements of the Government's health, retirement benefit and unemployment plans qualify as defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The expense for the contributions is charged to profit and loss in the same period as the related salary expense.

(m) Assets held for sale and disposal groups

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

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

(n) Revenue

(i) Rental revenue

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis 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 by the Group.

(ii) Hotel revenue

Represents revenues derived from hotel operations, including room rentals, food and beverage sales and other ancillary goods and services. Revenue is recognized immediately when the customer obtains control of the goods or services.

(iii) Service charges and other income

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in net rental income gross of the related costs. The Group determined that it does control the services before they are transferred to tenants and therefore that the Group acts rather as a principal in these arrangements.

Other income is recognised in profit or loss in when tenant obtains control of the goods or services.

(iv) Government grants

The Group recognises an unconditional government grant related to a biological asset in profit or loss as other business revenue when the grant becomes receivable. Other government grants are recognised where there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

Revenue from the sale of investment and trading property, investments in subsidiaries and equity-accounted investees is recognised in profit or loss by the Group at point of time when the control over the property is transferred to a customer, usually on the date on which the application is submitted to the Land Registry for transfer of legal ownership title. The property must be completed, and the apartments are ready for sale, including the necessary regulatory permissions.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sale arrangement.

(o) Expenses

(i) Service costs and property operating expenses

Service costs and property operating expenses are expensed as incurred. Expenditures that relate to multiple accounting periods are deferred and recognised over those accounting periods irrespective of the timing of the consideration given or liability 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 to produce a constant periodic rate of interest on the remaining balance of the liability.

(p) Interest income, interest expense and other net financial result

Interest income comprises interest income on funds invested, such as bank interest, interest on provided loans, interest on bonds purchased and interest on non-current receivables.

Interest expense comprises 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 debt investments at fair value through OCI, gains on derivative instruments that are recognised in profit or loss and reclassifications of amounts (losses) previously recognised in OCI, bank charges, losses on disposal of debt investments at fair value through OCI, losses on derivative instruments that are recognised in profit or loss and reclassifications of amounts (gains) previously recognised in OCI 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 result in a net gain or net loss position.

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

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

(q) Income tax

(i) Current income tax

Current income tax assets and liabilities recognised are the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

The estimated current income tax expense is calculated using the accounting profit for the period and an estimate of non-deductible expenses of each entity of the Group and the corresponding income tax rate applicable to the given country and accounting period.

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 OCI.

(ii) Deferred tax

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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

(r) Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Segment reporting

The Group has applied the criteria of IFRS 8, 'Operating Segments' to determine the number and type of operating segments. Operating segments were determined based on the nature of the business and how the business is managed by the Board of Directors, the Group's chief operating decision maker.

From second half of 2018, the Group reports four operating segments: Czech Republic, Berlin, Hotels & Resorts in Europe and Complementary assets in Europe. Previously, the Group reported four operating segments: Income generating rental properties, Income generating operational properties, Development and Land bank. Income generating rental properties segment was split on geographical basis to new operating segments of Czech Republic, Berlin and Complementary assets in Europe. Income generating operation properties segment, except for agriculture, which is included in the Czech Republic segment, now represents Hotels and Resorts segment. Development and Land bank segments, except for those located either in the Czech Republic or Berlin, were aggregated to Complementary assets in Europe.

Reasons supporting the change of operating segments in 2018 are:

- The chief operating decision maker no longer focuses on the differentiation based on the asset types but reviews and manages the business rather on geographical regions basis.
- Land bank and development, previously reported as individual operating segments, are closely connected to Group's segments of the Czech Republic, Berlin or Complementary assets in Europe and are not effectively managed separately.

Segment results that are reported to the Board of Directors include items directly attributable to a segment or items that can be allocated on a reasonable basis. Unallocated items comprise primarily head office expenses, financing and income tax assets and liabilities.

The operating segments are determined based on the Group's management and internal reporting structure.

As required by IFRS 8, the Group provides information on the business activities in which, the Group engages including split of revenue and investment property per asset portfolio.

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

(t) Key management personnel

The Group discloses the total remuneration of key management personnel as required by IAS 24 – Related party disclosures. The Group includes within key management personnel all individuals (and their family members, if applicable) who have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include all members of the Management Board and the senior executives of the Group.

2.3 Determination of fair value

(a) Investment property and Property, plant and equipment

Investment properties are stated at fair value as at 31 December 2018 and 2017 based on external valuations prepared by professionally qualified valuers, except for insignificant part of a portfolio valued by an internal expert (see note 6.2). The Group's property portfolio in Czech Republic is valued mainly by Jones Lang LaSalle, Cushman & Wakefield and RSM TACOMA, selected properties are valued also by Mazars, CBRE and Savills; Slovak portfolio by CBRE. The property portfolio in Hungary, Poland and Romania is valued by Jones Lang LaSalle, Cushman & Wakefield and Knight Frank as well. The valuation of the German portfolio is undertaken by Savills, which also covers the valuation of recent acquired residential units in United Kingdom. Assets located in France, Italy and Switzerland are valued by BNP Paribas, Cushman & Wakefield and EY. The Group also use its valuation department for providing an internal valuation of part of residential segment and land banks located in Czech Republic.

Independent valuations are reviewed by the Group's management and represent a basis for the management's estimate of the investment properties' fair value. Those estimates considered the results of current and prior external valuations, information from comparable selling and purchase transactions.

Valuations reflect, where appropriate, the type of tenants 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.

The real estate market in Central Eastern Europe is considered small and transactions with real estate portfolios of the size similar to that of the Group´s portfolio are rather rare. Due to the need to use the market knowledge and professional judgements of the valuers to a greater extent, there is a higher degree of uncertainty than which would exist in more developed and active markets.

The following valuation methods of investment property were used:

For a breakdown of assumptions used by valuers refer to note 7.5.

(i) Retail, Office, Industry and Logistics properties

Retail, office, industry and logistics properties have been valued using predominantly income capitalization and discounted cash flow (DCF) valuation method.

DCF is a valuation of estimated income considering costs of ownership and operation of the property. The estimated cash flows are discounted using a discount rate reflecting the current income risk and value for money.

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 which are not recovered from tenants. The capitalisation yield (equivalent yield) is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing seller in the arm's length transaction. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation. The sales comparison valuation technique has been used for selected less significant retail assets in the Czech Republic.

(ii) Residential properties

Residential properties have been valued primarily using direct comparison method based on data from comparable transactions. The data was obtained from Cadastral offices and or purchase agreements, except for related party transactions.

(iii) Land and vacant buildings

Land and vacant buildings have been valued using the direct comparison method to arrive at the value of the property in its existing state. A comparison was performed with other similarly located and zoned plots of land or buildings that are currently on the market.

The sales price of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

(iv) Hotels

Hotels have been valued primarily using DCF valuation method.

(v) Investment property under development

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

In assessing the Gross Development Value, the valuer adopted a market approach by estimating the market rental values for the accommodation being developed, and the appropriate capitalisation rate which a potential investor would require, to arrive at the Market Value of the completed and leased building.

(vi) Agriculture properties

Agriculture properties have been valued using the direct comparison method of valuation.

(b) Biological assets

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

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

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

2.4 Changes in accounting policies

(a) Change in classification of foreign exchange gains or losses on revaluation of the investment properties

The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties from the Other net financial result to the Net valuation gain or loss. Management finds the adjusted presentation reliable and more relevant, because the effect is already included in determination of the fair value of the relevant investment properties by the Group's subsidiaries.

Comparative information as of 31 December 2017 was adjusted accordingly. The change in the accounting policy had no impact on the statement of financial position, the impact on the statement of comprehensive income is presented in the table below:

	31 December 2017	Effect of the accounting policy change	31 December 2017 Adjusted
Net business income	271.8	-	271.8
Net valuation gain	834.2	(63.4)	770.8
Operating result	1,010.8	(63.4)	947.4
Other net financial result	(87.0)	63.4	(23.5)
Net finance costs	(175.7)	63.4	(112.2)
Profit before income tax	841.4	-	841.4
Net profit from continuing operations	694.5	-	694.5

(b) Other classification changes

The Group reclassified Income tax liabilities from Other current non-financial liabilities to present them, in line with IAS 1, separately in the consolidated statement of financial position. Comparative information of EUR 12.4 million as at 31 December 2017 was adjusted accordingly.

To provide reliable and more relevant information, the Group reclassified the following items, which are no longer presented separately, in the consolidated financial statements:

- Cost of goods sold related to Development sales and Other business were reclassified to Development operating expenses and Other business operating expenses. Comparative information of EUR 1.6 million and EUR 3.5 million as at 31 December 2017 was adjusted accordingly.
- Net gain/(loss) on disposal of subsidiaries and investees was reclassified to Net gain/(loss) on the disposal of investment property and subsidiaries. Comparative information of EUR 2.0 million as at 31 December 2017 was adjusted accordingly.
- Available-for-sale financial assets were reclassified to Other non-current financial assets. Comparative information of EUR 1.0 million as at 31 December 2017 was adjusted accordingly.
- Non-current trade and other receivables were reclassified to Other non-current financial assets. Comparative information of EUR 4.2 million as at 31 December 2017 was adjusted accordingly.
- Derivative instruments, presented within current and non-current assets and liabilities, were reclassified to Other current and non-current financial assets and Other current and non-current financial liabilities, respectively. Comparative information for Other current and non-current financial assets of EUR 5.4 million and EUR 0.1 million and comparative information for Other current and non-current financial liabilities of EUR 2.6 million and EUR 0.6 million as at 31 December 2017 was adjusted accordingly.
- Current advance payments were reclassified to Other current financial liabilities. Comparative information of EUR 60.7 million as at 31 December 2017 was adjusted accordingly. Impact of the reclassification on the opening balance of the comparative period was EUR 72.7 million.

For details of the policy change required by adoption of IFRS 15 and IFRS 9, refer to Note 2.1 (b).

3 The Group structure

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

As at 31 December 2018 the Group comprises its parent company and 353 subsidiaries controlled by the parent company (at 31 December 2017 - 356 subsidiaries) and three joint ventures. For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group in 2018

In 2018, the Group acquired/founded the following entities:

Entity	Change	Share owned by the Group in %	Date of acquisition/foundation
Zgorzelec Property Development sp. z o.o.	Acquisition	100.00%	10 January 2018
Gewerbehöfe Services GmbH	Acquisition	100.00%	07 March 2018
Atrium Complex sp. z o.o. (1)	Acquisition	100.00%	21 March 2018
MB Futurum HK s.r.o.	Acquisition	100.00%	06 April 2018
Rembertów Property Development sp. z o.o. (2)	Acquisition	100.00%	17 April 2018
Zamość Property Development sp. z o.o. (3)	Acquisition	100.00%	17 April 2018
Zamość Sadowa Property Development sp. z o.o. (4)	Acquisition	100.00%	17 April 2018
Radom Property Development sp. z o.o. (5)	Acquisition	100.00%	17 April 2018
CPI Property Development sp. z o.o. (6)	Acquisition	100.00%	24 April 2018
1 Bishops Avenue Limited	Acquisition	100.00%	14 December 2018
Ekofarma Postřelná, s.r.o.	Founded	100.00%	25 January 2018
Farma Liščí, s.r.o.	Founded	100.00%	25 January 2018
Farma zelená sedma, s.r.o.	Founded	100.00%	25 January 2018
Jizerská farma, s.r.o.	Founded	100.00%	25 January 2018
Statek Petrovice, s.r.o.	Founded	100.00%	25 January 2018
Zákupská farma, s.r.o.	Founded	100.00%	25 January 2018
CPI Hotels Catering, s.r.o. (7)	Founded	100.00%	14 February 2018
CPI Hotels Italy S.r.l.	Founded	100.00%	13 March 2018
CPI Vestec, s.r.o.	Founded	100.00%	22 October 2018

(1) Changed its name from Montserrat sp. z o.o. to Atrium Complex sp. z o.o. with the effective date of 27 April 2018.
(2) Changed its name from HopStop 6 sp. z o.o. to Rembertów Property Development sp. z o.o. with effective date of 12 July 2018.
(3) Changed its name from HopStop Zamość 1 sp. z o.o. to Zamość Property Development sp. z o.o. with the effective date of 24 May 2018.
(4) Changed its name from HopStop Zamość 2 sp. z o.o. to Zamość Sadowa Property Development sp. z o.o. with effective date of 13 September 2018.
(5) Changed its name from RT Development sp. z o.o. to Radom Property Development sp. z o.o. with effective date of 20 August 2018.
(6) Changed its name from Sint Maarten sp. z o.o. to CPI Property Development sp. z o.o. with effective date of 17 August 2018.
(7) Changed its name from CPI Catering, s.r.o. to CPI Hotels Catering, s.r.o. with the effective date of 20 February 2018.

The following entities were either disposed or liquidated in 2018:

Entity	Change	Share owned by the Group in %	Date of disposal/liquidation
Budaörs Office Park Kft.	Disposal	100.00%	31 January 2018
Český Těšín Property Development, a.s.	Disposal	100.00%	02 May 2018
Trutnov Property Development, a.s.	Disposal	100.00%	21 June 2018
R40 Real Estate Kft.	Disposal	100.00%	27 June 2018
Modřanská Property, a.s.	Disposal	100.00%	30 August 2018
CPI Retail Portfolio III, s.r.o.	Disposal	100.00%	31 December 2018
CPI Retail Portfolio VII, s.r.o.	Disposal	100.00%	31 December 2018
ITL Alfa, s.r.o.	Disposal	100.00%	19 December 2018
CPI Finance Slovakia II, a.s.	Disposal	100.00%	31 December 2018
CPI Finance Slovakia, a.s.	Disposal	100.00%	31 December 2018
Orco Project Limited	Liquidation	97.31%	28 January 2018
Mondello, a.s.	Liquidation	100.00%	14 May 2018
Blue Yachts d.o.o.	Liquidation	67.50%	20 August 2018
CPI Finance Netherlands B.V.	Liquidation	100.00%	06 December 2018
CPI Finance Netherlands III B.V.	Liquidation	100.00%	06 December 2018
CPI Finance Ireland III Limited	Liquidation	100.00%	16 December 2018
CPI Finance Ireland Limited	Liquidation	100.00%	18 December 2018

3.2 Property asset acquisitions / Common control transactions in 2018

Acquisition of Zgorzelec retail Park, Poland

On 10 January 2018, the Group acquired Zgorzelec Property Development sp. z o.o., being the owner of the retail park in Zgorzelec, in Poland. The consideration paid for 100% stake amounted to PLN 2.9 million (approximately EUR 0.7 million).

The acquisition was recognized as a property asset acquisition as the company does not represent a business as defined by IFRS 3.

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

Investment property	2.3
Total non-current assets	2.3
Other financial current assets	0.2
Total current assets	0.2
Identifiable acquired assets	2.5
Financial debts	(0.6)
Total non-current liabilities	(0.6)
Financial debts	(0.9)
Trade payables	(0.3)
Total current liabilities	(1.2)
Identifiable acquired liabilities	(1.8)

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 0.7 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 25 thousand. The net cash outflow connected with the acquisition amounted to EUR 0.7 million.

Atrium Complex

On 21 March 2018, the Group acquired 100% share of Atrium Complex sp. z o.o. (formerly Montserrat sp. z o.o.) for the purchase price of 9,000 PLN (app. EUR 2,155). The entity had no assets at the acquisition date.

In May 2018, the Group acquired Atrium Centrum & Atrium Plaza office buildings in Warsaw, Poland. Atrium Centrum & Atrium Plaza are seven-storey office buildings located in the centre of Warsaw. The two office buildings have an aggregate GLA of 31,869 sqm and include a medical centre, a restaurant, a bank, a pharmacy, a premium fashion store and 410 parking lots.

Consideration paid for the two office buildings amounted to EUR 78.1 million, fully allocated to the investment property by the Group.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS 3.

MB Futurum HK s.r.o.

On 26 March 2018, the Group acquired Futurum Hradec Králové Shopping Centre which was opened in 2000 and modernised in 2012 with a total floor area of 39,000 sqm and 1,350 parking spaces. Shopping Centre is the Group´s first prime shopping centre in the north-eastern part of the Czech Republic. The consideration paid for 100% stake was EUR 121 million.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS 3.

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

Investment property	121.0
Total non-current assets	121.0
Trade receivables	2.4
Cash and cash equivalents	3.1
Other financial current assets	0.2
Other non-financial current assets	0.4
Total current assets	6.1
Identifiable acquired assets	127.1
Financial debts	(48.3)
Deferred tax liabilities	(0.7)
Other non-current liabilities	(1.1)
Total non-current liabilities	(50.1)
Financial debts	(1.1)
Trade payables	(0.9)
Derivative instruments	(0.2)
Other financial current liabilities	(1.0)
Other non-financial current liabilities	(0.3)
Total current liabilities	(3.5)
Identifiable acquired liabilities	(53.6)

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 73.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 3.1 million. The net cash outflow connected with the acquisition amounted to EUR 70.4 million. As a part of the acquisition, financial debts of EUR 49.4 million were repaid.

Acquisition of retail parks chain in Poland ("HopStop portfolio")

On 17 April 2018, the Group acquired, as a share deal, the four existing retail parks in Poland – Retail park HopStop Zamość 1, Retail park HopStop Zamość 2, Retail park HopStop Rembertów and Retail park Hop Stop Radom. The retail parks are operated under HopStop brand and are located in Warsaw and regional cities of Poland with totalling 19,000 sqm of a gross leasable area. The retail parks chain offers comfortable parking places, separated supply zone, some of the projects are also enriched with petrol stations and car washes, offering customers wide scope of services.

The acquisitions were recognized as a property asset acquisition as the acquired companies do not constitute business as defined by IFRS 3.

Retail park HopStop Rembertów

The acquisition was carried out through the purchase of 100% stake in Rembertów Property Development sp. z o.o. (former HopStop 6 sp. z o.o.) for the consideration paid of EUR 0.1 million.

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

Investment property	4.2
Total non-current assets	4.2
Cash and cash equivalents	0.9
Other financial current assets	0.2
Total current assets	1.1
Identifiable acquired assets	5.3
Financial debts	(5.1)
Total non-current liabilities	(5.1)
Trade payables	(0.1)
Total current liabilities	(0.1)
Identifiable acquired liabilities	(5.2)

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 0.1 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.9 million. The net cash inflow connected with the acquisition amounted to EUR 0.8 million.

As a part of the acquisition, financial debts of EUR 5.1 million were repaid.

Retail park HopStop Zamość 1

The acquisition was carried out through the purchase of 100% stake in Zamość Property Development sp. z o.o. (former HopStop Zamość 1 sp. z o.o.) for total consideration paid of EUR 1.2 million.

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

Investment property	6.4
Total non-current assets	6.4
Trade receivables	0.1
Cash and cash equivalents	0.6
Total current assets	0.7
Identifiable acquired assets	7.1
Financial debts	(5.7)
Other non-current liabilities	(0.1)
Total non-current liabilities	(5.8)
Other financial current liabilities	(0.1)
Total current liabilities	(0.1)
Identifiable acquired liabilities	(5.9)

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 1.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.6 million. The net cash outflow connected with the acquisition amounted to EUR 0.6 million.

As a part of the acquisition, financial debts of EUR 5.7 million were repaid.

Retail park HopStop Zamość 2

The acquisition was carried out through the purchase of 100% stake in Zamość Sadowa Property Development sp. z o.o. (former HopStop Zamość 2 sp. z o.o.) for total consideration paid of EUR 1.5 million.

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

Investment property	8.4
Total non-current assets	8.4
Trade receivables	0.1
Cash and cash equivalents	0.4
Other non-financial current assets	0.1
Total current assets	0.6
Identifiable acquired assets	9.0
Financial debts	(7.1)
Total non-current liabilities	(7.1)
Other financial current liabilities	(0.3)
Other non-financial current liabilities	(0.1)
Total current liabilities	(0.4)
Identifiable acquired liabilities	(7.5)

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 1.5 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.4 million. The net cash outflow connected with the acquisition amounted to EUR 1.1 million.

As a part of the acquisition, financial debts of EUR 7.1 million were repaid.

Retail park Hop Stop Radom

The acquisition was carried out through the purchase of 100% stake in Radom Property Development sp. z o.o. (former RT Development sp. z o.o. for the consideration paid of EUR 1.3 million.

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

Investment property	2.6
Total non-current assets	2.6
Cash and cash equivalents	0.2
Total current assets	0.2
Identifiable acquired assets	2.8
Financial debts	(1.5)
Total non-current liabilities	(1.5)
Identifiable acquired liabilities	(1.5)

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 1.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.2 million. The net cash outflow connected with the acquisition amounted to EUR 1.1 million.

As a part of the acquisition, financial debts of EUR 1.5 million were repaid.

1 Bishops Avenue Limited

On 13 December 2018, the Group acquired 100% share of 1 Bishops Avenue Limited ("Bishops") for the consideration of 1 GBP (app. EUR 1). The entity had no assets at the acquisition date. On 17 December 2018, Bishops acquired 11 luxury apartments at Buxmead in North London.

The purchase price of the apartments was GBP 60.1 million (EUR 66.9 million), fully allocated to investment property by the Group.

This acquisition was recognized as a property asset acquisition as the acquired company does not constitute business as defined by IFRS 3.

3.3 Acquisition through business combinations in 2018

CPI Hotels Italy S.r.l.

On 13 March 2018, the Group founded CPI Hotels Italy S.r.l. In June 2018, CPI Hotels Italy purchased the hotel operator of Holiday Inn hotel in Rome. The acquisition of the hotel operator is treated as a business combination under IFRS 3.

Holiday Inn hotel in Rome was already owned by the Group prior the acquisition of its operator. Upon acquisition of its operator, the hotel was transferred from the investment property to PPE (see note 6.2 and 6.3).

The consideration paid amounted to EUR 4.1 million.

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

Property, plant and equipment	0.1
Total non-current assets	0.1
Identifiable acquired assets	0.1
Trade payables	(0.2)
Other non-financial current liabilities	(0.2)
Total current liabilities	(0.4)
Identifiable acquired liabilities	(0.4)

As a result of this business combination, the Group recognized goodwill in the amount of 4.4 million (see note 6.1), which was written off in 2018.

If the acquisition had occurred on 1 January 2018, with all other variables held constant, the Group total revenues in 2018 would have been EUR 607.9 million and net profit from continuing operations would have been EUR 630.7 million.

3.4 Disposal of subsidiaries in 2018

The Group decided to dispose of the following subsidiaries, since they were considered as a non-core assets:

- Budaörs Office Park property in Hungary was sold for consideration paid of EUR 9.4 million on 31 January 2018.
- Český Těšín Property Development was sold for EUR 2.1 million on 2 May 2018.
- Five retail properties located in regional cities of northern Czech Republic were sold for EUR 5.2 million on 21 June 2018.
- Hungarian R40 Real Estate Kft. was sold for EUR 0.9 thousand on 27 June 2018.
- Office building located in Prague was sold for EUR 2.0 million on 30 August 2018.
- Three retail properties located in regional cities of northern the Czech Republic were sold for EUR 9.3 million on 18 December 2018.
- CPI Finance Slovakia, a.s. and CPI Finance Slovakia II, a.s. were sold for EUR 0.2 million on 31 December 2018.

3.5 Changes in the Group in 2017

In 2017, the Group acquired/founded the following entities:

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

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

The following entities were disposed, liquidated or deconsolidated in 2017:

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

3.6 Property asset acquisitions/common control property transactions in 2017

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

On 29 March 2017, the Group acquired the high-quality retail portfolio of predominantly shopping centres located in the Czech Republic, Hungary, Poland and Romania with a total leasable area of approximately 280 thousand sqm. The acquired portfolio primarily consists of:

Regionally dominant shopping centres:

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

Mix of prime high-street and office space:

Zlatý Anděl (Prague, Czech Republic)
Andrássy Complex (Budapest, Hungary)

Retail warehouses:

Interspar (Zalaegerszeg, Hungary)
Interspar (Nyíregyháza, Hungary)

Olympia shopping centre

Olympia Plzeň was completed in 2004. It is designated as a retail shopping centre with a cinema and extensive outdoor and indoor parking. The property offers 40,790 sqm of retail area distributed over two above ground floors.

The acquisition also comprises a single storey retail park comprising of two buildings with gross lettable area of 8,155 sqm and car park with 426 parking spaces. Internally the property currently provides 11 retail units.

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

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

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

Investment property	133.8
Total non-current assets	133.8
Cash and cash equivalents	1.0
Other non-financial current assets	2.3
Total current assets	3.3
Identifiable acquired assets	137.1
Financial debts	(66.4)
Other non-current liabilities	(1.1)
Total non-current liabilities	(67.5)
Financial debts	(3.7)
Trade payables	(0.3)
Derivative instruments	(0.7)
Other financial current liabilities	(0.1)
Other non-financial current liabilities	(0.1)
Total current liabilities	(4.9)
Identifiable acquired liabilities	(72.4)

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

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

Nisa shopping centre

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

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

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

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

Investment property	81.5
Total non-current assets	81.5
Trade receivables	0.4
Cash and cash equivalents	3.0
Other non-financial current assets	2.0
Total current assets	5.4
Identifiable acquired assets	86.9
Financial debts	(69.3)
Other non-current liabilities	(1.3)
Total non-current liabilities	(70.6)
Financial debts	(2.6)
Trade payables	(0.5)
Advance payments	(0.3)
Other financial current liabilities	(1.5)
Other non-financial current liabilities	(0.5)
Total current liabilities	(5.4)
Identifiable acquired liabilities	(76.0)

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

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

Ogrody shopping centre

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

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

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

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

Investment property	111.8
Total non-current assets	111.8
Trade receivables	0.7
Cash and cash equivalents	1.8
Other financial current assets	0.1
Other non-financial current assets	0.1
Total current assets	2.7
Identifiable acquired assets	114.5
Financial debts	(107.0)
Other non-current liabilities	(0.3)
Total non-current liabilities	(107.3)
Financial debts	(4.1)
Trade payables	(0.3)
Advance payments	(0.1)
Other financial current liabilities	(0.1)
Other non-financial current liabilities	(0.4)
Total current liabilities	(5.0)
Identifiable acquired liabilities	(112.3)

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

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

Felicia shopping centre

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

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

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

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

Investment property	25.0
Total non-current assets	25.0
Trade receivables	0.7
Cash and cash equivalents	0.7
Other non-financial current assets	0.1
Total current assets	1.5
Identifiable acquired assets	26.5
Financial debts	(18.9)
Trade payables	(0.2)
Advance payments	(0.2)
Other financial current liabilities	(0.6)
Other non-financial current liabilities	(0.6)
Total current liabilities	(20.5)
Identifiable acquired liabilities	(20.5)

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

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

Polus shopping centre

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

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

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

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

Investment property	75.1
Trade and other receivables	0.4
Total non-current assets	75.5
Trade receivables	0.3
Cash and cash equivalents	3.1
Other non-financial current assets	0.7
Total current assets	4.1
Identifiable acquired assets	79.6
Financial debts	(74.9)
Other non-current liabilities	(0.8)
Total non-current liabilities	(75.7)
Trade payables	(1.9)
Other non-financial current liabilities	(0.2)
Total current liabilities	(2.1)
Identifiable acquired liabilities	(77.8)

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

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

Campona shopping centre

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

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

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

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

Investment property	66.3
Trade and other receivables	0.3
Total non-current assets	66.6
Trade receivables	0.6
Cash and cash equivalents	1.5
Other financial current assets	0.2
Other non-financial current assets	1.3
Total current assets	3.6
Identifiable acquired assets	70.2
Financial debts	(64.9)
Other non-current liabilities	(1.0)
Total non-current liabilities	(65.9)
Trade payables	(1.1)
Other financial current liabilities	(0.7)
Other non-financial current liabilities	(0.3)
Total current liabilities	(2.1)
Identifiable acquired liabilities	(68.0)

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

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

Zlatý Anděl

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

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

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

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

Investment property	101.4
Total non-current assets	101.4
Current income tax receivables	0.1
Trade receivables	0.4
Cash and cash equivalents	1.5
Other non-financial current assets	1.6
Total current assets	3.6
Identifiable acquired assets	105.0
Financial debts	(50.2)
Other non-current liabilities	(0.6)
Total non-current liabilities	(50.8)
Financial debts	(2.8)
Trade payables	(0.4)
Derivative instruments	(0.5)
Other financial current liabilities	(1.2)
Other non-financial current liabilities	(0.2)
Total current liabilities	(5.1)
Identifiable acquired liabilities	(55.9)

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

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

Andrássy Complex

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

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

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

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

Investment property	16.3
Total non-current assets	16.3
Trade receivables	0.3
Cash and cash equivalents	0.2
Total current assets	0.5
Identifiable acquired assets	16.8
Financial debts	(12.4)
Other non-current liabilities	(0.1)
Total non-current liabilities	(12.5)
Trade payables	(0.2)
Total current liabilities	(0.2)
Identifiable acquired liabilities	(12.7)

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

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

Interspar Zala

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

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

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

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

Investment property	8.8
Trade and other receivables	0.8
Total non-current assets	9.6
Trade receivables	0.1
Cash and cash equivalents	0.1
Total current assets	0.2
Identifiable acquired assets	9.8
Financial debts	(8.8)
Total non-current liabilities	(8.8)
Trade payables	(0.1)
Other non-financial current liabilities	(0.7)
Total current liabilities	(0.8)
Identifiable acquired liabilities	(9.6)

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

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

Interspar Nyír

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

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

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

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

Investment property	3.6
Total non-current assets	3.6
Cash and cash equivalents	0.2
Total current assets	0.2
Identifiable acquired assets	3.8
Financial debts	(3.1)
Total non-current liabilities	(3.1)
Other non-financial current liabilities	(0.1)
Total current liabilities	(0.1)
Identifiable acquired liabilities	(3.2)

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

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

Hotel Vladimír, Ústí nad Labem

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

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

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

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

Investment property	2.5
Total non-current assets	2.5
Identifiable acquired assets	2.5
Deferred tax liabilities	(0.2)
Total non-current liabilities	(0.2)
Identifiable acquired liabilities	(0.2)

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

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

Královo Pole Shopping Centre, Brno

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

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

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

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

Investment property	59.0
Loans provided	2.3
Total non-current assets	61.3
Trade receivables	0.2
Loans provided	0.1
Cash and cash equivalents	1.7
Other financial current assets	2.7
Other non-financial current assets	0.2
Total current assets	4.9
Identifiable acquired assets	66.2
Financial debts	(27.0)
Other non-current liabilities	(0.9)
Total non-current liabilities	(27.9)
Financial debts	(1.6)
Trade payables	(0.3)
Other financial current liabilities	(0.3)
Other non-financial current liabilities	(0.6)
Total current liabilities	(2.8)
Identifiable acquired liabilities	(30.7)

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

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

Kolín Centrum a.s.

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

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

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

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

Land bank projects, Czech Republic

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

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

The first project, with land plots of approximately 55.8 thousand sqm, is located in an attractive part of Prague 9. The 100% stake in company Polygon BC, a.s. was acquired for the purchase price of CZK 956 million (app. EUR 37.2 million). The company was acquired from companies controlled by the majority shareholder of the Company and the acquisition is accounted for as a common control transaction.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 37.3 million, cash and cash equivalents acquired in the amount of EUR 8 thousand and other non-financial current assets acquired in the amount of EUR 4 thousand. The carrying value of the identifiable liabilities at the date of acquisition represents other both financial and non financial current liabilities in the amount of EUR 49 thousand.

The net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 37.2 million. The net cash outflow connected with the acquisition amounted to EUR 37.2 million.

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

The Group acquired 100% stake in company MQM Czech, a.s. the company was acquired for the purchase price of CZK 352 million (app. EUR 13.7 million). The company was acquired from companies controlled by the majority shareholder of the Company and the acquisition is accounted for as common control transaction.

As at the date of acquisition, the identifiable assets of the acquired company represent investment property in the amount of EUR 13.7 million and cash and cash equivalents in the amount of EUR 8 thousand.

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 13.7 million. The net cash outflow connected with the acquisition amounted to EUR 13.7 million.

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

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

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

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

Merlég office building, Budapest

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

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

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

Future boutique hotel in Český Krumlov, Czech Republic

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

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

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

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

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

Ibis hotel, Olomouc

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

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

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

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

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

3.7 Acquisition through business combinations in 2017

Tepelné hospodářství Litvínov s.r.o.

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

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

Property, plant and equipment	8.0
Total non-current assets	8.0
Trade receivables	3.0
Other non-financial current assets	0.3
Total current assets	3.3
Identifiable acquired assets	11.3
Deferred tax liabilities	(0.9)
Total non-current liabilities	(0.9)
Financial debts	(0.3)
Trade payables	(0.1)
Advance payments	(3.4)
Other financial current liabilities	(0.1)
Total current liabilities	(3.9)
Identifiable acquired liabilities	(4.8)

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

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

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

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

GSG Berlin portfolio extension

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

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

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

Investment property	167.7
Total non-current assets	167.7
Trade receivables	0.2
Cash and cash equivalents	6.8
Other financial current assets	0.1
Other non-financial current assets	0.6
Total current assets	7.7
Identifiable acquired assets	175.4
Deferred tax liabilities	(26.0)
Provisions	(6.6)
Total non-current liabilities	(32.6)
Trade payables	(0.5)
Other financial current liabilities	(0.3)
Total current liabilities	(0.8)
Identifiable acquired liabilities	(33.4)

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 142 million. As a result of this business combination, the Group recognized a bargain purchase in the amount of EUR 22.4 million (note 5.11).

The agreed purchase price for the acquired stake of 94.9% in ARMO reflected the result of business negotiations between the Group and the Swiss individuals. It also reflected the short time frame for the closing of the transaction, as well as the nature of the sale (share-deal), both preferred by the counterparty.

The value of the acquired property is consistent with the appraisal value from an independent and reputable valuation expert. This value is included as the acquisition amounts in the Group's accounting. As a result of the lower purchase price, and following a review of the assets acquired, the Group deems that no intangible assets of any value have been acquired.

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

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

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

Acquisitions through business combinations in 2017 – summary

The undermentioned table summarizes the amounts of revenue and profit or loss of the acquirees prior they were acquired by the Group and shows the total revenue and profit and loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during 2017 had been as of the beginning of the reporting period.

	Armo Verwaltungsgesellschaft mbH	Tepelné hospodářství Litvínov s.r.o.	Total revenues and profit / (loss) before acquisition	Total revenues and profit as at 31 December 2017 of the Group	As if total revenues and profit
Rental revenues	5.7	-	5.7	262.1	267.8
Service revenue and net service charge income	0.7	0.8	1.5	25.5	27.0
Development sales	-	-	-	3.7	3.7
Hotel revenues	-	-	-	112.2	112.2
Revenue from other business operations	-	-	-	34.8	34.8
Total revenues	6.4	0.8	7.2	438.3	445.5
Net profit / (loss) from continuing operations	(1.0)	0.3	(0.7)	694.5	693.8

3.8 Disposal of subsidiaries in 2017

The Group decided to dispose of the following subsidiaries, since they were considered as a non-core assets:

- An office project in Luxembourg was sold on 25 January 2017;
- Hotel Rhea was sold on 21 February 2017.
- Lozorno Logistics Park, located outside of Bratislava, was sold on 28 February 2017.
- Purkyňova office building located in Brno, Czech Republic was sold on 7 March 2017.
- Shopping gallery Arkády Prostějov was sold on 8 August.
- Three land bank projects located in the Czech Republic were sold 1 April 2017.
- The remaining twelve disposed subsidiaries (seven Hungarian and five Czech) represented companies without a property and were sold in 2017 to a third party.

4 Segment reporting

The Group revised its segment reporting (see note 2.2). For comparison purposes the Group applied the change retrospectively from 1 January 2017. The management of the Group reviews financial information that is principally the same as that based on the accounting policies described in note 2.2.

Board of Directors, which is the chief operating decision maker, also reviews the Segment adjusted EBITDA. Segment adjusted EBITDA is segment business income reduced by administrative expenses. Segment adjusted EBITDA is one of the key metrics used to evaluated and manage operating segments as it is an important economic indicator showing operating efficiency. Segment adjusted EBITDA is not defined or recognised under IFRS and is considered as a non-IFRS financial measure used to evaluate current business performance.

For management purposes, the Group is structured into four operating segments corresponding primarily to geographic regions: Czech Republic, Berlin, Hotels & Resorts in Europe (including those in the Czech Republic) and Complementary assets in Europe.

The Group engages in the following business activities:

- The Group owns retail, office and residential office and land bank portfolio and operates agricultural farms in the Czech Republic.
- The Group is a leading office provider in Berlin, Germany.
- The Group operates primarily congress and convention hotels in the Czech Republic, in major CEE region cities, Moscow, Rome, Croatian island Hvar and ski mountain resorts in Switzerland.
- Group's complementary assets portfolio primarily consists of the office and retail portfolio in Hungary, Poland and Slovakia. The Group also operates residential portfolio in western Europe (primarily London, Monaco and France).

4.1 Income statement per operating segments

2018

	Czech Republic	Berlin	Hotels & resorts in Europe	Complementary assets in Europe	Corporate and not attributable	Total
Gross rental income	171.5	65.6	-	64.6	-	301.7
Service charge and other income	56.6	28.9	-	25.7	-	111.2
Cost of service and other charges	(43.6)	(15.0)	-	(26.4)	-	(85.0)
Property operating expenses	(33.6)	(15.5)	-	(6.9)	-	(56.0)
Net rental income	150.9	64.0	-	57.0	-	271.9
- *Office portfolio*	*42.5*	*64.0*	-	*16.8*	-	*123.3*
- *Retail portfolio*	*98.0*	-	-	*37.7*	-	*135.7*
- *Residential portfolio*	*8.2*	-	-	*(0.7)*	-	*7.5*
- *Other*	*2.2*	-	-	*3.2*	-	*5.4*
Development sales	8.0	-	-	22.3	-	30.3
Development operating expenses	(5.9)	-	-	(24.8)	-	(30.7)
Net development income	2.1	-	-	(2.5)	-	(0.4)
Hotel revenue	-	-	122.1	-	-	122.1
Hotel operating expenses	-	-	(82.1)	-	-	(82.1)
Net hotel income	-	-	40.0	-	-	40.0
Other business revenue	12.2	-	26.2	-	-	38.4
Other business operating expenses	(8.9)	-	(21.5)	-	-	(30.4)
Net other business income	3.3	-	4.7	-	-	8.0
Total revenues	248.3	94.5	148.3	112.6	-	603.7
Total direct business operating expenses	(91.9)	(30.5)	(103.7)	(58.1)	-	(284.2)
Net business income	156.4	64.0	44.6	54.5	-	319.5
Administrative expenses	(5.6)	(7.0)	(0.4)	(0.7)	(35.5)	(49.2)
Segment adjusted EBITDA	150.8	57.0	44.2	53.8	(35.5)	270.3
Valuation gain	151.3	395.7	-	112.7	-	659.7
Valuation loss	(61.8)	(8.8)	-	(10.2)	-	(80.8)
Net gain/(loss) on disposal of investment property and subsidiaries	(0.4)	-	-	(0.3)	1.2	0.5
Amortization, depreciation and impairments	(2.4)	(2.8)	(61.1)	-	1.9	(64.4)
Segment operating result	237.5	441.0	(16.9)	156.0	(32.3)	785.3
Other operating income					6.7	6.7
Other operating expenses					(6.5)	(6.5)
Operating result						785.5
Interest income					14.3	14.3
Interest expense					(78.4)	(78.4)
Other net financial result					(72.0)	(72.0)
Net finance costs					(136.1)	(136.1)
Share of profit of equity-accounted investees (net of tax)					(0.7)	(0.7)
Profit before income tax						648.7
Income tax expense					(17.9)	(17.9)
Net profit from continuing operations						630.8

2017

	Czech Republic	Berlin	Hotels & resorts in Europe	Complementary assets in Europe	Corporate and not attributable	Total
Gross rental income	153.8	54.0	-	54.3	-	262.1
Service charge and other income	48.4	27.3	-	26.9	-	102.6
Cost of service and other charges	(36.7)	(14.1)	-	(26.3)	-	(77.1)
Property operating expenses	(31.7)	(13.0)	-	(11.2)	-	(55.9)
Net rental income	133.8	54.2	-	43.7	-	231.7
- Office portfolio	*41.4*	*54.2*	-	*9.9*	-	*105.5*
- Retail portfolio	*77.7*	-	-	*28.5*	-	*106.2*
- Residential portfolio	*6.9*	-	-	*(0.7)*	-	*6.2*
- Other	*7.8*	-	-	*6.0*	-	*13.8*
Development sales	0.8	-	-	2.9	-	3.7
Development operating expenses	(0.5)	-	-	(3.5)	-	(4.0)
Net development income	0.3	-	-	(0.6)	-	(0.3)
Hotel revenue	-	-	112.2	-	-	112.2
Hotel operating expenses	-	-	(72.9)	-	-	(72.9)
Net hotel income	-	-	39.3	-	-	39.3
Other business revenue	12.2	-	22.6	-	-	34.8
Other business operating expenses	(8.0)	-	(25.7)	-	-	(33.7)
Net other business income	4.2	-	(3.1)	-	-	1.1
Total revenues	215.2	81.3	134.8	84.1	-	515.4
Total direct business operating expenses	(76.9)	(27.1)	(98.6)	(41.0)	-	(243.6)
Net business income	138.3	54.2	36.2	43.1	-	271.8
Administrative expenses	(1.7)	(9.1)	(0.9)	(3.1)	(26.9)	(41.7)
Segment adjusted EBITDA	136.6	45.1	35.3	40.0	(26,9)	230.1
Valuation gain	399.3	405.4	-	76.1	-	880.8
Valuation loss	(85.9)	(0.5)		(23.6)	-	(110.0)
Net gain/(loss) on disposal of investment property and subsidiaries	6.9	0.7	-	(3.3)	-	4.3
Amortization, depreciation and impairments	(4.1)	(0.6)	(25.3)	(54.0)	0.4	(83.6)
Segment operating result	452.8	450.1	10.0	35.2	(26.5)	921.6
Other operating income					29.9	29.9
Other operating expenses					(4.1)	(4.1)
Operating result						947.4
Interest income					10.4	10.4
Interest expense					(99.1)	(99.1)
Other net financial result					(23.5)	(23.5)
Net finance costs					(112.2)	(112.2)
Share of profit of equity-accounted investees (net of tax)					6.2	6.2
Profit before income tax						841.4
Income tax expense					(146.9)	(146.9)
Net profit from continuing operations						694.5

4.2 Revenues generated by countries

The following table presents revenues by countries:

	12 month period ended			
	31 December 2018		31 December 2017	
	Amount	In %	Amount	In %
Czech Republic	313.1	52%	278.6	54%
Germany	94.4	15%	81.3	16%
Hungary	64.3	11%	60.8	12%
Poland	29.9	5%	21.2	4%
Croatia	28.9	5%	27.8	5%
Other	73.1	12%	45,7	9%
Total revenues generated by the Group	603.7	100%	515.4	100%

4.3 Non-current assets by operating segments and countries

The following table presents investment property by operating segments and countries:

	31 December 2018		31 December 2017	
	Amount	In %	Amount	In %
By operating segments				
Czech Republic	3,453.3	52%	3,224.8	56%
- Office portfolio	*751.9*	*22%*	*796.7*	*25%*
- Retail portfolio	*1,587.1*	*45%*	*1,406.6*	*44%*
- Residential portfolio	*447.1*	*13%*	*411.6*	*13%*
- Land bank and development	*523.7*	*16%*	*480.2*	*15%*
- Other	*143.5*	*4%*	*129.7*	*4%*
Berlin	2,049.8	31%	1,627.6	28%
- Office portfolio	*2,013.9*	*98%*	*1,618.7*	*99%*
- Land bank	*31.5*	*2%*	-	-
- Other	*4.4*	-	*8.9*	*1%*
Complementary assets in Europe	1,184.0	17%	955.5	16%
- Office portfolio	*417.0*	*35%*	*289.9*	*29%*
- Retail portfolio	*513.8*	*43%*	*466.2*	*49%*
- Land bank and development	*50.7*	*4%*	*36.7*	*4%*
- Residential portfolio	*196.8*	*17%*	*99.7*	*10%*
- Other	*5.7*	*1%*	*63.0*	*7%*
Total	6,687.1	100%	5,807.9	100%
By countries				
Czech Republic	3,453.3	52%	3,224.7	56%
Germany	2,049.8	31%	1,627.6	28%
Hungary	548.5	8%	498.6	9%
Poland	312.2	5%	202.4	3%
Other	323.3	4%	254.6	4%
Total	6,687.1	100%	5,807.9	100%

The following table presents property, plant and equipment by operating segments and countries:

	31 December 2018		31 December 2017	
	Amount	In %	Amount	In %
By operating segments				
Hotels and resorts	704.8	96%	690.2	96%
Czech Republic	22.8	3%	20.6	3%
Berlin	8.2	1%	10.4	1%
Complementary assets in Europe	0.4	-	2.5	-
Total	736.2	100%	723.7	100%
By countries				
Czech Republic	353.6	48%	350.4	48%
Croatia	178.0	24%	171.1	24%
Switzerland	74.4	10%	87.9	12%
Hungary	58.4	8%	52.5	7%
Other	71.8	10%	61.8	9%
Total	736.2	100%	723.7	100%

The following table presents goodwill by operating segments and countries:

	31 December 2018	31 December 2017
	Amount	Amount
Czech Republic	7.1	7.1
Berlin	42.6	42.6
Hotels and resorts	45.9	55.1
Complementary assets in Europe	1.9	1.9
Total	97.5	106.7

5 Consolidated statement of comprehensive income

5.1 Gross rental income

	12 month period ended 31 December 2018	31 December 2017
Gross rental income	301.7	262.1
Total gross rental income	301.7	262.1

Increase in the gross rental income was driven by acquisitions in both 2018 and 2017. The most significant increase relates to the acquisition of the CBRE portfolio in March 2017 and acquisition of significant shopping centre in Hradec Králové, the Czech Republic in April 2018.

5.2 Net service charge and other income

	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Service revenue	5.2	10.8
Service charge income	93.1	84.1
Revenues from sales of utilities	12.9	7.7
Service charges and other income	111.2	102.6
Service charge expenses	(76.6)	(72.1)
Cost of utilities	(8.4)	(5.0)
Cost of service and other charges	(85.0)	(77.1)
Total net service charge and other income	26.2	25.5

* The Group, adopting IFRS 15, changed accounting policy for service charge income from net to gross revenue recognition. Comparative information as of 31 December 2017 was adjusted accordingly, refer to note 2.4 for more detail.

Revenues from sales of utilities relates primarily to the sale of water and electricity. An increase of sales in 2018 was driven by the acquisition of Czech heat distributor Tepelné hospodářství Litvínov in August 2017.

5.3 Property operating expenses

	12 month period ended 31 December 2018	31 December 2017
Building Maintenance	(28.5)	(29.0)
Personnel expenses (5.3.1)	(8.2)	(7.5)
Utility services	(4.4)	(4.5)
Real estate tax	(4.1)	(4.2)
Letting fee, other fees paid to real estate agents	(2.3)	(2.4)
Facility management	(2.1)	(2.8)
Other property related expenses	(6.4)	(5.5)
Total net property operating expenses	(56.0)	(55.9)

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

5.3.1 Personnel expenses

	12 month period ended 31 December 2018	31 December 2017
Personnel operating expenses		
Wages and salaries	(6.1)	(5.6)
Social and health security contributions	(1.9)	(1.7)
Other social expenses	(0.2)	(0.2)
Total personnel operating expenses	(8.2)	(7.5)
Personnel administrative expenses		
Wages and salaries	(18.6)	(14.5)
Social and health security contributions	(4.4)	(3.5)
Other social expenses	(0.5)	(0.4)
Total personnel administrative expenses (note 5.10)	(23.5)	(18.4)
Personnel expenses – hotel operations		
Wages and salaries	(24.1)	(21.6)
Social and health security contributions	(6.4)	(5.8)
Other social expenses	(0.5)	(0.4)
Total personnel expenses – hotel operations (note 5.5)	(31.0)	(27.8)
Personnel expenses – other business operations		
Wages and salaries	(12.8)	(12.9)
Social and health security contributions	(2.5)	(2.5)
Other social expenses	(0.4)	(0.4)
Total personnel expenses – other business operations (note 5.6)	(15.7)	(15.8)
Total personnel expenses	(78.4)	(69.5)

The Group has 3,891 employees as at 31 December 2018 (3,920 employees as at 31 December 2017).

5.4 Net development income

	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Development sales	30.3	3.7
Development operating expenses	(30.7)	(4.0)
Net development income	(0.4)	(0.3)

* Cost of goods sold related to Development sales and Other business were reclassified to Development operating expenses and Other business operating expenses (see note 2.4). Comparative information of EUR 1.6 million and EUR -3.5 million as at 31 December 2017 was adjusted accordingly.

Development income and development operating expenses in 2018 represent primarily sale of apartments in Nice from the residential project of Palais Maeterlinck (development sales of EUR 22.3 million and development operating expense of EUR 25 million) and sales of family houses from the ongoing development project in Prague, the Czech Republic (development sales of EUR 7.6 million and development operating expense of EUR 5.8 million).

5.5 Net hotel income

	12 month period ended 31 December 2018	31 December 2017
Hotel revenue	122.1	112.2
Personnel expenses (5.3.1)	(31.0)	(27.8)
Hotel other operating expenses	(51.1)	(45.1)
Net hotel income	40.0	39.3

5.6 Net other business income

	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Other business revenue	38.4	34.8
Personnel expenses (5.3.1)	(15.7)	(15.8)
Other business operating expenses (except for personnel expenses)	(14.7)	(17.9)
Net other business income	8.0	1.1

* Cost of goods sold related to Development sales and Other business were reclassified to Development operating expenses and Other business operating expenses (see note 2.4). Comparative information of EUR 1.6 million and EUR -3.5 million as at 31 December 2017 was adjusted accordingly.

Other business is represented by mountain resort and agriculture operations.

5.7 Net valuation gain

	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Fair value change, net of foreign exchange gain/(loss)	544.0	834.2
Net foreign exchange gain/(loss)	34.9	(63.4)
Net valuation gain	578.9	770.8

* The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties from the Other net financial result to the Net valuation gain. Comparative information as of 31 December 2017 was adjusted accordingly, refer to note 2.4 for more detail.

Valuation gains and losses per operating segments

	Czech Republic	Berlin	Complementary assets in Europe	Total
12 months period ended 31 December 2018				
Valuation gain	151.3	395.7	112.7	659.7
Valuation loss	(61.8)	(8.8)	(10.2)	(80.8)
Net valuation gain	89.5	386.9	102.5	578.9
12 months period ended 31 December 2017 Adjusted*				
Valuation gain	399.3	405.4	76.1	880.8
Valuation loss	(85.9)	(0.6)	(23.5)	(110.0)
Net valuation gain	313.4	404.8	52.6	770.8

* The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties in the amount of EUR 63.4 million from the Other net financial result to the Net valuation gain. Comparative information as of 31 December 2017 was adjusted accordingly, refer to note 2.4 for more detail.

Czech Republic

The main significant valuation gain in 2018 was related to residential portfolio of CPI Byty (EUR 41 million). Valuation gain of EUR 8.4 million related to revaluation of CBRE GI retail and office portfolio.

The most significant valuation gains in 2017 were related to revaluation of two land bank projects located in Prague (EUR 105.2 million), residential portfolio of CPI Byty (EUR 103.5 million) and CBRE GI retail and office portfolio (EUR 66.1 million).

In 2018, the valuation loss relates primarily to the revaluation of three shopping centres in the Czech Republic (EUR 24.4 million) and revaluation of reconstruction project of the retail building in Prague, the Czech Republic (EUR 12 million). In 2017, there was a significant foreign exchange loss impact of EUR 59.5 million affecting the revaluation amount.

Berlin

Berlin's valuation gain relates to Berlin's office portfolio and reflects continuously improving real estate market in Berlin.

Complementary assets in Europe

The most significant valuation gains in 2018 were related to revaluation of London's apartments (EUR 24.2 million) and revaluation of CBRE GI retail and office portfolio located in Hungary, Poland and Romania (EUR 19.9).

The most significant valuation gains in 2017 were related to revaluation of CBRE GI retail and office portfolio located in Hungary, Poland and Romania (EUR 35.7 million).

For the assumptions used by the professional valuers in the preparation of appraisals as at 31 December 2018, refer to note 7.5.3.

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

The following table summarizes effects of investment property disposals:

	12 month period ended 31 December 2018	31 December 2017
Proceeds from disposal of investment property	9.5	7.0
Carrying value of investment property disposed of and related cost	(7.5)	(4.7)
Total gain on the disposal of investment property	2.0	2.3

In 2018, the Group sold primarily selected Czech portfolio by subsidiary CPI Reality, a.s. (carrying value of EUR 4.1 million) and retail park in Český Těšín, the Czech Republic (carrying value of EUR 1.4 million). In 2017, the Group sold primarily petrol station in Český Těšín, the Czech Republic (carrying value of EUR 2.1 million).

The following table summarizes disposal effects of subsidiaries sold:

	12 month period ended 31 December 2018	31 December 2017
Investment property	21.7	17.4
Property, plant and equipment	5.6	1.9
Loans provided	-	1.6
Total non-current assets	27.3	20.9
Current income tax receivables	0.1	-
Trade receivables	1.5	1.3
Cash and cash equivalents	18.8	0.9
Other financial current assets	-	7.1
Other non-financial current assets	0.5	0.1
Assets/disposal groups held for sale	63.0	115.9
Total current assets	83.9	125.3
Identifiable disposed assets	111.2	146.2
Financial debts	(38.3)	(22.4)
Deferred tax liabilities	(1.3)	(1.6)
Other non-current liabilities	-	(0.2)
Total non-current liabilities	(39.6)	(24.2)
Financial debts	(6.8)	(2.4)
Trade payables	(1.4)	(0.3)
Advance payments	(5.5)	(0.1)
Other financial current liabilities	(20.5)	-
Other non-financial current liabilities	-	(0.1)
Liabilities from assets/disposal groups held for sale	(13.6)	(58.6)
Total current liabilities	(47.8)	(61.5)
Identifiable disposed liabilities	(87.4)	(85.7)
Net ident. Assets of subsidiary sold	23.8	60.5
Shares disposed in %	100%	100%
Net assets attributable to the Group disposed of	23.8	60.5
Sales price	22.3	62.5
Net gain / (loss) on disposal of subsidiaries and investees	(1.5)	2.0

In 2018, new owners repaid loans which were provided by the Group to disposed subsidiaries of EUR 38.3 million.

Refer to note 3.4 for further details on the sale of subsidiaries in 2018.

5.9 Amortization, depreciation and impairment

	12 month period ended 31 December 2018	31 December 2017
Depreciation and amortization	(32.6)	(28.4)
Impairment of assets (5.9.1)	(31.8)	(55.2)
Amortization, depreciation and impairment	(64.4)	(83.6)

5.9.1 Impairment of assets / Reversal of impairment of assets

	12 month period ended 31 December 2018	31 December 2017
Impairment of property, plant and equipment	(19.7)	(36.2)
Impairment of goodwill	(13.2)	-
Reversal of impairment of other intangible assets	-	0.1
Impairment / reversal of impairment of inventories	1.5	(22.0)
Impairment / reversal of impairment of trade receivables and loans provided	(0.4)	2.9
Total impairment of assets	(31.8)	(55.2)

In 2018, the Group recognized significant impairment of EUR 15.8 million related to CMA mountain resorts in Switzerland and agriculture properties, see note 6.3. The remaining part of the impairment (EUR 3.9 million) relates to revaluation of selected hotels in 2018. In 2017, the Group recognized impairment on CMA mountain resorts and selected hotels in the amount of EUR 22.4 million and EUR 13.8 million, respectively.

In 2018, the Group impaired goodwill related to the acquisition of Hospitality group and CPI Hotels Italy in the amount of EUR 8.8 million (see note 6.1.) and EUR 4.4 million, respectively.

In 2017, the Group impaired apartments project in France in the amount of EUR 22.0 million, refer to note 6.7.

5.10 Administrative expenses

	12 month period ended 31 December 2018	31 December 2017
Personnel expenses (5.3.1)	(23.5)	(18.4)
Audit, tax and advisory services	(5.5)	(6.0)
Legal services	(4.8)	(6.0)
Advertising	(2.5)	(2.1)
IT expenses	(1.6)	(1.3)
Other administrative expenses	(11.3)	(7.9)
Total administrative expenses	(49.2)	(41.7)

In 2018, the audit, tax and advisory expenses also include the cost of services provided by the Group's auditor of EUR 2 million (EUR 2.1 million in 2017), of which:

- fees related to audit services of EUR 1.6 million (EUR 1.7 million in 2017);
- fees for other assurance and advisory services of EUR 0.4 million (EUR 0.4 million in 2017).

Fees paid to investment property valuers in 2018 were EUR 0.8 million (EUR 0.8 million in 2017) and are classified within other administrative expenses.

Total administrative expenses increase mainly due to personnel expenses, for more detail refer to note 5.3.1.

5.11 Other operating income

	12 month period ended 31 December 2018	31 December 2017
Gain on bargain purchase relating to acquisition (business combinations)	-	22.4
Other income	6.7	7.5
Total other operating income	6.7	29.9

Gain on bargain purchase in 2017 arised in connection with the extension of the Group's GSG portfolio (ARMO), refer to note 3.7.

5.12 Other operating expenses

	12 month period ended 31 December 2018	31 December 2017
Change in provisions	(0.8)	0.2
Cost of sales of PPE	-	(0.3)
Other	(5.7)	(4.0)
Total other operating expenses	(6.5)	(4.1)

5.13 Interest expense

	12 month period ended 31 December 2018	31 December 2017
Interest expense from bank and other loans	(33.9)	(55.9)
Interest expense on bonds issued	(43.8)	(41.2)
Interest expense related to finance leases	(0.5)	(0.5)
Interest expense on bills of exchange	(0.2)	(1.5)
Total interest income	(78.4)	(99.1)

In 2018, the interest expense from bank and other loans decreased due to repayment of major part of the bank loans and bills of exchange.

5.14 Other net financial result

	12 month period ended 31 December 2018	31 December 2017 Adjusted*
Change in fair value and realized result on derivative instruments not used for hedging	(2.4)	6.9
Other net financial result	(50.0)	(15.3)
Net foreign exchange loss	(16.8)	(9.6)
Bank charges	(2.8)	(5.5)
Total other net financial result	(72.0)	(23.5)

* The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties in the amount of EUR 63.4 million from Other net financial result to Net valuation gain. Comparative information as of 31 December 2017 was adjusted accordingly, refer to note 2.4 for more information.

In 2018, the other net financial result primarily relates to early repayment of bank loans and bonds issued (EUR 43 million).

5.15 Income tax expense

Tax recognized in profit or loss

	12 month period ended 31 December 2018	31 December 2017
Current year income tax expense	(14.1)	(14.4)
Adjustment for prior years	(1.0)	0.3
Total current year income tax expense	(15.1)	(14.1)
Deferred income tax expense		
Temporary differences	(54.2)	(179.0)
Changes in income tax rate	0.2	40.3
Recognition of tax losses	51.2	5.8
Other effects	-	0.1
Total	(2.8)	(132.8)
Income tax from continuing operations recognised in profit and loss	(17.9)	(146.9)
Total income tax recognised in profit or loss	(17.9)	(146.9)

In 2018, the Group's effective tax rate in respect of continuing operations was 2.75% (17.45% for 2017). The significant decrease in the effective income tax rate in 2018 was driven by trade tax exemption of significant part of rental income in Germany (EUR 86.8 million), and partial recognition of previously unrecognized tax losses by Orco Property Group (deferred tax impact of EUR 51.7 million).

Reconciliation of effective tax rate

	12 month period ended 31 December 2018	31 December 2017
Profit for the period	630.8	694.5
Total income tax recognised in profit or loss	17.9	146.9
Profit before income tax	648.7	841.4
Domestic corporate income tax rate	26.01%	27.08%
Income tax expense using the domestic corporate income tax rate	(168.7)	(227.8)
Effect of tax rates in foreign jurisdictions	10.3	22.1
Changes in income tax rates	0.2	40.3
Non-deductible expense	(17.3)	(19.6)
Tax exempt incomes	102.4	39.1
Change in unrecognized deferred tax asset	37.3	(9.9)
Income tax adjustment for prior years	(0.5)	0.3
Other	18.4	8.6
Tax expense	(17.9)	(146.9)

The main tax rules imposed on the Group companies

Luxembourg: The effective tax rate is 26.01% considering the combined corporate income tax rate (corporate income tax rate for companies with taxable income exceeding EUR 30,000 is 18%), solidarity surtax of 7% on the corporate income tax rate and municipal business tax rate of 6,75%. Tax losses incurred until 2017 may be carried forward indefinitely, losses incurred as from 2017 should be limited to 17 years.

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

Germany: Business profits are basically subject to two taxes, corporate income tax and trade tax. Corporate income tax and solidarity surcharge add up to a total of 15.825% rate. Trade tax rate varies by location. For Berlin, where the business of the Group is concentrated, it is 14.35%. Therefore, the nominal overall tax burden on profits earned in Berlin is basically 30.175%. However, the effective overall tax burden tends to be slightly higher because the trade tax base differs from the corporate income tax base insofar as several business expenses are not fully deductible for trade tax purposes. In contrast, companies who only manage and let their own properties and capital assets may apply for a trade tax exemption of their property profits which should be applicable on large parts of the Group´s profits from German assets. Tax losses may be carried forward indefinitely and may be fully utilized against profit up to EUR 1 million and only 60% on the exceeding profits. A direct or indirect change in the ownership of corporations of more than 50% within five years result in complete forfeiture of the tax losses carried forward unless specific exemption clauses are applicable (e. g. sufficient hidden reserves in the corporation, certain share transfers within groups, continuation of unchanged business).

Slovakia: The corporate income tax rate is 21%. Minimum tax has been cancelled from 1 January 2018. Tax losses may be carried forward and utilized equally over 4 years.

Hungary: The corporate income tax rate is 9%. Tax losses generated before 2015 may be carried forward until 2025, while tax losses generated from 2015 may be carried forward for 5 years. The utilization of tax losses in each year is capped at 50% of the profit before tax.

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 one year.

France: Corporate income tax rate is 28% on taxable income up to EUR 500,000, and 33.33% on taxable income exceeding EUR 500,000. Tax losses may be carried forward indefinitely but may be fully utilized against profit up to EUR 1 million and 50% on the excess.

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

Romania: The corporate income tax rate is 16%. Tax rate for micro-enterprise companies with revenues not exceeding EUR 500,000 is 1% (3% with companies with no employees). Tax losses may be carried forward for 7 years.

Italy: The corporate income tax ("IRES") rate is 24% plus the regional tax on productive activities ("IRAP") of 4.82% is applicable in Rome where the business of the Group is situated. For IRES purposes, tax losses may be carried forward indefinitely. However, tax losses may be offset only up to 80% of taxable income in each year (the "minimum tax" rule). Tax losses incurred during the first 3 years of new activity may be used to fully offset corporate taxable income. Utilization of the tax losses carried forward is limited upon business reorganizations and a change of control. For IRAP purposes, tax losses may not be carried forward.

Switzerland: Corporate income tax is imposed on the federal, cantonal and commune levels. Swiss federal corporate income tax rate is 8.5%. In canton Valais, where the business operations of the Group are situated, the both cantonal and commune tax rates are 3% for income up to CHF 150,000 and 9.5% for income above CHF 150,000. Since the taxes are deductible the overall effective tax rate ranges from 12.66% (income up to up to CHF 150,000) to 21.55%. Tax losses may be carried forward for 7 years.

Croatia: The corporate income tax rate is 18%. Tax rate for companies with annual revenues under HRK 3 million (approx. EUR 400,000) is 12%. Tax losses may be carried forward for 5 years, certain limitations apply in the case of change of control.

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

United Kingdom: The corporate income tax rate is 19% (proposed to be reduced to 17% from April 2020). Losses from property business can be carried forward without time limit. There are complex anti-avoidance rules that restrict the utilization of losses in case of a change in the ownership.

Russian Federation: The corporate income tax rate for the Moscow region is 20%. Losses can be carried forward without time limit, but utilization of losses cannot exceed a cap of 50% of the tax base of the current period.

Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2018	1 January 2018 Adjusted*	31 December 2018	1 January 2018	31 December 2018	1 January 2018 Adjusted*
Investment property	12.4	12.8	(712.5)	(664.6)	(700.1)	(651.8)
Property, plant and equipment	14.7	10.9	(54.8)	(54.2)	(40.1)	(43.3)
Inventories	0.1	2.1	(0.6)	(0.2)	(0.5)	1.9
Financial debts	1.9	2.5	(1.2)	(2.6)	0.7	(0.1)
Derivative instruments	0.5	0.7	(6.0)	(6.7)	(5.5)	(6.0)
Tax losses carried-forward**	180.9	134.9	-	-	180.9	134.9
Other	2.1	2.6	(4.0)	(4.0)	(1.9)	(1.4)
Gross deferred tax assets/(liabilities)	212.6	166.5	(779.1)	(732.3)	(566.5)	(565.8)
Deferred tax offset on subsidiaries level***	(17.4)	(22.3)	17.5	22.3	-	-
Net deferred tax assets/(liabilities)	195.2	144.2	(761.6)	(710.0)	(566.5)	(565.8)
Tax liabilities held for sale	3.5	-	(4.9)	(4.3)	(1.4)	(4.3)
Net deferred tax assets/(liabilities) including deferred tax liabilities linked to assets held for sale	198.7	144.2	(766.5)	(714.3)	(567.9)	(570.1)

* The balance as at 1 January 2018 includes the effect of IFRS 9 adoption (see note 2.1).
** The Group recognized the deferred tax asset from tax losses carried forward in total amount of EUR 175.3 million as at 31 December 2018 (EUR 123.6 million as at 31 December 2017) in connection with Orco Property Group (OPG). The recognition of the deferred tax asset is based on the future taxable profits that are expected to be generated. The expected profits reflect the Group's strategy in which OPG renders financial services to the Group. As these tax losses primarily relate to OPG, the major part can be carried forward undefinitely. The Group's perspective of tax losses utilization is based on a 10 years budget of OPG's taxable profits.
*** Deferred tax assets and liabilities are offset to reflect the net deferred tax position of individual subsidiaries.

Unrecognised deferred tax assets and liabilities

	31 December 2018	31 December 2017
Investment property*	(79.4)	(62.9)
Tax losses carried-forward**	204.1	291.9

* Deferred tax liability arising from differences at initial recognition of asset acquisitions are not recognized in accordance with IAS 12.
** Unrecognized deferred tax asset from tax losses carried-forward due to uncertainty of its realization.

The table below shows the expiry date of unused tax losses, for which the deferred tax asset was not recognized:

	Expiry date						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
At 31 December 2018	10.7	16.3	27.0	26.2	40.6	785.3	906.1
At 31 December 2017	12.3	17.4	19.3	14.8	31.9	1,105.2	1,200.9

Movement in deferred tax balances in 2018

	1 January 2018 Adjusted*	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Disposal of subsidiaries	Transfers	Translation differences	31 December 2018
Investment property	(651.8)	(56.1)	-	0.1	1.3	3.6	2.8	(700.1)
Property, plant and equipment	(43.3)	4.8	(3.0)	-	-	0.9	0.5	(40.1)
Inventories	1.9	(2.4)	-	-	-	-	-	(0.5)
Financial debts	(0.1)	0.1	-	-	-	0.7	-	0.7
Derivative instruments	(6.0)	(0.1)	0.9	(0.8)	-	(0.1)	0.6	(5.5)
Tax losses carried-forward	134.9	49.7	-	-	-	(3.5)	(0.2)	180.9
Other	(1.4)	0.2	-	-		(0.4)	(0.2)	(1.8)
Total without deferred tax linked to asset held for sale	(565.8)	(3.8)	(2.1)	(0.7)	1.3	1.2	3.5	(566.4)
Deferred tax liability linked to assets held for sale	(4.3)	0.9	-	-	3.2	(1.2)	-	(1.4)
Total	(570.1)	(2.9)	(2.1)	(0.7)	4.5	-	3.5	(567.8)

* The balance as at 1 January 2018 includes the effect of EUR 1.8 million related to adoption of IFRS 9, see note 2.1 for more details.

Movement in deferred tax balances in 2017

	1 January 2017	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Disposal of subsidiaries	Transfers	Translation differences	31 December 2017
Investment property	(458.0)	(161.4)	-	(26.4)	1.8	4.6	(12.4)	(651.8)
Property, plant and equipment	(39.6)	9.2	(9.7)	(0.9)	-	(0.1)	(2.1)	(43.3)
Inventories	(2.0)	3.9	-	-	-	-	-	1.9
Financial debts	2.4	(2.0)	-	-	-	-	(0.4)	(0.1)
Derivative instruments	2.0	(0.5)	(7.5)	-	-	-	-	(6.0)
Tax losses carried-forward	129.0	6.0	-	-	-	(0.2)	0.1	134.9
Other	(15.1)	12.0	-	0.1	-	-	(0.4)	(3.2)
Total without deferred tax linked to asset held for sale	(381.3)	(132.8)	(17.2)	(27.2)	1.8	4.3	(15.2)	(567.6)
Deferred tax liability linked to asset held for sale	-	-	-	-	-	(4.3)	-	(4.3)
Total	(381.3)	(132.8)	(17.2)	(27.2)	1.8	-	(15.2)	(571.9)

6 Consolidated statement of financial position

6.1 Intangible assets and goodwill

2018

	Goodwill	Software	Other	Total
Cost				
Balance at 1 January 2018	108.7	5.4	12.8	126.9
Effect of business combinations (note 3.3)	4.4	-	-	4.4
Additions	-	1.3	0.3	1.6
Transfer	-	0.4	(0.8)	(0.4)
Other disposals	-	-	(0.7)	(0.7)
Effect of movements in exchange rates	(0.4)	-	-	(0.4)
Balance at 31 December 2018	112.7	7.1	11.6	131.4
Amortization and impairment losses				
Balance at 1 January 2018	2.0	3.3	1.3	6.6
Amortization for the period (+)	-	1.2	0.5	1.7
Impairment loss / (reversal of impairment loss)	13.2	-	-	13.2
Disposals out of the Group	-	(0.5)	-	(0.5)
Transfer to investment property	-	0.1	-	0.1
Balance at 31 December 2018	15.2	4.1	1.8	21.1
Carrying amounts				
At 1 January 2018	106.7	2.1	11.5	120.3
At 31 December 2018	97.5	3.0	9.8	110.3

2017

	Goodwill	Software	Other	Total
Cost				
Balance at 1 January 2017	105.7	4.7	11.7	122.1
Additions	-	0.7	1.1	1.8
Other disposals	-	-	(0.1)	(0.1)
Effect of movements in exchange rates	3.0	-	0.1	3.1
Balance at 31 December 2017	108.7	5.4	12.8	126.9
Amortization and impairment losses				
Balance at 1 January 2017	2.0	2.1	0.8	4.9
Amortization for the period (+)	-	1.2	0.5	1.7
Balance at 31 December 2017	2.0	3.3	1.3	6.6
Carrying amounts				
At 1 January 2017	103.7	2.6	10.9	117.2
At 31 December 2017	106.7	2.1	11.5	120.3

The total amount of goodwill as at 31 December 2018 consists of:

- goodwill of EUR 42.6 million (EUR 42.6 million at 31 December 2017). The goodwill was recognized at the combination of CPI and CPI PG in 2014 and reflects pre-acquisition GSG's goodwill related to deferred tax liabilities. The amount is allocated to the Berlin operating segment;
- goodwill of EUR 7.1 million (EUR 7.1 million at 31 December 2017). The goodwill was recognized at acquisition of agricultural group Spojené farmy in 2014 and is allocated to the Czech Republic operating segment;
- goodwill of EUR 1.9 million (EUR 1.9 million at 31 December 2017). The goodwill was recognized at acquisition of former Ablon Group in 2013 and is allocated to the complementary assets in Europe operating segment;
- goodwill of EUR 45.9 million (EUR 46.3 million at December 2017). The goodwill was recognized at acquisition of CPI Hotels, the goodwill is allocated to the hotels and resorts in Europe operating segment.

In 2018, the Group wrote off the goodwill of EUR 8.8 million (see note 5.9), recognized at acquisition of Hospitality Group in 2014. The goodwill was allocated to hotels and resorts in Europe operating segment.

In 2018, upon acquisition of an operator of the hotel in Rome, the Group recognized a goodwill of EUR 4.4 million (refer to note 3.3). The amount was written off in 2018 (see, note 5.9).

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

Impairment of goodwill/trademark

The Group performed its annual impairment tests in December 2018. The recoverable amounts of CGUs as at 31 December 2018, were primarily determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the senior management for a five-year period.

Summary of impairment testing

The Group did not identify any impairment of GSG's goodwill and trademark as at 31 December 2018 as the CGU's recoverable amount is higher than its carrying value (calculated with the following assumptions):

- pre-tax discount rate of 4.63% and 4.90% as at 31 December 2018 and 2017;
- terminal value growth rate of 2.00% and 2.00% as at 31 December 2018 and 2017.

The Group did not identify any impairment of Spojené farmy's goodwill as at 31 December 2018 as the CGU's recoverable amount is higher than its carrying value (calculated with the following assumptions):

- pre-tax discount rate of 6.17% and 6.77% as at 31 December 2018 and 2017;
- terminal value growth rate of 2.00% and 2.00% as at 31 December 2018 and 2017.

The Group did not identify any impairment of CPI hotel's goodwill as at 31 December 2018 as the CGU's recoverable amount is higher than its carrying value. The recoverable amount was based on the fair value less cost of disposal. The fair values of individual hotels were assessed based on the reports by external valuers. The external valuations were determined using discounted cash flow projections based on the following significant unobservable inputs:

- pre-tax discount rate of 11.67% and 12.02% as at 31 December 2018 and 2017;
- terminal value growth rate of 2.00% and 2.00% as at 31 December 2018 and 2017.

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 (one year) 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 for 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 consists of cost of debt and cost of 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 Groups interest-bearing borrowings. 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

GSG's goodwill

The estimated recoverable amount exceeded its carrying amount by approximately EUR 25.4 million (2017: EUR 293 million). Based on the impairment test performed in both 2018 and 2017, the management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	Change required for carrying amount to equal recoverable amount	
In percent	31 December 2018	31 December 2017
Pre-tax discount rate	0.04	0.66
Terminal value growth rate	(0.04)	(0.74)
Budgeted EBITDA decrease	(1.45)	(18.50)

Spojené farmy's goodwill

The estimated recoverable amount exceeded its carrying amount by approximately EUR 17 million (2017: EUR 0.7 million). Management has identified that a reasonably possible change in three key assumptions in 2018 and 2017 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 2018	31 December 2017
Pre-tax discount rate	0.65	0.03
Terminal value growth rate	(0.77)	(0.04)
Budgeted EBITDA decrease	(13.63)	(12.67)

CPI Hotels related goodwill

The estimated recoverable amount exceeded its carrying amount by approximately CZK 360.4 million, app. EUR 14 million (2017: CZK 374 million, app. EUR 15 million). 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 2018	31 December 2017
Pre-tax discount rate	5.54	4.69
Terminal value growth rate	(4.82)	(4.17)
Budgeted EBITDA decrease	(25.62)	(27.08)

6.2 Investment property

	Note	Czech Republic	Berlin	Hotels & resorts in Europe	Complementary assets in Europe	Total Adjusted*
Balance at 1 January 2017		2,328.2	1,038.4	-	611.1	3,977.7
Investments/acquisitions		435.8	167.7	2.5	318.9	924.9
Transfers to/from PPE		0.8	-	(2.6)	(3.2)	(5.0)
Development costs		11.4	-	-	-	11.4
Additions		45.2	17.0	-	18.2	80.4
Disposals		(20.8)	(0.3)	-	(1.0)	(22.1)
Valuation gain/(loss)*	5.7	313.6	404.9	-	52.3	770.8
Transfers in/from assets held for sale	6.11	(55.4)	-	-	(44.3)	(99.7)
Translation differences		165.9	-	0.1	3.5	169.5
Balance at 31 December 2017		3,224.7	1,627.7	-	955.5	5,807.9
Investments/acquisitions		121.0	-	-	169.0	290.0
Transfers to/from PPE		(0.5)	-	-	(35.9)	(36.4)
Development costs		17.8	-	-	5.6	23.4
Additions		47.9	35.8	-	14.8	98.5
Disposals		(28.8)	(0.5)	-	(0.3)	(29.6)
Valuation gain/(loss)	5.7	93.6	386.9	-	100.4	580.9
Translation differences		(22.5)	-	-	(25.1)	(47.6)
Balance at 31 December 2018		3,453.2	2,049.9	-	1,184.0	6,687.1

* The Group reclassified effect of changing foreign exchange rates on the revaluation of the investment properties in the amount of EUR 63.4 million from Other net financial result to Net valuation gain. Comparative information as of 31 December 2017 was adjusted accordingly, refer to note 2.4 for more information.

Investments/Acquisitions

In 2018, the Group acquired investment property in total value of EUR 290.0 million. The most significant investment property acquisitions were (see note 3.2 and 3.3):

- significant shopping centre in Hradec Králové, the Czech Republic in the value of EUR 121.0 million;
- luxury apartments in north London in the value of EUR 66.9 million;
- office complex in Warsaw, Poland in total value of EUR 78.1 million; and
- retail parks in Poland in total value of EUR 24.0 million.

In 2017, the Group acquired investment property in total value of EUR 924.9 million. The most significant investment property acquisitions were (see note 3.6 and 3.7):

- CBRE GI high-quality retail portfolio with 11 shopping centers in Europe in total value of EUR 625.2 million;
- new German office portfolio in the value of EUR 167.7 million;
- three land bank projects in the Czech Republic in the value of EUR 53.8 million; and
- significant shopping centre in Brno, the Czech Republic in the value of EUR 59 million;

Additions

In 2018, the most significant additions to investment property related to the office portfolio in Germany (EUR 35.7 million) and refurbishment of shopping centres in Teplice, České Budějovice and Prague, the Czech Republic (in total of EUR 16.5 million).

In 2017, the most significant additions to investment property related to the office portfolio in Germany (EUR 15.9 million), refurbishment of shopping centres in České Budějovice, the Czech Republic (in total of EUR 11.5 million) and the refurbishment of retail part of Quadrio project in Prague (EUR 2.4 million). The Group also purchased new land plots, primarily in the Czech Republic (EUR 7.1 million).

Development costs

In 2018, the Group invested in reconstruction of the office complex Bubenská and development of the Mayhouse offices in Prague, the Czech Republic in the amount of EUR 5.6 million and EUR 6.2 million, respectively. Development costs of EUR 5.9 million relate to revitalization of an old factory in Brno.

Disposals

In 2018, the Group disposed primarily significant Czech retail portfolio in the amount of EUR 27.9 million.

In 2017, the Group disposed primarily land bank in Czech Republic (EUR 7.3 million) and Czech retail portfolio in Prostějov, the Czech Republic (EUR 9.7 million; see note 3.8).

Transfers from investment property to property, plant and equipment

In 2018, the Group acquired operator of the Holiday Inn hotel in Rome (see note 3.3). The hotel, previously classified as investment property, was after the acquisition of its operator, reclassified to property, plant and equipment (see note 6.3).

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

	31 December 2018	31 December 2017
Market value as estimated by the external valuer	6,668.1	5,771.3
Market value as estimated by the internal valuer	7.5	31.4
Market value based on letter of intent	6.5	-
Add: finance lease obligation recognised separately	5.0	5.2
Reported value in consolidated financial statements	6,687.1	5,807.9

Translation differences

Translation differences related to investment property arise primarily in connection with translation of amounts of subsidiaries with different functional currency than EUR.

Leased investment properties

Investment properties in total amount of EUR 31.9 million as at 31 December 2018 (2017: EUR 44.4 million) are held under long-term finance lease arrangements, which expire between 2022 and 2033.

For liabilities related to leased investment properties refer to note 6.14.

Pledged investment properties

For information related to pledged investment properties refer to note 6.14.

6.3 Property, plant and equipment

a) Hotels

In accordance with IAS 16, the Group uses revaluation model for the measurement of the property, plant and equipment under the Hotels and Resorts operating segment (i.e. for hotels and resorts owned and operated by the Group).

2018

	Hotels
Fair value	
Balance at 1 January 2018	639.9
Additions	11.8
Other disposals	(6.2)
Transfer from/ to investment property	37.4
Transfer to assets held for sale	(23.5)
Effect of movements in exchange rates	3.4
Valuation Gain/Loss through other comprehensive income	22.7
Balance at 31 December 2018	685.5
Accumulated depreciation and impairment losses	
Balance at 1 January 2018	41.0
Depreciation for the period	18.7
Impairment loss	4.8
Other disposals	(2.1)
Transfer to assets held for sale	(2.9)
Balance at 31 December 2018	59.5
Carrying amounts	
At 31 December 2017	598.9
At 31 December 2018	626.0

2017

	Hotels
Fair value	
Balance at 1 January 2017	550.1
Acquisitions	5.3
Additions	5.1
Other disposals	(1.8)
Transfer from investment property	2.6
Other transfers	1.1
Effect of movements in exchange rates	19.6
Valuation Gain/Loss through other comprehensive income	57.9
Balance at 31 December 2017	639.9
Accumulated depreciation and impairment losses	
Balance at 1 January 2017	12.6
Depreciation for the period	15.8
Impairment loss	13.8
Other disposals	(1.5)
Effect of movements in exchange rates	0.3
Balance at 31 December 2017	41.0
Carrying amounts	
At 31 December 2016	537.5
At 31 December 2017	598.9

Transfers from investment property

In 2018, the transfer from investment property relates to Holiday Inn Hotel in Rome, Italy (see note 6.2).

In 2017, the transfer to investment property relates to Hotel Vladimír in Ústí nad Labem, the Czech Republic (see note 6.2).

Transfer to assets held for sale

In 2018, the transfer to assets held for sale relates to Hotel Pokrovka in Moscow, Russia (see note 6.11).

Valuation gain through OCI

The fair value of Hotels was determined using the discounted cash flow 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 hotel. As at the date of revaluation on 31 December 2018 and 31 December 2017 respectively, the fair values of Hotels are based on valuations performed by independent valuer. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3.

If Hotels were measured using the cost model, the carrying amounts would be EUR 515.3 million as at 31 December 2018 (EUR 510.9 million as at 31 December 2017).

Impairment losses

Impairment loss in the amount of EUR 4.8 million (EUR 13.8 million for 2017) relates to the revaluation of Hotels as at 31 December 2018.

b) Other property, plant and equipment

	Owner occupied buildings	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
Cost						
Balance at 1 January 2018	82.7	88.6	1.4	2.7	5.9	181.3
Additions	4.6	4.3	(0.1)	3.2	-	12.0
Other disposals	-	(1.2)	-	(2.4)	(0.2)	(3.8)
Transfer from/to investment property	0.4	-	-	1.4	(3.6)	(1.8)
Effect of movements in exchange rates	3.6	1.1	0.1	(0.1)	-	4.7
Balance at 31 December 2018	91.3	92.8	1.4	4.8	2.1	192.4
Accumulated depreciation and impairment losses						
Balance at 1 January 2018	21.4	32.4	0.9	0.4	1.4	56.5
Depreciation for the period	2.2	9.8	-	-	-	12.0
Impairment loss/ (reversal of impairment loss)	4.6	11.2	-	-	-	15.8
Other disposals	-	(1.0)	-	-	-	(1.0)
Transfer from/to investment property	-	-	-	-	(1.1)	(1.1)
Balance at 31 December 2018	28.2	52.4	0.9	0.4	0.3	82.2
Carrying amounts						
At 31 December 2017	61.3	56.2	0.5	2.3	4.5	124.8
At 31 December 2018	63.1	40.4	0.5	4.4	1.8	110.2

	Owner occupied buildings	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
Cost						
Balance at 1 January 2017	81.3	82.3	1.4	0.6	2.4	168.0
Acquisitions through business combinations	-	8.0	-	-	-	8.0
Additions	5.6	7.0	-	3.6	0.3	16.5
Other disposals	-	(4.3)	-	-	-	(4.3)
Transfer from/to investment property	-	-	-	-	3.2	3.2
Other transfers	-	0.3	-	(1.4)	-	(1.1)
Effect of movements in exchange rates	(4.2)	(4.7)	-	(0.1)	-	(9.0)
Balance at 31 December 2017	82.7	88.6	1.4	2.7	5.9	181.3
Accumulated depreciation and impairment losses						
Balance at 1 January 2017	14.2	10.8	0.9	0.4	0.3	26.6
Depreciation for the period	1.8	7.3	-	-	1.1	10.2
Impairment loss/ (reversal of impairment loss)	5.4	17.5	-	-	-	22.9
Other disposals	-	(1.7)	-	-	-	(1.7)
Effect of movements in exchange rates	-	(1.5)	-	-	-	(1.5)
Balance at 31 December 2017	21.4	32.4	0.9	0.4	1.4	56.5
Carrying amounts						
At 31 December 2016	67.1	71.5	0.5	0.2	2.1	141.4
At 31 December 2017	61.3	56.2	0.5	2.3	4.5	124.8

Other property, plant and equipment (except for hotels), is valued using the cost model. The major part of PPE represents portfolio of CMA mountin resorts acquired in 2015 with value of EUR 74.4 million as at 31 December 2018 (EUR 87.9 million as at 31 December 2017).

Acquisitions

In 2017, as a result of the acquisition of heat distributor Tepelné hospodářství Litvínov, the Group acquired property in the amount of EUR 8 million.

Additions

In 2018, the most significant additions to PPE relate to CMA mountain resorts (EUR 5.9 million) and Croatian hotel complex Suncani Hvar (EUR 1.6 million).

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

Impairment on Other property, plant and equipment

Of total amount of EUR 110.2 million (EUR 124.8 million as at 31 December 2017) of Other property plant and equipment, the Group obtained the valuation appraisals from the independent valuers in total value of EUR 82.8 million as at 31 December 2018 (EUR 95.7 million as at 31 December 2017). The valuation reports relate to CMA mountain resorts and agriculture properties. The Group recognized impairment of EUR 15.8 million in 2018 (EUR 22.9 million in 2017) based on these valuation reports. For the remaining part of the Other property, plant and equipment, there were no valuation appraisals prepared, however, the management has no indication impairment as at 31 December 2018.

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

For information about the carrying amount of property, plant and equipment pledged as collateral for liabilities, refer to note 6.14.

6.4 Biological assets

Cost	
Balance at 1 January 2017	6.2
Additions	1.2
Other disposals	(0.1)
Fair value adjustment (change in fair value)	(0.7)
Effect of movements in exchange rates	(0.4)
At 31 December 2017	6.2
Additions	0.5
Other disposals	(0.2)
Fair value adjustment (change in fair value)	(1.1)
At 31 December 2018	5.4

	31 December 2018	31 December 2017
Biological assets	5.4	6.2
Non-current	1.7	2.1
Current	3.7	4.1

Net realisable value of biological assets as at 31 December 2018 and 2017 is based on internal valuations performed by the Group (see note 2.3).

6.5 Equity accounted investees

The equity accounted investment in the amount of EUR 3.8 million (EUR 4.6 million as at 31 December 2017) represents investment in Uniborc S.A. Uniborc S.A. is a joint venture constituted in 2013 with Unibail Rodamco with aim to develop a shopping center in the Bubny area in Prague, the Czech Republic. The Group's shareholding is 34%.

	2018	2017
At 1 January	4.6	(2.2)
Share of profit/(loss)	(0.7)	6.2
Purchase of additional 15% stake	-	0.6
At 31 December	3.9	4.6

Condensed statement of financial position of Uniborc S.A.

	31 December 2018	31 December 2017
Non-current assets	50.6	50.3
Current assets	0.1	0.3
Cash and cash equivalents	0.1	-
Other current assets	-	0.3
Total assets	50.7	50.6
Non-current liabilities	39.3	7.7
Financial liabilities	31.6	-
Deferred tax liabilities	7.7	7.7
Current liabilities	0.3	29.9
Financial liabilities (excl. trade payables)	-	29.8
Other current liabilities	0.3	0.1
Total liabilities	39.6	37.6
Net liabilities	11.1	13.0

Condensed statement of comprehensive income of Uniborc S.A.

	12 month period ended 31 December 2018	31 December 2017
Operating result	(0.1)	-
Interest expenses	(1.9)	(1.6)
Loss before taxes	(1.9)	(1.7)
Income taxes	-	(0.1)
Loss after income tax	(1.9)	(1.7)

6.6 Loans provided

6.6.1 Non-current

	31 December 2018 Balance	Average interest rate	1 January 2018 Balance Adjusted*	Average interest rate
Loans provided - related parties and joint ventures	65.9	5.34%	63.0	9.66%
Loans provided - third parties	4.1	5.97%	4.8	5.99%
Bills of exchange - third parties	-	-	3.8	5.26%
Total non-current loans provided	70.0	-	71.6	-
Impairment to non-current loans provided to related parties*	(0.1)		(6.8)	
Total non-current loans provided net of impairment Adjusted*	69.9	-	64.8	-

*The balance at 1 January 2018 includes the effect of IFRS 9 adoption, see note 2.1 for more details. As at 31 December 2018, the Group reassessed the impairment considering lower risk premium required.

The maturity of non-current loans provided was as follows:

31 December 2018	1-2 years	2-5 years	>5years	Total
Loans provided to related parties and joint ventures	7.2	58.7	-	65.9
Loans provided - third parties	4.1	-	-	4.1
Total the maturity of non-current loans provided	11.3	58.7	-	70.0
31 December 2017	1-2 years	2-5 years	>5years	Total
Loans provided to related parties and joint ventures	0.1	62.9	-	63.0
Loans provided - third parties	-	4.3	0.5	4.8
Bill of exchange	3.8	-	-	3.8
Total the maturity of non-current loans provided	3.9	67.2	0.5	71.6

6.6.2 Current

	31 December 2018 Balance	Average interest rate	31 December 2017 Balance	Average interest rate
Loans provided - related parties and joint ventures	59.5	5.00%	68.8	9.47%
Loans provided - third parties	0.5	5.02%	0.1	4.00%
Bills of exchange - third parties	3.8	5.26%	3.2	4.11%
Total current loans provided	63.8		72.1	
Total current loans provided net of impairment	63.8		72.1	

The Group provides loans to related parties from the Luxembourg (refer to note 10).

6.7 Inventories

	31 December 2018	31 December 2017
Projects and property for resale	56.7	80.0
Impairment of projects and property for resale	(24.3)	(24.4)
Projects under development	34.3	22.9
Other inventories	4.8	3.3
Total inventories	71.5	81.8

Projects and property for resale consists primarily of apartments project in France in net amount of EUR 26.1 million (2017: EUR 49.3 million). In 2018, based on the appraisal of this project prepared by the external valuer, the Group recognized reversal of impairment in the amount of EUR 0.1 million (EUR 22 million in 2017; see note 5.9). The decrease of the value of the projects and property for resale relates to the sale of apartments within apartments project in France in 2018 (see note 5.4).

Increase in the amount of projects under the development in 2018 relates primarily to development of the residential projects in the Czech Republic (EUR 6.7 million) and development project in Italy (EUR 3.6 million).

6.8 Current trade receivables

	31 December 2018	31 December 2017
Trade receivables due from related parties	0.8	0.5
Trade receivables due from third parties	83.3	90.5
Impairment to trade receivables due from third parties	(15.7)	(14.5)
Total current trade and other receivables	68.4	76.5

Trade receivables as at 31 December 2018 and 2017 represent primarily trade receivables against tenants and receivables from sales of utilities.

The movement of the impairment of trade receivables:

	12 month period ended 31 December 2018	31 December 2017
Impairment of trade receivables – creation	(5.7)	(1.8)
Impairment of trade receivables – release	4.5	3.6
Impairment of trade receivables - written off	(4.4)	(1.9)
Total impact to profit/loss	(5.6)	(0.1)

6.9 Cash and cash equivalents

	31 December 2018	31 December 2017
Bank balances	98.3	237.8
Cash on hand	0.9	1.1
Total cash and cash equivalents	99.2	238.9

Total restricted cash in bank amounts to EUR 24.8 million in 2018 (EUR 61.6 million in 2017). Use of these accounts is subject to the respective bank approval. These accounts are held for special purposes under the loan agreements.

6.10 Other non-financial current assets

	31 December 2018	31 December 2017
Other advances paid to third parties	7.4	6.8
Value added tax receivables	6.2	5.9
Other tax receivables (excl. CIT and VAT)	2.0	0.2
Agricultural subsidies	5.4	5.7
Prepaid expenses	19.9	21.1
Total other non-financial current assets	40.9	39.7

Agricultural subsidies are obtained by the Group's agriculture business in the Czech Republic.

6.11 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 2018 and 2017 to assets held for sale and related liabilities:

	31 December 2018	31 December 2017
Non-current assets		
Investment property	44.8	107.7
Property, plant and equipment	20.6	-
Current assets		
Current income tax receivables	-	0.1
Trade receivables	0.8	1.6
Cash and cash equivalents	0.4	2.8
Other non-financial current assets	0.1	0.4
Assets held for sale	66.7	112.6
Non-current liabilities		
Financial debts	-	(9.2)
Deferred tax liabilities	(1.4)	(4.3)
Other non-current liabilities	-	(0.1)
Current liabilities		
Financial debts	-	(0.6)
Trade payables	(0.3)	(0.5)
Advance payments	(0.2)	(0.5)
Other financial current liabilities	(0.4)	(0.5)
Other non-financial current liabilities	(0.3)	(0.2)
Liabilities linked to assets held for sale	(2.6)	(15.9)

2018

The following projects are classified as assets held for sale as at 31 December 2018:

- One retail project in Romania with total fair value of EUR 31.1 million;
- Mamaison Hotel in Russia with total value of EUR 20.6 million;
- Land bank projects in Romania and Poland with total fair value of EUR 13.7 million.

The remaining balances of assets held for sale (EUR 1.3 million) and liabilities from assets held (EUR 2.6 million) as at 31 December 2018 represent other non-core assets and liabilities related to these projects.

The following projects were classified as assets held for sale as at 31 December 2017 and were sold in 2018 (see note 3.4):

- An office park in Budapest, Hungary which was sold in January 2018;
- Retail park Český Těšín, Czech Republic which was sold in May 2018;
- An office building in Prague, the Czech Republic which was sold in August 2018;
- Five less significant retail properties located in the northern Czech Republic were sold in June 2018.

2017

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

- Two retail projects in the Czech Republic and one in Romania with total fair value of EUR 67.6 million;
- Office project in the Czech Republic and one in Hungary with total fair value of EUR 28.3 million;
- Land bank projects in Romania and Poland with total fair value of EUR 11.8 million.

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

6.12 Equity

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

Share capital and share premium

As of 31 December 2018, the share capital of the Company amounts to EUR 901.4 million and is represented by 9,013,868,658 ordinary fully paid shares with a nominal value of EUR 0.10 each. Of the total amount, 252,302,248 (EUR 252.3 million) represents treasury shares held by the Group.

The following table presents information regarding the ownership of the Company's shares as at 31 December 2018:

Shareholder	Number of shares	Share held	Voting rights
Mr. Vítek and entities controlled by Mr. Vítek	8,257,984,722	91.61%	94.25%
Others	503,581,688	5.59%	5.75%
Treasury shares held by the Group	252,302,248	2.80%	0.00%
Total	9,013,868,658	100.00%	100.00%

The share premium as at 1 January 2018 comprised the amount received in excess of the nominal value of the shares issued by way of subsequent issue of ordinary shares.

	Number of shares	Share Capital	Share premium
Balance at 1 January 2017	7,795,617,846	770.2	1,060.7
Capital increase on 30 June 2017	515,000,000	51.5	-
Capital increase on 28 November 2017	1,000,000,000	100.0	-
Capital increase on 22 December 2017	178,104,764	17.8	-
Treasury shares held by the Group	-	(15.9)	-
Balance at 31 December 2017	9,488,722,610	923.6	1,060.7
Share buy-back - 12 March 2018 - treasury shares held by the Group	-	(72.4)	(72.4)
Capital increase on 10 April 2018	250,000,000	25.0	25.0
Cancellation of treasury shares on 14 May 2018	(724,853,952)	-	-
Balance at 31 December 2018	9,013,868,658	876.2	1,013.3

Authorized capital not issued:

The extraordinary general meeting of the shareholders of the Company held on 1 March 2018 (the "2018 EGM") resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of five billion euros (EUR 5,000,000,000) for a period of five (5) years from 1 March 2018, which would authorise the issuance of up to forty billion (40,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares of the Company.

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

As at 31 December 2018, the authorized share capital of the Company amounts to EUR 4,975,000,000, which would authorize the issuance of up to 39,750,000,000 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding.

Share buy-back programme

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

On the basis of the authorization by the 2018 EGM, the Board has decided on 1 March 2018, to proceed to a buy-back of certain shares of the Company under the buyback programme, the terms of which are set forth in the buy-back offer published by the Company on 2 March 2018. A total of 724,853,952 shares in the Company with a par value of EUR 0.10 each have been acquired for the proposed acquisition price of EUR 0.20 per share (representing in aggregate app. EUR 145 million). At the time of buy-back this represented a direct holding of 7.64% of the Company's share capital. The shares were bought-back from an entity affiliated with the majority shareholder. The bought-back shares were cancelled by the extraordinary general meeting of shareholders of the Company on 14 May 2018.

As at 31 December 2018, the Company is authorised to redeem/repurchase up to 275,146,048 own shares under the buy-back programme approved by the 2018 EGM. For further terms and conditions of buy-back please refer to the buy-back programme of the Company.

Hedging reserve

The Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate. Refer to note 6.15.

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and interest rates risk in selected subsidiaries. The hedging reserve includes effective portion of the fair value changes of hedging instruments designated as a cash flow hedge in accordance with accounting policy Financial Instruments, part (iv). Ineffective portion of cash flow hedges represents part of finance costs or income.

Other reserves

Other reserves consist of legal reserves, assets' revaluation reserves, translation reserve and hedging reserve. Distribution by the way of dividends of the other reserves is restricted.

The legal reserves are created in accordance with the Luxembourg commercial law. The Company must appropriate to the legal reserve a minimum of 5% of the annual profit until such reserve equals 10% of the subscribed capital.

Retained earnings

Retained earnings are created from accumulated profits and losses and these reserves may be subject to the distribution of dividends.

Perpetual notes

On 9 May 2018, the Company issued 5,500 undated 4.375% fixed rate resettable subordinated notes (perpetual notes) in total amount EUR 550 million. The perpetual notes have no fixed maturity date and are callable, on the Company's call option only, from 11 August 2023. The Company may, at its sole discretion, also elect to defer any payment of interest on the notes. As such, the notes contain features of both debt and equity. Based on the analysis of IAS 32, the Company concluded it holds unconditional rights to avoid delivering cash in respect of both, the principal and interest (until redemption option is called or payment of interest is declared, respectively). The perpetual notes therefore do not satisfy the financial liability definition and therefore are classified as equity instrument.

The issue price of the notes was 98.833% of the nominal amount equalling to EUR 543,582 thousand. Less the issue costs of EUR 5,712 thousand, the perpetual notes were initially recognized in the amount of EUR 537,870 thousand. In 2018, the Group recognized the interest of EUR 17.1 million and paid an interest to the bond holders of EUR 12.5 million. The closing balance of the perpetual notes as at 31 December 2018 is EUR 542.5 million.

The notes are listed on the regulated market of Euronext Dublin and are accepted for clearance through Euroclear and Clearstream, Luxembourg. Both Moody's Investors Service Limited and S&P Global Ratings rated the perpetual notes Ba2 and BB+, respectively.

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

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

On 8 December 2017 the CSSF published press releases in which it stated, inter alia, that it has decided not to approve the offer document in the Mandatory Takeover Offer as a consequence of the existence of an undisclosed concert action with respect to ORCO Property Group. On 15 March 2018 the CSSF published a press release informing that the decisions detailed in the above-mentioned CSSF press releases of 8 December 2017 have been challenged before the Luxembourg administrative courts.

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

Earnings per share

	31 December 2018	31 December 2017
At the beginning of the period	9,236,420,362	7,702,448,495
Shares issued	9,488,722,610	7,795,617,846
Treasury shares held by the Group	(252,302,248)	(93,169,351)
Weighted average movements	(403,453,467)	350,495,197
Issue of new shares	182,005,495	354,419,022
Shares cancellation	(460,003,470)	-
Treasury shares held by the Group	(125,455,492)	(3,923,825)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	8,832,966,895	8,052,943,692
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	8,832,966,895	8,052,943,692
Net (loss)/profit attributable to the Equity holders of the parent	607.2	694.1
Net (loss)/profit attributable to the Equity holders of the parent after assumed conversions/exercises	607.2	694.1
Total Basic earnings in EUR per share	0.07	0.09
Diluted earnings in EUR per share	0.07	0.09

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

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

6.13 Bonds issued

6.13.1 Non-current bonds issued

Czech Property Investment, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.10/21	-	-	2,000,000,000	78.3
Less: transaction costs	-	-	-	(0.4)
CPI 5.10/21	-	-	2,000,000,000	77.9
Proceeds from issued bonds - CPI II 4.65/22	-	-	1,000,000,000	39.1
Less: transaction costs	-	-	-	(0.8)
CPI II 4.65/22	-	-	1,000,000,000	38.3
Proceeds from issued bonds - CPI III 4.65/22	-	-	1,000,000,000	39.1
Less: transaction costs	-	-	-	(0.8)
CPI III 4.65/22	-	-	1,000,000,000	38.3
Proceeds from issued bonds - CPI IV 4.65/22	-	-	1,000,000,000	39.1
Less: transaction costs	-	-	-	(0.8)
CPI IV 4.65/22	-	-	1,000,000,000	38.3
Proceeds from issued bonds - CPI I 4.75/42	-	-	1,000,000,000	39.2
Less: transaction costs	-	-	-	(0.7)
CPI I 4.75/42	-	-	1,000,000,000	38.5
Proceeds from issued bonds - CPI V 4.85/42	-	-	1,000,000,000	39.2
Less: transaction costs	-	-	-	(0.7)
CPI V 4.85/42	-	-	1,000,000,000	38.5
Proceeds from issued bonds - CPI 4.75/19	-	-	150,000	58.7
Less: transaction costs	-	-	-	(1.0)
CPI 4.75/19	-	-	150,000	57.7
Subtotal - bonds issued by Czech Property Investments, a.s.	-	-	7,000,150,000	327.5

CPI Retail Portfolio I, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI Retail Portfolio I 5.00/19	-	-	112,500	44.0
Less: transaction costs	-	-	-	(0.4)
Subtotal bonds - CPI Retail Portfolio I, a.s.	-	-	112,500	43.6

CPI Finance Slovakia, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.00/2020	-	-	50,000	50.0
Less: transaction costs	-	-	-	(0.5)
Subtotal bonds - CPI Finance Slovakia, a.s.	-	-	50,000	49.5

CPI Finance Slovakia II, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.00/2022	-	-	100,000	100.0
Less: transaction costs	-	-	-	(2.1)
Subtotal bonds - CPI Finance Slovakia II, a.s.	-	-	100,000	97.9

CPI Property Group, S.A.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds (ISIN CH0441186472)	33,000	146.4	-	-
Proceeds from issued bonds (ISIN XS1894558102)	6,100	606.2	-	-
Proceeds from issued bonds (ISIN XS1917855337)	30	23.8	-	-
Proceeds from issued bonds (ISIN XS1917880012)	80	63.6	-	-
Proceeds from issued bonds (ISIN XS1693959931)	8,250	820.9	8,250	820.0
Less: transaction costs	-	(12.5)	-	(6.8)
Subtotal bonds - CPI Property Group S.A. (1)	47,460	1,648.4	8,250	813.2

Total non-current bonds		1,648.4		1,331.7

6.13.2 Current bonds issued

CPI BYTY, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 1.85/19 (CZ0003516551)	-	-	530,000	20.8
Proceeds from issued bonds - CPI BYTY 2.25/19 (CZ0003516569)	-	-	270,000	10.6
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003510695)	-	-	900,000	35.2
Proceeds from issued bonds - CPI BYTY 4.80/19 (CZ0003511412)	-	-	500,000	19.6
Proceeds from issued bonds - CPI BYTY 5.80/21 (CZ0003510703)	-	-	800,000	31.3
Less: transaction costs	-	-	-	(1.9)
Subtotal bonds - CPI BYTY, a.s.	-	-	3,000,000	115.6

CPI Finance Slovakia, a.s.	31 December 2018 No. of bonds issued	Value	31 December 2017 No. of bonds issued	Value
Proceeds from issued bonds - CPI 5.85/2018	-	-	30,000	30.0
Less: bonds owned by Group	-	-	(2,000)	(2.0)
Less: transaction costs	-	-	-	(0.1)
Subtotal bonds - CPI Finance Slovakia, a.s.	-	-	28,000	27.9

Accrued interest on bonds		6.7		14.0
Total current bonds		6.7		157.5
Total bonds		1,655.1		1,489.2

CPI PROPERTY GROUP S.A. bonds as at 31 December 2018

- ISIN XS1693959931: On 4 October 2017, the Company issued unsecured bonds of EUR 600 million. The bonds were issued under the Medium Term Notes (EMTN) program and bear a fixed interest at a rate of 2.125%. Interest is due annually on 4 October. The bonds were issued at 99.039% of their nominal amount and mature on 4 October 2024. The bonds are listed on the Euronext Dublin and are accepted for clearance through Euroclear and Clearstream, Luxembourg. On 6 December 2017, the Company issued an additional EUR 225 million bearing interest of 2.125 % p.a. due on 4 October 2024. These bonds were issued at 100.323 % of their nominal amount plus accrued interest since 4 October 2017.
- ISIN XS1894558102: On 17 October and 19 October 2018, the Company issued unsecured bonds of EUR 600 million and EUR 10 million, respectively. The bonds were issued under the EMTN programme, mature on 14 April 2022 and bear a fixed interest at a rate of 1.45%. The bonds are listed on the Euronext Dublin and are accepted for clearance through Euroclear and Clearstream, Luxembourg.
- ISIN CH0441186472: On 25 October 2018, the Company issued unsecured bonds of CHF 165 million. The bonds were issued under the EMTN programme, mature on 25 October 2023 and bear a fixed interest at a rate of 1.63% p.a. The bonds are listed on the SIX Swiss Exchange.
- ISIN XS1917855337 & XS1917880012: On 10 December 2018, the Company issued unsecured bonds on the Tokyo Pro-Bonds market, with total nominal value of JPY 11 billion (EUR 87.4 million). The bonds are split to two tranches: ISIN: XS1917880012 of JPY 8 billion (EUR 63.6 million) which bear a fixed interest at a rate of 1.414 % and mature on 10 December 2021 (subsequently hedged to a floating interest of at 6 months EURIBOR by the Group) and ISIN: XS1917855337 of JPY 3 billion (EUR 23.8 million) which bear a fixed interest at a rate of 1.995% and mature on 8 December 2028.

Repayments of bonds in 2018

- CPI Finance Slovakia, a.s.: On 16 April 2018, CPI 5.85/2018 bonds (ISIN SK4120010653) with total nominal value of EUR 30.0 million were repaid. On 26 November 2018, CPI 5.00/2020 bonds (SK4120011487) with total nominal of EUR 50 million were early repaid.
- CPI BYTY, a.s.: On 12 September 2018, all tranches (ISIN CZ0003516551, CZ0003516569, CZ0003510695, CZ0003511412, CZ0003510703) with total nominal of CZK 3,000 million (EUR 116.6 million) were repaid.
- CPI Retail Portfolio I, a.s.: On 26 October 2018, 5.00/2019 bonds (ISIN CZ0003511164) with total nominal value of CZK 1,125 million (EUR 43.7 million) were early repaid.
- Czech Property Investment, a.s.: On 21 November 2018, CPI 5.10/21 bonds (CZ0003501868), CPI I 4.75/42 bonds (CZ0003502932), CPI II 4.65/22 bonds (CZ0003502916), CPI III 4.65/22 bonds (CZ0003502924), CPI IV 4.65/22 bonds (CZ0003502957) and CPI V 4.85/22 bonds (CZ0003502940) in total nominal value of CZK 7,000 million (EUR 272.1 million) were early repaid. On 24 November 2018, CPI 4.75/19 bonds (CZ0003512782) with the total nominal value of CZK 1,500 million (EUR 58.3 million) was early repaid.
- CPI Finance Slovakia II, a.s.: On 26 November 2018, CPI 5.85/2018 bonds (ISIN SK4120012097) with total nominal value of EUR 100.0 million were early repaid.

The Group repaid the entire nominal values, accrued interest on bonds and one-off extraordinary fees for early repayment.

Covenants

Bonds issued by CPI PROPERTY GROUP S.A. are subject to covenants. The covenant ratios were met as at 31 December 2018.

Pledges

The Group has not pledged any asset in respect of the bonds as at 31 December 2018.

As at 31 December 2017, with respect of bonds (CPI Retail Portfolio I 5.00/2019), the Group had pledged the investment property with total value of EUR 482.5 million.

Structure of bond financing

As at 31 December 2018, the total value of unsecured bonds amounts to EUR 1,655.1 million (EUR 1,326.2 million as at 31 December 2017). Unsecured bonds are bonds that are not collateralized by any assets.

Bonds in the amount of EUR 0 million (EUR 163 million as at 31 December 2017) represent secured financing.

6.14 Financial debts

6.14.1 Non-current financial debts

	31 December 2018	31 December 2017
Loans from related parties	2.6	0.2
Loans from third parties	9.7	13.9
Bank loans	1,032.0	1,550.5
Finance lease liabilities	17.3	24.0
Bills of exchange	-	4.4
Total non-current financial debts	1,061.6	1,593.0

6.14.2 Current financial debts

	31 December 2018	31 December 2017
Loans from third parties	5.3	6.3
Bank loans	150.2	149.0
Finance lease liabilities	2.1	2.7
Bills of exchange	-	6.7
Total current financial debts	157.6	164.7

In February 2018, the Group agreed with UniCredit Bank a five-year financing of Quadrio centre in Prague, the Czech Republic amounting to EUR 114.8 million.

In October 2018, the Group announced the refinancing of IGY shopping centre in České Budějovice, the Czech Republic. The new secured loan of EUR 60 million was provided by Komerční banka for a term of five years.

In March 2018, the Group signed a EUR 150 million 2-year unsecured revolving credit facility with six different banks. In August 2018, the Group signed a new EUR 80 million 2-year unsecured revolving credit facility, which was structured to fully align with the facility signed in March 2018. The overall outstanding balance in respect of the revolving credit facilities was EUR 151.5 million as at 31 December 2018.

In December 2018, the Group signed a EUR 50 million 3-year senior unsecured term loan with HSBC and GBP 65 million senior unsecured loan provided by Barclay Bank PLC and Deutsche Bank Luxembourg S.A.

As at 31 December 2018, the total value of unsecured financial debts amounts to EUR 164.2 million (EUR 23.3 million as at 31 December 2017). As at 31 December 2018, financial debts in the amount of EUR 1,055.0 million (EUR 1,734.5 million as at 31 December 2017) represented secured financing.

Pledges

With respect of bank loans, the Group has pledged the following assets as collateral:

- Investment property with total value of EUR 2,673.5 million at 31 December 2018 (2017: EUR 3,364.3 million).
- Property, plant and equipment with total value of EUR 162.4 million at 31 December 2018 (2017: EUR 350 million).
- Trade receivables with total carrying amount of EUR 23.4 million at 31 December 2018 (2017: EUR 41.6 million).
- Bank accounts in total amount of EUR 24.2 million at 31 December 2018 (2017: EUR 89.7 million).
- Shares of subsidiaries: Agrome s.r.o., Angusland s.r.o., BC 30 Property Kft., BC 91 Real Estate Kft., Biochov s.r.o., Biopark s.r.o., Biopotraviny s.r.o., Carpenter Invest, a.s., Conradian, a.s., CPI Jihlava Shopping, a.s., CPI Palmovka Office, s.r.o., Českolipská farma s.r.o., Europeum Kft., Farma Poustevna, s.r.o., Farma Svitavka s.r.o., Gebauer Höfe Liegenschaften GmbH, GSG Asset GmbH & Co. Verwaltungs KG, GSG Berlin Invest GmbH, GSG Gewerbehöfe Berlin 1. GmbH & Co. KG, GSG Gewerbehöfe Berlin 2. GmbH & Co. KG, GSG Gewerbehöfe Berlin 3. GmbH & Co. KG, GSG Gewerbehöfe Berlin 4. GmbH & Co. KG, GSG Gewerbehöfe Berlin 5. GmbH & Co. KG, GSG Gewerbehöfe Berlin 6. GmbH & Co KG, GSG Solar Berlin GmbH, JAGRA spol. s r.o., Limagro s.r.o., Marissa Tau, a.s., Marissa West, a.s., Marissa Yellow, Nymburk Property Development, a.s., PV - Cvikov s.r.o., Statek Mikulášovice, s.r.o., Šenovská zemědělská, s.r.o., Třinec Property Development, a.s., Vigano, a.s., Zelená farma s.r.o., Zelená louka s.r.o., Zelená pastva s.r.o., ZEMSPOL s.r.o., Remontées Mécaniques Crans Montana Aminona (CMA) SA, CPI Národní, s.r.o., CB Property Development, a.s., IGY2 CB, a.s.

Covenants

Bank loans are subject to a number of covenants, none of these covenants were breached as at 31 December 2018.

Maturity analysis - loans from third parties

31 December 2018	<1 year	1-5 years	> 5years	Total
Loans from third parties	5.3	2.8	6.9	15.0
Bank loans	150.2	551.3	480.7	1,182.2
Total	155.5	554.1	487.6	1,197.2

31 December 2017	<1 year	1-5 years	> 5years	Total
Loans from third parties	6.3	6.2	7.7	20.2
Bank loans	149.0	1,029.1	521.4	1,699.5
Total	155.3	1,035.3	529.1	1,719.7

Finance lease liabilities

Finance lease liabilities relating to investment property are payable as follows:

31 December 2018	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	1.5	6.1	11.5	19.1
Interest	(0.2)	(0.9)	(0.7)	(1.8)
Net present value of future minimum lease payments	1.3	5.2	10.8	17.3
31 December 2017	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	2.2	8.8	15.5	27.5
Interest	(0.4)	(1.4)	(1.2)	(3.0)
Net present value of future minimum lease payments	1.8	7.4	15.3	24.5

Future minimum lease payments of the finance lease liabilities relating to property, plant and equipment are as follows:

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
31 December 2018	0.8	1.3	-	2.1
31 December 2017	0.8	1.3	-	2.1

No additional payments are contingent on changes in future price indices. No single leasing arrangement represents a material portion of the overall amount of the finance lease liabilities.

As at 31 December 2018, the future minimum sublease payments expected to be received under non-cancellable subleases was EUR 35.8 million (EUR 43.3 million as at 31 December 2017).

6.15 Derivative instruments

The fair value of the open derivative instruments is summarized in the following table:

	31 December 2018		31 December 2017	
Type of derivative	Assets	Liabilities	Assets	Liabilities
Interest rate swaps used for hedging	4.7	(3.7)	4.6	-
Cross currency swap contracts used for hedging	3.6	-	-	-
Foreign Exchange forwards	-	-	0.1	-
Other interest rate swaps	1.8	-	0.8	(3.2)
Total	10.1	(3.7)	5.5	(3.2)
Type of derivative				
Current	-	-	0.1	(0.6)
Non-current	10.1	(3.7)	5.4	(2.6)
Total	10.1	(3.7)	5.5	(3.2)

The Group uses interest rate swaps and cross currency swaps to manage its exposure to interest rate movements on its bank loans and bonds issued, respectively.

Interest rate swaps designated as hedging instruments

The Group has entered into the interest rate swap contracts with total nominal amount of EUR 125.7 million (2017: EUR 177.8 million) whereby it pays a fixed interest rate of -1.60% – -1.53% (2017: 0.12 % – 1.11 %) and receives a variable rate based on 3 months EURIBOR. The loans and interest rate swaps have the same critical terms. Hedge accounting has been applied and instruments are considered as highly effective.

Cross currency swaps designated as hedging instruments

Foreign exchange forward contract with nominal amount of EUR 84.1 million (2017: EUR 119 thousand) includes: FX forward EUR/CHF foreign exchange rate of 1.127 and FX forward EUR/JPY foreign exchange rate of 125.85. The bonds and cross currency swaps have the same critical terms. Hedge accounting has been applied and instruments are considered as highly effective.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

Other interest rate swap contracts

Contracts with nominal amounts of EUR 363.3 million (2017: EUR 417.5 million) have fixed interest payments at an average rate of 0.53 % (2017: 0.7 %) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate these derivatives as hedging instruments under the hedge accounting model and recognizes changes in the fair value of the derivatives in profit or loss.

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

As at 31 December 2018

	Financial debts and bonds issued				Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity					
	Loans and borrowings	Finance lease liabilities	Bills of exchange	Bonds issued	Derivative instruments - assets	Derivative instruments - liabilities	Share capital/ premium	Reserves	Retained earnings	Perpetual notes	NCI	Total
Balance at 1 January 2018	1,720.0	26.6	11.1	1,489.2	5.5	3.2	1,984.4	337.1	955.9	-	37.8	6,570.8
Changes from financing cash flows												
Proceeds from issue of share capital	-	-	-	-	-	-	50.0	-	-	-	-	50.0
Share buy-back	-	-	-	-	-	-	(144.8)	-	-	-	-	(144.8)
Proceeds from perpetual notes investors, net	-	-	-	-	-	-	-	-	-	537.9	-	537.9
Payment to perpetual notes investors	-	-	-	-	-	-	-	-	-	(12.5)	-	(12.5)
Proceeds from bonds issued	-	-	-	840.0	-	-	-	-	-	-	-	840.0
Repayment of bonds issued	-	-	-	(689.4)	-	-	-	-	-	-	-	(689.4)
Interest paid	(34.1)	(0.4)	(0.9)	(51.2)	-	-	-	-	-	-	-	(86.6)
Drawings of loans and borrowings	390.0	-	-	-	-	-	-	-	-	-	-	390.0
Repayments of loans and borrowings	(911.7)	-	(10.5)	-	-	-	-	-	-	-	-	(922.2)
Repayment of finance lease liabilities	-	(7.3)	-	-	-	-	-	-	-	-	-	(7.3)
Total changes from financing cash flows	(555.8)	(7.7)	(11.4)	99.4	-	-	(94.8)	-	-	525.4	-	(44.9)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(5.1)	-	-	-	-	0.2	-	-	-	-	-	(4.9)
The effect of changes in foreign exchange rates	0.7	-	-	(5.7)	7.0	0.3	-	-	-	-	-	2.3
Changes in fair value	-	-	-	-	(2.4)	-	-	-	-	-	-	(2.4)
Other changes												
Interest expense	33.9	0.5	0.2	43.8	-	-	-	-	-	-	-	78.4
Other net financial result	11.4	-	-	28.4	-	-	-	-	-	-	-	39.8
Offset with trade and other payables	(5.3)	-	-	-	-	-	-	-	-	-	-	(5.3)
Total liability-related other changes	40.0	0.5	0.2	72.2	-	-	-	-	-	-	-	112.9
Total equity-related other changes	-	-	-	-	-	-	-	(8.9)	602.0	17.1	6.4	616.6
Balance at 31 December 2018	1,199.8	19.4	-	1,655.1	10.1	3.7	1,889.6	328.2	1.557.9	542.5	44.2	7,250.4

As at 31 December 2017

	Financial debts and bonds issued				Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
	Loans and borrowings	Finance lease liabilities	Bills of exchange	Bonds issued	Derivative instruments - assets	Derivative instruments - liabilities	Share capital/ premium	Reserves	Retained earnings	NCI	Total
Balance at 1 January 2017	1,804.8	24.3	47.3	706.9	-	15.4	1,831.0	162.5	265.2	29.7	4,887.1
Changes from financing cash flows											
Proceeds from issue of share capital	-	-	-	-	-	-	153.4	-	-	-	153.4
Proceeds from bonds issued	-	-	-	906.9	-	-	-	-	-	-	906.9
Repayment of bonds issued	-	-	-	(156.0)	-	-	-	-	-	-	(156.0)
Interest paid	(56.2)	(0.5)	(4.9)	(35.0)	-	-	-	-	-	-	(96.6)
Drawings of loans and borrowings	784.3	-	4.9	-	-	-	-	-	-	-	789.1
Repayments of loans and borrowings	(1,279.1)	-	(37.9)	-	-	-	-	-	-	-	(1,317.0)
New finance lease liabilities	-	1.7	-	-	-	-	-	-	-	-	1.7
Repayment of finance lease liabilities	-	(0.8)	-	-	-	-	-	-	-	-	(0.8)
Total changes from financing cash flows	(551.0)	0.4	(38.0)	715.9	-	-	153.4	-	-	-	280.7
Changes arising from obtaining or losing control of subsidiaries or other businesses	391.6	-	-	-	-	1.2	-	-	-	7.6	400.4
The effect of changes in foreign exchange rates	30.4	1.5	0.3	25.3	(1.4)	(13.3)	-	-	-	-	42.7
Changes in fair value	-	-	-	-	6.9	-	-	-	-	-	6.9
Other changes											
Interest expense	55.9	0.5	1.5	41.2	-	-	-	-	-	-	99.1
Transfer to liabilities linked to AHFS	(9.8)	-	-	-	-	-	-	-	-	-	(9.8)
Transactions with NCI	(1.9)	-	-	-	-	-	-	-	1.9	-	-
Total liability-related other changes	44.1	0.5	1.5	41.2	-	-	-	-	1.9	-	89.2
Total equity-related other changes	-	-	-	-	-	-	-	174.6	688.8	0.4	863.8
Balance at 31 December 2017	1,720.0	26.6	11.1	1,489.2	5.5	3.2	1,984.4	337.1	955.9	37.8	6,570.8

6.16 Provisions

	2018	2017
Balance at 1 January	14.2	4.6
Acquired through business combinations	-	6.5
Provisions created in the period	1.5	3.9
Movement of the defined benefit pension plans	-	3.0
Provisions used in the period	(2.4)	(3.6)
Disposals and transfers	(4.6)	(0.1)
Effect of movements in the exchange rates	0.2	(0.1)
Balance at 31 December	8.9	14.2

Defined benefit pension plans

The Group operates a defined benefit plan in Switzerland. Important feature of the plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve in its balance sheet. Therefore, no contributions are expected to be paid by the Group to the plan for the next reporting period.

In Switzerland, all companies must offer an employer sponsored pension plan. The plan will provide a contribution-based cash balance retirement and risk benefits to employees to meet its obligations under Switzerland's mandatory company-provided 2nd pillar pension system. The pension fund is either autonomous or established with an independent collective foundation – in all case a legal entity separated from the Group.

The pension fund is governed by a board that is legally responsible for the operation of the pension fund and empowered to decide on such fundamental aspects as the level and structure of the benefits and the fund's investment strategy. One half of the board of each fund consists of employee representatives elected by the members while the remaining members are appointed by the employer. Companies within the Swiss regulatory environment have substantial freedom in setting their pension plan design (e.g. with regards to the salary covered, level of retirement benefits, or even overall fund design) provided the benefits are always at least equal to the minimum requirements as defined by the pension law.

All plans must provide a minimum level of retirement benefit expressed by a cash balance formula with age-related contribution rates (or "retirement credits") with a minimum insured salary defined by law, and a required interest-crediting rate which is set by the government (1.00% in 2018). It also includes a predetermined conversion rate on the portion of the minimum level of benefits of 6.8%. Because of these guarantees the Swiss pension plans are a hybrid plan and are considered under IAS19 as DB pension plans.

The changes in the defined benefit obligation were as follows:

1 January 2017	-
Interest cost	0.5
Remeasurement gains recognized in equity	2.5
31 December 2017	3.0
Interest cost	0.4
Remeasurement gain recognized in OCI	0.1
31 December 2018	3.5

The principal actuarial assumptions used were as follows:

	31 December 2018	31 December 2017
Discount rate and interest credit rate	0.75%	0.75%
Inflation	1.00%	1.00%
Future salary increases	1.25%	1.25%

The related sensitivity analysis on changes in actuarial's assumptions is not provided. Considering the value of the related provision, the impact is deemed to be immaterial.

6.17 Other financial non-current liabilities

Non-current trade and other payables	31 December 2018	31 December 2017 Adjusted*
Tenant deposits	28.7	21.3
Advances received	1.4	1.6
Payables from retentions	3.1	3.5
Trade and other payables due to third parties	7.1	7.4
Derivative instruments	3.7	2.6
Total other non-current liabilities	44.0	36.4

*The Group changed its accounting policy per which the derivative instruments are no longer presented separately from other financial current liabilities, see note 2.4 for more details. Comparative information of EUR 2.6 million was adjusted accordingly.

Deposits from tenants represent Group's payables from received rental related deposits. Their classification corresponds to terms in rental contracts with respect to the termination options of the tenants.

6.18 Trade payables

An increase of trade payables from EUR 74.8 million as at 31 December 2017 to EUR 97.5 million as at 31 December 2018 relates primarily to the ongoing development projects in total amount of EUR 11.0 million. Of the amount, the most significant payables related to revitalization of the old factory in Brno, the Czech Republic (EUR 4.3 million).

There are no significant overdue balances as at 31 December 2018 and 2017, respectively.

6.19 Other financial current liabilities

	31 December 2018	31 December 2017 Adjusted*
Advances received from third parties	35.5	41.2
Tenant deposits	18.0	19.5
Deferred income and accrued liabilities	11.9	10.0
Other payables due to related parties	1.2	1.1
Other payables due to third parties	15.6	15.6
Derivative instruments	-	0.6
Total other financial current liabilities	82.2	88.0

*The Group changed its accounting policy per which the advances received (comprising of advances received from third parties and tenant deposits) are no longer presented separately from other financial current liabilities, see note 2.4 for more details. Comparative information of EUR 60.7 million was adjusted accordingly.

Advances received from tenants as at 31 December 2018 and 2017 represent payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and the final respective invoicing is performed.

6.20 Operating leases where the Group acts as a lessor

	31 December 2018	31 December 2017
Less than one year	249.2	205.3
Between one and five years	756.6	709.4
More than five years	554.4	560.1
Total operating leases	1,560.2	1,474.8

6.21 Borrowings' maturity

The table below represents the carrying amount of the debts allocated by date of repayment. Most floating interest debt instruments have a fixing period of maximum 3 months. The Group's borrowings are denominated in EUR, CZK, CHF, PLN, GBP and JPY.

At 31 December 2018	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	6.7	810.2	838.2	1,655.1
Financial debts	157.6	563.2	498.4	1,219.2
Bank loans (incl. overdraft)	150.2	551.3	480.7	1,182.2
Bank loans fixed rate	6.0	85.9	320.1	412.0
Bank loans floating rate	144.2	465.4	160.6	770.2
Loans from related parties	-	2.6	-	2.6
Loans from third parties	5.3	2.8	6.9	15.0
Other borrowings	2.1	6.5	10.8	19.4
Total	164.3	1,373.4	1,336.6	2,874.3

At 31 December 2017	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	157.5	441.6	890.1	1,489.2
Financial debts	164.7	1,048.6	544.4	1,757.7
Bank loans (incl. overdraft)	149.0	1,029.1	521.4	1,699.5
Bank loans fixed rate	8.3	53.7	331.3	393.3
Bank loans floating rate	140.7	975.4	190.1	1,306.2
Loans from related parties	-	0.2	-	0.2
Loans from third parties	6.3	6.2	7.7	20.2
Other borrowings	9.4	13.1	15.3	37.8
Total	322.2	1,490.2	1,434.5	3,246.9

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 the risks 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 risks are performed through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Group a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Group's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Group's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Group maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The following tables present financial assets as of 31 December 2018 and 2017 reflecting their classification based on its ageing structure and impairment if applicable:

At 31 December 2018	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Loans provided	133.7	-	(0.1)	133.7
Derivatives	10.1	-	-	10.1
Trade and other receivables	63.4	9.5	(15.7)	72.9
- Trade receivables presented as other financial assets – non current	*4.5*	*-*	*-*	*4.5*
- Trade and other receivables – current	*58.9*	*9.5*	*(15.7)*	*68.4*
Other financial current assets	10.2	7.6	(0.9)	17.8
Cash and cash equivalents	99.2	-	-	99.2
Assets held for sale (excluding non-financial assets)	1.3	-	-	1.3
Total	317.9	17.1	(16.7)	335.0

At 31 December 2017	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Loans provided	143.5	0.2	-	143.7
Derivatives	5.5	-	-	5.5
Trade and other receivables	55.2	25.5	(14.5)	80.7
- Trade receivables presented as other financial assets – non current	*4.2*	*-*	*-*	*4.2*
- Trade and other receivables – current	*51.0*	*25.5*	*(14.5)*	*76.5*
Other financial current assets	11.8	3.8	(0.8)	15.6
Cash and cash equivalents	238.9	-	-	238.9
Assets held for sale (excluding non-financial assets)	4.8	-	-	4.8
Total	459.7	29.5	(15.3)	489.2

The ageing analysis of overdue trade and other receivables was as follows (net of impairment):

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables as at 31 December 2018	6.7	1.2	0.6	0.2	0.8	9.5
Trade and other receivables as at 31 December 2017	12.2	3.2	1.7	1.1	7.3	25.5

An analysis of the credit quality of trade and other receivables and other financial current assets that are neither past due nor impaired is as follows:

	31 December 2018	31 December 2017
Customers rated externally (i.e. by rating agency etc.)	-	-
Other customers	70.3	55.5
Five or more years trading history with the Group	42.1	26.4
Two to five years trading history with the Group	17.5	21.2
Less than two years trading history with the Group	10.7	7.9
Other receivables*	3.3	11.5
Total	73.6	67.0

* Other receivables in both 2018 and 2017 represent mainly receivables due from employees, tax authorities, state and those other receivables, in which case it was impracticable to classify them base on the length of trading history.

The Group does not expect any credit risk from its financial derivative contracts.

Cash and cash equivalents

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

	31 December 2018	31 December 2017
A1	19.3	6.1
A2	0.6	17.6
A3	14.2	39.0
Aa2	8.3	-
Aa3	0.1	0.1
Ba1	0.2	-
Ba2	5.4	-
Baa1	18.3	95.2
Baa2	1.9	0.9
Baa3	-	17.4
Not rated	30.9	62.6
Total cash and cash equivalents	99.2	238.9

7.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's funding sources.

The Group manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Group's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Group monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

Liquidity risk analysis

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

At 31 December 2018	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	Total
Bonds issued	1,655.1	-	25.2	30.0	882.5	853.6	1,791.3
Financial debts	1,219.2	115.9	58.2	49.4	573.5	509.0	1,306.0
- Loans from related parties	*2.6*	*0.1*	*0.1*	*0.1*	*2.8*	*-*	*3.1*
- Loans from third parties	*15.0*	*1.8*	*3.7*	*0.8*	*2.2*	*7.9*	*16.4*
- Bank loans	*1,182.2*	*113.0*	*53.0*	*46.4*	*562.9*	*488.9*	*1,264.2*
- Finance lease liabilities	*19.4*	*1.0*	*1.4*	*2.1*	*5.6*	*12.2*	*22.3*
Derivative instruments	3.7	-	-	-	3.7	-	3.7
Other non-current liabilities*	40.3	-	-	11.9	22.0	6.4	40.3
Other current liabilities*	203.1	152.6	50.5	-	-	-	203.1
Liabilities from assets held for sale	2.6	2.6	-	-	-	-	2.6
Total*	3,124.0	271.1	133.9	91.3	1,481.7	1,369.0	3,347.0

* Provisions are not included.

At 31 December 2017	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	Total
Bonds issued	1,489.2	9.4	185.6	142.1	439.4	996.5	1,773.0
Financial debts	1,757.8	38.8	155.1	125.3	1,025.3	570.0	1,914.5
- Loans from related parties	*0.3*	*-*	*-*	*-*	*0.3*	*-*	*0.3*
- Loans from third parties	*20.2*	*5.6*	*1.1*	*3.0*	*3.7*	*9.5*	*22.9*
- Bank loans	*1,699.5*	*28.0*	*149.1*	*114.6*	*1,013.6*	*542.5*	*1,847.8*
- Finance lease liabilities	*26.7*	*1.1*	*2.3*	*3.3*	*7.7*	*18.0*	*32.4*
- Bills of exchange	*11.1*	*4.1*	*2.6*	*4.4*	*-*	*-*	*11.1*
Derivative instruments	3.2	-	0.6	-	2.6	-	3.2
Other non-current liabilities*	33.8	-	-	7.0	17.2	9.6	33.8
Other current liabilities*	188.0	130.8	57.2	-	-	-	188.0
Liabilities from assets held for sale	15.9	15.9	-	-	-	-	15.9
Total*	3,487.9	194.9	398.5	274.4	1,484.5	1,576.1	3,928.4

* 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.

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

The Group hedges itself against the risk of changes in the EUR/CZK exchange rate by entering into loans denominated in EUR. The Group defines as the hedged items the future collections from leasing contracts up to the net present value of the loan.

The Group accounted for above transactions as a cash flow hedges with the application of hedge accounting. The hedge accounting is applicable for the whole accounting period ending 31 December 2018. 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

	31 December 2018	31 December 2017
within 1 year	3.1	99.5
1-2 years	3.2	19.7
2-5 years	163.3	59.2
5-10 years	44.2	112.3
more than 10 years	20.2	129.0
Total	234.0	419.7

Sensitivity analysis – exposure to currency risk

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk and 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 foreign currencies would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

31 December 2018	Original currency	MEUR	Change in MEUR (functional currency depreciated by 10%)	Change in MEUR (functional currency appreciated by 10%)
Cash and cash equivalents	EUR	21.0	2.1	(2.1)
	CZK	9.9	1.0	(1.0)
	HUF	0.4	-	-
	GBP	1.3	0.1	(0.1)
Trade and other receivables	EUR	11.3	1.1	(1.1)
	CZK	0.1	-	-
	USD	0.6	0.1	(0.1)
Loans provided	CZK	19.0	1.9	(1.9)
	PLN	1.2	0.1	(0.1)
	USD	3.8	0.3	(0.3)
	EUR	3.2	0.3	(0.3)
Debentures issued	EUR	0.1	-	-
Derivative instruments	EUR	1.6	0.2	(0.2)
	CHF	1.2	0.1	(0.1)
	JPY	2.3	0.2	(0.2)
Available for sale financial assets	EUR	30.1	3.0	(3.0)
Trade and other payables	EUR	(7.5)	(0.7)	0.7
	CZK	(0.2)	-	-
	USD	(1.4)	(0.1)	0.1
	GBP	(0.7)	(0.1)	0.1
Financial debts	EUR	(1,013.7)	(101.4)	101.4
	GBP	(68.2)	(6.8)	6.8
	CZK	(2.2)	(0.2)	0.2
	CHF	(0.8)	(0.1)	0.1
Bonds issued	JPY	(87.4)	(8.7)	8.7
	CHF	(146.9)	(14.7)	14.7
Liabilities linked to Asset held for sale	EUR	(0.2)	-	-
Net exposure to currency risk	CZK	26.6	2.7	(2.7)
Net exposure to currency risk	HUF	0.4	-	-
Net exposure to currency risk	PLN	1.2	0.1	(0.1)
Net exposure to currency risk	USD	3.0	0.3	(0.3)
Net exposure to currency risk	GBP	(67.6)	(6.8)	6.8
Net exposure to currency risk	CHF	(146.5)	(14.7)	14.7
Net exposure to currency risk	EUR	(954.1)	(95.4)	95.4
Net exposure to currency risk	JPY	(85.1)	(8.5)	8.5
Impact on profit/(loss)			(99.0)	99.0
Impact on equity			(23.3)	23.3

31 December 2018	Original currency	MEUR	Change in MEUR (functional currency depreciated by 10%)	Change in MEUR (functional currency appreciated by 10%)
Cash and cash equivalents	EUR	62.7	6.3	(6.3)
	CZK	1.7	0.2	(0.2)
	USD	0.3	-	-
	PLN	0.1	-	-
Trade and other receivables	EUR	10.6	1.0	(1.0)
	CZK	0.1	-	-
	PLN	0.6	0.1	(0.1)
Loans provided	EUR	8.2	0.8	(0.8)
	CZK	22.9	2.3	(2.3)
	PLN	0.9	0.1	(0.1)
	USD	3.8	0.4	(0.4)
Trade and other payables	EUR	(64.5)	(6.5)	6.5
Financial debts	EUR	(844.9)	(84.5)	84.5
Derivative instruments	EUR	(1.7)	(0.2)	0.2
Net exposure to currency risk	EUR	(829.6)	(83.0)	83.0
Net exposure to currency risk	CZK	24.7	2.5	(2.5)
Net exposure to currency risk	USD	4.1	0.4	(0.4)
Net exposure to currency risk	PLN	1.6	0.2	(0.2)
Impact on profit/(loss)			(45.3)	45.3
Impact on equity			(34.6)	34.6

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

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

The Group's objective of the interest rate hedge is to fix the variability in the interest outflows attributable to changes in the EURIBOR and PRIBOR rates. Hedge effectiveness is assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

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

As the loans provided are based on fixed rates, and no financial debt is measured at fair value through profit and loss the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These obligations primarily include bank loans, finance lease liabilities and bonds issued.

Bank loans have flexible interest rates based on EURIBOR or PRIBOR rates for the reference period from 1 to 6 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to interest risk exceed predefined level so the Group entered into several transactions with the financial institutions to hedge the interest rate risk (refer to note 6.15). Bonds issued comprise fixed rate instruments.

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

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

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

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

31 December 2018	Effective interest rate	Liability with variable interest rate	Interest calculated
Loans received & finance lease liabilities	1.40%	769.9	10.8
31 December 2017			
Loans received & finance lease liabilities	1.71%	1,313.3	22.5

31 December 2018	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Loans received & finance lease liabilities	2.40%	18.5	(7.7)	0.4%	3.1	7.7
31 December 2017						
Loans received & finance lease liabilities	2.71%	35.6	(13.1)	0.71%	9.4	13.1

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.

31 December 2018	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Bonds issued*	1.81%	1,655.1	-	-	1,655.1
Financial debts		1,219.2	746.8	34.2	438.2
- loans from related parties	3.23%	2.6	0.1	-	2.5
- loans from third parties**	1.30%	15.0	-	-	15.0
- bank loans	1.44%	1,182.2	736.8	33.4	412.0
- finance lease liabilities	1.99%	19.4	9.9	0.8	8.7
Total		2,874.3	746.8	34.2	2,093.3

*Including unpaid interest of EUR 6.7 million.

**Including unpaid interest of EUR 0.3 million (fixed interest rate).

31 December 2017	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Bonds issued*	3.34%	1,489.2	-	-	1,489.2
Financial debts		1,746.6	1,280.0	43.9	422.7
- loans from related parties	-	0.2	-	-	0.2
- loans from third parties**	2.36%	20.2	0.6	-	19.6
- bank loans***	1.67%	1,699.5	1268.9	37.3	393.3
- finance lease liabilities	2.64%	26.7	10.5	6.6	9.6
Total		3,235.8	1,280.0	43.9	1,911.9

*Including unpaid interest of EUR 14.05 million.

**Including unpaid interest of EUR 0.5 million (fixed interest rate).

***Unpaid interest represent EUR 0.4 million.

7.3.3 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 7.5.2.

7.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

CPI Property Group as property investor is mainly influenced by the fact that it leverages its project financing by using bank debt and by bond issues. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

The Group monitors capital on the basis of the gearing ratio and loan to value.

Gearing ratio

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

	31 December 2018	31 December 2017
Debt	3,896.7	4,214.1
Equity	4,362.2	3,315.2
Gearing ratio in %	89%	127%

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.

	31 December 2018	31 December 2017
Bonds issued	1,655.1	1,489.2
Financial debts*	1,218.8	1,764.8
Cash and cash equivalents	99.2	238.9
Net debt**	2,774.7	3,015.1
Property portfolio***	7,555.2	6,721.7
Loan to value ratio in %	36.7%	44.9%

*Including financial debts disclosed as liabilities linked to assets held for sale and adjusted by cash and cash equivalents disclosed as assets held for sale.

**Net debt is defined as interest bearing debt (financial debt, bonds issued) less cash and cash equivalents.

*** Property portfolio consists of investment property, hotels, inventory and part of other PPE and part of assets held for sale.

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 2018 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.

31 December 2018 Financial assets measured at fair value	Fair value - hedging instruments	Mandatorily at FVTPL - others	FVOCI – debt instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Derivative instruments (used for hedging) - non-current	8.3	-	-	-	-	8.3	-	8.3	-	8.3
Derivative instruments (other) - non-current	-	1.8	-	-	-	1.8	-	1.8	-	1.8
Non-current - derivative instruments	8.3	1.8	-	-	-	10.1				
Derivative instruments (other) - current	-	-	-	-	-	-	-	-	-	-
Current - derivative instruments	-	-	-	-	-	-				
Financial assets not measured at fair value										
Long-term Equity investments	-	-	0.5	-	-	0.5	0.5	-	-	0.5
Debentures issued by third parties	-	-	0.1	-	-	0.1	0.1	-	-	0.1
Advances paid	-	-	-	4.0	-	4.0	-	-	-	-
Other non-current receivables	-	-	-	0.4	-	0.4	-	-	0.4	0.4
Other financial assets	-	-	0.6	4.4	-	5.0				
Loans provided	-	-	-	69.9	-	69.9	-	-	72.7	72.7
Non-current loans provided	-	-	-	69.9	-	69.9				
Trade and other receivables	-	-	-	68.4	-	68.4	-	-	-	-
Loans provided	-	-	-	60.0	-	60.0	-	-	64.8	64.8
Bills of Exchange	-	-	-	3.8	-	3.8	-	-	4.0	4.0
Other current financial assets	-	-	-	17.8	-	17.8	-	-	-	-
Cash and cash equivalent	-	-	-	99.2	-	99.2	-	-	-	-
Current financial assets	-	-	-	249.2	-	249.2				
Financial liabilities measured at fair value										
Derivative instruments (other) - non-current	3.7	-	-	-	-	3.7	-	3.7	-	3.7
Non-current - derivative instruments	3.7	-	-	-	-	3.7				
Derivative instruments (other) - current	-	-	-	-	-	-	-	-	-	-
Current - derivative instruments	-	-	-	-	-	-				
Financial liabilities not measured at fair value										
Bonds	-	-	-	-	1,648.4	1,648.4	1,622.0	-	-	1,622.0
Financial debt (floating rate bank debts)	-	-	-	-	626.0	626.0	-	-	626.0	626.0
Financial debt (fixed rate bank debts)	-	-	-	-	406.0	406.0	-	-	396.2	396.2
Financial debt (other borrowings)	-	-	-	-	29.6	29.6	-	-	28.6	28.6
Non-current financial liabilities	-	-	-	-	2,710.0	2,710.0				
Bonds	-	-	-	-	-	-	-	-	-	-
Financial debt (floating rate bank debts)	-	-	-	-	144.2	144.2	-	-	144.2	144.2
Financial debt (fixed rate bank debts)	-	-	-	-	6.0	6.0	-	-	11.6	11.6
Financial debt (other borrowings)	-	-	-	-	7.4	7.4	-	-	7.7	7.7
Advanced payments	-	-	-	-	53.5	53.5	-	-	-	-
Trade payables	-	-	-	-	97.5	97.5	-	-	-	-
Other financial current liabilities	-	-	-	-	28.7	28.7	-	-	-	-
Liabilities linked to assets held for sale	-	-	-	-	2.6	2.6	-	-	2.6	2.6
Current financial liabilities	-	-	-	-	339.9	339.9				

31 December 2017 Financial assets measured at fair value	Fair value - hedging instruments	Mandatorily at FVTPL - others	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Derivative instruments (used for hedging) - non-current	4.6	-	-	-	-	4.6	-	4.6	-	4.6
Derivative instruments (other) - non-current	-	0.8	-	-	-	0.8	-	0.8	-	0.8
Non-current - derivative instruments	4.6	0.8	-	-	-	5.4				
Derivative instruments (other) - current	-	0.1	-	-	-	0.1	-	0.1	-	0.1
Current - derivative instruments	-	0.1	-	-	-	0.1				
Financial assets not measured at fair value										
Long-term Equity investments	-	-	0.9	-	-	0.9	0.9	-	-	0.9
Debentures issued by third parties	-	-	0.1	-	-	0.1	0.1	-	-	0.1
Advances paid	-	-	-	4.0	-	4.0	-	-	-	-
Bills of exchange	-	-	-	3.8	-	3.8	-	-	3.8	3.8
Other non-current receivables	-	-	-	0.2	-	0.2	-	-	0.2	0.2
Other financial assets	-	-	1.0	8.0	-	9.0				
Loans provided	-	-	-	67.8	-	67.8	-	-	74.9	74.9
Non-current loans provided	-	-	-	67.8	-	67.8				
Trade and other receivables	-	-	-	76.5	-	76.5	-	-	-	-
Loans provided	-	-	-	68.9	-	68.9	-	-	79.2	79.2
Bills of exchange	-	-	-	3.2	-	3.2	-	-	3.2	3.2
Other current financial assets	-	-	-	15.6	-	15.6	-	-	-	-
Cash and cash equivalent	-	-	-	238.9	-	238.9	-	-	-	-
Current financial assets	-	-	-	403.1	-	403.1				
Financial liabilities measured at fair value										
Derivative instruments (other) - non-current	-	2.6	-	-	-	2.6	-	2.6	-	2.6
Non-current - derivative instruments	-	2.6	-	-	-	2.6				
Derivative instruments (other) - current	-	0.6	-	-	-	0.6	-	0.6	-	0.6
Current - derivative instruments	-	0.6	-	-	-	0.6				
Financial liabilities not measured at fair value										
Bonds	-	-	-	-	1,331.7	1,331.7	1,370.7	-	-	1,370.7
Financial debt (floating rate bank debts)	-	-	-	-	1,165.5	1,165.5	-	-	1,165.5	1,165.5
Financial debt (fixed rate bank debts)	-	-	-	-	385.0	385.0	-	-	363.2	363.2
Financial debt (other borrowings)	-	-	-	-	42.5	42.5	-	-	40.7	40.7
Non-current financial liabilities	-	-	-	-	2,924.7	2,924.7				
Bonds	-	-	-	-	143.5	143.5	147.2	-	-	147.2
Financial debt (floating rate bank debts)	-	-	-	-	140.7	140.7	-	-	140.7	140.7
Financial debt (fixed rate bank debts)	-	-	-	-	8.3	8.3	-	-	13.8	13.8
Financial debt (other borrowings)	-	-	-	-	15.7	15.7	-	-	16.0	16.0
Advanced payments	-	-	-	-	60.7	60.7	-	-	-	-
Trade payables	-	-	-	-	74.8	74.8	-	-	-	-
Other financial current liabilities	-	-	-	-	26.7	26.7	-	-	-	-
Liabilities linked to assets held for sale	-	-	-	-	15.9	15.9	-	-	15.9	15.9
Current financial liabilities	-	-	-	-	486.3	486.3				

Valuation technique used for measurement of fair value of derivatives

Liabilities from derivative are measured by discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

7.5.2 Fair value measurement of investment property / hotels / biological assets

The Group's investment properties, hotels and biological assets were valued at 31 December 2018 in accordance with the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all these properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. The independent valuer provides appraisal of the Group's property portfolio annually.

7.5.3 Main observable and unobservable inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for each class of property owned by the Group, used by the valuers as at the end of 31 December 2017 and 31 December 2018 respectively.

Investment property

Class of property - Retail	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Retail Warehouse Level 3	19	125	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€58-€116 (€93) €52-€114 (€94) 7.2%-8.3% (7.5%) 0%	€45-€133 (€103) €46-€134 (€101) 6.9%-9.8% (7.4%) 0%-47.9% (3.1%)
Czech Republic - Retail Warehouse Level 3	310	220	DCF	ERV per sqm NRI per sqm Discount Rate Exit Yield Vacancy rate	€44-€136 (€104) €32-€178 (€108) 7.0%-8.8% (7.5%) 6.8%-8.0% (7.3%) 0%-98.1% (2.5%)	€43-€128 (€103) €44-€168 (€103) 7.0%-8.5% (7.7%) 7.0%-8.0% (7.4%) 0%-18.5% (1.0%)
Czech Republic, Prague - Shopping Centres and Galleries Level 3	145	78	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€192-€648 (€653) €166-€569 (€543) 3.5%-4.0% (3.5%) 4.9%-6.4% (6.4%)	€182-€402 (€376) €156-€375 (€350) 4.0%-4.4% (4.4%) 3.9%-4.9% (4.0%)
Czech Republic, Prague - Shopping Centres and Galleries Level 3	138	123	DCF	ERV per sqm NRI per sqm Discount Rate Exit Yield Vacancy rate	€220-€523 (€408) €245-€512 (€411) 4.8%-6.5% (5.4%) 4.5%-6.0% (5.1%) 0%-2.3% (0.9%)	€211-€292 (€261) €216-€305 (€271) 5.5%-6.5% (5.9%) 5.0%-6.3% (5.5%) 5.6%-21.0% (15.1%)
Czech Republic - Shopping Centres and Galleries Level 3	14	128	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€197 €152 5.88% 0.0%	€131-€169 (€156) €97-€174 (€157) 6.4%-6.7% (6.5%) 0.0%
Czech Republic - Shopping Centres and Galleries Level 3	893	650	DCF	ERV per sqm NRI per sqm Discount Rate Exit Yield Vacancy rate	€137-€243 (€181) €110-€219 (€176) 5.8%-7.5% (6.5%) 5.5%-6.5% (6.0%) 0%-30.7% (7.5%)	€127-€219 (€175) €101-€213 (€171) 5.8%-7.8% (6.5%) 5.5%-7.0% (6.0%) 0%-27.2% (6.4%)
Czech Republic - Other retail properties Level 3	62	70	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€21-€169 (€98) €1-€164 (€88) 5.5%-9.5% (7.1%) 0%-100.0% (10.3%)	€14-€170 (€82) €1-€158 (€78) 5.5%-10.0% (7.6%) 0%-100.0% (16.1%)
Czech Republic - Other retail properties Level 3	12	12	Comparable	Fair value per sqm	€576	€259-€556 (€547)
Complementary Assets Portfolio - Retail Warehouse Level 3	188	146	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€54-€137 (€101) €1-€143 (€94) 6.2%-11.1% (7.6%) 0%-100.0% (6.8%)	€54-€124 (€88) €5-€141 (€91) 6.3%-10.9% (7.9%) 0%-100.0% (7.2%)
Complementary Assets Portfolio - Shopping Centres and Galleries Level 3	307	298	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€161-€219 (€184) €125-€229 (€162) 6.3%-8.3% (7.2%) 1.5%-3.9% (2.9%)	€101-€209 (€170) €124-€229 (€169) 6.3%-8.2% (7.3%) 2.2%-4.3% (3.5%)
Complementary Assets Portfolio - Shopping Centres and Galleries Level 3	19	19	DCF	ERV per sqm NRI per sqm Discount Rate Exit Yield Vacancy rate	€191 €168 7.8% 7.5% 0.1%	€195 €170 7.8% 7.5% 0%

Class of property - Office	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Office Level 3	123	167	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€141-€234 (€201) €118-€232 (€214) 4.4%-8.0% (5.0%) 0.0%-8.3% (6.9%)	€130-€338 (€303) €96-€316 (€279) 4.5%-8% (5.0%) 0%-21.1% (2.2%)
Czech Republic - Office Level 3	595	594	DCF	ERV per sqm NRI per sqm Discount rate Exit Yield Vacancy rate	€81-€203 (€163) €66-€298 (€153) 5.5%-8.9% (6.6%) 5.5%-8.4% (6.3%) 0%-11.4% (2%)	€67-€228 (€163) €59-€294 (€169) 5.5%-8.8% (6.7%) 5%-8.5% (6.3%) 0%-31.8% (1.9%)
Berlin – Office & Other Level 3	2,011	1,628	DCF	ERV per sqm NRI per sqm Discount rate Exit Yield Vacancy rate	€19-€291 (€163) €1-€184 (€91) 2.5%-6.0% (5.2%) 3.5%-12.0% (4.8%) 0%-98.6% (9.7%)	€25-€257 (€132) €18-€162 (€72) 4.2%-6.3% (5.3%) 3.8%-8.0% (4.9%) 0%-64.3% (9.7%)
Berlin Level 3	5	-	Comparable	Fair value per sqm	€8,223	-
Complementary Assets Portfolio - Office Level 3	329	220	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€89-€226 (€173) €77-€162 (€132) 6.4%-10.0% (6.9%) 0%-56.1% (4.8%)	€104-€233 (€156) €76-€178 (€121) 7%-9.4% (7.5%) 0%-41.7% (9.2%)
Complementary Assets Portfolio - Office Level 3	62	60	DCF	ERV per sqm NRI per sqm Discount rate Exit Yield Vacancy rate	€155-€226 (€199) €108-€199 (€167) 7.3%-8.3% (8.2%) 6.8%-8.0% (7.9%) 0%-8.0% (6.0%)	€153-€215 (€194) €130-€240 (€168) 7.5%-8.5% (8.4%) 7.3%-8.3% (8.1%) 0%-8.5% (7.7%)
Complementary Assets Portfolio - Office Level 3	7	-	Transaction	Fair value per sqm	€1,791	-

Class of property - Industry & Logistics	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Industry & Logistic Level 3	39	45	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€27-€52 (€49) €13-€53 (€48) 7.3%-11.7% (7.9%) 0%-44.4% (6.5%)	€20-€81 (€50) €17-€105 (€53) 7.7%-12.0% (8.2%) 0%-35.1% (3.5%)
Czech Republic - Industry & Logistic Level 3	11	-	DCF	ERV per sqm NRI per sqm Discount rate Exit yield Vacancy rate	€60-€105 (€76) €75-€112 (€85) 7.3%-7.9% (7.7%) 7.0%-7.6% (7.2%) 0%	- - - - -
Complementary Assets portfolio - Industry & Logistic Level 3	26	24	Income capitalisation	ERV per sqm NRI per sqm Equivalent yield Vacancy rate	€38-€60 (€54) €42-€60 (€49) 7.5%-7.8% (7.6%) 0%-8.2% (3.9%)	€39-€58 (€53) €34-€55 (€44) 7.6%-8.0% (7.9%) 0%-17.3% (6.7%)

Class of property - Residential	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Residential Level 3	372	340	Comparable	Fair value per sqm	€105-€1,076 (€578)	€61-€1,028 (€531)
Czech Republic, Prague - Residential Level 3	72	68	Comparable	Fair value per sqm	€1,987-€6,309 (€2,354)	€1,406-€6,355 (€2,069)
Complementary Assets portfolio - Residential Level 3	197	94	Comparable	Fair value per sqm	€5,714-€31,388 (€20,569)	€6,438-€30,000 (€19,427)

Class of property – Landbank & Development	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Landbank Level 3	173	194	Comparable	Fair value per sqm	€1-€2,544 (€101)	€3-€2,789 (€144)
Czech Republic, Prague - Landbank Level 3	299	284	Comparable	Fair value per sqm	€5-€3,280 (€693)	€8-€3,293 (€719)
Berlin – Landbank Level 3	32	-	Comparable	Fair value per sqm	€3,143	-
Czech Republic - Development Level 3	42	20	Development Appraisal	Total EMRV Gross development value Development margin	€133-€172 (€161) €1,835-€3,074 (€2,654) 7.5%-15.0% (11.5%)	€152-€165 (€160) €2,499-€2,837 (€2,640) 15.0%-20.0% (17.9%)
Czech Republic – Office Development Level 3	26	24	Development Appraisal	Gross development value Development margin	€3,824 9.0%	€3,570 13.0%
Hotels & Resorts Level 3	10	-	Development Appraisal	Gross development value Development margin	€2,042-€4,709 (€3,253) 16.0%-25.0% (20.9%)	- -

Class of property – Landbank & Development	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Complementary Assets Portfolio - Landbank Level 3	22	40	Comparable	Fair value per sqm	€2-€1,124 (€482)	€18-€754 (€279)
Complementary Assets Portfolio - Development Level 3	28	-	Development Appraisal	Gross development value Development margin	€821-€2,674 (€2,201) 10.0%-15.0% (11.3%)	- -

Class of property - Agriculture Land	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Agriculture Level 3	90	85	Comparable	Fair value per sqm	€0-€1 (€1)	€0-€1 (€1)

Class of property - Other	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Other Level 3	4	-	DCF	Discount rate Exit yield	8.9% 8.9%	- -

Property, plant and equipment

Class of property – PPE Hotels & Resorts	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Czech Republic - Hotels & Resorts Level 3	322	324	DCF	Rate per key Exit yield Discount rate	€10,283-€477,004 (€152,036) 4.2%-8.3% (6.4%) 5.2%-10.8% (7.3%)	€17,223-€533,568 (€141,376) 4.3%-8.3% (6.3%) 5.3%-9.8% (7.0%)
Complementary Assets portfolio – Hotels & Resorts Level 3	121	140	DCF	Rate per key Exit yield Discount rate	€111,111-€274,918 (€166,220) 6.8%-7.3% (7.1%) 7.0%-10.3% (8.9%)	€101,325-€274,286 (€178,266) 7.0%-9.0% (7.9%) 9.0%-11.5% (9.7%)
Croatia – Hotels & Resorts Level 3	177	170	DCF	Rate per key Exit yield Discount rate	€8,861-€393,548 (€241,035) 7.5%-9.5% (8.0%) 8.0%-11.5% (9.9%)	€8,861-€372,881 (€230,463) 7.3%-9.5% (7.8%) 9.0%-11.0% (9.5%)
Czech Republic – Hotels & Resorts Development Level 3	9	-	Development Appraisal	Gross development value Development margin	€2,479 10.0%	- -

Class of property - PPE Mountain resorts (for impairment purposes)	Fair Value 2018 MEUR	Fair Value 2017 MEUR	Valuation technique	Key unobservable inputs	Range (weighted avg) 2018	Range (weighted avg) 2017
Mountain resorts - hotel development Level 3	40	48	Development Appraisal	Gross development value Development margin	€5,396 20.0%	€5,517 20.0%
Mountain resorts Level 3	34	40	DCF	Discount rate Exit yield	10.9% 7.9%	9.3% 7.3%

The amounts of classes of property as at 31 December 2018 in the table above is not fully comparable to the amounts as at 31 December 2017, primarily due to changes of valuation methods and changes in classification of assets due to their change of use.

Discounted cash flow method (DCF) – *application guidance provided by IVSC*

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*

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*

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 as level 3 of the fair value hierarchy of the Group's 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:

As at 31 December 2018

Czech Republic – Retail – Income capitalisation

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	231	231	232
	--	239	240	240
	5.00%	248	248	248

Czech Republic – Retail - DCF

		Capitalisation rate		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	1,326	1,275	1,227
	--	1,394	1,341	1,291
	5.00%	1,463	1,407	1,354

Czech Republic - Industrial - DCF

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	11	10	10
	--	11	11	11
	5.00%	12	12	11

Czech Republic – Office - Income capitalisation

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	120	119	118
	--	125	123	123
	5.00%	130	129	128

Czech Republic – Office - DCF

		Capitalisation rate		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	588	566	545
	--	619	595	575
	5.00%	650	628	603

Czech Republic - Industrial – Income capitalisation

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	38	37	37
	--	39	39	38
	5.00%	40	40	40

Complementary Retail – Income capitalisation

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	488	476	464
	--	508	495	483
	5.00%	529	515	502

Complementary Retail - DCF

		Discount rate		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	18	18	17
	--	19	19	18
	5.00%	20	20	19

Complementary assets Office - DCF

		Discount rate		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	60	59	57
	--	64	62	60
	5.00%	67	65	63

Hospitality Complementary assets portfolio - DCF

		Discount rate		
	MEUR	(0.25%)	--	0.25%
Growth	(5.00%)	120	116	112
	--	126	121	117
	5.00%	132	127	123

Complementary industry – Income capitalisation

		Discount rate		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	26	25	25
	--	26	26	25
	5.00%	27	26	26

Berlin Office & Other

		Discount rate		
	MEUR	(0.25%)	--	0.25%
Market Rent	(5.00%)	1,948	1,907	1,866
	--	2,058	2,011	1,971
	5.00%	2,166	2,121	2,075

Complementary assets – Office – Income capitalisation

		Yield		
	MEUR	(0.25%)	--	0.25%
ERV	(5.00%)	328	320	312
	--	338	329	321
	5.00%	348	339	330

Czech Republic - Hotels & Resorts - DCF

		Discount rate		
	MEUR	(0.25%)	--	0.25%
Rental growth	(5.00%)	310	299	290
	--	333	322	311
	5.00%	357	344	333

Croatia Hospitality - DCF

		Discount rate		
	MEUR	(0.25%)	--	0.25%
Rental growth	(5.00%)	174	171	169
	--	180	177	175
	5.00%	186	183	180

CPI Hotels (for impairment purposes)

		Growth		
	MEUR	(0.25%)	--	0.25%
WACC	(2.50%)	64	66	67
	--	58	59	60
	2.50%	53	53	54

Other

		Discount rate		
	MEUR	(1.00%)	--	1.00%
Income	(5.00%)	5	4	3
	--	5	4	4
	5.00%	5	4	4

CMA – Mountain resorts (for impairment purposes)

		Discount rate		
	MEUR	(0.25%)	--	0.25%
Growth	(5.00%)	40	38	37
	--	40	39	38
	5.00%	40	39	38

Residual Value in MEUR	Czech Republic Development	Landbank Hospitality Development	Office Development	Hospitality Development PPE
Developer´s Profit (5.00%)	48	10	27	10
Developer´s Profit (2.50%)	45	10	26	9
Developer´s Profit as set	42	10	26	9
Developer´s Profit 2.50%	40	9	26	8
Developer´s Profit 5.00%	37	9	26	8

Fair Value used in the sensitivity analyses include assets, which were valued by Income based or Residual method. Assets valued by comparable method are not subject of Sensitivity analyses.

As at 31 December 2017

Czech Republic – Retail – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	194	188	182
	--	204	197	192
	5.00%	212	206	200

Czech Republic – Retail - DCF

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	1,184	1,137	1,093
	--	1,247	1,174	1,151
	5.00%	1,309	1,257	1,209

Czech Republic – Industrial – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	43	43	43
	--	45	44	44
	5.00%	46	46	46

Czech Republic – Office – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	231	229	228
	--	241	240	239
	5.00%	252	251	249

Czech Republic – Office - DCF

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	559	538	517
	--	589	544	545
	5.00%	618	594	572

Czech Republic – Hospitality - DCF

		Discount rate		
Rental Income	MEUR	(0.25%)	--	0.25%
	(5.00%)	304	294	285
	--	328	322	308
	5.00%	353	342	331

Complementary assets Office – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	217	211	205
	--	229	222	216
	5.00%	240	233	227

Complementary assets Retail – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	320	310	301
	--	334	324	315
	5.00%	349	338	328

Complementary assets Retail - DCF

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	141	141	140
	--	143	142	141
	5.00%	144	143	142

Complementary assets Office – DCF

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	55	54	53
	--	58	57	55
	5.00%	61	60	58

Complementary assets Hospitality - DCF

		Discount rate		
Rental Growth	MEUR	(0.25%)	--	0.25%
	(5.00%)	139	134	132
	--	143	140	137
	5.00%	148	146	141

Complementary assets Industry & Logistic – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	--	0.25%
	(5.00%)	24	23	22
	--	25	24	23
	5.00%	26	25	25

CPI Hotels (for impairment purposes)

		Growth		
WACC	MEUR	(0.25%)	--	0.25%
	(2.50%)	55	54	53
	--	57	56	55
	2.50%	59	58	56

CMA – Mountain resorts (for impairment purposes)

		Discount rate		
Growth	MEUR	(0.25%)	--	0.25%
	(5.00%)	48	46	44
	--	49	47	45
	5.00%	49	47	45

Berlin – Office & Other

		Discount rate		
Market Rent	MEUR	(0.25%)	--	0.25%
	(5.00%)	1,570	1,537	1,505
	--	1,662	1,628	1,593
	5.00%	1,754	1,717	1,681

Croatia – Hospitality - DCF

		Discount Rate		
Rental growth	MEUR	(0.25%)	--	0.25%
	(5.00%)	166	163	160
	--	172	169	166
	5.00%	178	175	172

Residual Value in MEUR	
Developer´s Profit (5.00%)	48
Developer´s Profit (2.50%)	45
Developer´s Profit as set	43
Developer´s Profit 2.50%	42
Developer´s Profit 5.00%	40

Fair Value used in the sensitivity analyses include assets, which were valued by Income based or Residual method. Assets valued by comparable method are not subject of Sensitivity analyses.

8 Contingencies and Litigations

Kingstown dispute

The Company announced that on 20 January 2015 it was served with a summons containing petition of the three companies namely Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II, LP of Delaware and Ktown LP of Delaware (together referred to as „Kingstown"), claiming to be the shareholders of OPG, filed with the „Tribunal d´Arrondissement de et a Luxembourg". The petition seeks condemnation of the Company together with OPG and certain members of OPG´s board of directors as jointly and severally liable to pay damages in the amount of EUR 14.5 million and compensation for moral damage in the amount of EUR 5 million. According to Kingstown's allegation the claimed damage has arisen as a consequence of inter alia alleged violation of OPG´s minority shareholders rights. To the best of Company´s knowledge, Kingstown was not at the relevant time (and is not up to now) a shareholder of the Company. Therefore, and without any assumption regarding the possible violation, the Company believes that it cannot be held liable for the violation of the rights of the shareholders of another entity.

The Management of the Company has been taking all available legal actions to oppose these allegations in order to protect the corporate interest as well as the interest of its shareholders. Accordingly, the parties sued by Kingstown raised the exceptio judicatum solvi plea, which consists in requiring the entity who initiated the proceedings and who does not reside in the European Union or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered on 19 February 2016 a judgement, whereby each claimant has to place a legal deposit in the total amount of EUR 90 thousand with the "Caisse de Consignation" in Luxembourg in order to continue the proceedings. Kingstown paid the deposit in January 2017, and the litigation, currently being in a procedural stage, is pending.

In October 2018, Kingstown's legal advisers filed additional submission to increase the amount of alleged damages claimed to EUR 157 million. The Company continues to believe the claim is without merit and intends to vigorously contest it. Hearings on the admissibility of the claim are expected to take place second quarter of 2019.

CPI PG has guaranteed certain debt of Orco Property Group ("OPG")

The Company agreed to guarantee certain warranties given by OPG to the buyer of Capellen building in Luxembourg. The guaranteed warranties related to pending claims in relation to the building and are limited to EUR 250 thousand. The duration of the guarantee is 24 months from 25 January 2017.

Disputes related to warrants issued by OPG

The Group's subsidiary OPG was sued by holders of the warrants holders of 2014 Warrants registered under ISIN code XS0290764728 (the "2014 Warrants"). The first group of the holders of the Warrants sued OPG for approximately EUR 1.2 million in relation to the Change of Control Notice published by OPG, notifying the holders of the 2014 Warrants that the Change of Control, as defined in the Securities Note and the Summary for the 2014 Warrants, occurred on 8 June 2016. The second holder of the 2014 Warrants sued OPG for approximately EUR 1 million in relation to the alleged change of control which allegedly occurred in 2013. These litigations, currently being in a procedural stage, are pending

OPG will defend itself against these lawsuits. It is reminded that in accordance with the judgement of the Paris Commercial Court (the "Court") pronounced on 26 October 2015 concerning the termination of the OPG's Safeguard Plan, liabilities that were admitted to the Safeguard, but are conditional or uncalled (such as uncalled bank guarantees, conditional claims of the holders of 2014 Warrants registered under ISIN code XS0290764728, provided that they were admitted to the Safeguard plan), will be paid according to their contractual terms. Pre-Safeguard liabilities that were not admitted to the OPG's Safeguard will be unenforceable. As such, only claims of holders of the 2014 Warrants, whose potential claims were admitted to the OPG's Safeguard Plan, could be considered in respect of the present Change of Control. Claims of holders of the 2014 Warrants that were not admitted to the OPG's Safeguard will be unenforceable against OPG. To the best of Company's knowledge, none of the holders of the 2014 Warrants who sued OPG filed their claims 2014 Warrants-related claims in the OPG's Safeguard Plan.

Hagibor Office Building dispute

In March 2016, the insolvency administrator of the OPG's subsidiary HAGIBOR OFFICE BUILDING ("HOB"), filed a lawsuit, requesting that the OPG returns to HOB in aggregate USD 16.49 million, paid by HOB to OPG in 2012. OPG is of the opinion that the lawsuit has no merit given that in 2012 HOB duly repaid its loan to OPG. OPG will defend itself against this lawsuit. In August 2016, the litigation has been stayed until litigation concerning the ownership of the Radio Free Europe building is resolved. In December 2016 OPG filed a lawsuit claiming the non-existence of pledges registered on the Radio Free Europe building in favor of the financing bank. A hearing on the matter of the non-existence of pledges took place in November 2018. After the lawsuit was dismissed, OPG filed a new claim in the matter of non-existence of pledges.

As at the date of the publication of the consolidated financial statements, the Group does not have evidence of any other contingent liabilities except those mentioned above. No legal proceeding is currently active the result of which would influence the consolidated financial statements.

9 Capital and other commitments

Capital commitments

The Group has capital commitments in total amount of EUR 73.6 million in respect of capital expenditures contracted as at 31 December 2018 (EUR 29.9 million as at 31 December 2017).

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.

The remuneration of the key management personnel and members of Board of Directors are summarized in following table:

	31 December 2018	31 December 2017
Remuneration paid to the key management personnel and members of Board of Directors	0.8	0.4
Total remuneration	0.8	0.4

Breakdown of balances and transactions with the key management personnel and members of Board of Directors and the Group:

Balances at	31 December 2018	31 December 2017
Loans provided	0.1	0.1
Bonds issued	-	0.3
Perpetual notes	0.2	-
Transactions		
Interest income and other revenues	0.7	0.1
Other costs	(0.1)	-
Advisory services	-	(0.6)

Breakdown of balances and transactions with the majority shareholder of the Group:

Balance at	31 December 2018	31 December 2017
Loans provided	0.1	27.4
Trade receivables	0.6	0.1
Other receivables	4.7	5.1
Other payables	0.4	0.3
Perpetual notes	4.9	-
Transactions		
Interest income	2.8	1.7
Advisory services	-	(0.6)

Breakdown of balances and transactions with other related parties:

Entities over which the majority shareholder has control		
Balances at	31 December 2018	31 December 2017
Loans provided	114.0	89.2
Trade receivables	0.2	0.3
Loans received	2.5	0.3
Transactions		
Interest income	7.6	2.3
Other costs	(0.4)	-
Close family members/entities controlled by close family members of the majority shareholders		
Balances at	31 December 2018	31 December 2017
Other payables	0.8	0.8
Entities controlled by members of Board of Directors		
Balances at	31 December 2018	31 December 2017
Other receivables	0.2	-
Loans provided	-	4.7
Loans received	0.1	-
Transactions		
Proceeds from sale of subsidiaries, trading property or investment property	0.2	0.1
Other revenues	0.2	-
Advisory and accounting services	0.1	0.1
Joint ventures		
Balances at	31 December 2018	31 December 2017
Loans provided	11.2	10.4
Transactions		
Interest income	0.7	0.5

Main transactions with related parties

Company's Shares

In March 2018, as part of its share buy-back, the Company acquired 724,853,952 of its shares from an entity affiliated with the majority shareholder.

In April 2018, the Company issued 250,000,000 new shares to an entity controlled by the majority shareholder for a global subscription price of EUR 50 million.

In 2017, the Company issued 1,515,000,000 new shares to an entity controlled by the majority shareholder. The Company also issued 159,132,897 new shares to OPG and 18,971,867 to top management.

Bonds issued by the Group

As at 31 December 2018, the Group's management does not hold any bonds issued by the Group (in 2017: EUR 0.3 million).

In August 2018, the Group acquired bonds issued by CPI BYTY in the amount of EUR 70.0 million from the majority shareholder. The bonds were repaid in September 2018. In October 2018, the Group acquired bonds issued by CPI, a.s. in the amount of EUR 77.7 million from the majority shareholder. The bonds were repaid in November 2018 (note 6.13).

Perpetual notes

On 9 May 2018, the Group issued perpetual notes (see note 6.12). The Group's management and the majority shareholder held the perpetual notes in total amount of EUR 5.1 million as at 31 December 2018.

Loans provided by the Group to the majority shareholder and related parties

In 2018, the loans provided by the Group to the majority shareholder (nominal value of EUR 27.4 million as at 31 December 2017) were almost completely repaid (outstanding balance of EUR 125 thousand as at 31 December 2018).

As at 31 December 2018, the Group provides loans to entities closely related to the majority shareholder in the total outstanding balance of EUR 113.9 million (EUR 94.0 million as at 31 December 2017). Major part of these loans bears a fixed interest at a rate of 5% p.a and is repayable in 2019 and 2021.

The related party transactions are priced on arm's length basis.

11 Events after the reporting period

Bonds issued

On 12 February 2019, the Group issued HKD 450 million (EUR 50 million) of bonds under the Company's Euro Medium Term Note (EMTN) programme. The bonds, due 12 February 2024, are rated Baa2 (stable) by Moody's and BBB (stable) by Standard & Poor's. The bonds will be listed on the regulated market of Euronext Dublin (ISIN XS1950499639). The Company agreed a cross-currency swap to fix the proceeds to EUR.

On 8 March 2019, the Group issued USD 350 million (EUR 312 million) of Regular S bonds under the Company's Euro Medium Term Note (EMTN) programme. The bonds, due 8 February 2023, are rated Baa2 (stable) by Moody's and BBB (stable) by Standard & Poor's. The bonds will be listed on the regulated market of Euronext Dublin (ISIN XS1955030280). The Company agreed a cross-currency swap to fix the proceeds to EUR.

Financial debts

On 15 March 2019, the Group entered into three loans in the amount of EUR 170 million in aggregate. The loans with 4, 6, and 8 year terms align to Group's EMTN programme.

On 22 March 2019, the Company signed new EUR 510 million 3-year unsecured revolving credit facility with a group of leading international banks. The EUR 510 million facility is structured to replace the existing EUR 150 million and EUR 80 million facilities signed in 2018 (note 6.14). The new facility aligns with Group's Euro Medium Term Note (EMTN) programme. Lenders in the new facility are 11 international banks.

New subsidiaries

In February 2019, the Group acquired Orchard Hotel a.s. located in Ostrava, the Czech Republic.

In February 2019, the Group acquired 100% stake of Régie du Rhộne Crans-Montana SA, company seated in Lens, Switzerland.

On 27 March 2019, the Group founded new company 7 St James's Square Limited.

Viatericon litigation

On 15 March 2019 the Group received a summons from the Berlin Court. The Group was sued by an insolvency administrator of the Group's former subsidiary. The insolvency administrator is claiming invalidity of an intragroup debt settlement from 2013 and claims a payment of EUR 10.4 million plus interest from the Group. The Group is prepared to defense in front of the court.

Appendix I – List of group entities

Subsidiaries fully consolidated

Company	Country	31 December 2018	31 December 2017
"Diana Development" sp. z o.o.	Poland	100.00%	100.00%
1 Bishops Avenue Limited	United Kingdom	100.00%	-
Agrome s.r.o.	Czech Republic	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City Phase B Kft.	Hungary	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Andrássy Hotel Zrt.	Hungary	100.00%	100.00%
Andrássy Real Kft.	Hungary	100.00%	100.00%
Angusland s.r.o.	Czech Republic	100.00%	100.00%
Arena Corner Kft.	Hungary	100.00%	100.00%
Armo Verwaltungsgesellschaft mbH	Germany	94.66%	94.66%
Aspley Ventures Limited	British Virgin Islands	100.00%	100.00%
Atrium Complex sp. z o.o. (1)	Poland	100.00%	-
AVACERO LIMITED	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	91.16%	86.56%
BAYTON ONE, s.r.o.	Czech Republic	100.00%	86.56%
BC 30 Property Kft.	Hungary	100.00%	100.00%
BC 91 Real Estate Kft.	Hungary	100.00%	100.00%
BC 99 Office Park Kft.	Hungary	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
Biochov s.r.o.	Czech Republic	100.00%	100.00%
Biopark s.r.o.	Czech Republic	100.00%	100.00%
Biopotraviny s.r.o.	Czech Republic	100.00%	100.00%
Blue Yachts d.o.o.	Croatia	-	67.50%
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	97.31%	97.31%
Brno Property Development, a.s.	Czech Republic	91.16%	86.56%
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	97.31%	97.31%
Bubny Development, s.r.o.	Czech Republic	99.26%	97.31%
Budaörs Office Park Kft.	Hungary	-	100.00%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
Byty Lehovec, s.r.o. (2)	Czech Republic	100.00%	86.56%
BYTY PODKOVA, a.s.	Czech Republic	97.31%	97.31%
CAMPONA Shopping Center Kft.	Hungary	100.00%	100.00%
Camuzzi, a.s.	Czech Republic	97.31%	97.31%
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	97.31%	97.31%
CENTRAL TOWER 81 sp. z o.o.	Poland	100.00%	100.00%
Centrum Ogrody sp. z o.o.	Poland	100.00%	100.00%
CEREM S.A.	Luxembourg	97.31%	97.31%
City Gardens sp. z o.o.	Poland	100.00%	100.00%
CM Hôtels SA	Switzerland	100.00%	100.00%
CMA Immobilier SA	Switzerland	99.70%	85.07%
CMA Services S.à.r.l.	Switzerland	92.52%	85.20%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
Cordonier & Valério Sàrl	Switzerland	59.82%	51.04%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Horoměřice, a.s.	Czech Republic	91.16%	86.56%
CPI - Krásné Březno, a.s.	Czech Republic	97.31%	97.31%
CPI - Land Development, a.s.	Czech Republic	97.31%	97.31%
CPI - Orlová, a.s.	Czech Republic	91.16%	86.56%
CPI - Real Estate, a.s.	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alberghi HI Roma S.r.l.	Italy	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beet, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI Blatiny, s.r.o.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East, s.r.o.	Czech Republic	100.00%	100.00%
CPI Energo, a.s. (3)	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Management Kft.	Hungary	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%
CPI Finance CEE, a.s.	Czech Republic	100.00%	100.00%
CPI Finance Ireland II Limited	Ireland	100.00%	100.00%
CPI Finance Ireland III Limited	Ireland	-	100.00%
CPI Finance Ireland Limited	Ireland	-	100.00%
CPI Finance Netherlands B.V.	Netherland	-	100.00%
CPI Finance Netherlands II B.V.	Netherland	100.00%	100.00%
CPI Finance Netherlands III B.V.	Netherland	-	100.00%
CPI Finance Slovakia II, a. s.	Slovak Republic	-	100.00%
CPI Finance Slovakia, a.s.	Slovak Republic	-	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Catering, s.r.o. (4)	Czech Republic	100.00%	-
CPI Hotels Hungary Kft.	Hungary	100.00%	100.00%
CPI Hotels Italy S.r.l.	Italy	100.00%	-
CPI HOTELS POLAND sp. z o.o.	Poland	100.00%	100.00%
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Slovakia, s.r.o.	Slovak Republic	100.00%	100.00%
CPI Hotels, a.s.	Czech Republic	100.00%	100.00%
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l.	France	100.00%	100.00%
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Kappa, s.r.o. (5)	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI North, s.r.o.	Czech Republic	100.00%	100.00%
CPI Office Prague, 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	97.29%	97.25%
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 a Facility, s.r.o. (6)	Czech Republic	100.00%	100.00%
CPI Property Development sp. z o.o. (7)	Poland	100.00%	-
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Residential, a.s.	Czech Republic	100.00%	100.00%
CPI Retail MB s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail One Kft.	Hungary	100.00%	100.00%
CPI Retail Portfolio Holding Kft.	Hungary	100.00%	100.00%
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	-	100.00%
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%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Store Kft.	Hungary	100.00%	100.00%
CPI Retail Two Kft.	Hungary	100.00%	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails ROSA s.r.o.	Slovak Republic	100.00%	100.00%
CPI Retails THREE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails TWO, a.s.	Czech Republic	100.00%	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%

Company	Country	31 December 2018	31 December 2017
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	97.58%	97.58%
CPI Vestec, s.r.o.	Czech Republic	100.00%	-
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
Czech Property Investments, a.s.	Czech Republic	100.00%	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	100.00%
Českolipská farma s.r.o.	Czech Republic	100.00%	100.00%
Českolipská zemědělská a.s.	Czech Republic	100.00%	100.00%
Český Těšín Property Development, a.s.	Czech Republic	-	100.00%
Darilia, a.s.	Czech Republic	99.26%	97.31%
Děčínská zemědělská a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	72.98%	72.98%
Diana Property sp. z o.o.	Poland	97.31%	97.31%
Dienzenhoferovy sady 5, s.r.o.	Czech Republic	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Ekofarma Postřelná s.r.o.	Czech Republic	100.00%	-
EMH South, 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%
Endurance Real Estate Management Company	Luxembourg	97.31%	97.31%
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	97.31%	97.31%
Europeum Kft.	Hungary	100.00%	100.00%
Farhan, a.s.	Czech Republic	100.00%	100.00%
Farma Javorská, a.s.	Czech Republic	100.00%	100.00%
Farma Krásný Les, a.s.	Czech Republic	100.00%	100.00%
Farma Liščí, s.r.o.	Czech Republic	100.00%	-
Farma Ploučnice a.s.	Czech Republic	100.00%	100.00%
Farma Poustevna, s.r.o.	Czech Republic	100.00%	100.00%
Farma Radeč, a.s.	Czech Republic	100.00%	100.00%
Farma Svitavka s.r.o.	Czech Republic	100.00%	100.00%
Farma Valteřice, a.s.	Czech Republic	100.00%	100.00%
Farma zelená sedma, s.r.o.	Czech Republic	100.00%	-
Farmy Frýdlant a.s.	Czech Republic	100.00%	100.00%
FELICIA SHOPPING CENTER SRL	Romania	100.00%	100.00%
Fetumar Development Limited	Cyprus	100.00%	100.00%
FL Property Development, a.s.	Czech Republic	91.16%	86.56%
GADWALL, sp. z o.o.	Poland	100.00%	100.00%
GARET Investment sp. z o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	94.74%	94.74%
Gewerbehöfe Services GmbH	Germany	100.00%	-
Gewerbesiedlungs-Gesellschaft GmbH	Germany	99.75%	99.75%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
GSG 1. Beteiligungs GmbH	Germany	99.75%	99.75%
GSG ARMO Holding GmbH (8)	Germany	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	99.75%	99.75%
GSG Berlin Invest GmbH	Germany	94.66%	94.66%
GSG Europa Beteiligungs GmbH	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 6. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Mobilien GmbH	Germany	99.75%	99.75%
GSG Solar Berlin GmbH	Germany	99.75%	99.75%
GSG Wupperstraße GmbH	Germany	99.75%	99.75%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	97.31%	97.31%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
Hofnetz und IT Services GmbH	Germany	99.75%	99.75%
Hospitality Invest Sàrl	Luxembourg	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	100.00%
Hotel Pokrovka, org. Unit	Russia	100.00%	100.00%
Hotel Sirena d.o.o.	Croatia	96.43%	96.43%

Company	Country	31 December 2018	31 December 2017
HOTEL U PARKU, s.r.o.	Czech Republic	91.16%	86.56%
Hraničář, a.s.	Czech Republic	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Industrial Park Stříbro, s.r.o.	Czech Republic	97.31%	97.31%
IS Nyír Kft.	Hungary	100.00%	100.00%
IS Zala Kft.	Hungary	100.00%	100.00%
Isalotta GP GmbH & Co.Verwaltungs KG	Germany	94.99%	94.99%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
ITL Alfa, s.r.o.	Czech Republic	-	100.00%
IVRAVODA LIMITED	Cyprus	100.00%	100.00%
Jagapa Limited	Cyprus	100.00%	100.00%
JAGRA spol. s r.o.	Czech Republic	100.00%	100.00%
Janáčkovo nábřeží 15, s.r.o.	Czech Republic	100.00%	100.00%
Janovická farma, a.s.	Czech Republic	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
Jetřichovice Property, a.s.	Czech Republic	91.16%	86.56%
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	97.31%	97.31%
Jizerská farma, s.r.o.	Czech Republic	100.00%	-
JONVERO LIMITED	Cyprus	100.00%	100.00%
Karviná Property Development, a.s.	Czech Republic	97.31%	97.31%
Kerina, a.s.	Czech Republic	100.00%	100.00%
KOENIG Shopping, s.r.o. (9)	Czech Republic	100.00%	100.00%
KOENIG, s.r.o. (9)	Czech Republic	-	100.00%
Kolín Centrum a.s. (6)	Czech Republic	-	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
Labská Property, s.r.o.	Czech Republic	100.00%	100.00%
Land Properties, a.s. (10)	Czech Republic	97.31%	97.27%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
LE REGINA WARSAW sp. z o.o.	Poland	100.00%	100.00%
Leriegos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
LES TROIS DILAIS	Monaco	100.00%	100.00%
Levice Property Development, a.s.	Slovak Republic	100.00%	100.00%
Limagro s.r.o.	Czech Republic	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Lucemburská 46, a.s.	Czech Republic	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s. (11)	Czech Republic	100.00%	100.00%
Marissa West, a.s.	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
Marki Real Estate sp. z o.o.	Poland	97.31%	97.31%
Mařenická farma, a.s.	Czech Republic	100.00%	100.00%
MB Futurum HK s.r.o.	Czech Republic	100.00%	-
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
Mercuda, a.s. (12)	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%
Mondello, a.s.	Czech Republic	-	100.00%
MQM Czech, a.s.	Czech Republic	99.26%	99.26%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
Na Poříčí, a.s.	Czech Republic	100.00%	100.00%
New Age Kft.	Hungary	100.00%	100.00%
NOVÁ ZBROJOVKA, s.r.o.	Czech Republic	97.31%	97.31%
NUKASSO HOLDINGS LIMITED	Cyprus	100.00%	100.00%
Nupaky a.s.	Czech Republic	97.31%	97.31%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
OC Nová Zdaboř a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	100.00%	100.00%
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	100.00%

Company	Country	31 December 2018	31 December 2017
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
Orco Immobilien GmbH	Germany	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orco Project Limited	Guernsey	-	97.31%
Orco Property Group S.A.	Luxembourg	97.31%	97.31%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Outlet Arena Moravia, s.r.o.	Czech Republic	100.00%	100.00%
Ozrics, Kft.	Hungary	100.00%	100.00%
Parco delle Case Bianche SRL	Italy	100.00%	100.00%
Pastviny a.s.	Czech Republic	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	100.00%
Platnéřská 10 s.r.o.	Czech Republic	100.00%	100.00%
Pólus Shopping Center Zrt.	Hungary	100.00%	100.00%
Polus Társasház Üzemeltető Kft.	Hungary	100.00%	100.00%
Polygon BC, a.s.	Czech Republic	99.26%	99.26%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
PROJECT FIRST a.s.	Czech Republic	91.16%	86.56%
Projekt Nisa, s.r.o.	Czech Republic	100.00%	100.00%
Projekt Zlatý Anděl, s.r.o.	Czech Republic	100.00%	100.00%
Prosta 69 sp. z o.o.	Poland	100.00%	100.00%
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
PTR PRIME TOURIST RE SORTS (CYPRUS) LIMITED	Cyprus	100.00%	100.00%
PV - Cvikov s.r.o.	Czech Republic	100.00%	100.00%
R40 Real Estate Kft.	Hungary	-	100.00%
Radom Property Development sp. z o.o. (13)	Poland	100.00%	-
Rembertów Property Development sp. z o.o. (14)	Poland	100.00%	-
Remontées Mécaniques Crans Montana Aminona (CMA) SA	Switzerland	85.33%	85.33%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
Rezidence Jančova, s.r.o.	Czech Republic	100.00%	100.00%
Rezidence Malkovského, s.r.o.	Czech Republic	100.00%	100.00%
REZIDENCE MASARYKOVA 36, s.r.o. (11)	Czech Republic	-	100.00%
Rezidence Pragovka, s.r.o.	Czech Republic	97.31%	97.31%
RL - Management s.r.o. (12)	Czech Republic	-	100.00%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
SASHKA LIMITED	Cyprus	100.00%	100.00%
SCI MAS CANTAGRELI	France	100.00%	100.00%
SCP AILEY	Monaco	100.00%	100.00%
SCP CAYO	Monaco	100.00%	100.00%
SCP CISKEY	Monaco	100.00%	100.00%
SCP KANDLER	Monaco	100.00%	100.00%
SCP MADRID	Monaco	100.00%	100.00%
SCP NEW BLUE BIRD	Monaco	100.00%	100.00%
SCP PIERRE CHARRON	Monaco	100.00%	100.00%
SCP VILLA DE TAHITI	Monaco	100.00%	100.00%
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
Spišská Nová Ves Property Development, a.s.	Slovak Republic	100.00%	100.00%
Spojené farmy a.s.	Czech Republic	100.00%	100.00%
ST Project Limited	Guernsey	100.00%	100.00%
Statek Blatiny, s.r.o.	Czech Republic	100.00%	100.00%
Statek Mikulášovice, s.r.o.	Czech Republic	100.00%	100.00%
Statek Petrovice, s.r.o.	Czech Republic	100.00%	-
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	97.31%	97.31%
STRM Alfa, a.s.	Czech Republic	99.26%	99.26%
STRM Beta, a.s.	Czech Republic	97.31%	97.31%
STRM Gama, a.s.	Czech Republic	97.31%	97.31%
Sunčani Hvar d.d.	Croatia	96.43%	96.43%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	97.31%	97.31%
Šenovská zemědělská, s.r.o.	Czech Republic	100.00%	100.00%
Tarnów Property Development sp. z o.o.	Poland	100.00%	100.00%
Telč Property Development, a.s.	Czech Republic	91.16%	86.56%
Tepelné hospodářství Litvínov s.r.o. (15)	Czech Republic	-	100.00%
Tepelné hospodářství Litvínov s.r.o. (15)	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%

Company	Country	31 December 2018	31 December 2017
Trutnov Property Development, a.s.	Czech Republic	-	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%
Tyršova 6, a.s.	Czech Republic	100.00%	100.00%
U svatého Michala, a.s.	Czech Republic	100.00%	100.00%
Valdovská zemědělská, a.s.	Czech Republic	100.00%	100.00%
Valkeřická ekologická, a.s.	Czech Republic	100.00%	100.00%
Verneřický Angus a.s.	Czech Republic	100.00%	100.00%
Vigano, a.s.	Czech Republic	100.00%	100.00%
Vinohrady s.a.r.l.	France	97.31%	97.31%
VOLANTI LIMITED	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
Wertpunkt Real Estate Experts GmbH	Germany	99.75%	99.75%
Zákupská farma, s.r.o.	Czech Republic	100.00%	-
Zamość Property Development sp. z o.o. (16)	Poland	100.00%	-
Zamość Sadowa Property Development sp. z o.o. (17)	Poland	100.00%	-
Zelená farma s.r.o.	Czech Republic	100.00%	100.00%
Zelená louka s.r.o.	Czech Republic	100.00%	100.00%
Zelená pastva s.r.o.	Czech Republic	100.00%	100.00%
ZEMSPOL s.r.o.	Czech Republic	100.00%	100.00%
Zgorzelec Property Development sp. z o.o.	Poland	100.00%	-
ZLATICO LIMITED	Cyprus	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

Joint ventures

Company	Country	31 December 2018	31 December 2017
Beta Development, s.r.o.	Czech Republic	34.06%	34.06%
Brillant 1419. Verwaltungs GmbH	Germany	47.68%	47.68%
Uniborc S.A.	Luxembourg	34.06%	34.06%

(1) Montserrat sp. z o.o. changed its name to Atrium Complex sp. z o.o. with the effective date of 27 April 2018.
(2) BAYTON TWO, s.r.o. changed its name to Byty Lehovec, s.r.o. with effective date of 1 August 2018.
(3) CPI – Facility, a.s. changed its name to CPI Energo, a.s. with effective date of 12 February 2018.
(4) CPI Catering, s.r.o. changed its name to CPI Hotels Catering, s.r.o. with effective date of 20 February 2018.
(5) Kolín Centrum a.s. has merged with CPI Kappa, s.r.o. (the "successor company") with the effective date of 1 January 2018. All assets and liabilities of Kolín Centrum a.s. passed to the successor company.
(6) CPI Property, s.r.o. changed its name to CPI Property a Facility, s.r.o. with effective date of 12 February 2018.
(7) Sint Maarten sp. z o.o. changed its name to CPI Property Development sp. z o.o. with effective date of 17 August 2018.
(8) Brillant 2800. GmbH changed its name to GSG ARMO Holding GmbH with the effective date of 17 January 2018.
(9) KOENIG, s.r.o. has merged with Nový Projekt CPI, s.r.o. (the "successor company") with the effective date of 1 August 2017. All assets and liabilities of KOENIG, s.r.o. passed to the successor company. Nový Projekt CPI, s.r.o. changed its name to KOENIG Shopping, s.r.o. with effective date of 9 July 2018.
(10) Družstvo Land changed its name to Land Properties, a.s. with effective date of 1 July 2018.
(11) REZIDENCE MASARYKOVA 36, s.r.o. has merged with Marissa Théta, a.s. (the "successor company") with the effective date of 1 May 2017. All assets and liabilities of REZIDENCE MASARYKOVA 36, s.r.o. passed to the successor company.
(12) RL – Management s.r.o. has merged with Mercuda, a.s. (the "successor company") with the effective date of 1 January 2018. All assets and liabilities of RL – Management s.r.o. passed to the successor company.
(13) RT Development sp. z o.o. changed its name to Radom Property Development sp. z o.o. with effective date of 20 August 2018.
(14) HopStop 6 sp. z o.o. changed its name to Rembertów Property Development sp. z o.o. with effective date of 12 July 2018.
(15) Tepelné hospodářství Litvínov s.r.o. has merged with Tepelná Litvínov, s.r.o. (the "successor company") with the effective date of 1 September 2017. All assets and liabilities Tepelné hospodářství Litvínov s.r.o. passed to the successor company. Tepelná Litvínov, s.r.o. changed its name to Tepelné hospodářství Litvínov s.r.o. with effective date of 31 August 2018.
(16) HopStop Zamość 1 sp. z o.o. changed its name to Zamość Property Development sp. z o.o. with effective date of 24 May 2018.
(17) HopStop Zamość 2 sp. z o.o. changed its name to Zamość Sadowa Property Development sp. z o.o. with effective date of 13 September 2018.

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To the Shareholders of
CPI Property Group S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CPI Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

Valuation of investment property, property, plant and equipment, and inventories

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

We refer to the accounting policies at notes 2.2 (c), 2.2 (e) and 2.2 (g) and note 6.2 *Investment property*, note 6.3 *Property, plant and equipment* and note 6.7 *Inventories* to the consolidated financial statements. Investment property, property, plant and equipment and inventories represent 90.7% of the total assets of the Group as at 31 December 2018.

The valuation of investment property, property, plant and equipment and inventories is inherently subjective and requires third party valuation experts and the Group's management to use certain assumptions, including yields, capitalization rates, discount rates, comparables and estimated market rents.

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

Therefore, the significance of the estimates and judgements, coupled with the fact that only a small percentage difference in individual investment property, property, plant and equipment and inventory valuations, when aggregated, could result in a material misstatement in the consolidated statement of comprehensive income and consolidated statement of financial position, warrants specific audit focus in this area.

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

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

- We tested the source documentation provided by the Group to the external valuers by agreeing a sample of this documentation back to the underlying lease and other relevant supporting data. We checked the mathematical accuracy of the model.
- We involved our internal valuation specialist to assist us in challenging the appropriateness of the key methodologies including, but not limited to, comparative and residual methods and the key assumptions including, but not limited to, those relating to yields, discount rates, capitalization rates, and rents used by the Group.
- We assessed the qualifications, competence, and independence of the external valuers engaged by the Group.
- Further, we also considered the adequacy of the disclosures in the consolidated financial statements, and the Company's descriptions regarding the inherent degree of subjectivity and key assumptions in estimates.

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Valuation of the goodwill

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

We refer to the accounting policy at note 2.2 (f)(i) and note 6.1 *Intangible assets and goodwill* to the consolidated financial statements.

The assessment of the valuation of goodwill which arose upon the acquisitions of CPI Hotels a.s. (MEUR 45.9) and GSG Group (MEUR 42.6) (together "the Subsidiaries") requires judgement in order to assess the appropriateness of the valuation assessment based on a "value-in-use" calculation.

The valuation assessment involves significant estimates including discount rates, long term growth rate, and assumptions underlying future operating cash flows to be applied in determining the "value-in-use".

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

Our procedures concerning the assessment of the carrying value of goodwill which arose upon the acquisition of the Subsidiaries above included, but were not limited to, the following:

- We obtained an understanding of management's impairment assessment process.
- We obtained and inspected the report prepared by the external valuer engaged by the Group for CPI Hotels a.s. and the calculation prepared by the Group for GSG Group. We involved our internal valuation specialist who assisted us in performing an analysis of the appropriateness of valuation methodologies used by the external valuer and by management, and assessing the appropriateness of discount rate and long term growth rate. Further, we tested the mathematical accuracy of the calculations.
- We assessed the qualifications, competence and independence of the external valuer used by the Group.
- We reconciled underlying assumptions and inputs to the cash flow forecast used in the impairment assessment to the Board of Directors' approved forecast. We challenged the Board of Directors' expectations in respect of material activity and planned operational improvements and whether these were reflected in the cash flow forecast.
- We compared actual historical cash flow results for CPI Hotels a.s. and GSG Group with the previous forecast and challenged whether any differences fell within an acceptable range.
- We assessed the sensitivity analysis performed by the Group and we applied further sensitivity analysis, primarily focused on changes in operating cash flows, to test the impact of these changes.
- We assessed the completeness and adequacy of disclosures required in the notes to the consolidated financial statements pursuant to the relevant accounting and financial reporting standards.

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Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 31 May 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

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

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

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

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

Other matter

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

Luxembourg, 29 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

CPI Property Group

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT

OF THE REVISEUR D'ENTREPRISES AGREE

DECEMBER 31, 2018

40, rue de la Vallée
L-2661 Luxembourg
Share Capital: EUR 901,386,866
R.C.S. Luxembourg B 102.254

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KPMG

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of CPI Property Group S.A. (the "Company"), which comprise the balance sheet as at December 31, 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

Key audit matters

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

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

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

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We refer to the accounting policy at note 2 and note 3 *Financial assets* to the annual accounts. Financial assets represent 96% of the total assets of the Company as at December 31, 2018.

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

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

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

- We reviewed management's assessment of the durable nature of the impairment;
- We assessed the existence and accuracy of the recoverable amount of the financial assets by recalculating the net assets value of the related investee;
- We assessed that any impairment to individual financial asset was applied first to the financial investment, then to the loan principal, and finally to the loan interest;
- We assessed the completeness and adequacy of disclosures required in the notes to the annual accounts pursuant to the relevant accounting and financial reporting standards.

Other information

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

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

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

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

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

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of

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Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on May 31, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

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

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

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

Other matter

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

Luxembourg, March 29, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

Annual Accounts Helpdesk :

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RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2018 **to** 02 31/12/2018 *(in* 03 EUR)

CPI PROPERTY GROUP

40, rue de la Vallée
L-2661 Luxembourg

PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. Net turnover	1701		701		702	
2. Variation in stocks of finished goods and in work in progress	1703		703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705		705		706	
4. Other operating income	1713	Note 13	713	531.100,00	714	52.057.114,00
5. Raw materials and consumables and other external expenses	1671		671	-1.223.747,00	672	-15.241.282,00
a) Raw materials and consumables	1601		601	-398,00	602	-1.131,00
b) Other external expenses	1603	Note 14	603	-1.223.349,00	604	-15.240.151,00
6. Staff costs	1605	Note 15	605	-168.491,00	606	-321.382,00
a) Wages and salaries	1607		607	-156.462,00	608	-245.386,00
b) Social security costs	1609		609	-10.868,00	610	-71.189,00
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-10.868,00	656	-71.189,00
c) Other staff costs	1613		613	-1.161,00	614	-4.807,00
7. Value adjustments	1657	Note 16	657	390.389,00	658	-624.169,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	390.389,00	662	-624.169,00
8. Other operating expenses	1621	Note 17	621	-5.666.860,00	622	-1.465.666,00

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	Note 18	715	17.344,00	716	78.758.720,00
a) derived from affiliated undertakings	1717		717	17.344,00	718	78.758.720,00
b) other income from participating interests	1719		719		720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721	Note 19	721	42.808.828,00	722	16.896.185,00
a) derived from affiliated undertakings	1723		723	42.808.717,00	724	16.896.170,00
b) other income not included under a)	1725		725	111,00	726	15,00
11. Other interest receivable and similar income	1727	Note 20	727	8.252.876,00	728	3.410.405,00
a) derived from affiliated undertakings	1729	Note 20.1	729	7.111.265,00	730	3.356.299,00
b) other interest and similar income	1731	Note 20.2	731	1.141.611,00	732	54.106,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	Note 21	665	-5.183.915,00	666	-109.272.530,00
14. Interest payable and similar expenses	1627	Note 22	627	-54.932.190,00	628	-36.894.875,00
a) concerning affiliated undertakings	1629	Note 22.1	629	-6.322.049,00	630	-24.810.286,00
b) other interest and similar expenses	1631	Note 22.2	631	-48.610.141,00	632	-12.084.589,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	-15.174.666,00	668	-12.697.480,00
17. Other taxes not shown under items 1 to 16	1637	Note 23	637	-9.720,00	638	-4.086,00
18. Profit or loss for the financial year	1669		669	-15.184.386,00	670	-12.701.566,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2018 **to** 02 31/12/2018 *(in* 03 EUR)

CPI PROPERTY GROUP

40, rue de la Vallée
L-2661 Luxembourg

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101		102	
I. Subscribed capital not called	1103		103		104	
II. Subscribed capital called but unpaid	1105		105		106	
B. Formation expenses	1107		107		108	
C. Fixed assets	1109		109	4.115.253.321,00	110	2.598.990.711,00
I. Intangible assets	1111		111		112	
1. Costs of development	1113		113		114	
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115		116	
a) acquired for valuable consideration and need not be shown under C.I.3	1117		117		118	
b) created by the undertaking itself	1119		119		120	
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121		122	
4. Payments on account and intangible assets under development	1123		123		124	
II. Tangible assets	1125		125		126	
1. Land and buildings	1127		127		128	
2. Plant and machinery	1129		129		130	

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135	Note 3	135	4.115.253.321,00	136	2.598.990.711,00
1. Shares in affiliated undertakings	1137	Note 3.1	137	1.805.205.581,00	138	1.807.891.219,00
2. Loans to affiliated undertakings	1139	Note 3.2	139	2.310.045.240,00	140	791.096.992,00
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145	Note 3.3	145	2.500,00	146	2.500,00
6. Other loans	1147		147		148	
D. Current assets	1151		151	138.023.911,00	152	175.325.703,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	136.596.138,00	164	170.315.182,00
1. Trade debtors	1165		165		166	31.894,00
a) becoming due and payable within one year	1167		167		168	31.894,00
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171		171	136.326.216,00	172	170.149.355,00
a) becoming due and payable within one year	1173	Note 4.1	173	88.632.213,00	174	112.039.177,00
b) becoming due and payable after more than one year	1175	Note 4.2	175	47.694.003,00	176	58.110.178,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	
a) becoming due and payable within one year	1179		179		180	
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183		183	269.922,00	184	133.933,00
a) becoming due and payable within one year	1185	Note 4.3	185	269.922,00	186	133.933,00
b) becoming due and payable after more than one year	1187		187		188	

RCSL Nr. : B102254	Matricule : 2004 2214 745

		Reference(s)		Current year		Previous year
III. Investments	1189		189	2.420,00	190	2.420,00
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195	Note 4.4	195	2.420,00	196	2.420,00
IV. Cash at bank and in hand	1197		197	1.425.353,00	198	5.008.101,00
E. Prepayments	1199	Note 5	199	33.321.672,00	200	12.526.953,00
TOTAL (ASSETS)			201	4.286.598.904,00	202	2.786.843.367,00

RCSL Nr. : B102254	Matricule : 2004 2214 745

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	Note 6	301	1.678.451.941,00	302	1.788.495.404,00
I. Subscribed capital	1303		303	901.386.866,00	304	948.872.261,00
II. Share premium account	1305		305	1.039.046.471,00	306	1.086.420.153,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	56.727.853,00	310	56.727.853,00
1. Legal reserve	1311		311	56.727.853,00	312	56.727.853,00
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319	-303.524.863,00	320	-290.823.297,00
VI. Profit or loss for the financial year	1321		321	-15.184.386,00	322	-12.701.566,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331	Note 7	331	1.000.000,00	332	400.000,00
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337	1.000.000,00	338	400.000,00
C. Creditors	1435		435	2.606.535.428,00	436	997.230.076,00
1. Debenture loans	1437		437	2.228.945.055,00	438	829.265.250,00
a) Convertible loans	1439		439		440	
i) becoming due and payable within one year	1441		441		442	
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445	Note 8	445	2.228.945.055,00	446	829.265.250,00
i) becoming due and payable within one year	1447		447	10.120.033,00	448	4.265.250,00
ii) becoming due and payable after more than one year	1449		449	2.218.825.022,00	450	825.000.000,00
2. Amounts owed to credit institutions	1355	Note 9	355	152.306.426,00	356	
a) becoming due and payable within one year	1357		357	102.306.426,00	358	
b) becoming due and payable after more than one year	1359		359	50.000.000,00	360	

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		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361		361		362	
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367		367	2.609.122,00	368	652.957,00
a) becoming due and payable within one year	1369		369	2.609.122,00	370	652.957,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	Note 10	379	222.297.380,00	380	166.934.727,00
a) becoming due and payable within one year	1381	Note 10.1	381	130.366.552,00	382	109.463.994,00
b) becoming due and payable after more than one year	1383	Note 10.2	383	91.930.828,00	384	57.470.733,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451		451	377.445,00	452	377.142,00
a) Tax authorities	1393		393	9.110,00	394	6.680,00
b) Social security authorities	1395		395	3.738,00	396	5.866,00
c) Other creditors	1397		397	364.597,00	398	364.596,00
i) becoming due and payable within one year	1399	Note 11.1	399	364.597,00	400	364.596,00
ii) becoming due and payable after more than one year	1401		401		402	
D. Deferred income	1403	Note 12	403	611.535,00	404	717.887,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	4.286.598.904,00	406	2.786.843.367,00

NOTE 1 - GENERAL INFORMATION

CPI Property Group Société Anonyme (the “Company” or “CPI PG”), formerly named ORCO GERMANY S.A., was incorporated on July 22, 2004 and is organized under the laws of Luxembourg as a Société Anonyme for an unlimited period. On May 13, 2014 the Shareholders of the Company decided to change the name from ORCO GERMANY S.A. to GSG GROUP S.A. Subsequently, the General Meeting of the Shareholders, held on August 28, 2014, resolved to change the name: from GSG GROUP S.A. to CPI Property Group S.A..

The object of the Company is the investment in real estate, thus as the purchase, the sale, the construction, the exploitation, the administration and the letting of real estate as well as the property development, for its own account or through the intermediary of its affiliated companies. The Company has also for object the taking of participating interests, in whatsoever form in other, either Luxembourg or foreign, companies, and the management, control and development of such participating interests. The Company may in particular acquire all types of transferable securities, either by way of contribution, subscription, option, purchase or otherwise, as well as realize them by sale, transfer, exchange or otherwise. The Company may borrow and grant any assistance, loan, advance or guarantee to companies in which it has participation or in which it has a direct or indirect interest. The Company may carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on movable property, which it may deem useful to the accomplishment of its purposes.

The registered office of the Company is established at 40, rue de la Vallée, L-2661 Luxembourg, R.C.S. Luxembourg B 102 254.

The financial year is from January 1, 2018 to December 31, 2018.

CPI PG is a real estate company which is listed on the Regulated Market of the Frankfurt Stock Exchange in the General Standard segment.

As at December 31, 2018, CPI PG is indirectly controlled by Radovan Vítek, ultimate beneficial owner, at 91.61% (2017: 89.17%) through his investment vehicles (Voting rights 2018: 94.25%; 2017: 91.61%).

The consolidated financial statements and separate annual accounts of the Company can be obtained at its registered office, 40, rue de la Vallée, L-2661 Luxembourg and at the following website: www.cpipg.com.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

Basis of preparation and going concern

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law of August 10, 1915, as subsequently amended (“the Commercial Company Law”), determined and applied by the Board of Directors.

The Company has prepared cash flow forecasts for the Group (companies included in CPI Property Group consolidated financial statements), for a period in excess of 12 months from the date of approval of the 2018 consolidated financial statements and annual accounts. These forecasts reflect an assessment of current and future conditions on real estate markets and their impact on the Group's future performance. The forecasts show the Group’s strong performance and that the Group is able to operate within the current committed debt facilities and show continued compliance with Group financial covenants.

As a result of the steady positive cash flow from the rental and other activities of its subsidiaries, the Board of Directors has concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2018 on a going concern basis.

Significant accounting policies

Financial assets

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

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

Debtors

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

Other investments

Other transferable securities are valued individually at the lower of purchase cost or market value. A value adjustment is recorded where the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Prepayments

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year. Financing fees linked to the issuance of non-convertible loans are also recorded under the caption "Prepayments" and are amortised through profit and loss account over the period of the non-convertible loans under the caption "other interest and similar expenses".

Value adjustments

Value adjustments are deducted directly from the related asset.

Conversion of foreign currencies

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

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

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

Provisions

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

Non-convertible loans

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

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

Creditors

Creditors are valued at their nominal value.

Deferred income

This item includes income incurred during the financial year but relating to a subsequent financial year. Financing income linked to the issuance of non-convertible loans is also recorded under the caption "Deferred income" .

Other operating income

Other operating income includes income from invoicing of operating costs and providing management services.

NOTE 3 - FINANCIAL ASSETS

2018	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
Gross book value		
Balance at January 1, 2018	2,007,726	886,329
Additions for the year	7,268	1,797,420
Disposals for the year	(75,074)	(276,819)
Balance at December 31, 2018	1,939,920	2,406,930
Accumulated value adjustments		
Balance at January 1, 2018	(199,835)	(95,232)
Additions for the year	(3,554)	(4,463)
Disposals for the year	68,675	2,810
Balance at December 31, 2018	(134,714)	(96,885)
Net book value as at January 1, 2018	**1,807,891**	**791,097**
Net book value as at December 31, 2018	**1,805,206**	**2,310,045**

3.1 Shares in affiliated undertakings

In 2018, the Company established a new company in Italy, CPI Hotels Italy S.r.l.. The Company also increased its investments in Parco delle Case Bianche S.r.l. and CPI Finance Slovakia II, a.s..

The Company acquired 1 Bishops Avenue Limited from Radovan Vítek, the ultimate beneficial owner of the Company.

During 2018, the liquidation of Mondello, a.s. was completed.

Despite its negative net equity, the Management of the Company has decided to not fully impair the investment into Parco delle Case Bianche S.r.o. basing their decision on positive market value of the Company project.

Undertakings in which the Company holds participation in their share capital are detailed in the following table:

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2018
		as at	31.12.2018	31.12.2017	in 2018	31.12.2018	31.12.2017	in 2018	31.12.2018	31.12.2017	31.12.2018		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
1 Bishops Avenue Limited**	Great Britain	GBP	100.00%	--	--	--	--	--	--	--	--	26,008	(19,439)
CM Hotels SA	Switzerland	EUR	100.00%	92	--	92	(92)	--	(92)	--	--	(1,585)	(267)
CPI Alberghi HI Roma S.r.l.	Italy	EUR	100.00%	31,662	--	31,662	--	--	--	31,662	31,662	35,459	(1,192)
CPI Finance CEE, a.s.	Czech Republic	CZK	100.00%	75	--	75	--	(4)	(4)	75	71	71	(5)
CPI Finance Slovakia II, a.s.*	Slovakia	EUR	--	134	(134)	--	(77)	77	--	57	--	--	--
CPI Hotels Italy S.r.l.**	Italy	EUR	100.00%	--	10	10	--	--	--	--	10	(5,173)	(5,183)
CPI North, s.r.o.	Czech Republic	CZK	100.00%	4	--	4	--	--	--	4	4	450	42
Czech Property Investments, a.s.	Czech Republic	CZK	100.00%	1,633,204	--	1,633,204	--	--	--	1,633,204	1,633,204	2,349,871	207,182
Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	94.99%	74,768	--	74,768	--	--	--	74,768	74,768	1,632,116	482,753
GSG Holding 2 GmbH	Germany	EUR	100.00%	198	--	198	(198)	19	(179)	--	19	19	--
Isalotta GP GmbH & Co. Verwaltungs	Germany	EUR	94.99%	3,765	--	3,765	--	--	--	3,765	3,765	84,661	(7)
ITL Alfa, s.r.o.*	Czech Republic	CZK	0.00%	3	(3)	--	(3)	3	--	--	--	--	--
IVRAVODA LIMITED	Cyprus	EUR	100.00%	640	--	640	--	--	--	640	640	90,369	2,825
Mercuda, a.s.	Czech Republic	CZK	100.00%	37,186	--	37,186	--	--	--	37,186	37,186	73,793	5,509
Mondello, a.s., v likvidaci	Czech Republic	CZK	--	68,663	(68,663)	--	(68,576)	68,576	--	87	--	--	--
ORCO Immobilien GmbH	Germany	EUR	100.00%	12,906	--	12,906	(12,906)	--	(12,906)	--	--	(49,621)	(2,382)
ORCO Property Group S.A.	Luxembourg	EUR	0.01%	44	--	44	--	--	--	44	44	13,145	3,267,782
Parco delle Case Bianche S.r.l.	Italy	EUR	100.00%	1,406	984	2,389	--	--	--	1,406	2,389	(1,297)	(1,307)
Remontées Mécaniques Crans Montana Aminoma (CMA) SA	Switzerland	EUR	85.33%	97,889	--	97,889	(77,640)	(3,414)	(81,055)	20,249	16,835	19,729	(13,127)
SCI MAS CANTAGRELI	France	EUR	100.00%	1	--	1	(1)	--	(1)	--	--	(3,628)	(422)
SCP AILEY	Monaco	EUR	99.90%	1	--	1	(1)	--	(1)	--	--	(697)	(265)

Name of the undertaking	Country	Cur.	% held	Cost	Cost change	Cost	Accumulated Impairment	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying Value	Carrying Value	Net equity (***)	Result of 2018
		as at	31.12.2018	31.12.2017	in 2018	31.12.2018	31.12.2017	in 2018	31.12.2018	31.12.2017	31.12.2018		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
SCP CAYO	Monaco	EUR	99.90%	1,377	--	1,377	--	(117)	(117)	1,377	1,261	1,261	(981)
SCP CISKEY	Monaco	EUR	99.90%	116	--	116	(116)	--	(116)	--	--	(7,551)	2,079
SCP KANDLER	Monaco	EUR	99.90%	14	--	14	(14)	--	(14)	--	--	(3,800)	(478)
SCP MADRID	Monaco	EUR	99.90%	1	--	1	(1)	--	(1)	--	--	(137)	(115)
SCP PIERRE CHARRON	Monaco	EUR	99.90%	19	--	19	--	(19)	(19)	19	--	(713)	(1,167)
SCP VILLA DE TAHITI	Monaco	EUR	99.90%	3,348	--	3,348	--	--	--	3,348	3,348	3,885	(1,220)
Vitericon Projektentwicklung	Germany	EUR	100.00%	40,210	--	40,210	(40,210)	--	(40,210)	--	--	--	--
Zlatico Limited	Cyprus	EUR	0.1%	--	--	--	--	--	--	--	--	57,943	27,004
Total				**2,007,726**	**(67,806)**	**1,939,920**	**(199,835)**	**65,111**	**(134,714)**	**1,807,891**	**1,805,206**		

(*) Company disposed or liquidated during financial year
(**) Acquisition occurred during the financial year
(***) Net equity calculation is based on unaudited Financial Statements in accordance with IFRS as adopted by EU

3.2 Loans to affiliated undertakings

The following amounts owed by affiliated undertakings have been considered:

Name of the undertaking	Int. Rate	Maturity	2018	2017
			KEUR	KEUR
Prime Tourist Resort (Cyprus) Limited	3.00%	May 16, 2026	47,961	47,921
Spojené farmy a.s.	8.00%	December 31, 2022	972	546
Mercuda, a.s.	4.00%	December 31, 2020	43	--
Czech Property Investments, a.s.	2.47%	October 4, 2024	35,682	35,682
Czech Property Investments, a.s.	2.31%	October 4, 2024	94,591	94,591
CPI Hotels, a.s.	8.10%	December 31, 2020	9,814	12,755
GSG Holding2. GmbH	1.50%	December 31, 2023	5	--
Isalotta GP GmbH & Co.Verwaltungs KG	6.00%	December 31, 2020	43	40
Orco Immobilien GmbH***	4.00%	December 31, 2020	50,448	48,420
Vitericon Projektentwicklung GmbH*	0.00%	December 31, 2020	23,620	23,620
SCI MAS CANTAGRELI	1.47%	December 31, 2024	8,947	8,513
1 Bishops Avenue Limited*	4,00%	Unspecified	59,488	--
1 Bishops Avenue Limited*	0.00%	December 31, 2069	6,754	--
CM Hotels SA**	3.00%	December 31, 2020	1,478	1,031
CMA Immobilier SA**	3.00%	December 31, 2020	4,406	4,316
Remontées Mécaniques Crans Montana Aminona (CMA) SA***	3.00%	December 31, 2020	--	25,185
CPI Hotels Italy S.r.l.	2.63%	December 31, 2024	4,701	--
CPI Alberghi HI Roma S.r.l.	2.63%	September 30, 2024	365	--
GSG Europa Beteiligungs GmbH***	2.00%	Unlimited	8,050	--
Parco delle Case Bianche, S.r.l.	8.00%	December 31, 2019	17,350	14,436
ORCO Property Group S.A.	2.47%	October 4, 2024	336,794	336,794
ORCO Property Group S.A.	2.31%	October 4, 2024	127,681	127,681
ORCO Property Group S.A.	4.95%	August 11, 2023	540,161	--
ORCO Property Group S.A.	2.04%	April 14, 2022	606,420	--
ORCO Property Group S.A.	2.52%	October 25, 2023	87,325	--
ORCO Property Group S.A.	1.92%	October 25, 2023	56,362	--
ORCO Property Group S.A.	1.80%	December 10, 2021	61,967	--
ORCO Property Group S.A.	3.38%	December 8, 2028	23,231	--
ORCO Property Group S.A.	1.14%	March 16, 2020	33,977	--
ORCO Property Group S.A.	1.75%	December 17, 2021	50,000	--
SCP KANDLER****	1.47%	December 31, 2024	10,479	10,111
SCP AILEY****	1.47%	December 31, 2024	2,960	2,782
SCP CAYO****	1.47%	December 31, 2024	19,124	18,704
SCP CISKEY****	1.47%	December 31, 2024	32,500	31,707
SCP NEW BLUE BIRD****	1.47%	December 31, 2024	14,172	13,480
SCP VILLA DE TAHITI****	1.47%	December 31, 2024	14,128	14,170
SCP MADRID****	1.47%	December 31, 2024	2,773	2,637
SCP PIERRE CHARRON****	1.47%	December 31, 2024	12,162	11,208
Others	--	--	(4)	--
Total			**2,406,930**	**886,330**
Value adjustments			(96,885)	(95,233)
Net value			**2,310,047**	**791,097**

(*) Repayable on demand
(**) Repayable on demand with 30 days' notice
(***) Repayable on demand with 3 months' notice
(****) Amendment, concluded in 2018, changed interest rate from 1.47% to 1.40% as from January 1,2019

The following amounts owed by affiliated undertakings have been considered impaired:

Name of the undertaking	2018	2017
	KEUR	KEUR
Orco Immobilien GmbH	(50,448)	(48,420)
Vitericon Projektentwicklung GmbH	(23,620)	(23,620)
SCI MAS CANTAGRELI	(3,628)	(3,206)
CM Hotels SA	(1,478)	(1,035)
SCP KANDLER	(3,804)	(3,327)
SCP AILEY	(698)	(433)
SCP CISKEY	(7,559)	(9,638)
SCP NEW BLUE BIRD	(4,800)	(5,531)
SCP MADRID	(137)	(23)
SCP PIERRE CHARRON	(714)	--
Others	2	--
Total value adjustments	**(96.885)**	**(95,233)**

Results of value adjustments are reported in Note 21.

3.3 Investments held as fixed assets

Investments held as fixed assets consist of a deposit amounting to KEUR 3 (2017: KEUR 3).

NOTE 4 - CURRENT ASSETS

4.1 Amounts owed by affiliated undertakings becoming due and payable within one year

The amounts owed by affiliated undertakings becoming due and payable within one year contain principals, accrued interest, other receivables and trade receivables on amounts owed by affiliated undertakings.

	2018				2017			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Other	Interest	Total	Principal	Other	Interest	Total
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED	--	--	5,877	5,877	--	--	4,419	4,419
Gamala Limited	--	--	2,890	2,890	--	--	1,503	1,503
Spojené farmy a.s.	--	--	24	24	--	--	123	123
CPI BYTY, a.s.	--	--	--	--	--	46	--	46
Mercuda, a.s.	--	--	6	6	43	--	4	47
CPI Services, a.s.	--	5,228	--	5,228	--	17,141	--	17,141
Czech Property Investments, a.s.	--	--	4,707	4,707	--	--	1,641	1,641
CPI Hotels, a.s.	--	--	248	248	--	104	1,082	1,186
Isalotta GP GmbH & Co.Verwaltungs KG	--	--	3	3	--	--	2	2
GSG Europa Beteiligungs GmbH	--	--	142	142	--	--	--	--
Brillant 2800. GmbH	35,106	--	527	35,633	35,100	--	6	35,106
Gewerbesiedlungs-Gesellschaft mbH	--	--	--	--	--	322	--	322
Orco Immobilien GmbH	--	30	2,018	2,048	--	30	2,027	2,057
Viterícon Projektentwicklung GmbH	--	257	--	257	--	257	--	257
1 Bishops Avenue Limited	--	--	127	127	--	--	--	--
CPI Finance (BVI) Limited	--	--	--	--	--	30,703	--	30,703

	2018				2017			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Other	Interest	Total	Principal	Other	Interest	Total
CM Hotels SA	--	--	40	40	--	--	4	4
Vítek Radovan, JUDr.	--	--	--	--	--	58	1,713	1,771
CMA Immobilier SA	--	--	133	133	--	--	26	26
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	--	--	--	--	--	214	214
CPI Hotels Italy S.r.l.	--	--	79	79	--	--	--	--
CPI Alberghi HI Roma S.r.l.	--	--	5	5	--	--	--	--
Parco delle Case Bianche, S.r.l.	--	--	1,784	1,784	--	--	499	499
ORCO Property Group S.A.	--	16,112	15,634	31,746	--	15,489	1,531	17,020
CPI Finance Netherlands II B.V.	--	--	--	--	258	--	11	269
Branch of MMR RUSSIA S.á.r.l. (Luxembourg)	--	--	--	--	--	417	--	417
Others	--	--	--	--	--	1	--	1
Total	**35,106**	**21,627**	**34,244**	**90,977**	**35,401**	**64,568**	**14,805**	**114,774**
Value adjustments	--	(287)	(2,058)	(2,345)	(4)	(704)	(2,027)	(2,735)
Net value	**35,106**	**21,340**	**32,186**	**88,632**	**35,397**	**63,864**	**12,778**	**112,039**

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

	2018				2017			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Other	Interest	Total	Principal	Other	Interest	Total
Brillant 2800. GmbH	--	--	--	--	(4)	--	--	(4)
Orco Immobilien GmbH	--	(30)	(2,018)	(2,048)	--	(30)	(2,027)	(2,057)
Vitericon Projektentwicklung GmbH	--	(257)	--	(257)	--	(257)	--	(257)
CM Hotels SA	--	--	(40)	(40)	--	--	--	--
Branch of MMR RUSSIA S.á.r.l. (Luxembourg)	--	--	--	--	--	(417)	--	(417)
Total value adjustments	**--**	**(287)**	**(2,058)**	**(2,345)**	**(4)**	**(704)**	**(2,027)**	**(2,735)**

4.2 Amounts owed by affiliated undertakings becoming due and payable after more than one year

In 2018, the ultimate beneficial owner of the Company, Radovan Vítek, partially repaid the loans provided by the Company.

Name of the undertaking	Int. Rate	Maturity	2018	2017
			KEUR	KEUR
Gamala Limited	5.00%	December 31, 2021	47,694	32,524
Vítek Radovan	5.00%	December 31, 2021	--	25,586
Total			**47,694**	**58,110**

The unpaid interest is disclosed in Note 4.1 .

4.3 Other debtors becoming due and payable within one year

The following amounts owed by other debtors have been considered:

	2018				2017			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Other	Interest	Total	Principal	Other	Interest	Total
GRANDHOTEL ZLATÝ LEV a.s.	--	141	--	141	--	--	--	--
Tax authorities	--	129	--	129	--	134	--	134
Others	--	389	--	389	--	389	--	389
Total	**--**	**659**	**--**	**659**	**--**	**523**	**--**	**523**
Value adjustments	--	(389)	--	(389)	--	(389)	--	(389)
Net value	**--**	**270**	**--**	**270**	**--**	**134**	**--**	**134**

Other debtors are impaired as follows:

	2018				2017			
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Other	Interest	Total	Principal	Other	Interest	Total
Others	--	(389)	--	(389)	--	(389)	--	(389)
Total value adjustments	**--**	**(389)**	**--**	**(389)**	**--**	**(389)**	**--**	**(389)**

4.4 Other investments

The Company has the following transferable securities as of December 31, 2018 and 2017:

Depositary bank	Security	ISIN Code	Quantity	Amount
				EUR
2018				
J & T BANKA, a.s.	Warrants ORCO Property Group S.A.	XS0290764728	15,125	2,420
2017				
J & T BANKA, a.s.	Warrants ORCO Property Group S.A.	XS0290764728	15,125	2,420

NOTE 5 - PREPAYMENTS

Prepayments are mainly composed of transaction costs and discounts relating to the issuance of non-convertible loans (see Note 8). The corresponding issuance costs are amortized until the final maturity date of the related non-convertible loans.

				2018				2017
	Within one year	Within 5 years	After more than 5 years	Total	Within one year	Within 5 years	After more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
XS1693959931	1,943	7,762	1,455	11,160	1,854	7,416	3,244	12,514
XS1819537132	2,269	8,694	--	10,963	--	--	--	--
XS1894558102	2,616	5,995	--	8,611	--	--	--	--
CH0441186472	175	672	--	847	--	--	--	--
XS1917880012	107	205	--	312	--	--	--	--
XS1917855337	18	53	65	136	--	--	--	--
Total notes costs	**7,128**	**23,381**	**1,520**	**32,029**	**1,854**	**7,416**	**3,244**	**12,514**
J.P. Morgan	353	54	--	407	--	--	--	--
Raiffeisen Bank International AG	141	106	--	247	--	--	--	--
Barclays Bank PLC	345	--	--	345	--	--	--	--
HSBC Bank plc - pobočka Praha	75	132	--	207	--	--	--	--
Total credit institution loans costs	**914**	**292**	**--**	**1,206**	**--**	**--**	**--**	**--**
Other	87	--	--	87	13	--	--	13
Total prepayments	**8,129**	**23,673**	**1,520**	**33,322**	**1,867**	**7,416**	**3,244**	**12,527**

NOTE 6 - CAPITAL AND RESERVES

6.1 Subscribed capital and share premium account

As of December 31, 2018, the share capital amounts to EUR 901,386,865.80 (2017: EUR 948,872,261) and is represented by 9,013,868,658 ordinary shares (2017: 9,488,722,610) with par value of EUR 0.10 each fully paid in.

On April 10, 2018, the Company issued 250,000,000 new ordinary shares at a subscription price of EUR 0.20 per share. All the new shares were subscribed by RINDOSTERN S.à r.l., an entity closely associated with Radovan Vitek, the ultimate benefical owner of the Company. The new shares were fully paid up by a cash contribution. The Company allocated the difference between the par value, EUR 0.10, and the subscription price, EUR 0.20, in the amount EUR 25,000,000 to the share premium account.

Share buy-back programme

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

On the basis of the authorization by the 2018 EGM, the Board has decided on March 1, 2018, to proceed to a buy-back of certain shares of the Company under the buyback programme, the terms of which are set forth in the buy-back offer published by the Company on March 2, 2018. A total of 724,853,952 shares in the Company with a par value of EUR 0.10 each have been acquired for the proposed acquisition price of EUR 0.20 per share (representing in aggregate app. EUR 145 million). At the time of buy-back this represented a direct holding of 7.64% of the Company's share capital. The shares were bought-back from an entity affiliated with the majority shareholder. The bought-back shares were cancelled by the extraordinary general meeting of shareholders of the Company on May 14, 2018.

As at December 31, 2018, the Company is authorised to redeem/repurchase up to 275,146,048 own shares under the buy-back programme approved by the 2018 EGM. For further terms and conditions of buy-back please refer to the buy-back programme of the Company.

On May 14, 2018, the extraordinary general meeting of the shareholders of the Company resolved to decrease the share capital of the Company by an amount of EUR 72,485,395.20 by means of cancellation of 724,853,952 shares held in treasury by the Company, with allocation of the reduction proceeds to a reserve of the Company. The purpose of this capital decrease was to cancel the Company shares held in treasury by the Company. The Company decreased the share premium account, due the acquisition price of EUR 0.20 per share, in the total amount EUR 72,373,682.11.

Kingstown dispute

The Company announced that on January 20, 2015 it was served with a summons containing petition of the three companies namely Kingstown Partners Master Ltd. of the Cayman Islands, Kingstown Partners II, LP of Delaware and Ktown LP of Delaware (together referred to as „Kingstown“), claiming to be the shareholders of Orco Property Group S.A. ("OPG"), filed with the „Tribunal d´Arrondissement de et a Luxembourg". The petition seeks condemnation of the Company together with OPG and certain members of OPG´s board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown´s allegation the claimed damage has arisen as a consequence of inter alia alleged violation of OPG´s minority shareholders rights. To the best of Company´s knowledge, Kingstown was not at the relevant time (and is not up to now) a shareholder of the Company. Therefore, and without any assumption regarding the possible violation, the Company believes that it cannot be held liable for the violation of the rights of the shareholders of another entity.

The Management of the Company has been taking all available legal actions to oppose these allegations in order to protect the corporate interest as well as the interest of its shareholders. Accordingly, the parties sued by Kingstown raised the exceptio judicatum solvi plea, which consists in requiring the entity who initiated the proceedings and who does not reside in the European Union or in a State which is not a Member State of the Council of Europe to pay a legal deposit to cover the legal costs and compensation procedure. The Luxembourg District Court rendered on February 19, 2016 a judgement, whereby each claimant has to place a legal deposit in the total amount of EUR 90,000 with the "Caisse de Consignation" in Luxembourg in order to continue the proceedings. Kingstown paid the deposit in January 2017, and the litigation, currently being in a procedural stage, is pending.

In October 2018, Kingstown's legal advisers filed additional submission to increase the amount of alleged damages claimed to EUR 157 million. The Company continues to believe the claim is without merit and intends to vigorously contest it. Hearings on the admissibility of the claim are expected to take place second quarter of 2019.

6.2 Authorized capital not issued

The extraordinary general meeting of the shareholders of the Company held on March 1, 2018 (the "2018 EGM") resolved to modify, renew and replace the existing authorised share capital of the Company and to set it to an amount of five billion euros (EUR 5,000,000,000) for a period of five (5) years from March 1, 2018, which would authorise the issuance of up to forty billion (40,000,000,000) new ordinary shares and up to ten billion (10,000,000,000) new non-voting shares of the Company.

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

As at December 31, 2018, the authorized share capital of the Company amounts to EUR 4,975,000,000, which would authorize the issuance of up to 39,750,000,000 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding.

6.3 Legal reserve

In accordance with the Commercial Company Law, the Company must appropriate to the legal reserve a minimum of 5% of the annual net profit until such reserve equals 10% of the subscribed capital. Distribution by way of dividends of the legal reserve is prohibited.

6.4 Movements in capital and reserves

	Subscribed capital	Share premium account	Legal reserve	Profit / loss brought forward	Profit / loss for the financial year	TOTAL
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As at December 31, 2017	**948,872**	**1,086,420**	**56,728**	**(290,823)**	**(12,702)**	**1,788,495**
Allocation of previous year's result	-	-	-	(12,702)	12,702	--
Capital increase from April 10, 2018	25,000	25,000	--	--	--	50,000
Capital decrease from May 14, 2018	(72,485)	(72,374)	--	--	--	(144,859)
Profit/ loss for the financial year	-	-	-	-	(15,184)	(15,184)
As at December 31, 2018	**901,387**	**1,039,046**	**56,728**	**(303,525)**	**(15,184)**	**1,678,452**

NOTE 7 - PROVISIONS

The Company increased the provision related to the Khan litigation due to obtained a second instance decision.

NOTE 8 - NON CONVERTIBLE LOANS

The Company has issued 7 series of notes under its Euro Medium Term Note Programme since September 2017. The volume of Euro Medium Term Note Programme was increased from EUR 1.25 billion to EUR 3 billion in April 2018.

Non-convertible loans consist of bonds issued by the Company as follows:

ISIN	Nominal amount	Currency	Number of bonds	Issued price per bond	Maturity date	Nominal interest rate	Listing
XS1693959931	600,000,000	EUR	6,000	99.039	October 4, 2024	2.125%	Euronext Dublin*
XS1693959931	225,000,000	EUR	2,250	100.323	October 4, 2024	2.125%	Euronext Dublin*
XS1819537132	550,000,000	EUR	5,500	98.833	Undated**	4.375%	Euronext Dublin*
XS1894558102	610,000,000	EUR	6,100	99.340	April 14, 2022	1.450%	Euronext Dublin*
CH0441186472	165,000,000	CHF	33,000	100.000	October 25, 2023	1.630%	SIX Swiss Exchange
XS1917880012	8,000,000,000	JPY	80	100.000	December 10, 2021	1.414%	Tokyo Pro-Bonds market
XS1917855337	3,000,000,000	JPY	30	100.000	December 8, 2028	1.995%	Tokyo Pro-Bonds market

(*) Irish Stock Exchange
(**) no fixed maturity date, are callable by the Company's call option only, from August 11, 2023

ISIN	Currency	Maturity	Interest rate	Nominal value	2018 Carrying value	Nominal value	2017 Carrying value
				K-nom curr	**KEUR**	**KEUR**	**KEUR**
XS1693959931	EUR	October 4, 2024	2.125%	825,000	825,000	825,000	825,000
XS1819537132	EUR	Undated	4.375%	550,000	550,000	--	--
XS1894558102	EUR	April 14, 2022	1.450%	610,000	610,000	--	--
CH0441186472	CHF	October 25, 2023	1.630%	165,000	146,419	--	--
XS1917880012	JPY	December 10, 2021	1.414%	8,000,000	63,568	--	--
XS1917855337	JPY	December 8, 2028	1.995%	3,000,000	23,838	--	--
Total					**2,218,825**		**825,000**

8.1 ISIN XS1693959931

In 2017, the Company issued EUR 825 million 7-year senior notes in two tranches.

The first tranche of EUR 600 million, on October 4, 2017, was issued at an issue price of 99.039%. The corresponding discount has been recorded under the caption “Prepayments” (see Note 5).

The second tranche of EUR 250 million, on December 6, 2017, was issued at an issue price of 100.323%. The corresponding premium has been recorded under the caption “Deferred income” (see Note 12).

8.2 ISIN XS1819537132

On May 9, 2018, the Company issued EUR 550 million of undated 4.375% fixed rate resettable subordinated notes. The notes have no fixed maturity date and are callable by the Company from August 11, 2023.

8.3 ISIN XS1894558102

On October 17, 2018, the Company issued EUR 600 million of 4-year senior notes at issue price of 99.340 %. The next day, on October 18, 2018 the Company issued second tranche of EUR 10 million at the same issue price. The corresponding discount has been recorded under the caption “Prepayments” (see Note 5).

8.4 ISIN CH0441186472

On October 25, 2018, the Company issued CHF 165 million of 5-year senior notes. The Company converted CHF 100 million the proceeds from the notes into Euro through a cross-currency interest rate swap (see Note 8.8).

8.5 ISIN XS1917880012

On December 10, 2018 the Company issued JPY 8 billion of 3-year senior notes. The Company converted the issuance into Euro through cross-currency interest rate swaps and switched fixed interest rate to variable interest rate (see Note 8.8).

8.6 ISIN XS1917855337

On December 10, 2018 the Company issued JPY 3 billion of 10-year senior notes. The Company converted the issuance into Euro through a cross-currency interest rate swap and switched fixed interest rate to variable interest rate (see Note 8.8).

8.7 Costs linked to non-convertible loans

During the financial years end December 31, 2018 and 2017, the notes generated expenses, that are summarized in the following table:

			2018			2017
	Interest	Other costs	Total	Interest	Other costs	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
XS1279550260	--	--	--	3,043	5,076	8,119
XS1693959931	17,493	1,841	19,334	3,442	442	3,884
XS1819537132	15,544	1,512	17,056	--	--	--
XS1894558102	1,841	549	2,390	--	--	--
CH0441186472	802	371	1,173	--	--	--
XS1917880012	107	158	265	--	--	--
XS1917855337	73	65	138	--	--	--
Total	**35,860**	**4,496**	**40,356**	**6,485**	**5,518**	**12,003**

Notes issued in 2015, ISIN XS1279550260, were cancelled in 2017.

8.8 Cross-currency interest rate swaps

Out of the proceeds from the issue of notes in Swiss France ("CHF) and Japanese Yen ("JPY"), the Company converted CHF 100 million and JPY 11 billion into Euro through cross-currency interest rate swaps. The Company uses the cross-currency interest rate swaps to manage its foreign currency and interest rate exposures. The Company entered into cross-currency interest rate swaps with Komerční banka, a.s., HSBC Bank PLC and J.P. Morgan Securities PLC.

The fair value of the cross-currency interest rate swaps is as follows:

2018	Within one year			Within 5 years			After more		
	Notional amount		FV	Notional amount		FV	Notional amount		FV
	million	KEUR	KEUR	million	KEUR	KEUR	million	KEUR	KEUR
CHF	--	--	--	100	87,325	1,215	--	--	--
JPY	--	--	--	8,000	61,967	1,604	3,000	23,231	744
Total		**--**	**--**		**149,292**	**2,819**		**23,231**	**744**

NOTE 9 - AMOUNTS OWED TO CREDIT INSTITUTIONS

During 2018, the Company entered into revolving credit facilities and unsecured term loans with credit institutions as follows:

				2018				2017
Total	Within one year	Within 5 years	After more than 5 years	Total	Within one year	Within 5 years	After more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Principal	102,192	50,000	--	152,192	--	--	--	--
Interest	114	--	--	114	--	--	--	--
Total amounts owed to credit institution	**102,306**	**50,000**	**--**	**152,306**	**--**	**--**	**--**	**--**
Prepayment	(914)	(292)	--	(1,206)	--	--	--	--
Total	**101,392**	**49,708**	**--**	**151,100**	**--**	**--**	**--**	**--**

9.1 EUR 150 million unsecured revolving credit facility (J.P. Morgan)

In March 2018, the Company entered into a EUR 150 million 2-year unsecured revolving credit facility with Barclays Bank PLC, Credit Suisse, Deutsche Bank Luxembourg S.A., J.P. Morgan Securities plc, Komerční banka, a.s., and UniCredit Bank Czech Republic and Slovakia, a.s. Every utilisation of revolving credit facility has own maturity and interest rate. The rate of interest is the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and EURIBOR, depending on the maturity date of utilisation.

As at December 31, 2018, the maturity date of the facility was January 17, 2019. The applicable interest rate was 0.65%.

9.2 EUR 80 million unsecured revolving credit facility (Raiffeisen Bank)

In August 2018, the Company entered into a EUR 80 million 2-year unsecured revolving credit facility with HSBC Bank Plc, Nomura International plc, and Raiffeisen Bank International. Every utilisation of revolving credit facility has own maturity and interest rate. The rate of interest is the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and EURIBOR, depending on the maturity date of utilisation.

As at December 31, 2018, the maturity date of the facility was February 4, 2019. The applicable interest rate was 0.65%.

9.3 GBP 65 million senior unsecured loan (Barclays)

In December 2018, the Company entered into a GBP 65 million senior unsecured loan provided by Barclay Bank PLC and Deutsche Bank Luxembourg S.A. Every utilisation of loan has own maturity and interest rate. The rate of interest is the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and LIBOR, depending on the interest period mentioned in request of utilisation.

As at December 31, 2018, the maturity date of the facility was January 14, 2019.The applicable interest rate was 1.38%.

9.4 EUR 50 million 3-year senior unsecured term loan (HSBC)

In December 2018, the Company entered into a EUR 50 million 3-year senior unsecured term loan with HSBC Bank plc. Every utilisation of loan has its own interest rate. The rate of interest is the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and EURIBOR, depending on the interest period requested in the utilisation form.

As of December 31, 2018, the maturity date of the facility was December 17, 2021. The applicable interest rate was EURIBOR+1.45%.

9.5 Costs linked to Amounts owed to credit institutions

In 2018, the revolving credit facilities and unsecured term loans generated expenses, that are summarized in the following table:

			2018			2017
	Interests	Other costs	Total	Interests	Other costs	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
J.P. Morgan	192	637	829	--	--	--
Raiffeisen Bank	18	133	151	--	--	--
Barclays	44	19	63	--	--	--
HSBC	24	6	30	--	--	--
Total	**278**	**795**	**1,073**	**--**	**--**	**--**

NOTE 10 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

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

The following amounts owed to affiliated undertakings have been considered:

				2018				2017
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	Principal	Interest	Other	Total	Principal	Interest	Other	Total
Codiazella LTD,	--	--	9,180	9,180	--	--	9,180	9,180
CPI Management, s.r.o.	--	--	--	--	--	--	1	1
Czech Property Investments, a.s.	45,439	14,001	1	59,441	1,304	11,296	1,016	13,616
GSG Asset GmbH & Co. Verwaltungs KG	--	--	93	93	--	--	93	93
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	1,342	80	--	1,422	1,266	76	--	1,342
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	1,690	101	--	1,791	1,594	96	--	1,690
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	1,682	101	--	1,783	1,587	95	--	1,682
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	1,089	65	--	1,154	1,028	62	--	1,090
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	1,274	76	--	1,350	1,202	72	--	1,274
Gewerbesiedlungs-Gessellschaft mbH	45,124	705	--	45,829	45,000	124	--	45,124
Orco Immobilien GmbH	2,927	176	283	3,386	2,762	166	283	3,211
Le Trois Caps SARL	--	--	100	100	--	--	--	--
CPI Finance (BVI) Limited	--	--	2,083	2,083	--	--	2,083	2,083
ST Project Limited	--	--	--	--	--	--	20,887	20,887
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	2	--	2	--	--	--	--
CPI Alberghi HI Roma S.r.l.	500	--	--	500	--	--	--	--
ORCO Property Group S.A.	--	2,250	1	2,251	--	49	8,045	8,094
CPI Finance Slovakia II, a.s.	--	--	--	--	--	--	100	100
Others	--	--	2	2	--	--	(3)	(3)
Total	**101,067**	**17,557**	**11,743**	**130,367**	**55,743**	**12,036**	**41,685**	**109,464**

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

Due to amendment, the consideration payable to ORCO Property Group S.A. has been considered as payable after more than one year with other payables as follows:

Name of the undertaking	Int. Rate	Maturity	2018	2017
			KEUR	KEUR
Czech Property Investments, a.s.	4.00%	December 31, 2019	--	43,864
Gewerbesiedlungs-Gessellschaft mbH	1.50%	December 31, 2023	29,000	--
Gewerbesiedlungs-Gessellschaft mbH	--	December 31, 2023	2	--
ST Project Limited	0.00%	December 31, 2020	--	2,700
Remontées Mécaniques Crans Montana Aminona (CMA) SA	3.00%	December 31, 2020	1,589	--
ORCO Property Group S.A.	--	July 31, 2020	7,976	--
ORCO Property Group S.A.	2.47%	September 30, 2024	53,364	10,906
Total			**91,931**	**57,470**

NOTE 11 - OTHER CREDITORS

11.1 Other creditors becoming due and payable within one year

Other creditors becoming payable within one year are composed as follow:

	2018	2017
	KEUR	KEUR
	Total	Total
Directors - attendance fees	14	14
Others	351	351
Total	**365**	**365**

NOTE 12 - DEFERRED INCOME

Deferred income consists of premium that arose from the second tranche of the EMTN programme (see Note 8.1).

				2018				2017
	Within one year	Within 5 years	After more than 5 years	Total	Within one year	Within 5 years	After more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
XS1693959931	107	425	80	612	107	425	186	718
Total	**107**	**425**	**80**	**612**	**107**	**425**	**186**	**718**

NOTE 13 - OTHER OPERATING INCOME

The other operating income includes remuneration for providing comprehensive and professional services in expert and in an efficient manner.

The change of system of providing management services to affiliated undertakings by the Company led to decrease of other operating income and expenses (see Note 14).

	2018	2017
	KEUR	KEUR
CPI BYTY, a.s.	--	46
CPI Services, a.s.	--	13,618
CPI Hotels, a.s.	--	104
Gewerbesiedlungs-Gessellschaft mbH	--	1,050
CPI Hungary Kft.	--	2,037
ORCO Property Group S.A.	531	--
CPI Poland Sp. z o.o.	--	1,006
Branch of MMR RUSSIA S.á.r.l. (Luxembourg)	--	85
CPI Facility Slovakia, a.s.	--	957
Disposal of Nukasso Holdings Limited (to Czech Property Investments, a.s.)	--	33,140
Sales of other subsidiaries	--	11
Other income	--	3
Total	**531**	**52,057**

NOTE 14 - OTHER EXTERNAL EXPENSES

Other external expenses are compose as follows:

	2018	2017
	KEUR	KEUR
Rental, maintenance and repairs	27	12
Financial services	178	677
Bank fees	9	37
Professional fees – management fee	--	13,580
Professional fees - other	883	833
Advertising, publications, public relations	81	75
Travelling costs	23	17
Other fees	22	9
Total	**1,223**	**15,240**

The management fee agreement with ST Project Limited was terminated as from December 31, 2017.

NOTE 15 - STAFF COSTS

The Company had three employees in 2018 (2017: four).

	2018	2017
	KEUR	KEUR
Wages and salaries	158	250
Social security costs	11	71
Total	**169**	**321**

NOTE 16 - VALUE ADJUSTMENTS IN RESPECT OF CURRENT ASSETS

The Company has been considered value adjustments of current assets as follows:

	2018	2017
	KEUR	KEUR
Orco Immobilien GmbH	9	147
Vitericon Projektentwicklung GmbH	--	(257)
CM Hotels SA	(40)	--
Vivaro Holding S.A.	--	(29)
Branch of MMR RUSSIA S.àr.l. (Luxembourg)	417	(417)
Others	4	(68)
Total	**390**	**(624)**

NOTE 17 - OTHER OPERATING EXPENSES

The other operating expenses mainly includes impact of sale of CPI Finance Slovakia II, a.s. to a third party and partly reversal cost related to management of Company’s Monaco affiliate and provision to Khan Litigation (see Note 7).

	2018	2017
	KEUR	KEUR
Directors - attendance fees	72	72
Audit Committee - attendance fees	7	--
Affiliate based in Monaco cost	100	--
Affiliate based in Monaco cost (partly reversal of previous year cost)	(1,322)	1,389
Increase in provision for Kahn litigation (Note 7)	600	--
Liquidation of Mondello, a.s.	3	--
Sale of CPI Finance Slovakia II, a.s.	6,190	--
Others	17	5
Total	**5,667**	**1,466**

NOTE 18 - INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

The Company received dividend from Zlatico Limited in 2018.

	2018	2017
	KEUR	KEUR
Zlatico Limited	17	--
Mondello, a.s., v likvidaci (liquidated)	--	78,759
Total	**17**	**78,759**

NOTE 19 - INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

The loans forming part of the fixed assets bear interest in the amount and structure as follow:

	2018	2017
	KEUR	KEUR
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED	1,458	3,416
NUKASSO HOLDINGS LIMITED	--	5,195
Spojené farmy a.s.	31	49
Czech Property Investments, a.s.	3,066	1,641
CPI Hotels, a.s.	1,031	1,100
Orco Immobilien GmbH	2,018	2,027
1 Bishops Avenue Limited	127	--
SCI MAS CANTAGRELI	131	52
CM Hotels SA*	40	4
CMA Immobilier SA	133	26
Remontées Mécaniques Crans Montana Aminona (CMA) SA	727	216
CPI Hotels Italy S.r.l.	79	--
CPI Alberghi HI Roma S.r.l.	5	(103)
GSG Europa Beteiligungs GmbH	142	--
Parco delle Case Bianche, S.r.l.	1,285	976
ORCO Property Group S.A.	30,928	1,531
SCP KANDLER	153	76
SCP AILEY	43	19
SCP CAYO	288	133
SCP CISKEY	477	298
SCP NEW BLUE BIRD	208	73
SCP VILLA DE TAHITI	212	88
SCP MADRID	41	15
SCP PIERRE CHARRON	174	59
Others	12	5
Total	**42,809**	**16,896**

(*) The amount was included in "Others" in prior year.

NOTE 20 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

20.1 Derived from affiliated undertakings

In 2018, other interest receivable from affiliated undertakings mainly concerned the entities listed below:

	2018				2017			
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Gamala Limited	3,134	36	--	3,170	1,503	--	--	1,503
Spojené farmy a.s.	--	44	--	44	--	--	--	--
Mercuda, a.s.	2	--	--	2	--	--	--	--
CPI Services, a.s.	--	191	--	191	--	--	--	--
Mondello, a.s., v likvidaci (liquidated)	--	--	--	--	--	55	--	55
Czech Property Investments, a.s.	--	28	--	28	--	1	--	1
CPI Hotels, a.s.	--	178	--	178	--	--	--	--
Brillant 2800. GmbH	527	--	--	527	6	--	--	6
Vítek Radovan, JUDr.	1,851	--	--	1,851	1,415	--	--	1,415
CM Hotels SA	--	4	--	4	--	--	--	--
CMA Immobilier SA	--	64	--	64	--	--	--	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	816	--	816	--	24	--	24
ORCO Property Group S.A.	--	236	--	236	345	--	--	345
CPI Finance Netherlands II B.V.	--	--	--	--	7	--	--	7
Total	**5,514**	**1,597**	**--**	**7,111**	**3,276**	**80**	**--**	**3,356**

20.2 Other interest and similar income

This position includes mainly interest from cross-currency interest rate swaps.

	2018				2017			
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Komerční banka, a.s.	166	--	--	166	--	--	--	--
J & T BANKA, a.s.	--	--	--	--	--	--	6	6
HSBC Bank plc - pobočka Praha	399	3	40	442	--	--	--	--
J.P. Morgan Securities plc	162	--	--	162	--	--	--	--
HSBC Bank plc	19	--	--	19	--	--	--	--
Others	--	353	--	353	--	45	3	48
Total	**746**	**356**	**40**	**1,142**	**--**	**45**	**9**	**54**

NOTE 21 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Value adjustments of financial assets are composed as follows:

	2018			2017		
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
CPI Finance CEE, a.s.	(4)	--	(4)	--	--	--
Mondello, a.s., v likvidaci (liquidated)	--	--	--	(68,576)	--	(68,576)
ORCO Hotel Riverside, s.r.o.	--	4	4	--	--	--

NOTE 18 - INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

The Company received dividend from Zlatico Limited in 2018.

	2018	2017
	KEUR	KEUR
Zlatico Limited	17	--
Mondello, a.s., v likvidaci (liquidated)	--	78,759
Total	**17**	**78,759**

NOTE 19 - INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

The loans forming part of the fixed assets bear interest in the amount and structure as follow:

	2018	2017
	KEUR	KEUR
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED	1,458	3,416
NUKASSO HOLDINGS LIMITED	--	5,195
Spojené farmy a.s.	31	49
Czech Property Investments, a.s.	3,066	1,641
CPI Hotels, a.s.	1,031	1,100
Orco Immobilien GmbH	2,018	2,027
1 Bishops Avenue Limited	127	--
SCI MAS CANTAGRELI	131	52
CM Hotels SA*	40	4
CMA Immobilier SA	133	26
Remontées Mécaniques Crans Montana Aminona (CMA) SA	727	216
CPI Hotels Italy S.r.l.	79	--
CPI Alberghi HI Roma S.r.l.	5	(103)
GSG Europa Beteiligungs GmbH	142	--
Parco delle Case Bianche, S.r.l.	1,285	976
ORCO Property Group S.A.	30,928	1,531
SCP KANDLER	153	76
SCP AILEY	43	19
SCP CAYO	288	133
SCP CISKEY	477	298
SCP NEW BLUE BIRD	208	73
SCP VILLA DE TAHITI	212	88
SCP MADRID	41	15
SCP PIERRE CHARRON	174	59
Others	12	5
Total	**42,809**	**16,896**

(*) The amount was included in "Others" in prior year.

NOTE 20 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

20.1 Derived from affiliated undertakings

In 2018, other interest receivable from affiliated undertakings mainly concerned the entities listed below:

	2018				2017			
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Gamala Limited	3,134	36	--	3,170	1,503	--	--	1,503
Spojené farmy a.s.	--	44	--	44	--	--	--	--
Mercuda, a.s.	2	--	--	2	--	--	--	--
CPI Services, a.s.	--	191	--	191	--	--	--	--
Mondello, a.s., v likvidaci (liquidated)	--	--	--	--	--	55	--	55
Czech Property Investments, a.s.	--	28	--	28	--	1	--	1
CPI Hotels, a.s.	--	178	--	178	--	--	--	--
Brillant 2800. GmbH	527	--	--	527	6	--	--	6
Vítek Radovan, JUDr.	1,851	--	--	1,851	1,415	--	--	1,415
CM Hotels SA	--	4	--	4	--	--	--	--
CMA Immobilier SA	--	64	--	64	--	--	--	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	816	--	816	--	24	--	24
ORCO Property Group S.A.	--	236	--	236	345	--	--	345
CPI Finance Netherlands II B.V.	--	--	--	--	7	--	--	7
Total	**5,514**	**1,597**	**--**	**7,111**	**3,276**	**80**	**--**	**3,356**

20.2 Other interest and similar income

This position includes mainly interest from cross-currency interest rate swaps.

	2018				2017			
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Komerční banka, a.s.	166	--	--	166	--	--	--	--
J & T BANKA, a.s.	--	--	--	--	--	--	6	6
HSBC Bank plc - pobočka Praha	399	3	40	442	--	--	--	--
J.P. Morgan Securities plc	162	--	--	162	--	--	--	--
HSBC Bank plc	19	--	--	19	--	--	--	--
Others	--	353	--	353	--	45	3	48
Total	**746**	**356**	**40**	**1,142**	**--**	**45**	**9**	**54**

NOTE 21 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Value adjustments of financial assets are composed as follows:

	2018			2017		
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
CPI Finance CEE, a.s.	(4)	--	(4)	--	--	--
Mondello, a.s., v likvidaci (liquidated)	--	--	--	(68,576)	--	(68,576)
ORCO Hotel Riverside, s.r.o.	--	4	4	--	--	--

	2018			2017		
	Shares	Loans	Total in KEUR	Shares	Loans	Total in KEUR
GSG Holding2. GmbH	19	--	19	--	--	--
Orco Immobilien GmbH	--	(2,027)	(2,027)	--	(5,065)	(5,065)
SCI MAS CANTAGRELI	--	(422)	(422)	--	(2,768)	(2,768)
CM Hotels SA	--	(442)	(442)	--	(1,035)	(1,035)
Remontées Mécaniques Crans Montana Aminona (CMA) SA	(3,414)	--	(3,414)	(23,425)	--	(23,425)
Parco delle Case Bianche, S.r.l.	--	--	--	645	751	1,396
ORCO Property Group S.A.	--	--	--	17	--	17
SCP KANDLER	--	(478)	(478)	--	(2,129)	(2,129)
SCP AILEY	--	(265)	(265)	--	(3)	(3)
SCP CAYO	(117)	--	(117)	254	--	254
SCP CISKEY	--	2,079	2,079	--	(5,866)	(5,866)
SCP NEW BLUE BIRD	--	731	731	--	(4,042)	(4,042)
SCP VILLA DE TAHITI	--	--	--	487	--	487
SCP MADRID	--	(114)	(114)	--	237	237
SCP PIERRE CHARRON	(19)	(714)	(733)	19	1,298	1,317
CPI Finance Slovakia II, a.s.	--	--	--	(70)	--	(70)
Others	--	(1)	(1)	--	(2)	(2)
Total	**(3,535)**	**(1,649)**	**(5,184)**	**(90,649)**	**(18,624)**	**(109,273)**

NOTE 22 - INTEREST PAYABLE AND SIMILAR EXPENSES

22.1 Concerning affiliated undertakings

Interest payable and similar expenses are composed as follows. The negative FX expenses represent reversal of unrealised foreign exchange losses incurred in previous period.

	2018			2017		
	Interest	FX	Total	Interest	FX	KEUR
Gamala Limited	--	8	8	--	--	--
Spojené farmy a.s.	--	6	6	--	--	--
CPI Services, a.s.	--	14	14	--	--	--
Mondello, a.s., v likvidaci (liquidated)	--	--	--	--	9,044	9,044
Czech Property Investments, a.s.	2,706	5	2,711	9,457	4,614	14,071
CPI Hotels, a.s.	--	6	6	--	--	--
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	80	--	80	76	--	76
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	101	--	101	108	--	108
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	101	--	101	95	--	95
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	65	--	65	70	--	70
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	76	--	76	72	--	72
GSG Europa Beteiligungs GmbH	40	--	40	--	--	--
Gewerbesiedlungs-Gessellschaft mbH	708	--	708	124	--	124
Orco Immobilien GmbH	176	--	176	166	--	166
1 Bishops Avenue Limited	--	6	6	--	--	--
CMA Immobilier SA	--	--	--	--	64	64
Remontées Mécaniques Crans Montana Aminona (CMA) SA	2	18	20	55	630	685
ORCO Property Group S.A.	2,202	--	2,202	49	184	233

	2018			2017		
	Interest	FX	Total	Interest	FX	KEUR
Others	--	2	2	--	2	2
Total	**6,257**	**65**	**6,322**	**10,272**	**14,538**	**24,810**

22.2 Other interest and similar expenses

	2018				2017			
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Bondholder_CPI PG 1.414% 10dec2021 JPY_XS1917880012	55	1,451	159	1,717	--	--	--	--
Bondholder_CPI PG 1.45% 2022-04_XS1894558102	1,841	--	549	2,390	--	--	--	--
Bondholder_CPI PG 1.63 CPIPRO 18-23/Z_CH0441186472	444	1,771	371	2,944	--	--	--	--
Bondholder_CPI PG 1.995% 8dec2028 JPY_XS1917855337	2	544	65	682	--	--	--	--
Bondholder_CPI PG 2.125% 10/2024_XS1693959931	17,493	--	1,841	19,334	3,442	--	442	3,885
Bondholder_CPI PG 4.375% hybrid_XS1819537132	15,544	--	2,185	17,729	--	--	--	--
Bondholder_CPI PG 5 08/20/25_XS1279550260	--	--	--	--	3,043	--	5,076	8,118
Barclays Bank PLC	44	290	19	353	--	--	--	--
HSBC Bank plc	44	--	6	30	--	--	--	--
J.P. Morgan Europe Limited	192	--	610	802	--	--	--	--
J.P. Morgan Securities plc	223	--	--	223	--	--	--	--
Komerční banka, a.s.	211	--	--	211	--	--	--	--
Raiffeisen Bank International AG	18	--	157	175	--	--	--	--
Others	--	2,331	123	2,454	--	55	27	82
Total	**36,138**	**6,387**	**6,085**	**48,610**	**6,485**	**55**	**5,545**	**12,085**

NOTE 23 - TAX ON PROFIT OR LOSS

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2018, the Company has a payable amounting to KEUR 10 (2017: KEUR 4) towards the Luxembourg Tax Administration.

	2018	2017
	KEUR	KEUR
Corporate income tax	--	--
Wealth tax	10	4
Total	**10**	**4**

NOTE 24 - OFF BALANCE SHEET COMMITMENTS

Subordination of loan

The Company issued a subordination of loan and a comfort letter without any limit to the following affiliated companies:

- Orco Immobilien GmbH
- GSG Berlin Invest GmbH
- Gebauer Höfe Liegenschaften GmbH
- GSG Asset GmbH & Co. Verwaltungs KG

Comfort letter

In 2012, the Company issued the following comfort letters to GSG Asset KG for their contracting partner Techem Energy Contracting GmbH still valid in 2018:

			2018			2017
	Interest	FX	Total	Interest	FX	KEUR
Others	--	2	2	--	2	2
Total	**6,257**	**65**	**6,322**	**10,272**	**14,538**	**24,810**

22.2 Other interest and similar expenses

				2018				2017
	Interest	FX	Other	Total	Interest	FX	Other	KEUR
Bondholder_CPI PG 1.414% 10dec2021 JPY_XS1917880012	55	1,451	159	1,717	--	--	--	--
Bondholder_CPI PG 1.45% 2022-04_XS1894558102	1,841	--	549	2,390	--	--	--	--
Bondholder_CPI PG 1.63 CPIPRO 18-23/Z_CH0441186472	444	1,771	371	2,944	--	--	--	--
Bondholder_CPI PG 1.995% 8dec2028 JPY_XS1917855337	2	544	65	682	--	--	--	--
Bondholder_CPI PG 2.125% 10/2024_XS1693959931	17,493	--	1,841	19,334	3,442	--	442	3,885
Bondholder_CPI PG 4.375% hybrid_XS1819537132	15,544	--	2,185	17,729	--	--	--	--
Bondholder_CPI PG 5 08/20/25_XS1279550260	--	--	--	--	3,043	--	5,076	8,118
Barclays Bank PLC	44	290	19	353	--	--	--	--
HSBC Bank plc	44	--	6	30	--	--	--	--
J.P. Morgan Europe Limited	192	--	610	802	--	--	--	--
J.P. Morgan Securities plc	223	--	--	223	--	--	--	--
Komerční banka, a.s.	211	--	--	211	--	--	--	--
Raiffeisen Bank International AG	18	--	157	175	--	--	--	--
Others	--	2,331	123	2,454	--	55	27	82
Total	**36,138**	**6,387**	**6,085**	**48,610**	**6,485**	**55**	**5,545**	**12,085**

NOTE 23 - TAX ON PROFIT OR LOSS

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2018, the Company has a payable amounting to KEUR 10 (2017: KEUR 4) towards the Luxembourg Tax Administration.

	2018	2017
	KEUR	KEUR
Corporate income tax	--	--
Wealth tax	10	4
Total	**10**	**4**

NOTE 24 - OFF BALANCE SHEET COMMITMENTS

Subordination of loan

The Company issued a subordination of loan and a comfort letter without any limit to the following affiliated companies:

- Orco Immobilien GmbH
- GSG Berlin Invest GmbH
- Gebauer Höfe Liegenschaften GmbH
- GSG Asset GmbH & Co. Verwaltungs KG

Comfort letter

In 2012, the Company issued the following comfort letters to GSG Asset KG for their contracting partner Techem Energy Contracting GmbH still valid in 2018:

- Wattstrasse, limited to EUR 114,000
- Geneststrasse, limited to EUR 120,000
- Zossener Strasse, limited to EUR 114,900
- Adalbertstrasse, limited to EUR 46,202
- Waldemarstrasse, limited to EUR 106,798
- Gneisenaustrasse, limited to EUR 103,200
- Lübarser Strasse, limited to EUR 85,000

Other Guarantee, warranties

Capellen

The Company agreed to guarantee certain warranties given by OPG to the buyer of Capellen building in Luxembourg. The guaranteed warranties related to pending claims in relation to the building and are limited to EUR 250,000. The duration of the guarantee is 24 months from January 25, 2017.

Sunčani Hvar

The Company concluded an agreement with HSBC Bank plc ("HSBC") and Privredna Banka Zagreb d.d. ("PBK") in relation to a bank guarantee for its subsidiary Prime Tourist Resorts (Cyprus) Limited ("PTR Cyprus") enabling a squeeze out of Sunčani Hvar d.d minority shareholders. Under this agreement, PBK will provide a guarantee to PTR Cyprus The purpose of this guarantee is to safeguard payments to minority shareholders of Sunčani Hvar. HSBC will provide a counter guarantee of the guarantee provided by PBK. The term of the guarantee was determined until June 30, 2019 and for a maximum amount of MEUR 4. No payment has been claimed under the guarantee as of December 31, 2018.

Credit Facility Agreements

As at balance sheet date, the Company has contracted below the credit facility agreements with its affiliated :

	2018 Drawdown Limit (MEUR)	2017 Drawdown Limit (MEUR)
PTR Prime Tourist Resort (Cyprus) Limited	150	150
1 Bishops Avenue Limited	68	--
CPI Hotels, a.s	17	17
CPI Hotels Italy	5	5
Czech Property Invesments a.s.	765	765
ORCO Property Group S.A.	2,186	500
Parco Delle Case Bianche, S.R.L	30	30
Gamala Limited	208	208
Radovan Vitek	60	60
Spojené farmy, a.s.	39	39
SCI MAS Cantagreli	20	20
SCP Ailey	20	20
SCP Cayo	23	2
SCP Ciskey	32	32
SCP Kandler	20	20
SCP Madrid	20	20
SCP New Blue Bird	21	20
SCP Pierre Charron	21	20
SCP Villa de Tahiti	23	20

Covenants on notes

Following the issuance of the notes under the ETMN programme (see Note 8), the Company has to comply with financial covenants (detail of covenants is available in the Company prospectus on the Company website). As of December 31, 2018, all covenants were met (2017: all covenants were met)

NOTE 25 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors and Audit Committee attendance compensation for the year 2018 amounts to EUR 72,000 (2016: EUR 72,000) (see Note 17). The Annual General Meeting held on May 28, 2014 resolved to approve, with the effect as of January 1, 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowered the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to independent, non-executive Directors of the Company.

NOTE 26 - RELATED PARTY TRANSACTIONS

Except as already disclosed elsewhere in the notes, transactions with Related Parties are as follows:

As at December 31, 2018, Radovan Vitek, the ultimate beneficial owner of the Company and Gamala Limited, an entity controlled by Radovan Vitek, were reported as part of affiliated undertakings.

Other entity related to the ultimate beneficial owner is CPIPG Holding S.à r.l. (formerly RINDOSTERN S.à r.l.).

As of December 31, 2018, individuals within the management of the Company hold for MEUR 5 of non-convertible bonds issued on May 9, 2018 (see Note 8.2).

NOTE 27 - POST BALANCE SHEET EVENTS

ISIN XS190499639

On February 12, 2019 the Company issued HKD 450 million 5-years notes under the Company's Euro Medium Term Note (EMTN) programme. The Company converted the proceeds from the notes into Euros through cross-currency swaps.

ISIN XS1955030280

On March 8, 2019 the Company issued USD 350 million 4-years notes under the Company's Euro Medium Term Note (EMTN) programme. The Company converted the proceeds from the notes into Euros through cross-currency swaps.

Repayment of amounts owed to facility agreements

The Company used the proceeds from the EMTN placements in Hong Kong Dollars ("HKD") and US Dollars ("UDS") to repay the amounts owed to credit institutions due within one year as of December 31, 2018 (see Note 9).

Schuldschein instruments

On March 15, 2019, the Company entered into three traditional German loan-style credit instruments (the "Schuldschein intruments"). The Schuldschein instruments included EUR 111 million of floating-rate loans due in 2023, EUR 49 million of floating rate loans due in 2025, and EUR 10 million 2.696% loans due in 2027.

Vitericon litigation

On March 15, 2019 the Company received a summons from the Berlin Court. The Company was sued by an insolvency administrator of the Company's former subsidiary. The insolvency administrator claims the invalidity of a intragroup debt settlement from 2013 and claims a payment of EUR 10.4 million from the Company. The Company is prepared to defence in front of the Court.

EUR 510 million 3-year unsecured revolving credit facility

On March 22, 2019, the Company entered into a EUR 510 million 3-year unsecured revolving credit facility with a group of 11 banks.

The facility is structured to replace the existing credit facility agreements entered into in 2018 (see Note 9).